

Company Legal Name: Capital Health Plan, Inc.

State: Florida

HIOS Issuer ID: 66966

Market: Individual

Effective Date: January 1, 2027

Part II – Rate Filing Justification

This document contains the Part II Rate Filing Justification for Capital Health Plan, Inc.'s (CHP) Individual block of business, effective January 1, 2027. This justification is submitted in conjunction with the Part I Unified Rate Review Template.

The purpose of this justification is to provide certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the Florida Office of Insurance Regulation (FLOIR), the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of CHP's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this Rate Filing Justification that would result in the creation of any duty or liability for Milliman under any theory of law.

Scope and Range of the Rate Increase

CHP is filing rates to be effective January 1, 2027 for its Individual ACA-compliant block of business. URRT Rate increases by Plan HIOS ID vary between 3.65% and 16.28%. The Product Rate Increase and average rate increase across all plans is 10.98%, as also measured in the URRT.

There are several factors contributing to the requested rate increases. These include medical and pharmacy cost inflation and anticipated risk adjustment transfer.

The above rate increases will apply to CHP's projected marketplace enrollment consisting of 151,310 member months in 2027 as shown in WS2 of the URRT.

The following sections provide a summary of the historical experience of CHP's ACA-compliant plans, alongside a discussion of the key factors that contribute to the rate increases displayed in the URRT.

Financial Experience of the Product

CHP's historic MLR's from the previous three years, since the start of CHP's Individual block of business, are shown in the table below.

Year	MLR
2023	90.9%
2024	96.6%
2025	102.2%

The MLR values in the above table represent incurred loss ratios net of risk adjustment receivables. Please note that these values are raw MLR's that are not meant to be a true measure for the purpose of calculating federal or state MLR rebates. The MLRs for 2023 through 2025 can be found in the 2027 ACA Data Template.

Changes in Medical Service Costs

This development of the CY2027 rates reflects an average fee-for-service annual trend rate across all medical services, including pharmacy, of 5.8%. These trends were developed based on the Milliman Health Cost Guidelines (HCG). The trend factors reflect expectations regarding increases in contractual reimbursement and anticipated changes in the utilization of medical services.

Capital Health Plan pays inpatient and outpatient facilities as a percentage of the applicable Medicare fee schedules. Inpatient and outpatient unit cost trends are derived from expected changes in provider reimbursement based on Medicare Inpatient Prospective Payment Systems (IPPS) and Outpatient Prospective Payment Systems (OPPS) fee schedules, respectively.

Anticipated Risk Adjustment Transfer

Unlike in prior years, the risk score for the plan's experience is projected to be lower than the expected state average risk score in CY2027. The estimates of relative risk and risk transfer payments are highly dependent on the population that enrolls with CHP but also with other carriers in the state.

CHP's average risk is projected to be below the state average risk level. As a result, CHP expects to pay a risk transfer in 2027. Emerging risk scores support the switch from projecting a risk adjustment receivable in 2026 to a transfer in 2027.

The anticipated risk transfer payments, gross of the risk adjustment fees assumed to be \$0.18 PMPM for CY2027, are applied to the Index Rate as a market level adjustment. The overall impact of projected risk adjustment transfers is market level adjustment of \$40.17 allowed PMPM, before adding HCRP fees.

Changes in Benefits

There are no legally required benefit changes for the rates effective January 1, 2027. CHP has made benefit changes in order to maintain a competitive product portfolio and to maintain plan AV values compatible with the Federal AV Calculator. Benefit changes were not a primary driver of rate increases.

Administrative Costs and Anticipated Margins

Administrative cost and underwriting gains are consistent with prior years and do not contribute to plan rate increases.