

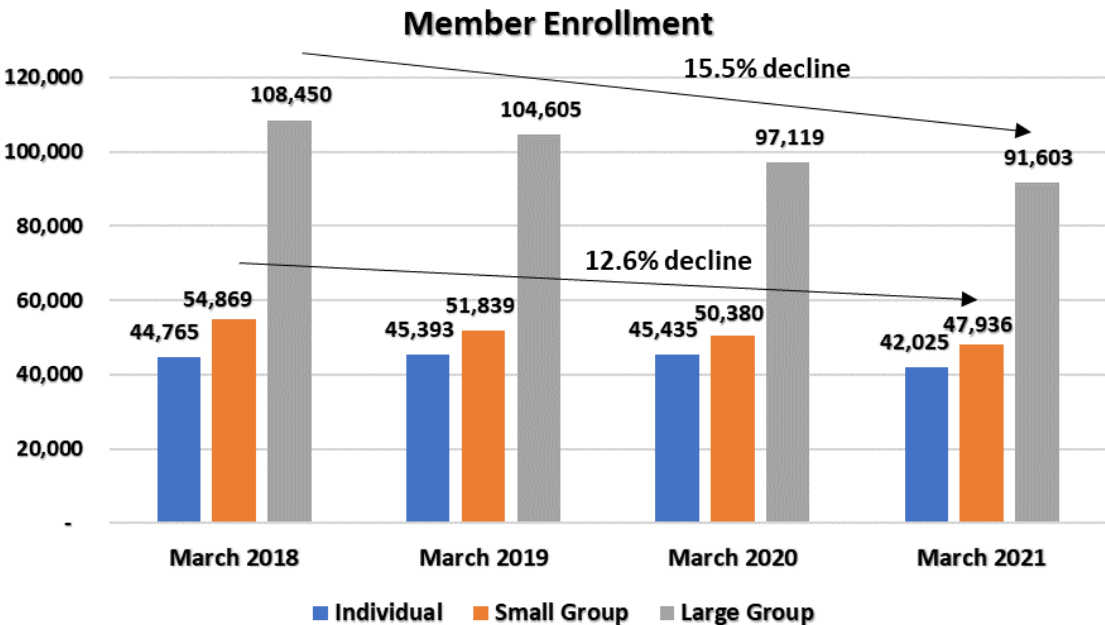
Rhode Island Market Summary based on 2022 Rate Filing Submissions as of October 15, 2021



Gorman Actuarial, Inc.

All Fully-Insured Market segments experienced declines in membership, led by Large Group.

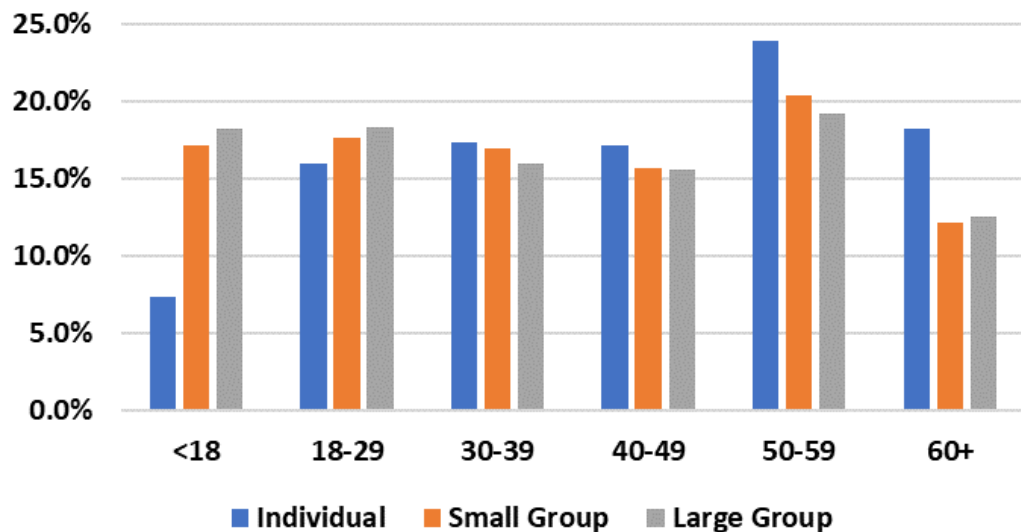
- The Small Group and Large Group Markets experienced declines in membership from 2018 through 2021.
- After remaining stable from 2018 through 2020, the Individual Market membership experienced a decline of 7.5% or approximately 3,500 members in 2021
- The Large Group Fully-Insured Market experienced the largest overall decline during this time period of 15.5% while the Small Group Market declined 12.6%.



Source: OHIC Rhode Island Rate Filing Template 2022 Large Group Market is fully-insured only and excludes FEP. Aetna does not have any members in RI as of March 2021. CIGNA membership estimated based on calendar year member months for 2018 and 2019.

The Individual Market is older than the Fully-Insured Group Markets.

**Distribution of Members by Age
March 2021**



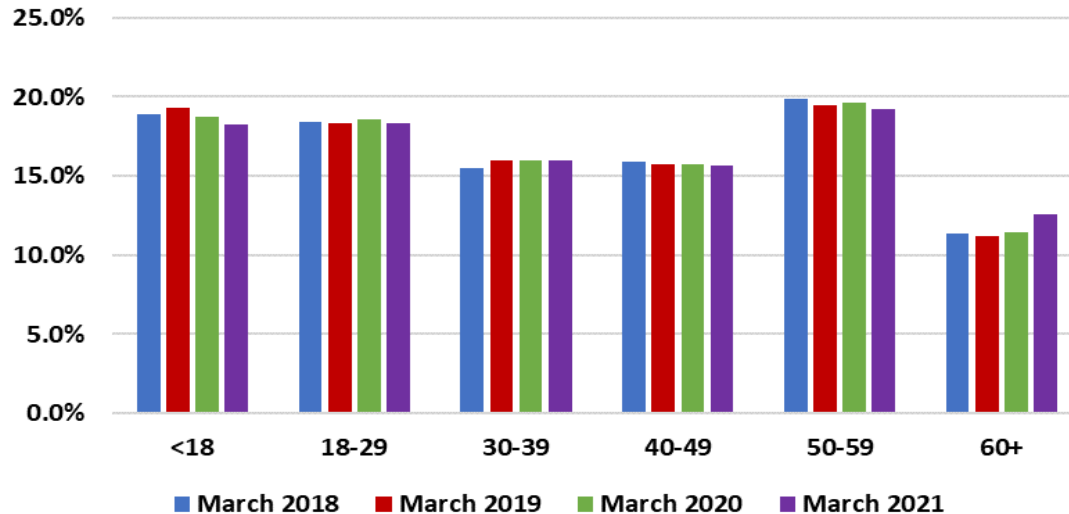
- The Fully-Insured Group Markets have a similar age distribution while the Individual Market has a higher proportion of 50-59 and 60+ enrollees.
- The estimated average age for the Individual Market is 42.7 while the estimated average age is 37.4 for Small Group and 36.9 for Large Group Fully-Insured Market.

Source: OHIC Rhode Island Rate Filing Template 2022. 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 and excludes FEP.



Large Group Market average age has remained steady.

