Rate Increase Justification

1. Scope and Range of Rate Increase

The purpose of this document is to present rate change justification for Oscar Insurance Company's (Oscar's) Missouri individual Affordable Care Act (ACA) products, with an effective date of January 1, 2026, and to comply with the requirements of the Missouri Department of Insurance.

The average rate increase for renewing plans is 15.7%. Rate increases vary by plan due to a combination of factors including plan design and geographic rating factors. This rate increase is absent of rate changes due to members aging.

The rate increase impacts an estimated 8,636 members.

2. Reason for Rate Increase(s)

The significant factors driving the proposed rate change include the following:

Medical and Prescription Drug Trends

The projected premium rates reflect trends for anticipated changes in cost and usage of medical and prescription drug services.

Administrative Expenses, Taxes and Fees, and Risk Margin

Changes to the overall premium level are needed because of required changes in federal and state taxes and fees. In addition, there are anticipated changes in both administrative expenses and profit.

Prospective Benefit Changes

Plan benefits have been revised as a result of changes in the Center for Medicare and Medicaid Services (CMS) Actuarial Value Calculator and state requirements, as well as new and updated offerings which are more consumer friendly and easier to understand. The AV calculator is used to determine whether health insurance plans offer enough coverage to meet ACA requirements and to set metal levels.

Anticipated Changes in the Average Health of the Covered Population

Changes to the overall premium level are needed because of anticipated changes in the underlying health of the marketplace.

3. How the Plan Spends Your Premium

Oscar plans to spend the premium it collects in 2026 on the following claims and non-claims expenses:

- Claims and Risk Adjustment transfers to other carriers: 84.5% of premium
- Administrative expenses: 9.4% of premium
- Taxes and fees: 5.4% of premium
- Profit: 3.2% of premium

Under the Affordable Care Act (ACA), individual market carriers are required to pay at least 80% of premium dollars, after taxes and fees are removed, toward medical claims. This ratio is referred to as the medical loss ratio (MLR). Oscar's projected federal MLR using the ACA-defined formula is 87.6% for 2026.

4. Historical Expense and Loss Ratio

The expense and loss ratio information for 2024 with claims paid through March 31, 2025 is as follows:

- Claims and Risk Adjustment transfers to other carriers: 76.7% of premium
- Administrative expenses: 13.1% of premium
- Taxes and fees: 0.1% of premium

The expense and loss ratio information for 2023 with claims paid through March 31, 2025 is as follows:

- Claims and Risk Adjustment transfers to other carriers: 74.9% of premium
- Administrative expenses: 17.9% of premium
- Taxes and fees: 4.4% of premium

The expense and loss ratio information for 2022 with claims paid through March 31, 2025 is as follows:

- Claims and Risk Adjustment transfers to other carriers: 85.4% of premium
- Administrative expenses: 15.5% of premium
- Taxes and fees: 4.4% of premium

The expense and loss ratio information for 2021 with claims paid through March 31, 2025 is as follows:

- Claims and Risk Adjustment transfers to other carriers: 90.3% of premium
- Administrative expenses: 28.8% of premium
- Taxes and fees: 4.6% of premium

The expense and loss ratio information for 2020 with claims paid through March 31, 2025 is as follows:

- Claims and Risk Adjustment transfers to other carriers: 84.1% of premium
- Administrative expenses: 10.0% of premium
- Taxes and fees: 5.4% of premium

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