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**TOI/Sub-TOI:** H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)  
**Product Name:** 2026 BC Individual QHP Rates  
**Project Name/Number:** 2026 BC Individual QHP Rates/

## Filing at a Glance

Company: USable Mutual Insurance Company  
Product Name: 2026 BC Individual QHP Rates  
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# **Actuarial Memorandum (Redacted Version)**

USAbLe Mutual Insurance Company

Premium Rate Filing  
for  
Individual Exchange and Off-Exchange Health Insurance Products

Scenario #1:  
Expanded Tax Credits Under the American Rescue Plan Act (ARPA) are Not  
Extended and Federal Cost-Sharing Reductions (CSRs) are Not Appropriated by  
Congress

Effective January 1, 2026  
(Refiled July 25, 2025)

Redacted, Public Version

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## 1. General Information

As required by 45 CFR § 154.215, the purpose of this Actuarial Memorandum is to document the development and justification for USAbLe Mutual Insurance Company's (UMIC) Affordable Care Act (ACA) Individual On-Exchange and Off-Exchange health insurance premium rates effective January 1, 2026. This Actuarial Memorandum is intended for rate review by the Arkansas Insurance Department and the United States Centers for Medicaid and Medicaid Services (CMS).

The premium rates in this Actuarial Memorandum are based upon the Arkansas Insurance Department's (AID) guidance in Bulletin No. 4-2025<sup>1</sup> and Bulletin No. 4a-2025<sup>2</sup>. Specifically, in Bulletin No. 4-2025, AID directs insurance carriers to develop one set of rates "assuming the expanded tax credits under the [American Rescue Plan Act] will not be extended past 12/31/2025"<sup>3</sup> and the application of a "CSR load for On-Marketplace Silver plans [of] 1.46."<sup>4</sup> This set of rates is referred to as "Scenario #1" within this Actuarial Memorandum.

The required company identifying information and company contact information can be found below:

### Company Identifying Information

- Company Legal Name: **USAbLe Mutual Insurance Company**
- State: **Arkansas**
- HIOS Issuer ID: **75293**
- Market: **Individual**
- Effective Date: **1/1/2026**

### Company Contact Information

- Primary Contact Name: [REDACTED]
- Primary Contact Telephone Number: [REDACTED]
- Primary Contact E-mail Address: [REDACTED]

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<sup>1</sup> Arkansas Insurance Department, "Bulletin No. 4-2025." Published March 7, 2025.  
[https://portal.insurance.arkansas.gov/LegalPubsPublic/Documents/Bulletins/bulletin\\_4-2025.pdf](https://portal.insurance.arkansas.gov/LegalPubsPublic/Documents/Bulletins/bulletin_4-2025.pdf)

<sup>2</sup> Arkansas Insurance Department, "Bulletin No. 4a-2025." Published May 14, 2025.  
[https://portal.insurance.arkansas.gov/LegalPubsPublic/Documents/Bulletins/bulletin\\_4a-2025.pdf](https://portal.insurance.arkansas.gov/LegalPubsPublic/Documents/Bulletins/bulletin_4a-2025.pdf)

<sup>3</sup> "Bulletin No. 4-2025," page 1.

<sup>4</sup> Ibid, page 2.

## 2. Proposed Rate Changes

UMIC is requesting a [REDACTED] average rate [REDACTED] weighted across all renewing plans, which ranges from [REDACTED]. The [REDACTED] is based on the Arkansas Department of Human Services (DHS) paying premiums that have not been loaded with the 1.46 CSR load, as mandated by AID Bulletin No. 4-2025. However, because the rates reflected in the URRT for plan ID 75293AR1200004<sup>5</sup> only reflect the CSR loaded rates, the URRT will show a [REDACTED] average rate [REDACTED]. The rating impact by plan ID can be found in the Unified Rate Review Template (URRT), specifically Worksheet 2, Section I.

To review the quantitative impact of significant factors driving the rate change, please refer to the “Relationship of Proposed Rate Scale to Current Rate Scale” exhibit in the “Actuarial Memo Dataset.” This dataset is included with the 2026 rate filing.

The most significant reasons for the requested rating impact include the following:

- Updated benefit factors for the 2024 experience period plans and 2026 projection period plans.
- Claims trend from the 2024 experience period to the 2026 projection period.
- Changes in morbidity and membership mix from the 2024 experience period to the 2026 projection period, with specific impact from the following:
  - The American Rescue Plan Act (ARPA) tax credits terminating 12/31/2025, based on AID Bulletin No. 4-2025.
  - [REDACTED]
- Changes in the expected risk adjustment position from the 2024 experience period to the 2026 projection period.
- Changes to the Exchange User Fee, which will be 2.0% in 2026, based on Scenario #1 assuming the expanded tax credits under ARPA are not extended.<sup>6</sup>
- Expanded benefits and reduced member cost-sharing mandates due to legislative bills passed and signed into law during the 2025 Arkansas legislative session, in which the incurred impact from the mandates is not accounted for in the base 2024 experience period.
- Impact of additional Gene Therapies (GT) and Chimeric Antigen Receptor T-cell therapies (CAR-T) coming to market in 2025 and 2026.
- Assumption that 2026 Federal cost-sharing reductions (CSRs) will not be paid to carriers, based on the guidance in Scenario #1 that Congress will not appropriate funding for CSRs.
- Assumption that the 2026 ARHOME program budget cap will not limit the amount of CSRs reimbursed to UMIC for the 2026 plan year.
  - UMIC is estimating that its ARHOME revenue (i.e., premium and CSR) will be higher than the budget cap in 2026, which will result in UMIC not being able to collect from DHS any CSRs above the overall budget cap. UMIC leadership has chosen to not load premiums for any unrecoverable CSRs in the ARHOME program. This is reflected in the results under Section 4, “Projected Loss Ratio.”

