

Actuarial Memorandum
UnitedHealthcare Insurance Company, NAIC #79413
Delaware Small Group Rate Filing

August 4th, 2023

This rate filing presents proposed premium rates effective January 1, 2024 through December 31, 2024 for medical and Rx benefit plans to be sold by the UnitedHealthcare Insurance Company to small group employers.

The filing has been prepared as required by section 2504 of Title 18 of the Delaware Code, as well as current ACA rules and more recent guidance from the Delaware Department of Insurance. This rate filing should not be used for any other purposes. Within that context, there are no limitations or constraints on the use or applicability of the rating items discussed herein. The intended user of this filing is the Delaware Department of Insurance.

The benefit plans and rates are for non-grandfathered employers, and are for off-exchange. The proposed rates and rate factors are in Exhibit 1, which also displays the metal level and actuarial value of each benefit plan. Benefit plan descriptions are in Exhibit 2.

No products are terminated. Sixteen 2023 benefit plans are being terminated. Please reference Exhibit “5-PlanChgs” for listing of these plans.

Purpose of Filing. UnitedHealthcare is filing for the first time rates for 2024. We are proposing to set our 1st quarter 2024 rates 0.6% higher than our current 4th quarter 2023 rates. In addition to new 1/1/24 effective rates, for each of the last 3 quarters in 2024 we are filing for a 2.8% (Q2 & Q4) / 2.7% (Q3) quarterly trend increase (equivalent to an 11.6% annual trend rate). Please see Exhibit 3 for detail on the rate changes.

Form Numbers. The form names and numbers are as follows:

Policy	POL24.I.2018.SG.DE
Certificate of Coverage	COC24.INS.2018.SG.DE
ChoiceDoctors Schedule of Benefits	SBN24.CHCSELDP.I.2018.SG.DE
Choice Plus Doctors Plus Schedule of Benefits	SBN24.CHPSLPDPP.I.2018.SG.DE
Outpatient Prescription Drug Rider (Network)	RID24.RX.NET.I.2018.SG.DE
Outpatient Prescription Drug Rider (Network/Out-of-Network)	RID24.RX.NET-OON.I.2018.SG.DE
Outpatient Prescription Drug Schedule of Benefits (Network)	SBN24.RX.NET.I.2018.SG.DE
Outpatient Prescription Drug Schedule of Benefits (Network/Out-of-Network)	SBN24.RX.NET-OON.I.2018.SG.DE
Pediatric Vision Care Services Rider (Network)	RID24.PVCS.NET.I.2018.SG.DE
Pediatric Vision Care Services Rider (Network/Out-of-Network)	RID24.PVCS.NET-OON.I.2018.SG.DE
Pediatric Dental Services Rider (Network)	RID24.PDS.NET.I.2018.SG.DE
Pediatric Dental Services Rider (Network/Out-of-Network)	RID24.PDS.NET-OON.I.2018.SG.DE
UnitedHealthcare Rewards Rider	RID23.UHCRewards.I.2018.SG.DE
Care Cash Rider	RID23.CARECASH.I.2018.SG.DE

Rate Changes. The incremental and year-over-year rate changes are as follows below. Please reference “Exhibit 3- RateChgs” for further detail.

Incremental:

4Q23 to 1Q24: +0.6%
1Q24 to 2Q24: +2.8%
2Q24 to 3Q24: +2.7%
3Q24 to 4Q24: +2.8%

Year-over-year renewal: (Average YOY Renewal = +8.0%)

1Q23 to 1Q24: +6.9%
2Q23 to 2Q24: +7.7%
3Q23 to 3Q24: +8.4%
4Q23 to 4Q24: +9.3%

Rate Development. Because we have limited membership in Delaware [Calendar year 2022: 20,274 member months on the UnitedHealthcare Insurance Company (UHIC) license and 2,246 member months on our Optimum Choice, Inc. (OCI) license] the past Delaware experience cannot be credibly used to project future experience. We instead based our proposed Delaware 1st quarter 2024 rates off our larger, more credible, Pennsylvania market (Calendar year 2022 member months: 222,820). We started with Pennsylvania claims and made adjustments to get to an expected Delaware claim cost. We then compared this result to current level Delaware manual rate. Based on this comparison we believe it is appropriate to set our Delaware rates as indicated above. Please reference “Exhibit 11- Rate Development” for further detail.

