These actuarial memoranda document the analysis and final decision of the State of Rhode Island Office of the Health Insurance Commissioner review of 2023 commercial health insurance premiums in the individual market, small group market, and large group market.

2023 Commercial Health Insurance Rate Review

Actuarial Memoranda

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STATE OF RHODE ISLAND
OFFICE OF THE HEALTH INSURANCE COMMISSIONER

In Re: Blue Cross Blue Shield of Rhode Island Rates Filed for 2023 Individual Market Plans	)))	OHIC-2022-1

DECISION AND ORDER OF THE COMMISSIONER

Patrick M. Tigue, Health Insurance Commissioner for the State of Rhode Island, hereby issues this Decision and Order with respect to the Rate Filing submitted by Blue Cross Blue Shield of Rhode Island ("BCBSRI") on May 16, 2022 ("Rate Filing").

I. THE HEARING

A. Jurisdiction and Notice of Evidentiary Hearing

The Office of the Health Insurance Commissioner ("OHIC") has jurisdiction over this matter pursuant to R.I. Gen. Laws §§ 27-18.2-1 *et seq.*, 27-19-6, 27-20-6, 42-14-5(d), and 42-14.5-3(d). This hearing was conducted in accordance with Chapters 19 and 20, Title 27 of the Rhode Island General Laws.

B. Rate Filing, Pre-Filed Reports, Exhibits, Witnesses and Hearing

BCBSRI filed its Health Insurance Rate Request for individual health insurance products with the Office of the Health Insurance Commissioner on May 16, 2022 (the "Rate Filing"). The Rate Request is for calendar year 2023. BCBSRI Ex. 1 and 2, Tr. I at 23. The Rate Request originally sought a 9.6% increase in the weighted average premium for 2023 plans in the Individual Market. BCBSRI Ex. 1.

The notice of the public hearing was published on June 17, 2022, in the *Providence Journal*, a newspaper of general circulation in the state of Rhode Island. BCBSRI Exhibit

("Ex.") 3. The notice included the proposed rate increase and it was mailed on June 14, 2022 to all BCBSRI subscribers subject to the proposed rate increase. *Id.*

In my capacity as Commissioner, I presided over this proceeding in accordance with R.I. Gen. Laws §§ 27-19-6(d) and 27-20-6(d). I appointed Raymond A. Marcaccio, Esquire, to serve as my legal advisor.

The evidentiary hearing was conducted on June 29 and 30, 2022, in accordance with R.I. Gen. Laws §§ 27-19-6(b) and 27-20-6(b), and the Rhode Island Administrative Procedures Act, R.I. Gen. Laws § 42-35-1 *et seq.* ("APA").

There were several exhibits that the parties agreed to introduce as confidential and were sealed at the commencement of the hearing: OHIC Exhibits 49-58 and AG Exhibits 5-9 and 12-17. The parties stipulated that these exhibits contain proprietary information of BCBSRI, which is confidential and exempt from public disclosure. Tr. I at 6-8.

All exhibits introduced by the parties were entered into evidence as full, including BCBSRI Exhibits 1-7; AG Exhibits 1-26; and OHIC Exhibits 1-58, except Exhibit 30, which was numerically omitted, and Exhibit 39, which was withdrawn at the commencement of the hearing. Tr. I at 251-253.

On July 13, 2022, a stipulation signed by the parties was entered into the record as evidence. It reflects the fact that the Centers for Medicare and Medicaid Services ("CMS") issued its 2021 Risk Adjustment Report on June 30, 2022. CMS also informed BCBSRI of the final charge incurred for the so-called high-cost risk pool. *Id.*

The parties stipulated that I as the Commissioner, assisted by my outside legal advisor, Raymond Marcaccio, have jurisdiction to hear this matter. Tr. I at 6-8. The parties further stipulated that the witnesses designated as experts by each of the parties were qualified in the

field of actuarial science and could so testify. As such, Brian Mackintosh, FSA, MAA, the Chief Actuary for BCBSRI, Bela Gorman, FSA, MAA, Actuary for OHIC, and Brian Stentz, FSA, MAA, Actuary on behalf of the Attorney General, were all qualified by stipulation to offer their actuarial testimony and opinions relating to the Rate Filing. Tr. I at 8.

C. Public Comment

Written public comments were submitted in accordance with R.I. Gen. Laws §§ 27-19-6(j) and 27-20-6(j). The public was invited to appear in person at the hearing to submit their comments relating to the requested Rate Filing on June 29, 2022 from 6:00 p.m. to 7:00 p.m. and again on June 30, 2022 from 9:00 a.m. to 10:00 a.m. No members of the public appeared. The public was also invited to submit written comments. Over 40 submissions were received. OHIC post-hearing Appendix A. While the written comments from the public are not technically evidence, I consider the impact that the Rate Request has upon the public and the subscribers to the Individual Health Insurance plans that are subject to the Rate Request, when assessing affordability.

II. STANDARD OF REVIEW

BCBSRI has the burden of establishing, by a preponderance of the evidence, not only that the rate increase is actuarially sound but that it also complies with its statutory charge to provide affordable insurance to the residents of Rhode Island. *See*, R.I. Gen. Laws §§ 27-19.2-3(1) and (5); *Blue Cross and Blue Shield of Rhode Island v. McConaghy,* 2005 WL 1633707 (R.I. Super. 2005). A preponderance of evidence means that "the fact to be proved is more probable than not." *Miele v. Board of Medical Licensure and Discipline*, 1991 WL 789899 (R.I. Super. 1999). As the Commissioner, I must effectuate two critical, and sometimes competing, legislative purposes: to guard the solvency of BCBSRI and protect the interests of health insurance

consumers. R.I. Gen. Law § 42-14.5-2. Both statutory requirements directly benefit the members of the Direct Pay market and the public at large in different ways.

III. DISCUSSION

A. Summary of Rate Filing

BCBSRI submitted its rate filing on May 16, 2022 and included a requested weighted average premium increase of 9.6%. After the conclusion of the public evidentiary hearing, on June 30, 2022, CMS issued its 2021 Risk Adjustment Final Report indicating that BCBSRI was entitled to a payment of $9.4 million for 2021. A stipulation regarding the final Risk Adjustment Payment Amount and its impact upon BCBSRI's overall requested rate increase ("Risk Adjustment Stipulation"), was entered into evidence as a full exhibit in accordance with the parties' stipulation of July 13, 2022. BCBSRI was also notified by CMS of a final charge for the 2021 High-Cost Risk Pool, which was in the amount of approximately $0.4M. *See,* Risk Adjustment Stipulation. Both the Risk Adjustment Payment and the charge for the High-Cost Risk Pool were subsequently factored into the BCBSRI pricing model for the 2023 Rates, resulting in a modification to the original requested rate increase of 9.6% to a reduced increase of 4.4%.

The original Rate Filing for 2023 did not include an adjustment for age when forecasting the 2023 rates. Tr. I at 11-12. After the hearing, and in accordance with testimony provided at that time, BCBSRI agreed to the removal of the impact of aging upon its utilization trend and adjusted its utilization trend accordingly. The adjustment reduced the requested rate increase by an additional 0.5%, resulting in a final requested weighted average rate increase of a 3.9% for calendar year 2023. Tr. I at 52-54; Parties Stipulation Regarding Final Risk Adjustment Payment at ¶ 6.

The primary drivers of the premium increases for 2023 are the expected increases in the utilization and price of health care services. Premium increases for specific BCBSRI plans will vary with BCBSRI projecting a minimum premium increase of 0.2% and a maximum premium increase of 8.2%. These premium increases will be in effect from January 1, 2023 through December 31, 2023.

B. Components of the Rate Filing Challenged by the Attorney General and OHIC

The Attorney General ("AG") and OHIC challenged the following components of the Rate Filing:

- Inclusion of COVID-19 claims in utilization trend analysis
- Actuarial methodology to project 2023 Risk Adjustment Payment
- Application of Consumer Price Index- Urban in hospital trend analysis
- Contribution to reserves
- Possible phase-in of benefit model challenges

The Inclusion of Coronavirus Disease 2019 (COVID-19) Claims from 2021 as Part of the Utilization Trend Analysis to Project Utilization Trend for 2023

The issue presented is whether BCBSRI should include COVID-19 claims from 2021 in its utilization trend analysis to project its utilization trend for 2023. It should be noted that there is no dispute among the parties regarding the appropriate methodology to project utilization trend for 2023 generally outside of the specific issue of the treatment of COVID-19 claims from 2021 in this methodology.

BCBSRI argues that it is appropriate to include COVID-19 claims from 2021 because the COVID-19 public health emergency (PHE) affected utilization in two distinct ways that in practice offset one another. The first way in which the COVID-19 PHE affected utilization was

to increase it because COVID-19 care, including testing, treatment, and vaccination, occurred that would not have otherwise occurred outside of the COVID-19 PHE. Tr. I at 43-45. In contrast, the second way in which the COVID-19 PHE affected utilization was to decrease it because it depressed utilization in several claims categories including emergency room utilization and outpatient surgery utilization. *Id.* The interaction of these two opposing influences on utilization, according to BCBSRI, was to leave 2021 utilization at levels that would have been expected even if the COVID-19 PHE had not occurred. *Id.* BCBSRI notes in support of its position that a review of 2021 claims experience at the high-level service categories of "Inpatient," "Outpatient," and "Professional" found that total claim volume for 2021 was consistent with what would have been expected in the absence of the COVID-19 PHE. Tr. I at 43. Given this, BCBSRI proffers that removing COVID-19 claims from 2021 is inappropriate because it would result in an understated utilization projection for 2023 by utilizing an understated 2021 claims volume.

The AG argues that 2021 COVID-19 claims should be removed from the utilization trend analysis because it would be inappropriate to assume the COVID-19 PHE's 2021 effects will persist in placing upward pressure on utilization for the purpose of projecting 2023 utilization. Tr. I at 144-145. This is, according to the AG, consistent with actuarial recommendations being made many states across the United States regarding the treatment of 2021 COVID-19 experience for the purpose of projecting 2023 rates. *Id.* Further, the AG contends that BCBSRI's argument that opposing utilization effects resulting from the COVID-19 PHE effectively cancel each other out is insufficient to support the inclusion of 2021 COVID-19 claims because BCBSRI did not put forward any quantitative assessment of the effect of the

either the increased utilization from COVID-19 testing, treatment, and vaccination or the decreased utilization in emergency room services and outpatient surgeries. Tr. I at 185.

OHIC argues that either 2021 COVID-19 claims should be removed from the utilization trend analysis, consistent with the AG's argument on this issue, or, alternatively, that 2021 COVID-19 claims should be removed from BCBSRI's professional and other medical utilization trends only. This alternative argument, according to OHIC, is equally reasonable to the first argument that is consistent with the AG's position on this issue.

The 2021 COVID-19 claims are a one-time incident that do not reflect a long-term trend. Tr. I at 210-211, 145, 42-45. Including COVID-19 claims data from 2021 in the development of the medical utilization trends increases those trends by approximately 1.3% of the BCBSRI Rate Request. OHIC Ex. 1 at 16-17; AG Ex. 3 at 6; Tr. I at 140-141, 145-146, and 215-216. Emerging utilization trends prior to the COVID-19 pandemic demonstrated that the medical utilization trends had begun to slow immediately prior to the pandemic. Tr. I at 204, 206-208; Table 9 at OHIC Ex. 1 at 14. There was a reduction in claims experienced in Emergency Room services and Out-Patient Surgery services for 2021 due to staffing shortages and other operational constraints that limited patient volume. Tr. I at 44-45. BCBSRI experienced depressed utilization in its 2021 claims in "emergency room utilization and out-patient surgery utilization." Tr. I at 42. There were large gaps in utilization volume compared to the claims experience prior to the pandemic. Tr. I at 118.

I find that BCBSRI has failed to meet its burden of proof, by a preponderance of the evidence, to establish that it is actuarially reasonable and appropriate to develop medical utilization trends without first adjusting the 2021 experience for one-time COVID-19 PHE claims. There is sufficient reason to adopt OHIC's alternative approach where 2021 COVID-19

claims for "Professional" and "Other Medical" utilization trends are removed from the utilization trend analysis while "Inpatient Hospital" and "Outpatient Hospital" COVID-19 claims continue to be included. BCBSRI's account of seeing depressed utilization in 2021 in "Emergency Room" utilization and "Outpatient Surgery" utilization is supported by its representation of provider accounts of staffing shortages and other operational constraints limiting patient volume. Tr. I at 42. Given this, excluding all 2021 COVID-19 claims from the utilization trend analysis would likely result in understating 2021 claims volume for the purpose of projecting 2023 utilization because the offsetting increased effect on utilization in relevant claims categories—namely inpatient hospital and outpatient hospital—would not be accounted for in the projection.

OHIC's alternative approach presents a nuanced option. It prohibits BCBSRI's from overstating the effect of the COVID-19 PHE in 2021 on projected utilization for 2023 in claims categories for which BCBSRI has provided no credible evidence of depressed utilization (i.e., professional and other medical). However, it also allows BCBSRI to reasonably account for the effects of COVID-19 PHE in 2021 in claims categories where it did provide credible evidence (i.e., hospital inpatient and hospital outpatient).

The Appropriate Methodology to Project the 2023 Risk Adjustment Payment

The issue presented is whether BCBSRI's methodology to project its 2023 risk adjustment payment is appropriate. It should be noted that the risk adjustment program, created by the Affordable Care Act as one of several risk-spreading mechanisms designed to stabilize the individual market and small group market, uses a complex methodology to compare each insurer's average risk score compared to the average risk score for a given state market and provides payments to insurers that enroll higher risk members to reduce incentives for insurers to seek to avoid these types of members. Tr. I at 93-96.

On June 30, 2022, CMS notified BCBSRI indicating that BCBSRI will receive a 2021 risk adjustment payment of $9.4 million whereas BCBSRI's rate filing submitted on May 16, 2022 assumed a risk adjustment payment of $3.6 million. Stipulation Regarding Final Risk Adjustment Payment at ¶3; Tr. 1 at 55. As a result, BCBSRI is proposing to substitute the 2021 risk adjustment payment of $9.4 million in place of the $3.6 million proposed in the rate filing. Tr. I at 56.

BCBSRI argues that the methodology to project its 2023 risk adjustment payment should be to use its 2021 risk adjustment payment as its projected 2023 risk adjustment payment. This is because the risk adjustment payment is tied to a particularly complex set of factors and attempting to project the 2023 risk adjustment payment by making a single adjustment to the 2021 risk adjustment payment to trend it forward would necessarily modify only factor among the many that will ultimately determine the 2023 risk adjustment payment. Tr. I at 93-96.

The AG argues that BCBSRI should project the 2023 risk payment by taking the 2021 risk adjustment payment and trending it forward consistent with BCBSRI's best estimate for the average market premium trend for 2023. Tr. I at 150-155. It is the AG's position that this approach does not create undue risk and is used in other states.

OHIC argues that, upon consideration of BCBSRI's testimony on this topic, BCBSRI's methodology to project its 2023 risk adjustment payment by using its 2021 risk adjustment payment as its projected 2023 risk adjustment payment should be employed. It is OHIC's position that, in light of the particular difficulty in fully accounting for the complexities associated with determining future risk adjustment payments, including but not limited to the challenges inherent in calculating accurate average market premium trend, BCBSRI's

methodology achieves an appropriate balance between an overly aggressive or overly conservative approach.

I find that BCBSRI has met its burden of proof, by a preponderance of the evidence, finding there is sufficient reason to adopt its methodology to project the 2023 risk adjustment payment. BCBSRI and OHIC both present a compelling rationale for this as the appropriate rationale to be employed and, as BCBSRI notes, the methodology acknowledges the reality that the 2023 risk adjustment payment will result from many factors in addition to the average market premium alone.

The Appropriate Consumer Price Index for All Urban Consumers (CPI-U): Less Food and Energy Value to Use to Project Hospital Price Trend for 2023

The issue presented is whether BCBSRI has used the appropriate CPI-U: Less Food and Energy value to project hospital price trend for 2023 by using 6.5%—the most recently published CPI-U Less Food and Energy value as of the time of the rate filing. It should be noted that through 230-RICR-20-30-4.10(D)6(e) OHIC imposes a regulatory requirement that has the effect of limiting the maximum average price increase able to be granted by commercial health insurers for hospital inpatient and outpatient services to the CPI-U Less Food and Energy percentage increase (as determined by the commissioner by October 1 of each year based on the most recently published United States Department of Labor Statistics data) plus 1%, unless a waiver is granted by the Commissioner. This is why relying upon CPI-U Less Food and Energy values in some manner for the purpose of projecting hospital price trend is a reasonable approach in concept.

For those contracts that have yet to be negotiated as well as those contracts that are tied to the Consumer Price Index for all Urban Consumers (CPI-U), BCBSRI applied the CPI-U figure released by the U.S. Bureau of Labor Statistics at the time of that the Rate Filing was submitted.

The Index reflected an annual increase of 6.5%, through March of 2022. Tr. I at 64, 169, 216-217. As of June 29, 2022, at the commencement of the Public Hearing, two additional monthly CPI-U calculations were released by the U.S. Bureau of Labor Statistics reflecting an annual increase of 6.2% through April of 2022, and an annual increase of 6.0% through May of 2022. Tr. I at 149, 217; OHIC Ex. 1 at 18; OHIC Ex. 1D. In accordance with the parties' July 18, 2022 Stipulation, the U.S. Bureau of Labor Statistics released its CPI-U 12-month calculation through June of 2022, which reflects a 5.9% annual increase. Thus, since the time of the Rate Filing, there has been a downward trend in the CPI-U from a high of 6.5% in March, with incremental reductions of 6.2%, 6.0% and 5.9% for the months of April, May and June, respectively.

BCBSRI argues that relying on the most recently published CPI-U Less Food and Energy value, as of the time of the rate filing, is what should be used for the 2023 projection. It is BCBSRI's position that it is prudent to use this value rather than a lower value because a historical review of the CPI-U Less Food and Energy monthly values demonstrates that it is more probable that the CPI-U Less Food and Energy value will be higher rather than lower as of October 1, 2022. Tr. I at 70-71. As such, BCBSRI suggests that using a lower value to project 2023 hospital price trend would introduce an unreasonable risk of producing inadequate rates for 2023. *Id.* at 71.

The AG argues that, since there have been two CPI-U Less Food and Energy updates since the submission of the rate filing, the most recent value of 5.9% should be used to project 2023 hospital price trend. Tr. I at 148-150. Several reasons are put forward by the AG for why its position using a lower value is more reasonable than BCBSRI's. For example, the AG notes that BCBSRI's value of 6.5% is the highest value within its data set of 125 CPI-U Less Food and

Energy values. Additionally, the AG proffers that federal monetary policy is applying downward pressure on the CPI-U Less Food and Energy and will continue to do so. *Id.* at 149.

OHIC argues that BCBSRI's position is unreasonable because no credible evidence has been presented to support why the 6.5% CPI-U Less Food and Energy value should continue to be used even though it no longer represents the most recent information available and common actuarial practice is to use such information. Tr. I at 217. As a result, OHIC concurs that the AG's approach of using the most recent value of CPI-U Less Food and Energy value of 5.9% should be used to project 2023 hospital price trend is reasonable and makes the case that this should be adopted in the interest of striking a balance between aggressive and conservative assumptions in the rate filing.

I find that BCBSRI has failed to meet its burden of proof, by a preponderance of evidence to support its use of the CPI-U Less Food and Energy based upon March 2022 data. I further find that it is more reasonable to adopt the AG's approach and apply the most recent CPI-U Less Food and Energy value to the Rate Filing. That would result in a 6.9% maximum average price increase for Hospital Inpatient and Outpatient services assumption by relying on the most recent value of CPI-U Less Food and Energy value of 5.9% and adding 1% as permitted by applicable regulation. As the AG notes, BCBSRI's position is that it should be allowed to use an outdated CPI-U Less Food and Energy value regardless of the most recent value available and, as OHIC notes, there is neither credible evidence nor persuasive logic to support this position.

The Inclusion of a 1.0% Contribution to Reserves for 2023

The issue presented is whether BCBSRI should be permitted to include a 1% contribution to reserves for 2023. It should be noted that the purpose of reserves is to allow financial solvency to be maintained in the face of unforeseen volatility in claims expense.

BCBSRI argues that the 1.0% contribution to reserves is reasonable because it supports BCBSRI's ability to pay claims when they are due even in the face of volatile events in the future. Tr. I at 72, 74. Moreover, BCBSRI notes that it has filed a smaller contribution to reserves than it has done in prior years to enhance affordability. Tr. I at 130-131. Finally, BCBSRI suggests that it is vital to consider the inclusion of the 1.0% contribution to reserves in the context of any other modifications to the rate filing that introduce additional risk of inadequate rates. Tr. I at 75-77; 178.

The AG argues that BCBSRI's 1.0% contribution to reserves assumption is reasonable. Tr. I at 162. BCBSRI's testimony that a 1.0% contribution to reserves is necessary to protect the financial solvency of company as well as the view that a 0.0% percent contribution to reserves is an unsustainable practice over time were taken into account by the AG. Tr. I at 75-76; 181.

OHIC argues that BCBSRI has failed to carry its burden of proving that the inclusion of 1.0% contribution to reserves meets the standard of review and, therefore, should not be permitted to include any contribution to reserves in 2023 rates. However, OHIC also notes that it is not taking the position that a 1.0% contribution to reserves is unreasonable per se and that it recognizes that a 0.0% contribution to reserves is likely unsustainable over time—consistent with the AG's position.

I find that there is sufficient reason to adopt the position of BCBSRI – as supported by the AG – and permit the inclusion of the 1.0% contribution to reserves for 2023. BCBSRI has

met its burden of proof, by a preponderance of the evidence, to establish that the inclusion of 1.0% contribution to reserves is actuarially appropriate, based upon its credible argument that the 1.0% contribution is a necessary hedge against increased risk of inadequate rates that may result from the modifications adopted that will produce changes to BCBSRI's 2023 utilization trend projection and 2023 hospital price trend projection. Moreover, OHIC has acknowledged that the inclusion of a 1.0% contribution to reserves for 2023 is not unreasonable on the part of BCBSRI.

The Implementation of a Phased-In Approach to Benefit Model Changes for 2023

The issue presented is whether BCBSRI should be required to implement a phased-in approach to benefit model changes for 2023 specific to Bronze plan pricing changes. Bronze plans are those plans that include high deductibles. Tr. 1 at 222. It should be noted that BCBSRI has made changes to its benefit model to revise it to reflect the most recent distribution of claims so that prescription drug claims represent a larger proportion of total claims and to update the allocation of specialty prescription drug claims within the benefit model into the appropriate tier. OHIC Ex. 1 at 6; Tr. 1 at 222. These changes do not affect BCBSRI's requested weighted average premium increase. Tr. I at 87.

BCBSRI argues that that rationale for its benefit model changes for 2023 has not been challenged by OHIC or the AG and is a reasonable business decision of the company. Additionally, BCBSRI notes that OHIC has not completed a review of BCBSRI's benefit model in support of OHIC's argument. Tr. 1 at 242, 243-244. Finally, BCBSRI takes the position that benefit model changes are outside the scope of the rate hearing.

The AG did not put forward an argument on this issue. As such, only BCBSRI's argument and OHIC's argument are considered.

OHIC argues that BCBSRI should be required to phase in the impact of the benefit model changes over two to three years to mitigate sudden increases in Bronze plan premiums resulting from these changes. Tr. 1 at 224-225; 229-230. Furthermore, OHIC argues that while a review of BCBSRI's benefit model itself is outside the scope of a rate hearing, the effect on a subset of members caused by benefit model changes is a topic wholly appropriate for consideration in the context of the rate hearing.

I find that there is sufficient reason to adopt BCBSRI's position that the phase-in of benefit model changes over two to three years should be rejected. This is because, as BCBSRI notes, the variance in plan premiums produced by the benefit model changes is not only consistent with historical experience but, in fact, at the lower end of the historical range. BCBSRI Exs. 4-7; Tr. I at 85-88, 108. While BCBSRI's contention that any consideration of benefit model changes is outside the scope of the rate hearing is ultimately not persuasive and OHIC's claim that the effects of such benefit model changes on members are certainly valid considerations to take account of during the rate hearing is compelling, this does not amount to a strong enough argument to find that the benefit model changes phase-in proposed by OHIC is necessary to further affordability in light of the specific facts presented and historical context.

In sum, I adopt and decline to adopt modifications to the Rate Filing consistent with what is set forth above.

IV. FINDINGS OF FACT

Based upon the evidence submitted, I hereby make the following findings of fact with respect to the 2023 Direct Pay Rate Filing.

The preceding sections I through III of this Decision and Order are incorporated into these Findings of Fact.

1. BCBSRI filed its Health Insurance Rate Request for individual health insurance products with the Office of the Health Insurance Commissioner on May 16, 2022 (the "Rate Filing"). The Rate Request is for calendar year 2023. BCBSRI Ex. 1 and 2, Tr. I at 23.

2. The Rate Request originally sought a 9.6% increase in the weighted average premium for 2023 plans in the Individual Market. BCBSRI Ex. 1.

3. BCBSRI is required to establish "that the rates proposed to be charged or the rating formula proposed to be used are consistent with the proper conduct of its business and with the interest of the public." R.I. Gen. Laws §§ 27-19-6(c) and 27-20-6(c). A public hearing was held on June 29 and 30, 2022 before the Health Insurance Commissioner ("Commissioner") under jurisdiction over the Rate Request, in accordance with R.I. Gen. Laws §§ 27-19-6 and 27-20-6.

4. The Public Hearing was conducted in accordance with the requirements of the Administrative Procedures Act, R.I. Gen. Laws § 42-35-1, *et seq.*

5. The Commissioner presided over the Public Hearing and retained Legal Counsel Raymond Marcaccio to act as his legal adviser in connection with the Public Hearing.

6. Notice of the Rate Request and the Public Hearing date were published in the *Providence Journal,* a newspaper of general circulation, and also mailed to all BCBSRI subscribers that are subject to the proposed rates, as required by R.I. Gen. Laws §§ 27-19-6 and 27-20-6. BCBSRI Ex. 3; Tr. I at 6.

7. The parties stipulated that the witnesses designated as experts by each of the parties were qualified in the field of actuarial science and could so testify. As such, Brian Mackintosh, FSA, MAA, the Chief Actuary for BCBSRI, Bela Gorman, FSA, MAA, Actuary for OHIC, and Brian Stentz, FSA, MAA, Actuary on behalf of the Attorney General, were all

qualified by stipulation to offer their actuarial testimony and opinions relating to the Rate Filing. Tr. I at 8.

8. All exhibits proffered by the parties were accepted into evidence in full, by stipulation. Tr. I at 251. Thus, BCBSRI Exhibits 1 through 7 and Attorney General Exhibits 1 through 26 were entered as full exhibits. OHIC likewise introduced Exhibits 1 through 58, noting that there was no Exhibit 30, and also withdrawing its Exhibit 39 at the commencement of the hearing. All other OHIC exhibits were entered into evidence in full. Tr. I at 253.

9. Notice and an opportunity for public comment in person was offered on both designated hearing dates, specifically on June 29 from 6:00 p.m. to 7:00 p.m., and June 30, 2022, from 9:00 a.m. to 10:00 a.m. BCBSRI Ex. 3. No individuals appeared in person to present public comment on the record. However, in accordance with the Notice, written public comment regarding the Rate Request was likewise invited from the public. Over 40 submissions were filed and received by OHIC by the published deadline of 5:00 p.m. on July 12, 2022. OHIC post-hearing Appendix A.

10. While the written comments from the public are not technically evidence, the Commissioner considers the impact that the Rate Request has upon the public and the subscribers to the Individual Health Insurance plans that are subject to the Rate Request, when assessing the impact on affordability that said Request has on the public.

11. After the conclusion of the public evidentiary hearing, on June 30, 2022, CMS issued its 2021 Risk Adjustment Final Report indicating that BCBSRI was entitled to a payment of approximately $9.4 million for 2021. A stipulation regarding the final Risk Adjustment Payment Amount and its impact upon BCBSRI's overall requested rate increase ("Risk

Adjustment Stipulation"), which was entered into evidence as a full exhibit in accordance with the parties' stipulation on July 13, 2022.

12. BCBSRI was also notified by CMS of a final charge for the 2021 High-Cost Risk Pool, which was in the amount of approximately $0.4M. *See,* Risk Adjustment Stipulation. Both the Risk Adjustment Payment and the charge for the High-Cost Risk Pool were subsequently factored into the BCBSRI pricing model for the 2023 Rates, resulting in a modification to the original requested rate increase of 9.6% to a reduced increase of 4.4%.

13. When developing utilization trends, it is a standard actuarial practice to normalize the experience data by removing the impact of the population aging over time. Tr. I at 11-12. 213, 250.

14. The original Rate Filing for 2023 did not include an adjustment for age when forecasting the 2023 rates. Tr. I at 11-12.

15. After the hearing, and in accordance with testimony provided at that time, BCBSRI agreed to the removal of the impact of aging upon its utilization trend and adjusted its utilization trend accordingly. The adjustment reduced the requested rate increase by an additional 0.5%, resulting in a final requested increase of 3.9% for calendar year 2023.

16. The normalization for age will reduce annual utilization trends by approximately 0.3%, resulting in a reduction in the weighted average rate increase by approximately 0.5%. Tr. I at 52-54; Parties Stipulation Regarding Final Risk Adjustment Payment at ¶ 6. The adjustment to the utilization trend by the removal of the impact of aging further reduces the rate increase by an additional 0.5%. *Id.*

17. A 3.9% weighted average premium increase will result in various rates, depending on the specific plan. The range of the rate increase will be between 0.2% and 8.2%, depending on the BCBSRI plan selected for 2023. Risk Adjustment Stipulation at ¶ 8.

18. BCBSRI utilized appropriate actuarial methods that are consistent with the instructions provided by OHIC. Tr. I at 234-235; OHIC Ex. 1 at 6, 24-25.

19. BCBSRI performed a regression analysis on claims experience data from all markets: Individual, Small Group and Large Group markets. Due to the suppression in the utilization of health care services in 2020, caused by COVID-19, BCBSRI excluded calendar year 2020 for all medical services when performing its regression analysis on claims experience data from 2017 to 2021. OHCI Ex. 1 at 9. BCBSRI typically uses the most recent 3 years of claims data when performing its regression analysis. Tr. I at 28, 40.

