

MILLIMAN REPORT

Neighborhood Health Plan of Rhode Island

Part III Actuarial Memorandum

Individual Rate Filing

Effective January 1, 2024

May 24, 2023

[Michelle B. Klein](#), FSA, MAAA
Consulting Actuary



17335 Golf Parkway
Suite 100
Brookfield, WI 53045
USA
Tel +1 262 784 2250

milliman.com





Table of Contents

4.2 GENERAL INFORMATION	1
4.2.1 Company Identifying Information	1
4.2.2 Company Contact Information	1
4.3 PROPOSED RATE CHANGES	2
4.3.1 MEDICAL AND PRESCRIPTION DRUG UTILIZATION AND UNIT COST TREND	2
4.3.2 TAXES, FEES, AND ADMINISTRATIVE EXPENSES	2
4.3.3 PROSPECTIVE BENEFIT CHANGES	2
4.3.4 CONTRIBUTION TO SURPLUS	3
4.3.5 PROJECTED RISK ADJUSTMENT	3
4.3.6 EXPERIENCE AND ENROLLMENT	3
4.3.7 IMPACT DUE TO COVID-19	3
4.4 MARKET EXPERIENCE	4
4.4.1 EXPERIENCE AND CURRENT PERIOD PREMIUM, CLAIMS, AND ENROLLMENT	4
4.4.1.1 Paid Through Date	4
4.4.1.2 Current Date	4
4.4.1.3 Premiums (net of MLR Rebate) in Experience Period	4
4.4.1.4 Paid Through Date	4
4.4.1.5 Method for Determining Incurred But Not Reported Paid Claims	4
4.4.2 BENEFIT CATEGORIES	5
4.4.3 PROJECTION FACTORS	5
4.4.3.1 Trend Factors	5
4.4.3.2 Adjustments to Trended EHB Allowed Claims PMPM	5
4.4.3.3 Manual Rate Adjustments	6
4.4.3.4 Credibility of Experience	6
4.4.3.5 Establishing the Index Rate	7
4.4.3.6 Development of the Market-Wide Adjusted Index Rate	7
4.4.4 PLAN ADJUSTED INDEX RATE	8
4.4.4.1 Actuarial Value and Cost Sharing Design of the Plan	8
4.4.4.2 Provider Network, Delivery System Characteristics, and Utilization Management Practices	9
4.4.4.3 Benefits Provided Under the Plan that are in Addition to EHBs	9
4.4.4.4 Administrative Costs, Excluding Exchange User Fees and Reinsurance Fees	9
4.4.4.5 Catastrophic Adjustment	9
4.4.5 CALIBRATION	9
4.4.5.1 Age Curve Calibration	10
4.4.5.2 Geographic Factor Calibration	10
4.4.5.3 Tobacco Use Rating Factor Calibration	10
4.4.6 CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT	10
4.5 PROJECTED LOSS RATIO	11
4.6 PLAN PRODUCT INFORMATION	12
4.6.1 AV METAL LEVELS	12
4.6.2 MEMBERSHIP PROJECTIONS	12
4.6.3 TERMINATED PRODUCTS	12
4.6.4 PLAN TYPE	12
4.7 MISCELLANEOUS INSTRUCTIONS	13
4.7.1 EFFECTIVE RATE REVIEW INFORMATION	13
4.7.1.1 Data & Rate Change	13
4.7.1.2 Rate Development	13
4.7.1.3 Plan Rates	13
4.7.1.4 Retention Charge	13
4.7.1.5 Components of Premium Change	14
4.7.1.6 MLR Exhibit	14
4.7.1.7 Silver Plan Premium Rates on Exchange	14
4.7.1.8 ADDENDUM A	14
4.7.1.9 ADDENDUM B	15
4.7.1.10 Taxes and Fees	16
4.7.2 RELIANCE	16
4.7.3 ACTUARIAL CERTIFICATION	16

4.2 GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Neighborhood Health Plan of Rhode Island (NHPRI) individual medical Affordable Care Act (ACA) block of business, effective January 1, 2024. This document contains the Part III Actuarial Memorandum and the State of Rhode Island Office of the Health Insurance Commissioner (OHIC) Memorandum requirements. We submit this Actuarial Memorandum in conjunction with the Part I Unified Rate Review Template (URRT) and the 2023 OHIC Rate Filing Process Rate Template. The section numbering follows the numbering in the 2023 Unified Rate Review Instructions as of March 2023.

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of the premium rate filing, including support for the values entered in the Part I URRT and OHIC Rate Filing Process Rate Template, which supports compliance with the market rating rules and reasonableness of applicable rate changes. This memorandum may not be appropriate for other purposes.

The Part I URRT, Part III Actuarial Memorandum, and 2024 OHIC Rate Review Filing Template are subject to the terms and conditions of the Master Services Agreement between NHPRI and Milliman, Inc. (Milliman) dated November 11, 2020. The information in these documents has been prepared for the use of NHPRI. We understand NHPRI will provide these documents to the OHIC, HealthSourceRI (HSRI), the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of NHPRI's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this memorandum to third parties. Likewise, third parties should place no reliance upon this Actuarial Memorandum or rate filing prepared for NHPRI by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

We develop the 2024 plan year premium rates based upon ACA statutes and regulations and applicable Rhode Island laws and regulations in full force and in effect as of date of this Actuarial Memorandum submission. We assume the individual mandate and 1332 Waiver reinsurance program will continue to be in place as of January 1, 2024, with program details available as of the effective date of this Actuarial Memorandum submission. Accordingly, these premium rates are contingent upon the current ACA statutes and regulations not changing, whether taking place through legislative or regulatory amendments, court decisions, or actions by Congress, the Health and Human Services Secretary, or the Centers for Medicaid and Medicare Services Director. Given potential impact to 2024 plan year premium rates, NHPRI retains and reserves the right to amend this Actuarial Memorandum and plan premium rates should there be any changes to the current ACA statutes and regulations.

