These actuarial memoranda document the analysis and final decision of the State of Rhode Island Office of the Health Insurance Commissioner review of 2022 commercial health insurance premiums in the individual market, small group market, and large group market.

2022 Commercial Health Insurance Rate Review

Actuarial Memoranda

September 2, 2021

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[1] The actuarial memos are individually paginated.

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
1511 Pontiac Ave, Bldg 69-1
Cranston, RI 02920

Subject: **Individual Market Rate Filings for Blue Cross and Blue Shield of Rhode Island (BCBSRI) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #BCBS_132812175

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of BCBSRI's individual market rate filings.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted on May 17, May 28[1], June 17, and August 19, 2021. In addition, GA relied on information provided through BCBSRI's Small Group and Large Group Filing review process to assist with this review. Note, the second filing submitted on June 17 reflects the change in the reinsurance parameters for RI's Individual Market reinsurance program.

Throughout the filing process, GA corresponded with BCBSRI's actuarial team. An actuarial certification is included in the filing signed by Michael Bodenrader. GA submitted questions through SERFF on May 24th, May 28th, June 11th, June 21st, and July 8th. In addition, GA conducted several phone calls with BCBSRI's actuarial team. GA received responses for questions through SERFF.

[1] The May 28th submission did not change overall rates or rate increases and only included minor modifications on mapping of terminated plans.

GA provided working recommendations to RIOHIC on July 27, 2021. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: BCBSRI's utilization trends appear conservative. Reducing the overall medical utilization trend from 2.6% to 2.1% would still allow some conservatism but would be more in line with recent trends. This would reduce overall rates by 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: I recommend that BCBSRI revise their assumptions related to COVID vaccinations and assume that 25% of their pool will require a COVID vaccination in 2022. This will reduce the proposed rate by approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: BCBSRI does not consider the unsubsidized enrollees who are paying the full CSR adjustment in the calculation of the CSR adjustment. BCBSRI should consider this which would reduce the CSR adjustment from 24.0% to 20.6% and reduce the overall average rate change by 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #4: BCBSRI could replace their current risk adjustment assumptions with a blend of 2019 and 2020 final risk adjustment numbers which results in a $13.10 PMPM receivable and a $1.09 PMPM high-cost risk pool charge. This would increase the rates approximately 1.1%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #5: BCBSRI should revise their RI assessment assumption to be consistent with the latest charges. The RI Health Insurance Commissioner has approved this revised assumption.[2]

Recommendation #6: Due to BCBSRI's strong financial position, BCBSRI could reduce their contribution to reserve assumption from 2.5% to 1.0%, which is consistent with the prior year's contribution to reserve. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows BCBSRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the

[2] Due to other assumption changes, the revised assessment charges result in a 1.4% charge to the final rate.

interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	BCBSRI IND		
	Requested	Final Approved	Impact to Rate
Calibrated Plan Adjusted Index Rate (CPAIR)	$333.01	$323.41	-2.9%
Medical Trend Assumptions			
Inpatient Hospital	4.5%	4.0%	
Outpatient Hospital	6.1%	5.6%	
Professional	5.0%	4.5%	
Other Medical	5.0%	4.5%	
Capitation	0.0%	0.0%	
Prescription Drug	6.7%	6.7%	
Total Medical Trend	5.6%	5.2%	-0.7%
Adjustments to Medical Portion of Premium			
Risk Adjustment	-3.2%	-2.1%	1.1%
Silver Plan Load	24.0%	20.6%	-0.3%
Future Covid Expenses	0.6%	0.3%	-0.3%
Reinsurance	-6.4%	-6.6%	-0.2%
Non-Medical Portion of Premium			
RI Assessment	1.4%	1.4%	
Contribution to Reserves/Profit	2.5%	0.0%	-2.5%
CPAIR Change from 2021	3.1%	0.1%	-2.9%

Table 1: Requested and Final Approved Rates

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The increases we focus our review on are the calibrated plan adjusted index rate (PAIR) average increase.[3] The calibrated PAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan offering. This change reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

The proposed average calibrated PAIR change for the submitted filing on June 17th is 3.1%. As of March 2021, there were 17,159 enrolled members. BCBSRI intends to discontinue or terminate ten plans, migrating members to existing plans. BCBSRI has not added new plans. As shown in the table below there will be 40 plan offerings in

[3] We also review the PAIR and the PAIR increases. Generally, the increases for the calibrated PAIR and PAIR are similar. The PAIR increases reflect demographic changes in the rating pool from one year to the next.

total and the average rate change for renewing plans is 3.1%. There are approximately 1,800 enrollees in discontinued/terminated plans.

Proposed Rate Increases					
Category	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
New	0	0		$0.00	
Renewal	40	15,379	$314.27	$324.10	3.1%
Terminated	10	1,780	$399.60	$410.01	2.6%
Total	50	17,159	$323.12	$333.01	3.1%

Table 2: Proposed Rate Change

BCBSRI has made changes in their benefit pricing model which results in variation in rate change by plan offering. Their 2021 model understated pharmacy claims. The impact of this understatement is that HSA plan offerings appeared more comprehensive and copay plans appeared leaner. The 2022 model has been corrected and therefore there are larger increases for copay plans and lower than expected increases for HSA type plan offerings.

The table below shows the variation in rate change.

Proposed Rate Increases					
Rate Change Range	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
less than 0%	2	452	$370.39	$369.86	-0.1%
0% to 1.9%	26	9,161	$278.70	$282.34	1.3%
2% to 3.9%	4	555	$492.29	$503.25	2.2%
4% to 5.9%	2	2,282	$398.33	$417.13	4.7%
6% to 7.9%	3	1,122	$357.54	$380.06	6.3%
8% to 9.9%	3	1,807	$292.83	$317.07	8.3%
10% to 11.9%	0	-	$0.00	$0.00	0.0%
12% or greater	0	-	$0.00	$0.00	0.0%
Total	40	15,379	$314.27	$324.10	3.1%

Table 3: Distribution of Rate Changes

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for BCBSRI's individual market were 7.6% in CY 2019 and substantially lower in CY 2020 at -11.3%. The table below shows a three-year history of allowed claims PMPMs. There was an increase in

pharmacy costs in 2019 at a 6.4% trend but then the trend is negative from 2019 to 2020 at -9.2%. The negative trends in 2020 are due to a change in provider reimbursement in 2020, COVID 19, and the impact of higher risk enrollees that have terminated. BCBSRI has also lost membership in each of the past two years, decreasing 12.2% in 2019 and an additional 6.5% in 2020.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$123.62	$124.68	$106.27
Outpatient Hospital	$144.96	$163.14	$145.82
Professional	$157.18	$171.76	$151.77
Other Medical	$11.07	$12.18	$11.42
Capitation	$0.00	$0.00	$0.31
Prescription Drug	$125.81	$133.87	$121.51
Total	$562.65	$605.64	$537.11
Member Months	249,698	219,344	205,160

Allowed Claims PMPM Trend		
	CY 19	CY 20
Inpatient Hospital	0.9%	-14.8%
Outpatient Hospital	12.5%	-10.6%
Professional	9.3%	-11.6%
Other Medical	10.0%	-6.2%
Capitation	-	-
Prescription Drug	6.4%	-9.2%
Total	7.6%	-11.3%
Member Months Trend	-12.2%	-6.5%

Table 4: Allowable Claims PMPM and Trend CY 2018-CY 2020

BCBSRI is assuming an average annual trend assumption of 5.6%. The tables below shows BCBSRI's cost and utilization[4] trend assumptions by service category. As shown, BCBSRI is assuming an overall 2.6% medical utilization trend across all medical service categories.

[4] Utilization trends also include severity trends.

Trend Assumptions			
	2 Year Avg Cost	2 Year Avg Utilization	2 Year Avg Total
Inpatient Hospital	3.4%	1.0%	4.5%
Outpatient Hospital	2.4%	3.6%	6.1%
Professional	2.2%	2.7%	5.0%
Other Medical	2.2%	2.7%	5.0%
Capitation	0.0%	0.0%	0.0%
Prescription Drug	-0.7%	7.4%	6.7%
Total			5.6%

Table 5: BCBSRI Annual Trend Assumption[5]

Trend Assumptions	2 Yr Avg Cost	2 Yr Avg Utilization	2 Year Avg Total
Medical	2.6%	2.6%	5.2%
Prescription Drug	-0.7%	7.4%	6.7%

Table 6: Medical & Pharmacy Trend Assumption[6]

BCBSRI has performed regression analyses across the Direct Pay, Small Group, and Large Group markets. They have provided a series of regression charts by service category: inpatient hospital, outpatient, physician, and pharmacy. For inpatient utilization, regressions are performed on admissions per 1000 adjusted for COVID. For the other service categories, BCBSRI adjusts claims PMPMs for price and for COVID and then performs regression analysis. The COVID suppression factors used in this analysis are derived for each market segment separately. For more information on these factors, please refer to the section below. Due to the many adjustments BCBSRI had to take to perform a regression analysis for trend projections, it is appropriate to develop trend projections using different methods to check for reasonableness[7]. I performed my own trend analysis by analyzing data across the three market segments for medical and pharmacy allowed claims PMPMs. I also focused my analysis on trends prior to February 2020. In my experience in reviewing filings in other states, I have observed many insurers using this same practice.

[5] BCBSRI reported trend assumptions in the rate filing template inclusive of the COVID suppression factor. Trends shown here excludes the COVID suppression factor. Prescription Drug cost trends also include assumptions for PBM contractual changes, new drugs and drugs switching from brand to generic. Leveraging factor of 0.6% was included in the paid to allowed ratio.
[6] Trends were composited using allowed claims PMPMs.
[7] Actuarial Standards of Practice #8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits, Section 3.12.

I requested and received monthly data for each of the market segments for medical and pharmacy services. I adjusted medical data for unit cost increases for all market segments and a high-cost claimant in the Direct Pay market.[8] I calculated utilization trends through YE December 2020 analyzing rolling 3 months, rolling 6 months, and rolling 12 months medical trends. I focused on trends through YE February 2020 due to the impact of COVID-19. The table below shows a summary of these results. As shown, prior to February 2020, utilization is declining across the Direct Pay, Small Group Market and in Total. For example, for the Direct Pay Market, the 12-month average shows 5%, the 6 month average shows 1.8% and the 3 month average shows -1.9% which indicates trends are declining in the most recent months. The regressions BCBSRI is using focus on rolling 12-month averages which is influenced more by less recent data. BCBSRI is assuming a 2.6% medical utilization trend whereas my analysis indicates a range from -0.1% to 1.8%, as shown below. BCBSRI's utilization trends in total appear high.

	Utilization Trends Medical		
	3 month Avg	6 month Avg	12 month Avg
YE February 2020			
DP	-1.9%	1.8%	5.0%
SG	-1.3%	0.3%	2.4%
LG	1.4%	0.9%	0.9%
Total	-0.1%	0.7%	1.8%

Table 7: Gorman Actuarial Trend Analysis

Recommendation #1: BCBSRI's utilization trends appear conservative. Reducing the overall medical utilization trend from 2.6% to 2.1% would still allow some conservatism but would be more in line with recent trends. This would reduce overall rates by 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

The Affordability Standards in Rhode Island dictate that the annual hospital increase in 2021 shall be no more than 3.05% during the period of January 1, 2021 through December 31, 2021. BCBSRI has confirmed adherence to this requirement.

[8] Unit cost trends were retrieved from previous rate filings. Unit cost changes were assumed to happen on January 1st of each year. For the Direct Pay Market, $800,000 was removed from 2019 to reflect a high-cost claimant that is no longer enrolled.

V. COVID Suppression and COVID Expenses

BCBSRI is applying a 12.1% COVID Suppression factor to their individual market 2020 medical experience to reflect the utilization reductions in CY 2020 due to COVID 19.[9] BCBSRI has experienced a loss of high-cost members in 2019 which can also contribute to a reduction in claims costs in 2020. Utilizing this information, I have calculated a COVID suppression factor of 3% to 10%.[10] BCBSRI's COVID suppression factor appears on the high side and is outside of my estimated range. However, since the calculation of COVID suppression is interrelated with utilization trend assumptions which is addressed in the previous section, and there is variation in my range of estimates, I have not recommended a reduction in this assumption.

BCBSRI is assuming $2.99 PMPM to reflect anticipated costs of COVID-19 vaccination administration. This impacts the rate by 0.6%. This assumes that 85% of their rating pool will receive a vaccination in 2022 at the cost of $40 per administration. BCBSRI is assuming the costs of the vaccinations will be funded through the State Mandated Assessments. Recently, the CDC released guidance that suggested that fully vaccinated individuals would not require a booster.[11] Due to this guidance, it seems unlikely that 85% of members will receive a booster in 2022. However, due to the dynamic nature of COVID, it may be appropriate to include something for expected booster costs or first time vaccinations and a more reasonable assumption could be in the range of 20% to 25%.[12]

Recommendation #2: I recommend that BCBSRI revise their assumptions related to COVID vaccinations and assume that 25% of their pool will require a COVID vaccination in 2022. This will reduce the proposed rate by approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

VI. Cost Sharing Reduction (CSR) Adjustment

BCBSRI includes the CSR adjustment, or silver plan load, in five plans.[13] The table below shows the plan offerings and AV and Cost Sharing Factors without the CSR adjustment and with the CSR adjustment. BCBSRI evaluates the CSR adjustment to be approximately 24.0% across all silver on-exchange plans. BCBSRI currently has 273

[9] BCBSRI shows an 8.8% adjustment in their filing. However, this adjustment is across medical and pharmacy claims before the application of rebates. I have calculated the adjustment to be applied to medical benefits only.
[10] The range is due to assuming different utilization trends specific to the Direct Pay Market.
[11] Joint CDC and FDA Statement on Vaccine Boosters | CDC Online Newsroom | CDC
[12] Rhode Island is currently 60% vaccinated. https://usafacts.org/visualizations/covid-vaccine-tracker-states/state/rhode-island. In addition, 12% of the BCBSRI Individual Market is under age 18. Based on these statistics it seems reasonable to assume that 20% to 25% of the rating pool will receive a vaccination or a booster.
[13] The Silver Plan Load is included in individual market silver plan on exchange rates to cover the expenses of the cost sharing reduction subsidy.

policyholders enrolled in the silver plans on exchange that do not receive federal subsidies. Last year, there were 300 policyholders. These policyholders are paying a higher silver plan rate due to the CSR load. BCBSRI does not consider the extra income that is collected from these policyholders in the calculation of the CSR adjustment. If BCBSRI assumes that all 273 renews in their existing plan, the CSR adjustment would be 20.6% rather than 24.0%.

AV and Cost Sharing Factors - Silver Plans		
Plan	Without CSR Adjustment	With CSR Adjustment
VantageBlue Direct 5700/11400 WPD	0.760	0.942
BlueSolutions for HSA Direct 4100/8200 WPD	0.689	0.855
BasicBlue Direct 5500/11000 WPD	0.731	0.907
BlueCHiP Direct 4800/9600 WPD	0.757	0.938
BlueCHiP Direct Advance 4650/9300 WPD	0.764	0.947

Table 8: BCBSRI Silver Plan Load

Recommendation #3: BCBSRI does not consider the unsubsidized enrollees who are paying the full CSR adjustment in the calculation of the CSR adjustment. BCBSRI should consider this which would reduce the CSR adjustment from 24.0% to 20.6% and reduce the overall average rate change by 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

VII. 1332 Waiver (Reinsurance)

The parameters for the 2022 program have changed to 40% coinsurance between $30,000 and $65,000. [14] BCBSRI is assuming a 6.6% reduction in their rates for reinsurance.[15] This translates to approximately $7.7M in reinsurance recoveries for 2022. BCBSRI's assumption is consistent with Wakely's estimates. BCBSRI's assumption in 2021 was an 8.6% reduction. This impacts the rate change by 2.0%.

VIII. Risk Adjustment

BCBSRI assumed a $19.48 PMPM receivable for risk adjustment in 2022 and a $1.09 PMPM charge for the high-cost risk pool. This assumption is derived from blending the 2019 results with the interim 2020 results weighting each year equally. This translates into a 3.2% reduction in rates and approximately $3.8M in receipts.

[14] The 2021 parameters were 50% coinsurance between $30,000 and $72,000.
[15] BCBSRI's original reinsurance assumption was 6.4%. The change in other assumptions impacts the final reinsurance assumption.

After the rate filing was submitted, CMS released final 2020 risk adjustment results which shows that the final risk adjustment receivable is $10.88 PMPM and the final high- cost risk pool payment or charge is $1.27 PMPM resulting in $2.2M in receipts. BCBSRI has suggested replacing the current assumptions with the final 2020 results which would bring the overall rate increase from 3.1% to 4.7%. Given the potential impact from COVID-19 on risk adjustment[16], a more reasonable assumption would be to blend the 2019 results with the 2020 results equally.

Recommendation #4: BCBSRI could replace their current risk adjustment assumptions with a blend of 2019 and 2020 final risk adjustment numbers which results in a $13.10 PMPM receivable and a $1.09 PMPM high-cost risk pool charge. This would increase the rates approximately 1.1%. The RI Health Insurance Commissioner has approved this revised assumption.

IX. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, BCBSRI projects a 79.5% MLR for 2021 and an 82.3% MLR for 2022.[17]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. BCBSRI is proposing an average retention charge of 19.3% The retention charge was 18.8% in 2021.

The increase in retention charge is driven by the increase in the contribution to reserve charge from 1.0% last year to 2.5% this year. BCBSRI includes a 0.35% retention charge for unpaid premiums. Last year, BCBSRI proposed a 1.2% charge for unpaid premiums and RIOHIC approved a 0.9% charge.

[16] Page 5 of the CMS 2020 final risk adjustment report states that the "slight decline in the percent of enrollees with HCCs, and the decline in risk scores that slightly exceeded that predicted by model changes alone, suggest that the pandemic or other factors particular to 2020 may have affected health care utilization behaviors in a way that affected the diagnoses captured in risk adjustment."
[17] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.

Proposed Retention Charge	2022	2021	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	1.1%	1.2%	-0.1%
Contribution to Reserve (Profit/Risk Load)	2.5%	1.0%	1.5%
Investment Income Credit	-0.1%	0.0%	-0.1%
Administrative Expense Load	13.7%	14.5%	-0.8%
Total Retention Charge	19.3%	18.8%	

Table 9: Retention Charge

BCBSRI includes 1.4% in their administrative expense load for RI assessments and fees. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized. The table below shows that the overall charge should be 1.3% of the original premium rather than 1.4% prior to other assumption changes.

	BCBSRI Assumptions		Recommendation			
	PMPM	Premium Impact	Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$2.40	0.4%	$14.78	11.7%	$1.73	0.3%
Adult Immunization Account	$2.83	0.5%	$3.18	88.3%	$2.81	0.5%
Children's Health Account	$1.27	0.2%	$9.03	11.7%	$1.06	0.2%
Care Transformation Collaborative of RI	$0.75	0.1%			$0.75	0.1%
Current Care	$1.00	0.2%			$1.00	0.2%
Total	$8.25	1.4%			$7.35	1.3%

Table 10: RI Assessments

Recommendation #5: BCBSRI should revise their RI assessment assumption to be consistent with the latest charges. The RI Health Insurance Commissioner has approved this revised assumption.[18]

X. Financial Position

Using the federal definition, BCBSRI's reported MLR in Tab VI of the OHIC template are 85.9% for CY 2018, 92.2% for CY 2019 and 77.0% for CY 2020.

A review of BCBSRI's financial measures show that BCBSRI's RBC position has strengthened over the past few years. There was a significant increase in the RBC in 2019 and 2020. However, this increase does not appear to be solely due to an increase in underwriting gain. The underwriting gain in 2019 was 1.7% which is lower than the

[18] Due to other assumption changes, the revised assessment charges result in a 1.4% charge to the final rate.

underwriting gain in 2018 and the underwriting gain in 2020 was only 0.5%. The increase could be due to other items such as investments.

	BCBSRI			
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$1,707,243,198	$1,698,166,372	$1,708,865,057	$1,719,351,097
24. Net Underwriting G/L	$7,713,021	$28,874,085	$36,858,723	$8,177,236
Underwriting G/L	***0.5%***	***1.7%***	***2.2%***	***0.5%***
49. Capital and Surplus end of reporting year	$415,814,234	$371,583,769	$298,658,624	$292,996,877
SAPOR	***24.4%***	***21.9%***	***17.5%***	***17.0%***
14. Total Adjusted Capital	$415,814,234	$371,583,769	$298,658,624	$292,996,877
15. Authorized control level risk-based capital	$58,616,377	$58,232,394	$57,430,307	$58,588,774
RBC	***709.4%***	***638.1%***	***520.0%***	***500.1%***

Table 11: Summary of Financials

Recommendation #6: Due to BCBSRI's strong financial position, BCBSRI could reduce their contribution to reserve assumption from 2.5% to 1.0%, which is consistent with the prior year's contribution to reserve. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

XI. Miscellaneous

Other Adjustments

BCBSRI applies an "other adjustment" in their rate development to reflect a provider network adjustment, a drug rebate adjustment, and an out of system adjustment. Combined this adjustment is -1.1%.

Overstatement of Prior Year Rates

BCBSRI shows a 3.5% overstatement of prior year rates and has indicated that this is due to greater pharmacy rebates than expected along with updated information on their shared savings programs and risk adjustment information.

XII. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template. BCBSRI reports allowed claims in Section I Experience data unadjusted for pharmacy rebates. The URRT remains silent on how this should be reported. However, as directed by the URRT, Section II, the Experience Period Index rate is adjusted for pharmacy rebates. Also note, the trends reported in the URRT and in the RI rate template include an adjustment for COVID suppression for 2021.

XIII. Requested and Final Approved Rates

The table below shows BCBSRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	BCBSRI IND		
	Requested	**Final Approved**	**Impact to Rate**
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Outpatient Hospital	6.1%	5.6%	
Professional	5.0%	4.5%	
Other Medical	5.0%	4.5%	
Capitation	0.0%	0.0%	
Prescription Drug	6.7%	6.7%	
Total Medical Trend	5.6%	5.2%	-0.7%
Adjustments to Medical Portion of Premium			
Risk Adjustment	-3.2%	-2.1%	1.1%
Silver Plan Load	24.0%	20.6%	-0.3%
Future Covid Expenses	0.6%	0.3%	-0.3%
Reinsurance	-6.4%	-6.6%	-0.2%
Non-Medical Portion of Premium			
RI Assessment	1.4%	1.4%	
Contribution to Reserves/Profit	2.5%	0.0%	-2.5%
CPAIR Change from 2021	3.1%	0.1%	-2.9%

Table 12: Requested and Final Approved Rates

XIV. Conclusion

This memo communicates the findings of our review of the individual market 2022 rate filings for BCBSRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by BCBSRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,

Bela Gorman FSA, MAAA

Cc: Jennifer Smagula FSA, MAAA, Gorman Actuarial Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Individual Market Rate Filings for Neighborhood Health Plan of Rhode Island (NHPRI) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #NHRI-132837475

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of NHPRI's individual market rate filings.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted on May 17, June 22, and August 24, 2021. Note, the second filing submitted on June 22 reflects the change in the updated and final reinsurance parameters for RI's Individual Market reinsurance program in 2022.

Throughout the filing process, GA corresponded with NHPRI's actuarial consultant, Stacey V. Muller, FSA, MAAA of Milliman Inc. and Elizabeth McClaine of Neighborhood Health Plan. An actuarial memorandum and certification are included in the filing signed by Ms. Muller. GA submitted questions through SERFF on May 24th, 26th, June 3rd, June 16th and July 2nd. In addition, GA conducted phone calls with NHPRI's actuarial consultant. GA received responses for questions through SERFF. GA also relied on responses to questions for the NHPRI small group filing that pertain to NHPRI individual filing.

GA provided working recommendations to RIOHIC on July 27, 2021. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: For next year, I recommend that NHPRI conduct a more robust analysis of their provider reimbursement structure and that the results be incorporated into their rate development process.

Recommendation #2: I recommend that NHPRI remove the 1% pent up demand assumption from their rate development. This should reduce overall rates by approximately 1%. The RI Health Insurance Commissioner has agreed to allow NHPRI to maintain their 1% pent up demand assumption.

Recommendation #3: I recommend that NHPRI revise their assumptions for COVID vaccinations and lab costs from 1.3% to 0.3%. In addition, I recommend that this adjustment is removed from contribution to reserve and included as an adjustment to claims. The RI Health Insurance Commissioner has agreed to allow NHPRI to assume that 50% of their population will receive a COVID booster. This will revise the assumption to 0.5% and will reduce rates by approximately 0.9%.

Recommendation #4: Since rates are developed by projecting claims two years out from the base period, NHPRI and its actuaries should develop sound MLR projections for year 1 projections so that the RIOHIC's reviewing actuaries can assess the validity of the assumptions.

Recommendation #5: Since health care quality improvement expenses influences the MLR rebate formula, NHPRI should ensure this estimate is correct in future filings.

Recommendation #6: I recommend the 0.3% additional charge for 1332 funding risk be removed. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #7: I recommend that NHPRI revise their assumptions for RI assessments from 1.7% to 1.4%. The RI Health Insurance Commissioner has approved this revised assumption.

Other Assumptions: The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows NHPRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. The overall impact to the rate is not an estimate.

