Part II: Written Justification of Rate Increase

Iowa Total Care
Annual Individual Health Rate Filing
Iowa
Assuming Enhanced Advance Premium Tax Credits (eAPTCs) Have Expired
And CSR Subsidies Are Unfunded
Effective January 1, 2027
Forms: 48286IA001, 48286IA002

Iowa Total Care is filing rates for the individual block of business, effective January 1, 2027. This document is submitted in conjunction with the Part I Unified Rate Review Template and the Part III Actuarial Memorandum.

This information is intended for use by the Iowa Insurance Division, the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in Iowa to assist in the review of Iowa Total Care's individual rate filing.

The results are actuarial projections. Actual experience will differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

In 2025, earned premium was $517.11 per member per month (PMPM). Incurred claims in 2025 were $363.50, or 70.29% of premium. Netting risk adjustment from the claims results in an estimated loss ratio (incurred claims net of estimated risk adjustment transfers, divided by earned premiums) of 80.67%. We expect unit costs to increase for 2027. Further, we have updated underlying experience for the single risk pool, expected administrative expense, and assumptions for federal risk adjustment. These factors, as well as changes to the assumed morbidity of the single risk pool and medical trend, result in a premium rate increase.

Medical trend, or the increase in health care costs over time, is composed of two components: the increase in the unit cost of services and the increase in the utilization of those services. Unit cost increases occur as care providers and their suppliers raise their prices. Utilization increases can occur as people seek more services than before. Additionally, simple services can be replaced with more complex services over time, which is known as service intensity trend. An example of service intensity trend would be the replacement of an X-ray with an MRI scan. Replacing the service with a more intense service causes the total cost of medical services to increase.

The proposed rate change of 16.6% applies to approximately 6,982 individuals. Iowa Total Care's projected administrative expenses for 2027 are $100.80 PMPM. Administrative expense does not include $19.85 for taxes and fees. The historical administrative expenses for 2026 were $81.57 PMPM, which excludes taxes and fees. The projected loss ratio is 81.0% which satisfies the federal minimum loss ratio requirement of 80.0%.

Part III: Actuarial Memorandum

Redacted
Iowa Total Care
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Iowa
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And CSR Subsidies Are Unfunded
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1. General Information

Scope and Purpose

This document contains the Part III Actuarial Memorandum for Iowa Total Care's individual health block of business annual rate filing, effective January 1, 2027. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT). This is a renewal rate filing.

The purpose of this Actuarial Memorandum is to provide certain information related to the submission, including support for the values entered into the Part I URRT. In combination, these documents support compliance with the market reform rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

Consistent with the October 12, 2017 payment memo from the U.S. Department of Health and Human Services (HHS)[1], the premium rates developed and supported by this Actuarial Memorandum assume that cost-sharing reduction (CSR) subsidies will be unfunded in plan-year 2027.

Additionally, these rates reflect CMS' Marketplace Integrity and Affordability final rule published in the Federal Register on June 25, 2025, including key rule changes regarding the open enrollment period and special enrollment periods. Rates also reflect provisions regarding pre-enrollment SEP verification as specified in the 2027 NBPP proposed rule. Benefit designs and cost-sharing structures are aligned with the de minimis actuarial value (AV) ranges established in the final rule.

Future modifications in legislation, regulation and/or court decisions regarding the funding of CSR payments, enhanced Advanced Premium Tax Credits (eAPTCs), and CMS' Marketplace Integrity and Affordability Rule, may affect the extent to which these premium rates are sufficient and neither excessive nor deficient.

Iowa Total Care asserts that the premium rates developed and supported by this Actuarial Memorandum are based on legislative and regulatory provisions in effect at the time of submission.

