

## Delaware Health Insurance Rate Filing Requirements

### Part II Preliminary Justification

#### General Information

UnitedHealthcare Insurance Company has filed an average rate change of 6.3% for 2019 ACA-qualifying small group plans renewing with effective dates from January 1, 2020 through December 31, 2020.

#### Summary

The 6.3% average rate change was measured across renewing benefit plans with renewal effective dates in 2020. The average renewing plan specific rate increases range from 2.3% to 12.0%.

The rate change experienced by members will vary depending on plan selection and effective date of the coverage. Additional premium changes may occur upon renewal due to changes in member age and changes in plan selection. The rate increases will impact approximately 885 members in the small group market.

Factor	Rate Change
Benefit Changes	-0.8%
Base Experience	-5.1%
Trend - Experience Year to Projection Year	10.9%
ACA Fee	1.9%
Total	6.3%

The proposed average rate change for renewing plans is 6.3% 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)

There are many different healthcare cost trends that contribute to increases in the overall U.S. healthcare spending each year. These trend factors affect health insurance premiums, which can mean a premium rate increase to cover costs. Some of the key healthcare cost trends that have affected this year's rate actions include:

- Increasing cost of medical services: Annual increases in reimbursement rates to healthcare providers, such as hospitals, doctors, and pharmaceutical companies.
- Increased utilization: The number of office visits and other services continues to grow. In addition, total healthcare spending will vary by the intensity of care and use of different types of health services. The price of care can be affected by the use of expensive procedures such as surgery versus simply monitoring or providing medications.
- Higher costs from deductible leveraging: Healthcare costs continue to rise every year. If deductibles and copayments remain the same, a higher percentage of healthcare costs need to be covered by health insurance premiums each year.
- Cost shifting from the public to the private sector: Reimbursements from the Centers for Medicare and Medicaid Services (CMS) to hospitals do not generally cover the cost of providing care to these patients. Hospitals typically make up this reimbursement shortfall by charging private health plans more.

- Impact of new technology: Improvements to medical technology and clinical practice often result in the use of more expensive services, leading to increased healthcare spending and utilization.

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

The 2020 average rate change will not apply uniformly to all plans. Rate increases will vary by plan and effective date in 2020. The rates will vary by effective date 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 2020.

United Healthcare will discontinue and not renew four benefit plans from the 2019 portfolio while introducing eleven new plans in 2020 to a portfolio that will contain a total of 39 plan designs across all four metal levels (Platinum, Gold, Silver, and Bronze).

The 6.3% average rate change was measured from the benefit plans available in 2019 that will continue to be offered in 2020. Changes in covered benefits impact costs and therefore affect premium changes.

Benefit plans are typically changed for one of three reasons: to comply with the requirements of the Affordable Care Act or state law, to respond to consumer feedback, or to address a particular medical cost issue to provide greater long-term affordability of the product.

### **Medical Loss Ratio (MLR)**

The anticipated medical loss ratio is 84.9% relative to total premium less taxes and fees. This loss ratio is calculated consistent with the federally prescribed MLR methodology, which is above the 80% threshold required by law.

UnitedHealthcare Insurance Company works to directly control administrative expenses by adopting better processes and technology and developing programs and innovations that make healthcare more affordable. We have led the marketplace by introducing key innovations that make healthcare services more accessible and affordable for customers, improve the quality and coordination of healthcare services, and help individuals and their physicians make more informed healthcare decisions. Taxes and fees imposed by the State and Federal government are significant factors that impact healthcare spending and have to be included in the administrative costs associated with the plans. These fees include Affordable Care Act taxes and fees which impact health insurance costs and need to be reflected in premium. Another component of premium is margin, which is set to address expected volatility and risk in the market.

The requested rate change is anticipated to be sufficient to cover the projected benefit and administrative costs for the 2020 plan year.