

Rate Increase Justification

Today's Date: 7/7/2022

Issuer: Kaiser Foundation Health Plan, Inc.

Rate Change Effective Date: January 1, 2023

Market: Individual

- 1. 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).*

Approximately 790,000 individuals will be impacted by the rate increase. The actual rate changes will vary from -2.0% to 8.0% depending on benefit plan and rating region (Northern vs Southern CA).

- 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.*

Historical financial experience can be found on Tabs 3a and 3b of the Supplemental Rate Review Template. MLR for 2023 is projected to be 104.8% on a single-year basis (104.2% on a three-year average basis).

	(Estimated) 2021	(Projected) 2022	(Projected) 2023	Total
Claims	\$4,373.3M	\$4,547.0M	\$4,531.2M	\$13,451.5M
Quality Improvement	\$40.1M	\$40.3M	\$40.4M	\$120.7M
Risk Adjustment	\$469.0M	\$468.5M	\$521.8M	\$1,459.3M
Adjusted Claims	\$4,882.5M	\$5,055.7M	\$5,093.3M	\$15,031.5M
Premium	\$4,996.6M	\$5,088.6M	\$5,149.8M	\$15,235.0M
Taxes and Fees	(\$134.24M)	(\$140.2M)	(\$140.9M)	(\$415.3M)
Charitable Contributions	(\$97.3M)	(\$146.8M)	(\$146.6M)	(\$390.7M)
Adjusted Premium	\$4,765.1M	\$4,801.5M	\$4,862.3M	\$14,428.9M
MLR	102.5%	105.3%	104.8%	104.2%

- 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.*

Trend assumptions for the KP integrated delivery system are based on the projected costs of providing medical care to KFHP membership. Our expense targets reflect items like number of employees, changes in the cost of wages and benefits, etc. We then take these overall targets and adjust them to a specific business line based on historical relationships and judgment. The projections are part of the overall financial planning process for the KP organization.

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.*

We expect the plan design changes to reduce overall rates by 1.6%. This includes certain changes to plan designs to comply with the Mental Health Parity and Addiction Equity Act.

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.*

The projection of the 2023 Administrative Cost PMPM was developed by trending the 2021 costs at 1.8% annually. Historical margins for 2020 and 2021 and 2.9% and -0.3%, respectively. 2022 and 2023 margins are projected to be -2.2% and -2.7%, respectively.