N H S E H R P

NEW HAMPSHIRE SMALL EMPLOYER HEALTH REINSURANCE POOL

August 26, 2005

New Hampshire Insurance Department
Attention: Commissioner Roger A. Sevigny
21 South Fruit Street, Suite 14
Concord, NH 03301-2430

Dear Commissioner Sevigny:

On behalf of the Board of Directors of the New Hampshire Small Employer Health Reinsurance Pool, I am submitting the attached documentation (the standard health benefit plan, base reinsurance premium rates, and the rating methodology) which constitutes our understanding of the information for the submission that is required on August 26, 2005 per the Statute, RSA 420-K: 4, II for the New Hampshire Small Employer Health Reinsurance Pool.

Sincerely,

Karl E. Ideman
President, Pool Administrators Inc.

NHSEHRP Methodology for Determining Reinsurance Premium Rates

Develop A Standard Health Benefit Plan

According to RSA 420-K: 4 (Standard Health Benefit Plan), I. The board shall:

(a) Develop a standard health benefit plan which shall contain benefit and cost sharing levels that reflect the health coverages most commonly sold by small employer carriers in the state.

It is the consensus of the NHSEHRP Board that the most popular benefit plans which their companies sell contain benefit and cost sharing levels that reflect the health coverages most sold by Small Employer Health Carriers in the state. In fact, the NHSEHRP Board is comprised of Small Employer Health Carriers whose combined market share accounted for more than 92% of the Covered Lives in the New Hampshire small group market in 2002 (Source: NH DOI Supplemental Reports Calendar Year 2002).

With that understanding, Pool Administrators Inc. contacted the Board Member companies as well as Fortis Benefits Insurance Company, Fortis Insurance Company, John Alden, and Trustmark Insurance Company (Starmark) requesting a summary of benefits for each company's most commonly sold plans in the New Hampshire small group market. The number of plans so summarized ranged from one to four plans per carrier and included HMO, PPO, POS, and Indemnity plans. The Board decided that multiple Standard Health Benefit Plans for each major type of insurance program best meets the needs of the reinsurance Pool. The Board requested benefit summaries as well as PAI's array of the benefits that showed for each benefit the richest, the poorest and the roughly estimated a composite benefit from all of the plans submitted. The Board decided on the HMO/PPO/POS/Indemnity designs for the Standard Plans of reinsurance because they are comprehensive in nature. The Board also selected individual benefits that were richer rather than poorer to avoid requiring carriers to re-adjudicate their reinsurance reimbursement requests to the lesser of the benefits of the Standard plan or the plan for which the benefits were paid. The Board approved Standard Benefit Plan Designs are shown as Exhibit A.

Develop Base Reinsurance Rates

Also, according to RSA 420-K: 4 (Standard Health Benefit Plan), I. The board shall:

(b) Develop base reinsurance premium rates for the standard health benefit plan. The base reinsurance premium rates shall be set at levels which reasonably approximate gross premiums charged to small employers by small employer carriers for health benefit plans with benefits similar to the standard health benefit plan. The base premium rates shall be subject to approval of the commissioner.

Because of the very short period of time (45 days) to develop the Standard Health Benefit Plans and to develop the base reinsurance premium rates for the plans, the Board discussed alternative approaches to developing the rates and decided that instead of a formal survey, a premium worksheet approach would allow quicker turnaround by companies and would still contain the necessary support for the calculations. Also the Board decided that responses from the Board member companies would provide a reasonable approximation of the gross premium rates charged on either a simple average or on a weighted average basis since these companies represented more than 92% of the small group market in 2002 (the latest year available for PAI to use for the weighted average calculation).

