Transcript of Insurance Rate Presentation

Date: August 9, 2023
Case: Insurance Rate Presentations

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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

CASE NO.: INS-2023-00036
2023 PRESENTATION OF HEALTH INSURANCE
PREMIUM RATES
Effective as of January 1, 2024

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The Hon. Alexander Skirpan, Chief Hearing Examiner

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A P P E A R A N C E S:

Presenters:

Julie Blauvelt, Deputy Commissioner of
Insurance, Life and Health

David Shea, Bureau of Insurance, Actuary

Cathy Wang - Cigna Health and Life Insurance
Company

Katherine Simon - United HealthCare

Margaret Chance - Sentara Health Plans

P R O C E E D I N G S

HEARING EXAMINER SKIRPAN: I am Alexander Skirpan. And I am joined by my colleagues from the Bureau of Insurance to convene the 2023 Presentation of Premium Rates in connection with the health insurance coverage issued in the individual and small market groups in the Commonwealth effective as of January 1, 2024.

Under Virginia law, the Commission must review and approve premium rates and forms for individual or small employer group health insurance coverage. The deadline for insurance carriers to notify customers of increases to plan year 2024 individual health insurance coverage rates is October 18, 2023. Insurance companies recently filed their rates and forms for individual and small employer group health insurance coverage proposed to be offered for use in Virginia as of January 1, 2024.

Given the importance of the cost of health insurance to Virginians and small enterprises conducting business in the Commonwealth, this Commission has, for at

least the last decade, reviewed the health insurance premium rates and associated deductibles before approving them for use in the Commonwealth.

Today's presentations are part of our review of the health plans offered for purchase in Virginia in the individual and small group markets. The Commission has issued an order directing presentations that instructed our Bureau of Insurance to coordinate presentations by insurance companies for the Commission, and the Bureau has done this.

We are going to hear from insurance carriers in the individual and small group markets in Virginia who represent a significant percentage of the projected insureds in each market. The Bureau will also participate today by providing background in presenting a summary of the recent Bureau's activities and a review of the latest rate and form filings for these health insurance plans.

We will hear first from Julie Blauvelt, the Deputy Commissioner of

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Insurance for life and health. Then we will hear from David Shea, the Bureau's health actuary who will discuss the Bureau's review of the recent carrier's plans for participation in the Virginia ACA Marketplace.

Afterwards, the designated insurance companies will provide presentations about their plans and rate changes. The insurance carriers submitted presentation exhibits as part of their rate filings with the Commission. Copies of those filings will become part of the record.

For each carrier presenting today, we ask that you be prepared to speak to your rate filings for plans on and off the Virginia Exchange and for plans for the individual and small group markets, as instructed by our Bureau of Insurance.

Today's proceeding is being held virtually on Microsoft Teams. Members of the public who wish to provide written comments on the filings discussed as part of the presentations may do so by submitting an e-mail no later than August 15th to

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ACAFilingsInfo -- that's one word -- @SCC.Virginia.gov. That, once again, is ACAFilingsInfo@SCC.Virginia.gov.

To today's presenters, we ask that you speak clearly into your microphone and provide your name and address as well as who you represent so that the court reporter can transcribe accurately the communications of this proceeding. When not speaking, we also ask that you mute your microphones to lessen the occurrence of interference in the presentations.

Finally, should any presenter experience technical difficulties during their presentations, we ask that you contact the automated systems technical coordinator, Faizan Saleem. And Faizan's e-mail address is -- and I'll spell it -- F-a-i-z-a-n-.-S-a-l-e-e-m@SCC.Virginia.gov. And his phone number is (804) 371-9078.

While I may have questions for the speakers, this is neither an adversarial nor evidentiary proceeding. There is no swearing in of witnesses or cross-examination.

Now, are there any preliminary

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matters that the Staff or presenters want to bring before the Commission? Hearing none, I will follow the order of presentation provided to the Commission and call on Julie to begin today's presentations.

MS. BLAUVELT: Thank you very much, Chief Hearing Examiner Alexander Skirpan. And good morning to everyone and welcome to the annual Virginia ACA rate presentation for 2024. My name is Julie Blauvelt. I am the Deputy Commissioner of the life and health insurance at the State Corporation Commission's Bureau of Insurance.

And we're here today to present the expected 2024 average rates for health insurance coverage in Virginia's individual and small group markets to include individual coverage that's purchased through the Health Benefit Exchange. The Exchange and the Bureau of Insurance are both part of the State Corporation Commission, but we're separate divisions with separate roles in the SCC.