**Distribution of Members by Age and Year
Large Group**



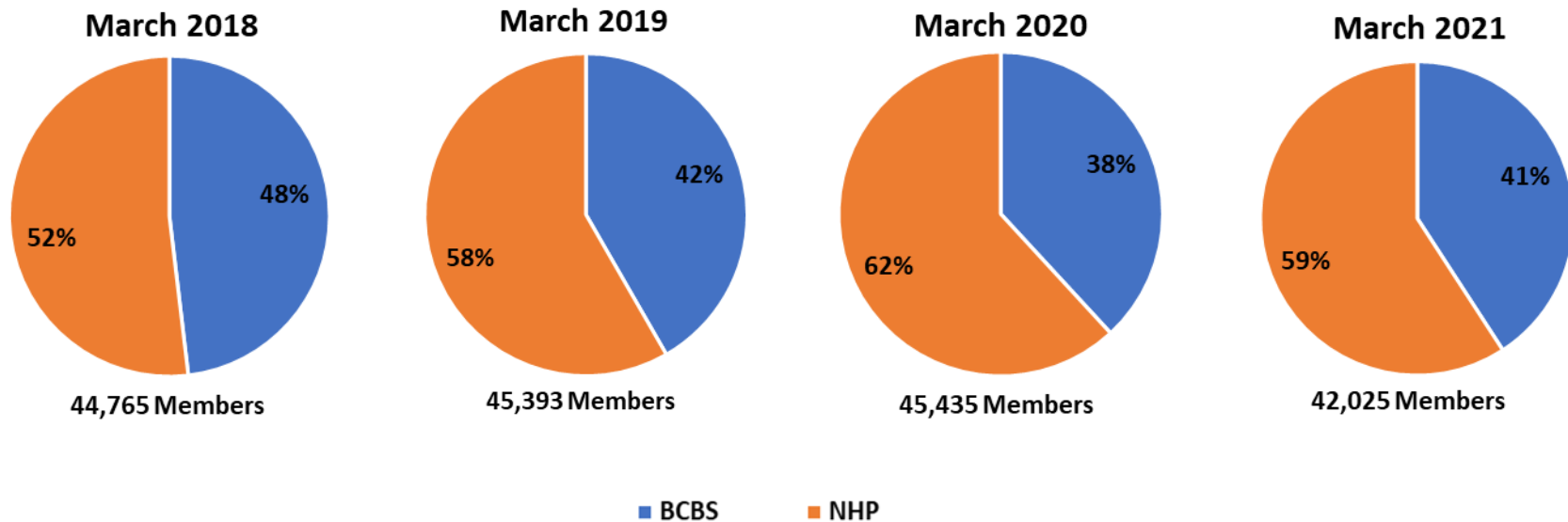
- Despite a fairly large decrease in membership from 2018 to 2021, the distribution of members by age has remained fairly stable during this time frame.
- The estimated average age has increased slightly from 36.5 in 2018 to 36.9 in 2021.

Source: OHIC Rhode Island Rate Filing Template 2022. 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+.”

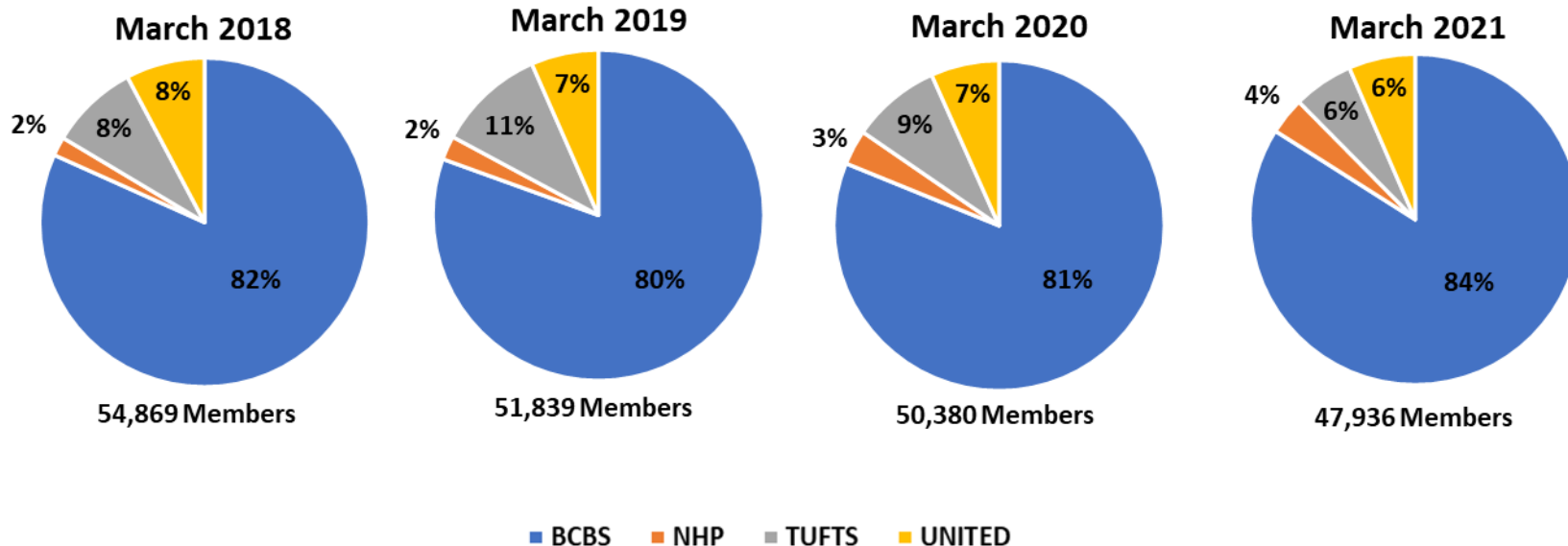
Large Group Market is fully-insured only and excludes FEP. Cigna data was not available for 2018 and 2019 but represents less than 1% of the population.



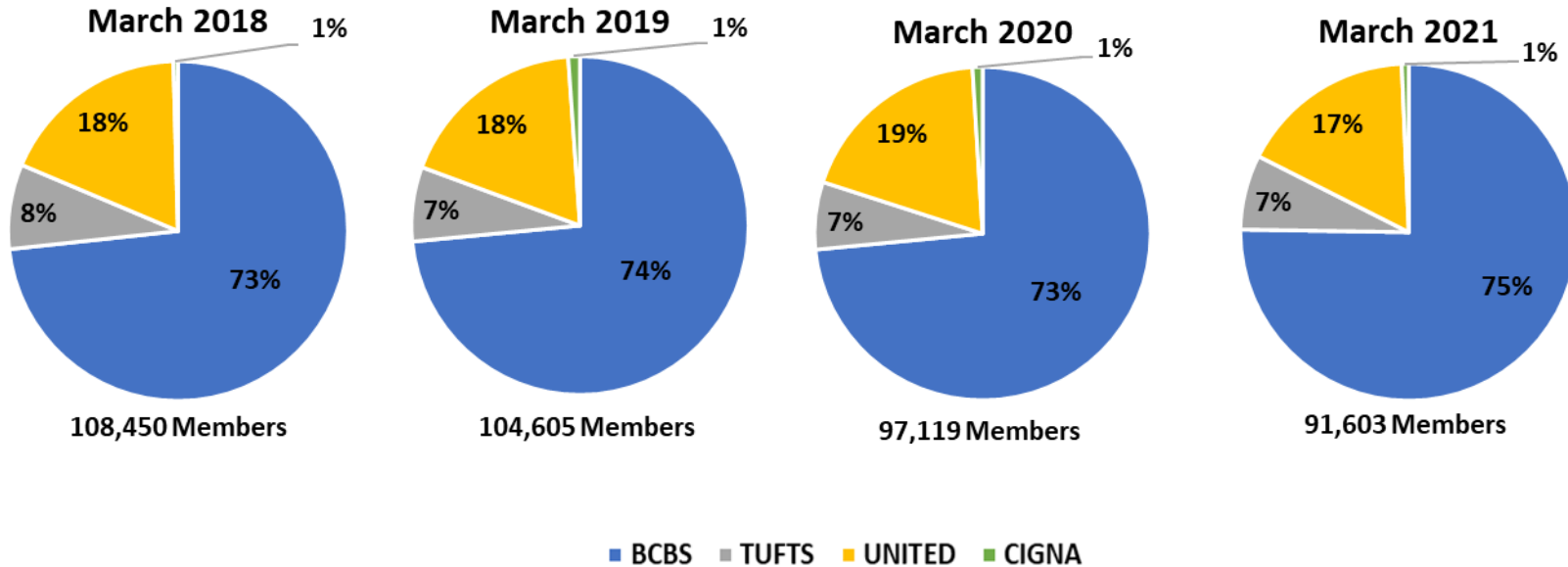
In the Individual Market, there was some shift in market share among the two insurers, with NHP generally increasing market share over time.



