Confidential Trade Secret Pursuant to S. 624.4213, F.S

AvMed, Inc.
Actuarial Memorandum
Small Group Major Medical Policies

1. General Information

Company Identifying Information

- Company Legal Name: AvMed, Inc.
- State: FL
- HIOS Issuer ID: 19898
- Market: Small Group
- Effective Date: January 1, 2025

Company Contact Information

- Primary Contact Name: Robert J. Stegner
- Primary Contact Telephone Number: 352.337.8546
- Primary Contact Email Address: robert.stegner@avmed.org

2. Scope and Purpose of Filing

This is a rate filing for small group ACA-compliant plans offered by AvMed, Inc., with an effective date of January 1st, 2025. This actuarial memorandum provides support and actuarial justification for the rate development and demonstrates that rates are developed in compliance with the provisions of Affordable Care Act and state laws.

The policy forms associated with AvMed's plans are listed below.

Flex AV-SG-COC-24
Elect AV-SG-COC-24
Elite AV-SG-COC-24

References to Exhibits throughout the memorandum are referencing AvMed's index rate model file named:
"AvMed 2025 Small Group Index Rate Model.xlsx"

3. Proposed Rate Change(s)

A rate change is proposed for all AvMed plans in filing year 2025. The weighted average annual rate change for AvMed's small group business effective January 1, 2025 represents an estimate of the average rate change that will be offered to current members based on March 2024 in-force business.

Reasons for Rate Changes(s)

The primary drivers of this change are listed below.

- Trend: Anticipated changes in medical inflation and utilization.

- Morbidity: Assumed changes in morbidity from the experience period to the projection period.
- Demographic Shift: Assumed changes in the average mix of the covered population from the experience period to the projection period.
- Plan design changes and benefit modifications: Proposed changes in benefits in the projection period.
- Adjustment for historical experience.

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

Single Risk Pool

All AvMed small group ACA business is included in this analysis.

Base period data

The revenue requirement for 2025 for the ACA plans is developed by accumulating Florida-specific medical and administrative expenses for the small group line of business incurred in the period January 2023 through December 2022 including incurred but not reported estimates. Consistent with the instructions for the Uniform Rate Review Template, the single risk pool base period experience includes small group ACA plan experience. Allowed cost data is trended to 2025.

Paid through date

Claims are paid through March 2024.

Capitations

Capitation payments made by AvMed are included in the base period allowed costs for the single risk pool.

Allowed Claims

Allowed claims are taken directly from our data warehouse. They are also built up from paid claims and cost sharing as a check.

Claim Liability and Reserves

A common reserve tool developed and maintained by AvMed Actuarial Services is used to set AvMed's IBNR reserves. AvMed's common reserve tool uses historical claim lag averages to project anticipated future payments. IBNR levels are set for line of business and service line breakouts.

The claims are incurred in calendar year 2023 and paid through March 2024.

Premium in Experience Period

Premium was captured for calendar year 2023 for all members in the base period single pool. There were no MLR rebates for these members in this period.

5. Benefit Categories

The benefit categories in Section II of Worksheet I are mapped per 2.1.3.1 of the Unified Rate Review Instructions (URRI).

6. Projection Factors

Trend Factors (Cost/Utilization)

AvMed's allowed claims experience was trended forward to 2025 using an annual medical trend. The future trend assumption is developed using Milliman's Health Cost Guidelines with minor adjustments for future expectations. The details of the medical trend assumption are documented in Exhibit 7. The insurance trend is assumed to be 0% since this these policies are not medically underwritten.

Morbidity Adjustments

The morbidity adjustments in Section II Worksheet 1 are developed from Row (4) in the attached Exhibit 1 and reflect the morbidity in the single risk pool of our expected 2025 membership. Details of the development are contained in Exhibits 8 and 12.

Demographic Shift

Adjustments were made to reflect the anticipated changes in the average mix of the covered population from the experience period to the projection period. Details of the adjustments are included in Exhibit 3.

Plan Design Changes

Adjustments were made to account for proposed changes in benefits in the projection period.

7. Credibility of Experience

The experience is considered fully credible.

8. Market Adjusted Index Rate

The development of the index rate is summarized in Exhibit 1. The following factors along with adjustments mentioned above have been considered in the development and are documented below.

Risk Adjustment Payment

AvMed anticipates a net risk adjustment payable for the 2025 plan year in the small group market. This estimate is based on internal modeling, information received from CMS, and third-party market analysis.