At the time of the initial rate filing, there was uncertainty regarding the impact of Medicaid redetermination resulting from the ending of the public health emergency (PHE).

Please note, due to URRT and OHIC rounding conventions, there may be some variance in reported figures between these two workbooks and this memorandum.

4.2.1 Company Identifying Information

Company Legal Name:	Neighborhood Health Plan of Rhode Island
State:	Rhode Island
HIOS Issuer ID:	77514
Market:	Individual
Effective Date:	January 1, 2024

4.2.2 Company Contact Information

Primary Contact Name:	Elizabeth McClaine, Vice President of Commercial Products
Primary Contact Telephone Number:	+1 401 459 6679
Primary Contact Email-Address:	emcclaine@nhpri.org

4.3 PROPOSED RATE CHANGES

The average proposed rate change across NHPRI's individual market product is 4.5%. The new rates will apply for individuals with an effective date or renewal date as of January 1, 2024. These rates are guaranteed through December 31, 2024.

The following factors drive the proposed rate changes.

4.3.1 MEDICAL AND PRESCRIPTION DRUG UTILIZATION AND UNIT COST TREND

Claims costs were increased for anticipated changes due to increased medical / prescription drug utilization and unit cost. The medical and prescription drug trend estimates were developed by NHPRI and based upon anticipated changes in NHPRI's provider contracts and a review of recent experience, inclusive of high emerging inflation rates to arrive at a composite annual trend of approximately 9.4%. The unit cost and utilization trends by service type are presented in the table below. These are reported in Worksheet 1, Section II of the URRT.

Table 4.3.1 Neighborhood Health Plan of Rhode Island Annual Unit Cost and Utilization Trend Assumptions				
Service Type	Year 1		Year 2	
	Unit Cost	Utilization	Unit Cost	Utilization
Inpatient Hospital	7.4%	2.2%	6.2%	1.0%
Outpatient Hospital	7.4%	3.7%	6.2%	4.3%
Professional	3.7%	0.9%	4.2%	1.3%
Other Medical	4.5%	2.0%	5.0%	1.0%
Capitation	0.0%	0.0%	0.0%	0.0%
Prescription Drug	8.5%	3.7%	8.5%	3.9%

4.3.2 TAXES, FEES, AND ADMINISTRATIVE EXPENSES

Changes to the overall premium level are needed because of required changes in federal / state taxes and fees. In addition, there are anticipated changes in the administrative expenses. The following table provides a list of any anticipated changes on a per member per month (PMPM) basis and comments regarding the adjustment.

Table 4.3.2 Neighborhood Health Plan of Rhode Island Anticipated Non-Benefit Expense PMPM Changes			
Item	Prior Year Value	Effective Year Value	Reason for Adjustment
Administrative Expenses	\$61.12	\$61.87	Administrative expenses for NHPRI's individual products reflect an increase from 2023 levels
State Assessment Fees	\$6.34	\$12.42	These fees are prescribed by the Office of the Health Insurance Commissioner (OHIC) of Rhode Island
HSRI Premium Assessment	\$16.84	\$17.75	2024 premiums include the HSRI Premium Assessment, which is anticipated to be 3.5% of premium, consistent with 2023

4.3.3 PROSPECTIVE BENEFIT CHANGES

Effective January 1, 2024, benefits will change based on state requirements, business decisions, and new Actuarial Value Calculator modeling. The impact of benefit adjustments on the proposed rate change is estimated to be approximately -0.8% on average. These changes have been interpreted as Uniform Modifications of Coverage based on instructions from OHIC in the 2024 Market and Rating Rules.

Benefit changes vary by plan, causing rate changes by plan to vary.

4.3.4 CONTRIBUTION TO SURPLUS

The proposed rates reflect 1.0% of premium being allocated to Contribution to Surplus and Risk Margin. This is unchanged from 2023 pricing.

The lack of a funding backstop in the 1332 waiver leaves NHPRI open to significant risk if program funding comes in significantly lower than anticipated. The actual reinsurance recovery may be lower than expected if either the state or federal funding realized is lower than the amounts assumed to set the reinsurance parameters. Based on recent experience, we do not expect a funding shortfall but this risk may occur if funding or recoveries come in materially different than expected.

This load was applied evenly to all plans being offered.

4.3.5 PROJECTED RISK ADJUSTMENT

Per OHIC's guidance, the proposed rates reflect estimated 2022 risk adjustment transfer amounts based on information known at the time of this filing. We reflect a risk adjustment payment equal to 6.8% of the Plan Adjusted Index Rate (PAIR) (across the plan portfolio, varying by metal level) for calendar year 2024. This assumption reflects estimated risk adjustment transfer amounts for calendar year 2024, which are based on 2022 projected PMPMs and adjusted for expected changes between 2022 and 2024.

4.3.6 EXPERIENCE AND ENROLLMENT

The proposed rates reflect Neighborhood's 2022 allowed costs as a starting point for rate development. Emerging claim experience, as well as the current membership distribution by plan and CSR variation, contribute to the rate increase.

4.3.7 IMPACT DUE TO COVID-19

The proposed rates reflect no adjustment to 2022 allowed costs for COVID-19. We determined the costs related to treatment, testing, vaccination, and pent-up demand within the 2022 allowed costs and adjusted for 2024 expectations resulted in no net material impact; therefore, we made no adjustment to the 2022 allowed costs to reflect COVID-19.