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<sup>5</sup> Plan ID 75293AR1200004 is the plan that DHS purchases for ARHOME members. AID requested that UMIC submit the unloaded CSR ARHOME premium rates in a separate rate template with the 2026 filing.

<sup>6</sup> United States Department of Health and Human Services, “Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2026; and Basic Health Program,” Page 4485. Published January 15, 2025. <https://www.govinfo.gov/content/pkg/FR-2025-01-15/pdf/2025-00640.pdf>.

- It should be noted that if UMIC were reimbursed all CSRs owed by DHS, the rates contained in this rate filing would be considered adequate, reasonable, and sufficient. However, due to CSRs likely being underfunded by DHS within the ARHOME program, UMIC is issuing rates in this rate filing with the expectation they will result in negative margins.
- Assumption that the 2026 ARHOME quality metrics program will not result in a penalty being applied to UMIC's CSR reconciliation by DHS.
- Applying a "CSR load for On-Marketplace Silver plans" of 1.46, as mandated by AID in Bulletin No 4-2025.<sup>7</sup>

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<sup>7</sup> "Bulletin No. 4-2025," page 2.

### 3. Market Experience

This section of the Actuarial Memorandum includes details that support the single risk pool calculations for UMIC’s product in the Arkansas Individual market. These calculations are the basis for the 2026 plan year membership, claims, and premium projections and the requested rating action. Unless noted in the specific sections below, all calculations and assumptions were generated using UMIC data.

The experience period used for this Actuarial Memorandum is plan year 2024 experience for the single risk pool only. As allowed by the URRT instructions, [REDACTED].

#### 3.1 Experience and Current Period Premium, Claims, and Enrollment

##### A. Paid Through Date

The experience period claims represented in the URRT are claims incurred 1/1/2024 through 12/31/2024 and paid between 1/1/2024 and 6/30/2025. Runout factors have been applied so that the experience period claims reflect an incurred view of the claims.

A summary of the allowed and paid claims can be found below. These are also included in Worksheet 1, Section I of the URRT.

- Allowed Claims: [REDACTED]
- Paid Claims: [REDACTED]

##### B. Current Date

The current date enrollment and premium information in the URRT is current as of 6/30/2025. This information is also included in Worksheet 2, Section II of the URRT.

- Enrollment: [REDACTED]
- Premiums: [REDACTED]

##### C. Incurred and Allowed Claims During the Experience Period

All medical claims were processed through UMIC’s internal claims processing system and all pharmacy claims were processed through UMIC’s pharmacy benefits manager (PBM), [REDACTED]. In order to better identify cost trends from the 2024 experience period to the 2026 projection period, claims have been broken down by claim category. The claim category designations come from Milliman’s Health Cost Guidelines software.

Allowed claims are calculated as the sum of total claims paid by UMIC plus member cost-sharing.

The Incurred But Not Paid (IBNP) estimate is based on completion factors that were calculated from UMIC’s ACA Individual product paid claims data. [REDACTED].

#### 3.2 Benefit Categories

As noted in the previous section, Milliman’s Health Cost Guidelines software was used to classify experience period claims experience into the URRT benefit categories.

- All inpatient-related claims were mapped to the “Inpatient Hospital” category.

- All outpatient-related claims were mapped to the “Outpatient Hospital” category.
- PCP, specialist, therapy (OT/PT/ST) and other professional-related claims were mapped to the “Professional” category.
- Home health, ambulance, DME, and prosthetics were mapped to the “Other Medical” category.
- Incentive/Value-Based program payments and other capitation-related payments were mapped to the “Capitation” category.
- Prescription drug claims (net of any Rx rebates) were mapped to the “Prescription Drug” category.

### 3.3 Projection Factors

This section includes information about the adjustments used to convert 2024 experience period claims to the 2026 projection period.

