



Rocky Mountain HMO, Inc.

Part II: Written Justification of Rate Increase

Colorado 2025 Individual Exchange Rates

August 13, 2024



Part II: Written Description Justifying the Rate Increase

The following memorandum describes the key drivers of the rate changes of individual rates for Rocky Mountain HMO, Inc. (“RMHMO”). RMHP policies are individual medical plans offered in Colorado and are fully compliant with the Patient Protection and Affordable Care Act.

Scope and Range of the Rate Increase

RMHMO is filing 2025 rates for individual products. The proposed rate change is 8.5% and will affect 53,836 individuals. The rate changes vary between 4.3% to 16.5%. The variation in rate changes is due primarily to benefit changes, plan mapping, Colorado Option Standardized Plan specific discounts, and induced utilization on Silver plans.

Financial Experience of Product

The premium collected in plan year 2023 was \$222,024,668. Incurred claims net of reinsurance during this period were \$161,877,430 and RMHMO is estimated to pay \$23,229,604 into the risk adjustment program. The loss ratio, or portion of premium required to pay medical claims, for plan year 2023 is 81.4%.

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 using expensive procedures such as surgery versus simply monitoring or providing medications.
- Higher costs from deductible leveraging: Healthcare costs continue to rise every year. If deductibles and copayments remain the same, a higher percentage of healthcare costs need to be covered by health insurance premiums each year.
- 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.

Changes in Benefits

Changes in 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.

The Affordable Care Act implemented requirements for the “value” that must be offered by plan designs in the Individual and Small Group markets. These are called “metal levels”. For a



benefit plan to remain classified within a particular metal level from year to year, adjustments to deductibles, copayments or coinsurance are sometimes required. These adjustments impact the cost and therefore the premium increases for the plan.

Administrative Costs and Anticipated Margins

RMHMO works to directly control administrative expenses by adopting better processes and technology and developing programs and innovations that make healthcare more affordable. We have led the marketplace by introducing key innovations that make healthcare services more accessible and affordable for customers, improve the quality and coordination of healthcare services, and help individuals and their physicians make more informed healthcare decisions. Administrative costs are decreasing from \$64 PMPM to \$53 PMPM for plan year 2025.

Taxes and fees imposed by the State and Federal government are significant factors that impact healthcare spending and have to be included in the administrative costs associated with the plans. These fees include Affordable Care Act taxes and fees which impact health insurance costs and need to be reflected in premium. There are no material changes to taxes and fees for plan year 2025. Another component of premium is margin, which is set to address expected volatility and risk in the market. Margin is increasing from 2.0% to 2.7% in plan year 2025.

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

