Rate Increase Justification

1. Scope and Range of Rate Increase

The purpose of this document is to present rate change justification for Oscar Insurance Company's (Oscar's) Individual Affordable Care Act (ACA) products, with an effective date of January 1, 2024, and to comply with the requirements of Section 2794 of the Public Health Service Act as added by Section 1003 of the Patient Protection and Affordable Care Act (ACA).

Using in-force business as of May 31th, 2023 , the proposed average rate increase for renewing plans is -1.5%. Rate increases vary by plan and range from -7.0% to 10.0% due to a combination of factors including shifts in benefit leveraging, cost-sharing modifications, and geographic rating factors. This rate increase is absent of rate changes due to attained age. There are 1,263 current members impacted by a rate increase greater than 5.1%.

2. Financial Experience of the Product

To rate 2024 premiums, Oscar used a blend of 2022 Iowa experience and our Manual rating rating methodology. Oscar's projected loss ratio for 2024 is 84.5%, which is above the federally mandated loss ratio of 80%.

3. Reason for Rate Increase(s)

Medicaid Redetermination

Oscar anticipates increases to the market morbidity in Iowa due to the ending of the Public Health Emergency Emergency and a proportion of Medicaid Redeterminations enrolling in the ACA Marketplace in the 2023 and 2024 plan years.

Changes in Medical Service Costs

The projected premium rates reflect the most recent emerging experience which was trended for anticipated changes due to medical and prescription drug inflation and utilization. Oscar assumed an annual medical trend of 4.7%.

Administrative Expenses, Taxes and Fees, and Risk Margin

Changes to the overall premium level are needed because of required changes in federal and state taxes and fees. In addition, there are anticipated changes in both administrative expenses and targeted risk margin.

Prospective Benefit Changes

Plan benefits have been revised as a result of changes in the Center for Medicare and Medicaid Services (CMS) Actuarial Value Calculator and state requirements, as well as for strategic product considerations.

COVID-19 Pandemic

Changes to the overall premium level are needed because of the unwinding of the Public Health Emergency, a proportion of Medicaid Redeterminations enrolling in the ACA Marketplace, and the change in expected costs attributed to COVID-19.

Carter Knight
Associate, Society of Actuaries
Member, American Academy of Actuaries

Actuarial Memorandum

1. Introduction and Purpose

The purpose of this document, which is submitted in conjunction with the Part I Unified Rate Review Template (URRT), is to comply with the requirements of the Part III Actuarial Memorandum and to support the premium rates developed for Oscar Insurance Company's (Oscar's) Affordable Care Act (ACA) products in the Individual market, with an effective date of January 1, 2024.

This actuarial memorandum provides certain information related to the rate filing submission including support for the values entered into the URRT, which demonstrates 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 Iowa Insurance Division, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Oscar's individual market rate filing.

Future regulatory changes may affect the extent to which the rates presented herein are neither excessive nor deficient.

2. General Information

Company Identifying Information

Company Legal Name:	Oscar Insurance Company
State:	Iowa
NAIC:	15777
HIOS Issuer ID:	45819
Market:	Individual
Effective Date:	January 1, 2024
Policy Forms:	OSC-IA-IVL-EOC-2024[-HIX]

Company Contact Information

Primary Contact Name:	[redacted]
Primary Contact Telephone Number:	[redacted]
Primary Contact Email Address:	[redacted]

The products offered within this filing are all guaranteed issue (i.e. no medical underwriting) and guaranteed renewable as required under the ACA. This rate filing applies to non-grandfathered plans only that are open to new sales. Premiums will be charged on a monthly basis.

3. Proposed Rate Increases

Reason for Rate Increase(s)

Exhibit A summarizes the proposed rate increases by plan effective January 1, 2024. Rate increases vary by plan due to a combination of factors including shifts in benefit leveraging, cost-sharing modifications, and geographic rating factors. Using in-force business as of May 2023, the proposed average rate change for renewing plans is [redacted]. This rate change is absent of rate changes due to attained age.

The significant factors driving the proposed rate change include the following:

Medical and Prescription Drug Inflation and Utilization Trends

The projected premium rates reflect the most recent emerging experience which was trended for anticipated changes due to medical and prescription drug inflation and utilization.

Administrative Expenses, Taxes and Fees, and Risk Margin

Changes to the overall premium level are needed because of required changes in federal and state taxes and fees. In addition, there are anticipated changes in both administrative expenses and targeted risk margin.

Prospective Benefit Changes

Plan benefits have been revised as a result of changes in the Center for Medicare and Medicaid Services (CMS) Actuarial Value Calculator and state requirements, as well as for strategic product considerations.

Anticipated Changes in the Average Morbidity of the Covered Population

Changes to the overall premium level are needed because of anticipated changes in the underlying morbidity of the projected marketplace.

COVID-19 Pandemic

Changes to the overall premium level are needed because of the unwinding of the Public Health Emergency and the change in expected costs attributed to COVID-19.

Rate Development Overview

The plans included in this rate filing are to be offered for sale effective January 1, 2024. Oscar's rate development, including the methodology described below, is based on generally accepted actuarial principles for community rated individual blocks of business.

Underlying Claim Experience

Oscar started with Iowa's individual claim experience from January 1, 2022 through December 31, 2022, with runout through May 31, 2023, as the experience basis in the projection. The claim amount includes an estimate for Incurred But Not Reported (IBNR) claims.

