MILLIMAN ACTUARIAL MEMORANDUM

Part III Actuarial Memorandum

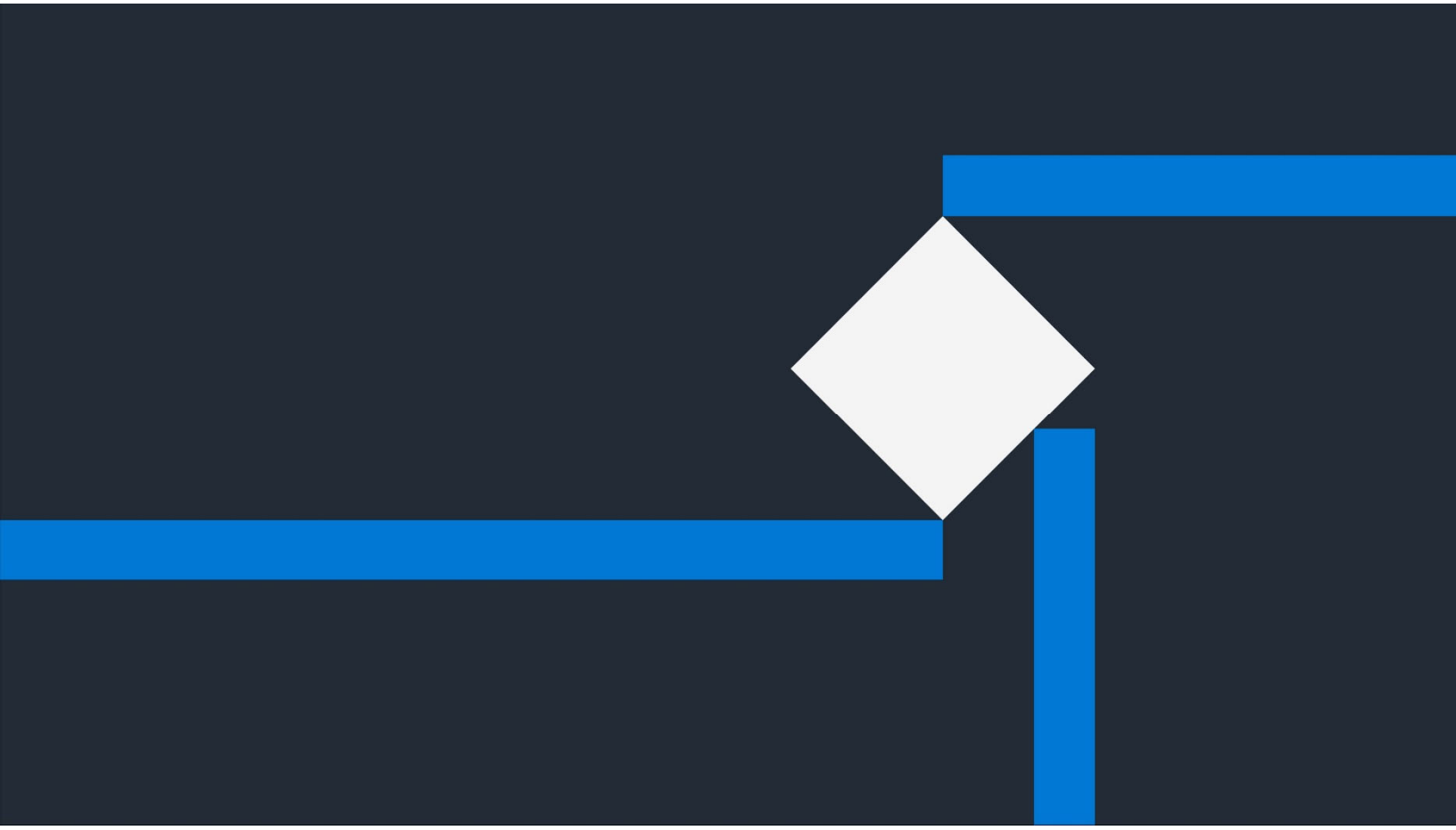
The Health Plan of West Virginia, Inc.

Individual Rate Filing

Effective January 1, 2026

July 7, 2025

Lindsy Kotecki, FSA, MAAA
Principal and Consulting Actuary



Milliman


Milliman

Table of Contents

4.2: General Information

Document Overview

This document contains the Part III Actuarial Memorandum for The Health Plan's individual block of business under The Health Plan of West Virginia, Inc. (THP), effective January 1, 2026. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT). The product included in this filing is offered off-exchange only. The Health Plan does not offer any products on the exchange.

