Optimum Choice, Inc.

Part III: Actuarial Memorandum: PUBLIC

Virginia 2026 Individual Exchange Rates

July 17, 2025

United Healthcare

Contents

The purpose of this memorandum is to document the development of individual market non-grandfathered health insurance premium rates for Optimum Choice, Inc. ("OCI"). The product will be offered both on and off the Virginia Health Benefit Exchange. OCI is offering individual HMO health insurance products in the Bronze, Silver, and Gold metal tiers, with the premium rates documented in this memorandum effective January 1, 2026. The proposed plans are shown in Appendix A.

Rates are guaranteed through December 31, 2026. The premium will not be adjusted more than annually except to reflect changes in a member's family composition, coverage requested by the member, or geographic location of the member. The policies are guaranteed renewable and there are no issue age limits. Forms are open to new sales. Premiums vary based only on a member's age, rating area, and family composition, and there is no variation for health status, gender identity, or status as a transgender individual. Appendix B provides additional detail on rating factors.

Considerations for the Regulatory Environment

The rates presented and submitted here were developed assuming that the cost sharing reduction (CSR) payments are not funded by the federal government in 2026 and the cost of these payments will instead be funded through member premiums and Advanced Premium Tax Credits (APTC). These rates also assume the enhanced APTC passed under the American Rescue Plan Act (ARPA) and extended by the Inflation Reduction Act (IRA) will expire for 2026. The submission of these rates does not guarantee that OCI will continue to participate in the individual market in 2026.

1 Actuarial Memorandum: Public

The following memorandum documents the development of individual rates for OCI.

This version of the actuarial memorandum is considered PUBLIC and hence does not contain information determined to be TRADE SECRET. A separate actuarial memorandum was submitted and deemed TRADE SECRET, which included all proprietary information related to OCI and its consultants. TRADE SECRET information includes the following, but not limited to: assumptions developed based on Wakely proprietary data, OCI assumptions, assumptions and methodologies that could provide insight into OCI's pricing strategy and contract reimbursement information.

2 General Information Section

Company Identifying Information

Company Legal Name:	Optimum Choice, Inc.
State:	Virginia
HIOS Issuer ID:	24251

NAIC Number: 96940

Form Filing Number: [redacted]

Rate Tracking Number: [redacted]

2025 Rate Tracking Number: [redacted]

Market: Individual

Effective Date: January 1, 2026

Company Contact Information

Primary Contact Name: [redacted]

Primary Contact Email Address: [redacted]

3 Proposed Rate Changes

OCI will sell individual policies with an effective date of January 1, 2026. The 2026 aggregate rate increase as shown on the URRT is [redacted]. Rate changes by plan are found in Worksheet 2, row 1.11 of the URRT. The quantitative impact for all significant factors driving the proposed rate change is shown in the table below.

[redacted]

[redacted]

- **Experience** reflects the change in our expected 2025 allowed claim level to provide essential health benefits from our 2025 to 2026 pricing build ups. This also includes the expected change to the Index Rate due to the federal risk adjustment program as well as the state reinsurance program.
- **Trend** indicates the impact of the allowed level trends from our current estimate of 2025 to 2026 allowed claim levels.
- **Demographics and Morbidity** explain expected changes in the age, gender and metal mix of the population, as well as expected changes to OCI and Virginia level morbidity of the population.
- **Benefits** include the impact of changes in benefit design and actuarial value between 2025 and 2026.
- **Retention** captures the change in non-benefit expenses and profit and risk margin from 2025 to 2026.
- **ARPA Expiration** reflects the impact to rates if ARPA subsides expire in 2026. These rates assume the enhanced APTC passed under ARPA will expire for 2026.
- **Other** reflects any changes to the rates not already captured above. Some allowance has been made for rounding.

The history of OCI's prior rate revisions in Virginia are shown below:

Year	Rate Change
2022	-11.4%
2023	-7.8%
2024	7.8%
2025	-0.4%

Estimated average premiums per member and per policy for the current and projection year are shown below.

[redacted]

4 Market Experience

4.1 Experience and Current Period Premium, Claims, and Enrollment

Paid Through Date: [redacted]

Current Date: [redacted]

Premiums (prior to MLR rebates) in Experience Period: [redacted]

Experience Period Member Months: [redacted]

Current Members as of March 31, 2025: [redacted]

Allowed and Incurred Claims Incurred During the Experience Period

Allowed claims and incurred claims are pulled from the same source(s) and calculated using a similar methodology. Only claim amounts for members in the Individual Single Risk Pool for claims which have already been processed are included in our claims data (incomplete claims).

