

# **RHODE ISLAND MARKET SUMMARY**

November 25, 2024

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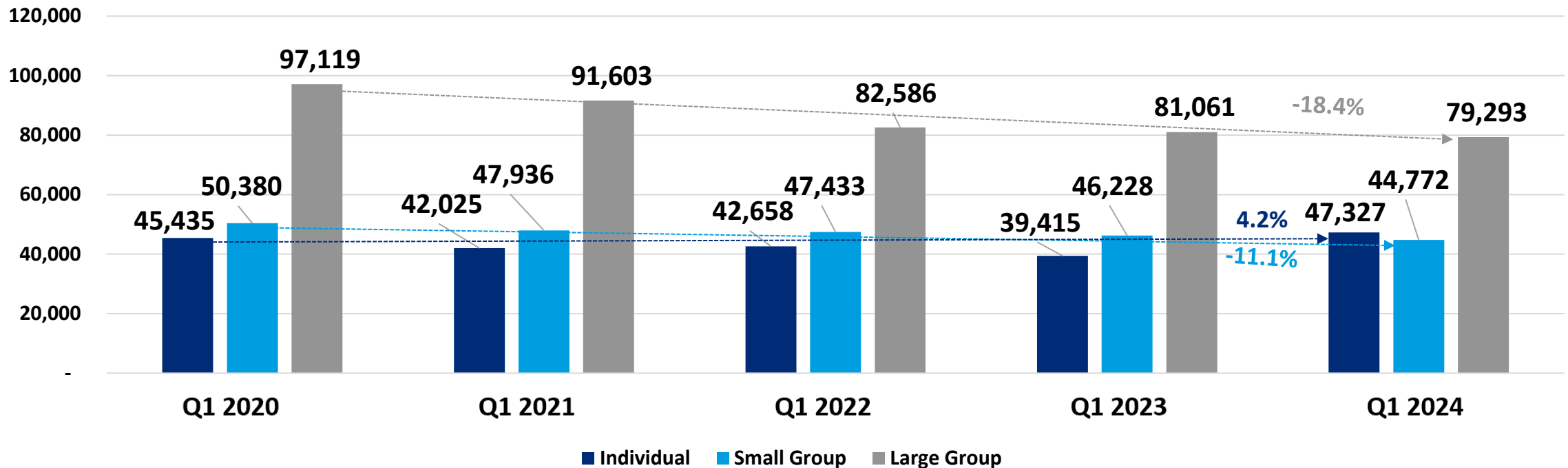
A business of Marsh McLennan

**01**

**ENROLLMENT, PREMIUM, AND CLAIMS**

# SMALL GROUP AND LARGE GROUP MARKETS EXPERIENCED DECLINES IN MEMBERSHIP FROM 2020 TO 2024, WHEREAS THE INDIVIDUAL MARKET SAW A LARGE INCREASE FROM 2023 TO 2024

Member Enrollment

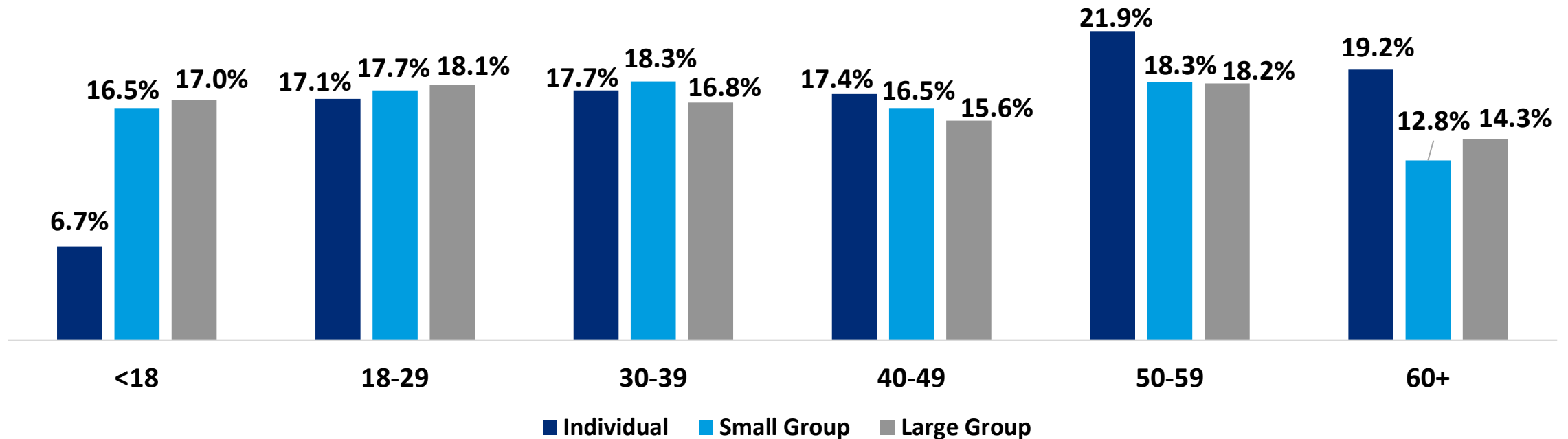


- The Small Group and Large Group Markets continued to decline in 2024, consistent with the prior years
  - The Large Group Fully-Insured Market experienced the largest overall decrease during this period of 18.4% while Small Group decreased 11.1%
- The Individual Market enrollment declined from 2020 to 2023, but then experienced a large increase from 2023 to 2024; the overall increase from 2020 to 2024 is 4.2%

Source: OHIC Rhode Island Rate Filing Template. Large Group Market is fully insured only. Aetna has 74 members in RI as of March 2024. Given their size, Aetna members are not included in the chart above.

# THE INDIVIDUAL MARKET IS REPRESENTED BY A HIGHER PORTION OF OLDER MEMBERS THAN THE FULLY-INSURED GROUP MARKETS

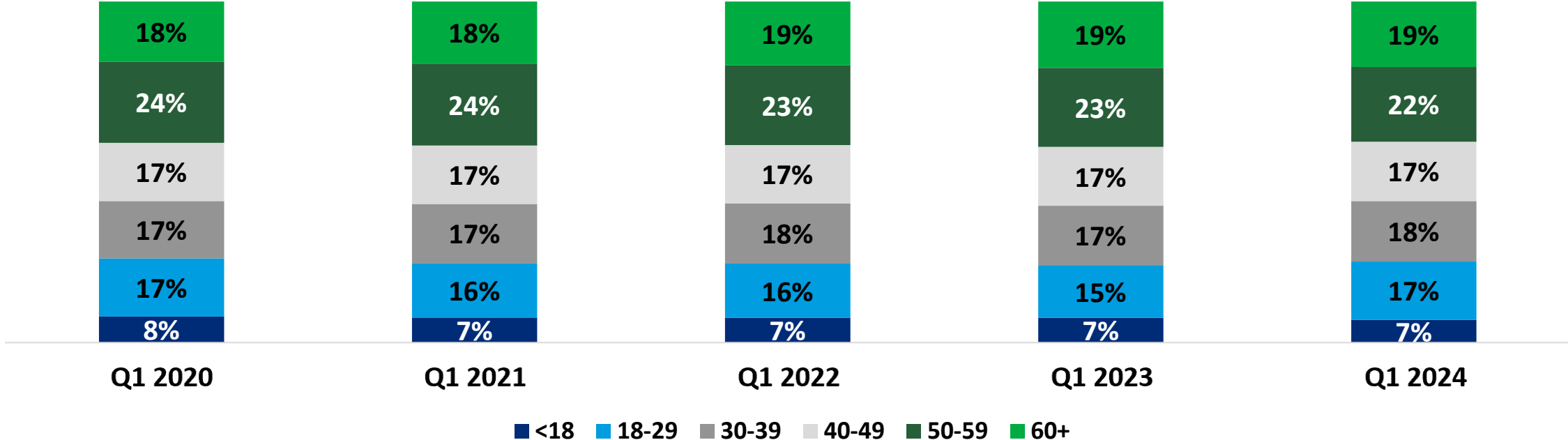
Distribution of Members by Age  
Q1 2024



- The Fully-Insured Large Group and Small Group Markets have a similar age distribution in 2024
- The Individual Market has a higher proportion of 50-59 and 60+ enrollees compared to Large and Small Group Markets
- The estimated average age for the Individual Market is 43.3 while the estimated average age is 37.8 for Small Group and 38.0 for Large Group Fully-Insured Markets

# THE INDIVIDUAL MARKET AGE DISTRIBUTION REMAINED STEADY DESPITE THE LARGE MEMBERSHIP INCREASE FROM 2023 TO 2024

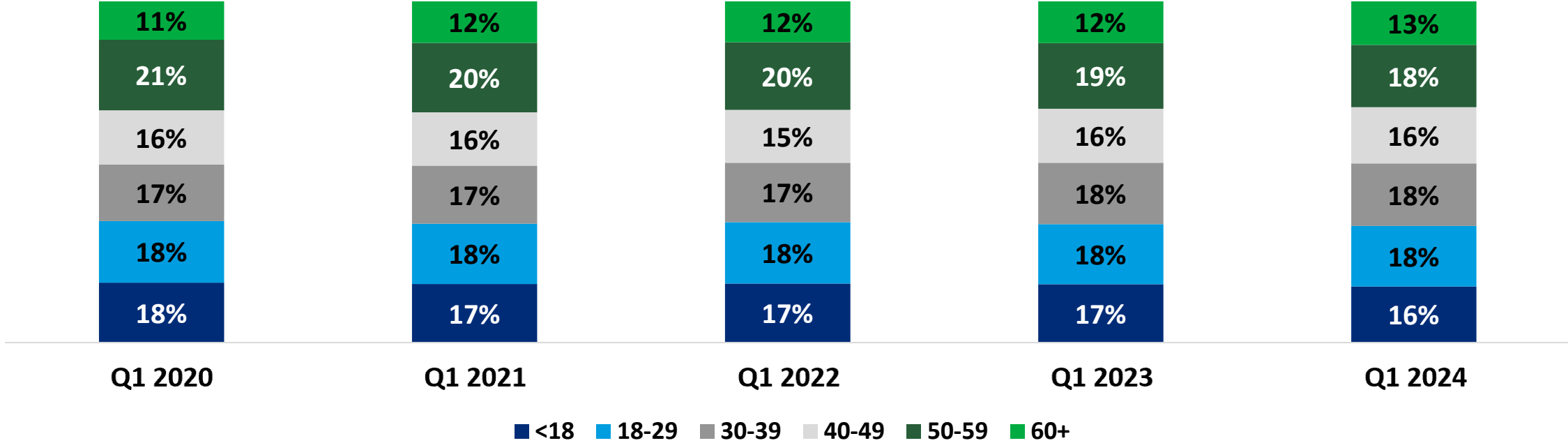
Distribution of Members by Age and Year  
Individual



- Despite a steady decline in Individual membership from 2020 to 2023 and the large increase from 2023 to 2024, the distribution of members by age has remained stable during this time period
- The estimated average age for this segment has decreased slightly from 43.6 in 2023 to 43.3 in 2024
- Similarly, there has been minimal change in the age distribution in both the Small Group and Large Group Markets over time

# THE SMALL GROUP MARKET AGE DISTRIBUTION REMAINED STEADY DESPITE MEMBERSHIP DECLINES

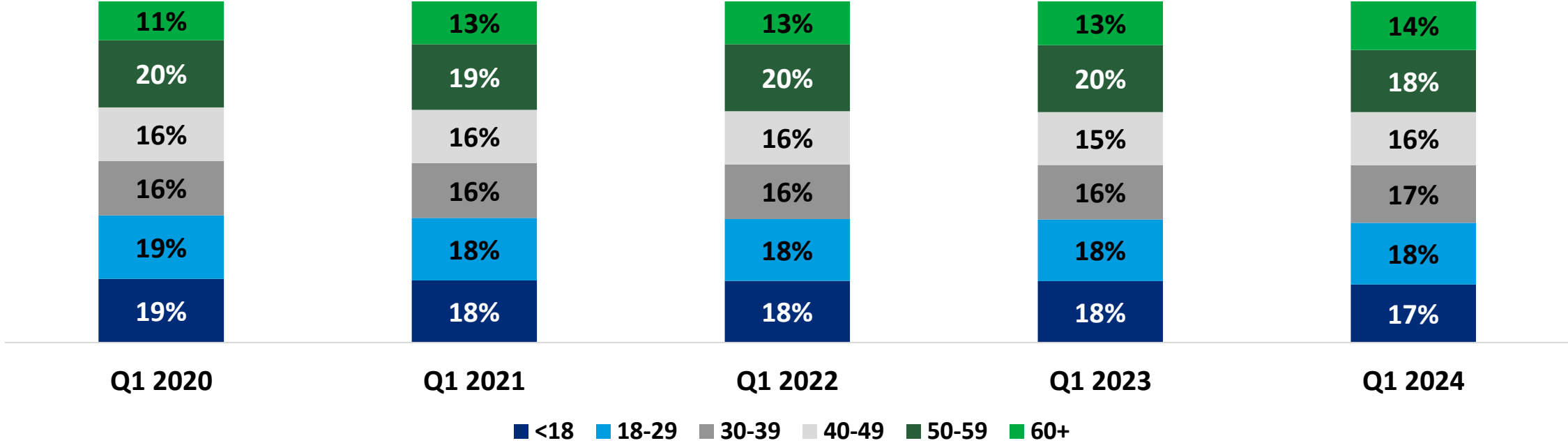
Distribution of Members by Age and Year  
Small Group



- Despite a steady decline in Small Group membership from 2020 to 2024, the distribution of members by age has remained stable during this time period
- The estimated average age for this segment has increased slightly from 37.6 in 2023 to 37.8 in 2024
- Similarly, there has been minimal change in the age distribution in both the Individual and Large Group Markets over time

# THE LARGE GROUP MARKET AGE DISTRIBUTION REMAINED STEADY DESPITE MEMBERSHIP DECLINES

Distribution of Members by Age and Year  
Large Group

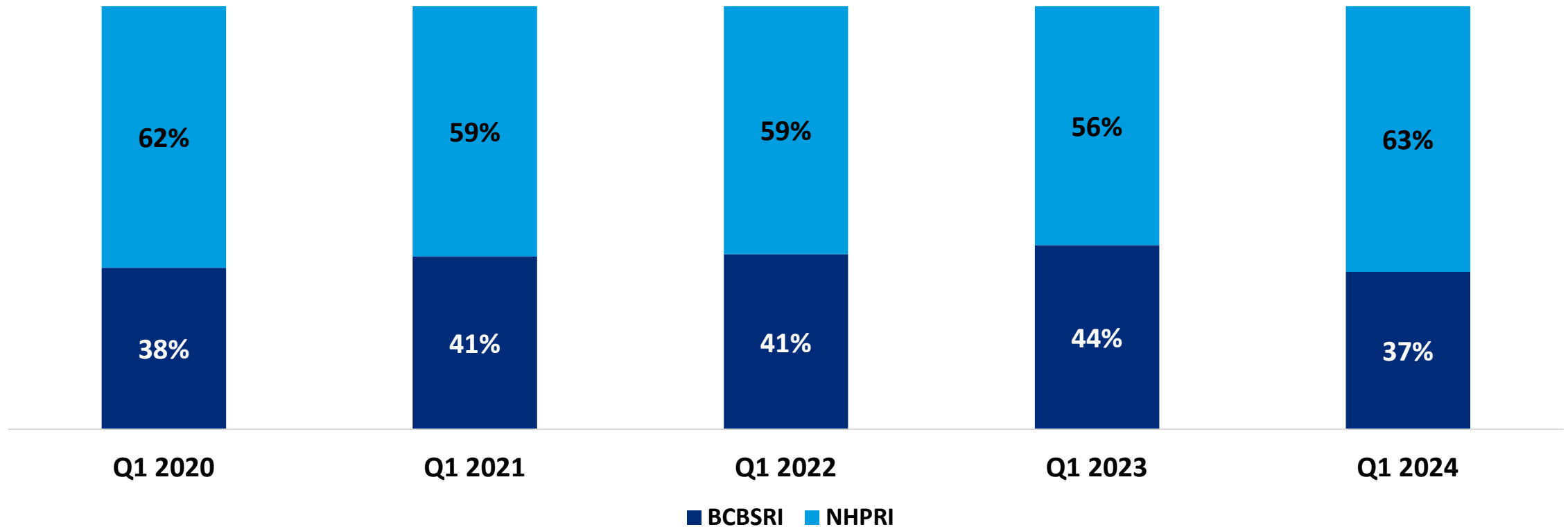


- Despite a significant decrease in Large Group membership from 2020 to 2024, the distribution of members by age has remained stable during this time period
- The estimated average age for this segment has increased slightly from 37.6 in 2023 to 38.0 in 2024
- Similarly, there has been minimal change in the age distribution in both the Individual and Small Group Market over time

© Oliver Wyman Source: OHIC Rhode Island Rate Filing Template. Average age was determined by using the midpoint of the provided age ranges weighted by total membership in that age range, where 9 was assumed for "<18" and 67 was assumed for "65+". Large Group Market is fully-insured only.