	NHPRI IND		
	Requested	**Final Approved**	**Impact to Rate**
Calibrated Plan Adjusted Index Rate (CPAIR)	$265.27	$252.93	**-4.7%**
Medical Trend Assumptions			
Inpatient Hospital	4.4%	4.4%	
Outpatient Hospital	6.5%	6.5%	
Professional	9.9%	9.9%	
Other Medical	6.0%	6.0%	
Capitation	0.0%	0.0%	
Prescription Drug	10.9%	10.9%	
Total Medical Trend	8.4%	8.4%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	1.9%	2.0%	0.1%
Silver Plan Load	30.0%	30.0%	
Pent Up Demand	1.0%	1.0%	
Future Covid Expenses	0.0%	0.5%	0.4%
Reinsurance	-4.6%	-4.8%	-0.2%
Non-Medical Portion of Premium			
Future Covid Expenses	1.3%	0.5% (move to claims)	
1332 Risk	0.3%	0.0%	
All Other Contribution to Reserve	3.0%	0.0%	
Contribution to Reserves/Profit	4.6%	0.0%	-4.6%
RI Assessments	1.7%	1.4%	-0.3%
CPAIR Change from 2021	8.5%	3.5%	-4.7%

Table 1: Requested and Final Approved Rates[1]

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (PAIR) average increase.[2] The calibrated PAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan

[1] The risk adjustment assumption and reinsurance assumptions change slightly due to the other assumption changes. The administrative charges change slightly as well but are not shown in this table.
[2] We also review the PAIR and the PAIR increases. Generally, the increases for the calibrated PAIR and PAIR are similar. The PAIR increases reflect demographic changes in the rating pool from one year to the next.

offering. This rate change reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

The proposed average calibrated PAIR change is 8.5%. As of March 2021, there were 24,866 members. NHPRI has added no new plans this year and has not made any changes to their benefits. NHPRI's rate increase does fluctuate by plan offering ranging from 7.8% to 9.3% due to slight changes in their AV and cost sharing assumptions.

Rate Change Range	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
less than 0%	0	-	$0.00	$0.00	0.0%
0% to 2.0%	0	-	$0.00	$0.00	0.0%
2% to 4.0%	0	-	$0.00	$0.00	0.0%
4% to 6.0%	0	-	$0.00	$0.00	0.0%
6% to 8.0%	2	8,319	$266.00	$287.15	8.0%
8% to 10%	4	16,414	$233.43	$254.19	8.9%
10% to 12%	0	-	$0.00	$0.00	0.0%
12% or greater	0	-	$0.00	$0.00	0.0%
Total	6	24,733	244.39	265.27	8.5%

Table 2: Distribution of Rate Increases

IV. Experience & Trend Assumptions

A review of actual allowed claims experience shows that actual trends for NHPRI's individual market are increasing at a steep rate from 2018 to 2019. The table below illustrates that the trends are driven by inpatient hospital services which increased by 30% from 2018 to 2019. In last year's filing review, NHRPI responded with the following:

> Neighborhood had some utilization increases, due specifically to a handful of cases with long-term stays. As well, in 2019 Neighborhood changed behavioral health vendors of which pricing in the new vendors contracts are driving some of the inpatient increases. There were several medical hospital contracts that were under negotiation for several years, as Neighborhood's other products were receiving state mandated increases, pushing several years of increases into a short time period between 2018 and 2019.

In CY 2020, overall PMPM costs increased 7.2%, which is significant considering there was utilization suppression in 2020 due to COVID. The increase in claims is due to

professional services and prescription drugs. Note that the overall claims PMPMs are still much lower than RI individual and small group market averages.[3]

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$40.66	$53.13	$53.59
Outpatient Hospital	$78.53	$89.67	$90.69
Professional	$93.01	$106.07	$118.95
Other Medical	$4.42	$5.55	$5.57
Capitation	$2.08	$2.21	$1.94
Prescription Drug	$63.91	$74.37	$84.24
Total	$282.61	$331.00	$354.98
Member Months	274,077	304,425	314,519

Allowed Claims PMPM Trend		
	CY 2019 / CY 2018 Trend	CY 2020 / CY 2019 Trend
Inpatient Hospital	30.7%	0.9%
Outpatient Hospital	14.2%	1.1%
Professional	14.0%	12.1%
Other Medical	25.7%	0.3%
Capitation	6.2%	-12.0%
Prescription Drug	16.4%	13.3%
Total	17.1%	7.2%
Member Months Trend	11.1%	3.3%

Table 3: Allowable Claims PMPM and Trend CY 2018 – CY 2020

NHPRI is assuming an average annual trend assumption of 8.4% which is consistent with the trend in last year's rate filing of 8.6%. The table below shows NHPRI's cost and utilization[4] trend assumptions by service category. NHPRI's consulting actuaries use industry trends from the Milliman manuals and is informed by NHPRI's contractual increases at a high level.

During this filing review, I have discussed with NHPRI and its consulting actuaries the possibility of utilizing NHPRI's actual expected provider price increases in their rate development. This would require NHPRI to track, monitor, and analyze expected increases in provider reimbursement. The results of which can be incorporated into unit cost trend assumptions.

[3] In 2020 the average allowed claims PMPM for the individual market was $426.88 and for the small group market it was $480.55.
[4] The utilization trend includes severity trend.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	3.4%	1.0%	4.4%
Outpatient Hospital	4.4%	2.0%	6.5%
Professional	6.7%	3.0%	9.9%
Other Medical	4.4%	1.5%	6.0%
Capitation	0.0%	0.0%	0.0%
Prescription Drug	9.8%	1.0%	10.9%
Total			8.4%

Table 4: Proposed Trend Assumptions

NHPRI's trend assumption is driven by the unit cost trend assumption and pharmacy trend assumption as shown in the table above. This aligns with NHPRI's response from last year's filing above, where NHPRI indicates that due to behavioral health vendor contracts and hospital contracts, their hospitals costs have increased. In addition, in our internal discussions over the years, we believe that there is a significant provider reimbursement difference between NHPRI and BCBSRI as evidenced by the large difference in allowed claims PMPM. As a result, we believe that there will be upward pressure on future prices for NHPRI. This appears to align with the data as the allowed claims PMPM for professional services has increased 14.1% in 2019 and 12.1% in 2020. Also, NHPRI has experienced some significant pharmacy trends in 2019 suggesting a higher morbidity of the population.

I performed my own trend analysis on NHPRI Individual and Small Group Market data combined. The combined pool represents approximately 24,000 enrollees but the enrollment has ranged from 21,000 to 28,000 over the past two years. I received monthly data from January 2017 through March 2021. I performed actuarial trend analysis and a summary of my results are shown below.[5] As shown annual medical PMPM trends are ranging 12% to 13% a year and annual pharmacy PMPM trends are ranging 41% to 42% a year. While this data is not fully credible, it does appear that prior to COVID-19, NHPRRI's commercial market was trending over 10%.

Allowed PMPM	Medical		RX	
Analysis through Feb 2020	**Rolling 6 month Annual Trends**	**Roling 12 months Annual Trends**	**Rolling 6 month Annual Trends**	**Roling 12 months Annual Trends**
Avg of Last 6 data points	12%	13%	41%	42%

[5] Monthly data is grouped in to rolling 6 month averages (e.g. January 2017 through June 2017, February 2017 through July 2017, etc.) Then an annual trend is calculated (i.e. January 2018 through June 2018 compared to January 2017 through June 2017.) A similar calculation is then performed in using 12 month averages.

Table 5: Gorman Actuarial Trend Analysis

Given the analysis of claims experience and the credibility of the rating pool, NHPRI's trend assumptions appear reasonable. However, since provider unit cost is a large component of trend NHPRI should embark upon a more robust provider unit cost analysis for next year.

Recommendation #1: For next year, I recommend that NHPRI conduct a more robust analysis of their provider reimbursement structure and that the results be incorporated into their rate development process.

V. Cost Sharing Reduction (CSR) Adjustment

NHPRI estimated the CSR adjustment by calculating the actuarial values of each plan with and without the CSR subsidies. The CSR dollar estimate was calculated by applying the difference between the two actuarial values applied to allowed claims. NHPRI is applying a 30% CSR adjustment to their silver on exchange plan rates.

VI. Impact due to COVID-19

NHPRI has included three separate assumptions due to COVID-19 in their rate development. Two adjustments were applied to the claims projections and the third adjustment was included in the contribution to reserve. NHPRI applies a COVID suppression factor of 1.055, or an increase to the 2020 claims cost of 5.5%, to reflect that utilization was suppressed in 2020. This suppression factor was developed by projecting the latest 2019 claims data to 2020 and then comparing the 2020 projections to actual results. NHPRI's actuaries have verified that the projection factors are consistent with the trend assumptions used in the rate filing.

In addition, NHPRI applies a 2% pent up demand assumption on a subset of services which results in a 1% increase in overall claims projections. This assumption appears conservative considering these rates are for 2022. There already has been an uptick in utilization of health care services in the last quarter of 2020 into 2021 and it is unclear whether there will be further pent-up demand in 2022. The data that NHPRI provided for 1Q 2021 shows an 18% allowed claims medical trend when compared to 1Q 2020. This suggests that while there may be pent up demand, it is happening in 2021 not 2022. In addition, NHPRI has already added a COVID suppression factor into the 2020 experience. It appears redundant to be adding in a COVID suppression factor and a pent up demand factor.

Recommendation #2: I recommend that NHPRI remove the 1% pent up demand assumption from their rate development. This should reduce overall rates by

approximately 1%. The RI Health Insurance Commissioner has agreed to allow NHPRI to maintain their 1% pent up demand assumption.

NHPRI includes an additional 1.3% in their contribution to reserve for expected future vaccination costs and lab testing costs. This assumption assumes that 50% of members will receive a single vaccine booster and the cost of administration and the vaccine would be $100. It also assumes that 12% of members will receive a lab test at $188 per test. Recently, the CDC put out guidance that suggested that fully vaccinated individuals would not require a booster.[6] Due to this guidance, it seems unlikely that 50% of members will receive a booster. However, due to the dynamic nature of COVID, it may be appropriate to include something for expected booster costs and a more reasonable assumption could be in the range of 20% to 25%.[7] Also as of March 2021, CMS is reimbursing providers $40 for administration of the vaccine. While it is unclear what the cost of the actual COVID vaccine will be, it is reasonable to assume that the ingredient cost may be absorbed by the state or federal government. I believe a more reasonable assumption for the cost of the vaccination is $40 rather than the $100 that NHPRI assumes. The $188 lab test appears on the high end. A recent Kaiser study indicates that median price of a lab test at a hospital in 2021 is $148. In addition, new, less expensive tests are being introduced into the market every day. Finally, since many will be vaccinated by 2022, it seems unlikely that 12% of the population will need a lab test. A more reasonable assumption for the lab costs might be $100 with a prevalence rate of 5%. Replacing NHPRI's assumptions with my own results in 0.3% assumption rather than the 1.3%.

Recommendation #3: I recommend that NHPRI revise their assumptions for COVID vaccinations and lab costs from 1.3% to 0.3%. In addition, I recommend that this adjustment is removed from contribution to reserve and included as an adjustment to claims. The RI Health Insurance Commissioner has agreed to allow NHPRI to assume that 50% of their population will receive a COVID booster. This will revise the assumption to 0.5% and will reduce rates by approximately 0.9%.[8]

VII. 1332 Waiver (Reinsurance)

NHPRI is assuming a 4.6% reduction in their rates for reinsurance. This is a change from last year, where NHPRI assumed a 5.7% reduction in their rates for reinsurance. This impacts the overall rate increase by approximately 1.0%. The 4.6% reduction translates

[6] Joint CDC and FDA Statement on Vaccine Boosters | CDC Online Newsroom | CDC

[7] Rhode Island is currently 60% vaccinated. https://usafacts.org/visualizations/covid-vaccine-tracker-states/state/rhode-island. In addition, only 4% of the NHPRI Individual Market is under age 18. Based on these statistics it seems reasonable to assume that 20% to 25% of the rating pool will receive a vaccination or a booster.

[8] The reduction in rates is due to two reasons (1) shifting the assumption from the retention charge to a claims adjustment will reduce rates due to how rates are built (2) reducing the assumption from 1.3% to 0.5% will reduce the rate. It is difficult to disaggregate how much of the reduction is due to the shift to a claim adjustment and how much due to the actual assumption change.

to approximately $6.2M in reinsurance recoveries for 2022. These recoveries are consistent with modeling results from Wakely. The main reason for the assumption change is due to RI's program parameter changes from 2021 to 2022.

VIII. Risk Adjustment

NHPRI has assumed a $8.80 PMPM[9] payable for risk adjustment. This translates to approximately $2.6M in payables or a 1.9% adjustment to the revenue requirement. Note that at the time of the submission of the rate filing, the actual 2020 results had not been released. CCIIO released the risk adjustment report on June 30th. The 2020 results indicate a payment of $2.2M and the 2019 results were a $3.6M payment. Given the potential impact from COVID-19 on risk adjustment[10], a reasonable assumption would be to blend the 2019 results with the 2020 results equally which is a $9.07 PMPM payable which is very close to NHPRI's 2022 assumption.

IX. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, NHPRI projects a 78.1% MLR for 2021 and an 84.5% MLR for 2022. I have also observed a significant increase in health care quality improvement expenses where NHPRI reports a CY 2020 PMPM of $13.18 and expects 2022 to be $17.96.

When NHPRI was asked about the 78.1% MLR, their response was the following:

"Neighborhood does not expect the MLR to be 78.1% in CY2021. This value was what we calculated for our 2021 rate submission and reflected our best available information at that time. The actual MLR will depend on our final expenses for the year, which are difficult to estimate at this time due to changes in pandemic and policies related to the state of emergency in Rhode Island."

This response does not provide additional information on NHPRI's projected 2021 MLR. The projected 2021 MLR does not directly influence the proposed 2022 rates, but NHPRI should refine and provide actuarial support for the MLR projections for the year immediately following the base period in future rate filings.

Recommendation #4: Since rates are developed by projecting claims two years out from the base period, NHPRI and its actuaries should develop sound MLR projections for year 1 projections so that the RIOHIC's reviewing actuaries can assess the validity of the assumptions.

NHPRI has indicated that the health care quality improvement expenses as reported in last year's filing was understated when compared to actuals and therefore these

[9] The $8.80 is based on Tab V of the RIOHIC rate template.
[10] Page 5 of the CMS 2020 final risk adjustment report states that the "slight decline in the percent of enrollees with HCCs, and the decline in risk scores that slightly exceeded that predicted by model changes alone, suggest that the pandemic or other factors particular to 2020 may have affected health care utilization behaviors in a way that affected the diagnoses captured in risk adjustment."

estimates are much higher than what was reported last year. However, it is still unclear why NHRPI expects an annual increase of 17% from 2020 to 2022.

Recommendation #5: Since health care quality improvement expenses influences the MLR rebate formula, NHPRI should ensure this estimate is correct in future filings.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. NHPRI is proposing an average retention charge of 22.1% for 2022. The table below shows the components of retention.

Retention Charge		
	2022	2021
ACA Taxes and Fees	0.1%	0.1%
Premium Tax	2.0%	2.0%
Other Retention Charge	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	4.6%	7.8%
Investment Income Credit	-0.2%	-0.3%
Administrative Expense Load	15.6%	16.5%
Total Retention Charge	22.1%	26.2%

Table 6: Proposed Retention Charge

NHPRI has included the following items in their contribution to reserve: 0.3% for 1332 funding risk, 1.3% for expected COVID-19 testing and vaccine costs, and 3.0% other contribution to reserve. Last year, NHPRI did include some conservatism in their rates due to uncertainty around COVID-19 and the 1332 waiver. At that time there was little information on the prospect of vaccinations and COVID lab testing prevalence and expenses. It was appropriate to include this uncertainty into a contribution to reserve. However, this year, there is much more information on expected COVID-19 expenses as such it is now appropriate to include this portion of the contribution to reserve assumption as a claims projection adjustment. In addition, the 0.3% for 1332 funding risk seems redundant considering there is already a 3.0% contribution to reserve charge.

Recommendation #6: I recommend the 0.3% additional charge for 1332 funding risk be removed. The RI Health Insurance Commissioner has approved this revised assumption.

NHPRI includes 1.7% in their administrative expense load for RI assessments and fees. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized. In addition, the Current Care PMPM is $1.00. After making these updates, the overall charge should be 1.4% rather than 1.7%.

	NHPRI Assumptions		Recommendation			
	PMPM	Premium Impact	Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$1.33	0.3%	$14.78	4.3%	$0.64	0.14%
Adult Immunization Account	$3.00	0.7%	$3.18	95.7%	$3.04	0.66%
Children's Health Account	$1.40	0.3%	$9.03	4.3%	$0.39	0.09%
Care Transformation Collaborative of RI	$1.25	0.3%			$1.25	0.27%
Current Care	$0.72	0.2%			$1.00	0.22%
Total	$7.70	1.7%			$6.33	1.4%

Table 7: RI Assessments

Recommendation #7: I recommend that NHPRI revise their assumptions for RI assessments from 1.7% to 1.4%. The RI Health Insurance Commissioner has approved this revised assumption.

X. Financial Position

Using the federal definition, NHPRI's reported MLR in Tab VI of the OHIC template are 81.2% for CY 2018, 80.1% for CY 2019 and 82.1% for CY 2020.

A review of NHPRI's financial measures show that NHPRI's RBC and underwriting gain has increased in 2020. The underwriting gain in 2020 is 1.5%.

	NHPRI			
	2020	2019	2018	2017
8. Total Revenues	$1,392,298,811	$1,345,930,383	$1,377,747,019	$1,365,886,563
24. Net Underwriting G/L	$21,228,747	-$2,068,687	$3,402,842	$317,266
Underwriting G/L	***1.5%***	***-0.2%***	***0.2%***	***0.0%***
49. Capital and Surplus end of reporting year	$122,648,134	$101,607,294	$101,566,291	$100,277,569
SAPOR	***8.8%***	***7.5%***	***7.4%***	***7.3%***
14. Total Adjusted Capital	$122,648,134	$101,607,297	$101,566,291	$100,277,569
15. Authorized control level risk-based capital	$48,513,766	$48,108,549	$49,588,540	$47,820,169
RBC	***252.8%***	***211.2%***	***204.8%***	***209.7%***

Table 8: Summary of Financials

XI. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template.

XII. Requested and Final Approved Rates

The table below shows NHPRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the

interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. The overall impact to the rate is not an estimate.

	NHPRI IND		
	Requested	**Final Approved**	**Impact to Rate**
Calibrated Plan Adjusted Index Rate (CPAIR)	$265.27	$252.93	**-4.7%**
Medical Trend Assumptions			
Inpatient Hospital	4.4%	4.4%	
Outpatient Hospital	6.5%	6.5%	
Professional	9.9%	9.9%	
Other Medical	6.0%	6.0%	
Capitation	0.0%	0.0%	
Prescription Drug	10.9%	10.9%	
Total Medical Trend	8.4%	8.4%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	1.9%	2.0%	0.1%
Silver Plan Load	30.0%	30.0%	
Pent Up Demand	1.0%	1.0%	
Future Covid Expenses	0.0%	0.5%	0.4%
Reinsurance	-4.6%	-4.8%	-0.2%
Non-Medical Portion of Premium			
Future Covid Expenses	1.3%	0.5% (move to claims)	
1332 Risk	0.3%	0.0%	
All Other Contribution to Reserve	3.0%	0.0%	
Contribution to Reserves/Profit	4.6%	0.0%	-4.6%
RI Assessments	1.7%	1.4%	-0.3%
CPAIR Change from 2021	8.5%	3.5%	-4.7%

Table 9: Requested and Final Approved Rates

XIII. Conclusion

This memo communicates the findings of our review of the individual market 2022 rate filings for NHPRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by NHPRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,

Bela Gorman FSA, MAAA

Cc: Jennifer Smagula FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
1511 Pontiac Ave, Bldg 69-1
Cranston, RI 02920

Subject: **Small Group Market Rate Filings for Blue Cross and Blue Shield of Rhode Island (BCBSRI) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #BCBS_132812180

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of BCBSRI's small group market rate filings.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted on May 17, 2021 and August 19, 2021. In addition, GA relied on information provided through BCBSRI's Individual and Large Group Filing review process to assist with this review.

Throughout the filing process, GA corresponded with BCBSRI's actuarial team. An actuarial certification is included in the filing signed by Michael Bodenrader. GA submitted questions through SERFF on May 24th, May 30th and June 11th. In addition, GA conducted several phone calls with BCBSRI's actuarial team. GA received responses for questions through SERFF.

GA provided working recommendations to RIOHIC on July 27, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final

actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: BCBSRI's utilization trends appear conservative. Reducing the overall medical utilization trend from 2.7% to 2.2% would still allow some conservatism but would be more in line with recent trends. This assumption change would result in a rate reduction of approximately 0.8%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: I recommend that BCBSRI revise their assumptions related to COVID vaccinations and assume that 25% of their pool will require a COVID vaccination in 2022. This will reduce the proposed rate by approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: BCBSRI could replace their current risk adjustment assumptions with a blend of 2019 and 2020 final risk adjustment numbers which results in a $7.10 PMPM receivable and a $1.94 PMPM high-cost risk pool payment. This would increase the rates approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #4: BCBSRI should revise their RI assessment assumption from 1.4% to 1.3%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #5: BCBSRI's financial position appears strong and it may be appropriate to reduce BCBSRI's contribution to reserve assumption from 2.5% to 1.0%, which is consistent with what was included in the prior year rates. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows BCBSRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	BCBSRI SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$381.04	$369.85	-2.9%
Medical Trend Assumptions			
Inpatient Hospital	4.7%	4.2%	
Outpatient Hospital	6.3%	5.8%	
Professional	5.2%	4.7%	
Other Medical	5.2%	4.7%	
Capitation	0.0%	0.0%	
Prescription Drug	6.9%	6.9%	
Total Medical Trend	5.8%	5.4%	-0.8%
Adjustments to Medical Portion of Premium			
Risk Adjustment	-1.6%	-0.9%	0.7%
Future Covid Expenses	0.6%	0.3%	-0.3%
Non-Medical Portion of Premium			
RI Assessment	1.4%	1.3%	-0.1%
Contribution to Reserves/Profit	2.5%	0%	-2.5%
CPAIR 1Q Change from 2021	2.9%	-0.2%	-2.9%
Overall Weighted Average Full Year Rate Change	2.9%	-0.3%	-3.1%

Table 1: Requested and Final Approved Rates

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (PAIR) average increase.[1] The calibrated PAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan offering. This increase reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

The proposed annual average calibrated PAIR increase for the submitted filing on May 17th was 2.9%. As of March 2021, there were 40,255 members. BCBSRI has made plan design changes to two plan offerings, added six new plans and terminated two plans[2]. As shown in the table below there are 70 renewing plan offerings and the average rate change for first quarter renewals is 2.9%.

[1] We also review the PAIR and the PAIR increases. Generally, the increases for the calibrated PAIR and PAIR are similar. The PAIR increases reflect demographic changes in the rating pool from one year to the next.
[2] There were zero 1Q renewing members in terminated plans.

Proposed Rate Increases					
Rate Change Range	Number of Plans	1Q Number of Members	1Q 2021 Calibrated PAIR Premium PMPM	1Q 2022 Calibrated PAIR Premium PMPM	Rate Change
-15% to 0	14	2,545	$336.64	$311.68	-7.4%
0% to 2%	0	-	$0.00	$0.00	0.0%
2% to 4%	14	3,856	$419.04	$431.94	3.1%
4% to 6%	18	6,084	$376.98	$395.88	5.0%
6% to 8%	16	2,211	$321.11	$343.21	6.9%
8% to 10%	3	21	$337.48	$369.84	9.6%
10% to 12%	5	258	$251.04	$279.71	11.4%
Total	70	14,975	$370.48	$381.04	2.9%

Table 2: Distribution of 1Q 2022 Rate Changes for Renewing Plans

BCBSRI has made changes in benefit design for two plan offerings and updated benefit relativity factors among most plans. Therefore, the rate impact will vary across some products and plans. The overall impact of plan design changes and portfolio changes impact the average rate change by -0.02%. BCBSRI has also made changes in their benefit pricing model which accounts for most of the variation in rate change. Their 2021 model understated pharmacy claims. The impact of this understatement is that HSA plan offerings appeared more comprehensive and copay plans appeared leaner. The 2022 model has been corrected and therefore there are larger increases for copay plans and lower than expected increases for HSA type plan offerings.

As shown in the table above, there are 14 plans that have a negative rate change and five plans that have an increase over 10%.

The quarterly and annual rate change is shown in the table below.

Renewal Quarter and Year	Proposed Average Rate Change CPAIR	Renewal Membership
1Q 22 Renewals	2.9%	14,975
2Q 22 Renewals	2.9%	7,498
3Q 22 Renewals	2.9%	7,698
4Q 22 Renewals	2.9%	10,084
Total	2.9%	40,255

Table 3: Rate Increase by Renewal Quarter

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for BCBSRI's small group market were 5.9% in CY 2019 and -3.1% in CY 2020. The table below shows a three-year history of allowed claims PMPMs. The negative trend in 2020 is most likely due to utilization suppression due to COVID-19.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$95.24	$99.07	$92.55
Outpatient Hospital	$128.15	$137.66	$132.29
Professional	$149.31	$160.71	$151.74
Other Medical	$10.29	$10.28	$12.76
Capitation	$0.00	$0.00	$0.51
Prescription Drug	$92.76	$96.13	$98.57
Total	$475.74	$503.85	$488.42
Member Months	528,881	496,658	486,896

Experience Trend		
	CY 2019	CY 2020
Inpatient Hospital	4.0%	-6.6%
Outpatient Hospital	7.4%	-3.9%
Professional	7.6%	-5.6%
Other Medical	-0.1%	24.1%
Capitation	0.0%	0.0%
Prescription Drug	3.6%	2.5%
Total	5.9%	-3.1%
Member Months Trend	-6.1%	-2.0%

Table 4: Allowable Claims PMPM and Trend CY 2018-CY 2020

BCBSRI is assuming an average annual trend assumption of 5.8%. The tables below shows BCBSRI's cost and utilization[3] trend assumptions by service category. As shown, BCBSRI is assuming a 2.7% medical utilization trend.

[3] Utilization trends also include severity trends.

