Cost Drivers in New Mexico Health Care

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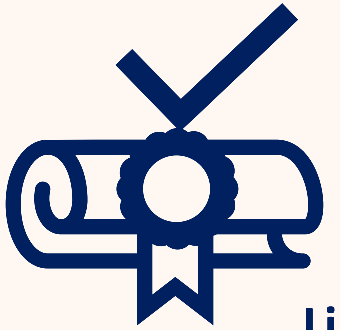
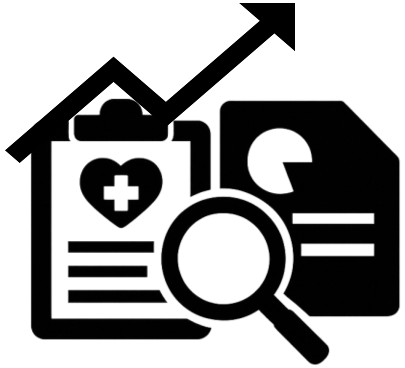
OSI Regulation



Licensing
Carrier and Producer



Policy Form & Rate Approval

Financial Solvency Examinations

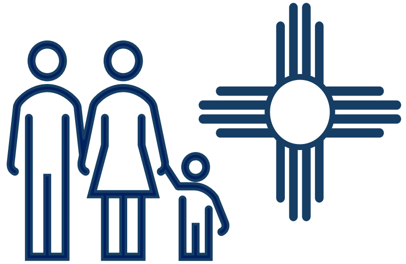
- ✓ Network Adequacy
- ✓ Utilization Management
- ✓ Prior Authorizations
- ✓ Behavioral Health Parity

Compliance Reviews

Assistance with Consumer and Provider Complaint Resolution

PBM Oversight
Rx Transparency

Who Pays for Healthcare?



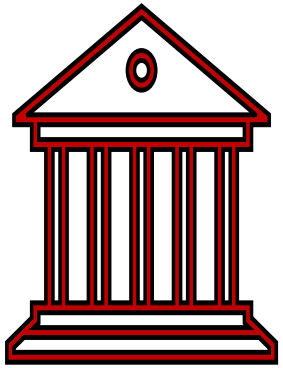
Consumers

- Pay premiums, deductibles, copays and coinsurance
- Increased costs result in fewer insureds without subsidies
- Subsidies soften the blow for eligible individuals while the unsubsidized premiums feel the most pressure

Insurers

- Need premiums adequate to cover expected claims costs, administrative expenses, taxes and risk margin to avoid insolvency risk
- As costs increase, healthy enrollment decreases and the market faces greater adverse selection with higher-risk individuals making up more of the insured pool
- OSI strives to maintain the balance between consumer cost and protections while maintaining company solvency

