

Part II: Written Description Justifying the Rate Increase

The following memorandum describes the key drivers of the rate change effective January 1st, 2026, for Optimum Choice, Inc. (“OCI”). OCI policies are individual medical plans offered in Virginia and are fully compliant with the Patient Protection and Affordable Care Act.

Rate Change

The overall average rate change is 40.2%. The average rate change by plan varies from 38.8% to 53.2%.

Number of Individuals Impacted

There are 25,509 individuals impacted as of March 31, 2025.

Financial Experience of Product

The premium collected between January 1st, 2024 and December 31st, 2024 was \$123,077,771. Incurred claims net of reinsurance during this period were \$63,158,327 and OCI is estimated to pay \$30,971,974 into the risk adjustment program. The loss ratio, or portion of premium required to pay medical claims, for this time period is 76.5%.

Key Drivers of Change in Medical Service Costs

- **Increasing Cost of Medical Services:** Annual increases in reimbursement rates to health care providers – such as hospitals, doctors, and pharmaceutical companies.
- **Increased Utilization:** The number of office visits and other services continues to grow. In addition, total health care spending will vary by the intensity of care and use of different types of health services. The price of care can be affected by the use of expensive procedures such as surgery versus simply monitoring or providing medications.
- **Higher Costs from Deductible and Maximum out of Pocket (MOOP) Leveraging:** While health care costs continue to rise every year, if deductibles and copayments remain the same, a greater percentage of health care costs need to be covered by health insurance premiums each year.
- **Impact of New Technology:** Improvements to medical technology, clinical practice, and new prescription drugs require use of more expensive services - leading to increased health care spending and utilization.
- **Demographics:** Change in the projected age, gender, and metal mix of the underlying population can change the medical claims expected to be incurred.
- **Regulatory Changes:** The expiration of enhanced premium subsidies passed under the American Rescue Plan Act (ARP) as well as the CMS 2025 Marketplace Integrity and Affordability Proposed Rule are expected to lead to higher costs as healthier enrollees exit the market.

Changes in Benefits

Changes in covered benefits or benefit plan designs impact costs and therefore affect premium changes. Benefit plans are typically changed for one of three reasons: to comply with the



requirements of the Affordable Care Act, to respond to consumer feedback, or to address a particular medical cost issue to provide for greater long-term affordability of the product. The Affordable Care Act implemented requirements for the “value” that must be offered by plan designs in the Individual and Small Group markets. These are called “metal levels”. For a benefit plan to remain classified within a particular metal level from year to year, adjustments to deductibles, copayments or coinsurance are sometimes required. These adjustments impact the cost and therefore the premium increases for the plan.

Administrative Costs and Anticipated Margins

OCI works to directly control administrative expenses by adopting better processes and technology, and through the development of programs and innovations that make health care more affordable. OCI has led the marketplace by introducing key innovations that make health care services more accessible and affordable for customers, improve the quality and coordination of health care services, and help individuals and their physicians make more informed health care decisions. Changes in these non-benefit costs can impact the rate change.

State and Federal government-imposed taxation and fees are significant factors that impact health care spending and must be included in the administrative costs associated with the plans.

