

Kaiser Foundation Health Plan of the Mid-Atlantic States

**State of Maryland
2027 Small Group Plan Rate Filing
Rates Effective January 1, 2027
HIOS Issuer ID 90296**

Part III – Actuarial Memorandum and Certification

Table of Contents

1	Purpose	3
2	General Information Section	3
	Company Identifying Information.....	3
	Company Contact Information	4
3	Proposed Rate Increases.....	4
4	Market Experience	4
4.1	Experience Period Premium and Claims	4
4.2	Benefit Categories.....	5
4.3	Projection Factors	5
	Trend Factors	5
	Changes in Morbidity of the Insured Population.....	6
	Changes in Demographics.....	6
	Changes in Plan Design	6
	Changes in Benefits.....	6
4.4	Credibility Manual Rate Development.....	6
4.5	Credibility of Experience	6
4.6	Paid to Allowed Ratio	7
4.7	Risk Adjustment	7
4.8	Non-Benefit Expenses and Profit & Risk	7
	Administrative Expense Load.....	7
	Profit & Risk Margin	7
	Taxes and Fees	7
	The Supplemental Health Care Exhibit	7
5	Projected Loss Ratio.....	8

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

6	Application of Market Reform Rating Rules	8
6.1	Single Risk Pool.....	8
6.2	Index Rate.....	8
6.3	Market Adjusted Index Rate	8
6.4	Plan Adjusted Index Rates.....	8
6.5	Calibration and Consumer Adjusted Premium Rate Development	9
	Age Curve Calibration	9
	Geographic Factor Calibration	9
	Tobacco Use Rating Factor Calibration	9
7	Plan Product Information	9
7.1	AV Metal Values	9
7.2	AV Pricing Values.....	10
7.3	Membership Projections.....	10
7.4	Terminated Plans and Products	10
7.5	Plan Type	10
7.6	Warning Alerts.....	10
8	Miscellaneous	11
8.1	Effective Rate Review Information	11
8.2	Reliance	11
8.3	Actuarial Certification	11
8.4	Qualifications.....	12

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

1 Purpose

This document contains the Part III Actuarial Memorandum for Kaiser Foundation Health Plan (KFHP) of the Mid-Atlantic States' premium rate (rate) filing for the small group medical line of business in the State of Maryland, with an effective date on or after January 1, 2027. These small group rates are guaranteed for effective dates through December 31, 2027, and the plans may be offered both on and off the Maryland Health Benefit Exchange marketplace (Exchange). This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT), and is in compliance with 45 CFR § 156.215. The purpose of the actuarial memorandum is to provide certain information related to the submission of rate filings, including support for the values entered in the Part I URRT. This information is intended for use by the State of Maryland Department of Insurance, the Center for Consumer Information, and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of this small group rate filing. We recognize that this certification may become a public document. This memorandum may not be appropriate for other purposes.

The plans covered by this filing are only non-grandfathered and are available for renewal business and new sales. All plans are comprehensive medical plans and range from no-deductible HMO style plans to high-deductible H.S.A. qualified plans. All plans cover all required Essential Health Benefits (EHBs) including pediatric dental benefits. The plans within scope of this filing are listed in Exhibit 1, with their HIOS IDs, applicable form numbers and metal levels.

This rate filing and the associated rates reflect the Maryland State and Federal statutes, rules, regulations, and guidance as of July 23, 2026. Changes to the applicable regulations, including but not limited to changes to Risk Stabilization programs could have a significant impact on rate development. Subsequent changes to these statutes, rules and regulations may make these rates either deficient or excessive and would necessitate revisions to this filing.