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I URRT, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the State of Ohio Department of Insurance (DOI), the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of THP's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this memorandum to other users. Likewise, other users of this memorandum should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law. The Health Plan also reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed.

Company Identifying Information

- Company Legal Name: The Health Plan of West Virginia, Inc.
- Address: 1110 Main Street, Wheeling, WV 26003
- State: The State of Ohio has regulatory authority over these policies.
- HIOS Issuer ID: 83396
- Market: Individual
- Effective Date: January 1, 2026

Company Contact Information

- Primary Contact Name: Ryan Ralston
- Primary Contact Telephone Number: (740) 699-6236
- Primary Contact Email Address: rralston@healthplan.org

4.3: Proposed Rate Changes (Redacted)

4.4.1: Experience and Current Period Premium, Claims, and Enrollment

The experience reported on Worksheet 1, Section I of the URRT shows THP's earned premium, incurred and paid claims, and enrollment for the period of January 1, 2024 through December 31, 2024, with claims paid through April 30, 2025. Current enrollment and current premium on Worksheet 2, Section II are reported as of April 30, 2025. There are currently 27 policyholders and 38 covered lives for this block of business.

Premiums in Experience Period

The premiums earned during the experience period and as reported on Worksheet 1, Section I of the URRT were provided by THP for CY2024. THP did not have any MLR rebates.

Method for Determining Allowed Claims

All allowed claims processed both in and out of the claim system were included, except that services provided under a capitated arrangement were removed and replaced with the capitation amount. All medical claims were processed through the claim system and all prescription drug claims were processed outside of the claim system. An estimate of incurred but not reported allowed claims was added to the processed amount to arrive at a final estimate of total allowed claims. No estimate of incurred but not reported claims was added to the prescription drug claims.

Method for Determining Paid Claims

All paid claims processed both in and out of the claim system were included, except that services provided under a capitated arrangement were removed and replaced with the capitation amount. All medical claims were processed through the claim system and all prescription drug claims were processed outside of the claim system. An estimate of incurred but not reported claims was added to the processed amount to arrive at a final estimate of total paid claims. No estimate of incurred but not reported claims was added to the prescription drug claims.

Method for Determining Incurred But Not Reported Paid Claims

Incurred claims were calculated by applying a completion factor to the paid claims from the experience period. The incurred but not reported claims were estimated using a standard lag triangle analysis ("lag method") to estimate the portion of claims that have been paid to-date for each incurral month based on past claim lag data reflecting historic lag differences between month of service and the month of claim processing.

The incurred but not reported claims were estimated using experience from all of THP's HMO commercial group data. All of The Health Plan's commercial group and individual claims are administered in the same claim system and are likely to have similar completion patterns.

The same completion factors were used for incurred claims and allowed claims.

Method for Determining Paid Cost Sharing

Paid member cost sharing was determined by subtracting paid claims from allowed claims.

4.4.2: Benefit Categories

We assigned the experience and manual utilization and cost information to benefit categories as shown in Worksheet 1, Section II of the Part 1 URRT based on place and type of service using a detailed claims mapping algorithm summarized as follows:

- **Inpatient Hospital.** The inpatient hospital category 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.** The outpatient hospital category includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- **Professional.** The professional category includes non-capitated primary care, specialist, therapy, 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.** The other medical category includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- **Capitation.** The capitation category includes all services provided under one or more capitated arrangements. THP has capitated arrangements for HealthiestYou and certain cardiology, imaging, and sleep study services. Lab and certain DME services were capitated in the 2024 base period but will not be capitated in 2026.
- **Prescription Drug.** The prescription drug category includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

The following table demonstrates the mapping between THP's reporting benefit category and the URRT benefit category.

TABLE 2: BENEFIT CATEGORIES

COMPANY REPORTING CATEGORY	URRT CATEGORY
Inpatient Hospital	Inpatient Hospital
Outpatient/ER Hospital	Outpatient Hospital
Professional	Professional
Non-Physician	Other Medical
Capitation	Capitation
Pharmacy	Prescription Drug

The following provides the utilization description for the service categories in the URRT.

