



# UNIVERSITY OF CALIFORNIA HEALTH INSURANCE COMPANY

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Serena Wang  
Greta Xiong  
James Xu**

# AGENDA

**Greta**

**Introduction &  
Overview**

**James**

**Interpretation &  
Analysis**

**Annie**

**Our Recommendation  
& Scenarios**

**Serena**

**Trade-Offs & Other  
Considerations**

# OVERVIEW

01

“SHOP” bill

02

Two New lines of business: Small Group and Individual

03

In 2016: 59% Small-Large Groups with “Good Offer”

04

Annual Lapse Rate:  
1. Large Group: 5%  
2. Small Group: 10%  
3. Individual: Varies

# OUR GOALS

1. Grow  
Membership

2. Increase  
Profit: 10%

3. Gain  
Experience in new  
markets

# OUR RECOMMENDATION

## In 2016:

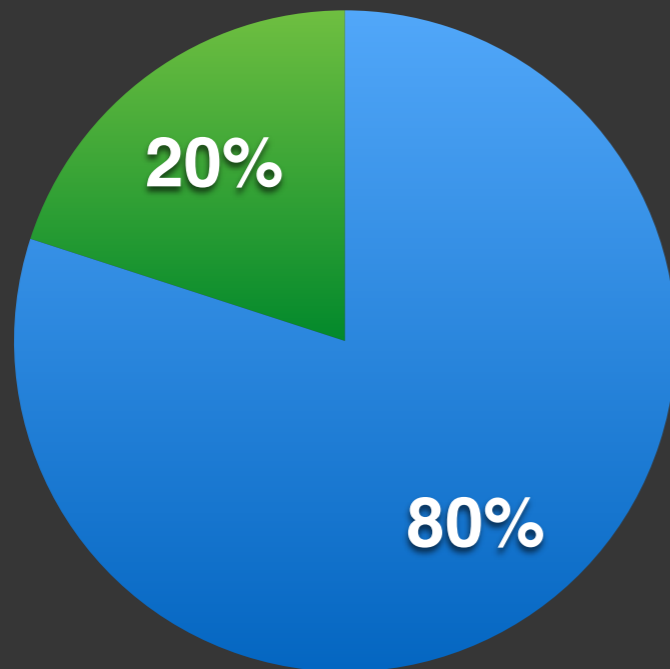
- ▶ **Extend the “Good Offer” to the rest of the Small-Large Groups**
- ▶ **Add Individual and Small Group lines**

## In 2017:

- ▶ **Remain in all three business lines**

# MEMBERSHIP PROJECTION

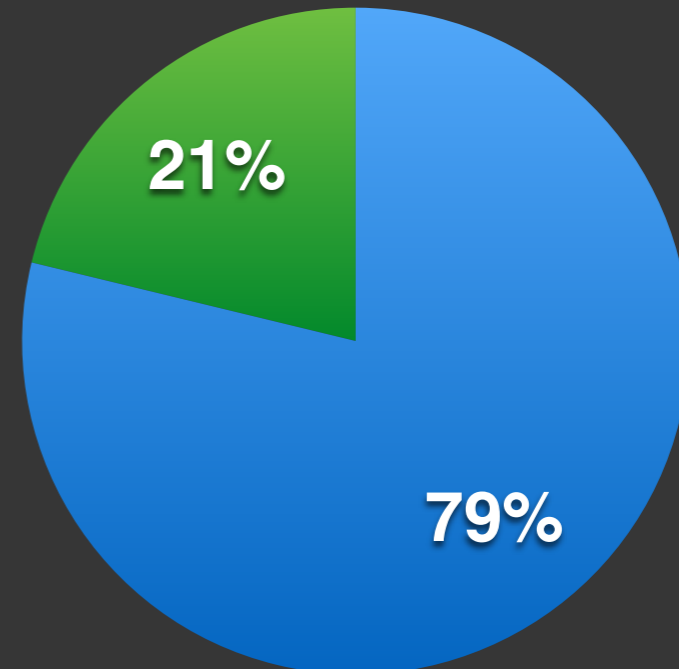
## 2015 Membership



- 100+ (4.2 m)
- 51-100 (1.05 m)