Government



Federal

- Major reduction in federal subsidies shifting costs to the states

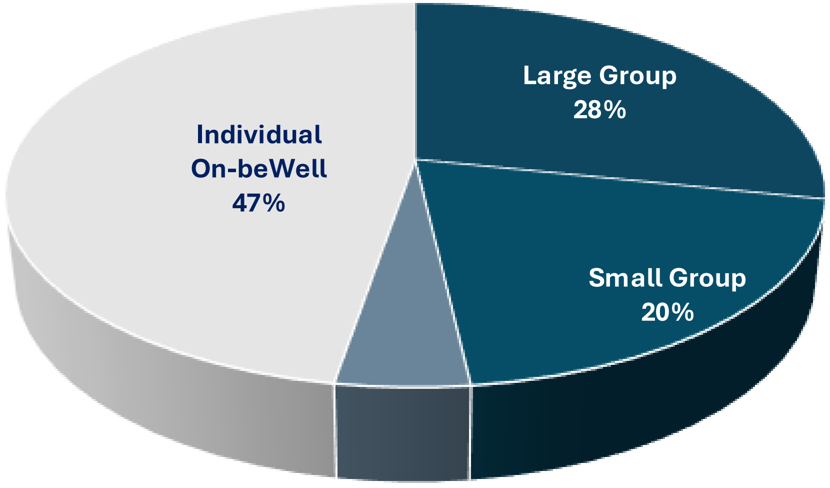
State

- Greater pressure on state budgets funded by taxes and passed onto the consumer

New Mexico Health Coverage Landscape

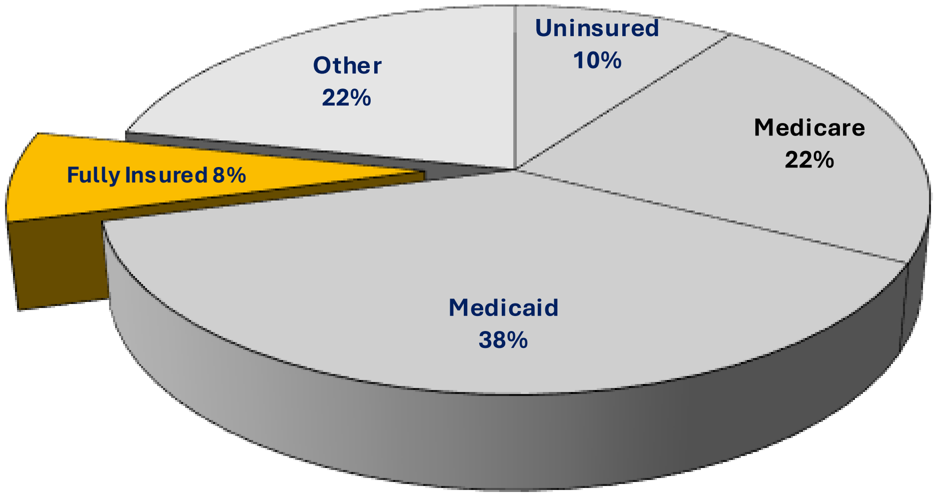
OSI Regulates 8% of the Health Care Market

April 2026 - Fully Insured Commercial Market
158K



▪ Individual – On BeWell: 74,987	▪ Large Group: 44,822
▪ Individual – Off BeWell: 7,029	▪ Small Group: 31,475

April 2026 - New Mexico Population
2.1M



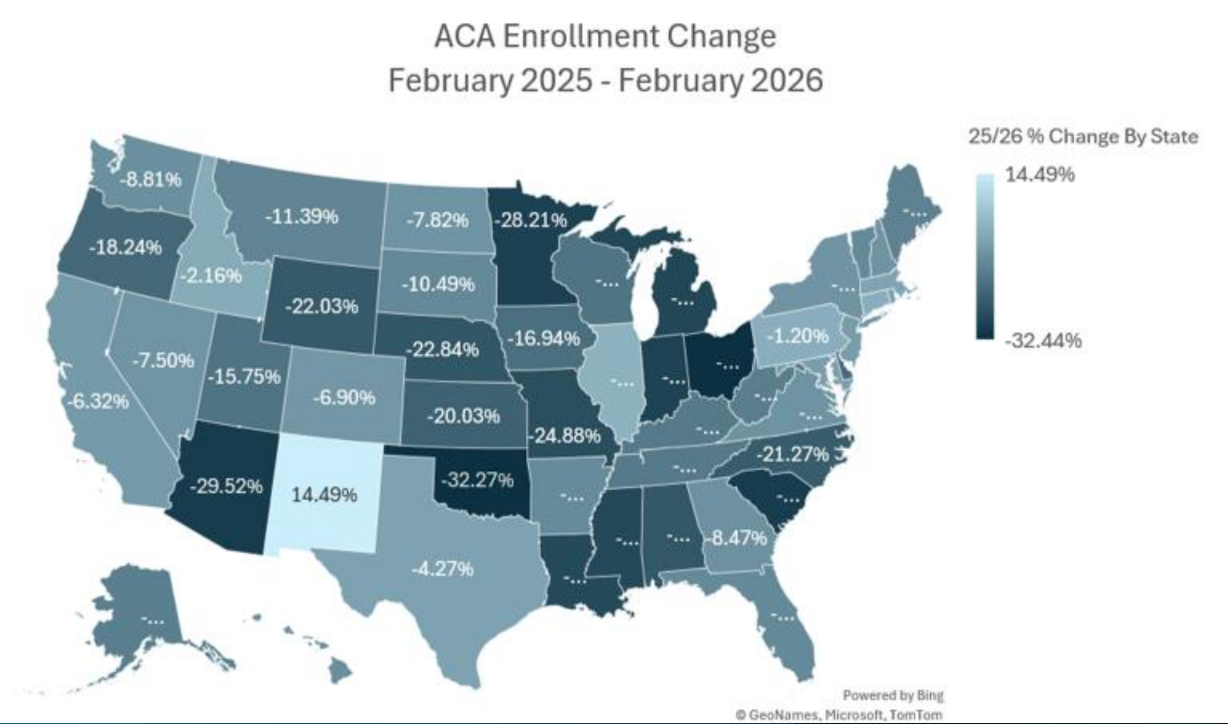
▪ Medicaid: 810,045	▪ Fully Insured: 158,313
▪ Medicare: 475,669	▪ Uninsured: 213,870
▪ Other: 459,625	