Trend Assumptions			
	2 Year Avg Cost	2 Year Avg Utilization	2 Year Avg Total
Inpatient Hospital	3.6%	1.0%	4.7%
Outpatient Hospital	2.5%	3.7%	6.3%
Professional	2.3%	2.8%	5.2%
Other Medical	2.3%	2.8%	5.2%
Capitation	0.0%	0.0%	0.0%
Prescription Drug	-0.7%	7.7%	6.9%
Total			5.8%

Table 5: Annual Trend Assumption[4]

Trend Assumptions	2 Yr Avg Cost	2 Yr Avg Utilization	2 Year Avg Total
Medical	2.7%	2.7%	5.4%
Prescription Drug	-0.7%	7.7%	6.9%

Table 6: Medical & Pharmacy Trend Assumption[5]

BCBSRI has performed regression analyses across the Direct Pay, Small Group, and Large Group markets. They have provided a series of regression charts by service category: inpatient hospital, outpatient, physician, and pharmacy. For inpatient utilization, regressions are performed on admissions per 1000 adjusted for COVID. For the other service categories, BCBSRI adjusts claims PMPMs for price and for COVID and then performs regression analysis. The COVID suppression factors used in this analysis are derived for each market segment separately. For more information on these factors, please refer to the section below. Due to the many adjustments BCBSRI had to take to perform a regression analysis for trend projections, it is appropriate to develop trend projections using different methods to check for reasonableness[6]. I performed my own trend analysis by analyzing data across the three market segments for medical and pharmacy allowed claims PMPMs. I also focused my analysis on trends prior to February 2020. In my experience in reviewing filings in other states, I have observed many insurers using this same practice.

I requested and received monthly data for each of the market segments for medical and pharmacy services. I adjusted medical data for unit cost increases for all market

[4] BCBSRI reported trend assumptions in the rate filing template inclusive of the COVID suppression factor. Trends shown here excludes the COVID suppression factor. Prescription Drug cost trends also include assumptions for PBM contractual changes, new drugs and drugs switching from brand to generic. Leveraging factor of 0.6% was included in the paid to allowed ratio. Trends are slightly different from Direct Pay and Large Group Market due to number of months of trending.
[5] Trends were composited using allowed claims PMPMs.
[6] Actuarial Standards of Practice #8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits, Section 3.12.

segments and a high-cost claimant in the Direct Pay market.[7] I calculated utilization trends through YE December 2020 analyzing rolling 3 months, rolling 6 months, and rolling 12 months medical trends. I focused on trends through YE February 2020 due to the impact of COVID-19. The table below shows a summary of these results. As shown, prior to February 2020, utilization is declining across the Direct Pay, Small Group Market and in Total. For example, for the Direct Pay Market, the 12-month average shows 5%, the 6 month average shows 1.8% and the 3 month average shows -1.9% which indicates trends are declining in the most recent months. The regressions BCBSRI is using focus on rolling 12-month averages which is influenced more by less recent data. BCBSRI is assuming a 2.6% medical utilization trend whereas my analysis indicates a range from -0.1% to 1.8%, as shown below. BCBSRI's utilization trends in total appear high.

	Utilization Trends Medical		
	3 month Avg	6 month Avg	12 month Avg
YE February 2020			
DP	-1.9%	1.8%	5.0%
SG	-1.3%	0.3%	2.4%
LG	1.4%	0.9%	0.9%
Total	-0.1%	0.7%	1.8%

Table 7: Gorman Actuarial Trend Analysis

Recommendation #1: BCBSRI's utilization trends appear conservative. Reducing the overall medical utilization trend from 2.7% to 2.2% would still allow some conservatism but would be more in line with recent trends. This assumption change would result in a rate reduction of approximately 0.8%. The RI Health Insurance Commissioner has approved this revised assumption.

The Affordability Standards in Rhode Island dictate that the annual hospital increase in 2021 shall be no more than 3.05% during the period of January 1, 2021 through December 31, 2021. BCBSRI has confirmed adherence to this requirement.

V. COVID Suppression and COVID Expenses

BCBSRI is applying a 6.8% COVID Suppression factor to their small group market 2020 medical experience to reflect the utilization reductions in CY 2020 due to COVID 19.[8] I

[7] Unit cost trends were retrieved from previous rate filings. Unit cost changes were assumed to happen on January 1st of each year. For the Direct Pay Market, $800,000 was removed from 2019 to reflect a high-cost claimant that is no longer enrolled.

[8] BCBSRI shows a 6.4% in their filing. However, this adjustment is across medical and pharmacy claims before the application of rebates. I have calculated the adjustment to be applied to medical benefits only.

have performed my own COVID suppression analysis and have determined a range of 6.9% to 10.3%. BCBSRI's assumptions are just outside of my range. However, since the calculation of COVID suppression is interrelated with utilization trend assumptions which is addressed in the previous section, and there is variation in my range of estimates, I have not recommended a reduction in this assumption.

BCBSRI is assuming $2.99 PMPM to reflect anticipated costs of COVID-19 vaccination administration. This impacts the rate by 0.6%. This assumes that 85% of their rating pool will receive a vaccination in 2022 at the cost of $40 per administration. BCBSRI is assuming the costs of the vaccinations will be funded through the State Mandated Assessments. Recently, the CDC released guidance that suggested that fully vaccinated individuals would not require a booster.[9] Due to this guidance, it seems unlikely that 85% of members will receive a booster in 2022. However, due to the dynamic nature of COVID, it may be appropriate to include something for expected booster costs or first-time vaccinations and a more reasonable assumption could be in the range of 20% to 25%.[10]

Recommendation #2: I recommend that BCBSRI revise their assumptions related to COVID vaccinations and assume that 25% of their pool will require a COVID vaccination in 2022. This will reduce the proposed rate by approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

VI. Risk Adjustment

BCBSRI had originally assumed a 2022 $11.19 PMPM receivable for risk adjustment and a $1.90 PMPM high-cost risk pool payment. The net impact is a net $9.29 PMPM receivable. This assumption is derived from blending the 2019 results with the interim 2020 results weighting each year equally. This translates into a 1.6% reduction in rates and approximately $4.5M in receipts.

After the rate filing was submitted, CMS released final 2020 risk adjustment results which shows that the final risk adjustment receivable is $4.09 PMPM and the final high-cost risk pool payment is $2.09 PMPM resulting in $990K in receipts. BCBSRI has suggested replacing the current assumptions with the final 2020 results which would bring the overall rate increase from 2.9% to 4.2%. Given the potential impact from COVID-19 on risk adjustment[11] a more reasonable assumption would be to blend the 2019 results with the 2020 results equally.

[9] Joint CDC and FDA Statement on Vaccine Boosters | CDC Online Newsroom | CDC

[10] Rhode Island is currently 60% vaccinated. https://usafacts.org/visualizations/covid-vaccine-tracker-states/state/rhode-island. In addition, 12% of the BCBSRI Individual Market is under age 18. Based on these statistics it seems reasonable to assume that 20% to 25% of the rating pool will receive a vaccination or a booster.

[11] Page 5 of the CMS 2020 final risk adjustment report states that the "slight decline in the percent of enrollees with HCCs, and the decline in risk scores that slightly exceeded that predicted by model changes

Recommendation #3: BCBSRI could replace their current risk adjustment assumptions with a blend of 2019 and 2020 final risk adjustment numbers which results in a $7.10 PMPM receivable and a $1.94 PMPM high-cost risk pool payment. This would increase the rates approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

VII. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, BCBSRI projects an 80.7% MLR for 2021 and an 81.9% MLR for 2022. Note, BCBSRI's MLR in 2018 and 2019 was 79.2% and in 2020 it is estimated at 79.4%.[12]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. BCBSRI is proposing an average retention charge of 19% in 2022. The retention charge was 18.2% for 2021. The increase is primarily due to an increase in contribution to reserve from 1.0% to 2.5%.

Proposed Retention Charge	2022	2021	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	1.1%	1.1%	0.0%
Contribution to Reserve (Profit/R	2.5%	1.0%	1.5%
Investment Income Credit	-0.1%	0.0%	0.0%
Administrative Expense Load	13.4%	14.0%	-0.6%
Total Retention Charge	19.0%	18.2%	

Table 8: Retention Charges

BCBSRI includes 1.4% in their administrative expense load for RI assessments and fees. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized. The table below shows that the overall charge should be 1.3% rather than 1.4%.

alone, suggest that the pandemic or other factors particular to 2020 may have affected health care utilization behaviors in a way that affected the diagnoses captured in risk adjustment."

[12] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.

	BCBSRI Assumptions		Recommendation			
	PMPM	Premium Impact	Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$2.68	0.5%	$14.78	11.7%	$1.73	0.3%
Adult Immunization Account	$2.16	0.4%	$3.18	88.3%	$2.81	0.5%
Children's Health Account	$1.42	0.2%	$9.03	11.7%	$1.06	0.2%
Care Transformation Collaborative of RI	$0.75	0.1%			$0.75	0.1%
Current Care	$1.00	0.2%			$1.00	0.2%
Total	$8.01	1.4%			$7.35	1.3%

Table 9: RI Assessments

Recommendation #4: BCBSRI should revise their RI assessment assumption from 1.4% to 1.3%. The RI Health Insurance Commissioner has approved this revised assumption.

VIII. Financial Position

Using the federal definition, BCBSRI's reported MLR in Tab VI of the OHIC template are 79.2% for CY 2018, 79.2% for CY 2019 and 79.4% for CY 2020.

A review of BCBSRI's financial measures show that BCBSRI's RBC position has strengthened over the past few years. There was a significant increase in the RBC in 2020. However, this increase does not appear to be due to an increase in underwriting gain. The underwriting gain in 2020 was .5% which is lower than the underwriting gain in both 2019 and 2018. The increase could be due to other items such as investments.

BCBSRI				
	2020	2019	2018	2017
8. Total Revenues	$1,707,243,198	$1,698,166,372	$1,708,865,057	$1,719,351,097
24. Net Underwriting G/L	$7,713,021	$28,874,085	$36,858,723	$8,177,236
Underwriting G/L	***0.5%***	***1.7%***	***2.2%***	***0.5%***
49. Capital and Surplus end of reporting year	$415,814,234	$371,583,769	$298,658,624	$292,996,877
SAPOR	***24.4%***	***21.9%***	***17.5%***	***17.0%***
14. Total Adjusted Capital	$415,814,234	$371,583,769	$298,658,624	$292,996,877
15. Authorized control level risk-based capital	$58,616,377	$58,232,394	$57,430,307	$58,588,774
RBC	***709.4%***	***638.1%***	***520.0%***	***500.1%***

Table 10: Summary of Financials

Recommendation #5: BCBSRI's financial position appears strong and it may be appropriate to reduce BCBSRI's contribution to reserve assumption from 2.5% to 1.0%, which is consistent with what was included in the prior year rates. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

IX. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template. BCBSRI reports allowed claims in Section I Experience data unadjusted for pharmacy rebates. The URRT remains silent on how this should be reported. However, as directed by the URRT, Section II, the Experience Period Index rate is adjusted for pharmacy rebates. Also note, the trends reported in the URRT and in the RI rate template include an adjustment for COVID suppression for 2021.

X. Requested and Final Approved Rates

The table below shows BCBSRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	BCBSRI SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$381.04	$369.85	-2.9%
Medical Trend Assumptions			
Inpatient Hospital	4.7%	4.2%	
Outpatient Hospital	6.3%	5.8%	
Professional	5.2%	4.7%	
Other Medical	5.2%	4.7%	
Capitation	0.0%	0.0%	
Prescription Drug	6.9%	6.9%	
Total Medical Trend	5.8%	5.4%	-0.8%
Adjustments to Medical Portion of Premium			
Risk Adjustment	-1.6%	-0.9%	0.7%
Future Covid Expenses	0.6%	0.3%	-0.3%
Non-Medical Portion of Premium			
RI Assessment	1.4%	1.3%	-0.1%
Contribution to Reserves/Profit	2.5%	0%	-2.5%
CPAIR 1Q Change from 2021	2.9%	-0.2%	-2.9%
Overall Weighted Average Full Year Rate Change	2.9%	-0.3%	-3.1%

Table 11: Requested and Final Approved Rates

XI. Conclusion

This memo communicates the findings of our review of the small group market 2022 rate filings for BCBSRI. This memo also communicates the RI Health Insurance

Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by BCBSRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,

Bela Gorman FSA, MAAA

Cc: Jennifer Smagula FSA, MAAA, Gorman Actuarial Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Small Group Market Rate Filings for Neighborhood Health Plan of Rhode Island (NHPRI) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #NHRI-132837484

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of NHPRI's small group market rate filings.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted on May 17, 2021 and August 24, 2021.

Throughout the filing process, GA corresponded with NHPRI's actuarial consultant, Stacey V. Muller, FSA, MAAA of Milliman Inc. and Elizabeth McClaine of Neighborhood Health Plan. An actuarial memorandum and certification are included in the filing signed by Ms. Muller. GA submitted questions through SERFF on May 26th, June 3rd, and June 16th. In addition, GA conducted phone calls with NHPRI's actuarial consultant. GA received responses for questions through SERFF. GA also relied on responses to questions for the NHPRI individual filing that pertain to NHPRI small group filing.

GA provided working recommendations to RIOHIC on July 27, 2021. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance

Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: For next year, I recommend that NHPRI conduct a more robust analysis of their provider reimbursement structure and that the results be incorporated into their rate development process.

Recommendation #2: I recommend that NHPRI revise their assumptions for COVID vaccinations and lab costs from 1.4% to 0.3%. In addition, I recommend that this adjustment is removed from contribution to reserve and included as an adjustment to claims. The RI Health Insurance Commissioner has agreed to allow NHPRI to assume that 50% of their population will receive a COVID booster. This will revise the assumption to 0.5% and will reduce the rate approximately 1%.

Recommendation #3: I recommend that NHPRI revise their assumptions for RI assessments from 2.0% to 1.6%. The RI Health Insurance Commissioner has approved this revised assumption.

Other Assumptions: The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows NHPRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. The overall impact to the rate is not an estimate.

	NHPRI SG		
	Requested	Final Approved	Impact to Rate
Calibrated Plan Adjusted Index Rate (CPAIR)	$305.39	$291.08	-4.7%
Medical Trend Assumptions			
Inpatient Hospital	4.5%	4.5%	
Outpatient Hospital	6.5%	6.5%	
Professional	10.0%	10.0%	
Other Medical	6.0%	6.0%	
Capitation	0.0%	0.0%	
Prescription Drug	11.0%	11.0%	
Total Medical Trend	8.7%	8.7%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	0.0%	0.0%	
Future Covid Expenses		0.5%	0.4%
Non-Medical Portion of Premium			
Future Covid Expenses	1.4%	0.5% (move to claims)	
All Other Contribution to Reserve	3.0%	0.0%	
Contribution to Reserves/Profit	4.4%	0.0%	-4.7%
RI Assessments	2.0%	1.6%	-0.4%
CPAIR 1Q Change from 2021	6.4%	1.4%	-4.7%
Overall Weighted Average Full Year Rate Change	6.5%	1.5%	-4.7%

Table 1: Requested and Final Approved Rates[1]

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The increases we focus our review on are the calibrated plan adjusted index rate (PAIR) average change.[2] The calibrated PAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan offering. This increase reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

[1] The impact of moving future COVID expenses from contribution to reserve to a claims adjustment and revising the contribution to reserve assumption also impacts the administrative charge assumptions. The combination of all of this results in a -4.3% impact to the rate.

[2] We also focus our review on the PAIR and the PAIR increases. Generally, the increases for the calibrated PAIR and PAIR are similar. The PAIR increases reflect demographic changes in the rating pool from one year to the next.

The proposed annual average calibrated PAIR increase is 6.5%. The first quarter rate change is 6.4%. As of March 2021, there were 1,730 members enrolled. The rate increase varies by plan offering and ranges from 3.8% to 8.0%. The variation in increase is due to an update on out of network assumptions for the POS plan offerings. These plans have lower rate increases. The remaining variation is due to the cost sharing leveraging impact.

Rate Change Range	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
less than 0%	0	-	$0.00	$0.00	0.0%
0% to 2.0%	0	-	$0.00	$0.00	0.0%
2% to 4.0%	4	11	$314.59	$326.45	3.8%
4% to 6.0%	2	25	$264.32	$280.07	6.0%
6% to 8.0%	8	696	$287.52	$305.96	6.4%
8% to 10%	0	-	$0.00	$0.00	0.0%
10% to 12.0%	0	-	$0.00	$0.00	0.0%
12% or greater	0	-	$0.00	$0.00	0.0%
Total	14	732	$287.14	$305.39	6.4%

Table 2: Distribution of Rate Increases

NHPRI is terminating zero plans and offering no new plans this year. The quarterly rate change is shown in the table below.

Renewal Quarter and Year	Number of Renewing Members	Proposed Average Rate Change CPAIR
1Q 2022	732	6.4%
2Q 2022	398	6.5%
3Q 2022	355	6.6%
4Q 2022	288	6.7%
Total	1,773	6.5%

Table 3: Quarterly Rate Change

IV. Experience & Trend Assumptions

A review of actual allowed claims experience shows that actual trends for NHPRI's small group market are volatile. The tables below illustrate this volatility. The allowed claims PMPM trend was -8.9% in 2019 and 12.9% in 2020. In addition, member months increased 24% and 27%. This is to be expected considering NHPRI's small group risk pool is small and not credible for trend analysis.

NHPRI is assuming an average annual trend assumption of 8.7% which is slightly higher than what was assumed last year (8.3%) and slightly higher than the individual market trend of 8.4%.[3] The table below shows NHPRI's cost & use trend assumptions by service category. NHPRI's consulting actuaries use industry trends from the Milliman manuals and is informed by NHPRI's contractual increases.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$49.26	$34.65	$36.59
Outpatient Hospital	$64.24	$51.39	$51.68
Professional	$75.75	$77.67	$83.35
Other Medical	$6.88	$3.87	$5.72
Capitation	$1.97	$1.85	$2.92
Prescription Drug	$45.84	$52.91	$70.72
Total	$243.94	$222.34	$250.99
Member Months	12,844	15,909	20,262

Allowed Claims PMPM Trend		
	CY 2019 / CY 2018 Trend	CY 2020 / CY 2019 Trend
Inpatient Hospital	-29.7%	5.6%
Outpatient Hospital	-20.0%	0.6%
Professional	2.5%	7.3%
Other Medical	-43.8%	47.9%
Capitation	-5.9%	57.6%
Prescription Drug	15.4%	33.7%
Total	-8.9%	12.9%
Member Months Trend	23.9%	27.4%

Table 4: Allowable Claims PMPM and Trend CY 2018 – CY 2020

[3] Trends are different from the Individual Market due to differences in service category weights.

Trend Assumptions			
	2 Year Avg Cost Trend	2 Year Avg Utilization & Severity Trend	2 Year Avg Total Trend
Inpatient Hospital	3.5%	1.0%	4.5%
Outpatient Hospital	4.4%	2.0%	6.5%
Professional	6.8%	3.0%	10.0%
Other Medical	4.4%	1.5%	6.0%
Capitation	0.0%	0.0%	0.0%
Prescription Drug	9.9%	1.0%	11.0%
Total			8.7%

Table 5: Annual Trend Assumption

During this filing review, I have discussed with NHPRI and its consulting actuaries the possibility of utilizing NHPRI's actual expected provider unit cost increases in their rate development. This would require NHPRI to track, monitor, and analyze expected increases in provider reimbursement. The results of which can be incorporated into pricing trend assumptions.

NHPRI's trend assumption is driven by the unit cost trend assumption and pharmacy trend assumption as shown in the table above. This aligns with NHPRI's response from last year's filing above, where NHPRI indicates that due to behavioral health vendor contracts and hospital contracts, their hospitals costs have increased.[4] In addition, in our internal discussions over the years, we believe that there is a significant provider reimbursement difference between NHPRI and BCBSRI as evidenced by the large difference in allowed claims PMPM.[5] As a result, we believe that there will be upward pressure on future prices for NHPRI. Also, NHPRI has experienced some significant pharmacy trends in 2019 suggesting a higher morbidity of the population.

I performed my own trend analysis on NHPRI Individual and Small Group Market data combined. The combined pool represents approximately 24,000 enrollees but the enrollment has ranged from 21,000 to 28,000 over the past two years. I received monthly data from January 2017 through March 2021. I performed actuarial trend analysis and a summary of my results are shown below.[6] As shown annual medical

[4] See NHPRI Individual Market Memo
[5] In 2020 the average allowed claims PMPM for the individual market was $426.88 and for NHPRI it was $250.99.
[6] Monthly data is grouped in to rolling 6 month averages (e.g. January 2017 through June 2017, February 2017 through July 2017, etc.) Then an annual trend is calculated (i.e. January 2018 through June 2018 compared to January 2017 through June 2017.) A similar calculation is then performed in using 12 month averages.

PMPM trends are ranging 12% to 13% a year and annual pharmacy PMPM trends are ranging 41% to 42% a year. While this data is not fully credible, it does appear that prior to COVID-19, NHPRRI's commercial market was trending over 10%.

Allowed PMPM	Medical		RX	
Analysis through Feb 2020	**Rolling 6 month Annual Trends**	**Roling 12 months Annual Trends**	**Rolling 6 month Annual Trends**	**Roling 12 months Annual Trends**
Avg of Last 6 data points	12%	13%	41%	42%

Table 6: Gorman Actuarial Trend Analysis

Given the analysis of claims experience and the credibility of the rating pool, NHPRI's trend assumptions appear reasonable. However, since provider unit cost is a large component of trend NHPRI should embark upon a more robust provider unit cost analysis for next year.

Recommendation #1: For next year, I recommend that NHPRI conduct a more robust analysis of their provider reimbursement structure and that the results be incorporated into their rate development process.

V. Impact due to COVID-19

NHPRI has included two assumptions due to COVID-19 in their rate development. The first adjustment was applied to the claims projections and the second adjustment was included in the contribution to reserve. NHPRI applies a COVID suppression factor of 1.008, or an increase to the 2020 claims cost of 0.8%, to reflect that utilization was suppressed in 2020. This suppression factor was developed by projecting the latest 2019 claims data to 2020 and then comparing the 2020 projections to actual results. NHPRI's actuaries have verified that the projection factors are consistent with the trend assumptions used in the rate filing.

NHPRI includes an additional 1.4% in their contribution to reserve for expected future vaccination costs and lab testing costs. This assumption assumes that 50% of members will receive a single vaccine booster and the cost of administration and the vaccine would be $100. It also assumes that 12% of members will receive a lab test at $188 per test. Recently, the CDC put out guidance that suggested that fully vaccinated individuals would not require a booster.[7] Due to this guidance, it seems unlikely that 50% of members will receive a booster. However, due to the dynamic nature of COVID, it may be appropriate to include something for expected booster costs and a more reasonable

[7] Joint CDC and FDA Statement on Vaccine Boosters | CDC Online Newsroom | CDC

assumption could be in the range of 20% to 25%.[8] Also as of March 2021, CMS is reimbursing providers $40 for administration of the vaccine. While it is unclear what the cost of the actual COVID vaccine will be, it is reasonable to assume that the ingredient cost may be absorbed by the state or federal government. I believe a more reasonable assumption for the cost of the vaccination is $40 rather than the $100 that NHPRI assumes. Finally, the $188 lab test appears on the high end. A recent Kaiser study indicates that median price of a lab test at a hospital in 2021 is $148. In addition, new, less expensive tests are being introduced into the market every day. Finally, since many will be vaccinated by 2022, it seems unlikely that 12% of the population will need a lab test. A more reasonable assumption for the lab costs might be $100 with a prevalence rate of 5%. Replacing NHPRI's assumptions with my own results in 0.3% assumption rather than the 1.4%.

Recommendation #2: I recommend that NHPRI revise their assumptions for COVID vaccinations and lab costs from 1.4% to 0.3%. In addition, I recommend that this adjustment is removed from contribution to reserve and included as an adjustment to claims. The RI Health Insurance Commissioner has agreed to allow NHPRI to assume that 50% of their population will receive a COVID booster. This will revise the assumption to 0.5% and will reduce the rate approximately 1%.[9]

VI. Risk Adjustment

NHPRI has assumed a 0% adjustment for risk adjustment. Note that at the time of the submission of the rate filing, the actual 2020 results had not been released. CCIIO released the risk adjustment report and the actual results suggest a risk adjustment payment of $1.7M. Since NHPRI prices its small group market to the market average, a risk adjustment assumption is not necessary.

VII. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, NHPRI projects an 82.7% MLR for 2021 and an 84.8% MLR for 2022.

[8] Rhode Island is currently 60% vaccinated. https://usafacts.org/visualizations/covid-vaccine-tracker-states/state/rhode-island. In addition, only 4% of the NHPRI Individual Market is under age 18. Based on these statistics it seems reasonable to assume that 20% to 25% of the rating pool will receive a vaccination or a booster.

[9] The reduction in rates will be due to two reasons (1) shifting the assumption from the retention charge to a claims adjustment will reduce rates due to how rates are built (2) reducing the assumption from 1.4% to 0.5% will reduce the rate. It is difficult to disaggregate how much of the reduction is due to the shift to a claim adjustment and how much due to the actual assumption change.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. NHPRI is proposing an average retention charge of 25.5% for 2022. The table below shows the components of retention.

Proposed Retention Charge	2022	2021	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	4.4%	4.3%	0.1%
Investment Income Credit	-0.2%	-0.3%	0.1%
Administrative Expense Load	19.2%	18.8%	0.4%
Total Retention Charge	25.5%	24.9%	

Table 7: Retention Charges

NHPRI has filed a 4.4% contribution to reserve. NHPRI includes an additional 1.4% for expected COVID related expenses. Last year, NHPRI did include some conservatism in their rates due to uncertainty around COVID-19. At that time there was little information on the prospect of vaccinations and COVID lab testing prevalence and expenses. It was appropriate to include this uncertainty into a contribution to reserve. However, this year, there is much more information on expected COVID-19 expenses as such it is now appropriate to include this portion of the contribution to reserve assumption as a claims projection adjustment. Above, I have recommended that this 1.4% assumption change to 0.5% and be included as an adjustment to claims.

NHPRI includes 2.0% in their administrative expense load for RI assessments and fees. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized. In addition, the Current Care Charge is $1.00 PMPM. The table below shows that the overall charge should be 1.5% rather than 2.0%.

