



**STATE OF RHODE ISLAND**  
**OFFICE OF THE ATTORNEY GENERAL**

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*Peter F. Neronha*  
*Attorney General*

August 5, 2023

Via Electronic Mail Only

Mr. Cory King

Acting Health Insurance Commissioner

Office of the Health Insurance Commissioner

[Cory.King@ohic.ri.gov](mailto:Cory.King@ohic.ri.gov)

**In Re: Rates Filed for 2024 UnitedHealthcare Large and Small Group markets.**

Dear Acting Commissioner King:

The Rhode Island Office of the Attorney General objects to UnitedHealthcare's requested rate increase of 12.4% for large group, 16% and 14.7% for small it's small group filings. The Attorney General's objections are based on actuarial findings and the unaffordability of the prosed rate.<sup>1</sup> Our Office asks that you exercise your authority to consider the financial strain this will place on Rhode Islanders and deny UnitedHealthcare's requested rate increase in the large and small group markets.

**Preliminary Statement**

The Attorney General addresses OHIC in his distinct role in this rate review: to represent, protect and advocate for Rhode Islanders who are consumers of insurance products both now and in the future. R.I. Gen. Laws § 27-36-1. In addition, as the State's Health Care Advocate, the Attorney General is obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of this State. R.I. Gen. Laws § 42- 9.1-

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<sup>1</sup> OHIC held a public comment meeting via Zoom on the Rate Review Process on Monday, July 17, 2023, at 4:30 pm and members of this Office attended.

1. The Office of the Health Insurance Commissioner states that its' mission is to protect health care access, affordability, and quality. Here, OHIC has the opportunity to reaffirm its commitment to its mission by rejecting the unnecessary rate increase requested by UnitedHealthcare. This Office encourages OHIC to do so and keep insurance affordable for the over 12,000 Rhode Islanders who rely on UnitedHealthcare for health coverage.

### **Actuarial Analysis**

The Office of Attorney General is charged with representing, protecting and advocating for the rights of consumers, including hiring experts, even if a rate hearing was not triggered. *See* R.I. Gen. Laws § 27-36-1; *see also* R.I. Gen. Laws § 27-36-2(a). Consistent with that obligation, an actuarial analysis of UnitedHealth large and small group filings was conducted and is submitted in support of this public comment.

#### *i. Small Group Market*

In reviewing UHCNE and UHIC's small group filings, the actuaries made several observations that could support a lower rate than what has been requested. Both UHCNE and UHIC's trend assumptions are higher than the historical data provided.<sup>2</sup> Moreover, these trend assumptions are significantly higher than what has been assumed market-wide in the ACA market over the past three years.<sup>3</sup> Finally, UHC is building an additional cost that is specific to Rhode Island members (the "RI Assessments") by using UHC's total membership, and this should be revised to only apply to Rhode Island residents, which is both more accurate and less costly for its Rhode Island members.<sup>4</sup>

#### *ii. Large Group Market*

The team of actuaries hired by this office completed an analysis of UHC's large group market filing. The team made several observations for areas that could lead to a lower rate increase than what was requested. First, UHC's trend is higher than the historical data provided and is significantly higher than what has been assumed market-wide in the ACA market for the past three years.<sup>5</sup> Second, UHC's requested 3% Contribution to Reserve was unnecessarily high.<sup>6</sup> Third, as noted above with respect to Small Group, UHC is building the cost for RI Assessments by using

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<sup>2</sup> Lewis & Ellis UHC Small Group Market Filing page 5.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> Lewis & Ellis actuarial report page 6.

<sup>6</sup> Lewis & Ellis actuarial report page 6

UHC’s total membership.<sup>7</sup> If any increase were justified – and the Attorney General urges it is not – the highest reasonable increase is still 5.3% lower than UHC’s request.<sup>8</sup> Thus, we urged that the Acting Commissioner reject the requested increase.

### **Unaffordability of the Requested Rate Increase**

At a time when Rhode Islanders are feeling the pressure of increased inflation, UnitedHealthcare reported its highest ever profit of \$20.6 billion in 2022, an increase of 16%.<sup>9</sup> In the fourth quarter of 2022 alone UnitedHealth Group enjoyed a \$4.96 billion profit.<sup>10</sup> The company boasted a 13% year over year revenue growth in its 2022 Results Report.<sup>11</sup> Shareholders of UnitedHealth enjoyed a 17% growth as compared to 2021 per share earnings and an approximate \$13 billion return through dividends and share repurchases.<sup>12</sup> This economic growth has continued in to 2023. UnitedHealth beat its first quarterly profit projection in 2023.<sup>13</sup> This resulted in the company increasing its adjusted 2023 profits.<sup>14</sup> In fact, UnitedHealthcare was the most profitable United States based health insurance company in the first quarter of 2023.<sup>15</sup> The insurer’s net

