

**Part II Justification for Proposed Rate Change
UnitedHealthcare Insurance Company
Small Employer Rates for Effective Dates 1/1/2021 and Later
State of Montana**

Scope and Range of Requested Rate Action

The requested rate change for small group health benefit plans sold in the state of Montana will be effective on January 1, 2021 and later and impact 193 covered lives. The proposed rates effective January 1, 2021 represent an average increase of 1.6% compared with our previously filed and approved 2020 rates. This rate increase includes the impact of expected mapping of policy year 2020 plans to policy year 2019 plans.

Using the URRT methodology, where only renewing plans are considered, the rate change is 5.3%, as reported in the 2021 Part I URRT Worksheet 2.

The minimum rate change is – 17.1%, and the maximum rate change is 14.3%. Additional premium changes may occur upon renewal due to changes in member age and plan selection.

The rate impact mentioned above is the aggregate impact for the 2021 benefit year. For 2020 members, actual impact of the proposed 2021 rates differs by rating period, as shown below:

Rating Period	Average Rate Change	Minimum Rate Change	Maximum Rate Change
Q1 2021	1.6%	-16.9%	14.3%
Q2 2021	1.5%	-16.9%	14.2%
Q3 2021	1.3%	-17.1%	14.0%
Q4 2021	1.3%	-17.1%	14.0%
2021 Benefit Year	1.5%	-17.1%	14.3%

The distribution of covered lives by renewing quarter is also listed:

	Q1	Q2	Q3	Q4	Total
Covered Lives	105	37	31	20	193

Financial Experience of the Product

The benefit care ratio for this product during the 2019 calendar year is 104% before risk adjustment transfers. The benefit care ratio is the portion of premium that is needed to pay medical claims. The complement of the benefit care ratio is the portion of premium needed for taxes and fees, administrative expenses, and margin. The benefit care ratio was 81% after including expected risk adjustment payments. The experience available for this product is not fully credible and we base our rates on the best information that we have available about the expected costs for these plans.

Changes in Medical Service Costs

There are many different healthcare cost trends that contribute to changes in the overall U.S. healthcare spending each year. Total health care spending will vary by the intensity of care and/or use of different types of health services.

Changes in Benefits

Changes in covered benefits impact costs and therefore affect premium changes. Benefit plans are typically changed for one of three reasons: to comply with the requirements of the Affordable Care Act or state law, to respond to consumer feedback, or to address a particular medical cost issue to provide greater long-term affordability of the product.

Administrative Costs and Anticipated Margin

UnitedHealthcare Insurance Company works to directly control administrative expenses by adopting better processes and technology and developing programs and innovations that make healthcare more affordable. We have led the marketplace by introducing key innovations that make healthcare services more accessible and affordable for customers, improve the quality and coordination of healthcare services, and help individuals and their physicians make more informed healthcare decisions. Taxes and fees imposed by the State and Federal government are significant factors that impact healthcare spending and have to be included in the administrative costs associated with the plans. These fees include Affordable Care Act taxes and fees, as well as the reinsurance assessment per SB125, which impact health insurance costs and need to be reflected in premium. Another component of premium is margin, which is set to address expected volatility and risk in the market.

The requested rate change is anticipated to be sufficient to cover the projected benefit and administrative costs for the 2021 plan year.