Harvard Pilgrim Health Care
1 Wellness Way
Canton, MA 02021
harvardpilgrim.org

Harvard Pilgrim Health Care
a Point32Health company

OVERVIEW OF THE FILING

Name of Company:	Harvard Pilgrim Healthcare, Inc
Actuaries Responsible for Filing:	Amanda Carlson, FSA, MAAA Larisa Treyster, FSA, MAAA
Coverage Period for Rates Filed:	CY 2024
Number of Plans Filed:	81
Number of Renewing Individuals and Dependents:	24,253
Number of Renewing Small Groups:	2,623
Number of Renewing Small Group Members:	22,264
Overall Average Proposed Rate Change over Prior Period:	7.3%

KEY DRIVERS FOR THE PROPOSED RATE CHANGE

See accompanying file called "Exhibit for Public Release" for additional detail.

- **Trend:** A key driver of health insurance premium increases year-over-year is medical trend, which is comprised of inpatient, outpatient, and physician services as well as pharmacy costs. Medical trend includes both increases in the cost of the services provided by hospitals and physician groups and increases in the utilization of these services by our members. In particular, for 2024, Harvard Pilgrim expects upward pressure on medical unit cost increases, driven primarily by the higher inflationary environment. While Harvard Pilgrim expects to successfully manage these unit cost increases, they are expected to be above recent levels. Additionally, pharmacy trends continue to put upward pressure on overall claim trend, and this is expected to continue in 2024.
- **Risk adjustment:** Harvard Pilgrim expects its risk adjustment results to be less favorable in 2024. This is largely driven by the expected migration of members from MassHealth to the Merged Market due to redetermination.
- **Contribution to Surplus:** Harvard Pilgrim includes a surplus of 1.8% in order to maintain financial stability and ensure that Harvard Pilgrim can continue to pay claims and invest in its members, despite the significant uncertainty that is present in the market and healthcare industry.

SUMMARY OF COST-SHARING AND BENEFITS

See accompanying file called "Plan and Benefit Template."

GENERAL METHODOLOGY FOR ESTABLISHING RATES OF REIMBURSEMENT

Harvard Pilgrim leverages industry standard methodologies to establish rates for our providers. Plan participating professional providers are predominantly reimbursed on a fee for service basis using fee schedules based upon the Centers for Medicare and Medicaid Services (CMS) Resource-Based Relative Value Scale (RBRVS). For inpatient services, over 70% of the

hospitals in our network are reimbursed using Diagnosis Related Groups (DRG) methodology, where a relative weight is assigned to each inpatient services; either All Payor Refined (APR) DRG or Medicare MS DRG for our hospitals reimbursed on a DRG basis. Our outpatient services are reimbursed using a proprietary fee schedule that was created by leveraging Medicare outpatient methodologies and rules.

The physicians who care for our members may be compensated in several different ways. Some large physician groups, with strong and robust practices with a high level of sophistication and infrastructure, can manage under a high-risk capitation model. Smaller independent provider groups are more aptly suited to the quality incentive programs under a performance-based model.

We maintain a portfolio of financial models (Pay for performance, Shared Savings, Shared Risk and Full Risk) that support the goal of efficient and coordinated delivery of high-quality health care with improved outcomes.

By offering different financial models, we strive to align payment arrangements with providers to achieve the appropriate balance of the right level of compensation and desired standards of performance. The compensation amount varies by model and depends on achievement of financial, clinical or service goals.

SUMMARY OF ADMINISTRATIVE EXPENSES

See accompanying file(s) called "Actual Historical Administrative Expenses" in the Exhibit for Public release

Table 5: Actual Historical Administrative Expenses

	CY 2021		CY 2022	
	Total Dollars	CY 2021 PMPM	Total Dollars	CY 2022 PMPM
Taxes and Fees	$2,554,828	$4.06	$2,830,074	$4.62
Other Administrative Expenses	$40,655,104	$69.46	$40,627,178	$66.35
Total	$43,209,932	$73.52	$43,457,252	$70.97

Harvard Pilgrim Health Care
1 Wellness Way
Canton, MA 02021
harvardpilgrim.org

Harvard Pilgrim Health Care
a Point32Health company

MEDICAL LOSS RATIOS

See accompanying file called "Exhibit for Public Release."