Iowa Total Care reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed to ensure rates are appropriate. In addition to CSR payments and risk adjustment program payments and disruption, material rating impacts could arise from changes to various factors, including but not limited to:

- Advance Premium Tax Credits, including reinstatement of enhancements to existing Advanced Premium Tax Credits
- The resumption of Medicaid redeterminations due to the end of the continuous enrollment condition under the Consolidated Appropriations Act, 2023
- Constraints on age rating factors
- Open enrollment and grace periods
- Enrollment of other populations, such as Medicare, Medicaid, and high risk pools
- Taxes and fees, notably the suspension of the ACA Insurer Fee

[1] https://www.hhs.gov/sites/default/files/csr-payment-memo.pdf

- Emerging experience as it relates to both claims and risk adjustment, notably the updated HCC coefficients in the 2027 model as laid out in the Final Rule for the 2027 Annual Notice of Benefit and Payment Parameters
- Enrollment and emerging experience of members with an FPL under 150% as it relates to the special enrollment period granting year-round enrollment.

If there are material deviations in market level premiums from our projected statewide average premium (SWAP) assumption for 2027 - for example, based on changes in the number of carriers in the market or carriers' pricing assumptions for 2027 - we would like to work with the Iowa Insurance Division after initial submissions to revise our filing to update our estimated risk adjustment transfer. Market disruption, resulting from changes or carriers' perceived changes in the risk adjustment program, could also necessitate working with the Department to update other critical pricing assumptions such as market morbidity and relative risk.

This information is intended for the sole use by the Iowa Insurance Division, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of the Iowa Total Care individual rate filing. However, we recognize that this certification may become a public document.

These results are actuarial projections. Actual results will vary from those projected in the filing for a number of reasons, including but not limited to changes in membership, claims experience, and random variation from selected assumptions.

Company Identifying Information

- Company Legal Name: Iowa Total Care
- State: The State of Iowa has regulatory authority over these policies
- HIOS Issuer ID: 48286
- Market: Individual
- Effective Date: January 1, 2027

Company Contact Information

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

Description of Benefits
These products are issued by Iowa Total Care as HMO health policies. The major provisions of this form for each plan design and product can be found in Appendix 1.1.

Rate Guarantees
Rates are guaranteed not to change through December 31, 2027.

Renewability
Each policy is renewable by paying the applicable renewal premiums, unless the policyholder no

longer meets the eligibility requirements of the policy or Iowa Total Care decides to discontinue that specific policy.

Applicability
These rates will apply to both new and renewing business.

General Marketing Method
This product will be sold through agents, direct mailings, the internet, and the State Partnership Marketplace (SPM).

Estimated Average Annual Premium
The estimated average annual premium per policy in calendar year 2027 is [redacted].

Distribution of Business
See Appendix 1.2 for the expected age and geographic distributions for these products.

Rate Tables
See Appendix 1.3 for allowable rating factors and Appendices 1.3b and 1.3c for clarification on service area definitions. Appendix 1.4 also includes an example of how rating factors will be applied. Note that for family coverage, rates for children are charged to no more than the three oldest covered children under age 21 consistent with the Family Structure rules of the Patient Protection and Affordable Care Act (ACA).

Impact of eAPTC Expiration
To account for eAPTC expiration prior to the 2027 benefit year, we have assumed rates will increase due to anticipated reductions in enrollment, both at the issuer and single risk pool level. As eAPTCs expire and enrollees subsequently face increased out-of-pocket premiums, we assume healthier individuals who tend to be more price sensitive will leave the market, worsening the average morbidity of the individual risk pool.

2. Proposed Rate Changes

The rate increases for each product offered in the single risk pool by Iowa Total Care in the state of Iowa are reflected in Worksheet 2, Section I of the Part I URRT.

Reasons for Rate Increase(s):
The rate projections for 2027 have been updated from the previous year's projections to reflect the most recent assumptions and information available.

The following provides a narrative description of the significant factors driving the proposed rate increase for 2027.

- [redacted]

  The individual single risk pool experience underlying the rate projections has been updated. The current model reflects the projected utilization trend applied to adjusted experience (from 2025 to 2027), including anticipated changes in the average morbidity of the single risk pool. There is a full description of utilization trend and other projection factors applied to experience in Section 6, 'Trend Factors'.

