

# Consumer Disclosure about Proposed Health Insurance Rate Increase

**Status: This proposed rate increase is currently under review.**

## The ABC Health Insurance Company Green Earth products sold in Indiana

- The ABC Health Insurance company has requested a rate increase above the 10% threshold for review.
- The law requires a review of these proposed rate increases by States, or if a State does not have an effective review program, by the federal government, to determine if the proposed increase is unreasonable.
- The Indiana Department of Insurance will review this proposed rate increase.
- **This posting does not mean that the proposed rate increase is too high or that it is unreasonable. That can be determined only after the rates have been reviewed. When the review is completed, you can see the result here.**

## ABC Health Insurance Company Is Asking to Increase The Health Insurance Rates It Charges to Policyholders



### How large is the proposed rate increase?

• If this proposed rate increase goes into effect, the *average* new rate for The ABC Health Insurance Company's Green Earth products [\[link\]](#) sold in Indiana will be **\$235.05** a month. This is up **\$24.82** from last year's *average* rate of \$210.23 a month.

• Expressed as a percentage, this proposed increase is an **11.8%** increase *on average*.

### How will this rate increase affect the premiums people pay?

• A "rate" is a base price for health benefits – a "premium" is the specific amount charged to groups and covered individuals. The actual premium groups and covered individuals may pay could be higher or lower than the \$235.05 average rate, based on rating factors like their age and where they live or, in an employer group plan, based on the make-up (age, family sizes, etc.) and health experience of the group.

• The **11.8%** is an average rate increase for all covered groups or individuals. The insurance company has stated that the minimum rate increase for this product will be **5%** and the maximum will be **13.6%**. The premiums may be higher, based on an individual's rating factors, or in an employer group plan, based on the ages, family structure, and health experience of the group members.

### When will this take effect?

• If this increase goes into effect 900 covered individuals will pay the new premium on their first renewal or anniversary date that falls on or after September 2, 2012, or on a different date determined by the insurer (if state law allows).

### How will I know if this increase has taken effect?

• If this increase goes into effect, **ABC Health Insurance Company** will notify its covered individuals and employer groups of their premium increases.



## Section 1: What Is Causing the Proposed **11.8%** Average Rate Increase?

The insurance company is asking to increase rates because it believes there will be increased costs for the three factors that make up an insurance rate: medical services costs, administrative expenses, and the part of the premium the company keeps after paying for medical services and administrative expenses.

### The Proposed **11.8%** Increase Adds **\$24.82** to the Average Monthly Rate Here's the breakdown:

Factors Impacting Proposed Rate Increase	How these Factors Impact the Proposed Increase	
The Average Monthly Rate Increase consists of the following:	\$24.82	
<b>Medical Services</b> – Cost of providing healthcare services to policyholders	\$19.91	80% [hyperlink to p. 4]
<b>Administrative Expenses</b> – Marketing, claims processing, and other costs to the company	\$2.42	10%
<b>Underwriting Gain/Loss</b> – Amount the company keeps after paying claims and administrative expenses	\$2.49	10%

## Section 2: Rates and Medical Costs

### What Is Included in Medical Services Costs?

The cost of medical services -- what the insurance company pays doctors, hospitals, and other providers when covered individuals need their services -- are the biggest part of a rate. The insurance company believes that **80%** of the **11.8%** average proposed rate increase will be caused by higher medical service costs next year. The next table shows how much medical services costs are expected to increase.



## Many Types of Medical Service Add to the **\$19.91** Average Proposed Increase for Medical Services Costs

<b>Hospital Inpatient</b> Care in a hospital	\$1.97	10.4%
<b>Outpatient</b> Care in a hospital or other facility that doesn't require an overnight stay	\$3.05	18.0%
<b>Professional Services</b> Payments to doctors and other healthcare professionals	\$5.51	22.4%
<b>Prescription Drugs</b> Medicines you need a prescription to buy	\$5.24	26.9%
<b>Ancillary Services</b> Medical supplies, ambulance fees, etc.	\$0.30	1.5%
<b>Capitation</b> A fixed per person payment the insurer pays to a provider or provider network to cover a person's care.	\$1.50	8%
<b>Other Costs*</b>	\$2.35	12.8%
<b>Total Medical Service Cost Changes</b>	<b>\$19.91</b>	<b>100%</b>

### What's Causing These Medical Service Costs to Increase?

Cost of Services	How Much People Use Medical Services	Other Costs*
60%	30%	10%

\*This category includes several factors that may apply to the insurance company's rates:

- 1) Changes in how much the company charges in cost sharing, which is the covered group's or individual's share of the costs of covered medical services, for example, a co-pay;
- 2) Changes in the benefits that are covered; and
- 3) Correction of prior net claims estimate.

