

PART II – Written Description Justifying the Rate Increase

Healthy Alliance Life Insurance Company (NAIC 32753)
Consumer Disclosure for Proposed Health Insurance Rate Increase
Individual On and Off-Exchange Plans
Rate Change Effective January 1, 2019

Scope and Range of the Rate Increase

Healthy Alliance Life Insurance Company (HALIC) has filed for premium rate changes for its ACA-compliant Individual health insurance plans. This filing includes an average rate increase of 2.2%, excluding the impact of aging, effective January 1, 2019. At the individual plan level, the rate increases range from -8.0% to 5.3%. This increase will impact approximately 34,000 Missouri members renewing in 2019 with HALIC. A subscriber's actual rate increase could be higher or lower depending on the benefit plan selected, geographic location, age characteristics, dependent coverage, and tobacco coverage.

Financial Experience of the Product

Per HealthCare.gov, the medical loss ratio (MLR) is, "A basic financial measurement used in the Affordable Care Act to encourage health plans to provide value to enrollees. If an insurer uses 80 cents out of every premium dollar to pay its customers' medical claims and activities that improve the quality of care, the company has a medical loss ratio of 80%. A medical loss ratio of 80% indicates that the insurer is using the remaining 20 cents of each premium dollar to pay overhead expenses, such as marketing, profits, salaries, administrative costs, and agent commissions." Anthem expects the proposed rate increase will result in a MLR of 86.5%, which is greater than the minimum MLR requirement of 80% as defined in the Affordable Care Act. In the event Anthem's MLR is less than the Federal required minimum, Anthem will refund the difference to policyholders.

Changes in Medical Service Costs

Medical costs change every year and will generally increase. By looking at past data, it is possible to recognize a pattern to this change and this is used to predict the future cost of medical services (trend). This trend is usually found to be increasing over time and is due to increases in the cost of services and number of services used.

The cost of services increases due to the amount charged for medical services by hospitals and physicians and drug companies, increases in the number of services individuals are using, and advances in technology. Increases in the number of services result from the overall population getting older, product design, and many other factors.

Administrative Costs and Anticipated Profits

In 2019, HALIC is withdrawing from two rating regions in Missouri, which has caused a drop in the number of members HALIC insures. The administrative costs used in HALIC's pricing are based on a per member per month number (this means the total administrative costs are divided by the total number of months members are insured). Since a portion of the overall administrative cost is not decreasing but the membership is, the administrative cost per member per month used in pricing is increasing by about 3.4% year over year.

The ACA Insurer fee has been suspended in 2019. Therefore, the fee will be 0%. The 2018 fee was 3.38% of premium so this results in a decrease in rates from this fee.

Due to the uncertainty of the Individual ACA market, HALIC is also increasing its explicit profit assumption. The increased profit is in-line with the greater risk of this market. As mentioned above,

HALIC is mindful of MLR requirements and is filing premium increases that are expected to meet the terms of this requirement.

HALIC does not have an explicit factor for the repeal of the individual mandate. Instead, Anthem reviews overall market conditions when setting the morbidity assumption.

Anthem is committed to working to moderate the impact of rate increases on our members while continuing to provide access to high quality, affordable health care. We are dedicated to working with our members to find health coverage plans that are the most appropriate, beneficial, and affordable for their needs. In addition, we are investing in initiatives to reduce the cost of care, to promote wellness and preventative care, and to work with providers to encourage high-quality, evidence-based care.

Market Uncertainty

If the regulatory framework or insurer participation in the market vary from the underlying assumptions, proposed rates may no longer be appropriate and should be reevaluated for revision and resubmission. Such adjustments could include: reducing service area participation, requesting additional rate increases, eliminating certain product offerings or exiting certain Individual ACA compliant markets altogether.