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<sup>7</sup> Lewis & Ellis actuarial report page 6

<sup>8</sup> Lewis & Ellis actuarial report page 6

<sup>9</sup> The Healthcare Dive, “UnitedHealth, Flush off 2022 momentum, eyes membership, value-based growth.” Jan 13, 2023, <https://www.healthcaredive.com/news/unitedhealth-2022-earnings-optimum-unitedhealthcare-momentum/640320/#:~:text=For%20full-year%202022%2C%20UnitedHealth%20brought%20in%20revenue%20of,highest%20bottom%20line%20ever%20%E2%80%94%20was%20up%2016%25.>

<sup>10</sup> Becker’s “UnitedHealth Group post \$4.9 billion in fourth quarter” January 23, 2023, <https://www.beckerspayer.com/payer/unitedhealth-groups-4-9b-fourth-quarter.html#:~:text=Total%20net%20earnings%20in%202022%20were%20%2420.6%20billion%2C.net%20earnings%20were%20%2422.19%20and%20%245.34%20per%20share.>

<sup>11</sup> UnitedHealth group “UnitedHealth Group Reports 2022 Results” January 13, 2023, <https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2022/UNH-Q4-2022-Release.pdf>

<sup>12</sup> UnitedHealth group “UnitedHealth Group Reports 2022 Results” January 13, 2023, <https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2022/UNH-Q4-2022-Release.pdf>

<sup>13</sup> CNBC, “UnitedHealth expected Medicare member gains to boot 2023 profit.” April 24, 2023, <https://www.cnbc.com/2023/04/14/unitedhealth-unh-q1-earnings.html>

<sup>14</sup> CNBC, “UnitedHealth expected Medicare member gains to boot 2023 profit.” April 24, 2023, <https://www.cnbc.com/2023/04/14/unitedhealth-unh-q1-earnings.html>

<sup>15</sup> Modern Healthcare, “How insurers fared during the first quarter,” June 13, 2023 <https://www.modernhealthcare.com/finance/health-insurance-earnings-q1-2023-unitedhealth-elevance-aetna-cigna-humana-centene-molina>

income rose 14% to 44.3 billion, and yet in the large group market here in Rhode Island UnitedHealthcare requested the highest increase.<sup>16</sup>

Moreover, this success has allowed UnitedHealthcare to pay \$142.2 million compensation package to their former CEO in 2021.<sup>17</sup> This multimillion-dollar payment is consistent with UnitedHealth care being among the top 10 largest public companies in the United States.<sup>18</sup> In fact, in 2021 UnitedHealthcare’s current CEO made \$26.5 million in total compensation.<sup>19</sup> The median household income for Rhode Islanders in 2021 was \$69,021.<sup>20</sup> A single employee at UnitedHealthcare made 376 times the salary of the average Rhode Islander. In other words, the company is now requesting to raise premium rates for its costumers while enjoying billions in profits and millions in payouts for its executives.

While UnitedHealthcare experiences an increase in revenue and profits, Rhode Islanders are continuing to feel the pain of the post pandemic inflation in all sectors. Housing prices continue to rise in both ownership and rental markets, which has resulted in an ongoing affordable housing challenge.<sup>21</sup> In fact, the State ranks 8<sup>th</sup> highest in the country for rent.<sup>22</sup> In 2020, the average rent for a 1-bedroom apartment was \$911; in 2023 that average increased to \$1,199.<sup>23</sup> Food costs in the State are 8.7% higher than the national average.<sup>24</sup> On average, the cost of health insurance in Rhode

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<sup>16</sup> Modern Healthcare, “How insurers fared during the first quarter,” June 13, 2023  
<https://www.modernhealthcare.com/finance/health-insurance-earnings-q1-2023-unitedhealth-elevance-aetna-cigna-humana-centene-molina>

<sup>17</sup> StarTribune, “Former UnitedHealth CEO made \$142.2M last year,” May 10, 2022,  
<https://www.startribune.com/former-unitedhealth-ceo-made-142-2m-last-year/600171979/?refresh=true>

<sup>18</sup> StarTribune, “Former UnitedHealth CEO made \$142.2M last year,” May 10, 2022,  
<https://www.startribune.com/former-unitedhealth-ceo-made-142-2m-last-year/600171979/?refresh=true>

