

INSURER'S RATE INCREASE JUSTIFICATION

The requested average rate increase for Blue Care Network of Michigan (BCN) Small Group ACA products in this filing, effective January 1, 2027, is 10.7% in aggregate. Aggregate experience period financial information is provided below:

- Earned Premium: \$735,833,244
- Incurred Claims: \$628,725,612
- Risk Adjustment: -\$34,191,452
- Loss Ratio: 89.6%

The overall requested rate increase varies by policy from 4.3% to 16.9%. There are six policies that are over a 15% rate increase. For all products listed, BCN is proposing a rate increase that is needed to reach a portfolio target projected loss ratio of 83.4%:

- The Base rider of the 2027 Blue Elect Plus HSA POS Gold Option 1 plan (HIOS ID 98185MI0820001) has a rate increase of 15.8%.
- The Base rider of the 2027 Blue Elect Plus HSA POS Gold Option 2 plan (HIOS ID 98185MI0820002) has a rate increase of 16.9%.
- The Base + PDCM Opt Out rider of the 2027 Blue Elect Plus HSA POS Gold Option 1 plan (HIOS ID 98185MI0830001) has a rate increase of 15.9%.
- The Base + PDCM Opt Out rider of the 2027 Blue Elect Plus HSA POS Gold Option 2 plan (HIOS ID 98185MI0830002) has a rate increase of 16.9%.
- The Base + VA rider of the 2027 Blue Elect Plus HSA POS Gold Option 1 plan (HIOS ID 98185MI0840001) has a rate increase of 15.8%.
- The Base + VA rider of the 2027 Blue Elect Plus HSA POS Gold Option 2 plan (HIOS ID 98185MI0840002) has a rate increase of 16.9%.

The primary factors influencing the rate increases include:

- Medical and pharmaceutical claims inflation and increased utilization.
- Benefit Model changes impacting relative increases by plan
- Increase to margin as noted in the Actuarial memo.

Scope and Range of the Rate Increase

We project that the January 1, 2027, rate increase for:

- The Base rider of the 2027 Blue Elect Plus HSA POS Gold Option 1 plan (HIOS ID 98185MI0820001) will affect approximately 2,494 covered individuals.
- The Base rider of the 2027 Blue Elect Plus HSA POS Gold Option 2 plan (HIOS ID 98185MI0820002) will affect approximately 4,272 covered individuals.
- The Base + PDCM Opt Out rider of the 2027 Blue Elect Plus HSA POS Gold Option 1 plan (HIOS ID 98185MI0830001) will affect approximately 4 covered individuals.
- The Base + PDCM Opt Out rider of the 2027 Blue Elect Plus HSA POS Gold Option 2 plan (HIOS ID 98185MI0830002) will affect approximately 7 covered individuals.
- The Base + VA rider of the 2027 Blue Elect Plus HSA POS Gold Option 1 plan (HIOS ID 98185MI0840001) will affect approximately 1,958 covered individuals.
- The Base + VA rider of the 2027 Blue Elect Plus HSA POS Gold Option 2 plan (HIOS ID 98185MI0840002) will affect approximately 3,354 covered individuals.

The actual rate changes for individual policy holders will vary from the average based on the actual ages of the member as well as the region where they reside.