# IN THE INDIVIDUAL MARKET, NHPRI EXPERIENCED AN INCREASE IN MARKET SHARE FROM 2023 TO 2024

Distribution of Membership by Insurer  
Individual Market

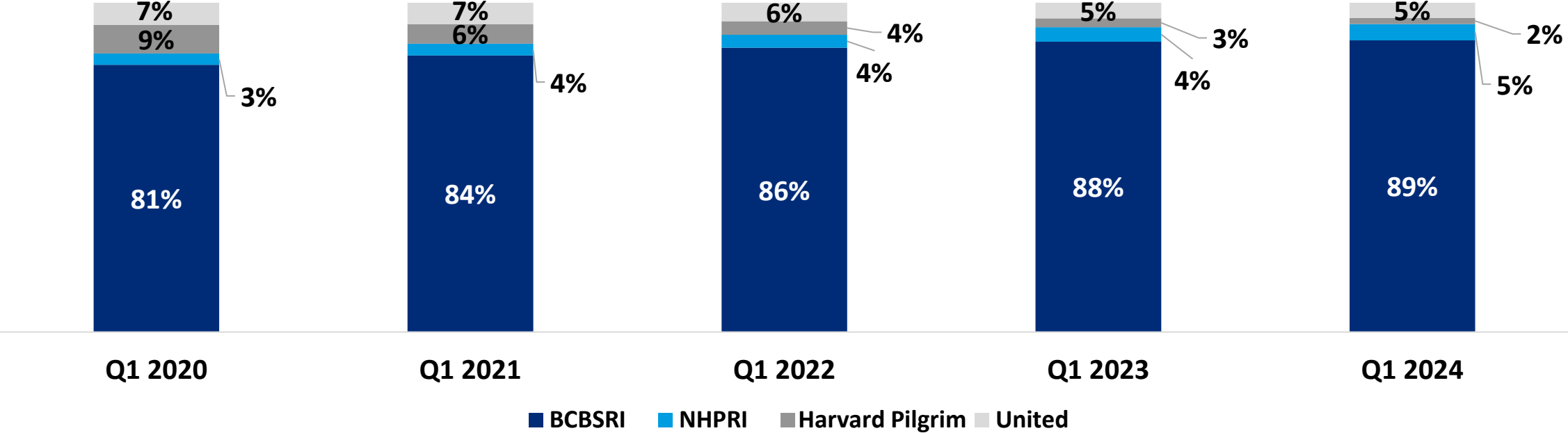


- As of 1Q 2024, NHPRI covered 63% of membership and BCBSRI covered 37% of membership
- While NHPRI's market share had decreased from 2020 to 2023, an increase from 56% to 63% occurred from 2023 to 2024



# BCBSRI CONTINUED TO HAVE THE LARGEST MARKET SHARE IN THE SMALL GROUP MARKET, INCREASING SLIGHTLY TO 89% IN 2024

Distribution of Membership by Insurer  
Small Group Market

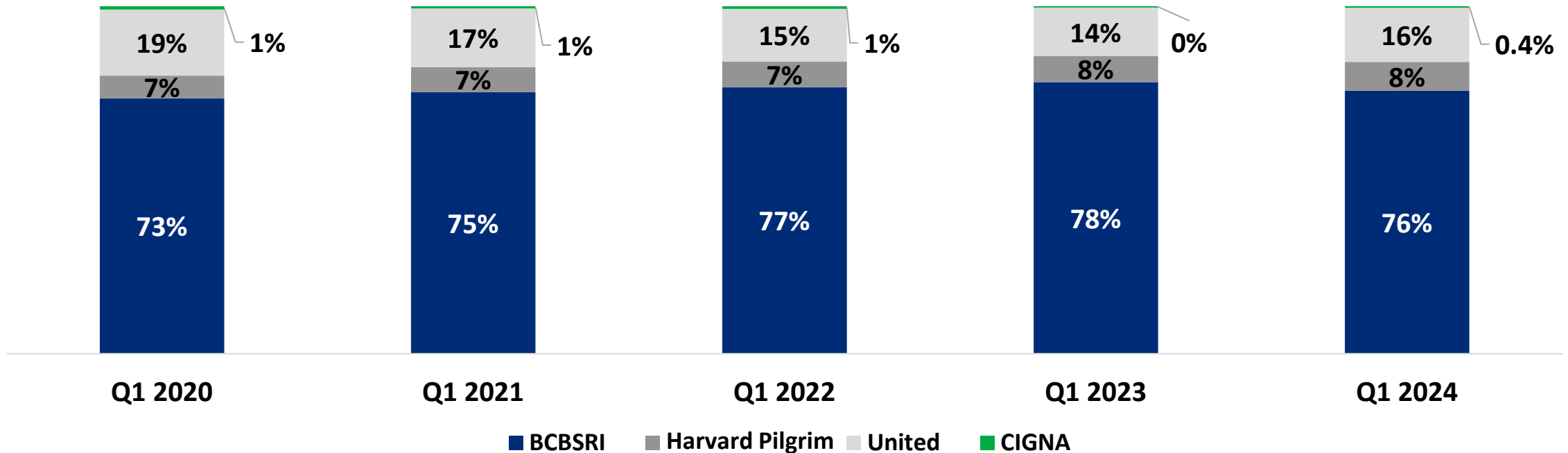


- BCBSRI covered 89% of the Small Group Market membership as of 1Q 2024
- United, Harvard Pilgrim, and NHPRI covered 5%, 2%, and 5% of 1Q 2024 membership, respectively
- Harvard Pilgrim and United have lost market share over time while NHPRI's market share has increased
- Effective January 1, 2021, Harvard Pilgrim Health Care and Tufts Health Plan combined under the entity Point32Health

© Oliver Wyman Source: OHIC Rhode Island Rate Filing Templates. Harvard Pilgrim includes HPHC & HPIC and United includes UHIC and UHCNE.

# IN THE LARGE GROUP FULLY-INSURED MARKET, BCBSRI HELD 76% OF THE MARKET SHARE IN 2024, FOLLOWED BY UNITED AT 16%

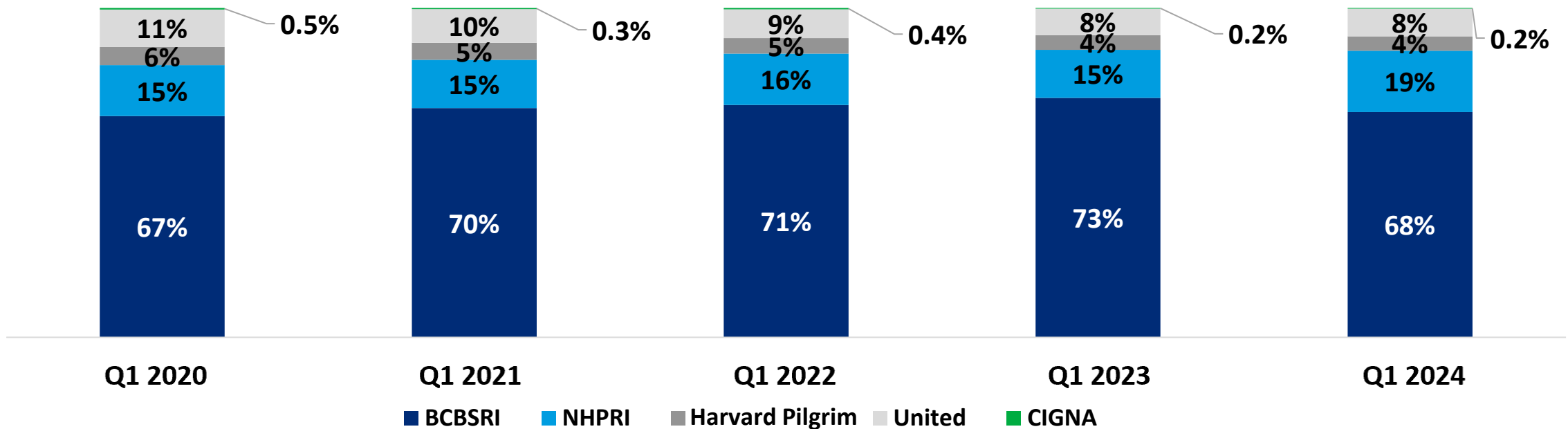
Distribution of Membership by Insurer  
Large Group Market



- BCBSRI covered the largest portion of the Large Group Market membership in 1Q 2024
- United, Harvard Pilgrim, and Cigna covered 16%, 8%, and 0.4% of March 2024 membership, respectively
- United lost market share from 2020 to 2023 while BCBSRI increased market share; in 2024 United market share increased slightly and BCBSRI decreased
- The market share held by Harvard Pilgrim and Cigna remained relatively consistent

# ACROSS THE ENTIRE FULLY-INSURED MARKET IN RHODE ISLAND, MARKET SHARE HAS REMAINED FAIRLY CONSISTENT FOR THE PAST FIVE YEARS; HOWEVER, NHPRI HAS GAINED MARKET SHARE IN 2024 OFFSET BY AN OVERALL LOSS FROM BCBSRI

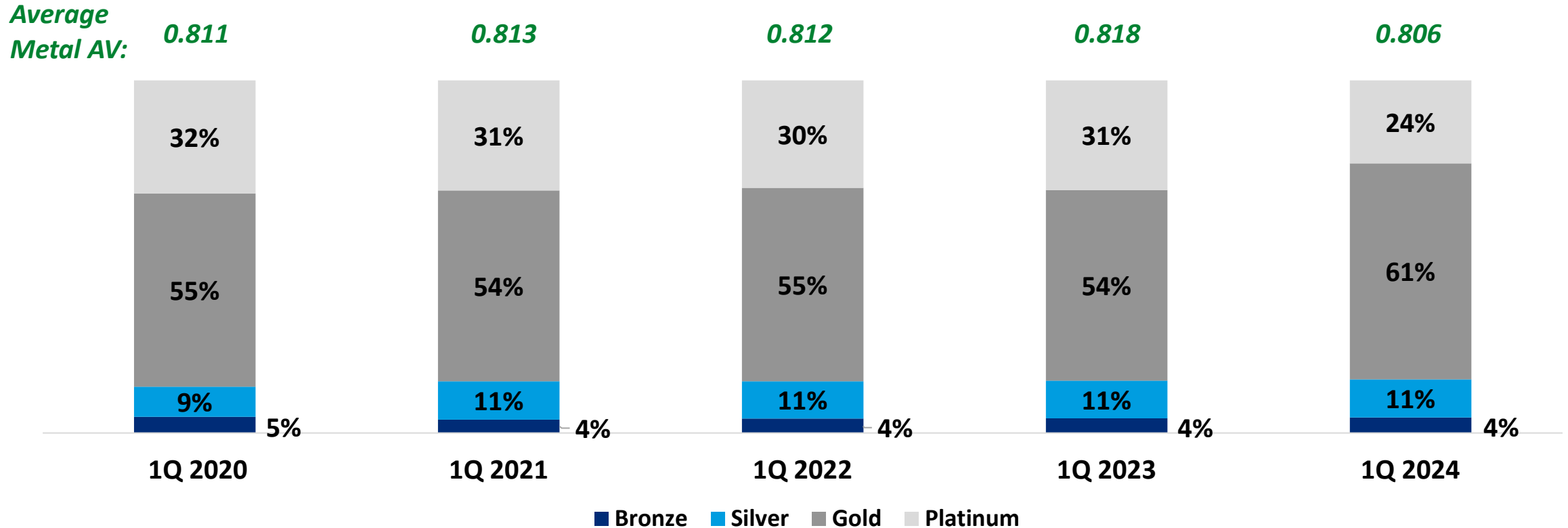
Distribution of Membership by Insurer  
Total Fully-Insured Market



- BCBSRI covered 68% of the Fully-Insured Market membership as of March 2024
- NHPRI, United, Harvard Pilgrim, and Cigna covered 19%, 8%, 4%, and 0.2% of the March 2024 Fully-Insured membership, respectively
- The distribution of membership by insurer generally remained consistent over the past five years with NHPRI and BCBSRI gaining a small amount of market share and Harvard Pilgrim, United, and Cigna losing a small amount

# IN THE SMALL GROUP MARKET, GOLD PLAN ENROLLMENT HAS INCREASED FROM Q1 2023 TO Q1 2024 WHILE PLATINUM ENROLLMENT DECREASED

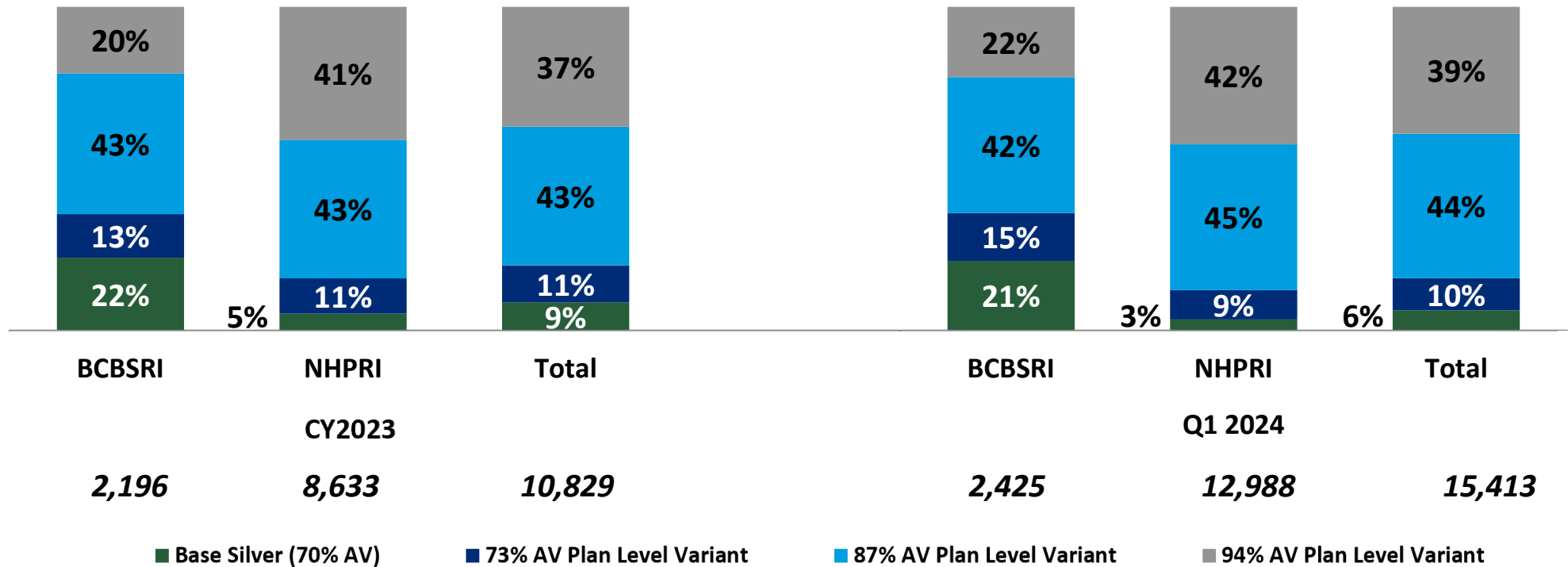
Small Group Market Enrollment Distribution by Metallic Tier



- Over this five-year period, the percentage of enrollees in Platinum plans has decreased while the percentage of enrollees in Gold plans have increased
- The overall Metal AV, which is a measure of benefit richness, has decreased during this time frame, and is at 0.806 in 1Q 2024

# SILVER PLAN VARIANTS INFLUENCE OVERALL SILVER ENROLLMENT IN THE INDIVIDUAL MARKET AND VARIED BETWEEN CARRIER AND YEAR REPORTED

Enrollment by Silver Plan Variant on HSRI

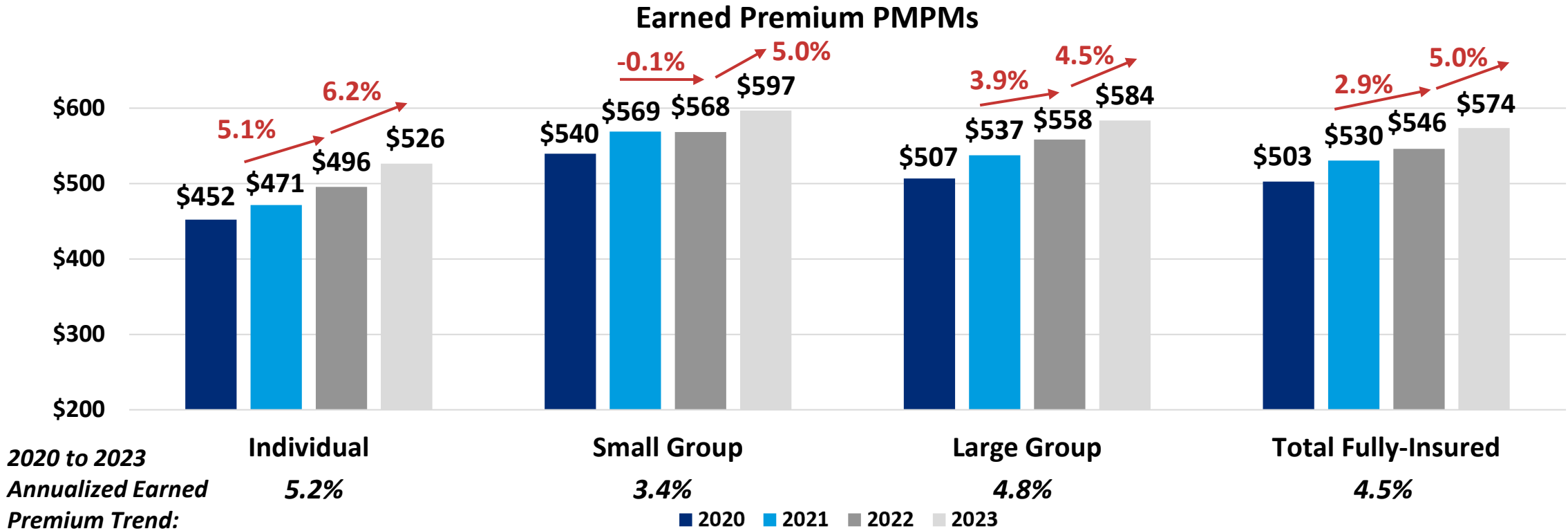


**Total Silver Enrollment:**

- NHPRI has a much larger enrollment in the 94% AV Plan Level Variant while BCBSRI has a much larger enrollment in base silver plans
- The 87% AV Plan Level Variant has the most enrollment for both carriers, which is expected to increase for NHPRI in CY2024; 94% and 73% AV Plan Level Variants are expected to increase for BCBSRI in CY2024
- BCBSRI has a 1% of Silver on-exchange enrollment in the American Indians & Alaskan Natives variant which will remain constant in CY2024
- NHPRI has five-times the number of enrollees in Silver plans than BCBSRI in Q1 2024

Source: OHIC Rhode Island Rate Filing Template. AI & AN enrollment excluded from charts due to small size.

