Part II: Written Justification of Rate Increase

Ambetter of North Carolina Inc.
Annual Individual Health Rate Filing
North Carolina
Assuming Enhanced Advance Premium Tax Credits (eAPTCs) Have Expired
And CSR Subsidies Are Unfunded
Effective January 1, 2026
Forms: 77264NC001, 77264NC002

This information is intended for use by the North Carolina Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in North Carolina to assist in the review of Ambetter of North Carolina Inc.'s individual rate filing.

Ambetter of North Carolina Inc. is submitting this rate filing for its individual health insurance plans, effective January 1, 2026. The proposed rate change of 27.7% applies to approximately 165,002 individuals.

The results are actuarial projections. Actual experience will differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.This rate change reflects expected increases in the cost of providing coverage in the individual market. The primary factors contributing to the proposed rate increase include:

- Statewide Average Morbidity (SWAM) projection. SWAM has emerged as the primary driver of the change. 2025 Wakely data shows 2025 statewide morbidity trending well above initial projections and exceeding 2026 expectations. Our 2026 projected statewide morbidity trend was updated for market dynamics and a deteriorating risk pool.
- Statewide Average Premium (SWAP) projection. The filing reflects updates to SWAP assumptions to align premiums with the elevated statewide morbidity and corresponding increase in anticipated market-wide claims costs. Specifically, the projected 2026 SWAP has increased reflecting the deteriorating risk pool and associated cost pressures.

Contributing to the projected SWAM is the expected expiration of the Enhanced Advance Premium Tax Credits. The federal eAPTCs, which have existed since 2021, are currently scheduled to expire at the end of 2025. With the expected expiration, net premiums are projected to rise significantly for many enrollees. This is anticipated to result in adverse selection, as healthier and more price sensitive individuals are more likely to forgo coverage, leading to a higher average morbidity within the individual market risk pool. The resulting shift in risk is expected to contribute materially to higher claims costs and overall premium requirements for 2026. In addition to these drivers, annually rising medical costs continue to affect premiums. Some of these drivers include increases in the price of services, the number of services used, and the shift toward more complex and intensive treatments. This filing reflects the cost of providing comprehensive health coverage in the individual market under current federal and state policy expectations.