



STATE OF RHODE ISLAND
OFFICE OF THE ATTORNEY GENERAL

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Peter F. Neronha
Attorney General

August 9, 2022

Via Electronic Mail Only

Mr. Patrick Tighe
Health Insurance Commissioner
Office of the Health Insurance Commissioner
1511 Pontiac Avenue
Building 69, First Floor
Cranston, Rhode Island 02920
Patrick.Tighe@ohic.ri.gov

In re: Rates Filed for 2023 Large Employer and Small Employer Groups

Dear Commissioner Tighe:

The Rhode Island Attorney General objects to the increases requested by insurers in both the large group and small group markets. In the small group market, carriers requested increases from 9.2% to 11.7%. In the large group market, carriers requested increases ranging from 7.0% to 13.4%.¹ The Attorney General's objections are based on actuarial findings in the attached reports and the unaffordability of the proposed increases.² Our Office asks that you exercise your authority to consider affordability in the rate review process and deny all requested rate increases across both markets.

The Small and Large Group Rate Requests are as follows:

¹ These numbers exclude Neighborhood Health Plan Rhode Island rates requests. Comment will be sent separately for NHPRI plans.

² OHIC held a public comment meeting via Zoom on the rate review process on Thursday, July 7, 2022, at 4:30pm. Representatives from our Office were in attendance.

Small Group:

Insurer	Requested Increase (%)	Number of Subscribers
Blue Cross Blue Shield of Rhode Island	11.7	40,943
United Healthcare	12.3 for EPO 10.8 for POS	combined 3,272
Tufts ³	9.2 for HMO 10.0 for PPO	combined 1,942
Neighborhood Health Plan of Rhode Island	9.3	1,875

Large Group:

Insurer	Requested Increase (%)	Number of Subscribers
Blue Cross Blue Shield of Rhode Island	7.0	63,300
United Healthcare	11.3	12,471
Tufts	10.4 for HMO 10.3 for PPO	combined 6,159
Cigna	8.5	656
Aetna	13.4	69

Preliminary Statement

The Attorney General addresses OHIC in his distinct role in this rate review: to represent, protect and advocate for Rhode Islanders who are consumers of insurance products both now and in the future. R.I. Gen. Laws § 27-36-1. In addition, as the State’s Health Care Advocate, the Attorney General is obligated to carry out the mandate of the Health Care Advocate statute and

³ Tufts Insurance Company and Tufts Associated Health Maintenance Organization are both a part of Point32Health, Inc. and will be referred to collectively in this comment as “Tufts.”

advocate for quality and affordable health care for the people of this State. R.I. Gen. Laws § 42-9.1-1.

In OHIC's press release in June 2022 announcing the requested rate increases, you stated that "[t]hese proposed rates demonstrate the continued need for shared accountability by insurers and providers to address the underlying costs of health care in order to promote affordability for Rhode Island consumers and businesses."⁴ You pledged that OHIC "is committed to rigorously reviewing these proposed rates to ensure that the rates that are ultimately approved are in the public interest and actuarially sound." OHIC has the opportunity to reaffirm its commitment to affordable healthcare with the 2023 rate reviews by rejecting unnecessary rate increases requested by the insurers.

Unaffordability of a Rate Increase

This year's rate increase requests come at a time when inflation has hit a 40-year high.⁵ And Rhode Islanders are experiencing this inflation in the cost for necessities, such as food, gas and housing. The 2023 final rates will impact more than 130,000 subscribers – almost 48,000 in small group plans⁶ and over 82,000 in large group plans.⁷ Thus, more than 130,088 Rhode Islanders will have yet another price increase to contend with if the rates increases are approved. These rate increases also follow a decade-long trend upward in healthcare costs. While employees' health insurance costs rose an modest average of 4% in 2020, they have soared 55% since 2010—more than twice the pace of inflation and wages.⁸ Furthermore, previous health insurance commissioners consistently approved increases for insurers in Rhode Island. For example, United Healthcare, which is the second largest commercial insurer in Rhode Island, has enjoyed increases in three of its four PPO and HMO plans for 2021 and 2022 rates: and 2.3% increases in 2021 small group HMO and PPO plans respectively, and another 7.8% for its PPO plan in 2022.⁹ Blue Cross Blue Shield of Rhode Island, which serves the largest population of subscribers between small and large group markets at close to 104,000 subscribers, was granted a 2.7% increase for small group in 2021 and a 7.0% increase in 2022. For large group insurers, United implemented an 8.1%

⁴ [https://ohic.ri.gov/sites/g/files/xkqbur736/files/2022-06/2023 Rate Review Process Press Release - Requested Rates.pdf](https://ohic.ri.gov/sites/g/files/xkqbur736/files/2022-06/2023%20Rate%20Review%20Process%20Press%20Release%20-%20Requested%20Rates.pdf) June 10, 2022.

⁵ <https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm>.

⁶ **Small Group:** Blue Cross Blue Shield of Rhode Island (11.7% increase for 40,943 subscribers); Neighborhood Health Plan of Rhode Island (9.3% increase 1,875 subscribers); United Healthcare (12.3% for HMO plans and 10.8% for PPO plans for combined 3,272 subscribers); and Tufts Health Plan (9.2% increase for HMO plans and 10.0% increase for PPO plans for combined 1,942 subscribers). *See*

[https://ohic.ri.gov/sites/g/files/xkqbur736/files/2022-06/2023 Rate Review Process Press Release - Requested Rates.pdf](https://ohic.ri.gov/sites/g/files/xkqbur736/files/2022-06/2023%20Rate%20Review%20Process%20Press%20Release%20-%20Requested%20Rates.pdf), June 10, 2022.

⁷ *See* [https://ohic.ri.gov/sites/g/files/xkqbur736/files/2022-06/2023 Rate Review Process Press Release - Requested Rates.pdf](https://ohic.ri.gov/sites/g/files/xkqbur736/files/2022-06/2023%20Rate%20Review%20Process%20Press%20Release%20-%20Requested%20Rates.pdf), June 10, 2022.

⁸ <https://khn.org/news/employer-health-insurance-costs-rose-4-percent-in-2020-and-55-percent-over-decade/#:~:text=Health%20insurance%20costs%20for%20Americans,to%20a%20study%20published%20Thursday.&text=More%20than%20half%20of%20employers%20provide%20insurance%20to%20at%20least%20some%20workers.>

⁹ OHIC approved a 0.5% decrease for United's PPO small group plan in 2021.

increase in 2021 and an 7.7 % increase in 2022, and Blue Cross received an 4.5% increase in 2021 and a 4.6% increase in 2022. To grant additional increases when Rhode Islanders are already contending with increasing costs in other areas of their lives would compound the hardship many Rhode Islanders face.

Increasing rates impacts not only employees, but also the employers. The IRS, under the Affordable Care Act provisions, caps the contribution from employees at a certain rate each year. For 2022, an employer could charge its employees no more than 9.61% of an employee's household income toward monthly premium payments.¹⁰ While this provision is rightly intended to control costs, employers are responsible for the majority of costs associated with monthly premiums. Employees will bear the burden of increased health insurance costs at a time when they can least afford it.

The Attorney General strongly urges you to exercise your regulatory authority and discretion to determine 2023 rates based upon affordability to the employers who must pay for those insurance products. OHIC Regulation 230-RICR-20-30-4 (Powers and Duties of OHIC), Section 4.9 (C) delineates the factors to consider in determining affordability of rates. The lack of transparency behind OHIC's regulatory decision-making and consideration of affordability in all markets, but particularly in the large and small group markets where most insurers do not meet the covered lives threshold for OHIC's affordability standards and are not subject to a rate hearing under any circumstance, is especially troubling.¹¹ The only rationale OHIC provides the public is a minimal overview of the components of the rate review and corresponding numbers.¹² If OHIC continues to determine the insurers must be granted substantial increases, the public deserves an equally substantial explanation of premium rates.

Actuarial Reports

If, however, you decide that rate increases are necessary to allow insurers to provide quality services, the Attorney General asks that you carefully consider the reports from Lewis & Ellis (L&E) and the adjustments recommended by their actuarial analysis. Please see the reports for detailed information concerning L&E's methodology and recommendations.

L&E's recommendations are as follows:

¹⁰ https://www.irs.gov/irb/2021-35_IRB#REV-PROC-2021-36.

¹¹ OHIC's Affordability Standards only apply to insurers that cover at least 10,000 lives. *See* 230-RICR-20-30-4.10(A). Blue Cross meets that standard in both markets, and United meets that standard in the large group market. Only the individual market has a public hearing requirement if an insurer which covers 10,000 lives or more requests an increase of 10% or more in a given year. *See e.g.*, R.I. Gen. Laws § 27-19-6(f).

¹² *See e.g.* 2021 Rate Review Process Large Group Rate Summary at <https://ohic.ri.gov/media/5991/download>, September 2021.

Small Group

Insurer	Requested Increase (%)	Recommended Rate (%)
Blue Cross Blue Shield of Rhode Island	11.7	9.5
UnitedHealthcare	12.3 for EPO 10.8 for POS	9.2 7.7
Tufts	9.2 for HMO 10.0 for PPO	7.2 for HMO 7.4 for PPO
Neighborhood Health Plan of Rhode Island	9.3	5.8

Blue Cross Blue Shield of Rhode Island: L&E recommends a rate change of +9.5%—a 2.2% reduction of BCBSRI’s request. L&E bases this recommendation on reductions in utilization trends, hospital unit cost trends, and risk adjustment based on more recent CMS data from June 2022.

United Healthcare: L&E recommends a rate change of +9.2% for EPO plans—a 3.1% reduction of United Healthcare’s request. It also recommends a rate change of +7.7% for POS plans—a 3.1% reduction of United Healthcare’s request. These recommendations are based on downward adjustments to trend and a reduction to risk adjustment.

Tufts: L&E recommends a rate change of +7.2% for HMO plans—a 2% reduction of Tuft’s request—and a rate change of +7.4% for PPO plans—a 2.6% reduction of Tuft’s request. These recommendations are based on adjustments to the trend assumption and adding an adjustment for Covid-19, which Tuft’s did not include in its 2022 rates. In addition to L&E’s recommendations for the 2023 rates, L&E particularly wants to call the Commissioner’s attention to issues with data quality. L&E recommends that Tufts modernize its manual rate development process and that OHIC disallow outdated source data and any credibility procedures that do not follow generally accepted actuarial practice.

Neighborhood Health Plan of Rhode Island: L&E recommends a rate change of +5.8—a 3.5% reduction of NHPRI’s request. L&E bases this recommendation on reductions to incurred but not reported claims (IBNR), claims trend, and Covid-19 costs. L&E, however, recommends that NHPRI increase its surplus contribution 6% because of its low risk-based capital ratio and current market uncertainty.

Large Group:

Insurer	Requested Increase (%)	Recommended Rate (%)
Blue Cross Blue Shield of Rhode Island	7.0	5.7
United Healthcare	11.3	11.3
Tufts Health Plan	10.4 for HMO 10.3 for PPO	10.4 for HMO 10.3 for PPO
Cigna	8.5	8.5
Aetna	13.4	5.1

Blue Cross Blue Shield of Rhode Island: L&E recommends a rate change of +5.7%—a 1.3% reduction of BCBSRI’s request. L&E bases this recommendation on reductions to utilization trends and hospital unit cost trends.

Aetna: L&E recommends a rate change of +5.1%—an 8.3% reduction of Aetna’s request. L&E bases this recommendation on a reduction to the annual trend, modification to the rate manual and reduction in the target margin.

Cigna: L&E does not recommend any revisions to the large group requests from Cigna as the filing appears to produce rates that are not excessive, inadequate, nor unfairly discriminatory. It does note, however, that the company did not provide sufficient information on trend, underwriting and profit to make an independent assessment of reasonableness.

L&E does not recommend any revisions to the large group requests from United Healthcare, and Tufts Health Plan because these filings appear to produce rates that are not excessive, inadequate, nor unfairly discriminatory.

Conclusion

Keeping the needs and considerations of the affected employers and employees always first and foremost, the Office of the Attorney General asks that you place significant weight on the unaffordability of higher health insurance rates and deny all rate increase requests in both the small and large group markets. If rate increases are determined to be necessary, the Office of the Attorney General asks you to consider the actuarial findings of L&E to reduce rates according to the adjustments to trend, costs, and risk adjustment as more specifically recommended in the attached reports. At a time when Rhode Island seeks to attract and retain businesses and support its workers, Rhode Island employers and employees deserve nothing less than affordable health insurance coverage.

Mr. Patrick Tighe
Health Insurance Commissioner
August 9, 2022
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Respectfully Submitted,

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By:

/s/ Lauren E. Hill

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August 9, 2022

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**In re: Neighborhood Health Plan of Rhode Island
Rates Filed for 2023 Individual Market Plans
SERFF ID: NHRI-133254005**

Dear Commissioner Tighe:

Pursuant to Rhode Island General Laws §§ 27-19-6(j)(2), 27-20-6(j)(2), and 27-36-1, the Rhode Island Attorney General submits the following comment on the 6.8% rate increase in the individual market sought by Neighborhood Health Plan of Rhode Island (“NHPRI”). The Attorney General addresses OHIC in his distinct role in this rate review: to represent, protect and advocate for Rhode Islanders who are and will be consumers of these insurance products. *See R.I. Gen. Laws § 27-36-1*. In addition, as the State’s Health Care Advocate, the Attorney General is obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of this State. *R.I. Gen. Laws § 42-9.1-1*.

In accordance with Rhode Island General Laws §§ 27-19-6(a) and 27-20-6(b), OHIC accepted comments on the proposed rate change through July 12, 2022. OHIC held a public comment meeting via Zoom on the rate review process on Thursday, July 7, 2022, at 4:30pm. Representatives from our Office were in attendance.

The Attorney General’s comments are based both on the attached actuarial report of Lewis & Ellis, Inc. (“L&E”) submitted on behalf of the Office of the Attorney General and the necessity of maintaining competition in the individual marketplace. Our Office asks that you exercise your authority to account for both affordability for consumers and adequacy for the insurer.

Summary of Actuarial Findings

L&E reviews the rate filings not only to ensure that the rates are not excessive or unfairly discriminatory, but also to ensure the rates are adequate. NHPRI requested an average rate increase of 6.8% for 2023. For the following reasons, L&E recommends a **rate increase of 9.8%**, an increase of 3% over NHPRI's request. L&E recommends reductions to incurred but not reported claims (IBNR), average annual trend assumption, and Covid-19 claims. It also recommends an increase to the risk adjustment transfer payment by 6% because of premium increases and differences between the 2021 estimated and the 2021 actual risk adjustment transfer payment. Because the 2021 risk adjustment was more than expected, the payment caused the risk-based capital (RBC) ratio to decrease, and adding members could cause the ratio to drop further. L&E believes that the actual 2021 RBC of 236% is low considering regulatory standards, and if it drops below 200%, NHPRI could require regulatory intervention. L&E therefore recommends that NHPRI increase its surplus contribution to 6%, in order to ensure NHPRI's rates are adequate.

Competition in the Individual Market

“Competition in health care markets benefits consumers because it helps contain costs, improve quality, and encourage innovation.”¹ And consolidation has historically resulted in insurers raising premiums above competitive levels instead of passing any benefits of consolidation along to consumers.² A Kaiser Family Foundation analysis of Rhode Island's Individual Market in 2019 determined that the State already had a highly concentrated and uncompetitive market with one insurer having 58% of the market share.³ Thus, the importance of maintaining adequate rates for NHPRI cannot be overstated as it is one of only two providers on Rhode Island's Individual Market. If NHPRI's financial health were to be at risk—or if it left the individual market altogether—it would have a strong negative effect on the State's individual market, likely increasing the cost for all subscribers.

At least 19,196 subscribers will be affected by the final rates and that number will likely rise for 2023 enrollment.⁴ Many Rhode Islanders are still recovering from an unprecedented pandemic and the resulting economic consequences, and many of those residents must turn to the individual market for health insurance. It is critical that all individuals seeking insurance in the individual market pay the lowest possible rates to ensure continuity of care for themselves and their families. In addition, those who will need health insurance in the individual market include people and communities already suffering from profound inequities. However, that need to maintain low-cost coverage must also be balanced with the insurer's need to fund its services. As

¹ <https://www.ftc.gov/advice-guidance/competition-guidance/industry-guidance/competition-health-care-marketplace>

² <https://www.ama-assn.org/system/files/competition-health-insurance-us-markets.pdf>

³ <https://www.kff.org/other/state-indicator/individual-insurance-market-competition/?currentTimeframe=0&selectedRows=%7B%22states%22:%7B%22rhode-island%22:%7B%7D%7D%7D&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

⁴ Current members as of March 31, 2022. See Rate Filing at NHRI-133254005, OHIC Rate Template, Tab One (Data & Rate Change).

stated above, an inadequately funded health plan does not benefit Rhode Islanders in the short or long term.

The Attorney General urges you to exercise your regulatory authority and discretion to determine 2023 rates based upon affordability to the people who must pay for those insurance products and the adequacy of the rates for the insurer. OHIC Regulation 230-RICR-20-30-4 (Powers and Duties of OHIC), Section 4.9 (C) delineates the factors to consider in determining affordability of rates, including the ability of lower-income individuals to pay for health insurance. NHPRI has a responsibility to “provide affordable and accessible health insurance to insureds” and “employ pricing strategies that enhance the affordability of health care coverage.” *See R.I. Gen. Laws §§ 27-19.2-3(1) and 27-19.2-10(3)*. But it must be adequately funded to continue to provide health insurance for its subscribers.

Conclusion

The Office of the Attorney General asks that you balance the need for affordable healthcare with the need for adequate rates in determining the individual market rates for NHPRI. Regardless of your decision, in the interest of transparency, our Office asks that you provide precise factual and actuarial bases from OHIC for your decision. Thank you for your consideration.

Respectfully Submitted,

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ATTORNEY GENERAL

By:

/s/ Lauren E. Hill

Lauren E. Hill

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August 3, 2022

State of Rhode Island Office of the Health Insurance Commissioner

Re: Aetna Life Insurance Company
2023 Large Group Rate Filing
SERFF# AETN-133227921

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2023 Large Group Rate Filings for Aetna Life Insurance Company (ALIC, Aetna, or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. ALIC is a for-profit organization that provides health insurance coverage to Rhode Islanders. This filing proposes premiums for ALIC's commercial major medical insurance that will be offered in the large group market in Rhode Island beginning January 1, 2023.
2. ALIC submitted proposed rates on May 16, 2022, with an average rate increase of 13.4% relative to the rates effective in the first quarter of 2022. This is the result of multiple previously approved filings, in addition to a newly proposed 5.5% increase to the rates effective in the fourth quarter of 2022.
3. As is typical in the large group market, the Company provided a formula for producing rates. That formula considers the demographics of enrolled members, the particular benefits for that group, and the historical claims experience for that group. As a result, no individual group should be expected to receive the 13.4% average increase described in this filing.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State's Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take "all necessary and appropriate action... to secure and insure compliance with the provisions of titles

23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island.”

The OAG has engaged L&E to perform an actuarial review of Aetna’s 2022 filing for the 2023 large group rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E’s recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E’s actuarial review.

SUMMARY OF RECEIVED DATA

The Company provided the rate manual used to determine the premiums for a given large group, including a large number of factor tables containing the variable amounts for plan designs, age, and industry. The filing also contains an actuarial memorandum and certification indicating the methodologies used to develop the proposed rates.

Aetna provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are the filing assumptions that are key to the proposed rate change.

1. EXPERIENCE RATING METHODS

For groups with historical claims experience, a group-specific claim PMPM is calculated using 12 to 24 months of recent data. Historical experience is adjusted for changes to benefits, demographics, etc. The experience-based claims projection may be blended with a manual rate, based on the credibility considerations described below.

As is common in the industry, Aetna pools experience for high-cost claimants between groups, even for their fully credible groups. The pooling charges used to accomplish this were provided in “Retention & Pooling Tables.pdf.”

