

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 2027

Filed: on or about May 21, 2026

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

In 2025, the health plan experienced its largest year-over-year percentage increase in claims costs in nearly 20 years. Higher medical and pharmacy claims costs have continued into 2026 and are projected to remain elevated in 2027. We know individuals and families are frustrated by rising health care costs. That's why we continue to focus on ways to improve health outcomes and address growing costs.

The proposed rate adjustments sought in this application are calculated to ensure the majority of the premium dollars we collect go directly to covering health care costs for our members, pay federal and state mandated taxes and fees, and achieve 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 21, 2026. 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 2027 would, if approved, receive the indicated rate adjustments on their next anniversary date on or after January 1, 2027.

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 consistently exceeded statutory minimums, reaching 92 percent across its overall business in 2025. With the proposed rate adjustments, Excellus Health Plan's MLRs would remain above the minimum levels for its individual and small group plans. 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 a direct reflection of the rising cost and utilization of health 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.

Periodic rate adjustments are necessary to secure the ability of Excellus Health Plan, or any insurer, to

generate sufficient resources to support continued coverage of our members' health care needs. Rate adjustments also impact reserves, which vary from year to year based on actual health care costs incurred.

Reserves function like a savings account, allowing our company to set aside funds for future needs, and to cover potential catastrophic events such as a pandemic. Excellus Health Plan's reserves, as of Dec. 31, 2025, were equivalent to 83 days of claims and operating expense -- more than the minimum required by New York State law. 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 proposed community-rate increases are designed to achieve a small operating margin that ensures the company can continue providing access to health coverage in the communities it serves.

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 ensure 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. In 2025, the health plan overall spent nearly \$7 billion on medical and pharmacy claims, or about \$19 million daily.

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: 8.1% / individual: 7.2%
- Hospital outpatient, small group: 11.4% / individual: 14.9%
- Professional services, small group: 6.5% / individual: 6.8%
- Pharmacy, small group: 9.0% / individual: 15.0%, including:
 - Specialty Rx, small group: 15.0% / individual: 26.2%
- Other medical goods and services, small group: 6.9% / individual: 9.9%

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 raises the base trend by 0.8 percent for small group and 0.1 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 2026 and the number of services provided was 100, the total amount spent in 2026 related to that service would be \$10,000. If the price of the service increases 10 percent in 2026 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%
<i>Leveraging Impact</i>				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 2027, 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 1.5 percent. Also, it is anticipated that the Plan will receive higher payments associated with the individual business, resulting in a decrease to the proposed premium rates of 4.6 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 improve care and anticipate future health needs.

Excellus Health Plan's operating expenses represent an average of 8.3 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 4.8 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 17.0 percent for its community-rated small group plans, and 17.2 percent for its individual plans to take effect on January 1, 2027.