NEW MEXICO | OFFICE OF SUPERINTENDENT OF INSURANCE

2027 QUALIFIED HEALTH PLAN (QHP) COST DRIVERS

September 23, 2026

Presented to LFC
by Superintendent Kane

Office of Superintendent of Insurance (OSI)

Regulatory Role: Health Insurance

OSI is the state regulatory agency responsible for insurance oversight and oversees the fully insured (commercial) plans sold in the individual, small and large group markets in New Mexico.

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OSI'S RESPONSIBILITIES INCLUDE

FORM AND RATE REVIEW

Including Qualified Health Plan form and rate approval, if actuarially sound

COMPLIANCE REVIEWS

For example, network adequacy and prior authorization requirements

RISK FOCUSED FINANCIAL ANALYSIS

Evaluation of insurance company financial sol

COMPANY AND PRODUCER LICENSING

Initial licensing and renewals

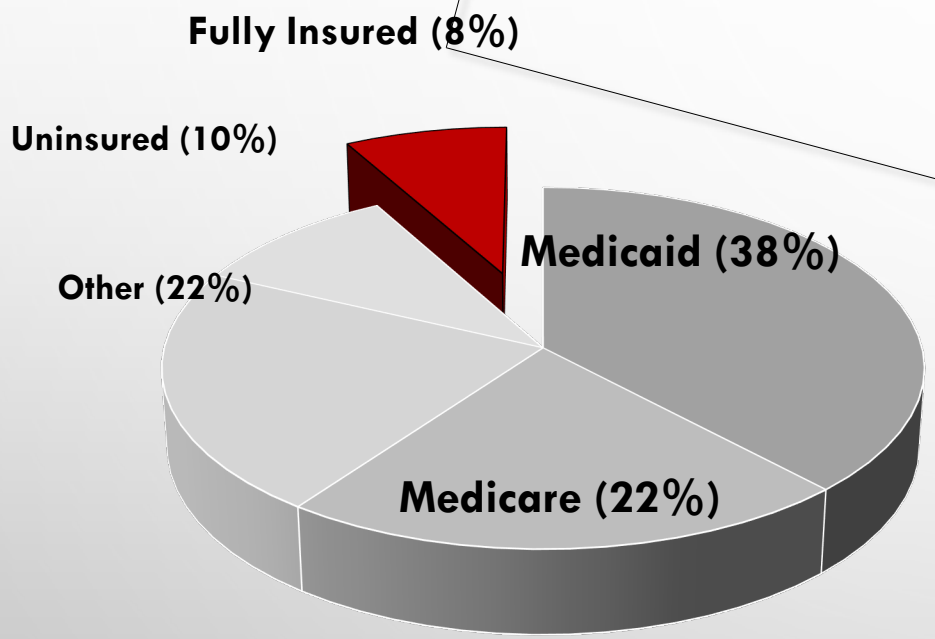
CONSUMER ASSISTANCE

Dedicated to processing consumer complaints, inquiries and investigating producer misconduct