2. MANUAL RATING METHODS

For groups with limited historical experience, premiums are based on a manual rate. This manual rate was developed based on claims from October 2020 through September 2021. Aetna has indicated that the lag times within their processes prevent them from using more recent data. We note this lag time appears to be substantially longer than most insurers.

Due to the lack of Rhode Island membership, the manual rate is based on Connecticut large group experience. A 3.5% reduction to the manual rate was applied for reasons that Aetna has not clearly explained. No adjustments were made to reflect the impact of COVID in either the base period or the

¹ This is based on Actuarial Standards of Practice No. 8
<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

projection period.

The manual rate is adjusted to reflect the proposed benefits, geography, and demographics of the group being quoted for coverage. If more than one plan design is being offered, a load for anti-selection may be applied. OHIC has requested that the rating factors be modified to eliminate adjustments for gender in Rhode Island. We note that the original filing assumes different premiums between groups due to the gender of enrolled members but does not allow for different premiums charged to individual members based on their gender. Regardless, Aetna agreed to revise the rating manual to remove gender rating entirely.

As shown in Appendix A, page U-24, Aetna’s rating manual permits an unreasonably large degree of underwriting discretion. For example, the “Miscellaneous Actuarial Other Factor” is permitted to vary from 0 to 5. That is, if the filed rate is \$500 PMPM, the rate manual permits the underwriter to modify from that filed rate to anywhere from \$0 to \$2500 PMPM. This range widens when the other factors are considered. While Aetna has indicated that they have internal controls to prevent these from being used in an unfairly discriminatory manner, we recommend that OHIC require the manual be modified to reflect a reasonable range that reflects Aetna’s real underwriting discretion.

3. PROJECTION ASSUMPTIONS

Both a group’s actual claims experience and, if applicable, the manual rate are adjusted to reflect changes in cost over time. This trend assumption is that claims increase by approximately [REDACTED] every 12 months. The initial filing contained no support for this assumption. In response to inquiries by both OHIC and OAG, Aetna provided historical information relevant to their trend assumptions.

Medical trends can generally be divided into two categories: unit cost and utilization trends. Unit cost trends relate to changes in the contracted prices between insurers and providers. [REDACTED]

[REDACTED] Therefore, the assumed unit cost changes appear reasonable.

Aetna has decided to use the same utilization trend assumptions as those filed and approved last year, given the uncertainty introduced into recent data due to COVID-19. This appears to be a reasonable approach; however, the support provided documenting the basis for last year’s assumptions does not appear reasonable. [REDACTED]

[REDACTED]

Aetna gives a few reasons for this discrepancy, which do not support the proposed assumption. [REDACTED]

[REDACTED]

Even if we remove these two adjustments, there does not appear to be any rational relationship between the historical data provided and the trend assumptions Aetna has assumed. [REDACTED]

We do not believe that rates based on this [REDACTED] annual trend assumption are actuarially sound. We recommend that OHIC reduce the trend assumption to [REDACTED] which would reduce the premium increase to approximately 7.9%.

4. RETENTION

Page U-25 of the rating manual describes the various retention components added to projected claims to develop the final large group premiums. They vary by type of coverage and group size and permit substantial modification due to underwriter discretion. Aetna quantified the changes in average administrative costs that produce an average rate increase of 0.1% over the first quarter of 2022. The initial filing contained ranges for these values, but Aetna provided a more detailed exhibit during the review in the file “Retention and Pooling Tables.pdf.”

The rates also contain an allowance for profit margin. Aetna has proposed a 6.5% profit margin in this filing, which is substantially higher than the normal range of 3% to 4% for large group insurers.

Accounting for both the magnitude of the profit assumption and the other assumptions in this filing (e.g., trend), the 6.5% profit margin appears excessive. We note the following:

- Even with L&E’s recommended reduction, the trend assumption is higher than Aetna’s historical data and some of the trend support provided by other carriers. So, the trend assumption may still contain some margin.
- A profit margin of 6.5% places Aetna at the high end of the industry.
- Aetna currently estimates that its Rhode Island business will produce a loss ratio of 52.5% in 2022. While this data is not fully credible, it is based on a premium that contains a 0% margin, and therefore suggests the proposed rates may be excessive.

We recommend that the profit margin be reduced to 4.0% to ensure that the rates are not excessive.²

5. CREDIBILITY BLENDING

Full credibility is assigned to the experience when it reflects at least 12,000 member months of data. For groups with less than this amount of data, the credibility factor is equal to the square root of the member months divided by this standard. This formula is the industry standard for determining partial credibility and appears reasonable. The results of this formula are on page U-24 of Appendix A.

In some cases, groups receiving their first renewal increase may be grouped into cohorts, with each cohort getting a distinct increase. The final rate is calculated by performing a weighted average of the

² The approximate premium impact is $(1-6.5\%)/(1-4.0\%) - 1 = -2.6\%$.

projected manual rate and experience rate, where the experience is weighted based on the guidelines described above. L&E believes the credibility standard, and therefore credibility percentage applied to each group's experience is reasonable and appropriate.

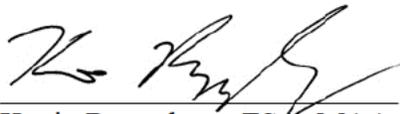
RECOMMENDATIONS

As noted above, L&E recommends the following:

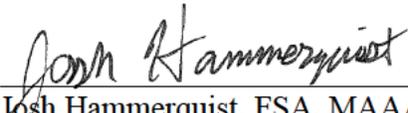
- A reduction to the annual trend of approximately 3% per year, bringing the annual increase down from 13.4% to around 7.9%.
- Modification to the rate manual to remove underwriter discretion in applying unreasonably large discounts or loads.
- Reduction in the target margin from 6.5% of premium to 4.0% of premium.

With the above changes, L&E estimates that the proposed annual rate increase would be reduced from 13.4% to approximately 5.1%. L&E believes the resulting rates would be neither inadequate not excessive, and would be actuarially sound.

Sincerely,



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Dave Dillon, FSA, MAAA, MS
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ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations³, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct⁴, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Kevin Rugeberg, FSA, MAAA, Vice President & Consulting Actuary.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 3, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 26, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from ALIC. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by ALIC for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

³ The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

⁴ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

August 8, 2022

State of Rhode Island Office of the Health Insurance Commissioner

Re: Blue Cross and Blue Shield of Rhode Island
2023 Large Group Rate Filing
SERFF# BCBS-133257152

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2023 Large Group Rate Filing for Blue Cross and Blue Shield of Rhode Island (BCBSRI or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. BCBSRI is a not-for-profit insurer that provides health insurance coverage to Rhode Islanders. This filing proposes premiums for BCBSRI's commercial major medical insurance that will be offered in large group market in Rhode Island beginning January 1, 2023.
2. BCBSRI submitted proposed rates on May 16, 2022, with an average rate increase of 7.0%. This report's analysis is based on those proposed rates.
3. BCBSRI provided their prospective large group rating manual, which outlined key definitions and their step-by-step rating formula. During the course of the review, BCBSRI also provided the OAG the rating factors used in the rating manual. The rating manual also included specific details regarding the guardrails placed on underwriting adjustments, including a +/-15% maximum adjustment.

PURPOSE AND SCOPE

Pursuant to Rhode Island Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery.

This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E's recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E's actuarial review.

SUMMARY OF RECEIVED DATA

BCBSRI provided the methodology used to develop the proposed 2023 Large Group market premiums. The Company provided exhibits which demonstrated the quantitative development for each component of the premium request, including trend, federal programs, administrative costs, and taxes and fees.

BCBSRI provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are filing assumptions that are key to the proposed 7.0% rate increase.

1. UTILIZATION TREND

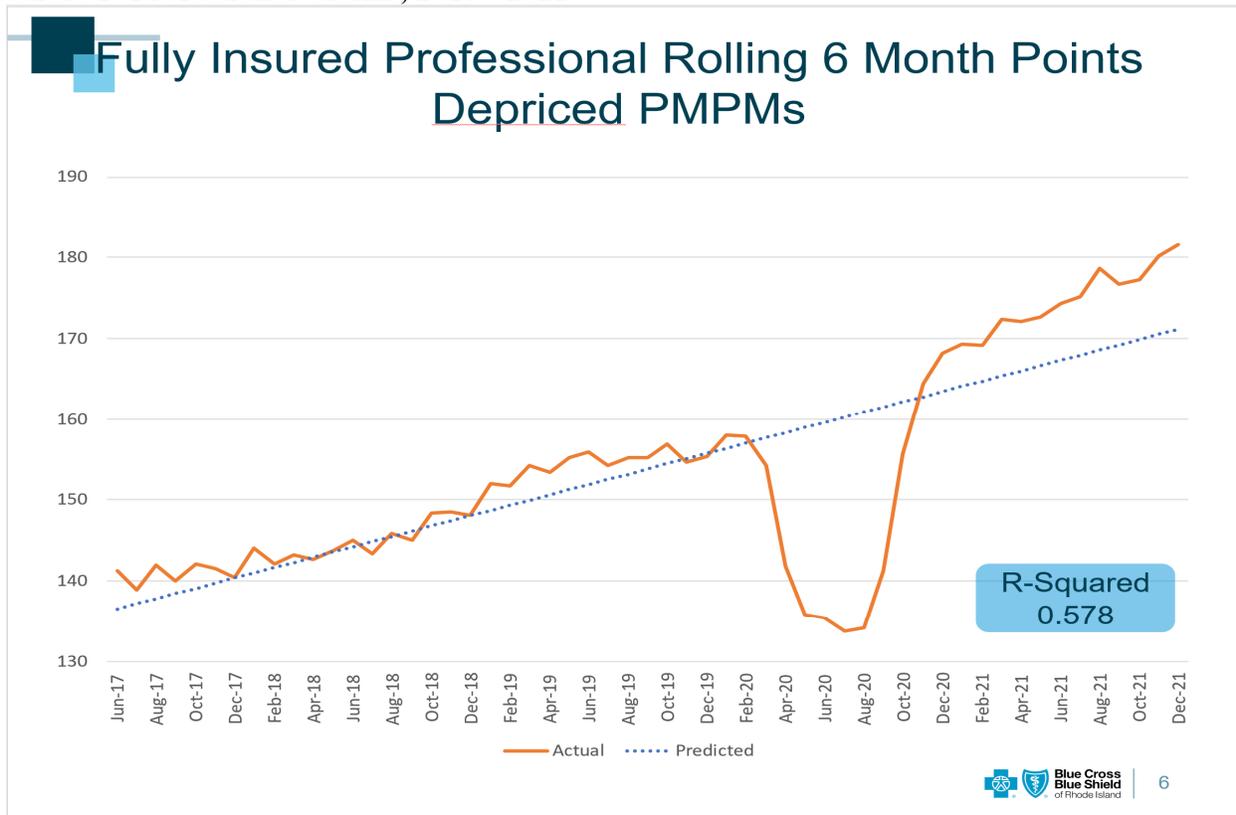
Inpatient, Outpatient and Professional

The base period for this filing is 2021. Because of the various care disruptions related to the Covid-19 pandemic, 2020 and 2021 claims experience must be assessed carefully. BCBSRI's typical methodology for developing utilization/mix trends is to use a linear regression model with three years of allowed claims on a per member per month (PMPM) basis, normalized for changes in claim costs that were due to influences other than utilization or mix.

Due to Covid-19 disruptions impacting inpatient, outpatient, and professional services, BCBSRI revised its methodology to use claims from 2017 to 2021, with 2020 excluded. The Company analyzed the adjusted claims by using rolling 6-month averages. An example of this analysis is shown for the professional category in Chart 1, and the results of this analysis for all service categories are summarized in the first column in Table 1.

¹ This is based on Actuarial Standards of Practice No. 8
<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

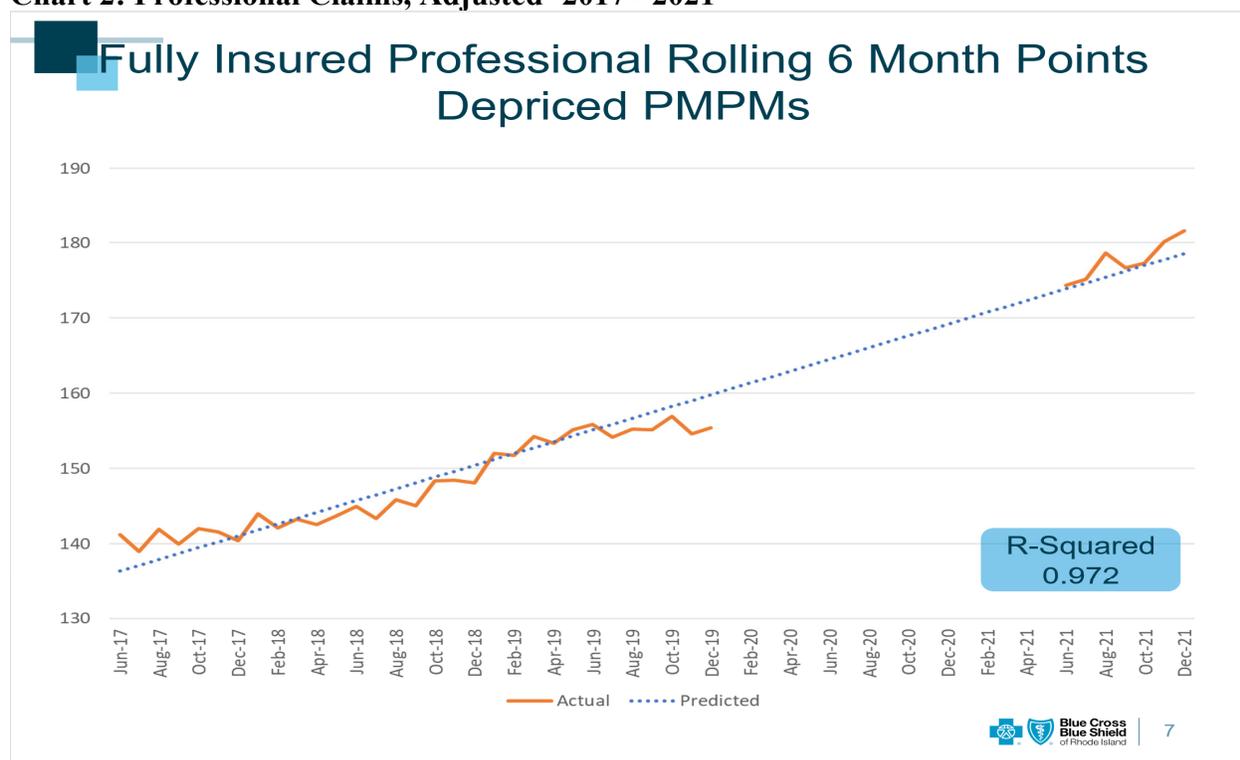
Chart 1: Professional Claims, 2017 - 2021



The chart above shows that the 2020 professional claims were significantly lower than the historical claim levels due to the Covid-19 pandemic. The Company does not expect this anomaly to occur in 2023, so the Company excluded the 6-month rolling average data points that included 2020 claims, which is shown in Chart 2. BCBSRI uses this adjusted time period for their regression analysis for all service categories. The results are summarized in column 2 of Table 1.

The Company used the results of this regression analysis for outpatient, professional and prescription drugs. However, BCBSRI reduced the inpatient utilization trend from 0.7% to 0.2% to reflect that, (1) the consideration that the most recent data points indicate lower trends, and (2) the low r-squared value in the experience period indicates the regression is not a good fit for the experience period claims.

Chart 2: Professional Claims, Adjusted² 2017 - 2021

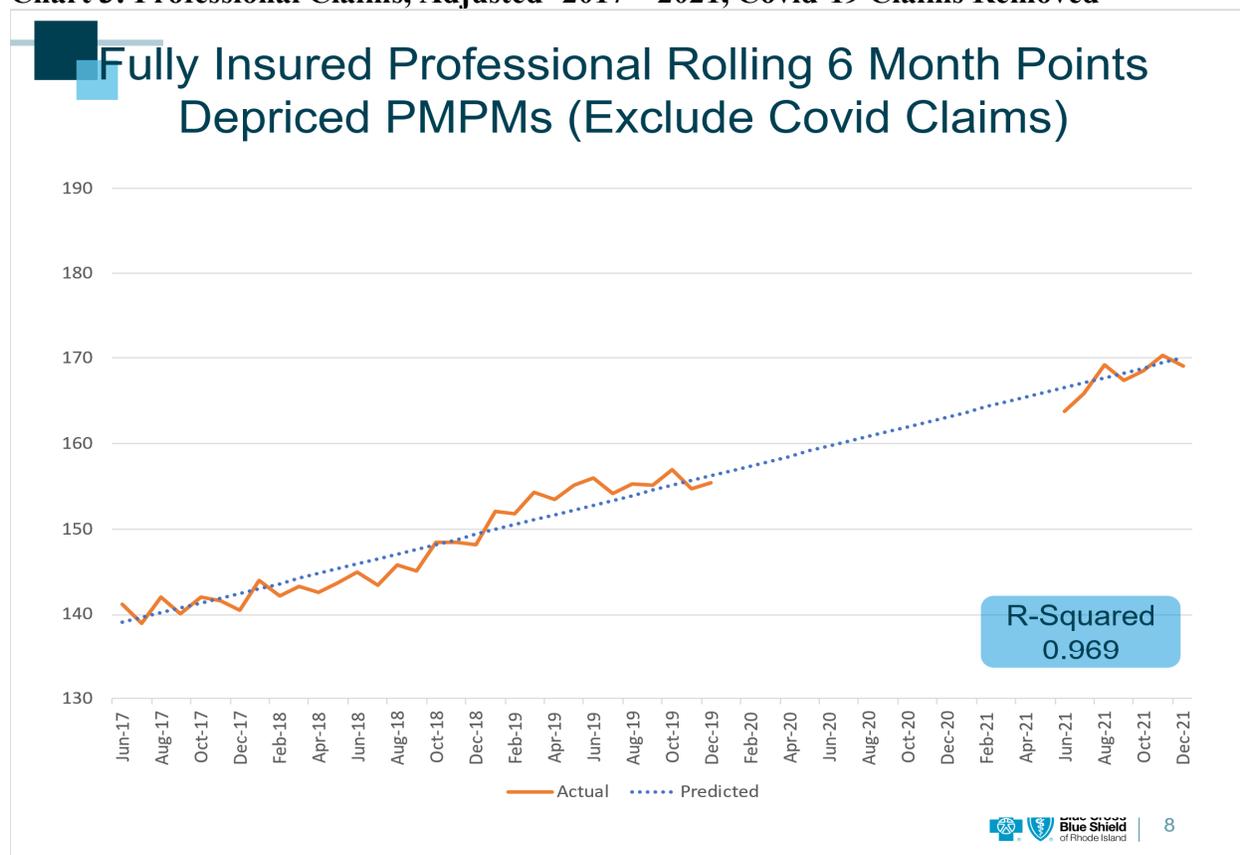


L&E believes it is reasonable and appropriate to analyze utilization trends by removing 2020 claims. However, 2021 claims reflect one-time effects from Covid-19 that are not part of a long-term trend. L&E reviewed the Company’s revised claims, which were provided in response to a request made by the Rhode Island Office of the Health Insurance Commissioner (OHIC). An example of this analysis is shown for the professional category in Chart 3. The results of this analysis for all service categories are summarized in the third column in Table 1.

The Company expects that the Covid-19 pandemic’s impact on 2023 claims will be 50% lower than the impact on 2021 claims. Since Covid-19 claims are being projected to 2023 in a separate calculation, it is not appropriate to assume that the pandemic’s 2021 impact will continue to put upward pressure on 2022 and 2023 utilization. This separate Covid-19 adjustment is discussed later in the report.

² The adjusted time period removes the 6-month rolling average claims from January 2020 through June 2021, due to the impact of Covid-19 on claims during this period.