2 General Information Section

Company Identifying Information

Company Legal Name:	Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc
State:	Maryland
HIOS Issuer ID:	90296
Market:	Small Group Medical On and Off Exchange
Effective Date:	January 1, 2027

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

Company Contact Information

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3 Proposed Rate Increases

This rate filing covers the new and renewing health benefit plans (plans) for 2027, listed in Exhibit 1, and were introduced by KFHP as new to the market between 2014 and 2027. The rate changes for the plans are primarily driven by the Kaiser’s claims experience of small group ACA-compliant plans, medical inflation, taxes and fees imposed on the issuer, and anticipated changes in payments from and contributions to the Federal Risk Adjustment Program. Rate changes also vary by plan and age, accounting for member cost share modifications necessary to comply with CMS Actuarial Value calculations, as well as changes to the pricing model as addressed in **AV Pricing Values** section.

The proposed average rate change for all renewing plans, range of rate changes for different plans with and without demographic impacts, distribution of rate changes, and the average prior rate changes are all shown in Exhibit 2. The average rate change does not indicate that every member’s rate will change by this amount, as rates are affected by the ages of those covered and the plan chosen.

4 Market Experience

4.1 Experience Period Premium and Claims

The experience period premium and claims for the single risk pool are shown in Exhibit 4, and represent only the experience of Maryland ACA-compliant small group plans. No experience from other risk pools has been used in the development of the Maryland small group single risk pool rates.

The premium earned during the experience period for the renewing ACA plans has been developed based upon earned premium data from our internal billing systems. The best estimate of MLR rebates for the experience period have been developed based upon the federal MLR templates. The earned premium has been adjusted by the expected MLR rebates to develop the Premiums (net of MLR rebates) in the experience period. The experience period premium reflected on Worksheet 1 of the Part I URRT has not been adjusted for estimated risk adjustment transfers.

The experience period incurred claims are developed by accumulating the net medical expenses for the experience period plans. The data is for the incurred period January 2025

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

through December 2025 and paid through May 2026, including incurred but not reported estimates. Net cost data from internal cost systems (i.e., the cost for medical services delivered within our integrated delivery system), fee for service claims, and prescription drug claims are aggregated to determine paid claims. For the experience period, allowed claims are calculated based on paid claims divided by the paid to allowed ratio as discussed in the **Paid to Allowed Ratio** section in this document.

A common reserve tool developed and maintained by KFHP Actuarial Services is used to set KFHP's IBNR reserves. KFHP'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 completion factors used to complete the experience period external claims were developed using KFHP's overall commercial line of business by type of service. The claims are incurred in 2025 and paid through May 2026. The work of KFHP reserving actuaries was relied upon for the development of an IBNR estimate.

Premium and claims experience reflect only the members represented by this filing, in the state of Maryland, although claims may have been incurred outside of Maryland.

4.2 Benefit Categories

Claims are assigned to one of the following benefit categories: Inpatient Hospital, Outpatient Hospital, Professional, Other Medical, and Prescription Drugs. The categorization is derived from each claim's specific information on services rendered, the location of service, and the type of provider type. The categorization is an automated process within KFHP's data warehouse. Examples include:

Benefit Category	Services
Inpatient Hospital	Inpatient Facility, Inpatient Visits, Inpatient Surgery, Maternity
Outpatient Hospital	Outpatient Facility, Emergency/Urgent Care, Outpatient Surgery
Professional	Diagnostic Services, Office Visits, Cardiovascular, Dialysis, PT/OT/ST
Other Medical	Other Services
Capitation	Dental
Prescription Drug	Pharmacy

4.3 Projection Factors

Trend Factors: The projected trend factors, developed on a regional basis, are based on a mixture of expected industry trends, future fixed costs, expected internalization of services (i.e., movement of medical care delivery from contracted external providers to our integrated delivery system) and projected Health Services Cost Review Commission (HSCRC) hospital reimbursement rates. As an integrated health care provider, a large portion of KFHP's expenses are the fixed costs associated with providing medical care through Kaiser owned facilities.

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

Therefore, the projected cost that is included in our total revenue requirement is largely based on budgeting. For traditional carriers, projected claims trends are developed to project expected costs. However, given KFHP's integrated structure, KFHP's projected claims trends stem from the development of projected budgeted costs as well as projected external claims. See Exhibit 5 for a development of the composite cost and utilization components of the trend, which are used in the Part I URRT. Exhibit 5b provides two-year historic claims and premiums.

