

## Rate Increase Justification

Today's Date: August 23, 2022

Issuer: Health Net of California

Rate Change Effective Date: January 1, 2023

Market: Individual

- 1. Scope and range of the rate increase** — Health Net of California (HNCA) will be renewing the Ambetter HMO product and discontinuing the Ambetter HSP product for plan year 2023. One of the products currently offered under an affiliated entity, Health Net Life Insurance Company, will be offered by HNCA for plan year 2023. Premium rates effective January 1, 2023 reflect an overall 1.6% annual increase for those renewing on Ambetter HMO and Ambetter PPO plans. Annual rate changes range from -4.4% to 7.9%, varying between the HMO and PPO products and regional rating areas. Variations are driven by underlying cost differences between the HMO and PPO network and regional cost trends. Approximately 148,000 individuals are impacted by the rate change.
- 2. Financial experience of the product** — HNCA's Individual products, including the Ambetter PPO product, incurred \$967,367,490 in paid claims costs and a risk transfer payment of \$55,216,863 to the federal risk adjustment program in 2021. HNCA collected \$1,216,908,798 in premium revenue, resulting in a loss ratio of 84.0% inclusive of risk transfer payments for 2021.
- 3. Changes in Medical Service Costs** — Medical service costs are projected to increase at an annualized rate of 4.7% due to medical inflation and increased utilization of health care services. Other factors related to expected changes in the demographics of HNCA's population and overall population health also contribute towards the expected change in medical costs.
- 4. Changes in benefits** — All Individual plans offered by HNCA are based on the standard benefit plan designs defined by the state based exchange, Covered California. Updates to these standard benefit plan designs include cost-sharing updates, which is expected to increase claims costs by 0.8%.
- 5. Administrative costs and anticipated margins** — HNCA anticipates administrative costs to decrease by \$3.46 per member per month compared to what was assumed for 2022 rates. Target profit margins have remained the same as 2022 at 2.2% of premium.