Actuarial Memorandum and Certification

General Information

Company Identifying Information:

Company Legal Name:	Aetna Life Insurance Company
State:	California
HIOS Issuer ID:	40733
Market:	Small Group
Policy Form(s):	AL SG HCOC-2026-PPO 13
Effective Date:	January 1, 2027
Rate Filing Tracking Number:	AETN-135010992

Company Contact Information:

Certifying Actuary:	Daniel Dingman
Telephone Number:	210-346-2164
Email Address:	DingmanD@aetna.com

1. Purpose, Scope, and Effective Date

The purpose of this filing is to:

1) Provide support for the development of the Part I Unified Rate Review Template;
2) Provide support for the assumptions and rate development applicable to the products supported by the policy forms referenced above;
3) Provide summaries of the benefit details for the products/plan designs referenced by this filing.

The development of the rates reflects the impact of the market forces and rating requirements associated with the Patient Protection and Affordable Care Act (PPACA) and subsequent regulation.

These rates are for plans issued in California beginning January 1, 2027. The rates comply with all rating guidelines under federal and state regulations. The filing covers plans that will be offered outside the public Marketplace in California.

2. Proposed Rate Increase

Monthly premium rates for all Small Group Market products in California are being revised for effective dates starting January 1, 2027 until new rates are filed with the Department.

A. Reason for Rate Increase(s):

Revised rates for these products reflect the following:

- Impact of medical claim trend, including increasing utilization of services
- Updated benefit portfolio for 2027
- Revised risk transfer receivable
- Updated annual allowed trend factors
- Revised administrative expense

B. Variation in Rate Changes by Plan/Product:

Rate changes differ by plan for the following reasons:

- Plan designs are modified in 2027 from 2026, the benefit change for each mapped plan is not uniform
- Pricing does not differ based on morbidity differences or benefit selection anticipated within the Single Risk Pool

The weighted average quarterly increase across plans based on current ACA-compliant membership, is 2.9% over 4Q26. The average annual increase across plans, including the impact of benefit and cost sharing changes, is 18.7% over 1Q26. The average annual increase is calculated by compounding the four quarterly rate actions of the current and three most recent previous quarters. Members in plans being discontinued are offered alternative plans, which may result in additional rate differences. Methodology differences related to plan mapping may result in differences to the calculated average rate change between the Actuarial Memorandum and the URRT. In aggregate, the impact of benefit changes decreases the rate action by 1.4% on an annual basis. Without benefit changes, the rate action would be 20.1%, on an annual basis.

3. History of Rate Adjustments

- January 1, 2023 1.4% average rate increase
- April 1, 2023 3.8% average rate increase
- July 1, 2023 1.8% average rate increase
- October 1, 2023 4.1% average rate increase
- January 1, 2024 1.6% average rate increase
- April 1, 2024 3.5% average rate increase
- July 1, 2024 1.8% average rate increase
- October 1, 2024 4.0% average rate increase
- January 1, 2025 5.1% average rate increase
- April 1, 2025 4.2% average rate increase
- July 1, 2025 3.4% average rate increase
- October 1, 2025 1.4% average rate increase
- January 1, 2026 0.0% average rate increase
- April 1, 2026 4.8% average rate increase
- July 1, 2026 3.1% average rate increase
- October 1, 2026 6.8% average rate increase
- January 1, 2027 2.9% average rate increase

4. Experience Period Premium and Claims

The experience used to develop rates for January 1, 2027 CA Small Group products is January 1, 2025 – December 31, 2025 non-Grandfathered Small Group in its entirety.

A. Paid Through Date:

The experience data reported in Worksheet 1, Section I of the Part I Unified Rate Review Template reflects incurred claims from January 1, 2025 – December 31, 2025 and includes 4 months of runout.

