STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ConnectiCare Benefits, Inc. Individual Exchange 2021

Finding of Facts

1. This submission is for products to be marketed on the Exchange for individual policies effective January 1, 2021.

2. The starting rates for this Individual Exchange product have been developed as follows. The projected claim costs for this Policy form, Individual Exchange, were based on the existing non-grandfathered Individual risk pool of ConnectiCare Benefits, Inc. (CBI), using the incurred period January 2019 through December 2019, paid through April 2020. Appropriate completion factors were then applied and the claims were trended at an average annual trend of 8.9% for 24 months. Non-FFS costs and the impact of Health Care Reform are included. The projected claims were also normalized for average Age, Benefit and Area factors to develop the proposed base rate.

3. The proposed overall plan rate change is +5.5% compared to the previously filed and approved 2020 plan rates. The overall plan rate change reflects the changes in the base rate as well as plan relativities with projected 2021 membership.

4. The increase represents a weighted average of the rate changes for all existing plans that will be offered in 2021, ranging from a negative 2.4% to a positive 15.0%.

5. These rate changes include medical inflation and utilization trends, as well as changes including but not limited to member cost sharing, changes in benefit design (cost sharing levels) to ensure that plans comply with the Actuarial Value requirements, changes in ACA fees.

6. Rate changes vary by plan primarily due to the following reasons:
   - Changes in cost sharing levels to ensure that plans comply with the HHS Actuarial Value metallic requirements.
   - Fixed dollar features in certain plans, such as deductibles, copayments, and out-of-pocket maxima, lead to leveraging effects when the underlying cost structure increases with trend. For example, with a plan containing a given fixed copay for a primary care visit, if underlying costs of PCP visits increase by 6%, then the net costs to the carrier are greater.

7. Into the seventh year of ACA, the single risk pool morbidity of the Connecticut Individual market is expected to continue deteriorating relative to prior years. We anticipate an increase in medical service utilization, due in part to the elimination of the individual mandate penalty. Without an effective mandate, some members

who are currently insured, primarily younger and healthier, will exit the market. As premiums rise, we anticipate further adverse impact to the risk pool. We expect an increase in single risk pool morbidity due to many factors in the current political and healthcare landscape including the repeal of the individual mandate.

8. Claims costs are expected to increase for anticipated medical/prescription drug inflation and increased medical/prescription drug utilization.

9. The new State mandatory benefits required for 2021 include prosthetics, over-the-counter contraceptives, pregnancy as qualifying event, and mammograms.

10. Certain plans in the individual Exchange offering have some benefit adjustments in order to meet the metal level based on the Actuarial Value Calculation, 2021 version. The benefit adjustments include changes in deductible or maximum out-of-pocket amounts, member cost shares, etc.

11. Section 9010 of the ACA imposes a fee on each covered entity engaged in the business of providing health insurance for United States health risks. The fee was repealed for calendar years beginning after December 31, 2020.

12. The PCORI fee is added to the rate development for 2021.

13. Changes in administrative expenses on a per member per month basis are based on the projected expense levels and reflected in the rate build-up.

14. There are no material changes in provider networks. The anticipated changes are reflected in the unit cost trend assumptions.

15. A risk adjustment transfer payment is included in the rate development.

16. Source and Appropriateness of Experience Data Used: The source data used in the rate development is the claims experience from ConnectiCare Benefits, Inc. (CBI), which has been active in the individual Exchange market in Connecticut. The experience data is considered sufficient and fully credible; no manual rates were used in this development.

17. Baseline experience data from calendar year 2019 was projected to 2021, reflecting expected utilization and unit cost trends associated with the individual Exchange membership. These unit cost trends include the impact of negotiated provider discounts.

18. Retention items were projected consistently with the 2021 Plan for ConnectiCare, Inc. and Affiliates, including Administrative Expense, Sales Cost, Profit & Risk Load, and Taxes & Fees – these amounts are shown in Exhibit 2. The component for Sales Costs represents expected expenses related to sales and marketing, which may include commissions paid to external brokers, compensation for

internal sales personnel, advertising costs, and other internal and external costs associated with the acquisition of business. The Sales Cost is the aggregate expected cost – the actual amounts and distribution across various categories and channels will be managed within this overall amount as appropriate given the Company's business strategy, the competitive environment, legal and regulatory requirements, and other considerations deemed necessary by the Company.

19. The anticipated loss ratio for Federal MLR Rebate purposes is 83.2%.

20. The Index Rate for the Projection Period is equal to the Total Allowed Claims PMPM developed in Worksheet 1 Section II, adjusted for costs related to EHB only, demographic shifts, plan design changes, and other adjustments. The Index Rate represents projected Allowed Claims in 2021. It reflects anticipated claim levels in 2021 with respect to trend, benefit and demographic differences for the single risk pool.

21. Plan level rates are developed from the Index Rate using the following modifiers allowed per 45 CFR 156.80(d)(2):

    - The actuarial value and cost-sharing design of the plan
    - The plan's provider network, delivery system characteristics and utilization management practices
    - Benefits in Addition to EHB
    - Administrative costs

22. Two factors are used in the calibration of the rate to be applied uniformly to all the plans: age and geographic factors.