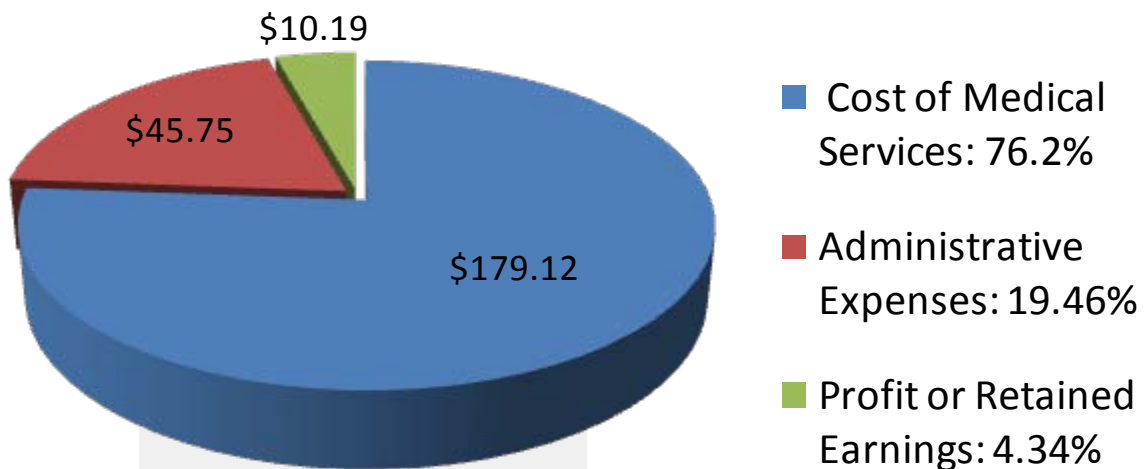
## Section 3: New Rate



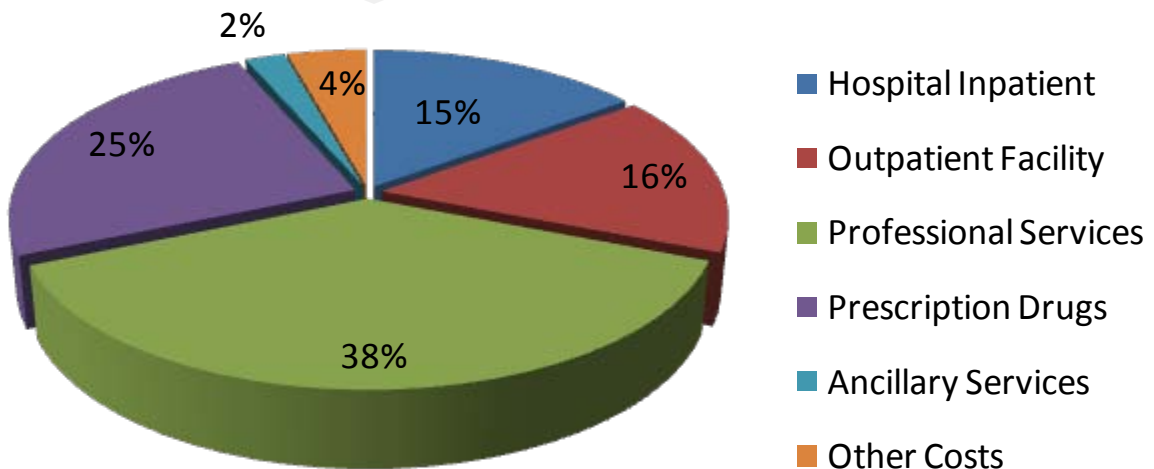
### How Are Rate Dollars Spent by This Insurance Company?

If this proposed rate increase goes into effect, the *average* new rate for this health insurance plan will be **\$235.05** a month. This is up **\$24.82** from last year's rate of \$210.23 a month.

This chart shows the costs that will make up this *average* rate.  
**A covered group's or individual's premium may be higher or lower than this rate.**



The **\$179.12** cost of medical services is made up of...





**What Is ABC Health Insurance Company’s  
Recent Rate History  
For Green Earth Products Sold in Indiana?**

You may want to see how the requested rate increase compares to rate increases that ABC Health Insurance Company has requested in the past for the policies covered by the disclosure.

<b>Year</b>	<b>Increase The Company Asked For (Average)</b>	<b>Actual Increase (Approved or Implemented)</b>
2008	First Plan Year	First Plan Year
2009	8%	8%
2010	10%	7%

These increases were approved before this review process was in place



**Which Products and Plans Are Affected by This Rate Increase?**

The proposed rate increase that ABC Health Insurance Company is asking for will affect the list of products and plans that appears in the chart below.

*[hyperlinked from p. 2]*

Product Names	Market	Plan Names	Product Types	Accepting New Enrollees
1. Green Earth Health Insurance	Individual	1. Green Earth Plus 2. Green Earth Savers	HMO	Yes

**Other Information**

If you have questions about this proposed rate increase, or any other questions about this plan, you should contact your state insurance regulator. The information below is commonly used by insurers to report rate increases to state insurance regulators. This information may be helpful if you want to ask your Department of Insurance about this plan.

1. NAIC Company Code	GE43785
2. SERFF Rate Filing Tracking Number or State Tracking Number	INGE-12346705
3. Policy Form ID	25574