4.4 MARKET EXPERIENCE

4.4.1 EXPERIENCE AND CURRENT PERIOD PREMIUM, CLAIMS, AND ENROLLMENT

4.4.1.1 Paid Through Date

The experience reported on Worksheet 1, Section I of the URRT shows NHPRI's earned premium, allowed claims, and incurred claims for the period of January 1, 2022 through December 31, 2022, with claims paid through March 31, 2023.

4.4.1.2 Current Date

The reported date for current enrollment and premium in URRT Worksheet 2, Section II is April 1, 2023.

4.4.1.3 Premiums (net of MLR Rebate) in Experience Period

The premiums earned during the experience period as reported on Worksheet 1, Section I of the URRT were provided by NHPRI and reconcile against financial statement data.

4.4.1.4 Paid Through Date

The following table summarizes the experience period allowed and paid claims as listed in Worksheet 1, Section I of the Part I URRT:

Table 4.4.1 Neighborhood Health Plan of Rhode Island Calendar Year 2022 Experience Allowed and Paid Claims by Type of Service						
Service Category	Allowed Claims	Completion Factor	Completed Allowed Claims	Paid Claims	Completion Factor	Completed Paid Claims
Inpatient Hospital	\$15,274,404	0.919	\$16,624,793	\$14,522,306	0.961	\$15,115,382
Outpatient Hospital	33,789,010	0.962	35,120,330	27,175,002	0.962	28,236,958
Professional	28,710,357	0.896	32,028,223	20,199,526	0.876	23,066,758
Other Medical	1,483,156	0.947	1,566,613	1,073,592	0.945	1,136,000
Prescription Drug	27,955,325	1.000	27,962,654	23,996,351	1.000	23,996,351
Total	\$107,212,252	0.946	\$113,302,614	\$86,966,777	0.950	\$91,551,449

Note, values do not include adjustments for capitation. Paid claims are gross of state reinsurance.

Allowed and paid claims were determined based on data provided to us from NHPRI.

4.4.1.5 Method for Determining Incurred But Not Reported Paid Claims

Incurred claims were calculated by applying completion factors provided by NHPRI to the paid claims from the experience period. The completion factors were developed using a combination of the lag development and projection methods. The same completion factors by completion category (institutional, behavioral health, professional, and pharmacy) are used for paid and allowed claims. Total completion factors vary between paid and allowed based on the distribution of claims within completion categories.

4.4.2 BENEFIT CATEGORIES

We assigned the experience data utilization and cost information to benefit categories as shown in Worksheet 1, Section II of the URRT based on place and type of service using a detailed claims mapping algorithm as follows.

- Inpatient Hospital includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation, and other services provided in an outpatient facility setting and billed by the facility.
- Professional includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital-based professionals whose payments are included in facility fees.
- Other Medical includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services, and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.
- Prescription Drug includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

4.4.3 PROJECTION FACTORS

We made the following adjustments to project the experience period index rate to the projection period.

4.4.3.1 Trend Factors

The development of the calendar year 2024 rates reflects an annual trend rate of approximately 9.4%.

This trend factor reflects NHPRI's expectations regarding changes to contractual reimbursement and the impact of trends in projected costs and informed by an analysis of NHPRI historical claims data and anticipated provider reimbursement changes for 2024.

In URRT Worksheet 1, Section II, "Year 1 Trend" and "Year 2 Trend" represent 12-month annual trends, split into separate cost and utilization trend components.

4.4.3.2 Adjustments to Trended EHB Allowed Claims PMPM

4.4.3.2.1 Morbidity Adjustment

We include a morbidity adjustment of 0.5% to the projection period.

- We assume a factor of 1% due to Neighborhood's anticipated morbidity change resulting from Medicaid redetermination. We develop this assumption using the claims difference for the SEP and passive members calculated by Neighborhood and the number of months left in Medicaid redetermination at the start of the pricing period. We assume members will use benefits at a similar level in ACA as they do in Medicaid. We do not adjust for differences in provider reimbursement between the ACA and Medicaid markets.
- Additionally, we assume a factor of -0.5% to account for changes in the state morbidity pool from 2022 to 2024 based on our review of publicly available market data.

4.4.3.2.2 Demographic Shift

Data provided by NHPRI was used to estimate the changes in the demographic mix of the population between the experience and projection period, as shown in the demographic shift value of Worksheet 1, Section II.

Calendar year 2022 claims experience was used in the 2024 rate development process and reflects the average demographic mix of the calendar year 2022 enrollees. As required by OHIC, projected membership by plan is consistent

with NHPRI's individual market enrollment distribution as of April 1, 2023. There are no terminated plans in 2024. The Neighborhood VALUE Modified plan is new for 2024. No new enrollment in existing plans in 2024 is reflected.

[4.4.3.2.3 Plan Design Changes](#)

There are no material changes to covered services for NHPRI's individual product. Using the Milliman Commercial *Health Cost Guidelines*[™] (HCGs), we estimate the change in the average utilization of services due to differences in average cost-sharing requirements between the experience period and the projection period. We display the factor representing these utilization changes in URRT Worksheet 1, Section II.

The HCGs have been developed as a result of Milliman's continuing research into commercial health care costs. First developed in 1954, the HCGs are continually monitored against other data sources and have been updated and expanded annually since that time. The HCGs provide a flexible, but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience, and establish interrelationships between different health coverages. The HCGs are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research, and judgment. An extensive amount of data is used in developing these guidelines, including published and unpublished data. The detailed claims and enrollment data underlying the guidelines represent over 100 million commercially insured lives.