- Inpatient Hospital: Days
- Outpatient Hospital: Other, contains a mixture of visits, procedures, and other units of service
- Professional: Other, contains a mixture of procedures and other units of service
- Other Medical: Other, contains a mixture of visits, procedures, and other units of service
- Capitation: Other, contains a mixture of visits, procedures, and other units of service
- Prescription Drug: Prescriptions

4.4.3: Projection Factors (Redacted)

4.4.3.3: Manual Rate Adjustments (Redacted)

4.4.3.4: Credibility of Experience (Redacted)

4.4.3.5: Establishing the Index Rate

The Index Rate for the experience period is a measurement of the average allowed claims PMPM for EHBs. The Experience Period Index Rate reflects the actual mix of members by area, age/gender, and morbidity that THP received in the Single Risk Pool during the experience period. There were no additional benefits offered beyond the EHBs. The Experience Period Index Rate has not been adjusted for payments and charges under the risk adjustment program.

The Experience Period Index Rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond the EHBs.

The Index Rate for the projection period is a measurement of the average allowed claims PMPM for EHBs. The Projection Period Index Rate reflects the projected 2026 mix of members by area, age/gender, and morbidity that THP expects to receive in the Single Risk Pool. Note that there are no additional benefits offered beyond the EHBs for 2026. The Projection Period Index Rate has not been adjusted for payments and charges projected under the risk adjustment program.

The Projection Period Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.

As described in Section 4.4.3.3, a manual rate was developed using THP's non-ACA HMO commercial group experience in West Virginia and Ohio. The following table summarizes the factors applied to the experience and manual rates to determine the Projection Period Index Rate.

TABLE 3: PROJECTION PERIOD INDEX RATE DEVELOPMENT

DESCRIPTION	EXPERIENCE	MANUAL RATE
2024 EHB Allowed Claims PMPM (excluding capitations)[1]	$916.06	$882.26
Trend **(2 years)**	1.104	1.104
2026 EHB Allowed Claims PMPM (excluding capitations)	$1,010.91	$973.62
Provider Contracts	1.005	1.005
Demographics	1.006	1.503
Geography	1.000	1.016
Induced Utilization	0.979	0.837
Morbidity	1.000	0.928
Lab and DME Other	1.007	1.000
Capitations	1.023	1.020
Projection Period EHB Allowed Claims PMPM	$1,030.38	$1,183.33
Credibility	11.15%	88.85%
Projection Period EHB Allowed Claims PMPM		$1,166.28

1 Lab and certain DME services were capitated in 2024 but will not be capitated in 2026. The "Experience" value excludes lab and DME services that were under the capitation arrangement in 2024. The projected cost of those services in 2026 is included in the "Lab and DME" projection factor. The "Manual Rate" value includes the 2024 costs for lab and DME services on a fee for service basis in the 2024 EHB Allowed Claims PMPM and therefore does not require an adjustment in the 'Lab and DME' row.

4.4.3.6: Development of the Market-Wide Adjusted Index Rate

The following table summarizes the factors applied to the Projection Period Index Rate to determine the Market-Wide Adjusted Index Rate.

TABLE 4: MARKET-WIDE ADJUSTED INDEX RATE DEVELOPMENT

DESCRIPTION	VALUE
2026 Index Rate PMPM	$1,166.28
Market-Wide Adjustments (paid basis)	
Risk Adjustment Transfer Amount	$113.17
Net Market Reinsurance	$0.00
Exchange User Fees	$0.00
Paid-to-Allowed Ratio	0.742
Market-Wide Adjustments (allowed basis)	
Risk Adjustment Transfer Amount	$152.46
Net Market Reinsurance	$0.00
Exchange User Fees	$0.00
Market-Wide Adjusted Index Rate PMPM	**$1,318.74**

The Market-Wide Adjusted Index Rate is not calibrated. This means that this rate reflects the average demographic characteristics of the single risk pool.

Each of the above modifiers were developed as follows:

- **Risk Adjustment Transfer Amount.** This factor includes the impact of the estimated risk adjustment transfer payment as addressed in the Projected Risk Adjustments PMPM section below.
- **Net Market Reinsurance.** This is not applicable to this filing.
- **Exchange User Fees.** This is not applicable to this filing.

Experience Period Risk Adjustments PMPM

The 2024 experience period risk adjustment transfers reflect the risk adjustment transfer reported in the final 2024 risk adjustment report. The risk adjustment transfer is expected to be a payable of $98.17 PMPM.

Projected Risk Adjustments PMPM

THP expects the morbidity of the population in this product to remain relatively consistent with 2024 experience in relation to the statewide average morbidity in Ohio. Therefore, the 2024 risk adjustment transfer estimate as a percentage of premium was used as the basis of the projected transfer.

The risk adjustment transfer payment is grossed up in the URRT to reflect an allowed basis, consistent with the basis of the Market-Wide Adjusted Index Rate and in accordance with the URRT instructions.

