

Part II: Written Justification of Rate Increase

WellCare Health Insurance Company of New Jersey, Inc.

Individual Rate Filing

Effective: January 1, 2024

Forms: 17970NJ001

WellCare Health Insurance Company of New Jersey, Inc. (WellCare of NJ) is filing rates for the individual block of business, effective January 1, 2024. This document is submitted in conjunction with the Part I Unified Rate Review Template and the Part III Actuarial Memorandum.

This information is intended for use by the New Jersey Department of Banking and Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in New Jersey to assist in the review of WellCare of NJ's individual rate filing.

The results are actuarial projections. Actual experience will differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

In 2022, earned premium was \$566.71 per member per month (PMPM). Incurred claims in 2022 were \$149.65, or 26.4% of premium. The historical administrative expenses for 2022 were \$37.23 PMPM, which excludes taxes and fees. Netting risk adjustment from the claims results in an estimated loss ratio (incurred claims net of estimated risk adjustment transfers, divided by earned premiums) of 77.5%. Earned premium was \$527.97 PMPM net of minimum loss ratio rebates.

We expect unit costs to increase for 2024. Further, we have updated underlying experience for the single risk pool, expected administrative expense, assumptions for federal risk adjustment, and impacts of the COVID-19 pandemic. These factors, as well as changes to the assumed morbidity of the single risk pool and medical trend, each contribute to the premium rate change.

Medical trend, or the increase in health care costs over time, is composed of two components: the increase in the unit cost of services and the increase in the utilization of those services. Unit cost increases occur as care providers and their suppliers raise their prices. Utilization increases can occur as people seek more services than before. Additionally, simple services can be replaced with more complex services over time, which is known as service intensity trend. An example of service intensity trend would be the replacement of an X-ray with an MRI scan. Replacing the service with a more intense service causes the total cost of medical services to increase.

The proposed rate change of 16.7% applies to approximately 5,578 individuals. Cost trend contributes +5.8% towards the 2024 rate change, while trended experience and updated expectations for single risk pool utilization contribute +9.6%.

The proposed rate changes by plan are as follows:

- Gold 1008: -0.8%
- Silver 1003: +15.4%
- Silver 1007: +17.2%
- Silver 1007 Off Exchange: +16.3%

WellCare of NJ modified select features of several plan designs in their plan portfolio between 2023 and 2024. The benefit changes and the approximate impact of these changes on plan premiums are the following:

1. The Silver 1003 Out-of-Pocket Maximum increased by \$700 for the Standard Silver plan (and by a lesser amount for cost sharing reduction variants of the Silver 1003 plan), reducing the plan premium by between approximately 0.5% to 1.0%. The deductible of the 73% cost sharing reduction variant of the Silver 1003 plan decreased by \$100 and the default medical coinsurance for all services increased by 10%, the net impact of which has no material impact on the Silver 1003 plan premiums.
2. The Gold 1008 generic prescription drug copay increased by \$1 per script and the member coinsurance for generic preferred brand drugs decreased by 15%, resulting in an approximately neutral overall impact to the Gold 1008 plan premium.

WellCare of NJ's projected administrative expenses for 2024 are \$72.98 PMPM, or 11.0% of premium. Administrative expense does not include \$55.56 for taxes and fees required as part of the premium. We estimate administrative costs increases, driven by an increase to core administrative costs and marketing costs, to have a +1.2% impact on premium. The projected loss ratio, using New Jersey's requirements and taking into account the rate increase noted above, is 80.4%, which satisfies the federal minimum loss ratio requirement of 80.0%.