

PART II RATE INCREASE JUSTIFICATION

St. Luke's Health Plan, Inc.

Preliminary Rate Increase Justification for 2027

Small Group Health Benefit Plans

RATE CHANGE

We estimate an overall average premium rate change of 11.1% for the 5,400 small group members enrolled with St. Luke's Health Plan, Inc. (SLHP) as of March 2026.

Rate changes are:

- +12.3% for the Bronze plan
- +14.8% for the Bronze HDHP plan
- +9.5% for the Silver HDHP plan
- +11.6% for all other Silver plans
- +10.5% for the Gold plans
- +10.6% in Rating Areas 3 and 4
- +13.4% in Rating Area 5

MOST SIGNIFICANT FACTORS

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

- Changes in calibrated manual rate and projected demographics, including SLHP's partially credible claims experience: -3.3%
- Medical and pharmacy cost trend: +5.4%
- Changes in retention: +2.4%
- Changes in projected risk adjustment: +5.1%
- Changes in plan designs: +1.3%

FINANCIAL EXPERIENCE

SLHP's 2025 Net Medical Loss Ratio (MLR) was 113.4% as shown in Worksheet 2, Section II of the URRT.

- Allowed Claims: \$17,766,775
- Incurred Claims: \$13,797,916
- Risk adjustment payment / (receipt): (\$2,341,809)
- Premium: \$14,504,798
- Member Months: 33,627

KEY ASSUMPTIONS

The annual cost trends used in developing the 2027 rates:

- 2024 to 2025 Trend: 3.9% Medical and 12.8% Pharmacy
- 2025 to 2026 Trend: 3.9% Medical and 12.4% Pharmacy

The 2027 rates are made up of the following components:

- Claims: 78.1% of projected revenue
- Risk adjustment payment / (receipt): 4.7% of projected revenue
- Net market reinsurance payment / (receipt): 0.0% of projected revenue
- Administrative costs: 11.8% of projected revenue

PART II RATE INCREASE JUSTIFICATION

- Federal taxes and fees: 0.1% of projected revenue
- State taxes and fees: 1.8% of projected revenue
- Exchange fees: 0.0% of projected revenue
- Commissions: 3.5% of projected revenue
- Contributions to surplus, profit, and risk margin: 0.0% of projected revenue