

**Wellmark of South Dakota
Individual Major Medical Business
Rate Filing Justification for January 1, 2026
Part III - Actuarial Memorandum and Certification**

GENERAL INFORMATION

Company Identifying Information

Company Legal Name:	Wellmark of South Dakota
State:	South Dakota
HIOS Issuer ID:	50305
Market:	Individual
Effective Date:	January 1, 2026

Company Contact Information

Primary Contact Name:	
Primary Contact Telephone Number:	
Primary Contact Email-Address:	

This document contains the Part III Actuarial Memorandum for Wellmark of South Dakota's individual block of business, effective January 1, 2026. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

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 Unified Rate Review Template, 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 South Dakota Division of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Wellmark of South Dakota's individual rate filing. However, we recognize that this certification may become a public document. Wellmark makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Wellmark under any theory of law.

PROPOSED RATE CHANGES

This submission applies only to single risk pool plans for new and renewing individual business effective January 1, 2026.

████████████████████. The overall premium weighted average proposed rate change is 1.2%, with rate changes ranging from ██████ to ██████. If ARPA enhanced subsidies are extended in their current form into 2026, the average rate change would be ██████%. Detail on the full range of rate changes can be found in the Appendix.

Reasons for Rate Changes

The drivers of the average proposed rate change are summarized as follows:

- Impact of experienced and projected medical and drug inflation: ██████
- Impact of plan design changes: ██████
- Impact of changes in priced government fees: ██████
- Impact of changes in priced administrative expenses: ██████
- Impact of expiration of ARPA enhanced subsidies: ██████

Proposed rate changes are not the same across all plans. There are unique changes in estimated member cost share and utilization, benefit design changes, and leveraged trends by plan. Further explanation of plan pricing is provided in the AV Cost Share section below.

MARKET EXPERIENCE

I. Experience and Current Period Premium, Claims, and Enrollment

The experience period extends from January 1, 2024 through December 31, 2024 for Wellmark of South Dakota, Inc. single risk pool individual business.

Paid Through Date

The experience period data in the Unified Rate Review Template (URRT) reflects claims paid through April 30, 2025 and estimated completion.

Current Date

Current enrollment and premium are reported as of ████████████████████.

Allowed and Incurred Claims Incurred During the Experience Period

Table 1 provides a breakdown of the allowed and incurred claims during the experience period, as illustrated in Worksheet 1, Section I of the URRT.

Table 1 Summary of Allowed and Incurred Claims			
Item	Processor	Allowed Claims	Incurred Claims
Processed Fee-for-Service (FFS) Claims	Issuer		
	External		
Incurred but Not Paid Claims (FFS)	n/a		
Capitated Claims	n/a		
Total			

There were no capitated claims. Thus, the allowed and incurred claims shown above are summarized from our detailed claim-level historical data. Incurred But Not Paid (IBNP) adjustments were applied to develop fully incurred claim estimates.

Further, pharmacy rebates of [REDACTED] are netted from allowed and incurred claim amounts in the URRT, to arrive at [REDACTED] and [REDACTED] allowed and incurred claims reported, respectively.

The IBNP is calculated using a combination of the development and PMPM method. This involves using a standard completion factor averaging formula, including throwing out the highs and lows, for all incurred months except for the most recent three. For those recent months, we are calculating estimates based on a PMPM basis while also considering other items, such as past completion factors, trend, seasonality, and the number of working days each month. The IBNP is first calculated based on the claims data of all market segments combined and then spread to each market segment separately using the same methodology.

Because the claims experience within this filing is based on incurred 12/paid 16 (4 months runoff), the completion factors calculated are developed using standard averaging. No explicit reserve margin was included in the IBNP.

II. Benefit Categories

All claim expense was allocated into the following benefit categories:

- Inpatient Hospital
- Outpatient Hospital
- Professional
- Other Medical
- Capitation
- Prescription Drug

Each claim process on a fee-for-service basis is assigned to the applicable benefit category from Worksheet 1, Section II of the URRT based on the claim category and a mapping to the URRT benefit categories.