Profit Margin: **7.1%**  
Medical Loss Ratio: **85.6%**

## Extend "Good Offer" to all Small-Large Groups

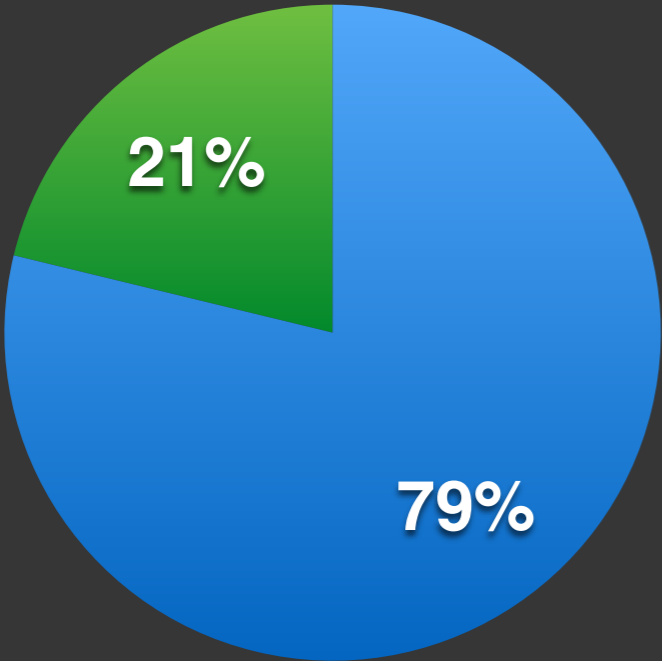


- 100+ (3.9 m)
- 51-100 (1.05 m)

Profit Margin: **7.4%**  
Medical Loss Ratio: **85.6%**

# MEMBERSHIP PROJECTION

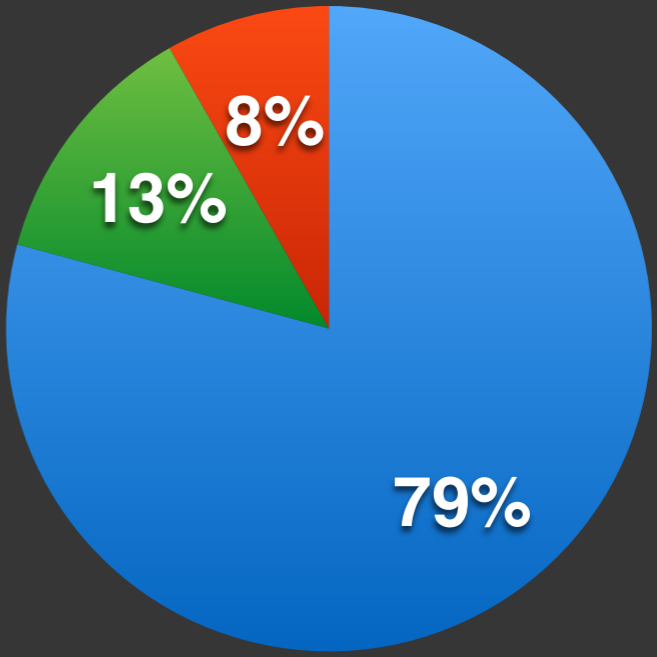
2016: Extend “Good Offer” to ALL Small-Large Groups



- 100+ (3.9m)
- 51-100 (1.05m)

Profit Margin: 7.4%  
Medical Loss Ratio: 85.6%

2016: Groups already accepted “Good Offer”



- 100+ (4.05m)
- 51-100 (Good Offer) (0.62m)
- 51- 100 (No offer) (0.41m)

Profit Margin: 7.6%  
Medical Loss Ratio: 85.5%

# FINANCIAL PROJECTION

**BEFORE** adding new lines

	<b>Profit</b>	<b>Membership</b>
2016	6.6%	5.3M
2017	7.5%	5.4M

**AFTER** adding new lines

	<b>Profit</b>	<b>Membership</b>
2016	7.7% ↑	5.3M
2017	10.0% ↑	6.0M (controlled) ↑



