

PART II – WRITTEN DESCRIPTION JUSTIFYING THE RATE INCREASE

Scope and Range of Rate Increase

The average proposed rate increase of 20.7%, effective January 1, 2027 is expected to impact 28,698 members, based on March 2026 membership. The rate change varies by benefit plan, region, age and renewal date. Rate changes vary by plan due to the impact of benefit changes, changes in the impact of fixed member cost sharing given increasing medical costs, and provider networks.

Financial Experience of the Product

The table below summarizes loss ratio experience for January 2025 to December 2025.

Federal MLR Calculation	<u>SHP</u>
Incurred Claims*	\$211,070,663.69
Risk Adjustment	-\$1,775,255.90
<u>Quality Improvement</u>	<u>\$3,746,885.85</u>
Adjusted Incurred Claims	\$213,042,293.64
Gross Premium	\$211,346,715.72
<u>Taxes & Fees</u>	<u>-c\$421,809.11</u>
Adjusted Premium	\$210,924,906.61
Federal MLR	101.0%

* Incurred Claims based on paid through March 2026 with a completion factor applied.

We expect the population creating the January 2025 to December 2025 claims experience to be representative of the population that will make up the 2027 claims costs. The increases from the current rate levels will be further encumbered by upward pressure on costs from other sources such as medical and pharmacy trend, as described below. Risk Adjustment is anticipated to cause a decrease to medical spend in 2027.

The proposed rate increase is intended to account for expected claims activity in 2027 given historical experience. With the proposed rate increase, the anticipated federal loss ratio is 85.2%.

Changes in Medical Service Costs

Medical trend for these products is anticipated to be an average of 8.5% per year on paid claims (i.e. after member cost sharing). This was developed based on historical experience, as well as consideration for information available on general medical inflation trends. Medical trend includes a combination of utilization and costs of services. This increase in cost is included in the calculation of the rate increase.

Changes in Benefits

Changes in benefits have been made to these plans, with an impact of reducing claims as much as 0.7%. Any impact of benefit changes is reflected in the proposed rate changes.

Administrative Costs and Anticipated Profits

The profit and risk margin has changed by 9.9% versus that used in the 2026 pricing. The 2027 administrative costs have decreased 1.1% compared to 2026 pricing. The net impact from taxes and fees

is a 0.2% change in premium. The overall premium effect from profit, admin, and taxes and fees is an 9.0% increase in premium.

In 2026, it was assumed that 10.2% of premium was to be used for administrative costs, taxes and fees, and profit and risk margin, but for premium rates effective in 2027 this value will be assumed to 19.8%.