The life and health division of the Bureau of Insurance regulates the activities

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of health insurers, and we review and approve insurers' policies, forms, and rates. The Health Benefit Exchange and the SCC will be operating as a state-based marketplace starting this year.

I'd like to take the opportunity to thank all the staff here in the life and health division at the Bureau of Insurance who always put in a lot of extra hours during the summer season to make sure that the submitted new policies and rates meet Virginia's laws and regulations that are necessary to participate in the individual and small group markets and on the Exchange. They always work with really tight timelines to have everything ready to go for the individual market open enrollment that begins November 1.

All right. We can move to the next slide. So this morning I'm going to provide an overview of the individual and small group ACA markets through the years and what's expected for 2024. We'll spend some time to talk about Virginia's reinsurance program and changes to that program for 2024.

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And then David Shea, the Bureau of Insurance's health actuary is going to help us look a little more in depth at what's driving the rates we're seeing for 2024.

And finally, we invited a sampling of carriers who plan to participate in Virginia's individual and small group markets in 2024 so we can hear from them about their rate development and their response to some prepared questions. And then Chief Hearing Examiner Alex Skirpan will close out the presentations. So we can move to the next slide.

At this time, our reviews of these filings are mostly complete but not yet finalized, so the information you're seeing in these slides could change, but based on the applications that we've received, we will continue to have 12 carriers participating on the Exchange in 2024 and two carriers have filed to participate off the Exchange.

2024 is actually going to be the first year where there's no change in carriers in the individual market from 2023. Ever since the Exchange began in 2014, even

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though we've had the same number of carriers, same number of carriers each year for a couple years, we've had different carriers participate. So this year, it was all the same players in the individual market.

The same is pretty much true for the small group market: No change in carriers from 2023, but that has been fairly common in the small group market over the years. Next slide, please.

This slide is looking better every year, and that's a good demonstration of the stability in the individual market we're seeing currently. 2023, this year, was actually the first year since the Exchange began in 2014 that at least two carriers provide Exchange coverage in every city and county of Virginia.

And for 2024, the current applications indicate that, again, every county and city in Virginia will have at least two carriers participating on the Exchange. If you would compare this map with the one from 2023 that we presented in the presentations, you'd see that several areas

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have actually gained additional carrier participation.

At this time, carriers can't voluntarily change their service areas, so this projection of service area to be covered will only change if the carrier exits the Exchange altogether or is not approved to participate on the Exchange or in a particular area. Next slide, please.

The enrollment projections that you see on this graph are from the individual carriers' rate filings with the Bureau of Insurance for 2024 without those carriers having the benefit of knowing what new carriers are entering the market, if any, or what carriers are increasing or decreasing their service areas, because Virginia does not make its ACA forms and rate filings public until today, the day of the rate presentations.

We started a process a few years back for ACA form and rate submissions where those submissions aren't publicly available until the day of the rate presentations. And rates are not visible to the public at all

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during the time while we're doing our review until this day, largely so that when the carrier submits their rates, they're submitting their best and final offer without the knowledge of who may be their competitors or what those rates may be. We think the prospect of competition keeps the rates true.

If you would compare this chart for 2024 with the chart we used in the presentation last year in 2023, you'd see that in 2024 there's a little more diversified enrollment spread that's projected from the carriers. The five carriers with the largest projected enrollment for 2024 are the same five carriers that had the largest projected enrollment from 2023, but the carriers that are in the middle of the graph are projecting to have a larger market share than in 2023.

The largest changes in this slide though from the 2023 projections are the Innovation Health Plan, which is an Aetna company, and the other Aetna companies have increased their projected enrollment from 2023. All the Aetna companies participating

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on the Exchange are new in the last couple of years and service different parts of the state. Next slide please.

The premium amounts on this slide for years prior to 2024 show the average total premium for the plans that enrollees actually selected. And as we'll see in the later slide, in most cases in the individual market, the enrollee doesn't actually pay these full premium numbers because of the federal subsidies that are available on the Exchange. We'll look at some information about the estimate average premium that most individuals actually pay in a later slide.

But as you can see on this slide, the 2023 reinsurance program was able to lower the rates for this year, 2023, and I'll discuss later that carriers were directed to not reduce rates for reinsurance in 2024. And because of that, we see those rates rebound up to where they were prior to 2023 or 2024.

