

Part II: Written Justification of Rate Increase

Absolute Total Care
Individual Rate Filing

Effective: January 1, 2021

Forms: 79222SC001, 79222SC002

Absolute Total Care (ATC) is filing rates for the individual block of business, effective January 1, 2021. 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 South Carolina Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIO), and health insurance consumers in South Carolina to assist in the review of ATC'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.

2019 was ATC's first year offering health insurance to the individual market. With enrollment at approximately 300 members, the experience is not credible for projecting 2021 rates. Driving the rate change for 2021 are changes in unit cost and utilization trends, morbidity of the single risk pool, administrative expenses, and federal risk adjustment transfer assumptions. COVID-19 is assumed to have a net neutral impact on 2021, because deferred care should offset any increased costs from vaccines and/or direct treatment.

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The ACA Insurer fee has been repealed for benefit year 2021. This decreases non-benefit expenses for all plans and rating areas.

Both 2020 and 2021 rate levels assume that there will be no funding of cost-sharing reduction subsidies.

The proposed rate change of 8.5% applies to approximately 7,348 individuals.

ATC's projected administrative expenses for 2021 are \$61.11 PMPM, or 9.0% of premium. Administrative expense does not include \$21.06 for taxes and fees. The historical administrative expenses for 2019 were \$53.89 PMPM, which excludes taxes and fees. The projected loss ratio is 86.7%, which satisfies the federal minimum loss ratio requirement of 80.0%.