Market Distribution

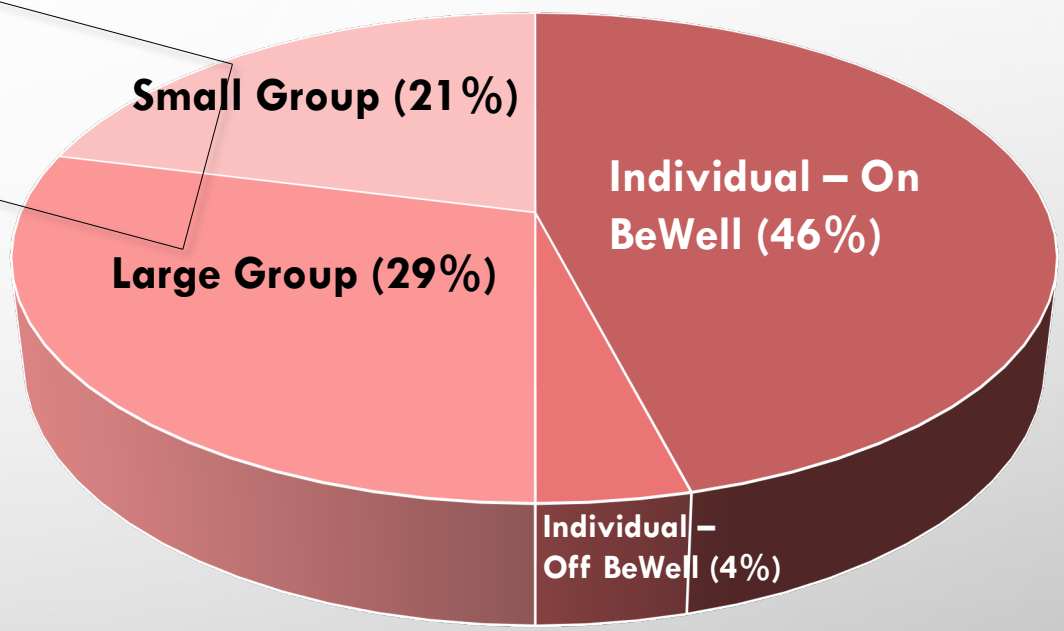
Commercial Market/Fully Insured data is direct monthly submission from insurers to OSI.
Medicare data is from CMS Monthly Enrollment by State 12/2025.
Medicaid data is from HCA on-line Medicaid Enrollment Report and Uninsured is from the 2020 Census.

TOTAL NEW MEXICO HEALTH INSURANCE MARKET (2.2 MILLION, DECEMBER 2025)



Medicaid Medicare Other Uninsured Fully Insured

NEW MEXICO FULLY INSURED POPULATION (164K, DECEMBER 2025)

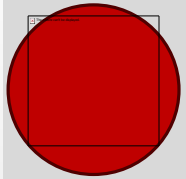


Individual - On BeWell Individual - Off BeWell Large Group Small Group

Key Takeaway: Only 8% of New Mexicans have a healthcare plan that OSI regulates.

Regulatory Requirements

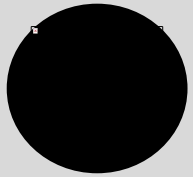
RATE REVIEW: STATE AND FEDERAL LEGAL REQUIREMENTS



59A-18-13.3(A)(3)

The Superintendent of Insurance (OSI) has the authority to review insurance forms and rates and **shall approve rates that are actuarially sound** and supported by the insurance company's actuarial memorandum.

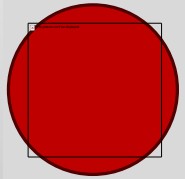
Actuarially sounds means the premiums are sufficient to pay benefits plus reasonable administrative expenses.



Standards for Approval

OSI ensures rates are reasonable, not excessive, inadequate, or unfairly discriminatory.

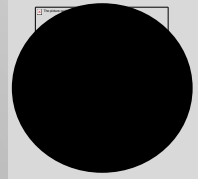
Rates must comply with actuarial standards of practice established by the Actuarial Standards Board.



2027 Rate Review

For 2027 rates, the OSI contracted actuary reviewed the company's actuarial memorandum, challenged the assumptions, data, and methodology, and required additional information to support the rates.

