

Harvard Pilgrim Health Care - 1Q26 Individual Filing

Federal Rate Review Submission –Part II Explanation of Rate Increase

Scope and range of the rate increase: Harvard Pilgrim Health Care (HPHC) is filing rates for Individual policyholders renewing in the first quarter of 2026. For existing plans, annual rate increases by plan range from 32.6% to 54.9%, before the impact of demographic changes. Our expected average rate increase for renewing policyholders is 42.4%. There are currently 2,382 policyholders and 3,623 members with HMO products that will be impacted by the filed rate increases. Rate increases vary by plan due to changes in benefit design that vary by plan, updated underlying benefit pricing assumptions, and updated Silver benefit pricing assuming CSR will not be funded. Increases will also vary depending on members' age.

Drivers of the Rate Increase

The key drivers of the rate increase include:

- Unfavorable claims restatement, net of risk adjustment:
 - Based on the federally prescribed MLR methodology, the HPHC Individual block of business experienced an MLR of 105.8% in CY2024 compared to an expected loss ratio of 86.2%. The gap between expected and actual MLR in CY2024, due to unfavorable claim development, resulted in high losses for the business.
 - Risk adjustment expectations also contribute to overall rate increases. While Harvard Pilgrim's risk profile has not changed materially, the average market risk has deteriorated, which drives a lower expected receipt for HPHC.
 - Addressing this understatement of prior rates, and maintaining rates that are actuarially sound in relation to the population anticipated to be covered, results in significant upward pressure on 2026 rates.
- **Medical Trend:** A key driver of health insurance premium increases year-over-year is medical trend, which is comprised of inpatient, outpatient, and physician services. Medical trend includes both increases in the cost of the services provided by hospitals and physician groups and increases in the utilization and severity of these services by our members.
 - For 2026, Harvard Pilgrim expects there to be continued upward pressure on medical cost increases, driven by the higher inflationary environment and labor shortages that have led to providers requesting higher rates of reimbursement. While Harvard Pilgrim expects to successfully partner with hospitals and physicians across the state to moderate these cost increases, and continue to make quality care accessible for all, the increases are expected to be above recent historical levels.
 - Harvard Pilgrim has also seen a large increase in medical utilization trends, particularly in the second half of 2024, with no signs of moderation in 2025 emerging experience. Utilization has increased across multiple categories of services and is not driven by any

single event or service type.

- **Pharmacy Trend:** Pharmacy spend continues to put significant upward pressure on overall claim trend, particularly for brand drugs such as Immunomodulators, and high cost specialty drugs, and this is expected to continue in 2026.
- Overall inflation is also contributing to increasing administrative expenses. Under the Affordable Care Act, at least 80% of premium must be used for medical expenses (otherwise, a rebate is paid to subscribers). Harvard Pilgrim expects to comply with this requirement in 2026.

HPHC's Strategy to Control Costs

Harvard Pilgrim Health Care is committed to delivering increased access to high-quality care and lowering out of pocket costs for members, wherever possible. To support these objectives, we continue to focus on the following areas:

- Preventive care to keep our health plan members thriving and health care costs lower
- Active management of our pharmacy programs, including changes to control the cost of certain medications, as well as ensuring access to effective and affordable therapeutic solutions
- Delivering a wide array of health-based rewards, incentives, and reimbursements to our health plan members
- Providing access to doctors, specialists and facilities to ensure our members can easily seek the care they need
- Managing chronic conditions and diseases through our integrated care team
- Development of innovative programs, services and resources to meet the ever-growing health and well-being needs of our health plan members
- Maintaining a focus on reducing fraud, waste, and abuse
- Frequent review of medical policy, plan design and coverage to deliver equitable access to all health plan members throughout the communities we serve

Continuing to find ways to lower health care costs while providing enhanced value to our customers through our products and services is a keystone to Harvard Pilgrim's long-term strategy.