Rate Increase Justification

Today's Date: 7/13/2026

Issuer: Local Initiative Health Authority for Los Angeles County, dba LACHP

Rate Change Effective Date: January 1, 2027

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).*

There are currently 197,163 members who are subject to the rate increase. Below is a table showing the rate increase by plan and area. The overall rate increase is 8.1%. The tier slopes are updated each year to reflect the changes in benefit designs based on modeling in the Milliman Managed Care Rating Model, including expected induced utilization. We also analyzed risk-adjusted experience data by metal level, risk adjustment by metal level, and profit by metal level. We adjusted our slopes based on this analysis, leading to an increase in the gold and the catastrophic plans relative to other plans. We did not include the impacts of morbidity by metal level in our analysis. Further, changes in taxes and fees that are applied as fixed PMPMs will impact plans differently on a percentage basis due to varying premium levels.

	2026 Rate			2027 Rate			
Product	**Rating Area 15**	**Rating Area 16**	**Composite**	**Rating Area 15**	**Rating Area 16**	**Composite**	**Rate Change**
Platinum	$620.49	$641.47	$631.53	$665.95	$688.47	$677.80	7.3%
Gold	$599.57	$613.09	$606.69	$650.76	$665.43	$658.48	8.5%
Silver	$539.38	$567.86	$552.26	$581.97	$612.70	$595.87	7.9%
Bronze	$432.66	$466.07	$450.83	$468.55	$504.74	$488.22	8.3%
Catastrophic	$221.62	$241.06	$231.96	$245.40	$266.93	$256.86	10.7%
Total							**8.1%**

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.*

Below is a summary of the loss ratio from 2024-2027 by year for this product:

MLR Calculation	2024	2025	2026 (Projected)	2027 (Projected)
Claims	$543,997,609	$728,707,025	$689,411,131	$605,996,297
Quality Improvement	$12,667,882	$18,668,860	$18,645,490	$18,824,087
Risk Adjustment	$351,781,080	$443,357,104	$449,113,962	$431,875,517
Risk Adjustment Data Validation (RADV)	-$254,446	-$77,423	$0	$0
Reconciled payments of CSR from Covered California (2025 Estimated)	-$7,495,227	-$9,726,631	N/A	N/A
Adjusted Claims	$900,696,898	$1,180,928,935	$1,157,170,584	$1,056,695,901
On-Exchange Premium	$1,004,598,625	$1,255,890,861	$1,305,555,238	$1,180,743,000
Off-Exchange Premium	$599,437	$533,051	$554,130	$501,155
Premium	$1,005,198,063	$1,256,423,912	$1,306,109,368	$1,181,244,155
Taxes and Fees	$33,729,525	$30,906,370	$37,410,893	$12,883,318
Charitable Contributions	$0	$0	$0	$0
Adjusted Premium	$971,468,538	$1,225,517,541	$1,268,698,475	$1,168,360,837
MLR	92.7%	96.4%	91.2%	90.4%

LACHP has lower risk scores than the statewide average, resulting in relatively low claim costs and high ACA risk adjustment transfer payment liabilities.

Premium PMPMs increased in 2025, 2026, and 2027. Total premium revenue is projected to increase in 2026 but decrease in 2027, driven by projected 2027 membership decreases. The premium increase in 2026 was partially driven by higher expected morbidity due to the expiration of enhanced premium subsidies in 2026.

Claim expense PMPMs increased mostly due to unit cost trends.

Actual profit has fluctuated over the years, starting with the beginning of the Affordable Care Act (ACA) in 2014. In 2024 through 2025, actual (or currently estimated) claim costs and risk adjustment are higher than projected. In 2024, LACHP had a negative margin. We expect that LACHP will have a negative margin in 2025.

The proposed rate increase incorporates a 2% margin in 2027. This rate increase results in a medical loss ratio of 90.4%.

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.*

   Changes in medical service costs are changing the overall rates by 8.1%. This is made up of the following:
   - (+2.4%) We have updated the 2026 premium estimates compared to the 2026 rate filing, using updated experience. The restated FFS and capitation have

positive impacts on the rate change. The impacts from restated pharmacy have a negative impact on the rate change.
- (+5.7%) The rates increased by 5.7% due to another year of the unit cost and utilization trend being applied, with the impact driven by medical and pharmacy.

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.*

   All cost sharing changes are based on Covered California's standard plan designs for the 2027 plan year. The combined impact of changes in benefits and the change in membership mix by benefit plan changed the rates by -0.9%.

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.*

   Changes in administrative costs and underwriting gain/loss are changing the overall rates by 3.9%. This is made up of the following:
   - (+2.8%) An increased administrative load was applied as part of 2026 restatement based on an update in LACHP's cost allocation model.
   - (+1.1%) Projected administrative costs and commissions also increased between 2026 and 2027.
   - (+0.0%) The projected surplus did not change between 2026 and 2027.