<sup>19</sup> StarTribune, “Former UnitedHealth CEO made \$142.2M last year,” May 10, 2022,  
<https://www.startribune.com/former-unitedhealth-ceo-made-142-2m-last-year/600171979/?refresh=true>

<sup>20</sup> United States Census Bureau, “Quick Facts Rhode Island; United States.” 2021,  
<https://www.census.gov/quickfacts/fact/table/RI,US/INC110221>

<sup>21</sup> Executive Office of Commerce, “2023, Overview of the Rhode Island Economy,” March 31, 2023,  
<https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

<sup>22</sup> Rent Data, “Rhode Island Fair Market Rent for 2023,” <https://www.rentdata.org/states/rhode-island/2023>

<sup>23</sup> Rent Data, “Rhode Island Fair Market Rent for 2023,” <https://www.rentdata.org/states/rhode-island/>

<sup>24</sup> Rent, “Cost of living in Rhode Island,” <https://www.rent.com/blog/cost-of-living-in-rhode-island/#housing-costs>

Island is \$7,903 per person.<sup>25</sup> In 2022, Rhode Island ranked 32<sup>nd</sup> in the nation in real GDP growth.<sup>26</sup> While inflation is driving up prices, Rhode Islander's saw only a \$36 increase in average weekly wages.<sup>27</sup> Despite UnitedHealthcare's back-to-back billion dollar years, the company is now requesting that Rhode Islander's pay more than their fair share. High premium increases during a year that the National Associations of Business Economics anticipate a more than 50% chance of economic downturn in 2024 is an untenable request, and an unreasonable burden for Rhode Islanders to bear.<sup>28</sup> This Office urges the Acting Commissioner not to view UnitedHealthcare's rate request in isolation, but to consider whether a 12.4 percent increase is in the public interest in light of UnitedHealth's unprecedented growth and the increase financial strain on Rhode Islanders.

Despite UnitedHealth's statement that its record billion-dollar profits will be used to increase accessibility and affordability, their double digit increases in premium rates belie that claim and in fact contribute to making health insurance *less* affordable and accessible in Rhode Island.<sup>29</sup> **The Attorney General strongly urges you to exercise your regulatory authority and discretion to reject UnitedHealth's small and large group requested increases.** This recommendation takes into account both actuarial analysis, wider market factors, and the affordability of health insurance for Rhode Islanders. If the Commissioner does consider an increase, on an actuarial basis the Office of the Attorney General recommends an increase of 1.3% for UHC's Large Group and an 11.4% increase for UHCNE's small group filing and a 10.2% increase for UHIC's small group filing.

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<sup>25</sup> ValChoice, "The Cost of Health Insurance in Rhode Island," <https://www.valchoice.com/state-insurance-information/health/rhode-island/#:~:text=The%20average%20cost%20of%20health%20insurance%20in%20the,above%20the%20national%20average%20for%20health%20insurance%20coverage>.

<sup>26</sup> Executive Office of Commerce, "2023, Overview of the Rhode Island Economy," March 31, 2023, <https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

<sup>27</sup> Executive Office of Commerce, "2023, Overview of the Rhode Island Economy," March 31, 2023, <https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

<sup>28</sup> Executive Office of Commerce, "2023, Overview of the Rhode Island Economy," March 31, 2023, <https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

<sup>29</sup> UnitedHealth Group "UnitedHealth Group Reports 2022 Results" January 13, 2023, <https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2022/UNH-Q4-2022-Release.pdf>

Respectfully Submitted,

PETER F. NERONHA  
ATTORNEY GENERAL

By:

/s/ Sarah W. Rice

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August 1, 2023

State of Rhode Island Office of the Health Insurance Commissioner

Re: UnitedHealthcare of New England and United Healthcare Insurance Company  
2024 EPO and POS Small Group Rate Filings  
SERFF# UHLC-133647730 & UHLC-133647720

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2024 EPO and POS Small Group Rate Filings for UnitedHealthcare of New England (UHCNE) and United Healthcare Insurance Company (UHIC) and to assist the Rhode Island Office of Attorney General (OAG) in evaluating possible changes to the proposed rates.

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## FILING DESCRIPTION

1. UHCNE and UHIC will be referred to collectively in this report as "UHC" or "Company".
2. The purpose of this filing is to file the Small Group rates for the Rhode Island business effective January 1, 2024 through December 31, 2024 by UHCNE and UHIC. All plans are to be offered off exchange.
3. UHCNE and UHIC initially submitted proposed rates on May 1, 2023, and UHIC submitted an updated filing on May 26, 2023. This report is based on the proposed rates as submitted on May 1, 2023 for UHCNE and May 26, 2023 for UHIC. The Company is proposing an average 16.1% rate increase for UHCNE and 14.9% for UHIC.
4. The rating development methodologies used are the same for the UHCNE and UHIC filed rates. The numerical results are different primarily due to the difference in network between UHCNE and UHIC. This report discusses the rating methodology used in both filings and discloses the numerical results for each entity separately.

