



M.R. Onstott Consulting, Inc.

Margaret R. (Peggy) Onstott, FSA, MAAA
Jollyville Road, Suite 209
Actuary
78759

11782

Austin, TX

512-219-4061

512-219-4062 Fax

ponstott@earthlink.net

MEMORANDUM**SENT VIA EMAIL**

TO: Tanya Ask
CC: Cecil Bykerk, Jim Vanvig, Linda Price
FROM: Peggy Onstott
DATE: January 13, 2005
RE: Montana Comprehensive Health Association (MCHA) – Premium Assistance Program Projections

The purpose of this memo is to summarize an analysis of the funding required to sustain the Premium Assistance (Pilot) program under various scenarios. This was requested by Erin McGowan at the December Board conference call. Please let me know if you have any questions on this and forward to Erin and others at the MT Insurance Department as you see fit. Thanks.

Pilot Projection Scenarios and Assumptions

The Pilot line of business was projected using the most recent MCHA baseline projection scenarios (Scenarios 85, 86, and 87 with some modification to loss ratios). This reflects actual enrollment and loss experience through the third quarter of 2004, although October and November enrollment were included for the Pilot line. December and January Pilot enrollment figures were requested but not available so estimates were used.

Under all scenarios, the amount of funding required to continue the program through the next biennium (MCHA fiscal years 2006-2007) was determined. The funding is shown both for the premium subsidy and the amount needed to cover losses from claims and operating expenses. No federal TAA grant income was allocated to the Pilot line. No further state subsidy moneys for this line are included beyond fiscal year 2005.

Scenarios 1-A and 1-B show the funding needed if the current enrollment level of 220 members continues indefinitely, with projected loss experience (about 165% incurred loss ratio). Scenario 1-A assumes the 45% premium subsidy is continued. Scenario 1-B assumes that the subsidy is increased back to the 55% level on July 1 this year and remains at that level.

Scenarios 2-A and 2-B show the funding needed if the current enrollment level of 220 members continue until July 1, at which time enrollment is opened to an assumed 50 members on the waiting list plus an additional 80 members, i.e. up to 300 plus the current waiting list. It is assumed that the 50 waiting list members enroll in July 2005 and the remaining new enrollees are graded in over the period from July 2005 through January 2006. Other assumptions correspond to Scenarios 1-A and 1-B.

Scenarios 3-A and 3-B show the funding needed if enrollment is increased to 350 as in Scenarios 2-A and 2-B, but with improved claims experience (about 154% loss ratios).



MONTANA COMPREHENSIVE HEALTH ASSOCIATION - FINANCIAL PROJECTIONS
Pilot (Premium Assistance) Program
Funding Requirements & Comparisons with Current (Scenario 1-A)

Exhibit P-1

Scenario	Fiscal Year	Scenario	Average Monthly Enrollment (1)			Premium Subsidy (2)	Incurred Loss Ratio	Premium Subsidy (3)			Change in Total Funding	Premium Subsidy	Losses	Total	Change in Total PMPM	Percent Change in Total PMPM
			Pilot-A	Pilot-MC	Total Pilot			Subsidy	Losses	Total						
1-A	2005	Maintain Current Enrollment Effective Jan. 2005 Expected Loss Ratios	206	27	233	\$0.6	163%	\$0.6	\$0.1	\$0.7	\$0.0	\$228	\$29	\$256	\$0	0.0%
	2006		195	25	220	\$0.6	164%	\$0.8	\$1.0	\$1.8	\$0.1	\$299	\$382	\$681	\$4	8.7%
	2007		195	25	220	\$0.7	167%	\$0.9	\$1.2	\$2.1	\$0.2	\$344	\$453	\$797	\$63	8.5%
	Total, 2006-7		195	25	220	\$1.4	165%	\$1.7	\$2.2	\$3.9	\$0.3	\$322	\$417	\$739	\$9	8.6%
1-B	2005	Maintain Current Enrollment Effective Jan. 2005 Expected Loss Ratios	206	27	233	\$0.6	163%	\$0.6	\$0.1	\$0.7	\$0.0	\$228	\$29	\$256	\$0	0.0%
	2006		195	25	220	\$0.8	164%	\$0.8	\$1.0	\$1.8	\$0.1	\$299	\$382	\$681	\$4	8.7%
	2007		195	25	220	\$0.9	167%	\$0.9	\$1.2	\$2.1	\$0.2	\$344	\$453	\$797	\$63	8.5%
	Total, 2006-7		195	25	220	\$1.7	165%	\$1.7	\$2.2	\$3.9	\$0.3	\$322	\$417	\$739	\$9	8.6%
2-A	2005	Expected Loss Ratios	206	27	233	\$0.6	163%	\$0.6	\$0.1	\$0.7	\$0.0	\$228	\$29	\$256	\$0	0.0%
	2006		292	38	330	\$1.0	164%	\$1.0	\$1.5	\$2.5	\$0.6	\$346	\$382	\$628	\$1	0.2%
	2007		310	40	350	\$1.2	167%	\$1.2	\$1.9	\$3.1	\$1.1	\$391	\$452	\$724	\$0	0.0%
	Total, 2006-7		301	39	340	\$2.2	165%	\$2.2	\$3.4	\$5.6	\$2.0	\$384	\$418	\$682	\$2	0.3%
2-B	2005	Expected Loss Ratios	206	27	233	\$0.6	163%	\$0.6	\$0.1	\$0.7	\$0.0	\$228	\$29	\$256	\$0	0.0%
	2006		292	38	330	\$1.2	164%	\$1.2	\$1.5	\$2.7	\$1.0	\$300	\$382	\$683	\$6	8.9%
	2007		310	40	350	\$1.4	167%	\$1.4	\$1.9	\$3.3	\$1.4	\$344	\$452	\$726	\$82	8.5%
	Total, 2006-7		301	39	340	\$2.6	165%	\$2.6	\$3.4	\$6.0	\$2.5	\$323	\$418	\$741	\$61	8.9%
3-A	2005	Expected Loss Ratios	206	27	233	\$0.6	154%	\$0.6	\$0.1	\$0.6	-\$0.1	\$228	-\$19	\$209	-\$47	-18.4%
	2006		292	38	330	\$1.0	152%	\$1.0	\$1.2	\$2.2	\$0.6	\$246	\$322	\$568	-\$59	-9.5%
	2007		310	40	350	\$1.2	155%	\$1.2	\$1.8	\$3.0	\$0.8	\$281	\$379	\$661	-\$73	-10.0%
	Total, 2006-7		301	39	340	\$2.2	154%	\$2.2	\$2.9	\$5.0	\$1.4	\$284	\$351	\$615	-\$95	-9.6%
3-B	2005	Expected Loss Ratios	206	27	233	\$0.6	154%	\$0.6	\$0.1	\$0.6	-\$0.1	\$228	-\$19	\$209	-\$47	-18.4%
	2006		292	38	330	\$1.2	152%	\$1.2	\$1.3	\$2.5	\$0.6	\$300	\$322	\$622	-\$5	-0.8%
	2007		310	40	350	\$1.4	155%	\$1.4	\$1.8	\$3.0	\$1.1	\$344	\$379	\$723	-\$11	-1.5%
	Total, 2006-7		301	39	340	\$2.6	154%	\$2.6	\$2.9	\$5.5	\$1.9	\$323	\$351	\$674	-\$6	-0.9%

