

# Part II: Written Justification of Rate Increase

Individual Rate Filing

Effective: 1/1/2023

Presbyterian Health Plan (PHP) is filing rates for the Individual block of business, effective 1/1/2023. This document is submitted in conjunction with the Part I Unified Rate Review Template and the Part III Actuarial Memorandum.

This information is intended for use by the New Mexico Office of the Superintendent of Insurance (OSI), the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in order to assist in the review of PHP's Individual rate filing. This information may not be appropriate for other purposes. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

The results are actuarial projections. Actual experience will differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions. At the time of this rate filing submission, there is still significant uncertainty regarding the impact of the COVID-19 pandemic on future claims, as well as the population likely to be covered by this book of business in 2023. This uncertainty, particularly with regard to the duration of the Public Health Emergency, but also with regard to future COVID-19 prevalence, including testing and treatment costs, creates a substantially greater level of uncertainty than typical rate setting analyses.

In 2021, earned premium was \$658.12 per member per month (PMPM). Incurred claims in 2021 were \$643.47, or 97.8% of premium. After adjusting for risk adjustment, the estimated 2021 medical loss ratio was 81.7%, but, due to very low enrollment, PHP still experienced a loss on the book of business. In 2022, PHP filed products on the New Mexico Exchange for the first time in many years. In pricing Individual products for 2023, we have updated underlying experience for the latest experience of the single risk pool (CY2021), updated administrative expense projections, updated assumptions for federal risk adjustment, updated network savings and provider reimbursement information, and updated expectations regarding the end of the Public Health Emergency and the Medicaid eligibility redetermination process. All of these factors in an already uncertain and dynamic market contribute to the premium rate change. The proposed rate change of 12.6% applies to approximately 5,974 individuals. Actual increases for any particular contract holder will vary.

Medical trend, or the increase in health care costs over time, is composed of two components: the increase in the unit cost of services and the increase in the utilization of those services. Unit cost increases occur as care providers and their suppliers raise their prices. Utilization increases can occur as people seek more services than before. Additionally, simple services can be replaced with more complex services over time, which is known as service intensity trend. An example of service intensity trend would be the replacement of an X-ray with an MRI scan. Replacing the service with a more intense service causes the total cost of medical services to increase.

Presbyterian Health Plan's projected administrative expenses for 2023 are 10.35% of premium. Administrative expense does not include 7.8% for taxes and fees required as part of the premium. The projected loss ratio is 85.0%, which satisfies the federal minimum loss ratio requirement of 80.0%.