

This filing is for WellCare's Individual non-grandfathered ACA compliant on and off-exchange block of business effective 1/1/2026. The initially filed average requested rate increase was 20.0%. During the review, the Company updated its morbidity and risk adjustment assumptions and removed a noncompliant load from off-exchange plans. The revised final average rate change is 37.0%, ranging from 33.7% to 45.9%. This block is projected to have 278,612 member months in 2026. This is an existing product filing which will be offered in all 8 rating areas covering approximately 90% of KY counties. For the 2026 plan year, the projected pricing loss ratio for the proposed rates is 83.2% and the federally adjusted projected loss ratio is 85.7%. The assumed profit margin is 3.95%

Individual rates are set for a 1/1/2026 effective date and will remain the same throughout the entire calendar year. All plans cover required Essential Health Benefits (EHBs) however, the Company is offering several plans with benefits in excess of EHBs (i.e., adult dental and vision).

The following items are the material assumptions and adjustments made in the development of the index rate:

- **Morbidity:** A 1.182 adjustment was applied to the base experience to reflect expected worsening morbidity from 2024 to 2026 and is composed of the following:
  - o 3.5% resulting from the expiration of the enhanced Advanced Premium Tax Credits (eAPTC) which are set to expire at the end of 2025. The Company projects healthier members will lapse coverage resulting from the net premium increases from lower available subsidies.
  - o 1.3% which was driven by PLRS changes from shifts and the age/gender and membership renewal.
  - o During the review, the Company observed a notable rise in emerging 2025 risk scores compared to 2024. Consequently, baseline morbidity for 2026 is expected to begin at a higher level than in 2024. As a result, the morbidity assumption was loaded an additional 9.0%. The study used to support this analysis was provided and deemed reasonable.
  - o 3.4% to reflect unfavorable restatement of 2024 claims experience. Due to limited time for resubmission, this update was incorporated in the morbidity adjustment.
- **SB188:** WellCare estimated the impact to be \$6.30 PMPM.
- **Trend:** WellCare has assumed a 5.6% annual trend rate. Annualized utilization trend was 0.8% and unit cost trend equaled 4.8%.

## **DESCRIPTION OF FILING REVIEW PROCESS WITH INSURER**

The filing was reviewed, and requests were sent for additional information to the actuary. The actuary provided answers, and spreadsheet exhibits in response to my questions.

The Company provided satisfactory supporting documentation for its assumptions, although given the wide range of possible scenarios, magnitude and uncertainty of actual market purchaser characteristics, it is not unlikely that results will vary from the company's assumptions.

Based on the review of the material contained in this rate filing, with specific comments for each area of compliance to be found in the body of this report, we find that any outstanding requirements are not, individually or in combination, substantial in effect in failing to meet the provisions of 806 KAR 17:150. Therefore, this rate filing was approved with an average rate increase of 37.8%.