Written Description Justifying the Rate Increase

Healthy Alliance Life Insurance Company (NAIC 32753)
Consumer Disclosure for Proposed Health Insurance Rate Increase
Individual On and Off-Exchange Plans
Rate Change Effective January 1, 2025

Scope and Range of the Rate Increase
Healthy Alliance Life Insurance Company (HALIC) has filed for premium rate changes for its Affordable Care Act (ACA) compliant Individual health insurance plans. This filing includes an average rate change of 0.56%, effective January 1, 2025, with some plan prices decreasing by as much as -19.21% and other plan prices increasing by as much as 4.38%. The price changes will impact about 85,700 people that have HALIC plans now and will keep HALIC plans next year. An insured person's actual rate increase could be higher or lower depending on their benefit, where they live, how old they are, number of children, and if they use tobacco.

Data from HALIC's 2023 ACA-compliant plans has been used to develop the proposed rates. HALIC has made assumptions around how that data will change between 2023 and 2025. Assumptions include how much the health of people will change between 2023 and 2025 (morbidity), who will purchase what kind of plans in 2025 (demographics and benefits), how much medical and pharmacy costs will change between 2023 and 2025 (trend), and how much HALIC's costs will be to run its business operations in 2025 (non-benefit expenses). In addition to these assumptions, some of the most significant factors underlying the rate change are changes in the purchasing population.

Claims are expected to increase from $407.27 in 2023 to $451.75 in 2025. Projected administrative expenses are 9.6%, taxes and fees are 4.9%, and a profit and risk load is 5.1%.

Financial Experience of the Product
Per HealthCare.gov, the medical loss ratio (MLR) is, "A basic financial measurement used in the Affordable Care Act to encourage health plans to provide value to enrollees. If an insurer uses 80 cents out of every premium dollar to pay its customers' medical claims and activities that improve the quality of care, the company has a medical loss ratio of 80%. A medical loss ratio of 80% indicates that the insurer is using the remaining 20 cents of each premium dollar to pay overhead expenses, such as marketing, profits, salaries, administrative costs, and agent commissions." Anthem expects the proposed rate increase will result in a MLR of 83.4%, which is greater than the minimum MLR requirement of 80% as defined in the Affordable Care Act. In the event Anthem's MLR is less than the Federal required minimum, Anthem will refund the difference to insured people.

The MLR used to calculate HALIC's refund each year since 2014 is shown in the table below.

HALIC Individual Health Insurance Coverage MLR										
Reporting Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Credibility-Adj MLR	80.9%	78.6%	79.9%	76.9%	75.0%	73.6%	74.0%	78.0%	77.8%	n/a

Changes in Medical Service Costs
Medical costs change every year and will generally increase. By looking at past data, it is possible to recognize a pattern to this change and this is used to predict the future cost of medical services (trend). This trend is usually found to be increasing over time and is due to increases in the cost of services and number of services used.

The cost of services increases due to the amount charged for medical services by hospitals and physicians and drug companies, increases in the number of services individuals are using, and advances in technology. Increases in the number of services result from the overall population getting older, product design, and many other factors.

Administrative Costs and Anticipated Profits

HALIC's administrative costs have not changed by much between 2024 and 2025. Additionally, HALIC is filing for the same profit and risk margin as it did in 2024. As mentioned above, HALIC is mindful of MLR requirements and is filing premium increases that are expected to meet the terms of this requirement.

HALIC did not add a specific amount to its plan prices due to the individual mandate going away.

Market Uncertainty

This rate increase is based on several assumptions. If something changes to cause those assumptions to be incorrect, HALIC may need to change plan prices, areas that we sell plans, and/or plans that we offer.