

Rate Increase Justification

Today's Date: July 13, 2026

Issuer: Health Net of California

Rate Change Effective Date: January 1, 2027

Market: Individual

1. **Scope and range of the rate increase:** Health Net of California (HNCA) currently provides health care coverage for over 134,000 members enrolled in either our Ambetter HMO or PPO plans. Individual Family Plans (IFP) are available to purchase through Covered California or directly from Health Net of California. Premium rates are expected to increase on average by 13.3% for members on renewing plans, effective January 1, 2027. Annual rate changes may range between 5.6% and 26.6%, depending on what type of plan a member is enrolled in (HMO or PPO), what county a member currently resides in, and what plan design a member is enrolled in (e.g. Platinum 90 Ambetter HMO). Variations are primarily driven by underlying cost differences between different plan designs and regional cost trends. Note that these rate changes do not reflect any additional increases in a member's calculated premium due to aging an additional year at the point of renewal
2. **Financial experience of the product:** HNCA's IFP plans incurred \$929,793,527 in estimated paid claims costs, gross of an estimated risk transfer payment of \$55,202,356 to the federal risk adjustment program in 2025. HNCA collected \$1,148,018,272 in premium revenue, resulting in an estimated loss ratio of 85.8% inclusive of federal risk transfer payments for 2025.
3. **Changes in Medical Service Costs:** Medical service costs are projected to increase at an annualized rate of 8.1% driven by several factors including medical inflation, changes in contracted reimbursement rates to providers, and higher utilization of health care services. Other factors related to expected changes in the demographics of HNCA's population and overall population health are expected to partially offset these increases in medical costs.
4. **Changes in benefits:** All Individual Family Plans offered by HNCA are based on the standard benefit plan designs determined by the state-based exchange, Covered California. Updates to these standard benefit plan designs include cost-sharing updates, which is expected to decrease claims costs by 0.1%.
5. **Administrative costs and anticipated margins:** HNCA anticipates administrative costs to increase by \$10 per member per month compared to what was assumed for 2026 rates. Taxes and fees are expected to decrease as a percentage of premium by 1.6%. The target profit margin for 2027 is set to 2.0% of premium, reflecting a 0.2% decrease from the 2026 target profit margin as a percentage of premium.