

Part II Rate Increase Justification

Mountain Health Cooperative
Preliminary Rate Increase Justification for 2025
Individual Market Health Benefit Plans

Rate Change

Mountain Health Cooperative (MHC) has 5,534 insureds enrolled who will be affected by 2025 Individual Market rate changes if they continue their coverage. Before federal subsidies, the average change in premium for these individuals will be -1.1%. The requested rate change varies by product with the smallest average change of -5.0% for Link Platinum and the largest average change of 16.1% for Engage Catastrophic. The following tables show the average rate change by product, metal, and area.

Table 1: Rate Change by Product 2024 to 2025 Individual Market Mountain Health CO-OP	
<u>Product</u>	<u>Avg Rate Change</u>
Link	-2.8%
Access	-2.8%
Engage	2.4%

Table 2: Rate Change by Metal 2024 to 2025 Individual Market Mountain Health CO-OP	
<u>Metal</u>	<u>Avg Rate Change</u>
Platinum	-5.0%
Gold	-2.8%
Silver	-1.5%
Bronze	0.4%
Catastrophic	9.0%

Table 3: Rate Change by Area 2024 to 2025 Individual Market Mountain Health CO-OP	
<u>Area</u>	<u>Avg Rate Change</u>
Area 1	0.9%
Area 2	1.0%
Area 3	-2.6%
Area 4	3.3%
Area 5	-2.8%
Area 6	1.9%

Most Significant Factors

The rate change described above is driven by the following changes in rating from 2024 to 2025.

- Morbidity/Experience Adjustment -1%
- Market Reinsurance -5%
- Risk Adjustment -7%
- Health Cost Trend 9%

Morbidity refers to the relative difference in utilization of healthcare services between one population and another for reasons unrelated to plan design or management of care. This is often times referred to as the risk of the population or risk pool. Based on MHC's 2023 experience, and after adjusting for MHC's anticipated plan/product mix, the single risk pool morbidity assumption changed by -1%.

We have also adjusted the state reinsurance assumption based on the 2025 proposed 1332 waiver which leads to a -5% change in premium compared to premiums that would have been in place under the 2024 1332 waiver reinsurance program.

The change in the assumed risk adjustment transfer amount results in a -7% change in premium.

The remaining 3% change in premium is due to changes in network, tobacco surcharge, non-benefit expenses, and taxes and fees.

Financial Experience

The Individual market financial experience for calendar year 2023 was as follows:

• Premiums Earned before Risk Adjustment:	\$36.9 million
• Incurred Claims after CSR:	\$35.6 million
• Member Months:	69,953

The rate increases will increase premiums to levels that are expected to be adequate to cover incurred claims and expenses.

Key Assumptions

The annual cost trends used in developing the 2025 rates:

- Medical: 9.4%
- Drug: 7.0%

Medical service costs are constantly changing. MHC is assuming an overall allowed cost trend of 9.1%. This number has been calculated based on proprietary Milliman data and research and is broken out into the various contributing components of unit cost inflation and utilization. Unit cost inflation represents a direct increase in the cost of particular services due to any number of causes. The utilization represents an increase in the use of services and is independent of change in utilization for changes in the risk pool or plan designs.

The 2025 rates are made up of the following components, which are similar to the prior year:

• Claims (Net of Risk Adj. & Reinsurance):	79%
• Administrative Costs:	13%
• Federal Taxes and Fees:	4%
• Commissions:	2%
• Surplus, Profit, and Risk Margin:	3%