

NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND

Individual Market Products Part II, Consumer Narrative Justification

Neighborhood Health Plan of Rhode Island's (Neighborhood) mission is to be an innovative health insurance company that, in partnership with Rhode Island's Community Health Centers, secures access to high quality, cost-effective health care for Rhode Island's at-risk populations. In service of this mission, Neighborhood has submitted its annual rate filing for the individual market. An overview of the filing is described below.

Scope and range of increase:

Weighted Average Rate Increase: This represents the average rate increase, including modifications to prior year benefits and other pricing adjustments. The average premium increase to consumers, before reflecting changes in age is expected to be 16.3%.

The range of rate changes, before reflecting changes in age, which consumers will experience, is approximately 15.0% to 17.5%.

The key drivers of this rate change, further described below, are an increase in medical services costs driven by required hospital rate increases tied to inflation and pharmacy costs, as well as an increase from anticipated growth in risk adjustment transfers. There is uncertainty in impacts of inflation beyond the hospital rate increase, uncertainty in market size due to Medicaid redetermination, and significant high costs for new drugs coming on the market. Neighborhood's financial health is a key component in being able to continue to offer the lowest priced products in the Marketplace.

Financial experience of product:

In January 2014, Neighborhood for the first time offered individual insurance coverage through HealthSource RI (HSRI). Stable membership and utilization in 2015 through 2024 has allowed Neighborhood to develop rates based on actual experience. Neighborhood retained actuarial expertise who utilized models along with Neighborhood's commercial market experience to prepare the premium rates for individual market plans to be offered on HSRI in 2026.

Reserves have been established that allow Neighborhood to continue serving our members and maintain financial stability. Neighborhood will continue to grow our reserves by including a 6.0% contribution in this filing.

Changes in Benefits:

Neighborhood has updated the benefit packages in 2025 to comply with federal Actuarial Value (AV) requirements. These benefit changes impacted the rate change by approximately 1.1%, which contributed to the overall rate increase.

Changes in Medical Service costs:

One key driver of premium changes includes increased medical and prescription drug costs on paid claims for our members, resulting in an approximate 9.0% medical and prescription drug trend assumption. Components of this trend also include increases in unit costs of medical services due to inflation, increased medical utilization, increases in specialty drug expenses, technology advances in medicine, equipment and drugs, changes in network provider contracts, and other factors. To ensure members are getting the best

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high quality, cost-effective health care, Neighborhood regularly reviews medical expenses to find innovative ways to decrease medical costs for our members.

Administrative costs and anticipated profits:

Neighborhood is committed to high quality, cost-effective health care which involves managing administrative costs by increasing operating efficiencies and reducing unnecessary expenditures. Administrative cost changes resulted in a -1.2% decrease to average premium. This does not include taxes and fees.

Neighborhood anticipates that 84.8% of premium dollars (net of taxes and fees) will go towards medical expenses. This is an estimate that will be subject to change based on medical trends and other adjustments under federal regulations as well as emerging experience. Federal requirements under the ACA state at least 80% of premium dollars need to be utilized for medical expenses. If less than 80% of premium dollars go towards medical expenses under the federal requirement, members will receive a premium rebate based on the difference. Neighborhood is in compliance with ACA regulations.