Chart 3: Professional Claims, Adjusted² 2017 – 2021, Covid-19 Claims Removed



BCBSRI normalized the historical data for unit cost changes, network changes, induced utilization factors, and other one-time changes. The Company did not normalize the data for the impact of the population aging during this period. The Company includes the impact of aging in the trend development because it is not included elsewhere in the large group rating process. L&E considers this reasonable and appropriate. Table 1 compares the results the regression analysis under the three scenarios described above.

Table 1: Utilization Trend Regression Analysis Results

Service Category	2017 - 2021	Adjusted ² 2017 - 2021	Adjusted ² 2017 - 2021, Covid Claims Removed
Inpatient	-0.6%	0.7%	-0.1%
Outpatient	3.2%	4.3%	4.0%
Professional	4.4%	5.2%	4.0%

The first column represents the results using all claims data from 2017 to 2021. The second column is based on the same claims data, except adjusted to remove 2020 claims. BCBSRI used the

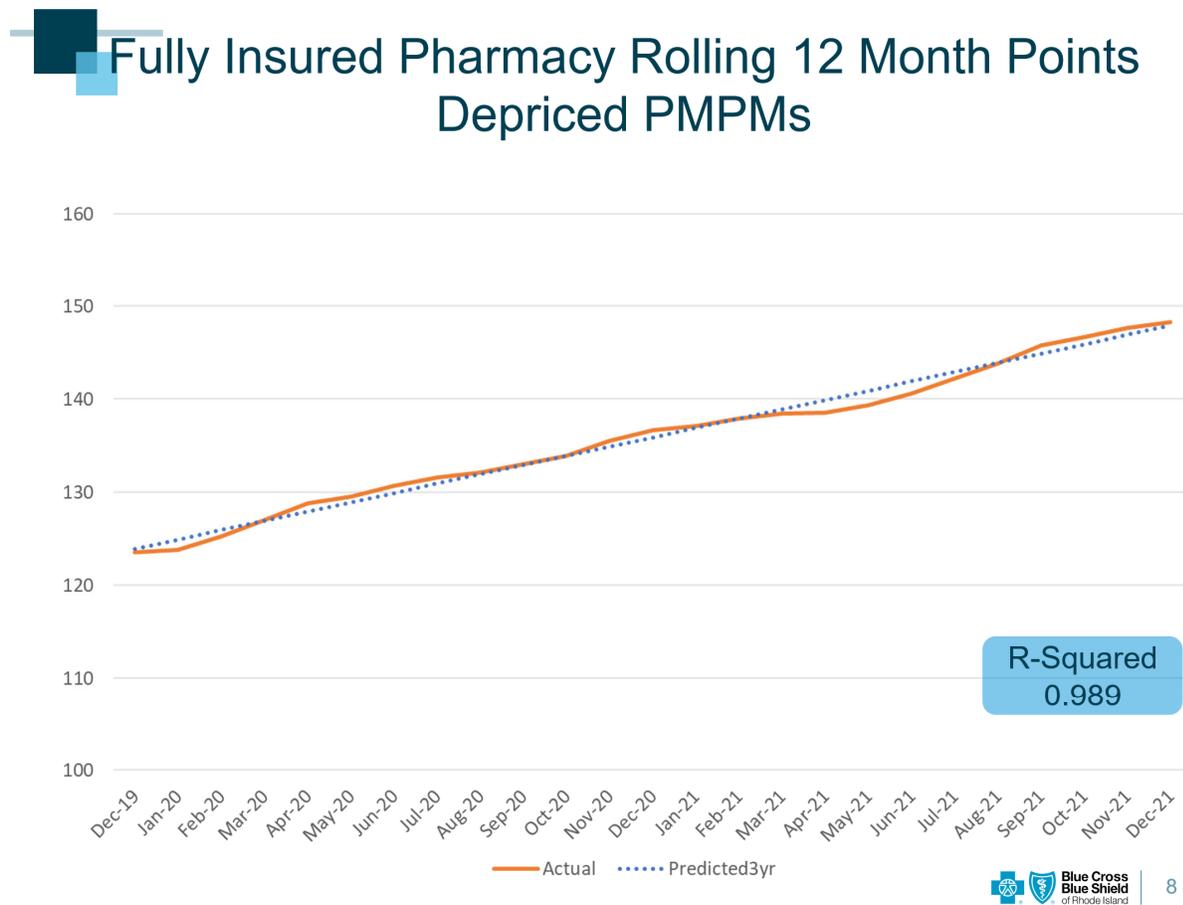
regressions on the adjusted claims to calculate the utilization trends used in the filing. The Company also made an explicit adjustment to the inpatient utilization³ results.

The third column is the utilization trends when Covid-19 claims are removed. L&E recommends BCBSRI use these utilization trends by service category as shown in the third column.

Pharmacy

The Company analyzed pharmacy claims by using rolling 12-month averages. L&E believes the Company’s assumed pharmacy trend shown in Chart 4 below is reasonable. It is clear that the pandemic has had a minimal impact on pharmacy utilization trends. L&E believes that BCBSRI’s proposed pharmacy trend assumption is consistent with the historical data and is reasonable for 2023.

Chart 4: Pharmacy Claims, 2017 – 2021



Inpatient, Outpatient and Professional Recommendation The recommend changes for inpatient, outpatient and professional utilization trends will result in a premium reduction of approximately 1.1%.

³ BCBSRI reduced the inpatient utilization trend from 0.7% to 0.2%.

2. HOSPITAL AND PROFESSIONAL UNIT COST TRENDS

Cost projection factors are developed for inpatient, outpatient, and professional services. These factors represent anticipated unit price increases during the 24 months from the 2021 experience period to the 2023 rating period. BCBSRI's Enterprise Analytics team estimates these price projection factors based on actual unit cost increases, estimates of price increases based on provider negotiations, and any planned or estimated increases and adjustments to provider contracts.

For all hospital facilities not yet negotiated, price increases were originally capped at a three-year average of CPI-U + 1% based on 2019-2021 CPI-U increases. However, a few weeks prior to the filing's submission, it was determined that 2023 increases would be capped based on the most recently published CPI-U annual increase, as of October 1, 2022, plus 1%⁴. A new price factor was then estimated based on the CPI-U annual increase available at the time of the rate development. The 7.5% unit cost trend assumption was based on April 2022's CPI-U value of 6.5%

There have been three CPI-U updates since the submission of the rate filing. The most recently available CPI-U value is 5.9% for July 2022. In light of the updated CPI-U value, L&E recommends the 2nd year unit cost trends for the hospital inpatient and hospital outpatient service categories be reduced to 6.9%.

Since inpatient and outpatient claims account for 47% of projected claims and this recommendation only impacts the 2nd year trend assumption (i.e., 2022 to 2023), there is an approximate overall 0.2% rate reduction.

3. COVID-19 CLAIMS

BCBSRI included a Covid-19 claims adjustment of 0.981. This factor was developed by analyzing the amount Covid-19 claims present in 2021 on a PMPM basis and by applying a 50% reduction factor. The 0.981 factor was then applied to the projected 2023 expected claims. This adjustment effectively assumes that Covid-19's impact on 2023 claims will be half of its impact on 2021 claims.

Table 3: Covid-19 Reduction Factor Development

2021 Covid-19 Claims	Allowed PMPM
Inpatient Covid-19	\$6.84
Other Covid-19	\$4.31
Testing	\$7.38
Vaccine	\$3.08
Total Covid-19 Claims	\$21.62

⁴ L&E relied on OHIC and OAG's interpretation that using the annual increase is appropriate but have not independently interpreted the regulations.

Covid-19 Reduction Factor Development	
Total Covid-19 Claims 2021 PMPM	\$21.62
Covid Reduction Assumption:	50%
Reduction on PMPM basis	\$10.81
Total Allowed Commercial Claims	\$575.63
Reduction Factor	0.981

To illustrate the materiality of the 50% reduction assumption, L&E reviewed changes to the reduction factor if the Covid-19 impact on 2023 was different than the assumed 50% reduction.

Table 4: Covid-19 Reduction Factor Impact Scenario Testing

Covid-19 Reduction Assumption	25% reduction	50% reduction	75% reduction
Reduction Factor	0.991	0.981	0.972

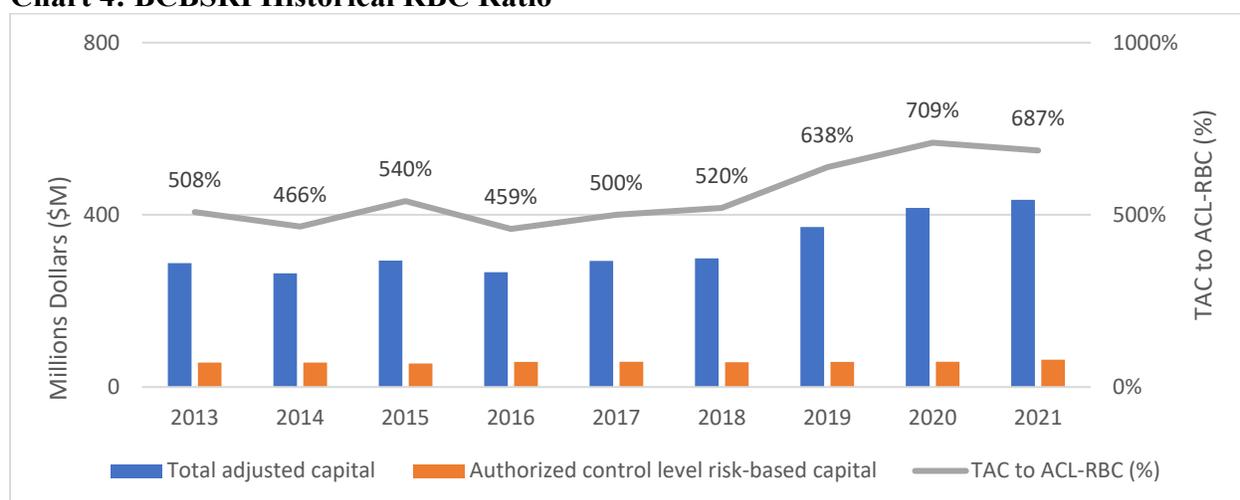
Due to the limited variability in the above results, L&E considers the Company's expected 50% reduction in Covid-19's impact on 2023 claims versus 2021 to be reasonable and appropriate.

4. CONTRIBUTION TO SURPLUS:

After paying for administrative and claims costs, BCBSRI, as a not-for-profit entity, places any excess funds into an unassigned funds account (i.e., surplus). This surplus is set aside to protect consumers from unexpected adverse conditions.

A common metric to assess surplus is the risk-based capital (RBC) ratio. Since 2019, BCBSRI's RBC ratio has improved from historical norms, as shown below:

Chart 4: BCBSRI Historical RBC Ratio



Prior to the Covid-19 pandemic, BCBSRI typically included a contribution to surplus (i.e., margin) between 2.5% to 3.0% in their rates. For 2021, the Company reduced the requested margin to 1.5% in recognition of the favorable claims experience resulting from the pandemic. For 2022, BCBSRI

proposed increasing the surplus margin assumption to 2.5%; however, this was ultimately reduced to 0% by OHIC.

L&E believes that the Company's recent RBC levels are not unreasonable due to the level of current market uncertainty and the 2022 0% surplus margin assumption could potentially erode BCBSRI's RBC levels. L&E believes BCBSRI's 2023 1% surplus margin assumption is reasonable and appropriate.

5. LARGE GROUP RATING & UNDERWRITING MANUAL

BCBSRI provided its rating manual titled "PROSPECTIVE RATING PROCEDURE FOR LARGE GROUPS" in its initial submission. The manual is used to perform prospective rating for all groups and affiliations of groups with 51 or more eligible employees in Rhode Island. During the course of the review, BCBSRI also provided the underlying rating factors referenced in the rating manual.

The rating manual includes a step-by-step description of the procedures and definitions used in prospective rating in the large group market. These include the rating period, experience period, adjustment factors for manual rates (e.g., benefit plan design, age, SIC, geography, morbidity, participation loads, etc.), Experience period projected claims adjustments (e.g., Excess claim removals, completion factors, normalization factors, claim maturation factors, plan adjustment factors, mandated benefit factors, provider adjustment factors, trend, OHIC rate caps, state mandated assessment factors such as child immunizations, experience period rating factors, pooling charges, etc.), and retention loads (e.g., operating expenses, taxes, investment income factor, reserve contribution factor, etc.). The manual also outlines other potential group specific adjustments such as multi year arrangements, group affiliations, and performance guarantees.

BCBSRI states that nothing included in the procedure manual shall be applied in a manner that is unfairly discriminatory in accordance with OHIC Bulletin 2013-5.

The rating manual procedures allow for underwriters to exercise professional judgment to select a rate within stated guardrails. However, the ability for underwriters to adjust rates from the OHIC approved average premium increase are limited to +/-15%. The Company did note that underwriting can exceed this range when supporting justification is provided.

The Company provided sufficient documentation to adequately demonstrate that its underwriting standard and judgement are based only on rational, objective, and financially sound actuarial criteria. In L&E's opinion, BCBSRI is in compliance with Bulletin 2013-5.

RECOMMENDATIONS

L&E believes that this filing, with the following modifications, produces rates that are not excessive, inadequate, nor unfairly discriminatory.

1. UTILIZATION TRENDS

L&E recommends:

- The inpatient utilization trend be reduced from 0.2% to -0.1%.
- The outpatient utilization trend be reduced from 4.3% to 4.0%.
- The professional utilization trend be reduced from 5.2% to 4.0%.

These changes produce an approximate 1.1% rate decrease.

2. HOSPITAL UNIT COST TRENDS

L&E recommends that the inpatient and outpatient unit cost trends be reduced from 7.5% to 6.9% for the second year. This change produces an approximate 0.2% rate decrease.

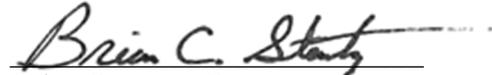
After modification, the rate increase will change from +7.0% to +5.7%.

2023 RECOMMENDED RATE CHANGES

A breakdown of L&E's recommendation by rating component is provided below:

Component	Rate Change
BCBSRI Proposal	+7.0%
Utilization Trends	-1.1%
Hospital Unit Cost Trends	-0.2%
Covid-19 Reduction	N/A
Contribution to Surplus	N/A
L&E Recommendation	+5.7%

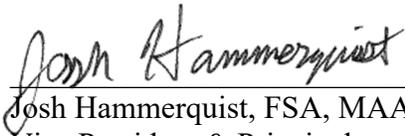
Sincerely,



Brian Stentz, ASA, MAAA
Consulting Actuary
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.

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- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 8, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is August 5, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

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- Lewis & Ellis is financially and organizationally independent from BCBSRI. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates, as applicable.
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ACTUARIAL FINDINGS

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METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

July 28, 2022

State of Rhode Island Office of the Health Insurance Commissioner

Re: Blue Cross and Blue Shield of Rhode Island
2023 Small Group Rate Filing
SERFF# BCBS-133266044

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2023 small group rate filing for Blue Cross and Blue Shield of Rhode Island (BCBSRI or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. BCBSRI is a not-for-profit insurer that provides health insurance coverage to Rhode Islanders. This filing proposes premiums for BCBSRI's Qualified Health Plans (QHPs) that will be offered both off and on HealthSource Rhode Island (HSRI) beginning January 1, 2023.
2. BCBSRI submitted proposed rates on May 16, 2022, with an average rate increase of 11.7%. This report's analysis is based on those proposed rates.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State's Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take "all necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island."

The OAG has engaged L&E to perform an actuarial review of BCBSRI's 2023 small group market ACA rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E's recommendations focus on producing rates that are not excessive, inadequate,

or unfairly discriminatory¹. Premium affordability is not within the scope of L&E's actuarial review.

SUMMARY OF RECEIVED DATA

BCBSRI provided the methodology used to develop the proposed 2023 small group market premiums. The Company provided exhibits which demonstrated the quantitative development for each component of the premium request, including trend, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

BCBSRI provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are filing assumptions that are key to the proposed 11.7% rate increase.

1. UTILIZATION TREND

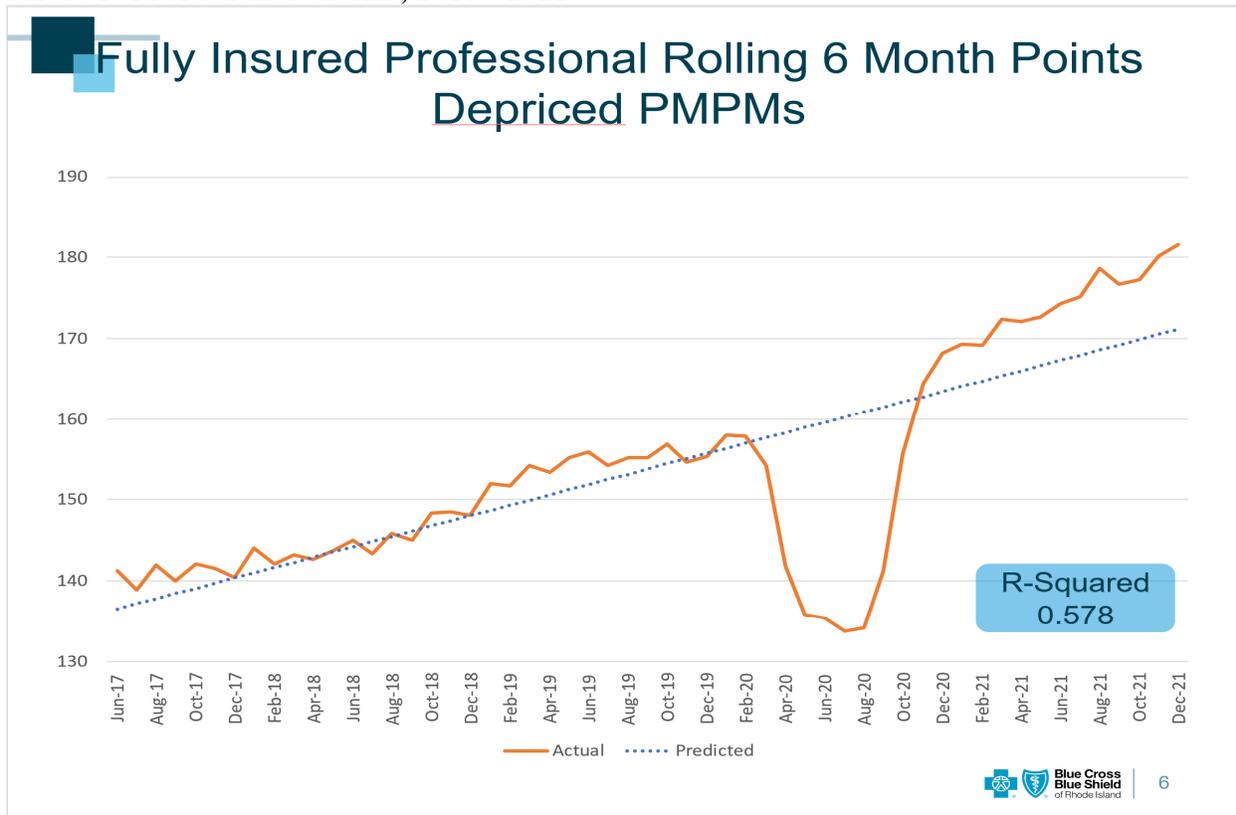
Inpatient, Outpatient and Professional

The base period for this filing is 2021. Because of the various care disruptions related to the Covid-19 pandemic, 2020 and 2021 claims experience must be assessed carefully. BCBSRI's typical methodology for developing utilization/mix trends is to use a linear regression model with three years of allowed claims on a per member per month (PMPM) basis, normalized for changes in claim costs that were due to influences other than utilization or mix.

Due to Covid-19 disruptions impacting inpatient, outpatient, and professional services, BCBSRI revised its methodology to use claims from 2017 to 2021, with 2020 excluded. The Company analyzed the normalized claims by using rolling 6-month averages. An example of this analysis is shown for the professional category in Chart 1, and the results of this analysis for all service categories are summarized in the first column in Table 1.