FEDERAL REQUIREMENTS



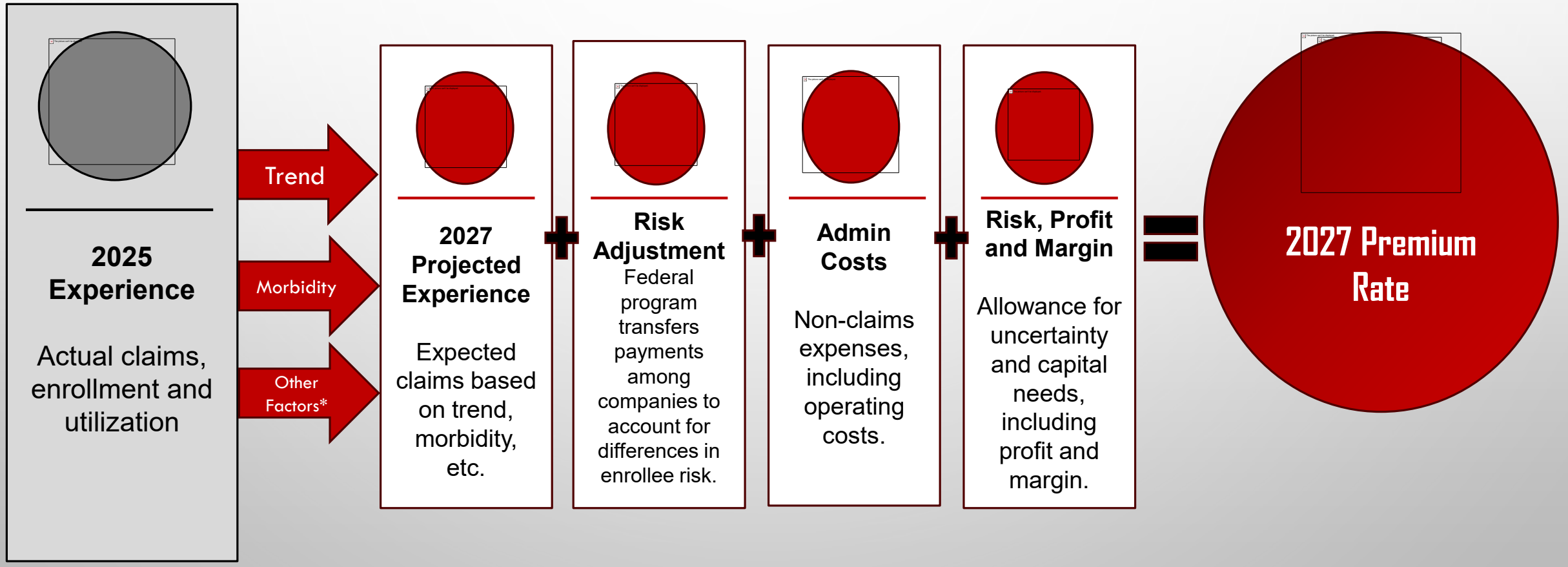
Unified Rate Review (URR)

The URR requires that the claims experience period must be the most recently completed calendar year period (i.e. 2025). For 2027 plan year the companies were required to use the 2025 NM claims experience to develop 2027 rates.

Key Takeaway: State and federal law require actuarially sound rates.

QHP Rate Development

The following is a simplified formula that illustrates how premium rates are calculated.
This basic formula does not change but the inputs, detailed below, will change.



*Other factors include: plan design, network changes, legislative changes, enrollment changes

2027 Cost Drivers

Trend

- 8%-12% increase in healthcare costs, utilization of services and pharmaceuticals
- Largely nationwide

Examples

- General healthcare spending has increased by 7.2% in 2024*, and outpaced the cost of living
- Higher hospital and other provider reimbursement rates
- Advanced, high-cost biologic therapy for cancer and auto-immune treatments
- Higher demand and prices for services and supplies

2025 NM Claims Experience

- Depending on the company, actual claims were 5%-15% higher than last year's projections
- New Mexico specific

Examples

- Higher prevalence of chronic conditions
- Higher hospital and other provider reimbursement rates
- Sicker population post COVID

Morbidity

- Measures the level of sickness in the population
- New Mexico specific

Examples

- Increased use of behavioral health services
- Increased use of GLP-1s
- General increase in outpatient services

*American Medical Association

2027 Cost Drivers

RATE DRIVERS BY COMPANY

Cost Driver	BCBSNM	MHNM	PHP	UHCNM
Trend	8.4%	10.3%	12.0%	9.3%
2025 Claims Experience and Morbidity	13.9%	6.0%	1.0%	7.0%
Change in fees (Exchange, State Assessment)	-1.2%	0.2%	-0.6%	-0.1%
Changes in Admin fees	0.8%	3.6%	2.8%	0.6%
Change in Provider /Reimbursement	0.4%	0.0%	-1.9%	0.2%
Change in Profit/Contingency	2.0%	0.6%	0.0%	0.0%
Other Changes	0.1%	6.8%	1.0%	3.0%
Total Impact	**27.0%**	**30.4%**	**14.6%**	**21.4%**
Total Profit Assumption	**2.0%**	**3.0%**	**4.0%**	**5.0%**

COST DRIVERS IN NEW MEXICO

2025 Claims Experience

- Higher prevalence of chronic conditions
- Aging and sicker population
- Increase in behavioral health services and GLP-1s

Trend

- General inflation
- Higher reimbursement rates
- Advanced, high-cost prescription drug utilization
- Higher demand and prices for services and supplies

Other items to consider

- Reduced cost-sharing for consumers
- New Mexico's Exchange is smaller, with less opportunity to spread the risk

Key takeaway: Adverse experience in the 2025 claims largely contributed to NM's rates.

