Request of:

Excellus Health Plan, Inc. doing business as

- **Excellus BlueCross BlueShield**
- **Univera Healthcare**

To:

The Department of Financial Services of the State of New York

For approval of Small Group and Individual health plan community rate increases in 2026

Filed: on or about May 15, 2025

NARRATIVE SUMMARY

Excellus Health Plan, Inc. (NAIC code number 55107) has applied to the Superintendent of the Department of Financial Services to adjust premium rates for its community-rated small group and individual health plans.

OVERVIEW

The proposed rate adjustments sought in this application are calculated to maximize benefits for our members by exceeding state standards in paying the rising costs and utilization of medical care, covering numerous federal and state mandated taxes and fees, and achieving a margin of 2 percent for our small group business and 1.5 percent for our individual business.

Excellus Health Plan and related companies provide health insurance and administrative services for about 1.5 million upstate New Yorkers in 39 counties. The proposed premium rates affect about 154,000 members or 10.5 percent of the health plan's total membership. Its proposed rates are subject to review by the New York State Department of Financial Services pursuant to section 4308 (c) of the New York Insurance Law. The Department may approve the proposed rate increase as requested, modify the proposed rate increase, or disapprove the proposed rate increase in its entirety. By law, the determination of rates by the Department shall be supported by sound actuarial assumptions and methods.

The rate application will be filed with the Department on or about May 15, 2025. The actual rate adjustments approved by the Department will be communicated to the impacted parties at least 60 days prior to the date the new rate is implemented for the subscriber. Excellus Health Plan policyholders with renewal dates during 2026 would, if approved, receive the indicated rate adjustments on their next anniversary date on or after January 1, 2026.

Excellus Health Plan is required by New York State law to develop rates that assume at least 82 percent of premium revenue will be spent on health care costs in the individual and small group markets. The state also requires health plans to set rates that are actuarially sound, cover all claim costs, and provide a contribution to ensure adequate reserves. The percent of premium attributable to claims is referred to as the Medical Loss Ratio ("MLR").

The actual MLR may vary over time based on changes in the amounts paid to hospitals, physicians, and pharmacies, along with how often members are receiving health care goods and services that are covered by their insurance. Excellus Health Plan's MLR has exceeded and continues to exceed the statutory minimums. With the proposed rate adjustments, Excellus Health Plan's MLRs would remain above the minimum levels. In the event the MLR falls below the required minimum in either the small group or individual market, the health plan will refund any difference to policyholders in the affected market.

Requested rate increases are typically due to the annual increases in the cost and utilization of medical care. Excellus Health Plan has attempted to limit rate increases to the lowest amounts possible and exceed the minimum threshold of medical benefit payments as a percent of premium, while also preserving the financial integrity of the Plan. Our premium rate requests from 2021 to 2025 in the individual and small group markets were among the lowest in New York State. During that timeframe, our requested rate increases in the small group market were 20 percent lower than the state average of all insurers, and our requested rate increases for the individual market were nearly a third of the state average.

Periodic rate adjustments are necessary to secure the ability of Excellus Health Plan, or any insurer, to produce sufficient revenue and reserves to ensure continued coverage and claim payments both for current health care needs and potential catastrophic cost events. Excellus Health Plan's reserves vary from year to year based on actual health care costs incurred.

As of Dec. 31, 2024, the health plan had reserves equivalent to 91 days of claims and operating expense -- more than the minimum required by New York State law. These reserves are like our savings account, or the "insurance" that ensures payment even when costs run higher than anticipated, or emergencies or disasters occur. Reserves should not be used as an alternative fund to temporarily reduce rate adjustments.

Seeking to achieve the minimum level of reserves permitted or a minimum risk-based capital ratio is not a sound financial practice for any health plan as it can ultimately lead to insolvencies. On the other hand, the health plan also does not seek to accumulate industry benchmark levels of reserves or reach the top risk-based capital scores that have been achieved by some health plans. Rather, the community-rate increases proposed are designed to achieve a small operating margin for the business to continue offering competitive and affordable access to health coverage in our communities.

In filing its rate application, Excellus Health Plan recognizes that individuals and small businesses may struggle to afford higher premiums, and therefore has filed premiums that target an operating margin of 2 percent for small group and 1.5 percent for individual. An increase in premiums is necessary to assure the continued operations of the Plan and the viability of its product offerings. Because Excellus Health Plan already has a high MLR, failure to approve these rates would only lead to the need for even greater rate increases in the future.

FACTORS CONTRIBUTING TO THE PROPOSED RATE INCREASE

Escalating health care costs

The cost of health care services, equipment and products continues to be the primary reason for rate increases.