# TOTAL EARNED PREMIUM PMPM TRENDS IN 2023 ARE HIGHER THAN 2022 TRENDS

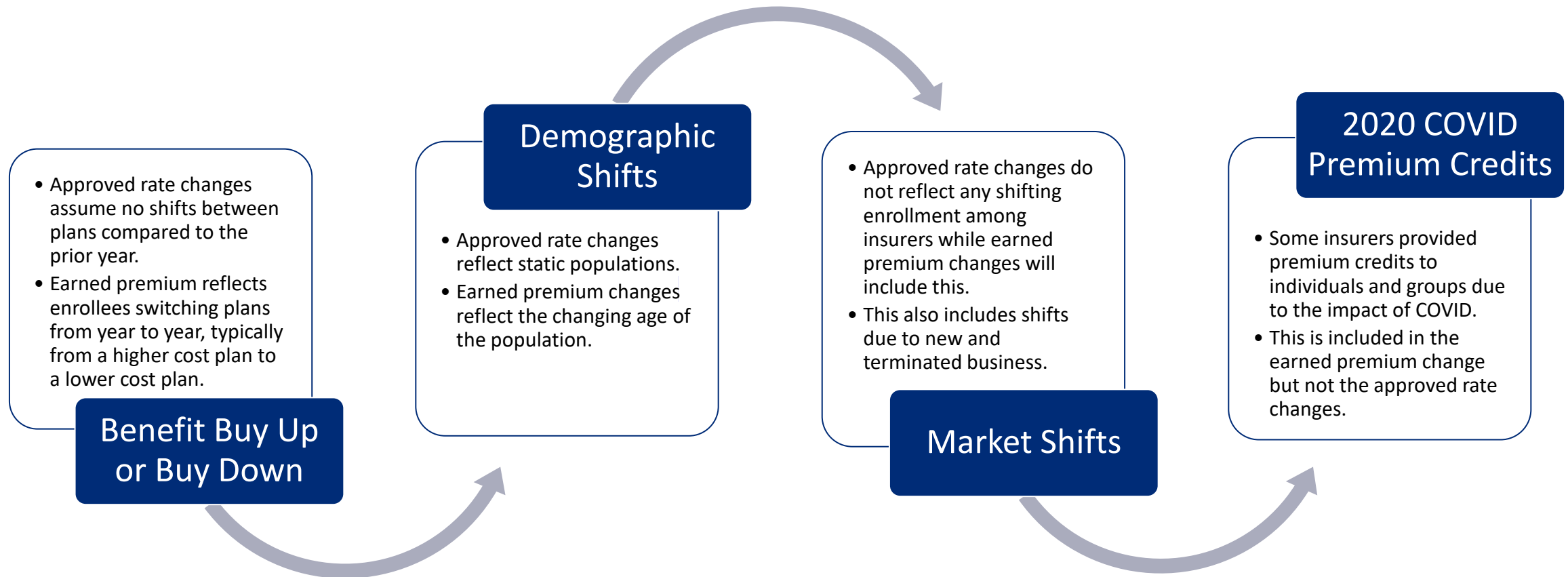


## Approved Rate Changes

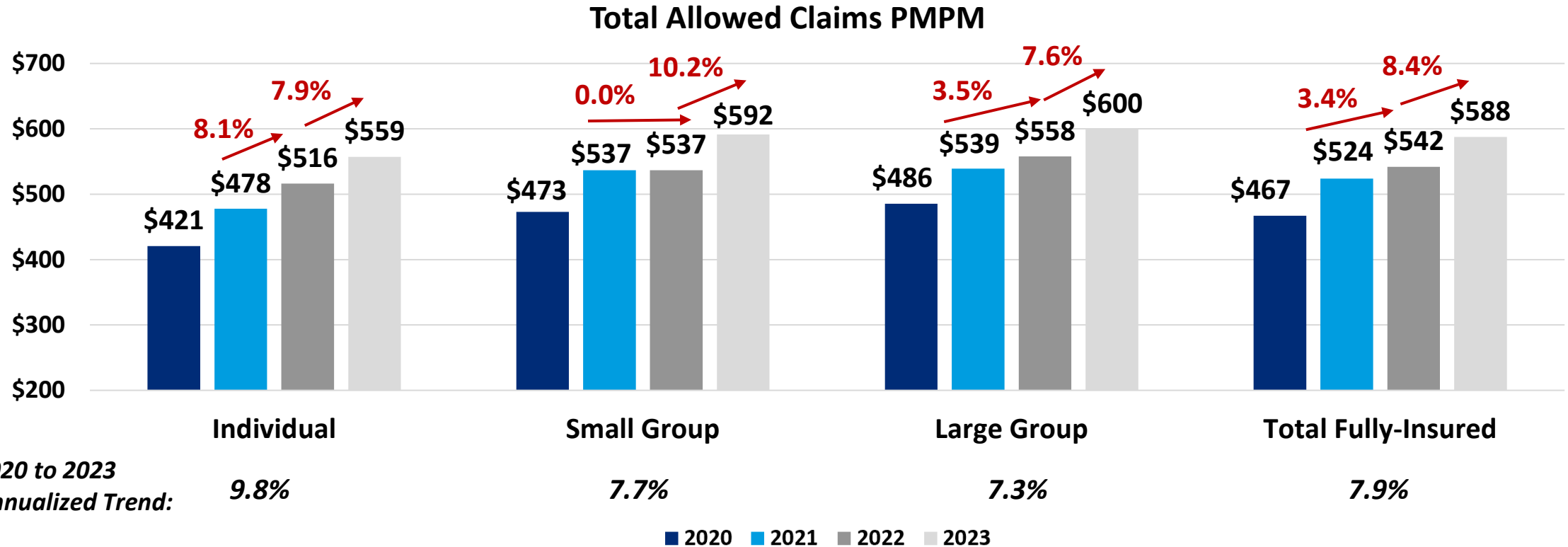
	2020	2021	2022	2023	Annualized Approved Rate Change Trends 2020 to 2023
Individual	-0.4%	4.1%	2.1%	6.1%	2.9%
Small Group	4.8%	2.5%	0.3%	9.2%	4.2%
Large Group	7.5%	5.4%	5.4%	6.4%	6.2%

- Some insurers issued COVID premium credits in 2020 which lowered the earned premium PMPMs in 2020 and led to higher earned premium trends in 2021
- In 2023 all markets experienced increases in earned premium PMPM ranging from 4.5% to 6.2%
- When comparing the earned premium PMPM trend in 2023 to the approved rate changes (box on the left), the earned premium trend is consistent for the Individual Market but lower for the Small Group and Large Group Markets

# APPROVED RATE CHANGES WILL DIFFER FROM EARNED PREMIUM CHANGES FOR VARIOUS REASONS



# ALLOWED CLAIMS PMPM TRENDS WERE HIGHER IN 2023 COMPARED TO 2022 FOR THE GROUP MARKET SEGMENTS



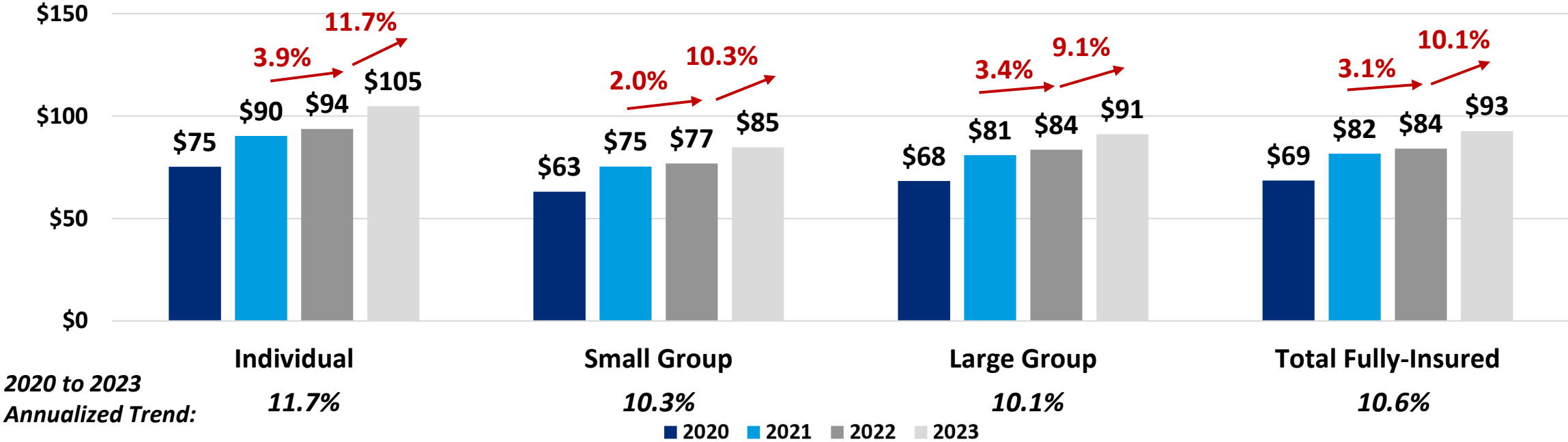
- Allowed Claims PMPM represents the insurer liability (or incurred claims) and the member cost sharing
- The overall 2023 Allowed Claims PMPM trend for the Total Fully-Insured Market is 8.4%
- The average annualized trend for the Total Fully Insured Market from 2020 to 2023 was 7.9%
- The Individual, Small Group, and Large Group Markets have experienced varying average annualized trends from 2020 to 2023, with Individual at 9.8%, Small Group at 7.7%, and Large Group at 7.3%

Source: OHIC Rhode Island Rate Filing Template. Large Group Market is fully insured only.



# COST SHARING PMPM CONTINUED TO INCREASE IN 2023 AT A MUCH HIGHER RATE THAN EXPERIENCED FROM 2021 TO 2022

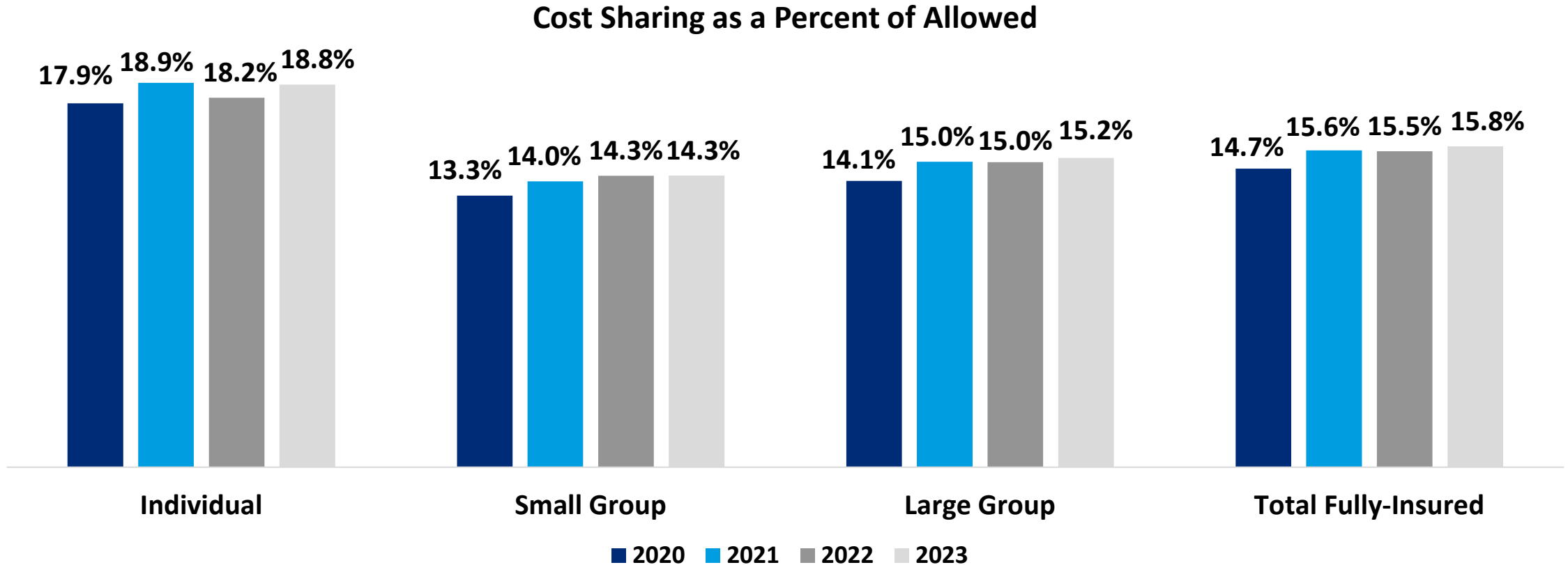
Total Cost Sharing PMPM



- Total cost sharing represents the member portion of medical and pharmacy claim and includes copays, coinsurance, and deductibles
- Cost sharing PMPM has been steadily increasing since 2020; in 2020 cost sharing was lower due to the impact of COVID-19 and the reduced utilization of services that have cost sharing applied
- Cost sharing PMPMs increased 10.1% from 2022 to 2023 on a market-wide basis
- The annualized trend from 2020 to 2023 for the Total Fully-Insured Market was 10.6%

© Oliver Wyman Source: OHIC Rhode Island Rate Filing Template. Large Group Market is fully insured only.

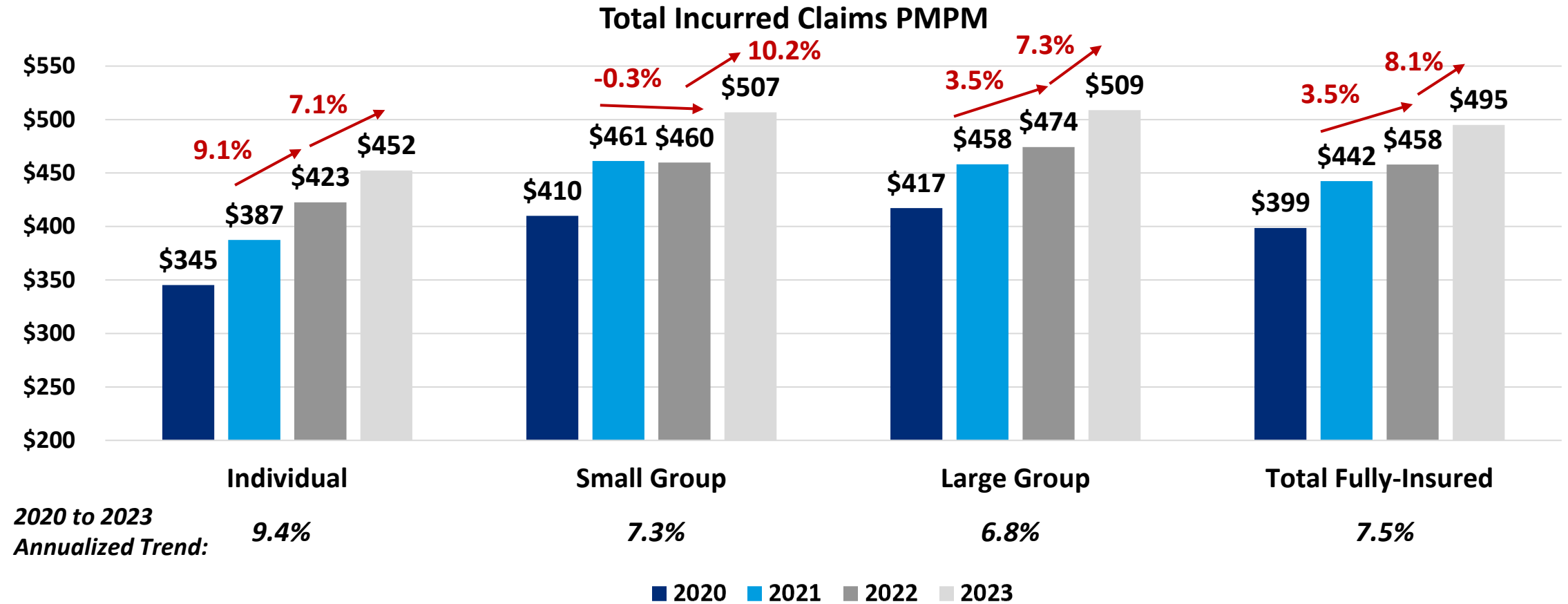
# COST SHARING AS A PERCENTAGE OF ALLOWED CLAIMS IS HIGHEST IN THE INDIVIDUAL MARKET



- In 2023, the Individual Market enrollees paid 19% of their total allowed claims in cost sharing; this is higher than the Small Group Market at 14% and the Large Group Market at 15%
- A portion of the Individual Market pays very little in cost sharing due to cost sharing reduction (CSR) subsidies; this data suggests that unsubsidized enrollees within the Individual Market pay significantly more in cost sharing compared to the Group Markets

Source: OHIC Rhode Island Rate Filing Template. Large Group Market is fully insured only.

# THE TOTAL FULLY-INSURED MARKET INCURRED CLAIMS PMPM TREND FROM 2022 TO 2023 WAS SLIGHTLY LOWER THAN THE ALLOWED CLAIMS PMPM TREND IN 2023

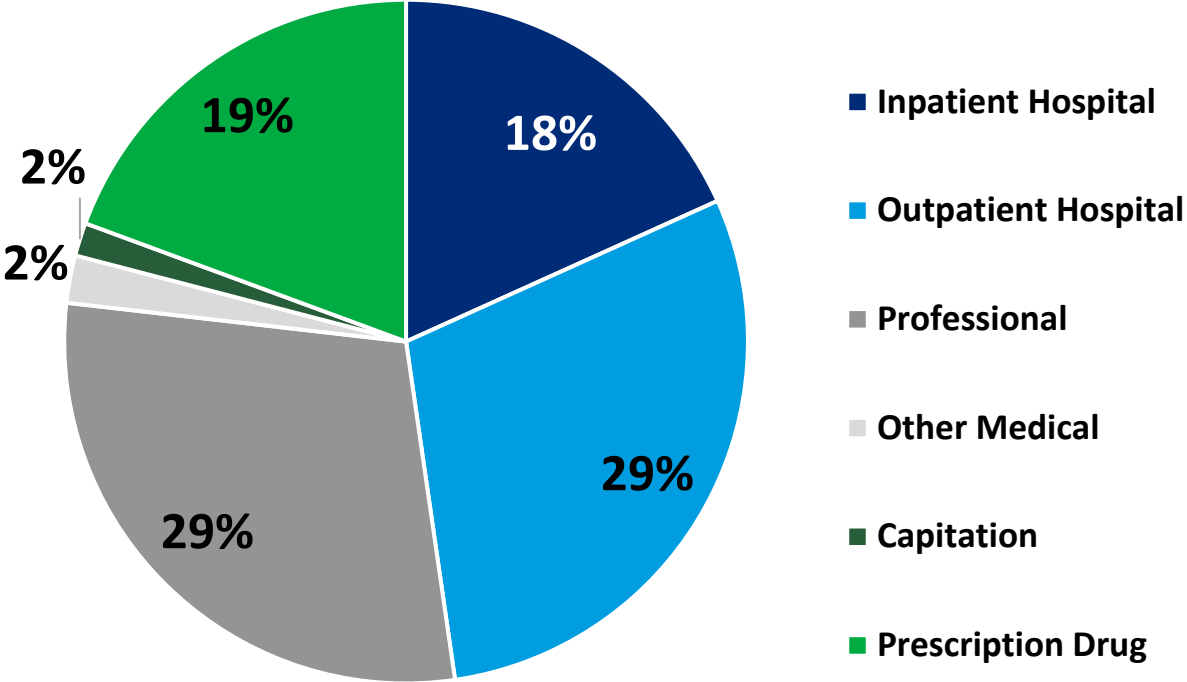


- Incurred Claims, or allowed claims less member cost sharing, represent the health plan liability
- In 2023, the Incurred Claims PMPM trend was 8.1% and the Allowed Claims PMPM trend was 8.4%; member cost sharing increased at a higher rate resulting in lower incurred claims trend relative to allowed

Source: OHIC Rhode Island Rate Filing Template. Large Group Market is fully insured only.