B. Premiums (Net of MLR Rebate) in Experience Period:

Experience period premiums are date-of-service premiums from our actuarial experience databases for non-grandfathered Small Group business in California. Our internal projections, as of July 2026, indicate that the expected rebate for the California Minimum Loss Ratio pool in the experience period is approximately 0.0% of

premium, after taking into consideration risk adjustment payable/receivables. The premiums before and after adjustment for MLR rebates are:

Earned Premium Prior to MLR Rebates:	$ 126,409,761
Est. MLR Rebates:	$ 0
Earned Premium Net of MLR Rebates:	$ 126,409,761

C. Allowed and Incurred Claims Incurred During the Experience Period:

Allowed and incurred claims are sourced from our actuarial experience databases. These databases provide member-level detail on total allowed and incurred. A reconciliation of aggregate data in our actuarial experience databases is performed to ensure that data is consistent with the experience data contained in our enterprise-wide data warehouse.

As noted above, the experience period reflects 4 months of runout. The IBNP reserves account for approximately 4.2% of the experience period incurred claims.

5. Benefit Categories

Our internal systems assign claims to several benefit categories. We have mapped these categories to the categories defined in the Unified Rate Review Template. Inpatient Hospital consists of care delivered at an inpatient facility and associated expenses, included day-based mental health services. Outpatient Hospital includes outpatient surgical as well as emergency care and associated expenses. Professional includes both specialty physician and primary care physician expenses, including visit-based mental health services. Other includes home health care, medical pharmacy expenses, laboratory expenses, and radiology expenses. Non-capitated ambulance is included in the Outpatient Hospital category when billed by the facility and included in Specialist Physician otherwise. Prescription Drug includes drugs dispensed by a pharmacy.

The utilization for these services are counted by service type, and aggregated for each benefit category. Inpatient Hospital utilization is counted as days; Outpatient Hospital, Professional, and Other Medical utilization are counted as visits. Prescription Drug utilization is counted per script.

6. Projection Factors

A. Population Risk Morbidity & Other Adjustments:

- The "Other" adjustment of 1.000 is to account for the following factors:
    - 1.000 for impact of pooling out large claims in the experience period less pooling charges

B. Trend Factors (Cost/Utilization):

Anticipated annual allowed trend from the experience period to the rating period for the product line is as follows.

Component	Unit Cost	Utilization	Total Trend
Medical	4.2%	4.9%	**9.3%**
Pharmacy	5.7%	4.2%	**10.1%**
Total	4.5%	4.8%	**9.5%**

Allowed trend includes known and anticipated changes in provider contract rates, severity and medical technology impacts, the impact of formulary changes, patent expirations, new drugs, other general market share shifts, and expected changes in utilization. The impact of benefit leveraging is accounted for separately in the projected paid to allowed ratio.

C. Demographic Shift Adjustment:

- 0.984 for the difference between demographic mix of the experience period and projection period

Aetna discontinued enrollment in Rating Areas 01-03, 05, 07-09, 12-14. Accordingly, membership projections include only enrollment in Rating Areas 04, 06, 10-11, 15-19, with the impact reflected in the demographic shift.

7. Credibility Manual Rate Development

A. Source and Appropriateness of Experience Data Used:

Aetna's standard for full credibility is 24,000 member months. The California experience used in the development of these rates exceeds this threshold.

8. Credibility of Experience

As the January 1, 2025 – December 31, 2025 CA Small Group population totaled 172,347 member months, it is fully credible.

9. Paid-to-Allowed Ratio

The projected paid-to-allowed ratio is 0.803. This includes the experience paid-to-allowed ratio for all groups, adjusted for the following:

- -3.8% for the effect of members moving to plans with different benefits in the projection period
- 2.7% for the annual effect of trend leveraging

10. Reinsurance and Risk Adjustment

A. Reinsurance – Experience Period

Transitional Reinsurance recoveries do not apply to Small Group business. The experience period data is net of any Reinsurance Contributions assessed during that period.

B. Risk Adjustment – Experience Period

The experience period data does not include any risk adjustment payable or receivable assessed during the experience period.

C. Risk Adjustment – Projection Period

Aetna has analyzed our risk adjustment payment history, as well as that of the market, to estimate potential Risk Adjustment liabilities for the projection period. Under the assumption that the Risk Adjustment Program will

continue without meaningful changes to either formula or application, ALIC projects a risk adjustment net receivable amount of $82.00 PMPM. If program changes do occur, pricing revisions could be warranted.

