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# **Impact of Pricing Reforms on the Wisconsin Small Group Market**

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Family Services  
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**Gorman Actuarial, LLC  
210 Robert Road  
Marlborough, MA 01752**

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# 1. Introduction

The State of Wisconsin is proposing to create a connector mechanism which will connect small businesses with private health insurance plans. One of the functions of the “connector” will be to provide information such as premium rates and product descriptions to prospective customers in the small group market. In order for this to happen, the connector must be able to execute various health plans’ rating formula for the small group market.

Today, premium rates in the Wisconsin Small Group market are quite variable. This is primarily due to the relaxed rating rules within the state. As a result, there is not only a wide variation in premium rates, there is a wide variation in how premium rates are determined for each employer group. In order for the “connector” to succeed, rating reforms will need to be implemented which will simplify the rating formula and reduce variability of rates across the Small Group market.

The Wisconsin Department of Health and Family Services (DHFS) has asked Gorman Actuarial, LLC (GA) and Dr. Jon Gruber to perform a study to model the effects of various rating reforms in addition to the introduction of a connector mechanism. The study has been separated into three phases. The first phase was to analyze the landscape of the current Small Group market. This phase was completed and presented to DHFS by Gorman Actuarial in June 2008. The second phase is to analyze the impact to premiums due to introducing various rating reforms into the Small Group market. This report summarizes the results from the modeling of this second phase. The last phase is to understand how these price changes will impact the Small Group market. The modeling for this last phase is being performed by Dr. Jon Gruber who will provide the results of this analysis in a separate report.

# 2. Data Sources

GA’s approach in modeling the effects of rating reforms on the Small Group market is to model the impact for each employer group in the market. This type of modeling requires employer group specific data which can only be collected from the health plans themselves. GA developed a data specification and with the help of the Office of the Commissioner of Insurance (OCI), it was presented to the largest health plans in the market. Once the data was received, it was reviewed, summarized, and “scrubbed” for inconsistencies. The data collected represents approximately 76% of the market. The following companies provided data for this analysis:

- Blue Cross Blue Shield of WI
- CompCare Health Services Ins. Corp
- Dean Health Plan
- Humana Ins. Co.

- Humana Wisconsin Health Org Ins. Corp
- Physicians Plus Ins. Corp
- Security Health Plan of WI Inc.
- United Healthcare Ins. Co.
- United Healthcare of WI Inc.
- Unity Health Plans Ins. Corp
- Wisconsin Physicians Service Ins. Corp
- WPS Health Plan Inc.

### 3. Wisconsin Current Rating Rules & Practice

The Small Employer group market is defined as two to fifty employees. Health plans are allowed to adjust premium rates for health status and other case characteristics such as age, gender, geography, and case size. Rating restrictions exist for the health status adjustment in that rates can not vary by +/-30% of the midpoint for policies with similar “case characteristics” and benefits. In addition, upon renewal, health status adjustments can not increase by more than 15%. There are no rate restrictions for adjustments to the rate for other case characteristics. The result here is that surcharges and discounts to rates due to these case characteristics are limitless and there is a wide variation in rates.

An analysis of the rating practice in the Wisconsin Small Group market shows that rating adjustments do vary significantly. GA focused on three specifically: age/gender, geography, and case size. As shown in Table 1, the rating bands result in rates that can vary 28 to 1. In other words, the highest rate can be 28 times higher than the lowest rate.

	+/-30%	No Limits			Total
	Health Status	Age/Gender	Geography	Case Size	
<b>Rate Band</b>	1.86	7.00	1.63	1.31	27.89
<b>Percentage</b>	86%	600%	63%	31%	2689%

Table 1 – WI Rating Bands

### 4. Modeling of Rating Reforms

In order to simplify the rating formula and reduce variability in premium rates for the Small Group market, five rating reforms were modeled. These five scenarios are shown in Table 2. Scenario A limits the carrier’s ability to rate by age, health status and case size. The age band is 4 to 1; that is, the highest rate due to age can only be four times the lowest rate. The health status band is 1.5 to 1; that is, the highest rate due to health status can only be 50% higher than the lowest rate. The case size adjustment is limited to 1.2 to 1; that is, the highest rate due to case size can only be 20% higher than the lowest rate. Scenario B is the same as Scenario A with the elimination of health status. That is, health status adjustments will no longer be allowed as a rating variable. Scenario C is a variation of Scenario A and Scenario D is a variation of Scenario B. The final scenario,

Scenario E, eliminates the carrier’s ability to use health status as a rating variable with no other changes to the current rating rules. That is, Scenario E has no rating restrictions for age and case size. As shown, the scenario with the greatest rating restrictions is Scenario D and the scenario with the most flexible rating restrictions is Scenarios A. While Scenario E allows the widest rating band, at 9.1 to 1, the elimination of health status as a rating factor significantly limits a carrier’s ability to set premium rates for each employer group.

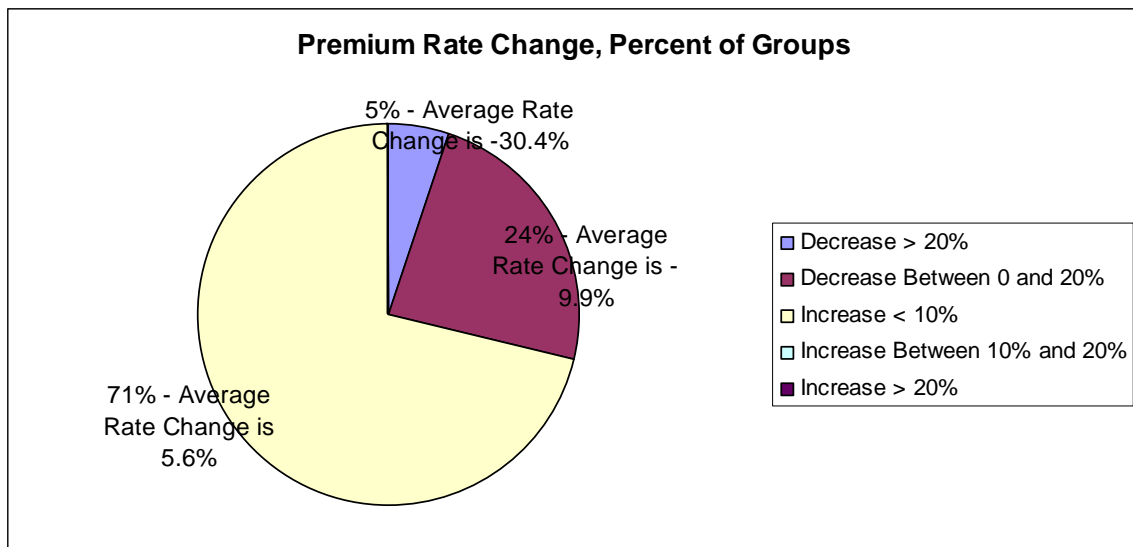
	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Age Band	4 to 1	4 to 1	2 to 1	2 to 1	No Restrictions
Health Status	1.5 to 1	None	1.5 to 1	None	None
Case Size	1.2 to 1	1.2 to 1	1.2 to 1	1.2 to 1	No Restrictions
Overall Band	7.2 to 1	4.8 to 1	3.6 to 1	2.4 to 1	9.1 to 1

**Table 2 – Rating Reform Scenarios**

## 5. Results

This section shows a series of charts and graphs that summarize the impact to premium under the various rating reform scenarios. Detailed tables of GA’s results of the five scenarios are shown in the Appendix.

### Scenario A



**Figure 1 – Scenario A Rate Change for Employer Groups**

As shown in Figure 1, under Scenario A, 71% of small groups experience a rate increase less than 10%. While the proportion of small groups is significant, the average increase is rather modest at 5.6%. There are no small groups that experience rate increases greater than 10%. Approximately 24% of small groups will experience a rate decrease between 0 and 20% with the average being -9.9% (Table 3) and only 5% of small groups will experience a rate decrease greater than 20% with the average being -30.4% (Table 3). Since the age band restriction of 4:1 is not as limiting as the other scenarios and health status is still included as a rating adjustment, the rate impacts are not as variable as compared to the other scenarios.