20. No adjustments were made to the 2017 data to account for it being so dated. Tr. I at 119-120.

21. The 2021 COVID-19 claims are a one-time incident that do not reflect a long-term trend. Tr. I at 210-211, 145, 42-45. Including COVID-19 claims data from 2021 in the development of the Medical utilization trends increases those trends by approximately 1.3% of the BCBSRI Rate Request. OHIC Ex. 1 at 16-17; AG Ex. 3 at 6; Tr. I at 140-141, 145-146, and 215-216.

22. Emerging utilization trends prior to the COVID-19 pandemic, demonstrated that the medical utilization trends had begun to slow immediately prior to the pandemic. Tr. I at 204, 206-208; Table 9 at OHIC Ex. 1 at 14.

23. There was a reduction in claims experienced in "Emergency Room" services and "Out-Patient Surgery" services for 2021 due to staffing shortages and other operational constraints that limited patient volume. Tr. I at 44-45.

24. BCBSRI experienced depressed utilization in its 2021 claims in "emergency room utilization and out-patient surgery utilization." Tr. I at 42. There were large gaps in utilization volume compared to the claims experience prior to the pandemic. Tr. I at 118.

25. The Risk Adjustment program was implemented under the Affordable Care Act and administered by CMS. AG Ex. 3 at 8-9.

26. Under the Risk Adjustment program, BCBSRI has consistently received transfer payments on an annual basis since it insures a population with a higher morbidity rate relative to the Rhode Island individual market. Tr. I at 54-55.

27. The Risk Adjustment program also includes a High-Cost Risk Pool to address members with claims valued in excess of $1M and allows for a reimbursement of a portion of the claims over $1M. Tr. I at 55.

28. The 2023 Rate Filing appropriately utilizes 2021 for its base experience in developing its individual market rates. OHIC Ex. 1 at 20; Tr. I at 56-58; AG Ex. 3 at 19.

29. On June 30, 2022, after BCBSRI had submitted its initial Rate Request, BCBSRI received its final 2021 Risk Adjustment Report from CMS, indicating that BCBSRI will receive a risk adjustment payment for 2021 in the amount of $9.4M. Parties Risk Adjustment Stipulation at ¶ 3. CMS also indicated that the final charge for the High-Cost Risk Pool will be approximately $0.4M. *Id.*

30. It is actuarially appropriate for BCBSRI to use the final 2021 Risk Adjustment payment as the basis for developing its 2023 rates. The parties acknowledge that BCBSRI's

methodology for adjusting its 2023 premium rates for the final Risk Adjustment payment is a reasonable actuarial method. Tr. I at 172, 220-221.

31. The Risk Adjustment payment is tied to a number of complex factors, including the relative risk score of the insured population by each of the two carriers offering plans for the individual market in Rhode Island. Tr. I at 93-96.

32. Movement between insureds from one carrier to the other may materially impact the overall market average premium in 2023. Tr. I at 94.

33. Part of BCBSRI's price trend projection factors for Hospital In-Patient and Hospital Out-Patient services are a combination of known contractual changes through 2023 and its estimated contractual changes that have yet to be negotiated. OHIC Ex. 1 at 17.

34. For those contracts that have yet to be negotiated as well as those contracts that are tied to the Consumer Price Index for all Urban Consumers (CPI-U), BCBSRI applied the CPI-U figure released by the U.S. Bureau of Labor Statistics at the time of that the Rate Filing was submitted. The Index reflected an annual increase of 6.5%, through March of 2022. Tr. I at 64, 169, 216-217.

35. As of June 29, at the commencement of the Public Hearing, two additional monthly CPI-U calculations were released by the U.S. Bureau of Labor Statistics: reflecting an annual increase of 6.2% through April of 2022, and an annual increase of 6.0% through May of 2022. Tr. I at 149, 217; OHIC Ex. 1 at 18; OHIC Ex. 1D.

36. In accordance with the parties' July 18, 2022 Stipulation, the U.S. Bureau of Labor Statistics released its CPI-U 12-month calculation through June of 2022, which reflects a 5.9% annual increase.

37. Since the time of the Rate Filing, there has been a downward trend in the CPI-U from a high of 6.5% in March, with incremental reductions of 6.2%, 6.0% and 5.9% for the months of April, May and June, respectively.

38. It is more reasonable to adopt the June 2022 calculation of a 5.9% annual increase (6.9% after adding the plus 1% prescribed by the Affordability regulations) when anticipating trends with inflation to be utilized for the Hospital In-Patient and Hospital Out-Patient price trends for the current Rate Filing.

39. The BCBSRI Rate Filing includes a request for a contribution to reserves of 1%. BCBSRI. Ex. 1; Tr. I at 72. The purpose for reserves is to ensure that an insurance carrier has adequate funds to meet unforeseen and adverse future events which cannot be fully predicted. Tr. I at 181, 245; AG Report at 1. BCBSRI was not allowed any contribution to reserves for its 2022 rates. Tr. I at 75-76, 78, 178.

40. The 2023 Rate Filing utilizes a benefit pricing model that reflects the most recent distribution of claims, resulting in pharmacy claims representing a larger proportion of total claims. The benefit pricing model also allocates specialty pharmacy claims within the appropriate tier. The result is plans with higher member costs share on pharmacy claims will experience a greater increase. OHIC Ex. 1 at 6. The changes do not affect BCBSRI's requested average premium increase.

41. The modified Rate Filing includes a requested increase of 3.9% to the weighted average premium increase, will result in different rate impacts, depending on the plan offering: The minimum rate increase will be 0.2% and the maximum rate increase will be 8.2%. Risk Adjustment Stipulation at ¶ 8.

42. The variance between the lowest and highest rate increase per plan will be rate 8%. BCBSRI Exs. 4-7; Tr. I at 85-88, 108. The variance between the lowest and highest rate increase per plan for each of the past five years has ranged between 7.6% and 12.8%. BCBSRI Exs. 4-7; Tr. I at 85-88, 108. The proposed variance of 8% is consistent with highest and lowest rate change per plan for the last five years of approved rates and is on the lower end of this historical range. *Id.*

V. CONCLUSIONS OF LAW

1. All findings of fact set forth above are also adopted as conclusions of law.

2. OHIC has jurisdiction over this matter pursuant to R.I. Gen. Laws §§ 27-18.2-1 *et seq.*, 27-19-6, 27-20-6, 42-14-5(d), and 42-14.5-3(d). This hearing was conducted in accordance with Chapters 19 and 20, Title 27 of the Rhode Island General Laws.

3. The parties stipulated that I as the Commissioner, assisted by my legal advisor, have jurisdiction to hear this matter; that the public notice of the hearing (BCBSRI Ex. 3) satisfies each of the statutory requirements; that each of the exhibits may be admitted as full; and that each of the witnesses presented by the parties as actuarial experts are fully qualified to testify as experts in the field of actuarial science.

4. I presided over the evidentiary hearing in accordance with R.I. Gen. Laws §§ 27-19-6(d) and 27-20-6(d). I appointed Raymond A. Marcaccio, Esquire, to serve as my legal advisor.

5. BCBSRI has the burden of establishing, by a preponderance of the evidence, that the rate increase is actuarially sound and also complies with its statutory charge to provide affordable insurance to the residents of Rhode Island. *See*, R.I. Gen. Laws §§ 27-19.2-3(1) and

(5); *Blue Cross and Blue Shield of Rhode Island v. McConaghy,* 2005 WL 1633707 (R.I. Super. 2005).

6. As the Commissioner, I must effectuate two critical but sometimes competing legislative purposes: to guard the solvency of BCBSRI and also to protect the interests of health insurance consumers. R.I. Gen. Law § 42-14.5-2.

7. BCBSRI is a creature of the General Assembly and was established as a nonprofit hospital and medical service corporation, pursuant to Title 27, Chapters 19, 19.2 and 20 of our General Laws. *See, Care New England Health System v. The Rhode Island Office of the Health Insurance Commissioner,* No. 10-6984, 2011 WL 4542984 at *1, (R.I. Super. September 28, 2011) (Silverstein, J.).

8. BCBSRI is narrowly limited in its functions, purposes and activities to those expressly enumerated and permitted by our General Laws. Within the confines of this statutory scheme, BCBSRI is only authorized to establish, maintain, and operate health plans for the purpose of providing medical and hospital services to its subscribers. *Care New England Health System, supra,* at *1, citing R.I. Gen. Laws §§ 27-19-1(3); 20-1(4), (5) and (6).

9. The Public Hearing was conducted in compliance with the Administrative Procedure Act, R.I. Gen. Laws § 42-35-1, *et seq.*

10. Protecting the financial solvency of BCBSRI is part of OHIC's mandate. R.I. Gen. Laws § 42-14.5-2(1).

11. The OHIC Affordability regulation sets forth the maximum rate increase that an insurer can offer a hospital for each year. *See,* 230-RICR-20-30-4.10(D)(6)(e) which is connected to the Urban Consumer All Items Less Food and Energy CPI ("CPI-Urban") percentage increase as determined by the Commissioner by October 1 of each year, based upon

the most recently published United States Department of Labor Statistics data. The CPI-U percentage increase shall be subject to a 1% increase, in accordance with the OHIC Affordability regulation. The Commissioner is authorized to approve, disapprove, or modify the rates proposed by BCBSRI in accordance with R.I. Gen. Laws §§ 27-19-6 and 27-20-6.

12. The Commissioner does not only review the Rate Request from the perspective of mathematical and actuarial accuracy. *Hospital Service Corporation of Rhode Island vs. West,* 308 A.2d 489, 495 (R.I. 1973).

13. Where the Commissioner determines, based upon the evidence presented at the hearing, that an alternative methodology, assumption, or recommendation is equally reasonable to a methodology, assumption or recommendation proposed by BCBSRI, the Commissioner may adopt the alternative methodology, assumption or recommendation.

14. BCBSRI failed to carry its burden of proof, by a preponderance of evidence, that the development of the medical utilization trend should include all COVID-19 claims from 2021.

15. A preponderance of the evidence supports a finding that it is actuarially reasonable to develop the medical utilization trend by excluding the 2021 experience for one-time COVID-19 claims that relate to Professional and Other Medical categories while including the COVID-19 claims from the 2021 data that relate to In-Patient Hospital and Out-Patient Hospital categories.

16. BCBSRI met its burden of proof, by a preponderance of the evidence, to establish that the risk adjustment projected used in its Rate Filing, as amended to reflect that final payment to be received for 2021, is actuarially reasonable and appropriate and should be used in projecting the 2023 rates.

17. BCBSRI has failed to meet its burden of proof, by a preponderance of the evidence, to establish that the 7.5% hospital price trend factor used in the Rate Filing, which is based upon the CPI-U projection of 6.5%, is appropriate to be used in calculating the projected 2023 rates.

18. Based upon the evidence in the record, it is actuarially reasonable and appropriate to develop the hospital price trend factor for the Rate Filing based upon the most recently released CPI-Urban 12-month percentage increase figure of 5.9% plus 1%, as permitted by the applicable Affordability regulation, or 6.9%.

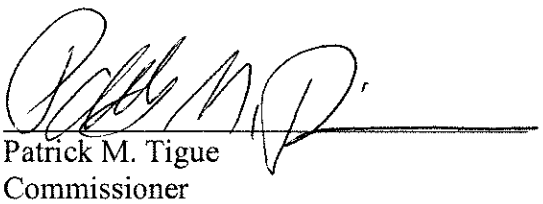
19. BCBSRI has satisfied its burden of proof, by a preponderance of the evidence, to establish that a 1% contribution to reserves is consistent with the proper conduct of its business and the interests of the public.

20. BCBSRI has satisfied its burden of proof, by a preponderance of the evidence, to establish that the benefit model changes need not be phased in over two to three years since the variance in the plan premiums generated by the benefit model changes is within the historical experience and at the lower end of the historical variance range.

VI. CONCLUSION

BCBSRI shall submit a revised set of calculations based upon this Decision and Order for its proposed weighted average premium rate request. The revised calculations shall be provided by BCBSRI to the Attorney General and OHIC no later than the close of business on **Friday, August 12, 2022**. Any challenge by OHIC or the Attorney General to the revised calculations prepared by BCBSRI shall be filed with this Office no later than the close of business on **Tuesday, August 16, 2022**.

So ordered this 10th day of August 2022



Patrick M. Tigue
Commissioner

THIS ORDER CONSTITUTES A FINAL ADMINISTRATIVE DECISION OF THE OFFICE OF THE HEALTH INSURANCE COMMISSIONER. AS SUCH, THIS ORDER MAY BE APPEALED PURSUANT TO THE ADMINISTRATIVE PROCEDURES ACT, CHAPTER 35 OF TITLE 42, WITHIN THIRTY (30) DAYS OF THE DATE OF THIS ORDER. SUCH APPEAL, IF TAKEN, MAY BE COMPLETED BY FILING A PETITION FOR REVIEW IN SAID COURT.

Gorman Actuarial, Inc.

Bela Gorman FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: bela@gormanactuarial.com

August 24, 2022

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

Subject: **Individual Market Rate Filings for Neighborhood Health Plan of Rhode Island (NHPRI) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #NHRI-133254005

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filings that were submitted on May 16th and August 18th of 2022. NHPRI resubmitted a revised Tab V on May 31st and a revised Tab I on June 28th. These revisions do not revise the proposed rates or rate change.

Throughout the filing process, GA corresponded with NHPRI's actuarial consultant, Michelle B. Klein, FSA, MAAA of Milliman Inc. and Elizabeth McClaine of Neighborhood Health Plan. An actuarial memorandum and certification are included in the filing signed by Ms. Klein. GA submitted questions through SERFF on May 24, June 7, June 21, July 7, and July 21. In addition, GA conducted phone calls with NHPRI's actuarial consultant. GA received responses for questions through SERFF. GA also relied on responses to questions for the NHPRI small group filing that pertain to NHPRI individual filing.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: Revise the risk adjustment assumption from $12.53 PMPM or 2.6% of the revenue requirement to $33.25 PMPM or 6.8% of the revenue requirement to reflect the latest 2021 results. This will increase the rate by approximately 4.8%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: Revise the morbidity assumption from 1.5% to 0% which will reduce the rate by approximately 1.3%. The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

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

	NHPRI IND		
	Requested	**Final Approved**	**Impact to Rate**
2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$273.59	$277.14	1.3%
Morbidity Assumption	**1.5%**	**0.0%**	**-1.3%**
Risk Adjustment	**2.6%**	**6.8%**	**4.8%**
Contribution to Reserve	**3.0%**	**1.0%**	**-2.1%**
2023 CPAIR Rate Change	**6.8%**	**8.2%**	

Table 1: Requested and Final Approved Rate Changes

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (CPAIR) average increase.[1] The CPAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan

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

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

The proposed average CPAIR change is 6.8%. As of March 2022, there were 25,023 members. NHPRI has not terminated any plans or added new plans for 2023. They have revised their plan designs resulting in a reduction in rates ranging from 0.1% to 3.7% with an overall reduction of 1.89%. NHPRI's rate increase does fluctuate by plan offering ranging from 4.5% to 10.8%. The distribution of rate change is shown below. After adjusting for benefit design changes, the rate increases range from 8.1% to 11% which is due to slight changes in their AV and cost sharing assumptions and their retention formula.

Proposed Rate Increases					
Rate Change Range	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
less than 0%	0	0	$0.00	$0.00	0.0%
0% to 1.9%	0	0	$0.00	$0.00	0.0%
2% to 3.9%	0	0	$0.00	$0.00	0.0%
4% to 5.9%	2	9,742	$275.19	$288.68	4.9%
6% to 7.9%	2	9,551	$273.84	$294.02	7.4%
8% to 9.9%	0	0	$0.00	$0.00	0.0%
10% to 11.9%	2	5,307	$189.07	$209.13	10.6%
12% or greater	0	0	$0.00	$0.00	0.0%
Total	6	24,600	$256.09	$273.59	6.8%

Table 2: Distribution of Rate Increases

IV. Experience & Trend Assumptions

Trend Assumptions

A review of actual allowed claims experience shows that actual trends for NHPRI's individual market increased 16.3% from 2019 to 2021. The average annual increase is 7.9%.

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$53.13	$53.90	$57.42
Outpatient Hospital	$89.67	$88.40	$118.22
Professional	$106.07	$113.80	$110.80
Other Medical	$5.55	$5.81	$4.82
Capitation	$2.21	$1.94	$1.74
Prescription Drug	$74.37	$82.94	$92.10
Total	$331.00	$346.79	$385.10
Member Months	304,425	314,322	299,127

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	1.4%	6.5%
Outpatient Hospital	-1.4%	33.7%
Professional	7.3%	-2.6%
Other Medical	4.6%	-17.0%
Capitation	-12.0%	-10.5%
Prescription Drug	11.5%	11.0%
Total	4.8%	11.0%
Member Months Trend	3.3%	-4.8%

Table 3: Allowable Claims PMPM and Trend CY 2019 – CY 2021

NHPRI is assuming an average annual trend assumption of 8.9% which is higher than the trend in last year's rate filing of 8.4%. The table below shows NHPRI's cost and utilization[2] trend assumptions by service category. NHPRI uses a combination of historical data, utilization assumptions used in past years, and actuarial judgement to determine their utilization assumptions for 2022 and forward. NHPRI is currently assuming a 2.7% medical utilization & severity trend assumption. It also appears that NHPRI does adjust for COVID related costs in 2021 when analyzing trends.

[2] The utilization trend includes severity trend.

Trend Assumptions			
	2 Year Avg Cost	2 Year Avg Utilization	2 Year Avg Total
Inpatient Hospital	4.8%	1.2%	6.1%
Outpatient Hospital	4.8%	2.7%	7.7%
Professional	6.6%	3.5%	10.4%
Other Medical	7.2%	1.0%	8.3%
Capitation	0.0%	0.0%	0.0%
Total Medical	**5.5%**	**2.7%**	**8.4%**
Prescription Drug	**5.6%**	**4.5%**	**10.4%**
Total			8.9%

Table 4: Proposed Trend Assumptions

NHPRI's trend assumption is driven by the unit cost trend assumption and pharmacy trend assumption as shown in the table above. As shown in the table below, NHPRI's hospital unit cost trend assumptions have increased significantly from CY 2022 to CY 2023. NHPRI has indicated that this is due to the upward pressure on the CPI-U number and the current inflation environment and has assumed a 5% CPI-U number + 1%. Given that the latest CPI-U reported number is 6.9%, this cost trend assumption appears reasonable.

Unit Cost Trend	Year 1 2022	Year 2 2023
Hospital Inpatient	3.6%	6.0%
Outpatient Hospital	3.6%	6.0%
Professional	6.6%	6.6%
Other Medical	7.2%	7.2%

Table 5: Unit Cost Trends

I performed my own trend analysis on NHPRI Individual and Small Group Market data combined. The combined pool represents approximately 25,000 enrollees but the enrollment has ranged from 21,000 to 28,000 over the past two years. I received monthly data from January 2017 through March 2022, adjusted for IBNR. I subtracted out COVID expenses from 2020 and 2021 data. I then performed an actuarial trend analysis comparing 2021 data to 2019 data and annualizing the results. A summary of my results is shown below. As shown annual medical PMPM trends adjusted for COVID expenses range from 5.6% to 6.3%.

NHPRI Fully Insured Individual Market & Small Group Market				
Medical Total Claims PMPM Less COVID		**Medical Rolling 3 Trend (over 2 year period annualized)**	**Medical Rolling 6 Trend (over 2 year period annualized)**	**Medical Rolling 12 Trend (over 2 year period annualized)**
July	2021	7.6%	6.4%	
August	2021	7.1%	6.7%	
September	2021	5.0%	7.2%	
October	2021	3.1%	6.4%	
November	2021	4.7%	5.3%	
December	2021	6.0%	5.9%	5.9%
Average of last 6 data points		**5.6%**	**6.3%**	**5.9%**

Table 6: Gorman Actuarial Medical Trend Analysis[3]

After adjusting for price and accounting for benefit buy down, I have determined a utilization & severity trend assumption range from 2% to 3%.[4] NHPRI is assuming a 2.7% trend assumption which is in this range. I have also analyzed pharmacy trends. The table below shows a range from 9.4% to 14.4% with emerging trends being lower. NHPRI is assuming 10.4% which is within this range.

NHPRI Fully Insured Individual Market, Small Group Market, Large Group Market				
Pharmacy AllowedTrends		**Medical Rolling 3 Trend (over 2 year period annualized)**	**Medical Rolling 6 Trend (over 2 year period annualized)**	**Medical Rolling 12 Trend (over 2 year period annualized)**
July	2021	11.1%	18.0%	
August	2021	11.3%	16.0%	
September	2021	8.8%	12.8%	
October	2021	8.5%	9.8%	
November	2021	8.6%	10.0%	
December	2021	8.2%	8.5%	14.4%
Average of last 6 data points		**9.4%**	**12.5%**	**14.4%**

Table 7: Gorman Actuarial Pharmacy Trend Analysis

[3] In this table, we excluded trends that included data from 2020.
[4] NHPRI has provided historical and projected provider increases.

V. Cost Sharing Reduction (CSR) Adjustment

NHPRI estimated the CSR adjustment by calculating the actuarial values of each plan with and without the CSR subsidies. The CSR dollar estimate was calculated by applying the difference between the two actuarial values applied to allowed claims. NHPRI also accounts for induced demand in their CSR load. NHPRI is applying a 27.7% CSR adjustment to their silver on exchange plan rates. Last year it was 30%.

VI. COVID-19 Experience

NHPRI has provided COVID-19 costs related to treatment, testing and vaccines. They indicate that their total CY 2021 COVID-19 costs are $8.88 PMPM[5]. NHPRI has made no reductions in their base experience to account for lower COVID-19 expenses in 2023. NHPRI is assuming lower treatment and testing costs in 2023 compared to 2021 and higher vaccine expenses which results in similar COVID-19 expenses in 2021 versus 2023. In addition, NHPRI's reported CY 2021 COVID-19 expenses appear much lower than their peers.[6] For these reasons, I believe NHPRI's assumptions around COVID-19 is reasonable.

VII. 1332 Waiver (Reinsurance)

NHPRI is assuming a 4.6% reduction in their rates for reinsurance. This is consistent with information provided by HSRI. The 4.6% reduction translates to approximately $6.5M in reinsurance recoveries for 2023.

VIII. Risk Adjustment

NHPRI has assumed a $11.35 PMPM payable for risk adjustment and a $1.08 PMPM High-Cost Risk Pool surcharge for a combined payment of $12.53 PMPM. This translates to approximately $3.7M in payments or a 2.6% adjustment to the revenue requirement. Note that at the time of the submission of the rate filing, the actual 2021 results had not been released. CCIIO released the risk adjustment report on June 30th. The 2021 results indicate a payment of $9.4M which translates to a $31.92 PMPM. The 2021 High Cost Risk Pool surcharge is $1.33 PMPM. The combined 2021 risk adjustment payable is $33.25 PMPM. Using this assumption will increase the rate 4.8% and the resulting rate increase will be 11.9%. Another approach could be to increase the payment using an assumed 2022 and 2023 premium trend. However, given the volatility of the risk adjustment program, it is reasonable to use the 2021 estimate.

Recommendation #1: Revise the risk adjustment assumption from $12.53 PMPM or 2.6% of the revenue requirement to $33.25 PMPM or 6.8% of the revenue requirement

[5] Note, NHPRI in other responses reported COVID-19 expenses of $10.69 PMPM for CY 2021. They have indicated that these differences are due to timing of the data.
[6] Each insurer may define COVID treatment differently and therefore these amounts may not be comparable across insurers

to reflect the latest 2021 results. This will increase the rate by approximately 4.8%. The RI Health Insurance Commissioner has approved this revised assumption.

IX. Morbidity

NHPRI includes a 1.5% adjustment to their projected claims costs for morbidity. NHPRI expects higher costing members to join their ACA plans due to Medicaid redetermination as the public health emergency ends. An analysis was performed on enrollees who were enrolled in an NHPRI ACA plan and joined a NHPRI Medicaid plan after mid-March 2020. NHPRI has indicated that the CY 2021 allowed claims costs for these enrollees is 17.2% higher than the CY 2021 claims costs for the ACA population. In addition, NHRPI has assumed that members will enroll throughout the year and by December 2023, 4,231 enrollees will have migrated back to the ACA plan. Below is a table from Milliman's actuarial memo showing their assumptions.

Table 2
Neighborhood Health Plan of Rhode Island
Morbidity Adjustment Development

	Enrollee Count in ACA			Morbidity		
2023 Month	Current ACA Members	Entrants from Medicaid	Total	Current ACA Members	Entrants from Medicaid	Total
January	22,611	0	22,611	1.000	1.172	1.000
February	22,611	385	22,996	1.000	1.172	1.003
March	22,611	769	23,380	1.000	1.172	1.006
April	22,611	1,154	23,765	1.000	1.172	1.008
May	22,611	1,539	24,150	1.000	1.172	1.011
June	22,611	1,923	24,534	1.000	1.172	1.014
July	22,611	2,308	24,919	1.000	1.172	1.016
August	22,611	2,692	25,303	1.000	1.172	1.018
September	22,611	3,077	25,688	1.000	1.172	1.021
October	22,611	3,462	26,073	1.000	1.172	1.023
November	22,611	3,846	26,457	1.000	1.172	1.025
December	22,611	4,231	26,842	1.000	1.172	1.027
Total	**271,333**	**25,386**	**296,719**			**1.015**

Table 8: Milliman's analysis of Morbidity

There are many uncertainties associated with these assumptions. First, the Federal Government has not yet given an end date for the public health emergency. If the end date is after 2023, it is likely that most enrollees will stay in Medicaid. If the end date is in 2023 then perhaps a portion of enrollees may come back to the ACA market. Second, it is unclear how many of these enrollees will come back to the ACA market. NHPRI is assuming that by December 2023, 4,423 enrollees will come back to the ACA market which represents 19% of NHPRI's individual market. Finally, if NHPRI's morbidity does worsen due to Medicaid redetermination, NHPRI will most likely be paying less in risk adjustment payments. In 2019, prior to the public health emergency, NHRPI paid $3.4 M in risk adjustment – almost a third of what they are paying in 2021. This suggests that NHPRI's morbidity did improve compared to the market in 2021. If NHPRI's morbidity does worsen than it seems probable that they will pay less in risk adjustment. If NHPRI

applies a morbidity assumption, then it seems reasonable to reduce their expected payments for risk adjustment. Currently, we are proposing that NHPRI increase their rates for the latest 2021 risk adjustment results. As a result, I think it is reasonable to remove NHPRI's morbidity assumption.

Recommendation #2: Revise the morbidity assumption from 1.5% to 0% which will reduce the rate by approximately 1.3%. The RI Health Insurance Commissioner has approved this revised assumption.

X. Projected MLR and Retention Charge

Using the federal definition, excluding adjustments for credibility, NHPRI projects an 89% MLR for 2022 and an 87.1% MLR for 2023. NHPRI reports an 80.2% MLR for CY 2019, 78.3% MLR for 2020, and 81.3% MLR for 2021.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. NHPRI is proposing an average retention charge of 19.3% for 2023. The increase is due to an increase in contribution to reserve from 0% to 3.0%. Note, the administrative expense load decreased in 2023. NHPRI has indicated that in 2022 there was an increased investment in technology to streamline claims processing for providers. The table below shows the components of retention. The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	3.0%	0.0%	3.0%
Investment Income Credit	-0.1%	-0.2%	0.1%
Administrative Expense Load	14.3%	16.1%	-1.8%
Total Retention Charge	19.3%	17.9%	1.4%

Table 9: Proposed Retention Charge

NHPRI includes 1.3% in their administrative expense load for RI assessments and fees. The table below shows the details of the RI assessments and fees.

	2023 Assumptions		2022 Assumptions	
Assessment	PMPM	Premium Impact	PMPM	Premium Impact
Childhood Immunization Account	$0.66	0.1%	$0.64	0.1%
Adult Immunization Account	$3.04	0.6%	$3.04	0.7%
Children's Health Account	$0.39	0.1%	$0.39	0.1%
Care Transformation Collaborative of RI	$1.25	0.3%	$1.25	0.3%
Current Care	$1.00	0.2%	$1.00	0.2%
Total	$6.34	1.3%	$6.32	1.4%

Table 10: RI Assessments

XI. Financial Position

A review of NHPRI's financial measures show that NHPRI's RBC and underwriting gain have increased in 2020 but decreased into 2021. The underwriting gain in 2020 is 1.5% and 0.7% in CY 2021. The RBC in 2021 decreased to 236.4%.

	NHPRI				
	2021	**2020**	**2019**	**2018**	**2017**
8. Total Revenues	$1,520,834,669	$1,392,298,811	$1,345,930,383	$1,377,747,019	$1,365,886,563
24. Net Underwriting G/L	$10,313,351	$21,228,747	-$2,068,687	$3,402,842	$317,266
Underwriting G/L	***0.7%***	***1.5%***	***-0.2%***	***0.2%***	***0.0%***
49. Capital and Surplus end of reporting year	$126,138,439	$122,648,134	$101,607,294	$101,566,291	$100,277,569
SAPOR	***8.3%***	***8.8%***	***7.5%***	***7.4%***	***7.3%***
14. Total Adjusted Capital	$126,138,440	$122,648,134	$101,607,297	$101,566,291	$100,277,569
15. Authorized control level risk-based capital	$53,359,759	$48,513,766	$48,108,549	$49,588,540	$47,820,169
RBC	***236.4%***	***252.8%***	***211.2%***	***204.8%***	***209.7%***

Table 11: Summary of Financials

XII. URRT

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

XIII. Requested & Final Approved Rate Change

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

	NHPRI IND		
	Requested	**Final Approved**	**Impact to Rate**
2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$273.59	$277.14	1.3%
Morbidity Assumption	**1.5%**	**0.0%**	**-1.3%**
Risk Adjustment	**2.6%**	**6.8%**	**4.8%**
Contribution to Reserve	**3.0%**	**1.0%**	**-2.1%**
2023 CPAIR Rate Change	**6.8%**	**8.2%**	

Table 12: Requested and Final Approved Rate Changes

XIV. Conclusion

This memo communicates the findings of our review of the individual market 2023 rate filings for NHPRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by NHPRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

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

Sincerely,

Bela Gorman FSA, MAAA

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

Gorman Actuarial, Inc.

Bela Gorman FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: bela@gormanactuarial.com

August 24, 2022

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

Subject: **Small Group Market Rate Filing for Blue Cross and Blue Shield of Rhode Island (BCBSRI) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #BCBS_133266044

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filings that were submitted on May 16th and August 18th of 2022. BCBSRI subsequently submitted a revised Tab V on June 17, 2022 which is the Components of Premium Change exhibit. In addition, GA relied on information provided through BCBSRI's individual and large group filing review process to assist with this review.

