

## Part II Rate Increase Justification

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

### Rate Change

Mountain Health Cooperative (MHC) has 1,425 insureds enrolled who will be affected by 2025 Small Group Market rate changes if they continue their coverage. Before federal subsidies, the average change in premium for these individuals will be 9.0%. The requested rate change varies by product with the smallest average change of 0.2% for LINK Expanded Bronze and the largest average change of 12.0% for Link Platinum. The following tables show the average rate change by product, metal, and area.

Table 1: Rate Change by Product 2024 to 2025 Small Group Market Mountain Health CO-OP	
<u>Product</u>	<u>Avg Rate Change</u>
Link	8.5%
Engage	9.6%

Table 2: Rate Change by Metal 2024 to 2025 Small Group Market Mountain Health CO-OP	
<u>Metal</u>	<u>Avg Rate Change</u>
Platinum	12.0%
Gold	9.5%
Silver	9.5%
Bronze	3.7%

Table 3: Rate Change by Area 2024 to 2025 Small Group Market Mountain Health CO-OP	
<u>Area</u>	<u>Avg Rate Change</u>
Area 1	10.0%
Area 2	13.9%
Area 3	7.4%
Area 4	11.3%
Area 5	8.0%
Area 6	8.7%

### Most Significant Factors

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

- Morbidity/Experience Adjustment 1%
- Benefit Richness -2%
- Risk Adjustment 4%
- Health Cost Trend 5%

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%.

The change in the assumed risk adjustment transfer amount leads to a 4% change in premium.

The remaining 1% change in premium is due to changes in tobacco surcharge, network, administrative expenses, and taxes and fees.

## Financial Experience

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

• Premiums Earned before Risk Adjustment:	\$10.2 million
• Incurred Claims after CSR:	\$8.6 million
• Member Months:	22,894

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: 5.6%
- Drug: 4.2%

Medical service costs are constantly changing. MHC is assuming an overall allowed cost trend of 5.4% per year. 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 comprised of the following components, which are similar to the 2024 rates:

• Claims:	78%
• Administrative Costs:	12%
• Federal Taxes and Fees:	2%
• Commissions:	5%
• Surplus, Profit, and Risk Margin:	3%