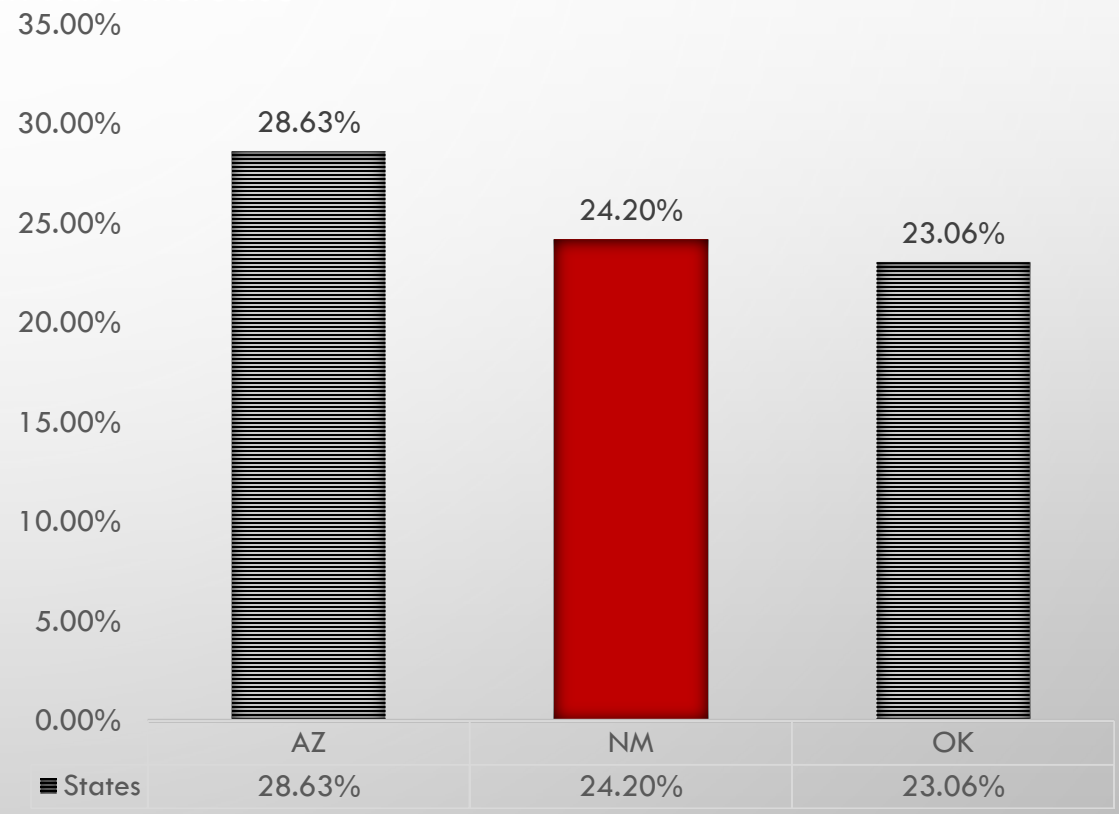
New Mexico and Neighboring States

New Mexico 2027 **average** rate increase is 24.4% largely due to 2025 claims experience, morbidity and trend.

Nationwide 2027 **median** rate increase is 15%.

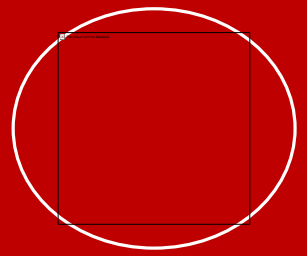
Note: Median is the middle insurance rate increase nationwide.

NEIGHBORING STATE MEDIAN INCREASES



Key Takeaway: Neighboring states are also experiencing high increases.