Throughout the filing process, GA corresponded with BCBSRI's actuarial team. An actuarial certification is included in the filing signed by Sarah Bewick. GA submitted questions through SERFF on May 26, June 9, and July 13. In addition, GA conducted several phone calls with BCBSRI's actuarial team. GA received responses for questions through SERFF.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This

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

II. Recommendations

Recommendation #1: Revise BCBSRI's utilization & severity trend assumptions for hospital inpatient to 0.4%, outpatient hospital to 4.0%, for professional and other medical to 3.7% and pharmacy to 7.3%. The overall medical utilization & severity trend would change from 3.7% to 3.0%. These assumption changes would result in decrease in the rate approximately by 1.2%.[1] The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: Revise BCBSRI's hospital CY 2023 unit cost trend from 7.5% to 6.9%. This assumption change would result in decrease in the rate by approximately 0.2%.[2] The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: Revise BCBSRI's current risk adjustment assumptions with the final 2021 results, a $3.83 PMPM receivable and a $2.85 PMPM high-cost risk pool payment resulting in a $0.98 PMPM receivable. This would increase the rates approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

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

[1] The working recommendation memo included a 1% reduction. This estimate has been reevaluated.
[2] The working recommendation memo included a 0.3% reduction. This estimate has been reevaluated.

	BCBSRI SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$403.68	$397.70	-1.5%
Utilization Trend Assumptions			
Inpatient Hospital	0.2%	0.4%	
Outpatient Hospital	4.3%	4.0%	
Professional	5.2%	3.7%	
Other Medical	5.2%	3.7%	
Capitation	0.0%	0.0%	
Total Medical	3.7%	3.0%	
Pharmacy	7.5%	7.3%	
Total Utilization	**4.4%**	**3.8%**	**-1.2%**
Year 2 Hospital Cost Trend	**7.5%**	**6.9%**	**-0.2%**
Risk Adjustment	**-0.5%**	**-0.2%**	**0.3%**
Contribution to Reserve	**1.0%**	**0.5%**	**-0.5%**
1Q 2023 CPAIR Rate Change	**10.5%**	**8.9%**	
Annual 2023 CPAIR Rate Change	**11.7%**	**9.7%**	

Table 1: Requested and Final Approved Rate Changes[3]

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (CPAIR) average change.[4] The CPAIR reflects the average base rate used prior to the adjustments for age. The average is calculated using the most recent membership enrollment by plan offering. This change reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

In the small group rate filings, insurers file quarterly trend projection factors and therefore rates and rate changes can vary by quarter. Insurers also provide average rate changes by quarter. The focus of our review is the full year 2023 weighted average rate change (annual) and the 1Q 2023 weighted average rate change, both using the CPAIRs.

[3] The annual rate change represents the weighted average full year rate change and the difference between the requested and recommended annual rate change is wider than first quarter rate change because the differences in the requested and recommended quarterly trend factor becomes wider due to the cumulative impact of trend. The final annual 2023 CPAIR increase reported by BCBSRI within SERFF and the Post Submission Update is 9.8%. The final increase reported in the RI rate templates is 9.7%. The difference is rounding.

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

The proposed annual average CPAIR increase for the submitted filing on May 17th was 10.5% for first quarter renewals and 11.7% for the year. As of March 2022, there were 40,943 members enrolled throughout the year. BCBSRI has made plan design changes to several of their plan offerings and terminated two plans. As shown in the table below there are 74 renewing plan offerings and the average rate change for first quarter renewals is 10.4%.

Proposed Rate Increases					
Category	Number of Plans	Number of Members	1Q 2022 CPAIR PMPM	1Q 2023 CPAIR PMPM	Rate Change
New	0	0	$0.00	$0.00	0.0%
Renewal	74	14,840	$366.64	$404.68	10.4%
Terminated	2	176	$254.28	$319.04	25.5%
Total	76	15,016	$365.33	$403.68	10.5%

Table 2: Proposed 1Q 2023 Rate Changes for Renewing and Terminated Plans

The annual rate change by quarter and annual rate change is shown in the table below. As shown the annual increase is higher each subsequent quarter. This is primarily because the trend assumption used in 2023 is higher than what in used in 2022. The difference between the cumulative trend last year compared to this year widens each quarter.

Renewal Quarter and Year	Proposed Average Rate Change CPAIR	Renewal Membership
1Q 23	10.5%	15,016
2Q 23	11.4%	7,798
3Q 23	12.3%	7,916
4Q 23	13.2%	10,213
Total	11.7%	40,943

Table 3: Rate Increase by Renewal Quarter

BCBSRI has made changes in benefit design for 56 plan offerings – 46 plan offerings have minimal changes while eight plan offerings have changes that impact the rates -3% to -4% and two plan offerings have changes that impact the rates +4.7%. The overall impact of plan design changes is -0.31%. In addition, BCBSRI has updated their actuarial value pricing model which results in updated pricing actuarial values. Therefore, the rate impact will vary across BCBSRI's portfolio. BCBSRI has indicated that they discovered that specialty drugs were inadvertently excluded from their model which made the pharmacy portion of total medical expense shift from 18.1% to 25.5%. This is a significant change in assumptions.

As shown in the table below, there are ten plans that have rate changes between 18% and 22% with approximately 2,000 enrollees. Two of these plans have increased benefits which impacts the rate +4.7% and two have decreased benefits which impacts the rate -3.9%. These plans are a mix of Silver and Gold plan offerings. Eight of these plan offerings are HSA plans.[5]

Proposed Rate Increases					
Rate Change Range	Number of Plans	Number of Members	1Q 2022 CPAIR PMPM	1Q 2023 CPAIR PMPM	Rate Change
less than 0%	0	0	$0.00	$0.00	0.0%
0% to 1.9%	0	0	$0.00	$0.00	0.0%
2% to 3.9%	2	72	$397.10	$412.50	3.9%
4% to 5.9%	0	0	$0.00	$0.00	0.0%
6% to 7.9%	12	2,392	$472.75	$507.24	7.3%
8% to 9.9%	26	7,069	$381.48	$416.04	9.1%
10% to 11.9%	12	1,885	$326.51	$361.58	10.7%
12% to 13.9%	4	615	$342.80	$388.70	13.4%
14% to 15.9%	8	791	$218.62	$252.07	15.3%
16% to 17.9%	0	0	$0.00	$0.00	0.0%
18% to 19.9%	8	1,477	$281.12	$335.70	19.4%
20% to 21.9%	2	539	$316.27	$381.42	20.6%
22% or greater	0	0	$0.00	$0.00	0.0%
Total	74	14,840	$366.64	$404.68	10.4%

Table 4: Distribution of 1Q 2023 Rate Changes for Renewing Plans

The changes in the actuarial value pricing model will impact renewals in all four quarters in 2023. The tables below show the number of plan offerings and members that will experience base rate increases greater than 12%, 14%, and 18%.

	>12%		>14%		>18%	
	Number of Plans	Number of Members	Number of Plans	Number of Members	Number of Plans	Number of Members
1Q	22	3,422	18	2,807	10	2,016
2Q	30	1,700	24	1,363	12	737
3Q	36	2,798	24	1,376	12	567
4Q	49	5,822	28	1,839	16	1,416

Table 5: Rate Increases Greater than 12% for 2023 Renewals

[5] These eight plan offerings do not have increased benefits or decreased cost sharing.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for BCBSRI's small group market were -3.5% in CY 2020 and 13.3% in CY 2021. The table below shows a three-year history of allowed claims PMPMs. The negative trend in 2020 is most likely due to utilization suppression due to COVID-19. The high trend in CY 2021 may be due in part to COVID-19 expenses.

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$99.07	$90.46	$106.93
Outpatient Hospital	$137.59	$131.54	$148.99
Professional	$160.67	$153.00	$180.53
Other Medical	$10.29	$13.04	$14.32
Capitation	$0.00	$0.51	$0.50
Prescription Drug	$96.14	$97.82	$99.59
Total	$503.76	$486.36	$550.87
Member Months	496,619	486,866	488,105

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	-8.7%	18.2%
Outpatient Hospital	-4.4%	13.3%
Professional	-4.8%	18.0%
Other Medical	26.6%	9.9%
Capitation	0.0%	-1.5%
Prescription Drug	1.7%	1.8%
Total	-3.5%	13.3%
Member Months Trend	-2.0%	0.3%

Table 6: Allowable Claims PMPM and Trend CY 2019-CY 2021

BCBSRI is assuming an average annual trend assumption of 7.8%. The table below shows BCBSRI's cost and utilization[6] trend assumptions by service category. As shown, BCBSRI is assuming a 3.7% medical utilization trend. Note last year, BCBSRI assumed a 2.7% medical utilization trend.

[6] Utilization trends also include severity trends.

Trend Assumptions			
	2 Year Avg Cost	2 Year Avg Utilization	2 Year Avg Total
Inpatient Hospital	6.0%	0.2%	6.2%
Outpatient Hospital	5.1%	4.3%	9.6%
Professional	2.3%	5.2%	7.6%
Other Medical	2.3%	5.2%	7.6%
Capitation	0.0%	0.0%	0.0%
Total Medical	**4.1%**	**3.7%**	**8.0%**
Prescription Drug	**-0.5%**	**7.5%**	**7.0%**
Total			7.8%

Table 7: Annual Trend Assumption[7]

Utilization Trend Assumptions

BCBSRI has performed regression analyses across the Direct Pay, Small Group, and Large Group markets. They have provided a series of regression charts by service category: inpatient hospital, outpatient hospital, professional, and pharmacy. For inpatient utilization, regressions are performed on admissions per 1000. For the other service categories, BCBSRI adjusts allowed claims PMPMs for price then performs regression analysis. For these other services, the analysis is performed on utilization and mix or severity of services. Since the utilization of health care services was suppressed in CY 2020 due to COVID-19, BCBSRI performs their regression analysis for 2017 to 2021 excluding CY 2020 for all medical services. For pharmacy services, since COVID-19 did not impact utilization, BCBSRI used all the historical data. Then BCBSRI uses the predicted data points for 2022 and 2023 to determine the utilization trend assumptions. BCBSRI used their regression results for Outpatient Hospital, Professional and Pharmacy services since the R-square (predictive power) was higher. For inpatient, since the R-square was lower and less predictive, BCBSRI indicated that they relied on more recent experience and reduced the results from their regression analysis by 0.5%. The assumptions used for Professional services were also used for Other Medical. Table 7 shows BCBSRI's trend assumptions in their filing.

During the course of my review, I learned that BCBSRI did not normalize or adjust their data for the impact of aging. When an insurer is allowed to adjust their final rate to the customer for age, the trend projections the insurers utilize should not reflect the impact of age to avoid double counting of changing age demographics. In addition,

[7] Leveraging factor of 0.7% was included in the paid to allowed ratio. BCBSRI provides 13 months of trend for Year 2 in the rate template. Trends in the RI rate template have been annualized for Year 2.

BCBSRI did not subtract out any COVID-19 expenses from their 2021 experience when performing trend analyses. A significant proportion of COVID-19 expenses are most likely one-time expenses in CY 2021 it would have been appropriate to exclude COVID-19 expenses from the trend analyses. BCBSRI could then add back in expected 2023 COVID-19 expenses later in their rate development.

Upon request, BCBSRI provided regression analyses adjusting for age and COVID-19 expenses in 2021. The results are shown in the table below. As shown, adjusting for age and excluding COVID-19 experience results in lower utilization trend assumptions.

Utilization Trends	Assumption used in filing	BCBSRI Regression	BCBSRI Regression Normalized for age	BCBSRI Regression Normalized for Age and Excluding COVID
Inpatient Hospital	0.2%	0.7%	0.4%	-0.5%
Outpatient Hospital	4.3%	4.3%	4.0%	3.6%
Professional	5.2%	5.2%	4.9%	3.7%
Other Medical	5.2%	5.2%	4.9%	3.7%
Pharmacy	7.5%	7.5%	7.3%	7.3%

Table 8: Utilization Regression Results

I also performed my own trend analyses as it is appropriate to develop trend projections using different methods to check for reasonableness.[8] I performed my own trend analysis by combining data across the three market segments for medical and pharmacy allowed claims PMPMs and adjusting for provider price. I also analyzed claims excluding COVID-19 claims data and focused my analysis on trends excluding data from March 2020 through December 2020. I calculated allowed PMPM trends (which includes cost and utilization) through YE December 2021 analyzing rolling 3 months, rolling 6 months, and rolling 12 months trends. I performed the same analysis adjusting for price to analyze medical utilization & severity. Below, I show two tables, one with COVID-19 data and one without COVID-19 data. I compare 2021 to 2019 and annualized the trends. As shown, trend results in Table 9 are approximately 2.1% to 2.6% higher than trend results shown in Table 10, suggesting that COVID-19 experience inflates trends.

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

BCBSRI Fully Insured Medical Only Individual Market, Small Group Market, Large Group Market				
Medical Utilization Trends		Medical Rolling 3 Trend (over 2 year period annualized)	Medical Rolling 6 Trend (over 2 year period annualized)	Medical Rolling 12 Trend (over 2 year period annualized)
July	2021	3.3%	3.4%	N/A
August	2021	4.9%	4.0%	N/A
September	2021	2.7%	3.4%	N/A
October	2021	2.3%	2.8%	N/A
November	2021	3.0%	4.0%	N/A
December	2021	3.8%	3.3%	3.0%
Average of last 6 data points		**3.3%**	**3.5%**	**3.0%**

Table 9: GA Analysis: 2021 vs. 2019 Medical Utilization Trend Analysis

BCBSRI Fully Insured Medical Only Individual Market, Small Group Market, Large Group Market				
Medical Utilization Trends Less COVID		Medical Rolling 3 Trend (over 2 year period annualized)	Medical Rolling 6 Trend (over 2 year period annualized)	Medical Rolling 12 Trend (over 2 year period annualized)
July	2021	2.0%	1.5%	N/A
August	2021	3.4%	2.1%	N/A
September	2021	0.6%	1.4%	N/A
October	2021	0.0%	1.0%	N/A
November	2021	0.4%	1.9%	N/A
December	2021	0.4%	0.5%	0.4%
Average of last 6 data points		**1.1%**	**1.4%**	**0.4%**

Table 10: GA Analysis: 2021 vs. 2019 Medical Utilization Trend Analysis Excluding COVID-19 Data

BCBSRI has suggested that in 2021 they have experienced lower than "normal" utilization levels within certain outpatient services and that these reductions were replaced by the COVID-19 expenses. This is why they have not reduced their experience for COVID-19 expenses when developing trend assumptions. In addition, it is possible that inpatient hospital services classified as COVID services may have been secondary diagnoses. For these reasons, I am proposing a scenario where we assume trends

adjusted for age only for hospital inpatient, hospital outpatient, and pharmacy services and we assume trends adjusted for age and COVID for all other services.

Recommendation #1: Revise BCBSRI's utilization & severity trend assumptions for hospital inpatient to 0.4%, outpatient hospital to 4.0%, for professional and other medical to 3.7% and pharmacy to 7.3%. The overall medical utilization & severity trend would change from 3.7% to 3.0%. These assumption changes would result in decrease in the rate approximately by 1.2%. The RI Health Insurance Commissioner has approved this revised assumption.

Unit Cost Trend Assumptions

BCBSRI assumes higher increases in hospital unit cost trend assumptions for CY 2023. As shown in the table below, hospital inpatient and outpatient hospital unit cost trend assumptions are 7.5%.

Unit Cost Trend	Year 1 2022	Year 2 2023
Hospital Inpatient	4.5%	7.5%
Outpatient Hospital	2.8%	7.5%
Professional	2.6%	2.0%

Table 11: Unit Cost Trend Assumptions[9]

BCBSRI relies on Rhode Island's Affordability Standards which are tied to a hospital price cap set by the Rhode Island Office of the Health Insurance Commissioner (RIOHIC) each October. This year, the hospital price cap will be based on the CPI-U (less food and energy) annual increase as of August 2022 or September 2022, increased by 1%. BCBSRI relied on the latest 12-month estimate as of March 2022 which was 6.5%. This number was increased by 1% to determine a projected price cap of 7.5%. If the CPI-U number established in October 2022 is lower than what it was in March 2022, then the price cap will be lower than 7.5% and BCBSRI's price trend assumptions for hospital services may be overstated. Since the submission of the rate filing, the April, May, and June CPI-U annual increases were released at 6.2%, 6.0%, and 5.9%. I have estimated what the impact to the rate increase would be if the price cap was 6.9% and 6.5%. The resulting impact would be -0.3% and -0.5% respectively.

Recommendation #2: Revise BCBSRI's hospital CY 2023 unit cost trend from 7.5% to 6.9%. This assumption change would result in decrease in the rate by approximately 0.2%. The RI Health Insurance Commissioner has approved this revised assumption.

V. COVID Expenses

[9] Trends in the RI rate template have been annualized for Year 2 (2023).

BCBSRI has projected to CY 2023 claims using CY 2021 experience which includes expenses related to COVID-19. The table below shows that CY 2021 COVID-19 expenses was $19.42 PMPM which is approximately 3.5% of total allowed claims.[10] The trend assumptions used in the projections are based on 2021 data which includes expenses related to COVID-19. Then, BCBSRI makes an adjustment to the CY 2023 projections by assuming that COVID-19 expenses will be half of what they were in CY 2021 across all their markets. The result reduces the CY 2023 total claims projections by approximately 1.9%.

VI. Risk Adjustment

BCBSRI had assumed a 2023 receivable for risk adjustment of $5.02 PMPM and a $2.20 PMPM high-cost risk pool payment. The net impact is a $2.82 PMPM receivable which is approximately $2.5M. After the rate filing was submitted, CMS released final 2021 risk adjustment results which shows that the final risk adjustment receivable is $3.83 PMPM and the final high-cost risk pool payment is $2.85 PMPM resulting in $0.98 PMPM in receipts.

There are many approaches to the risk adjustment assumption. One approach is to utilize the 2021 results in the 2023 premium rates. Since the risk adjustment program is a surcharge/credit calculated using the statewide average premium, another approach could be to trend the 2021 results forward using 2022 and 2023 premium trend assumptions. For CY 2022, RI OHIC approved an overall rate increase of 0.4%. This year, insurers are requesting an overall rate increase of 11.5%. The rate increase is not equal to the final premium trend due to benefit buy down (enrollees purchasing lower costing alternatives), shifts in enrollment across insurers, and the RI OHIC approval process. A reasonable assumption would be 0% for 2022 premium yield and 8% for 2023, which averages to 4% each year. This would increase the risk adjustment receipts from $3.83 to $4.14. The difference is negligible and I would recommend utilizing the 2021 results.

Recommendation #3: Revise BCBSRI's current risk adjustment assumptions with the final 2021 results, a $3.83 PMPM receivable and a $2.85 PMPM high-cost risk pool payment resulting in a $0.98 PMPM receivable. This would increase the rates approximately 0.3%. The RI Health Insurance Commissioner has approved this revised assumption.

VII. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, BCBSRI projects an 86.9% MLR for 2022 and an 82.8% MLR for 2023. Note, BCBSRI's MLR using the federal definition was 79.2% in 2019 and 81.1% in 2020.[11]

[10] This data is not adjusted for IBNR.
[11] This is coming from Tab VI MLR Exhibit in the RI rate template.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. BCBSRI is proposing an average retention charge of 17.4% in 2023. The retention charge was 16.9% for 2022. The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.9%	1.0%	-0.1%
Contribution to Reserve (Profit/Risk Load)	1.0%	0.0%	1.0%
Investment Income Credit	-0.1%	-0.1%	0.0%
Administrative Expense Load	13.5%	13.8%	-0.3%
Total Retention Charge	17.4%	16.9%	0.5%

Table 12: Retention Charges

BCBSRI includes 1.2% in their rates for RI assessments and fees. I have validated these assumptions.

	2023 Assumptions		2022 Assumptions	
Assessment	PMPM	Premium Impact	PMPM	Premium Impact
Childhood Immunization Account	$2.03	0.3%	$2.17	0.4%
Adult Immunization Account	$2.26	0.4%	$2.14	0.4%
Children's Health Account	$1.31	0.2%	$1.32	0.2%
Care Transformation Collaborative of RI	$0.66	0.1%	$0.75	0.1%
Current Care	$1.00	0.2%	$1.00	0.2%
Total	$7.26	1.2%	$7.38	1.3%

Table 13: RI Assessments

VIII. Financial Position

A review of BCBSRI's financial measures show that BCBSRI's RBC position has strengthened over the past few years. There was a significant increase in the RBC in 2020. However, this increase does not appear to be due to an increase in underwriting gain. The underwriting gain in 2020 was 0.5% which is lower than the underwriting gain in both 2019 and 2018. The increase could be due to other items such as investments.

	BCBSRI				
	2021	**2020**	**2019**	**2018**	**2017**
8. Total Revenues	$1,795,520,104	$1,707,243,198	$1,698,166,372	$1,708,865,057	$1,719,351,097
24. Net Underwriting G/L	$9,239,068	$7,713,021	$28,874,085	$36,858,723	$8,177,236
Underwriting G/L	***0.5%***	***0.5%***	***1.7%***	***2.2%***	***0.5%***
49. Capital and Surplus end of reporting year	$434,692,861	$415,814,234	$371,583,769	$298,658,624	$292,996,877
SAPOR	***24.2%***	***24.4%***	***21.9%***	***17.5%***	***17.0%***
14. Total Adjusted Capital	$434,692,861	$415,814,234	$371,583,769	$298,658,624	$292,996,877
15. Authorized control level risk-based capital	$63,315,995	$58,616,377	$58,232,394	$57,430,307	$58,588,774
RBC	***686.5%***	***709.4%***	***638.1%***	***520.0%***	***500.1%***

Table 14: Summary of Financials

IX. Actuarial Value Pricing Model

BCBSRI has made changes in their benefit pricing model which results in variation in rate change by plan offering. BCBSRI has indicated that their 2023 benefit pricing model has been updated to reflect the most recent distribution of claims so that pharmacy claims represent a larger proportion of total claims. BCBSRI has also indicated that they discovered that specialty drugs were inadvertently excluded from their model which made the pharmacy portion of total medical expense shift from 18.1% to 25.5%. This is a significant change in assumptions. Due to these model updates, there is wide fluctuation in rate changes as shown in Table 4 and Table 5. When insurers have significant changes in their assumptions within their actuarial value pricing model, one option can be to phase in these assumption changes over time to mitigate any rate shocks to a portion of the insurer's enrollees. This option can help stabilize the insurer's risk pool.

X. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template. BCBSRI reports allowed claims in Section I Experience data unadjusted for pharmacy rebates. The URRT remains silent on how this should be reported. However, as directed by the URRT, Section II, the Experience Period Index rate is adjusted for pharmacy rebates. Also, it was discovered that the CPAIR rates in the URRT were all off by 0.49%. BCBSRI has acknowledged this error and will update the URRT when instructed to do so.

XI. Requested and Final Approved Rate Changes

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

	BCBSRI SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$403.68	$397.70	-1.5%
Utilization Trend Assumptions			
Inpatient Hospital	0.2%	0.4%	
Outpatient Hospital	4.3%	4.0%	
Professional	5.2%	3.7%	
Other Medical	5.2%	3.7%	
Capitation	0.0%	0.0%	
Total Medical	3.7%	3.0%	
Pharmacy	7.5%	7.3%	
Total Utilization	**4.4%**	**3.8%**	**-1.2%**
Year 2 Hospital Cost Trend	**7.5%**	**6.9%**	**-0.2%**
Risk Adjustment	**-0.5%**	**-0.2%**	**0.3%**
Contribution to Reserve	**1.0%**	**0.5%**	**-0.5%**
1Q 2023 CPAIR Rate Change	**10.5%**	**8.9%**	
Annual 2023 CPAIR Rate Change	**11.7%**	**9.7%**	

Table 15: Requested and Final Approved Rate Changes

XII. Conclusion

This memo communicates the findings of our review of the small group market 2023 rate filings for BCBSRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by BCBSRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

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

Sincerely,

Bela Gorman FSA, MAAA

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

Gorman Actuarial, Inc.

Bela Gorman FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: bela@gormanactuarial.com

August 24, 2022

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

Subject: **Small Group Market Rate Filings for Neighborhood Health Plan of Rhode Island (NHPRI) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #NHRI-133253960

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filings that were submitted on May 16th, July 20th and August 18th of 2022.[1]

Throughout the filing process, GA corresponded with NHPRI's actuarial consultant, Michelle B. Klein, FSA, MAAA of Milliman Inc. and Elizabeth McClaine of Neighborhood Health Plan. An actuarial memorandum and certification are included in the filing signed by Ms. Klein. GA submitted questions through SERFF on May 31st, June 24th, and July 20th. In addition, GA conducted phone calls with NHPRI staff and their actuarial consultant. GA received responses for questions through SERFF. GA also relied on

[1] The differences include updated Tab I premium data, updated enrollment by quarter which impacts the overall rate increase in Tab II, Tab III, and Tab V.

responses to questions for the NHPRI individual rate filing that pertain to the NHPRI small group rate filing.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

The table below shows NHPRI's requested and final approved rate changes. GA is not recommending any changes.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

	NHPRI SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$320.60	$312.07	-2.7%
Contribution to Reserve	**3.0%**	**0.5%**	**-2.7%**
1Q 2023 CPAIR Rate Change	**9.4%**	**6.5%**	
2023 Annual CPAIR Rate Change	**9.7%**	**6.8%**	

Table 1: Requested and Final Approved Rate Changes

III. Proposed Rate Changes

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

The proposed annual average CPAIR increase is 9.7%. The first quarter rate change is 9.4%. As of March 2022, there were 1,875 members enrolled renewing throughout the year and 750 member renewing in the first quarter. NHPRI is adding four new plans and

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

renewing 14 plans for a total of 18 plan offerings. The rate increase varies by plan offering and ranges from 5.5% to 11.2%. This variation is shown in the table below. NHPRI has made plan design changes which impacts the overall rate change by -0.8%. After adjusting for these changes, the rate increases range from 9.4% to 11.6%.

Proposed Rate Increases					
Rate Change Range	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
less than 0%	0	0	$0.00	$0.00	0.0%
0% to 1.9%	0	0	$0.00	$0.00	0.0%
2% to 3.9%	0	0	$0.00	$0.00	0.0%
4% to 5.9%	1	0	$246.48	$260.17	5.6%
6% to 7.9%	1	142	$246.94	$262.09	6.1%
8% to 9.9%	4	459	$313.42	$344.16	9.8%
10% to 11.9%	8	149	$273.65	$303.75	11.0%
12% or greater	0	0	$0.00	$0.00	0.0%
Total	14	750	$292.93	$320.60	9.4%

Table 2: Distribution of Rate Increases

The quarterly rate change is shown in the table below.

Renewal Quarter and Year	Proposed Average Rate Change CPAIR	Renewal Membership
1Q 23 Renewals	9.4%	750
2Q 23 Renewals	9.6%	440
3Q 23 Renewals	9.9%	366
4Q 23 Renewals	10.3%	337
Total	9.7%	1,893

Table 3: Quarterly Rate Change

IV. Experience & Trend Assumptions

A review of actual allowed claims experience shows that actual trends for NHPRI's small group market are volatile. The tables below illustrate this volatility. The allowed claims PMPM trend was 25.4% in 2020 and 37.5% in 2021. This is to be expected considering NHPRI's small group risk pool is small and not credible for trend analysis. In addition, member months increased 27.1% in 2020 and 6.2% in 2021.

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$34.65	$37.54	$57.97
Outpatient Hospital	$51.39	$59.05	$109.38
Professional	$77.67	$102.00	$99.30
Other Medical	$3.87	$6.58	$10.13
Capitation	$1.85	$2.93	$1.59
Prescription Drug	$52.91	$70.74	$104.95
Total	$222.34	$278.83	$383.30
Member Months	15,909	20,227	21,482

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	8.3%	54.4%
Outpatient Hospital	14.9%	85.2%
Professional	31.3%	-2.7%
Other Medical	70.1%	54.0%
Capitation	57.8%	-45.8%
Prescription Drug	33.7%	48.4%
Total	25.4%	37.5%
Member Months Trend	27.1%	6.2%

Table 4: Allowable Claims PMPM and Trend CY 2019 – CY 2021

NHPRI is assuming an average annual trend assumption of 8.9% which is higher than what was assumed last year (8.4%) and consistent with what is used in the Individual Market Filing. The table below shows NHPRI's cost and utilization trend assumptions by service category. NHPRI uses a combination of historical data, utilization assumptions used in past years, and actuarial judgement to determine their utilization assumptions for 2022 and forward. NHPRI is currently assuming a 2.7% medical utilization trend assumption.[3] It also appears that NHPRI does adjust for COVID related costs in 2021 when analyzing trends.

[3] Utilization includes severity.

Trend Assumptions			
	2 Year Avg Cost	2 Year Avg Utilization	2 Year Avg Total
Inpatient Hospital	4.8%	1.2%	6.1%
Outpatient Hospital	4.8%	2.7%	7.7%
Professional	6.6%	3.5%	10.4%
Other Medical	7.2%	1.0%	8.3%
Capitation	0.0%	0.0%	0.0%
Total Medical	**5.5%**	**2.7%**	**8.3%**
Prescription Drug	**5.6%**	**4.5%**	**10.4%**
Total			8.9%

Table 5: Annual Trend Assumption

NHPRI's trend assumption is driven by the unit cost trend assumption and pharmacy trend assumption as shown in the table above. As shown in the table below, NHPRI's hospital unit cost trend assumptions have increased significantly from CY 2022 to CY 2023. NHPRI has indicated that this is due to the upward pressure on the CPI-U number and the current inflation environment and has assumed a 5% CPI-U number + 1%. Given that the latest CPI-U reported number is 6.9%, this cost trend assumption appears reasonable.

Unit Cost Trend	Year 1 2022	Year 2 2023
Hospital Inpatient	3.6%	6.0%
Outpatient Hospital	3.6%	6.0%
Professional	6.6%	6.6%
Other Medical	7.2%	7.2%

Table 6: Unit Cost Trend Assumption

I performed my own trend analysis on NHPRI Individual and Small Group Market data combined. The combined pool represents approximately 25,000 enrollees but the enrollment has ranged from 21,000 to 28,000 over the past two years. I received monthly data from January 2017 through March 2022, adjusted for IBNR. I subtracted out COVID expenses from 2020 and 2021 data. I then performed an actuarial trend analysis comparing 2021 data to 2019 data and annualizing the results. A summary of my results is shown below. As shown, annual medical PMPM trends adjusted for COVID expenses range from 5.6% to 6.3%.

