July 12, 2024

HIOS Part II Preliminary Justification – Written Description Justifying the Rate Increase
Community Care Health Plan
Small Group Rate Filing
Effective January 1, 2025

1. SCOPE AND RANGE OF RATE INCREASE

The purpose of this memorandum is to request a rate increase effective January 1, 2025 for Community Care Health Plan Health Plan's (CCHP's) small group market plans.

This justification is intended to comply with the requirements of CMS and the State of California Department of Managed Health Care (DMHC). This justification may not be appropriate for purposes or scopes beyond those described above and, therefore, should not be used for other purposes.

The rate increase requested for CCHP's individual market plans impacts approximately 600 members. The composite requested rate increase from January 2024 to January 2025 is 11.6% across all HMO members and 20.3% across all EPO members. The Maximum request increase is 14.6% for HMO members and 21.4% for EPO members. Requested rate changes vary by plan and product due to changes in plan pricing relativities and by geographic area due to changes in area factors.

2. CHANGES IN MEDICAL SERVICE COSTS AND TREND ASSUMPTIONS

The 2025 rate development reflects CCHP's expectations regarding increases in claims in the base period, changes in utilization of medical services and prescription drugs, and trends in drug costs per prescription. Particularly, CCHP's 2023 small group claim cost PMPM increased by 18% from 2022.

3. CHANGES IN DEMOGRAPHIC AND GEOGRAPHIC MIX

Since CCHP's 2023 experience was used as the basis for developing the 2025 rates, the rates reflect differences between the 2023 membership demographic/area mix and the projected 2025 demographic/area mix.

4. CHANGES IN BENEFITS

CCHP made minor changes to comply with the 2025 Federal Actuarial Calculator. The changes include adjusting the deductible and out-of-pocket maximums as details can be found in Actuarial Memorandum.

5. ADMINISTRATIVE COSTS AND ANTICIPATED PROFITS

CCHP is projecting a 10.6% increase in the total administrative cost from 2024 ($79.58 PMPM) to 2025 ($88.00 PMPM), primarily due to trending the admin cost from 2023 to 2025.