	NHPRI Assumptions		Recommendation			
	PMPM	Premium Impact	Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.42	0.8%	$14.78	12.0%	$1.78	0.4%
Adult Immunization Account	$2.78	0.6%	$3.18	88.0%	$2.80	0.7%
Children's Health Account	$1.40	0.3%	$9.03	12.0%	$1.09	0.3%
Care Transformation Collaborative of RI	$0.15	0.0%			$0.15	0.0%
Current Care	$1.05	0.2%			$1.00	0.2%
Total	$8.80	2.0%			$6.81	1.6%

Table 8: RI Assessments

Recommendation #3: I recommend that NHPRI revise their assumptions for RI assessments from 2.0% to 1.6%. The RI Health Insurance Commissioner has approved this revised assumption.

VIII. Financial Position

Using the federal definition, NHPRI's reported MLR in Tab VI of the OHIC template are 81.9% for CY 2018, 83.0% for CY 2019 and 89.9% for CY 2020.

A review of NHPRI's financial measures show that NHPRI's RBC and underwriting gain has increased in 2020. The underwriting gain in 2020 is 1.5%.

	NHPRI			
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$1,392,298,811	$1,345,930,383	$1,377,747,019	$1,365,886,563
24. Net Underwriting G/L	$21,228,747	-$2,068,687	$3,402,842	$317,266
Underwriting G/L	***1.5%***	***-0.2%***	***0.2%***	***0.0%***
49. Capital and Surplus end of reporting year	$122,648,134	$101,607,294	$101,566,291	$100,277,569
SAPOR	***8.8%***	***7.5%***	***7.4%***	***7.3%***
14. Total Adjusted Capital	$122,648,134	$101,607,297	$101,566,291	$100,277,569
15. Authorized control level risk-based capital	$48,513,766	$48,108,549	$49,588,540	$47,820,169
RBC	***252.8%***	***211.2%***	***204.8%***	***209.7%***

Table 9: Summary of Financials

IX. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template.

X. Requested and Final Approved Rates

The table below shows NHPRI's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. The overall impact to the rate is not an estimate.

	NHPRI SG		
	Requested	**Final Approved**	**Impact to Rate**
Calibrated Plan Adjusted Index Rate (CPAIR)	$305.39	$291.08	-4.7%
Medical Trend Assumptions			
Inpatient Hospital	4.5%	4.5%	
Outpatient Hospital	6.5%	6.5%	
Professional	10.0%	10.0%	
Other Medical	6.0%	6.0%	
Capitation	0.0%	0.0%	
Prescription Drug	11.0%	11.0%	
Total Medical Trend	8.7%	8.7%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	0.0%	0.0%	
Future Covid Expenses		0.5%	0.4%
Non-Medical Portion of Premium			
Future Covid Expenses	1.4%	0.5% (move to claims)	
All Other Contribution to Reserve	3.0%	0.0%	
Contribution to Reserves/Profit	4.4%	0.0%	-4.7%
RI Assessments	2.0%	1.6%	-0.4%
CPAIR 1Q Change from 2021	6.4%	1.4%	-4.7%
Overall Weighted Average Full Year Rate Change	6.5%	1.5%	-4.7%

Table 10: Requested and Final Approved Rates

XI. Conclusion

This memo communicates the findings of our review of the small group market 2022 rate filings for NHPRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by NHPRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,

Bela Gorman FSA, MAAA

Cc: Jennifer Smagula FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Small Group Market Rate Filing for Tufts Associated Health Maintenance Organization, Inc. (TAHMO) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #THPC-132825527

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of TAHMO's small group market rate filing.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted by TAHMO on May 17th, June 4th, July 6th and August 19thof 2021.[1]

Throughout the filing process, GA corresponded with TAHMO's actuary Dylan Ascolese FSA, MAAA. An actuarial certification is included in the filing signed by Dylan Ascolese. GA submitted questions through SERFF on May 21st, May 27th, June 28th, and July 9th. GA received responses for questions through SERFF. GA also relied on responses to questions for the Tufts Insurance Company (TICO) small group filing and the TAHMO & TICO large group filing that pertain to TAHMO small group filing.

[1] Rates in the June 4th and July 6th filings remained unchanged from the version submitted on May 17th.

GA provided working recommendations to RIOHIC on July 27, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: I recommend that TAHMO revise their assumptions for RI assessments from 2.3% to 1.8%. This would lower rates by approximately 0.5%. The RI Health Insurance Commissioner has approved this revised assumption.

The table below shows TAHMO's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	TAHMO SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$356.36	$354.58	-0.5%
Medical Trend Assumptions			
Inpatient Hospital	3.5%	3.5%	
Outpatient Hospital	7.5%	7.5%	
Professional	7.0%	7.0%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Total Medical Trend	7.0%	7.0%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	2.0%	2.0%	
RI Assessment	2.3%	1.8%	-0.5%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	0.0%	0.0%	
CPAIR 1Q Change from 2021	5.3%	4.8%	-0.5%
Overall Weighted Average Full Year Rate Change	5.2%	4.7%	-0.5%

Table 1: TAHMO Small Group Requested and Final Approved Rates

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (PAIR) average change.[2] The calibrated PAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan offering. This change reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

In the small group rate filings, insurers file quarterly trend projection factors and therefore rates and rate changes can vary by quarter. Insurers also provide average rate changes by quarter. The focus of our review is the full year 2022 weighted average rate change using the calibrated PAIR's and the 1Q 2022 weighted average rate change.

In the rate filing submitted on May 17th, the full year weighted average proposed calibrated PAIR change was 5.2% and for 1Q renewals it was 5.3%.[3]

As of March 2021, there were 1,879 enrolled members. The rate filing includes 46 plans; 44 renewing plans and two terminating plans as of January 1, 2022. As shown in the table below there will be 44 renewing plan offerings and the average proposed increase for first quarter renewals is 5.3%. There are no members reported in the two terminating plans which is why there is no average rate change for these plans. Rate changes vary slightly by plan due to the leveraging impact which is applied at the plan level.

Category	Number of Plans	Number of Members	1Q 2021 Calibrated PAIR PMPM	1Q 022 Calibrated PAIR PMPM	Rate Change
New	0	0			
Renewal	44	488	$338.41	$356.36	5.3%
Terminated	2	0			
Total	46	488	$338.41	$356.36	5.3%

Table 2: TAHMO Small Group Summary of Plans and Rate Changes for 1Q 2022

[2] We also focus our review on the PAIR and the PAIR increases. Generally, the increases for the calibrated PAIR and PAIR are similar. The PAIR increases reflect demographic changes in the rating pool from one year to the next.

[3] A revised filing was submitted on July 6th that revised the projected paid to allowed ratio in Tab II of the RIOHIC template but rates remained unchanged.

Rate Change Range	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
4% to 5.9%	40	483	$339.30	$357.28	5.3%
6% to 7.9%	4	5	$251.76	$267.65	6.3%
Total	44	488	$338.41	$356.36	5.3%

Table 3: TAHMO Small Group Summary of Rate Changes for Renewing Plans 1Q 2022

All of TAHMO's renewing plans had minimal plan design changes in 2022 compared to 2021 and the overall rate change due to plan design changes was less than 0.1%. TAHMO did not make any changes to their pricing model in 2022 compared to 2021.

TAHMO uses the same quarterly trend factor of 1.017 to develop rates in subsequent quarters. Rate changes vary slightly by plan so the rate changes by quarter will vary due to the distribution of members by plan renewing each quarter. Average proposed rate changes by quarter are shown below for TAHMO.

Renewal Quarter and Year	Number of Renewing Members	Proposed Average Rate Change CPAIR
1Q 2022	488	5.3%
2Q 2022	356	5.3%
3Q 2022	524	5.1%
4Q 2022	511	5.2%
Total	1,879	5.2%

Table 4: TAHMO Small Group Average Rate Changes by Quarter

TAHMO and TICO rates are based on a manual rate developed several years ago based on Massachusetts experience. For the 1Q 2022 rate filing, TAHMO developed the projected claims by starting with the approved 1Q 2021 rate prior to retention. Then the 2022 trend assumption is applied. There was an additional adjustment of 0.3% to account for changes in mandates and pediatric dental benefits.

TAHMO provided an analysis to demonstrate what the rates would be if Rhode Island experience was used in the rate development. This analysis showed that rates would be 22% higher if Rhode Island experience was used. This is different than in the prior two years where the rates would not have been materially different if Rhode Island experience was used. As shown below, TAHMO

membership has decreased significantly in CY 2020 and the block was small to begin with, leading to volatility in the experience and trends.

There are two separate filings for TAHMO and TICO. TAHMO and TICO report on historical membership and claims experience separately by company, however the rates are developed using most of the same underlying data and assumptions. The one key place where the assumptions will vary are the AV and cost sharing factors (unique to each company's plan designs.) The TICO PPO products are typically sold alongside the TAHMO HMO products.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for TAHMO's small group market have decreased 7.5% in 2019 and increased 20.7% in 2020. The table below shows a three-year history of allowed claims PMPMs. TAHMO has a fairly small population and their membership significantly decreased by 21.2% from 2019 to 2020. This leads to fluctuations in claims trends, especially by service category. TAHMO stated that the high 2020 inpatient trend is mainly due to an increase in utilization in inpatient surgery. However, inpatient trends were negative in 2019, therefore the 2020 experience represents inpatient claims returning to more typical levels.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$98.36	$61.20	$93.69
Outpatient Hospital	$101.13	$102.20	$111.20
Professional	$143.64	$149.89	$165.95
Other Medical	$23.56	$26.19	$32.40
Capitation	$1.03	$1.40	$1.15
Prescription Drug	$64.37	$59.00	$78.27
Total	$432.10	$399.87	$482.67
Member Months	35,450	37,402	29,460

Allowed Claims PMPM Trend		
	CY 2019 / CY 2018 Trend	CY 2020 / CY 2019 Trend
Inpatient Hospital	-37.8%	53.1%
Outpatient Hospital	1.1%	8.8%
Professional	4.4%	10.7%
Other Medical	11.1%	23.7%
Capitation	36.2%	-17.8%
Prescription Drug	-8.4%	32.7%
Total	-7.5%	20.7%
Member Months Trend	5.5%	-21.2%

Table 5: TAHMO Small Group Allowed Claims PMPM and Trends

As shown in the table below, TAHMO assumed a 7.0% annual trend assumption. This is consistent with TAHMO's total trend assumption in the 1Q 2021 rate filing. TAHMO stated that Rhode Island experience is not credible to use solely for trend analysis purposes, therefore their Rhode Island experience is supplemented with Massachusetts experience. Medical unit cost trends are developed based on Rhode Island provider contracts and estimates for future changes to those contracts. In last year's final rate filing, TAHMO lowered their medical utilization and severity assumption from 5.4% to 4.2% based on recommendations from RIOHIC. TAHMO has maintained the approximately 4.2% medical utilization and severity trend in this year's trend assumptions.

TAHMO and TICO provided detailed medical and pharmacy data for GA to review for both Massachusetts and Rhode Island. The recent medical data for CY 2020 through March 2021 is difficult to review given the impact of COVID-19. We reviewed the recent pharmacy data and supporting exhibits and the 11% assumption continues to appear reasonable.

Trend Assumptions			
	Cost Trend	Utilization Trend	Total Trend
Inpatient Hospital	1.9%	1.6%	3.5%
Outpatient Hospital	2.2%	5.2%	7.5%
Professional	1.3%	5.6%	7.0%
Other Medical	5.1%	0.0%	5.1%
Capitation	0.9%	0.0%	0.9%
Prescription Drug	9.4%	1.5%	11.0%
Total			7.0%

Table 6: TAHMO Small Group Trend Assumptions

In addition to the trend assumptions above, TAHMO adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, TAHMO used their pricing model to calculate a leverage adjustment for each plan design. TAHMO's leverage assumption ranged from 0.27% to 1.88% for an overall average of 0.8% and was accounted for in the AV and Cost Sharing factor.

V. Assessments

TAHMO include the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account, Care Transformation Collaborative of RI and Current Care in their medical claims projection. Tab IV of the RIOHIC template shows that TAHMO includes 2.3% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[4] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.8% rather than 2.3%.

[4] Assessments for vaccinations were finalized for FY 2022 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2022.

	TAHMO Assumptions		Recommendation			
	PMPM	Premium Impact	2022 Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.92	0.7%	$14.78	16.6%	$2.45	0.5%
Adult Immunization Account	$3.24	0.6%	$3.18	83.4%	$2.65	0.5%
Children's Health Account	$2.14	0.4%	$9.03	16.6%	$1.50	0.3%
Care Transformation Collaborative of RI	$1.79	0.3%	n/a	n/a	$1.79	0.3%
Current Care	$1.00	0.2%	$1.00	100.0%	$1.00	0.2%
Total	$12.10	2.3%			$9.40	1.8%

Table 7: TAHMO Rhode Island Assessments

Recommendation #1: I recommend that TAHMO revise their assumptions for RI assessments from 2.3% to 1.8%. This would lower rates by approximately 0.5%. The RI Health Insurance Commissioner has approved this revised assumption.

VI. Risk Adjustment

TAHMO has assumed an $11.05 PMPM[5] payable for risk adjustment in its 1Q 2022 rate filing. This represents 2.0% of the plan adjusted index rate and translates to approximately $0.3 million in payables for TAHMO. In last year's rate filing, TAHMO assumed a 3% risk adjustment payable, so the impact to the 1Q 2022 rates is -0.9%. For financial planning purposes, TAHMO is assuming a $1.8 million payable for risk adjustment in Rhode Island. This amount is not used directly in the rate development since TAHMO's rates are based on a manual rate.

After TAHMO submitted their rate filing, CMS posted the 2020 risk adjustment results on June 30th. TAHMO is paying $0.3 million in risk adjustment which is close to what they assumed.[6] TAHMO's rates are based on manual rates and Rhode Island's risk adjustment results do not directly impact the rate development, therefore the final 2020 risk adjustment results do not impact their 2022 rates.[7]

VII. COVID Impact

[5] The $11.05 reported in Tab V of the RI template.
[6] In the CMS Risk Adjustment report, the HIOS ID for TAHMO is 90010 and the HIOS ID for TICO is 26322.
[7] For other RI insurers who directly rely on final risk adjustment results in their rate filing, GA recommended utilizing a blend of the final 2019 and final 2020 results given the impact COVID-19 may have had on risk adjustment results. TAHMO's final 2020 risk adjustment results were $0.3 million payable and final 2019 results were a $1.7 million payable. Therefore, a blend of the two results is a $1.0 million payable. This is still higher than what TAHMO is currently assuming.

As stated previously, TAHMO's rates rely on manual rates developed prior to COVID, therefore utilization suppression due to COVID did not impact the rates. TAHMO also did not make adjustments for the future impact of COVID.

VIII. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, TAHMO projects an 89.5% MLR for 2021 and an 89.5% MLR for 2022.[8] TAHMO stated that they did not make any explicit COVID-19 related adjustment to claims. TAHMO also reported historical MLR in Tab VI of the OHIC template are 94.1% for CY 2018, 85.0% for CY 2019 and 98.9% for CY 2020.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. TAHMO proposed an average retention charge of 14.1%. For 2021, the retention charge was 15.1%. The decrease is driven by the contribution to surplus charge decreasing from 1.0% to 0.0%. The table below shows the components of retention.

Retention Charge		
	2022	**2021**
ACA Taxes and Fees	0.1%	0.1%
Premium Tax	2.0%	2.0%
Other Retention Charge	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	0.0%	1.0%
Investment Income Credit	0.0%	0.0%
Administrative Expense Load	12.0%	12.0%
Total Retention Charge	14.1%	15.1%

Table 8: TAHMO Small Group Retention Charges

IX. Financial Position

A review of TAHMO's financial measures show that TAHMO's RBC position has remained fairly healthy and steady for the past four years, over 600% but decreased from 670.8% in 2019 to 610.1% in 2020. The underwriting gain/loss and SAPOR[9] have also remained fairly consistent.

[8] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.
[9] SAPOR is surplus as a percentage of revenue.

	TAHMO			
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$2,798,892,444	$2,698,353,911	$2,581,958,897	$2,555,327,303
24. Net Underwriting G/L	$76,576,206	$64,165,199	$72,911,773	$85,992,431
Underwriting G/L	***2.7%***	***2.4%***	***2.8%***	***3.4%***
49. Capital and Surplus end of reporting year	$738,870,321	$748,323,163	$642,456,738	$644,286,474
SAPOR	***26.4%***	***27.7%***	***24.9%***	***25.2%***
14. Total Adjusted Capital	$738,870,321	$748,323,162	$642,456,738	$644,286,474
15. Authorized control level risk-based capital	$121,103,639	$111,559,193	$101,285,836	$93,089,036
RBC	***610.1%***	***670.8%***	***634.3%***	***692.1%***

Table 9: TAHMO Financials

X. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template.

XI. Requested and Final Approved Rates

The table below shows TAHMO's requested and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	TAHMO SG		
	Requested	Final Approved	Impact to Rate
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$356.36	$354.58	-0.5%
Medical Trend Assumptions			
Inpatient Hospital	3.5%	3.5%	
Outpatient Hospital	7.5%	7.5%	
Professional	7.0%	7.0%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Total Medical Trend	7.0%	7.0%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	2.0%	2.0%	
RI Assessment	2.3%	1.8%	-0.5%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	0.0%	0.0%	
CPAIR 1Q Change from 2021	5.3%	4.8%	-0.5%
Overall Weighted Average Full Year Rate Change	5.2%	4.7%	-0.5%

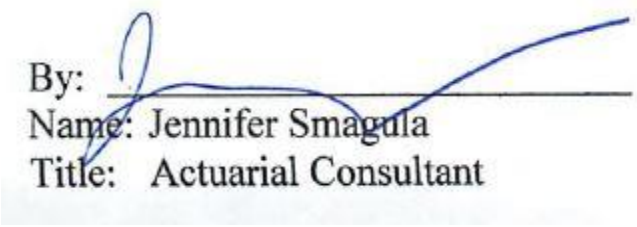
Table 10: TAHMO Small Group Requested and Final Approved Rates

XII. Conclusion

This memo communicates the findings of our review of the small group market 2021 rate filing for TAHMO. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by TAHMO. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,



Jennifer Smagula FSA, MAAA

Cc: Bela Gorman FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Small Group Market Rate Filing for Tufts Insurance Company (TICO) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #THPC-132825860

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of TICO's small group market rate filing.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted by TICO on May 17th, June 4th, July 6th and August 19th of 2021.[1]

Throughout the filing process, GA corresponded with TICO's actuary Dylan Ascolese FSA, MAAA. An actuarial certification is included in the filing signed by Dylan Ascolese. GA submitted questions through SERFF on May 21st, May 27th, July 9th and July 23rd. GA received responses for questions through SERFF. GA also relied on responses to questions for the Tufts Associated Health Maintenance Organization, Inc. (TAHMO) small group filing and the TAHMO & TICO large group filing that pertain to TICO small group filing.

[1] Rates in the June 4th and July 6th filings remained unchanged from the version submitted on May 17th.

GA provided working recommendations to RIOHIC on July 27, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: I recommend that TICO revise their assumptions for RI assessments from 2.3% to 1.8%. This would lower rates by approximately 0.5%. The RI Health Insurance Commissioner has approved this revised assumption.

The table below shows TICO's requested and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	TICO SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$401.97	$399.97	-0.5%
Medical Trend Assumptions			
Inpatient Hospital	3.5%	3.5%	
Outpatient Hospital	7.5%	7.5%	
Professional	7.0%	7.0%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Total Medical Trend	7.3%	7.3%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	2.0%	2.0%	
RI Assessment	2.3%	1.8%	-0.5%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	0.0%	0.0%	
CPAIR 1Q Change from 2021	5.1%	4.6%	-0.5%
Overall Weighted Average Full Year Rate Change	5.1%	4.6%	-0.5%

Table 1: TICO Small Group Requested and Final Approved Rates

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (PAIR) average increase.[2] The calibrated PAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan offering. This change reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

In the small group rate filings, insurers file quarterly trend projection factors and therefore rates and rate changes can vary by quarter. Insurers also provide average rate changes by quarter. The focus of our review is the full year 2022 weighted average rate change using the calibrated PAIR's and the 1Q 2022 weighted average rate change.

In the rate filing submitted on May 17th, both the full year weighted average proposed calibrated PAIR change and 1Q renewal change is 5.1%.

As of March 2021, there were 946 members. The rate filing includes 42 plans; 40 renewing plans and two terminating plans as of January 1, 2022. As shown in the table below there will be 40 renewing plan offerings and the average proposed increase for first quarter renewals is 5.1%. There are no members reported in the two terminating plans which is why there is no average rate change for these plans. Rate changes vary slightly by plan due to the leveraging impact which is applied at the plan level.

Category	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
Renewal	40	341	$382.42	$401.97	5.1%
Terminated	2	0	n/a	n/a	n/a
Total	42	341	$382.42	a	5.1%

Table 2: TICO Small Group Summary of Plans and Rate Changes for 1Q 2022

[2] We also focus our review on the PAIR and the PAIR increases. Generally, the increases for the calibrated PAIR and PAIR are similar. The PAIR increases reflect demographic changes in the rating pool from one year to the next.

Rate Change Range	Number of Plans	Number of Members	1Q 2021 Calibrated PAIR PMPM	1Q 2022 Calibrated PAIR PMPM	Rate Change
4% to 5.9%	37	341	$382.42	$401.97	5.1%
6% to 7.9%	3	-	$0.00	$0.00	0.0%
Total	40	341	$382.42	$401.97	5.1%

Table 3: TICO Small Group Summary of Rate Changes for Renewing Plans 1Q 2022

All of TICO's renewing plans, except for two[3], had minimal plan design changes in 2022 compared to 2021 and the overall rate change due to plan design changes was less than 0.1%. TICO did not make any changes to their pricing model in 2022 compared to 2021.

TICO uses the same quarterly trend factor of 1.017 to develop rates in subsequent quarters. Rate changes vary slightly by plan so the rate changes by quarter will vary due to the distribution of members by plan renewing each quarter. Average proposed rate changes by quarter are shown below for TICO.

Renewal Quarter and Year	Number of Renewing Members	Proposed Average Rate Change CPAIR
1Q 2022	341	5.1%
2Q 2022	104	5.3%
3Q 2022	209	5.0%
4Q 2022	292	5.2%
Total	946	5.1%

Table 4: TICO Small Group Average Rate Changes by Quarter

TAHMO and TICO rates are based on a manual rate developed several years ago based on Massachusetts experience. For the 1Q 2022 rate filing, TICO developed the projected claims by starting with the approved 1Q 2021 rate prior to retention. Then the 2022 trend assumption is applied. There was an additional adjustment of 0.3% to account for changes in mandates and pediatric dental benefits.

TICO provided an analysis to demonstrate what the rates would be if Rhode Island experience was used in the rate development. This analysis showed that rates would be 22% higher if Rhode Island experience was used. This is different

[3] Advantage PPO 5000 and Advantage PPO 6000 increased the out-of-pocket maximum by $150 and the lab benefit changed from a copay to a deductible then copay.

than in the prior two years where the rates would not have been materially different if Rhode Island experience was used. As shown below and in the TAHMO memo, TICO membership has decreased significantly in CY 2020 and the block was small to begin with, leading to volatility in the experience and trends.

There are two separate filings for TAHMO and TICO. TAHMO and TICO report on historical membership and claims experience separately by company, however the rates are developed using most of the same underlying data and assumptions. The one key place where the assumptions will vary are the AV and cost sharing factors (unique to each company's plan designs.) The TICO PPO products are typically sold alongside the TAHMO HMO products.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for TICO's small group market have changed -0.2% in 2019 and 20.4% in 2020. The table below shows a three-year history of allowed claims PMPMs. TICO has a fairly small population and their membership significantly decreased by from 2019 to 2020, by 30.9%. Due to this membership loss, the allowed claims trends will fluctuate, especially by service category. TICO stated that the high 2020 inpatient trend is mainly due to an increase in utilization in inpatient surgery. However, inpatient trends were negative in 2019, therefore the 2020 experience represents inpatient claims returning to more typical levels.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$57.96	$49.13	$96.54
Outpatient Hospital	$109.78	$122.37	$117.92
Professional	$170.54	$168.25	$175.32
Other Medical	$13.58	$14.73	$19.27
Capitation	$0.00	$0.00	$0.00
Prescription Drug	$76.15	$72.65	$105.14
Total	$428.00	$427.12	$514.18
Member Months	23,219	24,176	16,717

Allowed Claims PMPM Trend		
	CY 2019 / CY 2018 Trend	CY 2020 / CY 2019 Trend
Inpatient Hospital	-15.2%	96.5%
Outpatient Hospital	11.5%	-3.6%
Professional	-1.3%	4.2%
Other Medical	8.4%	30.9%
Capitation	0.0%	0.0%
Prescription Drug	-4.6%	44.7%
Total	-0.2%	20.4%
Member Months Trend	4.1%	-30.9%

Table 5: TICO Small Group Allowed Claims PMPM and Trends

As shown in the table below, TICO assumed a 7.3% annual trend assumption.[4] This is consistent with TICO's total trend assumption in the 1Q 2022 rate filing. TICO stated that Rhode Island experience is not credible to use solely for trend analysis purposes, therefore their Rhode Island experience is supplemented with Massachusetts experience. Medical unit cost trends are developed based on Rhode Island provider contracts and estimates for future changes to those contracts. In last year's final rate filing, TICO lowered their medical utilization and severity assumption from 5.4% to 4.2% based on recommendations from RIOHIC. TICO has maintained the approximately 4.2% medical utilization and severity trend in this year's trend assumptions.

TAHMO and TICO provided detailed medical and pharmacy data for GA to review for both Massachusetts and Rhode Island. The recent medical data for CY 2020 through March 2021 is difficult to review given the impact of COVID-19. We

[4] TICO and TAHMO trend assumptions are the same by service category, but due to different service category weights, the totals end up being different.

reviewed the recent pharmacy data and supporting exhibits and the 11% assumption continues to appear reasonable.