¹ This is based on Actuarial Standards of Practice No. 8
<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

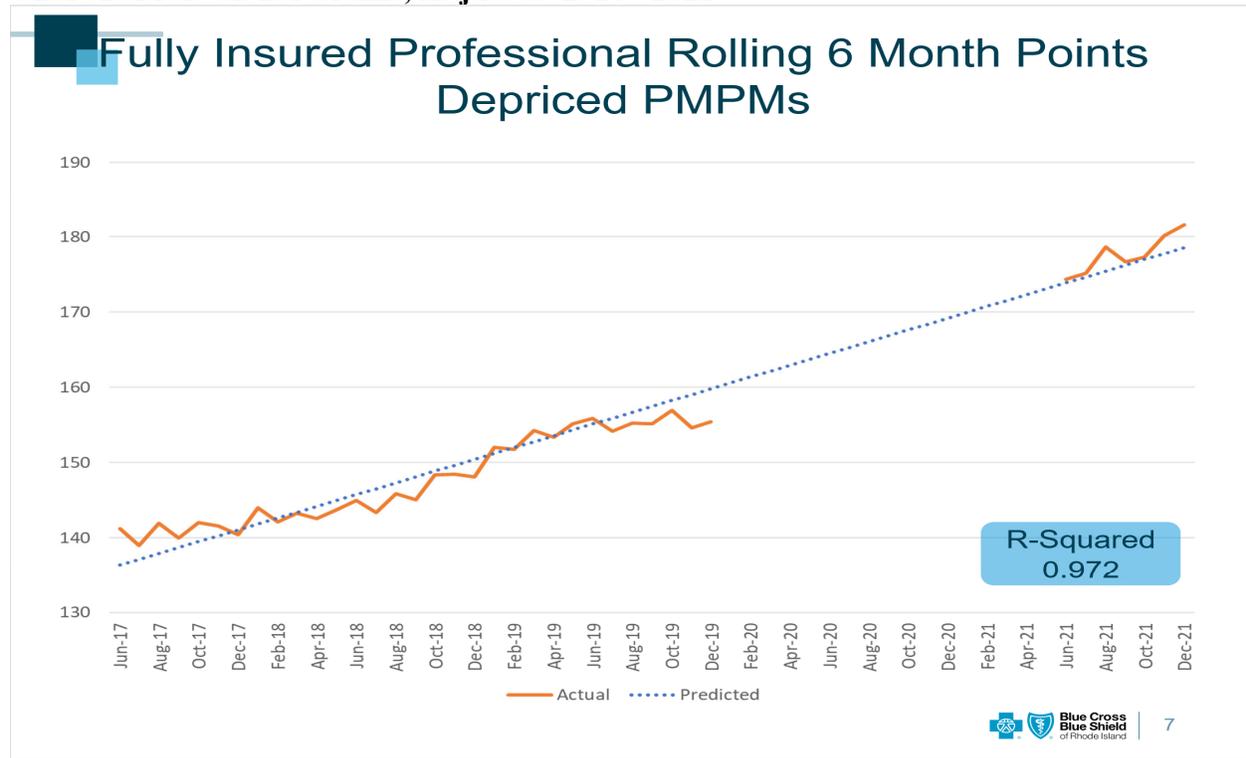
Chart 1: Professional Claims, 2017 - 2021



The chart above shows that the 2020 professional claims were significantly lower than the historical claim levels due to the Covid-19 pandemic. The Company does not expect this anomaly to occur in 2023, so the Company excluded the 6-month rolling average data points that include 2020 claims, which is shown in Chart 2. BCBSRI uses this adjusted time period for their regression analysis for all service categories. The results are summarized in column 2 of Table 1.

The Company used the results of this regression analysis for outpatient, professional and prescription drugs. However, BCBSRI reduced the inpatient utilization trend from 0.7% to 0.2% to reflect that, (1) the consideration that the most recent data points indicate lower trends, and (2) the low r-squared value in the experience period indicates the regression is not a good fit for the experience period claims.

Chart 2: Professional Claims, Adjusted² 2017 - 2021

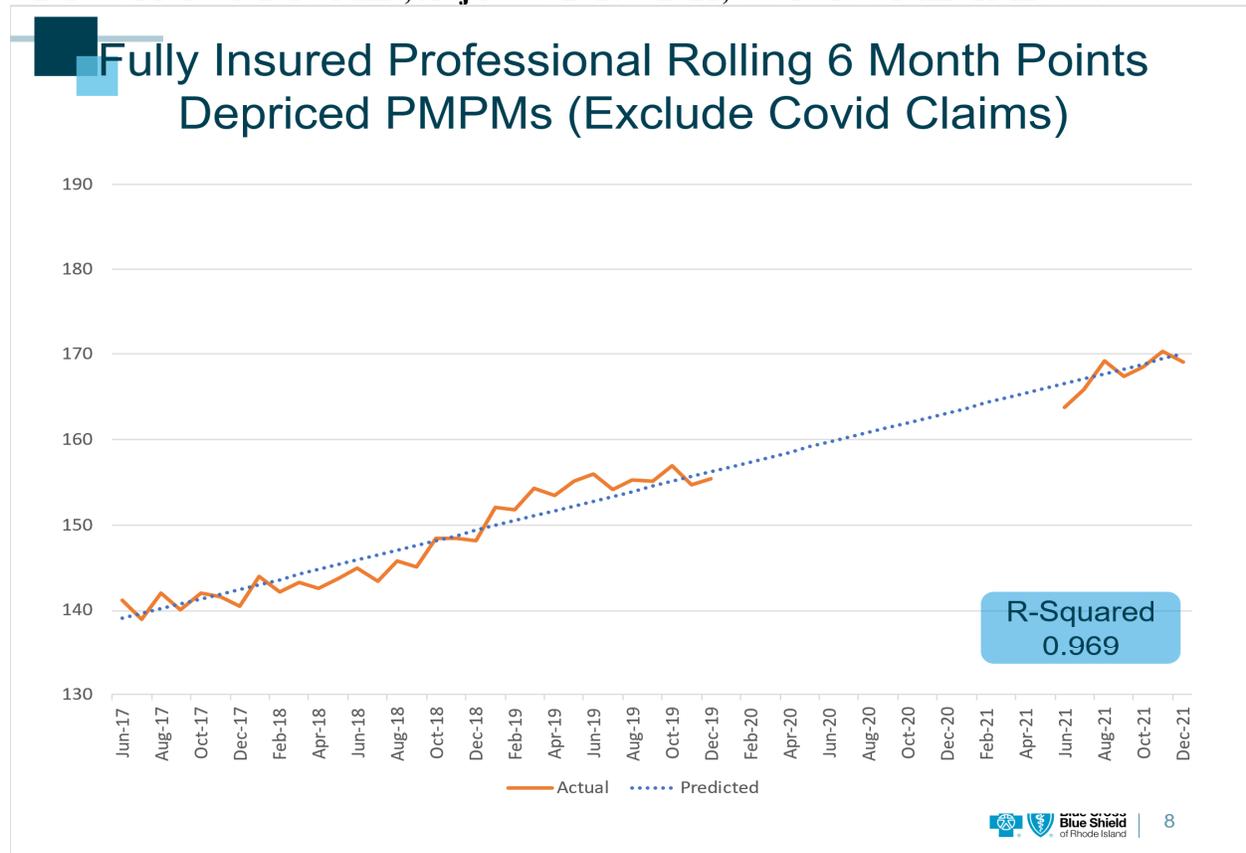


L&E believes it is reasonable and appropriate to analyze utilization trends by removing 2020 claims. However, 2021 claims reflect one-time effects from Covid-19 that are not part of a long-term trend. L&E reviewed the Company’s revised claims, which were provided in response to a request made by the Rhode Island Office of the Health Insurance Commissioner (OHIC). An example of this analysis is shown for the professional category in Chart 3. The results of this analysis for all service categories are summarized in the third column in Table 1.

The Company expects that the Covid-19 pandemic’s impact on 2023 claims will be 50% lower than the impact on 2021 claims. Since Covid-19 claims are being projected to 2023 in a separate calculation, it is not appropriate to assume that the pandemic’s 2021 impact will continue to put upward pressure on 2022 and 2023 utilization. This separate Covid-19 adjustment is discussed later in the report.

² The adjusted time period removes the 6-month rolling average claims from January 2020 through June 2021, due to the impact of Covid-19 on claims during this period.

Chart 3: Professional Claims, Adjusted² 2017 – 2021, Covid-19 Claims Removed



BCBSRI normalized the historical data for unit cost changes, network changes, induced utilization factors, and other one-time changes. However, the Company did not normalize the data for the impact of the population aging during this period. The Company provided the average age factor for each month in the experience period in response to questions from the OAG. If BCBSRI were not allowed to rate by age, then it would be appropriate to analyze the historical aging of the population and project that forward. However, since BCBSRI does rate by age, L&E used these factors to normalize the experience period data for the impact of aging. The results of this additional analysis is shown in the fourth column in Table 1.

Table 1 compares the results the regression analysis under the four scenarios described above.

Table 1: Utilization Trend Regression Analysis Results

Service Category	2017 - 2021	Adjusted ² 2017 - 2021	Adjusted ² 2017 - 2021, Covid Claims Removed	Adjusted ² & Normalized 2017 - 2021, Covid Claims Removed
Inpatient	-0.6%	0.7%	-0.1%	-0.5%
Outpatient	3.2%	4.3%	4.0%	3.6%
Professional	4.4%	5.2%	4.0%	3.7%

The first column represents the results using all claims data from 2017 to 2021. The second column is based on the same claims data, except adjusted to remove 2020 claims. BCBSRI used the regressions on the adjusted claims to calculate the utilization trends used in the filing. The Company also made an explicit adjustment to the inpatient utilization³ results.

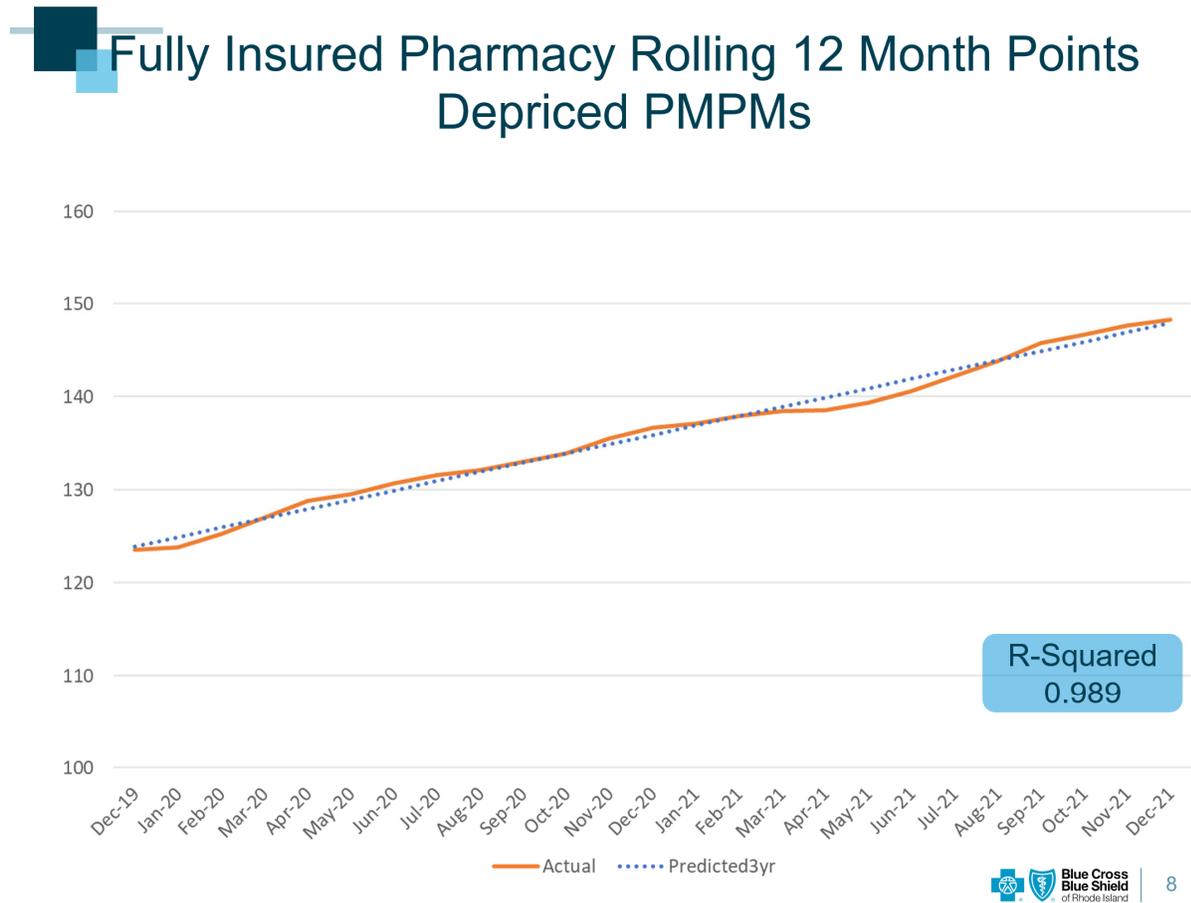
The third column is the utilization trends when Covid-19 claims are removed, and the fourth column adjusts that further by normalizing the historical experience for the aging population. L&E recommends BCBSRI use these utilization trends by service category as shown in the fourth column.

Pharmacy

The Company analyzed pharmacy claims by using rolling 12-month averages. L&E believes the Company's assumed pharmacy trend shown in Chart 4 below is reasonable. It is clear that the pandemic has had a minimal impact on pharmacy utilization trends. L&E believes that BCBSRI's proposed pharmacy trend assumption is consistent with the historical data and is reasonable for 2023.

³ BCBSRI reduced the inpatient utilization trend from 0.7% to 0.2%.

Chart 4: Pharmacy Claims, 2017 – 2021



As in the case with Inpatient, Outpatient and Professional services, L&E recommends normalizing the pharmacy claims for the impact of aging. The result of this analysis is shown in the second column of Table 2 below.

Table 2: Utilization Trend Regression Analysis Results for Pharmacy

Service Category	2019 - 2021	Normalized 2019 - 2021
Pharmacy	7.5%	7.3%

All Service Categories

The recommend changes for inpatient, outpatient, professional and pharmacy utilization trends will result in a premium reduction of approximately 1.7%.

2. HOSPITAL AND PROFESSIONAL UNIT COST TRENDS

Cost projection factors are developed for inpatient, outpatient, and professional services. These factors represent anticipated unit price increases during the 24 months from the 2021 experience period to the 2023 rating period. BCBSRI's Enterprise Analytics team estimates these price projection factors based on actual unit cost increases, estimates of price increases based on provider negotiations, and any planned or estimated increases and adjustments to provider contracts.

For all hospital facilities not yet negotiated, price increases were originally capped at a three-year average of CPI-U + 1% based on 2019-2021 CPI-U increases. However, a few weeks prior to the filing's submission, it was determined that 2023 increases would be capped based on the most recently published CPI-U annual increase, as of October 1, 2022, plus 1%⁴. A new price factor was then estimated based on the CPI-U annual increase available at the time of the rate development. The 7.5% unit cost trend assumption was based on April 2022's CPI-U value of 6.5%.

There have been three CPI-U updates since the rate filing submission. The most recently available CPI-U value is 5.9% for July 2022. In light of the updated CPI-U value, L&E recommends the 2nd year unit cost trends for the hospital inpatient and hospital outpatient service categories be reduced to 6.9%.

Since inpatient and outpatient claims account for 47% of projected claims and this recommendation only impacts the 2nd year trend assumption (i.e., 2022 to 2023), this recommendation reduces the rates by approximately 0.2%.

3. RISK ADJUSTMENT:

A company's risk adjustment transfer payment (payable or receivable) is dependent on the Company's morbidity relative to the entire small group market and the small group market's average premium rate. BCBSRI has consistently received transfers payments from the federal Risk Adjustment program because the Company has a disproportionately sicker population relative to the Rhode Island small group market.

BCSRI developed its risk adjustment payment based on the HHS-Operated Risk Adjustment Technical Paper on Possible Model Changes⁵. The paper also factors in the net impact of the High-Cost Risk Pool program. This paper helped the Company estimate the 2020 transfer payment that would have been received if the 2021 risk adjustment model had been used. BCBSRI then trended this updated 2020 amount by the statewide average premium change from 2020 to 2021 in order to estimate the 2021 risk adjustment receivable. The Company then divided the estimated transfer payment by its 2021 membership to develop a 2021 risk adjustment payment PMPM.

⁴ L&E relied on OHIC and OAG's interpretation that using the annual increase is appropriate but have not independently interpreted the regulations.

⁵ This paper can be located at <https://www.cms.gov/files/document/report-summary-results-transfer-simulations.pdf>.

BCBSRI has indicated that their standard methodology is to align its projected risk adjustment with the risk adjustment payment received in its experience period. However, L&E notes that risk adjustment is a function of the average premium in the market, so the risk adjustment payment in the experience period should be trended forward to the projection period to account for changes in the statewide average premium.

The average 2022 premium market-wide increase was 1.1%, and the average expected 2023 market-wide increases based on our recommendations in this report and the proposed increase for the other company in the small group market is approximately 8.5%. Therefore, it is reasonable to expect that statewide average premium and BCBSRI's transfer payment would increase by approximately 9.7%.

BCBSRI had estimated a 2021 \$2.82 PMPM risk transfer. On June 30, 2022, the Centers for Medicare and Medicaid Services (CMS) released the final 2021 risk adjustment results. The actual 2021 risk adjustment for BCBSRI in the small group market was \$3.83 PMPM. By applying the recommended 9.7% trend assumption to this updated value, the estimated 2023 risk adjustment transfer amount is increased by \$1.39 to \$4.21 PMPM. This risk transfer increase reduces 2023 premiums by approximately 0.3%.

4. COVID-19 CLAIMS

BCBSRI included a Covid-19 claims adjustment of 0.981. This factor was developed by analyzing the amount Covid-19 claims present in 2021 on a PMPM basis and by applying a 50% reduction factor. The 0.981 factor was then applied to the projected 2023 expected claims. This adjustment effectively assumes that Covid-19's impact on 2023 claims will be half of its impact on 2021 claims.

Table 3: Covid-19 Reduction Factor Development

2021 Covid-19 Claims	Allowed PMPM
Inpatient Covid-19	\$6.84
Other Covid-19	\$4.31
Testing	\$7.38
Vaccine	\$3.08
Total Covid-19 Claims	\$21.62

Covid-19 Reduction Factor Development	
Total Covid-19 Claims 2021 PMPM	\$21.62
Covid Reduction Assumption:	50%
Reduction on PMPM basis	\$10.81
Total Allowed Commercial Claims	\$575.63
Reduction Factor	0.981

To illustrate the materiality of the 50% reduction assumption, L&E reviewed changes to the reduction factor if the Covid-19 impact on 2023 was different than the assumed 50% reduction.