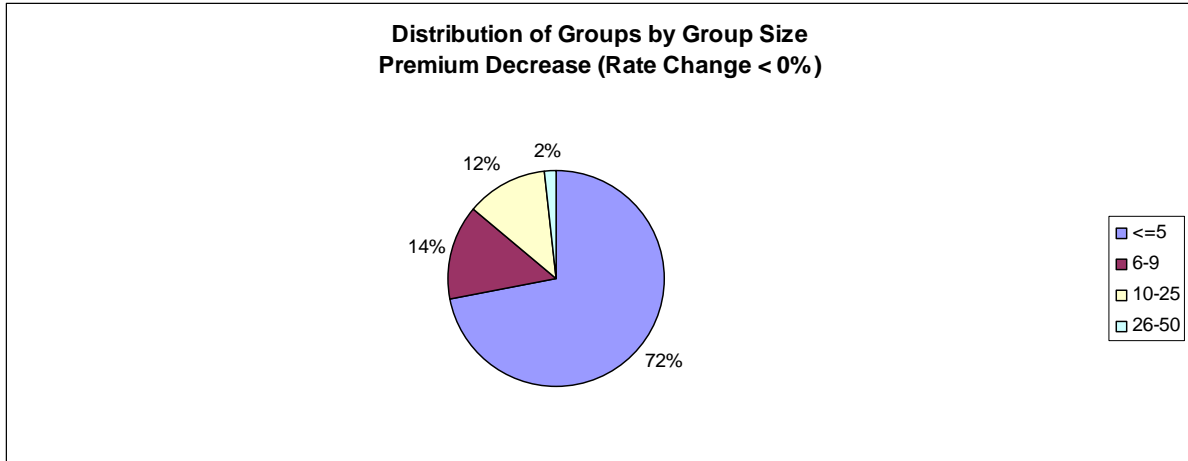
<i>Premium Rate Change</i>	<i>Average Rate Increase</i>
Decrease > 20%	-30.4%
Decrease Between 0 and 20%	-9.9%
Increase < 10%	5.6%

**Table 3 – Scenario A Average Rate Increases**

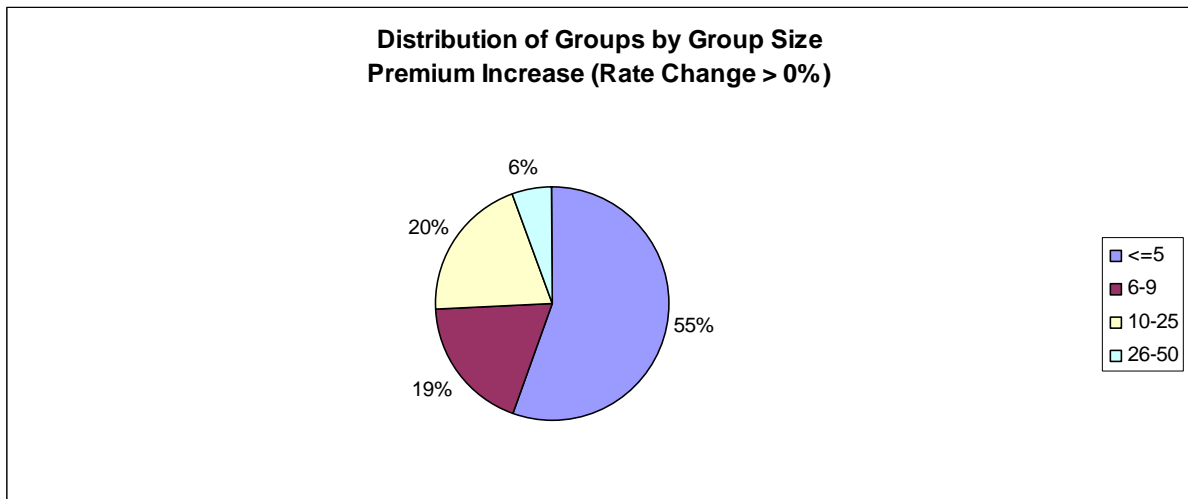
<i>Premium Rate Change</i>	<i>Actuarial Value</i>	<i>Pre Reform</i>	<i>Pre Reform Health Status</i>
		<i>Age/Sex</i>	
Decrease > 20%	0.652	1.802	1.228
Decrease Between 0 and 20%	0.680	1.107	1.274
Increase < 10%	0.694	0.953	0.928

**Table 4 – Scenario A Rating Factors**

Table 4 shows that groups that receive rate decreases have high age/sex adjustments and high health status adjustments. This implies that the groups that benefit from this reform are older and sicker than the rest of the population. Groups that receive an increase in rates appear younger and healthier than the rest of the population. Also note that the health status adjustment for groups that receive a decrease between 0 and 20% is actually higher than the health status adjustment for groups that receive a decrease less than 20%. This implies that the age/sex adjustment, the health status adjustment, and premium are not perfectly correlated. Also, groups that have less rich benefits appear to receive the greatest rate decreases. This makes sense since groups that benefit are the groups that have the greatest premium surcharges due to age/sex, health status, and case size. In order for health insurance to be affordable, these groups have purchased less rich plan designs to compensate for the high premium surcharges.



**Figure 2 – Scenario A Rate Change < 0% by Group Size**

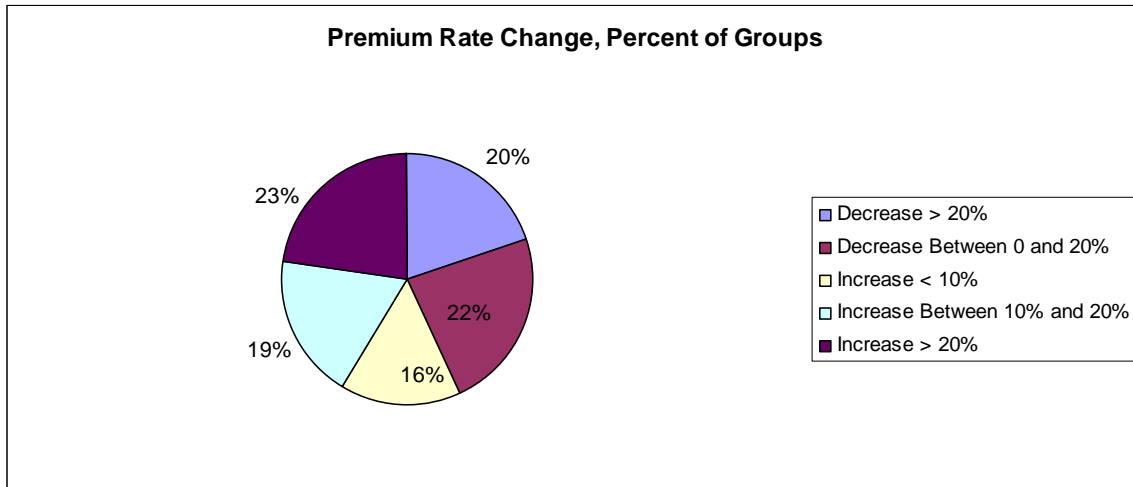


**Figure 3 – Scenario A Rate Change > 0% by Group Size**

Figure 2 and Figure 3 show that 72% of those groups receiving a rate decrease are for groups with less than or equal to 5 employees and 56% of those groups receiving a rate increase are for groups with less than or equal to 5 employees. Only 14% of those groups receiving a rate decrease are for large groups with 10+ employees, whereas 26% of groups receiving an increase are for these large groups. A comparison of the two figures, show that smaller groups are proportionately receiving more of the rate decreases.



## Scenario B



**Figure 4 – Scenario B Rate Change for Employer Groups**

<b>Premium Rate Change</b>	<b>Average Rate Increase</b>
Decrease > 20%	-27.9%
Decrease Between 0 and 20%	-8.9%
Increase < 10%	5.0%
Increase Between 10% and 20%	14.9%
Increase > 20%	28.0%

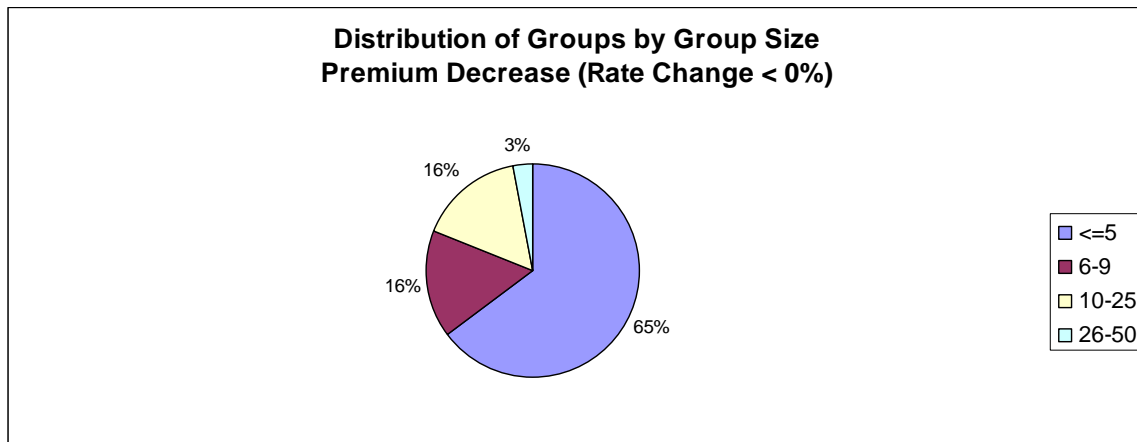
**Table 5 – Scenario B Average Rate Increases**

As shown in Figure 4 and Table 5, under Scenario B, 23% of small groups will experience a rate increase greater than 20% with the average being 28%. This is in contrast to Scenario A, where there were no groups that were experiencing rate increases greater than 10%. This is all due to the elimination of the health status adjustment which has a current rate band of 1.86. That is the highest rate can be 86% higher than the lowest rate for health status only. Approximately 22% of small groups will experience a rate decrease between 0 and 20% with the average being -8.9% and 20% of small groups will experience a rate decrease greater than 20% with the average being -27.9%. Also to note, that 57% of all groups experience a rate increase in Scenario B as compared to 71% in Scenario A. But, the variability in rate change is much more significant in Scenario B where 23% of groups are receiving an average rate increase of 28%.

