

Part II Rate Increase Justification

St. Luke's Health Plan, Inc.
Preliminary Rate Increase Justification for 2025
Small Group Health Benefit Plans

RATE CHANGE

We estimate an overall average premium rate change of 3.2% for the 183 small group members enrolled with SLHP as of May 2024.

Rate changes are:

- uniform across regions within SLHP's service area
- +2.1% for the Bronze plan
- +3.9% for the Silver HDHP plan
- +2.8% for all other Silver plans
- +3.8% for the Gold plans

MOST SIGNIFICANT FACTORS

The rate change described above is driven by the following factors:

- Changes in calibrated manual rate, including changes to expected pharmacy reimbursement and rebates from the 2024 rate filing assumptions: -4.4%
- Medical and pharmacy cost trend: +6.5%
- Changes in non-claim expenses: -2.1%
- Changes in projected risk adjustment: +1.3%
- Changes in projected plan design: 2.2%

FINANCIAL EXPERIENCE

St. Luke's Health Plan has no credible 2023 financial experience offering Small Group market products.

KEY ASSUMPTIONS

The annual cost trends used in developing the 2025 rates:

- 2023 to 2024 Trend: 4.6% Medical and 4.5% Pharmacy
- 2024 to 2025 Trend: 5.1% Medical and 14.3% Pharmacy

The 2025 rates are made up of the following components:

- Claims: 81.0% of projected revenue
- Risk adjustment payment / (receipt): 2.3% of projected revenue
- Net market reinsurance payment / (receipt): 0.0% of projected revenue
- Administrative costs: 11.0% of projected revenue
- Federal taxes and fees: 0.1% of projected revenue
- State taxes and fees: 1.9% of projected revenue
- Exchange fees: 0.0% of projected revenue
- Commissions: 3.7% of projected revenue
- Contributions to surplus, profit, and risk margin: 0.0% of projected revenue