  Risk adjustment transfer experience for 2027 includes consideration of changes to the statewide average premium, the Risk Adjustment program, and Iowa Total Care enrollee population morbidity relative to the Iowa single risk pool.

- [redacted]

- [redacted]

- [redacted]

Note that the requested rate change may not be the same across all plans within a product due to changes to the member cost sharing amounts by plan. Additionally, the defunding of CSR subsidies has contributed to the rate levels being higher than if the subsidies were to be funded.

3. Single Risk Pool

The Index Rate is based on the single risk pool defined by the state of Iowa, which was established according to the requirements in 45 CFR Part 156.80. The single risk pool is defined as including all non-grandfathered individual business in Iowa.

The single risk pool for the experience period does not include transitional products/plans. The single risk pool for the 2027 projection period does not include members who still remain enrolled in transitional plans.

4. Experience and Current Period Premium, Claims and Enrollment

The following information supports the best estimate of premium and claims for the single risk pool during the experience period, as reported in Worksheet 1, Section I of the URRT. The experience period for this rate filing is incurral year 2025, and includes claims paid through 3/31/2026.

Allowed and Incurred Claims incurred During the Experience Period:
A breakout of the claims shown in Worksheet 1, Section I is provided in Appendix 4.1.

[redacted]

Actual claims run-out may reflect some variability from future expectations. There are no unusually high or low completion factors being applied to allowed or incurred claims resulting from internal shifts in administration practices.

Cost Sharing Reduction (CSR) Subsidies:
Cost-sharing reduction (CSR) subsidies were unfunded for the entirety of the base period. For rating purposes, we assumed that CSR subsidies will continue to be unfunded throughout the projection period. Within Appendix 4.1 we have included estimates for our 2025 experience CSR subsidy payments had they been funded. While these reflect internal estimates for the subsidies for the experience period, we would expect substantial differences between these estimates and projected CSR subsidies in the 2027 plan year, as trend adjustments, portfolio updates, and changes in demographics would meaningfully change projected subsidies. As a result, the prospective rating impact of CSR subsidies becoming funded in plan-year 2027 would also change materially from what is suggested by historical experience.

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM:
The risk adjustment transfer and reinsurance receivables for the experience period are shown on Worksheet 1, Section I of the URRT. The final amounts for risk adjustment and any applicable reinsurance receivables were not known at the time of rate development. These amounts were estimated using data available through [redacted].

Current Enrollment and Premium:
The current enrollment and premium values on Worksheet 2, Section II are reported as of 3/31/2026.

Earned premium in the experience period is not adjusted for taxes, assessments, risk adjustment receivables or payables or MLR rebates.

5. Benefit Categories



The algorithm used to assign utilization data and cost information is summarized as follows.

Inpatient Hospital
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
Outpatient hospital includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation, and other services provided in an outpatient facility setting and billed by the facility.

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

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

Capitation
Capitation includes all services provided under one or more capitated arrangements.

Prescription Drug
Prescription drug includes drugs dispensed by a pharmacy and is net of rebates.

6. Trend Factors

This section describes and supports the factors used to project the 2025 experience period allowed claims to the 2027 projection period as shown in Worksheet 1, Section II of the URRT.

Trend Factors:

[redacted]

- [redacted]
- [redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]

[redacted]

7. Adjustments to Trended EHB Allowed Claims PMPM

This section describes and supports the adjustments other than trend used to project the 2025 experience period Essential Health Benefit (EHB) allowed claims to the 2027 projection period as shown in Worksheet 1, Section II of the URRT. Each factor represents the change between the experience period and projection period. The factors, therefore, are not annualized values.

[redacted]

Appendix 7.2 decomposes the demographic changes factor into its components.

[redacted]

Appendix 7.3 decomposes the plan design changes factor into its components.

[redacted]

- [redacted]
- [redacted]

- [redacted]
- [redacted]

Appendix 7.4 decomposes the other changes factor into its components.

