



528 East Spokane Blvd | Suite 301
Spokane, WA 99202

June 14, 2010

The Honorable Mike Kreidler
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501

RE: Asuris Northwest Health Individual Rate Filing, Effective September 1, 2010

Dear Commissioner Kreidler:

In addition to the materials formally filed with your staff, I would like to provide you and the general public with a summary overview of our rate filing.

Our goal as a nonprofit health insurer is to anticipate the financial needs of our members as accurately as possible, and to collect just enough premiums to cover costs and maintain adequate financial reserves to cover unanticipated health care events as required by law. For the reasons outlined below, we believe the requested increase is appropriate and necessary to maintain the overall financial health of our Individual pool.

The proposed rate increase for Individual members covered by Asuris Northwest Health is 23.7 percent. The new rate will be effective for new or renewed policies beginning Sept. 1, 2010 and is estimated to impact approximately 14,000 members.

It is important to keep in mind that 23.7 percent is the average increase. Some members will see increases as low as 14.8 percent, while a small number will see increases up to 25.7 percent.

Asuris follows this basic formula in determining rates: we estimate future claims costs by averaging claims for this pool from the past; adjust for changes in the overall make-up of the pool (ages of people covered, historic usage patterns, etc.), as well as one-time events (ex. public health emergency); and multiplying that figure by medical trend. We then add administrative costs (which cover customer service, claims processing, care management and wellness programs, etc.), taxes and fees to calculate the total expected future costs.

The increase requested in this filing is due in large part to rising medical and prescription costs: medical and prescription (Rx) costs for this pool have increased by 8.9 percent since December 2008.

Another significant factor is the impact of legislation exempting certain new Individual members from filling out a Standard Health Questionnaire (SHQ). Based on data from our membership and billing systems, the proportion of SHQ-exempt Individual members has nearly doubled over the last five years.

Regence BlueShield/Asuris Northwest Health Individual Line of Business Historical % of Applicants Exempt from SHQ	
<i>Year</i>	<i>SHQ Exempt Percentage</i>
YTD 2010	19%
2009	19%
2008	17%
2007	10%
2006	9%

We estimate that exempt members cost an average of 67% *more* than non-exempt members.

Other key factors impacting this filing include costs associated with new state mental health parity requirements and the expected impact of childhood vaccinations. (Due to budget cuts, the state discontinued funding vaccinations for children. Health plans, providers, and third-party administrators agreed to continue the program through the Washington Vaccine Association.)

Since December 2008, we collected \$33,184,681 in individual health plan premiums and incurred \$31,367,374 (or 94.5 percent) in claims. After including administration costs, premium taxes, agent commissions and Washington State Health Insurance Pool (WSHIP) assessment, our Individual health business generated a *loss* of \$4,022,689, which we paid for with surplus from prior years.

Despite annual increases, Asuris operated this market segment at a *loss* for 2009 due to higher than expected utilization and claims costs. As a result, we have subsidized costs by using some of our financial reserves. That means we must factor in replenishing those reserves as we calculate the amount of increase needed. Asuris is requesting a rate change in this filing that includes a negative 5.4% contribution to our reserves in addition to a 2.0% contingency and risk charge.

ANH Individual pool five-year rate history:

2010	23.7% increase
2009	16.9% increase
2008*	21.9% increase
2007	19.4% increase
2006	0.2% decrease

**The 2008 rate increase does not include a 3.5% increase in January 2008 due to mental health parity mandates.*

Asuris continues to do what we can to hold down health care costs. For example, we provide members with information and tools to help them better understand and manage their own health care needs and options. Every benefit plan Asuris offers to individuals includes care and disease management support, health coaching, 24-hour nurse advice and behind-the-scenes support to ensure accurate and timely claims processing and payment. In addition, we maintain myAsuris.com, a secure web site offering members information on care options, comparisons of health costs, advice and articles on health issues, the ability to navigate their own claims history, locate providers, and a chat room where members can participate in community discussions regarding their health.

We share the community's concern over the high cost of health insurance. We actively work with our partners in the provider community to find ways to lower costs, and are continually striving to add efficiencies and hold down administrative costs within our own organization.

Finally, to confirm that this filing meets the highest quality actuarial standards, we have retained Milliman, an independent actuarial and consulting company, to evaluate our assumptions and findings. We will provide Milliman's affirmation of our work in support of our filing.

Thank you for your consideration of this filing. Please let me know if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'JHensley'.

Jonathan Hensley
President,
Asuris Northwest Health