Table 6: Medical Loss Ratio

	CY 2020	CY 2021	CY 2022	Proposed 2024 Rates
Medical Loss Ratio	79.9%	97.9%	84.7%	90.3%

CONTRIBUTION TO SURPLUS

Harvard Pilgrim rates include 1.80% for contribution to surplus. This margin helps maintain financial stability and ensures that Harvard Pilgrim can continue to pay claims and invest in its members, despite the significant uncertainty that is present in the market and healthcare industry. Note that this contribution to surplus is below the maximum allowed by the Department of Insurance. Rates and contribution to surplus are set to ensure meeting the 88% minimum loss ratio requirement. Massachusetts requires that at least 88% of premium must be used for medical expenses (otherwise, a rebate is paid to subscribers). This rate increase is calculated to comply with this requirement.

DIFFERENCES FROM FILED FINANCIAL STATEMENT

Information within the rate filing is different from filed financial statements largely due to timing. Financial statements include restatements for prior years. In addition, the amount of claims run-out, or time between the incurred and paid dates may vary between the rate filing and financial statements. Additionally, the time periods between the rate filing and financial statements are not aligned. The rate filing uses experience for the 12 months ending Nov 2022, whereas financial statements represent a calendar year time period.

Most financial statements also include the experience for the entire Harvard Pilgrim book of business, whereas the information in this filing represents Merged Market experience only.

COST CONTAINMENT PROGRAMS

Harvard Pilgrim has a robust portfolio of cost management programs aimed at keeping care affordable. Every year the portfolio is evaluated and new initiatives are implemented with a value of approximately 1-2% of Total Medical Expense. This translates to $10M - $20M across the expected 2024 Merged Market population. See below for detail on the portfolio of programs.

Harvard Pilgrim Health Care
1 Wellness Way
Canton, MA 02021
harvardpilgrim.org

Harvard Pilgrim Health Care
a Point32Health company

Program Name	Program Description
Utilization Management	Harvard Pilgrim Health Care covers medically necessary, appropriately authorized services in accordance with the member's benefits. To ensure the quality of care, we monitor authorization, medical necessity and appropriateness and efficiency of services rendered. Certain services require a referral, prior authorization and/or inpatient notification to confirm that the member's PCP, Harvard Pilgrim, or an approved vendor on behalf of Harvard Pilgrim has approved the member's specialty care and/or inpatient services. Providers should submit referrals, prior authorization and/or inpatient notifications in accordance with the requirements and time frames outlined in the Provider Manuals.
Care Management	This program provides services to enrollees who have complex medical and/or behavioral health conditions and may also have social determinants of health needs (such as food and/or housing instability). As the enrollees have complex care needs, the program services involve close collaboration between medical care managers, behavioral health care managers and community health workers. A unique feature of this program is its proactive approach - it screens enrollees who are at-risk for complex care issues and who are considered to be the most vulnerable. Referral into the program can be from various sources including enrollee, provider, health assessment, or claims reporting. The program team evaluates an enrollee's care needs holistically and works with the enrollee to develop the most appropriate care plan.
Transitions of Care	Transitions of Care (TOC) is an episodic service that focuses on providing care to our most vulnerable patients who are transitioning from hospital (acute, observation, ECF, ED) to home, and who, based on clinical complexity, are at a high risk for readmission to the hospital. The service aims to reduce readmissions and promote safe care transitions by using evidence-based models to focus on key mechanisms.
Payment Integrity	Payment integrity is the process through which health plans and payers ensure healthcare claims are paid accurately and timely, both in pre-pay and/or post-pay processes. Typically, this is done through embedded internal edit, audit, and reimbursement functions as well as partnerships with external vendors that bring additional expertise and resources. Functions include a robust review of claims to ensure claims are paid in accordance with contractual obligations, plan policies and procedures, member benefits and that industry standard rules are applied to prevent,

	detect, and remedy waste and abuse.