III. Projection Factors

Trend Factors

Annual allowed charge trends of [REDACTED] and [REDACTED] and were applied to project medical and drug claims, respectively, from a 2024 to 2026 basis. These trend assumptions were developed to account for known provider and pharmacy contracting updates, and reasonable assumptions for changes in utilization and service mix. These trend assumptions reflect our best estimates for claims trends within these years and we believe that this is within a reasonable range. Specifically, the medical trend of [REDACTED] reflects an assumed cost trend of [REDACTED] and utilization trend of [REDACTED]. The pharmacy trend of [REDACTED] reflects an assumed cost trend of [REDACTED] and utilization trend of [REDACTED].

Adjustments to Trended EHB Allowed Claims PMPM

Morbidity Adjustment

No adjustments were made to the base experience period for changes in morbidity outside of those caused by legislative action or inaction, which are made in the Other adjustment.

Demographic Shift

No adjustments were made to the experience period for changes in demographics outside of those caused by legislative action or inaction, which are made in the Other adjustment.

Plan Design Changes

No adjustments were made to the experience period for plan design changes.

Other Adjustments

An adjustment of [REDACTED] was made to the base experience period due to the expiration of the enhanced subsidies afforded in the American Rescue Plan Act (ARPA). The expiration of ARPA subsidies will result in [REDACTED]

Pharmacy rebates have been netted from the allowed claims, and the drug trends are net of rebates. An adjustment is made to gross rebates to an allowed basis before plan

actuarial value factors are applied. Therefore, a pharmacy rebate adjustment of [REDACTED] was applied.

The overall other adjustment is [REDACTED].

Manual Rate Adjustments

Due to the volume of experience in the experience period, it was not necessary to develop a manual rate.

Credibility of Experience

The experience period for single risk pool business for Wellmark of South Dakota, Inc. reflects membership exposure of about [REDACTED]. With approximately [REDACTED] members as of the end of 2024, the experience period data includes enough volume to be considered fully credible by reasonable credibility procedures and in accordance with Actuarial Standards of Practice (ASOP) #25, *Credibility Procedures*.

Establishing the Index Rate

The Experience Period Index Rate is [REDACTED] PMPM; the projection factors described above were then applied to arrive at the Projection Period Index Rate of [REDACTED] PMPM, as shown in Worksheet 1, Section II of the URRT.

Development of the Market-wide Adjusted Index Rate

Reinsurance

Wellmark does not expect any reinsurance recoveries in the projection period.

Risk Adjustment Payment / Charge

Wellmark contracted with Milliman to provide estimated 2024 South Dakota risk adjustment transfers for Wellmark's individual ACA risk pool. This estimate was the basis for our projected 2026 risk adjustment transfer, [REDACTED], and an estimated increase to the state average premium. Wellmark is projecting a risk adjustment transfer [REDACTED] of [REDACTED] PMPM.

Wellmark assumes a market receivable of [REDACTED] PMPM from the Federal High Cost Risk Pool, based on high claimant data specific to this segment in 2024. Wellmark assumes an assessment of [REDACTED] PMPM for the Federal High Cost Risk Pool, based on projections performed by Wakely Consulting. Therefore, the projected risk adjustment payment/charge is [REDACTED] PMPM.

The risk adjustment payment/charge PMPM on an allowed basis is an adjustment to the Projection Period Index Rate to arrive at the Market Adjusted Index Rate; it is reflected on an allowed basis in Worksheet I, Section II of the URRT as [REDACTED] PMPM.

Exchange User Fees

Wellmark expects [REDACTED] of members will enroll through the Marketplace. The exchange user fee PMPM was therefore calculated as [REDACTED] of the projected average premium PMPM. This amount was divided by the average paid to allowed ratio, as the adjustment needs to be on an allowed basis. The exchange user fee PMPM on an allowed basis is an adjustment to the Projection Period Index Rate to arrive at the Market Adjusted Index Rate; it is reflected in Worksheet I, Section II of the URRT as [REDACTED] of the Market Adjusted Index Rate.

IV. Plan Adjusted Index Rates

The Plan Adjusted Index Rates are calculated from the Market Adjusted Index Rate above, and are presented in the URRT, Worksheet 2, Section III that accompany this filing.