Federal Medical Loss Ratio (MLR) Requirements



MLR Requirements

- Federal minimum loss ratio standards require companies to spend at least 80% of premium dollars for consumer health care claims.
- Companies that fail to meet the MLR standard must offer rebates to the consumer.

HISTORICAL MLRS

	BCBSNM		Molina		PHP		UHCNM	
	Actual	Pricing	Actual	Pricing	Actual	Pricing	Actual	Pricing
2027 Projected		92.3%		87.3%		83.7%		88.0%
2026 Projected		94.1%		97.9%		85.4%		87.8%
2025	123.1%	94.2%	95.5%	83.9%	113.8%	87.1%	120.9%	85.8%
2024	108.4%	85.9%	78.1%	81.1%	123.7%	82.8%	124.6%	84.7%
2023	99.0%	84.7%	61.2%	80.9%	95.0%	85.0%		
2022	94.9%	85.0%	77.5%	85.1%	93.9%	86.3%		

80%

of premium dollars go towards consumers' care.

Key Takeaway: Molina has been required to pay rebates in the past.
In 2025 and 2024, 3 of the 4 companies paid more in claims than they received in premiums.

2025 Company Underwriting Experience

Healthcare Service Corporation (BCBSNM) (includes NM, TX, MT, OK and IL)						
	Total	Individual	Group	Medicare Advantage	Medicaid	Other
Net Premium Income	$66,943,759,343	$12,639,573,668	$25,864,097,703	$3,040,450,309	$12,282,724,392	$13,116,913,271
Total Revenues	$66,763,261,944	$12,640,287,401	$25,873,101,690	$3,039,949,775	$12,283,204,392	$12,926,718,686
Total Underwriting Deductions	$70,238,985,525	$13,664,110,415	$27,119,342,479	$3,413,883,278	$13,176,913,076	$12,864,736,277
Net Underwriting Gain/(Loss)	$(3,475,723,581)	$(1,023,823,014)	$(1,246,240,789)	$(373,933,503)	$(893,708,684)	$61,982,409
Net Underwriting Gain/(Loss) as % of Premium	**-5.19%**	**-8.10%**	**-4.82%**	**-12.30%**	**-7.28%**	**0.47%**
Molina Healthcare of New Mexico						
	Total	Individual	Group	Medicare Advantage	Medicaid	Other
Net Premium Income	$398,048,667	$86,336,341		$339,415	$311,372,911	$ -
Total Revenues	$403,853,835	$92,345,472		$135,452	$311,372,911	$ -
Total Underwriting Deductions	$420,506,870	$100,048,587		$108,939	$320,349,344	$ -
Net Underwriting Gain/(Loss)	$(16,653,035)	$(7,703,115)	$ -	$26,513	$(8,976,433)	$ -
Net Underwriting Gain/(Loss) as % of Premium	**-4.18%**	**-8.92%**	**0.00%**	**7.81%**	**-2.88%**	**0.00%**
Presbyterian Health Plan						
	Total	Individual	Group	Medicare Advantage	Medicaid	Other
Net Premium Income	$4,559,854,964	$137,546,607	$68,251,898	$766,967,011	$3,514,787,291	$72,302,157
Total Revenues	$4,559,854,964	$137,546,601	$68,251,898	$766,967,011	$3,514,787,291	$72,302,163
Total Underwriting Deductions	$5,001,078,735	$162,383,125	$74,681,160	$893,126,033	$3,793,657,343	$77,231,074
Net Underwriting Gain/(Loss)	$(441,223,771)	$(24,836,524)	$(6,429,262)	$(126,159,022)	$(278,870,052)	$(4,928,911)
Net Underwriting Gain/(Loss) as % of Premium	**-9.68%**	**-18.06%**	**-9.42%**	**-16.45%**	**-7.93%**	**-6.82%**
United Healthcare of New Mexico*						
	Total	Individual	Group	Medicare Advantage	Medicaid	Other
Net Premium Income	$118,275,485	$105,341,850	$13,095,487	$(161,852)	$ -	$ -
Total Revenues	$118,725,272	$105,341,850	$13,563,448	$(180,026)	$ -	$ -
Total Underwriting Deductions	$162,502,204	$149,859,889	$11,975,106	$(120,568)	$787,777	$ -
Net Underwriting Gain/(Loss)	$(43,776,932)	$(44,518,039)	$1,588,342	$(59,458)	$(787,777)	$ -
Net Underwriting Gain/(Loss) as % of Premium	**-37.01%**	**-42.26%**	**12.13%**	**NA**	**0.00%**	**0.00%**

ALL COMPANIES PAID MORE IN CLAIMS THAN THEY RECEIVED IN PREMIUMS.