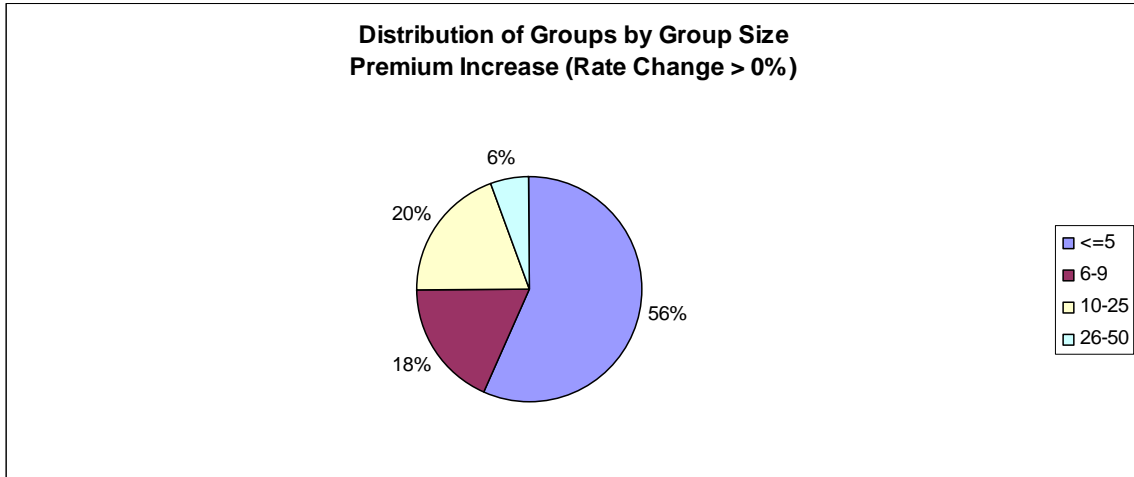
<i>Premium Rate Change</i>	<i>Actuarial Value</i>	<i>Pre Reform</i>	<i>Pre Reform Health Status</i>
		<i>Age/Sex</i>	
Decrease > 20%	0.678	1.149	1.356
Decrease Between 0 and 20%	0.696	1.022	1.109
Increase < 10%	0.697	0.983	0.965
Increase Between 10% and 20%	0.675	0.956	0.885
Increase > 20%	0.702	0.937	0.799

**Table 6 – Scenario B Rating Factors**

Table 6 shows that groups that receive rate decreases are indeed older and sicker. But, as we compare the age/sex adjustments in Scenario B to Scenario A, it shows that an older population benefits more under Scenario A. This illustrates how age/sex adjustments and health status adjustments are not perfectly correlated. Generally speaking, under Scenario A, the older population benefits from reform regardless of health status. That is an older group that is healthy will benefit from Scenario A. Due to the elimination of health status, this same population will not benefit as much from reform. Also, as in Scenario A, it appears that groups that have less rich benefits also receive rate decreases.



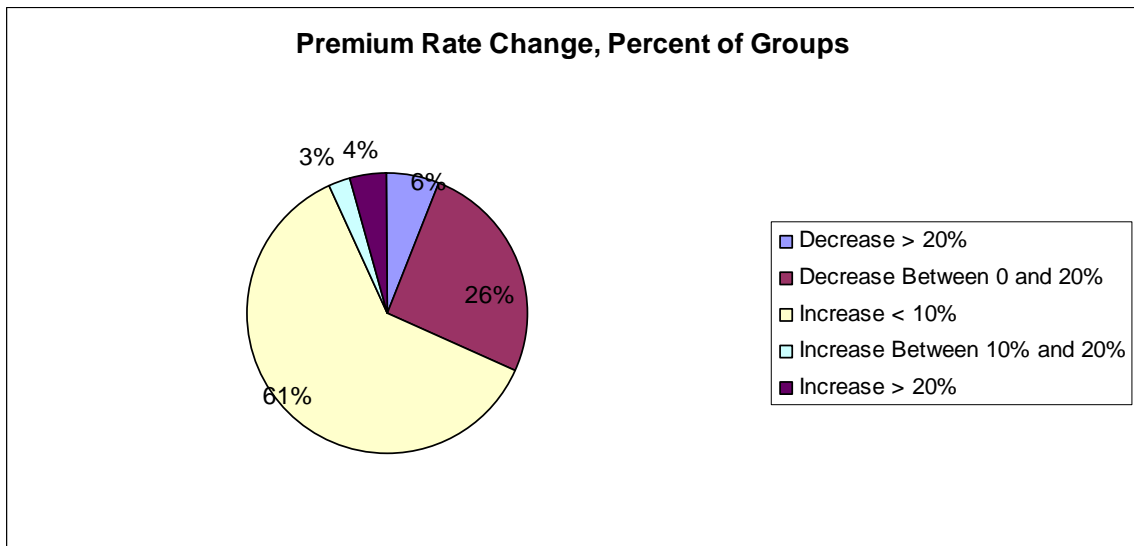
**Figure 5 – Scenario B Rate Change < 0% by Group Size**



**Figure 6 – Scenario B Rate Change > 0% by Group Size**

As shown in Figure 5 and Figure 6, smaller groups are proportionately receiving more of the rate decreases. This is consistent with Scenario A. Although it does appear that a greater proportion of small groups benefit under Scenario A's reform vs. Scenario B.

### Scenario C



**Figure 7 – Scenario C Rate Change for Employer Groups**

<b>Premium Rate Change</b>	<b>Average Rate Increase</b>
Decrease > 20%	-30.6%
Decrease Between 0 and 20%	-9.2%
Increase < 10%	5.4%
Increase Between 10% and 20%	14.7%
Increase > 20%	40.2%

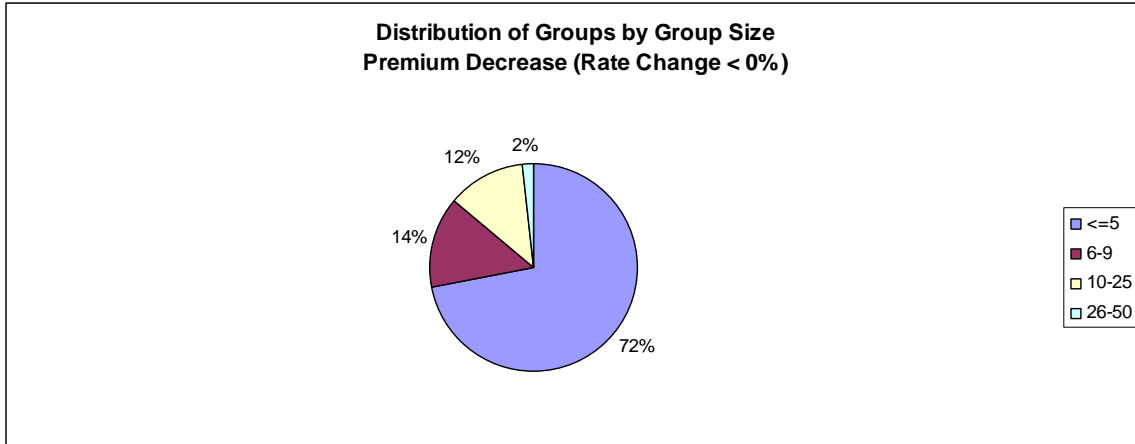
**Table 7 – Scenario C Average Rate Increases**

As shown in Figure 7 and Table 7, under Scenario C, only 4% of small groups will experience a rate increase greater than 20% with the average being 40.2%. This is in contrast to Scenario B where the proportion of groups was significantly greater (23%) but the average increase was lower at 28%. Approximately 26% of small groups will experience a rate decrease between 0 and 20% with the average being -9.2% and only 6% of small groups will experience a rate decrease greater than 20% with the average at -30.6%. When comparing Scenario B to C, the inclusion of health status decreases the number of groups impacted at the endpoints (decrease >20%, increase >20%) significantly. Limiting the age band from 4 to 1 to 2 to 1 increases the average rate change especially for the groups that receive an increase greater than 20%.

