

Rate Increase Justification

Today's Date: 7/31/2023

Issuer: Western Health Advantage (WHA)

Rate Change Effective Date: 1/1/2024

Market: Individual Medical

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).*

The rate change will impact approximately 12,000 WHA members based on current enrollment in the individual market. The rate change will vary by plan due to required benefit changes from Covered California, updates to Milliman's benefit relativity models, and changes in WHA's provider reimbursement levels.

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.*

Based on information reported to the state of California in the 2024 rate filing, WHA experienced the following financial outcomes:

Western Health Advantage Reported Financial Metrics in CA SRRT Per Member Per Month (PMPM)			
Component	2021	2022	2023 (Est.)
Premium	\$645.37	\$663.28	\$679.45
Claims	\$579.15	\$584.67	\$603.66
Margin	(\$3.56)	(\$5.88)	(\$6.09)

The requested rate change is needed to ensure sufficient revenue to cover all expected claim obligations, risk adjustment obligations, expenses, taxes/fees, and risk loads.

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 assume costs will increase over 2022 at a rate of 4.0% due to the higher costs of medical and pharmacy services as well as increased healthcare utilization among the individual market insurance population. We developed these trends using historic costs across California issuers as reported in federal rate submissions, data underlying the Milliman *Trend Guidelines*, and judgment on the future changes in the cost of healthcare services.

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.*

The only benefit changes made were those required by Covered California, which generally had a downward impact on the rate change.

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.*

We estimate the composite rate impact from expense changes to be an increase of approximately 1%. This change is driven by a projected increase in WHA's general administrative costs and items qualifying as quality under the MLR definition (e.g., quality improvement and medical management expenses).