Part II: Written Justification of Rate Increase

Small Group PPO Rate Filing

Effective: 1/1/2027

Presbyterian Insurance Company (PIC) is filing rates for the Small Group PPO block of business, effective 1/1/2027. This document is submitted in conjunction with the Part I Unified Rate Review Template and the Part III Actuarial Memorandum.

This information is intended for use by the New Mexico Office of the Superintendent of Insurance (OSI), the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in order to assist in the review of PIC's Small Group PPO rate filing. This information may not be appropriate for other purposes. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

The results are actuarial projections. Actual experience will differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

We have calculated an overall rate change of 19.9% from the rates effective CY2026 to the rates effective CY2027.

In pricing Small Group PPO products for 2027, we have updated underlying experience for the latest experience of the single risk pool (CY2025), updated projected rebates received for prescription drugs, updated administrative expense projections, updated assumptions for federal risk adjustment, and provider reimbursement information. All of these factors contribute to the premium rate change. The proposed rate change of 19.9% applies to approximately 1,330 individuals as of March 2026. Actual increases for any particular contract holder will vary based on plan.

In 2025, earned premium was $970.80 per member per month (PMPM). Incurred claims in 2025 after accounting for rebates were $960.97, or 99.0% of premium. After adjusting for risk adjustment, the estimated 2025 claim-to-premium ratio was 87.7%. Differences between the underlying 2025 claims cost (before rebates and utilization management) compared to the experience projected for 2025 in the 2026 rate filing account for 15.8% of the overall rate increase.

Medical trend, or the increase in health care costs over time, is composed of two components: the increase in the unit cost of services and the increase in the utilization of those services. Unit cost increases occur as care providers and their suppliers raise their prices. Utilization increases can occur as people seek more services than before. Additionally, simple services can be replaced with more complex services over time, which is known as service intensity trend. An example of service intensity trend would be the replacement of an X-ray with an MRI scan. Replacing the service with a more intense service causes the total cost of medical services to increase. An additional year of total trend from 2026 to 2027 accounts for approximately 7.6% of the overall rate increase.

In addition to the above,

1) Presbyterian has observed significant shifting in membership from the Small Group ACA product to the Level Funded market resulting in increases in the morbidity of groups still enrolled in Small Group ACA. This results in an increase in projected claim cost offset by an increase in projected risk transfer adjustment receipted, resulting in a net decrease in premiums.
2) Presbyterian administrative cost allocated to the Small Group PPO product has increased in the 2027 filing relative to the 2026 filing. This is driven by changes in the membership mix across products resulting in reallocation of fixed costs from other products to the Small Group PPO product.
3) The 2025 experience for the small group PPO segment was not fully credible and requires a manual rate. For the 2026 filing, the manual population was higher in cost than the Small Group PPO product. For the 2027 filing, the relative cost of the manual population is now somewhat lower. This shift results in a decrease to the rates.

The projected loss ratio is 83.4% after accounting for taxes and fees, which satisfies the federal minimum loss ratio requirement of 80.0%.