April 2026 data from insurers, CMS, and HCA; uninsured figures from the 2020 Census

2026 Healthcare Cost Drivers – National and New Mexico

National Drivers

- Expiration of enhanced premium tax credits
- Adverse 2024 base period experience
- Trend (Increased utilization and costs for medical and prescription drugs)
- Adverse selection
- Federal changes and market dynamics



New Mexico Drivers

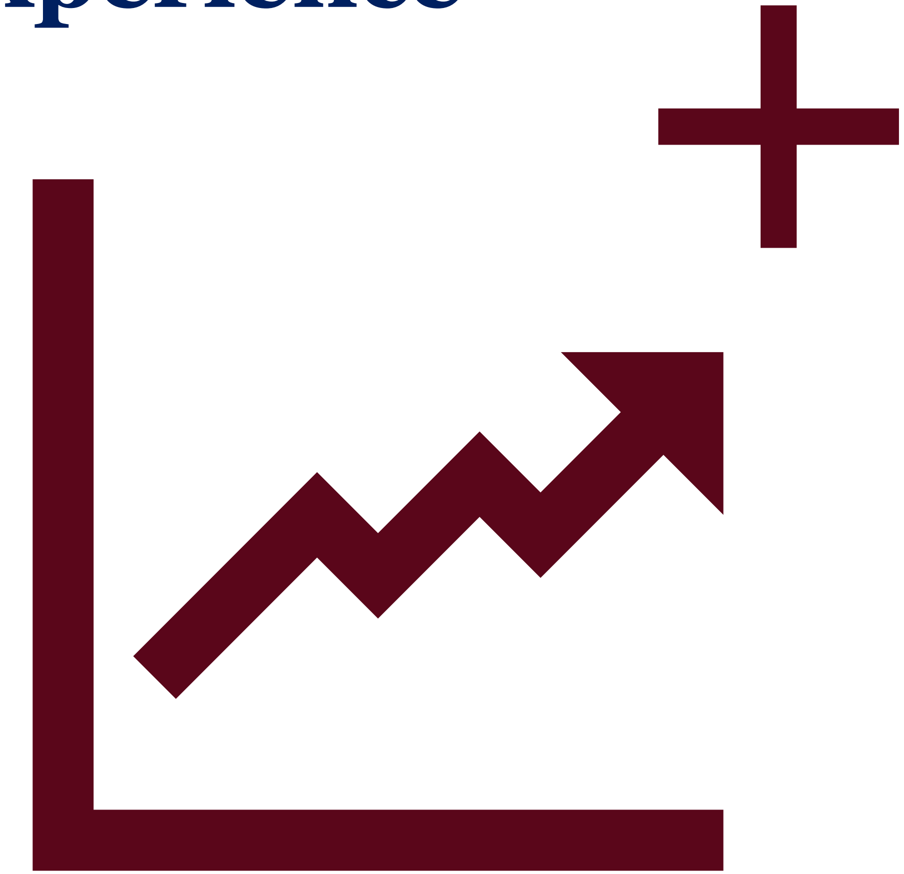
- New Mexico is the only state that fully replaced the loss of federal subsidies
- Adverse 2024 base period experience
- Trend (Increased utilization and costs for medical and prescription drugs)
- Adverse selection
- Higher-risk individuals entering the fully insured market (Medicaid redeterminations)
- State, federal changes and other dynamics

