

This filing is for Molina's Individual, non-grandfathered ACA-compliant plans offered both on and off-exchange for plan year 2026. This block is projected to have 29,134 member months in 2026, which is more than double the 2025 projected member months of 12,440. The federally adjusted projected loss ratio for the rating period is 86.4%, materially exceeding the 80.0% minimum requirement under ACA. The assumed profit margin is 3.0%, consistent with prior years.

Molina's initially submitted filing requested an average increase of 9.9%, during the course of the review, the filing was amended, and the final requested increase is 15.1%, with increases ranging from 11.8% to 21.7%. These changes were due to updated information and data that was not available at the time of the initial filing. This includes an acuity adjustment to reflect the Program Integrity Rule, updated claims runout, and updated administrative expenses.

- **Demographic Changes:** A demographic adjustment factor was applied to the manual rate to reflect changes in allowed claims due to differences in demographic mix by acuity and metal between the anticipated KY population and the underlying OH experience population. The adjustment to anticipated 2026 claims is 0.996, reflecting an expected reduction in claim costs attributable to demographics of approximately 0.4%. The adjustment was documented in Exhibit 2 of the Actuarial Memorandum.
- **Retention:** The Company's proposed retention of approximately 19.7% was unmodified during the course of the filing review. The overall retention is slightly higher than the prior year's 19.3% load, resulting in a slight increase to premium rates
- **Trend:** Molina has assumed an overall 6.9% annual trend rate, which is higher than the 5.7% overall trend assumed in the prior filing. Upon review of their historical claims experience, the Company was not comfortable with using historical utilization trend factors from Kentucky, Ohio and nationwide aggregation, so the final methodology selected was based on the review of trends reported in the 2025 URRT public use files in Worksheet 1, Section II, with a focus on Individual Market plans with non-zero credibility and non-zero trend factors in states where Molina offers coverage. The utilization trend assumptions in the filing are closely aligned with the median of that data set. Regarding cost trends, these assumptions were based on known and expected changes in contractual reimbursement and provider utilization mix across Kentucky from 2024 to 2026. The cost and utilization trends did not appear unreasonable and are within typical industry ranges for the product type and market served.

Additionally, the impact for SB188 was not included in the initial filing, Molina revised the filing to include the estimated overall impact to premium of 0.8% for SB188. This was accounted for by increasing the Rx utilization trend assumption. The Company provided quantitative support for the estimate, and this was determined to be reasonable.

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 15.1%.