#### A. Trend Factors (Cost/Utilization)

A trend adjustment was applied to the 2024 experience period claims to account for allowed cost and utilization changes from the experience period to the projection period. As demonstrated in Worksheet 1, Section II, the trend factor is [REDACTED] for Year 1 and [REDACTED] for Year 2. This is also captured in the following exhibit:

*Exhibit 1: Annualized Cost and Utilization Trend Factors*  
*Exhibit Redacted*

Trend factors were calculated using Enterprise historical claims data from the claims data warehouse. In this Actuarial Memorandum, the term “Enterprise” refers to [REDACTED]. Claims were processed through [REDACTED] to classify claims into the appropriate benefit category and normalized using risk scores from [REDACTED].

Utilization projection assumptions by benefit category were chosen based on [REDACTED] of the Enterprise’s historical claims data and a review of historical and expected utilization patterns.

Cost projections by benefit category were calculated by taking into account anticipated changes in [REDACTED], among other considerations.

#### B. Morbidity Adjustment

Using [REDACTED], UMIC calculated risk scores for the 2024 experience period [REDACTED]. The change in morbidity from the 2024 experience period to the 2026 projection period was calculated by comparing risk scores in each [REDACTED].

The morbidity factor for the projection period reflects the higher risk/acuity of the block from the experience period to the projection period, with particular emphasis placed on the termination of APRA enhanced tax subsidies.

Taking these changes into account, UMIC’s modeling shows a morbidity factor of [REDACTED] to adjust from the 2024 experience period to the 2026 projection period.

The exhibit below summarizes how the overall morbidity adjustment in the URRT was calculated.

*Exhibit 2: Morbidity Adjustment*  
*Exhibit Redacted*

### C. Demographic Shift

The demographic shift from the 2024 experience period to the 2026 projection period is expected to be [REDACTED]. This adjustment is based on current product enrollment as of 6/30/2025.

Overall, the demographic adjustment takes into account projected changes in age/sex composition within the single risk pool and changes in the percentage of underlying members that are tobacco users.

The claim relativities used in the demographic adjustment development are reflective of [REDACTED].

The following exhibit summarizes how the overall demographic adjustment in the URRT was calculated.

*Exhibit 3: Demographic Adjustment*  
*Exhibit Redacted*

### D. Plan Design Changes

The plan design changes factor is historically derived from adjustments for [REDACTED]. The combined factor for the projection period is [REDACTED]. This factor includes [REDACTED].

[REDACTED]. The additional coverage refers to costs UMIC expects to incur in the 2026 projection period as a result of new laws stemming from the 2025 Arkansas legislative session and additional costs of GT and CAR-T products coming to market in 2025 and 2026.

During the 2025 Arkansas legislative session, multiple bills were passed and signed into law that enhance EHB benefits and reduce member cost-sharing for certain EHB services. The additional costs considered in the 2026 rate filing include the following:

- **Act 424**
  - Requires coverage for breast reconstruction surgeries. Additionally, a minimum reimbursement level is set for any surgery only available at an out-of-network provider. This will increase the types of surgeries covered. This will also increase unit cost for surgeries due to the minimum level being set at the 80<sup>th</sup> percentile of similar geographical areas.
- **Act 553**
  - Eliminates all member cost-sharing for diagnostic breast examinations. This will increase claims paid by UMIC as they will cover the portion previously paid by the member.
- **Act 624**
  - This Act prohibits Pharmacy Benefit Managers (PBMs) from having any ownership in an Arkansas pharmacy. This will cause member disruption due to pharmacies closing or leaving their network. The greatest potential impact will be on specialty prescriptions. Many specialty prescriptions are filled by PBM owned pharmacies and will need to be

filled elsewhere. This will also reduce competition within Arkansas potentially driving prices up further.

- **Act 860**
  - Requires coverage for genetic testing for inherited gene mutations and evidence-based cancer imaging. This will cause UMIC to broaden the testing and screenings currently covered today. Additionally, this Act does not allow member cost-sharing which will further increase plan liability.
- **Act 867**
  - This Act sets the minimum provider reimbursement for ambulance services that do not have a contracted rate at the lesser of 325% of the rural Medicare rate or the billed charges. In addition to increases to UMIC's paid claims for non-contracted ambulance providers, future contracts will likely increase reimbursement due to the alternative available for providers if they leave the network.

Exhibit 4 summarizes how the overall plan design changes adjustment in the URRT was calculated.

*Exhibit 4: Plan Design Changes Adjustment*  
*Exhibit Redacted*

#### **E. Manual Rate Adjustments**

No manual rate was necessary, as the experience period claims are fully credible.

#### **F. Credibility of Experience**

Given that the base period experience includes [REDACTED], the credibility assigned to the base period experience for the purposes of this rate filing is [REDACTED].

#### **G. Establishing the Index Rate**

The index rate for UMIC's 2026 On-Exchange and Off-Exchange Individual rate filing is [REDACTED]. This is demonstrated in Exhibit 5.

