

Rate Increase Justification

Today's Date: 7/14/2023

Issuer: Local Initiative Health Authority for Los Angeles County, dba LACHP

Rate Change Effective Date: January 1, 2024

Market: Individual

- 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).

There are currently 125,023 members who are subject to the rate increase. Below is a table showing the rate increase by plan and area. The overall rate increase is 6.0%. The tier slopes are updated each year to reflect the changes in benefit designs based on modeling in the Milliman Managed Care Rating Model, including expected induced utilization. We also analyzed risk-adjusted experience data by metal level, risk adjustment by metal level, and profit by metal level. We adjusted our slopes based on this analysis, leading to an increase in bronze, gold, and platinum relative to silver and catastrophic. We did not include the impacts of morbidity by metal level in our analysis. Further, changes in taxes and fees that are applied as fixed PMPMs will impact plans differently on a percentage basis due to varying premium levels.

Product	2023 Rate			2024 Rate			Rate Change
	Rating Area 15	Rating Area 16	Composite	Rating Area 15	Rating Area 16	Composite	
Platinum	\$475.55	\$499.63	\$487.84	\$518.96	\$533.07	\$526.16	7.9%
Gold	\$448.31	\$477.56	\$463.29	\$488.68	\$508.94	\$499.05	7.7%
Silver	\$457.15	\$501.49	\$476.93	\$484.63	\$519.76	\$500.30	4.9%
Bronze	\$335.77	\$364.36	\$350.90	\$365.03	\$387.26	\$376.80	7.4%
Catastrophic	\$185.57	\$197.34	\$192.42	\$196.28	\$204.07	\$200.81	4.4%
Total							6.0%

- 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.

Below is a summary of the loss ratio from 2021-2024 by year for this product:

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	2021	2022	2023	2024
Claims	\$277,015,684	\$335,992,265	\$375,975,223	\$447,894,289
Quality Improvement	\$1,345,850	\$1,069,969	\$1,021,064	\$1,103,625
Risk Adjustment	\$143,606,321	\$181,747,822	\$210,798,185	\$252,291,192
Adjusted Claims	\$421,967,855	\$518,810,056	\$587,794,471	\$701,289,107
Premium	\$526,463,859	\$602,328,489	\$675,503,752	\$799,656,009
Taxes and Fees	-\$18,048,049	-\$17,965,582	-\$22,428,700	-\$26,804,703
Charitable Contributions	\$0	\$0	\$0	\$0
Adjusted Premium	\$508,415,810	\$584,362,907	\$653,075,052	\$772,851,306
MLR	83.00%	88.78%	90.00%	90.74%

LACHP has experienced lower risk scores in recent experience, resulting in relatively low claims and high risk adjustment.

Premium revenue in total has increased over the years due to increasing enrollment from year to year. Premium PMPMs experienced a decrease in 2022, followed by increases in 2023 and 2024.

Claim expenses in total have also increased over the years due to increasing enrollment from year to year. Claim expense PMPMs have been relatively flat over the past few years, mostly driven by consistent reimbursement levels with provider groups.

Profit has fluctuated over the years, starting with the beginning of the Affordable Care Act (ACA) in 2014. Most of this fluctuation is driven by the ACA risk adjustment program. LACHP is a large payer into the risk pool. Risk adjustment makes up about a quarter to a third of LACHP's premiums. Some years, risk adjustment ends up being higher than projected, and vice versa. In 2021 and 2022, LACHP had a positive margin. In 2023, we expect that LACHP will have a negative margin.

The proposed rate increase is that which is required to achieve a 2.1% margin in 2024. This rate increase is results in a medical loss ratio of 90.7%.

- 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.

Changes in medical service costs are changing the overall rates by 0.9%. This is made up of by the following:

- (+0.2%) The starting allowed costs changed between the 2021 fee for service (FFS) and capitation experience used in the 2023 rate filing and the 2022 experience used in the 2024 rate filing. The 2022 capitation levels increased compared to 2021, driven by higher risk adjustment than expected.
- (+0.8%) Underlying unit cost trends have remained stable between the 2023 and 2024 rate filings.
- (-0.1%) Underlying utilization trends have decreased in the 2024 rate filing compared to the 2023 rate filing, resulting in no impact to the projected 2024 claim costs for an additional year of trend.

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.*

All cost sharing changes are based on Covered California's standard plan designs for the 2024 plan year. The most notable changes were to the Individual-only Silver Plan and Silver Plan 200%-250% FPL in order to be AV compliant. The combined impact of changes in benefits and the change in membership mix by benefit plan decreased the rates by 1.7%.

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.*

Changes in administrative costs and underwriting gain/loss are changing the overall rates by -0.4%. This is made up of by the following:

- (-0.5%) Projected administrative costs and commissions decreased slightly between 2023 and 2024.
- (+0.1%) The projected surplus is very similar between 2023 and 2024.