Part III Actuarial Memorandum

Highmark Western and Northeastern New York

Individual Market Unified Rate Review Template:

General Information:

Company Identifying Information:

Company Name:	Highmark Western and Northeastern New York
State:	New York
HIOS Issuer ID:	40064
Market:	Individual
Effective Date:	January 1, 2027

Primary Contact

[redacted]

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, 2026

Premiums (net of MLR Rebate) in Experience Period:

Earned Premium (Prior to MLR Rebates):	$33,132,806.27
MLR Rebates (Expected):	$0.00
Earned Premium (Net of MLR Rebates):	$33,132,806.27

Description of Methodology Used to Estimate MLR Rebates:

Under the Federally prescribed MLR methodology the projected loss ratio across all Individual products is 89.3%.

Allowed and Incurred Claims Incurred During the Experience Period:

Allowed Claims:

Claim dollars processed through claim system:	$43,804,849.64
IBNP:	$4,084,117.2
Total Allowed Claims	$47,888,966.84

Incurred Claims:

Claim dollars processed through claim system:	$38,321,692.52
IBNP:	$3,424,440.26
Total Incurred Claims	$41,746,132.78

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, 2026. 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:
The claims data in the experience period was summarized at the benefit categories defined below, which closely adheres to the preferred definitions of the Benefit Categories included in the URRT instructions.

Inpatient Hospital: Inpatient Hospital claims are identified from Highmark's claims system with Type of Service "I".

Outpatient Hospital : Outpatient Hospital claims are identified from Highmark's claims system with Type of Service "O".

Professional: Professional claims are identified from Highmark's claims system with Type of Service "P".

Other Medical: Other medical claims are identified from Highmark's claims system with a Type of Service other than "I", "O", and "P", which reflects visits for PDN/home health, trips for ambulance, and procedures for DME/prosthetics.

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 2025 to the rating period 2027.

Geographic Adjustment Factors:	
NYS Rating Region 1/7:	1.108
NYS Rating Region 2:	0.951
Combined Factor:	1.000

Changes in Other:

The "Other" adjustment in worksheet 1 of the URRT contains a number of factors including, but not limited to, adjustments to account for non-system claims, Rx rebates, and passed legislation.

Trend Factors (Cost/Utilization):

The 2026 and 2027 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 2020. 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 (7/1/2025 to 7/1/2027). The 2026 and 2027 medical and pharmacy trends are summarized below:

2026 Medical:		2026 Pharmacy:	
Unit Cost:	4.00%	Unit Cost:	1.14%
Utilization:	3.94%	Utilization:	0.50%
2027 Medical:		2027 Pharmacy:	
Unit Cost:	4.00%	Unit Cost:	8.00%
Utilization:	5.67%	Utilization:	6.48%
Combined (2026 and 2027) Medical:		Combined (2026 and 2027) Pharmacy:	
Unit Cost:	8.16%	Unit Cost:	9.23%
Utilization:	9.84%	Utilization:	7.01%

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 2025. 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 (i.e. Gold plans receive the same admin allocation as other Gold plans).

Profit (or Contribution to Surplus) & Risk Margin:

Within each plan, there is a 2% 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:

PCORI (CER) Fee: $0.39 PMPM
Risk Adjustment User Fee: $0.18 PMPM
MCO Tax: $1.57 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
40064NY0480001	90.3%
40064NY0480002	91.1%
40064NY0480003	88.6%
40064NY0480004	91.7%
40064NY0490001	90.3%
40064NY0490002	91.1%
40064NY0490003	88.6%
40064NY0490004	91.7%
40064NY0500001	90.3%
40064NY0500002	91.1%
40064NY0500003	88.6%
40064NY0500004	91.7%
40064NY0510001	90.2%
40064NY0510002	91.1%
40064NY0510003	88.6%
40064NY0510004	91.7%
40064NY0520001	90.2%
40064NY0520002	91.1%
40064NY0520003	88.6%
40064NY0520004	91.7%
40064NY0530001	90.3%
40064NY0530002	91.1%
40064NY0530003	88.7%
40064NY0530004	91.7%
40064NY0540001	90.3%
40064NY0540002	91.1%
40064NY0540003	88.7%
40064NY0540004	91.7%
40064NY0550001	89.6%
40064NY0550002	90.6%
40064NY0550003	87.8%
40064NY0550004	91.3%
40064NY0560001	89.7%
40064NY0560002	90.6%
40064NY0560003	87.8%
40064NY0560004	91.3%
40064NY0570001	89.6%
40064NY0570002	90.6%
40064NY0570003	87.8%
40064NY0570004	91.3%
40064NY0580001	89.6%
40064NY0580002	90.6%
40064NY0580003	87.7%
40064NY0580004	91.2%
40064NY0590001	89.6%
40064NY0590002	90.6%
40064NY0590003	87.7%
40064NY0590004	91.3%
40064NY0600001	89.7%
40064NY0600002	90.7%
40064NY0600003	87.9%
40064NY0600004	91.3%
40064NY0610001	89.7%
40064NY0610002	90.7%
40064NY0610003	87.9%
40064NY0610004	91.3%

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 1/1/2027.

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 Adult rate conversion factor (step-up factor)

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

Impact of Non-Payment of Cost Sharing Reduction Subsidies:
In accordance with the Department's guidance, we have applied an additional adjustment to our AV pricing values for those Silver plans not offered exclusively off-exchange. This adjustment factor was 1.03 and represents the non-payment of Cost Sharing Reduction subsidies. The Company intends to continue to monitor the CSR load development and adjust as necessary in future years.

In PY2025, New York state still operated under a 1332 waiver. This resulted in members with income <250% of the FPL being enrolled in the NY Essential Plan. Also, CSR benefits were expanded to members at <400% of the FPL, unlike in other states. In accordance with the May 15 New York filing guidance, the only CSR issuer payments reported were those NOT related to the state-run CSR program. [redacted]

As of July 1 2026, the 1332 waiver funding this expanded CSR program in New York will no longer be effective. Accordingly in PY2027, the Company expects to collect $500k in additional revenue due to the CSR load factor. We also expect to pay out $700k on behalf of eligible enrollees. The projection of CSR payments was based on the expected difference in paid-to-allowed ratios for CSR vs non-CSR silver members. These ratios were then applied to 2027 projected allowed claims to determine the projected CSR payments. While the Company's small New York population and lack of <250% FPL CSR experience meant that we could not rely on historical data for this estimate, we feel that the difference between projected revenue and claims is reasonable.

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, 2026.

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.

Sincerely,



May 21, 2026