

**Federal Rate Filing Justification Part II
Written Description Justifying the Rate Increase**

UnitedHealthcare Insurance Company

NAIC: 79413

FEIN: 36-2739571

State of Delaware Rate Review

Scope and Range of the Rate Increase

The requested rate change for small group health benefit plans sold in the state of Delaware will be effective January 1, 2025 and impact 1,639 covered lives. The rate change experienced by members will vary depending on plan selection and geographic area. Additional premium changes may occur upon renewal due to changes in member age, changes in plan selection, and changes in geographic location.

Financial Experience of the Product

The benefit care ratio for these products (61021DE006 & 61021DE007) during the 2023 calendar year is 71.0% excluding anticipated risk adjustment and 76.9% including anticipated risk adjustment. This ratio is the portion of premium that is needed to pay medical claims. The complement of the benefit care ratio is the portion of premium needed for taxes and fees, administrative expenses, and margin.

Changes in Medical Service Costs

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. We estimate cost increases to be roughly 4.4%.
- 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. We estimate utilization increases to be roughly 4.5%.
- 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. We estimate deductible leveraging increases to be roughly 1.3%.

Changes in Benefits

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.

Administrative Costs and Anticipated Margins

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 2025 plan year.