

Molina Healthcare of South Carolina, Inc.

Part II: Explanation of the Rate Increase Effective January 1, 2021

Molina Healthcare of South Carolina, Inc. is a managed care organization that provides healthcare services for individuals eligible for Medicaid, Medicare, and Marketplace throughout the State of South Carolina. Molina Healthcare of South Carolina, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

1. Scope and range of the rate increase: Molina's proposed rates represent an average rate increase of -3.6% for the 5,168 Molina members enrolled effective March 1, 2020. The proposed rate changes vary by metal tier. Members would receive premium increases ranging from -25.5% to 14.7% depending on their geographic location, metal tier, and age.

2. Financial experience of the product: Molina was new to Marketplace business in South Carolina in 2020, so 2019 experience is unavailable as a baseline for developing rates. Baseline claims experience was used from Molina's 2018 Texas Marketplace business, the same as the prior year's rate development. 2018 Texas premium of \$469.96 per member per month was received compared to allowed claims of \$243.75 per member per month and risk transfer payments of \$99.51 per member per month.

The proposed premium rates yield a medical loss ratio of 90.8%. The medical loss ratio represents the percentage of every premium dollar that Molina expects to spend on medical expenses and improving health care quality for our members. The projected medical loss ratio of 90.8% exceeds the Affordable Care Act minimum required loss ratio of 80.0%.

3. Changes in Medical Service Costs: Medical inflation related to the utilization and cost of covered services increased claims by 9.9%. Trend is the primary contributor to an increase in rates, but total administrative costs and risk adjustment payments are expected to be lower than the prior year's filing, contributing to the overall rate decrease.

4. Changes in benefits: Molina is renewing all its plan offerings from 2020 and adding one new silver and two new bronze plans in 2021. Significant changes were made to the renewal bronze plan designs in response to changes in the federal actuarial value calculator, but the overall member cost sharing structure remained largely the same. Changes were also made to renewal silver plan designs to have more member cost sharing as copays instead of coinsurance payments. The impact on rates from benefit design changes for all renewal plans is minimal.

5. Administrative costs and anticipated profits: Total administrative expenses are expected to decrease, contributing to a decrease in rates of approximately 2.4%. Targeted profit margin remains the same as the prior year's filing.