These rates are calculated as follows:

Plan Adjusted Index Rate =
Market Adjusted Index Rate

- x Plan actuarial value and cost sharing adjustment
- x Plan network and management adjustment (none in this case)
- x Adjustment for additional non-EHB benefits (none in this case)
- x Administrative costs, excluding exchange user fees

Table 2 shows the development of Wellmark's Plan Adjusted Index Rates:

[illegible]

AV Cost Share

The AV Cost Share amounts on Silver plans are loaded for the expected additional liability to cover the cost sharing reduction (CSR) subsidies. The same member distribution is by CSR variation is used across Silver plans in the portfolio. [REDACTED]

The CSR load was determined using expected enrollment on each Silver plan variation, and the expected paid-to-allowed for each variation. Therefore, the load to premium on the Silver plans is expected to be equal to the actual payments made for the CSR benefits for 2026. The payments made for CSR benefits in 2024 are estimated to be [REDACTED]. This estimate was developed using the AV Calculator results from 2024 plans, in conjunction with actual paid-to-allowed experience for each plan and CSR variation.

There is an additional administrative cost for the Wellmark Bronze Traditional EPO plans, as members on these plans will have access to an additional virtual primary care platform. Table 5 provides a breakdown of projected administrative expenses for these plans.

Table 5 Projected Administrative Expenses					
Item	% Premium (Varies by Plan)			PMPM	
General Administrative Expenses					
Commissions					
Total					

The value entered in Worksheet 2, Section III of the URRT illustrates these values as a percent of the Single Risk Pool Gross Premium Average Rate.

Profit & Risk Margin

[REDACTED]. The value entered in Worksheet 2, Section III of the URRT illustrates this value as a percent of the Single Risk Pool Gross Premium Average Rate.

Taxes and Fees

Table 6 provides a breakdown of projected taxes and fees illustrated in Worksheet 2, Section III of the URRT.

Table 6 Projected Taxes and Fees					
Item	% Premium (Varies by Plan)			PMPM	
Premium Tax					
Risk Adjustment User Fee					
PCORI Fee					
Total					

The combined load for administrative costs is therefore different by plan, but can be summarized as follows:

Plan	Administrative Cost Load	
[REDACTED]		
[REDACTED]		

V. Calibration

Issuers are allowed to calibrate the Plan Adjusted Index Rates calculated above for age, geography, and tobacco usage. These adjustments were applied uniformly to all plans in the single risk pool.

Age Curve Calibration

The projected average demographic factor for rated members is [REDACTED], which represents an average age of [REDACTED]. The average CMS Allowable Rating Factor for the experience period was [REDACTED]. Wellmark assumes [REDACTED] in the average age from 2024 to 2026. An additional adjustment was applied to the Allowable Rating Factor to account for the estimated volume of dependents with a \$0 rate. Each Plan Adjusted Index Rate was calibrated by dividing by the projected average demographic factor of [REDACTED].

Geographic Factor Calibration

[REDACTED]. The development of these factors used small group ACA experience. Allowed claims PMPM were adjusted by the Plan Liability Risk Score for each region derived from the ACA risk adjustment program. These adjustments were made so that region factors reflect differences in unit cost and provider practice patterns by region and not morbidity, age, health status, or induced utilization from plan mix. The projected average region factor is consistent with the experience period region distribution, to match the underlying experience used in pricing. Each Plan Adjusted Index Rate was calibrated by dividing by the projected average region factor of [REDACTED].

Tobacco Use Rating Factor Calibration

The projected average tobacco use rating factor of [REDACTED] is based on a surcharge of 15 percent and the distribution of tobacco use in Wellmark's 2024 individual ACA membership in South Dakota. Each Plan Adjusted Index Rate was calibrated by dividing by the projected average tobacco use rating factor of [REDACTED].