The Board approved a Premium Worksheet (Exhibit B) that starts with Base PMPM rates used for the third quarter 2005 rate development and filing for medical and Rx, adjusts them for the approved standard designs for each product and trends the rates forward to January 1, 2006 effective dates. The rationale for this approach is the fact that SB 125 will cause all small group carriers to substantially change their rating schemes and these changes are not known yet. The Board also agreed to re-examine the rates so developed when more is known in November 2006. Therefore, for each of the Standard Benefit Plans, the development methodology was as follows:

1. Base PMPM rates used were for the third quarter, 2005 rate development and filing. Average values were assumed for all the rating factors used at that time.
2. Equivalent benefit adjustment factors for each of the plans were made to adjust the rates for the standard benefit plan design of HMO, POS, PPO and Indemnity plans.
3. The adjusted benefit cost for each of the standard plans was calculated.
4. Trend factors were applied to the first quarter, 2006.
5. The adjusted benefit cost for each of the plans was calculated.
6. Load factors were applied to consider administration and reserves, etc.

7. Per Member per Month Premium cost for 2006 was calculated.
8. A Per Subscriber per Month conversion factor was applied to the PMPM cost.
9. The Per Subscriber per Month Premium cost was calculated.

It is common practice for the NAIC model pools to set the base reinsurance rates using the market average which could be the simple average or a weighted average based on covered lives or premium in the New Hampshire Small Employer Health Insurance market. In order to allow the Board to consider all the options, averages were presented following each method of calculation. The Board chose the weighted average Covered Lives approach since it gave greater weight to the more commonly sold premium rates and this meets the requirement that the base rates are "set at levels which reasonably approximate gross premiums charged to small employers".

Establish a Methodology for Determining Premium Rates to be Charged by the Pool

Also, RSA 420-K: 4 requires that the Board

(c) Establish a methodology for determining premium rates to be charged by the pool to reinsure small employer groups and individuals. The methodology shall include a system for classification of small employers that reflects the types of case characteristics commonly used by small employer carriers in establishing premium rates.

Milliman has developed individual and group unisex rate tables for each of the four Standard Health Benefit Plans that reflect the age of the person being reinsured. Attachment I contains the monthly reinsurance premium rates for effective dates of reinsurance during the first quarter of 2006. Exhibit D provides documentation of how Milliman developed the rate tables. Finally, there is an effective date adjustment factor for each quarter in 2006, so that reinsurance ceding during the year considers the trend in the rates.

Establish a Methodology for Determining Premium Rates to be charged by the Pool (continued)

The Plan of Operation is currently being developed by the Board of Directors but it will not be completed in time to use its text for the methodology. The following are the highlights of the instructions that will be contained in the Plan of Operation, Article XII, Reinsurance that will document the methodology for determining premium rates for reinsuring small employers and individuals. These instructions will specify that

"Pool reinsurance premiums shall be established at the following percentages of the base reinsurance premium rate established by the pool for that classification of small employers with similar case characteristics:

(a) An entire small employer group consisting of 2 or more employees may be reinsured for a rate that is 150 percent of the applicable base reinsurance premium rate for the group established pursuant to RSA 420-K4, II and
(b) An eligible employee or dependent may be reinsured for a rate that is 500 percent of the applicable base reinsurance premium rate for the individual established pursuant to RSA 420-K: 4, II." Please note that the rate tables for whole group and individual reinsurance already reflect the 150% and 500% rate adjustments described in this section of the Law.

The following are the instructions that explain how the rates are computed for each group or individual being ceded.

The steps include the following:

1. Determine the type of benefit plan (HMO, POS, PPO, Indemnity). Determine which Standard Plan Design comes closest to matching the benefit plan that has been sold to the group. Select the Plan Design which will be used for reinsurance.

2. Determine whether to cede the whole group or one or more individuals. Determine whether to use Whole Group or Individual Reinsurance Rate Tables. If the whole group is to be ceded then it shall include every Eligible Employee and every Eligible Dependent of each Eligible Employee in calculating the premium required. If individual is used then any Eligible Employee and any Eligible Dependent of an Eligible Employee may be ceded using the Individual Reinsurance Rate Tables.

Establish a Methodology for Determining Premium Rates to be charged by the Pool (continued)

3. Determine the age of the life/lives to be ceded. The age of the ceded risk(s) shall be determined as of the effective date of insurance for the group, regardless of whether Whole Group Reinsurance or Individual Reinsurance is used.

4. Look up the appropriate rate in the rate table for each person being ceded

5. Adjust the rates for effective date of the reinsurance. Based on the insurance effective date for the group, apply the effective date adjustment factor for the applicable quarter to determine the reinsurance rate for each risk being reinsured.