8. Manual Rate Adjustments

Source and Appropriateness of Experience Data Used
The manual rate development is based on relevant internal QHP experience in other states as well as the Milliman Health Cost Guidelines (HCGs). The manual rate is developed to be consistent with and appropriate for the expected individual population that will be in enrolled, including morbidity, geographic area utilization relativities, expected provider reimbursement, and utilization management programs.

Where additional manual adjustments to claims are required to model changes in Iowa Total Care's population and coverage over time, most notably utilization trend, these adjustments are based on internal analysis of relevant QHP data in other states with supplemental support from Milliman Health Cost Guidelines (HCGs).

The HCGs provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience, and establish interrelationships between different health coverage levels.

The Milliman HCGs are developed as a result of Milliman's continuing research on health care costs. They were first developed in 1954 and have been updated and expanded annually since then. These guidelines are continually monitored as they use them in measuring the experience or evaluating the rates of their clients and as they compare them to other data sources.

The HCGs are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research, and judgment. An extensive amount of data is used in developing these guidelines including published and unpublished data. In most instances, cost assumptions are based on their evaluation of several data sources and, therefore, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

Manual Morbidity Basis
The morbidity for Iowa Total Care's 2027 membership is assumed to equal the projected morbidity for Iowa single risk pool multiplied by an adjustment for the assumed morbidity of Iowa Total Care's membership relative to the single risk pool.

The historical single risk pool morbidity is calibrated using data from relevant CMS Risk Adjustment reports. We then projected this historical morbidity forward to account for changes in the risk pool composition over time.

The relative morbidity assumption used for projecting claims reflects Iowa Total Care's expectations regarding the morbidity of its 2027 membership relative to the single risk pool and is consistent with the relative morbidity assumption used to estimate Iowa Total Care's risk transfer payment/receivable, which is informed by historically observed relationships in our other markets.

Adjustments Made to the Data

- Cost trend and provider reimbursement
- Rating region

- Expected demographics
- Utilization trend
- Discounts off AWP
- Expected morbidity
- Benefit plan design
- Calibration based on relevant QHP experience

See Appendix 8.1 for a demonstration of these adjustments. The adjustments, which are discussed above, are appropriate and necessary to reflect the anticipated population, region, provider network, and benefits anticipated for the 2027 single risk pool.

Inclusion of Capitation Payments
Capitated payments for services are accounted for through a PMPM allocation to claims, where the average capitation amount replaces the projected claims amount.

9. Credibility of Experience

Description of the Credibility Methodology Used
Credibility is first calculated using the following formula:

If Member Months < 12,000:	0%
If 12,000 < Member Months < 125,000:	$\left(\frac{\text{Member Months}}{125000}\right)^{0.5}$
If Member Months > 125,000:	100%

Here, "Member Months" is defined as total 2025 member months across Iowa Total Care of Iowa's calendar year 2025 individual block of business that are suitable for pricing.

Total 2025 Member Months: 91,698
Credibility Level Assigned To Base Period Experience: 86%

Note that credibility is calculated based on 2025 experience data that is suitable for pricing and may not exactly match the total 2025 member months shown above.

The base period experience was not used to develop the manual rate, so there is no double counting of base period experience.

Actuarial Standard of Practice #25 "Credibility Procedures" was considered when determining the credibility level.

10. Establishing the Index Rate

The Index Rate for the Experience Period (calendar year 2025) is a measurement of the average allowed claims PMPM for EHB benefits. This value is located on Worksheet 1, Section II of the URRT. The Index Rate for the Experience Period reflects the actual mixture of smoker/non-smoker population, area factors, plan enrollment, and the actual mixture of risk morbidity in the single risk pool during the experience period. The Index Rate for the experience period has not been adjusted for payments and charges under the risk adjustment and reinsurance programs or for Exchange user fees. We have adjusted the Index Rate for the Experience Period to remove any non-EHBs. The claim system does not currently distinguish between EHB and non-EHB claims, so this adjustment was made based on the expected percentage of non-EHB claims for the experience period. The experience period did not contain non-single risk pool claims, so no adjustment was made for this.

