

Medica Insurance Company

Preliminary Justification Part II – Consumer Justification Narrative

1) Scope and Range of Rate Increase

Medica Insurance Company (Medica) is requesting a rate change for its individual market business in Missouri. The rate change will take effect on January 1, 2026 and will impact an estimated 17,124 members. The average rate change will be 29.2% and will result in rate changes that vary across plan designs. This includes changes to the costs of care.

Medica uses 2024 data from Missouri, which includes estimates of changes to the below through 2026:

- Population Medica expects to insure
- Cost of medical services
- Cost of pharmacy services
- Taxes and fees

The significant factors that impact the rate change include those listed above. Claim costs per member per month are expected to change from \$399.48 in 2024 to \$494.20 in 2026.

2) Financial Experience of the Product

In 2024, 95.6% of premium dollars went towards medical services after taxes and fees were removed. Under the ACA, individual products are required to pay at least 80% of premium dollars, after taxes and fees were removed, towards medical services.

For 2026, Medica is expecting that 88.0% of premium dollars will be spent on medical services in Missouri after taxes and fees were removed.

3) Changes in Medical Service Costs

Medical cost changes, in both number of services and costs of services, make up the largest increase to Medica's premium rates. Additionally, impacts due to better rates with hospitals and doctors and reviewing recent experience also aid in determining premium changes. Finally, relationships with providers are helping to improve premium rates through a lower overall cost for care.

4) Changes in Benefits

Medica updates the plan designs offered each year, which impacts each plan's cost-sharing (e.g. deductibles, copayments, etc.). These updates follow federal rules for how much of costs the insurance company will cover under that plan. Because these updates will be different for each plan, the rate changes will also be different by plan.

5) Administrative Costs and Anticipated Margins

Medica expects the cost to administer coverage per member per month (PMPM) for 2026 to be \$77.47 which is higher than the 2025 value of \$68.25. The main drivers of Medica's administrative expenses are employee salaries and benefits, agent commissions, claim processing/IT, and clinical/network services