6. Sum the rates across all the lives.

7. Apply industry adjustment if applicable.

8. Apply case size adjustment if applicable.

The industry and case size adjustments should be 1.0 for the initial submission. Because the Board does not yet know exactly how carriers will reflect these risk characteristics in their rating and because other state pools do not adjust for these variables in the reinsurance rates. The Board will request revisions to the factors as appropriate when final marketplace rates become known.

This constitutes our understanding of the information for the submission that is required on August 26, 2005 per the Statute, RSA 420-K: 4, II. *The standard health benefit plan, base reinsurance premium rates, and the rating methodology shall be submitted to the commissioner for approval within 45 days after the appointment of the board and shall subsequently be revised as necessary and appropriate.*

Board Approved Standard Health Benefit Plan Designs
HMO Version

HMO	
Plan Benefits	**Proposed by the NH Reinsurance Board**
Deductible	
Individual	None
Family	None
Out of Pocket Maximums	
Individual	None
Family	None
Coinsurance	None
Lifetime Maximum	None
Emergency Room	$50 co-pay per visit
Hospital Services	
Inpatient	Covered in full
Outpatient, other than emergency room	Covered in full
Physician Office Services	
PCP Office Visit	$10 co-pay per visit
Specialist Office Visit	$10 co-pay per visit
Preventative Care	Covered in full
Physician Hospital Visits	Covered in full
Surgery and Asst. Surgeon Fees	Covered in full
Laboratory and X-Ray	Covered in full
Clinical Trials	Not Covered
Diabetes	Covered in full
Diabetic Supplies	Under RX
Nonprescription Enteral Formulas	Not Covered
Mammography	Covered in Full
Pap Smear	Covered in Full

Routine Preventive Test	Covered in Full
Prescription Drug - Retail	
Generic	$5 co-pay
Preferred Brand	$10 co-pay
Non- Preferred Brand	$25 co-pay
Prescription Drug - Mail Order - per month	
Generic	$5 co-pay
Preferred Brand	$10 co-pay
Non- Preferred Brand	$25 co-pay
Maternity Expenses	
Pre/Post Natal Office Visits	Covered in full
Delivery Charges	Covered in full
Newborn Hospital Bill	Covered in full
Newborn Pediatrician	$10 co-pay per visit
Rehabilitation Therapies	
Physical Therapy	$10 co-pay per visit
Occupational Therapy	$10 co-pay per visit
Cardiac Therapy	Covered in full
Speech Therapy	$10 co-pay per visit
Home Health Care	Covered in full
Mental Health	
Inpatient	Mirror NH state mandate
Outpatient	Mirror NH state mandate
Substance Abuse	
Inpatient	Mirror NH state mandate
Outpatient	Mirror NH state mandate
Ambulance	Covered in full
Chiropractic Treatment	$10 co-pay per visit
Allergy Care	$10 co-pay per visit
Allergy Injections	$10 co-pay per visit

Durable Medical Equipment (DME)	$100 deductible with max annual benefit of $3,500
Prosthetics Appliances and Orthotics	Included in $100 DME deductible
Date: 8/19/2005	

Board Approved Standard Health Benefit Plan Designs
POS Version

POS	Proposed by the NH Reinsurance Board	
Plan Benefits	**IN Network (matches HMO)**	**Out of Network POS Benefits**
Deductible		
Individual	None	$150
Family	None	$450
Out of Pocket Maximums		
Individual	None	$900 Non-Network (includes deductible and coinsurance)
Family	None	$2700 Non-Network (includes deductible and coinsurance
Coinsurance	None	80%
Annual Maximum Benefit	None	$1,000,000
Lifetime Maximum	None	$2,000,000
Emergency Room	$50 co-pay per visit	Subject to deductible and co-insurance
Hospital Services		Subject to deductible and co-insurance
Inpatient	Covered in full	Subject to deductible and co-insurance
Outpatient, other than emergency room	Covered in full	Subject to deductible and co-insurance
Physician Office Services		
PCP Office Visit	$ 10 copay per visit	Subject to deductible and co-insurance
Specialist Office Visit	$10 copay per visit	Subject to deductible and co-insurance
Preventative Care	Covered in full	Subject to deductible and co-insurance