Paid to Allowed Ratios

The following table provides support for the average projected paid to allowed ratio. The average projected allowed and incurred PMPM reflects the member month weighted average from Worksheet 2, Section IV of the URRT.

TABLE 5: AVERAGE PAID TO ALLOWED FACTOR SUPPORT

DESCRIPTION	VALUE
Average projected allowed PMPM	$1,166.28
Average projected incurred claims PMPM	$865.69
Average projected paid-to-allowed ratio	**74.2%**
Average AV metal value	**61.1%**

The average AV metal value is based on AVs calculated using the federal AV calculator, weighted on projected allowable cost by metal level.

4.4.4: Plan Adjusted Index Rate (Redacted)

4.4.5: Calibration (Redacted)

4.4.6: Consumer Adjusted Premium Rate Development (Redacted)

4.5: Projected Loss Ratio (Redacted)

4.6.1: AV Metal Values

The AV metal value included in Worksheet 2 is based on the AV Calculator. Table 11 below summarizes this value for this product.

TABLE 11: ACTUARIAL VALUES

PLAN	HIOS ID	ACTUARIAL VALUE	SOURCE
Bronze HMO (OH Non-Grp)	83396OH0090001	0.611	Federal AV Calculator

4.6.2: Membership Projections (Redacted)

4.6.3: Terminated Plans and Products

This product will not be terminated prior to the effective date.

4.6.4: Plan Type

There are no differences between the plans of THP and the plan type selected in the drop-down box in Worksheet 2, Section I of the URRT.

4.7.1: Effective Rate Review Information (Optional)

Please see the Ohio Rate Filing Checklist submitted with this filing, as well as the related appendices at the end of this memo.

4.7.2: Reliance

In performing this analysis, I relied on data and other information provided by THP. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

I performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

4.7.3: Actuarial Certification

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. The Health Plan of West Virginia, Inc. engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

I certify to the best of my knowledge and judgment:

1. The projected Index Rate is:

a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)

b. Developed in compliance with the applicable Actuarial Standards of Practice

c. Reasonable in relation to the benefits provided and the population anticipated to be covered

d. Neither excessive nor deficient based on my best estimates of the 2026 individual market.

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 shown in Worksheet 3 of the URRT reflect only differences in the cost of delivery, and do not include differences for population morbidity by geographic area.

4. The CMS Actuarial Value Calculator (AVC) was used to determine the AV Metal Value shown in Worksheet 2, Section I of the URRT.

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans 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. 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 or the Centers for Medicare and Medicaid Services director.

The information provided in this actuarial memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Milliman models have been used to produce these results. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

Signed: 

Name: Lindsy Kotecki, FSA, MAAA

Title: Principal and Consulting Actuary

Date: July 7, 2025

Appendix I (Redacted)

Appendix II (Redacted)

Appendix III (Redacted)

Appendix IV (Redacted)

Appendix V (Redacted)

Appendix VI

The following certification complies with the Ohio ACA Rate Filing Checklist submitted with this filing.

I, Lindsy Kotecki, am a Principal and Consulting Actuary with the firm of Milliman, Inc. The Health Plan of West Virginia, Inc. engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein. This Actuarial Certification applies to THP's individual rate filing.

1. The premium rates filed are in compliance with the applicable laws, rules and guidelines of the State of Ohio.
2. The premium rates filed are reasonable in relation to the benefits provided and are not excessive, inadequate, or unfairly discriminatory.
3. The premium rates are calculated based on sound actuarial principles.
4. The premium rates are reasonable when related to the applicable coverage and characteristics of the applicable class of enrollees.
5. The premium rates filed are prepared in conformity with the Actuarial Standards of Practice (ASOPs) promulgated by the Actuarial Standards Board that are indicated below.
    - ASOP No. 5 – Incurred Health Claim Liabilities
    - ASOP No. 8 – Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
    - ASOP No. 12 – Risk Classification (for All Practice Areas)
    - ASOP No. 23 – Data Quality
    - ASOP No. 25 – Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property / Casualty Coverages
    - ASOP No. 41 – Actuarial Communications
    - ASOP No. 42 – Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims
    - ASOP No. 50 – Determining Minimum Value and Actuarial Value under the Affordable Care Act
    - ASOP No. 56 – Modeling

Signed: 

Name: Lindsy Kotecki, FSA, MAAA

Title: Principal and Consulting Actuary

Tel +1 952 820 2464

Date: July 7, 2025