

Part II: Written Justification of Rate Increase

Absolute Total Care

Individual Rate Filing

Effective: January 1, 2020

Forms: 79222SC001, 79222SC002

Absolute Total Care (ATC) is filing rates for the individual block of business, effective January 1, 2020. This document is submitted in conjunction with the Part I Unified Rate Review Template and the Part III Actuarial Memorandum.

This information is intended for use by the South Carolina Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in South Carolina to assist in the review of ATC's individual rate filing.

The results are actuarial projections. Actual experience will differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

ATC filed rates for the individual block of business in the State of South Carolina for the first time in 2019, so there is no experience in 2018. We expect unit costs to increase for 2020. Further, we have updated underlying experience for the single risk pool, expected administrative expense, and assumptions for federal risk adjustment. These factors, as well as changes to the assumed morbidity of the single risk pool and medical trend, each contribute to the premium rate change.

There was a moratorium on the ACA Insurer fee for 2019, but this moratorium is not slated to continue into 2020. This increases non-benefit expenses for all plans and rating areas.

Medical trend, or the increase in health care costs over time, is composed of two components: the increase in the unit cost of services and the increase in the utilization of those services. Unit cost increases occur as care providers and their suppliers raise their prices. Utilization increases can occur as people seek more services than before. Additionally, simple services can be replaced with more complex services over time, which is known as service intensity trend. An example of service intensity trend would be the replacement of an X-ray with an MRI scan. Replacing the service with a more intense service causes the total cost of medical services to increase.

Whether the government reimburses cost-sharing amounts for lower income individuals greatly impacts the rates. Both 2019 and 2020 rate levels assume that there will be no funding of cost-sharing reduction subsidies.

The proposed rate change of -2.3% applies to approximately 279 individuals. ATC's projected administrative expenses for 2020 are \$40.56 PMPM, or 6.4% of premium.

Administrative expense does not include \$40.43 for taxes and fees. The historical administrative expenses are not available, as this product was new with 1/1/2019. The projected loss ratio is 89.2%, which satisfies the federal minimum loss ratio requirement of 80.0%.