

Part III Actuarial Memorandum

Highmark New York, Inc. d/b/a:

Highmark BlueCross BlueShield of Western and Northeastern New York – Individual Market Unified Rate Review Template:

General Information:

Company Identifying Information:

Company Name: Highmark BlueCross BlueShield of Western and Northeastern New York
State: New York
HIOS Issuer ID: 40064
Market: Individual
Effective Date: January 1, 2026

Primary Contact



Proposed Rate Increase(s):

Reason for Rate Increase(s):

We are proposing rate changes across our products due to the following factors:

- Changes in utilization and unit cost.
- Changes in related expenses
- Changes in covered benefits and impact of regulations.

The Rate change varies by product as the actuarial value of plan specific benefits is reevaluated annually.

Experience Period Premium and Claims:

Paid Through Date: February 28, 2025

Premiums (net of MLR Rebate) in Experience Period:

Earned Premium (Prior to MLR Rebates):	\$43,819,146.05
MLR Rebates (Expected):	\$0.00
Earned Premium (Net of MLR Rebates):	\$43,819,146.05

Description of Methodology Used to Estimate MLR Rebates:

Under the Federally prescribed MLR methodology the projected loss ratio across all Individual products is 90.3%.

Allowed and Incurred Claims Incurred During the Experience Period:

Allowed Claims:

Claim dollars processed through claim system: \$78,290,481.76
IBNP: \$1,558,358
Total Allowed Claims \$79,848,839.48

Incurred Claims:

Claim dollars processed through claim system: \$67,300,089.66
IBNP: \$1,349,944
Total Incurred Claims \$68,650,033.48

Description of Methodology Used to Determine Allowed Claims:

Allowed claims come directly from Highmark's system and non-system claim records.

Description of Methodologies Used to Estimate Incurred but not Paid Claims:

To estimate incurred but not paid claims for the experience period, completion factors were developed from Highmark's corporate reserves that include paid claims through February 28, 2025. This time period was chosen to remain consistent with the time period of the experience period. The completion factors were determined by taking the ratio of the paid claims to the estimated total incurred claims for each month of the previous year. The completion factors vary by region, type of service (Inpatient, Outpatient, Professional, and Rx), and product type (High Deductible Health Plan or Commercial). These reserve buckets include experience period claims for Highmark's other Commercial books of business (Large Group business), as well as the claim data that is used for the Experience period in this rate development.

Benefit Categories:

Inpatient Hospital: Inpatient Hospital claims are identified from Highmark's claims system with Type of Service "I". Within this benefit category, more granular claim categories are created and classified using Milliman service category definitions.

Outpatient Hospital: Outpatient Hospital claims are identified as the following EHBs:

Emergency Room	OP Services	OP Mental Health
OP Substance Abuse	OP Surgery – Facility	Urgent Care

These are all identified using Milliman service category definitions.

Professional: Professional claims are identified as the following EHBs:

Allergy	Audiology	Chiropractor	Lab
PCP Services	PT/OT/ST	Radiology	SCP Services
OP Surgery – Office	Abortion		

These are all identified using Milliman service category definitions.

Other Medical: Other medical claims are identified as the following EHBs:

Ambulance	Home Health	DME	P & O
Diabetic Services	Emergency Dental	N/A	Chemotherapy
Hospice	Infusion Therapy		

These are all identified using Milliman service category definitions.

Capitation: Capitation claims are identified through system Capitation data, by vendor.

Prescription Drug: Prescription Drug claims are identified from claims feeds from Highmark's pharmacy benefit manager, Express Scripts.

Projection Factors:

Changes in Demographics:

No change in demographics was assumed from the base period 2024 to the rating period 2026.