Medical cost "trend" is a very important consideration in determining the need for a premium rate adjustment. This "trend" is the anticipated change in the cost to treat patients year over year. Upstate New York is not immune to national trends in health care costs given our state's population and demographics. The trend forecast below takes into account projected increases in costs attributed to what Excellus Health Plan pays out in claims expenses for hospital inpatient and outpatient care, professional services, pharmacy benefits, and other goods and services. The health plan's anticipated changes in annualized medical benefit spending are summarized as follows:

- Hospital inpatient, small group: 8.0% / individual: 6.5%
- Hospital outpatient, small group: 13.2% / individual: 12.9%
- Professional services, small group: 7.1% / individual: 8.3%
- Pharmacy, small group: 9.7% / individual: 10.2%, including:
  - Specialty Rx, small group: 10.0% / individual: 11.0%
  - Diabetic Rx, small group: 12.5% / individual: 18.7%
- Other medical goods and services, small group: 6.5% / individual: 4.2%

Rising drug prices are having a significant impact on overall medical spending trends. Substantial savings have been achieved over the years with broad acceptance of competitively manufactured generic medicines. However, the savings trend associated with generics is being eclipsed by another trend around the rising cost and utilization of specialty medications including biologics. Every year more and more highly complex specialty medications are approved by the FDA to treat both rare and sometimes more common diseases. Specialty medications are used by approximately 2 percent of our members, but they account for more than 50 percent of total drug spend. Drug trend is a result of both increased utilization and increased unit cost.

Local hospital systems have been challenged financially due to both economic inflationary pressures as well as staffing shortages. Excellus Health Plan has responded to these provider challenges through additional contractual cost increases for our provider systems, resulting in more spending for hospital services.

The impact for drug rebate credits and non-system claims' trends is applied to the base trends above. This further reduces the base trend by 0.3 percent for small group and 0.3 percent for individual.

Compounding effects of price and utilization

Health care costs for each of the benefit components noted above take into account the compounding effects of both the price of the goods or services provided, as well as the quantity of the goods and services consumed.

For example, if the price of a service was $100 in 2025 and the number of services provided was 100, the total amount spent in 2025 related to that service would be $10,000. If the price of the service increases 10 percent in 2025 and the number of identical services rendered increases by 10 percent, the impact of both the price change and utilization increase is compounded for an overall increase in spending of 21 percent. (110 services x $110 new price = $12,100 spending, or a 21 percent increase over the prior year's spending of $10,000.) The same impact on spending occurs if the intensity of services rises for treating patients.

The trend factors forecasted for each of the benefit component considers that compounding effect. The impact that each trend has on the overall cost of coverage is related to the proportionate size of the benefit component. For example, overall spending would rise faster as a result of a 5 percent increase in professional services versus a 5 percent increase in hospital inpatient costs because professional services represent a larger share of medical benefit spending.

Leveraging

For the lower-priced high-deductible products, an additional rate adjustment is necessary in addition to trend. The overall cost of health benefits can change at different rates from year to year as deductibles and copayments remain unchanged. This occurrence is generally referred to as deductible leveraging and is a result of benefit costs increasing faster than trend when deductibles and copays are unchanged. While leveraging can occur in any product with fixed cost sharing components, it is most noticeable in high-deductible products. The table below is an example illustrating the leveraging effect:

	Current Year	**Trend**	**Next Year**	**Year-to-Year % Change**
Total Claims Cost	$10,000	8.0%	$10,800	8.0%
Annual Deductible	- $2,000		- $2,000	0.0%
Benefit Cost	= $8,000		= $8,800	10.0%
Leveraging Impact				2.0%

In this example, an 8 percent trend results in a benefit cost increase of 10 percent with a resulting leveraging impact of 2 percent. This is an additional driver of premium increases.

Risk Adjustment Program:

Under the federal health care reform law, a risk adjustment program was established as a permanent provision that applies to both the individual and small group insurance markets. This federal program assesses a charge on health plans that have low-risk members and uses the revenue to compensate plans with higher risk members.

In 2026, Excellus Health Plan anticipates that it will have to pay more into this program for the small group business, resulting in an increase to the Plans' proposed premium rates of approximately 2.8 percent. Also, it is anticipated that the Plan will receive more payments associated with the individual business, resulting in a decrease to the proposed premium rates of 2.6 percent.

OPERATING EXPENSE AND QUALITY IMPROVEMENTS

A portion of what is reported to the state as "administrative expenses" is attributed to what Federal Health Reform considers "quality improvement expenses." The federal government recognizes that these quality improvement expenses represent costs that lead to overall improvements in health care versus simply a routine business expense and, as a result, are considered a medical benefit expense for purposes of federal MLR calculations.