Premium Development

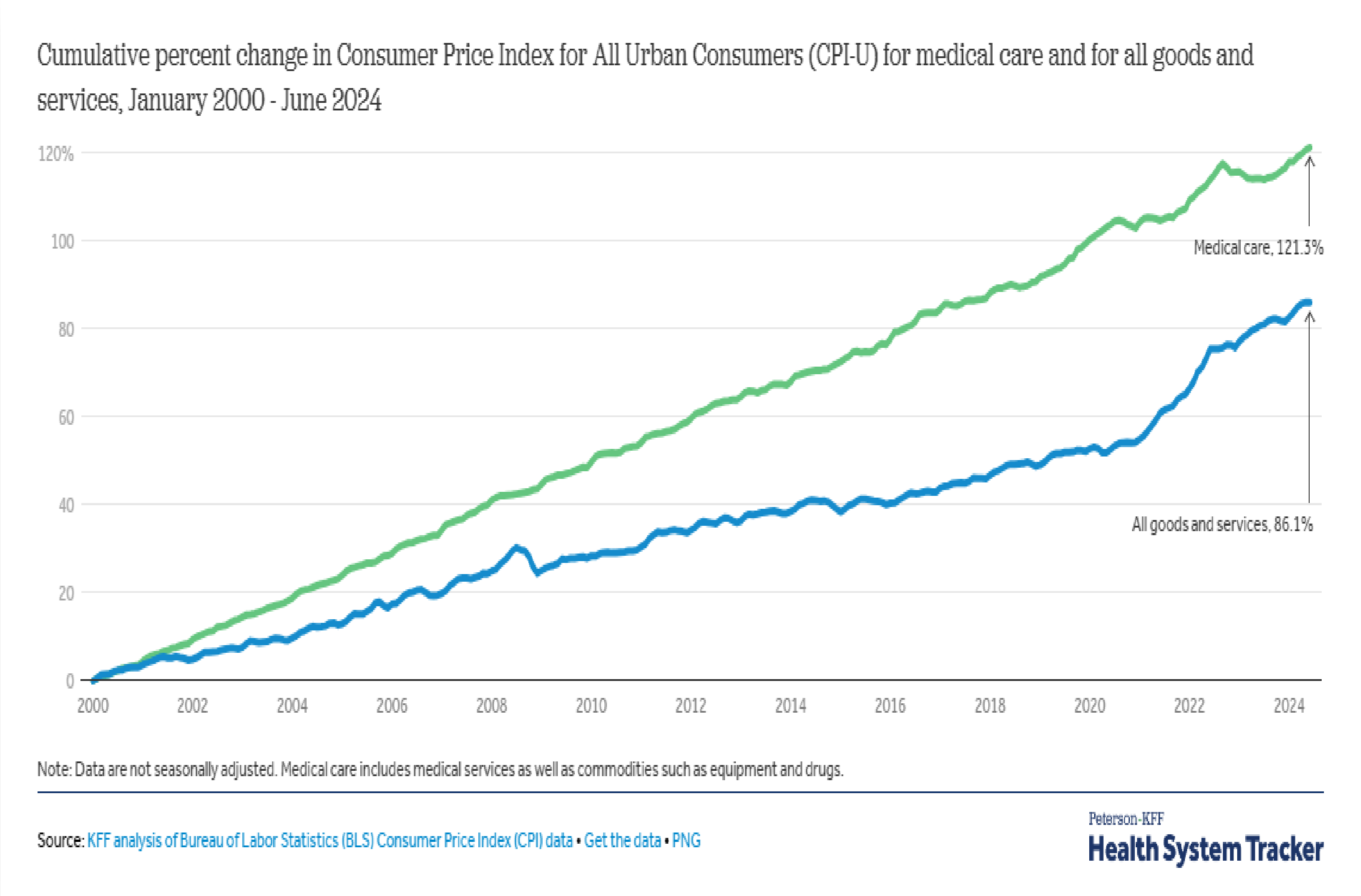
- Insurers develop premium rates using the following information:
  - Experience Period Claims Data (generally data from the second calendar year prior to the year for which rates are calculated e.g., 2024 for the 2026 projection year) is the starting point
    - Projection Assumptions – used to project experience period claims to the projection period
      - Trend (change in unit cost and utilization)
      - Adjustments to reflect expected changes in average demographics, morbidity, plan mix, and other factors
      - Other (changes in networks, regulations, etc.)
  - Risk Adjustment for Individual and Small Group plans (expected payouts or receipts from federal risk adjustment program)
  - Administrative Costs (taxes, fees, administrative expenses)

