STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ConnectiCare Benefits, Inc. Individual Exchange 2023

Finding of Facts

1. This submission is for products to be marketed through the Access Health CT Exchange for individual policies effective January 1, 2023.

2. The proposed overall plan rate change is +24.1% compared to the previously filed and approved 2022 plan rates. The overall plan rate change reflects the changes in the base rate as well as plan relativities with projected 2023 membership.

3. The increase represents a weighted average of the rate changes for all existing plans that will be offered in 2023, ranging from a positive 18.7% to a positive 33.2%.

4. 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, and changes in ACA fees.

5. 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.

6. 2021 calendar year experience is used as the baseline experience for 2023 rate development. An adjustment factor is estimated for medical and pharmacy cost for diagnosis and treatment of COVID-19 and applied to the 2021 experience. The normalized 2021 medical and pharmacy spending are projected into 2023 based on the underlying claims trend.

7. We have observed a much greater claims trend in 2022YTD after normalizing for COVID-19 treatments, testing, and vaccination compared to a normal level. This is likely due to pent-up demand as well as the increased disease burden due to COVID-19. We expect the trend to stabilize somewhat towards the end of 2022 and going into 2023.

8. The expanded subsidies under the American Rescue Plan Act put in place in 2021 are expected to go away in 2023. Less individual consumers will be qualified for

Federal Advance Premium Tax Credits (APTC). We expect members to leave the individual ACA market who were previously insured, and those members are likely to be healthier than the population who will stay in the individual ACA market. As a result, we expect the average morbidity of the single risk pool to go up and therefore lead to an unfavorable impact on 2023 rates. An adjustment is estimated and built in 2023 rates.

9. Covered Connecticut program started on July 1st 2021. The experience of the members enrolled in Covered Connecticut in 2021 is carved out from the baseline experience used in the development of 2023 rates.

10. The State of Connecticut passed Public Act No. 22-90 concerning required health insurance coverage for breast and ovarian cancer susceptibility screening. This Act expands health insurance coverage requirements for treatment used to diagnose breast cancer as well as clarify that there should be coverage for specific diagnostic and screening procedures based on the qualifications set forth within the Act. The impact of this mandated is evaluated and took into consideration in 2023 rates.

11. The State of Connecticut passed Public Act No. 22-47 concerning children’s mental health. It requires the carriers to provide coverage for two mental health wellness examinations per year that are performed by a licensed mental health professional or primary care provider prohibits prior authorization for such examinations. The impact of this mandated is evaluated and took into consideration in 2023 rates.

12. The State of Connecticut passed a bill in 2021 which mandates richer benefit for diabetic treatments, such as prescription drugs, medical supplies, etc., starting on January 1, 2022. The impact of the bill is reflected in the rate development for 2023.

13. Federal and State officials will continue to allow Silver Loading to compensate carriers for the cancellation of the funding of the Cost Share Reduction Subsidy program established under the ACA, announced by Health and Human Services in September 2017. The proposed Silver Loading is 11.2% for 2023 rates.

14. We are including a provision for adverse events. Historically there are changes in the marketplace after our rates are locked which increase our costs, and we need some provision in our rates to cover these.

15. The FFS claims, after normalized for COVID impact, were trended at an average annual trend of 12.1% for 24 months.

16. Non-FFS costs are included. The projected claims were also normalized for average Age, Benefit and Area factors to develop the proposed base rate.

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

18. Certain plans in the individual Exchange offering have some benefit adjustments in order to meet the metal level based on the Actuarial Value Calculation, 2023 version. The benefit adjustments include changes in deductible or maximum out-of-pocket amounts, member cost shares, etc.

19. 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.

20. The PCORI fee is added to the rate development for 2023.

21. 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.

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

23. A risk adjustment transfer payment is included in the rate development and is based on 2021 benefit benefit year actual result released by CMS.

24. 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.

25. Baseline experience data from calendar year 2021 was projected to 2023, reflecting expected utilization and unit cost trends associated with the individual Exchange membership. These unit cost trends include the impact of negotiated provider discounts.

26. Retention items were projected consistently with the 2023 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.

27. The anticipated loss ratio for Federal MLR Rebate purposes is 87.5%.

28. 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 2023. It reflects anticipated claim levels in 2023 with respect to trend, benefit and demographic differences for the single risk pool.

29. 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

    An adjustment is made to the rates for all Silver Plans due to the absence of funding for Cost Share Reduction (CSR) payments.