Physician Hospital Visits	Covered in full	Subject to deductible and co-insurance
Surgery and Asst. Surgeon Fees	Covered in full	Subject to deductible and co-insurance
Laboratory and X-Ray	Covered in full	Subject to deductible and co-insurance
Mammography	Covered in full	Subject to deductible and co-insurance
Pap Smear	Covered in full	Subject to deductible and co-insurance
Routine Preventive Test	Covered in full	subject to deductible and co-insurance
Prescription Drug - Retail		
Generic	$5 co-pay	$5 co-pay
Preferred Brand	$10 co-pay	$10 co-pay
Non- Preferred Brand	$25 co-pay	$25 co-pay
Prescription Drug - Mail Order - monthly		
Generic	$5 co-pay	$5 co-pay
Preferred Brand	$10 co-pay	$10 co-pay
Non- Preferred Brand	$25 co-pay	$25 co-pay
Maternity Expenses		
Pre/Post Natal Office Visits	Covered in full	Subject to deductible and co-insurance
Delivery Charges	Covered in full	Subject to deductible and co-insurance
Newborn Hospital Bill	Covered in full	Subject to deductible and co-insurance
Newborn Pediatrician	$10 co-pay	Subject to deductible and co-insurance
Rehabilitation Therapies		
Physical Therapy	$10 co-pay	Subject to deductible and co-insurance
Occupational Therapy	$10 co-pay	Deductible and co-insurance

Cardiac Therapy	No charge	Subject to deductible and co-insurance
Speech Therapy	$10 co-pay	
Home Health Care	Covered in full	Subject to deductible and co-insurance
Mental Health		
Inpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Outpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Substance Abuse		
Inpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Outpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Ambulance	Covered in full	Subject to deductible and co-insurance

Date: 8/19/2005

Board Approved Standard Health Benefit Plan Designs
PPO Version

PPO	Proposed by the NH Reinsurance Board	
Plan Benefits	**IN Network (matches HMO)**	**Out of Network PPO Benefits**
Deductible		
Individual	None	$200
Family	None	$600
Out of Pocket Maximums		
Individual	None	$800 Non-Network (includes deductible and coinsurance)
Family	None	$2400 Non-Network (includes deductible and coinsurance
Coinsurance	None	80%
Annual Maximum Benefit	None	$1,000,000
Lifetime Maximum	None	$2,000,000
Emergency Room	$50 co-pay per visit	Subject to deductible and co-insurance
Hospital Services		Subject to deductible and co-insurance
Inpatient	Covered in full	Subject to deductible and co-insurance
Outpatient, other than emergency room	Covered in full	Subject to deductible and co-insurance
Physician Office Services		
PCP Office Visit	$ 10 copay per visit	Subject to deductible and co-insurance
Specialist Office Visit	$10 copay per visit	Subject to deductible and co-insurance

Preventative Care	Covered in full	Subject to deductible and co-insurance
Physician Hospital Visits	Covered in full	Subject to deductible and co-insurance
Surgery and Asst. Surgeon Fees	Covered in full	Subject to deductible and co-insurance
Laboratory and X-Ray	Covered in full	Subject to deductible and co-insurance
Mammography	Covered in full	Subject to deductible and co-insurance
Pap Smear	Covered in full	Subject to deductible and co-insurance
Routine Preventive Test	Covered in full	subject to deductible and co-insurance
Prescription Drug - Retail		
Generic	$5 co-pay	$5 co-pay
Preferred Brand	$10 co-pay	$10 co-pay
Non- Preferred Brand	$25 co-pay	$25 co-pay
Prescription Drug - Mail Order - monthly		
Generic	$5 co-pay	$5 co-pay
Preferred Brand	$10 co-pay	$10 co-pay
Non- Preferred Brand	$25 co-pay	$25 co-pay
Maternity Expenses		
Pre/Post Natal Office Visits	Covered in full	Subject to deductible and co-insurance
Delivery Charges	Covered in full	Subject to deductible and co-insurance
Newborn Hospital Bill	Covered in full	Subject to deductible and co-insurance
Newborn Pediatrician	$10 co-pay	Subject to deductible and co-insurance
Rehabilitation Therapies		
Physical Therapy	$10 co-pay	Subject to deductible and co-insurance

