Harvard Pilgrim Health Care, Inc. (NAIC 96667) – Small Group
Rate Notice – 16.3 percent increase
Decision – Under Review

Public Comment Period: August 10, 2023 deadline

On June 16, 2023 Harvard Pilgrim Health Care, Inc. (Harvard) filed a request to raise rates an average of 16.3% for Small Group Affordable Care Act (ACA) health plans ranging from 0.7% to 21.2% depending on the plan. These are plans that are offered through the state-sponsored exchange and on the open market. They currently cover approximately 15,508 insured lives. In developing the rate, Harvard anticipates that the increasing costs of medical services and the demand for those services will have an impact on the premiums of approximately 8 percent, a factor known as “trend.”

The company said the primary drivers of the proposed increase are: Increased cost of benefit expense for this ACA compliant block and the changes in the regulatory requirements. Increased cost of benefit expense is driven by increases in the price of services primarily from hospitals, physicians and pharmacies, coupled with members increasing their use of health care services, also called “utilization”. Increases in the price of services are driven by technological advances, new specialty medications, and a variety of other factors.

Increased utilization is driven by member level utilization and selection patterns in the Guaranteed Issue, Community Rated ACA market. The changes in the regulatory requirements includes the reduction of the coverage from the Maine Guaranteed Access Reinsurance Association (MGARA) program as result of the merging of the Individual and Small Group ACA markets in Maine, and the new mandated benefits.

General Reasons for Rate Increases are:
• **Increasing Cost of Medical Services** – Annual increases in reimbursement rates to health care providers – such as hospitals, doctors and pharmaceutical companies.
• **Increased Utilization** – The number of office visits and other services continues to grow. In addition, total health care spending will vary by the intensity of care and/or use of different types of health services. Patients who are sicker generally have a higher intensity of health care utilization. The

price of care can be affected by the use of expensive procedures such as surgery vs. simply monitoring or providing medications.

- **Higher Costs from Deductible Leveraging** – Healthcare costs continue to rise every year. If deductibles and copayments remain the same, a greater percentage of health care costs need to be covered by health insurance premiums each year.
- **Cost shifting from the public sector to the private sector** – Reimbursements from the Center for Medicare and Medicaid Services (CMS) to hospitals do not generally cover all the cost of care. The cost difference is being shifted to private health plans. Hospitals typically make up this reimbursement shortfall by charging private health plans more.
- **Impact of New Technology** – Improvements to medical technology and clinical practice often result in the use of more expensive services, leading to increased health care spending and utilization.

If approved, the new rates would take effect January 1, 2024.