

## NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND

### Small Group Market Products Part II, Consumer Narrative Justification

Neighborhood Health Plan of Rhode Island's (Neighborhood) mission is to be an innovative health insurance company that, in partnership with Rhode Island's Community Health Centers, secures access to high quality, cost-effective health care for Rhode Island's at-risk populations. In service of this mission, Neighborhood has submitted its annual rate filing for the small group market. An overview of the filing is described below.

#### **Scope and range of increase:**

Carriers file two average rate increase amounts with OHIC: the EHB base rate increase and the weighted average rate increase. These two percentages reflect different calculations.

- **Essential Health Benefits Base Rate Increase:** After considering all the pricing assumptions except for benefits and cost sharing, the average rate increase for a theoretical plan that provides 100% coverage for all Essential Health Benefits would be 6.9%. Since this EHB increase uses a theoretical plan, it allows for comparisons across health insurance carriers and across years.
- **Weighted Average Rate Increase:** However, consumer plans have adjustments to reflect the benefits selected, including modifications to prior year benefits and pricing. The average premium increase to consumers, before reflecting changes in age is expected to be 5.8%.

The range of rate changes, before reflecting changes in age, which consumers will experience, is: approximately 2.5% to 8.4%.

The key driver of this rate increase, further described below, is an increase medical services costs.

#### **Financial experience of product:**

In January 2014, Neighborhood for the first time offered small group insurance coverage through HealthSource RI (HSRI). While Neighborhood's Small Group market continues to grow, membership is below levels that can be used to develop credible rates. Neighborhood develops rates based on a manual process to build assumptions using industry standards and regional data in similar products.

Reserves have been established that allow Neighborhood to continue serving our members and maintain financial stability. Since Neighborhood first started offering products on HSRI in calendar year 2014, Neighborhoods commercial reserves have contributed to total reserves on

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average by 7% annually. Neighborhood will continue to grow our reserves by including a 2% contribution in this filing.

#### **Changes in Medical and Prescription Drug Service costs:**

One key driver of premium increases includes increased medical and prescription drug costs on paid claims for our members, resulting in an approximate 10% medical and prescription drug trend assumption. Components of this trend include increases in unit costs of medical services due to inflation, increased medical utilization, increases in specialty drug expenses, technology advances in medicine, equipment and drugs, changes in network provider contracts, and other factors. To ensure members are getting the best high-quality, cost-effective health care, Neighborhood regularly reviews medical expenses to find innovative ways to decrease medical costs for our members.

#### **Changes in Benefits:**

Neighborhood has updated the benefit packages in 2018 to fulfill federal Actuarial Value (AV) requirements. These benefit changes impacted the rate change by approximately (2.8%).

#### **Administrative costs and anticipated profits:**

Neighborhood is committed to high-quality, low cost healthcare which involves managing administrative costs by increasing operating efficiencies and reducing unnecessary expenditures. Administrative cost changes resulted in a 1.1% decrease to the Essential Health Benefits Base Rate. This does not include broker commissions, taxes, licenses, fees, assessments or profits.

Neighborhood anticipates that 77.1% of premium dollars will go towards medical expenses. This is an estimate which may be subject to change based on medical trends and other adjustments under federal regulations. This is directly due to low enrollment levels which do not meet federal standards for assessing medical loss ratio rebates. Neighborhood is in compliance with ACA regulations.