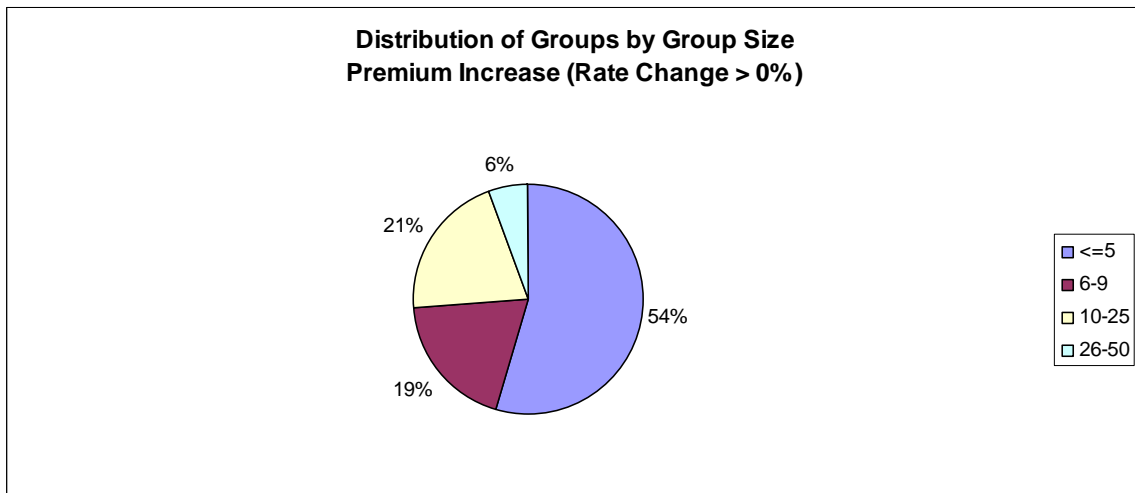
<b>Premium Rate Change</b>	<b>Actuarial Value</b>	<b>Pre Reform</b>	
		<b>Age/Sex</b>	<b>Health Status</b>
Decrease > 20%	0.689	1.811	1.209
Decrease Between 0 and 20%	0.692	1.113	1.243
Increase < 10%	0.687	0.969	0.927
Increase Between 10% and 20%	0.717	0.648	0.940
Increase > 20%	0.743	0.541	0.943

**Table 8 – Scenario C Rating Factors**

Table 8 shows that groups that receive rate decreases under Scenario C are older and sicker and is more consistent with Scenario A. In that the older groups benefit the most. Also, as the other scenarios show, it appears that groups that have richer benefits also receive the rate increases.



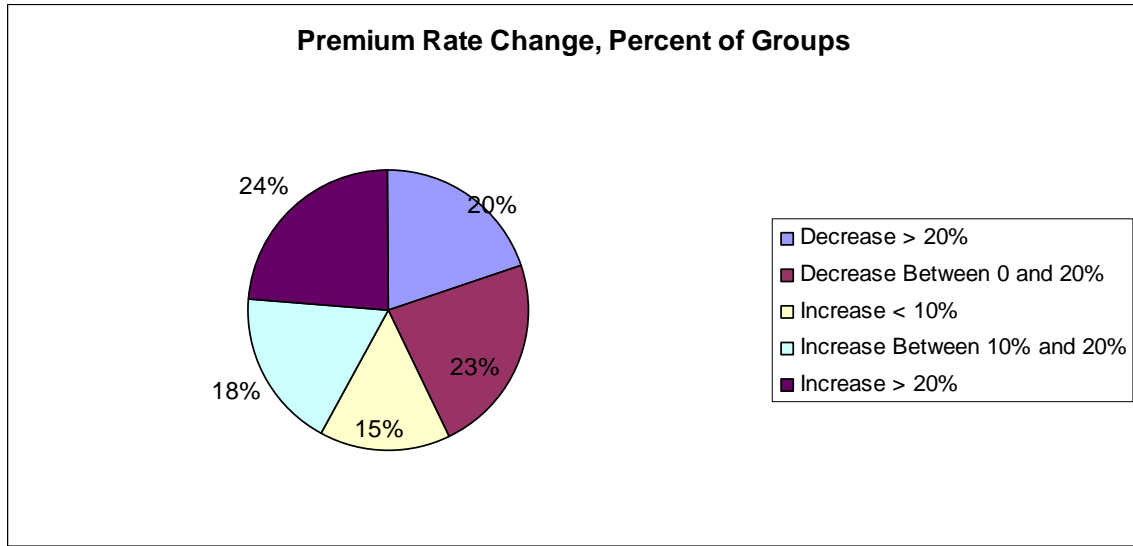
**Figure 8 – Scenario C Rate Change < 0% by Group Size**



**Figure 9 – Scenario C Rate Change > 0% by Group Size**

As shown in Figure 8 and Figure 9, small groups are proportionately receiving more of the rate decreases. The proportions are consistent with Scenario A.

## Scenario D



**Figure 10 – Scenario D Rate Change for Employer Groups**

<i>Premium Rate Change</i>	<i>Average Rate Increase</i>
Decrease > 20%	-28.2%
Decrease Between 0 and 20%	-8.9%
Increase < 10%	5.1%
Increase Between 10% and 20%	15.0%
Increase > 20%	31.2%

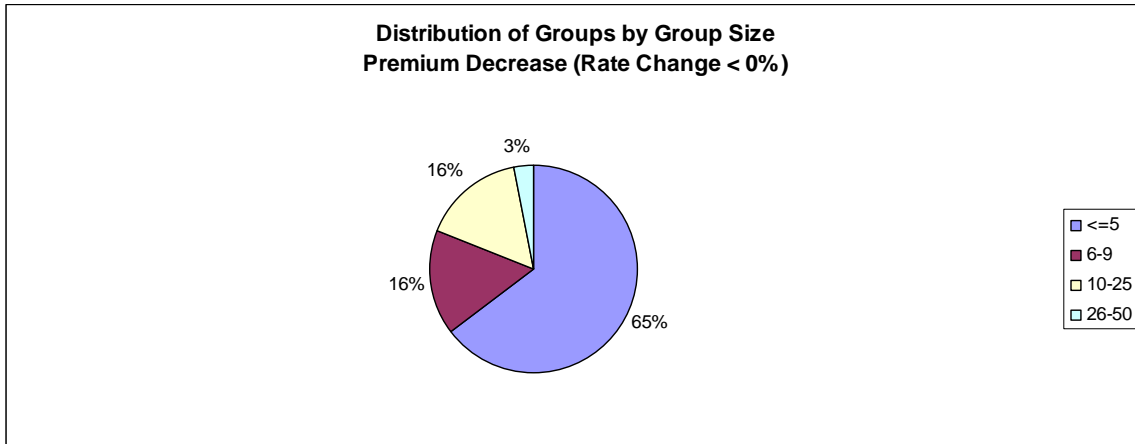
**Table 9 – Scenario D Average Rate Increases**

As shown in Figure 10 and Table 9, under Scenario D, 24% of small groups will experience a rate increase greater than 20% with the average increase at 31.2%. Approximately 23% of small groups will experience a rate decrease between 0 and 20% with an average rate change of -8.9% and 20% of small groups will experience a rate decrease greater than 20% with an average rate change of -28.2%. Again as experienced with the other reform scenarios, the removal of health status as a rating factor has a significant impact on the number of groups that receive a rate increase greater than 10%. In this scenario 42% of groups receive a rate increase greater than 10%.

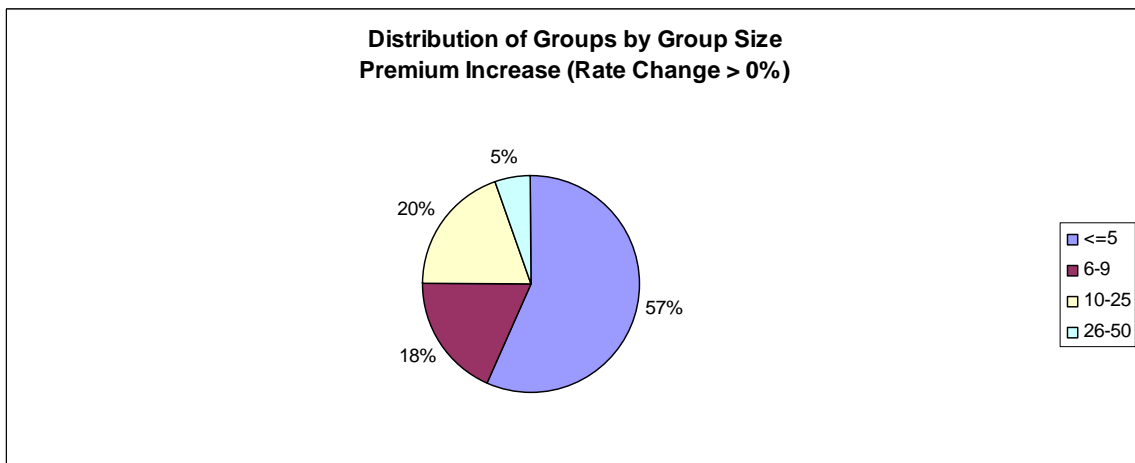
<i>Premium Rate Change</i>	<i>Actuarial Value</i>	<i>Pre Reform Age/Sex</i>	<i>Pre Reform Health Status</i>
Decrease > 20%	0.678	1.169	1.350
Decrease Between 0 and 20%	0.693	1.036	1.105
Increase < 10%	0.692	0.992	0.964
Increase Between 10% and 20%	0.678	0.966	0.885
Increase > 20%	0.707	0.895	0.809

**Table 10 – Scenario D Rating Factors**

Again, as in the other scenarios, Table 10 shows that groups that receive rate decreases are older and sicker. Also, as in the other scenarios, groups with richer benefits receive rate increases and groups with less rich benefits receive rate decreases.