Geographic Adjustment Factors:

NYS Rating Region 1/7:	1.112
NYS Rating Region 2:	0.941

Combined Factor: 1.000

Plan Design Changes

In accordance with the instructions from the New York Department of Financial Services (DFS), the two HIOS Issuer IDs (36346 & 49526) were consolidated into the single Highmark Western & Northeastern NY HIOS Issuer ID (40064) in 2025. New sets of plans were created for both the Western NY service area and the Northeastern NY service area within the same consolidated HIOS Issuer ID.

Highmark for 2025 also transitioned our Individual ACA QHP portfolio to new EPO designs. This benefits members by moving out-of-area Blue providers to the in-network level of coverage. It also removed out-of-network, out-of-area coverage. Although this change has the effect of increasing rates, the impact is less than if no change had occurred.

Changes in Other:

The "Other" adjustment in worksheet 1 of the URRT contains a number of factors, but is primarily impacted by a factor for excess out-of-network utilization. Highmark incurred an excess amount of claims in out-of-network services and has removed the estimated impact to not adversely affect members in future periods. Other adjustments accounted for would include adjustment to account for non-system claims, Rx rebates, and passed legislation.

Trend Factors (Cost/Utilization):

The 2025 and 2026 allowed trends are developed separately for unit cost and utilization for both medical and pharmacy claims. A regression model is used to develop the trends based on Highmark data with incurred dates as far back as 2019. The trends are developed considering all of the following factors:

- Negotiated fee schedules with providers
- Utilization of services
- Complexity of services
- Cost containment programs
- Prescription drugs transitioning from brand to generic
- Introduction of new prescription drugs

Since the experience period data contains a mix of WNY and NENY claims data for Highmark, the trend factors below apply to the aggregate data, and regional differences are adjusted in the geographic factors.

The base data is trended from the midpoint of the experience period to the midpoint of the rate period (7/1/2024 to 7/1/2026). The 2025 and 2026 medical and pharmacy trends are summarized below:

2025 Medical:		2025 Pharmacy:	
Unit Cost:	8.88%	Unit Cost:	7.95%
Utilization:	3.43%	Utilization:	-1.74%
2026 Medical:		2026 Pharmacy:	
Unit Cost:	6.40%	Unit Cost:	1.77%
Utilization:	4.92%	Utilization:	0.51%
Combined (2025 and 2026) Medical:		Combined (2025 and 2026) Pharmacy:	
Unit Cost:	15.85%	Unit Cost:	9.86%
Utilization:	8.51%	Utilization:	-1.24%

Credibility Manual Rate Development:Source and Appropriateness of Experience Data Used:

Highmark completed this section with the experience period data, as it was deemed credible.

Credibility of Experience:Source and Appropriateness of Experience Data Used:

The experience is from Highmark New York's individual book of business in 2024. It is large enough to be fully credible. Our results are based 100% on the experience rate, as adjusted.

Paid to Allowed Ratio:

The AV Pricing values included in Worksheet 2 of the Part I Unified Rate Review Template were based on the percentage of costs paid for Highmark.

Risk Adjustment:Projected Risk Adjustments PMPM:

The projected risk adjustment PMPM was based on our most recent actual results, Wakely simulations, and internal forecasting.

Non-Benefit Expenses and Profit & Risk

Administrative Expense Load:

The administrative expense load is based on projected fixed and variable expenses developed by our Finance Admin area. It takes into account an allocation of fixed expenses across the organization for functions such as Legal, Finance, Executive Leadership, etc. The variable expenses take into account functions that change with enrollment claims/volume such as claims processing, sales, customer service, billing/enrollment, etc.

The admin load varies by plan, but is consistent among AV Metal levels (ie Gold plans receive the same admin allocation as other Gold plans).

Profit (or Contribution to Surplus) & Risk Margin:

Within each plan, there is a 1.5% premium load for Risk Margin and Profit. The load does not vary based on product or plan.

Taxes and Fees:

The following taxes and/or fees are included:

CER Fee: \$0.34 PMPM

Risk Adjustment Operational Fee: \$0.18 PMPM

Exchange User Fee:

NYSDFS has advised Highmark that no additional exchange user fee may be built into premium rates.