NHPRI Fully Insured Individual Market & Small Group Market				
Medical Total Claims PMPM Less COVID		Medical Rolling 3 Trend (over 2 year period annualized)	Medical Rolling 6 Trend (over 2 year period annualized)	Medical Rolling 12 Trend (over 2 year period annualized)
July	2021	7.6%	6.4%	
August	2021	7.1%	6.7%	
September	2021	5.0%	7.2%	
October	2021	3.1%	6.4%	
November	2021	4.7%	5.3%	
December	2021	6.0%	5.9%	5.9%
Average of last 6 data points		**5.6%**	**6.3%**	**5.9%**

Table 7: Gorman Actuarial Medical Trend Analysis[4]

After adjusting for price and accounting for benefit buy down, I have determined a utilization and severity trend assumption range from 2% to 3%.[5] NHPRI is assuming a trend assumption of 2.7% which is in this range. I have also analyzed pharmacy trends. The table below shows a range from 9.4% to 14.4% with emerging trends being lower. NHPRI is assuming 10.4% which is within this range.

NHPRI Fully Insured Individual Market, Small Group Market, Large Group Market				
Pharmacy AllowedTrends		Medical Rolling 3 Trend (over 2 year period annualized)	Medical Rolling 6 Trend (over 2 year period annualized)	Medical Rolling 12 Trend (over 2 year period annualized)
July	2021	11.1%	18.0%	
August	2021	11.3%	16.0%	
September	2021	8.8%	12.8%	
October	2021	8.5%	9.8%	
November	2021	8.6%	10.0%	
December	2021	8.2%	8.5%	14.4%
Average of last 6 data points		**9.4%**	**12.5%**	**14.4%**

Table 8: Gorman Actuarial Pharmacy Trend Analysis

[4] In the table, we excluded trends that included data from 2020.
[5] NHPRI has provided historical and projected provider increases.

V. COVID-19 Experience

NHPRI has provided COVID-19 costs related to treatment, testing and vaccines. They indicate that their total CY 2021 COVID-19 costs are $8.23 PMPM. NHPRI has made no reductions in their base experience to account for lower COVID-19 expenses in 2023. NHPRI's reported CY 2021 COVID-19 expenses that appear much lower than their peers.[6] For these reasons, I believe NHPRI's assumption on COVID-19 is reasonable.

VI. Risk Adjustment and Morbidity Adjustment

NHPRI has assumed a 0% adjustment for risk adjustment. NHPRI develops their small group rates assuming the underlying morbidity reflects the entire small group market in Rhode Island. By assuming the average morbidity of the small group market, NHRPI does not need to apply a risk adjustment assumption.

NHPRI develops their claims projections for rate development by blending a projection based on their own small group experience with a projection based on their own individual market experience ("manual rate"). Their small group experience is adjusted for the ratio of the RI small group market morbidity to NHPRI's small group morbidity. The individual market experience is adjusted for the ratio of RI small group market morbidity to NHPRI's individual market morbidity. Morbidity is defined as plan liability risk score normalized for the age rating factor.[7] The diagram below shows how the morbidity adjustment is calculated.

	NHPRI SG Experience Morbidity Adj		NHPRI IND Experience Morbidity Adj
A	RI SG Plan Liablity Risk Score	**H**	RI SG Plan Liablity Risk Score
B	RI SG Age Rating Factor	**I**	RI SG Age Rating Factor
C=A/B	RI SG Morbidity Factor	**J=H/I**	RI SG Morbidity Factor
D	NHPRI SG Plan Liability Risk Score	**K**	NHPRI IND Plan Liability Risk Score
E	NHPRI SG Age Rating Factor	**L**	NHPRI IND Age Rating Factor
F=D/E	NHPRI SG Morbidity Factor	**M=K/L**	NHPRI IND Morbidity Factor
G=C/F	Morbidity Adjustment for SG	**N = J/M**	Morbidity Adjustment for IND

Note that at the time of the submission of the rate filing, the actual 2021 results had not been released. NHPRI had to estimate the PLRS for the RI small group market and for their own markets using the interim risk adjustment report from CMS. NHPRI estimated that the PLRS for the RI small group market would be 1.20. The actual RI small group

[6] Each insurer may define COVID treatment differently and therefore these amounts may not be comparable across insurers

[7] Plan Liability Risk Score is the risk score calculated by CMS for the Federal risk adjustment program.

PLRS for 2021 is 1.335. This implies that NHPRI's morbidity adjustments are understated. I have recalculated the morbidity adjustment based on the recent risk adjustment data and have estimated that rates would increase 13.1%. The risk adjustment information just released also shows that NHPRI will be paying $1.3M in risk adjustment which translates to a $58 PMPM or approximately 12.7% increase in rates. This 12.7% risk adjustment assumption is consistent with the 13.1% morbidity assumption. As mentioned earlier, NHPRI chose to adjust their rates to the average small group market morbidity rather than applying a risk adjustment assumption. Both methods are comparable.

NHPRI's small group risk pool is small and not credible. This results in wide swings in claims and can also result in wide swings in risk adjustment. Due to these reasons, I am not recommending a change in the risk adjustment assumption. NHPRI is currently requesting a 9.7% rate increase which is higher than their trend assumption. I believe further increases may add to the volatility and destabilize their risk pool. In the future, I would recommend that NHPRI not utilize the interim risk adjustment reports provided by CMS. It has been GA's experience that these interim reports are not accurate. NHPRI may want to consider using multiple years of risk score data and also may want to place more credibility on their individual market experience.

VII. Projected MLR and Retention Charge

Using the federal definition and prior to credibility adjustments, under the proposed rates, NHPRI projects an 89% MLR for 2022 and a 91.1% MLR for 2023.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. NHPRI is proposing an average retention charge of 19.1% for 2023. The table below shows the components of retention. NHPRI has filed a 3.0% contribution to reserve. NHPRI's administrative expense load has decreased from 19.6% to 14.1%. NHPRI has indicated that this is due to increased investment in technology in 2022. The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	3.0%	0.0%	3.0%
Investment Income Credit	-0.1%	-0.2%	0.1%
Administrative Expense Load	14.1%	19.6%	-5.5%
Total Retention Charge	19.1%	21.6%	-2.4%

Table 9: Retention Charges

NHPRI includes 1.5% in their administrative expense load for RI assessments and fees. The table below shows the details of the RI assessments and fees.

	2023 Assumptions		2022 Assumptions	
Assessment	PMPM	Premium Impact	PMPM	Premium Impact
Childhood Immunization Account	$1.94	0.4%	$1.78	0.4%
Adult Immunization Account	$2.76	0.6%	$2.80	0.7%
Children's Health Account	$1.09	0.2%	$1.09	0.3%
Care Transformation Collaborative of RI	$0.15	0.0%	$0.15	0.0%
Current Care	$1.00	0.2%	$1.00	0.2%
Total	$6.94	1.5%	$6.82	1.6%

Table 10: RI Assessments

VIII. Financial Position

Using the federal definition prior to credibility adjustments, NHPRI's reported MLR in Tab VI of the OHIC template are 78.7% for CY 2019, 93.0% for CY 2020, and 103.7% for CY 2021.[8] In addition, it is interesting to note that NHPRI reports a significant increase in health care quality improvement expenses in CY 2021 which increases the MLR. In CY 2020 these expenses were $14.32 PMPM and for CY 2021 NHPRI reports $22.70 PMPM.

A review of NHPRI's financial measures show that NHPRI's RBC and underwriting gain have increased in 2020 but decreased into 2021. The underwriting gain in 2020 is 1.5% and 0.7% in CY 2021. The RBC in 2021 decreased to 236.4%.

	NHPRI				
	2021	2020	2019	2018	2017
8. Total Revenues	$1,520,834,669	$1,392,298,811	$1,345,930,383	$1,377,747,019	$1,365,886,563
24. Net Underwriting G/L	$10,313,351	$21,228,747	-$2,068,687	$3,402,842	$317,266
Underwriting G/L	***0.7%***	***1.5%***	***-0.2%***	***0.2%***	***0.0%***
49. Capital and Surplus end of reporting year	$126,138,439	$122,648,134	$101,607,294	$101,566,291	$100,277,569
SAPOR	***8.3%***	***8.8%***	***7.5%***	***7.4%***	***7.3%***
14. Total Adjusted Capital	$126,138,440	$122,648,134	$101,607,297	$101,566,291	$100,277,569
15. Authorized control level risk-based capital	$53,359,759	$48,513,766	$48,108,549	$49,588,540	$47,820,169
RBC	***236.4%***	***252.8%***	***211.2%***	***204.8%***	***209.7%***

Table 11: Summary of Financials

[8] After adjusting for updated risk adjustment and using last year's health care quality improvement expenses results in a MLR of 99.4%.

IX. URRT

I have reviewed the URRT for consistency with the Rhode Island rate template. The rates and data are consistent.

X. Requested & Final Approved Rate Change

The table below shows NHPRI's requested and final approved rate change.

	NHPRI SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$320.60	$312.07	-2.7%
Contribution to Reserve	**3.0%**	**0.5%**	**-2.7%**
1Q 2023 CPAIR Rate Change	**9.4%**	**6.5%**	
2023 Annual CPAIR Rate Change	**9.7%**	**6.8%**	

Table 12: Requested and Final Approved Rate Changes

XI. Conclusion

This memo communicates the findings of our review of the small group market 2023 rate filings for NHPRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by NHPRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

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

Sincerely,

Bela Gorman FSA, MAAA

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

Gorman Actuarial, Inc.

Jennifer Smagula FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: jenn@gormanactuarial.com

August 24, 2022

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

Subject: **Small Group Market Rate Filing for Tufts Associated Health Maintenance Organization, Inc. (TAHMO) for Rates Effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #THPC-133262514

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filings that were submitted by TAHMO on May 16th, June 8th and August 18th of 2022.[1]

Throughout the filing process, GA corresponded with TAHMO's actuary Besart Stavileci FSA, MAAA. An actuarial certification is included in the filing signed by Besart Stavileci. GA submitted questions through SERFF on May 27th, June 10th, July 5th, and July 14th. GA conducted a couple phone calls with Mr. Stavileci. GA received responses for questions through SERFF. GA also relied on responses to questions for the Tufts Insurance Company (TICO) small group filing and the TAHMO & TICO large group filing that pertain to the TAHMO small group filing.

[1] The updated OHIC template submitted on June 8th was updated for experience period information in Tab I and information in the Components of Premium Change Tab V. Rates remained unchanged in the June 8th version compared to May 16th.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: It is recommended that TAHMO revisit its rate development methodology and the data used in the rate development for future filings.

Recommendation #2: It is recommended that TAHMO revise the overall medical utilization & severity trend assumptions from 4.1% to 3.1%. This assumption change would decrease the rates by approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: It is recommended that TAHMO revise their assumptions for RI assessments from 1.5% to 1.2%. This would lower rates by approximately 0.3%.[2] The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

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

	TAHMO SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$390.48	$384.92	-1.4%
Medical Utilization & Severity Trend	4.1%	3.1%	-0.7%
RI Assessment	1.5%	1.2%	-0.3%
Contribution to Reserves/Profit	1.0%	0.5%	-0.5%
CPAIR 1Q Change from 2022	8.8%	7.2%	
Annual 2023 CPAIR Rate Change	9.2%	7.4%	

Table 1: TAHMO Small Group Requested and Final Approved Rate Changes

III. Proposed Rate Changes

[2] The working recommendation memo included a 0.2% reduction. This estimate has been reevaluated.

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

In the small group rate filings, insurers file quarterly trend projection factors and therefore rates and rate changes can vary by quarter. Insurers also provide average rate changes by quarter. The focus of our review is the full year 2023 weighted average rate change (annual rate change) using the CPAIR's and the 1Q 2023 weighted average rate change.

In the rate filing submitted on May 16th, the annual CPAIR change was 9.2% and for 1Q renewals it was 8.8%.[4]

As of March 2022, there were 1,205 members enrolled throughout the year and 340 members renewing in 1Q. The rate filing includes 44 plans; 32 renewing plans and twelve terminated plans as of January 1, 2023. As shown in the table below there will be 32 renewing plan offerings and the average proposed increase for first quarter renewals is 8.8%. There are very few members reported in the twelve terminated plans. Rate changes vary slightly by plan, primarily due to the leveraging impact which is applied at the plan level and plan design changes implemented for some plans. TAHMO did not make any changes to their pricing model in 2023 compared to 2022.

Category	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
New	0	0	$0.00	$0.00	0.0%
Renewal	32	336	$359.37	$391.13	8.8%
Terminated	12	4	$326.75	$335.47	2.7%
Total	44	340	$358.99	$390.48	8.8%

Table 2: TAHMO Small Group Summary of Plans and Rate Changes for 1Q 2023

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

[4] A revised filing was submitted on June 8th that updated information in Tab I and Tab V of the RIOHIC template, but rates remained unchanged.

Rate Change Range	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
8% to 9.9%	18	297	$361.73	$392.75	8.6%
10% to 11.9%	14	39	$341.42	$378.80	10.9%
Total	32	336	$359.37	$391.13	8.8%

Table 3: TAHMO Small Group Summary of Rate Changes for Renewing Plans 1Q 2023

There were some plan design changes in 2023 compared to 2022. Six plans had plan design changes that impacted the rate change by more than 2%. These plan design changes included removing the pharmacy deductible and decreasing the out-of-pocked maximums. There are also some plans that had small plan design changes that decreased the rate change between 0% and 2%. The overall rate change due to plan design changes was less than 0.1%.

TAHMO uses the same quarterly trend factor of 1.018 to develop rates in subsequent quarters. Rate changes vary slightly by plan so the rate changes by quarter will vary due to the distribution of members by plan renewing each quarter. Average proposed rate changes by quarter are shown below for TAHMO.

Renewal Quarter and Year	Proposed Average Rate Change CPAIR	Renewal Membership
1Q 23 Renewals	8.8%	340
2Q 23 Renewals	9.2%	239
3Q 23 Renewals	9.1%	288
4Q 23 Renewals	9.6%	338
Total	9.2%	1,205

Table 4: TAHMO Small Group Average Rate Changes by Quarter

TAHMO and TICO rates are based on a manual rate developed several years ago based on 2009 Milliman Inc. Health Cost Guidelines and calibrated to the Massachusetts small group claims experience. For the 1Q 2023 rate filing, TAHMO developed the projected claims by starting with the approved 1Q 2022 rate prior to retention. Then the 2023 trend assumption is applied. Other adjustments are also applied including a 2.4% adjustment for COVID-19 (discussed further below.)

TAHMO provided an analysis to demonstrate what the rates would be if Rhode Island experience was used in the rate development. This analysis showed that rates would be 15% higher if Rhode Island experience was used for the combined TAHMO and TICO block. Based on last year's analysis, the rates would have been 22% higher if Rhode Island experience was used in the rate development. As shown below and in the TICO

memo, TAHMO and TICO membership has decreased significantly in CY 2020 and CY 2021 and the block is small to begin with, leading to volatility in the experience and trends.

It is recommended that TAHMO revisit its rate development and consider different approaches in future rate filings as it is difficult to assess the appropriateness of the current manual rate given how long ago it was originally developed. This may include using more recent Massachusetts experience with appropriate adjustments, or other actuarially sound methodologies and data.

Recommendation #1: It is recommended that TAHMO revisit its rate development methodology and the data used in the rate development for future filings.

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

IV. Experience & Trend Assumptions

The table below shows a three-year history of allowed claims PMPMs. A review of actual claims experience shows that actual trends for TAHMO's small group market have increased 20.7% in 2020 and increased 10.3% in 2021. TAHMO has a fairly small population and their membership significantly decreased from 2019 to 2021, with a reduction of 47% over the two years. This leads to fluctuations in claims trends.

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$61.22	$93.29	$93.19
Outpatient Hospital	$101.97	$110.81	$115.49
Professional	$150.53	$167.01	$182.86
Other Medical	$26.21	$32.67	$30.85
Capitation	$1.40	$1.15	$0.95
Prescription Drug	$59.01	$78.31	$109.47
Total	$400.35	$483.24	$532.81
Member Months	37,390	29,446	19,762

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	52.4%	-0.1%
Outpatient Hospital	8.7%	4.2%
Professional	10.9%	9.5%
Other Medical	24.6%	-5.6%
Capitation	-17.8%	-17.4%
Prescription Drug	32.7%	39.8%
Total	20.7%	10.3%
Member Months Trend	-21.2%	-32.9%

Table 5: TAHMO Small Group Allowed Claims PMPM and Trends

As shown in the table below, TAHMO is using a 4.6% overall trend assumption.[5] Last year's annual trend assumption was 7.0%. The average medical cost trend is 2.4%, compared to 2.0% last year. The average medical utilization & severity trend is 4.1% which is consistent with last year's assumption. The negative pharmacy cost trend is the result of a change in PBMs in 2023 and represents a one-time adjustment.

[5] TAHMO and TICO use the same trend assumptions by service category but totals may differ due to use of different weights.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	2.7%	1.3%	4.1%
Outpatient Hospital	2.7%	5.1%	7.9%
Professional	1.6%	5.6%	7.4%
Other Medical	5.1%	0.0%	5.1%
Capitation	1.5%	0.0%	1.5%
Total Medical	**2.4%**	**4.1%**	**6.6%**
Prescription Drug	**-4.4%**	**1.5%**	**-2.9%**
Total			**4.6%**

Table 6: TAHMO Small Group Trend Assumptions[6]

TAHMO stated that Rhode Island experience is not credible to use for trend analysis purposes. Medical utilization & severity trends and pharmacy trends are based on TAHMO Commercial Fully Insured Massachusetts data. Tufts does not include TICO Massachusetts experience in their trend analysis. Pharmacy contracts for TAHMO and TICO are the same by state. Medical unit cost trends are developed based on Rhode Island provider contracts and estimates for future changes to those contracts.

TAHMO and TICO provided detailed medical and pharmacy data for GA to review for both Massachusetts and Rhode Island. GA analyzed trends using TAHMO and TICO Massachusetts data. Two observations were made through this analysis:

1. TAHMO does not include TICO data in their trend analysis yet the trends developed through their analysis are for both the TAHMO and TICO rate filings. After reviewing trends from 2021 compared to 2019, the TAHMO and TICO combined medical utilization & severity trends are approximately 0.4% lower than trends developed using only TAHMO data.

2. When developing their trend assumptions, TAHMO stated that they did not exclude COVID vaccines and testing costs from their data. When GA removes COVID vaccines and testing from the trend data, emerging trends are approximately 1.4% lower using combined TAHMO and TICO data. When discussed further with TAHMO, they stated:

[6] Note that these trend assumptions represent the Year 2 trends reported in Tab II of the RIOHIC template because TAHMO's rate development methodology is to use the manual rate from the prior year and trend forward one year using the Year 2 trends. The Year 1 trends reported represent the approved trends from the prior rate filing.

> *Our allowed trend assumption in the 2023 filing includes a utilization and mix pick of 3.6%. In addition to the historical data provided, we also analyzed normalized trends without the impact of Covid-19 testing and vaccines. We also analyzed YTD April 2022 trends for the MA Commercial fully insured book-of-business, observing an emerging trend of 3.1%.*[7]
>
> Therefore, based on our analysis and the analysis from TAHMO, it is reasonable to assume that if trends had been developed using data excluding COVID vaccines and testing, then the trend assumptions would have been between 0.5% to 1.4% lower.

As a result of including TICO data and excluding certain COVID expenses in the trend analysis, it is reasonable to assume that TAHMO should be using medical utilization & severity trends that are 0.9% to 1.8% lower. GA is recommending TAHMO assume medical utilization & severity trends that are 1.0% lower than their original assumption, which changes the assumption from 4.1% to 3.1%. This is also more in line with recommended assumptions for other insurers.

Recommendation #2: It is recommended that TAHMO revise the medical utilization & severity trend assumptions from 4.1% to 3.1%. This assumption change would decrease the rates by approximately 0.7%.[8] The RI Health Insurance Commissioner has approved this revised assumption.

GA also reviewed the recent pharmacy data but given the expected changes in 2023 due to the change in PBM, it is not useful to examine historical experience.

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

V. Assessments

TAHMO includes the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account, Care Transformation Collaborative of RI and

[7] The 3.6% and 3.1% utilization & mix trend referred to in this paragraph are based on the total for medical and pharmacy.

[8] If TAHMO were to use a 3.1% utilization & severity trend in 2023 rather than 4.1%, this would decrease trends by approximately 1.0% for one year. The estimated impact to overall rates is determined assuming medical trends represents approximately 80% of total claims and that total claims spending represents 85% of total premium.

Current Care in their medical claims projection. TAHMO stated the following regarding assessments:

We have not historically adjusted our manual rate for changes in assessments. Instead, our approach has been to focus on the adequacy of the rates and rate increase in totality. For 2022, we made an adjustment to the rates to reflect lower assessment amounts, in coordination with OHIC during the rate review process. The same, adjusted amount has been trended forward to 2023.

It is not appropriate to apply trend to the assessments are they are not typically increasing at the same rate as medical trend.

Tab IV of the RIOHIC template shows that TAHMO includes 1.5% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[9] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.2% rather than 1.5%.

	2023 Assumptions		Recommendation			
Assessment	PMPM	Premium Impact	2023 Actual PMPM Charge	% of Population Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$4.03	0.5%	$14.78	17.2%	$2.54	0.3%
Adult Immunization Account	$3.58	0.4%	$3.56	82.8%	$2.95	0.4%
Children's Health Account	$2.24	0.3%	$9.52	17.2%	$1.63	0.2%
Care Transformation Collaborative of RI	$1.67	0.2%	n/a	n/a	$1.67	0.2%
Current Care	$1.00	0.1%	$1.00	100.0%	$1.00	0.1%
Total	$12.52	1.5%			$9.79	1.2%

Table 7: TAHMO Rhode Island Assessments[10]

Recommendation #3: It is recommended that TAHMO revise their assumptions for RI assessments from 1.5% to 1.2%. This would lower rates by approximately 0.3%.[11] The RI Health Insurance Commissioner has approved this revised assumption.

If TAHMO were to revisit its rate development methodology and update the data used in the rate development, it would be easier for TAHMO to more appropriately capture expected costs due to assessments.

[9] Assessments for vaccinations were finalized for FY 2023 (July 1, 2022 – July 1, 2023.) It is assumed that these assessments remain the same for the remainder of 2023.
[10] The percentage of population impacted is based on the combined TAHMO and TICO small group and large group enrollment as of March 2022.
[11] Assumes claims projections represent approximately 85% of total premium. The working recommendation memo included a 0.2% reduction. This estimate has been reevaluated.

VI. COVID Expenses

As stated previously, TAHMO's rates rely on a manual rate developed prior to COVID. TAHMO stated that they developed several scenarios which project that COVID costs related to treatment, vaccines and testing will represent between 2.0% and 3.0% of projected claims costs in 2023. Approximately 5.1% of total allowed costs in 2021, or $29.61 PMPM, are related to COVID costs.[12] Based on this information, TAHMO is applying a 2.5% adjustment to their projected claims to account for future COVID related costs, which represents about half of current COVID related costs.

VII. Risk Adjustment

TAHMO's rates are based on a manual rate developed from Massachusetts experience. TAHMO stated that their approach is to analyze the change in morbidity over time in the Massachusetts small group market compared to the Rhode Island small group market to develop a morbidity adjustment. Information was provided that shows Rhode Island small group plan liability risk scores (PLRS) are approximately 5% higher than Massachusetts 2017 through 2019. TAHMO chose to continue to use 2% as a morbidity adjustment stating:

Given the high-level nature of this approach, we felt it was reasonable to reflect some portion of the 5% difference, though not all. The 2% pick is not excessive and aligns with the prior year.

When examining the 2021 final risk scores, the Rhode Island small group market PLRS is 10% higher than the Massachusetts merged market PLRS.

Given that the manual rate was developed several years ago, it is difficult to accurately assess and review the differences in risk between the Rhode Island population and the TAHMO Massachusetts population used to develop the manual rates. If TAHMO were to revisit its rate development methodology and update the data used in the rate development, it would be easier for TAHMO to more appropriately capture differences in risk between Rhode Island and the population used in the rate development.

VIII. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, TAHMO projects an 86.7% MLR for 2022 and an 88.0% MLR for 2023.[13]

[12] This is based on the total Rhode Island Commercial Fully-Insured block. Each insurer may define COVID treatment differently and therefore these amounts are not comparable across insurers
[13] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. TAHMO proposed an average retention charge of 15.1%. For 2022, the retention charge was 14.1%. The table below shows the components of retention. TAHMO has proposed a contribution to reserve assumption of 1.0% in 2023. The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	1.0%	0.0%	1.0%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	12.0%	12.1%	-0.1%
Total Retention Charge	15.1%	14.1%	0.9%

Table 8: TAHMO Small Group Retention Charges

IX. Financial Position

TAHMO reported historical MLR in Tab VI based on the federal definition of 85.4% for CY 2019 and 89.5% CY 2020.[14] TAHMO reported a CY 2021 MLR of 95.6% but this MLR changes to approximately 90.5% once updated with the CY 2021 risk adjustment results.

A review of TAHMO's financial measures show that TAHMO's RBC position has increased from 610.1% in 2020 to 703.8% in 2021. The underwriting gain/loss was a steady 2% to 3% but decreased to -0.8% in 2021. The SAPOR[15] has remained fairly consistent and increased into 2021.

	TAHMO				
	2021	2020	2019	2018	2017
8. Total Revenues	$2,773,179,809	$2,798,892,444	$2,698,353,911	$2,581,958,897	$2,555,327,303
24. Net Underwriting G/L	-$23,061,853	$76,576,206	$64,165,199	$72,911,773	$85,992,431
Underwriting G/L	***-0.8%***	***2.7%***	***2.4%***	***2.8%***	***3.4%***
49. Capital and Surplus end of reporting year	$808,146,043	$738,870,321	$748,323,163	$642,456,738	$644,286,474
SAPOR	***29.1%***	***26.4%***	***27.7%***	***24.9%***	***25.2%***
14. Total Adjusted Capital	$808,146,043	$738,870,321	$748,323,162	$642,456,738	$644,286,474
15. Authorized control level risk-based capital	$114,822,484	$121,103,639	$111,559,193	$101,285,836	$93,089,036
RBC	***703.8%***	***610.1%***	***670.8%***	***634.3%***	***692.1%***

Table 9: TAHMO Financials

X. URRT

[14] Ibid.
[15] SAPOR is surplus as a percentage of revenue.

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

XI. Requested and Final Approved Rate Changes

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

	TAHMO SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$390.48	$384.92	-1.4%
Medical Utilization & Severity Trend	4.1%	3.1%	-0.7%
RI Assessment	1.5%	1.2%	-0.3%
Contribution to Reserves/Profit	1.0%	0.5%	-0.5%
CPAIR 1Q Change from 2022	8.8%	7.2%	
Annual 2023 CPAIR Rate Change	9.2%	7.4%	

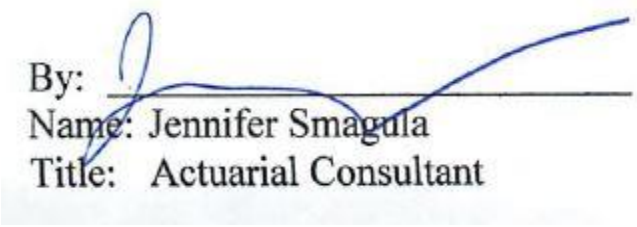
Table 10: TAHMO Small Group Requested and Final Approved Rate Changes

XII. Conclusion

This memo communicates the findings of our review of the small group market 2023 rate filing for TAHMO. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by TAHMO. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman, FSA, MAAA.

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

Sincerely,



Jennifer Smagula FSA, MAAA

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

Gorman Actuarial, Inc.

Jennifer Smagula FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: jenn@gormanactuarial.com

August 24, 2022

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

Subject: **Small Group Market Rate Filing for Tufts Insurance Company (TICO) for Rates Effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #THPC-133256978

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filings that were submitted by TICO on May 16th, June 8th, and August 18th of 2022.[1]

Throughout the filing process, GA corresponded with TICO's actuary Besart Stavileci FSA, MAAA. An actuarial certification is included in the filing signed by Besart Stavileci. GA submitted questions through SERFF on May 27th. GA conducted a couple phone calls with Mr. Stavileci. GA received responses for questions through SERFF. GA also relied on responses to questions for the Tufts Associated Health Maintenance Organization, Inc. (TAHMO) small group filing and the TAHMO & TICO large group filing that pertain to the TICO small group filing.

[1] The updated OHIC template submitted on June 8th was updated for experience period information in Tab I and information in the Components of Premium Change Tab V. Rates remained unchanged in the June 8th version compared to May 16th.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: It is recommended that TICO revisit its rate development methodology and the data used in the rate development for future filings.

Recommendation #2: It is recommended that TICO revise the overall medical utilization & severity trend assumptions from 4.2% to 3.2%. This assumption change would decrease the rates by approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: It is recommended that TICO revise their assumptions for RI assessments from 1.5% to 1.2%. This would lower rates by approximately 0.3%.[2] The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

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

	TICO SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$436.66	$430.44	-1.4%
Medical Utilization & Severity Trend	4.2%	3.2%	-0.7%
RI Assessment	1.5%	1.2%	-0.3%
Contribution to Reserves/Profit	1.0%	0.5%	-0.5%
CPAIR 1Q Change from 2022	9.9%	8.3%	
Annual 2023 CPAIR Rate Change	10.0%	8.2%	

Table 1: TICO Small Group Requested and Final Approved Rate Changes

III. Proposed Rate Changes

[2] The working recommendation memo included a 0.2% reduction. This estimate has been reevaluated.

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

In the small group rate filings, insurers file quarterly trend projection factors and therefore rates and rate changes can vary by quarter. Insurers also provide average rate changes by quarter. The focus of our review is the full year 2023 weighted average rate change (annual rate change) using the CPAIR's and the 1Q 2023 weighted average rate change.

In the rate filing submitted on May 16th, the annual CPAIR change was 9.9% and for 1Q renewals it was 10.0%.[4]

As of March 2022, there were 737 members enrolled throughout the year and 293 members renewing in 1Q. The rate filing includes 40 plans; 28 renewing plans and twelve terminating plans as of January 1, 2023. As shown in the table below there will be 28 renewing plan offerings and the average proposed increase for first quarter renewals is 10.0%. There are very few members reported in the twelve terminating plans. Rate changes vary slightly by plan, primarily due to the leveraging impact which is applied at the plan level and plan design changes implemented for some plans. TICO did not make any changes to their pricing model in 2023 compared to 2022.