[4.4.3.2.4 Other Adjustments](#)

We further adjusted projected allowed claims to reflect anticipated costs for pediatric dental based on vendor estimates and changes between the 2022 experience period and 2024 projection period for pharmacy rebates.

[4.4.3.3 Manual Rate Adjustments](#)

Not applicable. NHPRI's experience in the base period is fully credible, for purposes of the rate projection.

[4.4.3.3.1 Source and Appropriateness of Experience Data Used](#)

Not applicable. NHPRI's experience in the base period is fully credible, for purposes of the rate projection.

[4.4.3.3.2 Adjustments Made to the Data](#)

Not applicable. NHPRI's experience in the base period is fully credible, for purposes of the rate projection.

[4.4.3.4 Credibility of Experience](#)

The credibility assigned to the base period experience is 100%. The 2024 rate development is based on experience.

We assumed 120,000 member months as 100% credible and utilized the following formula for determination of partial credibility:

$$(n / f)^{1/2}$$

Where: n = member months in the experience period; and,
f = member months required for 100% credibility.

The table below includes an illustration of how the formula outlined above was utilized in assessing the credibility of NHPRI's individual experience data.

Table 4.4.2 Neighborhood Health Plan of Rhode Island Credibility of Base Period Experience		
Description	Value	Annotation
Member Months - Base Experience	283,010	(a)
Full Credibility Threshold - Member Months	120,000	(b)
% Base Experience in the Manual Rate	0%	(c)
Credibility of Base Experience (no adjustment)	100.0%	(d) = $\text{Min}\{\sqrt{(a) / (b)}, 1\}$
Adjusted Credibility of Base Experience	100.0%	(e) = $[(d)-(c)] / [1-(c)]$

4.4.3.5 Establishing the Index Rate

The projected index rate is a measurement of the average allowed claims PMPM for Essential Health Benefits (EHBs). The projected index rate reflects the projected 2024 mixture of risk morbidity that NHPRI expects to receive in the Single Risk Pool. The projected index rate is equal to the projection period total allowed claims PMPM minus the total non-EHB allowed claims PMPM, since NHPRI offers benefits beyond EHB. The projected index rate has not been adjusted for payments and charges projected under the risk adjustment program and reinsurance programs, or for the HSRI Premium Assessment.

The following table displays the development of the projected index rate.

Table 4.4.3 Neighborhood Health Plan of Rhode Island Projected Index Rate Development	
	2022 Experience
Experience Member Months	283,010
Experience EHB Allowed Claims	\$113,252,112
Experience EHB Allowed Claims PMPM	\$400.17
2022 to 2024 Trend	1.196
Trended EHB Allowed Claims PMPM	\$478.62
Morbidity Adjustment	1.005
Demographic Shift	1.008
Plan Design Changes	1.004
Other Adjustments	0.986
Projected Index Rate	\$479.99

Abortion coverage was offered as a non-essential health benefit on Neighborhood INNOVATION, COMMUNITY, and PLUS plans during the experience period. Based on data provided by NHPRI, there was no incurred cost for abortion benefits during calendar year 2022 for NHPRI's individual products.

Non-essential health benefits were offered on all NHPRI plans during the experience period. The allowed cost of these benefits was estimated to be \$0.18 PMPM and has been excluded from the experience period Index Rate provided.

4.4.3.6 Development of the Market-Wide Adjusted Index Rate

We calculate the market adjusted index rate as the projected index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). The following table displays the development of the market adjusted index rate. We apply all adjustments to the index rate on an allowed basis, as required by CMS.

Table 4.4.4 Neighborhood Health Plan of Rhode Island Market Adjusted Index Rate		
	PMPM	Annotation
Index Rate	\$479.99	(1)
Net Reinsurance	-\$19.19	(2)
Gross Risk Adjustment	\$34.40	(3)
HSRI Premium Assessment	\$17.75	(4)
Paid to Allowed	0.799	(5)
Total Market Impact	\$41.27	(6) = [(2) + (3) + (4)] / (5)
Market Adjusted Index Rate	\$521.26	(7) = (1) + (6)

4.4.3.6.1 Reinsurance

There is no federal reinsurance program.

Rhode Island implemented a state reinsurance program under a 1332 Waiver in 2020. To estimate NHPRI's expected reinsurance recovery from the 1332 Waiver program in 2024, we projected NHPRI's claims subject to reinsurance recoveries using completed 2021 and 2022 experience by member, as well as HCGs data, adjusted to 2024, and

applying the proposed attachment point, cap, and coinsurance level. The resulting recovery percentages were blended to produce the expected recoveries for 2024.

The filing reflects 37% coinsurance as assumed by the state in the plan parameters for 2024 as of March 15, 2023. However, the lack of a funding backstop in the 1332 waiver leaves NHPRI open to risk if program funding comes in lower than anticipated. Additionally, Medicaid redetermination as a result of the ending PHE may cause funding to vary from our current best estimate.

[4.4.3.6.2 Risk Adjustment Payment / Charge](#)

To determine NHPRI's total risk adjustment transfer amounts for calendar year 2022 individual products offered by NHPRI, we:

- Start with the 2022 interim RATEE file for plan liability risk score (PLRS) and billable member months. We then adjust the NHPRI and statewide PLRS for estimated completion, and assuming data has been corrected based on the risk adjustment data validation (RADV) results.
- Utilize the NHPRI 2021 TPIR for induced demand factor (IDF), actuarial value (AV), and allowable rating factor (ARF) information. We then adjust these values to 2022 projections. Additionally, we estimate the 2022 average premium.
- Develop 2022 state market averages using the 2021 TPIR and 2022 NHPRI RATEE values. The geographic cost factor (GCF) is 1.00 for the Rhode Island market.

