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DEPARTMENT

Bulletin No. 4-2025

TO: ALL LICENSED HEATH INSURERS, HEALTH MAINTENANCE ORGANIZATIONS (HMOs), FRATERNAL BENEFIT SOCIETIES, HOSPITAL MEDICAL SERVICE CORPORATIONS, AND OTHER INTERESTED PARTIES.

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: PLAN YEAR 2026 INDIVIDUAL, ON-MARKETPLACE RATE FILINGS

DATE: March 7, 2025

Due to the uncertainty of the extension of the American Rescue Plan Act (ARPA) expanded tax credits and the setting of a Cost Sharing Reduction (CSR) Load requirement, the Arkansas Insurance Department (AID) is releasing this guidance to assist issuers in their PY2026 rate filings.

Section 1

Two Sets of Rates Required

Individual, on-Marketplace rate filings must contain two sets of rates: 1) assuming the expanded tax credits under the ARPA will not be extended past 12/31/25, and 2) assuming the expanded tax credits under ARPA will be extended through 12/31/2026.

Issuers should clearly describe in the actuarial memorandum how they propose modifying the submitted rates if the Premium Tax Credits (PTC) enhancements are extended through 2026, identifying each assumption that would change and demonstrating the impact of each changed assumption. The URRT assuming PTC enhancements will expire should be attached to the URRT tab in the System for Electronic Rate and Form Filing (SERFF).

Issuers should include an alternate set of rates in their individual filing that assume the PTC enhancements are extended through 2026 but that do not differ in any other respect from the filed rates.

All documentation necessary to support the alternate rates, including a URRT and any rate filing exhibits needed to support the alternate rates should be included. These documents should be included within the "Supporting Documentation" tab of SERFF under a component header titled

"Appendix – Alternative Submission." These documents supporting the alternate rates should be clearly identified in the file name (e.g., "URRT for Alternate Rates Assuming Extension of PTC Enhancements") and should be clearly and prominently labeled on the document to avoid confusion.

Section 2

2026 Guidance for Cost Sharing Reduction Load Application for On-Marketplace Silver Plans
Beginning in 2018, insurers in the Arkansas Individual market began modifying premiums to account for the discontinuation of federal funding for CSR subsidies. Historically, insurers have independently determined a "CSR load," subject to review and approval. AID now provides new, standardized guidance on how all issuers in the Individual market must apply this load to On-Marketplace Silver plans.

Base Calculation
AID will determine a single CSR load factor by calculating the membership-weighted average of the 87% and 94% plan variant's Actuarial Value (AV) multiplied by its corresponding Induced Demand Factor (IDF), then dividing by the product of the Base Silver AV and IDF.
For each CSR variant, AID will use the AVs and IDFs published by the U.S. Department of Health and Human Services (HHS) in the Affordable Care Act (ACA) risk adjustment program.
Membership weights will be based on the most recent Open Enrollment data, though AID reserves the right to adjust these weights if anticipated plan enrollment differs significantly from past enrollment trends.

Example
Using 2025 Open Enrollment data, AID has calculated the CSR load for On-Marketplace Silver plans to be 1.46. Issuers must incorporate this factor for plan year 2026 in accordance with this guidance. The table below illustrates the calculation:

Cohort	Actuarial Value	Induced Demand Factor	Total Factor	2025 Open Enrollment Distribution
87% CSR	0.87	1.15	1.00	36.1%
94% CSR	0.94	1.15	1.08	63.9%
Weighted Average	0.91	1.15	1.05	
CSR Load			**1.46**	

Required Pricing Approach

Initial Pricing AV
Issuers must first calculate a Pricing AV for each Silver plan that reflects only the Base Silver benefits (i.e., no CSR enhancements).

Applying the CSR Load
The Pricing AV for each On-Marketplace Silver plan must then be multiplied by the AID-prescribed CSR load (e.g., 1.46 for plan year 2026). This requirement standardizes the CSR load across all issuers and ensures consistency in premium development for On-Marketplace Silver plans.

Impact on Enrollment and Rating Assumptions
The 1.46 CSR load represents a higher factor than has typically been applied in prior years. As a result, membership distribution among metal levels—as well as between Silver variants—may change due to potentially higher Premium Tax Credits for eligible enrollees.
Issuers should make reasonable, data-driven assumptions regarding these shifts and reflect the resulting enrollment and risk impact in their rate filings.

Offsetting Premium Adjustments
Because the new CSR load is expected to increase projected revenue (and potentially profitability) on On-Marketplace Silver plans, non-Silver plan premiums may require reductions in order to maintain revenue neutrality within the single risk pool.

ARHOME Plans: Issuers offering ARHOME plans must apply the necessary offsetting rate reduction exclusively to those ARHOME plans.

All Other Plans: If an issuer does not offer ARHOME plans, the requisite premium reduction should be applied proportionally to all non-Silver plans.

Compliance
Issuers must reflect these instructions in their Plan Year 2026 rate filings, using the final load factor published by AID in advance of the filing deadline. Each filer should include detailed documentation of its methodology, including any enrollment shifts or other assumptions used.

AID will review all submissions for compliance, reasonableness, and adherence to this guidance. Questions related to this Bulletin may be directed to the Compliance Division at Donna.Lambert@Arkansas.gov or 501-371-2770.

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