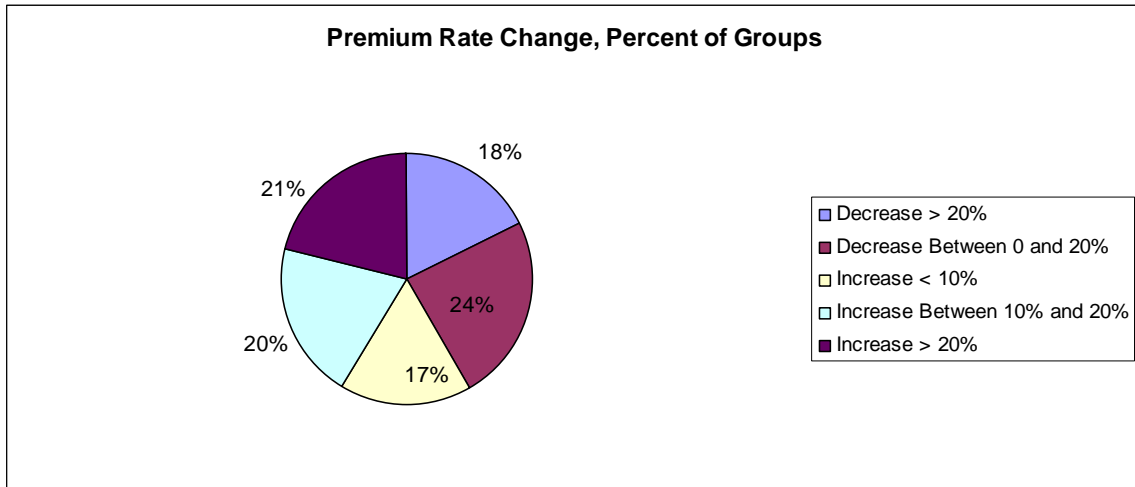
**Figure 11 – Scenario D Rate Change < 0% by Group Size**



**Figure 12 – Scenario D Rate Change > 0% by Group Size**

As shown in Figure 11 and Figure 12, 65% of those groups receiving a rate decrease are for groups less than or equal to 5 employees and 57% of groups receiving a rate increase are for groups less than or equal to 5 employees. A comparison of the two figures, show that small groups are proportionately receiving more of the decreases. This is consistent with the other scenarios.

### Scenario E



**Figure 13 – Scenario E Rate Change for Employer Groups**

<i>Premium Rate Change</i>	<i>Average Rate Increase</i>
Decrease > 20%	-27.0%
Decrease Between 0 and 20%	-9.0%
Increase < 10%	5.0%
Increase Between 10% and 20%	14.7%
Increase > 20%	26.9%

**Table 11 – Scenario E Average Rate Increases**

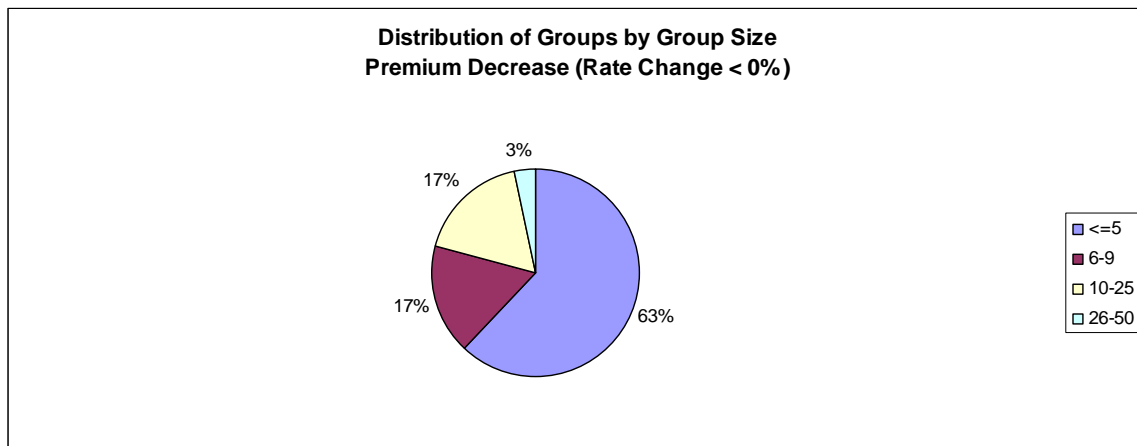
As shown in Figure 13 and Table 11, under Scenario E, 21% of small groups will experience a rate increase greater than 20% with the average increase at 26.9%. Approximately 24% of small groups will experience a rate decrease between 0 and 20% with the average at -9% and 18% of small groups will experience a rate decrease greater than 20% with the average at -27.0%. Scenario E is closest to scenario B with the removal of health status as a common denominator. Both scenarios have between 40-42% of groups that will experience a rate increase greater than 10%. However, on average, the increases are slightly lower under Scenario E than Scenario B.



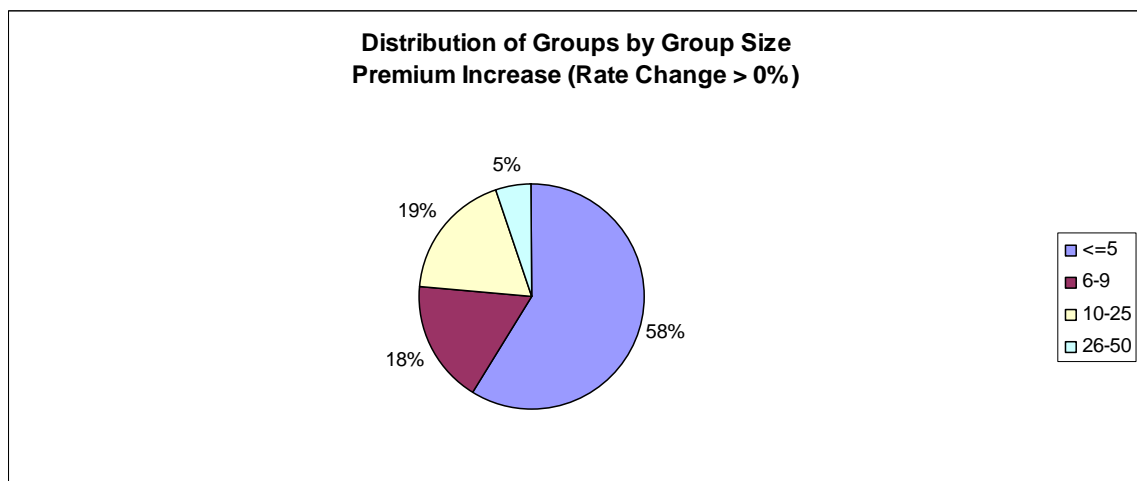
<i>Premium Rate Change</i>	<i>Actuarial Value</i>	<i>Pre Reform Health Status</i>	
		<i>Age/Sex</i>	
Decrease > 20%	0.680	1.080	1.373
Decrease Between 0 and 20%	0.696	1.016	1.103
Increase < 10%	0.694	0.985	0.953
Increase Between 10% and 20%	0.677	0.977	0.872
Increase > 20%	0.704	0.963	0.789

**Table 12 – Scenario E Rating Factors**

Table 12 shows that groups that receive rate decreases are older and sicker. When comparing this scenario to Scenario B, it does show that the older demographic benefits more under Scenario B than E. Also consistent with the other scenarios, generally, it appears that groups that have richer benefits also receive increases.



**Figure 14 – Scenario E Rate Change < 0% by Group Size**



**Figure 15 – Scenario E Rate Change > 0% by Group Size**

Figure 14 and Figure 15 show that small groups are proportionately receiving more of the rate decreases.

## 6. Conclusion

We have compared the results of the five scenarios in Table 13 through Table 15. In addition, we have included a description of the five scenarios again, shown in Table 16. As expected, Scenarios B, D, and E result in the greatest premium impacts with over 40% of groups receiving a rate increase greater than 10%. This is in large part due to the elimination of the health status adjustment all together. Scenario A appears to be the least disruptive and a possible stepping stone to full reform. Under Scenario A, there are no groups that experience a rate increase greater than 10%.

When comparing Scenario A to C, the shift in age band restrictions (from 4:1 to 2:1) impacts only a small percentage of groups. Under Scenario C, 7% groups will receive a rate increase of greater than 10% vs. 0% under Scenario A. This is due to the few groups that exist at the extreme endpoints.

