

Molina Healthcare of California, Inc.

Part II: Explanation of the Rate Increase Effective January 1, 2020

Molina Healthcare of California, Inc. is a managed care organization that provides healthcare services for over 600,000 individuals eligible for Medicaid, Medicare, and Marketplace throughout the state of California. Molina Healthcare of California, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

1. Scope and range of the rate increase: Molina's proposed rates represent an average rate increase of 1.5% for the 54,867 Molina members enrolled effective March 1, 2019. The proposed rate changes vary by metal tier. Members would receive premium increases ranging from -14.2% to 25.8% depending on their geographic location, metal tier, and age.

2. Financial experience of the product: Premium of \$455.80 per member per month was received for 2018 compared to allowed claims of \$248.33 per member per month and risk transfer payments of \$133.37 per member per month. Molina's financial experience in 2018 was better than anticipated, contributing to a low overall rate increase 2020 and rate decreases for some metal tiers. Certain metal tiers performed worse than expected in 2018, so their rates have been corrected with minimal impact to rates in other metal tiers.

The proposed premium rates yield a medical loss ratio of 85.0 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 85.0 percent exceeds the Affordable Care Act minimum required loss ratio of 80 percent.

3. Changes in Medical Service Costs: Medical inflation related to the utilization and cost of covered services increased claims by 6.5 percent. In addition, changes in population morbidity increased expected claim costs. Lastly, increases in the risk adjustment transfer payments related to statewide premium increases resulted in an increase to the rates.

4. Changes in benefits: Molina is renewing all its plan offerings from 2019, with the standard benefits chosen by Covered California.

5. Administrative costs and anticipated profits: The Health Insurer Fee will return after a one-year moratorium. Targeted profit margin remained constant at 3 percent.