



Rate Increase Justification

Today's Date: August 2, 2023

Issuer: Chinese Community Health Plan

Rate Change Effective Date: January 1, 2024

Market: Individual

1. **Scope and range of the rate increase** — *Provide the number of individuals impacted by the rate increase. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).*

CCHP is proposing an average rate increase of 5.0%. Rate increases range from 2.2% to 5.2% depending on the plan and will impact approximately 789 individuals if they renew their coverage. Rate increases vary by plan due to shifts in the estimated relationship between benefits and cost sharing levels by plan and claims costs. The rate increase does not vary by geographic area. Area factors are unchanged between 2023 and 2024.

2. **Financial experience of the product** — *Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims expenses, and profit. Discuss how the rate increase will affect the projected financial experience of the product.*

The proposed rate increase will cover projected medical trends and yield a medical loss ratio ("MLR") of 83.3%, meaning 83.3 cents of each premium dollar is expected to go toward members' medical expenses and improving health care quality. This projected MLR of 83.3% exceeds the minimum MLR requirement of 80.0% as defined in the Affordable Care Act.

3. **Changes in Medical Service Costs** — *Describe how changes in medical service costs are contributing to the overall rate increase. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs.*

The main cause of this rate increase is the continuing increase in the cost of health care coupled with increases in the consumption of services, or utilization, by members.

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical/prescription drug utilization. Outpatient utilization trend is anticipated to decrease due to the implementation of new utilization management procedures.

An overall increase in morbidity is also expected due to an anticipated change in the distribution of members using capitated providers.

4. **Changes in benefits** — *Describe any changes in benefits and explain how benefit changes affect the rate increase. Issuers should explain whether the applicable benefit changes are required by law.*

All benefit changes are based on Covered California's standard plan designs for the 2024 plan year.

5. **Administrative costs and anticipated margins** — *Identify the main drivers of changes in administrative costs. Discuss how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.*

We estimate the composite rate impact from expense changes to be a decrease of approximately -1.0%. The majority of this change is driven by a projected decrease in general administrative costs and expected taxes and fees.