Trend Assumptions			
	Cost Trend	Utilization Trend	Total Trend
Inpatient Hospital	1.9%	1.6%	3.5%
Outpatient Hospital	2.2%	5.2%	7.5%
Professional	1.3%	5.6%	7.0%
Other Medical	5.1%	0.0%	5.1%
Capitation	0.9%	0.0%	0.9%
Prescription Drug	9.4%	1.5%	11.0%
Total			7.3%

Table 6: TICO Small Group Trend Assumptions

In addition to the trend assumptions above, TICO adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, TICO used their pricing model to calculate a leverage adjustment for each plan design. TICO's leverage assumption ranged from 0.47% to 1.76% for an overall average of 0.8% and was accounted for in the AV and Cost Sharing factor.

V. Assessments

TICO include the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account, Care Transformation Collaborative of RI and Current Care in their medical claims projection. Tab IV of the RIOHIC template shows that TICO includes 2.3% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[5] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.8% rather than 2.3%.

[5] Assessments for vaccinations were finalized for FY 2022 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2022.

	TICO Assumptions		Recommendation			
	PMPM	Premium Impact	2022 Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.92	0.7%	$14.78	16.6%	$2.45	0.5%
Adult Immunization Account	$3.24	0.6%	$3.18	83.4%	$2.65	0.5%
Children's Health Account	$2.14	0.4%	$9.03	16.6%	$1.50	0.3%
Care Transformation Collaborative	$1.79	0.3%	n/a	n/a	$1.79	0.3%
Current Care	$1.00	0.2%	$1.00	100.0%	$1.00	0.2%
Total	$12.10	2.3%			$9.40	1.8%

Table 7: TICO Rhode Island Assessments

Recommendation #1: I recommend that TICO revise their assumptions for RI assessments from 2.3% to 1.8%. This would lower rates by approximately 0.5%. The RI Health Insurance Commissioner has approved this revised assumption.

VI. Risk Adjustment

TICO has assumed a $12.46 PMPM[6] payable for risk adjustment in its 1Q 2022 rate filing. This represents 2.0% of the plan adjusted index rate and translates to approximately $0.2 million in payables for TICO. This 2.0% risk adjustment assumption decreased from 3.0% in 1Q 2021, resulting in a 0.9% reduction in rates.

After TICO submitted their rate filing, CMS posted the 2020 risk adjustment results on June 30th. TICO is receiving $0.1 million in risk adjustment.[7] TICO's rates are based on manual rates and Rhode Island's risk adjustment results do not directly impact the rate development, therefore the final 2020 risk adjustment results do not impact their 2022 rates.[8]

VII. COVID Impact

[6] The $12.46 reported in Tab V of the RI template.
[7] In the CMS Risk Adjustment report, the HIOS ID for TAHMO is 90010 and the HIOS ID for TICO is 26322.
[8] For other RI insurers who directly rely on final risk adjustment results in their rate filing, GA recommended utilizing a blend of the final 2019 and final 2020 results given the impact COVID-19 may have had on risk adjustment results. TICO's final 2020 risk adjustment results were $0.1 million receivable and final 2019 results were a $1.4 million payable. Therefore, a blend of the two results is a $0.6 million payable. This is still higher than what TICO is currently assuming.

As stated previously, TICO's rates rely on manual rates developed prior to COVID, therefore utilization suppression due to COVID did not impact the rates. TICO also did not make adjustments for the future impact of COVID.

VIII. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, TICO projects an 88.7% MLR for 2021 and an 88.7% MLR for 2022.[9] TICO stated that they did not make any explicit COVID-19 related adjustment to claims. TICO also reported historical MLR in Tab VI of the OHIC template are 88.4% for CY 2018, 80.8% for CY 2019 and 82.3% for CY 2020.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. TICO proposed an average retention charge of 14.1%. For 2021, the retention charge was 15.1%. The decrease is driven by the contribution to surplus charge decreasing from 1.0% to 0.0%. The table below shows the components of retention.

Retention Charge		
	2022	2021
ACA Taxes and Fees	0.1%	0.1%
Premium Tax	2.0%	2.0%
Other Retention Charge	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	0.0%	1.0%
Investment Income Credit	0.0%	0.0%
Administrative Expense Load	12.0%	12.0%
Total Retention Charge	14.1%	15.1%

Table 8: TICO Small Group Retention Charges

IX. Financial Position

A review of TICO's financial measures show that TICO's RBC position has become fairly healthy at around 600% for the most recent three years but has decreased from 2019 to 2020. TICO's underwriting gain/loss has decreased from 2019 to 2020.

[9] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.

	TICO			
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$312,553,610	$312,500,551	$294,435,615	$278,780,892
24. Net Underwriting G/L	-$5,586,842	$16,911,003	$10,256,311	-$11,961,236
Underwriting G/L	***-1.8%***	***5.4%***	***3.5%***	***-4.3%***
49. Capital and Surplus end of reporting year	$69,677,169	$74,104,038	$70,788,022	$52,607,155
SAPOR	***22.3%***	***23.7%***	***24.0%***	***18.9%***
14. Total Adjusted Capital	$69,677,169	$74,104,038	$70,788,022	$52,607,155
15. Authorized control level risk-based capital	$11,670,898	$11,259,632	$10,976,297	$11,089,644
RBC	***597.0%***	***658.1%***	***644.9%***	***474.4%***

Table 9: TICO Financials

X. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template.

XI. Requested and Final Approved Rates

The table below shows TICO's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	TICO SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$401.97	$399.97	-0.5%
Medical Trend Assumptions			
Inpatient Hospital	3.5%	3.5%	
Outpatient Hospital	7.5%	7.5%	
Professional	7.0%	7.0%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Total Medical Trend	7.3%	7.3%	
Adjustments to Medical Portion of Premium			
Risk Adjustment	2.0%	2.0%	
RI Assessment	2.3%	1.8%	-0.5%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	0.0%	0.0%	
CPAIR 1Q Change from 2021	5.1%	4.6%	-0.5%
Overall Weighted Average Full Year Rate Change	5.1%	4.6%	-0.5%

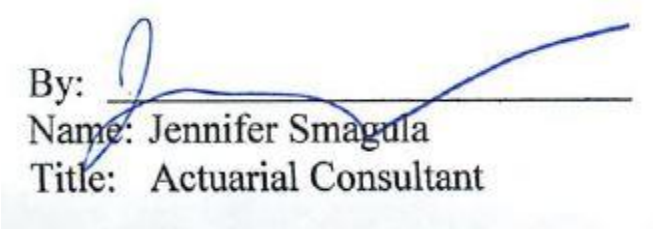
Table 10: TICO Small Group Requested and Final Approved Rates

XII. Conclusion

This memo communicates the findings of our review of the small group market 2022 rate filing for TICO. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by TICO. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,



Jennifer Smagula FSA, MAAA

Cc: Bela Gorman FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Small Group Market Rate Filing for UnitedHealthcare of New England (UHCNE) and UnitedHealthcare Insurance Company (UHIC) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #UHLC-132831076

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of UHIC's and UHCNE's (United's) small group market rate filing.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filing that was submitted on May 17th, June 3rd, June 29th and July 8th and August 19th2021.[1]

[1] A revised filing was submitted on June 3rd to update a formula that was overwritten in Tab III and update some of the medical loss ratio information in Tab VI but the average rate changes remained unchanged. Another revised filing was submitted on June 29th to further correct a formula that was overwritten in Tab III but the average rate changes continued to remain unchanged. A third revised filing was submitted on July 8th to correct the capitation amounts reported in Tab I. Rates remained unchanged between the May 17th, June 3rd, June 29th and July 8th versions. A subsequent rate filing was also submitted on August 26th to correct the assessments reported on Tab IV, but there was not change to the rates compared to the August 19th version.

Throughout the filing process, GA corresponded with UHIC and UHCNE assistant pricing director, Elvira Tananykin. An actuarial memorandum and actuarial certification is included in the filing signed by Michael Duberowski FSA, MAAA. GA submitted questions through SERFF on May 26th, June 22nd, July 1st and July 9th. GA also conducted two phone calls with Ms. Tananykin. GA received responses for questions through SERFF. GA also relied on responses to questions for the UHIC & UHCNE large group filing that pertain to UHIC & UHNCE small group filing.

GA provided working recommendations to RIOHIC on July 27, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: In future rate filings, United should provide more information such as key assumptions that changed to help the reviewer understand changes due to the benefit pricing model.

Recommendation #2: It is recommended that United considers the reasonableness of the final rate increase and the long-term viability of United's Rhode Island rating pool when proposing rate increases significantly higher than trend. For example, United should consider experience from similar states such as Massachusetts to use to blend with Rhode Island experience in their rate development given the differences in the Pennsylvania experience due to COVID.

Recommendation #3: I recommend that United revise their assumptions for RI assessments from 3.3% to 2.4%. This would lower rates by approximately 0.9%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #4: It is recommended that United updates their rate filing assumptions to reflect the final 2020 risk adjustment results. This results in a net 0.8% decrease to rates.[2] The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #5: It is recommended that United remove 4.8% of the 5.1% prior period adjustment as it is not justified. The RI Health Insurance Commissioner has approved this revised assumption.

[2] This is a combination of both the 2022 risk adjustment estimate and the morbidity adjustment applied to Pennsylvania experience.

Recommendation #6: UHIC and UHCNE's financial position appears strong and it may be appropriate to reduce United's contribution to reserve assumption from 2.0% to 1.0%. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows UHIC's and UHCNE's requested and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	UHIC SG		
	Requested	**Final Approved**	**Impact to Rate**
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Professional	6.0%	6.0%	
Other Medical	5.6%	5.6%	
Capitation	8.8%	8.8%	
Prescription Drug	10.1%	10.1%	
Total Medical Trend	7.3%	7.3%	
Adjustments to Medical Portion of Premium			
Risk Adjustment (Payable)	2.3%	1.3%	-1.1%
Morbidity Adjustment to PA Experience	1.146	1.151	0.3%
RI Assessment	3.3%	2.4%	-0.9%
Prior Period Adjustment	5.1%	0.0%	-5.1%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	2.0%	0.0%	-2.0%
CPAIR 1Q Change from 2021	11.2%	1.7%	-8.6%
Overall Weighted Average Full Year Rate Change	10.7%	1.3%	-8.5%

Table 1: UHIC Small Group Requested and Final Approved Rates

	UHCNE SG		
	Requested	Final Approved	Impact to Rate
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$410.01	$376.26	-8.2%
Medical Trend Assumptions			
Inpatient Hospital	6.8%	6.8%	
Outpatient Hospital	6.5%	6.5%	
Professional	6.0%	6.0%	
Other Medical	5.6%	5.6%	
Capitation	8.8%	8.8%	
Prescription Drug	10.1%	10.1%	
Total Medical Trend	7.3%	7.3%	
Adjustments to Medical Portion of Premium			
Risk Adjustment (Payable)	2.3%	1.3%	-1.1%
Morbidity Adjustment to PA Experience	1.146	1.151	0.3%
RI Assessment	3.3%	2.4%	-0.9%
Prior Period Adjustment	5.1%	0.0%	-5.1%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	2.0%	0.0%	-2.0%
CPAIR 1Q Change from 2021	17.3%	7.6%	-8.2%
Overall Weighted Average Full Year Rate Change	17.5%	7.8%	-8.2%

Table 2: UHCNE Small Group Requested and Final Approved Rates

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (PAIR) average change.[3] The calibrated PAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan offering. This increase reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

There is one filing for the combined companies UHIC and UHCNE. Some of the information is presented as combined across companies and other information is separated by company.[4] The rates are developed using the same starting claims

[3] We also focus our review on the PAIR and the PAIR increases. Generally, the increases for the calibrated PAIR and PAIR are similar. The PAIR increases reflect demographic changes in the rating pool from one year to the next.

[4] Tab I- Data and Rate Change, Tab IV- Retention Charge, Tab V-Components of Premium Change and Tab VI- MLR Exhibit are presented on a combined basis. Tab II-Rate Development is presented on a company specific basis. Tab III- Plan Rates are presented as one exhibit, but information is presented in a way that average rate changes by company can be determined.

PMPM and then adjustments are applied which vary based on each company's specific plan designs.

In the small group rate filings, insurers file quarterly trend projection factors and therefore rates and rate changes can vary by quarter. Insurers also provide average rate changes by quarter. The focus of our review is the full year 2022 weighted average rate change and the 1Q 2022 weighted average rate change, both using the calibrated PAIRs.

In the original filing submitted on May 17th, the proposed full year weighted average change for UHIC was 10.7 % and for 1Q renewals it was 11.2%. For UHCNE the proposed full year weighted average change was 17.5% and for 1Q renewals it was 17.3%. When combined across both companies, the full year weighted average rate change is 12.5% and for 1Q renewals it is 12.2%.

UHCNE's average rate change is higher than UHIC for two reasons. First, the benefit pricing factors for UHCNE plans are increasing more than UHIC due to updates to assumptions used in United's benefit pricing model. This is discussed in more detail below. Second, UHCNE is not terminating any plans while UHIC is terminating most of its plans and terminated members are being mapped to plans with lower average rates. The value of this "mapping" for UHIC is reported in Tab III as 4.2% for 1Q renewals.[5] This means that the average rate change was lowered by 4.2 percentages points due to the changes in benefits from mapping members of terminated plans to existing or new plans.

As of March 2021, there were 2,220 UHIC members and 906 UHCNE members. For January 1, 2022, the UHIC rate filing includes 160 plans; 20 renewing plans and 72 new plans. Sixty-eight UHIC plans will be discontinued as of January 1, 2022. UHIC stated that the they are discontinuing the Choice EPO, Choice Plus POS and Navigate EPO plans and replacing them with a "high-performance" network plan, NexusACO. Over 99% of the first quarter membership for UHIC are in terminated plans. The average rate change for terminated plans is 11.2%. The proposed average rate change for first quarter renewals for the 5 members enrolled in 20 renewing plans is 15.5% and this represents less than 1% of the first quarter renewing membership.

UHCNE did not introduce new plans or terminate existing ones. The UHCNE rate filing includes six renewing plans. The average proposed rate change for first quarter UHCNE renewals is 17.3%.

[5] The 4.2% is calculated using information reported in Tab III of the rate filing submitted on May 17th.

Category	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
Renewal	20	5	$324.82	$375.21	15.5%
Terminated	68	846	$363.00	$403.73	11.2%
Total	160	851	$362.77	$403.56	11.2%

Table 3: UHIC Small Group Summary of Rate Changes 1Q 2022

Category	Number of Plans	Number of Members	2021 Calibrated PAIR PMPM	2022 Calibrated PAIR PMPM	Rate Change
Renewal	6	166	$349.59	$410.01	17.3%
Terminated	0	0	n/a	n/a	n/a
Total	6	166	$349.59	$410.01	17.3%

Table 4: UHCNE Small Group Summary of Rate Changes 1Q 2022

All of UHIC's and UHCNE's renewing plans had minimal plan design changes in 2022 compared to 2021 and the overall rate change due to plan design changes was -0.1% for both UHIC and UHCNE. Similar to prior years, UHIC and UHNCE completely revised their pricing model for 2022. UHIC and UHCNE provided the following information:

> *Each year, our National Actuarial Pricing team analyzes our proprietary pricing tools and makes adjustments based on recent claim experience. This is done on a revenue neutral basis, so overall premium impact does not change. However, this does impact individual plans.*
>
> *In the most recent experience, bronze plans had higher claim costs and required a slightly higher rate increase while richer plans had slightly lower rate increases to keep our total revenue neutral. Because of these adjustments, bronze plans are increasing at a slightly higher rate than gold and silver plans in 2022.*

A larger portion of UHNCE's membership are in bronze plans which have larger increases to their benefit pricing factors compared to gold and silver plans, thus driving the larger average rate change for renewing plans for UHCNE compared to UHIC.

Given the number of new plans, a metallic tier analysis was also conducted to determine the reasonability of pricing differentials between plans in different metallic tiers.[6]

Changes due to United's proprietary benefit pricing model is not transparent. It is recommended that United continue to work in future rate filings to provide more information to help the reviewer clearly and efficiently understand the changes and impact to the overall rate change.

Recommendation #1: In future rate filings, United should provide more information such as key assumptions changes to help the reviewer understand changes due to the benefit pricing model.

United uses the same quarterly trend factor of 1.02 to develop rates in subsequent quarters. Rate changes vary by plan so the rate changes by quarter will vary due to the distribution of members by plan renewing each quarter. Average proposed rate changes by quarter are shown below for both UHIC and UHCNE.

UHIC		
Renewal Quarter and Year	**Number of Renewing Members**	**Proposed Average Rate Change CPAIR**
1Q 2022	851	11.2%
2Q 2022	459	10.1%
3Q 2022	438	10.3%
4Q 2022	472	10.4%
Total	2,220	10.7%

Table 5: UHIC Small Group Average Rate Changes by Quarter

UHCNE		
Renewal Quarter and Year	**Number of Renewing Members**	**Proposed Average Rate Change CPAIR**
1Q 2022	166	17.3%
2Q 2022	237	17.4%
3Q 2022	270	17.5%
4Q 2022	233	17.6%
Total	906	17.5%

[6] This analysis used federal AV metal values and induced demand factors and analyzed pricing differentials using medical rates by metallic tier.

Table 6: UHCNE Small Group Average Rate Changes by Quarter

IV. Experience & Trend Assumptions

A review of claims experience shows that actual trends for UHIC and UHCNE's small group market increased 5.8% in 2019 and 0.1% in 2020.[7] The table below shows a three-year history of allowed claims PMPMs. UHIC and UHCNE lost 13.5% of its membership in 2019 and gained 2.2% in 2020. United stated that volatility in trends at the service category level are expected due to the small size of the Rhode Island block. In CY 2020 there was one claimant with over $1 million annual claims for which United received funds from the federal high cost risk pool program. United has also indicated that there were more catastrophic claims in CY 2020 compared to other years.

Capitation amounts are increasing 30.8% in 2019 and 14.6% in 2020. The capitation amount includes behavioral health, chiropractor services, and some Rhode Island assessments.[8] UHIC and UHCNE stated that both increases in behavioral health and Rhode Island assessments have contributed to the large increase in this category over the past two years.

[7] United uses CY 2020 incurred claims paid through February 2021.
[8] The Rhode Island assessments identified by United as being included in their medical claims rather than administrative charge are Care Transformation Collaborative of Rhode Island, Primary Care, Children's Immunization Assessment, Adult Immunization Assessment and the Children's Health Account Assessment.

Allowed Claims PMPM			
	CY 2017	CY 2018	CY 2019
Inpatient Hospital	$87.83	$107.10	$125.68
Outpatient Hospital	$150.63	$155.88	$127.94
Professional	$105.10	$103.20	$105.23
Other Medical	$1.84	$1.39	$1.20
Capitation	$27.84	$36.42	$41.74
Prescription Drug	$85.38	$81.02	$83.59
Total	$458.62	$485.01	$485.38
Member Months	45,552	39,401	40,252

Allowed Claims PMPM Trend		
	CY 2018 / CY 2017 Trend	CY 2019 / CY 2018 Trend
Inpatient Hospital	21.9%	17.3%
Outpatient Hospital	3.5%	-17.9%
Professional	-1.8%	2.0%
Other Medical	-24.4%	-13.6%
Capitation	30.8%	14.6%
Prescription Drug	-5.1%	3.2%
Total	5.8%	0.1%
Member Months Trend	-13.5%	2.2%

Table 7: UHIC and UHCNE Small Group Allowed Claims PMPM and Trends

Due to the small size of UHIC and UHCNE's Rhode Island experience, UHIC and UHCNE developed 1Q 2022 rates by blending experience from Rhode Island with adjusted Pennsylvania experience. These adjustments include differences in state mandates, differences in provider contracts and differences in morbidity. This has been the methodology for the past few years. Upon review of the data, it appears that Pennsylvania experience is trending differently from the Rhode Island experience. Historically, the adjusted Pennsylvania experience was 3% higher than Rhode Island, but in this rate filing that variance increased to 6%. COVID impacted each state in a different manner. For example, United's calculated COVID suppression adjustment factor for Rhode Island was only 4.2% while this same factor for Pennsylvania was 13.5%. While the risk profile of each state decreased, it was much more significant in Pennsylvania.[9] Removing Pennsylvania data from Rhode Island's rate development would have decreased the proposed rates by 3.9 percentage points.

[9] The decrease in PLRS scores from 2019 to 2020 was 10.5% for Rhode Island and 16.8% for Pennsylvania. This widens the variance between Pennsylvania and Rhode Island experience.

Due to these differences among these two states, it is unclear why United is relying on the Pennsylvania experience to develop rates for Rhode Island. United provided several reasons why they think Pennsylvania experience is the most appropriate to use including having the most similar networks and products to Rhode Island.

United was asked if they considered using experience from other New England states in their rate development and provided responses and analysis in SERFF on June 11th. In regards to Connecticut experience, United stated:

> *…. the only fully credible New England market is Connecticut, which would be the most appropriate New England market to use as a manual. However, the majority of Connecticut's membership is on our Oxford license, which utilizes the Freedom and Liberty networks in addition to Choice Plus. Rhode Island only utilizes the Choice Plus network.*

United provided an analysis that showed that if Connecticut was used to blend with Rhode Island, the average rate change would have increased by an additional 5.8 percentage points.

In regards to using multiple years of Rhode Island experience or using other New England states, United stated:

> *Blending multiple years of Rhode Island SG experience would result in 125,209 member months, which approximately results in a credibility factor of 64%. Blending MA, ME and NH experience together also falls short of our credibility requirements.*

United reports CY 2020 Massachusetts member months as 225,912 and has indicated that this is not fully credible. Based on our review of United's Massachusetts 3Q 2021 publicly available rate filings, the Massachusetts experience is considered fully credible. The COVID utilization suppression factor for Massachusetts was 8.4% which is closer to Rhode Island's COVID suppression factor.[10] Given the impact that Pennsylvania's experience has on Rhode Island rates, United should consider the appropriateness of the Pennsylvania experience and consider using experience from other states that are more similar to Rhode Island such as Massachusetts.

The use of Pennsylvania experience appears to increase the rates for Rhode Island in an arbitrary manner. Actuarial Standard of Practice 8, Section 3.12 states that "The actuary should review the assumptions employed in the filing for reasonableness. The assumptions should be reasonable in the aggregate and

[10] Rhode Island's COVID suppression factor is 4.2% and Pennsylvania's is 13.5%.

for each assumption individually."[11] The use of Pennsylvania experience is increasing rates higher than trend and this should be further scrutinized to determine reasonability of the methodology and assumptions. Actuarial Standard of Practice 25, Section 3.3 states that "The actuary should use care in selecting the relevant experience. Such relevant experience should have characteristics similar to the subject experience."[12] COVID has impacted Pennsylvania experience differently than Rhode Island and this needs to be considered when using this population for rate development purposes. Given the impact of blending Pennsylvania and Rhode Island experience, it is recommended that United considers the reasonableness of the final rates and the long-term viability of offering rate increases significantly higher than trend.

Recommendation #2: It is recommended that United considers the reasonableness of the final rate increase and the long-term viability of offering rate increases significantly higher than trend. For example, United should consider experience from similar states such as Massachusetts to use to blend with Rhode Island experience in their rate development given the differences in the Pennsylvania experience due to COVID.

UHIC and UHCNE are assuming an average annual trend assumption of 7.3%.[13] This is a slight increase from last year's trend of 7.1%. The table below shows UHIC and UHCNE's trend assumptions by service category. UHIC and UHCNE provided a significant amount of detail related to their trend development and the data and methodology is the same for the large group filing as the small group filing. Utilization and severity trends are developed at the nationwide level based on actual experience and adjusted for items like impact of technology and number of workdays. The impact of leverage is also analyzed specific to Rhode Island small group experience and is discussed further below. The Rhode Island trend assumptions excluding the impact of leverage are shown below.

In 2022, UHIC and UHCNE is including a 1.43% technology adjustment in their pharmacy trend. UHIC and UHCNE stated that their pharmacy pricing model tracks over 1,000 drugs and calculates cost impact from new drugs and generics along with mix changes due to drug usage patterns. This is in addition to the unit cost trends. This adjustment varies from year to year, and some years this

[11] http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-plan-entities/
[12] http://www.actuarialstandardsboard.org/asops/credibility-procedures-3/
[13] Trends by service category are the same for both UHIC and UHCNE, but the total trend differs slightly by company due to different weights by service category.

amount restates higher than estimated and other years restates lower. The 1.43% adjustment has a minimal impact on the overall rate increase.[14]

The Affordability Standards in Rhode Island dictate that the annual hospital increase in 2021 shall be no more than 3.05% during the period of January 1, 2021 through December 31, 2021. Based on documentation provided by UHIC and UHCNE, the 2021 inpatient hospital trend is 3.9% and the outpatient hospital trend is 2.8% which weights to 3.2%. This is something UHIC and UHCNE should monitor.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	3.5%	3.2%	6.8%
Outpatient Hospital	2.9%	3.5%	6.5%
Professional	2.8%	3.1%	6.0%
Other Medical	2.5%	3.0%	5.6%
Capitation	8.8%	0.0%	8.8%
Prescription Drug	4.8%	5.1%	10.1%
Total			7.3%

Table 8: UHIC and UHCNE Small Group Trend Assumptions

In addition to the trend assumptions above, UHIC and UHCNE adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, UHIC and UHCNE started with their trended allowed claims and subtracted out projected cost sharing to simulate a projected net claims trend. Copay dollars were trended by the utilization trend, coinsurance dollars were trended by the PMPM trend (reflecting both utilization and cost trends) and deductible dollars were not trended at all. The end result is a 0.8% leverage impact. I believe it is more appropriate to trend the deductible dollars and I have performed my own analysis on leverage. The result I have calculated is close to United's current estimate.

V. Assessments

[14] This adjustment only impacts half of the 2022 trend in UHIC and UHCNE's trend development, pharmacy represents 23% of total claims and projected claims are about 88% of total premium.

Rhode Island assessments included in medical claims have increased from $13.59 in 2018, to $18.51 in 2019 and to $20.71 in 2020. United includes theses assessments in their base period claims and then applies trend, risk adjustment, and retention. United indicated that an error was made in the 2021 filing and the assessment was understated by $4.93 PMPM.[15] This understatement is worth approximately 0.3% of the total increase.

