

Balance by CCHP
Rate Justification for QHP Plans
Individual Plans
Rate Change Effective January 1, 2023

Balance by CCHP is proposing an average rate increase of 3.4%. Rate increases range from 2.9% to 5.3% depending on the plan. Rate increases vary by plan due to shifts in the estimated relationship between benefits and cost sharing levels by plan and claims costs. The rate increase does not vary by geographic area. Area factors are unchanged between 2022 and 2023.

Appendix 1 of the Part III Actuarial Memorandum contains a detailed build-up of the proposed rate increase. This appendix illustrates the development of our proposed index rate, starting from 2019 experience data. This index rate supports our proposed rate change. Although 2021 experience data was available and used to populate the experience information in the URRT, the decision was made to use 2019 experience as the basis for the 2023 rates since the 2021 experience was an outlier due to apparent pent-up demand as a result of the COVID-19 pandemic. Below is a high-level discussion of adjustments to the 2019 experience period.

Table 2.1 summarizes proposed rate increases by product:

Table 2.1		
Balance by CCHP		
2023 Summary of Proposed Rate Increases		
	San Francisco	San Mateo
Platinum 90 HMO	3.7%	3.7%
Gold 80 HMO	4.8%	4.8%
Silver 70 HMO	2.9%	2.9%
Silver 70 Off-Exchange HMO	2.9%	2.9%
Bronze 60 HMO	3.7%	3.7%
Minimum Coverage HMO	3.3%	3.3%
Bronze 60 HDHP HMO	3.7%	3.7%
Jade 15 HMO Platinum	3.7%	3.7%
Amber 50 HMO Silver	5.3%	5.3%
ActiveChoice PPO Silver	5.0%	5.0%
Total	3.4%	

Table 2.2 summarizes the main drivers behind rate changes from the 2022 rate to the 2023 projection period:

Table 2.2 Rate Change Key Drivers	
Change from 2022 to 2023	Rate Change
1. Change in starting allowed costs	0.0%
2. Change in utilization and unit cost trends	3.7%
3. Change in projected benefits	-0.3%
4. Change in projected morbidity	0.3%
5. Change in projected area mix	0.0%
6. Change in projected age mix	1.6%
7. Change in non-benefit expenses (e.g., HIPF, admin, commissions)	-0.2%
8. Change in projected risk adjustment transfer	-1.8%
Total Rate Change	3.4%

Each of the drivers is explained in more detail below:

1. Change in starting allowed costs

Because starting costs were based on 2019 experience for both the 2023 and 2023 rate development, the starting costs did not change.

2. Change in utilization and unit cost trends

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical/prescription drug utilization. Below are the percentage increases for these changes. The 2021 to 2022 and 2022 to 2023 trends are reported in Worksheet 1, Section II of the URRT. Historical pharmacy trends were used to assist in trend development. Although there is still uncertainty of how the COVID-19 pandemic will affect utilization in 2023, we anticipate utilization will be similar to 2019. Therefore, no adjustment has been made to the utilization trend at the time of this filing. See Table 2.3 below for the trends used.

Table 2.3 Balance by CCHP Annualized Allowed Claim Trends				
Service Type	Underlying Unit Cost		Utilization	
	2021 to 2022	2022 to 2023	2021 to 2022	2022 to 2023
Inpatient Hospital	3.4%	3.9%	1.0%	1.0%
Outpatient Hospital	4.4%	4.4%	1.0%	1.0%
Professional	2.0%	2.0%	1.5%	1.5%
Other Medical	2.0%	2.0%	1.5%	1.5%
Capitation	0.0%	0.0%	0.0%	0.0%
Prescription Drug	12.9%	8.4%	6.5%	6.5%
Total	3.6%	3.1%	1.3%	1.3%

The capitation adjustment was derived by projecting category-of-service-level PMPMs by medical group from 2019 into 2023. The projected PMPMs were then weighted with projected membership by medical group and compared to the experience PMPMs weighted by experience membership by medical group. The ratio of the composite PMPMs by category of service is reported as the capitation adjustment. The result of this calculation can be seen in Appendix 1 of the Part III Actuarial Memorandum.

