

Appendix B: Preliminary Rate Increase Justification for 2026

Rate Change

This filing requests an average rate change of +15.45% versus the 2025 rates approved in our most recent filing. PacificSource currently has 4,349 members on ACA-compliant plans that are potentially impacted by this filing. If approved, year over year rate impacts for these policies will range from +3.9% to +17.3%. The range of rate increases among renewing plans is +11.7% to +17.1%. The rate change reported in the Unified Rate Review Template is +15.58%, which is weighted by membership and premium and only includes the impact of members on renewing plans.

Rate impacts vary by plan, as described below.

- Plan: Rate increases will vary by plan due to benefit changes and due to changes in silver loads.
- Network: Rate increases will vary by network due to changes in network factors.
All members on the Voyager network are being moved to the Navigator network in 2026.

Network	2025 Factor	2026 Factor
Navigator	0.88	1.00
Voyager	1.00	NA

- Rating Area: Rate increases will vary by region due to changes in geographic rating factors.

Rating Area	Average Rate Change
1	15.3%
2	6.4%
3	15.2%
4	15.7%
5	15.2%
6	15.4%

Most Significant Factors

Trend and Leveraging:	+7.46%
Expiration of Enhanced Subsidies:	+3.74%
Changes in HRP Assumptions:	+2.50%
Change in Risk Margin:	+2.09%
Other:	-0.34%
Total:	+15.45%

The table above shows an illustrative breakdown of the factors that most significantly impact the rate increase. These drivers are discussed below:

- Trend and leveraging: This factor captures the impact of baseline increases in unit cost and utilization, as well as deductible, copay, and out-of-pocket maximum leveraging. See “Key Assumptions” below for details.
- Expiration of Enhanced Subsidies: The expiration of enhanced subsidies is expected to cause anti-selective market shrinkage.
- Changes in HRP Assumptions: This reflects a decrease in expected HRP reinsurance funding versus the previous filing. Note that the figure above does not reflect the full impact of the proposed reinsurance program. In total, proposed rates are 18.0% lower than they would be in the absence of a reinsurance program.
- Change in Risk Margin: Pre-income tax margin has been increased from 1.0% to 3.0%.
- Other: This reflects the combined impact of less significant drivers such as changes in taxes and fees and changes in benefits.

Financial Experience

Over the calendar year 2024, the ACA-compliant Idaho Individual block earned an estimated 27.5 million in risk adjusted premium and incurred an estimated 24.4 million in claims, for a medical claims rate of 88.7%.

With the proposed rate change, PacificSource projects that the ACA-compliant Idaho Individual block will earn 32.5 million in risk adjusted premium in 2026 and incur approximately 30.4 million in claims, for a medical claims rate of 83.4%. Combined administrative expenses, commissions, taxes, and assessments are projected to be 13.6% of premium, leaving 3.0% of premium for contributions to reserves after taxes.

Key Assumptions

The annual cost trends used in developing the 2026 rates are:

Medical:	6.92%
Drug:	8.01%

We are applying two years of combined medical and pharmacy trend. To develop the overall medical trend, we estimate separate utilization trends and allowed cost per service trends for a variety of inpatient, outpatient, and physician categories. These estimates are informed by examining our commercial block of business. They do not include changes in age, benefits, or morbidity. We work closely with Health Services and Provider Contracting for these estimates to ensure that they reflect up to date expectations in future medical utilization as well as expectations in future contracting for Idaho Individual members.

A pharmacy trend model is developed separately by our pharmacy benefit manager (PBM). This model takes into account introduction of new drugs, expiration of patents, and our issuer-specific utilization by drug class.

The 2026 rates are made up of the following components:

Claims:	83.43%
Administrative costs:	8.56%
Federal taxes and fees:	0.08%
State taxes and fees:	3.26%
Commissions:	1.67%
Contribution to surplus, profit, and risk margin:	3.00%
Total:	100.00%

Components are described below:

- Administration: This is the cost associated with adjudicating and paying claims, marketing, contracting with providers, and so forth. This figure includes health improvement costs that may be included as claims for MLR and rebate calculation purposes.
- Federal taxes and fees: The federal risk adjustment fee is \$0.20 per member per month. PCORI is estimated to be \$0.30 per member per month.
- State taxes and fees: The proposed Your Health Idaho exchange user fee is \$11.75 PMPM. The children's immunization assessment is estimated to be approximately \$1.50 PMPM. Idaho premium tax is 1.50% of premium.
- Commissions: PacificSource will pay \$16.00 PMPM to agents for each billable member with an agent. Commissions do not vary by plan, exchange status, or any other variables.
- Contribution to surplus: PacificSource Health Plans is targeting a pre-income tax margin of 3.0%.