# IN 2023, PROFESSIONAL AND OUTPATIENT HOSPITAL SERVICES WERE THE LARGEST CATEGORIES, EACH REPRESENTING 29% OF TOTAL FULLY-INSURED MARKET ALLOWED CLAIMS

2023 Distribution of Allowed Claims by Service Category  
Total Fully-Insured

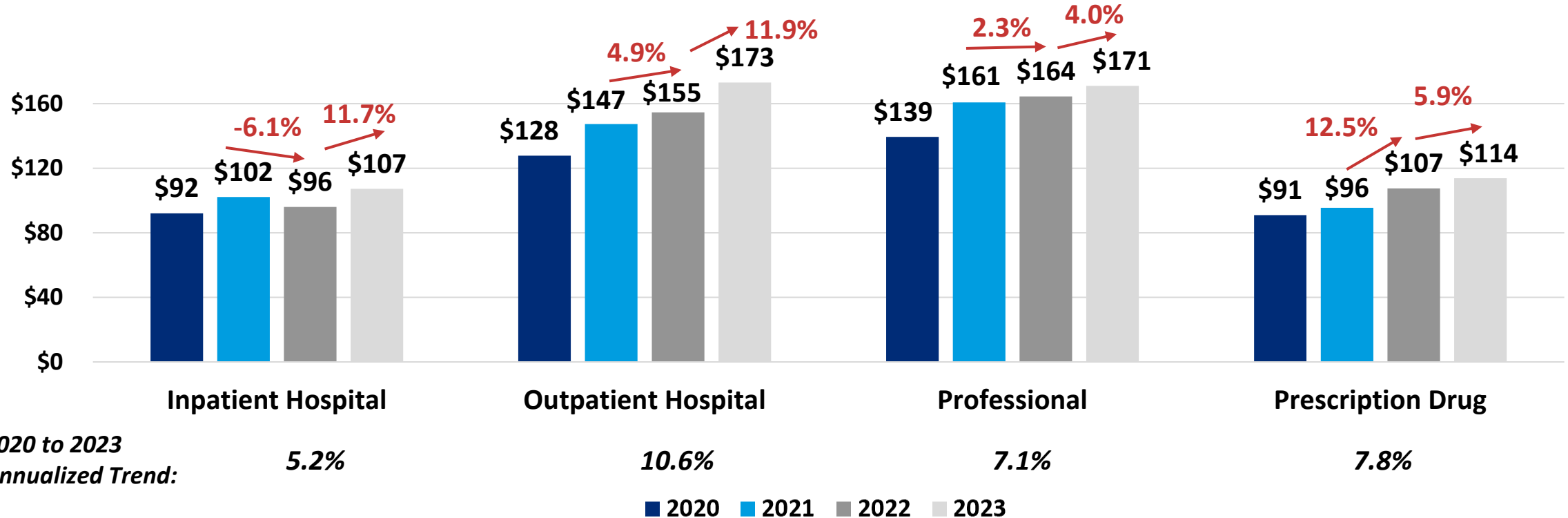


- Professional services and Outpatient Hospital services contributed the same amount to the total Allowed Claims at 29%
- Inpatient and Prescription Drugs also comprised approximately the same amount of the total Allowed Claims at 18% and 19%, respectively
- The distribution in 2023 is relatively consistent with the distribution in 2022
- The percent distribution of Prescription Drugs, Professional services, and Other Medical decreased from 2022 to 2023 whereas Capitation increased slightly

© Oliver Wyman Source: OHIC Rhode Island Rate Filing Template. Rx claims are net of pharmacy rebates.

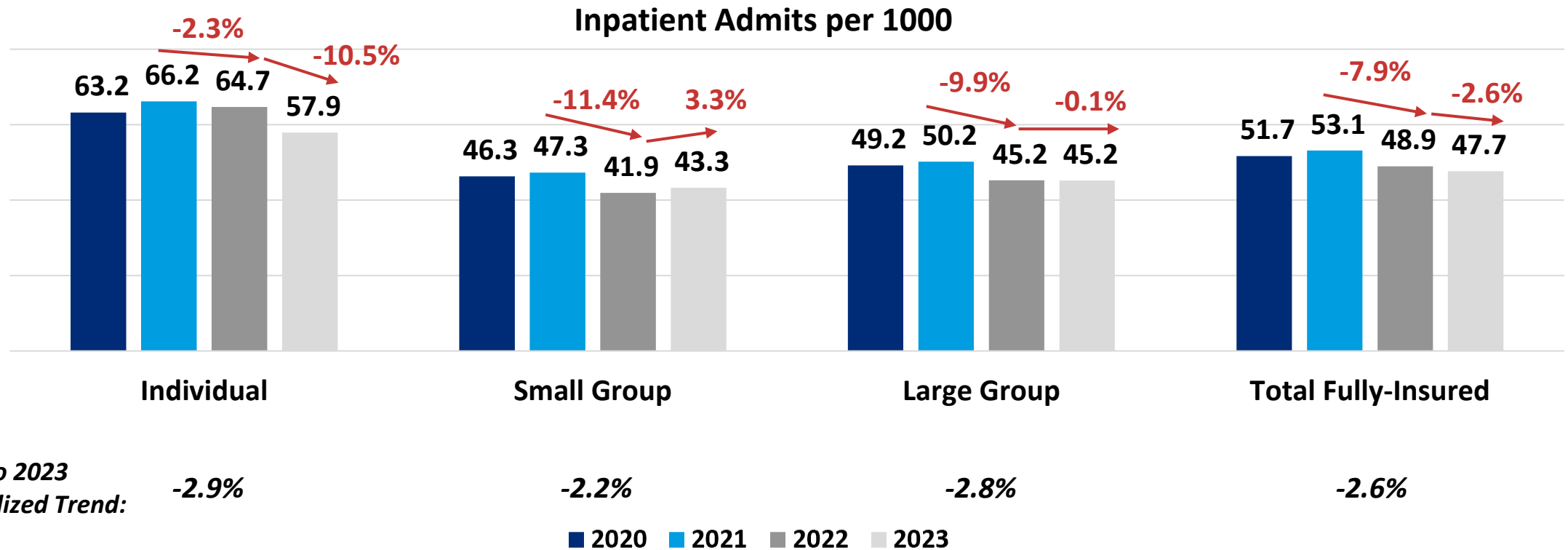
# THE MEDICAL SERVICE CATEGORIES EXPERIENCED HIGHER PMPM TRENDS IN 2023, FOLLOWING VARYING TRENDS IN 2022

Total Fully-Insured Allowed Claims PMPM



- Varying trends for the medical service categories occurred as COVID-19 impacts continued to settle
- The Outpatient Hospital allowed PMPM increased 11.9% in 2023 (highest 2023 trend)
  - Outpatient Hospital also experienced the highest annualized trend from 2020 to 2023
- Inpatient trends were similarly high in 2023 even though admits appear to be decreasing (see next slide)

# INPATIENT ADMITS DECREASED ACROSS INDIVIDUAL AND LARGE GROUP MARKET SEGMENTS FROM 2022 TO 2023, PER CARRIER DATA



- Admits in the overall fully-insured market have decreased from 2021 to 2022 and again from 2022 to 2023, but trends vary by segment
- As seen in the previous slides, the Inpatient PMPM trend in the overall fully-insured market was 11.7% in 2023 while the admit trend was -2.6%; this implies an increase in the cost per admission
- In each segment, the level of admits per 1000 is lower in 2023 compared to 2020

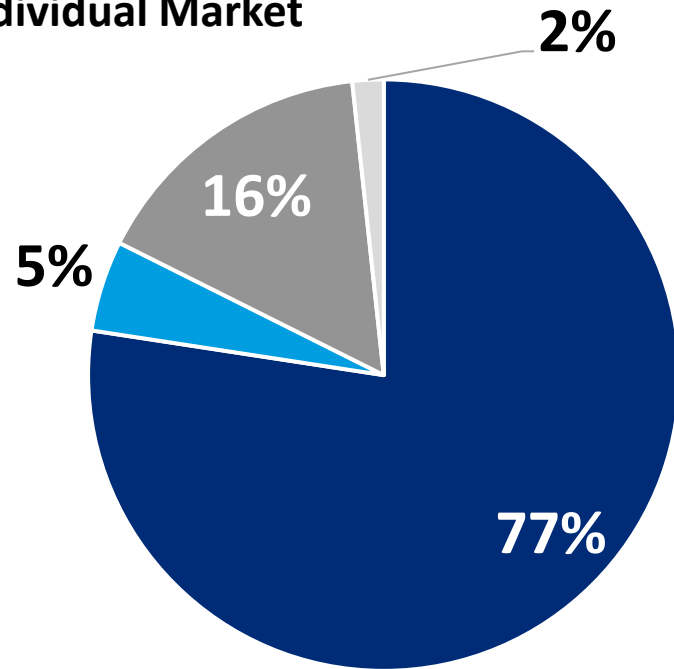
Source: OHIC Rhode Island Rate Filing Template. Large Group Market is fully insured only.

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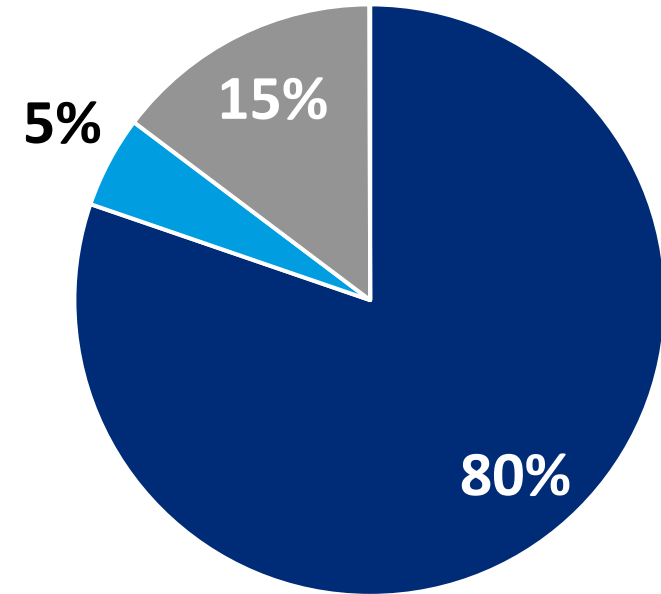
**LOSS RATIOS AND EXPENSE COMPONENTS**

# IN THE INDIVIDUAL MARKET, 80% OF PREMIUM IS USED FOR MEDICAL AND PHARMACY CLAIMS IN 2023 AND 0% OF PREMIUM WENT TO CONTRIBUTION TO RESERVE

2022 Individual Market



2023 Individual Market



- Medical & Pharmacy Claims
- Federal & State Taxes
- Admin Expense & Fees
- Contribution to Reserve/Profit or Risk Margin

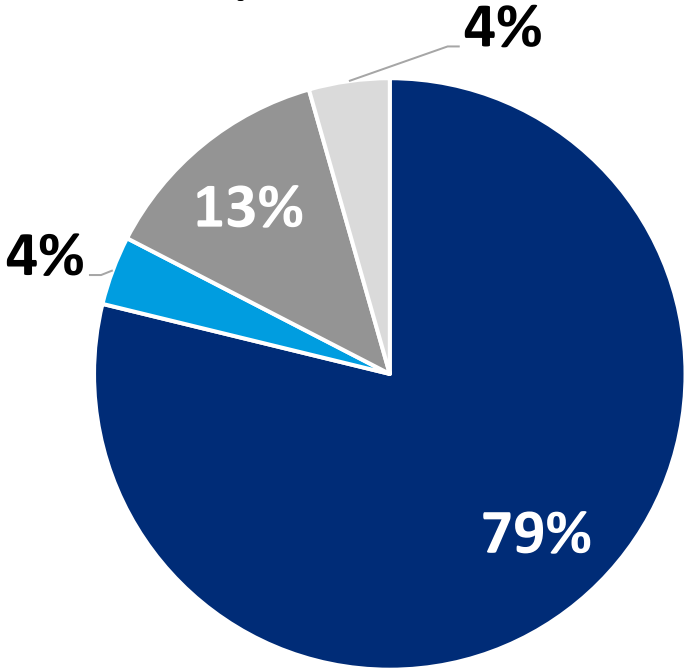
- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes; see slide 32 for further explanation
- In the Individual Market, the percentage of premium used for medical and pharmacy claims has increased from 77% in 2022 to 80% in 2023, while the contribution to reserve has decreased from 2% in 2022 to 0% in 2023
- Federal & state taxes and admin expenses & taxes have been consistent from 2022 to 2023

Source: Federal MLR Reports. Adjustments were made to account for discrepancies between the federal MLR data and other data sources.

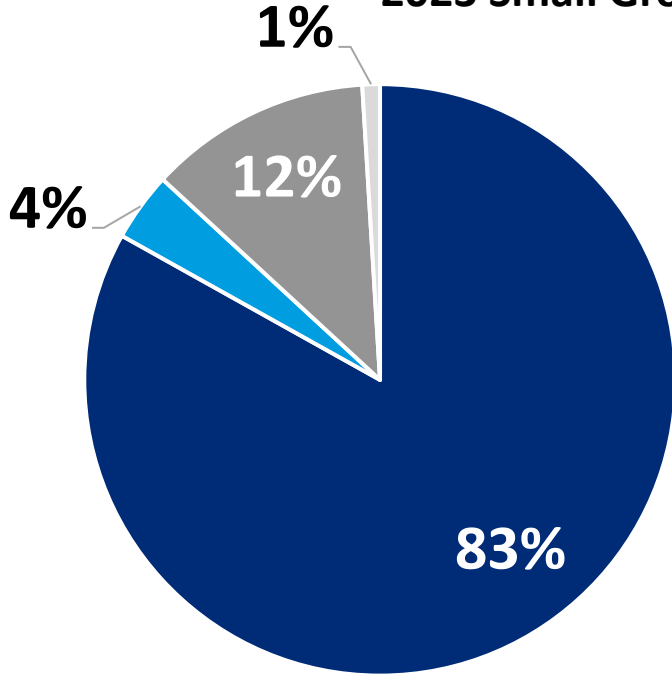


# IN THE SMALL GROUP MARKET, 83% OF PREMIUM IS USED FOR MEDICAL AND PHARMACY CLAIMS IN 2023 AND 1% WENT TO CONTRIBUTION TO RESERVES

2022 Small Group Market



2023 Small Group Market



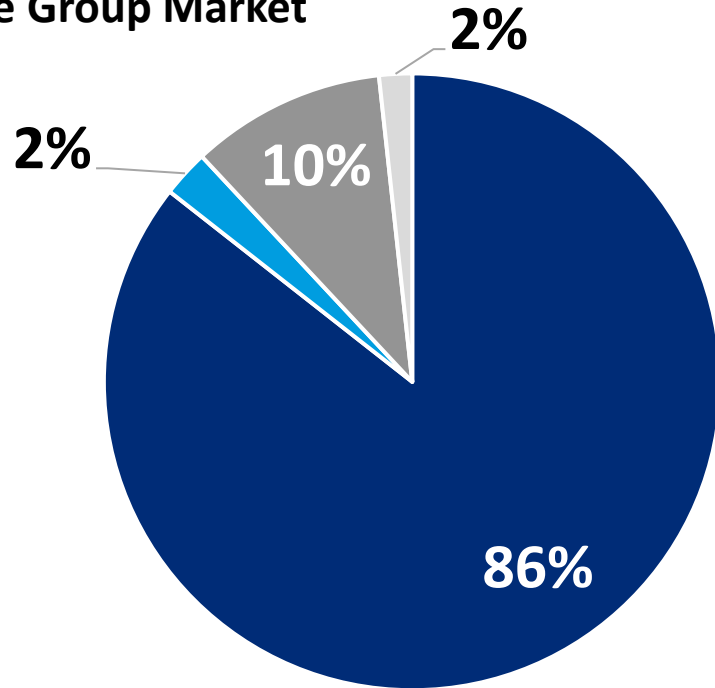
- Medical & Pharmacy Claims
- Federal & State Taxes
- Admin Expense & Fees
- Contribution to Reserve/Profit or Risk Margin

- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes; see slide 32 for further explanation
- In the Small Group Market, the percentage of premium used for medical and pharmacy claims has increased from 79% in 2022 to 83% in 2023, while the contribution to reserve has decreased from 4% to 1%

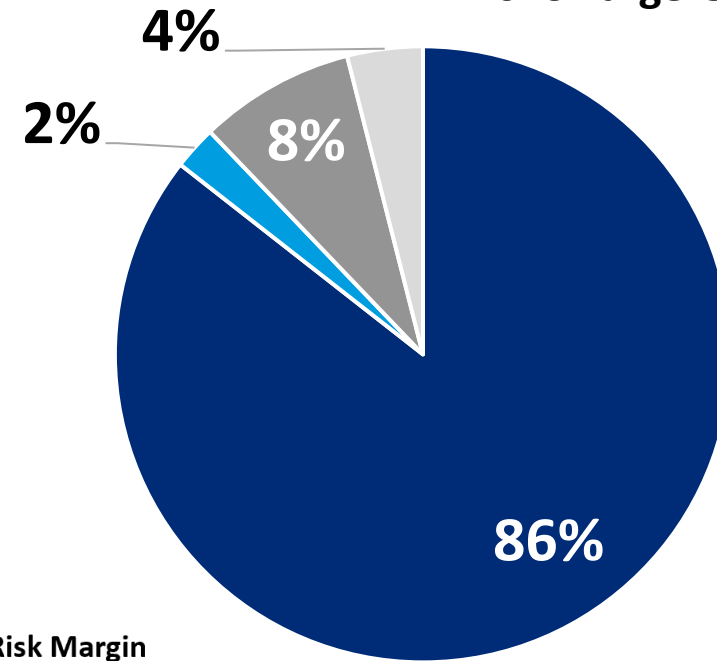
Source: Federal MLR Reports. Adjustments were made to account for discrepancies between the federal MLR data and other data sources.