Table 4: Covid-19 Reduction Factor Impact Scenario Testing

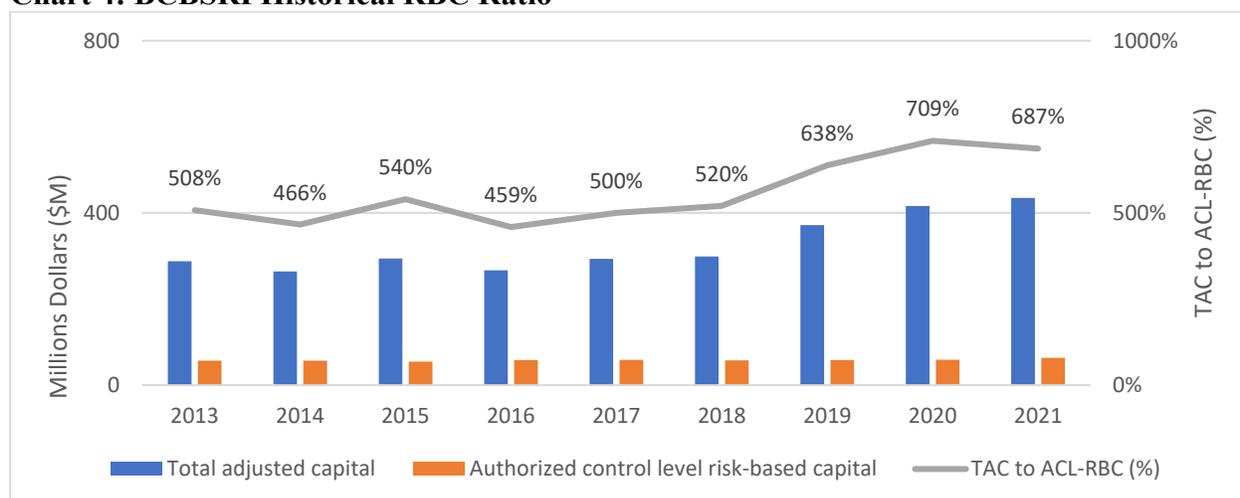
Covid-19 Reduction Assumption	25% reduction	50% reduction	75% reduction
Reduction Factor	0.991	0.981	0.972

Due to the limited variability in the above results, L&E considers the Company's expected 50% reduction in Covid-19's impact on 2023 claims versus 2021 to be reasonable and appropriate.

5. CONTRIBUTION TO SURPLUS:

After paying for administrative and claims costs, BCBSRI, as a not-for-profit entity, places any excess funds into an unassigned funds account (i.e., surplus). This surplus is set aside to protect consumers from unexpected adverse conditions.

A common metric to assess surplus is the risk-based capital (RBC) ratio. Since 2019, BCBSRI's RBC ratio has improved from historical norms, as shown below:

Chart 4: BCBSRI Historical RBC Ratio

Prior to the Covid-19 pandemic, BCBSRI included a 4.0% contribution to surplus (i.e., margin) in their rates. For 2021, the Company reduced the requested margin to 1.0% in recognition of the favorable claims experience resulting from the pandemic. For 2022, BCBSRI proposed increasing the surplus margin assumption to 2.5%; however, this was ultimately reduced to 0% by OHIC.

L&E believes that the Company's recent RBC levels are not unreasonable due to the level of current market uncertainty and it's likely the 2022 0% surplus margin assumption will continue to reduce BCBSRI's RBC. L&E believes BCBSRI's 2023 1% surplus margin assumption is reasonable and appropriate.

RECOMMENDATIONS

L&E believes that this filing, with the following modifications, produces rates that are not excessive, inadequate, nor unfairly discriminatory.

1. UTILIZATION TRENDS

L&E recommends:

- The inpatient utilization trend be reduced from 0.2% to -0.5%.
- The outpatient utilization trend be reduced from 4.3% to 3.6%.
- The professional utilization trend be reduced from 5.2% to 3.7%.
- The pharmacy utilization trend be reduced from 7.5% to 7.3%.

These changes produce an approximate 1.7% rate decrease.

2. HOSPITAL UNIT COST TRENDS

L&E recommends that the inpatient and outpatient unit cost trends be reduced from 7.5% to 6.9% for the second year. This change produces an approximate 0.2% rate decrease.

3. RISK ADJUSTMENT:

L&E recommends that the 2023 risk adjustment transfer amount be updated by using the final 2021 risk adjustment published by CMS on June 30, 2022, and increased by 9.7%. This would decrease rates by approximately 0.3%.

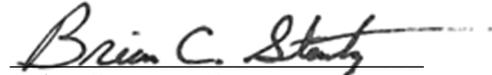
After modification, the rate increase will change from +11.7% to +9.5%. Implementing these recommendations would result in a savings of \$12.35 PMPM and estimated total savings of approximately \$6,100,000 for Rhode Islanders.

2023 RECOMMENDED RATE CHANGES

A breakdown of L&E's recommendation by rating component is provided below:

Component	Rate Change
BCBSRI Proposal	+11.7%
Utilization Trends	-1.7%
Hospital Unit Cost Trends	-0.2%
Risk Adjustment	-0.3%
Covid-19 Reduction	N/A
Contribution to Surplus	N/A
L&E Recommendation	+9.5%

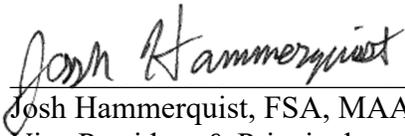
Sincerely,



Brian Stentz, ASA, MAAA
Consulting Actuary
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations⁶, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct⁷, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Brian Stentz, ASA, MAAA, Consulting Actuary.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is July 28, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 27, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from BCBSRI. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates, as applicable.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by BCBSRI for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

⁶ The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

⁷ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic, and the possible implementation of Family Glitch fixes.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

August 3, 2022

State of Rhode Island Office of the Health Insurance Commissioner – CONFIDENTIAL

Re: Cigna Health and Life Insurance Company
2023 Rhode Island LG Rate Filing
SERFF Tracking #: CCGP-133245835

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc’s (L&E) actuarial analysis regarding the proposed 2023 Large Group Rate Filing for Cigna Health and Life Insurance Company (Cigna or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING OVERVIEW

SERFF Tracking Number: CCGP-133245835

1. Cigna submitted proposed rates on May 16, 2022, with an average rate increase of 8.5%. The maximum rate change is 12.6%, and the minimum is 3.6%.
2. The proposed rates are effective once approved. They will be applied to new quotes upon the next pricing model implementation date following approval.
3. The filing provides the medical benefits for large employer groups. The filing is for Open Access Plus, PPO, Network, Indemnity, and retiree medical insurance products. It also includes pharmacy, mental health/substance use, and other riders.
4. The filed trend for the filing is 7.6%. Therefore, the primary driver of the rate increase is the trend.
5. Cigna covers 635 lives in Rhode Island.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State’s Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take “all

necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island.”

This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E’s recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E’s actuarial review.

SUMMARY OF RECEIVED DATA

Cigna provided the rating manual used to develop the proposed 2023 large group market premiums. Within this “RI CHLIC Template 2021 - 6.22.22.pdf” file, the Company outlines the starting manual rate, along with all adjustments applied to the manual rate to adjust for the rating population. The manual also outlines how statistical credibility is determined.

After a request from L&E, Cigna provided the “Sample Illustrative Renewal Rate Development – CHLIC.xlsx” file, which shows how the Company blends the experience with the rating manual. Within this file, it shows the starting experience total claims, along with the member months for the credibility calculation. The experience claims show various adjustments, including benefit and demographic changes. This experience rate is then trended to get the trended experience. The trended experience is then blended with the manual rate to get the final rate.

After a request from L&E, the Company also provided some support for the trend development. This is outlined in the “CONFIDENTIAL_Objection3_AG_Responses_RI.xlsx” file.

RATING PROCESS

The medical base claims are the national base claims costs for experience-rated business. The claims costs are established for all major service categories, which may be further subdivided into sub-cost categories. Table 1 in Appendix C of file “RI CHLIC Template 2021 - 6.22.22.pdf” provides the current base medical claims cost for each major service category. They are also outlined in the below table.

Service Category	Manual Rate: In Network	Manual Rate: Out of Network
Inpatient	\$128.18	\$2.48
Outpatient	\$156.66	\$6.52
Primary Care Physician	\$14.92	\$1.23
Emergency Room	\$29.36	\$0.08
Specialty Care Physician	\$62.75	\$4.68
Other	\$6.68	\$0.64
Preventive Care	\$18.45	\$0.37

¹ This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

The pharmacy claims cost start with the average wholesale price per script and annual script counts per customer. This is selected based on the formulary type. Both the medical and pharmacy costs are adjusted based on various factors and are then trended forwarded to get the final total annual cost.

The experience rate starts with the total claims PMPM for the experience period, which is 12 months of data. It is based on the most recent twelve-month incurred period, with two months of run out. The Company then makes an adjustment for large claims based on both the number and magnitude of the shock claims present in the experience. This adjustment prevents infrequent shock claims from distorting the experience. These shock claims are subtracted from the starting experience. The Company then applies adjustment factors for benefit changes, integration credits, demographic changes, and other miscellaneous changes. Once the experience rate has been adjusted, trend is applied. The projected pooling fee is added in as well as the addition of large claims up to the pooling level. All accounts have an average amount of these claims added to their experience as part of the smoothing process.

The projected rate is then credibility blended with a manual rate. Since Cigna has small membership levels in Rhode Island, the experience is blended with the manual rate on a credibility factor.

For credibility to apply, there must be a minimum of 5 months of claims experience as well as a minimum overall of 100 member months. If member months are greater than or equal to 36,000, credibility is 100%. A credibility percentage is calculated and is applied to the manual rate for groups with 100 to 36,000 member months. L&E finds the credibility blending reasonable.

TREND

Cigna used a trend of 7.6%. This is based on all Rhode Island residents' claim experience, which includes all policies situs in Rhode Island. Unit cost trends for inpatient, outpatient, and professional spend are developed using anticipated changes in provider contracted rates, typically a combination of previously contracted rates and expected changes due to recent negotiations with providers.

The below table shows the breakdown in trend by service category.

Service Category	Trend
Hospital Inpatient	6.3%
Hospital Outpatient	6.5%
Professional	6.1%
Other Medical	11.9%
Capitation	4.4%
Prescription Drug (net of RX rebates)	11.1%
Total	7.6%

The Company provided additional details on the inpatient facility, outpatient facility, and prescription drug (net of Rx rebates) unit cost trends. However, Cigna did not provide any development of the other service categories for the unit cost trend even though it was requested.

The utilization trend was 1.7% and the mix was 1.6% for all service categories except for prescription drugs. The utilization trend for Rx was 1.1% and 0.0% for mix. The utilization and mix trend were developed by looking at historical average utilization and mix trends and then adjusting them for known expected impacts. These could be the addition of specific programs to reduce utilization through national or local market actions or to adjust for other factors including the impact of leap year's extra day of utilization. The utilization and mix trends are assessed across all medical categories and not set by service category. The Company did not provide the development of the utilization (except Rx) and mix trends even though it was requested.

The leveraging trend, which is 1% across all service categories, was determined by setting a trend assumption and comparing data across two years. The year-over-year change in rates from these two sets represents the paid trend. The trend leveraging amount is determined using the difference between the trend assumption and this paid trend amount.

While Cigna provided some additional detail regarding the trend assumptions used in the rate development, direct support was not provided. However, the Company did include an actual-to-expected exhibit detailing how the filed trends in Rhode Island compared to the Company's actual, realized trend. Since the Company's Rhode Island book of business is not fully credible, the comparison included the fully credible nationwide experience. Generally, the Company has been using lower trend in Rhode Island than what the nationwide experience has demonstrated.

Based on the information provided, and consideration of the market segment and industry averages, L&E does not find the 7.6% trend assumption unreasonable. However, the actuarial justification provided by the Company was not considered sufficient to fully assess the trend assumption.

RETENTION

The below table shows the breakdown in the retention costs, as a percentage of premium. These values were provided in the "2023 LG OHIC Rate Template - CHLIC v2.xlsx" file.

Category	%
ACA Fees and Taxes	0.0%
Premium Tax	2.0%
Other Retention Charge	0.0%
Contribution to Reserve	3.5%
Investment Income Credit	0.0%
Payroll and Benefits	0.0%

Outsourced Services	0.0%
Auditing and Consulting	0.0%
Commissions	0.0%
Marketing and Advertising	0.0%
Legal Expenses	0.0%
Other Taxes, Licenses, and Fees	1.4%
Reimbursements by Uninsured Plans	0.0%
Other Admin Expenses	5.7%
Total	12.7%

The total retention of 12.7% is an increase from 2022, which had a total retention charge of 10.4% of premium.

The profit (“Contribution to Reserve”) increased from 0.0% from last year to 3.5% this year. In 2021, the Health Insurance Commissioner informed all carriers in Rhode Island that no contribution to reserves/profit margin would be allowed for the 2022 rates. Cigna has restored the contribution to reserves/profit margin for the 2023 rates.

L&E made an inquiry to Cigna for actuarial justification for the 3.5% contribution to reserves/profit margin. Cigna did not provide the requested justification, instead indicating that the Company is compliant with the state’s MLR requirements.

While direct actuarial justification for the re-inclusion of the contribution to reserves/profit margin was not provided, the 3.5% load is not atypical for the large group major medical market.

UNDERWRITING

The Company applies underwriting after the rate development to reflect characteristics on a case-by-case basis when they are not otherwise reflected in the methodology. Discretionary underwriting adjustments are limited to +/-40%. However, the Company noted that underwriting can exceed this range when supporting justification is provided.

L&E asked the Company how they comply with Bulletin-2013-5 Revised from OHIC. The response provided did not directly answer how the underwriting standard and judgement are based only on rational, objective, and financially sound actuarial criteria.

While Cigna indicated that they have policies and procedures in place to ensure proper and appropriate underwriting, it was not indicated or demonstrated that the Company was compliant with Bulletin-2013-5. L&E was unable to make an assessment whether Cigna is compliant with the underwriting standards of Bulletin-2013-5 based on the information provided.

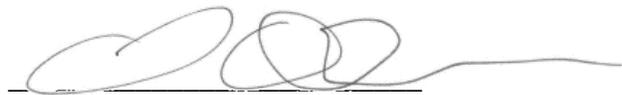
RECOMMENDATIONS

L&E believes that this filing appears to produce rates that are not excessive, inadequate, nor unfairly discriminatory. However, the Company did not provide enough information for some

assumptions in order to make a proper assessment on their reasonability. The following summarizes the missing information.

- Trend
 - The Company did provide some additional information. However, the Company did not provide all requested information to support the trend used in the rate development.
- Underwriting
 - The Company did not provide enough information for L&E to assess whether they fully comply with Bulletin-2013-5 Revised from OHIC.
- Profit
 - The Company did not include direct actuarial justification for their assumed 3.5% profit margin.

Sincerely,



John O'Dell, ASA, MAAA
Assistant Vice President & Consulting Actuary
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.



Hannah Russell, MSc
Actuarial Associate
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

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IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- John O'Dell, ASA, MAAA, Consulting Actuary
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 3, 2022. The date (a.k.a. "latest information date") through which data or other information has been considered in performing this analysis is July 20, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

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- Lewis & Ellis is financially and organizationally independent from Cigna. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
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- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19-19 pandemic.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.



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August 11, 2022

State of Rhode Island Office of the Health Insurance Commissioner

Re: Neighborhood Health Plan of Rhode Island
2023 Individual Rate Filing
SERFF# NHRI-133254005

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2023 Individual Rate Filing for Neighborhood Health Plan of Rhode Island (NHPRI or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. NHPRI is a not-for-profit health maintenance organization (HMO) insurance company that provides health insurance coverage to Rhode Islanders. This filing proposes premiums for NHPRI's Qualified Health Plans (QHPs) that will be offered on HealthSource Rhode Island (HSRI) beginning January 1, 2023.
2. NHPRI initially submitted proposed rates on May 17, 2022, with an average rate increase of 6.8%. This report's analysis is based on those proposed rates.

PURPOSE AND SCOPE

Pursuant to Rhode Island Gen. Laws §§27-36-1, 27-19-6, and 27-20-6, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings.

A public rate hearing must be held for a requested rate increase of 10% or higher by an insurer covering 10,000 or more individual lives per Rhode Island Gen. Laws §§27-19-6(f) and 27-20-6(f). In the event a public rate hearing is not triggered, Rhode Island law [§§27-19-6(j)(2)-(k), 27-20-6(j)(2)-(k), and 27-36-2(a)] allows the OAG to hire actuaries to review the proposed rate filings.

The OAG has engaged L&E to perform such an actuarial review for the 2023 Individual market Affordable Care Act (ACA) rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E's recommendations focus on producing rates that are not

excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E's actuarial review.

SUMMARY OF RECEIVED DATA

NHPRI provided the methodology used to develop the proposed 2023 Individual market premiums. The Company provided exhibits demonstrating the quantitative development for each component of the premium request, including trends, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

NHPRI provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are the key filing assumptions underlying the proposed 6.8% rate increase.

1. INCURRED BUT NOT REPORTED (IBNR) CLAIMS

NHPRI has historically underestimated the completion factor, therefore overestimating the IBNR claims. The table below outlines the historical actual-to-expected.

Year	Actual Completion Factor	Filed Completion Factor	Actual/Expected
2017	0.961	0.895	1.074
2018	0.976	0.939	1.039
2019	0.989	0.977	1.012
2020	0.985	0.956	1.030
2021		0.949	

Despite the history of underestimating the completion factor, NHPRI has assumed a more conservative completion factor for 2021 relative to recent experience, which directly impacts the base period claim costs used to develop the 2023 rates. During the rate review process, NHPRI disclosed that their overall approach to IBNR is conservative based on NHPRI's historical financial position. Furthermore, NHPRI noted that an explicit margin of 2.6% is included in the IBNR estimate as filed for 2023.

L&E believes that all margins should be reflected in the contribution to surplus assumption rather than within other assumptions. L&E recommends that the margin be removed from the IBNR estimate. Additionally, L&E recommends that the completion factor assumption be increased based on the historical actual-to-expected analysis, which would decrease the estimate IBNR. This would result in an approximate -2.6% decrease to the proposed 2023 rates.

¹ This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

2. CLAIMS TREND

NHPRI assumed an 8.9% average annual trend in their initial filing. This assumption consists of a 5.5% unit cost trend and a 3.2% utilization trend. [REDACTED]

[REDACTED] The utilization assumption is based on historical trends, industry trends, Milliman Health Cost Guidelines (HCGs), and actuarial judgment.

NHPRI's selected 8.9% average annual trend assumption is consistent with the information provided showing a 9.1% average annual trend from 2019 to 2021. However, this trend is significantly impacted by the Covid-19 pandemic. The 2019 costs were pre-pandemic, and the 2021 costs are post-pandemic. By continuing to project this level of average annual trend forward, the Company is, in effect, projecting forward the cost of another pandemic between 2021 and 2023.

During the rate review process, L&E requested two years of annual trend (2019 to 2021) using data that was normalized for (i.e., removing) Covid-19 utilization. However, the Company was only able to provide one year of such data (2020 to 2021). The Covid-19 adjusted annual trend was 7.3%. L&E recommends that this normalized historical trend be used as the average annual trend assumption. Decreasing the average annual trend assumption to 7.3% would decrease the proposed rates by approximately -2.9%.

3. RISK ADJUSTMENT

A company's risk adjustment transfer payment (payable or receivable) is dependent on the Company's morbidity relative to the Individual market and the Individual market's average premium rate.

NHPRI consistently transfers payments into the risk adjustment program since the Company has a disproportionately healthy population relative to their competitor in the Rhode Island Individual market.

L&E notes two issues regarding the Company's estimated 2023 risk adjustment transfer payment:

- NHPRI's actual 2021 transfer payment was 153.4% larger than the estimated 2021 payment used to project the 2023 transfer.
- NHPRI did not account for premium increases between 2021 and 2023. The average marketwide 2022 premium increase was 1.9%, and the average marketwide 2023 increase based on L&E's recommendations is approximately 7.2%. Therefore, it is reasonable to expect that the statewide average premium and NHPRI's transfer payment would increase by approximately 9.2%.

After adjusting for these two issues, the adjusted aggregate risk adjustment payment increases rates by 6.0%.

4. COVID-19 CLAIMS

NHPRI assumed the following differences between the 2021 experience period and the 2023 rating period for Covid-19 costs and pent-up demand.

	Covid-19 Treatment	Covid-19 Testing	Covid-19 Vaccination	Pent-up Demand	Total
2021	\$4.55	\$5.42	\$0.47	(\$0.78)	\$9.66
2023	\$1.56	\$2.71	\$3.33	\$0.78	\$8.38

The projected claim cost reduction due to the Company's Covid-19 projections and pent-up demand is -0.3%. NHPRI further sensitivity tested a range of assumptions to reflect the uncertainty of the Covid-19 projections. NHPRI stated that the results did not materially differ from the actual 2021 claims costs. Therefore, NHPRI did not adjust the experience period claims for any expected changes in Covid-19 costs and pent-up demand.