VI. Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to each individual or family. Each Calibrated Plan Adjusted Index Rate is multiplied by specific allowable rating factors for each consumer to develop the

Consumer Adjusted Premium Rate. Family contract premiums are determined by summing the premiums for each individual family member, but only including the premiums for the oldest three dependents under age 21.

$$\begin{aligned} &\text{Consumer Adjusted Premium Rate} = \\ &\text{Calibrated Plan Adjusted Index Rate} \\ &\times \quad \text{CMS Age Factor} \\ &\times \quad \text{Region Factor} \\ &\times \quad \text{Tobacco Status Factor} \end{aligned}$$

Below is the Consumer Adjusted Premium Rate Development for a 40 year old, non-smoker, in region 1 on a Wellmark Bronze HDHP EPO HSA Qualified plan:

Plan Adjusted Premium Rate	Calibration	Calibrated Plan Adjusted Index Rate	CMS Age Factor	Region Factor	Tobacco Status	Consumer Adjusted Premium Rate
██████████	██████████	██████████	1.278	██████████	██████████	██████████

PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology is ██████████. The numerator of the projected MLR contains projected claim costs net of receipts from the risk adjustment program. The denominator consists of total premiums, net of premium taxes and regulatory fees.

PLAN PRODUCT INFORMATION

I. AV Metal Levels

Actuarial values and metal levels for all plans included Worksheet 2, Section I of the URRT were developed using the 2026 CMS Actuarial Value calculator (Revised Final 2026 version, as released on March 26, 2025).

II. Membership Projections

Wellmark is anticipating membership to ██████████ between 2024 to 2026 due to the expiration of the enhanced subsidies. Total projected member months for 2026 were based on 2024 experience, ██████████, and rounded to the nearest thousand.

The projected member distribution amongst the plans, as illustrated in Worksheet 2, Section IV of the URRT, was developed to ██████████

For Silver level plans, the projected enrollment by each cost-sharing reduction subsidy level was developed using [REDACTED]

Table 7 provides the resulting projected enrollment by plan and subsidy level.

[illegible]

III. Terminated Plans and Products

Not applicable.

IV. Plan Type

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT.

RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, I have relied on:

- Data provided by Wellmark's Data Analytics department
- Expenses provided by Wellmark's Cost Accounting department and management
- Necessary tasks such as data validation, calculating actuarial plan values, and rating input analyses provided by Wellmark actuarial staff
- Review of key assumptions and calculations by Wellmark management and Milliman consultants
- Data sourced from CMS Public Use Files
- Data sourced from Milliman Risk Adjustment Modeling
- Data sourced from Wakely Consulting Risk Adjustment Modeling

To the extent that any information relied upon is incomplete or inaccurate; the contents of the URRT and Actuarial Memorandum may be materially affected.

ACTUARIAL CERTIFICATION

I, [REDACTED], am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

This rate filing has been prepared consistent with the current regulatory and legislative landscape as of May 28th, 2025. To the extent that this landscape changes prior to the start of the plan year, these rates may be insufficient or otherwise inadequate, and would need to be re-evaluated.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- 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, such as:
 - 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. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient

I certify that 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 specific premium rates. The allowable modifiers used to generate plan specific premium rates were based on the following:

- The actuarial value and cost-sharing design of the plan.
- Administrative costs, excluding Exchange user fees.

I certify that the benefits included in our plans are substantially equivalent to the Essential Health Benefits (EHBs) in the State of South Dakota benchmark plans.

I certify that the 2026 AV Calculator (Revised Final 2026 version, as released on March 26, 2025) was used to determine all of the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template.

I certify that any 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.

The Part I Unified Rate Review Template (URRT) is representative of information required by Federal regulation to be provided in support of the review of rate changes, 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.

I hereby certify to the best of my knowledge and belief that this submission conforms to generally accepted actuarial principles, standards and guidelines and is in compliance with all applicable laws and regulations in the state of South Dakota. I further certify that the rates are not inadequate, excessive, unfairly discriminatory or unreasonable in relation to the benefits provided.

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.

Signed: _____

, Wellmark Blue Cross and Blue Shield

Dated: _____

APPENDIX***Proposed Rate Change by Component***

Renewing HIOS ID	2025 CPAIR	2026 CPAIR	CPAIR Change	March 2025 Premium
Premium Weighted Average				

Region	2025 Region Factor	2026 Region Factor	Region Factor Change	March 2025 Premium
Region 1				
Region 2				
Region 3				
Region 4				
Premium Weighted Average				

	CPAIR Change	Region Factor Change	Rate Change
Overall Average			
Minimum			
Maximum			