Looking at enrollment, you can see where we were back in 2019, fairly low enrollment. And if you think back to 2019,

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January 1 of that year, Virginia expanded Medicaid to adults, so over 2019 and 2020, we think about 70,000 individuals that were newly eligible for Medicaid under that expansion left the commercial market and moved to Medicaid.

You'll also see on this chart that -- or you may remember that premiums were fairly high and you can see on the chart, high in 2019. And enrollment actually hit a low point in 2020. But then in '21 and '22, there were new and expanded federal subsidies under the American Rescue Plan Act, or ARPA, and that took effect back in 2021. And enrollment's been steadily increasing since then as more people learn about those subsidies and take advantage of those subsidies.

For 2024, insurers are estimating the highest enrollment in the last six years. But 2024 enrollment projections reflect the impact of more consumers becoming aware of those expanded and new federal ARPA subsidies. And also consumers will start migrating from Medicaid. Actuarial studies

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that the Bureau has done find that many of the enrollees that are entering the market are higher income individuals who can receive the ARPA subsidies.

Thinking about the new enrollment that the individual market will be seeing from consumers migrating from Medicaid, during the COVID-19 public health emergency, all states were required to maintain enrollment of almost all Medicaid enrollees and not terminate enrollment for those enrollees. Now that the public health emergency has ended, all state Medicaid offices now have about a year to return to normal operations.

And our Virginia Department of Medical Assistance Services has begun the process of ending continuous coverage -- the continuous coverage requirement and reviewing eligibility for about 2.2 million Virginia Medicaid members. The first terminations of those that were found ineligible to remain on Medicaid were effective just in May of this year.

And looking at a DMAS website, DMAS

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expects about 14 percent of Virginia's total Medicaid enrollees, so about 300,000 individuals may lose coverage over the next year as they continue the redetermination processes. Of course, not all of those people will move to the individual market. In fact, it's expected that most will have employer-sponsored coverage that they can move to or have already moved to; a number will be uninsured; and a number will move to other public coverage or find coverage in the individual market.

And then part of these enrollment numbers, these are not all on-Exchange enrollment numbers. These are on- and off-Exchange enrollment numbers. And if you're interested in the breakdown of the number of percentage of consumers who purchase their coverage outside the Exchange in the individual market, the Bureau's actuarial studies found that, since 2019, the percentage of individuals buying coverage outside the Exchange is between 18 to 21 percent of the total that you see here. So that works out to about 50- to 65,000

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individuals who purchase their individual health coverage off the Exchange without the benefit of tax credits.

And of course, we can't talk about this wonderful enrollment growth and not acknowledge the good work of Virginia's Navigators. They work very closely with our Exchange. Enroll Virginia and the Boat People SOS work very hard to make sure consumers are educated on the existence of the subsidies for health insurance and help them enroll on the Exchange. Next slide, please.

All right. We touched on, talked a little bit about Virginia's reinsurance program. I wanted to dig a little deeper into that discussion. 2023 this year is the first year of Virginia's reinsurance program. The SCC was directed by the General Assembly to apply to the federal government to be able to use federal funds for the reinsurance program in Virginia's individual market.

Federal agencies approved Virginia's application for reinsurance program for up to five years, starting January 1 of this year.

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The program -- the way the program works is it uses federal and state funds to pay for insurers in the individual market's high dollar claims, and that allows those insurers to be able to charge less premium.

The payment to the insurers come mainly from the federal funds, and those are called pass-through funds. And they're pass-through because they're federal funds that would have been used to pay the premium subsidies, but the federal government is saving money because the premiums are being reduced and repurposing that money to pay the reinsurance claims. And the rest of the program that federal funds doesn't cover is supported by state funds.

The goal of Virginia's program is to, as set out in the law, decrease premiums each year by up to 20 percent, depending on available revenue to the program. The SCC relies on the General Assembly money committees to determine the level of funding that they want the program to target each year, within the 20 percent reduction range set out in the law.

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For 2023, legislators elected to target a 15 percent premium reduction and we are seeing that drop in the rates in 2023. You probably have especially noticed the drop in rates if you purchased your coverage outside the Exchange or without tax credits in the individual market.

The projected cost to Virginia of this program for the 2023 rate reduction was 69 million at the time that the decision was made to make that 15 percent reduction. Next slide, please.

The Bureau of Insurance is required by law to establish and publish the parameters of the reinsurance programs, so like the attachment point, the cap, coinsurance amount that is going to help insurers get to that targeted premium reduction, which was actually 15.6 percent, to be specific.

