

PART II RATE INCREASE JUSTIFICATION

Hawaii Medical Service Association Affordable Care Act Individual Policies in Hawaii Effective January 1, 2024

Our requested rates include only the amounts needed to cover the expected health care benefits of our members, the cost of administering their benefits, expected Affordable Care Act (ACA) fees, a small charge to help manage the risk of offering benefits to this population, and a small margin that will allow us to continue replenishing HMSA's reserves.

We based our rate increase request on a review of past costs of benefits and other expenses. These historical costs are adjusted for trend, to account for expected changes in use of medical services, cost inflation, and other factors that affect the cost of care. We also adjusted costs for benefit changes, which were largely made to comply with government mandated plan designs. Administrative expenses have also been reduced over the past couple of years.

The overall requested rate increase for our plans is 12.2%. The increases range from a low of 11.5% for the Gold PPO I plan to a high of 20.1% for the Catastrophic plan. The Catastrophic plan is the only plan exceeding a 15% increase. There are 22,359 members, including 422 Catastrophic plan members, enrolled in our ACA Individual plans as of March 2023.

HMSA has minimized rate increases for ACA Individual plans for several consecutive years. We managed to decrease rates for three straight years, from 2019 to 2021, by -0.4%, -3.3%, and -3.1%. That was followed by minimal increases of 2.3% and 2% in 2022 and 2023, respectively. As a result, we experienced an underwriting gain of only 0.2% of premium in 2022 and expect to realize losses in this market in 2023.

We understand that any rate increase creates hardship for some members. However, the increase is necessary to keep up with the costs of covering this population and ensure the plan remains viable in the future. HMSA expects to offer plans in all metallic levels (Bronze, Silver, Gold, Platinum) as well as a Catastrophic Plan.