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

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

    - Patient Centered Outcomes Research Fee: $0.25 PMPM
    - Health Insurer Fee: $0.0 PMPM
    - Risk Adjustment Program: $0.25 PMPM

32. Below is CY 2021 claims experience from ConnectiCare Benefits, Inc.:

    2021 Earned Premium (net of risk transfers) = $602,762,516
    2021 Incurred Claims = $562,842,555
    2021 Allowed Claims in Experience Period = $674,105,804

33. Historical Claim and Projected Pricing Trends Summary

See below

Historical Trend-Utilization and Projecting Pricing Trends								
	Actual	Actual	Actual	Actual	Trend			
	Trend	Trend	Trend	Trend	Projection		-	-
	2018	2019	2020	2021	2022	2023		
Utilization/1000					Utilization			
Inpatient	-5.5%	-5.1%	5.8%	0.6%	1.4%	2.2%		
Outpatient	-24.0%	-0.2%	-3.3%	45.2%	5.5%	6.3%		
Professional	2.9%	1.2%	-8.7%	30.3%	5.5%	6.3%		
Medical SubTotal	-0.1%	1.0%	-8.2%	31.6%	4.3%	5.1%		
Pharmacy	-0.1%	2.6%	0.7%	7.8%	13.1%	6.3%		
Total	-0.1%	1.1%	-7.7%	30.1%	6.3%	5.4%		
					Provider		Service	
Unit Cost $$					Contractual		Mix	
Inpatient	9.2%	13.2%	-3.2%	31.7%	3.8%	5.1%	0.8%	0.8%
Outpatient	29.8%	5.4%	-4.0%	-5.7%	4.4%	5.0%	0.9%	0.9%
Professional	-3.9%	2.9%	0.7%	0.2%	3.8%	3.7%	0.0%	0.0%
Medical SubTotal	0.0%	4.3%	3.6%	1.4%	4.0%	4.6%	0.6%	0.6%
Pharmacy	7.4%	1.9%	8.5%	10.1%	6.0%	6.0%	0.0%	0.0%
Total	0.2%	4.2%	3.4%	2.3%	4.5%	4.9%	0.4%	0.4%
					Allowed		Leverage	
Allowed PMPM					Trend		Factor	
Inpatient	3.1%	7.5%	2.4%	32.5%	6.2%	8.4%	0.4%	0.4%
Outpatient	-1.4%	5.2%	-7.1%	36.9%	11.0%	12.6%	0.4%	0.4%
Professional	-1.0%	4.1%	-8.0%	30.6%	9.5%	10.3%	0.4%	0.4%
Medical SubTotal	-0.1%	5.4%	-4.9%	33.5%	9.1%	10.6%	0.4%	0.4%
Pharmacy	7.2%	4.5%	9.3%	18.6%	19.9%	12.7%	2.9%	0.4%
Total	1.5%	5.2%	-1.7%	29.8%	11.6%	11.1%	1.0%	0.4%
					Paid		Paid Trend	
Paid PMPM					2022	2023	Average	
Inpatient	4.9%	10.6%	0.9%	30.8%	6.6%	8.8%	7.7%	
Outpatient	-5.7%	0.1%	-2.5%	33.8%	11.5%	13.1%	12.3%	
Professional	-9.8%	-0.3%	-3.1%	27.8%	9.9%	10.7%	10.3%	
Medical SubTotal	-4.2%	3.1%	-1.6%	31.0%	9.6%	11.1%	10.3%	
Pharmacy	6.8%	3.4%	9.9%	18.7%	22.8%	13.2%	18.0%	
Total	-1.8%	3.2%	1.1%	27.8%	12.6%	11.5%	12.1%	
Covid Inpact	0.0%	0.0%	3.3%	2.3%				
Paid Net	-1.8%	3.2%	-2.2%	25.6%				

34. Retention charge used in rate filing is 15.57%. This is comprised of 8.46% for administrative expenses, 0.93% for sales cost, 2.37% for contribution to surplus/ risk of adverse deviation and 3.81% for taxes and fees.

35. The capital and surplus, as of December 31, 2021 is $53,459,978.

36. We received approximately 300 Public comments on the 2023 Rate Filings in total. All but a few of the comments were opposed to the rate increases requested by the carriers. Of the total, about 30 referenced ConnectiCare

specifically or referred to your Company's specific filing. The two most common comment themes were the growing unaffordability and the large insurer company's profits. A sample of comments are below:

Hello, I would like to comment on the health insurance proposals filed by CIGNA Health & Life, CTCare Inc., CTCare Benefits Inc., and the ConnectiCare Insurance Company, Inc. for 2023 plans both on and off Access Health CT, the state's federal Affordable Care Act exchange.These proposals are outrageous. The state should reject them. Insurance companies bring in millions of dollars on profit. The idea of raising rates on working people, which would result in the loss of access to care, is unconscionable. Please deny these requests.

A rate increase in excess of 8% should be rejected. Legislators should work to limit the increased cost of prescription drugs and federal and state mandated fees. The average citizen's income has not risen by the percentage rate as the requested health insurance rate increase.

