Federal Rate Filing Justification Part II
Written Description Justifying the Rate Increase

Sendero Health Plans, Inc.
Individual On and Off Exchange Plan
Rate Change Effective January 1, 2027

Scope and Range of the Rate Increase

The proposed overall rate change for the Individual plans offered by Sendero Health Plans, Inc. (Sendero) both on and off the marketplace is 31.1 percent based on the current enrollment renewing into the plans available for 2027. The average increase varies by plan, ranging from 30.3 percent to 35.2 percent. A subscriber's actual rate increase could differ depending on the plan, geographical location, age characteristics, dependent coverage, and other factors.

Financial Experience of the Product

As of March, there were 37,847 policyholders on the McLaren Individual health insurance plans. Sendero expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio (MLR) of 93 percent. This projected MLR exceeds the minimum MLR requirement of 80% as defined by the Affordable Care Act (ACA). In the event Sendero's MLR is less than the Federally required minimum for a three-year period, Sendero will refund the difference to policyholders, consistent with federal regulations.

Changes in Medical Service Costs

There are numerous healthcare cost trends that contribute to increase in the overall spend each year. The trend factors bear weight on health insurance premiums, which could constitute a premium rate increase to cover costs. Key trends that have affected this year's rate action include:

- Increased medical costs – reimbursement rate increases to hospitals and providers
- Pharmacy utilization and expense – price increases and a shift to high-cost specialty drugs

Changes in Benefits

Covered benefit changes impact costs and affects premium changes. Benefit changes are generally completed based on (1) ACA compliance requirements, (2) to address medical and/or pharmacy costs issues to provide affordability and/or (3) our response to consumer feedback.

Administrative Costs and Anticipated Margins

Sendero is committed to controlling administrative costs by exploring better technology, processes and programs that make healthcare affordable. We intend to provide members with tools to make informed decisions about where and how to receive treatment.

The proposed rate increase is anticipated to be sufficient to cover the projected benefit and administrative costs for the 2027 plan year.