The index rate only includes allowed EHB claims. All non-EHB claims were excluded from the experience period by filtering and removing any claims with HCPCS codes and ICD-10 codes associated with the non-EHB benefits. The following is a list of all benefits considered non-EHB for purposes of the 2026 On-Exchange and Off-Exchange Individual rate filing, based on information available as of June 11, 2025:

- **Treatment of craniofacial anomaly**
  - As mandated by AR Code § 23-79-1501 (2024).<sup>8</sup>
- **Adult vision exams**
  - [REDACTED]
  - [REDACTED]

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<sup>8</sup> AR Code § 23-79-1501 (2024). <https://law.justia.com/codes/arkansas/title-23/subtitle-3/chapter-79/subchapter-15/section-23-79-1501/>.

- **Procedures related to severe obesity treatments (including bariatric surgery treatments)**
  - As mandated by Act 628.<sup>9</sup>
- **Procedures that could be related to reproductive services**
  - As mandated by Act 859.<sup>10</sup>
- **Applied behavior analysis (ABA) services and uncapped therapy visits for members with an autism spectrum disorder**
  - As mandated by AR Code § 23-99-418 (2024).<sup>11</sup>
  - This benefit mandate only applies “to plans offered outside the state medical exchange.”<sup>12</sup> As such, this non-EHB benefit is not covered by On-Exchange plans offered in the Arkansas market.
- **Coverage of off-label drug use and treatment for pediatric acute-onset neuropsychiatric syndrome (PANS) and pediatric autoimmune neuropsychiatric disorders associated with streptococcal infection (PANDAS)**
  - As mandated by AR Code § 23-79-1905 (2024).<sup>13</sup>
- **Procedures related to acquired brain injury**
  - As mandated by Act 348.<sup>14</sup>
- **Services provided by doulas**
  - As mandated by Act 965.<sup>15</sup>
- **Services provided by certified community health workers**
  - As mandated by Act 435.<sup>16</sup>

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<sup>9</sup> State of Arkansas 95<sup>th</sup> General Assembly, “An Act to Mandate Coverage for Severe Obesity Treatments; And For Other Purposes.” Published April 16, 2025.  
<https://arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2025R%2FPublic%2FACT628.pdf>.

<sup>10</sup> State of Arkansas 95<sup>th</sup> General Assembly, “An Act to Create the Reproductive Empowerment And Support Through Optimal Restoration (RESTORE) Act; And for Other Purposes.” Published April 17, 2025.  
<https://arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2025R%2FPublic%2FACT859.pdf>.

<sup>11</sup> AR Code § 23-99-418 (2024). <https://law.justia.com/codes/arkansas/title-23/subtitle-3/chapter-99/subchapter-4/section-23-99-418/>.

<sup>12</sup> Ibid.

<sup>13</sup> AR Code § 23-79-1905 (2024). <https://law.justia.com/codes/arkansas/title-23/subtitle-3/chapter-79/subchapter-19/section-23-79-1905/>.

<sup>14</sup> State of Arkansas 95<sup>th</sup> General Assembly, “An Act to Mandate Coverage For Acquired Brain Injury; And For Other Purposes.” Published March 20, 2025.  
<https://arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2025R%2FPublic%2FACT348.pdf>

<sup>15</sup> State of Arkansas 95<sup>th</sup> General Assembly, “An Act to Establish The Certified Community-Based Doula Certification Act; To Certify Birth and Postpartum Doulas In This State To Improve Maternal And Infant Outcomes; And for Other Purposes.” Published April 21, 2025.  
<https://arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2025R%2FPublic%2FACT965.pdf>.

<sup>16</sup> State of Arkansas 95<sup>th</sup> General Assembly, “An Act To Create The Community Health Worker Act; To Establish A Statewide Certification For Community Health Workers; And For Other Purposes.” Published April 3, 2025.  
<https://arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2025R%2FPublic%2FACT435.pdf>

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

*Exhibit 5: Index Rate Calculation*  
*Exhibit Redacted*

#### H. Development of the Market-Wide Adjusted Index Rate (MAIR)

The development of the projection period MAIR can be viewed in Exhibit 6. Additional information regarding risk adjustment and exchange user fee modifiers can also be found in this section.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

*Exhibit 6: Development of MAIR*  
*Exhibit Redacted*

#### (1) Reinsurance

[REDACTED]

#### (2) Risk Adjustment Payment/Charge

The expected risk adjustment transfer can be found in Worksheet 1, Section II of the URRT.

[REDACTED]

The basis for this calculation was [REDACTED] information from the following sources:

- [REDACTED]
  - [REDACTED]
- [REDACTED]
  - [REDACTED]
  - [REDACTED]
- [REDACTED]
  - [REDACTED]

When estimating the risk adjustment transfer for the 2026 projection period, key variables in the risk adjustment transfer were estimated and applied against the Federal risk adjustment transfer formula. These variables include the following:

- [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Finally, the HCRP was estimated by [REDACTED]

Exhibit 7 demonstrates how the risk adjustment, HCRP, and combined estimates (in total) were calculated. This is presented on a paid basis. Risk adjustment transfer factors for other insurers operating in the Arkansas individual market are included for calculation purposes, but their totals are not included in the risk adjustment and HCRP totals.

