

CareSource North Carolina Co.
Individual Medical Business
Part II – Written Description Justifying the Rate Increase

This document contains the Part II written description justifying the rate increase subject to review on CareSource North Carolina Co.'s (CNC) individual medical block of business, effective January 1, 2026. The statements provided are intended to provide a brief, non-technical description of why the issuer is requesting the proposed rate increase.

The information provided in this document has been prepared for the use of CareSource. We understand that the content included below is to be submitted through the Health Insurance Oversight System (HIOS) in a text box field as part of the rate filing submission. These statements will be clearly displayed as the statements of the issuer. CMS will not edit the statements provided by issuers for Part II.

The information in this document will be provided to the North Carolina Department of Insurance (NCDI), the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of CNC's rate filing. We understand that the information provided will be considered public documents, and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this document or rate filing prepared for CNC by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

PART II – WRITTEN DESCRIPTION JUSTIFYING THE RATE INCREASE

Scope and Range of Rate Increase

CareSource North Carolina Co.'s (CNC's) average proposed rate increase of 13.9%, effective January 1, 2026 is expected to impact 1,582 members, based on April 2025 membership. The rate increase is the same for all adult members within a given plan, though it varies by plan and area, ranging between -9.0% and 31.3%. Rate changes vary by plan due to the impact of changes in benefits and the Cost Sharing Reduction (CSR) shortfall load.

Financial Experience of the Product

After accounting for payments into the risk adjustment program CNC's anticipated loss ratio in 2024 is 86.0%, as reported in URRT Worksheet 2, Section II. As noted in the Actuarial Memorandum, we blend CNC's experience with a manual rate when developing 2026 premium rates. The proposed rate increase is intended to account for expected claims activity in 2026 given historical experience and any anticipated changes. Experience accounts for 8.5% of the 13.9% total rate change.

Changes in Medical Service Costs

Medical trend for these products is anticipated to be an average of 6.5% per year on allowed claims. This was developed based on historical experience, as well as consideration for information available on general medical inflation trends. Medical trends include a combination of utilization and costs of services. This is a decrease in annual trend from the 2025 rate development and is included in the calculation of the rate increase.

Changes in Provider Reimbursement and Area Factors

CNC projects a net 2.6% increase to premium rates due area cost changes and the deterioration of provider reimbursements between values used in the 2025 rate development and values used in the 2026 rate development.

Changes in area factors are due to updated provider reimbursement contracting as provided by CNC at the rating area level. These changes have a significant impact on rate changes by area as included in filing Exhibit 1, which are then composited at the plan level for reporting in URRT Worksheet 2, Section I. CNC is expanding its service area for the 2026 plan year into three additional rating areas.

Changes in CSR Load

Based on guidance from the NCDI, this filing assumes CSR subsidies will continue to be not funded in 2026, and CNC will be responsible for paying claims at the reduced cost sharing variant levels. We calculate the load required

CareSource North Carolina Co.
Individual Medical Business
Part II – Written Description Justifying the Rate Increase

due to the non-funding of CSR plans and spread this CSR load across silver plans only in the single risk pool. This represents a load of 26.7% in 2026 compared to 19.7% in 2025 and reflects CNC's anticipated distribution of CSR enrollment in 2026.

Morbidity

We include a morbidity increase to claims relative to 2024 experience to account for the expected expiration of enhanced subsidies at the end of the 2025 plan year consistent with current regulations. This adjustment results in a net 4.6% increase to premium rates.

Retention

We include retention as provided by CNC for 2026, including an increase in general admin and a required federal exchange fee increase relative to 2025. Retention updates result in a net 4.1% increase to premium rates.