

## Appendix B: Preliminary Rate Increase Justification for 2025

### Rate Change

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This filing requests an average rate change of +5.10% versus the 2024 rates approved in our most recent filing. PacificSource currently has 3,080 members on ACA-compliant plans that are potentially impacted by this filing. If approved, year over year rate impacts for these policies will range from -2.4% to +9.8%. The maximum increase of +9.8% is due to members currently on Silver HSA 3500 plans being mapped to Silver 3600 plans. The minimum rate change of -2.4% is due to members currently on Gold 500 plans being mapped to Gold 2500 plans. The range of rate increases among renewing plans is +4.1% to +9.5%.

Rate impacts vary by plan, as described below.

- Plan: Rate increases will vary by plan due to benefit changes and due to changes in silver loads.
- Network: Rate increases do not vary by network in this filing.
- Rating Area: Rate increases do not vary by region in this filing.

### Most Significant Factors

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Trend and Leveraging:	+7.70%
Changes in HRP Assumptions:	-2.41%
Changes in Benefit and Network:	-2.02%
Changes in Admin and Commissions:	+1.24%
Change in Risk Margin:	+1.03%
Other:	-0.43%
<b>Total:</b>	<b>+5.10%</b>

The table above shows an illustrative breakdown of the factors that most significantly impact the rate increase. These drivers are discussed below:

- Trend and leveraging: This factor captures the impact of baseline increases in unit cost and utilization, as well as deductible, copay, and out-of-pocket maximum leveraging. See “Key Assumptions” below for details.
- Changes in HRP Assumptions: This reflects an increase in expected HRP reinsurance funding versus the previous filing. Note that the figure above does not reflect the full impact of the proposed reinsurance program. In total, proposed rates are 20.0% lower than they would be in the absence of a reinsurance program.
- Changes in Benefit and Network: This reflects changes in average benefit versus the previous filing. This represents anticipated changes in utilization due to changes in average cost sharing, as well as the impact of network changes.
- Changes in Admin and Commissions: Administrative expenses have increased from \$39.00 to \$44.81 PMPM. Commissions have been increased from \$15.50 PMPM to \$16.00 PMPM to be paid to agents for each billable member with an agent.
- Change in Risk Margin: Pre-income tax margin has been increased from 0.0% to 1.0%.
- Other: This reflects the combined impact of less significant drivers such as changes in taxes and fees and changes in risk assumptions.

## Financial Experience

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Over the calendar year 2023, the ACA-compliant Idaho Individual block earned an estimated 13.5 million in risk adjusted premium and incurred an estimated 11.3 million in claims, for a medical claims rate of 83.4%.

With the proposed rate change, PacificSource projects that the ACA-compliant Idaho Individual block will earn 20 million in risk adjusted premium in 2025 and incur approximately 19.7 million in claims, for a medical claims rate of 84.9%. Combined administrative expenses, commissions, taxes, and assessments are projected to be 14.1% of premium, leaving 1.0% of premium for contributions to reserves after taxes.

## Key Assumptions

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The annual cost trends used in developing the 2025 rates are:

Medical:	6.24%
Drug:	9.55%

We are applying two years of combined medical and pharmacy trend. To develop the overall medical trend, we estimate separate utilization trends and allowed cost per service trends for a variety of inpatient, outpatient, and physician categories. These estimates are informed by examining our commercial block of business. They do not include changes in age, benefits, or morbidity. We work closely with Health Services and Provider Contracting for these estimates to ensure that they reflect up to date expectations in future medical utilization as well as expectations in future contracting for Idaho Individual members.

A pharmacy trend model is developed separately by our pharmacy benefit manager (PBM). This model takes into account introduction of new drugs, expiration of patents, and our issuer-specific utilization by drug class.

The 2025 rates are made up of the following components:

Claims:	84.89%
Administrative costs:	9.08%
Federal taxes and fees:	0.09%
State taxes and fees:	3.60%
Commissions:	1.34%
Contribution to surplus, profit, and risk margin:	1.00%
Total:	100.00%

Components are described below:

- Administration: This is the cost associated with adjudicating and paying claims, marketing, contracting with providers, and so forth. This figure includes health improvement costs that may be included as claims for MLR and rebate calculation purposes.
- Federal taxes and fees: The federal risk adjustment fee is \$0.20 per member per month. PCORI is estimated to be \$0.30 per member per month.
- State taxes and fees: The proposed Your Health Idaho exchange user fee is \$11.75 PMPM. The children's immunization assessment is estimated to be approximately \$1.49 PMPM. Idaho premium tax is 1.50% of premium.
- Commissions: PacificSource will pay \$16.00 PMPM to agents for each billable member with an agent. Commissions do not vary by plan, exchange status, or any other variables.
- Contribution to surplus: PacificSource Health Plans is targeting a pre-income tax margin of 1.0%.