*Exhibit 7: Risk Adjustment Estimate (Paid Basis) with HCRP Estimate  
Exhibit Redacted*

### (3) Exchange User Fees

The exchange user fee (EUF) estimate can be found in Worksheet 1, Section II of the URRT.

The EUF is applied as an adjustment to the index rate at the market level. For the projection period, UMIC expects the EUF to be [REDACTED] on an allowed basis. This equates to [REDACTED] of the projected index rate at the market level.

Please note that any PMPM differences between this Actuarial Memorandum and the URRT are due to rounding limitations in the URRT.

The EUF was calculated by applying the 2.0% fee to all projected premium associated with On-Exchange variant plans, and then dividing that amount by the total projected member months for the 2026 projection period. The 2.0% EUF is based on Federal guidance provided in the 2026 National Benefits and Payments Parameters, under the scenario that the ARPA tax subsidies will expire before the 2026 plan year.<sup>17</sup>

### 3.4 Plan Adjusted Index Rate

The plan adjusted index rate (PAIR) was calculated by applying all allowable adjustments to the MAIR as outlined in the most recently published URRT instructions. All factors outlined below can be found in Worksheet 2, Section III of the URRT.

#### A. Actuarial Value (AV) and Cost-Sharing Design Adjustment

The weighted average AV and cost-sharing design factor for the 2026 projection period is [REDACTED].

Benefit factors to adjust experience period claims to the projection period were developed using [REDACTED].

Plan benefits were modified in order to maintain compliance with the 2026 Federal AV Calculator and ensure plan benefits and premiums were in line with UMIC's perceived market expectations. Also, all plan designs are compatible with the 2026 Federal AV Calculator.

#### B. Changes to Network, Delivery System, and Utilization Management Practices

The weighted average factor for changes to network, delivery system, and UM practices is [REDACTED].

#### C. Benefits in Addition to EHB Benefits

The weighted average factor for benefits covered in addition to EHB benefits is [REDACTED].

All non-EHB claims incurred during the experience period were removed so that the PAIR would only reflect EHB experience. [REDACTED]

[REDACTED]. This will ensure any and all

<sup>17</sup> United States Department of Health and Human Services, "Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2026; and Basic Health Program," Page 4485. Published January 15, 2025. <https://www.govinfo.gov/content/pkg/FR-2025-01-15/pdf/2025-00640.pdf>.

premiums paid by consumers and/or the Federal government (via advanced premium tax credits) for On-Exchange Individual plans only cover EHB benefits.

Plans that are considered high-deductible health plans (HDHP) [REDACTED], due to Internal Revenue Service (IRS) rules that limit the maximum out-of-pocket (MOOP) expenses that consumers on a HDHP can be subjected to.<sup>18</sup>

Additionally, due to [REDACTED] of AR Code § 23-99-418 (2024), UMIC is not applying [REDACTED] to Off-Exchange Individual plans for members with an autism spectrum disorder that are seeking applied behavior analysis (ABA) services or therapy services.<sup>19</sup>

Non-EHB benefits included in the “Benefits in Addition to EHB” factor can be found in Section 3.3(G) of this Actuarial Memorandum.

#### **D. Administrative Costs**

The following administrative costs include all expenses other than EUF and reinsurance fees, which have already been factored into the MAIR.

##### **(1) Administrative Expense**

The weighted average factor for administrative expenses is [REDACTED]. Administrative expense assumptions were developed using [REDACTED].

##### **(2) Taxes and Fees**

The weighted average factor for taxes and fees in the projection period is [REDACTED]. This percentage does not include EUF, but does include the following:

- Premium taxes
- Federal income taxes
- Risk adjustment user fee
- Patient-Centered Outcomes Research Institute (PCORI) Fee

##### **(3) Profit and Risk Load**

The weighted profit and risk load for the projection period is [REDACTED].

#### **E. Development of Plan Adjusted Index Rate**

Exhibits 8 and 9 demonstrate how the plan adjusted index rate was developed for each Plan ID being offered in 2026. This includes an exhibit that ties the administrative expenses, taxes and fees, and profit and risk loads for each Plan ID to Worksheet 2, Section III of the URRT.

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<sup>18</sup> United States Internal Revenue Service, “Publication 969 Health Savings Accounts and Other Tax-Favored Health Plans.” <https://www.irs.gov/pub/irs-pdf/p969.pdf>.

<sup>19</sup> AR Code § 23-99-418 (2024). <https://law.justia.com/codes/arkansas/title-23/subtitle-3/chapter-99/subchapter-4/section-23-99-418/>.

Please note that any PMPM differences between the exhibits below and the URRT are due to rounding limitations in the URRT.

*Exhibit 8: Plan Adjusted Index Rate Development by Plan ID*  
*Exhibit Redacted*

*Exhibit 9: Administrative Cost Breakdown by Plan ID*  
*Exhibit Redacted*

### 3.5 Calibration

The following calibrations are used to make the PAIR calibrated to a 1.000 factor. All of the calibration factors can be found in Worksheet 2, Section III of the URRT.