In the Small Group Market, BCBSRI continues to have the highest market share, with 84% in 2021.

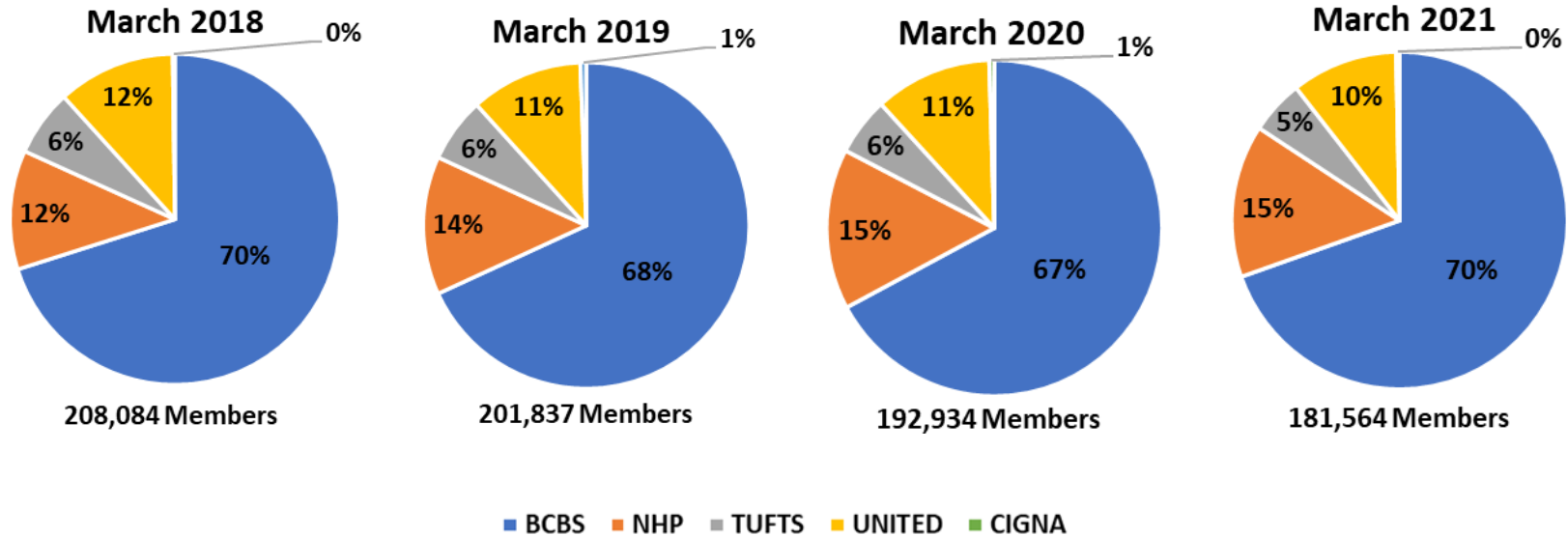


In the Large Group Fully-Insured Market, BCBSRI has 75% of the market share in 2021, followed by United at 17%.



Source: OHIC Rhode Island Rate Filing Template 2022. Large Group Market is fully-insured only and excludes FEP. Aetna does not have any members in RI as of March 2021. CIGNA membership estimated based on calendar year member months for 2018 and 2019.

Across the entire Fully-Insured Market in Rhode Island, the market share has remained fairly consistent for the past four years.

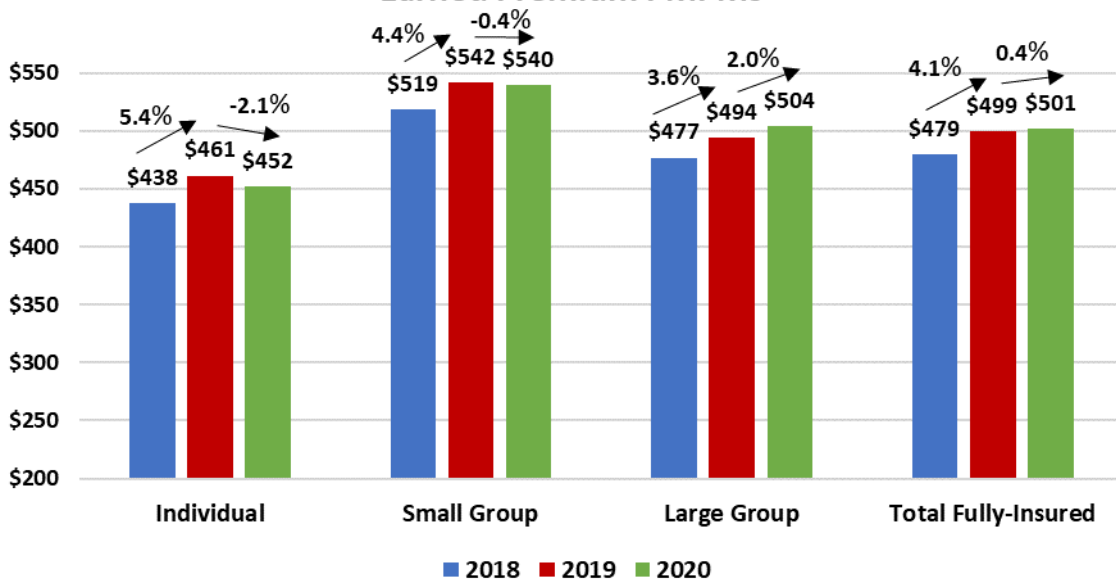


Source: OHIC Rhode Island Rate Filing Template 2022. Large Group Market is fully-insured only and excludes FEP. Aetna does not have any members in RI as of March 2021. CIGNA membership estimated based on calendar year member months for 2018 and 2019.



Total Earned Premium PMPM increased in 2019 but remained flat in 2020 in the total Fully-Insured Market.

