July 14, 2024

HIOS Part II Preliminary Justification – Written Description Justifying the Rate Increase
Community Care Health Plan
Small Group Rate Filing
Effective January 1, 2026

1. SCOPE AND RANGE OF RATE INCREASE

The purpose of this memorandum is to request a rate increase effective January 1, 2026 for Community Care Health Plan Health Plan's (CCHP's) small group market plans.

This justification is intended to comply with the requirements of CMS and the State of California Department of Managed Health Care (DMHC). This justification may not be appropriate for purposes or scopes beyond those described above and, therefore, should not be used for other purposes.

The rate increase requested for CCHP's individual market plans impacts approximately 1,000 members. The composite requested rate increase from January 2025 to January 2026 is 12.2% across all HMO members and 17.7% across all EPO members. The Maximum request increase is 15.3% for HMO members and 19.3% for EPO members. Requested rate changes vary by plan and product due to changes in plan pricing relativities and by geographic area due to changes in area factors.

2. CHANGES IN MEDICAL SERVICE COSTS AND TREND ASSUMPTIONS

The 2026 rate development reflects CCHP's expectations regarding increases in claims in the base period, changes in utilization of medical services and prescription drugs, and trends in drug costs per prescription. Particularly, CCHP's 2024 small group claim cost PMPM increased by 53% from 2023 before risk adjustment.

3. CHANGES IN DEMOGRAPHIC AND GEOGRAPHIC MIX

Since CCHP's 2024 experience was used as the basis for developing the 2026 rates, the rates reflect differences between the 2024 membership demographic/area mix and the projected 2026 demographic/area mix.

4. CHANGES IN BENEFITS

CCHP made minor changes to comply with the 2026 Federal Actuarial Calculator and 2025 Marketplace Integrity and Affordability Final Rule. The changes include adjusting the deductible and out-of-pocket maximums as details can be found in Actuarial Memorandum.

5. ADMINISTRATIVE COSTS AND ANTICIPATED PROFITS

CCHP is no change in the administrative cost ($88.00 PMPM for both 2025 and 2026) and profit margin (2% for both 2025 and 2026).