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

UnitedHealthcare Insurance Company
NAIC: 79413
FEIN: 36-2739571

State of Texas Rate Review

Scope and Range of the Rate Increase

The requested rate change for small group health benefit plans sold in the state of Texas will be effective January 1, 2026 and impact 35,835 covered lives. The rate change experienced by members will vary depending on plan selection and geographic area. Additional premium changes may occur upon renewal due to changes in member age, changes in plan selection, and changes in geographic location.

Financial Experience of the Product

The benefit care ratio for this product during the 2024 calendar year is 76.3%. This ratio is the portion of premium that is needed to pay medical claims. The complement of the benefit care ratio is the portion of premium needed for taxes and fees, administrative expenses, and margin.

The experience available for this product is not fully credible and we base our rates on the combined UHIC and UHC of TX expected costs for these plans.

Changes in Medical Service Costs

There are many different healthcare cost trends that contribute to increases in the overall U.S. healthcare spending each year. These trend factors affect health insurance premiums, which can mean a premium rate increase to cover costs. Some of the key healthcare cost trends that have affected this year's rate actions include:

- Increasing cost of medical services: Annual increases in reimbursement rates to healthcare providers, such as hospitals, doctors, and pharmaceutical companies.
- Increased utilization: The number of office visits and other services continues to grow. In addition, total healthcare spending will vary by the intensity of care and use of different types of health services. The price of care can be affected by the use of expensive procedures such as surgery versus simply monitoring or providing medications.
- Higher costs from deductible leveraging: Healthcare costs continue to rise every year. If deductibles and copayments remain the same, a higher percentage of healthcare costs need to be covered by health insurance premiums each year.
- Cost shifting from the public to the private sector: Reimbursements from the Centers for Medicare and Medicaid Services (CMS) to hospitals do not generally cover the cost of providing care to these patients. Hospitals typically make up this reimbursement shortfall by charging private health plans more.
- Impact of new technology: Improvements to medical technology and clinical practice often result in the use of more expensive services, leading to increased healthcare spending and utilization.

Changes in Benefits

Changes in covered benefits impact costs and therefore affect premium changes. Benefit plans are typically changed for one of three reasons: to comply with the requirements of the Affordable Care Act or state law, to respond to consumer feedback, or to address a particular medical cost issue to provide greater long-term affordability of the product.

Administrative Costs and Anticipated Margins

UnitedHealthcare Insurance Company works to directly control administrative expenses by adopting better processes and technology and developing programs and innovations that make healthcare more affordable. We have led the marketplace by introducing key innovations that make healthcare services more accessible and affordable for customers, improve the quality and coordination of healthcare services, and help individuals and their physicians make more informed healthcare decisions. Taxes and fees imposed by the State and Federal government are significant factors that impact healthcare spending and have to be included in the administrative costs associated with the plans. These fees include Affordable Care Act taxes and fees which impact health insurance costs and need to be reflected in premium. Another component of premium is margin, which is set to address expected volatility and risk in the market.

The requested rate change is anticipated to be sufficient to cover the projected benefit and administrative costs for the 2026 plan year.