

## PART II RATE INCREASE JUSTIFICATION

St. Luke's Health Plan, Inc.  
Preliminary Rate Increase Justification for 2026  
Small Group Health Benefit Plans

### RATE CHANGE

We estimate an overall average premium rate change of 10.8% for the 1,904 small group members enrolled with St. Luke's Health Plan, Inc. (SLHP) as of March 2025.

Rate changes are:

- Uniform across regions within SLHP's service area
- 14.0% for the Bronze plan
- 11.9% for the Silver HDHP plan
- 11.7% for all other Silver plans
- 8.6% for the Gold plans

### 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: +3.8%
- Medical and pharmacy cost trend: +9.4%
- Changes in retention: -1.8%
- Changes in projected risk adjustment: -2.5%
- Changes in plan designs: +1.9%

### FINANCIAL EXPERIENCE

SLHP's 2024 Net Medical Loss Ratio (MLR) was 83.2% as shown in Worksheet 2, Section II of the URRT.

- Allowed Claims: \$1,864,356
- Incurred Claims: \$1,285,198
- Risk adjustment payment / (payment): \$11,525
- Premium: \$1,532,329
- Member Months: 3,875

### KEY ASSUMPTIONS

The annual cost trends used in developing the 2026 rates:

- 2024 to 2025 Trend: 4.6% Medical and 14.3% Pharmacy
- 2025 to 2026 Trend: 6.0% Medical and 12.5% Pharmacy

The 2026 rates are made up of the following components:

- Claims: 85.0% of projected revenue
- Risk adjustment payment / (receipt): -0.2% of projected revenue
- Net market reinsurance payment / (receipt): 0.0% of projected revenue
- Administrative costs: 9.4% of projected revenue
- 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: 3.9% of projected revenue
- Contributions to surplus, profit, and risk margin: 0.0% of projected revenue