The Index Rate for the Projection Period (calendar year 2027) is reflected in Worksheet 1, Section II of the URRT. It was developed following the specifications of 45 CFR part 156.80(d) (1). The Index Rate for the Projection Period represents the estimated total combined projected allowed claims PMPM for Essential Health Benefits (EHB) for calendar year 2027 only and has not been adjusted for payments and charges under the risk adjustment program or for Exchange user fees. The index rate differs from the total allowed claims in that the total allowed claims include benefits in excess of EHBs (adult vision and adult dental).



The Index Rate for the Projection Period will remain unchanged until a renewal filing effective January 1, 2028.

The development of the Index Rate for the Projection Period is shown in Worksheet 1, Section II. This reflects:

- The 12-month projection period shown in Worksheet 1, Section II
- The anticipated claim level of the projection period with respect to trend, benefits, and demographics
- The experience of all policies expected to be in the single risk pool (with necessary adjustments)

Appendix 10.1 demonstrates the calculation of the Projected Index Rate by blending the Experience Period Index Rate with the Credibility Manual Index Rate, as applicable. The next two sections further describe the steps taken to develop the Market Adjusted Index Rate and Plan Adjusted Index Rate.

11. Development of the Market-Wide Adjusted Index Rate

The Index Rate for the projection period is adjusted to arrive at the Market Adjusted Index Rate (MAIR) based on the following, as outlined in 45 CFR 156.80(d):

- Adjustment for the Risk Adjustment Program
- Exchange user fee adjustment

The risk adjustment payment/charge is described below. Since the Index Rate is on an allowed claims basis, the market-level adjustments are also performed on an allowed basis.

The net Exchange user fee adjustment applied to premium rates is 1.90% of premium. Per the 2027 final benefit and payment parameters, the Exchange user fee is 1.90% of premium for members purchasing coverage via the Exchange. Similar to the Index Rate, the MAIR reflects the average demographics of the single risk pool. In other words, the MAIR is not calibrated. In Appendix 11.1, the user fee is shown on an allowed basis as a multiplicative factor of 1.025. For further detail on the development of the MAIR, please refer to Appendix 11.1.

Reinsurance:
Commercial reinsurance arrangements do not exist and are not included in this adjustment.

Risk Adjustment Payment/Charge:
The Projected Risk Adjustment PMPM is shown on Worksheet I, Section II. The amount excludes the 2027 Risk Adjustment User Fee of $0.18 PMPM ([redacted]). The amount includes the projected reinsurance impact from the high risk pool assessment under the risk adjustment program. The gross impact in 2027 was estimated by trending experience and applying the provisions of the reinsurance contract to known high risk exposures. This amount was subtracted from a 0.28% of premium charge to fund the pool. This net impact was combined with the projected risk adjustment transfer amount to calculate a final risk adjustment liability for 2027. Appendix 11.1 shows how the anticipated risk adjustment transfer is applied to the Index Rate in the development of the Market Adjusted Index Rate.

The Risk Transfer calculations are based on the risk adjustment transfer formula, as provided in the Federal Register Volume 78 Number 47, and displayed below:

$$T_i = \left[\frac{(PLRS_i \times IDF_i \times GCF_i)}{\sum_i (s_i \times PLRS_i \times IDF_i \times GCF_i)} - \frac{(AV_i \times ARF_i \times IDF_i \times GCF_i)}{\sum_i (s_i \times AV_i \times ARF_i \times IDF_i \times GCF_i)}\right] \times \overline{P}_s$$

Where:

$\overline{P}_s =$ statewide average premium $\times$ 0.86 (to reflect the admin reduction adjustment);

$PLRS_i =$ plan i's plan liability risk score;

$AV_i =$ plan i's metal level AV;

$ARF_i =$ plan i's allowable rating factor;

$IDF_i =$ plan i's induced demand factor;

$GCF_i =$ plan i's geographic cost factor;

$S_i =$ plan i's share of state enrollment as measured in member months

The denominator is summed across all plans in the risk pool in the market in the state.