In the absence of fully credible base experience claim data, Oscar also utilized Florida individual claim experience from Oscar's legal entity (Oscar Insurance Company of Florida; NAIC code 16374) as the manual rate basis in the projection. The base experience used for the manual projection reflects claims from January 1, 2022 through December 31, 2022, with runout through May 31, 2023, and includes an estimate for Incurred But Not Reported (IBNR) claims.

Trend

Oscar applied utilization and unit cost trends to the underlying medical and prescription drug claims to reflect the expected claim levels in the projection period.

Benefit Adjustment
The projected claims were adjusted to reflect the benefits for each of the products to be offered on and off the exchange.

Demographics and Morbidity
The starting claim experience was adjusted to reflect changes in the anticipated morbidity and demographics corresponding to Oscar's projected 2024 membership distribution.

Market Morbidity
The starting claim experience was additionally adjusted to reflect changes in the anticipated market morbidity from the experience period to the projection period in response to the uncertainty inherent in the marketplace.

Network Adjustment
The projected claims were adjusted to reflect changes in the anticipated provider reimbursement levels and network configuration.

COVID-19 Pandemic
The starting claim experience was adjusted from the base period to the projection period to reflect the anticipated impact of items such as the normalization of the experience period and projection period direct costs as a result of the ongoing COVID-19 pandemic and its associated impact on the Individual market in Iowa. Future regulatory, legislative, or economic changes may affect the extent to which the rates presented herein are neither excessive nor deficient.

Risk Adjustment
The projected claims were adjusted to reflect payments to the individual (catastrophic and non-catastrophic) risk pool as a result of the risk adjustment program.

Administrative Expenses and Risk Margin
The premium incorporates an average [redacted] administrative charge, which is inclusive of general administrative expenses, commission, and risk margin.

Taxes and Fees
The premium rates reflect applicable state and federal taxes and fees for the 2024 plan year.

4. Market Experience

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

Oscar's rates are developed using a single risk pool, established according to the requirements in 45 CFR Part 156, §156.80(d). The experience period data is based on all Oscar Individual market policies in Iowa and the projection period reflects all projected covered lives for every non-grandfathered product/plan combination for Oscar in the Iowa Individual market.

The premium earned during the experience period and as reported on Worksheet 1, Section I of the URRT are from Oscar's data warehouse for calendar year 2022.

Paid Through Date

The experience period in Worksheet 1, Section I of the URRT shows Oscar's earned premium and incurred claims for the experience period of January 1, 2022 through December 31, 2022, with claims paid through May 31, 2023.

Current Date

The current period in Worksheet 2, Section II of the URRT shows Oscar's premium and enrollment using in-force business as of May 2023.

Allowed and Incurred Claims Incurred During the Experience Period

Oscar's calendar year 2022 medical and pharmacy claim data was used for developing the single risk pool claims. Worksheet 1, Section I of the URRT outlines Oscar's best estimate of claims incurred during the experience period. The estimate includes:

- Claims processed through Oscar's claim system,
- Claims processed outside of the claim system (e.g. pediatric dental and vision services), and
- Oscar's best estimate of IBNR.

Oscar's claim reserves consists of liabilities for both claims incurred but not reported ("IBNR") and reported but not yet processed through our systems that are determined by employing actuarial methods that are commonly used by health insurance actuaries. The completion factor development method is utilized for non-catastrophic claims ([redacted]), supplemented by a projected per-member per-month (PMPM) claims methodology for generally the most recent two months. Projected PMPMs are developed from the Company's historical experience and adjusted for emerging experience data in the preceding months, which may include adjustments for known changes in estimates of recent hospital and drug utilization data, provider contracting changes, changes in benefit levels, changes in member cost sharing, changes in medical management processes, claim inventory levels, product mix, and workday seasonality. A seriatim methodology is utilized for single catastrophic claims ([redacted]), supplemented by known open cases that are in various stages of review by Oscar's medical management team, or under bill audit review. A separate accrual process is also employed to develop reserves for exposure related to out-of-network and other provider disputed claims.

4.2. Benefit Categories

The benefit categories described below are based on the algorithm used by Milliman's *Health Cost Guidelines*™ (HCGs). The HCG grouper uses a combination of Diagnosis Related Groups (DRGs), Current Procedural Terminology Codes – Fourth Edition (CPT-4 Codes), Healthcare Common Procedural Coding System codes (HCPCS), and revenue codes to allocate detailed claims into roughly 60 benefit categories.

The utilization and unit cost data for rate development were assigned to benefit categories as shown in Worksheet 1, Section I of the URRT based on place and type of service using a detailed claim mapping algorithm, which can be summarized as follows:

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, ancillary, observation and other services provided in an outpatient facility setting and billed by the facility.

Professional
Includes non-capitated primary care, specialty care, therapy, the professional component of laboratory and radiology, and other professional services, except for hospital based professionals whose payments are included in facility fees.

Other Medical
Includes non-capitated ambulance, home health care, durable medical equipment, prosthetics, supplies, vision exams, dental services and other services. The measurement units for utilization used in this category are a mix of visits, cases, and procedures.

Capitation
Includes the amount for any services that are provided on a capitated basis.

Prescription Drug
Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

4.3. Projection Factors
This section includes a description of each factor used to project the experience period allowed claims to the projection period, supporting information related to the development of those factors is also included.

Trend Factors – Cost and Utilization
Average cost trends were developed based on Oscar's anticipated reimbursement levels. Utilization trends were developed at the broad service category level: inpatient facility, outpatient facility, professional, other, and prescription drugs. Utilization trend assumptions were generally estimated using Milliman's HCG secular utilization trend levels, which are based on large data sets and are widely used by insurers and others to estimate expected claim costs and model healthcare utilization.