Projected Loss Ratio:

The projected loss ratios using the Federally prescribed MLR methodology are as follows:

HIOS ID	MLR
40064NY0480004	92.4%
40064NY0480002	91.8%
40064NY0480001	90.8%
40064NY0480003	89.2%
40064NY0490004	92.4%
40064NY0490002	91.8%
40064NY0490001	90.8%
40064NY0490003	89.2%
40064NY0500004	92.4%
40064NY0500002	91.8%
40064NY0500001	90.8%
40064NY0500003	89.2%
40064NY0510004	92.4%
40064NY0510002	91.7%
40064NY0510001	90.7%
40064NY0510003	89.1%
40064NY0520004	92.4%
40064NY0520002	91.7%
40064NY0520001	90.7%
40064NY0520003	89.1%
40064NY0530004	92.4%
40064NY0530002	91.8%
40064NY0530001	90.8%
40064NY0530003	89.2%
40064NY0540004	92.4%
40064NY0540002	91.8%
40064NY0540001	90.8%
40064NY0540003	89.3%
40064NY0550004	92.0%
40064NY0550002	91.3%
40064NY0550001	90.1%
40064NY0550003	88.3%
40064NY0560004	92.0%
40064NY0560002	91.3%
40064NY0560001	90.1%
40064NY0560003	88.3%
40064NY0570004	92.0%
40064NY0570002	91.3%
40064NY0570001	90.1%
40064NY0570003	88.3%
40064NY0580004	91.9%
40064NY0580002	91.2%
40064NY0580001	90.0%
40064NY0580003	88.1%
40064NY0590004	91.9%
40064NY0590002	91.2%
40064NY0590001	90.0%
40064NY0590003	88.1%
40064NY0600004	92.0%
40064NY0600002	91.3%
40064NY0600001	90.2%
40064NY0600003	88.4%
40064NY0610004	92.0%
40064NY0610002	91.3%
40064NY0610001	90.2%
40064NY0610003	88.4%

Index Rate:

The base period experience index rate is the total allowed medical and pharmacy PMPM for the Individual ACA base period data.

The base period experience index rate is converted to rate period projected index rate by applying the following elements:

- Trend
- Demographic deterioration
- Risk adjustment transfer payments
- Excess utilization of OON services reduction

The index rates are developed as effective 1/1/2026.

The index rates are converted to single rates for each unique plan by adjusting for:

- Pricing actuarial value of benefits
- Induced demand adjustments
- Geographic adjustments
- Provider network adjustments
- Administrative costs
- New York State fees and taxes
- PMPM to single rate conversion factor (step-up factor)

Rates for additional tiers other than single are developed by applying NYS DFS mandated tier factors to the single rate.

AV Metal Values:

The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based on the Federal AV Calculator. Some plans did require an adjustment to the inputs entered into the AV calculator. Screen shots and certifications for these plans were submitted as part of the QHP application.

Membership Projections:

The membership projections found in Worksheet 2 of the Part IV Unified Rate Review Template were developed using annualized Highmark enrollment based on March 31, 2025.

Actuarial Certification

I certify that:

- 1.) I am a member of the American Academy of Actuaries.
- 2.) The projected index rate is:
 - a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
 - b. Developed in compliance with the applicable Actuarial Standards of Practice,
 - c. Reasonable in relation to the benefits provided and the population anticipated
 - d. Neither excessive nor deficient
- 3.) 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.
- 4.) The geographic rating 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.
- 5.) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV, were calculated in accordance with actuarial standards of practice.
- 6.) The AV calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans except those specified in the certification.
- 7.) The adequacy of the rates is dependent upon the cost sharing provisions being appropriately funded and reimbursed through the Insurer Reimbursement Implementation Plan (IRIP) as well as Federal Pass-Through funding.

Sincerely,

A large black rectangular box used to redact the signature of the certifier.

May 15, 2025