Exhibit 8 develops the risk adjustment assumptions for the 2025 plan year. These assumptions are consistent with the latest report we received from CMS and an external vendor.

9. Plan Adjusted Index Rate

The Plan Adjusted Index Rate is calculated as the issuer's Market Adjusted Index Rate adjusted for all allowable plan level modifiers. Exhibit 10 shows the development. The plan level modifiers are listed below.

- Actuarial value and cost-sharing design of the plan: An adjustment was made to reflect impact of each plan's AV and cost sharing design.
- Administrative costs, excluding exchange user fees: Details of the administrative costs are contained in exhibit 9, broken out by administrative expense, taxes and fees, and profit and risk load.

10. Calibration

Age Curve Calibration

The age factor table used to develop age specific rates is the standard table provided by CMS.

Exhibit 5 shows the development of the age calibration factor. The development starts with the average age in the projection period from Exhibit 5. That age is rounded to the nearest age and the age factor is pulled from the CMS age curve. As described in the URRT instructions, the ratio of the age factor for the nearest rounded age to the age factor for the average age in the projection period is the age calibration factor used in the rate development. Family structure that takes into account family composition and the maximum of three under-age-21 child dependents is incorporated into this factor as well.

Geographic Factor Calibration

An area calibration factor is developed in Exhibit 6. It is applied to the Plan Adjusted Index Rates in accordance with federal regulations to develop the Consumer Adjusted Premium Rates.

11. Consumer Adjusted Premium Rate Development

Consumer Adjusted Premium Rates are determined by calibrating the Plan Adjusted Index Rate by the following factors.

- Age, Area, and Tobacco: Development of these factors is described above.
- Geographic Factor: Geographic adjustment which varies by product family.

12. Projected Loss Ratio

Based on target administrative expense percentages shown in Exhibit 9, the 2025 loss ratio is expected to be 80.0%.

13. Plan Product Information

AV Metal Values

The plan AV Metal Values included in Worksheet 2 of the URRT were calculated using the AV Calculator, except for benefits that deviate substantially from the parameters of the AV Calculator. An acceptable alternative method outlined in CFR 156.135(b)(2) was used to estimate a fit of the plan designs into the parameters of AV Calculator.

Membership Projections

The total membership projection of all plans in Exhibit 6 is developed by considering AvMed's current membership and assumed growth in the projection period.

Terminated Plans

No plans are being terminated from 2024 to 2025.

Plan Type

Not Applicable

Reliance

In support of this rate development, several internal departments were relied upon for data and other information. These departments include Sales department providing membership projections, Finance department providing non-benefit expenses, taxes and fees, and Pharmacy department providing formulary information. I have performed a limited review of this information and have deemed it to be reasonable. In addition, various assumptions and analyses were provided by other members of AvMed's Actuarial department, I have reviewed these analyses for reasonableness.

14. Actuarial Certification

I, Robert J. Stegner, am a member of the American Academy of Actuaries and I certify that to the best of my knowledge and judgment,

1. The rates are neither inadequate nor excessive nor unfairly discriminatory;
2. The rates are appropriate for the classes of risks for which they have been computed;
3. The entire rate filing is in compliance with the applicable laws of the State of Florida and with the rules of the Office of Insurance Regulation, and complies with Actuarial Standard of Practice No. 5, 8, 12, 23, 25, 41, 50, "Regulatory Filings for Rates and Financial Projections for Health Plans," as adopted by the Actuarial Standards Board, January, 1989, and Actuarial Standard of Practice No. 16 "Actuarial Practice concerning Health Maintenance Organizations and Other Managed-Care Health Plans," as adopted by the Actuarial Standards Board, July, 1990;
4. The projected Index Rate 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;
5. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates;
6. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area;
7. The plan AV Metal Values included in Worksheet 2 of the URRT were calculated using the AV Calculator, except for benefits that deviate substantially from the parameters of the AV Calculator. An acceptable alternative method outlined in CFR 156.135(b)(2) was used to estimate a fit of the plan designs into the parameters of AV Calculator in accordance with generally accepted actuarial principles and methodologies.
8. The percent of total premium that represents EHB included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
9. The URRT does not demonstrate the process used by AvMed to develop the rates. Rather, it represents information required by federal regulation to be provided in support of the review of rate increases.



Robert J. Stegner, ASA, MAAA
Senior Manager, Actuarial Pricing & UW
AvMed, Inc.
06/12/2024