Part II Rate Increase Justification

Mountain Health Cooperative
Preliminary Rate Increase Justification for 2027
Small Group Market Health Benefit Plans

Rate Change

Mountain Health Cooperative (MHC) has 1,289 insureds enrolled who will be affected by 2027 Small Group Market rate changes if they continue their coverage. Before federal subsidies, the average change in premium for these individuals will be 21.4%. The requested rate change varies by product with the smallest average change of 16.3% for Link Platinum and the largest average change of 31.0% for Link Bronze. The following tables show the average rate change by metal and area.

Table 1: Rate Change by Metal 2026 to 2027 Small Group Market Mountain Health CO-OP	
Metal	**Avg Rate Change**
Platinum	16.3%
Gold	21.5%
Silver	21.8%
Bronze	27.6%

Table 2: Rate Change by Area 2026 to 2027 Small Group Market Mountain Health CO-OP	
Area	**Avg Rate Change**
Area 3	19.4%
Area 5	22.9%

Most Significant Factors

The rate change described above is driven by the following changes in rating from 2026 to 2027.

- Morbidity/Experience Adjustment 0%
- Administrative costs 4%
- Risk Adjustment 3%
- Health Cost Trend 10%

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 2025 experience, and after adjusting for MHC's anticipated plan/product mix, the single risk pool morbidity assumption changed by 0%.

The change in the assumed risk adjustment transfer amount leads to a 3% change in premium.

The remaining 3% change in premium is due to changes in tobacco surcharge, network, benefits, and taxes and fees.

Financial Experience

The Small Group market financial experience for calendar year 2025 was as follows:

- Premiums Earned before Risk Adjustment: $10.2 million
- Incurred Claims after CSR: $9.0 million
- Member Months: 22,431

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 2027 rates:

- Medical: 8.3%
- Drug: 19.9%

Medical service costs are constantly changing. MHC is assuming an overall allowed cost trend of 10.5% 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 2027 rates are comprised of the following components:

- Claims: 78%
- Administrative Costs: 14%
- Federal Taxes and Fees: 2%
- Commissions: 5%
- Surplus, Profit, and Risk Margin: 1%