Occupational Therapy	$10 co-pay	Deductible and co-insurance
Cardiac Therapy	No charge	
Speech Therapy	$10 co-pay	Subject to deductible and co-insurance
Home Health Care	Covered in full	Subject to deductible and co-insurance
Mental Health		
Inpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Outpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Substance Abuse		
Inpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Outpatient	Mirror NH State Mandate	Mirror NH State Mandate subject to deductible and coinsurance
Ambulance	Covered in full	Subject to deductible and co-insurance

Board Approved Standard Health Benefit Plan Designs
Indemnity Version

Indemnity

Plan Benefits	Indemnity
Deductible	
Individual	$250
Family	$500
Out of Pocket Maximums	
Individual	$650 Non-Network (includes deductible and coinsurance)
Family	$1700 Non-Network (includes deductible and coinsurance)
Coinsurance	80%
Annual Maximum Benefit	$1,000,000
Lifetime Maximum	$2,000,000
Emergency Room	Subject to deductible and co-insurance
Hospital Services	Subject to deductible and co-insurance
Inpatient	Subject to deductible and co-insurance
Outpatient, other than emergency room	Subject to deductible and co-insurance
Physician Office Services	
PCP Office Visit	Subject to deductible and co-insurance
Specialist Office Visit	Subject to deductible and co-insurance

Preventative Care	Subject to deductible and co-insurance
Physician Hospital Visits	Subject to deductible and co-insurance
Surgery and Asst. Surgeon Fees	Subject to deductible and co-insurance
Laboratory and X-Ray	Subject to deductible and co-insurance
Mammography	Subject to deductible and co-insurance
Pap Smear	Subject to deductible and co-insurance
Routine Preventive Test	subject to deductible and co-insurance
Prescription Drug - Retail	
Generic	$5 co-pay
Preferred Brand	$10 co-pay
Non- Preferred Brand	$25 co-pay
Prescription Drug - Mail Order - monthly	
Generic	$5 co-pay
Preferred Brand	$10 co-pay
Non- Preferred Brand	$25 co-pay
Maternity Expenses	
Pre/Post Natal Office Visits	Subject to deductible and co-insurance
Delivery Charges	Subject to deductible and co-insurance
Newborn Hospital Bill	Subject to deductible and co-insurance
Newborn Pediatrician	Subject to deductible and co-insurance
Rehabilitation Therapies	

Physical Therapy	Subject to deductible and co-insurance
Occupational Therapy	Deductible and co-insurance
Cardiac Therapy	
Speech Therapy	Subject to deductible and co-insurance
Home Health Care	Subject to deductible and co-insurance
Mental Health	
Inpatient	Mirror NH State Mandate subject to deductible and coinsurance
Outpatient	Mirror NH State Mandate subject to deductible and coinsurance
Substance Abuse	
Inpatient	Mirror NH State Mandate subject to deductible and coinsurance
Outpatient	Mirror NH State Mandate subject to deductible and coinsurance
Ambulance	Subject to deductible and co-insurance

