Rate Increase Justification

July 14, 2026

Issuer: Anthem Blue Cross

Rate Change Effective Date: January 1, 2027

Market: Small Group

This is a rate filing for the Small Group market ACA-compliant plans offered by Anthem Blue Cross (licensed by DMHC), also referred to as Anthem Blue Cross. The policy forms associated with these plans are listed below. The proposed rates in this filing will be effective for the 2027 plan year beginning January 1, 2027, and apply to plans Off-Exchange. Rates are guaranteed for 12 months after the group's effective date or renewal date.

The proposed rates have been developed from 2025 ACA experience for the 12-month period ending December 31, 2025. The proposed annual rate changes by product in this filing range from 6.5% to 7.5%, with rate changes by plan from -2.9% to 17.9%.

The rate changes will impact approximately 219,000 renewing members in the first quarter of 2027. We expect most members will experience a rate increase of less than 15%.

Factors that affect the rate changes for all plans include:

- Emerging experience different than projected.
- Trend: This includes the impact of inflation, provider contracting changes, and changes in utilization of services.
- Benefit modifications, including changes made to comply with updated AV requirements.
- Changes in taxes, fees, and some non-benefit expenses.

Although rates are based on the same claims experience, the rate changes vary by plan due to the following factors:

- Changes in benefit design that vary by plan.
- Updates in benefit relativity factors among plans.
- Changes in some non-benefit expenses that are applied on a PMPM basis.
- Changes in the claim cost relativity by area.

Anthem expects the proposed rate increase will result in a medical loss ratio (MLR) of 83.26%, which is greater than the minimum MLR requirement of 80% as defined in the Affordable Care Act.

The primary driver of the premium increase is the increase in the cost of healthcare. The increases are associated with increases in the unit cost of services primarily from hospitals, physicians, and pharmaceutical companies, coupled with increases in the consumption of services, or utilization, by members. Increases in the unit costs of services are driven by many things, including technology advances, general inflationary pressures, and a variety of other factors.

Anthem is committed to moderating the impact of rate increases on our members while continuing to provide access to high quality, affordable health care. We are dedicated to working with our members to find health coverage plans that are the most appropriate, beneficial, and affordable for their needs. In addition, we are investing in initiatives to reduce the cost of care, to promote wellness and preventative care, and encourage providers to deliver high-quality, evidence-based care.