Earned Premium PMPMs



Approved Rate Changes

	2019	2020
Individual Market	8.0%	-0.6%
Small Group Market	4.8%	4.8%
Large Group Market	8.2%	8.2%

Source: OHIC Rhode Island Rate Filing Template 2022. State-based reinsurance program under Section 1332 Waiver started in 2020. Large Group Market is fully-insured only and excludes FEP. Approved Rate changes represent weighted averages by insurer weighted by the prior year premium. State-based reinsurance program in the Individual Market started in 2020.



Approved rate changes will differ from earned premium changes for various reasons.

Benefit Buy Down

Approved rate changes assumes no change in plan design compared to the prior year.

Earned premium reflects enrollees switching plans from year to year, typically to a lower costing plan.

Demographic Shifts

Approved rate changes reflect static populations.

Earned premium changes reflect the changing age of the population.

Market Shifts

Approved rate changes do not reflect any shifting enrollment among insurers while earned premium changes will include this.

This includes shifts due to new and terminated business.

2020 COVID Premium Credits

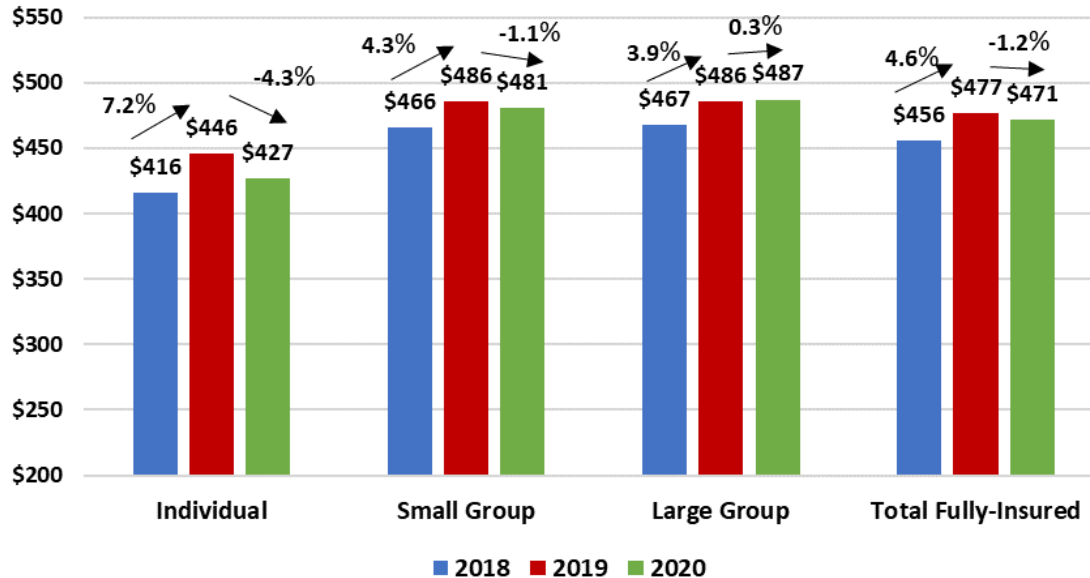
Some insurers provided premium credits to individuals and groups due to the impact of COVID.

This is included in the earned premium change but not the approved rate changes.

Three insurers in Rhode Island provided COVID premium credits in 2020, BCBSRI, CIGNA and United. Also note that in the Large Group Market, approved rate changes on the previous slide represent the rate cap determined as part of the rate review process for renewing groups but this is not necessarily what is sold to the employer group.

Allowed Claims PMPM Trends were flat or negative in 2020, most likely due to COVID-19.

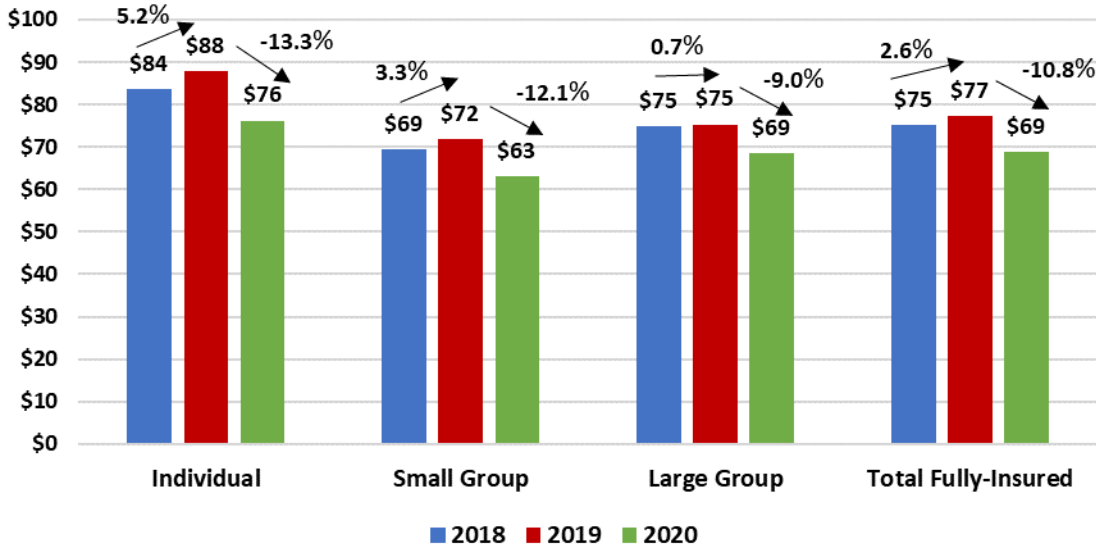
Total Allowed Claims PMPM



- Allowed Claims PMPM represents the insurer liability (or incurred claims) and the member cost sharing.
- Allowed Claims PMPM trends decreased 1.2% across the Total Fully-Insured Market segment for 2020.
- Individual Market Allowed Claims PMPM decreased 4.3% and Small Group Market Allowed Claims PMPM decreased 1.1%, while the Large Group Allowed Claims PMPM was flat at 0.3% in 2020.
- In 2019, the overall Fully-Insured Market increased 4.6%, led by the Individual Market increase at 7.2%.

Cost Sharing PMPM trends were negative in 2020 for each segment.

