PART II: WRITTEN DESCRIPTION JUSTIFYING THE RATE INCREASE

Scope and Range of Rate Increase

The purpose of this justification is to explain the rate increases for the following Sutter Health Plan (SHP) small group comprehensive medical plans in California with effective dates of January 1, 2026 through December 31, 2026.

SHP is proposing an average rate increase of 26.9%. Rate increases range from 21.3% to 59.4% depending on the benefit plan. Rate increases vary by plan due to shifts in the estimated relationship between benefits and cost sharing levels by plan and claims costs as well as the impact of SB 729. The rate increase varies by geographic area.

This justification is intended to comply with the requirements of Section 2794 of the Public Health Service Act as added by Section 1003 of the Patient Protection and Affordable Care Act (ACA). This justification may not be appropriate for purposes or scopes beyond those described above and, therefore, should not be used for other purposes.

Table 2.1 summarizes proposed rate increases by plan:

Table 2.1
Sutter Health Plan
2026Q1 Summary of Proposed Rate Increases

Plan Name	Plan ID	Rate Change	Individuals Impacted
Platinum MS90 HMO	64210CA0630066	27.6%	2,954
Platinum MP90 Plus HMO	64210CA0640066	59.4%	106
Gold MS97 HMO	64210CA0630093	27.5%	661
Gold MP97 Plus HMO	64210CA0640093	59.3%	15
Gold MS93 HMO	64210CA0630069	27.6%	2,834
Gold MP93 Plus HMO	64210CA0640069	59.4%	80
Gold SD32 HDHP HMO	64210CA0630094	27.3%	38
Gold SP32 HDHP Plus HMO	64210CA0640094	59.0%	9
Silver MS94 HMO	64210CA0630071	27.5%	1,970
Silver MP94 Plus HMO	64210CA0640071	59.2%	15
Silver SD31 HDHP HMO	64210CA0630095	21.3%	800
Silver SP31 Plus HDHP HMO	64210CA0640095	51.7%	9
Bronze MS49 HMO	64210CA0630096	23.9%	886
Bronze MP49 Plus HMO	64210CA0640096	54.8%	7
Bronze SD23 HDHP HMO	64210CA0630097	23.9%	736
Bronze SP23 Plus HDHP HMO	64210CA0640097	54.9%	1
Platinum CC90 HMO	64210CA0630075	27.6%	4,162
Gold CC97 HMO	64210CA0630098	27.5%	2,156
Gold CC93 HMO	64210CA0630078	27.6%	5,781
Gold CD32 HDHP HMO	64210CA0630099	27.3%	227
Silver CC94 HMO	64210CA0630079	27.5%	3,774
Silver CD31 HDHP HMO	64210CA0630100	21.3%	2,287
Bronze CC49 HMO	64210CA0630101	23.9%	1,772
Bronze CD23 HDHP HMO	64210CA0630102	23.9%	1,364
Total		**26.9%**	**32,643**

Table 2.2 summarizes the main drivers behind rate changes from the 2025Q1 rate to the 2026Q1 projection period:

Table 2.2 Sutter Health Plan Rate Change Key Drivers	
Change from 2025Q1 to 2026Q1	**Rate Change**
1. Difference in Base Period Experience vs Projected	8.6%
2. Change in Projected Trend Assumptions from 2024 to 2025	-3.2%
3. Additional Year of Trend from 2025 to 2026	33.1%
4. Change in RATP Projection	-8.7%
5. Change in Benefits	-0.5%
6. Change in Administrative Cost	0.0%
7. Change in Margin	-0.1%
Total Rate Change	**26.9%**

Each of the drivers is explained in more detail below:

Financial Experience of the Product

Table 2.3 presents historical summary-level information for SHP plans compared to projections in this 2026Q1 small group filing, demonstrating a similar projected loss ratio relative to recent experience, meaning that the increase to premiums is required due to the projected increase in claims expense:

Table 2.3 Sutter Health Plan Historical Summary			
Historical to Projection Period	**Premium PMPM**	**Claims Expense PMPM**	**Loss Ratio**
CY 2024 Experience	$564.94	$469.39	83.1%
2026Q1 Projection	$838.73	$696.92	83.1%

1. Difference in Base Period Experience vs Projected

Actual base period experience (calendar year 2024) underlying these 2026Q1 rates is greater than what was projected for 2024 as part of the prior 2025Q1 rate filing. This experience is largely composed of SHP's capitation arrangements but does also reflect some fee-for-service medical costs and prescription drug costs.

Changes in Medical Services Costs

2. Change in Projected Trend Assumptions from 2024 to 2025

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical/prescription drug utilization. Below are the percentage increases for these changes. Historical pharmacy trends were used to assist in trend development. See Table 2.4 below for the trends used.

