



## **Federal Rate Filing Justification Part II Written Description Justifying the Rate Increase**

McLaren Health Plan Community  
Individual On and Off Exchange Plan  
Rate Change Effective January 1, 2024

### **Scope and Range of the Rate Increase**

The proposed overall rate change for the Individual plans offered by McLaren Health Plan Community (MHPC) both on and off the marketplace is 16.2 percent based on the current enrollment renewing into the plans available for 2024. The average increase varies by plan, ranging from 11.1 percent to 20.4 percent. A subscriber's actual rate increase could differ depending on the plan, geographical location, age characteristics, dependent coverage, and other factors.

### **Financial Experience of the Product**

As of February, there were 3,149 policyholders on the McLaren Individual health insurance plans. While the 2022 experience is not fully credible, overall the 2022 premium was underpriced with an average of 4,622 members and incurred claims ratio to premium of 112 percent. When claims ratio is over 100 percent, it indicates that the insurance company is paying more in claims or policyholder benefits than it is receiving in premium. The claims do not include the non-benefit expenses paid by the health plan (administrative expenses, commissions, taxes and fees, and profit or surplus margin) to operate the product.

MHPC expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio (MLR) of 85 percent. This projected MLR exceeds the minimum MLR requirement of 80% as defined by the Affordable Care Act (ACA). In the event MHPC's MLR is less than the Federally required minimum for a three-year period, MHPC will refund the difference to policyholders, consistent with federal regulations.

### **Changes in Medical Service Costs**

There are numerous healthcare cost trends that contribute to increase in the overall spend each year. The trend factors bear weight on health insurance premiums, which could constitute a premium rate increase to cover costs. Key trends that have affected this year's rate action include:

- Increased medical costs – reimbursement rate increases to hospitals and providers
- Pharmacy utilization and expense – price increases and a shift to high-cost specialty drugs

### **Changes in Benefits**

Covered benefit changes impact costs and affects premium changes. Benefit changes are generally completed based on (1) ACA compliance requirements, (2) to address medical and/or pharmacy costs issues to provide affordability and/or (3) our response to consumer feedback.

### **Administrative Costs and Anticipated Margins**

MHPC is committed to controlling administrative costs by exploring better technology, processes and programs that make healthcare affordable. We intend to provide members with tools to make informed decisions about where and how to receive treatment.



HEALTH PLAN COMMUNITY

The proposed rate increase is anticipated to be sufficient to cover the projected benefit and administrative costs for the 2024 plan year.