

## **Consumer Justification Narrative**

### **BlueCross BlueShield of North Dakota**

#### **Rate Changes effective 1/1/2026 for Individual Qualified Health Plans**

##### Summary

This document is intended to provide notice and justification to consumers for rate increases applicable to Individual Qualified Health Plans (QHPs) effective 1/1/2026.

##### Scope of Rate Increases

Beginning 1/1/2026, members currently enrolled in BCBSND Individual QHP BlueEssential will receive an adjustment to premiums exceeding 15% annually and requiring consumer disclosure. The average increase for BlueEssential is roughly 59%, but specific premium adjustments will vary by age and tobacco usage status. This adjustment will affect approximately 900 members. No other plans have greater than 15% annual increases for 2026.

##### Financial Experience

For policy year 2024, premiums received were not sufficient to cover claims paid, administrative costs, commissions, taxes, and fees. The rate adjustment effective January 1, 2026, is intended to cover future changes in medical/pharmacy expenses, administrative costs, taxes and fees, and profit/risk margin.

Under Medical Loss Ratio (MLR) requirements, the ACA requires Individual products to pay at least 80 cents of every premium dollar (after taxes and fees) toward medical/pharmacy claims and other qualified expenses. BCBSND significantly exceeds this requirement, expecting to pay approximately 89% of net premium dollars for 2026 Individual QHP's towards qualified MLR expenses. If, in 2026, paid claims are significantly less than anticipated, rebates will be paid to Individual QHP members.

##### Changes in Medical/Pharmacy Costs and Administrative Expenses

BCBSND is expecting notable increases in Medical/Pharmacy expenditures and other cost drivers in 2026 due to the following factors:

- Increased reimbursement to physicians & hospital systems that provide care to members
- Growing utilization and unit cost of pharmaceuticals, especially specialty drugs
- Changing cost-shares such as deductibles and copayments
- Additional covered benefits such as weight-management drugs
- Increased administrative expenses related to paying claims, collecting premiums, providing care management services, and improving technology and member tools

Additional to the above reasons, BlueEssential is particularly impacted by the new guidance on hardship exemptions for catastrophic plans issued on 9/4/2025 by the Center for Medicare and Medicaid, which significantly expanded the number of individuals eligible to take Catastrophic plans for 2026, the types of qualifying hardship exemptions, and the process through which hardship exemptions are granted. This change to the eligible population for catastrophic plans, which includes BlueEssential, significantly changes expectations on claims costs for those enrolling in the plan, requiring a large rate increase.

Moving forward, BCBSND continues to work on reducing healthcare costs through initiatives, such as our BlueAlliance partnerships with providers, consumer education and wellness programs for our members.