Rate Increase Justification

Today's Date: August 31, 2022

Issuer: Oscar Health Plan of California

Rate Change Effective Date: January 1, 2023

Market: Individual

1. **Scope and range of the rate increase —** *Provide the number of individuals impacted by the rate increase. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).*

   Premium rate changes for Affordable Care Act compliant Individual Market health insurance plans for the 2023 plan year include an average annual rate increase of 12.1% percent with plan level annual rate increases ranging between 8.4% and 14.4%. This increase will impact approximately 64,812 renewing California Individual members in the first quarter of 2023.

2. **Financial experience of the product —** *Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims expenses, and profit. Discuss how the rate increase will affect the projected financial experience of the product.*

   The proposed rate increase will cover projected medical trends and yield a medical loss ratio (MLR) of 89.0%, meaning 89 cents of each premium dollar is expected to go toward members' medical expenses and improving health care quality. This projected MLR of 89.0% exceeds the minimum MLR requirement of 80.0% as defined in the Affordable Care Act.

3. **Changes in Medical Service Costs —** *Describe how changes in medical service costs are contributing to the overall rate increase. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs.*

   The projected premium rates reflect the most recent emerging experience which was trended for anticipated changes due to medical and prescription drug inflation and utilization.

   Changes to the overall premium level are needed because of anticipated changes in the underlying morbidity of the projected marketplace, primarily driven by the end of the Public Health Emergency (PHE).

   Changes to the overall premium level are needed because of the expected residual costs attributed to the ongoing COVID-19 pandemic.

4. **Changes in benefits —** *Describe any changes in benefits and explain how benefit changes affect the rate increase. Issuers should explain whether the applicable benefit changes are required by law.*

   Although it can lead to changes in utilization of services, no current changes in benefit design are leading to increased costs of any significance for this plan year.

5. **Administrative costs and anticipated margins —** *Identify the main drivers of changes in administrative costs. Discuss how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.*

   Changes to the overall premium level are needed because of required changes in federal and state taxes and fees. In addition, there are anticipated changes in both administrative expenses and targeted risk margin.