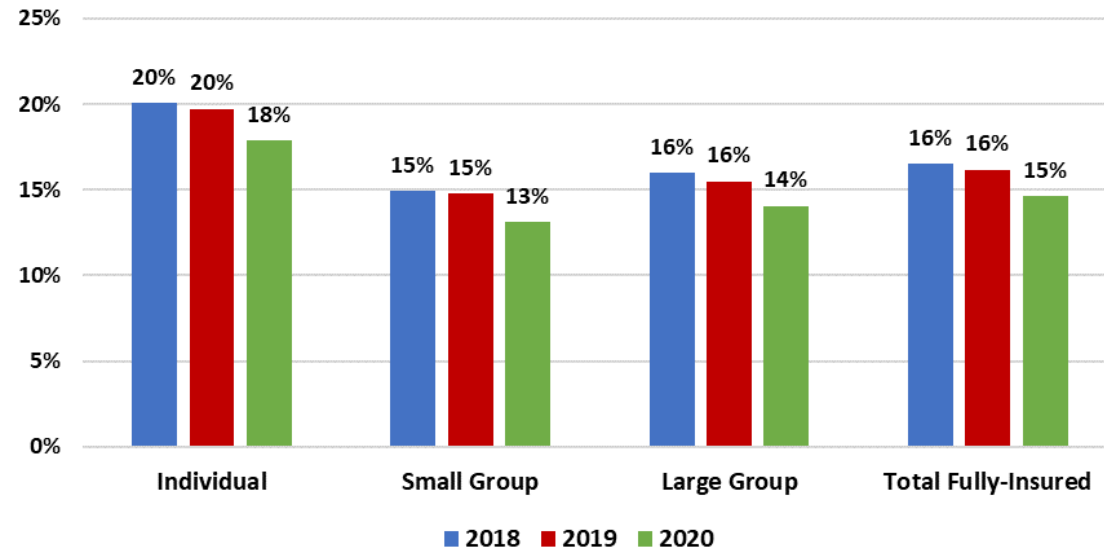
Total Cost Sharing PMPM



- Total cost sharing represents the member portion of medical and pharmacy claim and includes copays, coinsurance and deductibles.
- From 2018 to 2019, cost sharing increased 2.6% across the Total Fully-Insured Market.
- This changes from 2019 to 2020 where cost sharing PMPMs trends decreased 10.8%.
- This is mostly likely due to the impact of COVID-19 and the reduced utilization of services that have cost sharing applied.

The Individual Market has the highest cost sharing as a percentage of allowed claims.

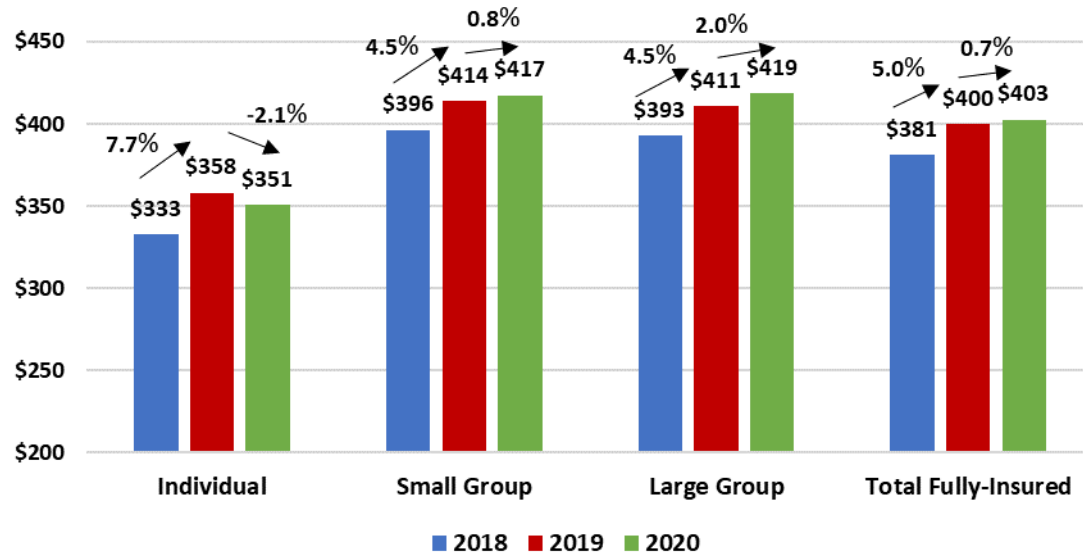
Cost Sharing as a % of Allowed



- In 2020, the Individual Market enrollees pay 18% of their total allowed claims in cost sharing. This is higher than the Small Group Market at 13% and the Large Group Market at 14%.
- 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.
- Consistent with the previous slide, the cost sharing as a percentage of the allowed PMPMs have decreased from 2019 to 2020 most likely due to COVID's impact on the mix services.

Incurred Claims PMPM trends in 2020 were higher than Allowed Claims PMPM trends.

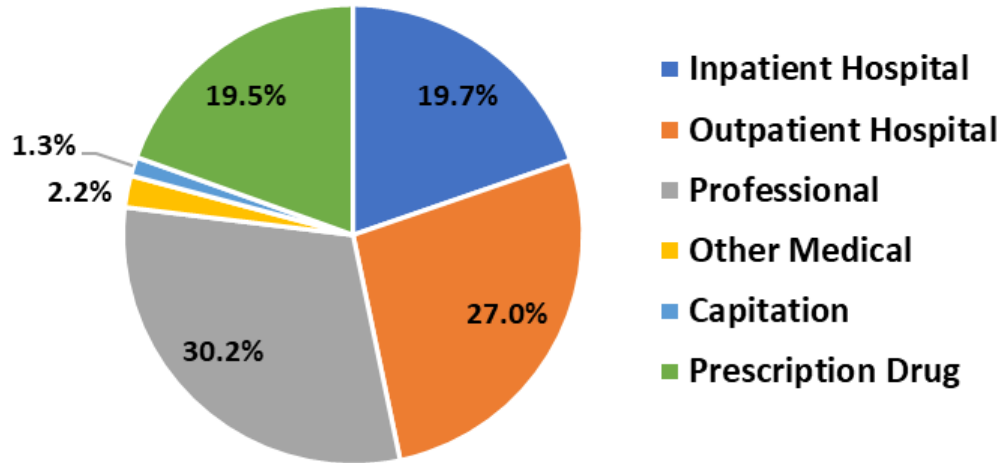
Total Incurred Claims PMPM



- Incurred Claims, or allowed claims less member cost sharing, represent the health plan liability.
- The overall Allowed Claims PMPM decreased 1.2% in 2020 while the Incurred Claims PMPM increased 0.7%. The Incurred Claims trend is higher than the Allowed Claims trend due to member cost sharing decreasing at a greater rate than the allowed claims.
- In 2019, Incurred Claims PMPM trends increased 4.5% in each of the Group Markets and slightly more in total at 5.0%. The Individual Market experienced a 7.7% increase in 2019.

In 2020, Professional Services represented 30% of the Total Fully-Insured Market Allowed Claims.

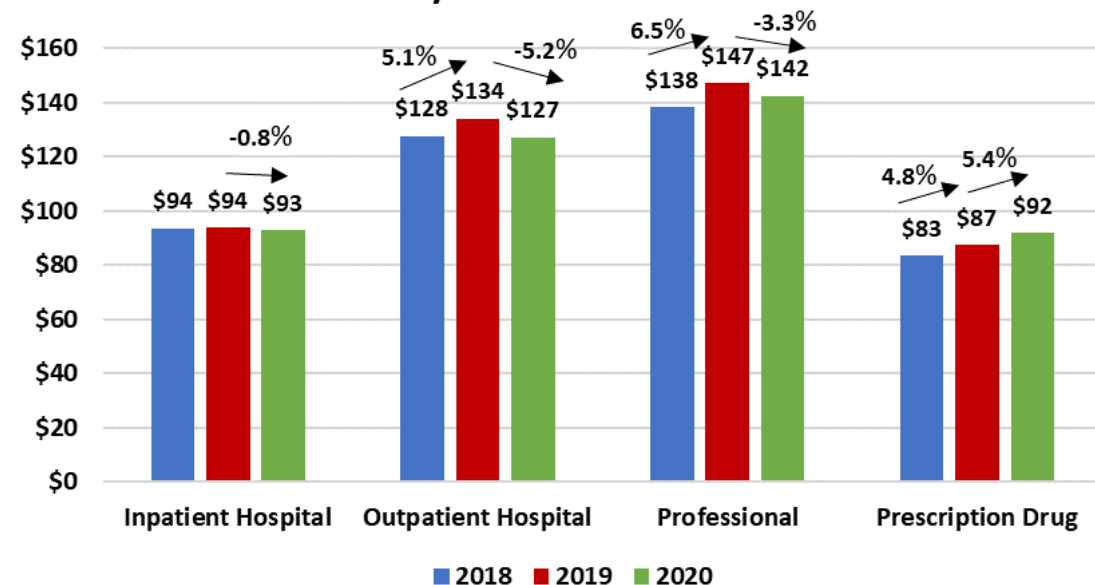
**2020 Distribution of Allowed Claims
by Service Category
Total Fully-Insured**



- Professional services contributed 30% of the total Allowed Claims, while Outpatient Hospital services represented slightly less at 27%.
- Inpatient and Prescription Drugs comprised approximately the same amount of the total Allowed Claims at nearly 20% each.
- This distribution in 2020 is fairly consistent with the distribution in 2019, except that Outpatient Hospital comprised slightly more claims in 2019 compared to 2020 and Prescription Drugs comprised slightly less.

