

PART II RATE INCREASE JUSTIFICATION

Hawaii Medical Service Association Affordable Care Act Individual Policies in Hawaii Effective January 1, 2025

Our requested rates include only the amounts needed to cover the expected health care benefits of our members, the cost of administering their benefits, expected Affordable Care Act (ACA) fees, a small charge to help manage the risk of offering benefits to this population, and a small margin that will allow us to continue replenishing HMSA's reserves.

We based our rate increase request on a review of past costs of benefits and other expenses. These historical costs are adjusted for trend, to account for expected changes in use of medical services, cost inflation, and other factors that affect the cost of care. We also adjusted costs for benefit changes, which were largely made to comply with government mandated plan designs. Administrative expenses have been relatively flat over the past couple of years.

The overall requested rate increase for our plans is 8.0%. The increases range from a low of 5.2% for the Platinum PPO plan to a high of 20.9% for the Catastrophic plan. The Catastrophic plan is the only plan exceeding a 15% increase. There are 21,605 members, including 415 Catastrophic plan members, enrolled in our ACA Individual plans as of March 2024.

HMSA has minimized rate increases for ACA Individual plans over the past several years. From 2019 to 2024, we managed to keep the average annual rate increase to 1.5%.

We understand that any rate increase creates hardship for some members. However, the increase is necessary to keep up with the costs of covering this population and ensure the plan remains viable in the future. HMSA expects to offer plans in all metallic levels (Bronze, Silver, Gold, Platinum) as well as a Catastrophic Plan.