11. Non-Benefit Expenses and Profit & Risk

The retention portion of the projected premium is 17.6%. This was developed from the following items and approximated as shown:

1. Taxes and Fees 3.05% comprised of:
    a. State Premium Tax of 2.35%
    b. Federal Income Tax on Profit of 0.65%
    c. Risk adjustment fee of 0.02%
    d. PCORI of 0.03%
2. General Administrative Expenses, excluding sales and commissions expenses, of approximately 5.88% of premium
3. Sales and commissions expenses of 6.20%
4. After-tax Target Profit of 2.44%

These prospective expenses are based on historical expense levels, current-year projections, and projected changes in expenses, inflation, and membership.

12. Projected Loss Ratio

The projected MBR for this filing calculated in the traditional way (inclusive of Reinsurance Contribution & Risk Adj. Program User Fee) is 82.4%. The expected MLR for the projection period of January 2027 through December 2027, as defined by PPACA and before any credibility adjustment, is 85.7%.

Federal MLR Calculation	
Incurred Claims before RC & Risk Adj	**831.76**
Quality Improvement (0.67% of Prem)	6.09
Risk Adjustment PMPM	(82.00)
Adjusted Claims	**755.85**
Premium	**909.53**
Insurer Fee & Premium Taxes	(21.37)
ACA Program Fees: PCORI, Risk Adjustment	(0.45)
FIT on Profit / Margin	(5.89)
Adjusted Premium	**881.81**
MLR (Adjusted Claims ÷ Adjusted Premium)	**85.7%**

13. Single Risk Pool

The plans and rates included in the Part I URRT are those for all plans we intend to offer in the Small Group market in California through Aetna Life Insurance Company. The proposed rates comply with the Single Risk Pool requirements of 45 CFR §156.80(d).

14. Index Rate

The index rates for the experience and projection periods are set equal to the actual and projected allowed claims, respectively, less non-essential health benefits (non-EHBs).

The index rate reflects the projected mix of business by plan. The AV pricing values for each plan are set based on the actuarial value and cost-sharing design of the plan, the plan's provider network, delivery system characteristics, and utilization management practices, the impacts (as applicable) of benefits in addition to EHBs and catastrophic eligibility criteria, and the distribution and administrative costs applicable to the plan/product. Rates do not differ for any characteristic other than those allowable under the regulations as described in 45 CFR 156 §156.80(d)(2).

Small Group Market Trend Adjustments: The State of California does not allow for the filing of quarterly trend factors.

15. Market-Adjusted Index Rate

The development of the Market Adjusted Index Rate is illustrated herein. The risk adjustment on Worksheet 1 of the URRT is displayed on a paid-basis. The values reflected have each been divided by the paid to allowed ratio to convert them to an allowed-basis.

Projected Index Rate:	$1,036.35
Net Risk Adjustment:	0.901
Market Adjusted Index Rate:	$934.23

16. Plan-Adjusted Index Rates

Exhibit E-2 illustrates the development of the Plan Adjusted Index Rates and displays each plan-specific adjustment made to the Market Adjusted Index Rate. The Plan Adjusted Index Rates are displayed in Column 7. The following briefly describes how each set of adjustments was determined.

A. Actuarial Value, Cost Sharing, and Tobacco:

The factors in Column 2 are the product of two separate adjustments:

1. We used internal models developed on large group claims experience to estimate the impact of different cost sharing designs. We also reviewed the projected experience and the projected membership by plan to estimate an overall paid-to-allowed ratio. The combination of these two analyses is a projection of the relative paid to allowed ratio which also reflects the impact of out of network coverage.
2. We applied an adjustment for the impact that different levels of cost sharing have on the use of medical services, which is based in part on the induced utilization factors used in the Risk Adjustment program. These adjustments are first normalized to result in an aggregate factor of 1.0 when applied to projected membership.
3. The rates in this filing do not differ based on tobacco usage. As such, no adjustment is needed to remove the impact of rating for tobacco.

B. Distribution and Administrative Costs:

Column 6 reflects the adjustment for projected administrative costs and profit. These are discussed above in the 'Non-Benefit Expenses and Profit & Risk' section.

C. Provider Network, Delivery System, and Utilization Management:

The factors in Column 3 reflect the impact of differences in the network size, efficiency, and provider contract terms.

D. Benefits in addition to EHBs:

The factors in Worksheet 2 row 3.5 adjust for the impact of benefits in addition to EHBs.

