

# Part II: Written Justification of Rate Increase

Western Sky Community Care, Inc.

Individual Rate Filing

Effective: January 1, 2023

Forms: 39006NM001

Western Sky Community Care, Inc. (WSCC) is filing rates for the individual block of business, effective January 1, 2023. 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 Mexico Office of Superintendent of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in New Mexico to assist in the review of WSCC's individual rate filing.

WSCC's 2021 experience was not statistically credible, and 2023 rate projections were developed on a manual basis. The results are actuarial projections. Actual experience will differ for several reasons, including population changes, claims experience, and random deviations from assumptions.

The proposed rate change applies to approximately 619 individuals.

WSCC's 2023 rates reflect implementation of New Mexico's 2023 Plan Year Health Insurance Marketplace Affordability Program, including premium assistance and cost-sharing reduction subsidies funded by the state.

We expect unit costs to increase for 2023. Rates for each benefit plan have been updated to reflect the actuarial value of covered benefits in PY2023. Further, we have updated the underlying manual experience basis for the single risk pool, expected administrative expense, assumptions for federal risk adjustment, and impacts of federal healthcare policy changes and 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.

WSCC's projected administrative expenses for 2023 have been updated to reflect current expectations regarding PY2023 operational expenditures. The projected loss ratio satisfies the federal minimum loss ratio requirement of 80.0%.