

Rate Increase Justification

Today's Date: 8/2/2023

Issuer: Aetna Health of California Inc.

Rate Change Effective Date: 1/1/2024

Market: Individual ACA

- Scope and range of the rate increase** — *Provide the number of individuals impacted by the rate increase. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).*

Aetna has 1,824 members enrolled at the time of this filing. On average, those members will see a rate change of -0.9% before adding the increase from aging to their rate change. 80% of the current enrollment is in rating area 3 (the Greater Sacramento area). Those members will see an average rate change of -1.6% before the impact of aging. The other 20% of enrollment is in rating area 11 (Fresno, Madera, Kings counties). Those members will see an average rate change of 2.9% before the impact of aging. The impact of aging varies by the age of members, as defined by the federal age curve. The impact of aging on a member will be somewhere between 0.0% and 8.9% depending on their age at renewal and their age at their prior renewal/new purchase of coverage. All members except those going from age 14 to 15 will have less than a 4.7% rate impact due to aging.

Rate change also varies by plan design due to varying changes in average member cost sharing within each plan design. Below is a table which shows the rate change for each plan design in each rating area before the impact of aging. Aging is the only variable not shown in this table that impacts a member's rate change further. The additional impact of aging is as described above. The average rate changes quoted above are weighted averages of the below rate changes.

Rating Area	Plan Design	Rate Change
Rating Area 3	Aetna CVS Health Bronze 60 HDHP HMO	-0.5%
	Aetna CVS Health Bronze 60 HMO	3.1%
	Aetna CVS Health Gold 80 HMO	1.3%
	Aetna CVS Health Minimum Coverage HMO	2.0%
	Aetna CVS Health Platinum 90 HMO	5.0%
	Aetna CVS Health Silver 70 HMO	3.2%
	Aetna CVS Health Silver 70 HMO Off Exchange	2.4%
Rating Area 11	Aetna CVS Health Bronze 60 HDHP HMO	-4.7%
	Aetna CVS Health Bronze 60 HMO	-1.3%
	Aetna CVS Health Gold 80 HMO	-3.0%
	Aetna CVS Health Minimum Coverage HMO	-2.3%
	Aetna CVS Health Platinum 90 HMO	0.6%
	Aetna CVS Health Silver 70 HMO	-1.1%
	Aetna CVS Health Silver 70 HMO Off Exchange	-1.9%

2. **Financial experience of the product** — *Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims expenses, and profit. Discuss how the rate increase will affect the projected financial experience of the product.*

Aetna does not currently have complete financial experience because they entered the market in 2023. There is some financial experience for 2023 currently available, but it has far too many implicit uncertainties still to be very useful in gauging future experience. Notable uncertainties are around how claim costs will complete as the year finishes and what type of payment or receipt Aetna will be responsible for or receive in the 2023 risk adjustment program, which makes it very difficult to understand expected revenue, claims, or profit. Aetna expects that the rate change in 2024 will set rates at a level that will produce pre-tax profits at 2.00% of billed premium. Billed premium, claims including risk adjustment and exchange fees, and profit are expected to be \$647.93, \$586.91, \$12.96 per member per month, respectively. In total dollars, this is \$149MM, \$135MM, and \$3MM.

3. **Changes in Medical Service Costs** — *Describe how changes in medical service costs are contributing to the overall rate increase. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs.*

We are expecting medical costs to increase 4.3% per year and pharmacy costs to increase 0.3% per year from 2022 to 2024. We are expecting utilization of medical services to increase 2.5% per year and pharmacy utilization to increase 3.6% per year from 2022 to 2024. This equates to an average projected change in total claim spending of 6.45% per year from 2022 to 2024. This is a change of 13.31% over two years. The prior year's filing assumed a total change in claim cost of 6.99% from 2022 to 2023. So, the incremental impact of changes in claim cost is the multiplicative difference between the two, 5.91%. That is the impact on projected claim cost though; the impact on the rate change is something slightly less, since claim cost does not correlate perfectly with premium changes due to their being other independent components of the premium rates, such as admin and risk adjustment.

4. **Changes in benefits** — *Describe any changes in benefits and explain how benefit changes affect the rate increase. Issuers should explain whether the applicable benefit changes are required by law.*

There are no changes in covered benefits since last filing. There are changes in member cost sharing and the value of member cost sharing that impact each plan design in a varying manner, as shown in item 1 of this document.

5. **Administrative costs and anticipated margins** — *Identify the main drivers of changes in administrative costs. Discuss how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.*

Projected taxes and loads for underwriting gain are basically unchanged compared to 2023. A decrease in projected administrative costs is driving a large decrease in the rates. Administrative costs are going from 13.1% of premium in 2023 to 6.9% of premium in 2024. Aetna's rapidly growing nationwide scale in Individual ACA market's is driving corporate efficiency. Changes in administrative spending are decreasing rates 6.8%.