2024 Adverse Base Period Experience

- Claims higher than expected:
  - In 2026, individual market premiums increased because of the higher-than-expected 2024 claims contributing from 0.5% to 61.8% of total rate increase
  - Medicaid redeterminations introduced higher morbidity individuals into the market
  - Out-patient and behavioral health utilization increased
  - High-cost prescription drug use expanded (GLP-1s and gene therapies)



Trend: Rising Medical and Prescription Drug Costs



- Nationally, the price of medical care including RX has increased by 121.3%
- In contrast, prices for all consumer goods and services have increased by 86.1% in the same period
- New Mexico Trend from 2025 to 2026:
  - 5.9 % to 7.8% for medical care, including prescription drugs
  - 17% to 22% of claim costs were for prescription drugs alone
- Based on transparency data, generic drugs are approximately 85% of all drugs used but account for 15% of total drug costs
- Brand name/biologics account approximately 85% of total drug cost

State and Federal Changes

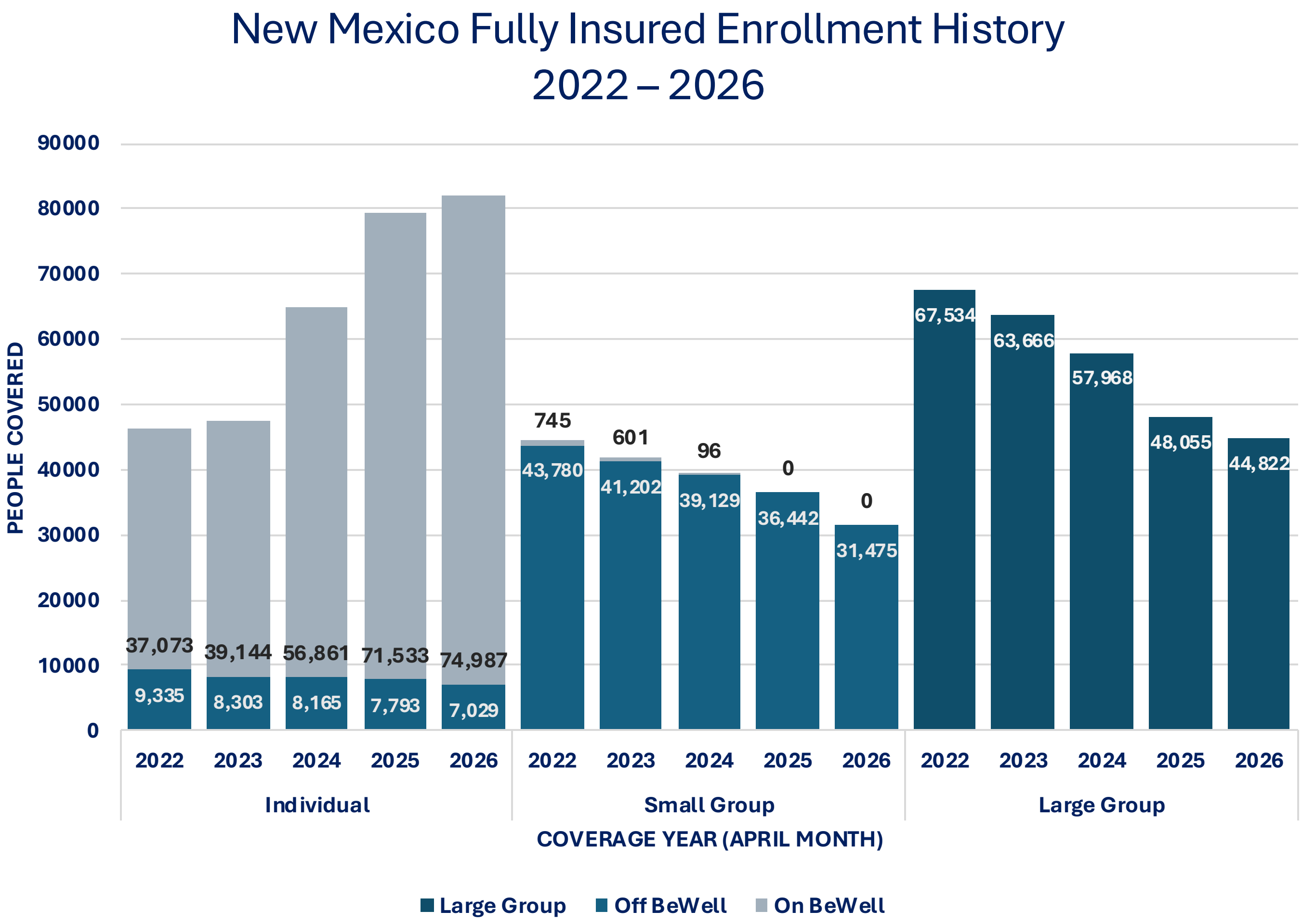
- Regulatory uncertainty affected New Mexico rates in 2026 (3% to7%)
  - HR1
  - Marketplace Integrity and Affordability Rule
  - 2026 Notice of Benefit and Payment Parameters
  - State mandates
- These regulatory shifts created adverse selection:
  - Healthy individuals left the market
  - Increased consumer cost

Rate Impact of Recent New Mexico Legislation