#### A. Age Curve Calibration

The age calibration factor for the 2026 projection period is [REDACTED]. This was found using the most recent Federal age curve and applying it to the 2026 projection period enrollment by age, which resulted in an average age curve factor of [REDACTED].

The age curve calibration factor is used to help calibrate the PAIR to a normalized value, which can then be applied to consumer-level adjustments. The age curve is one of three factors used to normalize (see sections B and C below). Once the PAIR is normalized to the calibrated PAIR and ready to be priced at the consumer-level, UMIC will apply the appropriate age factor based on a consumer's age per the Federal age curve (see Appendix A).

#### B. Geographic Factor Calibration

[REDACTED]

[REDACTED]

#### C. Tobacco Use Rating Factor Calibration

The tobacco rating calibration factor is [REDACTED]. UMIC is applying a 20% load to all premium rates for tobacco users aged 21 and older. See Appendix A for a complete list of age ranges that have the tobacco load applied to consumers currently using tobacco products.

#### D. Combined Calibration Factors

The combined calibration factors used in the 2026 rate filing is [REDACTED]. It is used uniformly for all plans in the single risk pool. The following exhibit demonstrates how the calibrated plan adjusted index rate is calculated, using the plan adjusted index rate and calibration factors.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

*Exhibit 10: Calibrated Plan Adjusted Index Rate by Plan ID*  
*Exhibit Redacted*

### 3.6 Consumer Adjusted Premium Rate Development

The exhibit on the next page shows how to calculate the premium rate for a non-smoking 35 year-old on the 75293AR1200023 plan (Silver Value). The exhibit starts with the PAIR, applies the calibration factors from Section 3.5 of this Actuarial Memorandum, and then applies the appropriate consumer-level adjustments based on the consumer's age, rating area, and tobacco status.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

*Exhibit 11: Consumer Adjusted Premium Rate Example Calculation*  
*Exhibit Redacted*

## 4. Projected Loss Ratio

The projected loss ratio for the 2026 projection period was calculated based on the federally prescribed MLR methodology. In addition to the 2026 projection period, 2024 and 2025 MLR projections have been provided in order to calculate the three-year average MLR for the 2026 projection period. This can be found in the exhibit below.

*Exhibit 12: Projected Loss Ratio for the 2026 Projection Period*  
*Exhibit Redacted*

## 5. Plan Product Information

### 5.1 AV Metal Value

All plan AV metal values were based on the Federal AV Calculator methodology and tool. These values by plan can be found in Worksheet 2, Section I of the URRT.

### 5.2 Membership Projections

The membership projections used for the 2026 projection period [REDACTED]:

- Anticipated member movement from one plan to another.
- Anticipated impact of ARPA tax credits terminating 12/31/2025, which will significantly reduce On-Exchange enrollment.
- [REDACTED]
- Desire that UMIC plans and rates continue to be competitive in both On-Exchange and Off-Exchange markets.

Similar to the overall membership projections, membership for silver metallic plan variants with CSR subsidies were projected by [REDACTED]. The exhibit below provides the CSR variant membership projections by silver plan.

*Exhibit 13: Projected MM by Silver Plan and CSR Variant*  
*Exhibit Redacted*

### 5.3 Terminated Plans and Products

The exhibit below includes a list of terminated plans for plan years 2024 through 2026, along with an indication of what plans they were crosswalked to. [REDACTED]

*Exhibit 14: Terminated Plans with Crosswalk*  
*Exhibit Redacted*

### 5.4 Plan Type

All plans in Worksheet 2, Section 1 of the URRT were described accurately by the available drop-down box in this section of the URRT.

## 6. Miscellaneous

### 6.1 Effective Rate Review Information

UMIC elected to provide additional information in the first version of the Scenario #1 filing that was submitted June 13, 2025. Accordingly, most of the exhibits provided in that version did not change in this updated filing of the Actuarial Memorandum. However, for exhibits that did change, we are providing updated values.

*This section of the memorandum and the accompanying exhibits have been redacted.*

## 6.2 CSR Disclosure Per Federal Guidance

On May 2, 2025, the United State Department of Health and Human Services (HHS) issued a bulletin that requires issuers to disclose specific CSR information related to the base experience period (2024) and projection period (2026).<sup>20</sup> HHS subsequently published an FAQ document that clarified portions of their original bulletin.<sup>21</sup> This section of the Actuarial Memorandum is used to address those requirements.

For the 2024 base experience period, HHS requires each issuer to “specify the actual CSRs the issuer paid for enrollees for PY 2024.”<sup>22</sup> In the case where actual CSRs are not available, HHS “will accept an estimate developed using a reasonable methodology detailed in the Actuarial Memorandum.”<sup>23</sup> As such, UMIC is providing an estimate of the 2024 plan year On-Exchange CSRs using [REDACTED]

For the 2026 plan year, HHS requests issuers to “specify ... the [CSR] load amount and explain how it was determined.”<sup>24</sup> As noted in Section 1 of this Actuarial Memorandum, Bulletin No. 4-2025 directed insurance carriers in Arkansas to develop rates using a “CSR load for On-Marketplace Silver plans [of] 1.46.”<sup>25</sup> This load was developed by AID, based on 2024 On-Exchange silver enrollment with particular focus on the 87% and 94% plan variant membership.