# IN THE LARGE GROUP MARKET, 86% OF PREMIUM IS USED FOR MEDICAL AND PHARMACY CLAIMS IN 2023

2022 Large Group Market



2023 Large Group Market



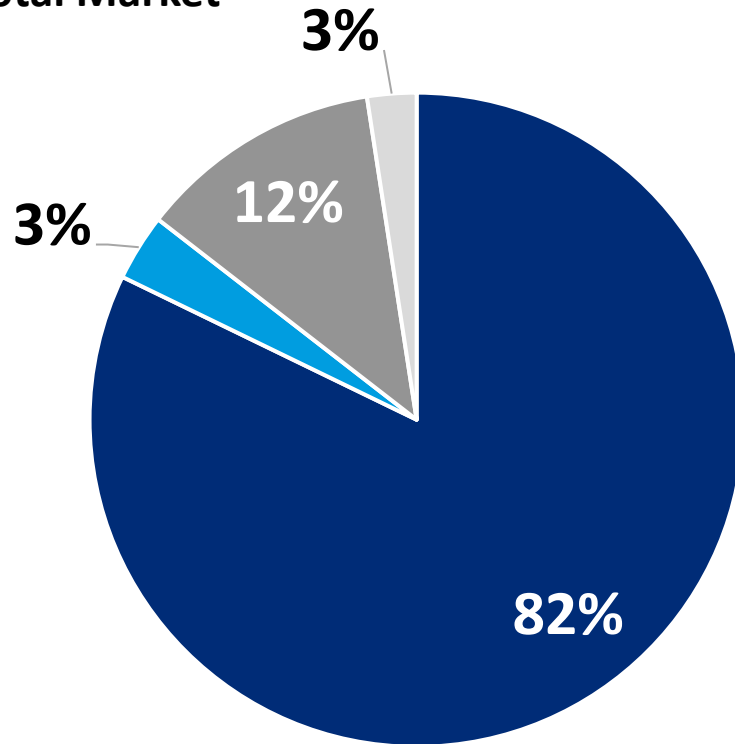
- Medical & Pharmacy Claims
- Federal & State Taxes
- Admin Expense & Fees
- Contribution to Reserve/Profit or Risk Margin

- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes; see slide 32 for further explanation
- In the Large Group Market, the percentage of premium used for medical and pharmacy claims has remained steady at 86% in 2022 and 2023, while the contribution to reserve has increased from 2% to 4%
- Compared to the Individual and Small Group Market, the Large Group Market has lower administrative expenses as a percentage of premium

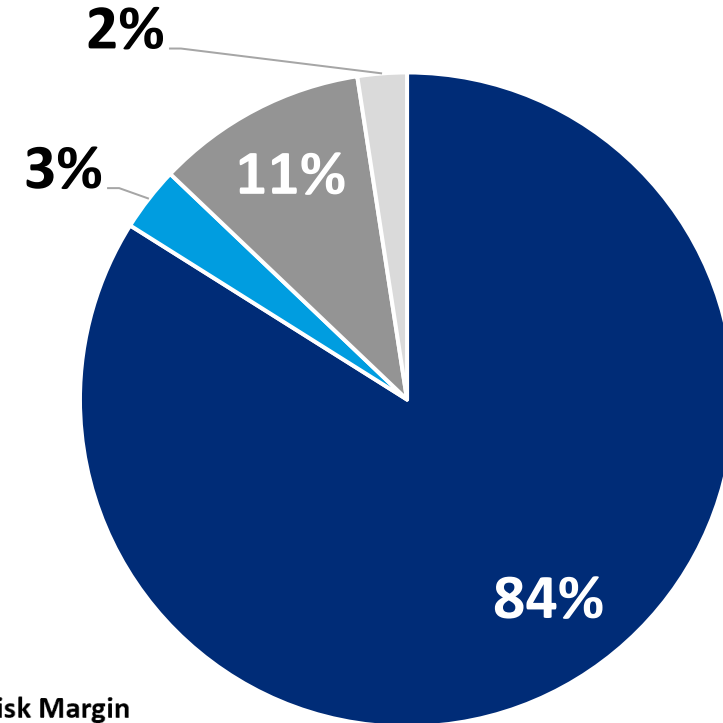
Source: Federal MLR Reports. Adjustments were made to account for discrepancies between the federal MLR data and other data sources.

# IN THE OVERALL FULLY-INSURED SEGMENT, 84% OF PREMIUM WAS USED FOR MEDICAL AND PHARMACY CLAIMS IN 2023

2022 Total Market



2023 Total Market



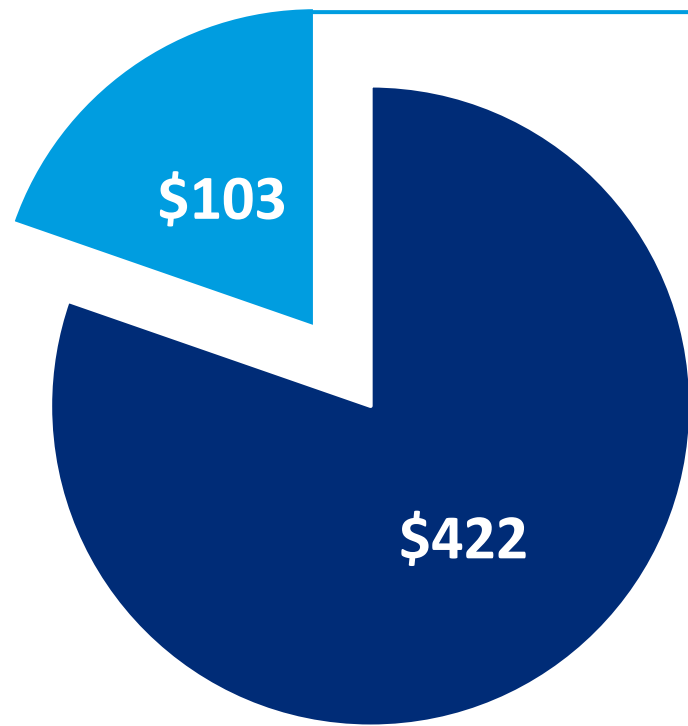
- Medical & Pharmacy Claims
- Federal & State Taxes
- Admin Expense & Fees
- Contribution to Reserve/Profit or Risk Margin

- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes; see slide 32 for further explanation
- In the overall Fully-Insured Market segment, the percentage of premium used for contribution to reserve has decreased from 3% in 2022 to 2% in 2023, while the administrative expense and fees has decreased from 12% to 11%

Source: Federal MLR Reports. Adjustments were made to account for discrepancies between the federal MLR data and other data sources.

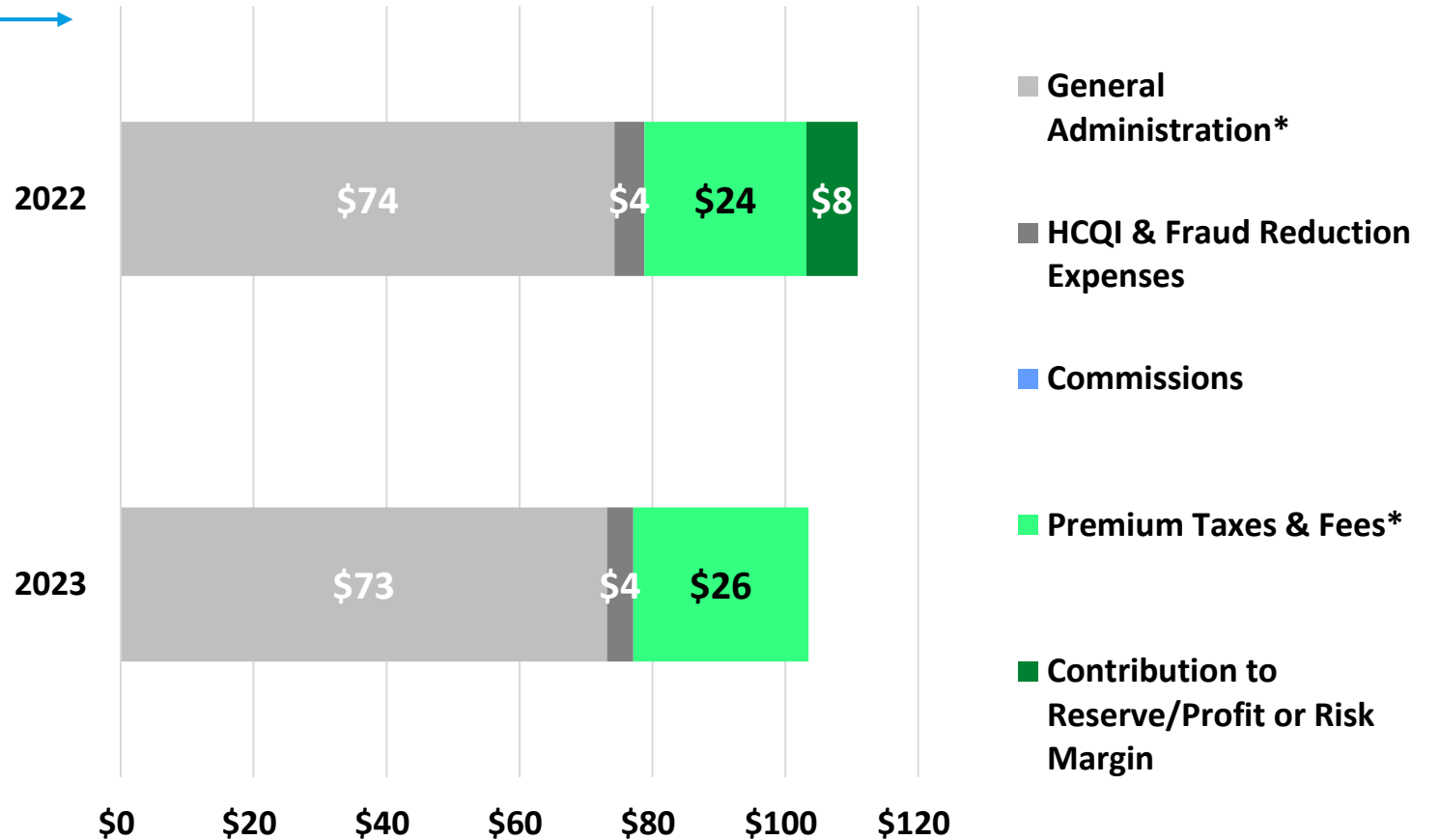
# INDIVIDUAL NON-MEDICAL EXPENSE AND SURPLUS DECREASED SLIGHTLY FROM 2022 TO 2023 DRIVEN BY A DECREASED CONTRIBUTION TO RESERVE/PROFIT OR RISK MARGIN

2023 Individual Premiums PMPM



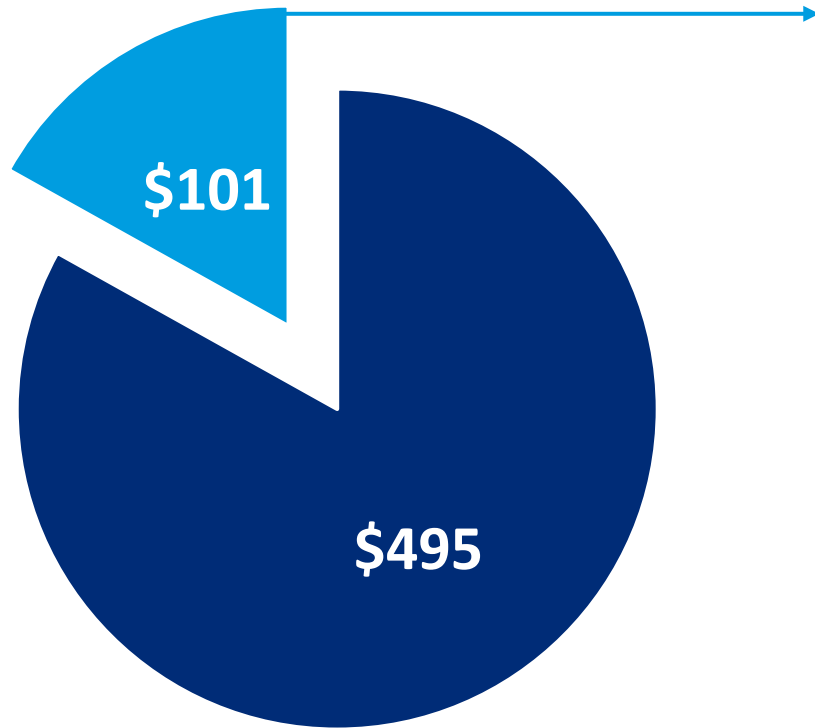
- Medical & Pharmacy Claims
- Non-Medical Expense and Surplus

Non-Medical Expense and Surplus Detail



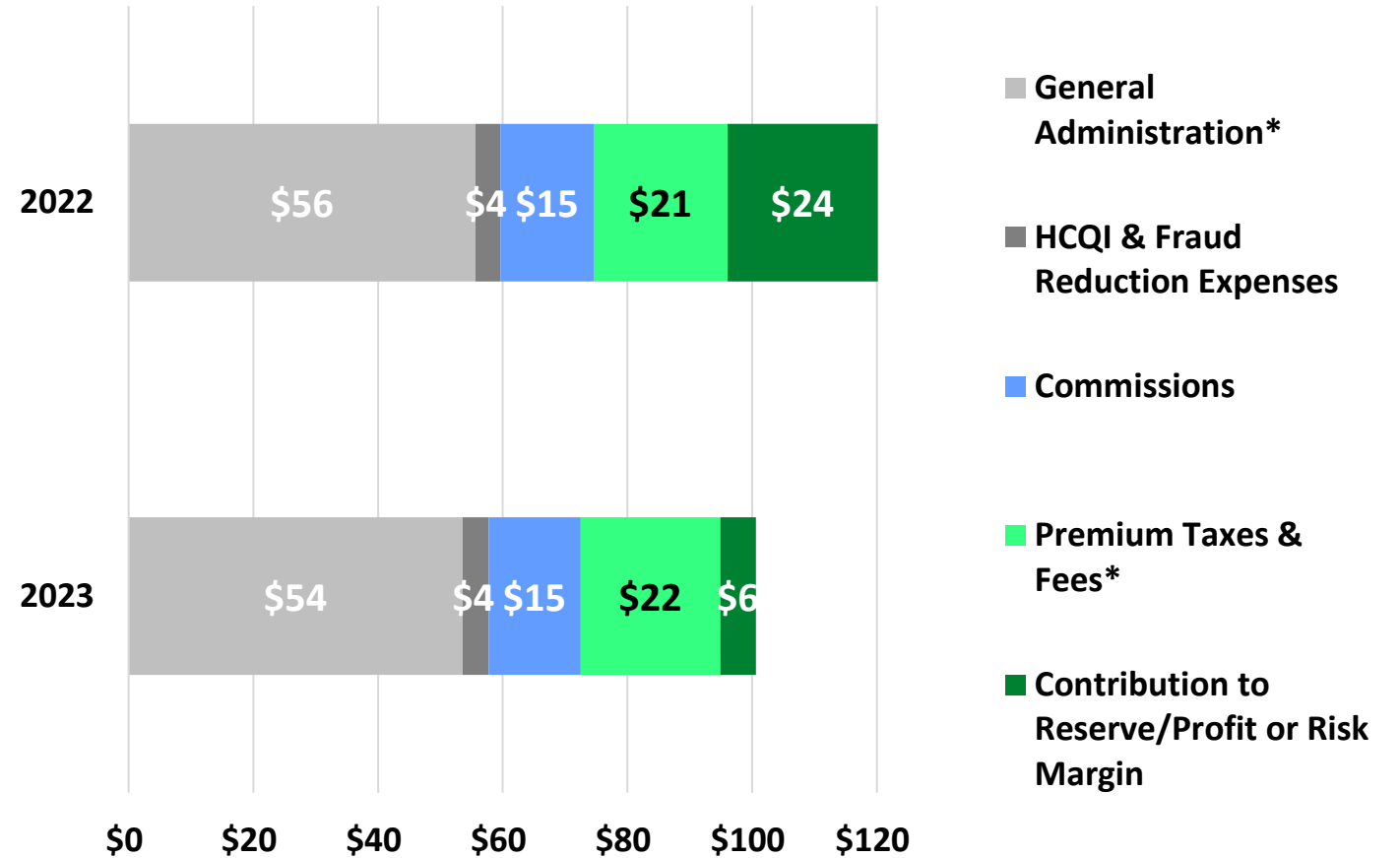
# SMALL GROUP NON-MEDICAL EXPENSE AND SURPLUS DECREASED FROM 2022 TO 2023 DRIVEN BY A DECREASED CONTRIBUTION TO RESERVE/PROFIT OR RISK MARGIN