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## PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State's Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and

advocate for quality and affordable health care for the people of Rhode Island and to take “all necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island.”

The OAG has engaged L&E to perform such an actuarial review for the 2024 Small Group market Affordable Care Act (ACA) rates. This letter is to assist the OAG in evaluating changes to the proposed rates, if applicable. L&E’s observations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory<sup>1</sup>. Premium affordability is not within the scope of L&E’s actuarial review.

## SUMMARY OF RECEIVED DATA

UHC provided the methodology to develop the proposed 2024 Small Group market premiums. The Company provided exhibits that demonstrated the quantitative development for each component of the premium request, including the manual rate, trend, morbidity adjustments, federal programs, administrative costs, and taxes and fees.

UHC provided additional exhibits and information as requested during the rate review process.

## L&E ANALYSIS

The items outlined below are key filing assumptions:

### 1. TREND

The annual pricing trend assumed in the filings is 9.0% and includes the components shown below:

RHODE ISLAND SMALL GROUP PRICING TREND BY COMPONENT								
Component Summary	Inpatient	Outpatient	Professional	Other	Capitation	Total Medical	Retail Pharmacy	Weighted Aggregate
Utilization / Service Mix	2.8%	4.5%	4.6%	4.7%	0.0%	3.7%	4.8%	3.9%
Unit Cost	4.1%	3.6%	4.1%	4.6%	4.9%	4.0%	4.7%	4.1%
Demographic Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Benefit Leveraging	0.2%	0.8%	1.6%	1.8%	0.0%	0.8%	0.8%	0.8%
Margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Proposed Pricing Trend</b>	<b>7.2%</b>	<b>9.2%</b>	<b>10.6%</b>	<b>11.5%</b>	<b>4.9%</b>	<b>8.7%</b>	<b>10.6%</b>	<b>9.0%</b>
<b>Service Weight - Rhode Island</b>	<b>10.9%</b>	<b>40.5%</b>	<b>19.6%</b>	<b>0.3%</b>	<b>11.3%</b>	<b>82.6%</b>	<b>17.4%</b>	<b>100.0%</b>

UHC develops forward-looking medical expense estimates based on a number of considerations. Recent/emerging claims experience is reviewed at the market level for several broad medical expense categories (inpatient, professional, pharmacy, etc.), with utilization, unit cost, and benefit leveraging identified for each category. Future trends are developed based on a projection of each component.

<sup>1</sup>This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

Forward-looking utilization levels are developed based on emerging market-level data, supplemented by regional and national level utilization data. The unit cost projections are developed based on evaluations of current and anticipated provider contract economics and considering both current and expected changes in noncontracted provider cost exposure. Unit cost projections also consider the estimated cost impact of new technologies, service availability/mandates, other factors that influence the mix of procedures, and contractual changes with providers.

UHC provided trend support demonstrating the development of each trend component as well as actual realized trends for the past four years. The historical trends in RI have been relatively low, averaging about 2.6% over the past five years. The Company notes that inflationary pressure from 2022 is impacting provider contract negotiations, and they are expecting greater unit cost changes than in previous years. The overall utilization assumptions are comparable to last year.

In addition to reviewing the trend support provided by UHC, L&E performed a trend analysis using the last three years of normalized RI experience provided by UHC. The regression models in this analysis showed trends lower than the filed trend for the past three years. While we realize that this trend is not fully appropriate given the credibility of the RI experience, this analysis was considered.

As noted above, the trend assumptions UHC has assumed are higher than the historical data provided. Additionally, we observe that UHC's proposed trend assumption is significantly higher than the majority of all filed ACA trends over the last three years.

Given the above observations, we do not believe that rates based on the 9.0% annual trend assumption are actuarially sound and believe that a trend of 6.5% to 8.5% would be reasonable.

## **2. RISK ADJUSTMENT**

At the time of the initial filing, the final 2022 risk adjustment transfer amounts had not been released. Using the combined entities, UHC expected to be a 2.9% risk adjustment payer in 2022. This year, UHC adjusted the estimates to account for credibility using a credibility formula with the prior year's member months. Applying this 38% credibility adjustment resulted in an initial estimate of a 1.1% payer in 2024. The 2024 risk adjustment transfer PMPM amount is calculated by adjusting the estimated 2022 risk adjustment transfer PMPM amount for the projected market level trend, changes in reinsurance fees and recoveries, and other adjustments based on the overall financial performance of the market.

