

BCBSAZ Part II Preliminary Justification

Scope and Range of the Rate Increase

BCBSAZ is filing an average rate increase for plans in the Arizona Individual market of 48.69%, varying between 31.3% and 58.7%, excluding federally prescribed age factors. The average increase is calculated from the most recently implemented rates which were effective January 1, 2025. This increase will be effective on January 1, 2026 and will affect 71,871 Arizona policyholders (as of March 2025). The following considerations were included in the development of the filed rates.

Financial Experience of the Product

The Affordable Care Act requires insurance companies in the Individual market to spend at least 80% of premium dollars on medical care, and to issue rebates to members if less than 80% of premium dollars are spent on medical care. AZ Blue historical rates have exceeded these minimum loss ratio requirements. Likewise, AZ Blue 2026 filed rates are projected to exceed minimum loss ratio requirements.

AZ Blue has been a plan sponsor in the ACA Individual market in Arizona since 2014. AZ Blue offers plans with competitive rates while consistently exceeding minimum loss ratio requirements. Likewise, 2026 AZ Blue filed rates are expected to exceed minimum loss ratio requirements.

Changes in Medical Service Costs

Medical trend rates have continued to increase in many markets including the Individual market in Arizona. Anticipated regulatory actions in 2026 are expected to lead to significant increases in healthcare costs. AZ Blue filed rates assume that enhanced premium subsidies will expire in 2026. The expiration of enhanced premium subsidies is expected to lead to significant reductions to statewide enrollment and increases to the average healthcare costs for remaining enrollees.

Changes in Benefits

AZ Blue benefit designs are updated annually to align with federal requirements by metal level for actuarial plan values. Variations in the benefits offered in 2026 from those offered in 2025 are the primary cause of variation in rate changes between plans.

Administrative Costs and Anticipated Margins

In addition to the cost of medical services, there are a number of administrative costs associated with providing policies to members. These costs include items such as commissions, employee salaries, quality initiatives, fraud waste & abuse prevention, regulatory costs, utilities, member services and provider services. AZ Blue's administrative costs support our commitment to providing affordable and high-quality Individual health plans in the Arizona market.