

Physicians Health Plan of Northern Indiana (PHP) has been providing health insurance in northern Indiana for nearly 30 years. We are a not-for-profit company, so there are no stockholders to share profits with. Each year we set premiums as low as possible to cover medical costs and a small portion to cover the cost of administering benefits.

PHP is a local physician-sponsored health plan. Our Board of Directors is comprised of area physicians and business executives that live and work in the same community as our members.

PHP offers a wide range of benefit plans, including both traditional copay plans and qualified high deductible health plans. This wide range of benefit plans allows our client groups to customize their benefits to meet their individual needs and to provide the most cost effective coverage possible. We offer coverage in 40 counties throughout northern Indiana, and cover approximately 14,000 Small Group members.

Effective January 1, 2017, PHP is requesting an average rate increase of 6.6% for its commercial Small Group products. This increase is fueled by a number of factors. The largest component of the increase (6.2%) is due to continued increases in medical costs as described below. The remainder of the increase (0.4%) is due to small increase in administrative costs offset by a small decrease in ACA taxes and fees.

This increase will not be consistent across all groups or benefit plans. Differences in copays and deductible levels within the benefit designs cause the increases to vary across plans. In addition, negotiations with local providers have caused differences in local area factors between regions. These differences have led to a wide range of rate increases. Some groups will actually see a rate decrease, depending on their location and benefit selection.

FINANCIAL EXPERIENCE OF THE PRODUCT

Since the introduction of the Affordable Care Act in 2014, PHP has lost money each year on its ACA Small Group medical product. In 2014 we lost \$0.7 million and in 2015 we lost \$2.2 million. Even after a 6.6% increase in premium for 2017, we are expected to lose an additional \$5.8 million.

CHANGES IN MEDICAL SERVICE COSTS

PHP's medical costs are expected to increase by 7.1% next year. A small portion of this increase (1.5%) will be due to patients getting more services next year than they did this year. The rest of the increase (5.6%) is due to the average cost of services increasing. The average cost per service will increase because of two factors. Medical costs will increase because new technologies and medicines are being used by physicians and hospitals that cost more than the older forms of treatment. Average costs per service will also go up because of physicians and hospitals increasing their billed rate for the services they provide. PHP is working hard to keep these increases at a minimum, and is in frequent negotiations with our network providers to keep costs down. Our goal is to provide our members with safe, high quality medical treatment at the lowest possible cost.

CHANGES IN BENEFITS

No significant benefit changes have been made from 2016 to 2017.

ADMINISTRATIVE COSTS AND ANTICIPATED PROFITS

PHP is committed to keeping administrative costs to the lowest possible level. PHP plans to increase the percentage of premium applied to administrative costs from 13.5% in 2016 to 14.1% in 2017.

Our goal at PHP is price our plans as close to "break-even" as possible. Our current projection shows an underwriting loss of slightly under 3.3% of premium in 2017.

PHP is committed to providing exceptional customer service and quality health care products at a reasonable price. As a not-for-profit company, our focus is always on our customers and their best interest.