To estimate NHPRI's risk adjustment transfer payments for calendar year 2024, we:

- Start with the 2022 best estimate. Adjust the projected statewide average premium from 2022 to 2024.
- Adjust for changes between 2022 and 2024 to the NHPRI and the state PLRS to account for morbidity related to Medicaid redetermination and 2022 to 2024 changes in state morbidity, consistent with the assumptions described in the morbidity section above.
- Assume the statewide IDF, AV, ARF, and GCF will not meaningfully change between 2022 and 2024.
- Applied projected 2024 transfer payments, varying by metal level, and incorporated reinsurance contributions and recoveries for the high-cost risk pool as a percent of premium based on the historical 2022 amounts. We estimated NHPRI's reinsurance recoveries to be \$0 since we expect there to be no members with claims above the \$1 million reinsurance threshold.

This analysis resulted in an estimated risk adjustment transfer payment of approximately \$34.40 PMPM in 2024 or 6.8% of PAIR.

[4.4.3.6.3 Exchange User Fees](#)

The exchange fee represents the HSRI premium assessment of 3.5% of premium for NHPRI's individual enrollment, consistent with regulation from the Rhode Island Budget Office.

4.4.4 PLAN ADJUSTED INDEX RATE

We display the development of the plan adjusted index rates in URRT Worksheet 2, Section III. We apply the following adjustments to the market adjusted index rate to compute the plan adjusted index rates:

4.4.4.1 Actuarial Value and Cost Sharing Design of the Plan

This factor consists of the product of the Actuarial Value and the utilization factors. We develop these adjustments in our internal Milliman cost relativity model, which is based on the HCGs. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to NHPRI's experience.

4.4.4.2 Provider Network, Delivery System Characteristics, and Utilization Management Practices

There are no expected differences in the provider network and / or utilization management between plans.

4.4.4.3 Benefits Provided Under the Plan that are in Addition to EHBs

NHPRI will offer the following benefits in addition to EHBs:

- Abortion coverage will be offered as a non-essential health benefit on Neighborhood INNOVATION, COMMUNITY, VALUE Modified, and PLUS. According to 45 CFR 156.280, when estimating the cost of this benefit an insurer “May not estimate such a cost at less than one dollar per enrollee, per month.” As a result, this rate filing reflects a cost of providing this benefit of exactly \$1.00 PMPM.
- This rate filing reflects additional non-EHBs.

We project these services will make up roughly 0.2% of composite non-capitated allowed claims.

4.4.4.4 Administrative Costs, Excluding Exchange User Fees and Reinsurance Fees

Distribution and administrative costs were developed and applied to each plan as a mix of “percent of premium” and PMPM bases. This adjustment differs by plan due to the relative impact of administrative costs that are developed as a PMPM rather than as a percent of premium.

The following table summarizes retention components included in rate development:

Table 4.4.5 Neighborhood Health Plan of Rhode Island Illustration of Retention Expenses		
	Value	Basis
Comparative Effectiveness Research Fee	\$0.27	PMPM
Risk Adjustment Admin Fee	\$0.21	PMPM
Premium Tax	2.0%	% Premium
Target Pre-Tax Margin*	1.0%	% Premium
General Admin	\$51.52	PMPM
Commercial Reinsurance Premiums	\$1.46	PMPM
Commercial Reinsurance Recoveries**	(\$1.10)	PMPM
Information Technology	\$1.63	PMPM
Quality Improvement	\$8.35	PMPM
Childhood Immunization Account	\$1.14	PMPM
Adult Immunization Account	\$8.51	PMPM
Children’s Health Account	\$0.40	PMPM
Chronic Care Sustainability Initiative	\$1.34	PMPM
Current Care	\$1.03	PMPM
HSRI Premium Assessment	3.5%	% Premium

* Does not vary by metallic tier.

**Based on a reinsurance loss ratio of 75%.

4.4.4.5 Catastrophic Adjustment

Not applicable.

4.4.5 CALIBRATION

We apply a single calibration factor to the plan adjusted index rates to calibrate rates for the expected age and geographic distributions expected to enroll in the product. We apply the single calibration factor uniformly across all plans.

4.4.5.1 Age Curve Calibration

To develop the age calibration factor, we premium-weight the CMS federal age curve factors on a projected premium basis. The following table demonstrates the build-up of the age calibration factor.

Table 4.4.6 Neighborhood Health Plan of Rhode Island Age Calibration Factor Development		
Age Band	Average Premium Rating Factor	Membership Distribution
0 to 20	0.820	5.6%
21 to 24	1.000	4.3%
25 to 29	1.056	9.5%
30 to 34	1.178	9.9%
35 to 39	1.240	9.4%
40 to 44	1.332	9.7%
45 to 49	1.570	9.7%
50 to 54	1.956	11.0%
55 to 59	2.430	12.4%
60 to 63	2.837	11.8%
64+	3.000	6.8%
Composite Rating Factor		1.758
Age Calibration Factor		0.569

We apply the age curve calibration to all plans. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102. Consistent with the prior year, we do not apply an additional load for unrateable children.

4.4.5.2 Geographic Factor Calibration

The geographic calibration factor is 1.000 as the state of Rhode Island only has one rating region.

4.4.5.3 Tobacco Use Rating Factor Calibration

Per Rhode Island regulations, tobacco status factors are not permitted in the rating formula. Thus, the tobacco calibration is a 1.000 factor.