Table 1 provides the annualized trend assumptions that were used to adjust the allowed claims from the experience period to the projection period. The overall trend used to get from the experience period to the projection period is based on an unleveraged prospective annual trend of [redacted].

Table 1
Annual Trend Assumptions

Benefit Category	Trend		
	Utilization	Unit Cost	Total
Inpatient	[redacted]	[redacted]	[redacted]
Outpatient	[redacted]	[redacted]	[redacted]
Physician	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]
Capitation	[redacted]	[redacted]	[redacted]
Prescription Drug	[redacted]	[redacted]	[redacted]
Grand Total	[redacted]	[redacted]	[redacted]

The trend factors by benefit category are included in the "Year 1 Trend" and "Year 2 Trend" entries on Worksheet 1, Section II of the URRT.

Adjustments to Trended EHB Allowed Claims PMPM

Morbidity Adjustment

The starting claim experience was adjusted to reflect changes in the anticipated morbidity corresponding to Oscar's projected demographic mix and membership distributions.

A second adjustment was included to reflect changes in the anticipated market morbidity in response to the uncertainty inherent in the marketplace. Specifically, Oscar anticipated changes to the market morbidity associated with the change in Iowa's enrollment for the projection period relative to the experience period, as well as the anticipated impact due to the ending of the Public Health Emergency and a proportion of Medicaid Redeterminations enrolling in the ACA Marketplace in the 2023 and 2024 plan years.

These adjustments reflect the projected change in claim costs outside of the underlying demographics of the covered population and were also assumed when estimating the risk adjustment transfer for the projection period.

A combined factor of [redacted] is included in the "Morbidity Adjustment" entry on Worksheet 1, Section II of the URRT.

Demographic Shift

An adjustment was included to account for the anticipated changes in demographic mix — in both age/gender and geography — between the experience period and the projection period.

A factor of [redacted] is included in the "Demographic Shift" entry on Worksheet 1, Section II of the URRT.

Plan Design Changes

Oscar applied an adjustment to account for the anticipated changes in the average utilization of services due to differences in average cost sharing requirements between the experience period and projection period. Plan behavior change factors were applied at the plan level using factors developed from Oscar's risk adjusted individual claim experience. The resulting allowed and net claim costs for each plan reflect differences due to cost sharing and the impact of plan behavior change only, and not due to health status.

A factor of [redacted] is included in the "Plan Design Changes" entry on Worksheet 1, Section II of the URRT.

Other Adjustments – Changes in Network

Oscar applied an adjustment of [redacted] to account for anticipated changes in provider reimbursement levels between the experience period and projection period. The reimbursement changes are in response to modifications to Oscar's underlying contracts with its providers.

Other Adjustments – Prescription Drug Rebates

An adjustment of [redacted] was included to account for the anticipated changes in the level of prescription drug rebates between the experience period and projection period.

Other Adjustments – Pooling Charge

An adjustment of [redacted] was included to account for Oscar experiencing lower than expected shock claims during the experience period. In this context, a shock claim is defined as annual costs in excess of [redacted] per individual claimant.

Other Adjustments – Impact of the COVID-19 Pandemic

Oscar included an adjustment to account for the changes in expected COVID-19 healthcare costs and utilization patterns from the experience period to the projection period. An adjustment of [redacted] was included to account for sustained lower levels of emerging COVID-19 spend, as well as for the impact of the Public Health Emergency ending.

A combined factor of [redacted] is included in the "Other" entry on Worksheet 1, Section II of the URRT.

Manual Rate Adjustments

Since Oscar's base experience in Iowa is partially credible, a manual rate methodology was additionally developed for rating purposes as described in this section. The adjustments described below were used to develop the Manual EHB Allowed Claims PMPM entry on Worksheet 1, Section II of the URRT.

Source and Appropriateness of Experience Data Used

Oscar started with individual claim experience from January 1, 2022 through December 31, 2022, with runout through April 30, 2023, as the manual rate basis in the projection. The starting claim experience is from Oscar's legal entity (Oscar Insurance Company of Florida; NAIC code 16374) offering in the Florida individual market.

In accordance with *Actuarial Standards of Practice (ASOP) #25 — Credibility Procedures,* Oscar's internal credibility manual, determined from statistical relationships inherent in nationwide experience in the individual market, assigns full credibility at [redacted] member months. Oscar's manual includes [redacted] member months and is considered fully credible for purposes of developing claim projections.

Adjustments Made to the Data

Exhibit B summarizes the adjustment factors, as described in this section, used to project the manual rate claims on an allowed basis to the projection period.

- Incurred But Not Reported

  The starting claim experience represents Oscar's best estimate of claims incurred during the manual period. The estimate includes:

  - Claims processed through Oscar's claim system,
  - Claims processed outside of the claim system (e.g. pediatric dental and vision services), and
  - Oscar's best estimate of IBNR.

  Oscar's claim reserves consists of liabilities for both claims incurred but not reported ("IBNR") and reported but not yet processed through our systems that are determined by employing actuarial methods that are commonly used by health insurance actuaries. The completion factor development method is utilized for non-catastrophic claims ([redacted]), supplemented by a projected per-member per-month (PMPM) claims methodology for generally the most recent two months. Projected PMPMs are developed from the Company's historical experience and adjusted for emerging experience data in the preceding months, which may include adjustments for known changes in estimates of recent hospital and drug utilization data, provider contracting changes, changes in benefit levels, changes in member cost sharing, changes in medical management processes, claim inventory levels, product mix, and workday seasonality. A seriatim methodology is utilized for single catastrophic claims ([redacted]), supplemented by known open cases that are in various stages of review by Oscar's medical management team, or under bill audit review. A separate accrual process is also employed to develop reserves for exposure related to out-of-network and other provider disputed claims.