A set of completion factors is applied to the incomplete claims to develop the expected allowed and incurred claims for the experience period. [redacted] The same methodology was used to develop the estimate of claims incurred but not paid for both allowed claims and incurred claims in the experience period. The methodology incorporates estimates based upon developed completion factors. Consideration is given to additional relevant information not fully reflected in the pricing model. Model results are evaluated for reasonableness and actuarial judgment may be applied.

Completion factors were developing using a lag development method with blended credibility on most recent months.

OCI's experience period claims by service category can be found in the VA ACA Rate Filing Template.

4.2 Benefit Categories

Claims processed through OCI's systems were mapped to the benefit categories in Worksheet 1, Section II of the URRT based on where services were administered and the types of medical services rendered. The benefit categories were defined by our claims department using standard industry definitions.

- **Inpatient Hospital** includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- **Outpatient Hospital** includes non-capitated facility services for surgical, emergency room, laboratory, radiology, therapeutic, observation, and other services provided in an outpatient facility setting and billed by the facility.
- **Professional** includes non-capitated primary care, specialist care, therapeutic, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.
- **Other Medical** includes non-capitated ambulatory, home health care, durable medical equipment, prosthetics, supplies, vision exams, dental services and other services.
- **Capitation** includes all services provided under one or more capitated agreements.
- **Prescription Drug** includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

4.3 Projection Factors

The following describes the factors used to project experience period allowed claims to the 2026 projection period.

4.3.1 Trend Factors

A trend assumption was applied to adjust 2024 experience year claims costs to calendar year 2026 claims costs.

The assumptions shown in "Year 1 Trend" and "Year 2 Trend" of Worksheet 1 of the URRT represent 12 months of ongoing increases in utilization, unit costs, and technology. The combined, annualized trend assumption implied is [redacted]

[redacted]

4.3.2 Adjustments to Trended EHB Allowed Claims PMPM

This section explains adjustments other than trend that are made to the Experience Period claims in order to develop the projected Index Rate.

Morbidity Adjustment

The Morbidity adjustment factor is [redacted] as shown on Worksheet 1 of the URRT.

[redacted]

Demographic Shift

The Demographic Shift adjustment factor is [redacted] as shown on Worksheet 1 of the URRT.

[redacted]

Plan Design Changes

The Plan Design Changes adjustment factor is [redacted] as shown on Worksheet 1 of the URRT.

Other

The Other adjustment factor is [redacted] as shown on Worksheet 1 of the URRT. [redacted]

4.3.3 Manual Rate Adjustments

No manual rate was needed as the experience period claims are considered fully credible.

4.3.4 Credibility of Experience

Full credibility has been assigned to the base period experience.

The following formula was used for assigning credibility to the experience period:

$$Z = \min\left[1, \left(\frac{MM}{FC}\right)^{.5}\right]$$

Where,

- Z is the credibility percentage applied to the experience data,
- MM is the experience period member months and
- FC is the member months required for full credibility

The determination of full credibility depends on the assumed variation in the claim experience. It was based on an application of classical credibility theory and actuarial judgement. Full credibility is assigned to 100,000 member months and was determined based on the number of randomly selected individuals needed to have a probability of 95% of being within 10% of the expected claim amount. The credibility threshold was calculated using random samples of over 41-million member months from the Wakely ACA Database (WACA) 2019 data set.

Consideration was given to guidance provided in Actuarial Standards of Practice #25, *Credibility Procedures.*

4.3.5 Establishing the Index Rate

As shown on Worksheet 1 of the URRT, the Index Rate for this filing is [redacted]. It estimates the total combined allowed claims PMPM for essential health benefits in the Virginia Individual market.

4.3.6 Development of the Market-wide Adjusted Index Rate

The Market-wide Adjusted Index Rate, or MAIR, for the projection period is [redacted] as shown on Worksheet 1 of the URRT. The MAIR is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules, 45 CFR 156.80(d)(1). The Index Rate and market level adjustments are on an allowed claims basis.