4.4.6 CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments, as articulated in the applicable market reform rating rules. It is the product of the plan adjusted index rate, the calibration factors, and the age rating factor. Age factors are based upon each member's age as of the premium rate effective date, using the HHS federal standard age curve. The final HHS Notice of Benefit and Payment Parameters for 2024 includes the HHS default standard age curve. NHPRI will not apply a tobacco use or geographic factor.

4.5 PROJECTED LOSS RATIO

The projected loss ratio is approximately 87.4%. We calculate the loss ratio consistently with the MLR methodology prescribed by 45 CFR 158. The following table summarizes the calculation of the projected federal medical loss ratio.

Table 4.5.1 Neighborhood Health Plan of Rhode Island 2024 Projected Medical Loss Ratio (Three-Year Calculation)		
	PMPM	Annotation
Claims	\$359.21	(1)
Claims-Related Retention	\$15.19	(2)
Risk Adjustment Paid (Received)	\$30.62	(3)
Market Reinsurance Recoveries (Received)	-\$19.83	(4)
MLR Numerator	\$385.20	(5) = (1) + (2) + (3) + (4)
Premiums ¹	\$476.41	(6)
Taxes and Fees ²	\$34.69	(7)
MLR Denominator	\$441.72	(8) = (6) – (7)
Projected MLR Without Credibility Adjustments	87.2%	(9) = (5) / (8)
Credibility Adjustment	0.24%	(10)
Projected Adjusted MLR	87.4%	(11) = (9) + (10)

¹Premiums are gross of pass-through state assessments.

²Taxes and fees include all ACA and state taxes and fees.

NHPRI's projected MLR is above the 80% threshold.

It is our understanding no additional state-specific projected loss ratio demonstration is required.

4.6 PLAN PRODUCT INFORMATION

4.6.1 AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT are entirely based on the 2024 CMS Actuarial Value Calculator.

4.6.2 MEMBERSHIP PROJECTIONS

As required by OHIC, the projected 2024 membership by plan in Worksheet 2 of the URRT uses the most recent enrollment data available as of April 1, 2023. In addition, no new enrollment is reflected in the projected 2024 membership as reported in Worksheet 2.

4.6.3 TERMINATED PRODUCTS

No products will be terminated prior to the effective date.

All plan design changes are interpreted as meeting the definition of Uniform Modifications of Coverage based on instructions from OHIC in the 2024 Market and Rating Rules. Specifically, plan design changes were required by regulations in order to conform to actuarial value metallic tier limits.

4.6.4 PLAN TYPE

There are no differences between NHPRI's plan types and the plan type selected in the drop-down box in Worksheet 2, Section I of the URRT.

4.7 MISCELLANEOUS INSTRUCTIONS

This section contains additional information and documentation pertaining to the 2024 OHIC Rate Review Template.

Methodologies utilized for rate development purposes are consistent with those described in prior sections of this memorandum. This section is intended to capture documentation for information not included within the Part I Unified Rate Review Template.

4.7.1 EFFECTIVE RATE REVIEW INFORMATION

4.7.1.1 Data & Rate Change

[4.7.1.1.1 Section A: Data Submission](#)

Sections A1, A2, and A3 have been completed based on data provided to us from NHPRI. The methodology used is consistent with the descriptions in Section 4.4, Market Experience of this memorandum.

[4.7.1.1.2 Section B: Enrollment Statistics](#)

This section was completed based on enrollment data as of March 31, 2023, along with other historical data provided to us from NHPRI.

[4.7.1.1.3 Section C: Distribution of Rate Changes](#)

The distribution of rate increases table was completed based on data available within Tab III, Plan Rates. The composite calculated rate increase does not tie between Tab I and Tab III, since Tab I also accounts for the impact of members aging one year.

4.7.1.2 Rate Development

The Rate Development tab was completed to illustrate the components of the premium change for 2024. The adjustment to bring the experience period allowed claims to the experience period Index Rate reflects the removal of non-EHBs. Administrative expenses were applied in a manner consistent with the process outlined in Section 4.4.4, Plan Adjusted Index Rate of this memorandum; however, this section does not include risk adjustment, federal or state reinsurance, or the HSRI premium assessment. These items are reflected in the Market Adjusted Index Rate calculations.

4.7.1.3 Plan Rates

The Plan Rates tab includes information for all proposed 2024 plans. Elective abortion coverage will be included in Neighborhood INNOVATION, COMMUNITY, VALUE Modified, and PLUS plans. NHPRI will offer pediatric dental benefits for all individual products in 2024 per instructions from OHIC.

Cost sharing & benefit and induced demand values were developed based on the allowable rating factors for each cohort in Rhode Island. We developed NHPRI's rating factors to meet the regulatory requirements below:

- Age factors as specified by law
- Plan factors based on the plan's actuarial value, cost sharing utilization, network, and cost of administration

4.7.1.4 Retention Charge

[4.7.1.4.1 Section I. Retention Charge Change](#)

This section was completed based on data provided to us from NHPRI.

Administrative expenses for NHPRI's individual products reflect an increase from 2023 amounts. Additional details related to administrative costs can be found in Section 4.4.4.4, Administrative Costs, of this memorandum.

[4.7.1.4.2 Section II. Retention Charge from Tab III Plan Rates](#)

This section was automatically populated by formulas in the OHIC Rate Review Process Rate Template.

[4.7.1.4.3 Section III. Exchange User Fees](#)

This section was completed using the proposed HSRI premium assessment of 3.5% and corresponding PMPM equivalent.