- Trend Factors – Cost and Utilization

  Average cost trends were developed based on Oscar's anticipated reimbursement levels. Utilization trends were developed at the broad service category level: inpatient facility, outpatient facility, professional, other, and prescription drugs. Utilization trend assumptions were generally estimated using Milliman's HCG secular

utilization trend levels, which are based on large data sets and are widely used by insurers and others to estimate expected claim costs and model healthcare utilization.

Table 2 provides the annualized trend assumptions that were used to adjust the allowed claims from the manual period to the projection period. The overall trend used to get from the manual period to the projection period is based on an unleveraged prospective annual trend of [redacted].

Table 2
Annual Trend Assumptions

Benefit Category	Trend		
	Utilization	Unit Cost	Total
Inpatient	[redacted]	[redacted]	[redacted]
Outpatient	[redacted]	[redacted]	[redacted]
Physician	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]
Capitation	[redacted]	[redacted]	[redacted]
Prescription Drug	[redacted]	[redacted]	[redacted]
Grand Total	[redacted]	[redacted]	[redacted]

A factor of [redacted] is included in the "Manual EHB Allowed Claims PMPM" entry on Worksheet 1, Section II of the URRT

- Plan Design Changes

  Oscar applied an adjustment to account for the anticipated changes in the average utilization of services due to differences in average cost sharing requirements between the manual period and projection period. Plan behavior change factors were applied at the plan level using factors developed from Oscar's nationwide risk adjusted individual claim experience. The resulting allowed and net claim costs for each plan reflect differences due to cost sharing and the impact of plan behavior change only, and not due to health status.

  A second adjustment was included to account for anticipated changes in underlying benefit coverage between the manual period and the projection period capturing inherent differences in EHBs, state mandated benefits, and eliminated benefits.

  A combined factor of [redacted] is included in the "Manual EHB Allowed Claims PMPM" entry on Worksheet 1, Section II of the URRT.

- Demographic Shift

  An adjustment was included to account for the anticipated changes in demographic mix — in age and gender — between the manual base period and the projection period.

  A factor of [redacted] is included in the "Manual EHB Allowed Claims PMPM" entry on Worksheet 1, Section II of the URRT.

- Changes in the Morbidity of the Covered Population

  The starting claim experience was adjusted to reflect changes in the anticipated morbidity corresponding to Oscar's projected demographic mix and membership distributions.

  A second adjustment was included to reflect changes in the anticipated market morbidity in response to the uncertainty inherent in the marketplace. Specifically, Oscar anticipated changes to the market morbidity

associated with the change in Iowa's enrollment for the projection period relative to the manual period, as well as the anticipated impact due to the ending of the Public Health Emergency and a proportion of Medicaid Redeterminations enrolling in the ACA Marketplace in the 2023 and 2024 plan years.

Lastly, an adjustment was made to account for the anticipated changes in market morbidity between the Florida and Iowa individual markets. To estimate the market morbidity impact, Oscar relied upon the completed regression results in The Wakely National Risk Adjustment Reporting Project (WNRAR) provided to Oscar to estimate the market wide plan liability risk score, allowable rating factor, actuarial value, and induced demand factor for the Florida and Iowa individual markets.

These adjustments reflect the projected change in claim costs outside of the underlying demographics of the covered population and were also utilized when estimating the risk adjustment transfer for the projection period.

A combined factor of [redacted] is included in the "Manual EHB Allowed Claims PMPM" entry on Worksheet 1, Section II of the URRT.

- Change in Network
  Oscar applied an adjustment to account for anticipated changes in provider reimbursement levels between the manual period and projection period. The reimbursement changes are in response to modifications to Oscar's underlying contracts with its providers.

  A factor of [redacted] is included in the "Manual EHB Allowed Claims PMPM" entry on Worksheet 1, Section II of the URRT.

- Prescription Drug Rebates
  An adjustment was included to account for the anticipated changes in the level of prescription drug rebates between the manual period and projection period.

  A factor of [redacted] is included in the "Manual EHB Allowed Claims PMPM" entry on Worksheet 1, Section II of the URRT.

- Pooling Charge
  An adjustment was included to account for Oscar experiencing lower than expected shock claims during the manual period. In this context, a shock claim is defined as annual costs in excess of [redacted] per individual claimant.

  A factor of [redacted] is included in the "Manual EHB Allowed Claims PMPM" entry on Worksheet 1, Section II of the URRT.

- Impact of COVID-19 Pandemic
  Oscar included an adjustment to account for the changes in expected COVID-19 healthcare costs and utilization patterns from the manual period to the projection period. An adjustment of [redacted] was included to account for sustained lower levels of emerging COVID-19 spend, as well as for the impact of the Public Health Emergency ending.

Inclusion of Capitation Payments
Not applicable.

Credibility of Experience

In accordance with *Actuarial Standards of Practice (ASOP) #25 — Credibility Procedures,* Oscar's internal credibility manual, determined from statistical relationships inherent in nationwide experience in the individual market, assigns full credibility at [redacted] member months. Oscar's experience includes [redacted] member months and is considered [redacted] credible for purposes of developing claim projections. Furthermore, the base period experience was not used to develop the manual rate, so there is no double counting of base period experience.