2023 Small Group Premiums PMPM



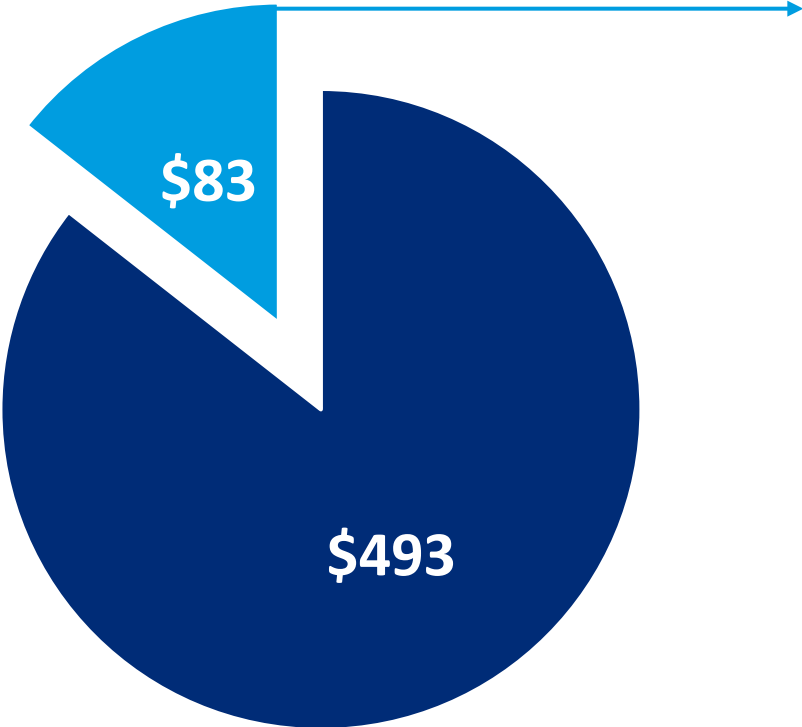
- Medical & Pharmacy Claims
- Non-Medical Expense and Surplus

Non-Medical Expense and Surplus Detail



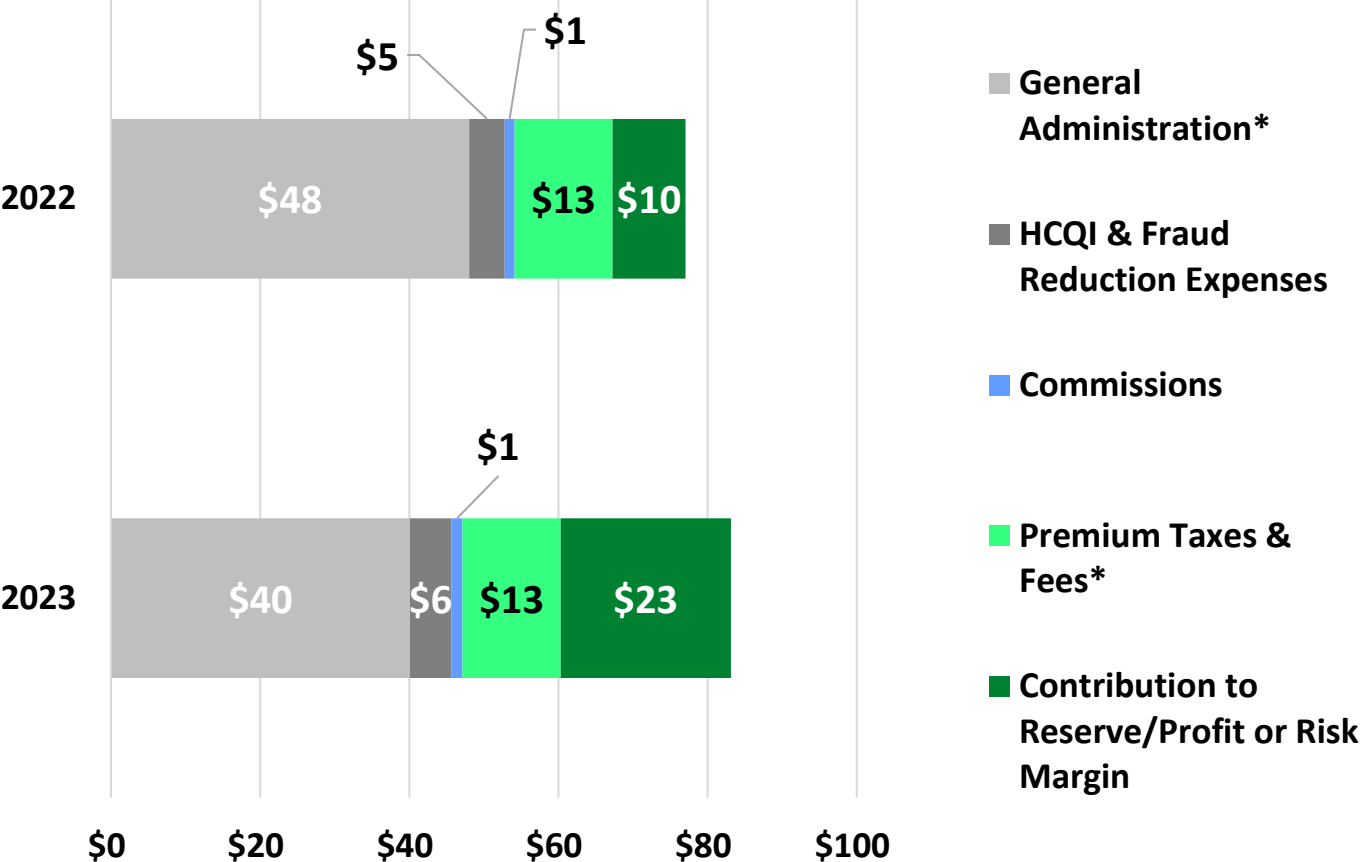
# LARGE GROUP NON-MEDICAL EXPENSE AND SURPLUS INCREASED FROM 2022 TO 2023 DRIVEN BY HIGHER CONTRIBUTION TO RESERVE/PROFIT OR RISK MARGIN PARTIALLY OFFSET BY LOWER ADMIN

2023 Large Group Premiums PMPM



- Medical & Pharmacy Claims
- Non-Medical Expense and Surplus

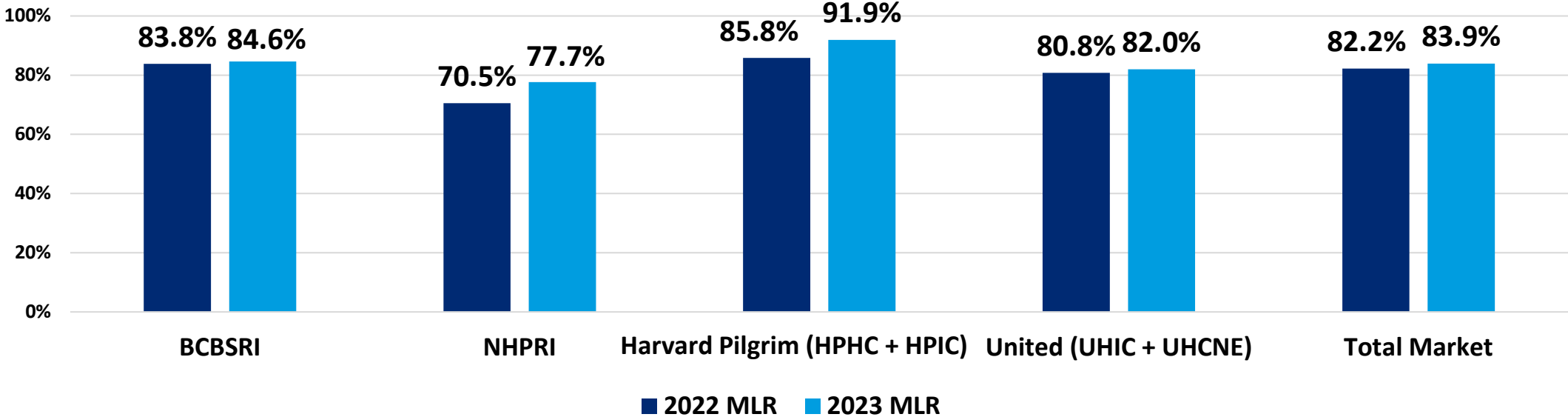
Non-Medical Expense and Surplus Detail



Source: Federal MLR Reports. Adjustments were made to account for discrepancies between the federal MLR data and other data sources. Total premium PMPM does not tie to slide 11 due to inclusion of FEHBP enrollment in the MLR data. Taxes that are not part of the adjustments in the Federal MLR formula are included in Other General Admin. Cigna and Aetna are excluded due to limited enrollment. Rx claims are net of pharmacy rebates.

# FINANCIAL MEDICAL LOSS RATIOS HAVE INCREASED FOR ALL INSURERS FROM 2022 TO 2023

RI Total Fully Insured Market MLR by Insurer



**2023 Average Membership:**

144,040

24,830

7,282

13,784

189,937

- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes; see slide 32 for further explanation
- Each insurer experienced an increase in their financial MLR from 2022 to 2023

# COMPARISON OF THE FEDERAL MLR VERSUS THE RIOHIC FINANCIAL LOSS RATIO SHOWN IN THIS PRESENTATION

	Federal Medical Loss Ratio	RIOHIC Financial Medical Loss Ratio in this Presentation
<b><i>Purpose</i></b>	To determine compliance with MLR thresholds and to calculate the MLR rebate amounts, if applicable.	To measure the percentage of premiums spent on members' medical and pharmacy claims and the percentage retained for other expenses.
<b><i>Population</i></b>	By licensed insurer and market segment in the fully-insured market.	Across all insurers. By market segment in the fully-insured market.
<b><i>Time Period</i></b>	Average over three calendar years.	One calendar year.
<b><i>HCQI and Fraud Reduction Expenses</i></b>	Add to incurred claims.	Included with administrative expenses.
<b><i>MLR Rebates</i></b>	Not considered.	Subtracted from earned premium.
<b><i>Taxes &amp; Fees</i></b>	Subtracted from earned premium.	Included as its own category.
<b><i>Risk Adjustment</i></b>	Reflected in incurred claims.	Reflected in incurred claims.

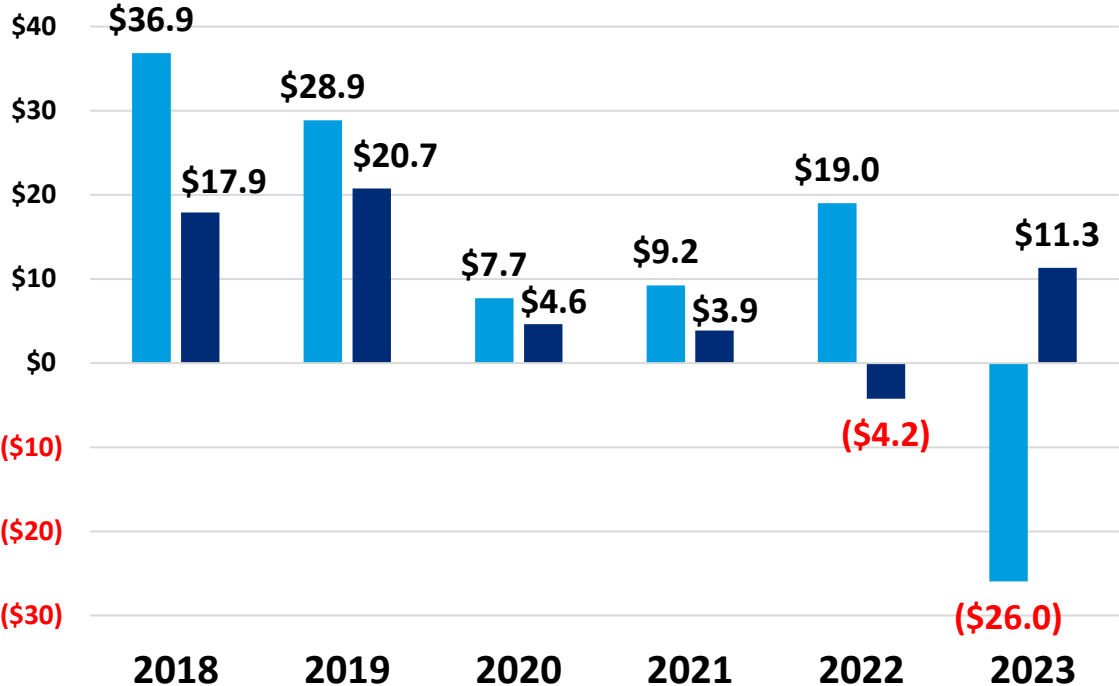


**03**

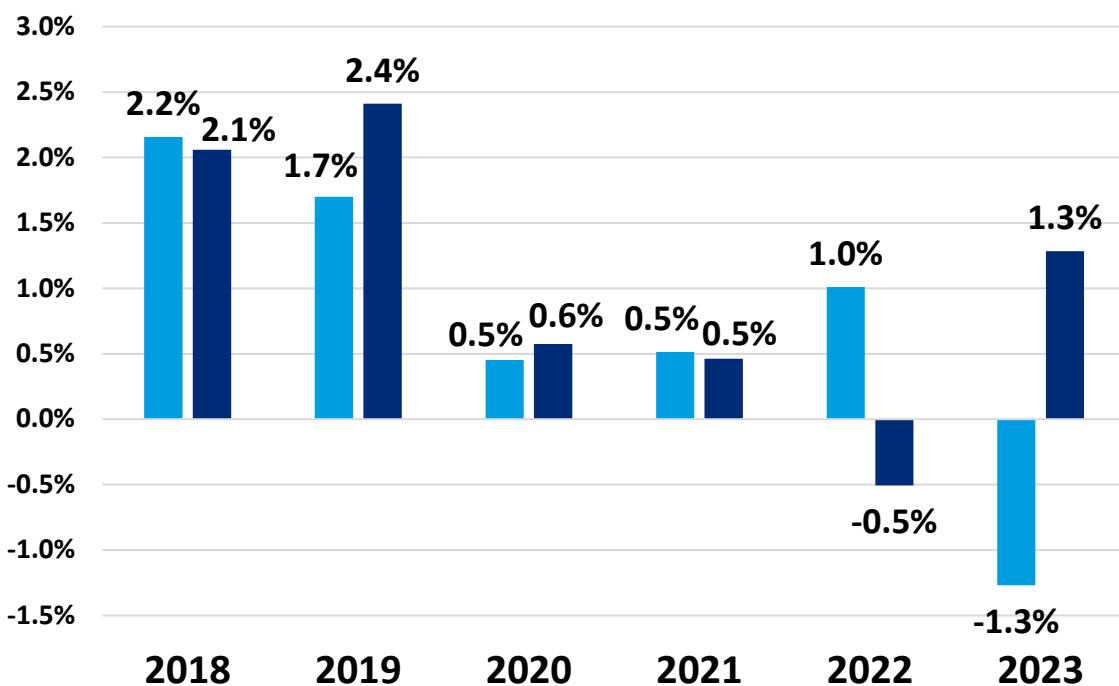
**FINANCIAL PERFORMANCE OF RHODE ISLAND DOMESTIC  
HEALTH INSURERS**

# BCBSRI UNDERWRITING GAIN/LOSS BY YEAR TOTAL BUSINESS VERSUS COMMERCIAL

BCBSRI Net Underwriting Gain/Loss and RBC by Year



BCBSRI Underwriting Gain/Loss as % of Total Revenue

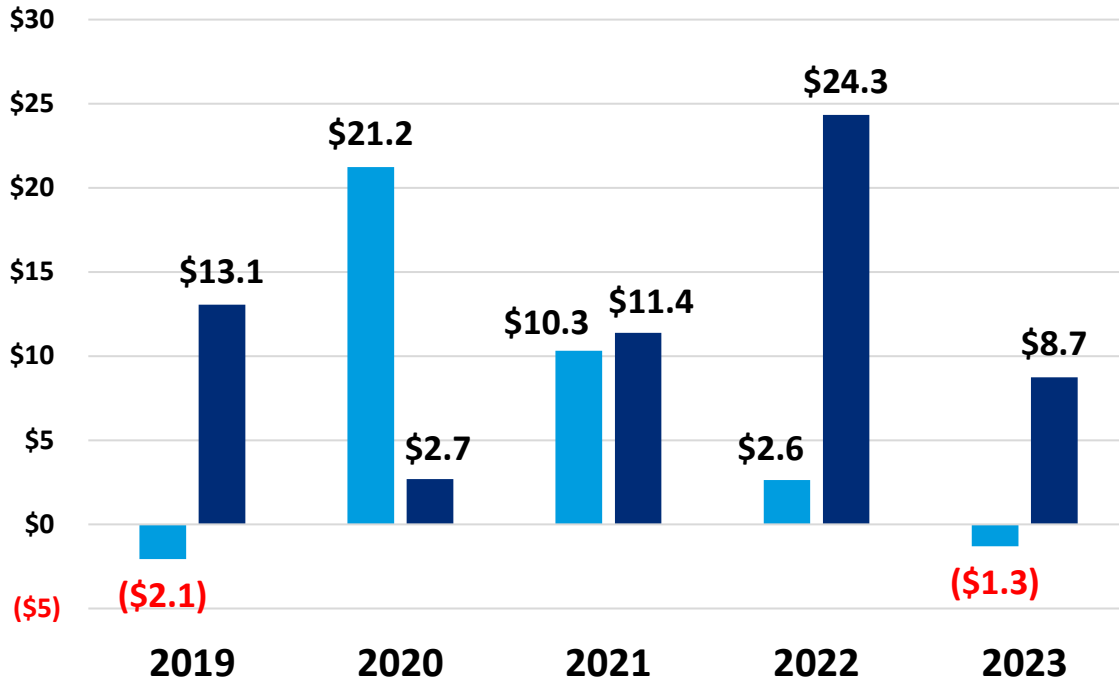


■ Total Business ■ Comprehensive Hospital & Medical

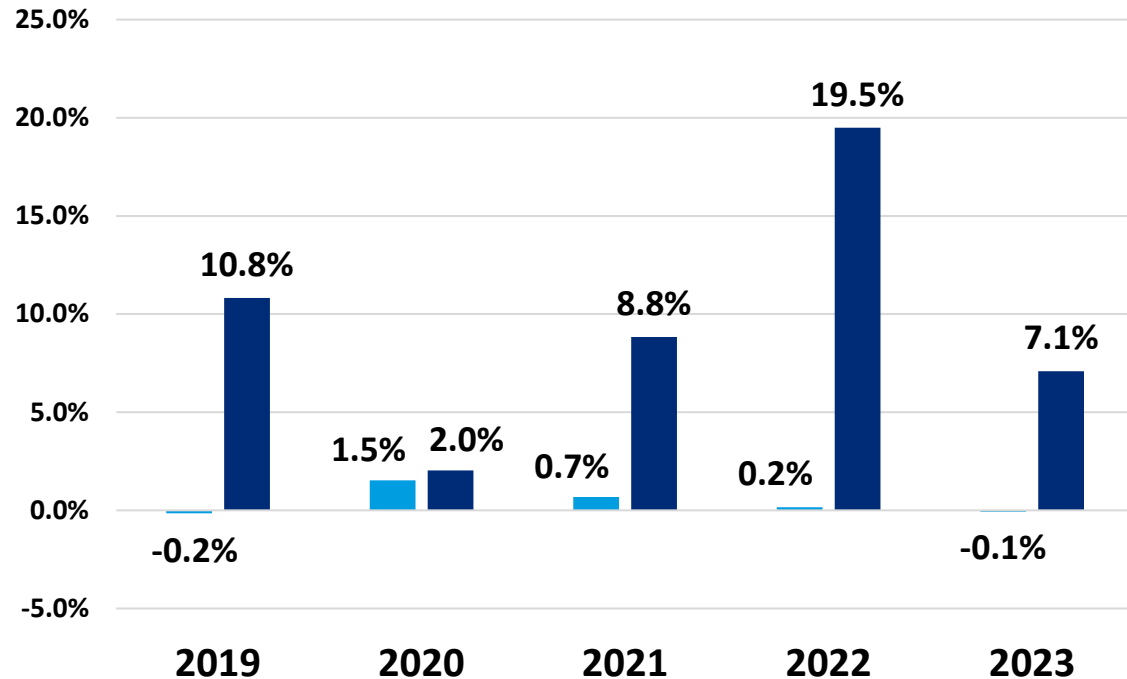
Year	2019	2020	2021	2022	2023
Total Business RBC	638.1%	709.4%	686.5%	637.0%	656.2%