MONTANA COMPREHENSIVE HEALTH ASSOCIATION - FINANCIAL PROJECTIONS
Pilot (Premium Assistance) Program
Funding Requirements & Comparisons with Current (Scenario 1-A)

Scenario	Fiscal Year	Scenario	Average Monthly Enrollment [1]			Incurred Loss Ratio	Premium Subsidy [2]	Losses [3]	Total	Change in Total Funding	Premium Subsidy	Losses	Total	Change in Total PMPM	Percent Change in Total PMPM
			Pilot-A	Pilot-MC	Total Pilot										
4-A	2005	Enrollment increased to 350 effective July 1, 2005 [4]	208	27	235	176%	\$0.6	\$0.2	\$0.9	\$0.2	\$228	\$89	\$317	\$61	23.6%
	2006		292	38	330	182%	\$1.0	\$2.1	\$3.1	\$1.5	\$246	\$540	\$786	\$159	25.3%
	2007		310	40	350	213%	\$1.2	\$3.1	\$4.3	\$2.6	\$281	\$741	\$1,022	\$288	39.2%
	Total, 2006-7		301	39	340	204%	\$2.2	\$5.2	\$7.4	\$3.8	\$294	\$943	\$907	\$227	33.3%
4-B	2005	Enrollment increased to 350 effective July 1, 2005 [4]	206	27	233	176%	\$0.6	\$0.2	\$0.9	\$0.2	\$228	\$89	\$317	\$61	23.6%
	2006		292	38	330	182%	\$1.2	\$2.1	\$3.3	\$1.7	\$300	\$540	\$841	\$214	34.1%
	2007		310	40	350	218%	\$1.4	\$3.1	\$4.8	\$2.9	\$344	\$741	\$1,084	\$350	47.7%
	Total, 2006-7		301	39	340	204%	\$2.6	\$5.2	\$7.9	\$4.3	\$329	\$943	\$966	\$286	42.0%
5	2005	Expected Loss Ratios	206	27	233	163%	\$0.6	\$0.1	\$0.7	\$0.0	\$228	\$29	\$256	\$0	0.0%
	2006		425	55	480	183%	\$1.7	\$2.2	\$3.9	\$2.3	\$302	\$383	\$685	\$58	9.3%
	2007		487	63	550	187%	\$2.3	\$3.0	\$5.3	\$3.3	\$344	\$453	\$796	\$22	8.5%
	Total, 2006-7		458	59	515	185%	\$4.0	\$5.2	\$9.2	\$5.6	\$324	\$420	\$744	\$64	9.4%

Footnotes:

- [1] Dec. 2004 & Jan. 2005 enrollment estimated. Waiting list assumed to be 50 and distribution between Traditional & Medicare Carveout assumed to be proportional to enrollment.
- [2] Premium subsidy = 55% through September 2004, then 45% through June 2005
- [3] No Federal TAA Grant Income allocated to Pilot line of business. Projections are prior to any State Subsidy moneys.
- [4] Waiting list currently 45; assumed to be 50. Pilot program enrollment otherwise assumed to grow from January 2005 level to 300. Waiting list members assumed to enroll July 1, 2005. Remaining increase graded from July 2005 to January 2006.
- [5] PMPM = per member per month