Rate Increase Justification

2026 Scenario 1 without ARP Subsidy

Today's Date: July 29, 2025

Issuer: Inland Empire Health Plan (HIOS Issuer ID 51396)

Rate Change Effective Date: January 1, 2026

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).*

The purpose of this memorandum is to request a rate increase effective January 1, 2026 for Inland Empire Health Plan's (IEHP) individual market plans.

This justification is intended to comply with the requirements of CMS, the State of California Department of Managed Health Care (DMHC) and Covered California. This justification may not be appropriate for purposes or scopes beyond those described above and, therefore, should not be used for other purposes.

The rate increase requested for IEHP's individual market plans impacts a projected 477,656 member months. The composite requested rate increase from 2025 to 2026 is 17.9% across all members assuming that the ARP subsidy will not continue in 2026.

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.*

In 2024, IEHP collected $115.2 million in premium and incurred $102.0 million in net claim expenses plus federal risk adjustment payments and $3.8 million in taxes and fees, resulting in a 92.9% loss ratio for its individual market plans. IEHP's requested rate increase for 2026 is projected to result in a financially solvent block of business.

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.*

The overall rate increase is primarily driven by a significant rise in the projected risk adjustment PMPM payment, which contributes to a 17.1% increase in premium rates based on IEHP's 2024 experience. In contrast, medical and prescription drug costs are expected to decrease by 3.1%, influenced by anticipated changes in enrollment, average enrollment duration, age gender mix, plan mix, benefit richness change (i.e., state enhanced CSR to federal CSR), and PBM contracted rates. Further details are provided in Table 2.1 of the Part III Actuarial Memorandum.

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.*

IEHP made various changes to comply with the 2026 California standard plan designs including federal Silver Cost Sharing Reduction (CSR) Plans. The state enhanced Silver CSR plans will not be offered in 2026 under this scenario. In aggregate, the impact on rates due to benefit changes was about -1.5%.

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.*

IEHP's anticipated admin cost and margin as a percentage of premium remains unchanged at 15.0% and 2.0% respectively for 2026.