	Legislation	BCBSNM Rate Impact (%)	Molina Rate Impact (%)	Presbyterian Rate Impact (%)	UHC Rate Impact (%)
2024 Plan Year	No Cost Sharing for Diagnostic and Supplemental Breast Exams	0.17%	0.00%	0.11%	0.00%
	Timely Access to Diabetes Coverage	0.00%	0.00%	0.00%	0.00%
	Step-therapy Prohibition for	0.29%	0.00%	0.00%	0.00%
	Cost-sharing for prescription drugs or pharmacy services	1.32%	0.00%	0.72%	0.00%
	Chiropractic Services Cost-Sharing Limits (parity with PCPs)	0.00%	0.02%	0.00%	0.00%
	No Cost-Sharing for Sexually Transmitted Infection Treatment	0.15%	0.23%	0.14%	0.00%
	Coverage for Biomarker Testing	0.00%	0.10%	0.00%	0.00%
	Coverage for Prosthetics and Custom Orthotics	0.00%	0.00%	0.00%	0.00%
	Behavioral Services Cost-Sharing Elimination	0.00%	3.06%	0.00%	0.00%
	Anatomical Gift Nondiscrimination (cannot deny organ transplants)	0.00%	0.00%	0.00%	0.00%
	Total	**1.94%**	**3.43%**	**0.97%**	**0.00%**
2025 Plan Year	Prescription Drug Price Transparency Act	0.00%	0.00%	0.00%	0.00%
	Health Care Affordability Fund Distribution	0.00%	0.00%	0.00%	0.00%
	Step Therapy Guidelines	0.29%	4.43%	0.00%	0.00%
	Total	**0.29%**	**4.43%**	**0.00%**	**0.00%**
2026 Plan Year	Diabetic Foot Ulcer Equipment Coverage	0.00%	0.07%	0.00%	0.00%
	Behavioral Health Cost Sharing Sunset Elimination	0.00%	0.00%	0.00%	0.00%
	Add Classes To Prior Authorization Drugs	0.05%	0.00%	0.23%	0.00%
	Total	**0.05%**	**0.07%**	**0.23%**	**0.00%**
	Overall Premium Impact for Past 3 Years	**2.27%**	**8.09%**	**1.20%**	**0.00%**