UHIC and UHCNE include the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account in their medical claims projection. The cost for the Care Transformation Collaborative of RI and Current Care are included in retention. Tab IV of the RIOHIC template shows that United includes 3.3% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[16] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 2.4% rather than 3.3%.

	United Assumptions		Recommendation			
	PMPM	Premium Impact	2022 Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.46	0.9%	$14.78	15.8%	$2.33	0.6%
Adult Immunization Account	$3.96	1.0%	$3.18	84.2%	$2.68	0.7%
Children's Health Account	$1.85	0.5%	$9.03	15.8%	$1.42	0.4%
Care Transformation Collaborative of RI	$2.46	0.6%	n/a	n/a	$2.46	0.6%
Current Care	$1.46	0.4%	$1.00	100.0%	$1.00	0.2%
Total	$13.18	3.3%			$9.89	2.4%

Table 9: UHIC and UHCNE Rhode Island Assessments

Recommendation #3: I recommend that United revise their assumptions for RI assessments from 3.3% to 2.4%. This would lower rates by approximately 0.9%. The RI Health Insurance Commissioner has approved this revised assumption.

VI. Risk Adjustment

UHIC and UHCNE has assumed a $13.60 PMPM[17] payable for risk adjustment in its rate filing submitted on June 29th. This increases the plan adjusted rate by 2.3% which translates to approximately $0.5 million in payments across both

[15] United stated in the development of the CY 2021 rates, it mistakenly used the CY 2018 assessment amount in its base period rather than CY 2019, which is a difference $4.93 PMPM. The $4.93 is the difference between $18.51 and $13.59. This only impacted the Rhode Island experience and not the Pennsylvania experience used in the rate development.
[16] Assessments for vaccinations were finalized for FY 2022 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2022.
[17] The $13.60 PMPM is from Tab V of the RI template.

companies. United relied on their estimates from 2020 to determine their assumption for 2022 rates.

After United submitted their June 29th rate filing, CMS posted the final 2020 risk adjustment results on June 30th. The results showed that United is paying $50K in risk adjustment and are receiving $0.4 million as part of the high cost risk pool.[18]

The final 2020 risk adjustment results impacts the United rate filing in two ways.

(1) United's Projected 2022 Risk Adjustment Assumption

(2) Morbidity Adjustment Applied to Pennsylvania Experience

(1) United's Projected 2022 Risk Adjustment Assumption:

United is assuming $0.5 million in payments for 2022 and actual 2020 results show $50K in payments. Since COVID-19 may have impacted risk adjustment results in 2020[19], I believe it is appropriate to blend the final 2019 and 2020 risk adjustment results to determine an assumption for 2022.[20] This results in $0.25 million payment, or approximately 1.3% of the plan adjusted index rate. This assumption would lower rates by approximately 1.1%.

(2) Morbidity Adjustment Applied to Pennsylvania Experience

As described previously, United relies on blending Rhode Island with adjusted Pennsylvania experience in their rate development. One of the adjustments is a morbidity adjustment which compares risk scores of the two states using the PLRS scores from the federal risk adjustment reports. In the rate filing as of June 29th, this adjustment to Pennsylvania experience was 1.146. Based on the final PLRS scores from CMS, United stated that this adjustment would increase to 1.151. This would increase rates by approximately 0.3%.

If United updates their rate filing to reflect both of these changes, the end result is an approximately 0.8% decrease to rates.

Recommendation #4: It is recommended that United updates their rate filing assumptions to reflect the final 2020 risk adjustment results. This results in a net

[18] There was one member who contributed to the high cost risk pool payment in 2020 and that member is no longer enrolled.
[19] Page 5 of the CMS 2020 final risk adjustment report states that the "slight decline in the percent of enrollees with HCCs, and the decline in risk scores that slightly exceeded that predicted by model changes alone, suggest that the pandemic or other factors particular to 2020 may have affected health care utilization behaviors in a way that affected the diagnoses captured in risk adjustment."
[20] This excludes the 2020 high cost risk pool receivable.

0.8% decrease to rates.[21] The RI Health Insurance Commissioner has approved this revised assumption.

VII. Prior Period Adjustment

Using the federal definition, United's reported MLR in Tab VI of the OHIC template are 83.1% for CY 2018, 81.5% for CY 2019 and 81.5% for CY 2020. Removing the impact of COVID, the 2020 MLR is estimated at 85.0%. United's target federal MLR is 86.6% for 2021 and 86.2% for CY 2022. United's MLRs for its Rhode Island block of business appears financially stable despite the small size of the block.

United has provided information to show that 5.1% of the overall rate change is due to a prior period adjustment or an understatement of rates from 1Q 2021.[22] They have provided an exhibit to demonstrate how this was calculated. Similar to their 2022 rate development, this exhibit blended Rhode Island and Pennsylvania experience to determine the prior period adjustment. By using Pennsylvania experience, the prior period analysis does not truly assess rate adequacy for United's Rhode Island small group rating pool. United has not presented any other information that would indicate that 2021 rates were understated.

In United's 2021 Connecticut Small Group filing, it was found that United's original rate filing included a 4.3% "experience adjustment" which the insurance department determined to not be justified and excessive. This adjustment was removed from the final rates.[23]

As stated previously, it does appear that United understated its CY 2021 rates by 0.3% due to using the wrong assessment amounts in last year's filing. Therefore, it appears that 0.3% of the 5.1% prior period amount is justified.

Recommendation #5: It is recommended that United remove 4.8% of the 5.1% prior period adjustment as it is not justified. The RI Health Insurance Commissioner has approved this revised assumption.

VIII. COVID Impact

[21] This is a combination of both the 2022 risk adjustment estimate and the morbidity adjustment applied to Pennsylvania experience.
[22] A prior period analysis is used to understand whether prior year rates were understated or overstated.
[23] https://www.catalog.state.ct.us/cid/portalApps/images/reports/10763611.pdf. Page 11. Connecticut Insurance Department.

UHIC and UHCNE are using a 4.2% adjustment for Rhode Island experience and 13.5% for Pennsylvania to adjust the CY 2020 claims upwards for the suppressed utilization that occurred in CY 2020 due to COVID. This adjustment was calculated by comparing actual 2019 trends to the actual 2020 trend. The 13.5% adjustment for Pennsylvania is significantly higher than what we have seen with other Rhode Island insurers and in other states, indicating that COVID may have impacted United Pennsylvania experience differently than Rhode Island and therefore may not be appropriate to use for Rhode Island rate development purposes.

United did not make any adjustments for the future impact of COVID.

IX. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, UHIC and UHCNE project an 86.6% MLR for 2021 and an 86.2% MLR for 2022.[24] UHIC and UHCNE stated that they did not make any explicit COVID-19 related adjustments to future claims.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. UHIC and UHCNE proposed an average retention charge of 17.4%. For 2021, the retention charge was 16.3%. United has proposed a contribution to reserve assumption of 2.0% compared to 1.0% in the final 2021 rate filing.

Retention Charge		
	2022	2021
ACA Taxes and Fees	0.0%	0.0%
Premium Tax	2.0%	2.0%
Other Retention Charge	0.4%	0.2%
Contribution to Reserve (Profit/Risk Load)	2.0%	1.0%
Investment Income Credit	0.0%	0.0%
Administrative Expense Load	13.0%	13.1%
Total Retention Charge	17.4%	16.3%

Table 10: UHIC and UHCNE Small Group Retention Charges[25]

[24] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.
[25] United includes the cost for the Care Transformation Collaborative of RI and Current Care in retention. The cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account in their medical claims projection.

X. Financial Position

A review of UHIC's and UHCNE's financial measures show that UHIC's RBC position has remained healthy for the past four years, around 500% with an increase to almost 650% in 2020. The underwriting gain/loss and SAPOR[26] have also remained fairly consistent for UHIC. UHCNE's RBC, SAPOR and underwriting gain/loss is consistently lower than UHIC.

	UHIC			
	2020	**2019**	**2018**	**2017**
Total				
9. Total (Lines 1 - 8.3)	$55,111,543,011	$56,470,146,239	$55,304,713,087	$51,176,778,978
29. Net Gain from Operations before Dividends	$4,008,681,977	$3,954,833,530	$3,935,943,865	$3,699,492,244
Underwriting G/L	***7.3%***	***7.0%***	***7.1%***	***7.2%***
55. Capital and Surplus December 31	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
SAPOR	***14.9%***	***16.1%***	***15.5%***	***13.3%***
30. Total Adjusted Capital	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
31. Authorized control level risk-based capital	$1,275,995,904	$1,688,536,287	$1,600,314,403	$1,436,352,532
RBC	***644.2%***	***538.5%***	***535.8%***	***472.4%***

Table 11: UHIC Financials

	UHCNE			
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$1,433,651,095	$1,305,229,228	$1,160,842,788	$974,456,602
24. Net Underwriting G/L	$64,140,390	$37,367,220	$22,251,770	$33,256,564
Underwriting G/L	***4.5%***	***2.9%***	***1.9%***	***3.4%***
49. Capital and Surplus end of reporting year	$204,411,638	$163,161,782	$132,604,785	$113,865,840
SAPOR	***14.3%***	***12.5%***	***11.4%***	***11.7%***
14. Total Adjusted Capital	$204,411,638	$163,161,782	$132,604,785	$113,865,940
15. Authorized control level risk-based capital	$39,155,808	$43,037,032	$35,620,693	$27,751,581
RBC	***522.0%***	***379.1%***	***372.3%***	***410.3%***

Table 12: UHCNE Financials

Recommendation #6: UHIC and UHCNE's financial position appears strong and it may be appropriate to reduce United's contribution to reserve assumption from 2.0% to 1.0%. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

XI. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template.

[26] SAPOR is surplus as a percentage of revenue.

XII. Requested and Final Approved Rates

The table below shows UHIC's and UHCNE's requested rates and final approved rates. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	UHIC SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$403.56	$368.93	-8.6%
Medical Trend Assumptions			
Inpatient Hospital	6.8%	6.8%	
Outpatient Hospital	6.5%	6.5%	
Professional	6.0%	6.0%	
Other Medical	5.6%	5.6%	
Capitation	8.8%	8.8%	
Prescription Drug	10.1%	10.1%	
Total Medical Trend	7.3%	7.3%	
Adjustments to Medical Portion of Premium			
Risk Adjustment (Payable)	2.3%	1.3%	-1.1%
Morbidity Adjustment to PA Experience	1.146	1.151	0.3%
RI Assessment	3.3%	2.4%	-0.9%
Prior Period Adjustment	5.1%	0.0%	-5.1%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	2.0%	0.0%	-2.0%
CPAIR 1Q Change from 2021	11.2%	1.7%	-8.6%
Overall Weighted Average Full Year Rate Change	10.7%	1.3%	-8.5%

Table 13: UHIC Small Group Requested and Final Approved Rates

	UHCNE SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2022 Calibrated Plan Adjusted Index Rate (CPAIR)	$410.01	$376.26	-8.2%
Medical Trend Assumptions			
Inpatient Hospital	6.8%	6.8%	
Outpatient Hospital	6.5%	6.5%	
Professional	6.0%	6.0%	
Other Medical	5.6%	5.6%	
Capitation	8.8%	8.8%	
Prescription Drug	10.1%	10.1%	
Total Medical Trend	7.3%	7.3%	
Adjustments to Medical Portion of Premium			
Risk Adjustment (Payable)	2.3%	1.3%	-1.1%
Morbidity Adjustment to PA Experience	1.146	1.151	0.3%
RI Assessment	3.3%	2.4%	-0.9%
Prior Period Adjustment	5.1%	0.0%	-5.1%
Non-Medical Portion of Premium			
Contribution to Reserves/Profit	2.0%	0.0%	-2.0%
CPAIR 1Q Change from 2021	17.3%	7.6%	-8.2%
Overall Weighted Average Full Year Rate Change	17.5%	7.8%	-8.2%

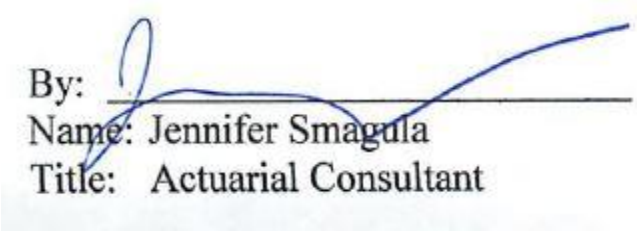
Table 14: UHCNE Small Group Requested and Final Approved Rates

XIII. Conclusion

This memo communicates the findings of our review of the small group market 2022 rate filing for UHIC and UHCNE. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by UHIC and UHCNE. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,



Jennifer Smagula FSA, MAAA

Cc: Bela Gorman FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Large Group Market Rate Filing Aetna Life Insurance Company (Aetna) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #AETN-132806602

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of Aetna's large group market rate filing.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filing that was submitted on May 14th, June 16th, August 19th and August 30th of 2021.[1]

Throughout the filing process, GA corresponded with Robert F. McKinney of Aetna's actuarial team. An actuarial certification is included in the filing signed by Geoffrey S. Shannon, ASA, MAAA. GA submitted questions through SERFF on June 8th and July 23rd. GA received responses for questions through SERFF.

[1] The RIOHIC template submitted on June 16th did not contain any updated information and projected rate increase did not change. Aetna stated they submitted an updated rate filing to reflect the fact that they sold their first large group account in Rhode Island effective April 1, 2021. This did not change any information in the RIOHIC template. The August 19th and August 30th rate filings reflected updates to the average rate change.

GA provided working recommendations to RIOHIC on August 3, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

GA made no recommendations to this rate filing.

Other Assumptions: The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows Aetna's requested and final approved rate increases.

	AETNA LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Trend Assumptions			
Inpatient Hospital	11.2%	11.2%	
Outpatient Hospital	9.1%	9.1%	
Professional	7.2%	7.2%	
Other Medical	9.1%	9.1%	
Capitation	0.0%	0.0%	
Prescription Drug	10.4%	10.4%	
Subtotal Excl. Leverage	9.2%	9.2%	
Leverage	1.2%	1.2%	
Total Incl. Leverage	10.5%	10.5%	
Adjustments to Premium			
Contribution to Reserves/Profit	6.6%	0.0%	-6.6%
Expected Overall Rate Change from 2021	9.0%	1.8%	-6.6%

Table 1: Aetna Large Group Requested and Final Approved Rate Increases

III. Proposed Rate Change

The large group RI rate template requires the insurer to report the proposed average rate changes for its entire large group book of business. The template requires the insurer to report the increase by quarter and then an annual increase.

As of March 2021, there were no Rhode Island members enrolled. Aetna did report in SERFF that they sold their first case in Rhode Island as of April 2021. In the rate filing submitted on May 14th, Aetna requested a 9% annual rate change. The rate cap for large group insurers only applies to insurers with greater than one percent of the fully insured Rhode Island market, therefore it does not apply to Aetna.

IV. Experience & Trend Assumptions

Aetna does not have any Rhode Island experience therefore Aetna provided their Connecticut experience instead. A review of actual claims experience shows that actual trends for Aetna's Connecticut large group market are 4.9% in CY 2019 and -2.7% in CY 2020. The table below shows a three-year history of allowed claims PMPMs. Trends fluctuate by service category and Aetna has lost membership in Connecticut over the past three years.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$112.69	$103.87	$114.16
Outpatient Hospital	$236.70	$259.86	$248.21
Professional	$149.21	$156.29	$137.52
Other Medical	$0.00	$0.00	$0.00
Capitation	$0.00	$0.00	$0.00
Prescription Drug	$100.68	$108.69	$111.88
Total	$599.28	$628.71	$611.78
Member Months	247,159	191,164	165,564

Experience Trend		
	CY 2019	CY 2020
Inpatient Hospital	-7.8%	9.9%
Outpatient Hospital	9.8%	-4.5%
Professional	4.7%	-12.0%
Other Medical	0.0%	0.0%
Capitation	0.0%	0.0%
Prescription Drug	8.0%	2.9%
Total	4.9%	-2.7%
Member Months Trend	-22.7%	-13.4%

Table 2: Aetna Connecticut Large Group Allowed Claims PMPM and Trends

Aetna is assuming an average annual trend assumption of 9.2%. This is lower than the trend assumption from last year's filing of 9.7%. The decrease in trend

assumption is primarily driven by lower inpatient and outpatient hospital trends. Aetna stated that trends are developed based on their prospective view of national utilization trends combined with projected Rhode Island unit cost trends. The table below shows Aetna's trend assumptions by service category.

In addition to the trend assumptions above, Aetna add a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurers increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. Aetna's overall leverage assumption is 1.2% which is based on information provided in Milliman Health Cost Guidelines. The 1.2% assumption is on the high side compared to other large group insurers in the Rhode Island market.

Rating Trend	Cost Trend	Utilization and Severity Trend	Total Trend
Inpatient Hospital	3.3%	3.0%	11.2%
Outpatient Hospital	2.9%	5.0%	9.1%
Professional	1.6%	5.5%	7.2%
Other Medical	2.9%	5.0%	9.1%
Capitation	0.0%	0.0%	0.0%
Prescription Drug	7.2%	3.0%	10.4%
Subtotal excl. Leverage			9.2%
Leverage			1.2%
Total incl. Leverage			10.5%

Table 3: Aetna Large Group 2022 Trend Assumptions

V. Assessments

Aetna includes the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account in their retention. Tab IV of the RIOHIC template shows that Aetna includes 0.8% of premium for these RI assessments. This represents a decrease from the 2021 rates where 1.1% was included for these assessments. Aetna did not indicate an amount for Care Transformation Collaborative of RI and Current Care in Tab IV of the RIOHIC template.

VI. COVID Impact

Aetna has not made any explicit adjustments for COVID. Aetna's rate increase is based on trend and changes in administrative charges, therefore claims experience in CY 2020 does not directly impact this rate increase. Aetna did

state that in their experience rating formula, an adjustment may be made due to COVID and this is part of their rate manual in the experience rating factor section.

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and the current proposed rates, Aetna projects an 87.5% MLR for 2021 and 2022.[2]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. Aetna is proposing an average retention charge of 14.8% for the large group rate filing. For 2021, the retention charge was 14.5%. The administrative expense load in this year's filing is 5.1% which is lower than the assumption of 6.0% in last year's filing. Alternatively, the contribution to reserve/profit target in this year's filing is 6.6% which is higher than the assumption of 5.2% in last year's filing. When asked about these changes, Aetna stated the following:

> *The profit margin increase is used to invest in building up our network, improving customer service, care management, IT improvements and similar activities, while maintaining a profit level that meets our organization's overall financial goals. As such, we intend to reinvest cost improvements in order to help make our offering in RI more attractive, in an effort to begin selling business in RI.*

It is noted that contribution to reserve/profit target is significantly higher than the other large group insurers in the market.

The table below shows the components of retention.[3]

[2] This is coming from Tab VI MLR Exhibit in the RI rate template. Premium has been adjusted for taxes. This is prior to the credibility adjustment factor.
[3] The item "Premium Tax" includes a 2.0% charge for premium tax and remainder for assessments.

Retention Charge	2022	2021
ACA Taxes and Fees	0.0%	0.0%
Premium Tax	3.0%	3.2%
Other Retention Charge	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	6.6%	5.2%
Investment Income Credit	0.0%	0.0%
Administrative Expense Load	5.1%	6.0%
Total Retention Charge	14.8%	14.5%

Table 4: Aetna Large Group Retention Charges[4]

VIII. Requested and Final Approved Rate Increases

The table below shows Aetna's requested and final approved rate increases.

	AETNA LG		
	Requested	Final Approved	Impact to Rate
Medical Trend Assumptions			
Inpatient Hospital	11.2%	11.2%	
Outpatient Hospital	9.1%	9.1%	
Professional	7.2%	7.2%	
Other Medical	9.1%	9.1%	
Capitation	0.0%	0.0%	
Prescription Drug	10.4%	10.4%	
Subtotal Excl. Leverage	9.2%	9.2%	
Leverage	1.2%	1.2%	
Total Incl. Leverage	10.5%	10.5%	
Adjustments to Premium			
Contribution to Reserves/Profit	6.6%	0.0%	-6.6%
Expected Overall Rate Change from 2021	9.0%	1.8%	-6.6%

Table 5: Aetna Large Group Requested and Final Approved Rate Increases

IX. Conclusion

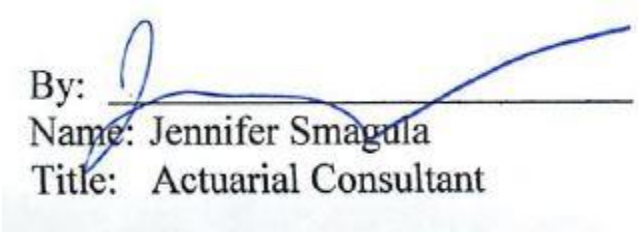
This memo communicates the findings of our review of the large group market 2022 rate filing for Aetna. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to

[4] Aetna has indicated that the retention charge includes the cost for Childhood Immunizations, Adult Immunizations, and Children's Health Account.

parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by Aetna. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,



Jennifer Smagula FSA, MAAA

Cc: Bela Gorman FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
1511 Pontiac Ave, Bldg 69-1
Cranston, RI 02920

Subject: **Large Group Market Rate Filing for Blue Cross and Blue Shield of Rhode Island (BCBSRI) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #BCBS_132812218

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of BCBSRI's large group market rate filings.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filing that was submitted on May 17, 2021 and August 19, 2021. In addition, GA relied on information provided through BCBSRI's Individual and Small Group Filing review process to assist with this review.

Throughout the filing process, GA corresponded with BCBSRI's actuarial team. An actuarial certification is included in the filing signed by Michael Bodenrader. GA submitted questions through SERFF on May 24, June 1, June 14th, and July 9th. In addition, GA conducted phone calls with BCBSRI's actuaries. GA received responses for questions through SERFF.

GA provided working recommendations to RIOHIC on July 27, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final

actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: BCBSRI's utilization trends appear conservative. Reducing the overall medical utilization trend from 2.5% to 2.0% would still allow some conservatism but would be more in line with recent trends. This assumption change would result in a rate reduction of approximately 0.8%. The RI Health Insurance Commissioner has agreed to allow BCBSRI to maintain their overall utilization trend to 2.5% in the large group market rate filing.

Recommendation #2: I recommend that BCBSRI revise their assumptions related to COVID vaccinations and assume that 25% of their pool will require a COVID vaccination in 2022. This will reduce the proposed rate by approximately 0.3%. The RI Health Insurance Commissioner has agreed to allow BCBSRI to maintain their COVID-19 vaccination assumption.

Recommendation #3: I recommend that BCBSRI revise their assumptions and change their RI Assessment assumption from 1.2% to 1.1%. The RI Health Insurance Commissioner has approved a 1.1% assumption.

Recommendation #4: BCBSRI's financial position appears strong and it may be appropriate to reduce BCBSRI's contribution to reserve assumption from 2.5% to 1.0%, which is consistent with what was included in the prior year rates. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows BCBSRI's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	BCBSRI LG		
	Requested	Final Approved	Impact to Rate
Medical Trend Assumptions			
Inpatient Hospital	4.4%	4.4%	
Outpatient Hospital	6.1%	6.1%	
Professional	5.0%	5.0%	
Other Medical	5.0%	5.0%	
Capitation	0.0%	0.0%	
Prescription Drug	6.9%	6.9%	
Subtotal Excl. Leverage	5.5%	5.5%	
Leverage	0.6%	0.6%	
Total Incl. Leverage	6.1%	6.1%	
Adjustments to Premium			
Future Covid Expenses	0.5%	0.50%	
RI Assessment	1.2%	1.1%	-0.1%
Contribution to Reserves/Profit	2.5%	0.0%	-2.5%
Expected Overall Rate Change from 2021	7.4%	4.6%	-2.6%

Table 1: Requested and Final Approved Rate Increases

III. Proposed Rate Changes

The large group RI rate template requires the insurer to report the proposed average rate change for its entire large group book of business. The template requires the insurer to report the change by quarter and then an annual change. BCBSRI is requesting a 7.4% annual rate change for its large group risk pool.

BCBSRI projects this rate change by projecting claims and premium for their groups for each renewal month and then aggregating their projections to calculate a projected annual rate change. The renewal increase varies significantly by quarter:

- 1Q 22 10.2%
- 2Q 22 5.4%
- 3Q 22 -1.0%
- 4Q 22 10.3%

This variation is due to the diversity of the groups that renew each quarter. Since the large group rating formula is an experience rating formula, each group's own experience will influence the overall rate increase.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for BCBSRI's large group market are 4.6% in 2019 and -0.2% in 2020. The table below shows a three-year history

of allowed claims PMPMs. Note the negative trends in 2020 is most likely due to suppression of utilization of services due to COVID-19. BCBSRI has also lost members the past two years, decreasing by 4.2% in 2019 and decreasing an additional 7.1% in 2020.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$104.88	$104.89	$106.00
Outpatient Hospital	$130.61	$135.96	$129.82
Professional	$145.22	$155.67	$151.33
Other Medical	$9.33	$10.19	$11.28
Capitation	$0.00	$0.00	$0.89
Prescription Drug	$79.00	$83.77	$90.27
Total	$469.03	$490.48	$489.60
Member Months	946,981	907,336	842,630

Experience Trend		
	CY 2019	CY 2020
Inpatient Hospital	0.0%	1.1%
Outpatient Hospital	4.1%	-4.5%
Professional	7.2%	-2.8%
Other Medical	9.2%	10.8%
Capitation	0.0%	0.0%
Prescription Drug	6.0%	7.8%
Total	4.6%	-0.2%
Member Months Trend	-4.2%	-7.1%

Table 2: Allowable Claims PMPM and Trend CY 2018-CY 2020

BCBSRI is assuming an average annual trend assumption of 6.1%. The tables below shows BCBSRI's cost and utilization[1] trend assumptions by service category. As shown, BCBSRI is assuming a 2.5% medical utilization trend.

[1]Utilization trends also include severity trends.