Category	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
New	0	0	$0.00	$0.00	0.0%
Renewal	28	290	$396.96	$436.49	10.0%
Terminated	12	3	$448.96	$453.10	0.9%
Total	40	293	$397.49	$436.66	9.9%

Table 2: TICO Small Group Summary of Plans and Rate Changes for 1Q 2023

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

[4] A revised filing was submitted on June 8th that updated information in Tab I and Tab V of the RIOHIC template, but rates remained unchanged.

Rate Change Range	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
6% to 7.9%	4	2	$363.45	$391.78	7.8%
8% to 9.9%	10	142	$423.30	$461.18	9.0%
10% to 11.9%	14	146	$371.80	$413.09	11.1%
Total	28	290	$396.96	$436.49	10.0%

Table 3: TICO Small Group Summary of Rate Changes for Renewing Plans 1Q 2023

There were some plan design changes in 2023 compared to 2022. Four plans had plan design changes that impacted the rate change by more than 2%. These plan design changes included removing the pharmacy deductible and decreasing the out-of-pocked maximums. Two plans had plan design changes that decreased the rate change by more than 2%. These plan design changes included increasing the out-of-pocked maximums. There are also some plans that had small plan design changes that increased or decreased the rate change between 0% and 2%. The overall rate change due to plan design changes is 1.1%. It is the plan design changes and mix of membership by plan that is causing the TICO average rate change to be approximately 1.1% higher than the TAHMO average rate change in 1Q.

TICO uses the same quarterly trend factor of 1.018 to develop rates in subsequent quarters. Rate changes vary slightly by plan so the rate changes by quarter will vary due to the distribution of members by plan renewing each quarter. Average proposed rate changes by quarter are shown below for TICO.

Renewal Quarter and Year	Proposed Average Rate Change CPAIR	Renewal Membership
1Q 23 Renewals	9.9%	293
2Q 23 Renewals	9.8%	117
3Q 23 Renewals	9.7%	128
4Q 23 Renewals	10.4%	199
Total	10.0%	737

Table 4: TICO Small Group Average Rate Changes by Quarter

TAHMO and TICO rates are based on a manual rate developed several years ago based on 2009 Milliman Inc. Health Cost Guidelines and calibrated to the Massachusetts small group claims experience. For the 1Q 2023 rate filing, TICO developed the projected claims by starting with the approved 1Q 2022 rate prior to retention. Then the 2023 trend assumption is applied. Other adjustments are also applied including a 2.4% adjustment for COVID-19 (discussed further below.)

TICO provided an analysis to demonstrate what the rates would be if Rhode Island experience was used in the rate development. This analysis showed that rates would be 15% higher if Rhode Island experience was used for the combined TAHMO and TICO block. Based on last year's analysis, the rates would have been 22% higher if Rhode Island experience was used in the rate development. As shown below and in the TAHMO memo, TICO and TAHMO membership has decreased significantly in CY 2020 and CY 2021 and the block is small to begin with, leading to volatility in the experience and trends.

It is recommended that TICO revisit its rate development and consider different approaches in future rate filings as it is difficult to assess the appropriateness of the current manual rate given how long ago it was originally developed. This may include using more recent Massachusetts experience with appropriate adjustments, or other actuarially sound methodologies and data.

Recommendation #1: It is recommended that TICO revisit its rate development methodology and the data used in the rate development for future filings.

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

IV. Experience & Trend Assumptions

The table below shows a three-year history of allowed claims PMPMs. A review of actual claims experience shows that actual trends for TICO's small group market have increased 21.7% in 2020 and increased 26.2% in 2021. TICO has a fairly small population and their membership significantly decreased from 2019 to 2021 with a reduction of 56% over the two years. This leads to fluctuations in claims trends.

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$49.59	$103.77	$119.03
Outpatient Hospital	$123.18	$116.61	$186.09
Professional	$169.91	$177.93	$198.65
Other Medical	$14.82	$19.42	$28.61
Capitation	$0.00	$0.00	$0.00
Prescription Drug	$72.93	$105.91	$128.36
Total	$430.43	$523.64	$660.74
Member Months	23,960	16,558	10,579

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	109.3%	14.7%
Outpatient Hospital	-5.3%	59.6%
Professional	4.7%	11.6%
Other Medical	31.0%	47.3%
Capitation	0.0%	0.0%
Prescription Drug	45.2%	21.2%
Total	21.7%	26.2%
Member Months Trend	-30.9%	-36.1%

Table 5: TICO Small Group Allowed Claims PMPM and Trends

As shown in the table below, TICO is using a 4.8% overall trend assumption.[5] Last year's annual trend assumption was 7.3%. The average medical cost trend is 2.4%, compared to 1.9% last year. The average medical utilization & severity trend is 4.2% which is consistent with last year's assumption. The negative pharmacy cost trend is the result of a change in PBMs in 2023 and represents a one-time adjustment.

[5] TAHMO and TICO use the same trend assumptions by service category, but totals may differ due to the use of different weights.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	2.7%	1.3%	4.1%
Outpatient Hospital	2.7%	5.1%	7.9%
Professional	1.6%	5.6%	7.4%
Other Medical	5.1%	0.0%	5.1%
Capitation	1.5%	0.0%	1.5%
Total Medical	**2.4%**	**4.2%**	**6.7%**
Prescription Drug	**-4.4%**	**1.5%**	**-2.9%**
Total			4.8%

Table 6: TICO Small Group Trend Assumptions[6]

TICO stated that Rhode Island experience is not credible to use for trend analysis purposes. Medical utilization & severity trends and pharmacy trends are based on TAHMO Commercial Fully Insured Massachusetts data. Tufts does not include TICO Massachusetts experience in their trend analysis. Pharmacy contracts for TAHMO and TICO are the same by state. Medical unit cost trends are developed based on Rhode Island provider contracts and estimates for future changes to those contracts.

TAHMO and TICO provided detailed medical and pharmacy data for GA to review for both Massachusetts and Rhode Island. GA analyzed trends using TAHMO and TICO Massachusetts data. Two observations were made through this analysis:

1. TICO does not include TICO data in their trend analysis yet the trends developed using their analysis are for both the TAHMO and TICO rate filings. After reviewing trends from 2021 compared to 2019, the TAHMO and TICO combined medical utilization & severity trends are approximately 0.4% lower than trends developed using only TAHMO data.

2. When developing their trend assumptions, TICO stated that they did not exclude COVID vaccines and testing costs from their data. When GA removes COVID vaccines and testing from the trend data, emerging trends are approximately

[6] Note that these trend assumptions represent the Year 2 trends reported in Tab II of the RIOHIC template because TICO's rate development methodology is to use the manual rate from the prior year and trend forward one year using the Year 2 trends. The Year 1 trends reported represent the approved trends from the prior rate filing.

> 1.4% lower using combined TAHMO and TICO data. When discussed further with TICO, they stated:
>
> *Our allowed trend assumption in the 2023 filing includes a utilization and mix pick of 3.6%. In addition to the historical data provided, we also analyzed normalized trends without the impact of Covid-19 testing and vaccines. We also analyzed YTD April 2022 trends for the MA Commercial fully insured book-of-business, observing an emerging trend of 3.1%.*[7]
>
> Therefore, based on our analysis and the analysis from TICO, it is reasonable to assume that if trends had been developed using data excluding COVID vaccines and testing, then the trend assumptions would have been between 0.5% to 1.4% lower.

As a result of including TICO data and excluding certain COVID expenses in the trend analysis, it is reasonable to assume that TICO should be using medical utilization & severity trends that are 0.9% to 1.8% lower. GA is recommending TICO assume medical utilization & severity trends that are 1.0% lower than their original assumption, which changes the assumption from 4.2% to 3.2%. This is also more in line with recommended assumptions for other insurers.

Recommendation #2: It is recommended that TICO revise the medical utilization & severity trend assumptions from 4.2% to 3.2%. This assumption change would decrease the rates by approximately 0.7%.[8] The RI Health Insurance Commissioner has approved this revised assumption.

GA also reviewed the recent pharmacy data but given the expected changes in 2023 due to the change in PBM, it is not useful to examine historical experience.

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

[7] The 3.6% and 3.1% utilization & mix trend referred to in this paragraph are based on the total for medical and pharmacy.

[8] If TICO were to use a 3.2% utilization & severity trend in 2023 rather than 4.2%, this would decrease trends by approximately 1.0% for one year. The estimated impact to overall rates is determined assuming medical trends represents approximately 80% of total claims and that total claims spending represents 85% of total premium.

V. Assessments

TICO includes the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account, Care Transformation Collaborative of RI and Current Care in their medical claims projection. TICO stated the following regarding assessments:

We have not historically adjusted our manual rate for changes in assessments. Instead, our approach has been to focus on the adequacy of the rates and rate increase in totality. For 2022, we made an adjustment to the rates to reflect lower assessment amounts, in coordination with OHIC during the rate review process. The same, adjusted amount has been trended forward to 2023.

It is not appropriate to apply trend to the assessments are they are not typically increasing at the same rate as medical trend.

Tab IV of the RIOHIC template shows that TICO includes 1.5% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[9] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.2% rather than 1.5%.

	2023 Assumptions		Recommendation			
Assessment	PMPM	Premium Impact	2023 Actual PMPM Charge	% of Population Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$4.03	0.5%	$14.78	17.2%	$2.54	0.3%
Adult Immunization Account	$3.58	0.4%	$3.56	82.8%	$2.95	0.4%
Children's Health Account	$2.24	0.3%	$9.52	17.2%	$1.63	0.2%
Care Transformation Collaborative of	$1.49	0.2%	n/a	n/a	$1.49	0.2%
Current Care	$1.00	0.1%	$1.00	100.0%	$1.00	0.1%
Total	$12.34	1.5%			$9.60	1.2%

Table 7: TICO Rhode Island Assessments

Recommendation #3: It is recommended that TICO revise their assumptions for RI assessments from 1.5% to 1.2%. This would lower rates by approximately 0.3%.[10] The RI Health Insurance Commissioner has approved this revised assumption.

[9] Assessments for vaccinations were finalized for FY 2023 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2023.
[10] Assumes claims projections represent approximately 85% of total premium. The working recommendation memo included a 0.2% reduction. This estimate has been reevaluated.

If TICO were to revisit its rate development methodology and update the data used in the rate development, it would be easier for TAHMO to more appropriately capture expected costs due to assessments.

VI. COVID Expenses

As stated previously, TICO's rates rely on a manual rate developed prior to COVID. TICO stated that they developed several scenarios which project that COVID costs related to treatment, vaccines and testing will represent between 2.0% and 3.0% of projected claims costs in 2023. Approximately 5.1% of total allowed costs in 2021, or $29.61 PMPM, are related to COVID costs.[11] Based on this information, TICO is applying a 2.5% adjustment to their projected claims to account for future COVID related costs, which represents about half of current COVID related costs.

VII. Risk Adjustment

TICO's rates are based on a manual rate developed from Massachusetts experience. TICO stated that their approach is to analyze the change in morbidity over time in the Massachusetts small group market compared to the Rhode Island small group market to develop a morbidity adjustment. Information was provided that shows Rhode Island small group plan liability risk scores (PLRS) are approximately 5% higher than Massachusetts 2017 through 2019. TAHMO chose to continue to use 2% as a morbidity adjustment stating:

Given the high-level nature of this approach, we felt it was reasonable to reflect some portion of the 5% difference, though not all. The 2% pick is not excessive and aligns with the prior year.

When examining the 2021 final risk scores, the Rhode Island small group market PLRS is 10% higher than the Massachusetts merged market PLRS.

Given that the manual rate was developed several years ago, it is difficult to accurately assess and review the differences in risk between the Rhode Island population and the TICO Massachusetts population used to develop the manual rates. If TICO were to revisit its rate development methodology and update the data used in the rate development, it would be easier for TICO to more appropriately capture differences in risk between Rhode Island and the population used in the rate development.

VIII. Projected MLR and Retention Charge

[11] This is based on the total Rhode Island Commercial Fully-Insured block. Each insurer may define COVID treatment differently and therefore these amounts are not comparable across insurers

Using the federal definition and under the proposed rates, TICO projects an 87.9% MLR for 2021 and an 88.0% MLR for 2022.[12]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. TICO proposed an average retention charge of 15.1%. For 2022, the retention charge was 14.1%. The table below shows the components of retention. TICO has proposed a contribution to reserve assumption of 1.0% in 2023. The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Taxes and Fees	0.1%	0.1%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	1.0%	0.0%	1.0%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	12.0%	12.1%	-0.1%
Total Retention Charge	15.1%	14.1%	0.9%

Table 8: TICO Small Group Retention Charges

IX. Financial Position

TICO reported historical MLR in Tab VI based on the federal definition of the OHIC template are 82.4% for CY 2019 and 84.9% for CY 2020.[13] TICO reported a CY 2021 MLR of 98.0% but this MLR changes to approximately 97.1% once updated with the CY 2021 risk adjustment results.

A review of TICO's financial measures show that TICO's RBC position has been fairly steady between 500% and 600% for the most recent three years but has decreased from 2020 to 2021. TICO's underwriting gain/loss has been volatile year to year but increased from 2020 to 2021.

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

	TICO				
	2021	**2020**	**2019**	**2018**	**2017**
8. Total Revenues	$350,691,959	$312,553,610	$312,500,551	$294,435,615	$278,780,892
24. Net Underwriting G/L	$6,899,114	-$5,586,842	$16,911,003	$10,256,311	-$11,961,236
Underwriting G/L	***2.0%***	***-1.8%***	***5.4%***	***3.5%***	***-4.3%***
49. Capital and Surplus end of reporting year	$76,838,407	$69,677,169	$74,104,038	$70,788,022	$52,607,155
SAPOR	***21.9%***	***22.3%***	***23.7%***	***24.0%***	***18.9%***
14. Total Adjusted Capital	$76,838,407	$69,677,169	$74,104,038	$70,788,022	$52,607,155
15. Authorized control level risk-based capital	$14,387,007	$11,670,898	$11,259,632	$10,976,297	$11,089,644
RBC	***534.1%***	***597.0%***	***658.1%***	***644.9%***	***474.4%***

Table 9: TICO Financials

X. URRT

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

XI. Requested and Final Approved Rate Changes

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

	TICO SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$436.66	$430.44	-1.4%
Medical Utilization & Severity Trend	4.2%	3.2%	-0.7%
RI Assessment	1.5%	1.2%	-0.3%
Contribution to Reserves/Profit	1.0%	0.5%	-0.5%
CPAIR 1Q Change from 2022	9.9%	8.3%	
Annual 2023 CPAIR Rate Change	10.0%	8.2%	

Table 10: TICO Small Group Requested and Final Approved Rate Changes

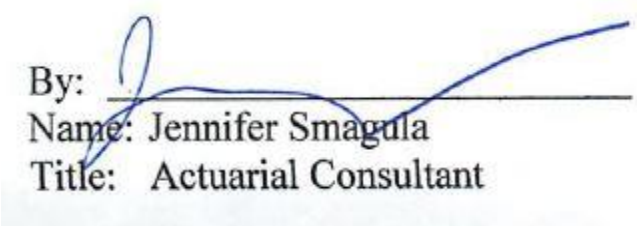
XII. Conclusion

This memo communicates the findings of our review of the small group market 2023 rate filing for TICO. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by TICO. We have reviewed the information for reasonableness and investigated any

inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman, FSA, MAAA.

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

Sincerely,



Jennifer Smagula FSA, MAAA

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

Gorman Actuarial, Inc.

Jennifer Smagula FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (617) 529-7335
FAX: (508) 682-0870
Email: jenn@gormanactuarial.com

August 24, 2022

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

Subject: **Small Group Market Rate Filing for UnitedHealthcare of New England (UHCNE) and UnitedHealthcare Insurance Company (UHIC) for Rates Effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #UHLC-133266083 and UHLC-133264794

Dear Commissioner Tigue,

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

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filing that was submitted on July 26th and August 22nd of 2022.[1] United submitted two filings, one for UHCNE (UHLC-133266083) and one for UHIC (UHLC-133264794). The information is the same in both filings as both filings include information for UHCNE and UHIC.[2]

[1] The original rate filing was submitted on May 16th. A revised filing was submitted on June 3rd with updated CY 2021 experience in Tab I, but the rates and the average rate changes remained unchanged. Another revised filing was submitted on July 15th which corrected for several items including the capitation amount applied to Rhode Island experience, the adjustments applied to the capitation amount for Pennsylvania experience, and minor updates to administrative charges. The rates and the average rates change were updated but the overall impact was minimal. Another revised filing was submitted on July 26th to correct for the changes to average rate change by quarter in Tab II of the OHIC template.

[2] United stated that they need to submit two filings in order to submit two separate URRTs.

Throughout the filing process, GA corresponded with UHIC and UHCNE assistant pricing director, Elvira Tananykin. An actuarial memorandum and actuarial certification is included in the filing signed by Michael Duberowski FSA, MAAA. GA submitted questions through SERFF on May 25th, June 21st, July 5th, and July 14th.[3] GA also conducted several phone calls with Ms. Tananykin and other members of the United staff. GA received responses for questions through SERFF. GA also relied on responses to questions for the UHIC & UHCNE large group filing that pertain to UHIC & UHNCE small group filing.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: It is recommended that United use experience from a more similar state such as Massachusetts to blend with Rhode Island experience in their rate development rather than relying on Pennsylvania experience. By using Massachusetts experience, this would lower rates by approximately 2.2%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: It is recommended that United revise the overall medical utilization & severity trend assumptions from 3.4% to 3.0%. These assumption changes would lower the rates by approximately 0.5%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: It is recommended that United revise their assumptions for RI assessments from 2.4% to 1.7%. This would lower rates by approximately 0.6%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #4: In future filings, it is recommended that United complete the projected assessment section of Tab IV of the RIOHIC template based on what is actually assumed in the rates.

Recommendation #5: It is recommended that United updates their rate filing assumptions to reflect the final 2021 risk adjustment results. This would lower rates by approximately 1.5%. The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

[3] Questions were submitted to the UHCNE filing for both filings (UHLC-133266083).

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

	UHIC SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$420.62	$394.52	-6.2%
MA Experience Rather than PA Experience	n/a	n/a	-2.2%
Medical Utilization & Severity Trend	3.4%	3.0%	-0.5%
RI Assessment	2.4%	1.7%	-0.6%
Risk Adjustment (Payable)	4.8%	3.3%	-1.5%
Contribution to Reserves/Profit	2.0%	0.5%	-6.2%
CPAIR 1Q Change from 2022	10.9%	4.0%	
Annual 2023 CPAIR Rate Change	10.7%	3.5%	

Table 1: UHIC Small Group Requested and Final Approved Rate Changes

	UHCNE SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$423.56	$397.22	-6.2%
Medical Trend Assumptions			
MA Experience Rather than PA Experience	n/a	n/a	-2.2%
Medical Utilization & Severity Trend	3.4%	3.0%	-0.5%
RI Assessment	2.4%	1.7%	-0.6%
Risk Adjustment (Payable)	4.8%	3.3%	-1.5%
Contribution to Reserves/Profit	2.0%	0.5%	-6.2%
CPAIR 1Q Change from 2022	12.4%	5.4%	
Annual 2023 CPAIR Rate Change	12.3%	5.0%	

Table 2: UHCNE Small Group Requested and Final Approved Rate Changes

III. Proposed Rate Changes

There are many definitions of rate changes shown in the rate filing. The changes we focus our review on are the calibrated plan adjusted index rate (CPAIR) average change.[4] The CPAIR reflects the average base rate used prior to the adjustments for age. The

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

average is calculated using the most recent membership enrollment by plan offering. This change reflects the insurer's assumptions on member migration from terminated plan offerings to existing plan offerings.

United submitted two filings, one for UHCNE and one for UHIC. The information is the same in both filings as both filings include information for UHCNE and UHIC. Some of the information is presented as combined across both companies and other information is separated by company.[5] The rates are developed using the same starting claims PMPM and then adjustments are applied which vary based on each company's specific plan designs.

In the small group rate filings, insurers file quarterly trend projection factors and therefore rates and rate changes can vary by quarter. Insurers also provide average rate changes by quarter. The focus of our review is the full year 2023 weighted average rate change and the 1Q 2023 weighted average rate change, both using the CPAIRs.

In the revised filing submitted on July 26th, the proposed full year weighted average rate change for UHIC was 10.7% and for 1Q renewals it was 10.9%. For UHCNE the proposed full year weighted average rate change was 12.3% and for 1Q renewals it was 12.4%. When combined across both companies, the full year weighted average rate change is 11.0% and for 1Q renewals it is 11.1%.

As of March 2022, there were 2,067 UHIC members and 606 UHCNE members enrolled throughout the year and 584 UHIC members and 119 UHCNE members renewing in the first quarter. For January 1, 2023, UHIC includes 92 plans and UHCNE includes six plans, all renewing.

Proposed Rate Increases (UHIC)					
Category	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
New	0	0	$0.00	$0.00	0.0%
Renewal	92	584	$379.29	$420.62	10.9%
Terminated	0	0	$0.00	$0.00	0.0%
Total	92	584	$379.29	$420.62	10.9%

Table 3: UHIC Small Group Summary of Rate Changes 1Q 2023

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

Proposed Rate Increases (UHCNE)					
Category	Number of Plans	Number of Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
New	0	0	$0.00	$0.00	0.0%
Renewal	6	119	$376.92	$423.56	12.4%
Terminated	0	0	$0.00	$0.00	0.0%
Total	6	119	$376.92	$423.56	12.4%

Table 4: UHCNE Small Group Summary of Rate Changes 1Q 2023

The overall rate change due to plan design changes was -0.1% for both UHIC and UHCNE. Most of UHIC's and UHCNE's renewing plans had minimal plan design changes in 2023 compared to 2022. There were six UHIC plans with plan design changes that impacted that rate change between -2% and -6%. The plan design changes for these plans included increases to in-network deductibles, increase to in-network and out-of-pocket maximums and increases to office visit copays.

Similar to prior years, UHIC and UHNCE completely revised their pricing model for 2023. UHIC and UHCNE provided the following information:

[Underlying] net and allowed claim experience by plan design is driving the changes from the 2022 model to the 2023 model. Please note that these changes are made on a revenue neutral basis and do not affect overall revenue.

The two tables below show average 1Q 2023 rate changes by metallic tier. As shown, silver and bronze plans have rate changes that are higher than the gold and platinum plans. A large portion of UHIC's membership (24%) are in platinum plans which have lower rate changes compared to other plan designs, thus driving the lower average rate change for UHIC compared to UHCNE.

Metallic Tier	Number of Plans in 2023	1Q 2023 Enrollment	2022 Average CPAIR	2023 Average CPAIR	2023 Rate Change
Platinum	10	139	$446.74	$475.08	6.3%
Gold	60	412	$364.03	$409.21	12.4%
Silver	14	17	$290.97	$344.08	18.3%
Bronze	8	16	$280.10	$322.85	15.3%
Total	**92**	**584**	**$379.29**	**$420.62**	**10.9%**

Table 5: UHIC Small Group Summary of Rate Changes by Metallic Tier 1Q 2023

Metallic Tier	Number of Plans in 2023	1Q 2023 Enrollment	2022 Average CPAIR	2023 Average CPAIR	2023 Rate Change
Platinum	0	0	$0.00	$0.00	0.0%
Gold	2	116	$378.96	$425.44	12.3%
Silver	2	3	$297.83	$350.93	17.8%
Bronze	2	0	$0.00	$0.00	0.0%
Total	**6**	**119**	**$376.92**	**$423.56**	**12.4%**

Table 6: UHCNE Small Group Summary of Rate Changes by Metallic Tier 1Q 2023

United uses the same quarterly trend factor of 1.019 to develop rates in subsequent quarters. Rate changes vary by plan so the rate changes by quarter will vary due to the distribution of members by plan renewing each quarter. Average proposed rate changes by quarter are shown below for both UHIC and UHCNE.

	Total		UHCNE		UHIC	
Renewal Quarter and Year	Proposed Average Rate Change CPAIR	Renewal Membership	Proposed Average Rate Change CPAIR	Renewal Membership	Proposed Average Rate Change CPAIR	Renewal Membership
1Q 23 Renewals	11.1%	703	12.4%	119	10.9%	584
2Q 23 Renewals	11.1%	636	12.1%	144	10.9%	492
3Q 23 Renewals	10.6%	608	12.6%	173	9.9%	435
4Q 23 Renewals	11.1%	726	12.1%	170	10.8%	556
Total	11.0%	2,673	12.3%	606	10.7%	2,067

Table 7: UHIC and UHCNE Small Group Average Rate Changes by Quarter

The table below shows a distribution of rate changes across both the UHIC and UHCNE companies. As shown, there are 86 plans that have rate changes 10% or greater with approximately 564 enrollees renewing in the first quarter.

Proposed Rate Increases (UHIC + UHCNE)					
Rate Change Range	Number of Plans	Number of 1Q Members	2022 CPAIR PMPM	2023 CPAIR PMPM	Rate Change
4% to 5.9%	4	102	$453.89	$480.25	5.8%
6% to 7.9%	4	26	$436.97	$469.36	7.4%
8% to 9.9%	4	11	$403.52	$440.58	9.2%
10% to 11.9%	20	140	$377.78	$421.03	11.5%
12% or greater	66	424	$357.01	$403.46	13.0%
Total	98	703	$378.89	$421.12	11.1%

Table 8: Distribution of 1Q 2023 Rate Changes for Renewing Plans UHIC and UHCNE Combined

IV. Experience & Trend Assumptions

A review of claims experience shows that actual trends for UHIC and UHCNE's small group market increased 1.3% in 2020 and 3.0% in 2021.[6] The table below shows a three-year history of allowed claims PMPMs. UHIC and UHCNE increased membership 2.2% in 2020 but then decreased membership by 8.4% into 2021. United stated that volatility in trends at the service category level are expected due to the small size of the Rhode Island block. In CY 2020 there was one claimant with over $1 million annual claims for which United received funds from the federal high-cost risk pool program. In CY 2021, there were no claimants with over $1 million annual claims.

Capitation amounts increased 32% in 2020 and by another 28% in 2021. The capitation amount includes behavioral health, chiropractor services, payments to providers from gain share arrangements, and some Rhode Island assessments.[7] UHIC and UHCNE provided data to show that all categories within the capitation amount contributed to the increase in 2021.

[6] Claims are paid through March 2022.
[7] The Rhode Island assessments identified by United as being included in their medical claims rather than administrative charge are Care Transformation Collaborative of Rhode Island, Primary Care, Children's Immunization Assessment, Adult Immunization Assessment and the Children's Health Account Assessment.

Allowed Claims PMPM (UHCNE + UHIC)			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$99.62	$124.67	$85.14
Outpatient Hospital	$161.48	$141.32	$173.05
Professional	$107.33	$98.45	$109.43
Other Medical	$1.85	$1.30	$1.95
Capitation	$31.88	$42.04	$53.83
Prescription Drug	$82.48	$83.15	$82.32
Total	$484.64	$490.93	$505.72
Member Months	39,395	40,239	36,848

Allowed Claims PMPM Trend (UHCNE + UHIC)		
	CY 2020	CY 2021
Inpatient Hospital	25.1%	-31.7%
Outpatient Hospital	-12.5%	22.5%
Professional	-8.3%	11.1%
Other Medical	-29.9%	50.1%
Capitation	31.9%	28.0%
Prescription Drug	0.8%	-1.0%
Total	1.3%	3.0%
Member Months Trend	2.1%	-8.4%

Table 9: UHIC and UHCNE Small Group Allowed Claims PMPM and Trends

Due to the small size of UHIC and UHCNE's Rhode Island experience, UHIC and UHCNE developed 1Q 2023 rates by blending experience from Rhode Island with adjusted Pennsylvania experience. These adjustments include differences in state mandates, differences in provider contracts and differences in morbidity.[8] This has been the methodology for the past several years. Upon review of the data, it appears that Pennsylvania experience is trending differently from the Rhode Island experience. The Pennsylvania allowed PMPM trend from 2019 to 2021 was 7.5% while the Rhode Island allowed PMPM trend from 2019 to 2021 was 4.3%. COVID impacted each state in a different manner. For example, in last year's rate filing, United's calculated COVID suppression adjustment factor for Rhode Island in 2020 was only 4.2% while this same factor for Pennsylvania was 13.5%. Removing Pennsylvania data from Rhode Island's rate development would have decreased the proposed rate change by 5.9 percentage points in the 2023 rate filing and by 3.9 percentage points in the 2022 rate filing.

United was asked if they considered using experience from other New England states in their rate development and provided responses and analysis in SERFF. In regards to

[8] Pennsylvania uses the same provider network as Rhode Island, Choice Plus.

Connecticut experience, United stated that Connecticut is its largest New England block with approximately 47K average enrollees in 2021 but that the majority of Connecticut's membership is on their Oxford license, which utilizes the Freedom and Liberty networks in addition to the Choice Plus. Rhode Island only utilizes the Choice Plus network. United provided an exhibit to show that if Rhode Island experience had been blended with Connecticut experience rather than Pennsylvania, the average rate change would be higher by an additional 8.0 percentage points in the 2023 rate filing and an additional 5.8 percentage points in the 2022 rate filing.

In regards to Massachusetts experience, United reports approximately 25K average enrollees in Massachusetts in 2021, higher than Pennsylvania at 22K. United's block in Massachusetts has increased steadily over the past several years, growing from 13K average enrollees in 2019, 19K average enrollee in 2020, and to 25K average enrollees in 2021.[9] Based on our review of United's Massachusetts 3Q 2022 publicly available rate filings, the Massachusetts experience is considered fully credible. In Massachusetts United utilizes the Choice Plus network, the same as Rhode Island. In addition, Massachusetts is a border state with Rhode Island, which would mean it is more likely that the practice patterns and provider usage will be more similar between Rhode Island and Massachusetts rather than Rhode Island and Pennsylvania. United provided an exhibit to show that if Rhode Island experience had been blended with Massachusetts experience rather than Pennsylvania, the average rates would be lower by 2.2%.[10] United stated that they have not considered Massachusetts experience appropriate for purposes of developing a manual rate in Rhode Island because Massachusetts has a merged individual and small group market. However, upon review, 98% of United's business in Massachusetts are small group market enrollees.

