

Part II Written Description Justifying the Rate Increase

For Individual ACA plans effective January 1, 2026, MHICO is proposing an overall average increase of 13.2% for existing plans, potentially impacting up to 60,084 members. This rate increase is based on actuarial projections, and results may differ from these projections as actual experience deviates from the rating assumptions.

Items impacting the proposed rate increase include:

- Increase in medical and drug costs are projected at 5.3% annually
- Changes in demographics and morbidity of the risk pool
- An increase in MHICO's projected risk adjustment transfer payment
- The profit and risk is projected to increase \$0.40 PMPM. The taxes and fees are projected to increase \$6.49 PMPM.

The projected loss ratio is 83.4%, which satisfies the federal minimum loss ratio requirement of 80.0%.