- OSI monitors rate impacts of legislative changes as part of QHP rate review
- Impacts vary by insurer, depending on benefit structures, experience, enrollee mix, and how requirements are interpreted
- Data shown reflects first-year impacts only

New Mexico Fully Insured Market – Enrollment Change



- Individual Market
  - Significant growth driven by subsidized coverage
  - New Mexico was the only state with enrollment growth in 2026
  - On-Exchange increasing from 46,408 in 2022 to 82,016 in 2026, 74,987 remained covered
  - Off-Exchange continues to decline
- Group Market
  - Both group markets are shrinking, losing healthier members to less costly alternatives
  - Small Group decreasing from ~ 44,500 in 2022 → ~ 31,000 in 2026
  - Large Group decreasing from ~ 67,500 in 2022 → ~ 44,800 in 2026

April Snapshot

Health Insurers' Financial Performance

- Insurers are generally experiencing losses in the commercial fully insured market
- The Minimum Loss Ratios (a measure of how much of premium is used to provide benefits) exceed the 80% threshold, and in some cases exceed 100%
- The continued upward pressure of healthcare costs create solvency concerns and threaten the stability of the market

Health Insurers' Financial Performance

		Healthcare Service Corporation (BCBSNM)				
		Fully Insured Market				
		Individual	Group	Total Commercial Insured	Medicaid, Medicare and Other	Total
2025	Earned Premium	265.9M	775.6M	1B	4B	5B
	Net underwriting deductions	334.4M	769M	1.1B	4.1B	5.2B
	Net Underwriting Gain/(Loss)	-68.4M	6.6M	-61.8M	-184.9M	-246.7M
	Net Underwriting Gain/(Loss) as % of Premium	**-25.7%**	**0.8%**	**-5.9%**	**-4.7%**	**-4.9%**
2024	Earned Premium	214.4M	789.1M	1B	3B	4B
	Net underwriting deductions	252M	778.9M	1B	3.1B	4.2B
	Net Underwriting Gain/(Loss)	-37.6M	10.2M	-27.3M	-135.1M	-162.5M
	Net Underwriting Gain/(Loss) as % of Premium	**-17.5%**	**1.3%**	**-2.7%**	**-4.5%**	**-4.1%**

		Presbyterian Health Plan				
		Fully Insured Market				
		Individual	Group	Total Commercial Insured	Medicaid, Medicare and Other	Total
2025	Earned Premium	139M	141.7M	280.7M	4.3B	4.6B
	Net underwriting deductions	151.6M	142.6M	294.3M	4.4B	4.6B
	Net Underwriting Gain/(Loss)	-12.7M	-882.7K	-13.5M	-61.1M	-74.7M
	Net Underwriting Gain/(Loss) as % of Premium	**-9.1%**	**-0.6%**	**-4.8%**	**-1.4%**	**-1.6%**
2024	Earned Premium	112.2M	160.7M	272.9M	3.9B	4.2B
	Net underwriting deductions	140.5M	161.2M	301.7M	3.9B	4.2B
	Net Underwriting Gain/(Loss)	-28.3M	-469.2K	-28.8M	2M	-26.7M
	Net Underwriting Gain/(Loss) as % of Premium	**-25.2%**	**-0.3%**	**-10.5%**	**0.1%**	**-0.6%**