3. Change in projected benefits

Effective January 1, 2023, benefits have changed based on state requirements and business decisions. Changes were made to deductibles, maximum out of pocket payments, and PCP and specialist copays. In addition, plan relativities were modified in order to encourage increased enrollment in the Bronze plans. The following table describes notable changes in benefits between 2022 and 2023. The highlighted cells indicate a benefit change.

Table 2.4 Balance by CCHP Select Benefit Plan Changes						
Plan Name	Deductible (Combined or Med/Rx)		MOOP		PCP Copay	
	2022	2023	2022	2023	2022	2023
Platinum Copay Plan	\$0	\$0	\$4,500	\$4,500	\$15	\$15
Gold Copay Plan	\$0	\$0	\$8,200	\$8,550	\$35	\$35
Silver Copay Plan Ind	\$3,700/\$10	\$4,750/\$85	\$8,200	\$8,750	\$40	\$45
Silver CSR Plan 100%-150% FPL	\$75/\$0	\$75/\$0	\$800	\$900	\$5	\$5
Silver CSR Plan 150%-200% FPL	\$800/\$0	\$800/\$25	\$2,850	\$3,000	\$15	\$15
Silver CSR Plan 200%-250% FPL	\$3,700/\$10	\$4,750/\$30	\$6,300	\$7,250	\$35	\$45
Bronze Plan	\$6,300/\$500	\$6,300/\$500	\$8,200	\$8,200	\$65	\$65
Bronze HDHP	\$7,000	\$7,000	\$7,000	\$7,000	\$0	\$0
Catastrophic Plan	\$8,700	\$8,700	\$8,700	\$8,700	\$0	\$0
Jade 15	\$0	\$0	\$3,000	\$3,000	\$15	\$15
Amber	\$2,750/\$275	\$2,750/\$275	\$7,500	\$7,500	\$50	\$50
Active Choice	\$2,500	\$2,500	\$7,500	\$7,500	\$50	\$50

Cost-sharing Reductions (CSRs) are not expected to be funded by the federal government in 2023. With the exception of the non-mirrored Off-Exchange Silver plan, the standard Silver 70 plan is loaded with an additional 8.0% of premium, referred to as the 'CSR Surcharge', which accounts for the additional plan liability arising from the non-funding of CSRs. This additional premium reflects the anticipated plan liabilities, after CSRs, for the anticipated mix of enrollees by CSR variant in Balance by CCHP's Silver plans.

Changes in benefits and plan mix have resulted in an aggregate utilization adjustment of 1.001 from 2021 to 2023, as shown in Worksheet 1, Section II of the URRT.

4. Change in projected morbidity

We project a -3.4% overall decrease in morbidity for Balance by CCHP's risk pool between 2021 and 2023 (two year, not annual) due to changes in the age and metal level distributions of the risk pool over that time, as well as an anticipated change in the distribution of members using capitated providers.

5. Change in projected area mix

There is an insignificant change in membership mix by area between 2021 and 2023.

6. Change in projected age mix

Changes in age mix are expected to change utilization over time. This impact (combined with the change in projected area mix) is 1.025, as shown in Worksheet 1, Section II of the URRT. The change in age mix also affects the allowable rating factor, as discussed in Exhibit 11 of the Part III Actuarial Memorandum.

7. Change in non-benefit expenses (e.g., HIPF, admin, commissions)

Appendix 2 of the Part III Actuarial Memorandum details the non-claims expenses contained in the proposed rate increase. Administrative expense assumptions increased from \$90.59 in the 2022 filing to \$107.59 in the 2023 filing. Balance by CCHP performed a detailed assessment of 2021 expenses and projected them to 2023.

The Health Insurer Provider Fee (HIPF) is not applicable in the 2023 rate filing year.

8. Change in projected risk adjustment transfer

The development of the risk adjustment transfer payment is discussed in Exhibit 9 of the Part III Actuarial Memorandum.