

Rate Increase Justification

Today's Date: 07/12/2024

Issuer: Inland Empire Health Plan

Rate Change Effective Date: 01/01/2025

Market: Individual

1. **Scope and range of the rate increase** — *Provide the number of individuals impacted by the rate increase. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).*

The number of individuals impacted by the rate increase is 16,234 as of June 2024. The average rate increase is 1.8% for these members with the change between -1.4% and 3.0% varying by plan.

2. **Financial experience of the product** — *Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims expenses, and profit. Discuss how the rate increase will affect the projected financial experience of the product.*

IEHP entered the Covered California individual market in 2024. As such we do not yet have a full year of historical experience to produce the required exhibit in this item to demonstrate the overall financial performance. However, the 2025 expected margin is still at 2.0% of premium, same as the 2024 filing.

3. **Changes in Medical Service Costs** — *Describe how changes in medical service costs are contributing to the overall rate increase. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs.*

Claim costs were updated with anticipated changes due to medical/ prescription drugs inflation, increased medical/ prescription drugs utilization, benefits update, enrollment mix update, demographics update, and manual rate update. Please see Table 2.1 in the actuarial memorandum.

4. **Changes in benefits** — *Describe any changes in benefits and explain how benefit changes affect the rate increase. Issuers should explain whether the applicable benefit changes are required by law.*

The benefit plans used in this filing are the standard benefit plans released by Covered California on April 18, 2024. The change in benefits contribute to a 1.5% expected claim cost increase, including (1) the benefit changes from the 2024 Federal CSR plans included in the 2024 rate filing to the 2025 enhanced CSR plans included in the 2025 rate filing (induced utilization portion only), (2) the changes in projected plan mix including the membership shift to Silver 73 plans required by Covered CA's new guidance.

5. **Administrative costs and anticipated margins** — *Identify the main drivers of changes in administrative costs. Discuss how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.*

We assumed general administrative expenses to be 15% of premium in 2025, same as the 2024 filing. We assumed a margin of 2.0% of premium, same as the 2024 filing.