During the rate review process, NHPRI stated that the projection Covid-19 vaccination costs were developed assuming an \$80 cost per dose and a 50% utilization rate². The 50% utilization rate was based on the Rhode Island flu vaccination rate. The \$80 cost per dose was based on an experience period administrative cost per dose of \$40, and an assumed \$40 ingredient cost per dose. While the government has covered the Covid-19 vaccine ingredient costs in the 2021 experience period, NHPRI has assumed that support will not continue in 2023.

L&E believes that the Company did not provide substantial evidence to support that the government will no longer support Covid-19 vaccine ingredient costs in 2023. A press release by the US Department of Defense in June 2022 states that the Biden-Harris administration purchased more than 100 million doses of the Covid-19 vaccine for the fall of 2022³. While this does not solidify covered Covid-19 vaccine ingredient costs for 2023, it showcases the government's intention to continue support through at least 2022.

L&E does not consider it reasonable to assume that the government will provide no subsidization for Covid-19 vaccines in 2023, nor is it reasonable to assume that the government will subsidize the full cost of vaccines for the entire year. Therefore, L&E recommends assuming half the Company's assumed ingredient cost for 2023. Additionally, L&E recommends that the Company's -0.3% projected reduction discussed above be applied to the experience period claims. These two recommendations together would produce a rate decrease of approximately -0.5% to the proposed rates.

²(\$80*50%)/12=\$3.33 PMPM

³ <https://www.defense.gov/News/Releases/Release/Article/3079200/biden-harris-administration-secures-more-than-100-million-doses-of-pfizers-late/>

5. CONTRIBUTION TO SURPLUS

After paying for administrative and claims costs, NHPRI, as a not-for-profit entity, places any excess funds into an unassigned funds account (i.e., surplus). This surplus is set aside to protect consumers from unexpected adverse conditions.

A common metric to assess surplus is the risk-based capital (RBC) ratio. The historical RBC ratios are shown in the table below.

2019	2020	2021
211%	253%	236%

L&E notes that the actual 2021 risk adjustment payment was approximately \$5.7M more than the Company expected, reducing the Company's RBC ratio by about 10% to 226%⁴. L&E notes that if the RBC ratio drops below 200%, it will warrant regulatory intervention. L&E also notes that if NHPRI were to gain membership, this would lower its RBC ratio as well.

For 2022, NHPRI proposed a contribution to surplus assumption of 4.6%; however, this was ultimately reduced to 0% by OHIC. For 2023, NHPRI has proposed a 3.0% contribution to surplus.

L&E believes that the Company's recent RBC levels are low considering regulatory standards, and the Company is at serious risk of needing regulatory intervention. Given the level of current market uncertainty and the risk of intervention, a contribution to surplus assumption any lower than what was filed by the Company has a high potential of resulting in continued reductions to NHPRI's RBC Ratio. Considering the Company's financial position, L&E recommends that the contribution to surplus be increased to 6.0%. This would result in an increase to the proposed rate of 3.0%.

6. AMERICAN RESCUE PLAN ACT (ARPA)

ARPA was signed into law in March 2021 and made additional premium subsidies available for persons covered in the Individual market. The enhanced subsidies, which were retroactive to January 1st, 2021, are effective through December 2022. Individuals who previously had to pay the entire premium for coverage are now eligible for subsidies and, in some cases, substantial subsidies. Additionally, members previously eligible for premium subsidies are generally eligible for larger subsidies, which would decrease their premiums.

In 2020, households below 400% of the federal poverty level (FPL) made health insurance decisions based on subsidies smaller than what are available in 2022. For persons with incomes exceeding 400% FPL, they may now be eligible for premium subsidies.

The introduction of the additional subsidies reduced the incentive for healthy uninsured people to remain uninsured since they can now purchase coverage at a reduced rate. The addition of the

⁴ This is based on the latest information available, which is the 2021 RBC.

previously uninsured, healthy population to the Individual market was expected to improve the overall morbidity of the Individual market.

In L&E's report⁵ for the 2022 plan year, L&E estimated that an additional 1,569 members would purchase plans in 2022 relative to 2020 membership due to the enhanced subsidies. L&E expected that this would result in a 3.3% increase to the total individual market enrollment. L&E also estimated that these members would be 10% healthier than the current market because they have remained uninsured until the enhanced subsidies became available. L&E estimated that these additional members would reduce the morbidity of the individual market by 0.3%.

Total individual market membership increased by 1.5% from March 2021 to March 2022. L&E notes that this increase in membership is less than the estimated impact due to ARPA; however, there is downward pressure on membership during the period in the Individual market because some members who would normally have lost Medicaid eligibility were expected to join the individual market. However, Medicaid has been required to provide continuous coverage for current enrollees during this time period⁶, and as such, enrollment in Medicaid has increased by 16,781 members from February 2021 to February 2022.

In 2021, ARPA included a special enrollment period for members to take advantage of the enhanced subsidies. Of the 0.3% estimated impact on 2022 premium, L&E expects that one-third of the impact was from members who joined during the 2021 special enrollment period. The remaining members are expected to join during the 2022 open enrollment period. Therefore, L&E estimates that the 2021 premiums were 0.1% lower due to the impact of ARPA.

At the time of this report, it is uncertain if the enhanced subsidies under the American Rescue Plan Act (ARPA) will be extended beyond the current legislated end date of December 31, 2022. The Company did not make any 2023 projected population morbidity changes that could result from the termination of the ARPA subsidies.

L&E recommends that OHIC continue to monitor potential legislative actions which could extend the ARPA subsidies and potentially impact 2023 premiums. At this time, L&E does not recommend any change to the rates due to this provision.

ARPA Expires

In this scenario, it is expected that the members that purchased a plan in 2021 and 2022 due to the enhanced subsidies will likely leave the Individual market when their premiums revert back to pre-ARPA levels. As a result, L&E would recommend that the estimated 0.1% 2021 morbidity improvement be backed out of 2021 claims before projecting them to 2023. This would produce a 0.1% rate increase.

ARPA Extended

⁵ L&E NHPRI 2022 Ind Filing 8-11-21 FINAL

⁶ <https://www.kff.org/medicaid/issue-brief/medicaid-maintenance-of-eligibility-moe-requirements-issues-to-watch/>

Government programs such as ARPA do not typically reach ultimate enrollment levels in the first few years after implementation since news of a program takes time to reach all eligible members.

In this scenario, L&E expects that additional persons will learn about the enhanced subsidies during 2022 and decide to enroll during the 2023 open enrollment period.

L&E estimates that there will be an additional 0.1% improvement in morbidity in 2023 over 2022 due to this additional enrollment. This, combined with the 0.2% improvement for 2022 morbidity described above relative to 2021 produces a total morbidity improvement of 0.3% from the 2021 base period claims to the 2023 projected period. This produces a 0.3% rate decrease.

7. FAMILY GLITCH

Employees that are offered insurance by their employer are eligible for subsidized premiums in the individual market if they are required to pay more than 8.5%⁷ of their family's income for employee only coverage. On April 5, 2022, the Biden-Harris Administration proposed a rule to fix the family glitch. Under the proposed rules, if an employer's self-only coverage is affordable, but the family coverage is unaffordable, then the family members may be eligible for a subsidized ACA plan.⁸

A Kaiser Family Foundation (KFF) study⁹ estimated that approximately 9,000 family members in Rhode Island fall into the family glitch, with over half being under the age of 18. The study also estimates that only 6% of the family members currently have an unsubsidized ACA plan, leaving most of the 9,000 family members as potential new enrollees in the individual market as shown in Table 5 below.

Table 5: Family Glitch Current Insurance

Current Insurance	Rhode Island Family Glitch Members
Employer Sponsored	7,650
Individual Market	540
Uninsured	810

In estimating the impact of the family glitch fix, L&E assumed that 25% of the family members with employer sponsored insurance and the uninsured population would purchase a subsidized ACA plan.

Young adults in the ACA market subsidize the premiums for older adults because older adults are limited to pay only three times that of younger adults. However, that same restriction does not apply

⁷ This will revert back to 9.83% if ARPA expires.

⁸ <https://www.whitehouse.gov/briefing-room/statements-releases/2022/04/05/fact-sheet-biden-harris-administration-proposes-rule-to-fix-family-glitch-and-lower-health-care-costs/>

⁹ <https://www.kff.org/health-reform/issue-brief/the-aca-family-glitch-and-affordability-of-employer-coverage/>

to children, whom are over half of the eligible population. L&E modeled the impact of the younger population joining the individual market using typical industry age curves relative to the restricted ACA age curve. The results ranged from an estimated 0.1% rate decrease to a 0.1% rate increase.

L&E also considered the impact of morbidity differences between the group and individual markets since the majority of those who fall into the family glitch currently have family coverage. L&E considered several different approaches to estimate the morbidity difference, but sufficient data is not available to accurately estimate the potential rate impact.

Additionally, the American Academy of Actuaries released public comments on the family glitch and noted that the expected impact on the individual market is unlikely to be significant.¹⁰

L&E does not recommend a change to the individual rates in Rhode Island if the family glitch fix is finalized.

¹⁰ https://www.actuary.org/sites/default/files/2022-06/Academy_Family_Glitch_Comment_Letter_June_6_2022.pdf

RECOMMENDATIONS

L&E believes that this filing, with the following modifications, produces rates that are not excessive, inadequate, nor unfairly discriminatory.

1. INCURRED BUT NOT REPORTED CLAIMS

L&E recommends that the margin be removed from the IBNR estimate. Additionally, L&E recommends that the completion factor assumption be increased based on the historical actual-to-expected analysis, which would decrease the estimate IBNR. This would result in a decrease of approximately -2.6% to the proposed 2023 rates.

2. CLAIMS TREND

L&E recommends that the average annual trend assumption be set equal to the provided historical trend information, which is normalized for the impact of the Covid-19 pandemic. Decreasing the average annual trend assumption to 7.3% would decrease the proposed rates by approximately -2.9%.

3. RISK ADJUSTMENT

L&E recommends that the actual 2021 risk adjustment transfer amount and the impact of rate increases be appropriately considered. This would increase rates by approximately 6.0%.

4. COVID-19 CLAIMS

L&E recommends using applying a 50% discount to the Company's assumed ingredient cost per dose for 2023. Additionally, L&E recommends that the Company's -0.3% projected reduction discussed above be reflected applied to the experience period claims. These two recommendations together would result in a decrease of approximately -0.5% to the proposed 2023 rates.

5. CONTRIBUTION TO SURPLUS

L&E believes that the Company's recent RBC levels are low considering regulatory standards and the Company is at serious risk of needing regulatory intervention. Given the level of current market uncertainty and the risk of intervention, a surplus margin assumption any lower than what was filed by the Company, has a high potential of resulting in continued reductions to NHPRI's RBC Ratio. Considering the Company's financial position, L&E recommends that the contribution to surplus be increased to 6.0%. This would result in an increase to the proposed rate of 3.0%.

After modification, the rate increase will change from +6.8% to +9.8%. Implementing these recommendations would result in a cost of \$13.34 per member per month to Rhode Islanders. This amounts to a total cost of approximately \$3,900,000.

2022 RECOMMENDED RATE CHANGES

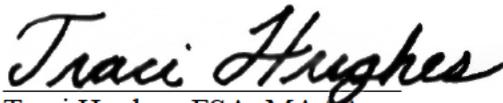
A breakdown of L&E's recommendation by rating component is provided below:

Component	Rate Change
NHPRI Proposal	+6.8%
Trend Adjustment	-2.9%
IBNR Adjustment	-2.6%
Risk Adjustment	+6.0%
COVID-19 Adjustment	-0.5%
Contribution to Surplus Adjustment	+3.0%
L&E Recommendation	9.8%

L&E recommends that OHIC continue to monitor potential legislative and regulatory actions regarding ARPA. If it is clear that ARPA will expire or be extended, L&E recommends the following estimated rate impacts to be included.

Component	Rate Change
ARPA Expires	+0.1%
ARPA Extended	-0.3%

Sincerely,



Traci Hughes, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations¹¹, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct¹², to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Traci Hughes, FSA, MAAA, Vice President & Consulting Actuary.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 11, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 26, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from NHPRI. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by NHPRI for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

¹¹ The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

¹² These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic, the possible extension of ARPA subsidies, and the possible implementation of Family Glitch fixes.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.



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August 11, 2022

State of Rhode Island Office of the Health Insurance Commissioner

Re: Neighborhood Health Plan of Rhode Island
2023 Small Group Rate Filing
SERFF# NHRI-133253960

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2023 Small Group Rate Filing for Neighborhood Health Plan of Rhode Island (NHPRI or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. NHPRI is a not-for-profit health maintenance organization (HMO) insurance company that provides health insurance coverage to Rhode Islanders. This filing proposes premiums for NHPRI's Qualified Health Plans (QHPs) that will be offered on HealthSource Rhode Island (HSRI) beginning January 1, 2023.
2. NHPRI initially submitted proposed rates on May 17, 2022, with an average rate increase of 9.3%. This report's analysis is based on the proposed rates as submitted on May 17, 2022.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery.

Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State's Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take "all necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island."

The OAG has engaged L&E to perform such an actuarial review for the 2023 Small Group market Affordable Care Act (ACA) rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E's recommendations focus on producing rates that are not

excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E's actuarial review.

SUMMARY OF RECEIVED DATA

NHPRI provided the methodology used to develop the proposed 2023 Small Group market premiums. The Company provided exhibits demonstrating quantitative development for each component of the premium request, including trends, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

NHPRI provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are the key filing assumptions that are underlying the proposed 9.3% rate increase.

1. INCURRED BUT NOT REPORTED (IBNR) CLAIMS

NHPRI has historically underestimated the completion factor, therefore overestimating the IBNR claims. The table below outlines the historical actual-to-expected.

Year	Actual Completion Factor	Filed Completion Factor	Actual/Expected
2017	0.939	0.950	0.988
2018	0.965	0.908	1.063
2019	0.988	0.959	1.030
2020	0.970	0.989	0.981
2021		0.941	

Despite the history of underestimating the completion factor, NHPRI has assumed a conservative completion factor for 2021 relative to recent experience, which directly impacts the base period claims costs used to develop the 2023 rates. During the rate review process, NHPRI disclosed that their overall approach to IBNR is conservative based on NHPRI's historical financial position. Furthermore, NHPRI noted that an explicit margin of 2.6% is included in the IBNR estimate as filed for 2023.

L&E believes that all margins should be reflected in the contribution to surplus assumption rather than within any other assumptions. L&E recommends that the margin be removed from the IBNR estimate. Additionally, L&E recommends that the completion factor assumption be increased based on the historical actual-to-expected analysis, which would decrease the estimate IBNR. Similarly, L&E recommends an adjustment to the individual market IBNR assumption applied within the manual rate. This would result in an approximate -2.6% decrease to the proposed 2023 rates.

¹ This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

2. CLAIMS TREND

NHRPI assumed an 8.9% average annual trend in their initial filing. This assumption is the same as their individual filing due to lack of credulity in their small group experience data, consistent with their selected manual rate base data. This assumption consists of a 5.5% unit cost trend and a 3.2% utilization trend. [REDACTED]

The utilization assumption is based on historical trends, industry trends, Milliman Health Cost Guidelines (HCGs), and actuarial judgement.

NHRPI's selected 8.9% average annual trend assumption is consistent with the information provided showing a 9.1% average annual trend from 2019 to 2021. However, this trend is significantly impacted by the Covid-19 pandemic. The 2019 costs were pre-pandemic, and the 2021 costs are post pandemic. By continuing to project this level of average annual trend forward, the Company is, in effect, projecting forward the cost of another pandemic between 2021 and 2023.

During the rate review process, L&E requested two years of annual trend (2019 to 2021) using data that was normalized for (i.e., removing) Covid-19 utilization. However, the Company was only able to provide one year of such data (2020 to 2021). The Covid-19 adjusted trend was 7.3%. L&E recommends that this normalized historical trend be used as the average annual trend assumption. Similarly, L&E recommends an adjustment to the individual market trend assumption used to develop the manual rate. Decreasing the average annual trend assumption to 7.3% would decrease the proposed rates by approximately -2.9%.

3. RISK ADJUSTMENT

A company's risk adjustment transfer payment (payable or receivable) is dependent on the Company's morbidity relative to the small group market and the small group market's average premium rate.

NHRPI applied a morbidity adjustment to both the NHPRI small group experience and NHPRI manual rate (individual market experience) reflecting the difference between the morbidity within each data source and the estimated average small group market morbidity. By making these assumptions, NHRPI's small group rates are developed assuming the morbidity level of the composite small group market. Therefore, no risk adjustment transfer is assumed consistent with the morbidity level assumed in the claims cost development. L&E believes this approach is reasonable and appropriate.

4. COVID-19 CLAIMS

NHPRI assumed the following differences between the 2021 experience period and the 2023 rating period for Covid-19 costs and pent-up demand.

	Covid-19 Treatment	Covid-19 Testing	Covid-19 Vaccination	Pent-up Demand	Total
2021	\$2.37	\$5.27	\$0.22	\$0.00	\$7.86
2023	\$0.95	\$2.64	\$3.33	\$0.00	\$6.91

The projected reduction in claim costs due to the Company's Covid-19 projection and pent-up demand is -0.2%. NHPRI further sensitivity tested a range of assumptions to reflect the uncertainty of Covid-19 projections. NHPRI stated that the results did not materially differ from the actual 2021 claims costs. Therefore, NHPRI did not adjust the experience period claims for any expected changes in Covid-19 costs and pent-up demand.

During the rate review process, NHPRI stated that the projection Covid-19 vaccination costs were developed assuming an \$80 cost per dose and a 50% utilization rate². The 50% utilization rate was based on the Rhode Island flu vaccination rate. The \$80 cost per dose was based on an experience period administrative cost per dose of \$40 and an assumed \$40 ingredient cost per dose. While the government has been covered Covid-19 vaccine ingredient costs in the 2021 experience period, NHPRI has assumed that support will not continue in 2023.

L&E believes that the Company did not provide substantial evidence to support that the government will no longer support Covid-19 vaccine ingredient costs in 2023. A press release by the US Department of Defense in June 2022 states that the Biden-Harris administration purchased more than 100 million doses of the Covid-19 vaccine for the fall of 2022³. While this does not solidify covered Covid-19 vaccine ingredient costs for 2023, it showcases the government's intention to continue support through at least 2022.

L&E does not consider it reasonable to assume that that the government will provide no subsidization for Covid-19 vaccines in 2023, nor is it reasonable to assume that the government will subsidize the full cost of vaccines for the entire year. Therefore, L&E recommends assuming half the Company's assumed ingredient cost for 2023. Additionally, L&E recommends that the Company's -0.2% projected reduction discussed above be reflected applied to the experience period claims. Similarly, L&E recommends an adjustment to the individual market Covid-19 vaccine assumption applied within the manual rate. These two recommendations together would produce a rate decrease of approximately -0.5% to the proposed rates.

5. CONTRIBUTION TO SURPLUS

After paying for administrative and claims costs, NHPRI, as a not-for-profit entity, places any excess funds into an unassigned funds account (i.e., surplus). This surplus is set aside to protect consumers from unexpected adverse conditions.

A common metric to assess surplus is the risk-based capital (RBC) ratio. The historical RBC ratios are shown in the table below.

2019	2020	2021
211%	253%	236%

²(\$80*50%)/12=\$3.33 PMPM

³ <https://www.defense.gov/News/Releases/Release/Article/3079200/biden-harris-administration-secures-more-than-100-million-doses-of-pfizers-late/>

L&E notes that the actual 2021 risk adjustment payment was approximately \$5.7M more than the Company expected, reducing the Company's RBC ratio by about 10% to 226%⁴. L&E notes that if the RBC ratio drops below 200%, it will require regulatory intervention. L&E also notes that if NHPRI were to gain membership, this would also lower its RBC ratio.