23. The impact on 2001 rates related to COVID-19 on a PMPM basis and as a Percent of Premium is $17.00 PMPM and 1.6%.

24. The Health Care Reform impacts in this filing are as follows:

    - Patient Centered Outcomes Research Fee: $2.68 PMPM
    - Health Insurer Fee: $0.0 PMPM
    - Risk Adjustment Program: $0.18 PMPM

25. Below is CY 2019 claims experience from ConnectiCare Benefits, Inc.:

    2019 Earned Premium (net of risk transfers) = $547,822,729
    2019 Incurred Claims = $419,214,121
    2019 LR = 76.5%

26. Historical Claim and Projected Pricing Trends

	Actual Trend	Actual Trend	Trend Projection		Trend Projection	
	2018	2019	2020	2021	2020	2021
Utilization/1000			Utilization			
Inpatient	-12.8%	3.3%	0.0%	0.0%		
Outpatient	-9.4%	0.9%	0.0%	0.0%		
Professional	-2.2%	3.3%	0.0%	0.0%		
Medical SubTotal	-3.0%	3.0%	0.0%	0.0%		
Pharmacy	-0.2%	2.9%	3.3%	3.3%		
Total	-1.9%	2.9%	0.8%	0.8%		
			Provider		Service	
Unit Cost $$			Contractual		Mix	
Inpatient	17.6%	7.1%	7.8%	5.9%	3.2%	3.2%
Outpatient	9.8%	2.5%	5.5%	5.3%	3.5%	3.5%
Professional	1.2%	-1.5%	2.6%	2.9%	0.0%	0.0%
Medical SubTotal	3.2%	1.6%	5.0%	4.6%	2.2%	2.2%
Pharmacy	7.5%	2.2%	4.6%	4.9%	0.0%	0.0%
Total	3.5%	1.7%	4.9%	4.7%	1.6%	1.6%
			Allowed		Leverage	
Allowed PMPM			Trend		Factor	
Inpatient	2.6%	10.6%	11.3%	9.3%	0.7%	1.7%
Outpatient	-0.5%	3.4%	9.2%	9.0%	0.7%	1.7%
Professional	-1.0%	1.7%	2.6%	2.9%	0.7%	1.7%
Medical SubTotal	0.1%	4.6%	7.3%	6.9%	0.7%	1.7%
Pharmacy	7.2%	5.1%	8.0%	8.4%	2.0%	3.0%
Total	1.6%	4.7%	7.5%	7.2%	1.0%	2.0%
			Paid		Paid Trend	
Paid PMPM			2020	2021	Average	
Inpatient	4.5%	10.2%	12.0%	11.0%	11.5%	
Outpatient	-6.2%	-0.4%	9.9%	10.7%	10.3%	
Professional	-10.3%	-3.2%	3.3%	4.6%	4.0%	
Medical SubTotal	-4.7%	1.9%	8.0%	8.6%	8.3%	
Pharmacy	6.7%	3.2%	10.0%	11.4%	10.7%	
Total	-2.2%	2.2%	8.5%	9.2%	8.9%	
Downgrade Effect	7.3%	8.1%				
Paid Net	5.0%	10.2%				

27. Retention charge used in rate filing is 18.43%. This is comprised of 8.46% for administrative expenses, 1.44% for sales cost, 3.95% for profit and risk load and 4.59% for taxes and fees.

28. The capital and surplus, as of December 31, 2019 is $46,121,416.

29. The Department received 2 public comments requesting that the rate increase be disapproved and received 2 public comments regarding all the ACA filings generally.

Department Summary

Since this filing reflects rates for the newly developed CT insurance exchange and incorporates all the new rating requirements of PPACA effective 1/1/2014, the Department used criteria spelled out in the latest HHS rate regulations as a template for review along with previously issued CT Insurance Department Bulletins that discuss the requirements for rate filings.

The Department reviewed the 8.9% annual trend (average of 8.5% and 9.2%) for 24 months assumption used in the rate filing and believes that based upon the experience data submitted and the impact of COVID-19 on 2020 trend, this assumption is excessive and should be reduced to 7.25% (average of 6.9% and 7.6%) for 24 months. This decrease reflects the suppression of 2020 utilization, Provider/Service Mix and the 2021 leverage assumption due to COVID-19.

The Department reviewed COVID-19 rate impact factor in the pricing build-up and believes this factor should be removed. Due to the significant uncertainty of the 2021 impact of COVID, the Department made a decision not to allow any future adjustments due to COVID-19.

The Department reviewed the 1.2% ACA Market Change factor and believes the factor should be removed.

The Department reviewed the $2.68 pmpm PCORI fee in the Pricing Build-up and believes this amount is excessive and should be reduced to $0.23 pmpm. The $2.68 is an annual fee amount and the pricing build-up is on a monthly basis.

The Department reviewed the July 2020 CCIIO Summary Report on Permanent Risk Adjustment transfers for the 2019 Benefit year report for Connecticut, as well as the August 2020 Report with Risk adjustment Data Verification (RADV) adjustments. Based on these reports, the Department believes the risk adjustment built into this rate filing is appropriate for 2021.

The Department reviewed the analysis supporting the change in area factors and will allow the changes at this time.

Based upon the federal MLR for this filing of 83.2% the Department believes that the proposed pricing supports the federally required 80% loss ratio for individual business.

Department Disposition

Based upon the finding of fact, and the summary information described above, the revised proposed average rate increase of 5.5% with a range of –2.4 to 15.0% is disapproved as submitted and limited to an average decrease of .1% with a range of –-7.5% to 8.9%.

The approved rates, described above, are reasonable in relationship to the benefits being offered, they are also, neither excessive, nor inadequate nor unfairly discriminatory.

Dated September 11, 2020.

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