**Increase Profit to 10%**



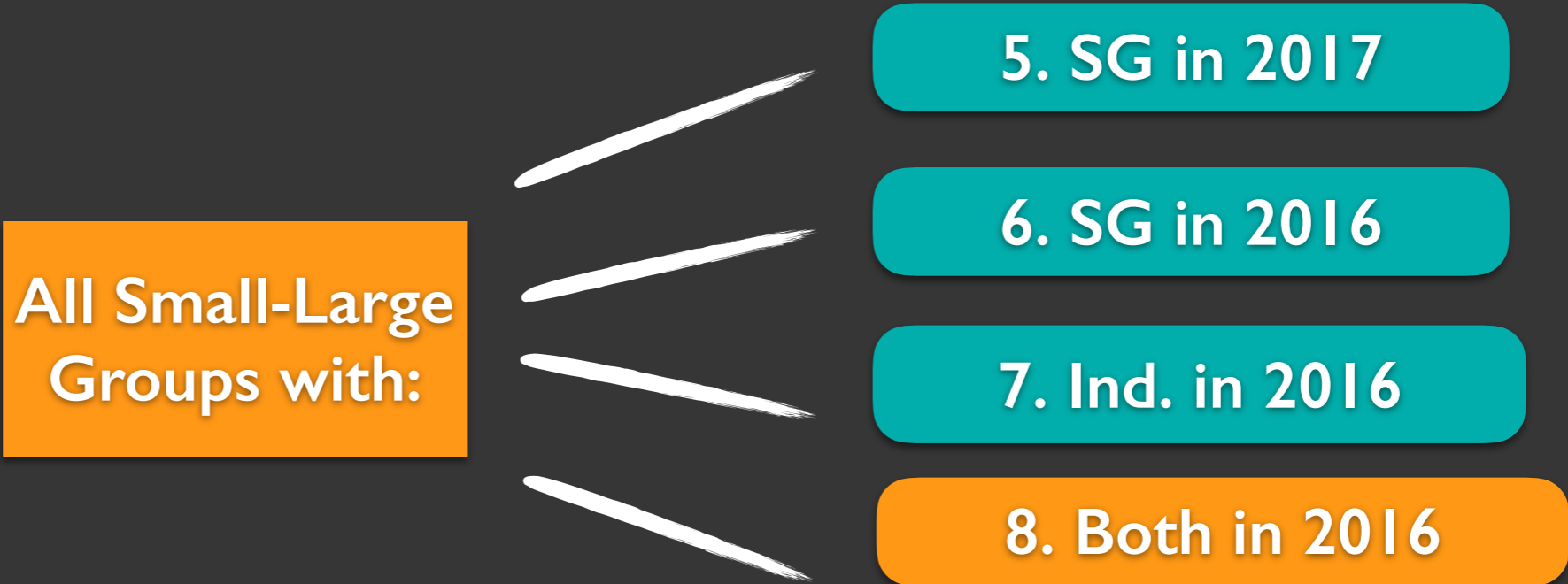
**Grow Membership**



**Gain Experience in new markets**

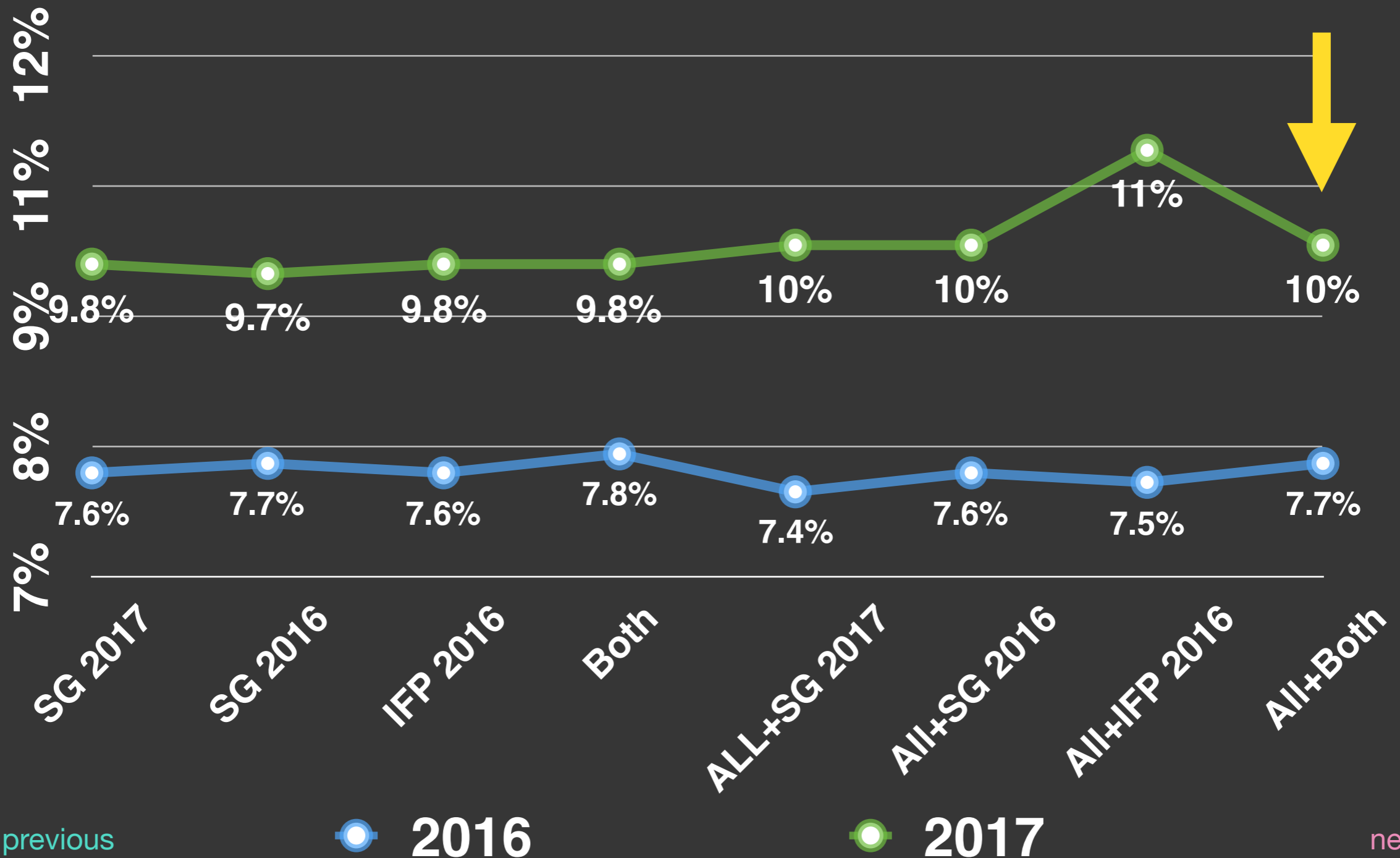


# SCENARIOS

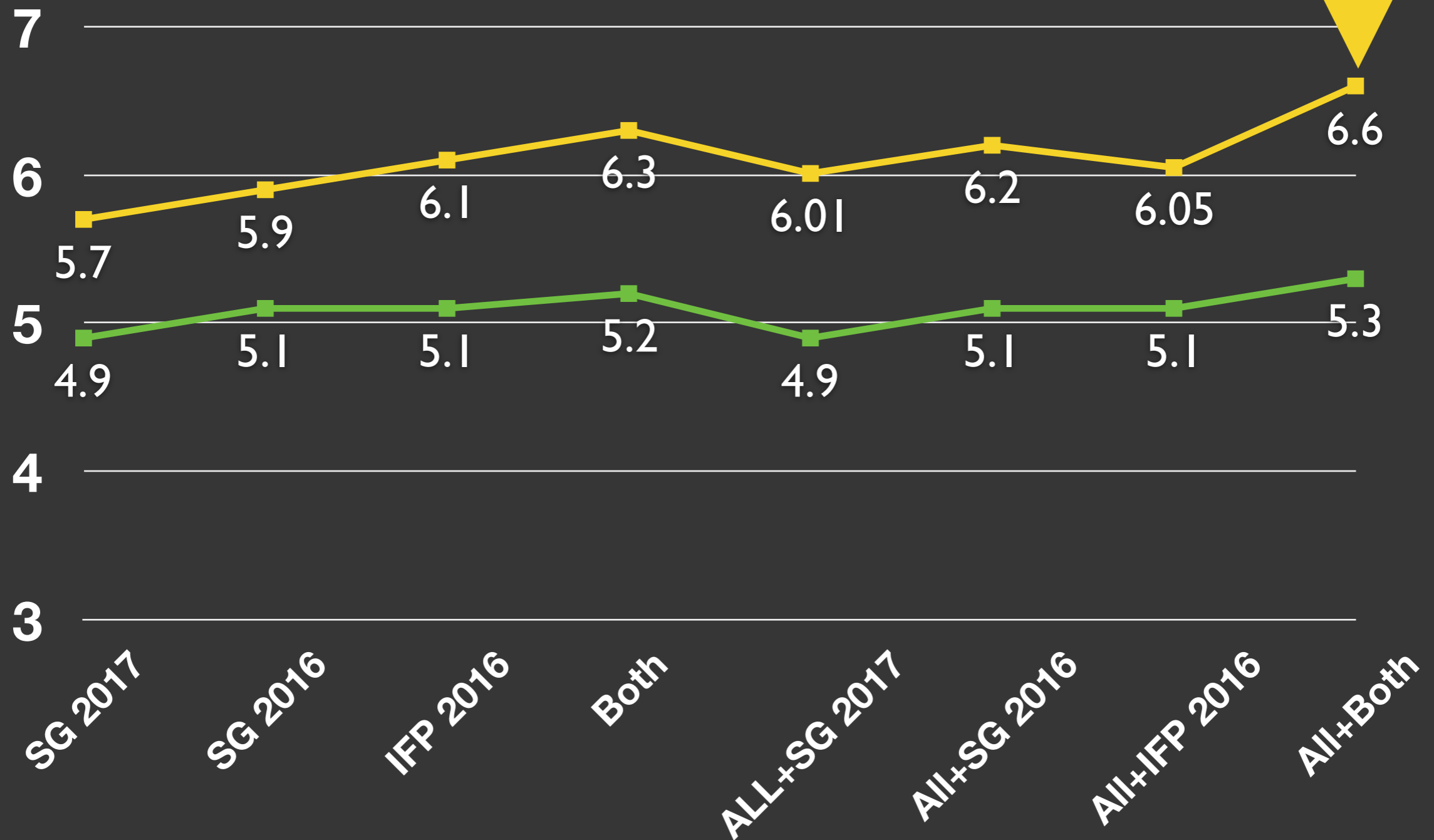


# PROFIT COMPARISON

8. Add Both lines in 2016



# MEMBERSHIP COMPARISON (MILLIONS)



# TRADE-OFFS

**Recommended strategy  
(All + Both)**

	Profit	Membership
2016	7.8%	5.2M

**Alternative: (59% + Both)**

	Profit	Membership
2016	7.7% ↓	5.3M ↑

# OTHER CONSIDERATIONS

- ▶ **Medical Loss Ratio (MLR)**
  - >80% for Individual & Small Group
  - >85% for large group
- ▶ **Membership Threshold**
  - Additional cost if exceeded
- ▶ **Additional Costs**
  - Administrative
  - Advertising
  - Employment
  - Relative cost of members moving between lines of business

