

Part II Consumer Justification Narrative Fallon Community Health Plan 2027 Individual Products

1. Scope and Range of the Rate Increase

This submission is for individual and small group health insurance products offered by Fallon Community Health Plan (FCHP) on and off Exchange, available for sale January 1, 2027 in the Massachusetts merged ACA market. FCHP is increasing premium rates for merged market plans by 19.2% in aggregate, with variation by plan with a minimum of 18.0% and a maximum of 23.3%. The rate increase is an average across all geographic areas; a specific member's rate increase can differ from this average.

As of March 2026, there are currently 29,641 members enrolled with FCHP.

FCHP is exiting all counties in rating regions 1, 3, 4, 5, 6, and 7 in 2027.

2. Financial Experience of the Product

The merged market financial experience for calendar year 2025 was as follows:

Premiums Earned: \$146,762,710

Incurred Claims (Net of Risk Adjustment Transfer): \$163,459,723

Member Months: 302,662

The loss ratio for plan year 2025 is 111%.

3. Changes in Medical Service Costs

There are many factors that contribute to an increase in medical and pharmacy costs every year. These factors affect premiums as well, which can mean a premium rate may increase to cover costs. Some of these factors include increased cost and utilization of medical and pharmacy services, changes to provider reimbursements, changes in benefits, impact of deductible leveraging, and federal and state policy changes expected to increase claim costs as healthier consumers exit the market.

4. Changes in Benefits

Changes in benefits impact projected costs and affect the premium rate changes by plan. Plan benefits were changed to comply with the requirements of the Affordable Care Act and state laws.

5. Administrative Costs and Anticipated Margins

FCHP is reducing its administrative cost assumption from 7.2% of premium to 5.9% of premium from 2026 to 2027. FCHP's profit/risk margin is 1.3% of premium. FCHP's anticipated federal medical loss ratio is 93.5%, which exceeds the federal and state requirements of 80% and 88%, respectively.