UnitedHealthcare of Ohio

Part II - Written Rate Justification for Consumers

(1) Scope and Range of the Rate Change

The requested rate change for Small group health benefit plans sold in the state of Kentucky will be effective January 1, 2025 and impact 440 covered lives. The rate change experienced by members will vary depending on plan selection. The average 2025 rate increase is 14.3%, with a maximum increase of 16.0% and a minimum increase of 13.1%. Additional premium changes may occur upon renewal due to changes in member age, changes in plan selection, and changes in geographic location.

The rates in this filing are based on the actual claims experience of Kentucky Small groups in calendar year 2023. That experience has been projected forward to the contract period starting January 1st, 2025. The rate projection process used our estimates of the expected cost per service and the frequency that our member's use services.

(2) Financial Experience of the Product

The benefit care ratio (the relationship of incurred claims to received premiums) for combined Kentucky experience during the 2023 calendar year is 101.8%. This ratio is the portion of premium that is needed to pay medical claims. The complement of the benefit care ratio is the portion of premium needed for taxes and fees, administrative expenses, and profit.

Note that benefit care ratio is not the same as Medical Loss Ratio, which is projected to be over 80%. The experience available for this product is not fully credible and we base our rates on the best information that we have available about the expected costs for these plans.

(3) Changes in Medical Service Costs

There are many different healthcare cost trends that contribute to increases in the overall U.S. healthcare spending each year. These trend factors affect health insurance premiums, which can mean a premium rate increase to cover costs. Some of the key healthcare cost trends that have affected this year's rate actions include:

- Increasing cost of medical services: Annual increases in reimbursement rates to healthcare providers, such as hospitals, doctors, and pharmaceutical companies.
- Increased utilization: The number of office visits and other services continues to grow. In addition, total healthcare spending will vary by the intensity of care and use of different types of health services. The price of care can be affected by the use of expensive procedures such as surgery versus simply monitoring or providing medications.
- Higher costs from deductible leveraging: Healthcare costs continue to rise every year. Because deductibles and copayments remain the same on many plans, a higher percentage of healthcare costs need to be covered by health insurance premiums each year.
- Cost shifting from the public to the private sector: Reimbursements from the Centers for Medicare and Medicaid Services (CMS) to hospitals do not generally cover the cost of providing care to these patients. Hospitals typically make up this reimbursement shortfall by charging private health plans more.
- Impact of new technology: Improvements to medical technology and clinical practice often result in the use of more expensive services, leading to increased healthcare spending and utilization.

(4) Changes in Benefits

Changes in covered benefits impact costs and therefore affect premium changes. Benefit plans are typically changed for one of three reasons: to comply with the requirements of the Affordable Care Act or state law, to respond to consumer feedback, or to address a particular medical cost issue to provide greater long-term affordability of the product. Some 2025 plan benefits had to have reduced benefits in order to qualify under the Federal government's restrictions on plan designs. Examples of reduced benefits include; higher deductibles, higher out of pocket maximums, higher copays, and or higher coinsurance. These reduced benefits allowed plans to meet the Federal government's standards for value and lead to lower cost plans than these plans would have been had they kept their more enhanced 2024 benefits.

(5) Administrative Costs and Anticipated Margins

UnitedHealthcare works to control administrative expenses by adopting better processes and technology and developing programs and innovations that make healthcare more affordable. Taxes and fees imposed by the State and Federal government impact healthcare spending and have to be included in the administrative costs associated with the plans. Another component of premium is profit, which is set to address expected volatility and risk in the market. The resulting federally prescribed, single-year MLR is estimated to be greater than 80%.

The requested rate change is anticipated to be sufficient to cover the projected benefit and administrative costs for the 2025 plan year.