Aetna Life Insurance Company will offer infertility benefits on select plans. An adjustment of 1.04 was applied at the plan level for this non-EHB benefit.

E. Catastrophic Plan Eligibility:
This filing does not include catastrophic plans.

F. Experience Period Plan Adjusted Index Rates
Worksheet 2 of the URRT displays the Plan Adjusted Index Rates for the experience period, calculated as total premium over the experience period divided by experience period member months.

17. Calibration

A. Age Curve Calibration:
The age factors are based on the HHS Default Standard Age curve.

We project a member-weighted average age factor for the rating period membership of 1.511 using the prescribed age curve. The age most closely corresponding to the weighted average age factor is 46. We determine a calibration factor of 0.662 by taking the reciprocal of the weighted average age factor.

B. Geographic Factor Calibration:
The projected average area factor is 0.961. The calibration factor is the reciprocal, or 1.041.

18. Consumer-Adjusted Premium Rate Development

Rates are determined using the prescribed member build-up approach. In the event that a family includes more than three child dependents under age 21, only the three oldest child dependents will be considered in determining the family's premium. Additional child dependents (non-billable members) will not be included in the rate calculation.

The premium for each billable member is calculated as:
Calibrated Plan Adjusted Index Rate * Age Factor * Area Factor
The resulting rate is rounded to the nearest cent, and rates are then summed for all billable family members.

19. Composite Premiums

Small employers will not be able to elect to have rates set using a composite approach.

20. AV Metal Values

The AV Metal Values on Worksheet 2 were based on the AV Calculator. As applicable, entries were modified to reflect the plan appropriately and/or adjustments were made for plan design features that could not be entered in the calculator per 45 CFR Part 156, §156.135. The accompanying certification discusses how the benefits were modified to fit the parameters and the development of any adjustments. The AV screen shots provide detail on the modified entries and adjustments to AV, as applicable.

21. AV Pricing Values

The AV Pricing Values are calculated as the ratio of the Plan Adjusted Index Rate to the Market Adjusted Index Rate. The adjustments reflected in the AV Pricing Values are discussed in Section 16. AV Pricing Values do not differ based on morbidity differences or benefit selection anticipated within the Single Risk Pool.

22. Membership Projections

Exhibit E-2 summarizes the membership projections by plan. The projected distribution of membership is based upon the historical distribution of all members in the experience period.

23. Terminated Products

Please see Appendix A with the list of terminated products.

24. Plan Type

All plans are consistent with the plan type indicated on Worksheet 2.

25. Warning Alerts

The submitted URRT worksheets produce no warning alerts.

26. Benefit Design

This filing includes the following standard plans: 3 Bronze, 3 Silver, 5 Gold and 2 Platinum.

Please refer to the corresponding policy forms for detailed benefit language. Information on the cost-sharing parameters of the covered benefit plans, including deductibles, copays, and Actuarial Values, is summarized in Sections C & D. All benefit and cost sharing parameters comply with California benefit mandates and the requirements of PPACA, including preventive care benefits, deductible limits, and Actuarial Value requirements.

27. Marketing

Plans will be marketed through brokers and general agents.

28. Underwriting

Aetna will verify applicant eligibility for these plans based on any applicable age or geographic limitations.

29. Renewability

These policies are guaranteed renewable as required under §2703 of the Public Health Service Act.

30. Company Financial Condition

As of December 31, 2025, the capital and surplus held by Aetna Life Insurance Company was approximately $10.7 billion. This amount is disclosed in the Company's statutory financial statement dated December 31, 2025. The Company issues insurance nationwide for multiple lines of business including, large group medical, Small Group medical, individual medical, and various non-medical products.

Reliance

While I have reviewed the reasonableness of the assumptions in support of both the preparation of the Part I Unified Rate Review Template and the assumptions in support of the rate development applicable to the products discussed in this filing, I relied on the expertise of colleagues, along with work products produced at their direction, for the following items:

- URRT Methodology and Data Definitions
- Experience Period MLR Rebates
- Actuarial Value, Modifications, and Benefit Relativities
- Population Risk Morbidity
- Medical Cost and Utilization Trend
- Rx Cost and Utilization Trend
- Components of Retention/Administrative Fees
- Value of Network Arrangements
- Experience Period Data
- Projected Risk Adjustment receipts/payments

Certification

While this memorandum discusses both our development of rates for these products and the completion of the Part I Unified Rate Review Template (URRT), the Part I URRT does not demonstrate the process used by Aetna to develop the rates. Rather, it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for Federally-facilitated marketplaces, and for certification that the index rate is developed in accordance with Federal regulation, is used consistently, and is only adjusted by the allowable modifiers. The information provided above is intended to comply with these requirements.

