

Part II Rate Increase Justification

Montana Health Cooperative
Rate Increase Justification for 2025 Individual Market

Scope and Range of Rate Increase

As of April 2025, Montana Health Cooperative (MHC) has 23,974 insureds enrolled who will be affected by 2026 Individual Market rate changes if they continue their coverage. Before federal subsidies, the average change in premium for these individuals will be 21.7%. The requested rate change varies by product with the smallest average change of 15.2% for Connected Care Silver Option 2 and the largest average change of 29.2% for Co-op Plus Gold Standard.

Financial Experience of Product

The Individual market financial experience for calendar year 2024 was as follows:

• Premiums Earned before Risk Adjustment:	\$191.3 million
• Incurred Claims after CSR:	\$163.1 million
• Member Months:	323.102

The rate increases will increase premiums to levels that are expected to be adequate to cover incurred claims and expenses.

Changes in Medical Service Costs

Medical service costs are constantly changing. MHC is assuming an overall allowed annual cost trend of 7.6%. This number has been calculated based on proprietary Milliman data and research and is broken out into the various contributing components of unit cost inflation and utilization. Unit cost inflation represents a direct increase in the cost of particular services due to any number of causes. The utilization represents an increase in the use of services and is independent of change in utilization for changes in the risk pool or plan designs.

Changes in Benefits

Benefits offered have not changed significantly from the prior year.

Administrative Cost and Anticipated Margins

The 2026 rates are made up of the following components, which are similar to the prior year:

• Claims (Net of Risk Adj. & Reinsurance):	79.1%
• Administrative Costs:	14.4%
• Federal Taxes and Fees:	2.5%
• Commissions:	2.0%
• Surplus, Profit, and Risk Margin:	3.0%