

Scope and Range of the Rate Increase

With this rate increase, we expect all of our small group members covered under Small Group HMO policies, which we estimated to be approximately 10,761 in 2022, to be affected. This includes both On- and Off-HIX members. The actual premium increase will be different among members based on their age, location of residence, and selected benefit plan. In overall, the weighted average rate increase for this rate filing is 16.31%, with a minimum increase of 9.44% and a maximum increase of 21.22%.

Financial Experience of the Product

The Small Group HMO product earned a total of \$63,902,251 in premium and incurred a total of \$52,823,374 in claims during 2021, the period which our 2023 rates are based on. This is equivalent to a medical loss ratio of 94.2% after risk adjustment. This line of product is expected to achieve a loss ratio of greater than 80% in the policy year 2023, consistent with the medical loss ratio requirement enforced by the Affordable Care Act.

Changes in Medical Service Cost

Higher than expected claims cost in 2022 was the one of the main drivers for the increase in medical service cost estimate. Annual increases in medical and drug utilization, average costs of the services, and tendency to utilize high cost services are the other drivers of the medical service cost increase.

Changes in Benefits

We are making several changes to 2023 benefit designs, including reductions in benefit copay, deductible, and out of pocket maximum. The recent legislative bill Senate Bill 317 requires Zero Cost Sharing for behavioral medical services and pharmacy drugs. The elimination of cost sharing is one of the main contributors of the increases in benefit costs.

Administrative Costs and Anticipated Profits

Our administrative expense costs in 2023 are estimated based on per member cost during the experience period. Senate Bill 317 also increased the New Mexico Surtax by 2.75%. We have increased the rates accordingly due to this new regulatory required tax.