Given the impact that Pennsylvania's experience has on Rhode Island rates, United should consider the appropriateness of the Pennsylvania experience and consider using experience from other states that are more similar to Rhode Island such as Massachusetts. The use of Pennsylvania experience appears to increase the rates for Rhode Island in an arbitrary manner. Actuarial Standard of Practice 8, Section 3.12 states that "The actuary should review the assumptions employed in the filing for reasonableness. The assumptions should be reasonable in the aggregate and for each assumption individually."[11] The use of Pennsylvania experience is increasing rates higher than trend and this should be further scrutinized to determine reasonability of the methodology and assumptions. Actuarial Standard of Practice 25, Section 3.3 states that "The actuary should use care in selecting the relevant experience. Such relevant

[9] The 2019 and 2020 enrollees are based on publicly available URRT files. The 2021 average enrollees was provided by United.
[10] The 2.2% impact reflects the final 2021 PLRS or risk score differences between Massachusetts and Rhode Island but it does not yet reflect the final 2021 risk adjustment payable for Rhode Island. This is addressed further below.
[11] http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-plan-entities/

experience should have characteristics similar to the subject experience."[12] Given the impact of blending Pennsylvania and Rhode Island experience, it is recommended that United considers the reasonableness of the final rates and the long-term viability of offering rate increases higher than trend.

Recommendation #1: It is recommended that United use experience from a more similar state such as Massachusetts to blend with Rhode Island experience in their rate development rather than relying on Pennsylvania experience. By using Massachusetts experience, this would lower rates by approximately 2.2%. The RI Health Insurance Commissioner has approved this revised assumption.

UHIC and UHCNE are assuming an average annual trend assumption of 6.9%.[13] This is a decrease from last year's trend assumption of 7.3%. The table below shows UHIC and UHCNE's trend assumptions by service category. The average medical cost trend is 3.0%, compared to 3.7% last year. The average medical utilization & severity trend is 3.4%, compared to 3.0% last year.

Trend Assumptions			
	2 Year Avg Cost	2 Year Avg Utilization & Severity	2 Year Avg Total
Inpatient Hospital	3.8%	3.8%	7.7%
Outpatient Hospital	2.8%	4.1%	7.0%
Professional	2.3%	3.6%	6.0%
Other Medical	2.0%	3.9%	6.0%
Capitation	3.7%	0.0%	3.7%
Total Medical	**3.0%**	**3.4%**	**6.5%**
Prescription Drug	**3.7%**	**4.9%**	**8.8%**
Total			**6.9%**

Table 10: UHIC and UHCNE Small Group Trend Assumptions

UHIC and UHCNE provided a significant amount of detail related to their trend development and the data and methodology is the same for the large group filing as the small group filing. Utilization and severity trends are developed at the nationwide level based on actual experience and adjusted for items such as the impact of technology, environmental, network contracting, administrative initiatives and number of workdays. Environmental includes adjustments to cover increases due to flu expected in 2022 and 2023. These adjustments are primarily developed on a national company-wide level. It

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

is these adjustments that are causing an increase in the medical utilization & severity trend from last year's assumptions to this year.

The impact of leverage is analyzed specific to Rhode Island small group experience and is discussed further below. The Rhode Island trend assumptions excluding the impact of leverage are shown below.

UHIC and UHCNE did not adjust their 2021 experience period claims data or the data used for trend purposes for the impact of COVID testing, vaccines or treatment costs. When asked about their approach, United responded with:

During 2021, we've found that although Covid costs were in the 7% to 10% nationwide, non-Covid claims decreased by a similar value…. we developed a national two-year averaging method that attempts to factor out the impact of Covid. Over the course of two years, the annualized allowed trend was 5.7% on our "Same Store" block which is close to lower historical averages. If Covid costs were truly additive, we would be seeing annualized trends in the 10% range. This implies that non-Covid claim costs decreased during this time. Using this information, we estimate an abatement impact for non-Covid claims during the height of Covid. With the various supply chain issues due to Covid, Covid aversion programs, and the changes in population attitude toward health care, it's not unexpected we would not see normal (pre-2020) non-Covid cost levels during 2021. Go forward, we anticipate non-Covid costs to increase to normal levels while Covid costs drop. The overall impact to trends is minimal.

When asked what information United has reviewed to inform the assumption that non-COVID costs would increase to pre-pandemic levels, United responded with:

In our recent Rhode Island small group experience through 6/30/2022, the first six months of experience of 2022 over the first six months of experience of 2021 indicates a paid medical trend of 5.1%. Although the block is small and subject to a degree of variance, this trend level as overall Covid costs are decreasing indicate non-Covid costs are increasing. Can we absolutely predict that Covid cost decreases will offset non-Covid cost increases? The answer is no. There may be timing differences that come into play as our insured population adjusts to a new non-Covid environment. The thought process behind our assumption tries to incorporate a few simple concepts. First, the overall population is getting older and relatively less healthy. The Covid pandemic caused individuals to defer or even avoid health care because of the underlying risks associated with Covid. The relative health of these individuals isn't getting any better. Second, our entire health care system shifted to confront the impact of the Covid pandemic. Supply side issues involving personnel and facilities pushed our response to the limit. As Covid wanes, the supply side is shifting back to a pre-Covid structure. Given the impact on personnel during the pandemic, a total shift will take time. Third, our response to Covid which included masking, venue closings, and travel limitations created an environment of health care avoidance. Some Individuals adapted in the short-term by using telehealth

opportunities. However, over the next few years, attitudes and actions of individuals will revert toward something closer to the pre-Covid environment. Covid will be something of the past. Fourth, inflationary pressures will filter into the costs of health care. Given some of the revenue pressures created in the Covid environment and the increases in costs for energy, facilities, and personnel, there will be future pressure for additional dollars to support the supply side of medical care.

Given United's reliance on national data to develop trends and the lack of credibility with United's Rhode Island specific data, it is not reasonable to develop Rhode Island trend assumptions specific to Rhode Island. It is reasonable to assume that United should have medical utilization & severity trends in line with other Rhode Island insurers and that Rhode Island specific utilization & severity trend assumptions would be more appropriate than national trend assumptions given the differences in the impact from COVID across the country. For the other primary insurers in Rhode Island, GA is proposing medical utilization & severity trend assumptions in the 2.7% to 3.2% range with an average of approximately 3.0%. It is recommended that UHIC and UHNCE assume a medical utilization & severity trend that represents the average of the other Rhode Island insurers of 3.0% rather than 3.4%.

Recommendation #2: It is recommended that United revise the overall medical utilization & severity trend assumptions from 3.4% to 3.0%. These assumption changes would decrease the rates by approximately 0.5%.[14] The RI Health Insurance Commissioner has approved this revised assumption.

In addition to the trend assumptions above, UHIC and UHCNE adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, UHIC and UHCNE started with their trended allowed claims and subtracted out projected cost sharing to simulate a projected net claims trend. Copay dollars were trended by the utilization trend, coinsurance dollars were trended by the PMPM trend (reflecting both utilization and cost trends) and deductible dollars were not trended at all. The end result is a 0.8% leverage impact. I believe it is more appropriate to trend the deductible dollars and I have performed my own analysis on leverage. However, the result I have calculated is close to United's current estimate and I recommend no changes to this assumption

[14] If UHIC & UHCNE were to use a 3.0% utilization & mix trend in 2022 and 2023 rather than 3.4%, this would decrease trends by approximately 0.4% each year. This is worth 0.8% over the entire projection period. The estimated impact to overall rates is determined assuming medical trends represents approximately 80% of total claims and that total claims spending represents 85% of total premium.

V. Assessments

UHIC and UHCNE include the cost of assessments for Childhood Immunizations, Adult Immunizations and the Children's Health Account in their medical claims projection. The cost for the Care Transformation Collaborative of RI is split between medical claims and retention.[15] The cost for Current Care is included in retention. United's approach to projecting the assessments included in the medical claims projection is to start with CY 2021 actuals and then apply two year's trend, similar to other medical claim costs. This is not appropriate as these assessments are not typically increasing at the same rate as medical trend. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[16] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.7% rather than 2.4%.

	2021 Actuals Reported by United	2023 Assumptions		2023 Recommendation			
Assessment	PMPM	PMPM	Premium Impact	2023 Actual PMPM Charge	% of Population Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.05	$3.56	0.6%	$14.78	15.8%	$2.33	0.4%
Adult Immunization Account	$3.80	$4.43	0.7%	$3.56	84.2%	$3.00	0.5%
Children's Health Account	$1.79	$2.09	0.3%	$9.52	15.8%	$1.50	0.2%
Care Transformation Collaborative of RI	$2.96	$2.96	0.5%	n/a	n/a	$2.96	0.5%
Current Care	$1.76	$1.76	0.3%	$1.00	100.0%	$1.00	0.2%
Total	$13.36	$14.81	2.4%			$10.79	1.7%

Table 11: UHIC and UHCNE Rhode Island Assessments[17]

Recommendation #3: It is recommended that United revise their assumptions for RI assessments from 2.4% to 1.7%. This would lower rates by approximately 0.6%.[18] The RI Health Insurance Commissioner has approved this revised assumption.

UHIC and UHCNE completed the 2023 assessment section of Tab IV of the RIOHIC template based on the recommendations from last year rather than what they assumed in their 2023 rates.

[15] Approximately 13% of the costs for the Care Transformation Collaborative of RI is included in the medical claims projections and the remaining 87% in retention.
[16] Assessments for vaccinations were finalized for FY 2023 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2023.
[17] Since United did not complete the assessment section of Tab IV correctly, the 2023 assumptions were developed by GA based on information provided by United. The percentage of population impacted is based on the combined United small group and large group enrollment as of March 2022. It was assumed that Care Transformation Collaborative would not increase with trend based on historical experience.
[18] Assumes claims projections represent approximately 85% of total premium. Two years of 7.7% trend was applied to develop the 2023 assumptions. The premium in the "Premium Impact" column was determined by using the projected PAIR calculated in the OHIC rate template.

Recommendation #4: In future filings, it is recommended that United complete the projected assessment section of Tab IV of the RIOHIC template based on what is actually assumed in the rates.

VI. COVID Expenses

As stated previously, UHIC and UHCNE did not adjust their 2021 claims data or the data used for trend purposes for the impact of COVID testing, vaccines, or treatment costs. UHIC and UHCNE assumes that COVID related expenses in 2021 will be replaced by non-COVID related expenses in future time periods such that the net impact is negligible. CY 2021 COVID-19 expenses as defined by United was $33.52 PMPM for the small group Rhode Island market which is approximately 6.7% of total allowed claims.[19] United has indicated that they have a broader definition of COVID costs than other insurers, so their COVID cost amounts may not be comparable to other insurers.

VII. Risk Adjustment

UHIC and UHCNE have assumed a 4.8% risk adjustment payable in its 2023 rate filing. This is an increase in their assumption from the 2022 rate filing of 1.3%. Risk adjustment impacts the average rate change by 4.1% but this is offset by an overstatement of the prior period projected claims. United relied on estimates from Wakely simulations to determine their assumption for 2021 risk adjustment which is used in the 2023 rates.

CMS posted the final 2021 risk adjustment results around June 30th. The results showed that United is paying $695K in risk adjustment and are not receiving anything as part of the high-cost risk pool. This translates into a 3.3% adjustment to premium rather than 4.8%. This change in assumption lowers the rates by approximately 1.5%.[20]

Recommendation #5: I recommend that United update their rate filing assumptions to reflect the final 2021 risk adjustment results. This results in a 1.5% decrease to rates. The RI Health Insurance Commissioner has approved this revised assumption.

VIII. Projected MLR and Retention Charge

Using the federal definition and under the proposed rates, UHIC and UHCNE project an 86.6% MLR for 2022 and an 86.2% MLR for 2023.[21]

[19] Each insurer may define COVID treatment differently and therefore these amounts are not comparable across insurers.
[20] This is based on using Massachusetts experience to develop the blended rate. This also assumes that the relative risk difference between Massachusetts and Rhode Island already reflects the final 2021 PLRS for each state.
[21] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. UHIC and UHCNE proposed an average retention charge of 17.3%. For 2022, the retention charge was 15.4%. United has proposed a contribution to reserve assumption of 2.0%. The RI Health Insurance Commissioner has approved a 0.5% contribution to reserve.

Proposed Retention Charge (UHCNE + UHIC)	2023	2022	Change
ACA Taxes and Fees	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.5%	0.4%	0.0%
Contribution to Reserve (Profit/Risk Load)	2.0%	0.0%	2.0%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	12.9%	13.0%	-0.1%
Total Retention Charge	17.3%	15.4%	1.9%

Table 12: UHIC and UHCNE Small Group Retention Charges[22]

IX. Financial Position

UHIC and UHCNE reported historical MLR in Tab VI based on the federal definition of 81.5% for CY 2019 and 81.5% for CY 2020.[23] UHIC and UHCNE reported a CY 2021 MLR of 89.2% but this MLR changes to approximately 87.6% once updated with the CY 2021 risk adjustment results.

A review of UHIC's and UHCNE's financial measures show that UHIC's RBC position has remained healthy for the past four years, around 500% in 2019 and prior with an increase to over 650% in 2021. The underwriting gain/loss and SAPOR[24] have also remained fairly consistent for UHIC but the underwriting gain/loss did decrease in 2021 to 5%. UHCNE's RBC, SAPOR and underwriting gain/loss is consistently lower than UHIC but UHCNE is moving closer to UHIC levels on these two measures.

[22] United includes most of the cost for the Care Transformation Collaborative of RI and all of the cost for Current Care in retention. The cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account are included in their medical claims projection.
[23] Ibid.
[24] SAPOR is surplus as a percentage of revenue.

	UHIC				
	2021	2020	2019	2018	2017
Total					
9. Total (Lines 1 - 8.3)	$53,114,149,629	$55,111,543,011	$56,470,146,239	$55,304,713,087	$51,176,778,978
29. Net Gain from Operations before Dividends	$2,638,502,846	$4,008,681,977	$3,954,833,530	$3,935,943,865	$3,699,492,244
Underwriting G/L	***5.0%***	***7.3%***	***7.0%***	***7.1%***	***7.2%***
55. Capital and Surplus December 31	$8,146,535,672	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
SAPOR	***15.3%***	***14.9%***	***16.1%***	***15.5%***	***13.3%***
30. Total Adjusted Capital	$8,146,535,672	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
31. Authorized control level risk-based capital	$1,224,069,942	$1,275,995,904	$1,688,536,287	$1,600,314,403	$1,436,352,532
RBC	***665.5%***	***644.2%***	***538.5%***	***535.8%***	***472.4%***

Table 13: UHIC Financials

	UHCNE				
	2021	2020	2019	2018	2017
8. Total Revenues	$1,584,388,273	$1,433,651,095	$1,305,229,228	$1,160,842,788	$974,456,602
24. Net Underwriting G/L	$78,681,058	$64,140,390	$37,367,220	$22,251,770	$33,256,564
Underwriting G/L	***5.0%***	***4.5%***	***2.9%***	***1.9%***	***3.4%***
49. Capital and Surplus end of reporting year	$206,184,444	$204,411,638	$163,161,782	$132,604,785	$113,865,840
SAPOR	***13.0%***	***14.3%***	***12.5%***	***11.4%***	***11.7%***
14. Total Adjusted Capital	$206,184,444	$204,411,638	$163,161,782	$132,604,785	$113,865,940
15. Authorized control level risk-based capital	$33,402,863	$39,155,808	$43,037,032	$35,620,693	$27,751,581
RBC	***617.3%***	***522.0%***	***379.1%***	***372.3%***	***410.3%***

Table 14: UHCNE Financials

X. URRT

I have reviewed the URRT for consistency with the Rhode Island OHIC rate template. The CPAIRs in the RIOHIC rate template are approximately $0.70 PMPM higher on average compared to the CPAIRs in the URRT.

I also reviewed the CPAIRs in the RIOHIC template to United's actuarial memorandum attachments. The CPAIRs in the RIOHIC template are approximately $0.40 PMPM lower on average compared to the CPAIRs in the actuarial memorandum. It was communicated to United that the CPAIRs in the OHIC template represent the final rates.

XI. Requested and Final Approved Rate Changes

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

	UHIC SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$420.62	$394.52	-6.2%
MA Experience Rather than PA Experience	n/a	n/a	-2.2%
Medical Utilization & Severity Trend	3.4%	3.0%	-0.5%
RI Assessment	2.4%	1.7%	-0.6%
Risk Adjustment (Payable)	4.8%	3.3%	-1.5%
Contribution to Reserves/Profit	2.0%	0.5%	-6.2%
CPAIR 1Q Change from 2022	10.9%	4.0%	
Annual 2023 CPAIR Rate Change	10.7%	3.5%	

Table 15: UHIC Small Group Requested and Final Approved Rate Changes

	UHCNE SG		
	Requested	**Final Approved**	**Impact to Rate**
1Q 2023 Calibrated Plan Adjusted Index Rate (CPAIR)	$423.56	$397.22	-6.2%
Medical Trend Assumptions			
MA Experience Rather than PA Experience	n/a	n/a	-2.2%
Medical Utilization & Severity Trend	3.4%	3.0%	-0.5%
RI Assessment	2.4%	1.7%	-0.6%
Risk Adjustment (Payable)	4.8%	3.3%	-1.5%
Contribution to Reserves/Profit	2.0%	0.5%	-6.2%
CPAIR 1Q Change from 2022	12.4%	5.4%	
Annual 2023 CPAIR Rate Change	12.3%	5.0%	

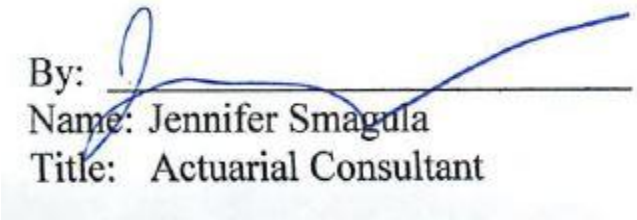
Table 16: UHCNE Small Group Requested and Final Approved Rate Changes

XII. Conclusion

This memo communicates the findings of our review of the small group market 2023 rate filing for UHIC and UHCNE. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by UHIC and UHCNE. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman, FSA, MAAA.

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

Sincerely,



Jennifer Smagula FSA, MAAA

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

Gorman Actuarial, Inc.

Jennifer Smagula FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: jenn@gormanactuarial.com

August 24, 2022

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

Subject: **Large Group Market Rate Filing for Aetna Life Insurance Company (Aetna) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decision**
SERFF Filing #AETN-133227921

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filings that were submitted on May 16th, July 14th and August 23rd of 2022.[1]

Throughout the filing process, GA corresponded with Robert F. McKinney of Aetna's actuarial team. An actuarial certification is included in the filing signed by Barbara W. Weber FSA, MAAA of Aetna Life Insurance Company. GA submitted questions through SERFF on June 6th and July 8th. GA received responses for questions through SERFF.

GA provided working recommendations to RIOHIC on August 1, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This

[1] The RIOHIC template submitted on July14th contained in update in Tab IV of the RIOHIC template for the premium tax. The projected rate increase did not change and no other information changed between the May 16th and July 14th filings.

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

II. Recommendations

Recommendation #1: It is recommended that Aetna revise the overall medical utilization & severity trend assumption from 6.2% to 3.0% in 2022 and 2023. This translates into the overall trend assumption changing from 10.5% to 7.9% in 2022 and from 10.9% to 8.3% in 2023.[2] This assumption change would decrease the rate change by approximately 2.5%.[3] The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

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

	Aetna LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Utilization & Severity Trend	6.2%	3.0%	-2.5%
Contribution to Reserves/Profit	6.5%	1.0%	-5.6%
Expected Overall Rate Change from 2022	13.4%	5.4%	

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

III. Proposed Rate Change

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

As of March 2022, there are 69 Rhode Island members enrolled.[4] In the rate filing submitted on May 16th, Aetna requested a 13.4% annual rate change. The rate cap for

[2] Ibid.
[3] This estimate has been updated since the working recommendation.
[4] Aetna sold its first account in Rhode Island in April 2021.

large group insurers only applies to insurers with greater than one percent of the fully insured Rhode Island market, therefore it does not apply to Aetna.

IV. Experience & Trend Assumptions

Aetna sold its first Rhode Island large group account in April 2021, therefore it does yet have a complete year of experience. Similar to prior years, Aetna completes Tab I of the RIOHIC template with their Connecticut experience. A review of actual claims experience shows that actual trends for Aetna's Connecticut large group market are -1.6% in CY 2020 and 12.1% in CY 2021. The table below shows a three-year history of allowed claims PMPMs. Trends fluctuate by service category and Aetna has lost membership in Connecticut over the past three years.

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$104.28	$116.75	$96.53
Outpatient Hospital	$258.03	$249.75	$301.84
Professional	$156.27	$139.25	$164.23
Other Medical	$0.00	$0.00	$0.00
Capitation	$0.00	$0.00	$0.00
Prescription Drug	$105.63	$108.46	$126.20
Total	$624.22	$614.20	$688.80
Member Months	190,770	165,315	150,780

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	12.0%	-17.3%
Outpatient Hospital	-3.2%	20.9%
Professional	-10.9%	17.9%
Other Medical	0.0%	0.0%
Capitation	0.0%	0.0%
Prescription Drug	2.7%	16.4%
Total	-1.6%	12.1%
Member Months Trend	-13.3%	-8.8%

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

Aetna is assuming an average annual trend assumption of 9.6% excluding leverage and 10.9% including leverage. This is higher than the trend assumption from last year's filing of 9.2% excluding leverage and 10.5% including leverage. The trend assumptions in this year's rate filing increased by approximately 0.4% to 0.6% for each service category compared to last year's rate filing. Aetna stated that trends are developed based on

their prospective view of national utilization trends combined with projected Rhode Island unit cost trends. No additional support was provided. The table below shows Aetna's trend assumptions by service category.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	3.7%	7.6%	11.6%
Outpatient Hospital	3.3%	6.1%	9.6%
Professional	2.1%	5.5%	7.7%
Other Medical	3.3%	6.1%	9.6%
Capitation	0.6%	0.0%	0.6%
Total Medical	**3.1%**	**6.2%**	**9.4%**
Prescription Drug	**7.2%**	**3.0%**	**10.4%**
Subtotal Excluding Leverage:	**4.0%**	**5.5%**	**9.6%**
Leverage			1.2%
Total Incl. Leverage:			**10.9%**

Table 3: Aetna Large Group 2023 Trend Assumptions

Aetna has the highest trend assumptions in the Rhode Island large group market, with the next highest proposed trend assumption being 8.9% including leverage. Aetna stated that they have made no adjustments to their data used in trend development for COVID related expenses. The medical utilization & severity assumption is particularly on the high side. For the other primary insurers in Rhode Island, GA is proposing medical utilization & severity trend assumptions in the 2.7% to 3.2% range with an average of approximately 3.0%. It is recommended that Aetna assume a 2023 medical utilization & severity trend that represents the average of the other Rhode Island insurers of 3.0% rather than 6.2%. This changes the overall trend from 10.9% to 8.3%.[5]

Recommendation #1: It is recommended that Aetna revise the overall medical utilization & severity trend assumption from 6.2% to 3.0% in 2022 and 2023. This translates into the overall trend assumption changing from 10.5% to 7.9% in 2022 and from 10.9% to 8.3% in 2023.[6] This assumption change would decrease the rate change by approximately 2.5%.[7] The RI Health Insurance Commissioner has approved this revised assumption.

In addition to the trend assumptions above, Aetna adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not

[5] This includes the impact of leverage.
[6] Ibid.
[7] This estimate has been updated since the working recommendation.

increase at the same rate as claims cost trends, the share of claims paid for by the insurers increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. Aetna's overall leverage assumption is 1.2% which is consistent with last year. Aetna stated last year that this is based on information provided in Milliman Health Cost Guidelines. The 1.2% assumption is on the high side compared to other large group insurers in the Rhode Island market.

V. Assessments

Aetna includes the cost of assessments for Childhood Immunizations, Adult Immunizations, and Children's Health Accounts in their retention. Tab IV of the RIOHIC template shows that Aetna includes 0.7% of premium for these RI assessments. This represents a slight decrease from the 2022 rates where 0.8% was included for these assessments. Aetna did not indicate an amount for Care Transformation Collaborative of RI and Current Care in Tab IV of the RIOHIC template.

VI. COVID Expenses

Aetna is not making any adjustments to the data in their experience rating formula or to the data used for trend development purposes for COVID related expenses in 2021 and beyond.[8]

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and the current proposed rates, Aetna projects an 83.3% MLR for 2022 and 80.6% for 2023.[9]

The table below shows the components of retention.[10] The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. Aetna is proposing an average retention charge of 14.6% for the large group rate filing. For 2022, the retention charge was 8.1%. The contribution to reserve/profit target in this year's filing is 6.5%. When asked to explain the need for a 6.5% profit margin, Aetna stated:

Aetna Life Insurance Company is a part of the Health Care Benefits (HCB) segment of CVS Health. We do not specifically forecast HCB profit targets. HCB's financial goals are publicly disclosed from time-to-time, most recently on May 4, 2022.

[8] Aetna does adjust the March 2020 through June 2020 data used in their experience rating formula for the impact of utilization suppression due to COVID.
[9] This is coming from Tab VI MLR Exhibit in the RI rate template. Premium has been adjusted for taxes. This is prior to the credibility adjustment factor.
[10] In last year's filing, the item "Premium Tax" included a 2.0% charge for premium tax and remainder for assessments. This has been updated for purposes of this memo.

https://s2.q4cdn.com/447711729/files/doc_financials/2022/q1/Q1-2022-Presentation.pdf

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

The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Taxes and Fees	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	1.0%	1.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	6.5%	0.0%	6.5%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	5.1%	5.1%	0.0%
Total Retention Charge	14.6%	8.1%	6.5%

Table 4: Aetna Large Group Retention Charges[11]

VIII. Requested and Final Approved Rate Changes

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

	Aetna LG		
	Requested	Final Approved	Impact to Rate
Medical Utilization & Severity Trend	6.2%	3.0%	-2.5%
Contribution to Reserves/Profit	6.5%	1.0%	-5.6%
Expected Overall Rate Change from 2022	13.4%	5.4%	

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

IX. Conclusion

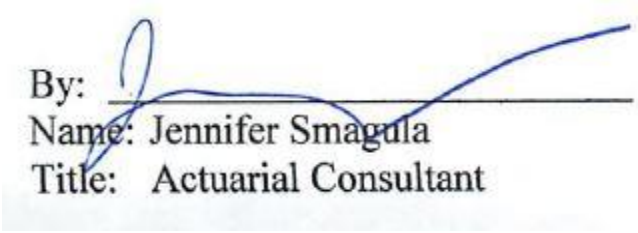
This memo communicates the findings of our review of the large group market 2023 rate filing for Aetna. This memo also communicates the RI Health Insurance

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

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

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

Sincerely,



Jennifer Smagula FSA, MAAA

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

Gorman Actuarial, Inc.

Bela Gorman FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: bela@gormanactuarial.com

August 24, 2022

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

Subject: **Large Group Market Rate Filing for Blue Cross and Blue Shield of Rhode Island (BCBSRI) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #BCBS_133257152

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filing that was submitted on May 16th and August 18th of 2022. In addition, GA relied on information provided through BCBSRI's Individual and Small Group Rate Filing review process to assist with this review.

Throughout the filing process, GA corresponded with BCBSRI's actuarial team. An actuarial certification is included in the filing signed by Sarah Bewick. GA submitted questions through SERFF on May 31, June 13, June 22, and July 5. In addition, GA conducted phone calls with BCBSRI's actuaries. GA received responses for questions through SERFF.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. Additional decisions on other assumptions were made by the RI Health Insurance Commissioner during the week of August 15, 2022. This memo summarizes final

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

II. Recommendations

Recommendation #1: Revise BCBSRI's utilization trend assumptions for professional and other medical from 5.2% to 4.0%. These assumption changes would result in a decrease in the rate by approximately 0.9%.[1] The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: Revise BCBSRI's hospital 2023 unit cost trend from 7.5% to 6.9%. This assumption change would result in decrease in the rate by approximately 0.2%. The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

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

[1] The Working Recommendations dated July 29, recommended different trend assumptions suggesting trend analyses should be normalized for age. Conversations with BCBSRI actuaries provided more information where the aging component in BCBSRI's experience rating formula was not being utilized and therefore it is appropriate in the Large Group Market to use trends unnormalized for age. Therefore, we recommend that BCBSRI be allowed to use their proposed trends for inpatient hospital and outpatient hospital and to utilize trends adjusted for COVID for all other services.

	BCBSRI LG		
	Requested	Final and Approved	Impact to Rate
Utilization Trend Assumptions			
Inpatient Hospital	0.2%	0.2%	
Outpatient Hospital	4.3%	4.3%	
Professional	5.2%	4.0%	
Other Medical	5.2%	4.0%	
Capitation	0.0%	0.0%	
Total Medical	**3.5%**	**3.0%**	
Pharmacy	**7.5%**	**7.5%**	
Total Utilization	**4.2%**	**3.8%**	**-0.9%**
Year 2 Hospital Cost Trend	**7.5%**	**6.9%**	**-0.2%**
Contribution to Reserve	**1.0%**	**1.0%**	**0.0%**
Expected Overall Rate Change from 2022	**7.0%**	**5.9%**	

Table 1: Requested and Final Approved Rate Changes

III. Proposed Rate Changes

The large group RI rate template requires the insurer to report the proposed average rate change for its entire large group book of business. The template requires the insurer to report the change by quarter and then an annual change. BCBSRI is requesting a 7.0% annual rate change for its large group risk pool.

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

- 1Q 2023: 8.4%
- 2Q 2023: 3.9%
- 3Q 2023: 2.8%
- 4Q 2023: 13.4%

This variation is due to the diversity of the groups that renew each quarter. Since the large group rating formula is an experience rating formula, each group's own experience will influence the overall rate increase. In addition, since the trend assumptions are higher this year as compared to last year the increases will widen due to the cumulative impact of trend.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for BCBSRI's large group market are 0% in 2020 and 10.6% in 2021. The table below shows a three-year history of allowed claims PMPMs. Note the flat trend in 2020 is most likely due to suppression of utilization of services due to COVID-19. BCBSRI has also lost members the past two years, decreasing by 7.1% in 2020 and decreasing an additional 3.2% in 2021.