In the Total Fully-Insured Market, Outpatient Hospital and Professional Services trended the lowest in 2020.

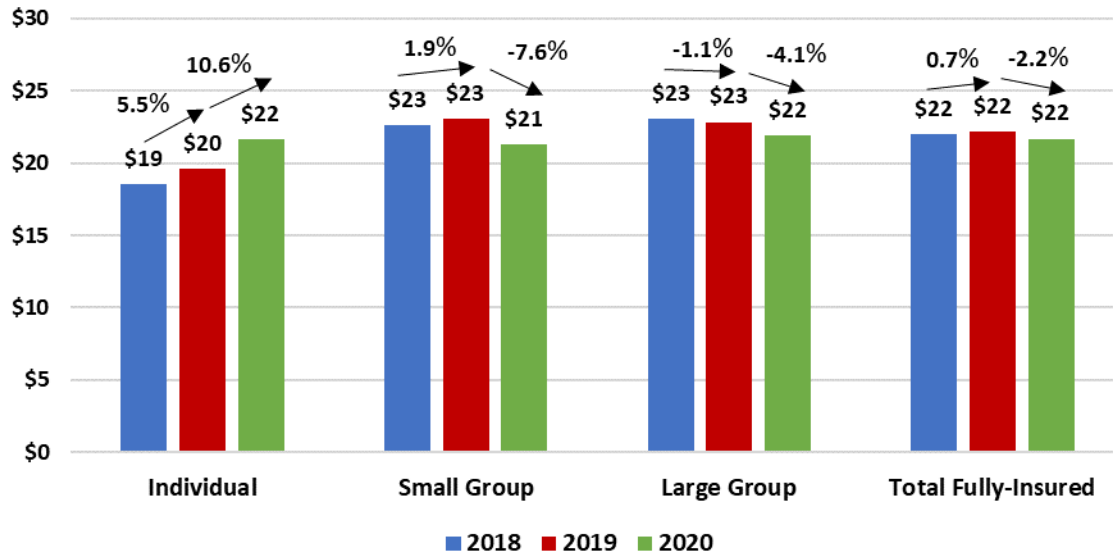
Total Fully-Insured Allowed Claims PMPM



- In 2019, increases in Outpatient Hospital, Professional services and Prescription Drugs were drivers of the overall Total Fully-Insured Market Allowed Claims PMPM trend.
- In 2020, Outpatient Hospital and Professional services were the drivers of the overall negative Allowed Claims PMPM trend and were partly offset by the increase in the Prescription Drug PMPM trend.
- Pharmacy PMPMs were not expected to be impacted by COVID-19 and increased 5.4% in 2020.

Primary Care Allowed Claims PMPMs decreased in all market segments except the Individual Market in 2020.

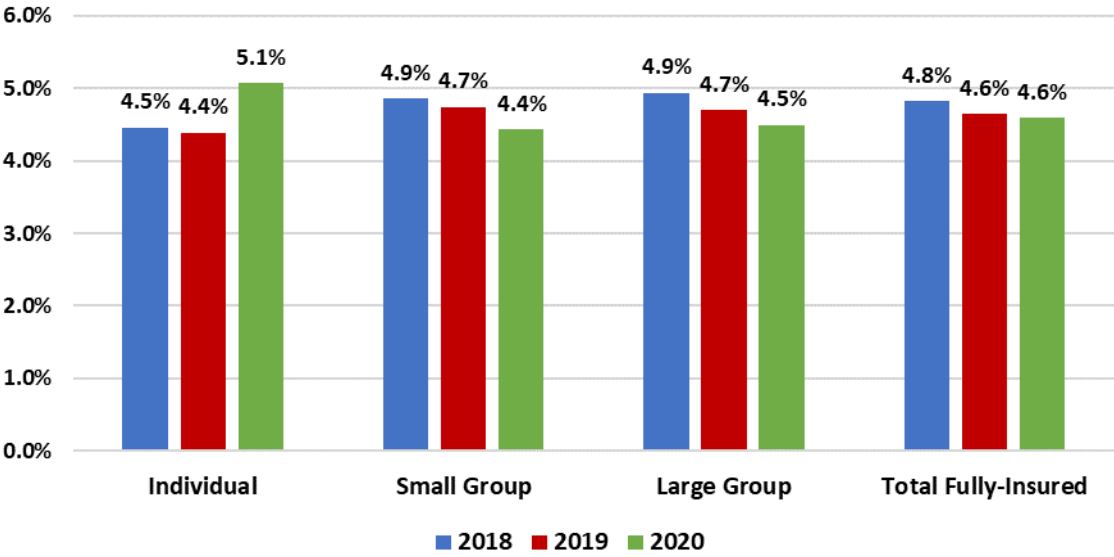
Primary Care Allowed Claims PMPM



- The Individual Market has experienced two years of increasing Primary Care PMPMs in 2019 and 2020, for an overall two-year trend of 16%.
- The Group Markets experienced negative Primary Care allowed PMPMs in 2020, most likely due to the impact from COVID-19.

Primary Care as a percentage of Total Allowed Claims PMPMs remained at 4.6% in 2020 but varies by market segment.

