

PART II CONSUMER JUSTIFICATION NARRATIVE

MERCYCARE HMO, INC.

INDIVIDUAL MARKET RATES EFFECTIVE 1/1/2026

MercyCare HMO, Inc. (MercyCare) has offered comprehensive and fully insured coverage to members in the Individual ACA market in Illinois since 2021. MercyCare is filing a rate increase for its 2026 products. Some plans will be offered on and off-Exchange, some will be offered off-Exchange only. All plans will only be sold in McHenry, Winnebago, and Boone counties, which are located within Illinois Rating Areas 2 and 5.

The average rate change for individuals renewing in 2026, as shown in the URRT, is 9.3%, with the minimum and maximum rate changes equal to -14.0% and 21.1%, respectively. (It should be noted the average rate change when accounting for expected member migration by plan is 2.0%.) The proposed rate changes vary by plan due to changes in the paid to allowed ratios, induced utilization factors underlying the actuarial value and cost sharing components of the Plan Adjusted Index Rates, and the premium load applied to cost-sharing reduction plans. The changes to the induced utilization factors and CSR load were made to meet the requirements of 215 ILCS 5/355(c-5) and Illinois Department of Insurance guidance. The paid to allowed ratios for all plans were updated to reflect the anticipated claim costs associated with the projected 2026 MercyCare Individual ACA population.

The primary drivers of the average rate change are summarized below:

- **Experience and Trend:** We estimate that the impact of one additional year of trend and changes to the experience underlying the base period and manual rate have an impact of approximately +15.2% on the rates.
- **Morbidity, Risk Adjustment, and Demographics:** We estimate the impact of changes in the morbidity of the population, risk adjustment, and demographics of the population have an impact of -14.5% on the rates. This includes the impact of the expiration of enhanced premium tax credits.
- **Administrative Expenses:** Changes in administrative expenses, including the increase of Exchange User Fees and margin, are estimated to have an impact of +2.8% on the rates.
- Rate changes vary by plan due to the following
 - Updated induced utilization factors (required by the IL DOI)
 - Updated assumptions regarding CSR loads (required by the IL DOI)

The annual trend assumption is 4.3%. This reflects the anticipated changes in cost due to contracting and utilization for both medical and pharmacy claims.

Historical and Projected Experience:

Metric	Historical (2024)	Projected (2026)
Loss Ratio	86.3%	88.8%
Incurred Claims PMPM*	\$721.41	\$782.36
Administrative Costs	\$40.08	\$37.94
Covered Lives	1,628	873

*Net of risk adjustment

Please note that Section 355(e) of the Illinois Insurance Code states that “The Department shall open a 30-day public comment period on the rate filings beginning on the date that all of the rate filings are posted on the Department's website. The Department shall post all of the comments received to the Department's website within 5 business days after the comment period ends.”