For 2022, NHPRI proposed a contribution to surplus assumption of 4.4%; however, this was ultimately reduced to 0% by OHIC. For 2023, NHPRI has proposed a 3.0% contribution to surplus.

L&E believes that the Company's recent RBC levels are low considering regulatory standards and the Company is at serious risk of needing regulatory intervention. Given the level of current market uncertainty and the risk of intervention, a surplus margin assumption any lower than what was filed by the Company, has a high potential of resulting in continued reductions to NHPRI's RBC Ratio. Considering the Company's financial position, L&E recommends that the contribution to surplus be increased to 6.0%. This would result in an increase to the proposed rate of 3.0%.

⁴ This is based on the latest information available, which is the 2021 RBC.

RECOMMENDATIONS

L&E believes that this filing, with the following modifications, produces rates that are not excessive, inadequate, nor unfairly discriminatory.

1. INCURRED BUT NOT REPORTED CLAIMS

L&E recommends that the margin be removed from the IBNR estimate. Additionally, L&E recommends that the completion factor assumption be increased based on the historical actual-to-expected analysis, which would decrease the estimate IBNR. This would result in a decrease of approximately -2.6% to the proposed 2023 rates.

2. CLAIMS TREND

L&E recommends that the average annual trend assumption be set equal to the provided historical trend information, which is normalized for the impact of the Covid-19 pandemic. Decreasing the average annual trend assumption to 7.3% would decrease the proposed rates by approximately -2.9%.

3. COVID-19 CLAIMS

L&E recommends using applying a 50% discount to the Company's assumed ingredient cost per dose for 2023. Additionally, L&E recommends that the Company's -0.3% projected reduction be applied to the experience period claims. These two recommendations together would produce a rate decrease of approximately -0.5% to the proposed rates.

4. CONTRIBUTION TO SURPLUS

L&E believes that the Company's recent RBC levels are low considering regulatory standards and the Company is at serious risk of needing regulatory intervention. Given the level of current market uncertainty and the risk of intervention, a surplus margin assumption any lower than what was filed by the Company, has a high potential of resulting in continued reductions to NHPRI's RBC Ratio. Considering the Company's financial position, L&E recommends that the contribution to surplus be increased to 6.0%. This would result in an increase to the proposed rate of 3.0%.

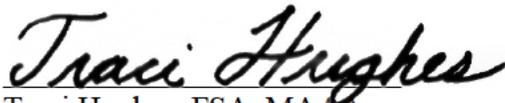
After modification, the rate increase will change from +9.3% to +5.8%. Implementing these recommendations would result in a savings of \$14.75 per member per month to Rhode Islanders. This amounts to a total savings of approximately \$340,000.

2022 RECOMMENDED RATE CHANGES

A breakdown of L&E's recommendation by rating component is provided below:

Component	Rate Change
NHPRI Proposal	+9.3%
Trend Adjustment	-2.9%
IBNR Adjustment	-2.6%
COVID-19 Adjustment	-0.5%
Contribution to Surplus Adjustment	+3.0%
L&E Recommendation	+5.8%

Sincerely,



Traci Hughes, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
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ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations⁵, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct⁶, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Traci Hughes, FSA, MAAA, Vice President & Consulting Actuary.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 11, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 26, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from NHPRI. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by NHPRI for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

⁵ The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

⁶ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

State of Rhode Island Office of the Health Insurance Commissioner

Re: Tufts Insurance Company
Tufts Associated Health Maintenance Organization, Inc.
2023 PPO and HMO Large Group Rate Filing
SERFF# THPC-133259808

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2023 PPO and HMO Large Group Rate Filings for Tufts Insurance Company (TIC) and Tufts Associated Health Maintenance Organization (TAHMO) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. TIC and TAHMO are both a part of Point32Health, Inc. and will be referred to collectively in this report as "Tufts" or "Company".
2. Tufts is a not-for-profit organization that provides health insurance coverage to Rhode Islanders. This filing proposes premiums for TIC's PPO and TAHMO's HMO commercial major medical insurance that will be offered in the large group market in Rhode Island beginning January 1, 2023.
3. TIC and TAHMO initially submitted proposed rates on May 16, 2022, with an average rate increase of 10.3% for TIC and 10.4% for TAHMO. This report's analysis is based on the proposed rates as submitted on May 16, 2022.
4. The rating development methodologies used is the same for both TIC and TAHMO. The numerical results are different due to different experience, credibility, risk adjustment, claim type distribution, membership distribution, etc. This report discusses the rating methodology used in both filings and discloses the numerical results for each entity separately.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery.

Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State’s Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take “all necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island.”

The OAG has engaged L&E to perform such an actuarial review for the 2023 Large Group market Affordable Care Act (ACA) rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E’s recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E’s actuarial review.

SUMMARY OF RECEIVED DATA

Tufts provided the methodology used to develop the proposed 2023 Large Group market premiums. The Company provided exhibits which demonstrated the quantitative development for each component of the premium request, including the manual rate, trend, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

Tufts provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are the filing assumptions that are key to the proposed 10.3% rate increase for TIC and the proposed 10.4% rate increase for TAHMO.

1. EXPERIENCE RATE

For experience rating, which is used for partially or fully credible groups, Tufts uses two consecutive 12-month experience periods, trended and adjusted for the rating period. The two periods are then blended, generally giving 70% weight to the most recent experience period, adjusted for member month exposure differences between the periods. L&E believes this approach is reasonable and appropriate.

2. MANUAL RATE

Tufts utilizes 2009 Milliman Health Cost Guidelines (HCGs) as the primary data source for calculating the manual rate. This data source pre-dates the passage of the ACA and has required more than ten years of adjustments to compensate. L&E believes that utilizing a data source this outdated, when more recent data sources are readily available, does not follow Actuarial Standards of Practice (ASOP) No. 23.

¹This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

There are multiple alternatives available to Tufts to develop a manual rate. These include the Company's own ACA experience in RI, NH, and MA, and an updated version of Milliman's HCGs which are updated annually².

During the rate review process, Tufts stated that, "after 2009, the manual rates have been trended by the OHIC³ approved premium trends, generating new manual rates for each year in 2010, 2011, and so on." L&E believes it is inappropriate to trend a manual claims rate by a premium "trend". Premium changes should not be applied to a manual rate because premiums include a provision for administrative costs and other expenses.

Since the Company's credibility formula, as discussed later in this report, applies reasonable credibility to each group's experience where available, any change to the manual rate would have limited impact on final rates. Additionally, for the large group market, underwriting adjustments are permitted. Therefore, an independent calculation of an appropriate manual was not performed.

3. PROJECTION ASSUMPTIONS

Tufts adjusts base experience and manual claims for trend, benefit design, age, industry, and underwriting. Tufts assumes a 5.7% annual trend, based on historical experience. The historically observed trends from 2019-2021 provided by the company show an average annual trend observed of 8.4%. However, L&E notes recent historical trends are significantly impacted by Covid-19 and are not representative of future expected trends.

Sample rating factors for benefit design, age, and industry were provided as part of the rate review process and considered reasonable.

The underwriting factor allows the Company to modify each group's claims projection based on the characteristics of the group. This practice is common in the large group market. Tufts limits the underwriting adjustment to +/-40%. Though L&E notes that an additional negative underwriting adjustment may be applied as part of implementing a rate increase cap. Tufts provided underwriting adjustment ranges as applied to large groups renewing within the prior year and demonstrated adherence to these underwriting guidelines.

L&E believes that the assumed trend, rating factors, and underwriting guidelines are reasonable and appropriate.

²<https://www.milliman.com/-/media/products/hcgsuite/hcg-suite-brochure.ashx?la=en&hash=288B0F9D900C475121030F4A402577EA>

³ Office of the Health Insurance Commissioner

4. RETENTION

Tufts applies the following retention load to projected claims:

Administrative Expenses	12.6%
Taxes & Fees	2.0%
Contribution to Surplus	1.0%
Total Retention	15.6%

This retention load is a slight increase from the 15.4% retention load previously approved in February 2022.

After paying for administrative and claims costs, Tufts, as a not-for-profit entity, places any excess funds into an unassigned funds account (i.e., surplus). This surplus is set aside to protect consumers from unexpected adverse conditions.

A common metric to assess surplus is the risk-based capital (RBC) ratio. The RBC ratios for each entity from 2019-2021 are shown in the table below.

	2019	2020	2021
TIC	658.1%	597.0%	534.1%
TAHMO	670.8%	610.1%	703.8%

L&E believes Tuft's 2023 1% contribution to surplus and total 15.6% retention load assumption are reasonable and appropriate.

5. CREDIBILITY BLENDING

Tufts credibility blending guidelines are outlined in the table below.

Subscribers	Subscriber Months	Credibility
50	600	45%
60	720	50%
80	960	55%
100	1200	60%
150	1800	70%
200	2400	75%
250	3000	80%
300	3600	85%
350	4200	90%
400	4800	95%
450+	5400	100%

This table shows an assumed full credibility standard of 450 subscribers or 5,400 subscriber months. The final rate is calculated by performing a weighted average of the projected manual rate and

experience rate, where the experience is weighted based on the guidelines in the table above. L&E believes the credibility standard, and therefore credibility percentage applied to each group's experience, is reasonable and appropriate.

RECOMMENDATIONS

L&E believes that this filing produces rates that are not excessive, inadequate, nor unfairly discriminatory. L&E has no recommended rate changes and recommends that the rates be approved as filed.

Sincerely,



Traci Hughes, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
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ASOP 41 DISCLOSURES

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- Josh Hammerquist, FSA, MAAA, Vice President & Principal.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 3, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 13, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from Tufts. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by Tufts for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

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⁵ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

August 8, 2022

State of Rhode Island Office of the Health Insurance Commissioner

Re: Tufts Insurance Company
Tufts Associated Health Maintenance Organization, Inc.
2023 PPO and HMO Small Group Rate Filings
SERFF# THPC-133256978 & THPC-133262514

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2023 PPO and HMO Small Group Rate Filings for Tufts Insurance Company (TIC) and Tufts Associated Health Maintenance Organization (TAHMO) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. TIC and TAHMO are both a part of Point32Health, Inc. and will be referred to collectively in this report as "Tufts" or "Company".
2. Tufts is a not-for-profit organization that provides health insurance coverage to Rhode Islanders. These filings propose premiums for TIC's PPO Qualified Health Plans (QHPs) and TAHMO's HMO QHPs that will be offered beginning January 1, 2023.
3. TIC and TAHMO initially submitted proposed rates on May 16, 2022, with an average rate increase of 10.0% for TIC and 9.2% for TAHMO. This report's analysis is based on the proposed rates as submitted on May 16, 2022.
4. The rating development methodology used for TIC and TAHMO is the same. The numerical results are different due to different claims experience, statistical credibility, risk adjustment, claim type distribution, membership distribution, etc. This report discusses the rating methodology used in both filings and discloses the numerical results for each entity separately.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery.

Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State's Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take "all necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island."

The OAG has engaged L&E to perform such an actuarial review for the 2023 Small Group market Affordable Care Act (ACA) rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E's recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E's actuarial review.

SUMMARY OF RECEIVED DATA

Tufts provided the methodology used to develop the proposed 2023 Small Group market premiums. The Company provided exhibits which demonstrated the quantitative development for each component of the premium request, including the manual rate, trend, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

Tufts provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are the filing assumptions that are key to the proposed 10.0% rate increase for TIC and the proposed 9.2% rate increase for TAHMO.

1. EXPERIENCE CREDIBILITY

Even though TIC has approximately 11,000 member months of experience and TAHMO has approximately 20,000 member months, Tufts assigned 0% credibility to the 2021 experience period. L&E believes that assigning 0% credibility to data of this size does not follow generally accepted actuarial practice.

The most common and frequently used credibility standard for health insurance products is 24,000 member months, which is based on Center of Medicare & Medicaid Services (CMS) guidelines. Using a 24,000 member month full credibility standard, the TIC experience is approximately 66% credible and TAHMO experience is approximately 91% credible. L&E recommends that these credibility percentages be applied to the experience period for each entity, respectively.

L&E acknowledges that since the experience as filed was given 0% credibility, the URRT adjustments that would apply to experience in addition to trend (morbidity, demographics, plan changes, other) were not developed and/or reported by the Company in the URRT. In lieu of having such an adjustment

¹This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

from the Company, L&E applied the increase between the manual rate filed for the 2021 rating period and the manual rate filed for the 2023 rating period, less the trend increase applied in the URRT. Although L&E disagrees with the appropriateness of the manual rate development, as discussed in the following section, this was the best data available to L&E to estimate an experience adjustment. This approach produced an adjustment of 1.027 for TIC and 1.028 for TAHMO.

Applying the experience adjustments and credibility percentages produces a calculated rate decrease of approximately -0.1% for TIC and approximately -17.3% for TAHMO versus the Company's proposed 2023 rates.

2. MANUAL RATE DEVELOPMENT

Tufts utilizes 2009 Milliman Health Cost Guidelines (HCGs) as the primary data source for calculating the manual rate. This data source pre-dates the passage of the ACA and has required more than ten years of adjustments to compensate. L&E believes that utilizing a data source this outdated, when more recent alternative data sources are readily available, does not follow, 1) Section 3.2 of Actuarial Standards of Practice (ASOP) No. 23 and 2) Section 4.4.3.3 of the CMS' 2023 Unified Rate Review Instructions.^{2,3}

There are multiple alternatives available to Tufts to develop a manual rate. These include the Company's own ACA experience in RI, NH, and MA, and an updated version of Milliman's HCGs which are updated annually⁴.

During the rate review process, Tufts stated that other data sources available, such as the URRT experience period data, would result in higher rate increases. L&E disagrees and notes that when 100% credibility is assigned to experience for either company, holding all else equal, an increase to the index rate does not occur.

Since L&E is recommending that either substantial credibility be applied to each entity's 2021 claims experience, any change to the manual rate has limited impact on L&E's final rate recommendations. Therefore, an independent calculation of an appropriate manual was not performed.

3. TREND

For the purposes of reporting trend in the URRT, Tufts assumed an average annual experience trend assumption of approximately 6%, though this varies slightly between TIC and TAHMO due to different claim category weightings. The trend assumption is composed of an average annual unit cost trend of approximately 2.2% and an average annual utilization trend of approximately 3.7%.

<http://www.actuarialstandardsboard.org/asops/data-quality/>

³ <https://www.cms.gov/files/document/urr-py23-instructions.pdf>

⁴ <https://www.milliman.com/-/media/products/hcgsuite/hcg-suite-brochure.ashx?la=en&hash=288B0F9D900C475121030F4A402577EA>

Unit cost trend for medical services is based on existing Rhode Island provider contractual agreements and a best estimate for outstanding contracts not yet finalized. Pharmacy unit cost trend is based on expected unit cost increases for generic, brand, and specialty drugs using Massachusetts experience. Tufts' pharmacy contract does not differ by state.

Utilization trends are based on Massachusetts historical utilization trend experience.

During the rate review process, Tufts provided three years of historically observed trends for the Rhode Island (Small Group and Large Group) business, shown in the table below. The 2020 and 2021 utilization and unit cost trends are significantly impacted by Covid-19 and are not representative of future expected trends.

	Utilization	Unit Cost	Total
2019	2.1%	-5.8%	-3.8%
2020	1.4%	10.0%	11.5%
2021	15.8%	2.7%	18.9%

Given Tufts' methodology for setting the trend assumption along with the Tufts' historically observed trends, L&E believes the experience trend assumption as reported in the URRT is reasonable and appropriate.

4. RISK ADJUSTMENT

Tufts' filed manual rate was designed to represent the market-average risk. However, the Rhode Island small group market has decreased in size over the last few years and Tufts believes this has led to an increase in the average risk of the Rhode Island small group market. Tufts analyzed the historical changes in plan liability risk scores (PLRS) for the Rhode Island small group market. Based on this analysis a risk adjustment payment of 2% is reflected in the URRT, with the intent of better aligning the manual rate with the projected 2023 average market risk.

Consistent with L&E's recommendation to apply substantial credibility to each entity's 2021 experience, L&E recommends aligning the risk adjustment assumption with each entity's 2021 experience. For each entity, L&E calculated a risk adjustment assumption based on the entity's actual 2021 risk adjustment transfer PMPM, the 2021 high-cost risk pool contribution (HCRP) as percentage of premium, 2022 and 2023 market-wide premium increases, and the 2023 paid-to-allowed ratio as disclosed in the filed OHIC Rate Template. L&E's risk adjustment calculations are outlined in the table below.

	TIC	TAHMO	Assumptions
2021 Risk Adjustment Transfer (1)	\$390,789	(\$321,413)	
2021 Member Months (2)	10,579	19,762	
2021 Risk Adjustment Transfer PMPM (3)	\$36.94	(\$16.26)	(3) = (1)/(2)
2023 Risk Adjustment Transfer PMPM Estimate, before HCRP (4)	\$40.54	(\$17.85)	2022 market premium increase: 1.1%; 2023 market premium increase: 8.5%
2023 Estimated HCRP Contribution (5)	\$2.11	\$1.92	0.49% of premium, consistent with 2021 risk adjustment report
2023 Paid-to-Allowed Ratio (6)	0.74	0.66	
2023 Estimated Risk Adjustment Transfer PMPM (7)	\$51.87	(\$29.84)	(7) = [(4) - (5)]/(6)

Applying the above discussed risk adjustment results in a decrease of approximately -9.0% for TIC and an increase of approximately +1.8% for TAHMO from the proposed 2023 rates.

5. CONTRIBUTION TO SURPLUS

After paying for administrative and claims costs, Tufts, as a not-for-profit entity, places any excess funds into an unassigned funds account (i.e., surplus). This surplus is set aside to protect consumers from unexpected adverse conditions.

A common metric to assess surplus is the risk-based capital (RBC) ratio. The RBC ratios for each entity from 2019-2021 are shown in the table below.

	2019	2020	2021
TIC	658%	597%	534%
TAHMO	671%	610%	704%

For 2022, Tufts proposed a 0% contribution to surplus. For 2023, Tufts has proposed a 1% contribution to surplus.

L&E believes that the Company's recent RBC levels are not unreasonable due to the level of current market uncertainty. Additionally, the 2022 0% surplus margin assumption could negatively impact RBC levels.

L&E believes Tuft's 2023 1% contribution to surplus assumption is reasonable and appropriate.

RECOMMENDATIONS

L&E believes that this filing needs modification to produce rates that are not excessive, inadequate, nor unfairly discriminatory.

2023 CALCULATED RATE CHANGES

1. EXPERIENCE CREDIBILITY

L&E recommends that the Company's claims experience be given an appropriate weight based on the common full credibility standard that follows CMS guidelines (including other required adjustments). Based on L&E's calculations, this would produce a rate decrease of approximately -0.1% for TIC and approximately -17.3% for TAHMO.

2. RISK ADJUSTMENT:

Consistent with L&E's above recommendation, L&E recommends aligning the risk adjustment assumption with each entity's 2021 claims experience. This would reduce rates by approximately -9.0% for TIC and increase rates by approximately +1.8% for TAHMO.

After modification, the calculated rate increase would change from +10.0% to +0.0% for TIC and from +9.2% to -8.0% for TAHMO. Implementing these rate decreases would result in a savings of \$53.25 PMPM and estimated total savings of approximately \$1,200,000 for Rhode Islanders.

2023 RECOMMENDED RATE CHANGES

A breakdown of L&E's calculated rate change by rating component is provided below:

Component	TIC	TAHMO
Tufts Proposal	+10.0%	+9.2%
Experience Credibility	-0.1%	-17.3%
Risk Adjustment	-9.0%	+1.8%
L&E Calculation	+0.0%	-8.0%

Due to the material difference between the calculated revised change versus the Company's requested increase, L&E assessed the reasonableness of the results. By using the 2021 actual and 2022 projected loss ratios reported in the OHIC rate templates for each entity, it appears that a rate increase approximately equal to the prospective trend from 2022 to 2023, adjusted for Covid-19, would be more appropriate. L&E believes that the material difference between the revised calculation and the reasonableness check is due to the inconsistent and/or conflicting data provided by the Company.