Establishing the Index Rate

Experience Period

As shown in Worksheet 1, Section II of the URRT, the experience period index rate is [redacted]. The experience period index rate reflects the estimated total combined allowed essential health benefit (EHB) claim experience in the single risk pool, and is not adjusted for payments and charges under the risk adjustment program or for marketplace user fees.

Projection Period

The index rate is defined as the EHB portion of projected allowed claims with respect to trend, benefit, and demographics and divided by all projected single risk pool lives. Since all benefits covered are considered EHBs, there is no difference between the projected allowed claims and the index rate.

The Adjusted Trended EHB Allowed Claims PMPM of [redacted] is blended with the Manual EHB Allowed Claims PMPM of [redacted] using a weight of [redacted] and [redacted], respectively.

Oscar's resulting projection period index rate for the 2024 plan year as shown in Worksheet 1, Section II of the URRT is [redacted].

Development of the Market-Wide Adjusted Index Rate

The market-adjusted index rate is calculated as the sum of the projection period index rate, the impact of the risk adjustment program, and the projected exchange user fees. Table 2 details the projection period index rate, allowable market-wide modifiers as defined in 45 CFR Part 156, §156.80(d), and the resulting market-adjusted index rate.

Table 2
Market-Adjusted Index Rate

Description	Value
Projection Period Index Rate	[redacted]
Net Impact of Risk Adjustment Program	[redacted]
Exchange User Fees (Allowed)	[redacted]
Market-Adjusted Index Rate	[redacted]

The adjustments in the table above reflect all of the market-wide modifiers allowed in federal regulation and the average demographic characteristics of the single risk pool. Please note the allowable market-wide modifiers were adjusted to an allowed basis in the development of the market-adjusted index rate which is consistent with the basis of the projected index rate.

Reinsurance

Not Applicable

Risk Adjustment Payment/Charge

To estimate the risk adjustment PMPM, Oscar relied upon the results of the *Summary Report on Permanent Risk Adjustment Transfers for the 2022 Benefit Year* published by CMS on June 30, 2023, in combination with the *Transfer Payment Issuer Report* supplied to Oscar by CMS, to estimate the market wide plan liability risk score, allowable rating

factor, actuarial value, statewide average premium, and induced demand factor for the individual market. Oscar's geographic cost factor was also adjusted based on the anticipated geographic mix for the 2024 plan year.

Oscar modeled two independent risk adjustment transfers to appropriately correspond with the risk profile of the members in the underlying experience and manual projections. For the risk adjustment transfer that corresponds to the experience projection, Oscar relied upon projected risk and rating factors that are specific to the experience period in the Iowa market. For the risk adjustment transfer that corresponds to the manual projection, Oscar crosswalked the market metrics — plan liability risk score, statewide average premium, and geographic cost factors — from the manual period (i.e. Florida market) to the projection period (i.e. Iowa market) while maintaining similar relative risk profiles by metal level. The two risk adjustment transfers were then blended by the same credibility weighting used to project allowed claims.

Additional adjustments were made to account for the anticipated changes in the Health and Human Services Hierarchical Condition Categories (HHS-HCC) risk adjustment coefficient changes from the 2022 plan year to the 2024 plan year, for both Oscar and the market. These adjustments were determined from the HHS Risk Weight Conversion Tool that was supplied to Oscar by Wakely.

Oscar also included an adjustment to account for the anticipated impact of the Risk Adjustment Data Validation (RADV) audit on the 2024 plan year. To estimate the RADV impact, Oscar relied on historical nationwide experience in the individual market, measured anticipated risk adjustment coding error rates inherent in the 2020 and 2021 plan years, and forecasted those error rates to the projection period. The RADV impact is estimated as a payment of [redacted].

Lastly, Oscar considered the impact to the projected risk adjustment transfer for the addition of the high-cost risk pooling mechanism that was implemented starting with the 2018 plan year.

The projected risk adjustment transfer, net of the risk adjustment user fee and expressed on an allowed basis, is estimated as a payment of approximately [redacted] and is reflected in Worksheet 1, Section II of the URRT.

Any resulting risk adjustment transfer payments would be allocated proportionally across all plans in Oscar's individual market single risk pool.

Detailed quantitative support of the risk adjustment transfer projection is provided in Exhibit C.

Exchange User Fees

Oscar assumed that [redacted] of gross premiums will enroll through the exchange which translates to an estimated exchange user fee assessment of [redacted]. Development of this estimate is provided in Table 3.

Table 3

Exchange User Fee PMPM Development

% of Membership On-Exchange	[redacted]	A
Exchange Fee, % of Premium	[redacted]	B
Indicated Premium PMPM	[redacted]	C
Exchange Fee PMPM	[redacted]	D = A * B * C

The projected exchange user fee, expressed on an allowed basis, is estimated as a payment of approximately [redacted] and is reflected in Worksheet 1, Section II of the URRT.

4.4. Plan-Adjusted Index Rate

Projected Plan-Adjusted Index Rates

Exhibit D summarizes the plan-adjusted index rates, which are determined by applying the allowable plan-level modifiers to the market-adjusted index rate.

