

## Rate Increase Justification

Today's Date: December 15, 2022

Issuer: Molina Healthcare of California, Inc.

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).*

Molina's proposed rates represent an average rate increase of 10.7% for the 65,025 Molina members enrolled effective April 1, 2022. The proposed rate changes vary by metal tier. Members would receive premium increases ranging from 9.0% to 14.6% depending on their geographic location, metal tier, and age.

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.*

Premium of \$510.18 per member per month was received for 2021 compared to paid claims of \$254.61 per member per month and risk transfer payments of \$150.14 per member per month. Molina's financial experience in 2020 was better than anticipated, contributing to low rate changes for 2022. Molina's 2021 risk transfer payments were higher than previously projected, contributing to higher premium rates for 2023.

The proposed premium rates yield a medical loss ratio of 84.1 percent. The medical loss ratio represents the percentage of every premium dollar that Molina expects to spend on medical expenses and improving health care quality for our members. The projected medical loss ratio of 84.1 percent exceeds the Affordable Care Act minimum required loss ratio of 80 percent.

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.*

Medical inflation related to the utilization and cost of covered services increased claims by 7.3 percent. In addition, changes in plan mix increased expected claim costs.

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.*

Molina is renewing all its plan offerings from 2022, with the standard benefits chosen by Covered California.

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.*

The administrative expenses for 2023 are expected to be higher than the previous year. Targeted profit margin remained constant at 3 percent.