The table below shows the 2021 paid-to-allowed ratio compared to the projected 2023 paid-to-allowed ratio based on the data provided in tabs I and III of the OHIC rate template. The table also shows the average metal AV for 2021 versus 2023 as provided in tab III of the OHIC rate template. The data shows a disconnect between members projected to purchase plans with richer plan

designs and the Company's expectation that the paid-to-allowed ratios will decrease substantially compared to the historical experience.

Component	TIC	TAHMO
2021 Paid-to-Allowed Ratio	0.87	0.86
2023 Paid-to-Allowed Ratio	0.74	0.66
2021 Average Metal AV	0.77	0.76
2023 Average Metal AV	0.81	0.78

L&E requested alternative manual rate data based on the combined TAHMO and TIC experience. This was provided on a paid basis and then requested on allowed basis. The information provided on an allowed basis was lower than what was provided on a paid basis, which erroneously implies that members had negative cost sharing in 2021. This data was considered unreasonable to be used for the review. Additionally, within the timeline of this rate review L&E was not able to obtain manual rate data based on the Company's Massachusetts ACA business..

Considering the above, L&E ultimately believes that a rate increase equal to the 2023 trend assumption for each entity would be a reasonable estimate for the base 2023 rate increase. Notably, the 2022 rates were not priced to include costs for Covid-19. The Company adequately supported a +2.5% adjustment within their 2023 manual rate development to account for the expected 2023 Covid-19 costs. Since these costs were not included in the 2022 rates, L&E believes it is appropriate to add these anticipated 2023 Covid-19 costs to the 2023 rate increase estimate.

Component	TIC	TAHMO
2023 Trend Assumption	+4.8%	+4.6%
Covid-19 Adjustment	+2.5%	+2.5%
L&E Recommendation	+7.4%	+7.2%

Implementing these recommendations would result in a savings of \$8.33 PMPM and estimated total savings of approximately \$200,000 for Rhode Islanders.

Additionally, L&E recommends that OHIC:

- Disallow outdated source data for the 2024 plan year manual rate development.
- Disallow credibility procedures that do not follow generally accepted actuarial practice.

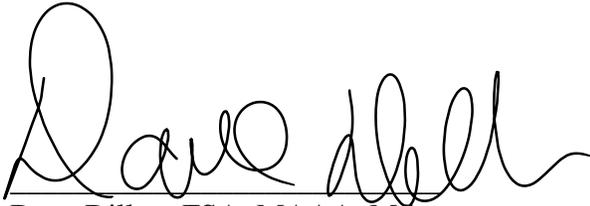
Sincerely,



Traci Hughes, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations⁵, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct⁶, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Traci Hughes, FSA, MAAA, Vice President & Consulting Actuary.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 9, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is August 8, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from Tufts. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by Tufts for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

⁵ The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

⁶ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

August 3, 2022

State of Rhode Island Office of the Health Insurance Commissioner– CONFIDENTIAL

Re: UnitedHealthcare of New England and United Healthcare Insurance Company
2023 Rhode Island LG Rate Filing
SERFF Tracking #: UHLC-133251611

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc’s (L&E) actuarial analysis regarding the proposed 2023 Large Group Rate Filing for UnitedHealthcare of New England and United Healthcare Insurance Company (UHC or Company) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING OVERVIEW

SERFF Tracking Number: UHLC-133251611

1. UHC submitted proposed rates on May 16, 2022, with an average rate increase of 11.3%.
 - The rate increase calculation is based on actual premium and claims for all renewing 51+ groups and is consistent with the methodology used in last year’s filing and approved by the RI Health Insurance Commissioner.
 - The 11.3% rate increase is broken down into 18.9% increase for 51-99 groups and 6.6% increase for 100+ groups.
 - The Company stated that the minimum and maximum rate increases for the Large Group block cannot be predicted.
2. The filed trend for the filing is 9.1%. Therefore, the primary driver of the rate increase is the trend.
3. UHC had 117 groups, 7,213 contracts, and 12,471 members enrolled as of March 31, 2022.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State’s Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take “all necessary and appropriate action... to secure and insure compliance with the provisions of titles

23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island.”

This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E’s recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E’s actuarial review.

SUMMARY OF RECEIVED DATA

UHC provided the OHIC Large group Rate Filing Template, Actuarial Memorandum, Rate Manual and Supporting Attachments, and Trend Support Exhibits. The rating manual shows the development of the proposed 2023 large group market premiums. Within this file, the Company outlines the starting base rates by plan, along with all adjustments applied to the base rate to adjust for the rating population. The Actuarial Memorandum provides narrative support for both new business and renewal rating and also outlines how credibility is determined.

After a request from L&E, UHC provided some additional support for the trend development in the “Responses_06.09.2022 RIAN Information Request No. 1.xlsx” file, which shows historical actual to expected trends and support for the Covid-19 adjustment applied to the trend.

L&E also reviewed the response files received in response to the OHIC inquiries which includes additional trend support files, Covid-19 experience, and other support exhibits.

RATING PROCESS

For the manual rate development, UHC uses their standard large group base rate review process. This process compares current manual premium rates to the needed revenue. It is an automated and standardized process used across all legacy UHC markets to test the adequacy of the current manual rates and to determine if a pricing adjustment to manual rates is required. Utilizing this process, UHC determined that the January 1, 2023 manual rates for large group need to be decreased by approximately -2.9%. The combination of the previously approved 9.2% annual trend assumption with the base rate decrease of -2.9% produce an average year-over-year manual rate increase of approximately 6.0%.

The experience rate starts with the total claims for the most recent incurred experience available, excluding the most recent month and adjusted for completion (e.g., incurred in 24, paid in 25). Claims are removed above the pooling level. If plan changes were made during the experience period, the experience is adjusted to reflect the current plan level. UHC projects 2023 claims by using actual CY 2021 experience and projects forward to 2023. The 2023 projected premium is calculated using the projected retention charges to the 2023 projected claims. The required rate change is determined by comparing the projected 2023 premium to the 2022 premium.

¹ This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

The projected rate is then credibility blended with a manual rate. The manual rate is blended based on a credibility factor using the table below:

Member Month		Credibility Percentage
From	To	
	<1000	9%
1001	2000	15%
2001	3000	20%
3001	4000	25%
4001	5000	30%
5001	6000	34%
6001	7000	38%
7001	8000	42%
8001	9000	50%
9001	10000	58%
10001	11000	66%
11001	12000	69%
12001	13000	72%
13001	14000	75%
14001	15000	77%
15001	16000	80%
16001	17000	82%
17001	18000	85%
18001	19000	87%
19001	20000	89%
20001	21000	91%
21001	22000	93%
22001	23000	96%
23001	24000	98%
24001	25000	100%

The formula that derives the credibility scale above can be found in the rating manual. The member months are calculated by summing the number of employees and dependents in the group for each month for the 24 most recent months of experience period.

TREND

UHC used a trend of 9.1%. The trends are determined by reviewing recent claims experience at the market level for several broad medical expense categories (inpatient, professional, pharmacy, etc.), with utilization, unit cost, benefit leveraging, and business mix identified for each category.

Unit cost projections are developed based on evaluations of current and anticipated provider contract economics, as well as consideration to both current and expected changes in non-contracted provider cost exposure. The Company provided Schedule A1 that summarizes the RI and non-RI market contract assessment by service category for RI residents.

In determining the projected utilization/mix assumption, the Company first examines the national historical experience for medical and pharmacy. In order to eliminate business mix issues, the national experience is limited to accounts that exist in both the prior and current period of experience. UHC calls this a “Same Store” assessment. Schedule B1 that was provided compares “Same Store” allowed claim cost between the most complete years. The change in allowed cost is

adjusted for demographics, working day differences, Covid-19 abatement, and other minor changes. The estimated national unit cost (Schedule A2) is subtracted from this total to determine a national historic utilization/mix trend. In order to develop a forward-looking utilization/mix component, UHC assesses the expected changes that will occur from administrative initiatives, provider contracting, economic conditions, environmental impact, policy provisions, regulatory change, and technological advancements (Schedule B2). The aggregate utilization mix change is determined and then applied at the service level to create the service level splits (Schedule B3). Given the variation in service level trends, aggregate medical and pharmacy projected trends are developed and service level splits are based on proportional historical experience.

The below table shows the breakdown in trend by service category.

Service Category	Trend
Hospital Inpatient	9.3%
Hospital Outpatient	9.7%
Professional	8.9%
Prescription Drugs	10.8%
Capitation (professional)	4.8%
Other	8.5%
Total	9.1%

At the request of L&E, the Company provided actual to expected historical trends for the past four years. This table is shown below and demonstrates that historic trends have been volatile.

RI LARGE GROUP TREND

	Historic Core Trend	Filed Pricing Trend	Approved Pricing Trend
2018	5.2%	7.6%	6.4%
2019	14.4%	8.2%	8.2%
2020	5.1%	9.3%	9.3%
2021	15.5%	9.7%	9.7%

The utilization, unit cost, and benefit leveraging components vary by service category and were provided in the trend development files provided. There is also a flat 1.1% component for all service categories that represents the trend impact of age and gender changes.

The leveraging trend, which varies from 0.3% to 1.5% by service category represents the impact of member cost-share leveraging on net claims cost trend. Support for the benefit leveraging component was provided in Schedule D.

The Company estimates the impact of Covid-19 in the development of the utilization component of the trend. Additional support was provided for the Covid-19 impact in response to L&E and OHIC inquiries. No other adjustments were made to either the experience period or projection period to account for Covid-19 related costs.

L&E believes that the assumed trend is consistent with recent experience and is reasonable and appropriate.

RETENTION

The below table shows the breakdown in the retention costs, as a percentage of premium. These values were provided in the “2023 LG OHIC Rate Template_5.16.22 UHC.xlsx” file.

Category	%
ACA Fees and Taxes	0.0%
Premium Tax	2.0%
Other Retention Charge	0.0%
Contribution to Reserve	3.0%
Investment Income Credit	0.0%
Payroll and Benefits	3.3%
Outsourced Services	0.5%
Auditing and Consulting	0.3%
Commissions	0.1%
Marketing and Advertising	0.2%
Legal Expenses	0.0%
Other Taxes, Licenses, and Fees	0.0%
Reimbursements by Uninsured Plans	0.0%
Other Admin Expenses	2.3%
Total	11.8%

The 2023 retention is an increase from 2022, which had a total retention charge of 9.1% of premium. The increase is primarily due to the increase in Contribution to Reserve from 0.0% to 3.0%. In 2021, the Health Insurance Commissioner informed all carriers in Rhode Island that no contribution to reserves/profit was allowed for the 2022 rates. In response to an OHIC inquiry, the Company stated that the 3.0% CTR is justified because of their limited membership and volatile claim patterns. Also, UHC states that the 3.0% profit still results in a 91.8% MLR demonstrating that the CTR is not excessive.

UNDERWRITING

The Company applies underwriting after the final calculated required premium to reflect considerations on a case-by-case basis when they are not otherwise reflected in the methodology. The cumulative underwriting adjustments are limited to +/-25% for new business and +/-50% for renewal business.

L&E asked the Company how they comply with Bulletin-2013-5 Revised from OHIC. In response, the Company provided the rating methodologies used and demonstrated that these are based on rational, objective, and financially sound actuarial criterion. UHC also provided a monitoring report to demonstrate that internal controls are in place to ensure compliance.

RECOMMENDATIONS

L&E believes that this filing produces rates that are not excessive, inadequate, nor unfairly discriminatory. L&E has no recommended rate changes and recommends that the rates be approved as filed.

Sincerely,



Robert Dorman, ASA, MAAA
Consulting Actuary
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

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- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 3, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 21, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from UHC. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates, as applicable.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by UHC for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

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- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.



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August 3, 2022

State of Rhode Island Office of the Health Insurance Commissioner– CONFIDENTIAL

Re: UnitedHealthcare of New England and United Healthcare Insurance Company
2023 EPO and POS Small Group Rate Filings
SERFF# UHLC-133264802 & UHLC-133264794

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc’s (L&E) actuarial analysis regarding the proposed 2023 EPO and POS Small Group Rate Filings for UnitedHealthcare of New England (UHCNE) and United Healthcare Insurance Company (UHIC) and to assist the Rhode Island Office of Attorney General (OAG) in recommending changes to the proposed rates.

FILING DESCRIPTION

1. UHCNE and UHIC will be referred to collectively in this report as “UHC” or “Company”.
2. The purpose of this filing is to file the Small Group rates for the Rhode Island business effective January 1, 2023 through December 31, 2023 by UHCNE and UHIC. All plans are to be offered off exchange.
3. UHCNE and UHIC initially submitted proposed rates on May 16, 2022, with an average rate increase of 12.3% for UHCNE and 10.8% for UHIC. This report’s analysis is based on the proposed rates as submitted on May 16, 2022.
4. The rating development methodologies used are the same for the UHCNE and UHIC filed rates. The numerical results are different primarily due to the difference in network between UHCNE and UHIC. This report discusses the rating methodology used in both filings and discloses the numerical results for each entity separately.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State’s Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take “all necessary and appropriate action... to secure and insure compliance with the provisions of titles

23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island.”

The OAG has engaged L&E to perform such an actuarial review for the 2023 Small Group market Affordable Care Act (ACA) rates. This letter is to assist the OAG in recommending changes to the proposed rates, if applicable. L&E’s recommendations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E’s actuarial review.

SUMMARY OF RECEIVED DATA

UHC provided the methodology used to develop the proposed 2023 Small Group market premiums. The Company provided exhibits which demonstrated the quantitative development for each component of the premium request, including the manual rate, trend, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

UHC provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The items outlined below are the filing assumptions that are key to the proposed 12.3% rate increase for UHCNE and the proposed 10.8% rate increase for UHIC.

1. TREND

The annual pricing trend assumed in the filings is 7.7% and include the components shown below:

Service Category	Cost	Util	Benefit Leverage	Total Trend	Member Months	Weights
Inpatient Hospital	1.038	1.038	1.001	1.074		17%
Outpatient Hospital	1.028	1.041	1.011	1.077		35%
Professional	1.023	1.036	1.013	1.068		22%
Other Medical	1.020	1.039	1.011	1.067		0%
Capitation	1.037	1.000	1.000	1.037		10%
Prescription Drug	1.037	1.049	1.006	1.094		16%
Rhode Island Total	1.031	1.036	1.008	1.077	36,848	100%

UHC develops forward-looking medical expense estimates based on a number of considerations. In general, recent/emerging claims experience is reviewed at the market level for several broad medical expense categories (inpatient, professional, pharmacy, etc.), with utilization, unit cost, and benefit leveraging identified for each category. Future trends are developed based on a projection of each component.

¹This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

Forward looking utilization levels are developed based on emerging market level data, supplemented by regional and/or national level utilization data. The unit cost projections are developed based on evaluations of current and anticipated provider contract economics, as well as consideration to both current and expected changes in noncontracted provider cost exposure. Unit cost projections also consider the estimated cost impact of new technologies, service availability/mandates, or other factors that might influence mix of procedures. Unit cost is based on contractual changes with providers.

UHC provided trend support demonstrating the development of each trend component as well as actual realized trends for the past 4 years in both RI and nationwide. The historical trends in RI have been low, averaging about 1.4% over the past four years. UHC notes that the small group business in RI is not statistically credible for developing trend, so the Company instead uses reimbursement rates from in and around RI and uses national utilization to estimate future trend levels.

The Company estimates the impact of Covid-19 in the development of the utilization component of the trend. Additional support was provided for the Covid-19 impact in response to L&E and OHIC inquiries. No other adjustments were made to either the experience period or projection period to account for Covid-19 related costs

In addition to reviewing the trend support provided by UHC, L&E performed a trend analysis using the last three years of normalized RI experience provided by UHC. This analysis showed very moderate trend for the past three years with the average of the regression models being approximately 0.9% annual trend. While we realize that this trend is not fully appropriate given the credibility of the RI experience, this analysis was considered when determining our recommendation.

L&E recommends that the aggregate trend be reduced from 7.7% to 7.0%. The RI experience is not fully credible for trend development; however, the RI filed trend has been over-projected for the past four years. The RI trend has consistently come in below the national levels which are used by UHC to develop the trends. This trend decrease would produce a rate decrease of approximately 1.6% for both UHCNE and UHIC.

2. RISK ADJUSTMENT

At the time of the initial filing, the final 2021 risk adjustment transfer amounts had not been released. Using the combined entities, UHC expected to be a 4.8% risk adjustment payer. This resulted in an estimated 2021 risk adjustment payment of \$31.35 for UHIC and \$30.56 payment for UHCNE. The 2023 risk adjustment transfer PMPM amount is calculated by adjusting the estimated 2021 risk adjustment transfer PMPM amount for the projected market level trend, changes in reinsurance fees and recoveries, and other adjustments based on the overall financial performance of the market.

UnitedHealthcare of New England and United HealthCare Insurance Company

Filed Based on Estimate

License	Billable Mem Mon	Transfer Estimate	UHC Premium	Transfer % of UHC Final CMS
UHCNE	9,650	-\$32,294	5,078,340	-0.6%
UHIC	27,525	-\$971,563	15,862,328	-6.1%
Total	37,175	-\$1,003,857	20,940,669	-4.8%

Final CMS 2021

License	Billable Mem Mon	2021 CMS Transfer	UHC Premium	Transfer % of UHC Final CMS
UHCNE	9,648	\$218,471	5,067,212	4.3%
UHIC	27,476	-\$913,028	15,844,686	-5.8%
Total	37,124	-\$694,557	20,911,899	-3.3%

In the final CMS 2021 risk adjustment report, the UHC entities were a smaller payer than expected. The two entities combined were a 3.3% payer. L&E recommends updating the projected 2023 risk adjustment transfer amounts accordingly. This would produce a rate decrease of approximately 1.5% for both UHCNE and UHIC.

3. CONTRIBUTION TO RESERVE

For 2022, UHC originally proposed a 2.0% Contribution to Reserve (CTR). In 2021, the Health Insurance Commissioner informed all carriers in Rhode Island that no contribution to reserves/profit was allowed for the 2022 rates. For 2023, UHC has proposed a 2.0% CTR.

UHC justifies the 2.0% by stating that insurance companies take on significant risk by offering coverage to small group employers. This risk is even greater for carriers who have limited membership, like UHC. Due to limited membership (approximately 3,000 members), a few catastrophic claims can result in significant losses. In order to cover these losses, UHC believes a contribution to reserve is necessary.

L&E believes UHC's 2023 2.0% CTR assumption is reasonable and appropriate for this market, and UHC is projecting an 86.4% projected loss ratio for 2023 which exceeds the 80.0% federal requirement.

RECOMMENDATIONS

L&E believes that this filing, with the following modifications, produces rates that are not excessive, inadequate, nor unfairly discriminatory.

1. TREND

L&E recommends reducing the aggregate trend from 7.7% to 7.0% based on the consistent over-projection of the filed trends compared to the actual historical trends in RI for the past four years and the L&E trend analysis. This reduction would result in a rate decrease of approximately 1.6% for both UHCNE and UHIC.

2. RISK ADJUSTMENT:

L&E recommends updating the projected 2023 risk adjustment transfer amounts based on the final 2021 CMS risk adjustment Transfer report. This recommendation would result in a rate decrease of approximately 1.5% for both UHCNE and UHIC.

2022 RECOMMENDED RATE CHANGES

A breakdown of L&E's recommendation by rating component is provided below:

Component	UHCNE	UHIC
UHC Proposal	+12.3%	+10.8%
Trend	-1.6%	-1.6%
Risk Adjustment	-1.5%	-1.5%
L&E Recommendation	+9.2%	+7.7%

Sincerely,



Robert Dorman, ASA, MAAA
Consulting Actuary
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.



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IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 3, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 26, 2022.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from UHC. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by UHC for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

² The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

³ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 pandemic.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.