Allowed Claims PMPM			
	CY 2019	**CY 2020**	**CY 2021**
Inpatient Hospital	$104.63	$105.34	$111.83
Outpatient Hospital	$136.10	$128.82	$146.99
Professional	$155.75	$154.21	$178.52
Other Medical	$10.18	$11.43	$14.65
Capitation	$0.00	$0.89	$0.75
Prescription Drug	$83.76	$89.59	$89.40
Total	$490.44	$490.27	$542.15
Member Months	907,336	842,668	815,984

Allowed Claims PMPM Trend		
	CY 2020	**CY 2021**
Inpatient Hospital	0.7%	6.2%
Outpatient Hospital	-5.4%	14.1%
Professional	-1.0%	15.8%
Other Medical	12.3%	28.1%
Capitation	0.0%	-15.9%
Prescription Drug	7.0%	-0.2%
Total	0.0%	10.6%
Member Months Trend	-7.1%	-3.2%

Table 2: Allowable Claims PMPM and Trend CY 2019-CY 2021

BCBSRI is assuming an average annual trend assumption of 8.6%. The table below shows BCBSRI's cost and utilization[2] trend assumptions by service category. As shown, BCBSRI is assuming a 3.5% medical utilization trend.

[2]Utilization trends also include severity trends.

	Cost Trend	Utilization Trend	Leverage & Other	Total Trend
Inpatient Hospital	6.0%	0.2%	0.8%	7.1%
Outpatient Hospital	5.1%	4.3%	0.8%	10.5%
Professional	2.3%	5.2%	0.8%	8.5%
Other Medical	2.3%	5.2%	0.8%	8.5%
Capitation	0.0%	0.0%	0.0%	0.0%
Total Medical	**4.3%**	**3.5%**	**0.8%**	**8.8%**
Prescription Drug	**-0.5%**	**7.5%**	**0.8%**	**7.9%**
Total				8.6%

Table 3: Annual Trend Assumption

Utilization Trend Assumptions

BCBSRI has performed regression analyses across the Direct Pay, Small Group, and Large Group markets. They have provided a series of regression charts by service category: inpatient hospital, outpatient, professional, and pharmacy. For inpatient utilization, regressions are performed on admissions per 1000. For the other service categories, BCBSRI adjusts allowed claims PMPMs for price then performs regression analysis. For these other services, the analysis is performed on utilization and mix or severity of services. Since the utilization of health care services was suppressed in CY 2020 due to COVID-19, BCBSRI performs their regression analysis for 2017 to 2021 excluding CY 2020 for all medical services. For pharmacy services, since COVID-19 did not impact utilization, BCBSRI used all the historical data. Then BCBSRI uses the predicted data points for 2022 and 2023 to determine the utilization trend assumptions. BCBSRI used their regression results for Hospital Outpatient, Professional and Pharmacy services since the R-square (predictive power) was higher. For inpatient, since the R-square was lower and less predictive, BCBSRI indicated that they relied on more recent experience and reduced the results from their regression analysis by 0.5%. The assumptions used for Professional services were also used for Other Medical. Table 3 shows BCBSRI's utilization trend assumptions in their filing.

During the course of my review, I learned that BCBSRI did not normalize or adjust their trend data for the impact of aging. In the large group market, insurers generally apply an age adjustment within their experience rating formula to account for changing age demographics. If insurers apply this adjustment, then corresponding trend analyses should exclude the impact of aging to avoid double counting of changing age demographics. It appeared that BCBSRI's experience rating formula does adjust for age. After the preliminary conclusion letters were sent, BCBSRI actuaries communicated to GA that the aging adjustment in the experience rating formula was not being utilized

and therefore their trend analyses did not need to be normalized for age. I agree with this assessment.

In addition, BCBSRI did not subtract out any COVID-19 expenses from their 2021 experience when performing trend analyses. A significant proportion of COVID-19 expenses are most likely one-time expenses in CY 2021 it would have been appropriate to exclude COVID-19 expenses from the trend analyses. BCBSRI could then add back in expected 2023 COVID-19 expenses later in their rate development.

Upon request, BCBSRI provided regression analyses adjusting for COVID-19 expenses in 2021 and also adjusting for COVID-19 expenses and age. The results are shown in the table below. As shown, adjusting for age and excluding COVID-19 experience results in lower utilization trend assumptions.

Utilization Regression Analysis	Assumption Used in Filing	Regression Including COVID	Regression Excluding COVID	Regresson Excluding COVID and Adjusting For Age
Inpatient Hospital	0.2%	0.7%	-0.1%	-0.5%
Outpatient Hospital	4.3%	4.3%	4.0%	3.6%
Professional	5.2%	5.2%	4.0%	3.7%
Pharmacy	7.5%	7.5%	7.5%	7.3%

Table 4: Utilization Regression Results[3]

I also performed my own trend analyses as it is appropriate to develop trend projections using different methods to check for reasonableness.[4] I performed my own trend analysis by combining data across the three market segments for medical and pharmacy allowed claims PMPMs and adjusting for provider price. I also analyzed claims excluding COVID-19 claims data and focused my analysis on trends excluding data from March 2020 through December 2020. I calculated allowed PMPM trends (which includes cost and utilization) through YE December 2021 analyzing rolling 3 months, rolling 6 months, and rolling 12 months trends. I performed the same analysis adjusting for price to analyze medical utilization & severity. Below, I show two tables one with COVID-19 data and one without COVID-19 data. I compare 2021 to 2019 and annualize the trends. As shown, trend results in Table 5 are approximately 2.1% to 2.6% higher than trend results shown in Table 6, suggesting that COVID-19 experience inflates trends.

[3] This table has been updated from the Working Recommendation memo to include trend analyses adjusting for COVID only.
[4] Actuarial Standards of Practice #8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits, Section 3.12.

BCBSRI Fully Insured Medical Only Individual Market, Small Group Market, Large Group Market				
Medical Utilization Trends		**Medical Rolling 3 Trend (over 2 year period annualized)**	**Medical Rolling 6 Trend (over 2 year period annualized)**	**Medical Rolling 12 Trend (over 2 year period annualized)**
July	2021	3.3%	3.4%	N/A
August	2021	4.9%	4.0%	N/A
September	2021	2.7%	3.4%	N/A
October	2021	2.3%	2.8%	N/A
November	2021	3.0%	4.0%	N/A
December	2021	3.8%	3.3%	3.0%
Average of last 6 data points		**3.3%**	**3.5%**	**3.0%**

Table 5: Medical Utilization Trend Analysis

BCBSRI Fully Insured Medical Only Individual Market, Small Group Market, Large Group Market				
Medical Utilization Trends Less COVID		**Medical Rolling 3 Trend (over 2 year period annualized)**	**Medical Rolling 6 Trend (over 2 year period annualized)**	**Medical Rolling 12 Trend (over 2 year period annualized)**
July	2021	2.0%	1.5%	N/A
August	2021	3.4%	2.1%	N/A
September	2021	0.6%	1.4%	N/A
October	2021	0.0%	1.0%	N/A
November	2021	0.4%	1.9%	N/A
December	2021	0.4%	0.5%	0.4%
Average of last 6 data points		**1.1%**	**1.4%**	**0.4%**

Table 6: Medical Utilization Trend Analysis Excluding COVID-19 Data

BCBSRI has suggested that in 2021 they have experienced lower than “normal” utilization levels within certain outpatient services and that these reductions were replaced by the COVID-19 expenses. This is why they have not reduced their experience for COVID-19 expenses when developing trend assumptions. In addition, it is possible

that inpatient hospital services classified as COVID services may have been secondary diagnoses. For these reasons, I am proposing a scenario where we assume trends adjusted for COVID only for professional, other medical and pharmacy.[5]

Recommendation #1: Revise BCBSRI's utilization trend assumptions for professional and other medical from 5.2% to 4.0%. These assumption changes would result in a decrease in the rate by approximately 0.9%.[6] The RI Health Insurance Commissioner has approved this revised assumption.

Unit Cost Trend Assumptions

BCBSRI assumes higher increases in hospital unit cost trend assumptions for CY 2023 compared to CY 2022. As shown in the table below, hospital inpatient and outpatient hospital unit cost trend assumption are 7.5%.

Unit Cost Trend	Year 1 2022	Year 2 2023
Hospital Inpatient	4.5%	7.5%
Outpatient Hospital	2.8%	7.5%
Professional	2.6%	2.0%

Table 7: Unit Cost Trend Assumptions

BCBSRI relies on Rhode Island's Affordability Standards which are tied to a hospital price cap set by the Rhode Island Office of the Health Insurance Commissioner (RIOHIC) each October. This year, the hospital price cap will be based on the CPI-U (less food and energy) annual increase as of August 2022 or September 2022, increased by 1%. BCBSRI relied on the latest 12-month estimate as of March 2022 which was 6.5%. This number was increased by 1% to determine a projected price cap of 7.5%. If the CPI-U number established in October 2022 is lower than what it was in March 2022, then the price cap will be lower than 7.5% and BCBSRI's price trend assumptions for hospital services may be overstated. Since the submission of the rate filing, the April, May, and June CPI-U annual increases were released at 6.2%, 6.0%, and 5.9%. I have estimated what the impact to the rate increase would be if the price cap was 6.9% and 6.5%. The resulting impact would be -0.2% and -0.4% respectively.

[5] This recommendation has been updated from the Working Recommendation Memo.
[6] The Working Recommendations dated July 29, recommended different trend assumptions suggesting trend analyses should be normalized for age. Conversations with BCBSRI actuaries provided more information where the aging component in BCBSRI's experience rating formula was not being utilized and therefore it is appropriate in the Large Group Market to use trends unnormalized for age. Therefore, we recommend that BCBSRI be allowed to use their proposed trends for inpatient hospital and outpatient hospital and to utilize trends adjusted for COVID for all other services.

Recommendation #2: Revise BCBSRI's hospital 2023 unit cost trend from 7.5% to 6.9%. This assumption change would result in decrease in the rate by 0.2%.[7] The RI Health Insurance Commissioner has approved this revised assumption.

V. COVID Expenses

BCBSRI assumes that COVID-19 expenses in 2023 will be 50% of the expenses in CY 2021. BCBSRI's large group COVID-19 expenses for CY 2021 is $23.31 PMPM which is 4.3% of total 2021 costs.

VI. Projected Medical Loss Ratio and Retention Charge

Using the federal definition and the current proposed rates, BCBSRI is projecting an 87.6% medical loss ratio for 2022 and an 87.4% medical loss ratio for 2023.[8] Using the federal definition, BCBSRI's reported MLR in Tab VI of the OHIC template are 87.1% for CY 2019, 87.3% for CY 2020 and 88.1% for CY 2021.

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. BCBSRI is proposing an average retention charge of 14.9% for 2023 which includes a 1% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Fees and Taxes	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.8%	0.8%	-0.1%
Contribution to Reserve (Profit/Risk Load)	1.0%	0.0%	1.0%
Investment Income Credit	-0.1%	0.0%	0.0%
Administrative Expense Load	11.2%	12.0%	-0.8%
Total Retention Charge	14.9%	14.8%	0.1%

Table 8: Retention Charges

BCBSRI includes 1.0% in their rates for RI assessments and fees. The table below shows each fee.

[7] Ibid.
[8] This is coming from Tab VI MLR Exhibit in the RI rate template.

Assessment	2023 Assumptions PMPM	2023 Assumptions Premium Impact	2022 Assumptions PMPM	2022 Assumptions Premium Impact
Childhood Immunization Account	$1.74	0.3%	$1.92	0.3%
Adult Immunization Account	$1.82	0.3%	$1.75	0.3%
Children's Health Account	$1.12	0.2%	$1.18	0.2%
Care Transformation Collaborative of RI	$0.66	0.1%	$0.75	0.1%
Current Care	$1.00	0.2%	$1.00	0.2%
Total	$6.35	1.0%	$6.60	1.1%

Table 9: RI Assessments

VII. Financial Position

A review of BCBSRI's financial measures show that BCBSRI's RBC position has strengthened over the past few years. There was a significant increase in the RBC in 2020. However, this increase does not appear to be due to an increase in underwriting gain. The RBC in 2021 has decreased slightly from 2020. The underwriting gain in 2020 was 0.5% which is lower than the underwriting gain in both 2019 and 2018. The increase could be due to other items such as investments.

	BCBSRI				
	2021	2020	2019	2018	2017
8. Total Revenues	$1,795,520,104	$1,707,243,198	$1,698,166,372	$1,708,865,057	$1,719,351,097
24. Net Underwriting G/L	$9,239,068	$7,713,021	$28,874,085	$36,858,723	$8,177,236
Underwriting G/L	***0.5%***	***0.5%***	***1.7%***	***2.2%***	***0.5%***
49. Capital and Surplus end of reporting year	$434,692,861	$415,814,234	$371,583,769	$298,658,624	$292,996,877
SAPOR	***24.2%***	***24.4%***	***21.9%***	***17.5%***	***17.0%***
14. Total Adjusted Capital	$434,692,861	$415,814,234	$371,583,769	$298,658,624	$292,996,877
15. Authorized control level risk-based capital	$63,315,995	$58,616,377	$58,232,394	$57,430,307	$58,588,774
RBC	***686.5%***	***709.4%***	***638.1%***	***520.0%***	***500.1%***

Table 10: Summary of Financials

VIII. Requested and Final Approved Rate Changes

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

	BCBSRI LG		
	Requested	**Final and Approved**	**Impact to Rate**
Utilization Trend Assumptions			
Inpatient Hospital	0.2%	0.2%	
Outpatient Hospital	4.3%	4.3%	
Professional	5.2%	4.0%	
Other Medical	5.2%	4.0%	
Capitation	0.0%	0.0%	
Total Medical	**3.5%**	**3.0%**	
Pharmacy	**7.5%**	**7.5%**	
Total Utilization	**4.2%**	**3.8%**	**-0.9%**
Year 2 Hospital Cost Trend	**7.5%**	**6.9%**	**-0.2%**
Contribution to Reserve	**1.0%**	**1.0%**	**0.0%**
Expected Overall Rate Change from 2022	**7.0%**	**5.9%**	

Table 11: Requested and Final Approved Rate Changes

IX. Conclusion

This memo communicates the findings of our review of the large group market 2023 rate filing for BCBSRI. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by BCBSRI. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Jenn Smagula, FSA, MAAA.

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

Sincerely,

Bela Gorman FSA, MAAA

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

Gorman Actuarial, Inc.

Jennifer Smagula FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: jenn@gormanactuarial.com

August 24, 2022

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

Subject: **Large Group Market Rate Filing for Cigna Health and Life Insurance Company (CIGNA) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #CCGP-133245835

Dear Commissioner Tigue,

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

I. Rate Filing Review Process

This actuarial review memo focuses on the review of the filings that were submitted on May 16th, June 22nd and August 17th of 2022.[1]

Throughout the filing process, GA corresponded with Maria Mahmood, CIGNA's Core Medical Filing Lead Analyst. An actuarial certification is included in the filing signed by Daniel R Acton, FSA, MAAA, Actuarial Senior Director. GA submitted questions through SERFF on June 7th and July 8th. GA received responses for questions through SERFF.

GA provided working recommendations to RIOHIC on August 1, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This

[1]The RIOHIC template submitted on June 22nd contained an update in Tab IV for assessments and Tab VI for the projected 2022 MLR. The projected rate increase did not change between the May 16th and June 22nd filings.

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

II. Recommendations

The table below shows CIGNA's requested and final approved rate changes. GA is not recommending any changes.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

The table below shows CIGNA's requested and final approved rate changes. Due to the interaction of assumptions, the actual impact by assumption may be slightly different due to each insurer's own pricing models. However, the final rate change is not an estimate.

	CIGNA LG		
	Requested	**Final Approved**	**Impact to Rate**
Contribution to Reserves/Profit	3.5%	1.0%	-2.5%
Expected Overall Rate Change from 2022	8.5%	5.7%	

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

III. Proposed Rate Change

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

As of March 2022, there are 656 large group CIGNA members in Rhode Island. In the rate filing submitted on May 16th, CIGNA requested an 8.5% annual rate change. The rate cap for large group insurers only applies to insurers with greater than one percent of the fully insured Rhode Island market, therefore it does not apply to CIGNA.

IV. Experience & Trend Assumptions

CIGNA provided their Rhode Island experience for CY 2019, CY 2020 and CY 2021. A review of actual claims experience shows that actual trends for CIGNA's large group market is 44.5% in CY 2020 and 7.6% in CY 2021. Trends fluctuate by service category and in total due to the low membership and changes in membership each year.

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$100.69	$132.42	$94.40
Outpatient Hospital	$118.69	$152.80	$244.52
Professional	$114.07	$140.54	$136.77
Other Medical	$19.44	$29.41	$25.47
Capitation	$20.95	$24.02	$25.61
Prescription Drug	$40.76	$120.02	$118.14
Total	$414.60	$599.21	$644.91
Member Months	9,967	9,284	7,282

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	31.5%	-28.7%
Outpatient Hospital	28.7%	60.0%
Professional	23.2%	-2.7%
Other Medical	51.3%	-13.4%
Capitation	14.7%	6.6%
Prescription Drug	194.5%	-1.6%
Total	44.5%	7.6%
Member Months Trend	-6.9%	-21.6%

Table 2: CIGNA Large Group Allowed Claims PMPM and Trends

CIGNA is assuming an average annual trend assumption of 6.5% excluding leverage and 7.6% including leverage. This is higher than CIGNA's trend assumption of 5.5% excluding leverage and 6.5% including leverage in last year's filing. The table below shows CIGNA's trend assumptions by service category. The increase in trend is primarily driven by increases unit cost trends for medical services. CIGNA stated that their utilization and mix trend is developed by looking at historical averages and then adjusting them for expected future impacts. The unit cost trend is developed using CIGNA's knowledge in changes in provider and pharmacy contracted rates.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	1.9%	3.3%	5.3%
Outpatient Hospital	2.0%	3.3%	5.4%
Professional	1.7%	3.3%	5.1%
Other Medical	7.2%	3.3%	10.8%
Capitation	0.0%	3.3%	3.3%
Total Medical	**2.2%**	**3.3%**	**5.6%**
Prescription Drug	**8.8%**	**1.1%**	**10.0%**
Subtotal Excluding Leve	**3.6%**	**2.9%**	**6.5%**
Leverage			1.0%
Total Incl. Leverage:			**7.6%**

Table 3: CIGNA Large Group 2023 Trend Assumptions

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

V. Assessments

CIGNA includes the cost of assessments for Childhood Immunizations[2], Adult Immunizations, and Children's Health Accounts in their retention. Tab IV of the RIOHIC template shows that CIGNA includes 0.9% of premium for these RI assessments. This represents a decrease from the 2022 rates where 1.3% was included for these assessments. CIGNA did not indicate an amount for Care Transformation Collaborative of RI and Current Care in Tab IV of the RIOHIC template.

VI. COVID Expenses

CIGNA is not making any adjustments to the data in their experience rating formula for COVID related costs. CIGNA stated that they considered expected COVID related impacts in their trend assumption including the impact from vaccines, testing, treatment, deferred non-COVID utilization and other shifts in utilization due to COVID.

[2] CIGNA stated that they do not have the ability to report the immunization assessment by adult and children so they provided a blended amount as noted under Adult Immunization Account.

CIGNA assumed a net reduction of 0.56% in their trend assumption due to these various impacts.

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and under the proposed rates, CIGNA projects a 93.6% MLR for 2022 and an 91.2% MLR for 2023.[3] The historical reported MLR using the federal definition is 80.2% in 2019, 98.7% in 2020 and 92.8% for 2021.[4]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. CIGNA is proposing an average retention charge of 12.7% for the large group rate filing. For 2022, the retention charge was 10.4%. In 2022, the Other Retention Charges includes the risk charge component of CIGNA's "Shared Returns" program.[5]

It is noted that contribution to reserve/profit target is higher than all but one other large group insurer in the market. CIGNA stated that their profit margin results in an MLR consistent with the requirements of the state and that this is lower than the initial assumption from last year of 4.5%.

The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Fees and Taxes	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	1.7%	-1.7%
Contribution to Reserve (Profit/Risk Load)	3.5%	0.0%	3.5%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	7.1%	6.7%	0.4%
Total Retention Charge	12.7%	10.4%	2.3%

Table 4: CIGNA Large Group Retention Charges[6]

[3] This is coming from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.
[4] Ibid.
[5] In a prior year's rate filing, CIGNA stated that with the Shared Returns program if a clients' claims experience runs at or better than set expectations inclusive of the risk charge, the client shares in the favorable experience up to 100%. In 2022, this was a retention item, but is now part of the claims buildup so the retention impact due to risk charge is zero. Moreover, CIGNA stated that they no longer have any RI situs accounts on the Shared Returns funding arrangement.
[6] CIGNA has indicated that the retention charge includes the cost for Children Immunizations, Adult Immunizations and Children's Health Accounts.

VIII. Requested and Final Approved Rate Changes

The table below shows CIGNA's requested and final approved rate changes. Due to the interaction of assumptions, the actual impact by assumption may be slightly different due to each insurer's own pricing models. However, the final rate change is not an estimate.

	CIGNA LG		
	Requested	**Final Approved**	**Impact to Rate**
Contribution to Reserves/Profit	3.5%	1.0%	-2.5%
Expected Overall Rate Change from 2022	8.5%	5.7%	

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

IX. Conclusion

This memo communicates the findings of our review of the large group market 2023 rate filing for CIGNA. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by CIGNA. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman FSA, MAAA.

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

Sincerely,

By: _____
Name: Jennifer Smagula
Title: Actuarial Consultant

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

Gorman Actuarial, Inc.

Jennifer Smagula FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: jenn@gormanactuarial.com

August 24, 2022

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

Subject: **Large Group Market Rate Filing for Tufts Associated Health Maintenance Organization, Inc. (TAHMO) and Tufts Insurance Company (TICO) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #THPC-133259808

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filings that were submitted by TAHMO on May 16th, June 10th and August 18th of 2022.[1]

Throughout the filing process, GA corresponded with TAHMO and TICO's actuary Besart Stavileci FSA, MAAA. An actuarial certification is included in the filing signed by Besart Stavileci. GA submitted questions through SERFF on June 3rd and July 6th. GA conducted a couple phone calls with Mr. Stavileci. GA received responses for questions through SERFF. GA also relied on responses to questions for the TAHMO and TICO small group filings that pertain to the TAHMO & TICO large group filing.

[1] The updated OHIC template submitted on June 10th was updated for experience period information in Tab I. Rates remained unchanged in the June 10th version compared to May 16th.

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: It is recommended that TAHMO and TICO revise the medical utilization & severity trend assumptions from 4.1% to 3.1%. This assumption change would decrease the rates by approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: It is recommended that TAHMO and TICO revise their assumptions for RI assessments from 2.1% to 1.6%. This would lower rates by approximately 0.5%.[2] The RI Health Insurance Commissioner has approved this revised assumption.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

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

	TAHMO LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Utilization & Severity Trend	4.1%	3.1%	-0.7%
RI Assessment	2.1%	1.6%	-0.5%
Contribution to Reserves/Profit	1.0%	1.0%	0.0%
Expected Overall Rate Change from 2022	10.4%	8.8%	

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

[2] The working recommendation memo included a 0.4% reduction. This estimate has been reevaluated.

	TICO LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Utilization & Severity Trend	4.1%	3.1%	-0.7%
RI Assessment	2.1%	1.6%	-0.5%
Contribution to Reserves/Profit	1.0%	1.0%	0.0%
Expected Overall Rate Change from 2022	10.3%	8.9%	

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

III. Proposed Rate Changes

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

As of March 2022, there were 6,159 members of which 2,911 are TAHMO and 3,248 are TICO. In the rate filing submitted on May 16th, TAHMO requested a 10.4% rate change and TICO both requested a 10.3% rate change. The average across both insurers is 10.4%.

Renewal Quarter and Year	Proposed Average Rate Change	% of Renewals (Membership)
1Q 23 Renewals	10.3%	26.4%
2Q 23 Renewals	10.4%	43.4%
3Q 23 Renewals	10.4%	20.3%
4Q 23 Renewals	10.5%	9.9%
Total	10.4%	100.0%

Table 3: TAHMO and TICO Large Group Average Rate Changes by Quarter

TAHMO and TICO project the average rate changes by first calculating manual rates for each month of 2023. This is accomplished by adjusting the 2022 manual rates for their current 2022 and 2023 trend assumptions. Retention charges are then applied to the projected manual rates. TAHMO and TICO provided documentation on their approach and this approach is unchanged from last year.

IV. Experience & Trend Assumptions

The table below shows a three-year history of allowed claims PMPMs. A review of actual claims experience shows that actual trends for TAHMO and TICO's Large Group

Market are 2.2% in 2020 and 19.9% in 2021. Trends fluctuate by service category and membership decreased by 9.8% in 2020 but increased slightly by 2.2% in 2021. TAHMO and TICO highlighted that specialty drugs are a driver of the higher pharmacy trend in 2021 and that an increase in high-cost claims was a driver of the higher medical trends. The small size of the segment also leads to volatility in claim costs and trends.

Allowed Claims PMPM (TAHMO + TICO)			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$82.49	$96.96	$133.27
Outpatient Hospital	$124.71	$122.71	$139.67
Professional	$176.45	$169.03	$199.27
Other Medical	$21.59	$26.44	$26.68
Capitation	$0.65	$0.66	$0.55
Prescription Drug	$68.08	$68.61	$81.14
Total	$473.98	$484.42	$580.59
Member Months	85,641	77,272	78,993

Allowed Claims PMPM Trend (TAHMO + TICO)		
	CY 2020	CY 2021
Inpatient Hospital	17.5%	37.4%
Outpatient Hospital	-1.6%	13.8%
Professional	-4.2%	17.9%
Other Medical	22.5%	0.9%
Capitation	0.7%	-16.4%
Prescription Drug	0.8%	18.3%
Total	2.2%	19.9%
Member Months Trend	-9.8%	2.2%

Table 4: TAHMO and TICO Large Group Allowed Claims PMPM and Trends

TAHMO and TICO submitted a revised large group rating manual in January 2022 for all groups renewing on or after July 1, 2022.[3] The primary goal of the new rate manual was to restate the manual rates lower so that they were more in line with actual expected costs and therefore TAHMO and TICO could apply smaller underwriting adjustments. TAHMO and TICO provided details on the changes as part of an addendum to the actuarial memorandum.

As shown in the table below, TAHMO and TICO are using a 5.0% trend assumption excluding leverage and a 5.7% trend assumption including leverage.[4] Last year's annual

[3] RIOHIC approved this rating manual in February 2022.
[4] TAHMO and TICO use the same trend assumptions by service category for small group and large group but totals may differ due to use of different weights.

trend assumption was 7.1% including leverage. The average medical cost trend is 2.4%, compared to 1.9% last year. The average medical utilization & severity trend is 4.1% which is lower than last year's assumption of 4.4%. The negative pharmacy cost trend is the result of a change in PBMs in 2023 and represents a one-time adjustment.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	2.7%	1.3%	4.1%
Outpatient Hospital	2.7%	5.1%	7.9%
Professional	1.6%	5.6%	7.4%
Other Medical	5.1%	0.0%	5.1%
Capitation	1.5%	0.0%	1.5%
Total Medical	**2.4%**	**4.1%**	**6.6%**
Prescription Drug	**-4.4%**	**1.5%**	**-2.9%**
Subtotal Excluding Leverage:	**1.2%**	**3.7%**	**5.0%**
Leverage			0.7%
Total Incl. Leverage:			**5.7%**

Table 5: TAHMO and TICO Large Group Trend Assumptions

TAHMO and TICO stated that Rhode Island experience is not credible to use for trend analysis purposes. Medical utilization & severity trends and pharmacy trends are based on TAHMO Commercial Fully Insured Massachusetts data. Tufts does not include TICO Massachusetts experience in their trend analysis. Pharmacy contracts for TAHMO and TICO are the same by state. Medical unit cost trends are developed based on Rhode Island provider contracts and estimates for future changes to those contracts.

TAHMO and TICO provided detailed medical and pharmacy data for GA to review for both Massachusetts and Rhode Island. GA analyzed trends using TAHMO and TICO Massachusetts data. Two observations were made through this analysis:

1. TAHMO does not include TICO data in their trend analysis, yet the trends developed through their analysis are for both the TAHMO and TICO rate filings. After reviewing trends from 2021 compared to 2019, the TAHMO and TICO combined medical utilization & severity trends are approximately 0.4% lower than trends developed using only TAHMO data.

2. When developing their trend assumptions, TAHMO stated that they did not exclude COVID vaccines and testing costs from their data. When GA removes COVID vaccines and testing from the trend data, emerging trends are approximately 1.4% lower using combined TAHMO and TICO data. When discussed further with TAHMO, they stated:

> *Our allowed trend assumption in the 2023 filing includes a utilization and mix pick of 3.6%. In addition to the historical data provided, we also analyzed normalized trends without the impact of Covid-19 testing and vaccines. We also analyzed YTD April 2022 trends for the MA Commercial fully insured book-of-business, observing an emerging trend of 3.1%.*[5]
>
> Therefore, based on our analysis and the analysis from TAHMO, it is reasonable to assume that if trends had been developed using data excluding COVID vaccines and testing, then the trend assumptions would have been between 0.5% to 1.4% lower.

As a result of including TICO data and excluding certain COVID expenses in the trend analysis, it is reasonable to assume that TAHMO and TICO should be using medical utilization & severity trends that are 0.9% to 1.8% lower. GA is recommending TAHMO and TICO assume medical utilization & severity trends that are 1.0% lower than their original assumption, which changes the assumption from 4.1% to 3.1%. This is also more in line with recommended assumptions for other insurers.

Recommendation #1: It is recommended that TAHMO and TICO revise the medical utilization & severity trend assumptions from 4.1% to 3.1%. This assumption change would decrease the rates by approximately 0.7%.[6] The RI Health Insurance Commissioner has approved this revised assumption.

GA also reviewed the recent pharmacy data but given the expected changes in 2023 due to the change in PBM, it is not useful to examine historical experience.

In addition to the trend assumptions above, TAHMO and TICO add a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, TAHMO and TICO used their pricing model to calculate a leverage adjustment for each plan design. TAHMO and TICO's leverage assumption across all plans is 0.7% and was accounted for in the AV and Cost Sharing factor.

[5] The 3.6% and 3.1% utilization & mix trend referred to in this paragraph are based on the total for medical and pharmacy.

[6] If TAHMO were to use a 3.1% utilization & severity trend in 2023 rather than 4.1%, this would decrease trends by approximately 1.0% for one year. The estimated impact to overall rates is determined assuming medical trends represents approximately 80% of total claims and that total claims spending represents 85% of total premium.

TAHMO and TICO are also including a 1.1% adjustment for aging. This is to account for the aging that can occur with renewing business. Details were provided by TAHMO and TICO on its calculation. This is a factor that should continue to be monitored.