Projected Index Rate for January 1, 2026	[redacted]
Reinsurance	[redacted]
Risk Adjustment Payment/Charge	[redacted]
Exchange User Fees	[redacted]
Market-wide Adjusted Index Rate	[redacted]

Reinsurance

Under a 1332 Waiver, Virginia offers a state reinsurance program to the carriers participating in the Individual ACA market. Under the assigned parameters, the program reimburses carriers for 65% of an individual's aggregate annual claims between $45,000 and $170,000. [redacted] The weighted average of the expected reinsurance recoveries across the entire portfolio was estimated to be [redacted] on a paid basis. The paid amount was divided by the average paid-to-allowed ratio to estimate the recovery on an allowed basis. The resulting allowed equivalent reinsurance recovery amount was [redacted]. This assumption differs under the scenario where ARPA enhanced premium subsidies continue in the same form and amount as are in place for Plan Year 2025. Please see the submitted Virginia ACA Rate Filing Templates for additional details.

Risk Adjustment Payment/Charge

[redacted]

The projected risk adjustment payable/receivable was converted to an allowed amount when developing the MAIR.

The risk adjustment fee of $0.20 PMPM was incorporated into 2026 rates and included within the taxes and fees.

Exchange User Fees

The Exchange User Fee is [redacted] on an allowed basis when developing the MAIR. [redacted]

As a percent of premium, the Exchange User Fee is [redacted] for all policies, which is 2.50% multiplied by the portion of enrollment that we expect to be enrolled on the Exchange. This value is taken from the Commonwealth of Virginia letter to carriers dated March 7, 2025.

4.4 *Plan Adjusted Index Rate*

The Plan Adjusted Index Rates, or PAIRs, were developed by applying allowable plan level adjustments to the MAIR. The allowable plan-level adjustments are shown in Appendix C.

The following describes how each component of the adjustment was developed.

Actuarial Value and Cost-Sharing Design

The pricing actuarial values reflecting the cost-sharing design of each plan were developed using an internal benefit re-adjudication model. The model uses a simulation methodology where a large dataset of UHC Individual ACA enrollment was calibrated to the projected population, and member-level claims were re-adjudicated using the cost-sharing parameters of each plan being priced for 2026. The pricing AV represents the average paid to allowed ratio for each plan under the benefit simulation. Each plan's AV was developed on the same dataset adjusted only for the expected induced utilization by metal level, ensuring the same population and risk level formed the basis for all pricing AVs. This assumption differs under the scenario where ARPA enhanced premium subsidies continue in the same form and amount as are in place for Plan Year 2025. Please see the submitted Virginia ACA Rate Filing Templates for additional details.

Additional adjustments were made to account for expected induced utilization, driven by cost sharing differences across each plan. Induced utilization factors were applied at the metal level. These factors are based on the federal induced demand curve as required by the Virginia BOI.

CSR LOAD

We have included an adjustment to the filed plans to reflect the impact of cost share reduction subsidies (CSRs) no longer being funded by the federal government. The regulation still requires CSR variant plans to be offered to low-income members, under the same Federal AV requirements (keeping similar plan design and cost sharing structures as the current regulations), but the subsidy amounts will instead be a liability to the insurers and not the government. To reflect the additional cost of the CSRs on the Silver plans to OCI, we have increased the Pricing AVs.

As requested in the bulletin published by CMS on May 2, 2025, with the subject "Plan Year 2026 Individual Market Rate Filing Instructions", OCI's estimated CSR payment for 2024 is [redacted]. The estimated CSR payment was determined by comparing actual 2024 incurred claims for members enrolled in a CSR variant against claims re-adjudicated under the base variant plan design.

The 2026 Silver load was determined at the issuer level by comparing the expected pricing AV across all variants against the base variant pricing AV. The Silver load does not vary by plan. Across all Silver on-Exchange plans, the average 2026 Silver load is [redacted].

The projected 2026 Silver load is estimated to produce revenue that aligns with the CSR payment made if funded by the federal government.

INDUCED UTILIZATION

Appendix D provides induced utilization factors.

Benefits in Addition to EHBs

OCI will offer benefits in addition to EHBs on select plans for adult dental and vision services. No substitutions are made from the Virginia standard EHBs.