New Benefit Plan Pricing: The new 2024 benefit plans are priced consistently with the continuing 2023 benefit plans, with rates different only by the estimated value of the benefit differences. The medical plan price relativities were developed using our pricing model ARC (Actuarial Relativity Calculator). The ARC model is based on UnitedHealthcare nationwide experience data, containing utilization frequencies and unit costs by service category, and claim distributions and adjustment factors for a large number of plan design variables. Benefit design parameters such as deductibles, coinsurance, copays, out-of-pocket maximums, etc. were input for each plan into ARC. The expected net-to-allowed relativity for each plan is then used to develop the plan relativities for each benefit plan. All benefit plans are priced consistently with each other, with the rates different only by the estimated value of the benefit differences. The prescription drug plan relativities were similarly developed using our Rx Pricing model: this model, based on nationwide UnitedHealthcare prescription drug experience, values the cost differences of Rx copays by tier, and other plan cost sharing features such as Rx deductibles and coinsurance. These changes resulted in new plan relativities that are made revenue neutral by applying a 0.9% decrease to the base rates. Please reference “Exhibit 12-Revenue Neutrality” for detail on the -0.9% calculation.

Trend: The assumptions used to develop the requested trend increases are shown in Exhibit 7. At UnitedHealthcare, we have a team of actuaries whose responsibilities include developing forward-looking trend projections and monitoring historical performance in relation to trend. We rely on this team to provide guidance on trends appropriate for Delaware rate development.

We are resetting our 1st quarter 2024 trend factor to 1.000.

Anticipated Loss Ratio. The anticipated underwriting loss ratio is 77.9%; the anticipated federal MLR is 83.3%.

COVID-19 Claims Adjustment: We no longer are applying an explicit adjustment factor to our claims experience as we believe we have returned to a relatively normal claims level as seen pre-COVID pandemic. Covid impacts have been included in trend (please reference Trend schedules in Rate Filing Exhibits).

MLR Rebates: At the time of this rate filing submission, our Finance team does anticipate paying Small Group MLR rebates on the UHIC legal entity for the 2022 reporting year.

List of exhibits included in rate filing:

- Exhibit 1: Rates and rate factors
- Exhibit 2: Benefit plan descriptions
- Exhibit 3: Rate changes
- Exhibit 4: Rating example
- Exhibit 5: New, Terminated and Modified Plans
- Exhibit 6: Member months, earned premium & incurred claim experience
- Exhibit 7: Pricing Trend Summary and Schedules
- Exhibit 8: Plan Adjusted Index Rate development
- Exhibit 9: Claims Trend Summary and Schedules
- Exhibit 10: Expense allocation and Federal MLR development
- Exhibit 11: Rate Development
- Exhibit 12: Revenue Neutrality
- Exhibit 13: Age Factor

Please keep these rates and exhibits confidential to the extent allowed by Delaware law.

Actuarial Certification.

I, [REDACTED], an Actuary at UnitedHealthcare, am an ASA and MAAA. I satisfy the 2022 continuing professional development requirements of the Academy and therefore am qualified to issue this 2023 statement of actuarial opinion. I have reviewed applicable ASOPs during the preparation of this rate filing.

There are no known cautions with regard to risk or uncertainty in the items discussed in this rate filing. There are no conflicts of interest with regards to my production of this rate filing.

I certify that this rating manual was developed according to accepted actuarial principles, is based on reasonable assumptions, and that the rates are not excessive, inadequate, or unfairly discriminatory. To the best of my knowledge and judgment, the filed rates are in compliance with the applicable laws and regulations of the state, and the benefits are reasonable in relation to the premium charged.

[REDACTED]
[REDACTED] | UnitedHealthcare