

**Kaiser Foundation Health Plan of the Mid-Atlantic States**  
**Individual Medical Rate Filing – Maryland**  
**Effective: January 1, 2017**  
**Part II Written Explanation of the Rate Increase**

**Scope and Range of the Rate Increase**

The filed overall average rate change for January 1, 2017, is 25%. This average rate change does not indicate that every individual's rate will change by this amount, as rates are affected by the ages of those covered, family coverage, the date of policy renewal and benefits chosen. The estimated rate changes by member for those enrolled as of January 2016 will range between 21% and 28%, including the impact of cost sharing changes.

**Summary of Historical Experience**

Financial results for the base experience period of January 1, 2015 to December 31, 2015 were as follows: (Results do not account for the CMS Risk Corridor program transfers)

- Revenue: \$74,747,778
- Medical claims: \$75,825,171, or 101% of revenue
- Administrative costs, fees, taxes: \$14,450,723, or 19% of revenue
- CMS Reinsurance (estimated): \$3,578,255
- CMS Risk Adjustment (estimated): -\$19,922,897
- Margin: -\$31,872,758, or -42% of revenue

We estimate the following financial results for 2017 based on the requested average change:

- Medical claims: 75% of projected revenue
- Administrative costs: 12% of projected revenue
- Taxes and Fees: 2% of projected revenue
- CMS Risk Adjustment: 19% of projected revenue
- Margin: -8% of projected revenue

**Changes in Medical Claims Costs**

We are projecting an annual increase in medical claims costs of 2.9%, based on our analysis of historical medical cost trends for our Maryland individual portfolio and consideration of other factors likely to affect future trend.

**Changes in Benefits**

There are no benefit changes between the plans in force in 2016, and the proposed plans for 2017.

**Administrative Costs and Anticipated Contribution to Surplus**

We are assuming an annual trended increase in administrative costs of 3.5% based on our analysis of historical administrative cost trends for our Maryland individual portfolio.

The projected contribution to surplus of -8% of projected revenue represents an improved financial performance relative to recent historical periods. It does meet our target which is to have a positive contribution to surplus from the Maryland individual portfolio.