We project the portfolio average for each factor in the risk adjustment transfer formula using a combination of (i) actual historical risk adjustment factors adjusted to the projected population and (ii) adjustments for market and risk adjustment program changes. The resulting aggregate payment or receivable is then proportionally allocated to all plans in the portfolio.

For the purposes of stable modeling, each factor was approximated as follows:

$\overline{P}_s$: The state average premium was assumed to be approximately [redacted]

PLRS: The statewide average risk score is projected based on the average PLRS of the single risk pool in 2025. For historical risk transfer data, we rely on a combination of the latest available HHS Summary Report on Permanent Risk Adjustment Transfers and when available, Wakely's National Risk Adjustment Reporting Project (WNRAR) for the state of Iowa.

Iowa Total Care's projected average risk score differs from the projected single risk pool average risk score due to differences in demographics, plan mix, and morbidity between the two populations.

Based on the Final Rule for the 2027 Annual Notice of Benefit and Payment Parameters, HHS's proposed 2025 and 2027 HCC model and coefficient changes for 2027 (including partial year adjustment factors, prescription drug condition categories, and model recalibration) were considered in the development of the projected risk adjustment transfer. The demographic, plan mix, and morbidity assumptions were used to project claims costs.

IDF: The statewide average IDF is projected based on the average IDF of the single risk pool in 2025. For historical risk transfer data, we rely on a combination of the latest available HHS Summary Report on Permanent Risk Adjustment Transfers and when available, Wakely's National Risk Adjustment Reporting Project (WNRAR) for the state of Iowa.

The average IDF for Iowa Total Care is projected by applying the induced demand factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 11 to Iowa Total Care's projected population. The formula recognizes the following IDF factors by metallic tier: Bronze 1.00, Silver, 1.03, Gold 1.08, and Platinum 1.15.

AV: The statewide average actuarial value (AV) is projected based on the average metal level AV of the single risk pool in 2025. For historical risk transfer data, we rely on a combination of the latest available HHS Summary Report on Permanent Risk Adjustment Transfers and when available, Wakely's National Risk Adjustment Reporting Project (WNRAR) for the state of Iowa. The average AV for Iowa Total Care is calculated by applying the metal level AV factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 9 to Iowa Total Care's projected population. The formula recognizes the following AV values by metallic tier: Bronze 0.60, Silver 0.70, Gold 0.80, and Platinum 0.90.

ARF: As stated in the March 11, 2013 Federal Register, page 15433, the allowable rating factor (ARF) adjustment accounts only for age rating.

The statewide average ARF was set equal to the average ARF of the single risk pool in 2025. For historical risk transfer data, we rely on a combination of the latest available HHS Summary Report

on Permanent Risk Adjustment Transfers and when available, Wakely's National Risk Adjustment Reporting Project (WNRAR) for the state of Iowa.

The average ARF for Iowa Total Care is projected by applying the proposed 2027 HHS age rating factors to Iowa Total Care's projected population. An equal distribution across ages within each age band was assumed.

GCF: The average Geographic Cost Factors for Iowa Total Care's membership is projected based on the 2025 GCFs, as reported by HHS, adjusted for projected changes caused by carrier rate actions from 2025 to 2027.

Outliers were reflected in our calculations to the extent that outliers are reflected in historical risk scores used as the starting point of the 2027 risk transfer projection and via the calculation of the net High Risk Pool receivable or payment. Otherwise, there were no "potential outlier assumptions" that would have an impact on transfers.

[redacted]

The risk adjustment transfer amounts shown on Worksheet 1 of the URRT are the actual PMPM amounts expected in the projection period. The risk adjustment transfer amount applied to the Index Rate in the development of the Market Adjusted Index Rate is on an allowed claims basis, as the Index Rate is on an allowed claims basis.

