

Rate Increase Justification

Today's Date: 7/18/2024

Issuer: Kaiser Foundation Health Plan, Inc.

Rate Change Effective Date: January 1, 2025

Market: Individual

1. **Scope and range of the rate increase** — *Provide the number of individuals impacted by the rate increase. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).*

Approximately 560,000 individuals will be impacted by the rate increase. The actual rate changes will vary from 1.9% to 8.9% depending on benefit plan and rating region (Northern vs Southern CA)

2. **Financial experience of the product** — *Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims expenses, and profit. Discuss how the rate increase will affect the projected financial experience of the product.*

Historical financial experience can be found on Tabs 3a, 3b, and 4 of the Supplemental Rate Review Template. MLR for 2025 is projected to be 107.1%.

	(Estimated) 2023	(Projected) 2024	(Projected) 2025	Total
Claims	\$4,725.2M	\$5,143.5M	\$5,349.2M	\$15,217.9M
Quality Improvement	\$0.6M	\$0.6M	\$0.6M	\$1.8M
Risk Adjustment	\$329.8M	\$378.2M	\$370.4M	\$1,078.3M
Adjusted Claims	\$5,055.5M	\$5,022.3M	\$5,720.2M	\$16,298.1M
Premium	\$4,998.3M	\$5,331.7M	\$5,520.4M	\$15,850.4M
Taxes and Fees	(\$139.24M)	(\$149.9M)	(\$109.0M)	(\$398.1M)
Charitable Contributions	(\$82.1M)	(\$81.6M)	(\$72.3M)	(\$236.0M)
Adjusted Premium	\$4,777.0M	\$5,100.3M	\$5,339.0M	\$15,216.3M
MLR	105.8%	108.3%	107.1%	107.1%

3. **Changes in Medical Service Costs** — *Describe how changes in medical service costs are contributing to the overall rate increase. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs.*

Trend assumptions for the KP integrated delivery system are based on the projected costs of providing medical care to KFHP membership. Our expense targets reflect items

like number of employees, changes in the cost of wages and benefits, etc. We then take these overall targets and adjust them to a specific business line based on historical relationships and judgment. The projections are part of the overall financial planning process for the KP organization.

4. **Changes in benefits** — *Describe any changes in benefits and explain how benefit changes affect the rate increase. Issuers should explain whether the applicable benefit changes are required by law.*

We expect the plan design changes to increase overall rates by 0.7%. This includes changes to the standard Gold 80 Copay, standard Gold 80 Coinsurance, standard Silver 70 HMO, all the Bronze plans, and the standard Catastrophic plan.

5. **Administrative costs and anticipated margins** — *Identify the main drivers of changes in administrative costs. Discuss how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.*

The projection of the 2025 Administrative Cost PMPM was developed by trending the 2023 costs at 3.0% annually. A margin of (9.3%) is part of KP's multi-year financial plan that will allow us to both avoid high rate increases and to keep KP's overall integrated delivery system in healthy financial condition.