When comparing age/sex adjustments, the older demographic benefits the greatest under Scenarios A and C. Under these scenarios, health status is still allowed as a rating adjustment. When removing the health status adjustment as a rating factor, the older demographic do not benefit as much. This highlights that age/sex adjustments and health status are not perfectly correlated. In other words, healthy, “older” groups exist and benefit from a health status adjustment. By removing the health status adjustment, these groups are penalized. Finally, it does appear that any rating reforms introduced will generally benefit the smaller employers and those employers with less rich benefits.

<i>Premium Rate Change</i>	% of Groups				
	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Decrease > 20%	5%	20%	6%	20%	18%
Decrease Between 0 and 20%	24%	23%	26%	23%	24%
Increase < 10%	71%	16%	62%	15%	17%
Increase Between 10% and 20%	0%	19%	3%	18%	20%
Increase > 20%	0%	23%	4%	24%	21%

**Table 13 – % of Groups Impacted By Scenario**

<i>Premium Rate Change</i>	Average Rate Increase				
	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Decrease > 20%	-30%	-28%	-31%	-28%	-27%
Decrease Between 0 and 20%	-10%	-9%	-9%	-9%	-9%
Increase < 10%	6%	5%	5%	5%	5%
Increase Between 10% and 20%	NA	15%	15%	15%	15%
Increase > 20%	NA	28%	40%	31%	27%

**Table 14 – Average Rate Increases By Scenario**

<i>Premium Rate Change</i>	<b>Age/Sex Adjustment</b>				
	<b>Scenario A</b>	<b>Scenario B</b>	<b>Scenario C</b>	<b>Scenario D</b>	<b>Scenario E</b>
Decrease > 20%	1.80	1.15	1.81	1.17	1.08
Decrease Between 0 and 20%	1.11	1.02	1.11	1.04	1.02
Increase < 10%	0.95	0.98	0.97	0.99	0.98
Increase Between 10% and 20%	NA	0.96	0.65	0.97	0.98
Increase > 20%	NA	0.94	0.54	0.90	0.96

**Table 15 – Average Age/Sex Adjustment By Scenario**

	<b>Scenario A</b>	<b>Scenario B</b>	<b>Scenario C</b>	<b>Scenario D</b>	<b>Scenario E</b>
<b>Age Band</b>	<b>4 to 1</b>	<b>4 to 1</b>	<b>2 to 1</b>	<b>2 to 1</b>	<b>No Restrictions</b>
<b>Health Status</b>	<b>1.5 to 1</b>	<b>None</b>	<b>1.5 to 1</b>	<b>None</b>	<b>None</b>
<b>Case Size</b>	<b>1.2 to 1</b>	<b>1.2 to 1</b>	<b>1.2 to 1</b>	<b>1.2 to 1</b>	<b>No Restrictions</b>
<b>Overall Band</b>	<b>7.2 to 1</b>	<b>4.8 to 1</b>	<b>3.6 to 1</b>	<b>2.4 to 1</b>	<b>9.1 to 1</b>

**Table 16 – Rating Reform Scenarios**

## 7. Appendix

### Scenario A - WI Health Reform

### Impact to Premium from Rating Reforms

Age/Sex 4:1

Case Size 1.2:1

Health Status 1.5:1

Premium Rate Change	% of Groups	% of Ees	% of Members	Average Rate Increase	CY 07 Premium PMPM	CY 07 Claims PMPM	MLR	Area Factor	Actuarial Value	Pre Reform Age/Sex	Pre Reform Health Status
<-30%	2.58%	0.89%	0.56%	-38.9%	\$ 755.27	\$ 572.01	0.757	1.021	0.666	2.058	1.234
-30% to -20%	2.66%	1.21%	0.87%	-24.2%	\$ 592.83	\$ 471.31	0.795	0.997	0.642	1.615	1.224
-20% to -10%	13.24%	10.43%	9.71%	-14.1%	\$ 447.16	\$ 352.82	0.789	1.006	0.676	1.111	1.348
-10% to 0%	10.41%	8.50%	8.05%	-4.7%	\$ 393.07	\$ 281.94	0.717	1.010	0.686	1.102	1.183
0% to 5%	26.87%	25.23%	25.41%	3.7%	\$ 295.40	\$ 227.86	0.771	1.000	0.696	0.974	0.962
5% to 10%	44.24%	53.74%	55.40%	6.6%	\$ 268.22	\$ 215.66	0.804	0.997	0.693	0.943	0.912
10% to 15%											
15% to 20%											
20% to 25%											
25% to 30%											
30% to 40%											
40% to 50%											
50%+											
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		<b>\$ 307.79</b>	<b>\$ 241.47</b>	<b>0.785</b>	<b>1.00</b>	<b>0.69</b>	<b>1.00</b>	<b>1.00</b>

#### Distribution of Groups by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	2.5%	0.1%	0.0%	0.0%	2.6%
-30% to -20%	2.4%	0.2%	0.1%	0.0%	2.7%
-20% to -10%	9.0%	2.2%	1.8%	0.2%	13.2%
-10% to 0%	6.9%	1.7%	1.5%	0.2%	10.4%
0% to 5%	17.2%	4.3%	4.3%	1.0%	26.9%
5% to 10%	22.1%	9.1%	10.2%	2.9%	44.2%
10% to 15%	0.0%	0.0%	0.0%	0.0%	0.0%
15% to 20%	0.0%	0.0%	0.0%	0.0%	0.0%
20% to 25%	0.0%	0.0%	0.0%	0.0%	0.0%
25% to 30%	0.0%	0.0%	0.0%	0.0%	0.0%
30% to 40%	0.0%	0.0%	0.0%	0.0%	0.0%
40% to 50%	0.0%	0.0%	0.0%	0.0%	0.0%
50%+	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>60.0%</b>	<b>17.6%</b>	<b>18.0%</b>	<b>4.4%</b>	<b>100.0%</b>

#### Distribution of Employees by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	0.8%	0.1%	0.0%	0.0%	0.9%
-30% to -20%	0.8%	0.2%	0.2%	0.0%	1.2%
-20% to -10%	3.5%	2.2%	3.8%	1.0%	10.4%
-10% to 0%	2.7%	1.7%	3.1%	1.0%	8.5%
0% to 5%	7.0%	4.3%	9.0%	4.9%	25.2%
5% to 10%	9.6%	9.1%	21.4%	13.6%	53.7%
10% to 15%	0.0%	0.0%	0.0%	0.0%	0.0%
15% to 20%	0.0%	0.0%	0.0%	0.0%	0.0%
20% to 25%	0.0%	0.0%	0.0%	0.0%	0.0%
25% to 30%	0.0%	0.0%	0.0%	0.0%	0.0%
30% to 40%	0.0%	0.0%	0.0%	0.0%	0.0%
40% to 50%	0.0%	0.0%	0.0%	0.0%	0.0%
50%+	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>24.2%</b>	<b>17.6%</b>	<b>37.6%</b>	<b>20.6%</b>	<b>100.0%</b>

# Scenario B - WI Health Reform

## Impact to Premium from Rating Reforms

Age/Sex 4:1

Case Size 1.2:1

No Health Status Adjustment

Premium Rate Change	% of Groups	% of Ees	% of Members	Average Rate Increase	CY 07 Premium PMPM	CY 07 Claims PMPM	MLR	Area Factor	Actuarial Value	Pre Reform Age/Sex	Pre Reform Health Status
<-30%	6.42%	3.23%	2.66%	-36.3%	\$ 562.00	\$ 442.32	0.787	1.014	0.700	1.449	1.381
-30% to -20%	13.48%	11.51%	10.95%	-25.5%	\$ 432.87	\$ 334.01	0.772	1.007	0.672	1.065	1.349
-20% to -10%	10.33%	9.61%	9.30%	-14.6%	\$ 374.37	\$ 274.91	0.734	1.011	0.691	1.041	1.175
-10% to 0%	12.69%	13.28%	13.21%	-4.8%	\$ 328.95	\$ 250.99	0.763	1.001	0.701	1.008	1.061
0% to 5%	7.64%	8.71%	8.65%	2.5%	\$ 309.85	\$ 245.07	0.791	0.996	0.702	0.992	0.988
5% to 10%	8.08%	8.99%	9.09%	7.5%	\$ 283.66	\$ 229.04	0.807	1.000	0.693	0.974	0.944
10% to 15%	9.64%	10.98%	11.21%	12.5%	\$ 264.84	\$ 217.79	0.822	0.996	0.681	0.961	0.903
15% to 20%	8.91%	10.58%	10.96%	17.4%	\$ 256.90	\$ 200.57	0.781	1.007	0.668	0.951	0.867
20% to 25%	7.28%	7.90%	8.17%	22.6%	\$ 245.89	\$ 198.29	0.806	0.995	0.691	0.959	0.832
25% to 30%	7.37%	6.97%	7.30%	27.2%	\$ 236.04	\$ 204.23	0.865	0.984	0.737	0.938	0.802
30% to 40%	7.94%	8.14%	8.41%	33.8%	\$ 224.67	\$ 171.98	0.765	0.990	0.683	0.917	0.765
40% to 50%	0.22%	0.11%	0.10%	41.1%	\$ 195.85	\$ 97.28	0.497	0.956	0.747	0.915	0.712
50%+											
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		<b>\$ 307.79</b>	<b>\$ 241.47</b>	<b>0.785</b>	<b>1.00</b>	<b>0.69</b>	<b>1.00</b>	<b>1.00</b>

