Rate Increase Justification

Today's Date: August 25, 2022

Issuer: Universal Care, Inc. dba Bright HealthCare

Rate Change Effective Date: January 1, 2023

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).*

   Premium rate changes for Affordable Care Act compliant Individual Market health insurance plans for the 2023 plan year include an average annual rate increase of 3.6% percent with plan level annual rate changes ranging between -9.3% and 6.5%. These rate changes will impact approximately 337 renewing California Individual members in the first quarter of 2023.

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%, meaning 83 cents of each premium dollar is expected to go toward members' medical expenses and improving health care quality. This projected MLR of 83% 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.

   The cost of health care continues to rise for services, or unit costs, primarily from hospitals, physicians, and pharmaceutical companies. This is primarily because of advances in technology, general inflationary pressures, and new medications. Changes in utilization of services can be driven by the aging of the population, as well as other factors.

   Though not a primary driver of the rate change, the impact of the continuation of the American Rescue Plan (ARP) subsidies was also included in the development of the 2023 rates, which resulted in approximately a 1% decrease to the 2023 rates.

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.*

   There were some minor changes dictated by Covered California for the standard plans. In addition to these changes, Bright needed to make small changes to the benefits to maintain compliance with Mental Health Parity, and then subsequently additional benefit changes to meet Federal AV Calculator requirements. Although it can lead to changes in utilization of services, these changes in benefit design are not leading to increased costs of any significance for this 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.*

   Retention increased almost 2% from 2022 due to increased corporate overhead.