# NHPRI UNDERWRITING GAIN/LOSS BY YEAR TOTAL BUSINESS VERSUS COMMERCIAL

NHPRI Net Underwriting Gain/Loss by Year  
(Millions \$)



NHPRI Underwriting Gain/Loss  
as % of Total Revenue

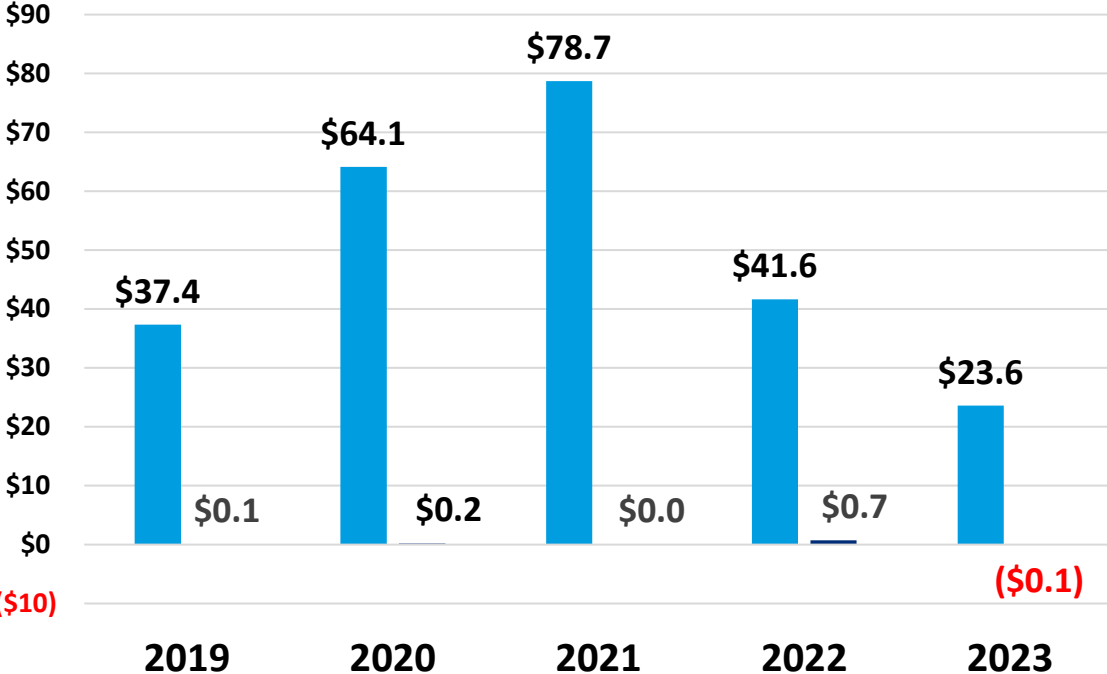


■ Total Business ■ Comprehensive Hospital & Medical

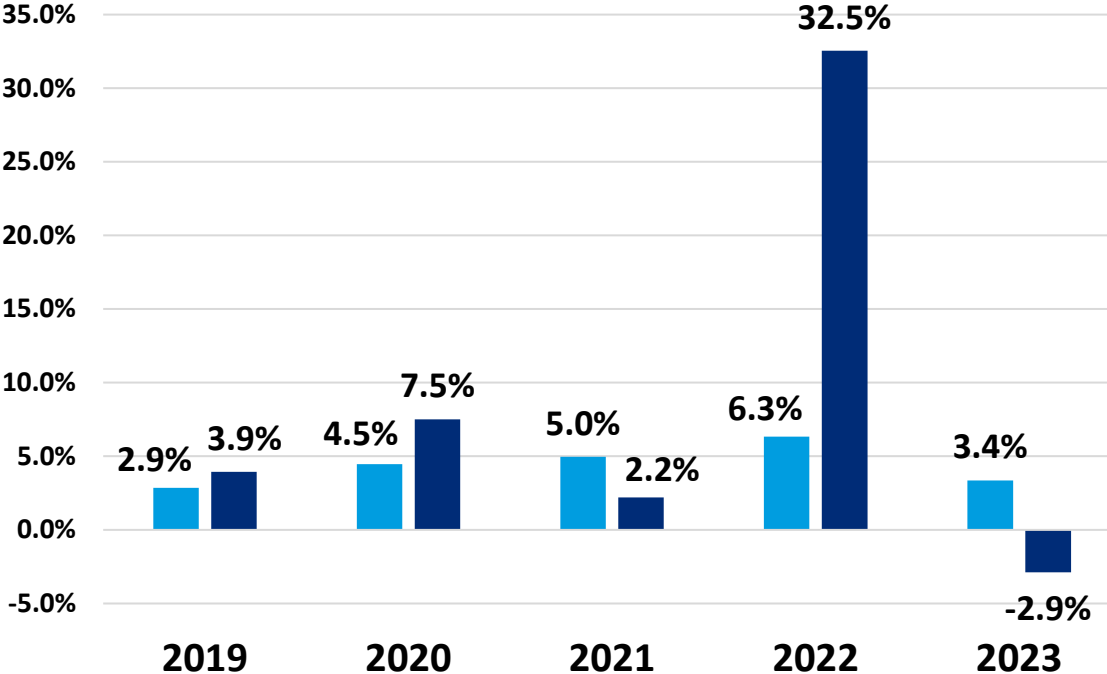
Year	2019	2020	2021	2022	2023
Total Business RBC	211.2%	252.8%	236.4%	224.1%	215.3%

# UHCNE UNDERWRITING GAIN/LOSS BY YEAR TOTAL BUSINESS VERSUS COMMERCIAL

UHCNE Net Underwriting Gain/Loss by Year (Millions \$)



UHCNE Underwriting Gain/Loss as % of Total Revenue



■ Total Business ■ Comprehensive Hospital & Medical

Year	2019	2020	2021	2022	2023
<b>Total Business RBC</b>	<b>379.1%</b>	<b>522.0%</b>	<b>617.3%</b>	<b>6756.0%</b>	<b>6812.0%</b>

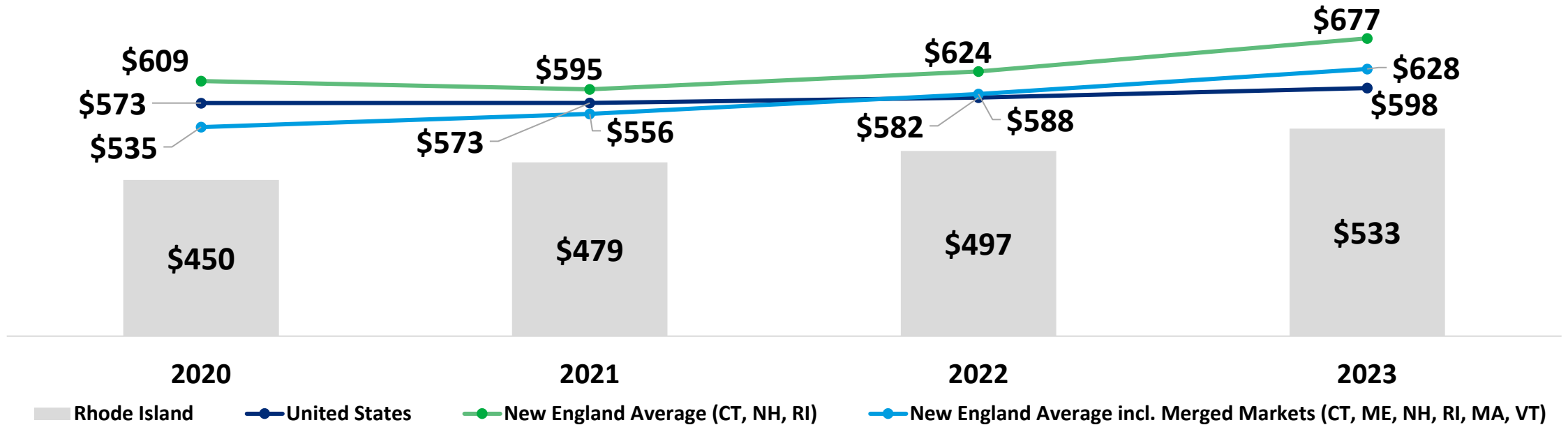
The observed 2022 and 2023 RBC ratios are aberrant and related to the novation of Medicare Advantage risk to UHC-WI.

**04**

**REGIONAL COMPARISONS**

# RHODE ISLAND INDIVIDUAL MARKET AVERAGE PREMIUM IS CONSISTENTLY LOWER THAN THE NEW ENGLAND AVERAGES AND UNITED STATES AVERAGE

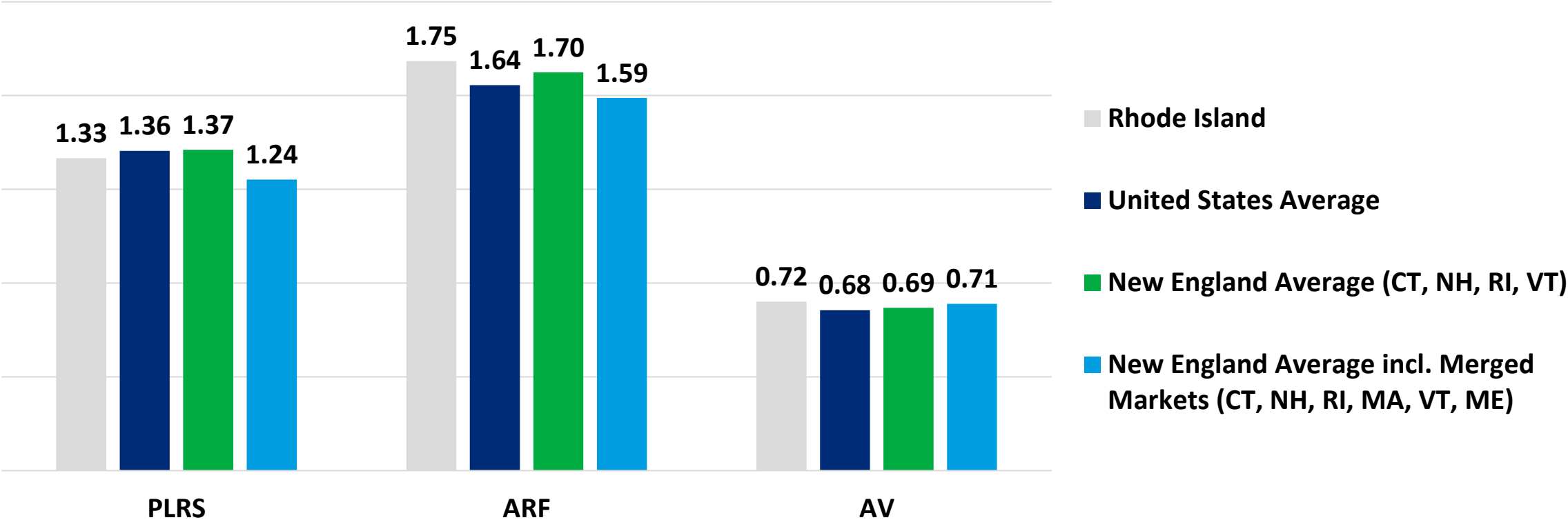
Individual Market Average Premium PMPM



- This data is from the publicly available CMS risk adjustment reports
- In 2023, Rhode Island average premiums are 11% lower than the United States average and 21% lower than the New England average including CT, NH, and RI
- Premiums will vary by state due to plan design, demographics, and regional cost differences along with availability of a reinsurance program

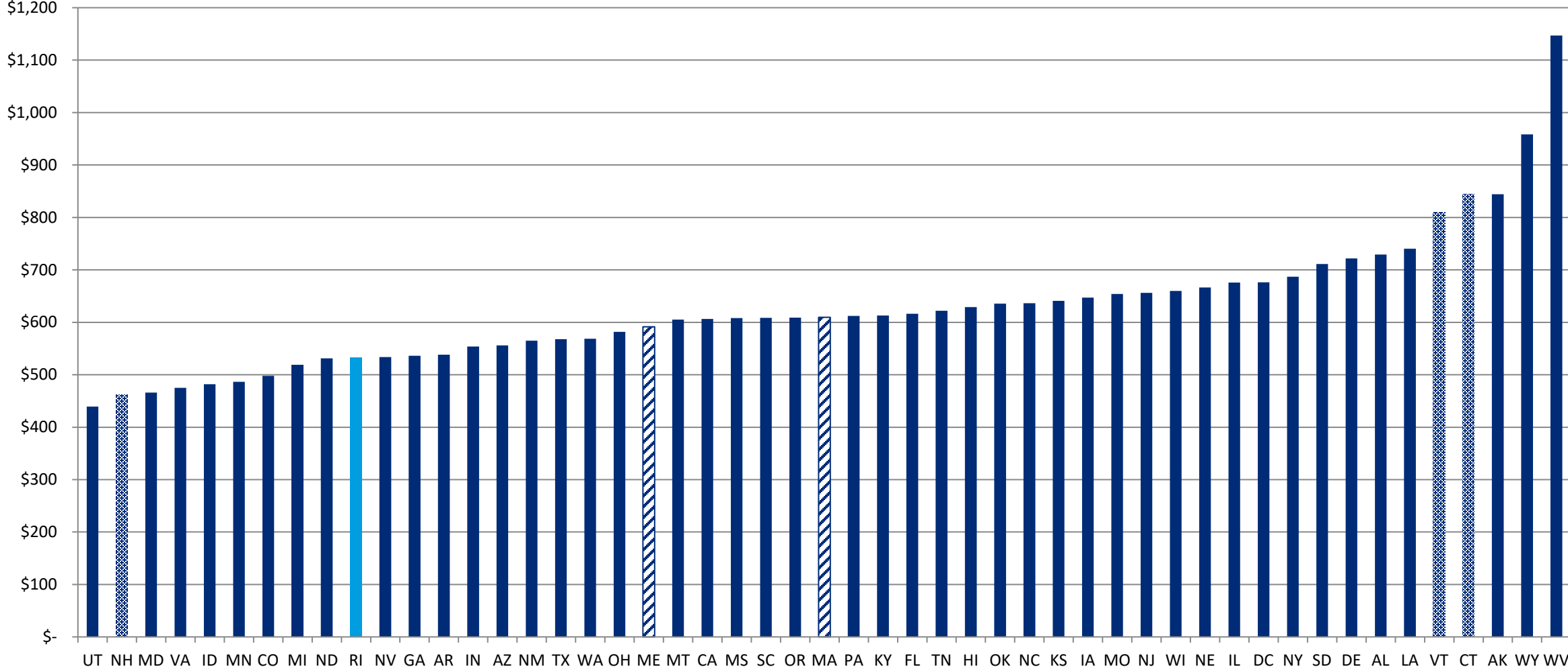
# MANY FACTORS DRIVE DIFFERENCES IN PREMIUM BETWEEN STATES INCLUDING RISK SCORE DIFFERENCES (PLRS), AVERAGE AGE FACTORS (ARF), AND BENEFIT RICHNESS (AV)

2023 State Average Actuarial Value, Allowable Rating Factor, and Plan Liability Risk Score for New England States  
Individual (CT, NH, RI, VT) & Merged Markets (MA, ME)



Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report Appendix A for 2023 benefit year. Note that the PLRS includes an adjustment for CSR enrollees, therefore the PLRS will vary based on the number of CSR enrollees. MA represents a merged market in all years; VT represents a merged market in 2019-2021; ME was added as a merged market in 2023. AV, ARF, and PLRS definitions can be found later in this report.