Changes in Morbidity of the Insured Population: The morbidity adjustment reflects the change in the expected health risk from the 2025 experience period to the 2027 projection period, independent of underlying demographic changes. The expectation is that the projection period morbidity will be similar to the experience period morbidity, indicating no necessity to change the morbidity assumption in this filing. See Exhibit 6.

Changes in Demographics: Experience period claims experience is adjusted for the average mix of population by age in the experience period membership. The average age factor is developed by applying the revised 2018 CMS standard age curve (Exhibit 7) to the 2025 membership. The same calculation is performed for the projected 2027 membership, which is based upon February 2026 KFHP membership distribution for the Maryland small group market. The projected allowed claims are then multiplied by the change in the average age factor between 2025 and 2027.

Changes in Plan Design: Many plans have member cost sharing changes between the experience period and the projection period, which generate different levels of utilization adjustments when compared with the experience period plans. The net impact is reflected as the change in average utilization in Exhibit 8. This is calculated by dividing the average utilization in the projection period as determined by the pricing model described below in the **AV Pricing Values** section, by the experience period average utilization in Exhibit 8b.

Changes in Benefits: There are no EHB benefit changes between the experience period and the projection period.

4.4 Credibility Manual Rate Development

Please see the **Credibility of Experience** section below. KFHP considers the experience period data to be fully credible, and has not employed the use of additional, external claims data to develop a manual rate.

4.5 Credibility of Experience

KFHP had around 104,000 member months in the experience period, which we consider material. Our rate development is based on the composition of the projected 2027 single risk pool, which incorporates data from the 2025 small group ACA single risk pool. KFHP considers

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

the pool data to be fully credible, and has not employed the use of additional, external claims data. Actuarial Standard of Practice #25 was considered when making this determination.

4.6 Paid to Allowed Ratio

The projected 2027 paid to allowed ratio is calculated as the average benefit relativity (effective plan design adjustment). The average benefit relativity, as developed in Exhibit 3c, accounts for the projected member distribution across the available plans. The development of the benefit relativities is discussed under the **AV Pricing Values** section later in this document.

4.7 Risk Adjustment

Based on an ongoing study by third-party consulting firm, KFHP expects a risk adjustment transfer for the experience period as shown in Exhibit 9. This includes the metallic plans and has not been adjusted for fees or assessments. Risk scores are adjusted based on expected changes in risk adjustment coefficients and other changes in risk. The market average premium is trended forward based on estimated 2025 market average premiums, with projected changes in statewide average premium.

The 2027 risk adjustment user fee is included in the development of the projected administrative expense as shown in Exhibit 10. Complete experience period data is available in the **Summary Report of Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2025 Benefit Year**, released by CMS in June 2026.

4.8 Non-Benefit Expenses and Profit & Risk

Administrative Expense Load: Administrative Expense includes broker commissions, medical management costs, and health plan operating expenses. Experience period and development of projection period administrative expenses are shown in Exhibits 10. Administrative expenses are allocated as a flat percentage of premium and are applied uniformly among all plans represented by this filing.

Profit & Risk Margin: The 2027 plans are priced to provide a projected margin as shown in Exhibit 10.

Taxes and Fees: Total retention has been adjusted to reflect the required taxes and fees that will apply in 2027 (Exhibit 11). Only those taxes and fees that may be subtracted from premiums for purposes of calculating MLR are included.

The Supplemental Health Care Exhibit: The administrative costs of fraud detection as reported in the most recently filed Supplemental Health Care Exhibit as well as the taxes, licensing and regulatory fees are shown in Exhibit 11.

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

5 Projected Loss Ratio

Exhibit 11 provides a demonstration of the projected Medical Loss Ratio (MLR) calculation based upon assumptions in this rate filing, with a projected loss ratio based on the federally prescribed methodology to be at least 80%. The Federal MLR would be expected to be slightly higher than the standard loss ratio due to the allowed adjustments to both claims and premium in the federally prescribed methodology.