The user fee as a percent of PAIR differs from the user fee from Tab II. The table below provides a reconciliation between the two values.

Table 4.7.1 Neighborhood Health Plan of Rhode Island HSRI Premium Assessment (Exchange Fee) Reconciliation		
Item	Value	Annotation
User Fee as a Percent of PAIR	3.50%	(1)
PAIR	\$507.00	(2) = Tab IV, Item #8
User Fee PMPM (Paid)	\$17.75	(3) = (1) x (2)
AV	0.798	(4) = Tab III, Column Q
User Fee PMPM (Allowed)	\$22.22	(5) = (3) / (4)
Initial Quarter Market Adjusted Index Rate	\$521.23	(6) = Tab II, Section II
User Fee as a Percent of MAIR	4.26%	(7) = (5) / (6)

[4.7.1.4.4 Section IV. Assessments & Fees](#)

The 2022 and 2023 values in this section were completed based on data provided to us from NHPRI. The 2024 fees were estimated using the 2023 formula with 2024 membership projections. These fees are included within the retention charge.

[4.7.1.4.5 Section V. Actual Administrative Expenses, Taxes and Fees \(Supplemental Health Care Exhibit\)](#)

This section was completed based on data reported in NHPRI's 2021 and 2022 Supplemental Health Care Exhibits included in the NAIC Annual Statements.

[4.7.1.5 Components of Premium Change](#)

This section was completed based on retention components included in Tab IV, as well as other pricing assumptions. Inputs were populated by including 2023 and 2024 assumptions where applicable and using the calculations in the form. For other lines, assumptions were changed one at a time in our pricing model to determine the pricing impacts.

These represent additive changes, though we note PMPM changes often have downstream impacts on premiums (i.e., changing the risk adjustment PMPM will cause percent of premium retention amounts to change).

[4.7.1.6 MLR Exhibit](#)

This section was completed using incurred claims and premium consistent with NHPRI's MLR estimates and projected pricing values. Note, these resulting MLRs reflect one-year values, while the filed federal MLR forms and our Table 4.5.1, reflect three-year averages.

[4.7.1.7 Silver Plan Premium Rates on Exchange](#)

This section reflects premiums as if there were no 1332 waiver in place.

[4.7.1.8 ADDENDUM A](#)

In developing the rates for 2024, a total impact of \$12.42 PMPM for the five state assessment programs was included in the rate development process. These amounts were prescribed by OHIC. The total impact is included in the Taxes

and Fees of Worksheet 2, Section III of the URRT and in the taxes and fees sections of the OHIC Rate Review Process Rate Template. Each program is identified here along with the corresponding PMPM impact assumed in the 2024 rates:

- Childhood Immunization Account = \$1.14
- Adult Immunization Account = \$8.51
- Children's Health Account = \$0.40
- Chronic Care Sustainability = \$1.34
- CurrentCare = \$1.03

4.7.1.9 ADDENDUM B

In accordance with the rate filing instructions for the State of Rhode Island Office of the Health Insurance Commissioner, Addendum B is included to address segregation of funds for services relating to abortion, and for the expenditure of such funds.

Abortion coverage will be offered as a non-EHB on Neighborhood INNOVATION, COMMUNITY, VALUE Modified, and PLUS. According to 45 CFR 156.280, when estimating the cost of this benefit an insurer "may not estimate such a cost at less than one dollar per enrollee, per month." As a result, this rate filing reflects a cost of providing this benefit of \$1.00 PMPM.

To ensure compliance with segregation of funding requirements, NHPRI's Fiscal Operations account receivable staff transfers the \$1.00 PMPM (premium) collected from each member enrolled in a plan that includes abortion coverage that is receiving Advanced Premium Tax Credits (APTC) or Cost-Sharing Subsidies (CSR) from NHPRI's general cash account to a restricted cash account monthly. All of these funds will be used to pay for abortion services for individual exchange members.

The table below demonstrates the total amount of funds expected to be deposited in the segregated fund for calendar years 2023 and 2024.

Table 4.7.2 Neighborhood Health Plan of Rhode Island Projected Abortion Funds Received				
Year	Individual Member Months	Premium Collected (PMPM)	Total Funds (\$)	Total Funds (PMPM)
2023	295,200	\$1.00	\$295,200	\$1.00
2024	260,652	\$1.00	\$260,652	\$1.00

Specific general ledger accounts have been established to segregate the abortion related claims from all other services. When abortion services claims are paid, NHPRI's medical expense staff records the medical expense and draws down (credit) the restricted cash account for the amount of the claim. This process applies to both calendar year 2023 and 2024.

The total amount of estimated abortion related charges and associated administrative and Claims Adjustment Expense (CAE) fees for on-exchange individual products for 2023 and 2024 is illustrated in the table below.

Table 4.7.3 Neighborhood Health Plan of Rhode Island Projected Abortion Related Charges				
Year	Total Abortion Charges	Admin and CAE Fees	Total Charges (\$)	Total Charges (PMPM)
2023	\$135,792	\$21,048	\$156,840	\$0.53
2024	\$119,900	\$18,584	\$138,484	\$0.53

No claims will be incurred off-exchange in 2023 and 2024, as NHPRI is only actively marketing products on the exchange.

4.7.1.10 Taxes and Fees

We display all taxes and fees by plan in URRT Worksheet 2, Section III. These include:

- Risk Adjustment User Fee
- Comparative Effectiveness Research Fee
- Childhood Immunization Account
- Adult Immunization Account
- Children's Health Account
- Chronic Care Sustainability Initiative
- Current Care

The HSRI Premium Assessment is included in the market adjusted index rate.

