

## NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND

### Individual 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 individual 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 Decrease:** After considering all the pricing assumptions except for benefits and cost sharing, the average rate decrease for a theoretical plan that provides 100% coverage for all Essential Health Benefits would be 9.4%. Since this EHB decrease uses a theoretical plan, it allows for comparisons across health insurance carriers and across years.
- **Weighted Average Rate Decrease:** However, consumer plans have adjustments to reflect the benefits selected, including modifications to prior year benefits and pricing. The average premium decrease to consumers, before reflecting changes in age is expected to be 5.0%.

The range of rate changes, before reflecting changes in age, which consumers will experience, is: approximately (8.5%) to (0.4%).

Key drivers of this rate decrease, further described below, include financial experience of the products, as well as state and federal benefit changes.

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

In January 2014, Neighborhood for the first time offered individual insurance coverage through HealthSource RI (HSRI). Increased membership and higher utilization in 2015 has allowed Neighborhood to develop rates based on actual experience. Neighborhood retained actuarial expertise who utilized published data models along with Neighborhood's 2015 commercial market experience to prepare the premium rates for individual market plans to be offered on HSRI in 2017.

Reserves have been established that allow Neighborhood to continue serving our members and maintain financial stability. Since offering our first products on HSRI, Neighborhood's reserves

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have increased by 50% but are still below the recommended level. Neighborhood will continue to grow our reserves by including a 3% contribution in this filing.

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

Under the Affordable Care Act (ACA), Neighborhood must ensure that annual out-of-pocket cost sharing (e.g., deductibles, coinsurance and copayments) for in-network essential health benefits do not exceed certain limits. Neighborhood has updated the benefit packages in 2017 to fulfill federal requirements. These benefit changes impacted the rate change by approximately (1.0%).

Effective January 1, 2017, Neighborhood will withdraw one plan from the individual market. The plan being withdrawn is Neighborhood SECURE. Individuals and families that are currently enrolled in this plan will receive a notice that their plan is being withdrawn from the market as of their next renewal. Individuals and families will be auto-enrolled in a new bronze plan for January 1, 2017, but have the option during open enrollment to dis-enroll from the new plan and select an alternative plan.

Also, beginning January 1, 2017, Neighborhood will be offering 3 new plans in the individual market. These plans include: Neighborhood INNOVATION (bronze), Neighborhood QUALITY (silver), and Neighborhood PREFERRED (silver). These new plans will be available to consumers in the individual market during open enrollment for the 2017 plan year.

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

Another key driver of premium changes includes increased medical and prescription drug costs on paid claims for our members, resulting in a 5.1% medical/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. Neighborhood was able to offset increased medical costs by decreasing other key drivers of premium.

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

Neighborhood is committed to high quality, cost-effective health care which involves managing administrative costs by increasing operating efficiencies and reducing unnecessary

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expenditures. Administrative costs have increased by 1.7% from the 2016 filing. This is a result of higher membership than projected for the current plan year. These costs do not include taxes, licenses, fees, assessments or profits.

Neighborhood anticipates that 82.8% 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 assumption meets the federal requirements under the ACA, which states at least 80% of premium dollars need to be utilized for medical expenses. If less than 80% of premium dollars go towards medical expenses in 2017, members will receive a premium rebate based on the difference.