

Part II: Written Description Justifying the Rate Increase

Issuers are required to submit Part II Justifications via SERFF for any rate filing which includes a threshold increase of 10% or more. If the threshold rate increase is 15% or more, the Part II must be submitted to HIOS in the URR Module.

Part II is a brief, non-technical consumer-oriented explanation of the rate increase subject to review, intended to provide context for the quantitative information provided in Part I URRT. This data should clearly explain the information given in Part I URRT.

Accordingly, it should identify and explain the key drivers of the rate increase in Part I URRT. For example, if inpatient costs are reported as the main factor of the rate increase, the written explanation should describe why hospital costs are increasing.

The explanation should include information on the following components related to the rate increase:

1. **Scope and range of the rate increase:**
 - a. For IHC, provide the number of individuals impacted by the rate increase and state the average annual rate change and the minimum and maximum rate change percentages, using the minimum and maximum rate change percentages on the Part I URRT.
 - i. List all annual threshold rate changes, by plan name, using the minimum and maximum rate change percentages on the Part I URRT.
 - ii. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).
 - b. For SEH, provide the number of individuals impacted by the rate increase and state the average, minimum and maximum rate change percentages for each quarter.
 - i. List all quarterly threshold rate changes, by plan name.
 - ii. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).
2. **Financial experience of the product:**
 - a. Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims expenses, and profit.

For example: "The premium collected and incurred claims for these products during the period [January 1, 2018 to December 31, 2018] were \$XXX and \$XXX, respectively. The resulting "loss ratio" is XX%. This ratio is the portion of premium that is needed to pay medical claims. The complement of the loss ratio is the portion of premium needed for taxes and fees, administrative expenses, and margin."
 - b. Discuss how the rate increase will affect the projected financial experience of the product.

For example: "The projected loss ratio, using New Jersey's requirements and taking into account the rate increase noted above, is XX%."

3. Changes in Medical Service Costs:

- a. Describe how changes in medical service costs are contributing to the overall rate increase and quantify the impact of this change on the rate increase.
- b. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs and quantify the impact of these changes on the rate increase.

For example, some of the key healthcare cost trends that have affected this year's rate increase include:

- *Increasing cost of medical services: Annual increases in reimbursement rates to healthcare providers, such as hospitals, doctors, and pharmaceutical companies. We estimate cost increases to be XX%.*
- *Increased utilization: The number of office visits and other services continues to grow. In addition, total healthcare spending will vary by the intensity of care and use of different types of health services. The price of care can be affected by the use of expensive procedures such as surgery versus simply monitoring or providing medications. We estimate utilization increases to be XX%.*
- *Higher costs from deductible leveraging: Healthcare costs continue to rise every year. If deductibles and copayments remain the same, a higher percentage of healthcare costs need to be covered by health insurance premiums each year. We estimate deductible leveraging increases to be roughly XX%.*

4. Changes in benefits:

- a. List and describe each change in benefits and explain/quantify how each benefit change affects the rate increase. For example, the specialist copay has been increased by \$5 which will reduce the premium by X.XX%.
- b. Issuers should explain whether each applicable benefit change is required by law (mandate).

5. Administrative costs and anticipated margins:

- a. Identify the main drivers of changes in administrative costs.
- b. Discuss and quantify how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.