Those quality improvement expenses include such items as:

- Improvements in health outcomes brought about by case management and disease management programs
- Actions taken to help prevent hospital readmissions through such things as discharge planning and counseling
- Wellness and community health promotional activities
- Health information technology that is used to help measure clinical effectiveness and predictive modeling

Excellus Health Plan's operating expenses represent an average of 7.7 percent of premium for small group plans and individual plans. These expenses include quality improvement initiatives, but exclude federal and state taxes, fees and assessments, and broker commissions.

TAXES AND ASSESSMENTS

Insurance taxes and assessments are built into the costs of health coverage representing 5.0 percent of small group and individual premium.

CONCLUSION

Based on all the reasons explained above, Excellus Health Plan is requesting the Superintendent of the Department of Financial Services to grant it a premium rate adjustment averaging 19.6 percent for its community-rated small group plans, and 24.8 percent for its individual plans to take effect on January 1, 2026.

EXHIBIT 13a: NUMERICAL SUMMARY AND RATE INDICATION CALCULATION

NUMERICAL SUMMARY

Company	Excellus
NAIC Code:	55107
SERFF Tracking #:	EXHP-134514190
Market Segment:	Individual

1 Please complete the Numerical Summary below as well as the Narrative Summary (a separate attachment) for each market segment for which a rate filing is being submitted.
2 The Narrative Summary must be in plain English and should clearly and simply explain the reasons for the requested rate adjustment (This should be included in the provided blank template "2026 Exhibit 13b - Narrative Summary.docx")
3 The purpose of the Narrative Summary is to provide a written explanation to the company's policyholders to help them understand the reasons why a rate increase is needed.
4 The purpose of the Numerical Summary is to provide a clear and simple overview of the requested rate adjustment.
5 These Summaries (with the exception of the Rate Indication Calculation Section) will be public documents and will be posted on DFS's website and furnished by DFS to the public upon request.
6 The company should submit these Summaries to DFS ten (10) days before submitting a rate adjustment filing.
7 A draft of these Summaries and of the Initial Notice must be included in a "Prior Approval Pre-filing" submitted to DFS via SERFF.
8 Once reviewed by DFS, these Summaries must be posted to a location on its website that is publicly available and accessible without the need for a user ID/password.
9 Links should be provided on key pages of the company's website so that the information may be easily located.
10 Any change(s) made to the Narrative Summary/Numerical Summary subsequent to the posting must be submitted to DFS with the specific change(s) identified.
11 Rate Change Adjustment calculations between Year 2025 and 2026 should be based on the DFS Membership Survey data as of 3/31/2025.
12 This exhibit must be submitted as an Excel file and as a PDF file.

A. Average 2025 and 2026 Premium Rates:

1 Weighted Average Monthly Base Premium Rates are as calculated in Row 32 of the appropriate columns in Exhibit 13c (Columns L-P for 2025 and Columns U-Y for 2026)
2 Premium Rates for 2026 should be Consistent with the Premium Rates reflected in Exhibit 23.

	Average Individual Rate Platinum	Average Individual Rate Gold	Average Individual Rate Silver	Average Individual Rate Bronze	Average Individual Rate Catastrophic
2025 Weighted Average Base Premium Rates	$ 1,376.60	$ 1,179.00	$ 922.38	$ 697.03	$ 388.27
2026 Weighted Average Base Premium Rates	$ 1,756.42	$ 1,458.88	$ 1,148.08	$ 867.33	$ 452.47

B. Weighted Average Annual Percentage Requested Adjustments:

	2025 to 2026	2025 Weighted Average PMPM Rate All - Metals	2026 Weighted Average PMPM Rate All - Metals	
Requested Rate Adjustment	24.77771%	$ 799.81	$ 997.99	From Cells Q-74 and Z-74 of Exhibit 13c

C. Weighted Average Annual Percentage Adjustments for each of the Past Two Years [If Applicable]*:

	2023 to 2024	2024 to 2025
Average Rate Adjustment Requested	15.18638%	19.45842%
Average Rate Adjustment Approved	12.19963%	18.27578%

D. Average Medical Loss Ratios [MLR] for All Policies Impacted [Ratios of Incurred Claims to Earned Premiums] [If Applicable]*:

	2022	2023	2024	Projected 2025	Projected 2026
MLR	99.6%	96.8%	101.2%	93.7%	88.9%

E. Claim Trend Rates and Average Ratios to Earned Premiums [Per Exhibit 18 Supplement for 2021-2023 and Comparable Exhibits for 2021] [If Applicable]*:

	2024	2025	2026
Annual Claim Trend Rates	5.5%	8.7%	9.3%
Expense Ratios	10.7%	10.7%	9.6%
Pre Tax Profit Ratios	1.5%	1.5%	1.5%

* If no products were offered in a particular year, indicate "N/A" in the applicable box.

[redacted]