CMS approved Virginia's reinsurance program for 2023 with those parameters and informed Virginia that we would receive more than 330 million in federal funds for the program for 2023. The cost to the state was

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estimated at more than $40 million. The final approved rates for 2023 actually came in an average 19 and a half percent below what they would have been without reinsurance. And compared to 2023 rates, the rates were, on average, 17 percent -- 17.2 percent lower. Next slide, please.

As we look to determine the 2024 reinsurance program, again, the Bureau of Insurance undertook an actuarial study to determine for law makers the cost of our reinsurance program to the state at different levels of premium reduction, so like a 5, 10, 15, 20 percent premium reduction.

The latest actuarial studies show that the program did become more expensive because there's a larger number of people than were expected that are continuing to purchase coverage off the Exchange in the individual market without tax credits. The federal government doesn't get any cost savings from consumers that are purchasing coverage without the tax credits, so Virginia pays the full cost of reinsurance for those consumers. So as the proportion of those

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consumers are larger that don't use the tax credits, the cost to the state is higher.

So in fact, the latest projections for 2024 show that even for a 5 percent premium reduction, cost to the state ranged from 36 million to 65 million. And federal funds that would be anticipated to be provided to Virginia for the 5 percent premium reduction in 2024 would be more than 100 million.

The SCC did not receive agreement from the General Assembly money committees for a targeted level of reinsurance for 2024. So without that direction, the SCC established a zero percent premium reduction for the reinsurance program for 2024. That means that the effects of the premium people are seeing now in the individual market during 2023 will go away and we will see rates increasing back to the level they would have been without reinsurance for 2024.

There's a prospect of reducing premium rates through the program in future years as each year the level of premium reduction is evaluated through our five-year

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approval. If you want to learn more about the reinsurance program, you can visit our website that's shown on this slide. Next slide, please.

So with the rates expected to increase for 2024 in the individual market, it will be important for Virginia consumers to make sure they're aware of the federal tax subsidies that are available when coverage is purchased through the Health Benefit Exchange. This chart shows the increased and expanded subsidies that came into effect back in 2021, and those subsidies have been extended now through 2025 so that the most any consumer purchasing coverage through the Exchange should need to pay is 8 and a half percent of their household income and the rest of the cost for the premium would be subsidized through the Exchange.

As you can see, under the middle column, previously, consumers who made over 400 percent of the federal poverty level in income were not eligible for the federal subsidies, but now, no qualified individual of any income level needs to pay any more

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than 8 and a half percent of their household income to purchase coverage through the Exchange.

Also, the "new," starting in 2021 and continuing on, is that consumers who are at 150 percent of federal poverty level or less can get plans for zero dollar premium through the Exchange. And those plans also have very reduced out-of-pocket costs for persons 100 to 250 percent of the federal poverty level. Next slide, please.

This table is showing the subsidies that we were discussing on the last slide. This shows the cost of the insurance on the Exchange in Virginia in 2023 at the end of the open enrollment period this year, so January 1 of this year. As you can see by the chart, most people who purchase coverage on the Exchange don't pay the full premium. A large number of people do receive subsidies in the form of those advanced premium tax credits, or APTC, that reduce their monthly premium.

We do not have updated data past January 15 to share publicly, but we do

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understand that all of these numbers may be trending higher than what you see in this chart currently. Next slide, please.

So looking at the small group market, you can see that enrollment in the small group market is projected by carriers to stay fairly constant, as it has been for the past few years. Premiums in the small group market continue to rise at a fairly normal trend rate. The small group market hasn't had as many initiatives as the individual market that make those large fluctuations in premium and enrollment.

But the General Assembly did pass a law allowing small employers to become part of self-funded multiple employer welfare arrangements. The SCC did promulgate rules this year for the licensing of those new self-funded MEWAs. They're non-licensed at the moment, however. The Bureau of Insurance received approval under a federal grant to begin a study of Virginia's small group market to get a better picture of the types of coverage that are being utilized by small employers.

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You know, this slide represents the fully insured market, so like we just talked about, there may be self-funded MEWAs coming into the market, other types of self-funded coverage, and so we're going to just start trying to look at that and get a better picture to be able to provide some information that we think, if the General Assembly is interested in any potential initiatives or wants to know the makeup of the market, we'll be able to provide that information.

Also under the same federal grant, the SCC, in conjunction with the HRA council, held a really successful and well attended webinar in the early part of this year for small employers, and we answered questions about ICHRAs and QSEHRAs, which are federal tax advantage tools that help small businesses provide benefits to their employees. And we're gearing up to provide another interactive webinar for Virginia small employers on September 19, so please visit the SCC's website for more information about that webinar. Next slide, please.