V. Assessments

TAHMO & TICO include the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account, Care Transformation Collaborative of RI and Current Care in their medical claims projection. TAHMO and TICO stated the following regarding assessments:

We have not historically adjusted our manual rate for changes in assessments. Instead, our approach has been to focus on the adequacy of the rates and rate increase in totality. For 2022, we made an adjustment to the rates to reflect lower assessment amounts, in coordination with OHIC during the rate review process. The same, adjusted amount has been trended forward to 2023.

It is not appropriate to apply trend to the assessments are they are not typically increasing at the same rate as medical trend.

Tab IV of the RIOHIC template shows that TAHMO and TICO includes 2.1% of premium for these RI assessments. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[7] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.6% rather than 2.1%.

	2023 Assumptions		Recommendation			
Assessment	PMPM	Premium Impact	2023 Actual PMPM Charge	% of Population Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$4.03	0.7%	$14.78	17.2%	$2.54	0.4%
Adult Immunization Account	$3.58	0.6%	$3.56	82.8%	$2.95	0.5%
Children's Health Account	$2.27	0.4%	$9.52	17.2%	$1.63	0.3%
Care Transformation Collaborative of RI	$1.74	0.3%	n/a	n/a	$1.74	0.3%
Current Care	$1.00	0.2%	$1.00	100.0%	$1.00	0.2%
Total	$12.62	2.1%			$9.85	1.6%

Table 6: TAHMO and TICO Rhode Island Assessments

Recommendation #2: It is recommended that TAHMO and TICO revise their assumptions for RI assessments from 2.1% to 1.6%. This would lower rates by

[7] Assessments for vaccinations were finalized for FY 2023 (July 1, 2022 – July 1, 2023.) It is assumed that these assessments remain the same for the remainder of 2023.

approximately 0.5%.[8] The RI Health Insurance Commissioner has approved this revised assumption.

VI. COVID Expenses

As stated previously, TAHMO and TICO's rates rely on a manual rate developed prior to COVID. TAHMO and TICO stated that they developed several scenarios which project that COVID costs related to treatment, vaccines and testing will represent between 2.0% and 3.0% of projected claims costs in 2023. Approximately 5.1% of total allowed costs in 2021, or $29.61 PMPM, are related to COVID costs.[9] Based on this information, TICO is applying a 2.5% adjustment to their projected claims to account for future COVID related costs, which represents about half of current COVID related costs.

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and under the proposed rates, TAHMO projects a 101.4% MLR for 2022 and an 87.6% MLR for 2023.[10] TICO projects a 98.9% MLR for 2022 and an 87.7% MLR for 2023.[11]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. TAHMO and TICO proposed an average retention charge of 15.6%. For 2022, the retention charge was 13.0%. The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

While the administrative expense load is increasing from 11.0% to 12.6%, the administrative charges on a PMPM basis are only increasing 3.7%. This is because, as explained earlier in the memo, TAHMO and TICO submitted a revised large group rating manual in January 2022 for all groups renewing on or after July 1, 2022.[12] The primary goal of the new rate manual was to restate the manual rates lower so that they were more in line with actual expected costs and therefore TAHMO and TICO could apply smaller underwriting adjustments. As a result, the administrative charges did not change significantly on a PMPM basis, but the administrative charges on a percentage basis increased.

[8] Assumes claims projections represent approximately 85% of total premium. The working recommendation memo included a 0.4% reduction. This estimate has been reevaluated.
[9] This is based on the total Rhode Island Commercial Fully-Insured block. Each insurer may define COVID treatment differently and therefore these amounts are not comparable across insurers
[10] This is from Tab VI MLR Exhibit in the RI rate template. This is prior to the credibility adjustment factor.
[11] Ibid.
[12] RIOHIC approved this rating manual in February 2022.

Proposed Retention Charge	2023	2022	Change
ACA Fees and Taxes	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	1.0%	0.0%	1.0%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	12.6%	11.0%	1.6%
Total Retention Charge	15.6%	13.0%	2.6%

Table 7: TAHMO and TICO Large Group Retention Charges

VIII. Financial Position

TAHMO and TICO also reported historical MLR in Tab VI based on the federal definition. For TAHMO, the MLR is 88.2% for 2019, 83.5% for 2020 and 103.4% for 2021. For TICO, the MLR is 88.1% for CY 2019, 96.6% CY 2020 and 101.5% for CY 2021.[13]

A review of TAHMO's financial measures show that TAHMO's RBC position has increased from 610.1% in 2020 to 703.8% in 2021. The underwriting gain/loss was a steady 2% to 3% but decreased to -0.8% in 2021. The SAPOR[14] has remained fairly consistent and increased into 2021.

	TAHMO				
	2021	**2020**	**2019**	**2018**	**2017**
8. Total Revenues	$2,773,179,809	$2,798,892,444	$2,698,353,911	$2,581,958,897	$2,555,327,303
24. Net Underwriting G/L	-$23,061,853	$76,576,206	$64,165,199	$72,911,773	$85,992,431
Underwriting G/L	***-0.8%***	***2.7%***	***2.4%***	***2.8%***	***3.4%***
49. Capital and Surplus end of reporting year	$808,146,043	$738,870,321	$748,323,163	$642,456,738	$644,286,474
SAPOR	***29.1%***	***26.4%***	***27.7%***	***24.9%***	***25.2%***
14. Total Adjusted Capital	$808,146,043	$738,870,321	$748,323,162	$642,456,738	$644,286,474
15. Authorized control level risk-based capita	$114,822,484	$121,103,639	$111,559,193	$101,285,836	$93,089,036
RBC	***703.8%***	***610.1%***	***670.8%***	***634.3%***	***692.1%***

Table 8: TAHMO Financials

A review of TICO's financial measures show that TICO's RBC position has been fairly steady between 500% and 600% for the most recent three years but has decreased from 2020 to 2021. TICO's underwriting gain/loss has been volatile year to year but increased from 2020 to 2021.

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

	TICO				
	2021	**2020**	**2019**	**2018**	**2017**
8. Total Revenues	$350,691,959	$312,553,610	$312,500,551	$294,435,615	$278,780,892
24. Net Underwriting G/L	$6,899,114	-$5,586,842	$16,911,003	$10,256,311	-$11,961,236
Underwriting G/L	***2.0%***	***-1.8%***	***5.4%***	***3.5%***	***-4.3%***
49. Capital and Surplus end of reporting year	$76,838,407	$69,677,169	$74,104,038	$70,788,022	$52,607,155
SAPOR	***21.9%***	***22.3%***	***23.7%***	***24.0%***	***18.9%***
14. Total Adjusted Capital	$76,838,407	$69,677,169	$74,104,038	$70,788,022	$52,607,155
15. Authorized control level risk-based capita	$14,387,007	$11,670,898	$11,259,632	$10,976,297	$11,089,644
RBC	***534.1%***	***597.0%***	***658.1%***	***644.9%***	***474.4%***

Table 9: TICO Financials

IX. Requested and Final Approved Rate Changes

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

	TAHMO LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Utilization & Severity Trend	4.1%	3.1%	-0.7%
RI Assessment	2.1%	1.6%	-0.5%
Contribution to Reserves/Profit	1.0%	1.0%	0.0%
Expected Overall Rate Change from 2022	10.4%	8.8%	

Table 10: TAHMO Large Group Requested and Final Approved Rate Changes

	TICO LG		
	Requested	**Final Approved**	**Impact to Rate**
Medical Utilization & Severity Trend	4.1%	3.1%	-0.7%
RI Assessment	2.1%	1.6%	-0.5%
Contribution to Reserves/Profit	1.0%	1.0%	0.0%
Expected Overall Rate Change from 2022	10.3%	8.9%	

Table 11: TICO Large Group Requested and Final Approved Rate Changes

X. Conclusion

This memo communicates the findings of our review of the large group market 2023 rate filing for TAHMO and TICO. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by TAHMO and TICO. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman FSA, MAAA.

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

Sincerely,

By: _____
Name: Jennifer Smagula
Title: Actuarial Consultant

Jennifer Smagula FSA, MAAA

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

Gorman Actuarial, Inc.

Jennifer Smagula FSA, MAAA
Actuarial Consultant

210 Robert Road
Marlborough, MA 01752
Office: (508) 229-3525
Cell: (508) 904-8732
FAX: (508) 682-0870
Email: jenn@gormanactuarial.com

August 24, 2022

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

Subject: **Large Group Market Rate Filing for UnitedHealthcare of New England (UHCNE) and UnitedHealthcare Insurance Company (UHIC) for rates effective January 1, 2023: Actuarial Review Memo and Final RIOHIC Approved Decisions**
SERFF Filing #UHLC-133251611

Dear Commissioner Tigue,

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

I. Rate Filing Process

This actuarial review memo focuses on the review of the filing that was submitted on July 18th and August 22nd of 2022.[1]

Throughout the filing process, GA corresponded with UHIC and UHCNE assistant pricing director, Elvira Tananykin. An actuarial memorandum and actuarial certification were included in the filing signed by Michael Duberowski FSA, MAAA. GA submitted questions through SERFF on June 2nd and July 6th. GA also conducted several phone calls with Ms. Tananykin and other members of the United staff. GA received responses for

[1] The original rate filing was submitted on May 16th. A revised filing was submitted on July 15th which corrected for several items including the capitation amount applied to Rhode Island experience and other minor updates. The July 18th filing corrected one more item on Tab I. The average rate change increased from 11.3% in the original filing to 11.7% in the revised filings.

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

GA provided working recommendations to RIOHIC on July 29, 2022. The RI Health Insurance Commissioner provided preliminary decisions to GA on August 10, 2022. This memo summarizes final actuarial recommendations as well as decisions approved by the RI Health Insurance Commissioner.

II. Recommendations

Recommendation #1: It is recommended that United revise the overall medical utilization & severity trend assumptions from 3.4% to 3.0% in 2023. This translates into the overall trend changing from 7.9% to 7.2%.[2] This assumption change would decrease the rates by approximately 0.5%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: It is recommended that United update the overall trend assumption for 2022 from 8.4% to 7.2% in 2022.[3] This assumption change would decrease the rates by approximately 0.9%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #3: It is recommended that United revise their assumptions for RI assessments from 2.4% to 1.7%. This would lower rates by approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #4: In future filings, it is recommended that United complete the projected assessment section of Tab IV of the RIOHIC template based on what is actually assumed in the rates.

Contribution to Reserve: The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

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

[2] This includes the impact of leverage and excludes the impact of aging.
[3] Ibid.

	UHIC and UHCNE LG		
	Requested	**Final Approved**	**Impact to Rate**
Revise Medical Utilization & Severity Component of 2023 Trend	7.9% (incl. 3.4% Medical Util & Severity)	7.2% (incl. 3.0% Medical Util & Severity)	-0.5%
Update 2022 Trend	8.4%	7.2%	-0.9%
RI Assessments	2.4%	1.7%	-0.7%
Contribution to Reserves/Profit	3.0%	1.0%	-2.0%
Expected Overall Rate Change from 2022	11.7%	8.0%	

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

III. Proposed Rate Changes

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

As of March 2022, there were 12,471 members. In the revised rate filing submitted on July 18th, UHIC and UHCNE requested a 11.7% annual rate increase. United is not expected the rate change to vary by quarter, as shown in the table below.

Renewal Quarter and Year	Proposed Average Rate Change	% of Renewals (Membership)
1Q 23 Renewals	11.7%	53.7%
2Q 23 Renewals	11.7%	16.6%
3Q 23 Renewals	11.7%	21.6%
4Q 23 Renewals	11.7%	8.0%
Total	11.7%	100.0%

Table 2: UHIC and UHCNE Large Group Average Rate Changes by Quarter

UHIC and UHCNE projects 2023 claims by using actual CY 2021 experience and projects forward to 2023 using the previously approved trends (from the 2022 rate filing) for 2021 and 2022, and the 2023 proposed trend. The 2023 projected premium is calculated by applying the 2023 retention charges to the 2023 projected claims. The required rate change is then determined by comparing the projected 2023 premium to the 2022 premium. The 2022 premium is a blend of actual premium for groups that have already renewed and projected premium for those who have not yet renewed. UHIC and UHCNE provided exhibits to support their calculations.

IV. Experience & Trend Assumptions

A review of actual claims experience shows that actual trends for UHIC and UHCNE's large group market are 0.5% in 2020 and 10.0% in 2020. Table 3 shows a three-year history of allowed claims PMPMs. Trends fluctuate by service category but trends are negative in 2020 for outpatient hospital and professional services. In 2021, inpatient hospital and professional experience higher trends while the pharmacy trend was negative at -3.0%. United stated that changes in utilization are driving the changes in trend from 2020 to 2021. Membership has been steadily decreasing by 10.2% and 18.2% in each of the past two years. Due to credibility, UHIC and UHCNE does not rely solely on their Rhode Island data for trend projections.

Capitation amounts are increasing 28.9% in 2020 and 9.6% in 2021. The capitation amount includes behavioral health, chiropractor services, payments to providers from gain share arrangements, and some Rhode Island assessments.[4] UHIC and UHCNE provided data to show that most categories within the capitation amount contributed to the increase in 2021.

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

Allowed Claims PMPM			
	CY 2019	CY 2020	CY 2021
Inpatient Hospital	$79.58	$82.22	$102.88
Outpatient Hospital	$179.18	$165.98	$177.64
Professional	$105.67	$99.19	$112.39
Other Medical	$0.02	$0.03	$0.04
Capitation	$39.70	$51.16	$56.09
Prescription Drug	$73.93	$81.96	$79.53
Total	$478.09	$480.55	$528.58
Member Months	225,389	202,426	165,626

Allowed Claims PMPM Trend		
	CY 2020	CY 2021
Inpatient Hospital	3.3%	25.1%
Outpatient Hospital	-7.4%	7.0%
Professional	-6.1%	13.3%
Other Medical	35.5%	15.9%
Capitation	28.9%	9.6%
Prescription Drug	10.9%	-3.0%
Total	0.5%	10.0%
Member Months Trend	-10.2%	-18.2%

Table 3: UHIC and UHCNE Large Group Allowed Claims PMPM and Trends

UHIC and UHCNE are assuming an average annual trend assumption of 6.9% excluding leverage and 7.9% including leverage. This is a decrease from last year's trend assumption of 7.2% excluding leverage. The table below shows UHIC and UHCNE's trend assumptions by service category. The average medical cost trend is 3.1%, compared to 3.2% last year. The average medical utilization & severity trend is 3.4%, compared to 2.9% last year. The impact of leverage is analyzed specific to Rhode Island large group experience and is discussed further below.

Trend Assumptions			
	Cost Trend	Utilization & Severity Trend	Total Trend
Inpatient Hospital	3.9%	3.8%	7.8%
Outpatient Hospital	3.0%	4.1%	7.2%
Professional	2.4%	3.6%	6.1%
Other Medical	2.1%	3.9%	6.1%
Capitation	3.7%	0.0%	3.7%
Total Medical	**3.1%**	**3.4%**	**6.6%**
Prescription Drug	**3.7%**	**4.9%**	**8.8%**
Subtotal Excluding Leverage:	**3.2%**	**3.6%**	**6.9%**
Leverage			0.9%
Total Incl. Leverage:			**7.9%**

Table 4: UHIC and UHCNE Large Group 2023 Trend Assumptions

UHIC and UHCNE provided a significant amount of detail related to their trend development and the data and methodology is the same for the large group filing as the small group filing. Utilization and severity trends are developed at the nationwide level based on actual experience and adjusted for items such as the impact of technology, environmental, network contracting, administrative initiatives and number of workdays. Environmental includes adjustments to cover increases due to flu expected in 2022 and 2023. These adjustments are primarily developed on a national company-wide level. It is these adjustments that are causing an increase in the medical utilization & severity trend from last year's assumptions to this year.

UHIC and UHCNE did not adjust their 2021 experience period claims data or the data used for trend purposes for the impact of COVID testing, vaccines or treatment costs. When asked about their approach, United responded with:

During 2021, we've found that although Covid costs were in the 7% to 10% nationwide, non-Covid claims decreased by a similar value…. we developed a national two-year averaging method that attempts to factor out the impact of Covid. Over the course of two years, the annualized allowed trend was 5.7% on our "Same Store" block which is close to lower historical averages. If Covid costs were truly additive, we would be seeing annualized trends in the 10% range. This implies that non-Covid claim costs decreased during this time. Using this information, we estimate an abatement impact for non-Covid claims during the height of Covid. With the various supply chain issues due to Covid, Covid aversion programs, and the changes in population attitude toward health care, it's not unexpected we would not see normal (pre-2020) non-Covid cost levels during 2021. Go forward, we anticipate non-Covid costs to increase to normal levels while Covid costs drop. The overall impact to trends is minimal.

When asked what information United has reviewed to inform the assumption that non-COVID costs would increase to pre-pandemic levels, United responded with:

In our recent Rhode Island small group experience through 6/30/2022, the first six months of experience of 2022 over the first six months of experience of 2021 indicates a paid medical trend of 5.1%. Although the block is small and subject to a degree of variance, this trend level as overall Covid costs are decreasing indicate non-Covid costs are increasing. Can we absolutely predict that Covid cost decreases will offset non-Covid cost increases? The answer is no. There may be timing differences that come into play as our insured population adjusts to a new non-Covid environment. The thought process behind our assumption tries to incorporate a few simple concepts. First, the overall population is getting older and relatively less healthy. The Covid pandemic caused individuals to defer or even avoid health care because of the underlying risks associated with Covid. The relative health of these individuals isn't getting any better. Second, our entire health care system shifted to confront the impact of the Covid pandemic. Supply side issues involving personnel and facilities pushed our response to the limit. As Covid wanes, the supply side is shifting back to a pre-Covid structure. Given the impact on personnel during the pandemic, a total shift will take time. Third, our response to Covid which included masking, venue closings, and travel limitations created an environment of health care avoidance. Some Individuals adapted in the short-term by using telehealth opportunities. However, over the next few years, attitudes and actions of individuals will revert toward something closer to the pre-Covid environment. Covid will be something of the past. Fourth, inflationary pressures will filter into the costs of health care. Given some of the revenue pressures created in the Covid environment and the increases in costs for energy, facilities, and personnel, there will be future pressure for additional dollars to support the supply side of medical care.

Given United's reliance on national data to develop trends and the lack of credibility with United's Rhode Island specific data, it is not reasonable to develop Rhode Island trend assumptions specific to Rhode Island. It is reasonable to assume that United should have medical utilization & severity trends in line with other Rhode Island insurers and that Rhode Island specific utilization & severity trend assumptions would be more appropriate than national trend assumptions given the differences in the impact from COVID across the country. For the other primary insurers in Rhode Island, GA is proposing medical utilization & severity trend assumptions in the 2.7% to 3.2% range with an average of approximately 3.0%. It is recommended that UHIC and UHNCE assume a 2023 medical utilization & severity trend that represents the average of the other Rhode Island insurers of 3.0% rather than 3.4%. This changes the overall trend from 7.9% to 7.6%.[5]

In United's large group pricing model, trend assumptions for 2021, 2022 and 2023 are applied to actual calendar year 2021 claims to project to a 2023 policy year. The 2022

[5] This includes the impact of leverage and excludes the impact of aging.

trend of 8.4% used in the model is based on last year's approved trend. When United developed its 2023 trend assumption of 7.9%, it was based on an average over the two-year projection period, in this case, 2022 and 2023. United should be using the most recent proposed trend assumptions in their modeling, rather than the approved trend from last year. Therefore, rather than using an 8.4% trend which was developed last year for 2022, the 2022 trend should be updated to 7.6%, consistent with 2023.

Recommendation #1: It is recommended that United revise the overall medical utilization & severity trend assumptions from 3.4% to 3.0% in 2023. This translates into the overall trend changing from 7.9% to 7.2%.[6] This assumption change would decrease the rates by approximately 0.5%. The RI Health Insurance Commissioner has approved this revised assumption.

Recommendation #2: It is recommended that United update the overall trend assumption for 2022 from 8.4% to 7.2% in 2022.[7] This assumption change would decrease the rates by approximately 0.9%. The RI Health Insurance Commissioner has approved this revised assumption.

In addition to the trend assumptions above, UHIC and UHCNE adds a leverage adjustment into their rates to account for cost sharing leveraging. Since copayments and deductibles do not increase at the same rate as claims cost trends, the share of claims paid for by the insurer increases at a higher rate than total allowed costs. Insurers account for this by applying a leverage adjustment. To estimate this adjustment, UHIC and UHCNE started with their trended allowed claims and subtracted out projected cost sharing to simulate a projected net claims trend. Copay dollars were trended by the utilization trend, coinsurance dollars were trended by the PMPM trend (reflecting both utilization and cost trends) and deductible dollars were not trended at all. The end result is a 0.9% leverage impact. I believe it is more appropriate to trend the deductible dollars and I have performed my own analysis on leverage. However, the result I have calculated is close to United's current estimate and I recommend no changes to this assumption

UHIC and UHCNE is also including a 1.1% adjustment for aging. This is to account for the aging that can occur with renewing business. Details were provided by UHIC and UHCNE on its calculation. This is a factor that should continue to be monitored.

V. Assessments

UHIC and UHCNE include the cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account in their medical claims projection. The cost for the Care Transformation Collaborative of RI is split between medical claims and

[6] This includes the impact of leverage and excludes the impact of aging.
[7] Ibid.

retention.[8] The cost for Current Care is included in retention. United's approach to projecting the assessments included in the medical claims projection is to start with CY 2021 actuals and then apply trend, similar to other medical claim costs. This is not appropriate as these assessments are not typically increasing at the same rate as medical trend. After the filing was submitted, RI assessments for vaccinations and the Children's Health Account were finalized.[9] In addition, the charge for Current Care has been $1.00 PMPM for the past several years. The table below shows that the overall charge should be 1.7% rather than 2.4%.

	2021 Actuals Reported by United	2023 Assumptions		Recommendation			
Assessment	PMPM	PMPM	Premium Impact	2023 Actual PMPM Charge	% of Population Impacted	PMPM Charge	Premium Impact
Childhood Immunization Account	$3.05	$3.62	0.6%	$14.78	15.8%	$2.33	0.4%
Adult Immunization Account	$3.80	$4.51	0.7%	$3.56	84.2%	$3.00	0.5%
Children's Health Account	$1.79	$2.13	0.3%	$9.52	15.8%	$1.50	0.2%
Care Transformation Collaborative of RI	$2.96	$2.96	0.5%	n/a	n/a	$2.96	0.5%
Current Care	$1.76	$1.76	0.3%	$1.00	100.0%	$1.00	0.2%
Total	$13.36	$14.99	2.4%			$10.79	1.7%

Table 5: UHIC and UHCNE Rhode Island Assessments[10]

Recommendation #3: It is recommended that United revise their assumptions for RI assessments from 2.4% to 1.7%. This would lower rates by approximately 0.7%. The RI Health Insurance Commissioner has approved this revised assumption.

UHIC and UHCNE completed the 2023 assessment section of Tab IV of the RIOHIC template based on the recommendations from last year rather than what they assumed in their 2023 rates.

Recommendation #4: In future filings, it is recommended that United complete the projected assessment section of Tab IV of the RIOHIC template based on what is actually assumed in the rates.

[8] Approximately 13% of the costs for the Care Transformation Collaborative of RI is included in the medical claims projections and the remaining 87% in retention.
[9] Assessments for vaccinations were finalized for FY 2023 (July 1, 2021 – July 1, 2022.) It is assumed that these assessments remain the same for the remainder of 2023.
[10] Since United did not complete the assessment section of Tab IV correctly, the 2023 assumptions were developed by GA based on information provided by United. The percentage of population impacted is based on the combined United small group and large group enrollment as of March 2022. It was assumed that Care Transformation Collaborative would not increase with trend based on historical experience. Two years of 9% trend was applied to develop the 2023 assumptions. The premium in the "Premium Impact" column was determined by using the projected premium calculated by United in their pricing model.

VI. COVID Expenses

As stated previously, UHIC and UHCNE did not adjust their 2021 claims data or the data used for trend purposes for the impact of COVID testing, vaccines or treatment costs. UHIC and UHCNE assumes that COVID related expenses in 2021 will be replaced by non-COVID related expenses in future time periods such that the net impact is negligible. CY 2021 COVID-19 expenses as defined by United was $35.26 PMPM for the large group fully-insured Rhode Island market which is approximately 6.7% of total allowed claims.[11] United has indicated that they have a broader definition of COVID costs than other insurers, so their COVID cost amounts may not be comparable to other insurers.

VII. Projected Medical Cost Ratio and Retention Charge

Using the federal definition and the current proposed rates, UHIC and UHCNE projects a 94.0% MLR for 2022 and a 91.8% MLR for 2023.[12]

The retention charge of a rate includes the administrative expenses, taxes and fees, and the contribution to reserve. UHIC and UHCNE is proposing an average retention charge of 11.8% for the large group rate filing. For 2022, the final retention charge was 9.1%. United has the lowest retention percentage compared to the other Rhode Island large group insurers. The table below shows the components of retention. United has proposed a contribution to reserve assumption of 3.0%. The RI Health Insurance Commissioner has approved a 1.0% contribution to reserve.

Proposed Retention Charge	2023	2022	Change
ACA Fees and Taxes	0.0%	0.0%	0.0%
Premium Tax	2.0%	2.0%	0.0%
Other Retention Charge	0.0%	0.0%	0.0%
Contribution to Reserve (Profit/Risk Load)	3.0%	0.0%	3.0%
Investment Income Credit	0.0%	0.0%	0.0%
Administrative Expense Load	6.8%	7.1%	-0.3%
Total Retention Charge	11.8%	9.1%	2.7%

Table 6: UHIC and UHCNE Large Group Retention Charges[13]

[11] Each insurer may define COVID treatment differently and therefore these amounts are not comparable across insurers.
[12] This is coming from Tab VI MLR Exhibit in the RI rate template. Premium has been adjusted for taxes. This is prior to the credibility adjustment factor.
[13] United includes the cost for the Care Transformation Collaborative of RI and Current Care in retention. The cost of assessments for Childhood Immunizations, Adult Immunizations, Children's Health Account in their medical claims projection.

VIII. Financial Position

The reported MLR using the federal definition is 87.2% in 2019, 88.5% in 2020 and 91.4% for 2021.[14]

A review of UHIC's and UHCNE's financial measures show that UHIC's RBC position has remained healthy for the past four years, around 500% in 2019 and prior with an increase to over 650% in 2021. The underwriting gain/loss and SAPOR[15] have also remained fairly consistent for UHIC but the underwriting gain/loss did decrease in 2021 to 5%. UHCNE's RBC, SAPOR and underwriting gain/loss is consistently lower than UHIC but UHCNE is moving closer to UHIC levels on these two measures.

	UHIC				
	2021	2020	2019	2018	2017
Total					
9. Total (Lines 1 - 8.3)	$53,114,149,629	$55,111,543,011	$56,470,146,239	$55,304,713,087	$51,176,778,978
29. Net Gain from Operations before Dividends	$2,638,502,846	$4,008,681,977	$3,954,833,530	$3,935,943,865	$3,699,492,244
Underwriting G/L	***5.0%***	***7.3%***	***7.0%***	***7.1%***	***7.2%***
55. Capital and Surplus December 31	$8,146,535,672	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
SAPOR	***15.3%***	***14.9%***	***16.1%***	***15.5%***	***13.3%***
30. Total Adjusted Capital	$8,146,535,672	$8,219,768,234	$9,092,976,254	$8,574,087,987	$6,784,990,282
31. Authorized control level risk-based capital	$1,224,069,942	$1,275,995,904	$1,688,536,287	$1,600,314,403	$1,436,352,532
RBC	***665.5%***	***644.2%***	***538.5%***	***535.8%***	***472.4%***

Table 7: UHIC Financials

	UHCNE				
	2021	2020	2019	2018	2017
8. Total Revenues	$1,584,388,273	$1,433,651,095	$1,305,229,228	$1,160,842,788	$974,456,602
24. Net Underwriting G/L	$78,681,058	$64,140,390	$37,367,220	$22,251,770	$33,256,564
Underwriting G/L	***5.0%***	***4.5%***	***2.9%***	***1.9%***	***3.4%***
49. Capital and Surplus end of reporting year	$206,184,444	$204,411,638	$163,161,782	$132,604,785	$113,865,840
SAPOR	***13.0%***	***14.3%***	***12.5%***	***11.4%***	***11.7%***
14. Total Adjusted Capital	$206,184,444	$204,411,638	$163,161,782	$132,604,785	$113,865,940
15. Authorized control level risk-based capital	$33,402,863	$39,155,808	$43,037,032	$35,620,693	$27,751,581
RBC	***617.3%***	***522.0%***	***379.1%***	***372.3%***	***410.3%***

Table 8: UHCNE Financials

IX. Requested and Final Approved Rate Changes

The table below shows UHIC's and UHCNE's requested and final approved rate changes. Note GA has estimated how each individual assumption change impacts the overall rate.

[14] This is coming from Tab VI MLR Exhibit in the RI rate template. Premium has been adjusted for taxes. This is prior to the credibility adjustment factor.
[15] SAPOR is surplus as a percentage of revenue.

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

	UHIC and UHCNE LG		
	Requested	**Final Approved**	**Impact to Rate**
Revise Medical Utilization & Severity Component of 2023 Trend	7.9% (incl. 3.4% Medical Util & Severity)	7.2% (incl. 3.0% Medical Util & Severity)	-0.5%
Update 2022 Trend	8.4%	7.2%	-0.9%
RI Assessments	2.4%	1.7%	-0.7%
Contribution to Reserves/Profit	3.0%	1.0%	-2.0%
Expected Overall Rate Change from 2022	11.7%	8.0%	

Table 9: UHIC & UHCNE Large Group Requested and Final Approved Rate Changes

X. Conclusion

This memo communicates the findings of our review of the large group market 2023 rate filing for UHIC and UHCNE. This memo also communicates the RI Health Insurance Commissioner's final decisions. The distribution of this letter to parties other than the RIOHIC does not constitute advice by Gorman Actuarial to those parties. The reliance of parties other than the RIOHIC on any aspect of this work is not authorized by Gorman Actuarial and is done at their own risk. We have relied on information provided by UHIC and UHCNE. We have reviewed the information for reasonableness and investigated any inconsistencies. However, if information provided is inaccurate, our findings may need to be revised. We have utilized generally accepted actuarial methodologies to review this filing. In addition, my work was peer reviewed by Bela Gorman FSA, MAAA.

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

Sincerely,

By: _____
Name: Jennifer Smagula
Title: Actuarial Consultant

Jennifer Smagula FSA, MAAA

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