# CONCLUSION

- ▶ **Our Recommendation:**

- ▶ Extend the “Good Offer” to all Small-Large Groups in 2016
- ▶ Add new lines of business in 2016 and 2017

- ▶ **Profit:**

- ▶ 7.7% in 2016
- ▶ 10% in 2017



**Profit increases**

- ▶ **Membership:**

- ▶ 5.3m in 2016
- ▶ 6m in 2017



**Membership grows**  
**Gain experience in**  
**new markets**

# INDEX 1

Example: 2016 Individual Mkt 35-year-old population

Develop Rate  
Multiplier

% Relative to market	Impact to Membership	Expected Cost	Rate Multiplier	Resulting Premium
-10%	12%	-7%	90%	\$248
-5%	6%	-1%	95%	\$261
0%	0%	0%	100%	\$275
1%	-1.2%	0.6%	101%	\$278
2%	-2.4%	0.9%	102%	\$281
3%	-3.6%	1.2%	103%	\$283
4%	-4.8%	1.5%	104%	\$286
5%	-6.0%	1.9%	105%	\$289

➔ Premium Option 1

➔ Premium Option 2

IFP&SG Price/Membership Sensitivity, Risk Selection

# INDEX 2

## Why do we set our own rate for SG in 2017?

In short, since the risk profiles of our current small-large population will carry over to the SG LOB. Since this population is healthier (lower medical cost compared to the market). The overall MLR will be significantly below 80%. Consequently, we will be forced to pay MLR rebate if we charge the rates that were provided by our consultants.

LOB	Small-Large Population	Market Population	Consultants' rates	MLR
	2017	2017	2017	
Small-Large				
25 Year Olds	\$117.62	\$139.74	\$193.20	61%
35 Year Olds	\$177.31	\$210.66	\$276.64	64%
45 Year Olds	\$275.22	\$327.00	\$413.50	67%
55 Year Olds	\$352.85	\$419.23	\$522.01	68%
Weighted Total				