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Our takeaways: We spent a lot of time talking about the individual market, how it seems to be on a pretty good track with an increase in competition; Virginia being projected to have a choice of carriers on the Exchange in every city and county; the availability of the ARPA subsidies, Medicaid redeterminations will be increasing the subsidized enrollment.

We talked about the reinsurance program that reduced rates for 2023 and that were not back to reduced rates for 2024, so rates are expected to rebound to levels that they were at just prior to 2023. And also, you made note that the Bureau of Insurance is set to take on some studies of the small group market under the market stabilization and flexibility HHS federal grant and has been partnering to educate small employers on the potential federal tax advantages of health insurance coverage through ICHRAs and QSEHRAs.

Now I will ask if there are any questions on this portion of the presentation before I turn it over to David Shea. Hearing none, I see David is ready to go. He is, again, the Bureau's health actuary. He's going to take a look at a deeper dive of the ACA rates. Thank you, David.

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MR. SHEA: Thank you, Julie. And as Julie said, I'm David Shea. I'm the health actuary for the Bureau of Insurance. And we're going to look at a few slides that gives a little bit of a deeper dive into the rate files that we received for the 2024 rates. Next slide, please.

As you can see, the average rate increase in the individual market this year is about 28 and a half percent, and it's driven by the lack of a reinsurance program. Simple way that math works, some of you can appreciate, a 20 percent reduction, when you go back up, is a 25 percent increase. So last year, reinsurance lowered rates; the program itself lowered rates 19 percent. Once you take that away, it raised the rates 26 percent.

Also in line with the reinsurance program is carriers collectively assumed a less healthy market, and so therefore, that

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factors into their risk adjustment for the year. So it's not just reinsurance that gets affected; the presence or absence of the program will affect carriers' estimations of enrollment and the average morbidity of the market. So those two factors alone were fairly substantial in adding to that 28 and a half percent rate increase.

On the flip side, the collective past experience of the carriers in the individual market saw their claims go down about 7 percent; that is probably due to the fact that we are now just coming out of the impact of COVID-19, because that took awhile to work its way through the healthcare system.

And so carriers were somewhat flying blind for many months in 2020 and 2021. And so there was a lot more estimation in their claims costs. And now that they've got much more visibility into those years, they're seeing their experience was a little bit better than they expected.

Likewise, on the small group, the average rate increase of 5 percent was

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generally offset by, again, improved experience, and a slight increase was coming from an average increase in benefits. Now, that can be somewhat higher deductibles, somewhat higher average coinsurances that they're offering, and so forth and so on. And there are many, many little offsetting factors in the small group market pluses and minuses. That average of 5.1 percent is pretty consistent with what we've seen in the past in the small group market. Next slide, please.

Each year we take a look at the pricing trends that our participating carriers -- those who are here for the presentations -- we take a look at how their pricing trends compare. And we look at it at different places of services, inpatient and outpatient hospital, physician, and prescription drugs.

What we're seeing this year is, with these selective carriers and with carriers in general, their average pricing trend has gone up just a little bit. It's probably about a percent higher than it's been in the past.

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And that has been primarily driven by hospital costs and hospital usage of services, both on the inpatient and the outpatient side. And a big driver of their pricing trends have been prescription drug cost increases over time.

Again, these trends are not terribly out of the ordinary, but they're a little bit on the higher side than what we've seen in the past. Next slide, please.

As you can see, this is historical and projected loss ratios in the individual and small group market. And you can see over time, again, going back to the stability of the market, the more carrier participation and the lack of any type of policy or regulatory or statutory changes to the market, the market is starting to stabilize. And carriers are also aiming a little bit higher loss ratio targets than before, and that's indicative of increased competition.

Carriers are probably willing, on average, to accept a little bit less profit and can make up for it in membership growth. And we're seeing that certainly in the

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individual market. Not as much in small group. But small group has been pretty stable over the past.

The targets that carriers price for in the individual and small group market is a 75 percent loss ratio in Virginia; that's a little bit different than the federal medical loss ratio with 80 percent. The numbers are calculated differently. But you can see from this chart that carriers are pretty much hitting exactly those targets or a little bit higher. Next slide, please.

This is the story of the individual market rate change over the last few years. As you can see, consumers have benefited pretty well in the beginning of the '20s, with rate decreases every year for four straight years. And that bump up in 2024 is the absence of a reinsurance program. Had the reinsurance program continued, that number would be quite a bit smaller, possibly a bit negative.