Date: 8/19/2005

Exhibit B

The Board approved version of the Premium Worksheet

NOTE: THE DOLLAR AMOUNTS SHOWN ARE FOR ILLUSTRATIVE PURPOSES ONLY

Carrier Premium Development Survey

	Benefit Type:	**HMO**	**POS**	**PPO**	**Indemnity**
1	PMPM Base Medical & Rx Cost	$350.00	$450.00	$450.00	$500.00
2	Benefit Adjustment to Statewide Average Plan (To be developed and applied by each carrier)	1.000	1.000	1.000	1.000
3	Statewide PMPM Medical Cost (#1 x #2)	$350.00	$450.00	$450.00	$500.00
4	Trend Factor (to 1st Qtr. '06) (To be developed and applied by each carrier)	1.000	1.000	1.000	1.000
5	Statewide PMPM Medical Cost for 1st Qtr. '06 (#3 x #4)	$350.00	$450.00	$450.00	$500.00
6	Loads (Admin, Reserve, etc.) (Assumption: Please solve for a MLR of 80 %.)	0.800	0.800	0.800	0.800
7	PMPM Premium cost for '06 (#5 / #6)	$437.50	$562.50	$562.50	$625.00
8	Conversion Factor	1.000	1.000	1.000	1.000
9	PSPM Premium cost for '06 (#7 x #8)	$437.50	$562.50	$562.50	$625.00

Exhibit C

Summary of Per Subscriber Average Insurance Rates and Reinsurance Rates

25-Aug-05		HMO	POS	PPO	IND
I. Survey Rates	**# of responses**	**3**	**2**	**4**	**1**
	Arithmetic Mean	**$404.87**	**$466.94**	**$475.30**	**$551.74**
	Weighted Average	**$426.94**	**$491.24**	**$504.20**	**$551.74**
II. Group Reinsurance Rates					
	Arithmetic Mean	$313.98	$366.31	$389.27	$485.81
	Weighted Average	$331.09	$385.38	$412.94	$485.81
II. Individual Reinsurance Rates					
	Arithmetic Mean	$1,046.59	$1,221.04	$1,297.56	$1,619.36
	Weighted Average	$1,103.65	$1,284.59	$1,376.47	$1,619.36
% > $5,000		51.7%	52.3%	54.6%	58.7%
Group Load		150%	150%	150%	150%
Individual Load		500%	500%	500%	500%

Exhibit D

Description of Reinsurance Rate Development

The reinsurance rates presented in Attachment 1 were developed as follows:

Step 1:

The reinsurance rates are based on the weighted average Covered Lives. To determine the percentage of those rates that relates to claims in excess of $ 5,000, Milliman used its *Health Cost Guidelines*. This was done as follows:

a) For each of the four standard benefit plans (HMO, POS, PPO, Indemnity), Milliman computed per member per month (pmpm) medical costs using Milliman's *Health Cost Guidelines*, the firm's healthcare utilization and cost database and rating tool. The pmpm costs recognized the standard benefit plan designs and typical utilization rates and provider reimbursement levels. The cost was computed for an average member (i.e. demographic factor of 1.0) using Milliman's standard labor population demographics.

b) Then, based on the assumptions underlying the development of these pmpm costs, Milliman created a claim probability distribution for each standard benefit plan. This distribution shows the percentage of a typical population of covered lives that have benefit amounts at various levels, ranging from those persons with no claims during the year to those with very high claim amounts. Using that distribution, Milliman computed the average pmpm cost for the claims in excess of $5,000 of benefits under each standard benefit plan.

The ratio of the costs in excess of $5,000 to the total pmpm cost is as follows:

Plan	% of Total Cost
HMO	51.7%
POS	52.3%
PPO	54.6%
Indemnity	58.7%

Step 2:

The starting weighted average rates developed by the NHSEHRP Board for each of the four standard benefit plans were multiplied by the percentages in step 2 and then multiplied by 150% (for group reinsurance) or 500% (for individual reinsurance) to produce the starting reinsurance rate for calendar year 2006 for each standard benefit plan. Those rates are presented below:

Plan	Group Reinsurance	Individual Reinsurance

HMO	$331.09	$1,103.65
POS	$385.38	$1,284.59
PPO	$412.94	$1,376.47
Indemnity	$485.81	$1,619.36

Step 3:

Using Milliman's *Health Cost Guidelines*, unisex demographic rating adjustment factors were computed for five year age bands. These factors reflect the expected medical costs for the standard PPO benefit plan for claims in excess of $5,000 per reinsured life. The same factors apply to all four standard benefit plans as, based on sample calculations, the demographic slope does not vary among plans by a meaningful amount.

Step 4:

Milliman adjusted the weighted average rates developed by the NHSEHRP Board from a rate per average subscriber to an average rate per member, so that the rates would be denominated to match the demographic factors in step 4. Milliman used demographic factors for employees based on the standard labor population in the Milliman *Health Cost Guidelines*.