Lastly, for the 2026 plan year, HHS also requests issuers explain “how the additional revenue collected from the applied CSR load compares to the expected amount of CSRs that will be provided to enrollees in PY 2026.”<sup>26</sup> Based on [REDACTED]

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<sup>20</sup> United States Department of Health and Human Services, “Plan Year 2026 Individual Market Rate Filing Instructions.” Published May 2, 2025. <https://www.cms.gov/files/document/py-26-individual-market-rate-filing-instructions.pdf>.

<sup>21</sup> United States Department of Health and Human Services, “Frequently Asked Questions on Plan Year 2026 Individual Market Rate Filing Instructions.” Published May 27, 2025. <https://www.cms.gov/files/document/py-26-individual-market-rate-filing-instructions.pdf>.

<sup>22</sup> “Plan Year 2026 Individual Market Rate Filing Instructions,” page 4.

<sup>23</sup> “Frequently Asked Questions on Plan Year 2026 Individual Market Rate Filing Instructions,” page 1.

<sup>24</sup> “Plan Year 2026 Individual Market Rate Filing Instructions,” page 4.

<sup>25</sup> “Bulletin No. 4-2025,” page 2.

<sup>26</sup> “Plan Year 2026 Individual Market Rate Filing Instructions,” page 4.



### 6.3 Reliance

The exhibit below lists the assumptions, data, and information that was relied upon for the 2026 On-Exchange and Off-Exchange Individual rate filing.

Data was reviewed for reasonableness, but no audit of the data was performed. There are no known uncertainties or concerns about data quality that would limit the use of this Actuarial Memorandum for the stated purposes of documenting the development and justification for insurance premium rates effective January 1, 2026, as required by 45 CFR § 154.215.

If any of the assumptions, data, or information provided by the sources identified below is inaccurate, falsified, or misleading, it could impact the accuracy of the rate development and conclusions contained within this Actuarial Memorandum.

*Exhibit 18: Reliance Summary*

*Exhibit Redacted*

## 6.4 Actuarial Certification

I, [REDACTED], am a Fellow in the Society of Actuaries (FSA) and a member of the American Academy of Actuaries. I meet the Qualification Standards of Actuarial Opinions as adopted by the American Academy of Actuaries and have the education and experience necessary to complete this rate filing for USABLE Mutual Insurance Company (UMIC). [REDACTED].

I certify the rates in this filing were developed in accordance with the appropriate Actuarial Standards of Practice (ASOPs) and the profession's Code of Professional Conduct. While other ASOPs apply, particular emphasis was placed on the following:

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*
- ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*
- ASOP No. 56, *Modeling*

I certify that to the best of my knowledge and judgment:

1. The projected Index Rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
  - Developed in compliance with the applicable Actuarial Standards of Practice
  - Reasonable in relation to the benefits provided and the population anticipated to be covered
  - Neither excessive nor deficient, with the qualification noted below
    - i. *Qualification: As noted in Section 2 ("Proposed Rate Changes"), the rates presented in this Actuarial Memorandum were developed under the assumption that DHS will reimburse UMIC for all CSR incurred in the ARHOME program. This was assumed at the direction of UMIC Senior Leadership. If DHS reimburses UMIC for all CSR incurred in the ARHOME program, UMIC expects to achieve a margin of 3.5%. However, due to the ARHOME budget cap, UMIC will likely achieve a negative margin in 2026, as a significant portion of the incurred CSR will be uncollectable. UMIC will use existing reserves to offset any negative margin.*
2. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan-level rates.
3. The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

4. The AV Calculator was used to determine the AV Metal Values shown in Part I of Worksheet 2 in the URRT for all plans.

The URRT does not demonstrate the process used by the issuer to develop the rates. Rather, it represents information required by federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-facilitated Exchanges, and for certification that the Index Rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.

The 2026 plan year premium rates in this Actuarial Memorandum are contingent upon the status of the ACA statutes and regulations, including any regulatory guidance, court decisions, or otherwise at the Federal and State levels. Changes have the potential to greatly impact the 2026 plan year premium rates provided in this Actuarial Memorandum. Changes include, but are not limited to, any legislative or regulatory amendments, court decisions, or decisions by Congress, the Health and Human Services Secretary, the Centers for Medicare and Medicaid Services director, and DHS.