Primary Care as a % of Total Allowed Claims

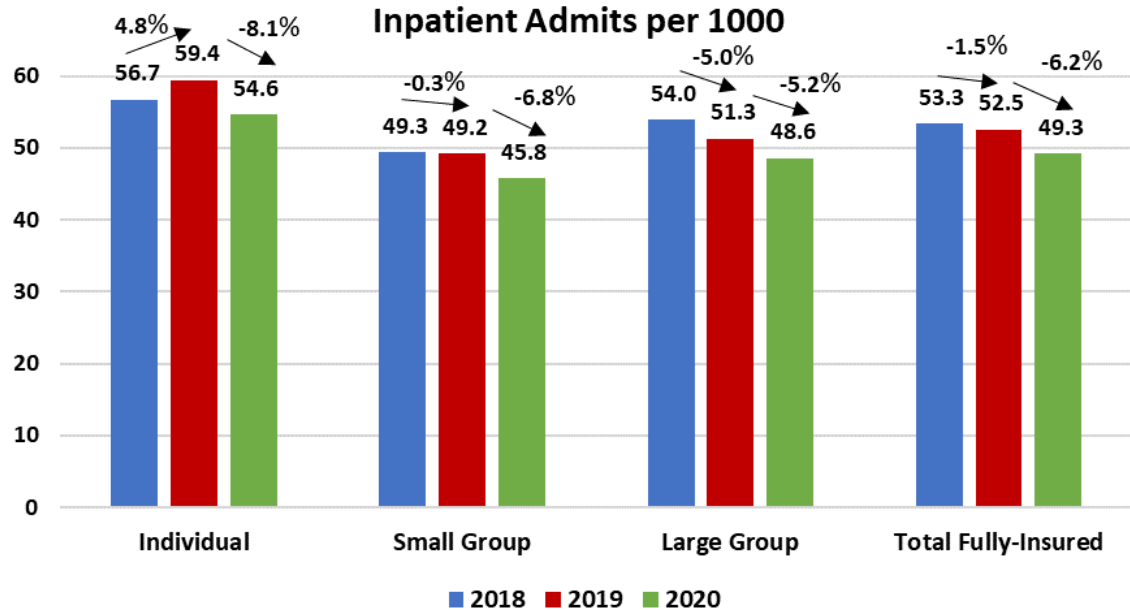


- The Individual Market Primary Care as a percentage of allowed claims increased from 4.4% in 2019 to 5.1% and is currently the highest compared to other market segments.
- The Group Markets each experienced a slight decrease in the percentage of Primary Care as a percentage of allowed claims in 2020.

Source: OHIC Rhode Island Rate Filing Template 2022
 Large Group Market is fully insured only and excludes FEP.

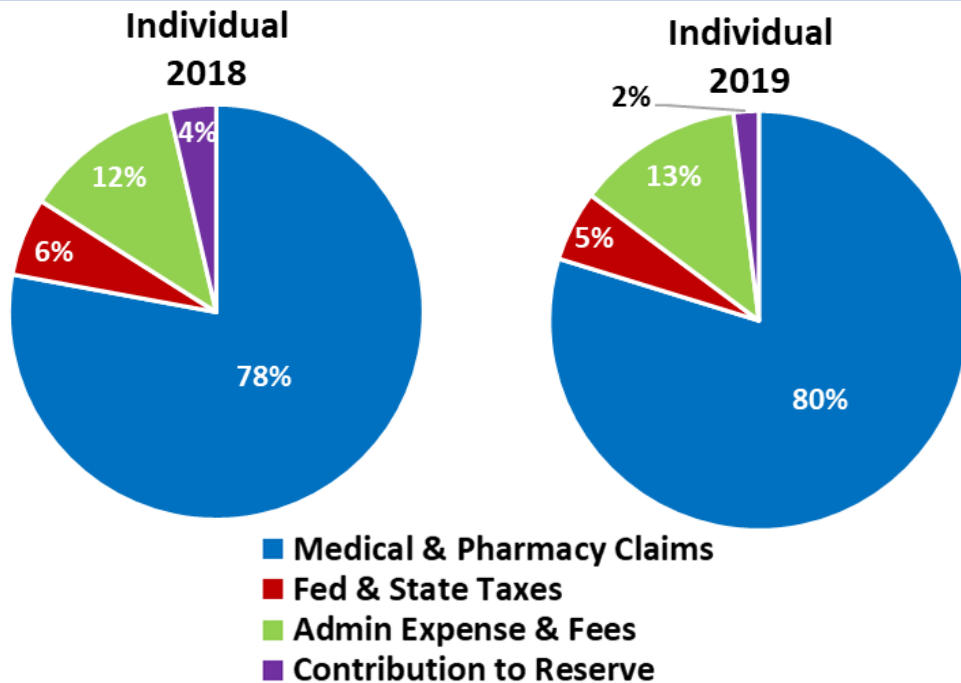


Inpatient Admits per 1000 decreased in all market segments from 2019 to 2020, most likely due to COVID-19 impact.



- Each of the Group Markets experienced a decrease in Inpatient Admits per 1000 in 2019 and 2020.
- The Individual Market experienced an increase in Inpatient Admits in 2019, but then decreased in 2020 by -8.1%.

In the Individual Market, 80% of premium is used for medical and pharmacy claims in 2019.

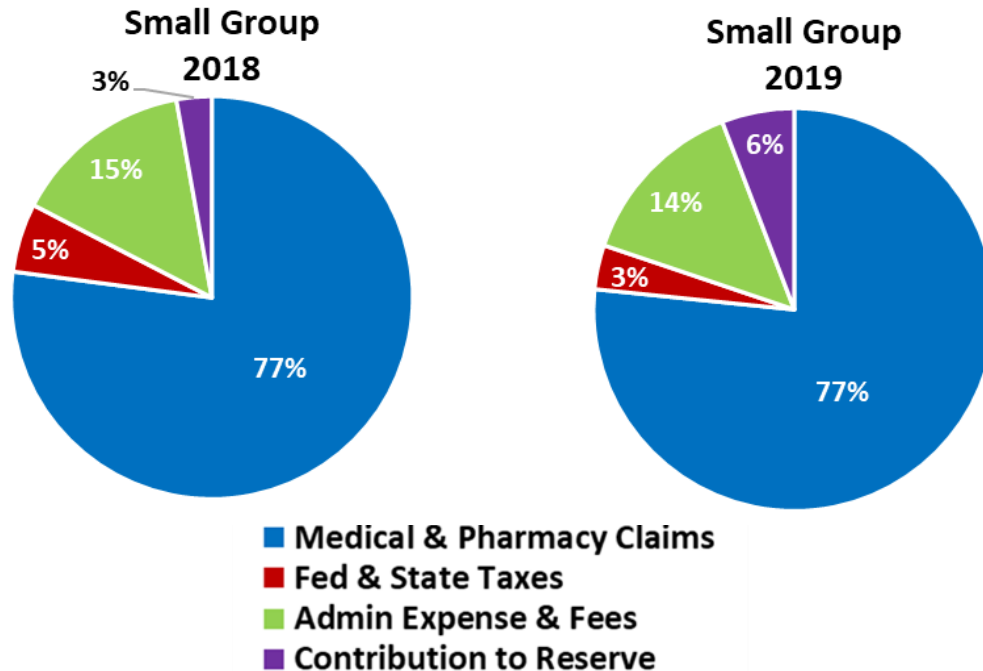


- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes. See slide 24 for more explanation.
- In the Individual Market, most of the components of premium have been fairly consistent from 2018 to 2019.
- The contribution to reserve decreased from 4% in 2018 to 2% in 2019.

Source: Federal MLR Reports. For 2019, one carrier's data was incomplete for the "Other General Administrative Expenses" and the SHCE was used instead. There were no federal MLR rebates incurred in 2018 or 2019. There was a moratorium on the ACA Insurer Tax in 2019. Federal MLR forms for 2020 are not yet public.



In the Small Group Market, 77% of premium is used for medical and pharmacy claims in 2019.