Filed Based on 2022 Estimate						
License	Billable Mem Mon	Transfer Estimate	UHC Premium	Transfer % of UHC	Credibility Adjustment	Adj Transfer % of UHC
UHCNE	6,628	\$303,026	\$3,842,812	7.9%	38.0%	3.0%
UHC	24,271	-\$826,050	\$14,071,404	-5.9%	38.0%	-2.3%
Total	30,899	-\$523,024	17,914,217	-2.9%	38.0%	-1.1%
Final CMS 2022						
License	Billable Mem Mon	2021 CMS Transfer	UHC Premium	Transfer % of UHC Final CMS	Credibility Adjustment	Adj Transfer % of UHC
UHCNE	6,588	\$195,736	3,556,115	5.5%	38.0%	2.1%
UHC	24,102	-\$795,653	14,227,871	-5.6%	38.0%	-2.1%
Total	37,124	-\$599,916	17,783,986	-3.4%	38.0%	-1.3%

In the final CMS 2022 risk adjustment report, the UHC entities were a larger payer than expected. The two entities combined were a 3.4% payer. Updating the projected 2024 risk adjustment transfer amounts using the actual 2022 amounts would result in UHC being a 1.3% payer 1.3%. This update would produce a rate increase of approximately 0.2% for both UHCNE and UHC.

### 3. RETENTION

As shown in Attachment 10 of the “2024 Attachments\_5-26-23v2.xlsx” file, the administrative expense charge as a percent of premium increased from 9.6% to 10.9% in 2024. UHC states that this increase is due to inflationary pressures, percent of premium expenses increasing due to overall premium increases, and a shortfall of the 10.7% as required by the description of the Primary Care Spend Program. This program is accomplished through grant payments to external parties which are accounted for in admin in the Small Group pricing filings. These grants are estimated to be about 1.0% in 2024.

Also, UHC is building the cost for the RI Assessments by using UHC’s total membership. This should be revised to only apply these assessments to RI residents. While we do not currently have an estimate on the impact of this change on the rate increase, using the information from the large group filing, we expect this to have a small decrease to the rates of approximately 0.2%.

### 4. CONTRIBUTION TO RESERVE

For 2024, UHC proposed a 0.5% CTR. For 2023, UHC originally proposed a 2.0% Contribution to Reserve (CTR). In 2022, the Health Insurance Commissioner informed all carriers in Rhode Island that a profit margin of 0.5% would be allowed for the 2023 rates.

Regarding the profit assumption in the filing, we note that the year-end 2022 RBC ratio is 665% for UHCNE and 775% for UHC. Due to the capital and surplus levels of the Companies and their affiliates, the 0.5% profit is reasonable and appropriate for this market.

## OBSERVATIONS

As noted above, L&E has the following observations regarding key assumptions in the filing:

### TREND

The trend assumptions UHC has assumed are higher than the historical data provided. Additionally, we observe that UHC's proposed trend assumption is significantly higher than what has been assumed market-wide in the ACA market over the last three years and does not appear reasonable. L&E does not believe that rates based on the 9.0% annual trend assumption are actuarially sound and believe that a trend of 6.5% to 8.5% would be reasonable.

### RISK ADJUSTMENT:

The projected 2024 risk adjustment transfer amounts have not been updated to reflect the final 2022 CMS risk adjustment Transfer report. This update would result in a rate increase of approximately 0.2% for both UHCNE and UHIC.

### RI ASSESSMENTS:

UHC is building the cost for the RI Assessments by using UHC's total membership. This should be revised to only apply these assessments to RI residents.

## IMPACT ON OVERALL RATE INCREASE

A breakdown of L&E's observations by rating component is provided below:

Component	UHCNE		UHIC	
	Min	Max	Min	Max
<b>UHC SG Proposal</b>	<b>+16.1%</b>	<b>+16.1%</b>	<b>+14.9%</b>	<b>+14.9%</b>
Trend	-4.7%	-1.0%	-4.7%	-1.0%
Risk Adjustment	+0.2%	+0.2%	+0.2%	+0.2%
RI Residents - Assessments	-0.2%	-	-0.2%	-
<b>UHC SG Revised</b>	<b>+11.4%</b>	<b>+15.3%</b>	<b>+10.2%</b>	<b>+14.1%</b>

Please note that the impact on the rates is an estimate, and the actual impact may differ due to the Company's pricing model.

Sincerely,



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Robert Dorman, ASA, MAAA  
Vice President & Consulting Actuary  
Lewis & Ellis, Inc.