Given the high degree of risk and uncertainty regarding regulatory requirements and legislative actions at both the state and federal levels, UMIC reserves the right to adjust the premium rates in this Actuarial Memorandum at management's discretion.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## Appendix A

### Federal Age Curve Factors

Age	Non-Tobacco Age Factors	Tobacco Load
0-14	0.765	1.0
15	0.833	1.0
16	0.859	1.0
17	0.885	1.0
18	0.913	1.0
19	0.941	1.0
20	0.970	1.0
21	1.000	1.2
22	1.000	1.2
23	1.000	1.2
24	1.000	1.2
25	1.004	1.2
26	1.024	1.2
27	1.048	1.2
28	1.087	1.2
29	1.119	1.2
30	1.135	1.2
31	1.159	1.2
32	1.183	1.2
33	1.198	1.2
34	1.214	1.2
35	1.222	1.2
36	1.230	1.2
37	1.238	1.2
38	1.246	1.2
39	1.262	1.2
40	1.278	1.2
41	1.302	1.2
42	1.325	1.2
43	1.357	1.2
44	1.397	1.2
45	1.444	1.2
46	1.500	1.2
47	1.563	1.2
48	1.635	1.2
49	1.706	1.2
50	1.786	1.2
51	1.865	1.2
52	1.952	1.2
53	2.040	1.2
54	2.135	1.2
55	2.230	1.2
56	2.333	1.2
57	2.437	1.2
58	2.548	1.2
59	2.603	1.2
60	2.714	1.2
61	2.810	1.2
62	2.873	1.2
63	2.952	1.2
64 and over	3.000	1.2

## Rate Filing Justification Part II (Plain Language Summary)

Pursuant to 45 CFR 154.215, health insurance issuers are required to file Rate Filing Justifications. Part II of the Rate Filing Justification for rate increases and new submissions must contain a written description that includes a simple and brief narrative describing the data and assumptions that were used to develop the proposed rates. The Part II template below must be filled out and uploaded as an Adobe PDF file under the Consumer Disclosure Form section of the Supporting Documentation tab.

Name of Company      USAbLe Mutual Insurance Company

SERFF tracking number   ARBB-134497565

Submission Date        7/25/2025

Product Name            Individual Major Medical PPO

Market Type              Individual       Small Group

Rate Filing Type         Rate Increase    New Filing

### Scope and Range of the Increase:

The 23.3% increase is requested because:

UMIC is requesting an overall rate increase of 23.30% for the 2026 plan year. This request is primarily based on (1) changes in utilization and cost trends from the 2024 experience period to the 2026 plan year, (2) benefit adjustments UMIC made for the 2026 plan year, (3) adjustments to 2024 experience period claims to account for various legislative items that will impact claims, and (4) changes to the underlying risk, acuity, and morbidity of projected membership. Other adjustments include changing demographics, expense trend, Federal cost-sharing reduction

This filing will impact:

# of Arkansas policyholder's 93,650      # of Arkansas covered lives 106,042

The average, minimum and maximum rate changes increases are:

- Average Rate Change: The average premium change, by percentage, across all policy holders if the filing is approved 23.3 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved 11.5 %
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 63.0 %

Individuals within the group may vary from the aggregate of the above increase components as a result of:

Rate increases may vary for individuals primarily due to changes in benefits and other factors relative to their 2025 benchmarks.

### Financial Experience of Product

The overall financial experience of the product includes:

The overall financial experience of this product is based on claims experience incurred in plan year 2024 and paid as of 3/31/2025, with an additional estimate for claims incurred but not paid (IBNP).

The rate increase will affect the projected financial experience of the product by:

The 2026 requested rate increase will allow UMIC to provide competitively priced premiums that adequately cover the financial risks associated with this type of product, as well as allowing UMIC to meet the federally-mandated Minimum Loss Ratio (MLR) requirement (based on UMIC's

### **Components of Increase**

The request is made up of the following components:

*Trend Increases* – 23.7 % of the 23.3 % total filed increase

1. Medical Utilization Changes – Defined as the increase in total plan claim costs not attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts. Examples include changes in the mix of services utilized, or an increase/decrease in the frequency of service utilization.

This component is 8.75 % of the 23.3 % total filed increase.

2. Medical Price Changes – Defined as the increase in total plan claim costs attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts.

This component is 14.9 % of the 23.3 % total filed increase.

*Other Increases* – -0.4 % of the 23.3 % total filed increase

1. Medical Benefit Changes Required by Law – Defined as any new mandated plan benefit changes, as mandated by either State or Federal Regulation.

This component is -4.1 % of the 23.3 % total filed increase.

2. Medical Benefit Changes Not Required by Law – Defined as changes in plan benefit design made by the company, which are not required by either State or Federal Regulation.

This component is 7.96 % of the 23.3 % total filed increase.

3. Changes to Administration Costs – Defined as increases in the costs of providing insurance coverage. Examples include claims payment expenses, distribution costs, taxes, and general business expenses such as rent, salaries, and overhead.

This component is -2.0 % of the 23.3 % total filed increase.

4. Changes to Profit Margin – Defined as increases to company surplus or changes as an additional margin to cover the risk of the company.

This component is 0.92 % of the 23.3 % total filed increase.

5. Other – Defined as:

The other category includes adjustments for demographic factors, tobacco usage factors, morbidity factors, taxes, fees, and net risk adjustment.

This component is -3.0 % of the 23.3 % total filed increase.