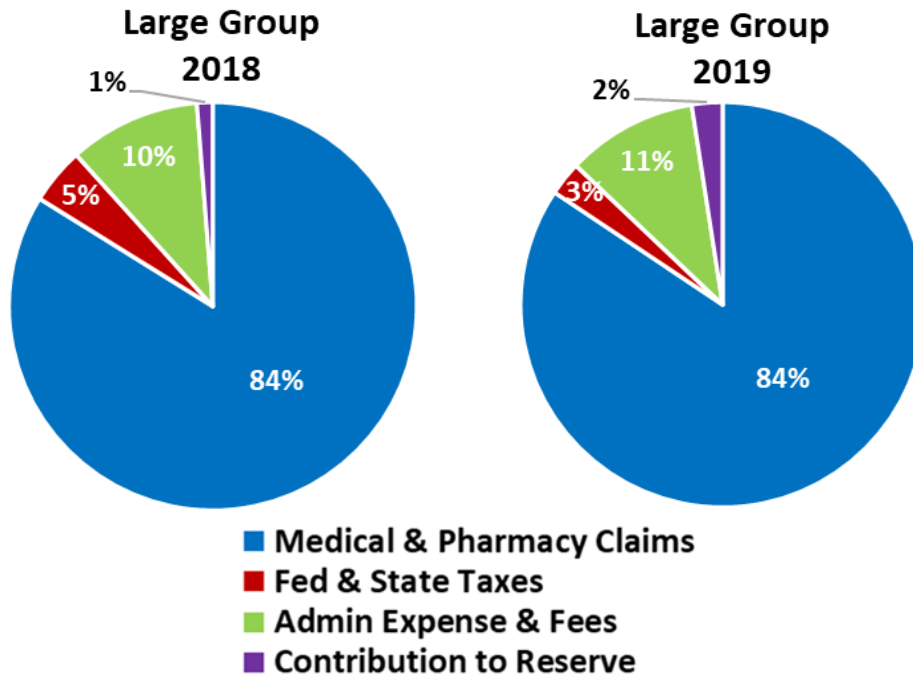


- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes. See slide 24 for more explanation.
- In the Small Group Market, the percentage of premium used for medical and pharmacy claims has remained consistent from 2019 to 2020 at 77% while the contribution to reserve has increased from 3% in 2018 to 6% in 2019.

Source: Federal MLR Reports. For 2019, one carrier's data was incomplete for the "Other General Administrative Expenses" and the SHCE was used instead. There were no federal MLR rebates incurred in 2018 or 2019. There was a moratorium on the ACA Insurer Tax in 2019. Federal MLR forms for 2020 are not yet public.



In the Large Group Market, 84% of premium is used for medical and pharmacy claims in 2019.

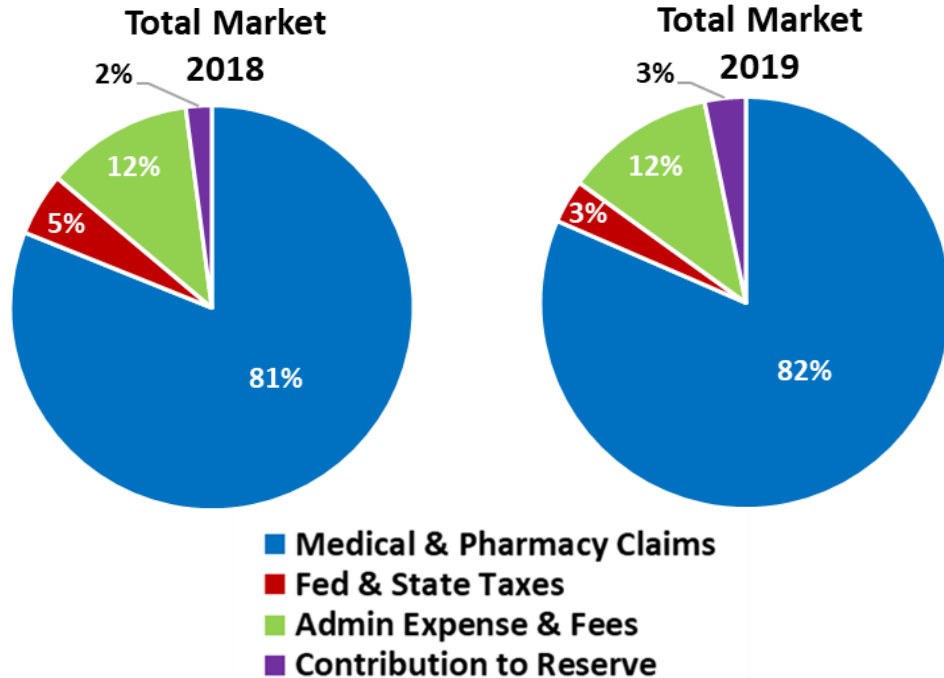


- This slide is based on RI OHIC's Financial Loss Ratio, which is not the same as the Federal MLR for rebate purposes. See slide 24 for more explanation.
- Similar to the Individual Market, in the Large Group Market most of the components of premium have been fairly consistent from 2018 to 2019.
- The contribution to reserve increased slightly from 1% in 2018 to 2% in 2019.
- Compared to the Individual and Small Group Market, the Large Group Market has lower administrative expenses and contribution to reserve as a percentage of premium.

Source: Federal MLR Reports. Large Group Market is fully-insured only and includes FEP. For 2019, one carrier's data was incomplete for the "Other General Administrative Expenses" and the SHCE was used instead. There were no federal MLR rebates incurred in 2018 or 2019. There was a moratorium on the ACA Insurer Tax in 2019. Federal MLR forms for 2020 are not yet public.



In the overall Fully-Insured segment, 82% of premium was used for medical and pharmacy claims in 2019.



- 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 25 for more explanation.
- In the overall Fully-Insured Market segment, the components of premium have been fairly consistent from 2018 to 2019.
- The overall contribution to reserve increased slightly from 2% in 2018 to 3% in 2019.

Source: Federal MLR Reports. Large Group Market is fully-insured only and includes FEP. For 2019, one carrier's data was incomplete for the "Other General Administrative Expenses" and the SHCE was used instead. There were no federal MLR rebates incurred in 2018 or 2019. There was a moratorium on the ACA Insurer Tax in 2019. Federal MLR forms for 2020 are not yet public.



Comparison of the Federal MLR versus the RIOHIC Financial Loss Ratio shown in this presentation.

	Federal Medical Loss Ratio	RIOHIC Financial Loss Ratio in this Presentation
<i>Purpose</i>	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.
<i>Population</i>	By licensed insurer and market segment in the fully-insured market.	Across all insurers. By market segment in the fully-insured market.
<i>Time Period</i>	Average over three calendar years.	One calendar year.
<i>HCQI and Fraud Reduction Expenses</i>	Add to incurred claims.	Included with administrative expenses.
<i>MLR Rebates</i>	Not considered.	Subtracted from earned premium.
<i>Taxes & Fees</i>	Subtracted from earned premium.	Included as its own category.

Based in part on a summary from the Massachusetts CHIA 2021 Annual Report.

Disclosures and Limitations

Limitations and Data Reliance

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Analysis in this report was based on data provided by the insurers in the Rhode Island health insurance markets in the annual rate filings, and other public sources. Gorman Actuarial has not audited this information for accuracy. We have performed a limited review of the data for reasonableness and consistency. If the underlying data are inaccurate or incomplete, the results of this analysis may likewise be inaccurate or incomplete.

The report contains statements that attempt to provide some prospective context to current or past trends. These statements are based on the understanding of the existing and proposed regulatory environment as of October 2021. If subsequent changes are made, these statements may not appropriately represent the expected future state.

Qualifications

The analysis in this report is based on work conducted by Jennifer Smagula and Bela Gorman, both of whom are members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They both meet the qualification standards for performing the actuarial analyses presented in this report.