The demographic, plan mix, and morbidity assumptions supporting the risk transfer projection are consistent with the demographic, plan mix, and the morbidity assumptions used to project claims costs.

Exchange User Fees:
Exchange user fees have been applied as an adjustment to the Index Rate at the market level. In Appendix 11.1, the user fee is shown on an allowed basis as a multiplicative factor.

[redacted]

12. Plan Adjusted Index Rate

The Plan Adjusted Index Rate (PAIR) is included in Worksheet 2, Section III of the URRT. The PAIR is the MAIR adjusted for only the following allowable adjustments, where applicable, as outlined in 45 CFR 156.80(d):

- Actuarial value and cost-sharing design of the plan.
  - [redacted]
  - [redacted]
    - [redacted]
    - [redacted]
    - [redacted]
  - [redacted]
- The plan's provider network, delivery system characteristics, and utilization management adjustment practices
  - [redacted]
- Benefits provided under the plan that are in addition to the EHBs.
  - [redacted]
- Administrative costs, excluding the Exchange user fees (which are already accounted for in the Market Adjusted Index Rate).
  - [redacted]

There are no catastrophic plans being offered, so there is no eligibility adjustment made for catastrophic plan enrollment.

Administrative costs and non-EHB benefits common to all plans are added to the Market Adjusted Index Rate. Then, factors for actuarial value and cost-sharing and non-EHBs by plan are applied to reach the Plan Adjusted Index Rate for each plan.

The development and values of the Plan Adjusted Index Rates are shown in Appendix 12.1 and are not calibrated.

On Worksheet 2, Section II, the Plan Adjusted Index Rate of the Experience Period is reported.

Administrative Expense Load:

[redacted]

[redacted]

The administrative expenses are allocated proportionally by plan on a constant percentage of premium basis.

Profit (or Contribution to Surplus) & Risk Margin:
This load was applied proportionally to all products and plans and can be found in Appendix 12.2.

Taxes and Fees:
The taxes and fees which may be subtracted from premiums for purposes of calculating the MLR are listed in Appendix 12.2. The Risk Adjustment User Fee has been included as part of this adjustment. See Section 11, “Development of the Market-Wide Adjusted Index Rate”, for a discussion on how the Exchange user fee was calculated and applied to the Market Adjusted Index Rate.

13. Calibration

The Plan Adjusted Index Rate is calibrated for plans within the single risk pool to correspond to an age rating factor of 1.0, a geographic rating factor of 1.0, and a tobacco use rating factor of 1.0. The intent of the calibration factors is to reset the Plan Adjusted Index Rate so that applying the age factor, geographic rating area factor, and tobacco use factor will result in the appropriate consumer adjusted premium rate. The calibration factors for each of the age, geographic, and tobacco use factors are shown in Appendix 13.1. Note that each of the calibration factors has one value that is applied uniformly and does not vary by plan.

Age Curve Calibration:



Appendix 13.1 of the Actuarial Memorandum demonstrates the calibration of the Plan Adjusted Index Rate for age. The distribution of members by age is in Appendix 1.2 and the corresponding age factors are included in Appendix 1.3.

Geographic Factor Calibration:





Tobacco Use Rating Factor Calibration:



Calibration adjustments are applied uniformly to all plans:
The calibration adjustment does not vary by plan and this is demonstrated in Appendix 13.1. Member-level adjustments as described in 45 CFR 147.102 are applied uniformly to all plans in the single risk pool, and these adjustments do not vary by plan.

In Appendix 13.1, the Plan Adjusted Index Rate is calibrated for age, tobacco, and geography to determine the Calibrated Plan Adjusted Index Rate. The Calibrated Plan Adjusted Index Rate can

then be converted to the Base Rate by dividing by the average plan factor. Multiplying the Base Rate by the plan, age, tobacco, and area factors produces the Consumer Adjusted Premium Rate. The distribution of members by rating area is included in Appendix 1.2. Furthermore, Appendix 1.4 provides a sample calculation of premium rates.