It would all depend upon the type of reinsurance program that the General Assembly would want to aim for. In 2023, they wanted

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a 15 percent reduction. You can see they got real close to that. So again, 2024, with no reinsurance program in place, all of those claims come back to the carriers, and that's what they're adjusting their premiums based on. Next slide, please.

So some takeaways: The '24 rate changes for individual reflect the elimination of the reinsurance program. Small group rate changes are similar to what they've been in the past. Pricing trends, we saw a slight increase driven by the cost of hospital services and prescription drugs. And collectively -- now, each carrier does their own estimation and their own projections, but when you add them all, the carriers are estimating a total increase in the individual market for 2024 of about 10 percent and a very slight increase in the small group market. Next slide, please.

So we have asked the following companies to present their rates for the individual and/or small group market. We'll start with Cigna for the individual market. Then we'll move to Optimum Choice, and

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they'll show us their rate changes for the individual and small group market. Similar, Sentara Health Plans will be showing their individual and small group rates. Next slide.

We've asked each carrier to address these issues during their presentation: Any enrollment morbidity and premium impact of eliminating the tobacco surcharge. Virginia law changed, and effective 1-1, tobacco surcharges were no longer allowed.

There were no carriers in the small group market that had a tobacco surcharge in place, but about half of the carriers in the individual market did have one. And they had to remove it. So that reduced income from the tobacco surcharge had to be made up by the non-tobacco users. Those changes were generally pretty small because a very small percentage of carriers' enrollment are tobacco users. And therefore, the tobacco surcharge would apply.

We've also asked them to explain any impact from enrollment and morbidity of the Medicaid unwinding and any change in trends

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postCOVID and how they compared to preCOVID and during COVID. And again, it's possible that some of the improved experience that carriers saw is due to their estimations of costs during the COVID pandemic turned out to be a little bit lower than they thought. We'd also like to have Sentara explain the reason behind their name change.

So if you wouldn't mind, we'll start with Cigna, and I'll turn it over to the representative for Cigna. Please introduce yourself. And when you have completed your part of the presentation and there are no further questions, we'll move it along to Optimum Choice and then Sentara Health Plans.

And so at this point, I will turn it over to Cigna, unless there are any questions for me. Okay. Hearing none, I will turn it over to Cigna. Thank you.

MS. WANG: Thank you very much, David. I assume everybody can hear me.

MR. SHEA: Yes.

MS. WANG: Great. Thanks for confirming. Good morning, everyone. My name is Cathy Wang, and I am an actuarial advisor

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from the Cigna Health and Life Insurance Company. So today I'm going to talk about our proposed rate change for plan year 2024.

To start with the high-level review, we offer 17 plans in total in the Virginia market for plan year 2024. And our average total rate increase for a plan year is 26 percent. And now I'm going to walk through the different drivers of the rate change.

So let's take the most populated plan as an example, which is the Bronze 6500, as you're seeing on the screen. The biggest driver of the rate increase is the reinsurance, because, as a lot of the representatives have mentioned, in this filing, we were expecting reinsurance to go away, so the rate is reflecting that.

And in addition to that, the second largest driver is the trend. I think David mentioned a little bit as well, largely based on our state experience and also some of the expected impact on the medical rate from the hospital contracting, etc.

You can also see there is a morbidity improvement, which is mostly due to

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the unwinding COVID situation. We expect the COVID-19 impact to get better from our experience claims, so that's why you are seeing a slight improvement from that end.

So at the bottom of the percentage of change, part of the other adjustment is from the Medicaid unwinding. As mentioned earlier, we are expecting some small pressure from the Medicaid unwinding in 2023, but also projecting some of the impact will mostly be stabilized and offset in 2024, as the members get acclimated to the product. So overall, it's a small impact on the rate and also small impact on the membership growth.

So before I start talking about the geographic factors, I also want to point out an impact of eliminating tobacco surcharge. So Cigna, we actually did not add tobacco surcharge to our rate filing for plan year 2023, which was last year, when we were filing. And we will continue to price without tobacco surcharge for plan year 2024. So therefore, we believe there is no impact to us this year from eliminating the tobacco surcharge from an enrollment or premium

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perspective.
So on the right side of the screen there is the geographic factors. We currently have footprints in four different rating areas within Virginia. And most of the changes for the geographic factors were driving -- were driven by rating area 11, Winchester, and rating area 12, non-MSA, as some of the rural counties. And this is because those two rating areas are a new rating area for Cigna, and we finally had some claims experience to reflect the true cost of that. And they were not running to our expectation when we first priced, so therefore, there is some slight increase as relative to the entire book.
So that is the prepared remark for the driver of the rate change. And I will pause here and I'm happy to take any questions anyone has.
HEARING EXAMINER SKIRPAN: I don't have any questions.
MS. WANG: Thank you. If not, I can pass it over to the next presenter. Thank you very much.