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Josh Hammerquist, FSA, MAAA  
Vice President & Principal  
Lewis & Ellis, Inc.



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Dave Dillon, FSA, MAAA, MS  
Senior Vice President & Principal  
Lewis & Ellis, Inc.

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## ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations<sup>2</sup>, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct<sup>3</sup>, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

### IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Robert Dorman, ASA, MAAA, Vice President & Consulting Actuary.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

### IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 1, 2023. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 31, 2023.

### DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from UHC. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by UHC for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

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<sup>2</sup> The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

<sup>3</sup> These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the ongoing Covid-19 virus.
- There are no other documents or files that accompany this report.

**ACTUARIAL FINDINGS**

The actuarial findings of the report can be found in the body of this report.

**METHODS, PROCEDURES, ASSUMPTIONS, AND DATA**

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

**ASSUMPTIONS OR METHODS PRESCRIBED BY LAW**

This report was prepared as prescribed by applicable law, statutes, regulations, and other legally binding authority.

**RESPONSIBILITY FOR ASSUMPTIONS AND METHODS**

The actuaries do not disclaim responsibility for material assumptions or methods.

**DEVIATION FROM THE GUIDANCE OF AN ASOP**

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

August 1, 2023

State of Rhode Island Office of the Health Insurance Commissioner

Re: UnitedHealthcare of New England and United Healthcare Insurance Company  
2024 Rhode Island LG Rate Filing  
SERFF Tracking #: UHLC-133647781

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2024 Large Group Rate Filing for UnitedHealthcare of New England and United Healthcare Insurance Company (UHC or Company) and to assist the Rhode Island Office of Attorney General (OAG) in evaluating possible changes to the proposed rates.

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## FILING OVERVIEW

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1. UHC submitted proposed rates on May 11, 2023, with an average 12.4% rate increase.
  - The rate increase calculation is based on actual premiums and claims for all renewing 51+ groups. It is consistent with the methodology used in last year's filing and approved by the RI Health Insurance Commissioner.
  - The 12.4% rate increase is broken down into a 25.0% increase for groups with 51-99 employees and 4.5% increase for 100+ groups.
  - The Company stated that the minimum and maximum rate increases for the Large Group block cannot be predicted.
2. The filed trend is 10.7% for 2023 and 12.4% for 2024. Therefore, the primary driver of the rate increase is the trend.
3. UHC had 110 groups, 6,462 contracts, and 11,303 members enrolled as of February 28, 2023.

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## PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State's Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take "all

necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island.”

This letter is to assist the OAG in evaluating changes to the proposed rates, if applicable. L&E’s observations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory<sup>1</sup>. Premium affordability is not within the scope of L&E’s actuarial review.

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## SUMMARY OF RECEIVED DATA

UHC provided the OHIC Large group Rate Filing Template, Actuarial Memorandum, Rate Manual and Supporting Attachments, and Trend Support Exhibits. The rating manual shows the development of the proposed 2024 large group market premiums. Within this file, the Company outlines the starting base rates by plan, along with all adjustments applied to the base rate to adjust for the rating population. The Actuarial Memorandum provides narrative support for both new and renewal business and also outlines how credibility is determined.

After a request from L&E, UHC provided additional support exhibits in the files “RIAG LG Responses Supporting Exhibits Request 1.xlsx” and “RIAG LG Responses Supporting Exhibits Request 2.xlsx.”

L&E also reviewed the response files received in response to the OHIC inquiries which includes additional trend support files, Covid-19 experience, and other support exhibits.

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## L&E ANALYSIS

The items outlined below are key filing assumptions:

### 1. RATING PROCESS

For the manual rate development, UHC uses their standard large group base rate review process. This process compares current manual premium rates to the needed revenue. It is an automated and standardized process used across all legacy UHC markets to test the adequacy of the current manual rates and to determine if a pricing adjustment to manual rates is required. Utilizing this process, UHC determined that the January 1, 2024 manual rates for large group need to be decreased by approximately -1.8%. The combination of the previously approved 8.4% annual trend assumption with the base rate decrease of -1.8% produce an average year-over-year manual rate increase of approximately 6.5%.

The experience rate starts with the total claims for the most recent incurred experience available, excluding the most recent month, and is adjusted for completion (e.g., incurred in month 24, paid in month 25). Claims are removed above a pooling level. If plan changes were made during the experience period, the experience is adjusted to reflect the current plan level. UHC projects 2024

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<sup>1</sup> This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

claims using actual CY 2022 experience and projects this forward to 2024. The 2024 projected premium is calculated using the projected retention charges to the 2024 projected claims. The required rate change is determined by comparing the projected 2024 premium to the 2023 premium.