### Distribution of Groups by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	5.5%	0.5%	0.4%	0.0%	6.4%
-30% to -20%	8.6%	2.5%	2.1%	0.3%	13.5%
-20% to -10%	6.4%	1.8%	1.8%	0.4%	10.3%
-10% to 0%	7.3%	2.3%	2.5%	0.6%	12.7%
0% to 5%	4.2%	1.3%	1.7%	0.5%	7.6%
5% to 10%	4.3%	1.6%	1.7%	0.4%	8.1%
10% to 15%	5.3%	1.8%	2.0%	0.6%	9.6%
15% to 20%	4.5%	1.8%	2.0%	0.5%	8.9%
20% to 25%	4.2%	1.3%	1.4%	0.4%	7.3%
25% to 30%	4.6%	1.3%	1.1%	0.3%	7.4%
30% to 40%	4.8%	1.4%	1.3%	0.4%	7.9%
40% to 50%	0.2%	0.0%	0.0%	0.0%	0.2%
50%+	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>60.0%</b>	<b>17.6%</b>	<b>18.0%</b>	<b>4.4%</b>	<b>100.0%</b>

### Distribution of Employees by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	1.9%	0.5%	0.8%	0.1%	3.2%
-30% to -20%	3.4%	2.5%	4.3%	1.3%	11.5%
-20% to -10%	2.5%	1.8%	3.7%	1.6%	9.6%
-10% to 0%	3.0%	2.3%	5.1%	2.9%	13.3%
0% to 5%	1.7%	1.3%	3.5%	2.1%	8.7%
5% to 10%	1.8%	1.6%	3.6%	2.1%	9.0%
10% to 15%	2.2%	1.8%	4.2%	2.8%	11.0%
15% to 20%	2.0%	1.8%	4.2%	2.5%	10.6%
20% to 25%	1.8%	1.3%	2.9%	1.8%	7.9%
25% to 30%	1.9%	1.3%	2.4%	1.3%	7.0%
30% to 40%	1.9%	1.3%	2.8%	2.1%	8.1%
40% to 50%	0.1%	0.0%	0.0%	0.0%	0.1%
50%+	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>24.2%</b>	<b>17.6%</b>	<b>37.6%</b>	<b>20.6%</b>	<b>100.0%</b>

# Scenario C - WI Health Reform

## Impact to Premium from Rating Reforms

Age/Sex 2:1  
 Case Size 1.2:1  
 Health Status 1.5:1

Premium Rate Change	% of Groups	% of Ees	% of Members	Average Rate Increase	CY 07 Premium PMPM	CY 07 Claims PMPM	MLR	Area Factor	Actuarial Value	Pre Reform Age/Sex	Pre Reform Health Status
<-30%	3.11%	1.05%	0.66%	-38.8%	\$ 732.13	\$ 610.93	0.834	1.016	0.704	2.045	1.230
-30% to -20%	2.94%	1.36%	0.96%	-24.2%	\$ 578.19	\$ 475.35	0.822	1.009	0.678	1.629	1.193
-20% to -10%	13.20%	10.39%	9.73%	-14.4%	\$ 448.68	\$ 344.32	0.767	1.008	0.677	1.117	1.345
-10% to 0%	12.36%	10.42%	9.74%	-4.1%	\$ 378.78	\$ 277.46	0.733	1.003	0.707	1.110	1.141
0% to 5%	28.53%	39.06%	39.75%	4.1%	\$ 291.62	\$ 231.59	0.794	1.002	0.646	0.995	0.937
5% to 10%	33.28%	32.66%	34.59%	6.8%	\$ 262.79	\$ 207.50	0.790	0.997	0.737	0.938	0.915
10% to 15%	1.45%	1.23%	1.21%	12.4%	\$ 218.95	\$ 147.77	0.675	0.976	0.710	0.659	0.952
15% to 20%	1.06%	0.98%	0.90%	17.5%	\$ 216.42	\$ 180.66	0.835	0.985	0.725	0.635	0.923
20% to 25%	0.72%	0.66%	0.61%	22.3%	\$ 206.11	\$ 183.73	0.891	0.982	0.714	0.609	0.929
25% to 30%	0.52%	0.51%	0.47%	27.0%	\$ 233.95	\$ 197.32	0.843	0.968	0.757	0.592	0.976
30% to 40%	0.93%	0.62%	0.52%	34.7%	\$ 213.69	\$ 224.47	1.050	0.976	0.749	0.553	0.941
40% to 50%	0.60%	0.40%	0.34%	44.6%	\$ 210.45	\$ 223.85	1.064	1.009	0.737	0.517	0.949
50%+	1.31%	0.66%	0.53%	70.9%	\$ 202.53	\$ 181.94	0.898	0.992	0.758	0.436	0.932
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		<b>\$ 307.79</b>	<b>\$ 241.47</b>	<b>0.785</b>	<b>0.95</b>	<b>0.65</b>	<b>0.97</b>	<b>0.95</b>

### Distribution of Groups by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	3.0%	0.1%	0.0%	0.0%	3.1%
-30% to -20%	2.6%	0.2%	0.1%	0.0%	2.9%
-20% to -10%	9.0%	2.1%	1.9%	0.2%	13.2%
-10% to 0%	8.1%	2.1%	1.9%	0.3%	12.4%
0% to 5%	12.6%	6.0%	7.6%	2.4%	28.5%
5% to 10%	20.3%	5.9%	5.7%	1.4%	33.3%
10% to 15%	0.9%	0.3%	0.2%	0.0%	1.4%
15% to 20%	0.6%	0.2%	0.2%	0.0%	1.1%
20% to 25%	0.4%	0.2%	0.1%	0.0%	0.7%
25% to 30%	0.3%	0.1%	0.1%	0.0%	0.5%
30% to 40%	0.7%	0.1%	0.1%	0.0%	0.9%
40% to 50%	0.4%	0.1%	0.1%	0.0%	0.6%
50%+	1.1%	0.1%	0.1%	0.0%	1.3%
<b>Total</b>	<b>60.0%</b>	<b>17.6%</b>	<b>18.0%</b>	<b>4.4%</b>	<b>100.0%</b>

### Distribution of Employees by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	0.9%	0.1%	0.0%	0.0%	1.1%
-30% to -20%	0.9%	0.2%	0.2%	0.1%	1.4%
-20% to -10%	3.5%	2.1%	3.8%	1.0%	10.4%
-10% to 0%	3.3%	2.1%	3.8%	1.2%	10.4%
0% to 5%	5.6%	6.1%	16.1%	11.3%	39.1%
5% to 10%	8.4%	5.8%	11.9%	6.6%	32.7%
10% to 15%	0.4%	0.3%	0.5%	0.1%	1.2%
15% to 20%	0.2%	0.2%	0.4%	0.1%	1.0%
20% to 25%	0.2%	0.2%	0.3%	0.1%	0.7%
25% to 30%	0.1%	0.1%	0.2%	0.0%	0.5%
30% to 40%	0.3%	0.1%	0.2%	0.0%	0.6%
40% to 50%	0.2%	0.1%	0.1%	0.0%	0.4%
50%+	0.4%	0.1%	0.2%	0.0%	0.7%
<b>Total</b>	<b>24.2%</b>	<b>17.6%</b>	<b>37.6%</b>	<b>20.6%</b>	<b>100.0%</b>