State Mandated Non-EHBs

OCI covers state mandated non-EHBs as instructed by the VA BOI for the following benefits:

- Hearing aids for minors
  - The anticipated cost for this benefit is [redacted].
- Intravenous immunoglobulin therapy (IVIG) for prophylaxis, diagnosis and treatment of PANDAS and PANS (per Chapter 8 of the 2025 Acts of the Assembly)
  - The anticipated cost for this benefit is [redacted].

Any projected costs for these benefits were not included in the QHP rate development as they are subject to state defrayal.

Administrative Costs

Non-benefit administrative costs were applied on a percent of premium basis and on a PMPM basis. They are bucketed into three categories as shown on Worksheet 2 of the URRT: (1) administrative expenses, (2) taxes and fees and (3) profit and risk margin.

ADMINISTRATIVE EXPENSE

OCI expects to incur [redacted] in general administrative expenses for the individual ACA block of business in Virginia for 2026. This assumption differs under the scenario where ARPA enhanced premium subsidies continue in the same form and amount as are in place for Plan Year 2025. Please see the submitted Virginia ACA Rate Filing Templates for additional details. We expect to incur an additional [redacted] in broker commissions over this period.

Health Care Quality Improvement and Fraud Detection Expenses were estimated as [redacted] and are included in general administrative expenses.

[redacted]

TAXES AND FEES

Taxes and regulatory fees included in the development of 2026 rates include the following:

- Risk Adjustment User Fee: $0.20 PMPM
- PCORI Fee: $0.32 PMPM

The Exchange user fee load is not included here. It was previously built into the MAIR as discussed in Section 4.3.6.

PROFIT AND RISK MARGIN

The proposed 2026 premiums allocate [redacted] to profit and risk margin on a post-income tax basis. [redacted]

Catastrophic Plans

OCI will not offer catastrophic plans in Virginia for 2026.

4.5 Calibration

Age Curve Calibration

The approximate age calibration factor is [redacted]. It was determined as follows:

$$ACF = \frac{\sum Members}{\sum Members * Age\ Factor}$$

Where:

- ACF is the age calibration factor,
- Members are the projected members and
- Age Factor is the rating factor associated with each member.

An age factor of 0 is used for the expected distribution of unbillable children.

Section 4.6 demonstrates how the Plan Adjusted Index Rates and age curve are used to generate a schedule of premiums.

Geographic Factor Calibration

The geographic calibration factor is [redacted]. It was determined as follows:

$$GCF = \frac{\sum Members}{\sum Members * Area\ Factor}$$

Where:

- GCF is the geographic calibration factor,
- Members are the projected members, and
- Area Factor is the rating factor associated with each member.

Geographic area factors are calculated based upon expected reimbursement rates OCI aims to achieve by rating area. These factors are relative to the membership-weighted average reimbursement rate for all areas OCI will service in Virginia. The rating factors only reflect differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and not differences in population morbidity by geographic area.

Section 4.6 demonstrates how the Plan Adjusted Index Rates and area factors are used to generate a schedule of premiums.

Tobacco Use Rating Factor Calibration

The approximate tobacco calibration factor is [redacted]. It was determined as follows:

$$TCF = \frac{\sum Members}{\sum Members * Tobacco\ Factor}$$

Where:

- TCF is the tobacco calibration factor
- Members are the projected members
- Tobacco Factor is the rating factor associated with each member

Application of Calibration Factors

The age, geographic and tobacco calibration adjustments are not plan specific. These adjustments are applied uniformly to all plans.

The age rating curve used by OCI in Virginia is the curve indicated in the HHS Notice of Benefit and Payment Parameters for 2018 Final Rule.

4.6 Consumer Adjusted Premium Rate Development

The member's premium rate is calculated by first multiplying the Plan Adjusted Index Rate by the calibration factors. This is the Calibrated Plan Adjusted Index Rate, which is shown on Worksheet 2, row 3.14 of the URRT. The result can then be multiplied by the member's specific age, geographic and tobacco rating factors to determine the approximate member rate.

$$CPAIR = PAIR\ x\ ACF\ x\ GCF\ x\ TCF$$

$$CAPR = CPAIR\ x\ Age\ Factor\ x\ Geographic\ Factor\ x\ Tobacco\ Factor$$

Where:

- CPAIR is the Calibrated Plan Adjusted Index Rate,
- PAIR is the Plan Adjusted Index Rate,
- ACF is the age calibration factor,
- GCF is the geographic calibration factor,
- TCF is the tobacco calibration factor,
- CAPR is the Consumer Adjusted Premium Rate and
- Area, Geographic and Tobacco Factors are the rating factors associated with each member.