Key Takeaway:
Medicaid is the largest product line for most companies

***A different UnitedHealthcare company underwrites Medicaid.**

2025 Company Profit and Loss

Line Item	Healthcare Service Corporation (BCBSNM) (NM, TX, MT, OK and IL)	Molina Healthcare of New Mexico	Presbyterian Health Plan, Inc.	UnitedHealthcare of New Mexico
Net Underwriting Gain/(Loss)	$(3,475,723,581)	$(16,653,035)	$(441,223,771)	$(43,776,932)
Net Investment Gains (Losses)	$1,376,732,301	$3,709,915	$63,171,977	$4,496,008
Net Gain (Loss) from agents or premium balances charged off				$(1,348)
Aggregate write-ins for other income or expenses	$(29,454,149)	$(137,944)	$9,960,713	$ -
Federal and foreign Income Taxes Earned	$(211,670,297)	$(3,636,669)	$(23,333,963)	$(8,340,159)
Net Income or (Loss)	**$(1,916,775,132)**	**$(9,444,395)**	**$(344,757,118)**	**$(30,942,113)**

Key Takeaway: All companies on the Exchange lost money in New Mexico.

QHP Rate Review

COMPANY REVIEW SUMMARY

BlueCross BlueShield of New Mexico

- Issued 48 objections in 7 letters
- Reduced the morbidity factor adjustment, which **reduced rates from 29.1% to 27%**
- Met with BCBSNM 4 times

UnitedHealthcare

- Issued 27 objections in 5 letters
- Removed pharmacy tariff adjustment and federal arbitration adjustment is immaterial, which **reduced rates from 23.7% to 21.4%**
- Met with UHC 3 times

MOLINA HEALTHCARE

- Issued 22 total objections in 4 letters
- **Overall average increase of 30.4%**
- **In 2026, Molina had the lowest increase of x%**
- Met with Molina 3 times
- Justified their actuarial assumptions and methods

[redacted]

- Issued 31 objections in 4 letters
- **Overall average increase of 14.6%**
- Met with Pres 2 times
- Justified their actuarial assumptions and methods

OSI REVIEW SUMMARY

- Review lasted 2.5 months.
- Required more rate documentation than needed for effective rate review.
- Issued 128 rate objections through 20 letters.
- Companies indicated they spend more resources in NM due to OSI's rigorous review.

Key Takeaway:
OSI performed a detailed rate review; the 2027 rates are actuarially sound and comply with state and federal requirements.

QHP Review

QHP REVIEW

OSI performs QHP review annually.

Companies must submit forms, rates and all plan materials for review before being certified

FORM AND RATE REVIEW

- OSI performs an extensive review of all company policy forms and SBCs, annually, to ensure compliance with federal and state statutes and regulations.
- For 2027, OSI reviewed over 200 forms and over 4,000 pages during the annual form review.
- OSI ensures rates are reasonable, not excessive, inadequate, or unfairly discriminatory.
- OSI is responsible for balancing consumer needs with market stability and company solvency.

OSI ISSUED GUIDANCE TO:

Insurance Companies

- Review timelines
- Federal and state certification requirements
- Required submission materials
- Technical instructions
- Expectations for the level of support and documentation

The OSI and Contracted Reviewers

- Federal effective rate review guidelines
- State and federal benefit requirements
- Best Practices

REVIEW TIMELINE

- **February** — OSI begins drafting guidance
- **March** — OSI shared draft guidance with carriers for review and feedback.
- **April/May** — OSI meets with for submission companies to prepare and review.
- **May to August** — OSI corresponds/meets with companies to address issues, ask questions, and ask for corrections or support
- **August** — OSI approved and certifies plans, if compliant.
- **September/ October** — OSI review company communications and advertising

Key Takeaway:
QHP review is a complex and multi-dimensional process that continues from February to October.

Key OSI Contacts

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