

Part II Preliminary Justification

General Information

Highmark Blue Cross Blue Shield Delaware Inc. (Highmark Delaware) has filed an average rate change of 22.7% for 2025 ACA-qualifying small group plans renewing with effective dates from January 1, 2026 through December 31, 2026.

Summary

The 22.7% average rate change was measured across renewing benefit plans with renewal effective dates in 2025. The average renewing plan specific rate increases range from 19.7% to 25.3%.

The exact premium change for a small group will depend on their effective date, the plan design they choose, as well as the age composition of the employees and dependents covered on the effective date in 2026.

The rate increases will impact approximately 19,989 members in the small group market.

For calendar year 2024 for its small group market ACA products, Highmark Delaware collected \$181.4 million in revenue and incurred expenses of \$165.8 million in claim costs and \$22.1 million in administrative expenses, taxes, and fees for an operating margin of approximately (\$6.5) million. The proposed rate change is expected to result in a medical loss ratio over 80% as required by law.

The Total Proposed Rate Change is broken down into the following categories of increases and decreases:

	Drivers of Rate Change	Factor
a.	Base Claims Experience	19.1%
b.	Morbidity	0.7%
c.	Non-System Claims	0.4%
d.	Risk Adjustment	0.3%
e.	Regulatory Adjustments and Mandates	-1.5%
f.	Projection Year Trend	3.0%
g.	Benefit Pricing, Benefit Richness, & Network	2.8%
h.	Retention (Admin, Taxes, and Fees)	-2.5%
i.	Total $i=(1+a)*(1+b)*(1+c)*(1+d)*(1+e)*(1+f)*(1+g)*(1+h)-1$	22.7%

The proposed average rate change for renewing plans is 22.7% as shown above.

The factors contributing to the rate change approximate the breakdown of each category's impact on the overall rate change. The average rate change can be derived by multiplying the percentages in the table together as factors.

Reason for Proposed Rate Change (Increase/Decrease)

The primary driver of the rate change is ensuring that 2026 premiums adequately cover the anticipated provider claim costs and member utilization of benefits for the insured population in 2026.

The cost of medical and prescription drug services increases annually due to higher demand for services by the members (utilization) and higher reimbursement required to maintain our provider network (unit cost). Changes in benefits and the expected impact of those benefits on Highmark Delaware's insured population also impact the requested rate change.

An increase in base claims experience and benefit richness in 2026 have increased rates. These increases are being offset by a reduction in retention to arrive at the net increase in rates proposed.

Effect of the Average Proposed Rate Change (Increase/Decrease) on Policyholders

The 2026 average rate change will not apply uniformly to all plans. Rate increases will vary by plan and effective date in 2026 due to the inclusion of quarterly rate changes in the small group market. The rates will also vary by plan due to benefit adjustments and metal level changes that were made to maintain a metallic value (Platinum, Gold, Silver, and Bronze) in 2026 while remaining competitive in the small group ACA marketplace. The 22.7% average rate change was measured from the benefit plans available in 2025 that will continue to be offered in 2026.

Medical Loss Ratio (MLR)

The anticipated medical loss ratio is 88.4% relative to total premium less taxes and fees and spending to improve the quality of health care. This loss ratio is calculated consistent with the federally prescribed MLR methodology, which is above the 80% threshold required by law.

Highmark Delaware continues to focus efforts on care management activities in order to lower the future medical cost for its members. Clinical teams, led by experienced doctors and nurses, analyze claim data to identify opportunities for more efficient care delivery and lower medical cost trends.

As health care continues to evolve, Highmark Delaware remains committed to providing a variety of product offerings to meet the needs of small employers.