4.7.2 RELIANCE

In performing this analysis, we relied on data and other information provided by NHPRI. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

We attach a data reliance letter to this rate submission.

4.7.3 ACTUARIAL CERTIFICATION

I, Michelle B. Klein, am a consulting actuary with the firm of Milliman, Inc. Neighborhood Health Plan of Rhode Island engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102).
 - Developed in compliance with the applicable Actuarial Standards of Practice.
 - Reasonable in relation to the benefits provided and the population anticipated to be covered.
 - Neither excessive nor deficient based on my best estimates of the 2024 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Section III was calculated in accordance with actuarial standards of practice.
4. The 2024 CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the URRT for all plans.

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans, and for certification the index rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.

Milliman has developed certain models to estimate the values included in this filing. The intent of the models was to estimate 2024 rates for individual and small group policies offered in the ACA market. We reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

The information provided in this Actuarial Memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify I developed rates in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience. At the time of the initial rate filing, there was uncertainty regarding the impact of Medicaid redetermination resulting from the ending of the public health emergency (PHE) therefore some assumptions may exhibit a greater divergence from expectations.

The premium rates in this Actuarial Memorandum are contingent upon the status of the ACA statutes and regulations and applicable Rhode Island laws and regulations, including any regulatory guidance, court decisions, or otherwise. Changes have the potential to impact the 2024 plan year premium rates. Changes may be the result of any legislative or regulatory amendment, court decision, or a decision by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services.

Respectfully Submitted,



Michelle B. Klein, FSA, MAAA
Consulting Actuary – Milliman, Inc.

May 24, 2023

RELIANCE LETTER



NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND

List of Data and Information Received and Relied Upon by Milliman For the 2024 Individual On and Off Exchange Rate Filing

I, Michelle Sears, Chief Financial Officer for Neighborhood Health Plan of Rhode Island, hereby affirm that to the best of my knowledge and belief, the underlying data sources and information relied upon by Milliman for use in developing the 2024 individual on and off exchange premiums rates and rate filing materials are accurate and complete.

Further, I acknowledge that in preparing the state and federal rate filing materials, Milliman has relied on data and certain assumptions provided by Neighborhood Health Plan of Rhode Island (Neighborhood), as described below.

- Detailed medical and prescription drug data for Neighborhood's calendar year 2021 through 2022 individual business, including assumptions for completion factors.
- Detailed capitation and off-system payments for 2021 and 2022.
- Detailed demographic, premium, and enrollment information for Neighborhood's 2021 through 2022 individual business.
- Individual market enrollment data for the first quarter of 2023 and projected 2024 enrollment.
- Anticipated provider reimbursement, trend, and other contracting information, including any changes from the experience period.
- Plan and product design information for 2021 through 2024, including confirmation of OHIC plan numbering, HIOS IDs, and plan names.
- Information related to the segregation of abortion funds for 2023 and 2024.
- Administrative cost assumptions for 2024.
- Commercial reinsurance cost assumptions for 2024.
- Data and other information related to projected fees and taxes for 2024.
- Contribution to surplus and risk margin for 2024.
- Information demonstrating the federal medical loss ratio calculations for 2020 through 2022.
- Information related to Neighborhood's preliminary calendar year 2022 EDGE Server data submissions and data indicating the impact of Neighborhood's coding efforts on 2022 data and the anticipated impact in 2024.
- Information on the federal High Cost Risk Pool charges for 2021.
- Information related to the portion of calendar year 2022 individual claims that represent non-Essential Health Benefits.
- Guidance related to expectations with respect to state and federal legislation and programs (e.g. exchange fee, 1332 waiver program, individual mandate, and Medicaid redetermination).
- Analysis on the expected morbidity of members returning to individual plans from Medicaid due to redetermination.
- Confirmation no COVID-19 adjustments are needed between the experience period and the projection period.
- Assurance Neighborhood has accurately entered plan designs into the PBT and other Federal forms consistently with the benefit summaries and the Actuarial Value calculations.

- Other information provided by Neighborhood in various meetings, phone calls, emails, and other correspondence.

I affirm that to the best of my knowledge and belief, these assumptions are consistent with Neighborhood's reasonable expectations regarding future financial performance.

Michelle Sears

SIGNATURE

4/25/2023

DATE

ADDENDUM

INDIVIDUAL RATE FILING RE-FILING CHANGES

This addendum serves to supplement the individual market refiling in response to OHIC's request.

The individual market rate components increased from an overall rate change of 3.6% in the initial filing to an overall rate change of 4.5% in the re-filing. The re-filing reflects the following changes to individual market rates, as prescribed by OHIC:

1. We updated values for the following state assessments:
 - a. Childhood Immunizations from \$0.68 PMPM to \$1.14 PMPM
 - b. Adult Immunizations from \$4.86 PMPM to \$8.51 PMPM

These changes have minor leveraging impacts on percent of premium expenses, taxes, and fees.

2. The earned premium and the incurred claims reported in OHIC template on Tab I and Tab VI were updated based on individual market filing questions submitted through SERFF on May 18, 2023. These changes do not impact rates.

CAVEATS AND LIMITATIONS

This document is an addendum to the Part III Actuarial Memorandum for Neighborhood Health Plan of Rhode Island (NHPRI) individual medical Affordable Care Act (ACA) block of business, effective January 1, 2024. Please refer to that document for rating methodology, caveats and limitations, and reliance information.

For more information about Milliman,
please visit us at:

milliman.com



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

milliman.com

CONTACT

Michelle B. Klein
michelle.klein@milliman.com