

## Rate Increase Justification

Today's Date: 7/29/2024

Issuer: Aetna Health of California Inc.

Rate Change Effective Date: 1/1/2025

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 14,038 members enrolled at the time of this filing. On average, those members will see a rate change of 15.4% before adding the increase from aging to their rate change. 70% of the current enrollment is in rating area 3 (the Greater Sacramento area). Those members will see an average rate change of 16.7% before the impact of aging. 22% of enrollment is in rating area 11 (Fresno, Madera, Kings counties). Those members will see an average rate change of 14.3% before the impact of aging. 6% of enrollment is in rating area 6 (Alameda county). Those members will see an average rate change of 8.9% before the impact of aging. 3% of enrollment is in rating area 5 (Contra Costa county). Those members will see an average rate change of 5.7% 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	14.1%
	Aetna CVS Health Bronze 60 HMO	13.2%
	Aetna CVS Health Gold 80 HMO	18.5%
	Aetna CVS Health Minimum Coverage HMO	19.5%
	Aetna CVS Health Platinum 90 HMO	15.5%
	Aetna CVS Health Silver 70 HMO	17.8%
	Aetna CVS Health Silver 70 HMO Off Exchange	21.1%

Rating Area 5	Aetna CVS Health Bronze 60 HDHP HMO	3.5%
	Aetna CVS Health Bronze 60 HMO	2.8%
	Aetna CVS Health Gold 80 HMO	7.6%
	Aetna CVS Health Minimum Coverage HMO	8.4%
	Aetna CVS Health Platinum 90 HMO	4.8%
	Aetna CVS Health Silver 70 HMO	7.0%
	Aetna CVS Health Silver 70 HMO Off Exchange	9.9%
Rating Area 6	Aetna CVS Health Bronze 60 HDHP HMO	6.6%
	Aetna CVS Health Bronze 60 HMO	5.8%
	Aetna CVS Health Gold 80 HMO	10.7%
	Aetna CVS Health Minimum Coverage HMO	11.6%
	Aetna CVS Health Platinum 90 HMO	7.9%
	Aetna CVS Health Silver 70 HMO	10.1%
	Aetna CVS Health Silver 70 HMO Off Exchange	13.1%
Rating Area 11	Aetna CVS Health Bronze 60 HDHP HMO	11.2%
	Aetna CVS Health Bronze 60 HMO	10.3%
	Aetna CVS Health Gold 80 HMO	15.5%
	Aetna CVS Health Minimum Coverage HMO	16.4%
	Aetna CVS Health Platinum 90 HMO	12.5%
	Aetna CVS Health Silver 70 HMO	14.8%
	Aetna CVS Health Silver 70 HMO Off Exchange	18.0%

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.*

In 2023, Aetna’s earned premiums were \$12.4MM, claims including risk adjustment were \$13.3MM, and profit was -\$2.4MM. This corresponds to \$581.77, \$621.87, and -\$114.36 per member per month, respectively.

Aetna expects that the rate change in 2025 will set rates at a level that will produce pre-tax profits at 0.1% of billed premium. Billed premium, claims including risk adjustment, and profit are expected to be \$714.22, \$644.37, \$0.91 per member per month, respectively. In total dollars, this is \$92.5MM, \$83.4MM, and \$0.1M.

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.*

Medical costs are increasing, and we are changing our rates to reflect this increase. We expect medical costs to increase 5.4% excluding the effects of population mix changes and changes in plan design features such as deductibles, copays, and out-of-pocket maximums. Increases in medical costs are mostly attributed to two reasons – providers raise their prices and members utilize more medical services. We expect Pharmacy

costs to go up 8.7% excluding the effects of population mix changes and changes in plan design features such as deductibles, copays, and out-of-pocket maximums. Pharmacy costs increase at an even higher rate than medical costs as members use more prescriptions and pharmaceutical companies increase their prices and develop new high-cost specialty drug treatments. In total, we expect combined medical and pharmacy costs to increase 5.7% per year from 2023 to 2025, which equates to an increase of 11.6% over two years.

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.*

Changes in benefit designs like deductibles, copays, and out-of-pocket maximums were made to comply with state requirements. We need to change our premiums to reflect the changes made to benefit designs. Covered California introduced plans that expanded Cost Sharing Reductions to more people and increased the Cost Sharing Reductions. While state subsidies are expected to cover the differences in cost share, the increased utilization is expected to have upwards pressure on costs.

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.*

Covered California decreased the Exchange User Fee that they charge insurers for all plans sold through their Exchange. Administrative costs are going from 8.5% of premium in 2024 to 7.4% of premium in 2025. Changes in administrative spending are decreasing rates 1.1%.