

Part II: Written Justification of Rate Increase
AultCare Insurance Company
Small Group Rate Filing
Effective: January 1, 2020
Form: SMALL GROUP ACA Certificate 2020

Scope and range of the rate increase:

AultCare is requesting an aggregate 16.73% rate increase for its small group block of business, effective January 1, 2020. This increase will affect all of AultCare's groups who purchase a small group Qualified Health Plan (QHP) in 2020, although the increase varies by plan between 14.5% and 18.2%. In March 2019, there were 1,019 members enrolled in this product that will be impacted by this rate increase.

The key drivers of the rate increase are:

- The first driver is emergence of Small Group MEWA products in the market. These plans are allowed to adjust premiums based on health status and attract many of the healthier groups previously enrolled in a QHP plan. This has resulted in a significant increase in claim costs already, with AultCare experiencing annual trends in excess of 20% as membership drops. We have projected that the impact of this shift in membership to the MEWA products will continue into 2020.
- Another driver is the re-introduction of the health insurer fee. This fee was on holiday on 2019, but is projected to be reintroduced for 2020.

Financial experience of the product:

On AultCare's financial statements, the small group ACA product is grouped together with other small group and large group products. Therefore, we relied on the detailed membership and claims data for the financial information for this product.

AultCare's small group QHP line of business had:

- Member Months: 29,308 in 2017; 20,527 in 2018
- Total Premium: \$499.03 Per Member Per Month (PMPM) in 2017; \$551.26 PMPM in 2018
- Total Medical Costs: \$301.41 PMPM in 2017; \$358.91 PMPM in 2018
 - This includes risk adjustment payments and incentives paid to providers
- Total Rx Costs: \$88.99 PMPM in 2017; \$89.23 PMPM in 2018
 - This is after recoveries from Rx rebates

This is a medical cost to premium ratio of 81.3% in 2018.

We are projecting administrative costs, taxes, fees, and risk margin to be 24% of premium in 2020.

Changes in Medical Service Cost:

The population changes caused by members transitioning to SG MEWA plans is attributed largely to increases in utilization as the morbidity of the population worsens.

Changes in Benefits

AultCare has made limited benefit changes in order to comply with federal AV requirements. These changes do not result in a significant increase or decrease in rates. The change may vary slightly between plan designs, as the impact of medical trend affects how soon the member reaches their out-of-pocket maximum differently for each plan design.

Administrative costs and anticipated margins:

As noted above, the re-introduction of the health insurer fee is contributing toward the increase in rates. There are otherwise no changes to the projected administrative cost.