I, Daniel Dingman, am a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and am qualified in the area of health insurance. I hereby certify that to the best of my knowledge and judgment:

1. This rate filing is in compliance with the applicable laws and regulations of California, the requirements under federal law and regulation, and all applicable Actuarial Standards of Practice, including but not limited to:

    a. ASOP No. 5, Incurred Health and Disability Claims
    b. ASOP No. 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health
    c. ASOP No. 12, Risk Classification
    d. ASOP No. 23, Data Quality
    e. ASOP No. 25, Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages
    f. ASOP No. 26, Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans
    g. ASOP No. 41, Actuarial Communications.

2. The Projected Index Rate is:
    a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
    b. Developed in compliance with the applicable Actuarial Standards of Practice,

c. Reasonable in relation to the benefits provided and the population anticipated to be covered,
d. Neither excessive, deficient, nor unfairly discriminatory.

3. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan-level rates.

4. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.

5. The geographic rating factors reflect only differences in the costs of delivery (which include unit costs and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

6. The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. Adjustments made to reflect benefit features not handled by the AV Calculator are discussed in the attached certification required by 45 CFR Part 156, §156.135.



07/10/2026

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Daniel Dingman, FSA, MAAA
Aetna Life Insurance Company

Date

Appendix A
Discontinued Plans in URRT

40733CA0090083	40733CA0111079
40733CA0090084	40733CA0111081
40733CA0090085	40733CA0111087
40733CA0090086	40733CA0111089
40733CA0090087	40733CA0111195
40733CA0090088	40733CA0111196
40733CA0090089	40733CA0111197
40733CA0090090	40733CA0111218
40733CA0110488	40733CA0111219
40733CA0110559	40733CA0111220
40733CA0110607	40733CA0111221
40733CA0110608	40733CA0111222
40733CA0110609	40733CA0111223
40733CA0110623	40733CA0111224
40733CA0110637	40733CA0111225
40733CA0110646	40733CA0111226
40733CA0110647	40733CA0111227
40733CA0110648	40733CA0111228
40733CA0110649	40733CA0111229
40733CA0110650	40733CA0111230
40733CA0110652	40733CA0111231
40733CA0110674	40733CA0111232
40733CA0110696	40733CA0111233
40733CA0110704	40733CA0111234
40733CA0110718	40733CA0111235
40733CA0110719	40733CA0111279
40733CA0110735	40733CA0111280
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40733CA0110757	40733CA0111323
40733CA0110758	40733CA0111325
40733CA0110759	40733CA0111332
40733CA0110760	40733CA0111333
40733CA0110761	40733CA0111335
40733CA0110762	40733CA0111342
40733CA0110769	40733CA0111433
40733CA0110791	40733CA0111435
40733CA0110835	40733CA0111457
40733CA0110838	40733CA0111458
40733CA0110871	40733CA0111459
40733CA0110873	40733CA0111461
40733CA0110880	40733CA0111467
40733CA0110898	40733CA0111469

40733CA0111003	40733CA0111475
40733CA0111004	40733CA0111477
40733CA0111006	40733CA0111483
40733CA0111007	40733CA0111484
40733CA0111008	40733CA0111485
40733CA0111039	40733CA0111486
40733CA0111040	40733CA0111488
40733CA0111041	40733CA0111494
40733CA0111042	40733CA0111495
40733CA0111043	40733CA0111496
40733CA0111044	40733CA0111497
40733CA0111045	40733CA0111498
40733CA0111046	40733CA0111499
40733CA0111047	40733CA0111536
40733CA0111048	40733CA0111546
40733CA0111050	40733CA0111574
40733CA0111070	40733CA0111584
40733CA0111071	40733CA0111648
40733CA0111073	40733CA0111655