

Aetna Life Insurance Company  
Delaware Small Group  
PPO-based Products

**Summary**

Aetna is filing premium rates for Small Group plans in Delaware.

The new rates will apply to plan years effective in 2018. The overall proposed average rate increase is 8.8%. The current membership and range of rate changes by product are:

<u>Product Name</u>	<u># Members as of February 2017</u>	<u>Range of Increases</u>
PPO	2,682	-18.5% to 4.1%

**Why We Need to Increase Premiums**

Medical costs are going up and we are changing our rates to reflect this increase. We expect medical costs to go up 12.2% excluding the effect of benefit or cost sharing changes. Medical costs go up for two reasons – providers raise their prices and members get more medical care. Examples of increasing medical costs we have experienced over the last year include:

- The cost of Pharmacy scripts has increased 8%
- Outpatient Facility utilization has increased 6%

**What Else Affects Our Request to Increase Premiums**

There were 96,629 member months in 2016 between AHI-AHIC and ALIC, with revenues including Risk Adjustment of \$42,845,785 and claims of \$34,108,268.

Factor	Rate Change
Base Experience	-17.9%
Trend	12.2%
Population Risk	4.5%
Demographics	1.2%
Benefit Change	-0.5%
Risk Adjustment	5.9%
Retention	6.1%
TOTAL	8.8%

First, claims experience for this market has been better than anticipated. Part of the rate increase is to account for this favorable experience.

As described above, medical costs are going up and we are changing our rates to reflect this increase.

Our estimate of average population health and the expected risk adjustment transfers for Affordable Care Act (ACA) products have changed to reflect new data on market average premiums and population health. These changes are affected by the movement of business between the ACA market and other coverage.

The projected demographics of the block are slightly different from our current demographics, and we are changing our rates to reflect this.

Changes to the product portfolio and cost-sharing were made to comply with the actuarial value requirements or make our plans more attractive to consumers.

Finally, changes to our retention formula were incorporated into our rates. These changes include administrative costs, profit, and ACA taxes and fees.

### **Will Premiums for All Small Groups Increase 8.8%?**

No, increases differ by plan. The exact rate change depends on what benefit plan the group chooses, when the group's contract renews, and the ages and family sizes of enrolling employees. Rates charged to employees also depend upon any change in the amount of premium paid by the employer.

### **How does this request align to Minimum Loss Ratio Requirements (MLR)?**

These rates are expected to produce an MLR equal to or above the 80% requirement for Small Group business. Under the ACA, at least 80% of the premiums collected by health plans are expected to pay for medical care and activities that improve health care quality for members. If the actual MLR turns out to be less than 80%, rebates will be issued to members in accordance with the law.

Aetna makes significant investments that benefit our members that the government does not allow us to use in this calculation. These investments include customer service, health quality activities like disease management programs, and the development of new information technologies.

### **What is Aetna doing to keep premiums affordable?**

Aetna strives to keep our products as affordable as possible and to address the underlying cost of health care. We are:

- Developing new agreements, arrangements, and partnerships with health care providers that base provider compensation on the quality of care.
- Creating medical management programs that address potential health issues for members earlier, improving health outcomes and reducing the need for high-cost health care services.
- Working to reduce the ability of out-of-network providers to collect unreasonably excessive payments for services they provide.

We are dedicated to increasing transparency within the health care system and helping members best utilize the plans that they have. Members can access Aetna Navigator, a secure member website, which allows them to research their specific plan benefits, health care providers in a given area, and in some locations, the cost of certain health care services. The Aetna Navigator streamlined mobile app is also available to allow members to take their care on the go.

Additionally, Aetna's Plan for Your Health website aims to educate all consumers on how to take advantage of their health care benefits.