The allowable modifiers as described in 45 CFR Part 156, §156.80(d)(2) are the following:

Actuarial Value and Cost-Sharing

Each plan's actuarial value and cost-sharing factor includes a benefit relativity adjustment and the expected impact of the plan's cost sharing amounts on the member's utilization of services. Oscar's internal benefit pricing model, which uses a single claim distribution for all plans, was used to estimate how members purchase services differently based on the level of plan-specific cost sharing. By utilizing a static claim distribution, the pricing model's adjustments assume the same demographic and risk characteristics for each plan priced and therefore exclude expected differences in the health status of members assumed to select each plan.

Plan's Provider Network and Delivery System Characteristics

There are no anticipated plan-specific differences in the provider network or utilization management practices in Oscar's projected product suite.

Plan Benefits in Addition to the EHBs

Oscar's product suite will not cover benefits for any non-EHB services.

Administrative Costs, Excluding Exchange User Fees

The net claims costs are adjusted to account for expected non-benefit expenses. Exhibit E summarizes the components of the administrative cost factor as shown in Worksheet 2, Section III of the URRT.

Expected Impact of the Specific Eligibility Categories for the Catastrophic Plan

A specific eligibility adjustment reflects the difference in expected demographics between the catastrophic plan and the non-catastrophic plans due to the unique eligibility requirements of the catastrophic plan (i.e. that only individuals under the age of 30 or eligible by reason of financial hardship can enroll). This adjustment reflects that costs vary by age and the cost of the population expected to enroll in the catastrophic plan is anticipated to be lower than non-catastrophic plans.

Oscar is proposing no change to the currently approved catastrophic eligibility adjustment.

4.5. Calibration

A composite calibration adjustment is applied uniformly to all plans. Detailed support of the calibration factor is provided in Exhibit F. The market-wide calibration factor is [redacted].

Age Curve Calibration

The average age factor used in the calibration process is [redacted] and was determined by applying the standard age curve established by HHS to the projected member distribution by age, with an adjustment for non-billable members who exceed the maximum of three child dependents under the age of 21 rule.

Under this methodology, the approximate average rated age, rounded to the nearest whole number, associated with the single risk pool is [redacted].

Geographic Factor Calibration

The average geographic rating factor is [redacted]. In order to determine the geographic calibration factor the projected distribution of members by area was determined. The weighted average of the area factors was then calculated using this distribution.

Oscar is expanding its service area effective for the 2024 plan year. A summary of the counties we are entering by rating area is displayed below in Table 4. Exhibit G provides a summary of the proposed geographic rating factors applied to the plan-adjusted index rates.

Table 4

Service Area Expansion Summary

Rating Area	Expansion Counties
[redacted]	[redacted]

Tobacco Factor Calibration

The average tobacco rating factor used in the calibration process is [redacted].

The tobacco factors by age were developed using a Milliman research report titled *Impact of Height, Weight, and Smoking on Medical Claim Costs*, which tabulates the medical claim costs by age for smokers and non-smokers using a government data source, the Medical Expenditure Panel Survey (MEPS). Smoker prevalence rates, which were utilized above to develop the tobacco calibration factor, were based on Oscar's empirical data, and are not anticipated to be substantially different in the projection period.

Oscar is proposing no change to the currently approved tobacco rating factors.

4.6. Consumer-Adjusted Premium Rate Development

Oscar derives consumer-adjusted premium rates by calibrating the plan-adjusted index rate and applying the rating factors specified by 45 CFR Part 147, §147.102. Exhibit H includes the proposed rate manual and a sample rate calculation.

5. Projected Loss Ratio

Oscar's projected loss ratio based on the federally-prescribed MLR methodology is [redacted]. The numerator of the projected loss ratio contains claim costs, risk sharing payments and HCQI expenses net of receipts from the risk adjustment program and the denominator consists of total premiums net of premium taxes and regulatory fees. Note the

MLR in this context does not capture all adjustments, including multi-year averaging, credibility, and deductible averaging.

A summary of each component included in the loss ratio projection is provided in Exhibit I.

6. Plan Product Information

6.1. AV Metal Values

The AV metal values included in Worksheet 2, Section I of the URRT were based on the HHS actuarial value calculator with actuarial adjustments for unique plan designs.

6.2. Membership Projections

Oscar projected membership as displayed in Worksheet 2, Section IV of the URRT by considering the size of the projected Iowa Individual market in 2024 as well as our historical enrollment patterns of the Iowa Individual market, to estimate our assumed market penetration rate and member months projection. For silver level plans in the individual market, an estimate was made for the portion of projected enrollment that will be eligible for CSR subsidies at each subsidy level.

Exhibit J summarizes the membership projection by metal level, including the alternative variant silver plans which CSR eligibles can purchase, and exchange status.

6.3. Plan Type

The plan types listed in Worksheet 2, Section I of the URRT appropriately describe Oscar's plans.

7. Miscellaneous Information

7.1. Effective Rate Review Information

CSR Subsidies

Oscar assumed that CSR subsidies will not be funded by the federal government for the 2024 plan year. If CSR funds are not appropriated and CSR plans continue to be offered, Oscar will then be solely responsible for covering cost sharing for these members. The proposed rates contained herein assume that CSR subsidies remain unfunded by the federal government and that the resulting shortfall will be applied exclusively to Oscar's on-exchange silver plans. A summary of the CSR load calculation can be found in Exhibit L.

Terminated Products

Exhibit K summarizes both the discontinued plans that were included in the single risk pool during the experience period or made available thereafter and the corresponding mapped plans.

Marketing Method

Oscar will market individual policies through the federally facilitated marketplace, direct sales channels and broker arrangements.

