

# **Consumer Narrative**

## **Tufts Associated Health Maintenance Organization, Inc.**

### **Massachusetts Small Group Rate Filing**

#### **Scope and Range of the Rate Increase**

The average requested first quarter 2018 rate increase for the TAHMO suite of products is 5.4%. The actual rate change realized by a group may vary depending on age composition, geographic location, benefit plan design, size, and SIC. This filing impacts 16,009 members currently enrolled in one of the TAHMO products with a renewal date in the first quarter 2018.

#### **Financial Experience of the product**

As demonstrated in the 2015 Supplemental Health Care Exhibit, Tufts Associated Health Maintenance Organization, Inc. Company met the legal requirements with a loss ratio in excess of 88.0%, meaning more than 88.0% of collected premiums went towards medical expenses.

The loss ratio in this filing is anticipated to be above the 88.0% minimum.

#### **Changes in Medical Service Costs**

The rate increase is primarily driven by the continual increase in medical service costs. The key medical cost factors included in the rate filing are as follows:

- Higher provider reimbursement levels from increases in fee schedules
- Higher pharmaceutical costs from increases in the cost of brand name drugs
- Higher outpatient utilization
- Expanded coverage of drugs for members living with Hepatitis C

#### **Changes in Benefits**

A consideration in the rate filing process is the changes in benefit plan design by product. The changes are typically made to keep a product affordable, meaning lower the premium a member will pay. No benefit plan design changes were made specifically for the second quarter filing. However, benefit plan design changes made earlier in the year will impact groups renewing in the second quarter since the groups will have to choose one of the new benefit plan design offerings.

#### **Changes in administrative expenses, taxes, and fees**

Administrative expenses, including ACA related administrative expenses, taxes, and fees have decreased by roughly five-tenths a percent of premium. Specifically Tufts Health Plan has revised its administrative expense allocation methodology in

2016, in an effort to better align costs with the appropriate business segment. The new expense allocation methodology resulted in a reduction in administration expense to the Commercial line of business.

In this rate filing, Tufts Health Plan (Tufts Associated Health Maintenance Organization, Inc. and Tufts Insurance Company) is requesting a contribution to surplus of 1.0% of premium.