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MS. SIMON: Good morning. I am Katherine Simon. I am a director of actuarial services for United HealthCare. I will be speaking about our Optimum Choice, Inc. line of business.
I will start with the individual market. We had an overall rate change from 2023 of about 23 percent for our entire block. Our most popular plan was our UHC Bronze Value plan that contained about 41 percent of our membership as of March 2023. This particular plan had an increase of 19.5 percent from 2023. That was driven largely by the removal of reinsurance.
You can see that was about a 19.1 percent impact, so the rate increase would have been significantly lower, close to flat had it not been for the removal of the reinsurance program.
In addition, you'll see some large numbers for risk adjustment and experience and demographics. Those largely cancel each other out. We are projecting that our membership is getting more bronze heavy and healthier and younger. So you'll see a shift

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here of lower claims, but as a result, we are projecting a higher risk adjustment payable. So that shift largely is offset and is not -- you know, when looked at together, is not a large driver of a rate change.
Additionally, we are adding an additional year of trend at close to 6 percent. We do believe that we are back at our close to baseline trend from our preCOVID levels, although as mentioned previously, we are projecting trend to be a little bit higher than in previous years, especially when looking at our larger commercial block of business. Those trends do tend to be looking a bit higher for '23 and '24 than we have seen in the past after disruptions due to COVID.
In addition, we are projecting a morbidity decrease of a little bit less than 1 percent for this particular plan. We are not reflecting any significant impact of the Medicaid unwinding. We believe that the morbidity of those numbers will be pretty similar to our existing block; however, we did project an increase for 2023 as a result

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of the special enrollment period. We believe that will wear off, in part, in 2024, which is driving a bit of that morbidity decrease there.
In addition, there are some small benefit changes, not significant, and we are projecting a .4 percent increase to our rates as a result of removing our tobacco rating. This is a change to our premium. We're not anticipating changes in morbidity as a result of that removal, but it is revenue that we are no longer able to collect, so we do have to add a .4 percent load as a result of the removal of that factor.
Additionally, we are projecting some improvement in our network that is a minus 3.6 percent driver of the rate change. And then in the other bucket, that represents somewhat of a combination of interaction between the factors above that we are not able to fully normalize out and just differences in how we calculate the rate increase drivers versus how the exhibit calculates it.
Going on to the geographic factors,

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we're projecting some small changes, a bit of a larger change in area 11; those are driven largely by changes in our contracting. We are also expanding into a new rating area in rating area 12, so you can see we did not have a previous area factor for area 12.

I think that covers everything that we wanted to discuss for individual. Any questions on individual?

HEARING EXAMINER SKIRPAN: No.

MS. SIMON: Then we can move on to the next slide for small group. So our small group, Optimum Choice, Inc. entity, is very small. You can see this is our most popular plan and it has 371 members, so a very small block. The rate change on this plan was about 6 percent; that's driven very largely by trend at about 7.4 percent. It is offset in part, again, by benefit changes which you can't see in this exhibit but there some are increases in co-pays which is driving that decrease and a small change in our nonbenefit expenses. There are also some changes in area factors driven, again, by changes in contracting.

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Any questions on the small group business?

HEARING EXAMINER SKIRPAN: I don't have any.

MS. SIMON: Great. Well, thank you. If there's no further questions, I can turn it over to the next presenter.

MS. CHANCE: Okay. Hi, I'm Margaret Chance. I'm a principle and consulting actuary with Milliman, and I'm the certifying actuary for both the individual and small group filings for Sentara Health Plans.

So starting with the individual, the overall rate change is approximately 21 percent. And the most popular plan is the Sentara Direct Silver 6600. That specific plan has a rate change of 20.9 percent, consistent with other carriers' observations. A major driver of that is the reinsurance, 21.8 percent.

Overall, Sentara expects a fairly decent increase in membership relative to its experience, which we find that basically is expected to have an improved morbidity but with that comes lower risk adjustment

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receivables. So those two line items largely offset each other to have a fairly moderate impact overall.

