

State Partnership Plan 2.0

July 1, 2022 Renewal Rate Explanation

Rate Increases

Segal has developed the final Partnership 2.0 rates that will be charged to new and existing groups effective July 1, 2022. The premium rate changes for the medical/prescription drug plan for actives and non-Medicare retirees under and over 65 for each region will be adjusted by the following percentages:

Plan	Rate Action*
Actives	10.5%
Non-Medicare Retirees Under 65	2.9%
Non-Medicare Retirees Over 65	2.4%

*Changes by tier may vary slightly

As explained during the development of the preliminary rates, there has been an increase in claims, including increases in COVID-related experience and for elective procedures due to pent-up demand, especially during the recent months of the period. This spike, with an expectation of a continued effect on claims during the renewal period, is causing a needed increase for the active medical and pharmacy claim rate above the annual trend assumptions. The increase, specifically for the active population, is magnified by the minimal increase needed for July 1, 2021 as a result of the suppressed experience due to the pandemic. While the non-COVID related claims are expected to slowly normalize and return to the pre-pandemic levels, there is also an expectation of continued COVID related costs for testing, treating, and vaccinating. When looking at the annualized increases over the two-year period from July 1, 2020 to July 1, 2022 we are seeing an increase of 5.6% for Actives and an increase of 4.3% for Non-Medicare Retirees Under 65, which are in line with trend assumptions.

Assumptions

The rate development was based on the following assumptions:

- Partnership 2.0 enrollment by tier as of January 2022 from Segal's SHAPE claims database
- Projected expenses are based on 12 months of experience through January 2022 for Anthem and CVS Health, annual trend assumptions of 5.5% for medical and 5.0% for prescription drug compounded over 17 months to the renewal period effective July 1, 2022
- Additional rate components include:
 - Anthem Clinical Coordination and Shared Savings Payments
 - Rx rebates
 - Anthem ASO fees
 - Signify fees
 - Administrative expenses (PCORI fee, OSC Administration/Communication fees, consulting fees, Care Management Solution fees)

– Reserve adjustment

The projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from any new health care reform legislation or other recently passed state or federal regulations.

Projections of retiree costs take into account only the dollar value of providing benefits for retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection.

The Coronavirus (COVID-19) pandemic continues to cause significant disruptions to the healthcare delivery system. Health plan experience has been affected by direct costs for testing for, treating, and vaccinating against the disease, indirect savings from reduced utilization of non-essential services, and long-term implications of cancelled and delayed care. Significant uncertainties remain around impact of pent-up demand and long-term implications from untreated conditions. Projections assume the current outbreak will be contained. Additional outbreaks have not been contemplated in the projections.