Proposed Assumptions				
Rating Trend	Cost Trend	Utilization Trend	Leverage & Other	Total Trend
Inpatient Hospital	3.4%	1.0%	0.6%	5.1%
Outpatient Hospital	2.4%	3.6%	0.6%	6.7%
Professional	2.2%	2.7%	0.6%	5.6%
Other Medical	2.2%	2.7%	0.6%	5.6%
Capitation	0.0%	0.0%	0.6%	0.6%
Prescription Drug	-0.6%	7.4%	0.8%	7.6%
Total				6.1%

Table 3: Annual Trend Assumption

Trend Assumptions	Cost Trend	Utilization Trend	Leverage & Other	Total Trend
Medical	2.6%	2.5%	0.6%	5.8%
Prescription Drug	-0.6%	7.4%	0.8%	7.6%

Table 4: Medical and Pharmacy Trends

BCBSRI has performed regression analyses across the Direct Pay, Small Group, and Large Group markets. They have provided a series of regression charts by service category: inpatient hospital, outpatient, physician, and pharmacy. For inpatient utilization, regressions are performed on admissions per 1000 adjusted for COVID. For the other service categories, BCBSRI adjusts claims PMPMs for price and for COVID and then performs regression analysis. The COVID suppression factors used in this analysis are derived for each market segment separately. For more information on these factors, please refer to the section below. Due to the many adjustments BCBSRI had to take to perform a regression analysis for trend projections, it is appropriate to develop trend projections using different methods to check for reasonableness[2]. I performed my own trend analysis by analyzing data across the three market segments for medical and pharmacy allowed claims PMPMs. I also focused my analysis on trends prior to February 2020. In my experience in reviewing filings in other states, I have observed many insurers using this same practice.

I requested and received monthly data for each of the market segments for medical and pharmacy services. I adjusted medical data for unit cost increases for all market segments and a high-cost claimant in the Direct Pay market.[3] I calculated utilization

[2] Actuarial Standards of Practice #8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits, Section 3.12.

[3] Unit cost trends were retrieved from previous rate filings. Unit cost changes were assumed to happen on January 1st of each year. For the Direct Pay Market, $800,000 was removed from 2019 to reflect a high-cost claimant that is no longer enrolled.

trends through YE December 2020 analyzing rolling 3 months, rolling 6 months, and rolling 12 months medical trends. I focused on trends through YE February 2020 due to the impact of COVID-19. The table below shows a summary of these results. As shown, prior to February 2020, utilization is declining across the Direct Pay, Small Group Market and in Total. For example, for the Direct Pay Market, the 12-month average shows 5%, the 6 month average shows 1.8% and the 3 month average shows -1.9% which indicates trends are declining in the most recent months. The regressions BCBSRI is using focus on rolling 12-month averages which is influenced more by less recent data. BCBSRI is assuming a 2.6% medical utilization trend whereas my analysis indicates a range from -0.1% to 1.8%, as shown below. BCBSRI's utilization trends in total appear high.

	Utilization Trends Medical		
	3 month Avg	6 month Avg	12 month Avg
YE February 2020			
DP	-1.9%	1.8%	5.0%
SG	-1.3%	0.3%	2.4%
LG	1.4%	0.9%	0.9%
Total	-0.1%	0.7%	1.8%

Table 5: Gorman Actuarial Trend Analysis

Recommendation #1: BCBSRI's utilization trends appear conservative. Reducing the overall medical utilization trend from 2.5% to 2.0% would still allow some conservatism but would be more in line with recent trends. This assumption change would result in a rate reduction of approximately 0.8%. The RI Health Insurance Commissioner has agreed to allow BCBSRI to maintain their overall utilization trend to 2.5% in the large group market rate filing.

The Affordability Standards in Rhode Island dictate that the annual hospital increase in 2021 shall be no more than 3.05% during the period of January 1, 2021 through December 31, 2021. BCBSRI has confirmed adherence to this requirement.

V. COVID Suppression and COVID Expenses

BCBSRI is applying a 2.7% COVID Suppression factor to their large group paid claims 2020 medical experience to reflect the utilization reductions in CY 2020 due to COVID 19. The actual adjustments vary by service category with a 1.8% adjustment on inpatient, 8.6% adjustment on outpatient and slight increases on professional and other medical.

BCBSRI is assuming $2.99 PMPM to reflect anticipated costs of COVID-19 vaccination administration. This impacts the rate by 0.5%. This assumes that 85% of their rating

pool will receive a vaccination in 2022 at the cost of $40 per administration. BCBSRI is assuming the costs of the vaccinations will be funded through the State Mandated Assessments. Recently, the CDC released guidance that suggested that fully vaccinated individuals would not require a booster.[4] Due to this guidance, it seems unlikely that 85% of members will receive a booster in 2022. However, due to the dynamic nature of COVID, it may be appropriate to include something for expected booster costs or first time vaccinations and a more reasonable assumption could be in the range of 20% to 25%.[5]

Recommendation #2: I recommend that BCBSRI revise their assumptions related to COVID vaccinations and assume that 25% of their pool will require a COVID vaccination in 2022. This will reduce the proposed rate by approximately 0.3%. The RI Health Commissioner has agreed to allow BCBSRI to maintain their COVID-19 vaccination assumption.

VI. Projected Medical Loss Ratio and Retention Charge

BCBSRI is projecting an 88.9% medical loss ratio for 2021 and an 87.4% medical loss ratio for 2022.[6]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. BCBSRI is proposing an average retention charge of 17.1% for the large group rate filing which is an increase from last year of 16.0%. The table below shows the components of retention for 2022 and 2021.

Proposed Retention Charge	2022	2021	Change
ACA Taxes and Fees	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.9%	1.0%	-0.1%
Contribution to Reserve (Profit/Risk Load)	2.5%	1.5%	1.0%
Investment Income Credit	-0.1%	0.0%	0.0%
Administrative Expense Load	11.7%	11.5%	0.1%
Total Retention Charge	17.1%	16.0%	

Table 6: Retention Charges

BCBSRI includes 1.2% in their administrative expense load for RI assessments and fees. After the filing was submitted, RI assessments for vaccinations and the Children's Health

[4] Joint CDC and FDA Statement on Vaccine Boosters | CDC Online Newsroom | CDC
[5] Rhode Island is currently 60% vaccinated. https://usafacts.org/visualizations/covid-vaccine-tracker-states/state/rhode-island. In addition, 12% of the BCBSRI Individual Market is under age 18. Based on these statistics it seems reasonable to assume that 20% to 25% of the rating pool will receive a vaccination or a booster.
[6] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.

Account were finalized. The table below shows that the overall charge should be 1.12% rather than 1.2%.

	BCBSRI Assumptions		Recommendation			
	PMPM	Premium Impact	Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$ 2.40	0.4%	$14.78	13.2%	$1.95	0.3%
Adult Immunization Account	$ 1.74	0.3%	$3.18	56.8%	$1.81	0.3%
Children's Health Account	$ 1.27	0.2%	$9.03	13.2%	$1.19	0.2%
Care Transformation Collaborative of RI	$ 0.75	0.1%			$0.75	0.1%
Current Care	$ 1.00	0.2%			$1.00	0.2%
Total	$ 7.17	1.2%			$6.70	1.1%

Table 7: RI Assessments[7]

Recommendation #3: I recommend that BCBSRI revise their assumptions and change their RI Assessment assumption from 1.2% to 1.1%. The RI Health Commissioner has approved a 1.1% assumption.

VII. Financial Position

Using the federal definition, BCBSRI's reported MLR in Tab VI of the OHIC template are 86.7% for CY 2018, 87.1% for CY 2019 and 87.4% for CY 2020.

A review of BCBSRI's financial measures show that BCBSRI's RBC position has strengthened over the past few years. There was a significant increase in the RBC in 2020. However, this increase does not appear to be due to an increase in underwriting gain. The underwriting gain in 2020 was .5% which is lower than the underwriting gain in both 2019 and 2018. The increase could be due to other items such as investments.

[7] Percent impact is based on adult and children distribution and assumes 70% of the pool are Rhode Island residents.

BCBSRI				
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$1,707,243,198	$1,698,166,372	$1,708,865,057	$1,719,351,097
24. Net Underwriting G/L	$7,713,021	$28,874,085	$36,858,723	$8,177,236
Underwriting G/L	***0.5%***	***1.7%***	***2.2%***	***0.5%***
49. Capital and Surplus end of reporting year	$415,814,234	$371,583,769	$298,658,624	$292,996,877
SAPOR	***24.4%***	***21.9%***	***17.5%***	***17.0%***
14. Total Adjusted Capital	$415,814,234	$371,583,769	$298,658,624	$292,996,877
15. Authorized control level risk-based capital	$58,616,377	$58,232,394	$57,430,307	$58,588,774
RBC	***709.4%***	***638.1%***	***520.0%***	***500.1%***

Table 8: Summary of Financials

VIII. RI OHIC Renewal Cap vs. Actual Renewal Increase

Over the past few years, the RI OHIC renewal cap has been 1% to 2% higher than the actual renewal increases that were delivered. This suggests that BCBSRI's requested increases have some degree of conservatism. Given BCBSRI's financial position and the history of overestimating actual required rate increases, a 1% contribution to reserve may be appropriate.

Recommendation #4: BCBSRI's financial position appears strong and it may be appropriate to reduce BCBSRI's contribution to reserve assumption from 2.5% to 1.0%, which is consistent with what was included in the prior year rates. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

IX. Requested and Final Approved Rate Increase

The table below shows BCBSRI's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	BCBSRI LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Trend Assumptions			
Inpatient Hospital	4.4%	4.4%	
Outpatient Hospital	6.1%	6.1%	
Professional	5.0%	5.0%	
Other Medical	5.0%	5.0%	
Capitation	0.0%	0.0%	
Prescription Drug	6.9%	6.9%	
Subtotal Excl. Leverage	5.5%	5.5%	
Leverage	0.6%	0.6%	
Total Incl. Leverage	6.1%	6.1%	
Adjustments to Premium			
Future Covid Expenses	0.5%	0.50%	
RI Assessment	1.2%	1.1%	-0.1%
Contribution to Reserves/Profit	2.5%	0.0%	-2.5%
Expected Overall Rate Change from 2021	7.4%	4.6%	-2.6%

Table 9: Requested and Final Approved Rate Increases

X. Conclusion

This memo communicates the findings of our review of the large group market 2022 rate filing for BCBSRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by BCBSRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,

Bela Gorman FSA, MAAA

Cc: Jennifer Smagula FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

Gorman Actuarial, Inc.

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Large Group Market Rate Filing for Cigna Health and Life Insurance Company (CIGNA) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #CCGP-132802696

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of CIGNA's large group market rate filing.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filing that was submitted on May 17th, June 9th, July 8th and August 23rd of 2021.[1]

Throughout the filing process, GA corresponded with Alex Neilson, CIGNA's Market Pricing Lead. An actuarial certification is included in the filing signed by Daniel R Acton, FSA, MAAA, Actuarial Senior Director. GA submitted questions through SERFF on May 24th, May 27th, June 30th and July 23rd. GA received responses for questions through SERFF.

[1] The RIOHIC template was not submitted with the original filing on May 17th and was later submitted on June 9th. CIGNA then later submitted another RIOHIC template on July 8th to correct for a mistake in Tab I but the proposed projected rate increase did not change between the June 9th and July 8th version.

GA provided working recommendations to RIOHIC on August 3, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

GA made no recommendations to this rate filing.

Other Assumptions: The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows CIGNA's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate. [2]

	CIGNA LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Trend Assumptions			
Inpatient Hospital	2.8%	2.8%	
Outpatient Hospital	3.5%	3.5%	
Professional	5.3%	5.3%	
Other Medical	10.8%	10.8%	
Capitation	3.4%	3.4%	
Prescription Drug	9.7%	9.7%	
Subtotal Excl. Leverage	5.5%	5.5%	
Leverage	1.0%	1.0%	
Total Incl. Leverage	6.5%	6.5%	
Adjustments to Premium			
Contribution to Reserves/Profit	4.5%	0.0%	-4.5%
Expected Overall Rate Change from 2021	5.3%	0.0%	-5.0%

Table 1: CIGNA Large Group Requested and Final Approved Rate Increases

III. Proposed Rate Change

[2]CIGNA provided documentation on how the overall expected rate change of 0% was determined.

The large group RI rate template requires the insurer to report the proposed average rate changes for its entire large group book of business. The template requires the insurer to report the increase by quarter and then an annual increase.

As of March 2021, there are 617 large group members in Rhode Island. In the rate filing submitted on June 9th, CIGNA requested a 5.3% annual rate change. The rate cap for large group insurers only applies to insurers with greater than one percent of the fully insured Rhode Island market, therefore it does not apply to CIGNA.

IV. Experience & Trend Assumptions

CIGNA provided their Rhode Island experience for CY 2018, CY 2019 and CY 2020. A review of actual claims experience shows that actual trends for CIGNA's large group market is -15.2% in CY 2019 and 44.5% in CY 2020. Trends also fluctuate by service category due to the low membership and changes in membership each year.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$98.84	$100.69	$132.42
Outpatient Hospital	$153.22	$118.69	$152.80
Professional	$111.27	$114.07	$140.54
Other Medical	$17.93	$19.44	$29.41
Capitation	$14.68	$20.95	$24.02
Prescription Drug	$93.18	$40.76	$120.02
Total	$489.11	$414.60	$599.21
Member Months	5,620	9,967	9,284

Experience Trend		
	CY 2019	CY 2020
Inpatient Hospital	1.9%	31.5%
Outpatient Hospital	-22.5%	28.7%
Professional	2.5%	23.2%
Other Medical	8.4%	51.3%
Capitation	42.8%	14.7%
Prescription Drug	-56.3%	194.5%
Total	-15.2%	44.5%
Member Months Trend	77.3%	-6.9%

Table 2: CIGNA Large Group Allowed Claims PMPM and Trends

CIGNA is assuming an average annual trend assumption of 5.5%. This is slightly higher than CIGNA's trend assumption of 5.0% in last year's filing. The table below shows CIGNA's trend assumptions by service category. The increase in

trend is primarily driven by increases unit cost trends for inpatient hospital, outpatient hospital and pharmacy. CIGNA stated that these assumptions reflect their knowledge of changes in provider and contracted rates.

In addition to the trend assumptions above, CIGNA adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. CIGNA's overall leverage assumption is 1.0%. CIGNA stated that this is calculated by running their book through the current and then proposed pricing engines at a point in time. They then compare the allowed and paid trends to get an average leverage impact.

Rating Trend	Cost Trend	Utilization and Severity Trend	Total Trend
Inpatient Hospital	-0.6%	1.8%	2.8%
Outpatient Hospital	0.1%	1.8%	3.5%
Professional	1.8%	1.8%	5.3%
Other Medical	7.2%	1.8%	10.8%
Capitation	0.0%	1.8%	3.4%
Prescription Drug	8.4%	1.3%	9.7%
Subtotal excl. Leverage			5.5%
Leverage			1.0%
Total incl. Leverage			6.5%

Table 3: CIGNA Large Group 2022 Trend Assumptions

V. Assessments

CIGNA includes the cost of assessments for Adult Immunizations, Children's Health Account in their retention. Tab IV of the RIOHIC template shows that CIGNA includes 1.3% of premium for these RI assessments. This is consistent with the charge in the 2021 rates. CIGNA did not indicate an amount for Childhood Immunizations, Care Transformation Collaborative of RI and Current Care in Tab IV of the RIOHIC template.

VI. COVID Impact

CIGNA has not made any explicit adjustments for COVID. CIGNA did state that in their experience rating formula, an adjustment is made to claims incurred in April, May and June of 2020 due to dampened utilization.

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and under the proposed rates, CIGNA projects a 95.0% MLR for 2021 and an 89.0% MLR for 2022.[3]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. CIGNA is proposing an average retention charge of 14.9% for the large group rate filing. For 2021, the retention charge was 15.3%. This Other Retention Charges includes the risk charge component of CIGNA's "Shared Returns" program. In last year's rate filing, CIGNA stated that with the Shared Returns program if a clients' claims experience runs at or better than set expectations inclusive of the risk charge, the client shares in the favorable experience up to 100%.

It is noted that contribution to reserve/profit target is higher than all but one other large group insurer in the market. CIGNA stated that their profit margin results in an MLR consistent with the requirements of the state and that this is unchanged from the prior year.

Retention Charge	2022	2021
ACA Taxes and Fees	0.0%	0.0%
Premium Tax	2.0%	2.0%
Other Retention Charge	1.7%	1.4%
Contribution to Reserve (Profit/Risk Load)	4.5%	4.5%
Investment Income Credit	0.0%	0.0%
Administrative Expense Load	6.7%	7.4%
Total Retention Charge	14.9%	15.3%

Table 4: CIGNA Large Group Retention Charges[4]

VIII. Requested and Final Approved Rate Increases

The table below shows CIGNA's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.[5]

[3] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.
[4] CIGNA has indicated that the retention charge includes the cost for Adult Immunizations and Children's Health Account.
[5]CIGNA provided documentation on how the overall expected rate change of 0% was determined.

	CIGNA LG		
	Requested	Final Approved	Impact to Rate
Medical Trend Assumptions			
Inpatient Hospital	2.8%	2.8%	
Outpatient Hospital	3.5%	3.5%	
Professional	5.3%	5.3%	
Other Medical	10.8%	10.8%	
Capitation	3.4%	3.4%	
Prescription Drug	9.7%	9.7%	
Subtotal Excl. Leverage	5.5%	5.5%	
Leverage	1.0%	1.0%	
Total Incl. Leverage	6.5%	6.5%	
Adjustments to Premium			
Contribution to Reserves/Profit	4.5%	0.0%	-4.5%
Expected Overall Rate Change from 2021	5.3%	0.0%	-5.0%

Table 5: CIGNA Large Group Requested and Final Approved Rate Increases

IX. Conclusion

This memo communicates the findings of our review of the large group market 2022 rate filing for CIGNA. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by CIGNA. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,

By: _____
Name: Jennifer Smagula
Title: Actuarial Consultant

Cc: Bela Gorman FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC

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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Large Group Market Rate Filing Tufts Associated Health Maintenance Organization, Inc. (TAHMO) and Tufts Insurance Company (TICO) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #THPC-132839660

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of TAHMO and TICO's large group market rate filing.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted by TAHMO and TICO on May 17th and August 19th, 2021.

Throughout the filing process, GA corresponded with TAHMO's and TICO's actuary Dylan Ascolese FSA, MAAA. An actuarial certification is included in the filing signed by Dylan Ascolese. GA submitted questions through SERFF on May 28th, June 28th and July 9th. GA received responses for questions through SERFF. GA also relied on responses to questions for the TAHMO and TICO small group filings that pertain to TAHMO & TICO large group filing.

GA provided working recommendations to RIOHIC on July 27, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance

Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: I recommend that TAHMO and TICO revise their assumptions for RI assessments from 1.2% to 0.9%. This would lower rates by approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

Other Assumptions: The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows TAHMO's and TICO's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	TAHMO LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Trend Assumptions			
Inpatient Hospital	3.6%	3.6%	
Outpatient Hospital	7.5%	7.5%	
Professional	6.9%	6.9%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Subtotal Excl. Leverage	7.1%	7.1%	
Leverage	0.8%	0.8%	
Total Incl. Leverage	8.0%	8.0%	
Adjustments to Medical Portion of Premium			
RI Assessments	1.2%	0.9%	-0.3%
Adjustments to Premium			
Contribution to Reserves/Profit	1.0%	0.0%	-1.0%
Expected Overall Rate Change from 2021	9.1%	7.7%	-1.3%

Table 1: TAHMO Large Group Requested and Final Approved Rate Increases

	TICO LG		
	Requested	Final Approved	Impact to Rate
Medical Trend Assumptions			
Inpatient Hospital	3.6%	3.6%	
Outpatient Hospital	7.5%	7.5%	
Professional	6.9%	6.9%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Subtotal Excl. Leverage	7.1%	7.1%	
Leverage	0.8%	0.8%	
Total Incl. Leverage	8.0%	8.0%	
Adjustments to Medical Portion of Premium			
RI Assessments	1.2%	0.9%	-0.3%
Adjustments to Premium			
Contribution to Reserves/Profit	1.0%	0.0%	-1.0%
Expeceted Overall Rate Change from 2021	9.1%	7.7%	-1.3%

Table 2: TICO Large Group Requested and Final Approved Rate Increases

III. Proposed Rate Changes

The large group RI rate template requires the insurer to report the proposed average rate change for its entire large group book of business. The template also requires the insurer to report the rate change by quarter and then an annual rate change.

As of March 2021, there were 6,589 members of which 3,430 are TAHMO and 3,159 are TICO. In the rate filing submitted on May 17th, TAHMO and TICO both requested a 9.1% rate change.

TAHMO and TICO project the average rate changes by first calculating manual rates for each month of 2022. This is accomplished by adjusting the 2021 manual rates for the differences between the 2021 trends in last year's and this year's filing and then trended forward to 2022 using the trends in this year's filing. Retention charges are then applied to the projected manual rates. TAHMO and TICO provided documentation on their approach.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for TAHMO and TICO's Large Group Market are -2.0% in 2019 and 0.9% in 2020. The table below shows a three-year history of allowed claims PMPMs. Trends fluctuate by service category and membership decreased by 19.7% in 2019 and an additional 9.7% decrease in 2020. Due to credibility, TAHMO and TICO do not use their Rhode Island data for trend projection. As of March 2021, there were 6,589 members enrolled.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$87.95	$82.03	$94.84
Outpatient Hospital	$135.49	$124.97	$121.85
Professional	$160.97	$176.06	$165.14
Other Medical	$19.42	$21.61	$26.33
Capitation	$0.55	$0.66	$0.66
Prescription Drug	$78.54	$68.07	$68.69
Total	$482.93	$473.39	$477.51
Member Months	106,330	85,427	77,147

Experience Trend		
	CY 2019	CY 2020
Inpatient Hospital	-6.7%	15.6%
Outpatient Hospital	-7.8%	-2.5%
Professional	9.4%	-6.2%
Other Medical	11.3%	21.8%
Capitation	19.6%	0.6%
Prescription Drug	-13.3%	0.9%
Total	-2.0%	0.9%
Member Months Trend	-19.7%	-9.7%

Table 3: TAHMO & TICO Large Group Allowed Claims PMPM and Trends

As shown in the table below, TAHMO & TICO assumed a 7.1% annual trend assumption. This is consistent with the total trend assumption in the 2021 rate filing. TAHMO stated that Rhode Island experience is not credible to use solely for trend analysis purposes, therefore their Rhode Island experience is supplemented with Massachusetts experience. Medical unit cost trends are developed based on Rhode Island provider contracts and estimates for future changes to those contracts. In last year's final rate filing, TAHMO lowered their medical utilization and severity assumption from 5.4% to 4.2% based on recommendations from RIOHIC. TAHMO has maintained the approximately 4.2% medical utilization and severity trend in this year's trend assumptions.

TAHMO provided detailed medical and pharmacy data for GA to review for both Massachusetts and Rhode Island. The recent medical data for CY 2020 through March 2021 is difficult to review given the impact of COVID-19. We reviewed the recent pharmacy data and supporting exhibits and the 11% assumption continues to appear reasonable.

In addition to the trend assumptions above, TAHMO and TICO add a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, TAHMO and TICO used their pricing model to calculate a leverage adjustment for each plan design. TAHMO and TICO's overall leverage assumption is 0.8%.

Rating Trend	Cost Trend	Utilization and Severity Trend	Total Trend
Inpatient Hospital	1.9%	0.6%	3.6%
Outpatient Hospital	2.2%	4.2%	7.5%
Professional	1.3%	4.5%	6.9%
Other Medical	5.1%	0.0%	5.1%
Capitation	0.9%	0.0%	0.9%
Prescription Drug	9.4%	1.5%	11.0%
Subtotal excl. Leverage			7.1%
Leverage			0.8%
Total incl. Leverage			8.0%

Table 4: TAHMO & TICO Large Group Trend Assumptions

V. Assessments

TAHMO & TICO include the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account, Care Transformation Collaborative of RI and Current Care in their medical claims projection. Tab IV of the RIOHIC template shows that TAHMO includes 1.2% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[1] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 0.9% rather than 1.2%.

[1] Assessments for vaccinations were finalized for FY 2022 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2022.

	Tufts Assumptions		Recommendation			
	PMPM	Premium Impact	2022 Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.92	0.4%	$14.78	16.9%	$2.50	0.3%
Adult Immunization Account	$3.24	0.3%	$3.18	83.1%	$2.64	0.3%
Children's Health Account	$2.14	0.2%	$9.03	16.9%	$1.53	0.2%
Care Transformation Collaborative of RI	$1.65	0.2%	n/a	n/a	$1.65	0.2%
Current Care	$1.00	0.1%	$1.00	100%	$1.00	0.1%
Total	$11.96	1.2%			$6.67	0.9%

Table 5: TAHMO & TICO Rhode Island Assessments

Recommendation #1: I recommend that TAHMO and TICO revise their assumptions for RI assessments from 1.2% to 0.9%. This would lower rates by approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

VI. COVID Adjustment

TAHMO & TICO's rates rely on manual rates developed prior to COVID, therefore utilization suppression due to COVID did not impact the rates. TAHMO & TICO also did not make adjustments for the future impact of COVID.

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and under the proposed rates, TAHMO projects a 93.7% MLR for 2021 and an 89.6% MLR for 2022.[2] TICO projects an 87.9% MLR for 2021 and an 88.9% MLR for 2022.[3] TAHMO and TICO stated that they did not make any explicit COVID-19 related adjustment to claims.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. TAHMO and TICO proposed an average retention charge of 13.9%. For 2021, the retention charge was 14.0%.

[2] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.
[3] Ibid.