The premium for family coverage is determined by summing the premiums for each individual family member, provided at most three child dependents under age 21 are taken into account.

The Rate Manual and a demonstration of how the allowable rating factors are applied to the Calibrated Plan Adjusted Index Rate to determine the Consumer Adjusted Premium Rate are shown in Appendix B.

5 Projected Loss Ratio

The projected medical loss ratio (MLR) for the individual line of business is [redacted]. This was calculated using the Federally prescribed MLR methodology. Taxes and regulatory fees were excluded from premium in the calculation of this value. The calculation for the projected federal medical loss ratio is included in Appendix E.

6 Plan Product Information

6.1 AV Metal Values

The Federal Actuarial Value Calculator was used to generate the actuarial value metal tier shown on Worksheet 2, row 1.5 of the URRT. We followed the actuarial standards of practice (ASOP) 50: *Determining Minimum Value and Actuarial Value under the Affordable Care Act* in using the federal actuarial value calculator.

6.2 Membership Projections

The total membership projections for 2026 were based upon internal modeling of market share estimates for the counties we intend to service. The membership distributions by plan were based on the metal, cost-sharing subsidy variants, and rating area/county distribution enrollments for Virginia as of March 2025. Refinements to this data were applied for strategic initiatives and actuarial judgment.

6.3 Terminated Plans and Products

Please see Appendix A for crosswalk of the terminated plans and products.

6.4 Plan Type

The drop downs in Worksheet 2, Section 1 of the URRT describe the issuer's plan appropriately.

The OCI products include gold, silver, and bronze plans. In total, OCI is filing 16 plans, along with CSR plan variants for each silver plan offered on-Exchange. All plans are offered uniformly in all service areas. All plans will be offered on-Exchange and off-Exchange. Plan designs include 2026 state mandated EHB benefits. Pediatric dental and vision is included in all plans. All plans are HMO network plans, with emergency services and associated inpatient stays as well as trauma services to be covered when incurred out of network.

7 Miscellaneous Instructions

7.1 Effective Rate Review Information

Not applicable.

7.2 Reliance

I have relied upon financial data, summaries and analyses prepared by officers and employees of Optimum Choice, Inc. ("OCI"). My analysis included such review of the assumptions as I considered necessary.

7.3 Actuarial Certification

I, [redacted], am a Member of the American Academy of Actuaries (MAAA). I meet the Qualification Standards of Actuarial Opinion as adopted by the American Academy of Actuaries for preparing premium rate filings for insurers.

This actuarial certification applies to the Optimum Choice, Inc. Individual product to be offered in the federal health exchange. I certify that 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 applicable Actuarial Standards of Practice, including:
    - 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. 45, *The Use of Health Status Based Risk Adjustment Methodologies to Certification*
    - ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*
    - ASOP No. 56, *Modeling*
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient, although actual experience will vary from the estimates given the inherent uncertainty in developing premium rates under the ACA.

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.

The essential health benefit portion of premium upon which advanced premium tax credits are based is appropriate and complies with Federal and State guidelines.

The geographic rating factors reflect only differences in the cost of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

The Federal AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Unified Rate Review Template for all plans. No alternate methodology was used.

The Part I Unified Rate Review Template does not demonstrate the process used 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.

Sincerely,

[redacted]

July 17, 2025

Appendix A: Proposed Plans

[Table Redacted]

A table showing the terminated plans and products is provided below.

Appendix B: Rate Manual

[Table Redacted]

[Table Redacted]

Consumer Adjusted Premium Rate Example

Plan Name: [redacted]
Plan ID: [redacted]
Area: [redacted]

[Table Redacted]
There might be small differences between the premium rates shown above and those implied by the URRT due to rounding.

Appendix C: Plan-Level Modifiers

[Table Redacted]

Appendix D: AV and Cost Sharing

[Table Redacted]

Appendix E: MLR Calculation

[Table Redacted]

Some numbers were adjusted for rounding.

Appendix F: Projected CSR Enrollment

[Table Redacted]

Note: Total may not tie due to rounding