The projected rate is then credibility blended with a manual rate. The manual rate is blended based on a credibility factor using the table below:

Member Month		Credibility Percentage
From	To	
	<1000	9%
1001	2000	15%
2001	3000	20%
3001	4000	25%
4001	5000	30%
5001	6000	34%
6001	7000	38%
7001	8000	42%
8001	9000	50%
9001	10000	58%
10001	11000	66%
11001	12000	69%
12001	13000	72%
13001	14000	75%
14001	15000	77%
15001	16000	80%
16001	17000	82%
17001	18000	85%
18001	19000	87%
19001	20000	89%
20001	21000	91%
21001	22000	93%
22001	23000	96%
23001	24000	98%
24001	25000	100%

The formula that derives the credibility scale above can be found in the rating manual. The member months are calculated by summing the number of employees and dependents in the group for each month over the 24 most recent months of experience.

## 2. TREND

UHC assumes a 10.7% pricing trend for 2023 and 12.4% for 2024. The trends are determined by reviewing recent claims experience at the market level for several broad medical expense categories (inpatient, professional, pharmacy, etc.), with utilization, unit cost, benefit leveraging, and business mix identified for each category.

Unit cost projections are developed based on evaluations of current and anticipated provider contract economics, as well as consideration to both current and expected changes in non-contracted provider cost exposure. The Company provided Schedule A1 which summarizes the RI

and non-RI market contract assessment by service category for RI residents. UHC notes that the high unit cost trends result from inflationary pressure impacting provider contract negotiations.

In determining the projected utilization/mix assumption, the Company first examines the national historical experience for medical and pharmacy. In order to eliminate business mix issues, the national experience is limited to accounts that exist in both the prior and current periods of experience. UHC calls this a “Same Store” assessment. Schedule B1 that was provided compares “Same Store” allowed claim cost between the most recent complete years. The change in allowed cost is adjusted for demographics, working day differences, Covid-19 abatement, and other minor changes. The estimated national unit cost (Schedule A2) is subtracted from this total to determine a national historic utilization/mix trend. To develop a forward-looking utilization/mix component, UHC assesses the expected changes that will occur from administrative initiatives, provider contracting, economic conditions, environmental impact, policy provisions, regulatory change, and technological advancements (Schedule B2). The aggregate utilization mix change is determined and then applied at the service level to create the service level splits (Schedule B3). Given the variation in service level trends, aggregate medical and pharmacy projected trends are developed, and service level splits are based on proportional historical experience.

The below table shows the breakdown in trend by service category.

Service Category	2023 Trend	2024 Trend
Hospital Inpatient	7.5%	10.0%
Hospital Outpatient	11.1%	13.3%
Professional	11.7%	14.2%
Prescription Drugs	11.9%	11.9%
Capitation (professional)	11.1%	11.1%
Other	11.5%	14.7%
<b>Total</b>	10.7%	12.4%

The utilization, unit cost, and benefit leveraging components vary by service category and are provided in the trend development files. There is also a flat 1.1% component for all service categories that represents the trend impact of age and gender changes.

The leveraging trend, which varies from 0.2% to 2.4% by service category, represents the impact of member cost-share leveraging on the net claims cost trend. Support for the benefit leveraging component was provided in Schedule D.

The Company estimates the impact of Covid-19 in the development of the utilization component. The overall impact of Covid-19 on aggregate trends is minimal.

Several unsupported or weakly supported upward adjustments drive the assumed trend above historical levels. These include an economic adjustment that accounts for expected utilization changes due to changes in economic conditions and a demographic adjustment that is said to reflect anticipated future demographic changes. Even if these adjustments were removed, the trend assumptions UHC has

assumed are higher than the historical data provided. Additionally, we observe that UHC's proposed trend assumption is significantly higher than the majority of all filed ACA trends over the last three years.

Given the above observations, we do not believe that rates based on these 10.7% and 12.4% annual trend assumptions are actuarially sound and believe that a trend of 6.5% to 8.5% would be reasonable.

### 3. RETENTION

The table below shows the breakdown of the retention costs as a percentage of premium. These values were provided in the "2024 LG OHIC Rate Template\_7.11.2023.xlsx" file.