# Scenario D - WI Health Reform

## Impact to Premium from Rating Reforms

Age/Sex 2:1

Case Size 1.2:1

No Health Status Adjustment

Premium Rate Change	% of Groups	% of Ees	% of Members	Average Rate Increase	CY 07 Premium PMPM	CY 07 Claims PMPM	MLR	Area Factor	Actuarial Value	Pre Reform Age/Sex	Pre Reform Health Status
<-30%	7.06%	3.34%	2.66%	-36.9%	\$ 587.37	\$ 484.45	0.825	1.015	0.709	1.474	1.371
-30% to -20%	13.05%	11.47%	11.00%	-25.7%	\$ 430.22	\$ 328.77	0.764	1.009	0.669	1.080	1.344
-20% to -10%	10.43%	9.63%	9.23%	-14.7%	\$ 379.28	\$ 272.39	0.718	1.009	0.688	1.060	1.171
-10% to 0%	12.31%	13.33%	13.27%	-4.7%	\$ 329.77	\$ 252.83	0.767	1.003	0.697	1.019	1.058
0% to 5%	7.57%	8.71%	8.73%	2.6%	\$ 306.54	\$ 248.26	0.810	0.995	0.700	0.995	0.986
5% to 10%	7.29%	8.48%	8.61%	7.7%	\$ 284.81	\$ 225.85	0.793	0.997	0.683	0.990	0.942
10% to 15%	9.59%	11.33%	11.74%	12.7%	\$ 262.01	\$ 210.54	0.804	1.001	0.679	0.960	0.902
15% to 20%	8.72%	10.18%	10.46%	17.5%	\$ 260.19	\$ 201.26	0.774	1.004	0.676	0.972	0.866
20% to 25%	5.78%	6.53%	6.85%	22.5%	\$ 246.58	\$ 201.65	0.818	0.993	0.681	0.949	0.838
25% to 30%	6.76%	6.19%	6.52%	27.4%	\$ 236.60	\$ 210.91	0.891	0.987	0.728	0.934	0.808
30% to 40%	8.22%	8.76%	9.14%	33.0%	\$ 224.55	\$ 171.70	0.765	0.990	0.707	0.908	0.780
40% to 50%	1.09%	0.85%	0.80%	44.3%	\$ 201.85	\$ 177.22	0.878	0.973	0.728	0.634	0.833
50%+	2.15%	1.21%	0.99%	75.0%	\$ 179.30	\$ 169.43	0.945	0.980	0.734	0.499	0.842
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		<b>\$ 307.79</b>	<b>\$ 241.47</b>	<b>0.785</b>	<b>0.55</b>	<b>0.38</b>	<b>0.58</b>	<b>0.62</b>

### Distribution of Groups by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	6.2%	0.4%	0.4%	0.0%	7.1%
-30% to -20%	8.1%	2.5%	2.2%	0.3%	13.1%
-20% to -10%	6.5%	1.8%	1.8%	0.3%	10.4%
-10% to 0%	6.9%	2.3%	2.5%	0.7%	12.3%
0% to 5%	4.0%	1.4%	1.7%	0.5%	7.6%
5% to 10%	3.8%	1.5%	1.6%	0.4%	7.3%
10% to 15%	5.1%	1.8%	2.1%	0.6%	9.6%
15% to 20%	4.5%	1.8%	1.9%	0.5%	8.7%
20% to 25%	3.3%	1.0%	1.1%	0.4%	5.8%
25% to 30%	4.4%	1.1%	1.0%	0.2%	6.8%
30% to 40%	4.7%	1.5%	1.5%	0.5%	8.2%
40% to 50%	0.7%	0.2%	0.1%	0.0%	1.1%
50%+	1.7%	0.3%	0.2%	0.0%	2.1%
<b>Total</b>	<b>60.0%</b>	<b>17.6%</b>	<b>18.0%</b>	<b>4.4%</b>	<b>100.0%</b>

### Distribution of Employees by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	2.1%	0.4%	0.7%	0.1%	3.3%
-30% to -20%	3.2%	2.5%	4.4%	1.3%	11.5%
-20% to -10%	2.6%	1.8%	3.7%	1.6%	9.6%
-10% to 0%	2.8%	2.3%	5.1%	3.1%	13.3%
0% to 5%	1.7%	1.4%	3.5%	2.1%	8.7%
5% to 10%	1.6%	1.5%	3.4%	2.0%	8.5%
10% to 15%	2.2%	1.8%	4.4%	3.0%	11.3%
15% to 20%	2.0%	1.8%	4.1%	2.3%	10.2%
20% to 25%	1.4%	1.0%	2.5%	1.7%	6.5%
25% to 30%	1.8%	1.1%	2.1%	1.2%	6.2%
30% to 40%	2.0%	1.5%	3.1%	2.1%	8.8%
40% to 50%	0.3%	0.2%	0.3%	0.1%	0.8%
50%+	0.6%	0.3%	0.3%	0.0%	1.2%
<b>Total</b>	<b>24.2%</b>	<b>17.6%</b>	<b>37.6%</b>	<b>20.6%</b>	<b>100.0%</b>

# Scenario E - WI Health Reform

## Impact to Premium from Rating Reforms

Age/Sex: No Rating Restrictions  
 Case Size: No Rating Restrictions  
 No Health Status Adjustment

Premium Rate Change	% of Groups	% of Ees	% of Members	Average Rate Increase	CY 07 Premium PMPM	CY 07 Claims PMPM	MLR	Area Factor	Actuarial Value	Pre Reform Age/Sex	Pre Reform Health Status
<-30%	3.62%	2.67%	2.55%	-31.3%	\$ 461.50	\$ 396.86	0.860	1.012	0.697	1.108	1.456
-30% to -20%	14.26%	11.80%	11.18%	-26.0%	\$ 440.38	\$ 333.95	0.758	1.009	0.676	1.073	1.354
-20% to -10%	10.85%	10.54%	10.26%	-14.6%	\$ 372.05	\$ 274.86	0.739	1.006	0.693	1.032	1.172
-10% to 0%	13.03%	13.88%	13.80%	-4.7%	\$ 327.04	\$ 250.88	0.767	1.005	0.698	1.003	1.050
0% to 5%	8.50%	9.42%	9.41%	2.4%	\$ 303.03	\$ 241.97	0.799	0.997	0.704	0.994	0.977
5% to 10%	8.34%	9.62%	9.66%	7.5%	\$ 277.35	\$ 230.85	0.832	0.996	0.683	0.976	0.930
10% to 15%	10.89%	12.20%	12.59%	12.4%	\$ 265.43	\$ 212.04	0.799	1.002	0.678	0.968	0.890
15% to 20%	9.44%	10.11%	10.26%	17.5%	\$ 256.47	\$ 194.39	0.758	0.999	0.676	0.988	0.851
20% to 25%	9.10%	8.74%	9.07%	23.0%	\$ 242.91	\$ 206.65	0.851	0.987	0.718	0.974	0.814
25% to 30%	4.30%	4.40%	4.50%	27.3%	\$ 238.54	\$ 198.45	0.832	0.998	0.721	0.981	0.786
30% to 40%	7.45%	6.53%	6.64%	31.6%	\$ 227.37	\$ 169.65	0.746	0.985	0.674	0.935	0.760
40% to 50%	0.22%	0.10%	0.09%	40.5%	\$ 199.42	\$ 113.10	0.567	0.961	0.745	0.937	0.712
50%+											
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		<b>\$ 307.79</b>	<b>\$ 241.47</b>	<b>0.785</b>	<b>1.00</b>	<b>0.69</b>	<b>1.00</b>	<b>1.00</b>

### Distribution of Groups by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	2.7%	0.4%	0.4%	0.1%	3.6%
-30% to -20%	9.2%	2.6%	2.2%	0.3%	14.3%
-20% to -10%	6.6%	1.9%	2.0%	0.4%	10.9%
-10% to 0%	7.4%	2.3%	2.6%	0.7%	13.0%
0% to 5%	4.8%	1.4%	1.8%	0.5%	8.5%
5% to 10%	4.3%	1.6%	1.9%	0.5%	8.3%
10% to 15%	6.0%	2.1%	2.2%	0.6%	10.9%
15% to 20%	5.4%	1.8%	1.8%	0.5%	9.4%
20% to 25%	5.8%	1.5%	1.4%	0.4%	9.1%
25% to 30%	2.8%	0.6%	0.6%	0.3%	4.3%
30% to 40%	4.9%	1.2%	1.1%	0.3%	7.5%
40% to 50%	0.2%	0.0%	0.0%	0.0%	0.2%
50%+	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>60.0%</b>	<b>17.6%</b>	<b>18.0%</b>	<b>4.4%</b>	<b>100.0%</b>

### Distribution of Employees by Group Size

Premium Rate Change	Groups Size Category				Total
	<=5	6-9	10-25	26-50	
<-30%	1.0%	0.4%	0.9%	0.2%	2.7%
-30% to -20%	3.6%	2.6%	4.4%	1.2%	11.8%
-20% to -10%	2.6%	1.9%	4.1%	1.9%	10.5%
-10% to 0%	3.0%	2.4%	5.4%	3.1%	13.9%
0% to 5%	2.0%	1.4%	3.8%	2.2%	9.4%
5% to 10%	1.8%	1.6%	4.0%	2.2%	9.6%
10% to 15%	2.5%	2.1%	4.5%	3.0%	12.2%
15% to 20%	2.3%	1.8%	3.8%	2.2%	10.1%
20% to 25%	2.4%	1.5%	3.0%	1.9%	8.7%
25% to 30%	1.1%	0.6%	1.4%	1.3%	4.4%
30% to 40%	1.9%	1.2%	2.3%	1.1%	6.5%
40% to 50%	0.1%	0.0%	0.0%	0.0%	0.1%
50%+	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>24.2%</b>	<b>17.6%</b>	<b>37.6%</b>	<b>20.6%</b>	<b>100.0%</b>