# RHODE ISLAND HAD THE 10<sup>TH</sup> LOWEST INDIVIDUAL MARKET PREMIUM COMPARED TO OTHER STATES IN 2023

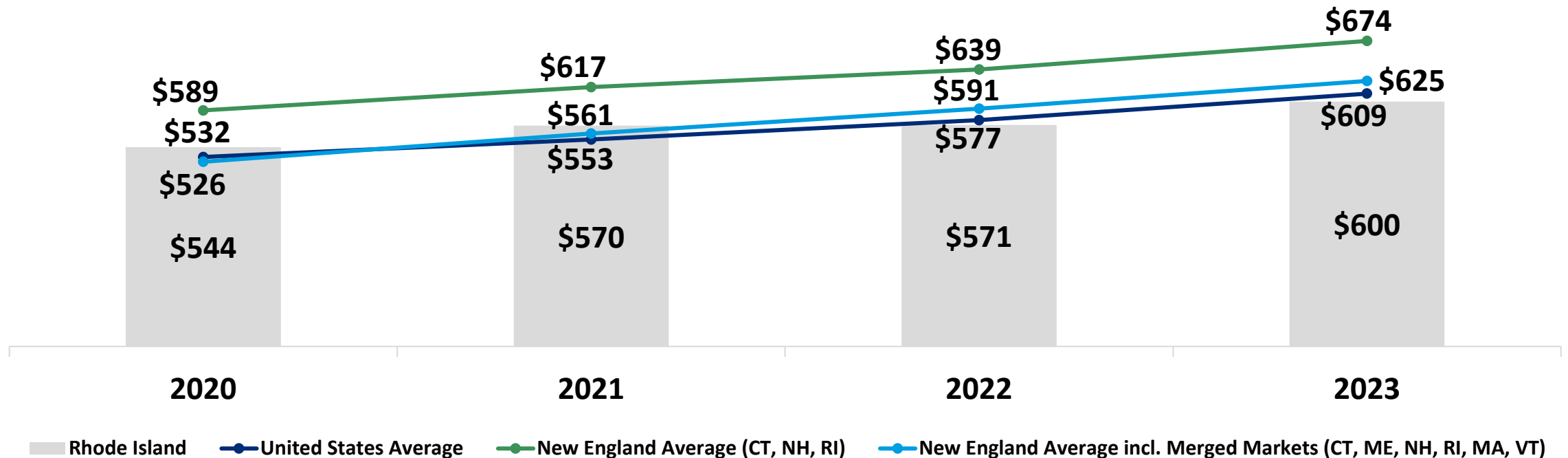


© Oliver Wyman Source: Centers for Medicare and Medicaid Services. Appendix A to the Summary Report on Permanent Risk Adjustment Transfers for the 2023 Benefit Year. Premiums will vary by state due to plan design, demographics and regional cost differences along with availability of reinsurance. Vermont and New York are community rated.



# IN 2023, RHODE ISLAND SMALL GROUP MARKET AVERAGE PREMIUM ARE SLIGHTLY BELOW THE UNITED STATES AVERAGE AND CONTINUED TO BE LOWER THAN THE NEW ENGLAND AVERAGE (INCLUDING CT, NH, RI)

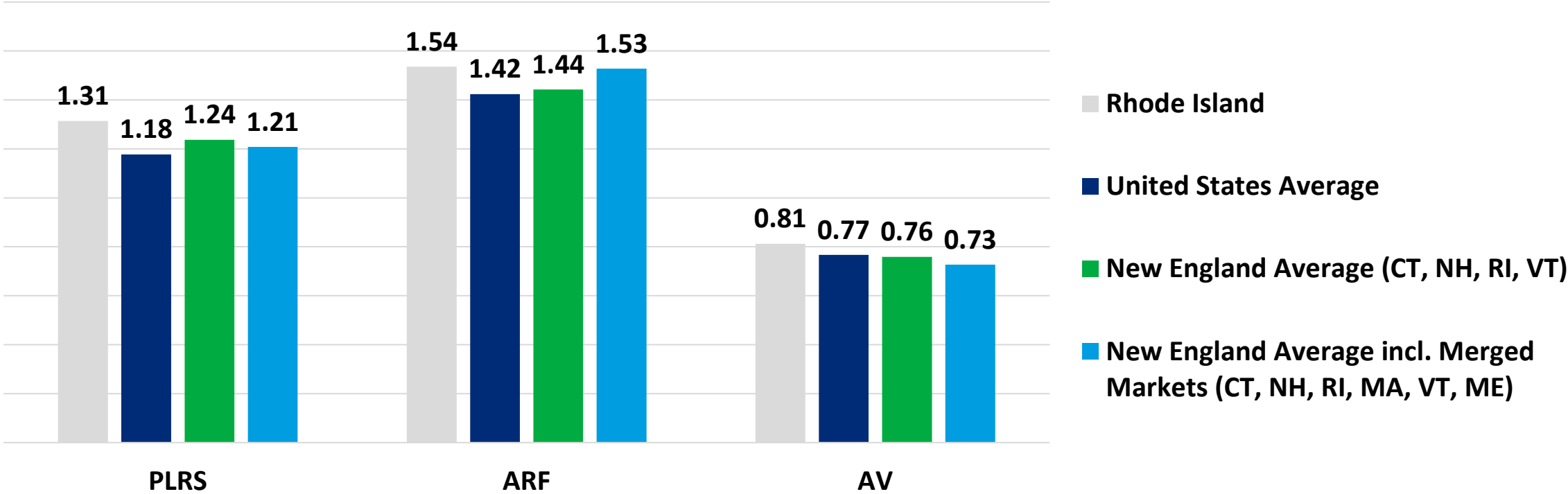
Small Group Market Average Premium PMPM



- This data is from the publicly available CMS risk adjustment reports
- In 2023, Rhode Island average premiums are 2% lower than the United States average and 11% lower than the New England average including CT, NH, and RI
- Premiums will vary by state due to plan design, demographics, and regional cost differences

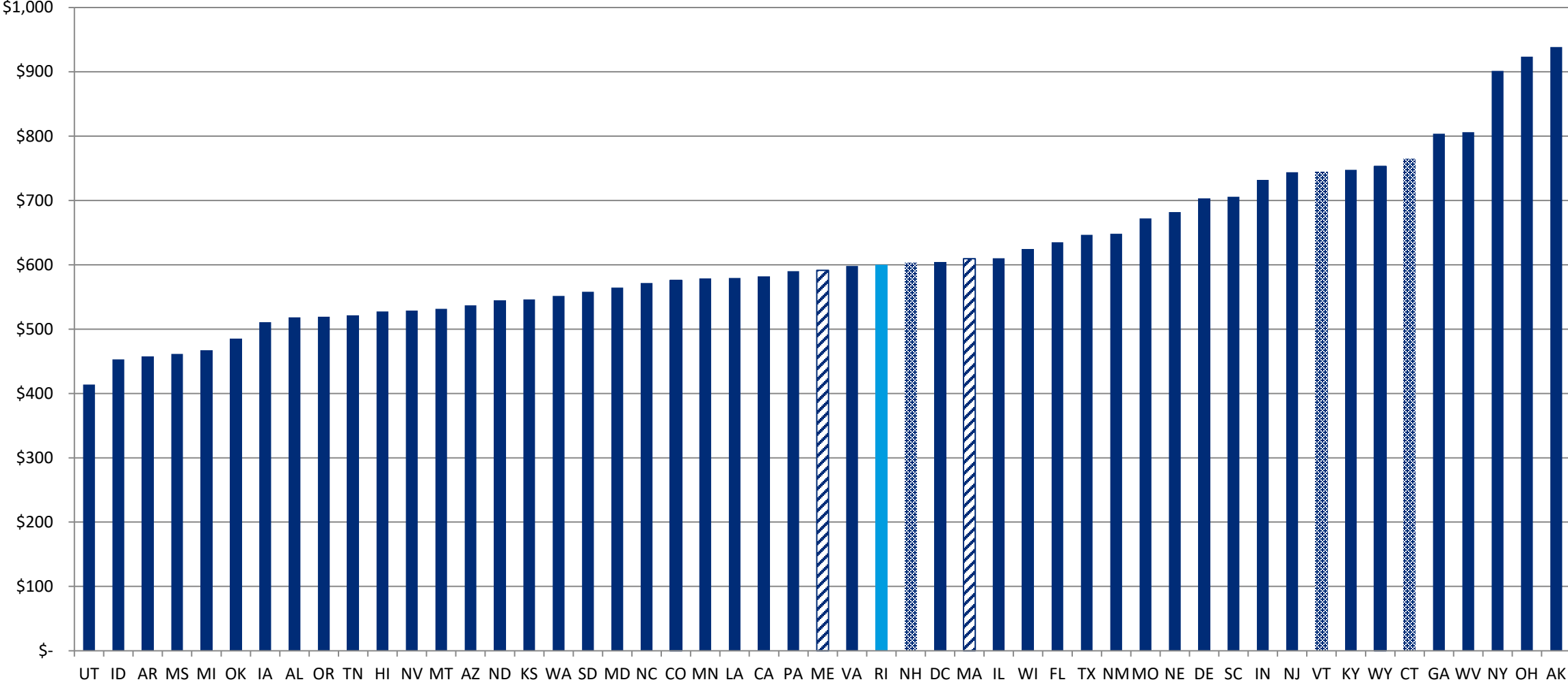
# RHODE ISLAND HAS HIGHER AVERAGE PLRS, ARFs, AND METAL AVs COMPARED TO THE UNITED STATES AVERAGE AND NEW ENGLAND AVERAGES

2023 State Average Actuarial Value, Allowable Rating Factor, and Plan Liability Risk Score for New England States  
 Small Group (CT, NH, RI, VT) & Merged Markets (MA, ME)



Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report Appendix A for 2023 benefit year. Note that the PLRS includes an adjustment for CSR enrollees, therefore the PLRS will vary based on the number of CSR enrollees. MA represents a merged market in all years; VT represents a merged market in 2019-2021; ME was added as a merged market in 2023. AV, ARF, and PLRS definitions can be found later in this report.

# IN 2023, RHODE ISLAND HAD THE 28<sup>TH</sup> LOWEST SMALL GROUP MARKET AVERAGE PREMIUM COMPARED TO OTHER STATES



© Oliver Wyman Source: Centers for Medicare and Medicaid Services. Appendix A to the Summary Report on Permanent Risk Adjustment Transfers for the 2023 Benefit Year. Premiums will vary by state due to plan design, demographics and regional cost differences along with availability of reinsurance. Vermont and New York are community rated.

# AV, ARF, AND PLRS DEFINITIONS

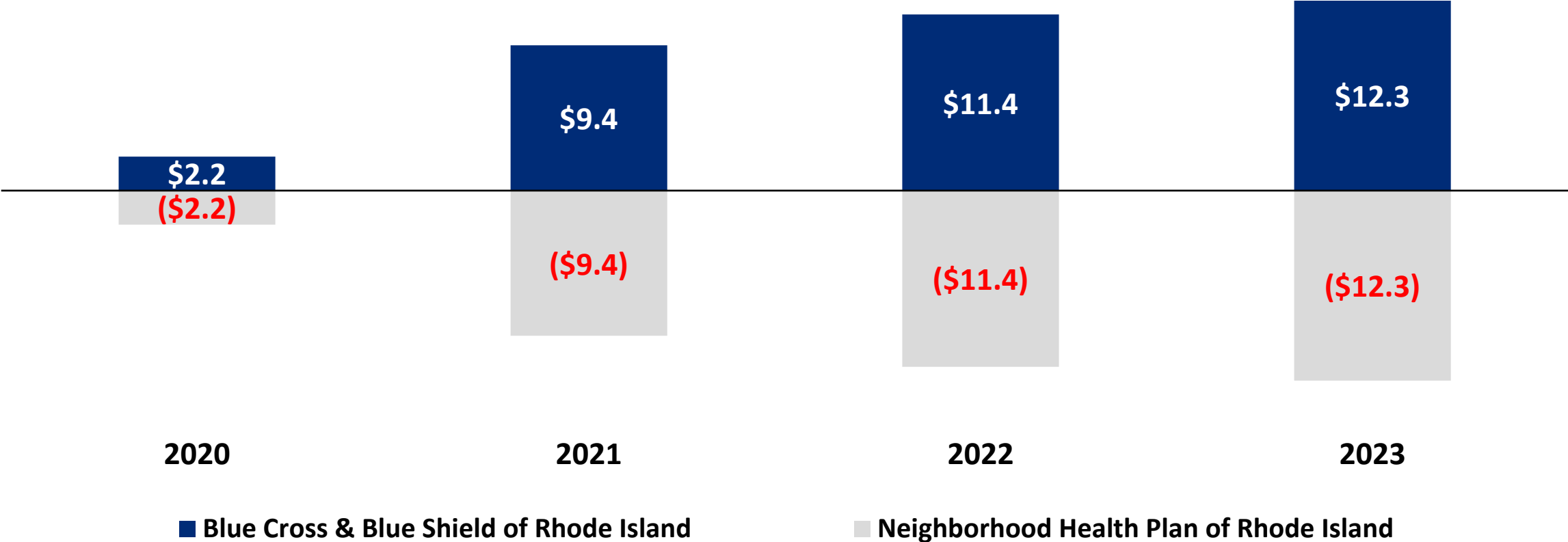
Definition	
<b><i>Actuarial Value (AV)</i></b>	AV is a measure of benefit richness. The higher the AV score, the richer the benefits and therefore less cost sharing paid by the member. In the ACA risk adjustment model, each plan ID is assigned a metal AV of either .60 (Bronze), .70 (Silver), .80 (Gold) and .90 (Platinum) based on their benefit richness as determined by the Federal AV calculator. An AV of 1.0 means there is no cost sharing.
<b><i>Allowable Rating Factor (ARF)</i></b>	The ARF is the average rating factor which is equivalent to the average age factor. CMS has a standard set of age factors where each member in a population is assigned a score based on their age. These scores increase as the members' age increases because older members generally use more health care services as compared to younger members. CMS limits the age factors to a 3:1 band for adults, meaning the age factor for the oldest members (age 64 and older) is limited to being three times the average age factor for a 21-year-old.
<b><i>Plan Liability Risk Score (PLRS)</i></b>	The PLRS is a risk score that is intended to reflect the insurer's expected cost for covering services related to its enrollees' medical conditions or health status. This risk score is calculated based on the HHS-HCC risk adjustment model from CMS. It is calculated based on claims data and includes factors to account for severe cases, age, enrollment duration, prescription drug use, and induced demand attributable to the receipt of cost sharing reduction ("CSR") subsidies. A higher PLRS is intended to reflect a sicker and riskier population (i.e., a population that is more costly for the insurer to insure.)

**05**

**FEDERAL RISK ADJUSTMENT RESULTS**

# RISK ADJUSTMENT PAYMENTS AND RECEIVABLES: INDIVIDUAL MARKET

Individual Market Risk Adjustment Payables & Receivables (\$ in Millions)

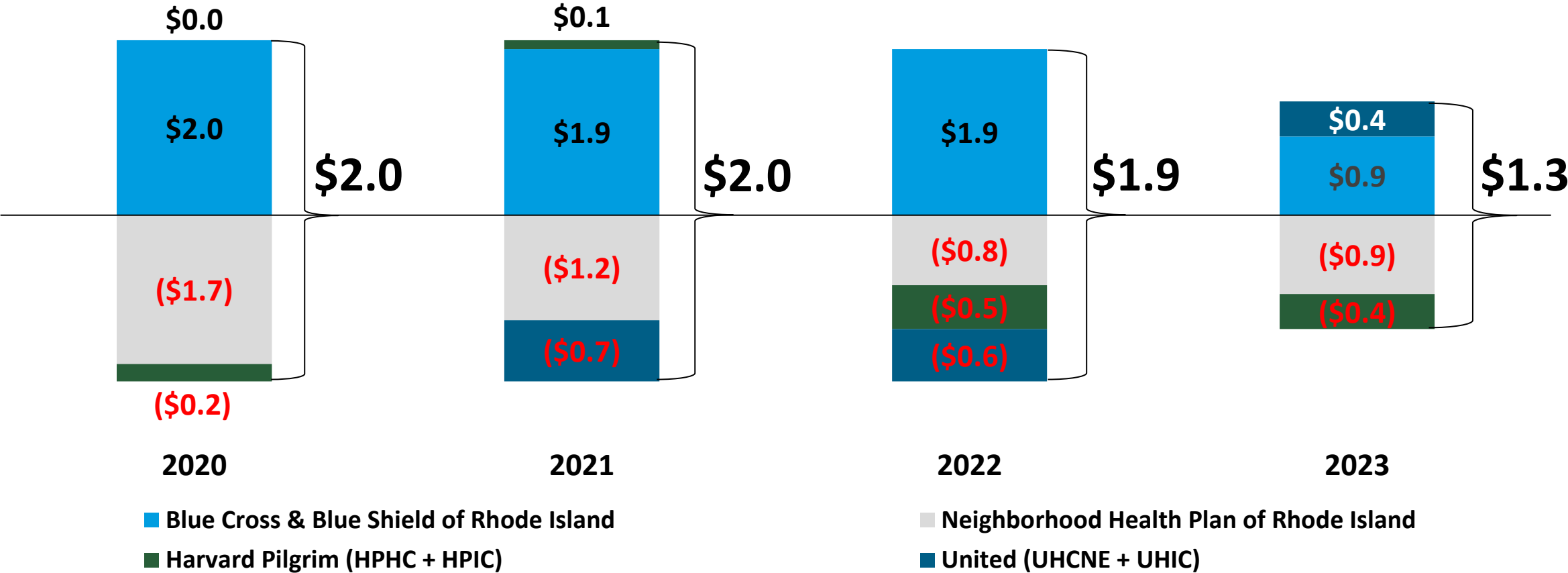


Positive = Company was a RECEIVER

Negative = Company was a PAYER

# RISK ADJUSTMENT PAYMENTS AND RECEIVABLES: SMALL GROUP MARKET

Small Group Market Risk Adjustment Payables & Receivables (\$ in Millions)



Positive = Company was a RECEIVER

Negative = Company was a PAYER

# **DATA SOURCES**



# DATA SOURCES

- Rhode Island OHIC Rate Filing Templates
- Insurer Annual Statements
- Federal MLR Reports
  - Adjustments were made to some insurer data to account for discrepancies between the federal MLR data and other data sources
- Centers for Medicare and Medicaid Services
  - Risk Adjustment Report Appendix A for 2020, 2021, 2022, 2023 Benefit Years
  - Appendix A to the Summary Report on Permanent Risk Adjustment Transfers for the 2023 Benefit Year

## **QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS**

Oliver Wyman Actuarial Consulting, Inc. (OWA) prepared this report for use by the client, the Rhode Island Office of the Health Insurance Commissioner. There are no third-party beneficiaries with respect to this report, and OWA does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources be deemed to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. OWA accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client. This report does not represent investment advice, nor does it provide an opinion regarding the fairness of any transaction to any and all parties. In addition, this report does not represent legal, medical, accounting, safety, or other specialized advice. For any such advice, OWA recommends seeking and obtaining advice from a qualified professional.

This study includes results based on actuarial analyses conducted by Corryn Brown and Allie Ladwig, and peer reviewed by Jenn Smagula. Corryn and Jenn are both members of the American Academy of Actuaries and are Fellows of the Society of Actuaries. They both meet the qualification standards for performing the actuarial analyses presented in this report.