*Other includes Medicare Supplement, Excepted Benefits including dental and vision as well as Federal Employee Plans

Health Insurers' Financial Performance

		Molina Healthcare of New Mexico				
		Fully Insured Market				
		Individual	Group	Total Commercial Insured	Medicaid, Medicare and Other	Total
2025	Earned Premium	90.2M	-	90.2M	309.2M	399.4M
	Net underwriting deductions	91.7M	-	91.7M	297M	388.6M
	Net Underwriting Gain/(Loss)	-1.5M	-	-1.5M	12.2M	10.7M
	Net Underwriting Gain/(Loss) as % of Premium	**-1.6%**		-1.6%	4.0%	2.7%
2024	Earned Premium	65.2M	-	65.2M	132.1M	197.3M
	Net underwriting deductions	56.2M	-	56.2M	140.6M	196.8M
	Net Underwriting Gain/(Loss)	9M	-	9M	-8.5M	485.2K
	Net Underwriting Gain/(Loss) as % of Premium	**13.8%**		**13.8%**	-6.4%	0.2%

		United Healthcare of New Mexico				
		Fully Insured Market				
		Individual	Group	Total Commercial Insured	Medicaid, Medicare and Other	Total
2025	Earned Premium	104.1M	13.3M	117.4M	-160.7K	117.2M
	Net underwriting deductions	140.8M	11.3M	152M	796.4K	152.8M
	Net Underwriting Gain/(Loss)	-36.6M	2M	-34.7M	-957.1K	-35.6M
	Net Underwriting Gain/(Loss) as % of Premium	**-35.2%**	**14.9%**	**-29.5%**	**N/A**	**-30.4%**
2024	Earned Premium	34M	11.8M	45.9M	19.7M	65.5M
	Net underwriting deductions	45.4M	12.4M	57.8M	17.9M	75.7M
	Net Underwriting Gain/(Loss)	-11.4M	-538.8K	-11.9M	1.7M	-10.2M
	Net Underwriting Gain/(Loss) as % of Premium	**-33.4%**	**-4.5%**	**-26.0%**	**8.7%**	**-15.6%**

*Other includes Medicare Supplement, Excepted Benefits including dental and vision as well as Federal Employee Plans

Conclusion

- OSI approves health insurance premiums so that premiums are not excessive, inadequate, unfairly discriminatory and are actuarially sound
- New Mexico’s commercial market is fragile due to high rates, aging population and adverse financial experience for carriers
- Medical and pharmaceutical costs continue to climb, and insurance rates reflect these underlying trends
- OSI continues to balance consumer protections with carrier solvency

Appendix

Appendix: Qualified Health Plan (QHP) Review Process

Clear and Detailed Guidance

- OSI provides structured guidance to issuers and reviewers
- Review timelines and certification requirements
- Required submission materials and technical instructions
- Actuarial documentation expectations

Rigorous Actuarial Review

- Ensures rates are actuarially sound, not excessive or discriminatory and use actuarially supported methodologies
- Issuers must submit full actuarial justification and state-specific templates

Robust Analytical Review

- OSI examines trend assumptions, methodologies, regulatory impacts
- Tracks NM-specific legislative impacts since 2024
- Evaluates cost drivers and premium impacts

comprehensively

Interactive Oversight

- Multiple rounds of objections issued to ensure compliance
- Regular meetings with issuers to resolve issues and expedite reviews

MLR & Solvency Considerations

- Rates must align with MLR requirements
- Actuarially justified rates that meet solvency needs promote market stability

Current Market Reality

- Most issuers experience losses in NM's individual market
- Review process balances consumer protection with a sustainable marketplace