Please do not approve these rate increases! The insurance companies have made record profits and their Officers have also made a total of $137,661,534 in 2021. Tell the insurance companies to trim the "administrative fat" BEFORE they ask consumers to pay for the rate increases. Also, they should learn how to negotiate prices better in favor of the consumer and NOT their shareholders' pockets. This industry needs to be decommodified. People's LIVES should NOT be traded on the stock exchange, PERIOD. Please take a look at the earnings of the Connecticut-based insurance companies below and deny their request for rate increases.
Anthem-Gail K. Boudreaux $17,109,952
Cigna David M. Cordani $79,000,000
Harvard Pilgrim Health Care/ Tufts Health Plan * Michael Carson Thomas Caswell $2,558,227 $2,221,779 CVS Health Karen S. Lynch $11,307,916 UnitedHealth Group Dirk C. McMahon Andrew Witty $12.606,484 $12,857,176 TOTAL $137,661,534 A lot of these companies JUST received approval for rate increases in February of 2022!! WHY are they asking for another increase just 5 months later??!! This is unheard of in ANY other industry! In any other industry, high deductible plans are basically theft. Think about that... You are paying a monthly premium for services you can NOT even use until you spend $7,500-$15,000 (for a family) of your own money. So you pay for a service you do not receive, in ANY other commodity-based business that would never be tolerated. Why do we tolerate it when it comes to our health? Our healthcare should NOT be a commodity, period! Please do not approve this increase.

I write in strong opposition to the proposed rate hike. Can't afford what we are paying now. Can't take all my medications because I can't afford them. These insurance companies want rate hikes, but will they take pay increases! When will you people fight for the people who elected you?! Start taking care of the people.

The price of health insurance keeps rising...currently by a higher percentage than ever! I have a high deductible, go to the doctor as infrequently as possible, and try to economize everywhere, only to see health insurance premiums rise at a rate that is unthinkable! I am retired, living on a fixed income, and unable to purchase medicare.

Please DO NOT ALLOW the projected rate increases. Let's stop this inflationary rise; insurance companies make outrageous profits currently. Let's hold the line and stop this nonsense.

It is disappointing to see requested increases that even exceed the record high inflation we all are forced to deal with. Healthcare is a human right and these types of increases will force people to go without insurance and necessary care. At the same time, CT insurance carriers paid their CEOs $283M in 2021, the most of any year in the past decade, while arguably providing suboptimal and exceedingly expensive offerings. These increases need to be negotiated down.

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.

Actuarial considerations

The Department reviewed the 12.1% annual paid trend for 24 months assumption used in the rate filing and believes that based upon the 2018, 2019, 2020, 2021 and YTD2022 experience data submitted, this assumption is excessive. While 2021 calendar year was a high trend year, 2022 trend data appears to be slowing down compared to 2021, but still high relative to historical levels. The Department is approving a 10.7% paid annual trend, which is comprised of an allowed trend of 10.2% for 2022, 9.7% for 2023 with a leverage assumption of 1.0% and 0.4% for 2022 and 2023 respectively. The resulting paid experience trend of 10.7% is the average of 11.2% and 10.1%, the 2022 and 2023 experience trend respectively. The forward pricing paid trend would be 10.1%.

The Department reviewed COVID impact on baseline factors of 0.945 and 1.013 in the pricing build-up and believes these factors are reasonable. Together they represent the net impact of the difference in Testing, Vaccines and Treatment of COVID from actual 2021 experience to the projected 2023 experience year.

The Department reviewed the ARPA (American Rescue Plan Act) subsidy discussion and the impact of the expiration of the enhanced subsidies on the 2023 rates. ConnectiCare stated an 80 basis point increase in morbidity as their assumed impact. Since the subsidies were continued with recent federal legislation, the Department is requesting ConnectiCare to reflect the change with a 0.992 morbidity factor on baseline.

The Department reviewed the June 2022 CCIIO Summary Report on Permanent Risk Adjustment transfers for the 2021 Benefit year report for Connecticut. Based on this report, the Department believes the risk adjustment built into this rate filing is appropriate for 2023.

The Department reviewed the Rx Rebate 2023 estimate of $36.66 and believes it should be increased to $40.21. The Rx Rebates have been increasing at a higher rate than being assumed in pricing. The Department assumed an increase rate of 15% for 2022 and 10% for 2023 starting with the actual 2021 Rx Rebate. The Department felt these trend rates were reasonable given recent prescription trends.

The Department reviewed the projected 2023 cost of the enhanced Diagnostic/Screening mandate in Connecticut (Act 22-90) of $2.77 PMPM or 0.5% of claims and found it to be excessive. It is high relative to other mandates and industry. The Department is requesting ConnectiCare to reduce the assumption from a claims factor of 1.005 to 1.0025.

Based upon the federal MLR of 87.5% for this filing, the Department believes that the proposed pricing supports the federally required 80% loss ratio for individual business.

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

Non-Actuarial considerations

The Department made a decision to allow up to a maximum 0.5% after-tax Profit Load factor for 2023 rates. The Company has a 2.37% Risk of adverse deviation and Contribution to Surplus in total (After-tax as a % of Premium) that will need to be reduced if the Profit component is larger than 0.5%.

The Department also made a decision to cap the average rate increase at 15.0% after all other required changes were made.

<u>Department Disposition</u>

Based upon the finding of fact, the summary information and all required changes described above, the revised proposed average rate increase of 24.1% with a range of 18.7% to 33.2% is disapproved as submitted and limited to an average increase of 15.0%.

Dated September 2, 2022.

Tricia Davé

Tricia Davé, F.S.A., M.A.A.A.
Insurance Actuary