14. Consumer Adjusted Premium Rate Development

Each Plan Adjusted Index Rate is divided by the overall calibration factor to determine the Calibrated Plan Adjusted Index Rate.

The following allowable rating factors, as specified by 45 CFR Part 147.102, are applied to the Calibrated Plan Adjusted Index Rate to determine the rate that is charged to the health insurance subscriber:

- Rating Area
  - The area factors are listed in Appendix 1.3. The methodology for developing geographic factors is included in Section 13, "Calibration".
- Age
  - The prescribed standard age factors were used.
- Tobacco Status
  - 
- For family coverage, rates for children are charged to no more than the three oldest covered children under age 21.

Appendix 1.3 lists the allowable rating factors and Appendix 1.4 contains an example walking through the calculation of a theoretical family's rates.

15. Projected Loss Ratio

The projected medical loss ratio (MLR) for Iowa Total Care in 2027 in Iowa is [redacted], which satisfies the state of Iowa's minimum MLR requirement of 80%. This projected MLR is calculated according to 45 CFR 158. The projected MLR is the projected 2027 calendar year single risk pool experience rather than the three-year period used for determining rebates. No credibility adjustment based on projected enrollment and average deductible was estimated. See Appendix 15.1 for the detail underlying the calculation.

16. AV Metal Values

The AV Metal Values included in Worksheet 2 of the Part I URRT were calculated using the Final 2027 Federal AV Calculator for the plan provisions that fit within the calculator parameters and making appropriate adjustments to the AV identified by the calculator for plan design features that are not compatible with the parameters of the AV Calculator.



17. Membership Projections

18. Terminated Plans and Products

A list of the plans being terminated and the plans to which these are being mapped is included in the appendices as Appendix 18.1.

19. Plan Type

[redacted]

20. Effective Rate Review Information

No additional information has been requested by the state.

21. Reliance

See Appendix 21.1 for a detailed listing of items received and relied upon for rate development.

22. Actuarial Certification

I, [redacted], am a member of the American Academy of Actuaries in good standing and meet its qualification standards for actuaries issuing statements of actuarial opinion in the United States promulgated by the American Academy of Actuaries, and have the education and experience necessary to perform the work.

I certify the rates were developed in accordance with the appropriate Actuarial Standards of Practice (ASOPs) and the profession's Code of Professional Conduct. While other ASOPs apply, particular emphasis was placed on the following:

- 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, Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims
- ASOP No. 45, The Use of Health Status Based Risk Adjustment Methodologies
- ASOP No. 50, Determining minimum value and Actuarial Value under the Affordable Care Act
- ASOP No. 56, Modeling

I certify that to the best of my knowledge and judgement:

1. The Index Rate for the Projection Period is:
   (a) In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102);
   (b) Developed in compliance with the applicable Actuarial Standards of Practice;
   (c) Reasonable in relation to the benefits provided and the population anticipated to be covered;
   (d) Neither excessive nor deficient based on my best estimate of the 2027 individual market
2. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan-level rates.

3. The benefits in addition to Essential Health Benefits included in Worksheet 2, Section III were calculated in accordance with actuarial standards of practice
4. The geographic rating factors reflect only difference in the cost of delivery and do not include differences for population morbidity by geographic area.
5. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the URRT for all plans. This rate filing was prepared in compliance with all applicable state and federal statutes and regulations.

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans and for certification that the Index Rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The 2027 plan year premium rates in this actuarial memorandum are contingent upon the status of the ACA statutes and regulations including any regulatory guidance, such as CMS' Marketplace Integrity and Affordability Rule, court decisions, or otherwise. Changes have the potential to greatly impact the 2027 plan year premium rates provided in this Actuarial Memorandum and the alignment of these premium rates with incurred costs. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, or a decision by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director to adjust funding of CSR subsidies or advance premium tax credits. In the event that any material provisions are enacted, a revision to the rates will be needed..

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: [redacted]

Name: [redacted]

Date: 8/10/2026

All Appendices have been redacted.