Retention Charge	2022	2021	Change
ACA Taxes and Fees	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	1.0%	1.0%	0.0%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	10.9%	11.0%	-0.1%
Total Retention Charge	13.9%	14.0%	

Table 6: TAHMO & TICO Large Group Retention Charges

VIII. Financial Position

A review of TAHMO's financial measures show that TAHMO's RBC position has remained fairly healthy and steady for the past four years, over 600%, but decreased from 670.8% in 2019 to 610.1% in 2020. The underwriting gain/loss and SAPOR[4] have also remained fairly consistent. TICO's RBC also decreased in 2020 compared to 2019 along with their underwriting gain/loss.

	TAHMO			
	2020	2019	2018	2017
8. Total Revenues	$2,798,892,444	$2,698,353,911	$2,581,958,897	$2,555,327,303
24. Net Underwriting G/L	$76,576,206	$64,165,199	$72,911,773	$85,992,431
Underwriting G/L	***2.7%***	***2.4%***	***2.8%***	***3.4%***
49. Capital and Surplus end of reporting year	$738,870,321	$748,323,163	$642,456,738	$644,286,474
SAPOR	***26.4%***	***27.7%***	***24.9%***	***25.2%***
14. Total Adjusted Capital	$738,870,321	$748,323,162	$642,456,738	$644,286,474
15. Authorized control level risk-based capital	$121,103,639	$111,559,193	$101,285,836	$93,089,036
RBC	***610.1%***	***670.8%***	***634.3%***	***692.1%***

Table 7: TAHMO Financials

[4] SAPOR is surplus as a percentage of revenue.

	TICO			
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$312,553,610	$312,500,551	$294,435,615	$278,780,892
24. Net Underwriting G/L	-$5,586,842	$16,911,003	$10,256,311	-$11,961,236
Underwriting G/L	***-1.8%***	***5.4%***	***3.5%***	***-4.3%***
49. Capital and Surplus end of reporting year	$69,677,169	$74,104,038	$70,788,022	$52,607,155
SAPOR	***22.3%***	***23.7%***	***24.0%***	***18.9%***
14. Total Adjusted Capital	$69,677,169	$74,104,038	$70,788,022	$52,607,155
15. Authorized control level risk-based capital	$11,670,898	$11,259,632	$10,976,297	$11,089,644
RBC	***597.0%***	***658.1%***	***644.9%***	***474.4%***

Table 8: TICO Financials

IX. Requested and Final Approved Rate Increases

The table below shows TAHMO's and TICO's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	TAHMO LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Trend Assumptions			
Inpatient Hospital	3.6%	3.6%	
Outpatient Hospital	7.5%	7.5%	
Professional	6.9%	6.9%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Subtotal Excl. Leverage	7.1%	7.1%	
Leverage	0.8%	0.8%	
Total Incl. Leverage	8.0%	8.0%	
Adjustments to Medical Portion of Premium			
RI Assessments	1.2%	0.9%	-0.3%
Adjustments to Premium			
Contribution to Reserves/Profit	1.0%	0.0%	-1.0%
Expected Overall Rate Change from 2021	9.1%	7.7%	-1.3%

Table 9: TAHMO Large Group Requested and Final Approved Rate Increases

	TICO LG		
	Requested	Final Approved	Impact to Rate
Medical Trend Assumptions			
Inpatient Hospital	3.6%	3.6%	
Outpatient Hospital	7.5%	7.5%	
Professional	6.9%	6.9%	
Other Medical	5.1%	5.1%	
Capitation	0.9%	0.9%	
Prescription Drug	11.0%	11.0%	
Subtotal Excl. Leverage	7.1%	7.1%	
Leverage	0.8%	0.8%	
Total Incl. Leverage	8.0%	8.0%	
Adjustments to Medical Portion of Premium			
RI Assessments	1.2%	0.9%	-0.3%
Adjustments to Premium			
Contribution to Reserves/Profit	1.0%	0.0%	-1.0%
Expeceted Overall Rate Change from 2021	9.1%	7.7%	-1.3%

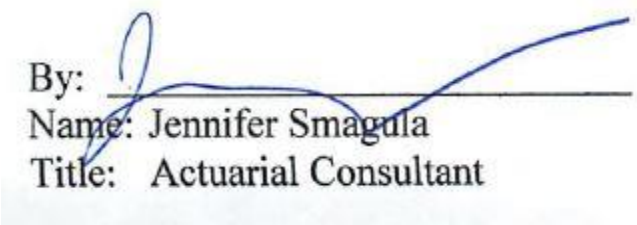
Table 10: TICO Large Group Requested and Final Approved Rate Increases

X. Conclusion

This memo communicates the findings of our review of the large group market 2022 rate filing for TAHMO and TICO. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by TAHMO and TICO. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,



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September 1, 2021

Patrick M. Tigue
Health Insurance Commissioner
Office of the Health Insurance Commissioner
State of Rhode Island
1511 Pontiac Ave, Building 69-1
Cranston, RI 02920

Subject: **Large Group Market Rate Filing for UnitedHealthcare of New England (UHCNE) and UnitedHealthcare Insurance Company (UHIC) for Rates Effective January 1, 2022: Actuarial Review Memo and Final RIOHIC Approved Decisions SERFF Filing #UHLC-132832318**

Dear Commissioner Tigue,

At the request of the Rhode Island Office of the Health Insurance Commissioner (RIOHIC), Gorman Actuarial (GA) has performed an actuarial review of UHIC's and UHCNE's (United's) large group market rate filing.

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filing that was submitted on May 17th, June 3rd and August 19th of 2021.[1]

Throughout the filing process, GA corresponded with UHIC and UHCNE assistant pricing director, Elvira Tananykin. An actuarial memorandum and actuarial certification is included in the filing signed by Michael Duberowski FSA, MAAA. GA submitted questions through SERFF on May 21st, May 26th, June 21st, July 1st and July 9th. GA also conducted two phone calls with Ms. Tananykin. GA

[1] The June 3rd filing updated information in Tab I and VI of the OHIC template, but the projected rate increase did not change compared to the May 17th version. A subsequent rate filing was also submitted on August 26th to correct the assessments reported on Tab IV, but there was not change to the rates compared to the August 19th version.

received responses for questions through SERFF. GA also relied on responses to questions for the UHIC & UHCNE small group filing that pertain to UHIC & UHNCE large group filing.

GA provided working recommendations to RIOHIC on July 27, 2021. The Health Insurance Commissioner provided preliminary decisions to GA on August 12, 2021. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 16, 2021. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: The leverage trend in 2021 should be lowered by 0.4% and the leverage trend in 2022 should be lowered by 0.3%. This would decrease the rate increase by 0.4% in total. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: I recommend that United revise their assumptions for RI assessments from 2.6% to 1.9%. This would lower rates by approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: Since United cannot adequately explain why the rate increase is above trend, an alternative approach to determining the revenue requirement was used. This approach leads to a decrease in the average proposed rate change of approximately 1.6%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #4: UHIC and UHCNE's financial position appears strong and it may be appropriate to reduce United's contribution to reserve assumption from 3.0% to 2.0%, consistent with last year's assumption. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

The table below shows UHIC's and UHCNE's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	UHIC and UHCNE LG		
	Requested	Final Approved	Impact to Rate
Medical Trend Assumptions			
Inpatient Hospital	6.9%	6.9%	
Outpatient Hospital	6.5%	6.5%	
Professional	5.9%	5.9%	
Other Medical	5.6%	5.6%	
Capitation	8.8%	8.8%	
Prescription Drug	10.2%	10.2%	
Subtotal Excl. Leverage	7.2%	7.2%	
Leverage	1.1%	0.8%	-0.2%
Total Incl. Leverage	8.4%	8.1%	-0.2%
Adjustments to Medical Portion of Premium			
Leverage in 2021 Trend	1.3%	0.9%	-0.2%
RI Assessments	2.6%	1.9%	-0.7%
Adjustments to Premium			
Impact of Alternative Rate Increase Calculation	n/a	n/a	-1.6%
Contribution to Reserves/Profit	3.0%	0.0%	-3.0%
Expected Overall Rate Change from 2021	14.1%	7.7%	-5.6%

Table 1: UHIC and UHCNE Large Group Requested and Final Approved Rate Increases

III. Proposed Rate Changes

The large group RI rate template requires the insurer to report the proposed average rate changes for its entire large group book of business. The template requires the insurer to report the increase by quarter and then an annual increase.

As of March 2021, there were 15,461 members. In the original rate filing submitted on May 17th, UHIC and UHCNE requested a 14.1% annual rate increase.[2]

UHIC and UHCNE projects 2022 claims by using actual CY 2020 experience, adjusted for suppressed utilization due to COVID, and projects forward to 2022 using the previously approved trends (from the 2021 rate filing) for 2020 and 2021, and the 2022 proposed trend. The 2022 projected premium is calculated by applying the 2022 retention charges to the 2022 projected claims. The required rate change is then determined by comparing the projected 2022 premium to the 2021 premium. The 2021 premium is a blend of actual premium

[2] The rate filing submitted on June 3rd updated information in Tab I and Tab VI but the average rate increase remained unchanged.

for groups that have already renewed and projected premium for those who have not yet renewed. UHIC and UHCNE provided exhibits to support their calculations.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for UHIC and UHCNE's large group market are 4.5% in 2019 and 0.2% in 2020. Table 2 shows a three-year history of allowed claims PMPMs. Trends fluctuate by service category but trends are negative in 2020 for outpatient hospital and professional services. Membership has been steadily decreasing by 9.1% and 9.6% each of the past two years. Due to credibility, UHIC and UHCNE does not rely solely on their Rhode Island data for trend projections.

Capitation amounts are increasing 30.8% in 2019 and 14.6% in 2020. The capitation amount includes behavioral health, chiropractor services, and some Rhode Island assessments.[3] UHIC and UHCNE stated that both increases in behavioral health and Rhode Island assessments have contributed to the large increase in this category over the past two years.

[3] The Rhode Island assessments identified by United as being included in their medical claims rather than administrative charge are Care Transformation Collaborative of Rhode Island, Primary Care, Children's Immunization Assessment, Adult Immunization Assessment and the Children's Health Account Assessment.

Allowed Claims PMPM			
	CY 2018	CY 2019	CY 2020
Inpatient Hospital	$83.98	$78.31	$84.55
Outpatient Hospital	$153.03	$163.57	$152.94
Professional	$116.52	$116.32	$109.26
Other Medical	$0.00	$0.00	$0.00
Capitation	$35.95	$43.37	$51.37
Prescription Drug	$64.94	$73.50	$77.88
Total	$454.42	$475.07	$476.00
Member Months	246,715	224,143	202,600

Experience Trend		
	CY 2019	CY 2020
Inpatient Hospital	-6.7%	8.0%
Outpatient Hospital	6.9%	-6.5%
Professional	-0.2%	-6.1%
Other Medical	0.0%	0.0%
Capitation	20.6%	18.4%
Prescription Drug	13.2%	6.0%
Total	4.5%	0.2%
Member Months Trend	-9.1%	-9.6%

Table 2: UHIC and UHCNE Large Group Allowed Claims PMPM and Trends[4]

UHIC and UHCNE are assuming an average annual trend assumption of 7.2%. This is a slight increase from last year's trend of 7.1%. The table below shows UHIC and UHCNE's trend assumptions by service category. UHIC and UHCNE provided a significant amount of detail related to their trend development and the data and methodology is the same for the large group filing as the small group filing. Utilization and severity trends are developed at the nationwide level based on actual experience and adjusted for items like impact of technology and number of workdays. Impact of leverage is also analyzed specific to Rhode Island large group experience and is discussed further below.

In 2022, UHIC and UHCNE is including a 1.43% technology adjustment in their pharmacy trend. UHIC and UHCNE stated that their pharmacy pricing model tracks over 1,000 drugs and calculates the cost impact from new drugs and generics along with mix changes due to drug usage patterns. This is in addition to the unit cost trends. This adjustment varies from year to year, and some

[4] The pharmacy amounts reported in last year's filing were gross of rebates. This has been corrected to show pharmacy net of rebates in this year's filing.

years this amount restates higher than estimated and other years restates lower. The 1.43% adjustment has a minimal impact on the overall rate increase.[5]

In addition to the trend assumptions above, UHIC and UHCNE adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, UHIC and UHCNE start with their trended allowed claims and subtract out projected cost sharing to simulate a projected net claims trend. Copay dollars were trended by the utilization trend, coinsurance dollars were trended by the PMPM trend (reflecting both utilization and cost trends) and deductible dollars were not trended at all. UHIC and UHCNE then adds an additional 0.2% to the leverage trend for "projected leverage change." This was described as being needed by UHIC and UHCNE because "with benefit buy-downs and above average terminations, our overall block benefit cost sharing has changed. To reflect this new dynamic, we've added 20 basis points." The end result is a 1.1 % leverage impact.

Rating Trend	Cost Trend	Utilization and Severity Trend	Total Trend
Inpatient Hospital	3.5%	3.2%	6.9%
Outpatient Hospital	2.9%	3.5%	6.5%
Professional	2.8%	3.1%	5.9%
Other Medical	2.5%	3.0%	5.6%
Capitation	8.8%	0.0%	8.8%
Prescription Drug	4.8%	5.1%	10.2%
Subtotal excl. Leverage			7.2%
Leverage			1.1%
Total incl. Leverage			8.4%

Table 3: UHIC and UHCNE Large Group 2022 Trend Assumptions

Two points of discussion related to leverage:

1. It is more appropriate to trend the deductible dollars and I have performed my own analysis on leverage using trended deductible dollars. This decreases the leverage impact by 0.1%.

2. There is an additional 0.2% for "projected leverage change" included in the leverage assumption. Additional support was not provided for this 0.2%

[5] This adjustment only impacts half of the 2022 trend in UHIC and UHCNE's trend development, pharmacy represents 23% of total claims and projected claims are about 88% of total premium.

additional adjustment. I have reviewed the Large Group Monitoring reports provided by United. These reports show that the benefit buy-down[6] impact for UHIC and UHCNE has decreased from 2.55% in 2019 to 1.01% in 2020. This suggests that the impact of employers groups switching to higher cost sharing plans is reducing. I believe the "projected leverage change" is meant to capture the impact of increasing benefit buy-downs. However, the data suggests that benefit-buy down is decreasing.

Based on the two items discussed above, it is appropriate to use a leverage trend that is 0.3% lower than the current assumption of 1.1% in 2022. This lowers the rate increase by 0.2%. There are similar issues with the 2021 leverage trend. It is recommended that the 2021 leverage trend be lowered by 0.4% from the current assumption of 1.3%. This lowers the rate increase by an additional 0.2%.

Recommendation #1: The leverage trend in 2021 should be lowered by 0.4% and the leverage trend in 2022 should be lowered by 0.3%. This would decrease the rate increase by 0.4% in total. The RI Health Insurance Commissioner has approved this revised assumption.

The Affordability Standards in Rhode Island dictate that the annual hospital increase in 2021 shall be no more than 3.05% during the period of January 1, 2021 through December 31, 2021. Based on documentation provided by UHIC and UHCNE, the 2021 inpatient hospital trend is 3.9% and the outpatient hospital trend is 2.8% which weights to 3.2%. This is something UHIC and UHCNE should monitor.

UHIC and UHCNE is also including a 1.05% adjustment for aging. This is to account for the aging that can occur with renewing business. Details were provided by UHIC and UHCNE on its calculation. This is a factor that should continue to be monitored.

V. Assessments

Rhode Island assessments included in medical claims have increased from $13.59 in 2018, to $18.51 in 2019 and to $20.71 in 2020. United includes theses assessment in their base period claims and then applies trend, risk adjustment, and retention. United indicated that an error was made in the 2021 filing and

[6] Benefit buy down is when employers switch to higher cost sharing plans for lower premiums. Higher cost sharing has a greater leveraging impact on trend.

the assessment was understated by $4.93 PMPM.[7] This understatement is worth approximately 0.9% of the total increase.

UHIC and UHCNE include the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account in their medical claims projection. The cost for the Care Transformation Collaborative of RI and Current Care are included in retention. Tab IV of the RIOHIC template shows that United includes 2.6% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[8] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.9% rather than 2.6%.

	United Assumptions		Recommendation			
	PMPM	Premium Impact	2022 Actual PMPM Charge	% of Pop Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.51	0.6%	$14.78	16.3%	$2.41	0.4%
Adult Immunization Account	$4.02	0.7%	$3.18	83.7%	$2.66	0.5%
Children's Health Account	$1.87	0.3%	$9.03	16.3%	$1.47	0.3%
Care Transformation Collaborative of RI	$2.95	0.5%	n/a	n/a	$2.95	0.5%
Current Care	$1.75	0.3%	$1.00	100.0%	$1.00	0.2%
Total	$14.10	2.6%			$10.49	1.9%

Table 4: UHIC and UHCNE Rhode Island Assessments

Recommendation #2: I recommend that United revise their assumptions for RI assessments from 2.6% to 1.9%. This would lower rates by approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

VI. COVID Impact

As described above, UHIC and UHCNE projects 2022 claims by using actual CY 2020 experience, adjusted for suppressed utilization due to COVID, and projects forward to 2022 using the previously approved trends (from the 2021 rate filing) for 2020 and 2021, and the 2022 proposed trend. The 2022 projected premium is calculated by applying the 2022 retention charges to the 2022 projected claims. UHIC and UHCNE are using a 4.8% adjustment to adjust the CY 2020 claims upwards for the suppressed utilization that occurred in CY 2020 due to COVID. This adjustment was calculated by comparing actual 2019 trends to the actual 2020 trend and the difference was 4.8%. Therefore, United assumes

[7] United stated in the development of the CY 2021 rates, it mistakenly used the CY 2018 assessment amount in its base period rather than CY 2019, which is a difference $4.93 PMPM. The $4.93 is the difference between $18.51 and $13.59.

[8] Assessments for vaccinations were finalized for FY 2022 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2022.

absent of COVID that the 2020 trends would have been the same as the 2019 trends. It was suggested to UHIC and UHCNE that the COVID adjustment only be calculated based on medical claims excluding pharmacy and capitation costs and then the factor only be applied to medical claims. When I perform this calculation, I calculate a COVID adjustment of 3.3% rather than 4.8%.

UHIC and UHCNE was asked to explain why the proposed rate increase of 14.1% is significantly higher than the trend of 9.6% (8.4% trend plus 1.1% for aging.) UHIC and UHCNE responded that a "COVID adjustment is necessary to account for the lower utilization that was experienced in our 2020 claims experience. We are applying a COVID adjustment of 4.8%, which drives projected renewal increase above trend." This explanation does not explain why United is requiring a 14.1% rate increase. The proposed 14.1% increase is being applied to 2021 renewal premiums. It is unclear why 2021 renewal premiums would reflect any COVID suppression. These premiums were generally derived using 2019 data and therefore not impacted by the utilization suppression that happened in 2020. While we agree that when using CY 2020 data it is necessary to account for the suppressed utilization due to COVID, 2021 renewal premiums should not have been impacted by COVID. Therefore the 4.8% COVID adjustment is not a reasonable explanation as to why the requested rate increase from 2021 to 2022 is above trend. It is appropriate for actuaries to test the reasonableness of the rate increase by using an alternative method. An alternative approach is to use the information provided in the RIOHIC Template to develop a revenue requirement. I utilized data from Tab VI MLR, the 12.1% retention target from Tab IV, and the 2022 claims trend assumption of 9.6% (including adjustment for aging.) United also provided information during the week of August 16th to demonstrate the impact to claims and premium from the loss of a large group that did not renew in 2021. This information was used to adjust the information in Tab VI MLR. Using this information, I calculate a 2022 revenue requirement of $572.[9] This suggests a premium rate change of 12.5% rather than 14.1%. It is recommended that the rate change be adjusted down by this difference, or 1.6%. Note that this is in addition to the other recommendations proposed in this memorandum (e.g. impact of leverage, assessments and contribution to reserve), as those will be discussed separately.

Recommendation #3: Since United cannot adequately explain why the rate increase is above trend, an alternative approach to determining the revenue requirement was used. This approach leads to a decrease in the average proposed rate change of approximately 1.6%. The RI Health Insurance Commissioner has approved this revised assumption.

[9] The 2022 trend was applied to 2021 claims costs and adjusted for the retention target. The 2021 claims cost was adjusted for the impact of the loss of the large group that did not renew in 2021.

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and the current proposed rates, UHIC and UHCNE projects a 92.3% MLR for 2021 and a 91.5% MLR for 2022.[10] UHIC and UHCNE stated that they did not make any explicit COVID-19 related adjustments to future claims.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. UHIC and UHCNE is proposing an average retention charge of 12.1% for the large group rate filing. For 2021, the final retention charge was 11.1%. The table below shows the components of retention. UHIC and UHCNE's contribution to reserve assumption within the rate filing is 3.0%. Last year the contribution to reserve assumption was 2.0%.

Retention Charge	2022	2021
ACA Taxes and Fees	0.0%	0.0%
Premium Tax	2.0%	2.0%
Other Retention Charge	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	3.0%	2.0%
Investment Income Credit	0.0%	0.0%
Administrative Expense Load	7.1%	7.1%
Total Retention Charge	12.1%	11.1%

Table 5: UHIC and UHCNE Large Group Retention Charges[11]

VIII. Financial Position

Using the federal definition, UHIC and UHCNE's reported MLR in Tab VI of the OHIC template are 85.1% for CY 2018, 87.2% for CY 2019 and 89.8% for CY 2020.

A review of UHIC and UHCNE's financial measures show that UHIC's RBC position has remained healthy for the past four years, around 500% with an increase to almost 650% in 2020. The underwriting gain/loss and SAPOR[12] have also remained fairly consistent for both companies.

[10] This is coming from Tab VI MLR Exhibit in the RI rate template. Premium has been adjusted for taxes. This is prior to the credibility adjustment factor.
[11] United includes the cost for the Care Transformation Collaborative of RI and Current Care in retention. The cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account in their medical claims projection.
[12] SAPOR is surplus as a percentage of revenue.

	UHIC			
	2020	**2019**	**2018**	**2017**
Total				
9. Total (Lines 1 - 8.3)	$55,111,543,011	$56,470,146,239	$55,304,713,087	$51,176,778,978
29. Net Gain from Operations before Dividends	$4,008,681,977	$3,954,833,530	$3,935,943,865	$3,699,492,244
Underwriting G/L	***7.3%***	***7.0%***	***7.1%***	***7.2%***
55. Capital and Surplus December 31	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
SAPOR	***14.9%***	***16.1%***	***15.5%***	***13.3%***
30. Total Adjusted Capital	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
31. Authorized control level risk-based capital	$1,275,995,904	$1,688,536,287	$1,600,314,403	$1,436,352,532
RBC	***644.2%***	***538.5%***	***535.8%***	***472.4%***

Table 6: UHIC Financials

	UHCNE			
	2020	**2019**	**2018**	**2017**
8. Total Revenues	$1,433,651,095	$1,305,229,228	$1,160,842,788	$974,456,602
24. Net Underwriting G/L	$64,140,390	$37,367,220	$22,251,770	$33,256,564
Underwriting G/L	***4.5%***	***2.9%***	***1.9%***	***3.4%***
49. Capital and Surplus end of reporting year	$204,411,638	$163,161,782	$132,604,785	$113,865,840
SAPOR	***14.3%***	***12.5%***	***11.4%***	***11.7%***
14. Total Adjusted Capital	$204,411,638	$163,161,782	$132,604,785	$113,865,940
15. Authorized control level risk-based capital	$39,155,808	$43,037,032	$35,620,693	$27,751,581
RBC	***522.0%***	***379.1%***	***372.3%***	***410.3%***

Table 7: UHCNE Financials

Recommendation #4: UHIC and UHCNE's financial position appears strong and it may be appropriate to reduce United's contribution to reserve assumption from 3.0% to 2.0%, consistent with last year's assumption. The RI Health Insurance Commissioner has approved a 0% contribution to reserve.

IX. Requested and Final Approved Rate Increases

The table below shows UHIC's and UHCNE's requested and final approved rate increases. Note GA has estimated how each individual assumption change impacts the overall rate. Due to the interaction of assumptions, the actual impact may be slightly different due to each insurer's own pricing models. However, the overall impact to the rate is not an estimate.

	UHIC and UHCNE LG		
	Requested	Final Approved	Impact to Rate
Medical Trend Assumptions			
Inpatient Hospital	6.9%	6.9%	
Outpatient Hospital	6.5%	6.5%	
Professional	5.9%	5.9%	
Other Medical	5.6%	5.6%	
Capitation	8.8%	8.8%	
Prescription Drug	10.2%	10.2%	
Subtotal Excl. Leverage	7.2%	7.2%	
Leverage	1.1%	0.8%	-0.2%
Total Incl. Leverage	8.4%	8.1%	-0.2%
Adjustments to Medical Portion of Premium			
Leverage in 2021 Trend	1.3%	0.9%	-0.2%
RI Assessments	2.6%	1.9%	-0.7%
Adjustments to Premium			
Impact of Alternative Rate Increase Calculation	n/a	n/a	-1.6%
Contribution to Reserves/Profit	3.0%	0.0%	-3.0%
Expected Overall Rate Change from 2021	14.1%	7.7%	-5.6%

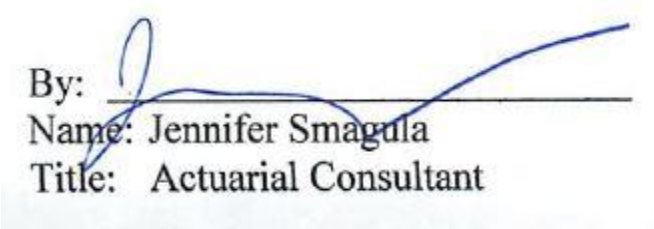
Table 8: UHIC & UHCNE Large Group Requested and Final Approved Rate Increases

X. Conclusion

This memo communicates the findings of our review of the large group market 2022 rate filing for UHIC and UHCNE. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by UHIC and UHCNE. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman FSA, MAAA.

We are members of the American Academy of Actuaries and meet that body's Qualification Standards to perform this work.

Sincerely,



Jennifer Smagula FSA, MAAA

Cc: Bela Gorman FSA, MAAA, Gorman Actuarial, Inc.
Cory King, Chief of Staff, RIOHIC
Emily Maranjian, Executive Legal Counsel, RIOHIC