Step 5:

The 2006 monthly reinsurance rate tables shown in Attachment 1 were computed using the following formula:

Rate = Base reinsurance rate for standard benefit plan (step 3)
/ adjustment factor to convert to pmpm (step 5)
* demographic factor (step 4)

Step 6:

The rate tables in Attachment 1 represent the rates for coverage during calendar year 2006. Because reinsurance may become effective throughout the year, it is necessary to apply trend factors to the rates for other effective dates. Milliman computed quarterly trend factors for effective dates during each quarter of 2006.

The assumed underlying basic medical cost trend rate was 12%. This is a Milliman assumption based on industry analyses of expected changes in the costs of medical costs for first dollar benefits.

This trend rate was then adjusted to reflect the fact that the benefits being provided are subject to a fixed deductible of $5,000 of benefits. Since the deductible remains fixed while the cost of care increases, the trend in the

reinsurance claims is leveraged. The effective annual trend rate for the $5,000 deductible plan becomes 17.0%. The quarterly trend adjustments are as follows:

Effective Dates	Trend Factor
1q 2006	1.0000
2q 2006	1.0400
3q 2006	1.0817
4q 2006	1.1250

Step 7:

Case size is one of the allowable rating characteristics that small employers can use to rate groups in New Hampshire. Because the actual case size factors that will be used are not yet known and the fact that other reinsurance pools do not adjust the reinsurance rates for case size, the case size adjustment factor has been set at 1.00 for the reinsurance rates.

Step 8:

Industry is also an allowable rating characteristic in New Hampshire. For the same reasons that are presented for case size, the industry adjustment factor has been set at 1.00 for the reinsurance rates.

New Hampshire Small Employer Reinsurance Pool
2006 Monthly Reinsurance Rates

Group Reinsurance

	HMO	POS	PPO	Indemnity
<25	$ 177.96	$ 207.14	$ 221.96	$ 261.12
25-29	$ 217.96	$ 253.70	$ 271.84	$ 319.81
30-34	$ 223.77	$ 260.46	$ 279.09	$ 328.33
35-39	$ 235.36	$ 273.94	$ 293.54	$ 345.34
40-44	$ 267.67	$ 311.55	$ 333.84	$ 392.74
45-49	$ 338.28	$ 393.74	$ 421.90	$ 496.35
50-54	$ 450.98	$ 524.91	$ 562.46	$ 661.71
55-59	$ 595.74	$ 693.42	$ 743.01	$ 874.12
60-64	$ 753.96	$ 877.57	$ 940.34	$ 1,106.27
65+	$ 907.07	$ 1,055.78	$ 1,131.29	$ 1,330.92
65+ Med.	$ 317.47	$ 369.52	$ 395.95	$ 465.82
Child	$ 101.13	$ 117.70	$ 126.12	$ 148.38

Individual Reinsurance

	HMO	POS	PPO	Indemnity
<25	$ 593.21	$ 690.47	$ 739.86	$ 870.41
25-29	$ 726.54	$ 845.65	$ 906.14	$ 1,066.04
30-34	$ 745.90	$ 868.19	$ 930.29	$ 1,094.45
35-39	$ 784.53	$ 913.15	$ 978.46	$ 1,151.12
40-44	$ 892.23	$ 1,038.51	$ 1,112.79	$ 1,309.15
45-49	$ 1,127.59	$ 1,312.45	$ 1,406.33	$ 1,654.49
50-54	$ 1,503.26	$ 1,749.71	$ 1,874.86	$ 2,205.69
55-59	$ 1,985.82	$ 2,311.38	$ 2,476.71	$ 2,913.74
60-64	$ 2,513.21	$ 2,925.24	$ 3,134.47	$ 3,687.58
65+	$ 3,023.56	$ 3,519.26	$ 3,770.98	$ 4,436.40
65+ Med.	$ 1,058.25	$ 1,231.74	$ 1,319.84	$ 1,552.74
Child	$ 337.08	$ 392.35	$ 420.41	$ 494.60