Renewability

The products offered within this filing are all guaranteed issue (i.e., no medical underwriting) and guaranteed renewable as required under the ACA. This rate filing applies to non-grandfathered plans only that are open to new sales. Premiums will be charged on a monthly basis and are guaranteed for the duration of the 2024 plan year.

Issue Age Limit

No age limits apply to the plans represented in this filing. Dependent children are eligible for coverage up to and including age 25.

7.2. Reliance

In developing this rate filing, I relied on data, assumptions, and other information provided by internal Oscar staff, external consultants, and publicly available data sources. Reliance from Oscar staff includes Corporate Actuarial providing, pandemic modeling, rating factors, claim trend projections, Financial Planning and Analysis estimates of non-benefit expenses, taxes and fees, and the Insurance Business providing product changes and membership projections. Furthermore, reliance was placed upon analyses and software provided by external consultants including the Wakely National Risk Adjustment Reporting Project (WNRAR), Wakley's HHS Risk Weight Conversion Tool, Milliman's Health Cost Guidelines (HCGs), Milliman Advanced Risk Adjusters (MARA) Model, and Milliman's research report titled "Research report titled: "Impact of Height, Weight, and Smoking on Medical Claim Costs". Finally reliance was also placed upon information from publicly available sources. The sources relied upon include the 2022 and 2023 Marketplace Open Enrollment Period Public Use Files, and the Summary Report on Permanent Risk Adjustment Transfers for the 2022 Benefit Year.

I have not audited this data but have performed a limited review of this information and have deemed it to be reasonable. If the underlying data or information is inaccurate, incomplete, or misleading, the development of projected claims cost, risk adjustment liabilities, and administrative expenses may likewise be inaccurate or incomplete.

7.3. Actuarial Certification

I, [redacted] am an Actuary for Oscar. I am a member of the American Academy of Actuaries and I meet the qualification standards of the Academy to render the actuarial opinion contained herein.

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 Part 156, §156.80(d)(2) and 45 CFR Part 147, §147.102),
- Developed in compliance with the applicable Actuarial Standards of Practice, including but not limited to:
    - 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. 26, *Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans*,
    - ASOP No. 41, *Actuarial Communications*,
    - ASOP No. 42, *Determining Health and Disability Liabilities Other than Liabilities for Incurred Claims,*

    - ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies,* and
    - ASOP No. 50, *Determining Minimum Value and Actuarial Value Under the ACA*.
- Reasonable in relation to the benefits provided and the population anticipated to be covered, and
- Neither excessive nor deficient.

I further certify that:

- The index rate and only the allowable modifiers as described in 45 CFR Part 156, §156.80(d)(1) and 45 CFR Part 156, §156.80(d)(2) were used to generate plan level rates,
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area, and
- The AV calculator was used to determine the AV metal values shown on Worksheet 2 of the Part I URRT for all plans.

URRT Methodology

The Part I URRT and Iowa ACA Rate Review Template do not demonstrate the process used by Oscar to develop proposed premium rates. It is representative of information required by federal and state 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 regulations and used consistently and only adjusted by the allowable modifiers.

COVID-19 Pandemic

The starting claim experience was adjusted from the experience period to the projection period to reflect the anticipated impact of items such as the unwinding of the Public Health Emergency and declining Covid-19 spend. Unforeseen strains, causing severe outbreaks or changes to legislation, may affect the extent to which the rates presented herein are neither excessive nor deficient.

Medicaid Redetermination and the Public Health Emergency

Rates were developed in line with the current law, which at the time of this rate filing includes the end of Medicaid continuous coverage, followed by redetermination of Medicaid members, as well as the end of the Public Health Emergency. Future regulatory, legislative, and economic changes may affect the extent to which the rates presented herein are neither excessive nor deficient.

Associate, Society of Actuaries
Member, American Academy of Actuaries
July 21, 2023

Exhibit A

Summary of Proposed Rate Increases

Summary of Proposed Rate Increases

Benefit Plan	HIOS ID	Members	Plan-Adjusted Index Rate[1]		Rate Change
			2023	2024	
[redacted]					

[1]Represents the demographic mix of current membership by age and area distributions.

Exhibit B

Manual Rate Development

Manual Rate Development

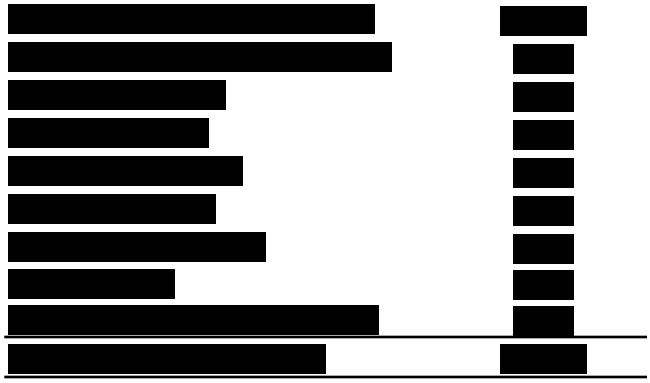

Exhibit C

Risk Adjustment Transfer Projection for the 2024 Plan Year

Description	Risk Pool		Definition
	Individual	Catastrophic	
Risk Factor — Oscar	[redacted]	[redacted]	A
Risk Factor — Market	[redacted]	[redacted]	B
Rating Factor — Oscar	[redacted]	[redacted]	C
Rating Factor — Market	[redacted]	[redacted]	D
State Average Premium PMPM — 2022 Plan Year	[redacted]	[redacted]	E
State Average Premium Increase[1]	[redacted]	[redacted]	F
State Average Premium PMPM — 2024 Plan Year	[redacted]	[redacted]	G = E x (1 + F)^2
Administrative Cost Adjustment	[redacted]	[redacted]	H
Transfer PMPM	[redacted]	[redacted]	I = [(A / B) - (C / D)] x G x H
Billable Member Months	[redacted]	[redacted]	J
Forecasted Net Reinsurance Assessment PMPM	[redacted]	[redacted]	K
Risk Adjustment Data Validation (RADV) Estimate	[redacted]	[redacted]	L

Transfer Total	[redacted]	M = I x J
Member Months	[redacted]	N
Transfer PMPM	[redacted]	O = M / N - K + L

[1]Annualized over two plan years.