Category	%
ACA Fees and Taxes	0.0%
Premium Tax	2.0%
Other Retention Charge	0.0%
Contribution to Reserve	3.0%
Investment Income Credit	0.0%
Payroll and Benefits	3.3%
Outsourced Services	0.5%
Auditing and Consulting	0.4%
Commissions	0.2%
Marketing and Advertising	0.2%
Legal Expenses	0.1%
Other Taxes, Licenses, and Fees	0.0%
Reimbursements by Uninsured Plans	0.0%
Other Admin Expenses	2.3%
<b>Total</b>	<b>11.9%</b>

The 2024 retention is an increase from 2023, which had a total retention charge of 9.8% of premium. The increase is primarily due to the increase in Contribution to Reserve from 1.0% to 3.0%. Last year, the Health Insurance Commissioner approved a 1.0% profit for carriers in the large group market. In response to the inquiries, the Company stated that the 3.0% CTR is justified because of their limited membership and volatile claim patterns.

Regarding the profit assumption in the filing, we note that the year-end 2022 RBC ratio is 665% for UHCNE and 775% for UHIC. Due to the capital and surplus levels of the Companies and their affiliates, we do not think an increase in profit from the previously approved 1.0% is necessary.

During the course of the review, UHC also notes that the RI Assessments need to be revised to reflect update amounts and to only apply these assessments to RI residents. With these changes, the overall increase is 0.1% lower than the originally filed increase. L&E believe this update to reflect updated RI assessments to only RI residents is appropriate.

### 4. UNDERWRITING

The Company applies underwriting after the final calculated required premium to reflect considerations on a case-by-case basis when they are not otherwise reflected in the rating methodology. The cumulative underwriting adjustments are limited to +/- 25% for new business and +/- 50% for renewal business.

In response to L&E's inquiry, the Company provided a table summarizing the underwriting adjustment ranges used in Q1 of 2023 at the group level. The Company notes that UHC uses consistent, rational, objective, and financially sound actuarial criteria when renewing groups, which includes analyzing the demographic changes and loss ratios of each group.

## OBSERVATIONS

As noted above, L&E has the following observations regarding key assumptions in the filing:

### TREND:

The trend assumptions UHC has assumed are higher than the historical data provided. Additionally, we observe that UHC's proposed trend assumption is significantly higher than what has been assumed market-wide in the ACA market over the last three years and does not appear reasonable. L&E does not believe that rates based on these 10.7% and 12.4% annual trend assumptions are actuarially sound and believe that a trend of 6.5% to 8.5% would be reasonable.

### PROFIT:

In this filing, UHC increased the Contribution to Reserve from 1.0% to 3.0%. Due to the capital and surplus levels of the Company and its affiliates, we do not think an increase in profit from the previously approved 1.0% is necessary.

### RI ASSESSMENTS:

UHC is building the cost for the RI Assessments by using UHC's total membership. This should be revised to only apply these assessments to RI residents.

## IMPACT ON OVERALL RATE INCREASE

A breakdown of L&E's observations by rating component is provided below:

Component	Min	Max
<b>UHC LG Proposal</b>	<b>+12.4%</b>	<b>+12.4%</b>
Trend	-8.9%	-5.3%
Profit	-2.1%	-
RI Residents – Assessments	-0.1%	-
<b>UHC LG Revised</b>	<b>+1.3%</b>	<b>+7.1%</b>

Please note that the impact on the rates is an estimate, and the actual impact may differ due to the Company's pricing model.

Sincerely,



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Robert Dorman, ASA, MAAA  
Vice President & Consulting Actuary  
Lewis & Ellis, Inc.



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Dave Dillon, FSA, MAAA, MS  
Senior Vice President & Principal  
Lewis & Ellis, Inc.



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Josh Hammerquist, FSA, MAAA  
Vice President & Principal  
Lewis & Ellis, Inc.

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## ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations<sup>2</sup>, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct<sup>3</sup>, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

### IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Robert Dorman, ASA, MAAA, Vice President & Consulting Actuary
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.
- Josh Hammerquist, FSA, MAAA, Vice President & Principal.

### IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 1, 2023. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 31, 2023.

### DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from UHC. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in evaluating possible changes to the proposed rates, as applicable.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by UHC for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

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<sup>2</sup> The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

<sup>3</sup> These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on findings. These include, but may not be limited to, the Covid-19 virus.
- There are no other documents or files that accompany this report.

**ACTUARIAL OBSERVATIONS**

The actuarial observations of the report can be found in the body of this report.

**METHODS, PROCEDURES, ASSUMPTIONS, AND DATA**

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

**ASSUMPTIONS OR METHODS PRESCRIBED BY LAW**

This report was prepared as prescribed by applicable law, statutes, regulations, and other legally binding authority.

**RESPONSIBILITY FOR ASSUMPTIONS AND METHODS**

The actuaries do not disclaim responsibility for material assumptions or methods.

**DEVIATION FROM THE GUIDANCE OF AN ASOP**

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.