Part II Preliminary Justification

General Information

Highmark Blue Cross Blue Shield Delaware Inc. (Highmark Delaware) has filed an average rate change of 2.0% for 2022 ACA-qualifying small group plans renewing with effective dates from January 1, 2022 through December 31, 2022.

Summary

The 2.0% average rate change was measured across renewing benefit plans with renewal effective dates in 2021. The average renewing plan specific rate increases range from 1.0% to 6.1%.

The exact premium change for a small group will depend on their effective date, the plan design they choose, as well as the age composition of the employees and dependents covered on the effective date in 2022.

The rate increases will impact approximately 20,907 members in the small group market.

For calendar year 2020 for its small group market ACA products, Highmark Delaware collected $148.1 million in revenue and incurred expenses of $112.7 million in claim costs and $23.5 million in administrative expenses, taxes, and fees for an operating margin of approximately $12.0 million. The proposed rate change is expected to result in a medical loss ratio over 80% as required by law.

The Total Proposed Rate Change is broken down into the following categories of increases and decreases:

Component of Rate Change	Factor
Base Claims Experience	**10.8%**
Pure BEP Claims	1.4%
COVID BEP Adjustment	9.3%
Change in Projected Rebates	**-2.8%**
Risk Adjustment	**1.1%**
Removal of 2021 DOI Adjustment	**1.6%**
Application of 2022 DOI Adjustment	**-2.1%**
COVID-19 Projection	**-0.9%**
Projection Year and Quarterly Trend	**-2.0%**
Change in Pricing of Benefits and Benefit Richness	**-1.7%**
Retention (Admin, Taxes, and Fees)	**-1.2%**
TOTAL	**2.0%**

The proposed average rate change for renewing plans is 2.0% as shown above.

The factors contributing to the rate change approximate the breakdown of each category's impact on the overall rate change. The average rate change can be derived by multiplying the percentages in the table together as factors.

Reason for Proposed Rate Change (Increase/Decrease)

The primary driver of the rate change is ensuring that 2022 premiums adequately cover the anticipated provider claim costs and member utilization of benefits for the insured population in 2022.

The cost of medical and prescription drug services increases annually due to higher demand for services by the members (utilization) and higher reimbursement required to maintain our provider network (unit cost). Changes in benefits and the expected impact of those benefits on Highmark Delaware's insured population also impact the requested rate change.

An increase in base claims experience (removing the impact of COVID), risk adjustment have increased rates. These increases are being offset by savings due to improved pharmacy rebates, a decrease in the projection period COVID impact, a reduction in claims trends and retention, and an adjustment pursuant to the Delaware Department of Insurance's rate filing review, to arrive at the net increase in rates proposed.

Effect of the Average Proposed Rate Change (Increase/Decrease) on Policyholders

The 2022 average rate change will not apply uniformly to all plans. Rate increases will vary by plan and effective date in 2022 due to the inclusion of quarterly rate changes in the small group market. The rates will also vary by plan due to benefit adjustments and metal level changes that were made to maintain a metallic value (Platinum, Gold, Silver, and Bronze) in 2022 while remaining competitive in the small group ACA marketplace. The 2.0% average rate change was measured from the benefit plans available in 2021 that will continue to be offered in 2022.

Medical Loss Ratio (MLR)

The anticipated medical loss ratio is 84.6% relative to total premium less taxes and fees and spending to improve the quality of health care. This loss ratio is calculated consistent with the federally prescribed MLR methodology, which is above the 80% threshold required by law.

Highmark Delaware continues to focus efforts on care management activities in order to lower the future medical cost for its members. Clinical teams, led by experienced doctors and nurses, analyze claim data to identify opportunities for more efficient care delivery and lower medical cost trends.

As health care continues to evolve, Highmark Delaware remains committed to providing a variety of product offerings to meet the needs of small employers.