Exhibit D

Plan-Adjusted Index Rates (1 of 2)

Benefit Plan	HIOS ID	Market-Adjusted Index Rate	AV & Cost Sharing	Provider Network	EHB Adjustment	Admin Costs	Catastrophic Eligibility	Plan-Adjusted Index Rate[1]
		A	B	C	D	E	F	
[redacted]								

[1]Plan-Adjusted Index Rate = A x B x C x D x E x F

Exhibit D

Plan-Adjusted Index Rates (2 of 2)

		AV & Cost Sharing			
Benefit Plan	HIOS ID	Paid-to-Allowed Ratio	CSR Load	Induced Demand Factor	AV & Cost Sharing[1]
		A	B	C	
[redacted]					

[1]AV & Cost Sharing = A x B x C

Exhibit E

Administrative Cost Factor Components

Description	Allocation Category	
	PMPM	% of Premium
General Administration	[redacted]	[redacted]
Broker Commissions	[redacted]	[redacted]
HCQI	[redacted]	[redacted]
Subtotal — Administrative Expense Load	[redacted]	[redacted]
Premium Tax	[redacted]	[redacted]
Risk Adjustment User Fee	[redacted]	[redacted]
PCORI	[redacted]	[redacted]
Exchange Fee	[redacted]	[redacted]
Federal Income Tax	[redacted]	[redacted]
Subtotal — Taxes and Fees	[redacted]	[redacted]
Risk Margin[1]	[redacted]	[redacted]
Subtotal — Risk Margin	[redacted]	[redacted]
Total Retention[1]	[redacted]	[redacted]

[1]The exchange user fee is not included in the total retention estimate.

Exhibit F

Calibration Development

Age	Member Distribution[1]	Age Factor[2]

Rating Area	Member Distribution	Area Factor
Total		

Age	Member Distribution		Tobacco Factor
	Smoker	Non-Smoker	

[1]Distribution of projected billed members.

[2]Non-billed members were assigned a factor of 0.

Exhibit G

Geographic Rating Factors

Rating Area	Description	Member Distribution[1]	Area Factor		% Change
			Current[2]	Proposed	

[1]Membership distribution as of May 2023.

[2]The current factors were normalized with the current distribution for comparison purposes.

Exhibit H

Rate Manual

Sample Rate Calculation

Sample Member Demographics

Silver Classic, 40 Year Old Smoker, Rating Area 3

	Source	Factor
Plan-Adjusted Index Rate:	Table 1	[redacted]
Age Factor:	Table 2	[redacted]
Tobacco Factor:	Table 2	[redacted]
Area Factor:	Table 3	[redacted]
Calibration Factor:	Table 4	[redacted]

Calculation of Projected Premium

=Plan-Adjusted Index Rate x Age Factor x Tobacco Factor x Area Factor / Calibration Factor

=[redacted]

Exhibit I

Projected Medical Loss Ratio

Projected Medical Loss Ratio (Federally-Prescribed)

Description	Value	Definition
Net Claims	[redacted]	A
HCQI	[redacted]	B
Risk Sharing Payments	[redacted]	C
Risk Adjustment	[redacted]	D
MLR Numerator	[redacted]	E = A + B + C - D
Premium	[redacted]	E
Taxes	[redacted]	F
MLR Denominator	[redacted]	G = E - F
Projected MLR	[redacted]	H = D / G

Exhibit J

Distribution of Projected Membership Across Metal

Metal	Exchange Status	Membership	
		Distribution	Member Months
Catastrophic	On	[redacted]	[redacted]
	Off	[redacted]	[redacted]
Bronze	On	[redacted]	[redacted]
	Off	[redacted]	[redacted]
Silver Base Plan	On	[redacted]	[redacted]
	Off	[redacted]	[redacted]
Silver 94% CSR Variant	On	[redacted]	[redacted]
	Off	[redacted]	[redacted]
Silver 87% CSR Variant	On	[redacted]	[redacted]
	Off	[redacted]	[redacted]
Silver 73% CSR Variant	On	[redacted]	[redacted]
	Off	[redacted]	[redacted]
Gold	On	[redacted]	[redacted]
	Off	[redacted]	[redacted]
Total		[redacted]	[redacted]

Exhibit K

Terminated Products

Terminated Plan Name	Terminated HIOS ID	Mapped Plan Name	Mapped HIOS ID
Plans offered during the 2023 plan year and terminated prior to the 2024 plan year			
[redacted]			

Exhibit L

CSR Load Development

HIOS ID	Plan Name	CSR Variant	Base Silver Plan AV	Plan AV	Projected CSR Distribution	Weighted Plan AV	CSR Load
			A	B	C	D = Weighted AVG (A * B) by Plan	E = D / A
[redacted]