Trend is approximately 6 percent. Under other nonbenefit expenses, just some relatively moderate decreases in administrative expenses and a lower profit margin filed with these rates. And then benefit changes, fairly minor benefit changes.

With respect to the geographic regions, a relatively moderate change by region driven by just updated experience and any changes in sort of network arrangements. The company is expanding into regions 1 and 11 as well, so...

With respect to the pre-prepared questions, for the tobacco surcharge, there was historically a load for tobacco on the plans, so with this change for those that are nontobacco users, they will receive a slightly higher rate change, approximately .8 percent compared to the 21 percent on average. And for those that had a previous tobacco load, there will be about 16 percent

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lower than that overall average.

We don't have any assumed change in enrollment or morbidity relative to this change; it's just a pretty small proportion of the population that has this surcharge.

With respect to the Medicaid unwinding, we don't have any particular explicit morbidity assumptions around this. We generally expect that population to, you know, potentially be, I guess, less or more healthy, kind of on average, be very comparable to what we are assuming without it.

We do base membership on emerging experience, which has some fairly sizable increases in 2023 and has continued over the past few months. So the company basically expects what we're seeing emerging in 2023 to effectively be pretty comparable in 2024. And some of that might be as a result of the Medicaid unwinding, but we didn't make any explicit assumption around that.

With respect to COVID, maybe when it comes to trend development, the company sort of removed those years from its analytics

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just to kind of get a more normal state. Certainly during the height of COVID, cost had decreased. Then there was an increase postCOVID, potentially some pent-up demand.

For 2024 pricing, we had seen some actual COVID-related costs going down over the past year or so, so we sort of accounted for that in the rates for 2024 that there could be some decline for that specifically.

With respect to Sentara's name change, I have a statement from the company that I am just going to read here: We are introducing our new name, Sentara Health. This new name reflects our enhanced focus on promoting the overall health and well-being of our consumers. It also represents our deepening alignment between our healthcare services and health plans. And by providing healthcare that is simple, seamless, personal, and more affordable, we are practicing the future of healthcare today.

At the end of this year, we'll retire the Optima Health and Virginia Premier brands, unifying them under Sentara Health Plans. This change shows our steadfast

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commitment to our members and the communities we serve. The new brand identity is a representation of our growth and our promise to continue innovating and adopting in the ever-changing healthcare industry.

Any questions on individual?

HEARING EXAMINER SKIRPAN: I don't have any.

MS. CHANCE: Great. I'll move to small group. So small group filing, a pretty moderate rate change, on the average of 1.8 percent by region, also fairly moderate changes by region, again, just based on a combination of updated experience and any sort of adjustments for network arrangements and provider arrangements.

The most popular plan for small group is the Sentara Direct Vantage Gold 2000, with approximately 24 percent of its membership. The rate change shown here is for region 9, which is a decrease of 1 percent.

Generally speaking, the overall changes are pretty moderate. Trend is comparable to individual, 6 percent. There

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is, you know, some benefit reductions, a minor increase in administrative expenses. The overall morbidity and risk profile of this block is expected to be similar to historical experience.

There is -- the other factor that is sort of -- there is a reduction in profit margin which got put in the other factors. As well, there's just some overall -- I mean, some improvement due to the COVID cost change that we discussed, as well as just experience overall and mix that kind of gets into the other bucket that's not very explicit.

Regarding the questions in advance, there is no tobacco surcharge with the small group block, so no impact. No impact due to Medicaid unwinding. And the observations I noted related to COVID and the Sentara name change are the same.

HEARING EXAMINER SKIRPAN: Okay. No questions.

MS. CHANCE: Okay. Thank you.

HEARING EXAMINER SKIRPAN: Okay. I want to thank everyone for their participation in this. It's been very

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informative. If there's nothing further to come before the Commission, we'll stand adjourned.

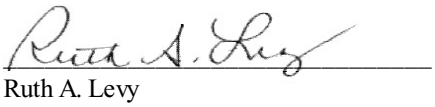
So thank you all for your participation and we're adjourned. Thanks.

(Hearing adjourned at 10:32 a.m.)

CERTIFICATION OF TRANSCRIPT

I, Ruth A. Levy, do hereby certify that the foregoing transcript, to the best of my ability, knowledge, and belief, is a true and correct record of the State Corporation Commission meeting herein; that said proceedings were reduced to typewriting under my supervision; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

Given under my hand, this 21st day of August, 2023.



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