

Rate Increase Justification

Today's Date: August 1, 2025

Issuer: Health Net of California

Rate Change Effective Date: January 1, 2026

Market: Individual

- 1. Scope and range of the rate increase:** Health Net of California (HNCA) currently provides health care coverage for over 157,000 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 14.8% for members on renewing plans, effective January 1, 2026. Annual rate changes may range between 7.6% and 22.9%, 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 \$815,520,104 in estimated paid claims costs, gross of an estimated risk transfer payment of \$16,371,332 to the federal risk adjustment program in 2024. HNCA collected \$967,265,402 in premium revenue, resulting in an estimated loss ratio of 86.0% inclusive of federal risk transfer payments for 2024.
- 3. Changes in Medical Service Costs:** Medical service costs are projected to increase at an annualized rate of 7.3% driven by several factors including medical inflation, changes in contracted reimbursement rates to providers, and higher utilization of health care services. Additional upward pressure on medical costs is expected due to demographic shifts within HNCA's enrollee population and the broader insured population. These trends are expected to worsen through 2026, particularly as the expiration of federal enhanced premium subsidies (eAPTCs) at the end of 2025 lead to coverage lapses among healthier individuals, resulting in a sicker risk pool and increased average 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 \$12 per member per month compared to what was assumed for 2025 rates. Taxes and fees are expected to increase as a percentage of premium by 0.5%. The target profit margin for 2026 is set to 2.2% of premium, reflecting a 0.7% increase from the 2025 target profit margin as a percentage of premium.