Table 2.4 Sutter Health Plan Annualized Allowed Claim Trends				
Service Type	**Cost**		**Utilization**	
	2024 to 2025	**2025 to 2026**	**2024 to 2025**	**2025 to 2026**
Medical	9.4%	24.8%	3.1%	8.8%
Prescription Drug	13.4%	17.0%	1.4%	1.8%
Total	**10.0%**	**23.5%**	**2.8%**	**7.7%**

3. Additional Year of Trend from 2025 to 2026

The additional year of trend quantified in Table 2.2 represents the trend from the midpoint of the 2025Q1 filing to the midpoint of this 2026Q1 filing, accounting for when small groups historically renew. The utilization and unit cost trends are presented in

Table 2.4. The primary driver of the large impact of the additional year of 2025 to 2026 trend is the capitation arrangement. SHP's capitated providers require this reimbursement increase in order to maintain a stable and sustainable product for SHP.

4. Change in RATP Projection

SHP's projection of their risk adjustment transfer payment decreased relative to the projections used in prior pricing, reflecting higher morbidity relative to the statewide average.

Change in Benefits

5. Change in Benefits

Effective January 1, 2026, benefits changed based on IRS deductible limits for high-deductible health plans (HDHPs), Covered California standard plan design changes, and SHP business decisions. Changes were made to deductibles, maximum out of pocket payments, and generic pharmacy copays. The following table describes notable changes in benefits between 2025 and 2026. The highlighted cells indicate a benefit change.

Table 2.5
Sutter Health Plan
High-Level Benefit Changes Between 2024Q4 and 2025Q4

	Medical Deductible		MOOP		Generic Rx Copay	
Plan Name	2025Q1	2026Q1	2025Q1	2026Q1	2025Q1	2026Q1
Platinum MS90 HMO	$0	$0	$4,500	$4,500	$5	$5
Platinum MP90 Plus HMO	$0	$0	$4,500	$4,500	$5	$5
Gold MS97 HMO	$1,500	$1,500	$5,000	$5,000	$15	$15
Gold MP97 Plus HMO	$1,500	$1,500	$5,000	$5,000	$15	$15
Gold MS93 HMO	$250	$250	$7,800	$7,800	$15	$15
Gold MP93 Plus HMO	$250	$250	$7,800	$7,800	$15	$15
Gold SD32 HDHP HMO	$1,600 (Integrated)	$1,650 (Integrated)	$6,050	$6,000	$15	$15
Gold SP32 HDHP Plus HMO	$1,600 (Integrated)	$1,650 (Integrated)	$6,050	$6,000	$15	$15
Silver MS94 HMO	$2,500	$2,500	$8,750	$8,750	$19	$19
Silver MP94 Plus HMO	$2,500	$2,500	$8,750	$8,750	$19	$19
Silver SD31 HDHP HMO	$2,800 (Integrated)	$2,800 (Integrated)	$7,200	$8,000	$20	$20
Silver SP31 Plus HDHP HMO	$2,800 (Integrated)	$2,800 (Integrated)	$7,200	$8,000	$20	$20
Bronze MS49 HMO	$5,800	$5,800	$8,850	$9,800	$19	$20
Bronze MP49 Plus HMO	$5,800	$5,800	$8,850	$9,800	$19	$20
Bronze SD23 HDHP HMO	$6,650 (Integrated)	$7,200 (Integrated)	$6,650	$7,200	$0	$0
Bronze SP23 Plus HDHP HMO	$6,650 (Integrated)	$7,200 (Integrated)	$6,650	$7,200	$0	$0
Platinum CC90 HMO	$0	$0	$4,500	$4,500	$5	$5
Gold CC97 HMO	$1,500	$1,500	$5,000	$5,000	$15	$15
Gold CC93 HMO	$250	$250	$7,800	$7,800	$15	$15
Gold CD32 HDHP HMO	$1,600 (Integrated)	$1,650 (Integrated)	$6,050	$6,000	$15	$15
Silver CC94 HMO	$2,500	$2,500	$8,750	$8,750	$19	$19
Silver CD31 HDHP HMO	$2,800 (Integrated)	$2,800 (Integrated)	$7,200	$8,000	$20	$20
Bronze CC49 HMO	$5,800	$5,800	$8,850	$9,800	$19	$20
Bronze CD23 HDHP HMO	$6,650 (Integrated)	$7,200 (Integrated)	$6,650	$7,200	$0	$0

Effective July 1, 2025, California Senate Bill 729, expands infertility benefits coverage in the commercial group market, including requiring small group filings to offer plans with an expanded set of benefits. This coverage is included in the "Plus" plans and accounts for an additional 25% rate change relative to their analogous non-Plus plans' rate changes.

Administrative costs and anticipated margins

6. Change in Administrative Cost

Administrative expense assumptions are not projected to change from the 2025Q1 filing to the 2026Q1 filing.

7. Change in Margin

SHP is projecting a margin of 2.47%, which is slightly lower than what was filed for 2025Q1 (2.50%).