

Medica Insurance Company

Preliminary Justification Part II – Consumer Justification Narrative

1) Scope and Range of Rate Increase

Medica Insurance Company (Medica) is requesting a rate change for its individual market business in Minnesota. The rate change will take effect on January 1, 2022 and will impact an estimated 27,173 members. The average rate change by product will range from 23.9% to 32.4% and will result in rate changes that vary across plan designs, with all plans having rate increases above 15%.

2) Financial Experience of the Product

Medica's profit has been higher than expected the last few years, as the market has grown and stabilized after the introduction of the state-based reinsurance program. This program drove down cost levels and also premium levels.

3) Changes in Medical Service Costs

The vast majority of the rate increase this year is due to the sunset of the state-based reinsurance program. The loss of this program means that carriers like Medica must now build those costs back into premium rates.

4) Changes in Benefits

Medica continues to try to maintain a competitive portfolio of plans, and the majority of changes to the plan designs are due to federal regulations around plan richness, i.e. metal levels. Plan design changes were also minimized as much as possible, both to limit member cost sharing and due to regulatory changes around HSA plans. This caused a few plan designs to have higher rate increases than others.

5) Administrative Costs and Anticipated Margins

The main drivers of Medica's administrative expenses are employee salaries and benefits, agent commissions, claim processing, premium taxes, licenses and fees, and new taxes and fees created by the ACA. Medica strives to lower its administrative expenses as well as underlying cost of care to improve its ability to keep rates as low as possible.