

Humana Health Plan
Part II – Preliminary Justification

Scope and Range of Rate Increase

The requested annualized rate increase for the Humana Health Plan small group major medical business for this product effective 1/1/2016 is an average of 10.61%. From January 2016 through December 2016, the annualized increase will range from 10.57% to 10.64%. There are 37,177 covered individuals impacted by the rate increase. The individual group base rate increase will vary from the average increase due to changes in various characteristics, such as age, plan, and geographic location.

Financial Experience

For calendar year 2014, the experience for groups on an ACA compliant plan has been provided below (the experience for groups on a transitional product has been excluded). The Company is proposing a rate action that is needed to maintain a target projected loss ratio.

	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2014 Calendar Year	61,292,756	55,003,936	89.7%

The impact of worse than expected claims experience represents 3.09% of the 10.61% threshold increase.

Changes in Medical Services and Costs

Medical Service Changes – Represents the change in plan claim costs associated with the increase/decrease of service utilization, severity of services, and change in mix of services. The medical service change represents 0.72% of the 7.98% annual pricing trend increase.

Medical Cost Changes – Represents the change in plan claim costs due to changes in the unit cost of services, or changes in provider contracts. The medical cost change represents 7.27% of the 7.98% annual pricing trend increase.

Area Changes- Represents the impact of the area factor changes. The impact of the area factor change is 0.00%.

Changes in Benefits

Medical Benefit Changes Required by Law – Represents benefit changes mandated by either State or Federal Regulation. There are no changes in additional benefits included in this filing and this change represents 0% of the filed increase.

Medical Benefit Changes Not Required by Law – Represents benefit changes that are not required by either State or Federal Regulation. There are no changes in additional benefits included in this filing and this change represents 0.00% of the filed increase.

Impact from the Updated Actuarial Value Calculator -This represents changes to plan design, mainly as a result of changes in the Actuarial Value Calculator and 2016 Final Notice of Benefit and Payment Parameters. The product portfolio has been modified to realign with the update Actuarial Value Calculator. The impact of these cost sharing benefit changes across the entire product portfolio is -3.07%.

Administrative Costs and Anticipated Profits

Changes to Administrative Costs – Represents the change related to the cost of providing insurance. Examples include claims payment expenses, employee salaries and benefits, agent commissions, taxes, rent and overhead. This impact represents 0.0% of the average filed increase.

Other Changes Required by Law - Represents changes mandated by either State or Federal Regulation that are not related to benefits. Increases in state premium taxes and gap assesment represents 2.5% of the 10.61% threshold increase.