6 Application of Market Reform Rating Rules

6.1 Single Risk Pool

The projection period reflects the experience of policies that we anticipate will be enrolled in the Single Risk Pool. The Single Risk Pool reflects all covered lives for every non-grandfathered product/plan combination for KFHP in the Maryland small group market.

6.2 Index Rate

Exhibit 3 provides the development of both the 2026 and 2027 projection period Index Rates for the non-grandfathered ACA-compliant small group line of business. Covered benefits in excess of the EHB's are excluded. The difference between the Index Rate and the total allowed claims PMPM on Worksheet 1 of the Part I URRT, is due to covered benefits in excess of essential health benefits, as described below as Non-EHBs.

6.3 Market Adjusted Index Rate

Exhibit 3 provides the development of both the 2026 and 2027 Market Adjusted Index Rates for the non-grandfathered ACA-compliant small group line of business. The calculation of the Market Adjusted Index Rates is the compilation of the Index Rate and the market-wide adjustments, which includes projected Risk Adjustment transfers. Exhibit 3b provides a crosswalk between the 2026 and 2027 Market Adjusted Index Rates. The Unified Rate Review Instructions indicate that the Market Adjusted Index Rates should be for the first quarter (Q1) of the year.

6.4 Plan Adjusted Index Rates

The Plan Adjusted Index Rates for Q1 are calculated as the product of the Market Adjusted Index Rates, plan specific Utilization Adjustments (Exhibit 3c), AV Pricing Values (cost-sharing adjustment), and Provider Network Adjustments, as well as non-EHB Adjustments for covered benefits in excess of the EHB requirement and an adjustment for Administrative Expenses. The calculations are provided in Exhibit 3d.

Non-EHB Adjustment: An adjustment has been made to the base period allowed amount to remove the Non-EHB covered benefits from the base rates. This multiplier is calculated by

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

summing the allowed amount for Non-EHB covered benefits in the base period and dividing by total allowed.

2027 plan-specific multipliers are used to add back non-EHB covered benefits when calculating the Plan Adjusted Index Rate for each plan.

Administrative Expenses: Administrative expenses are applied uniformly to all plans, on and off the Exchange, in the calculation of the PAIRs.

6.5 Calibration and Consumer Adjusted Premium Rate Development

Calibration of the Plan Adjusted Index Rates, Exhibit 3d, is necessary to calculate Consumer Adjusted Premium Rates. The Plan Adjusted Index Rates are developed for the average individual within the Single Risk Pool. Based upon the allowable rating parameters, factors are developed to calibrate the Plan Adjusted Index Rates and generate Consumer Adjusted Premium Rates. The calibrated Plan Adjusted Index Rates have been defined as Q1 Base Rates, and the calibration factors are applied uniformly to all plans in the single risk pool.

Age Curve Calibration: The determination of the calibration factor is based upon the new CMS Standard Age Curve for 2018, and KFHP internal enrollment data for February 2026. A weighted average age factor is calculated as the product of the enrollment by age and the unadjusted CMS age factors. The Plan Adjusted Index Rates are then divided by this factor to adjust to an individual aged 21, for which the age factor is 1.00. The development of the weighted average age for the projected single risk pool, rounded to the whole number, and average age factor is shown in Exhibit 7.

Geographic Factor Calibration: KFHP does not vary rates in the Maryland small group market by geographic area.

Tobacco Use Rating Factor Calibration: KFHP does not vary rates in the Maryland small group market for tobacco use.

Summary Rate Calculation: Exhibit 12 provides a sample calculation of a Consumer Adjusted Premium Rate. Premiums are charged for no more than the three oldest covered dependent children under age 21 when enrolled on a family plan.

Quarterly Trend Factors: KFHP trends rates for each quarterly effective date, Exhibit 5b.

7 Plan Product Information

7.1 AV Metal Values

The AV Metal Values as used in Worksheet 2 of the Part I URRT were produced with the 2027 CMS Actuarial Value Calculator. Screen shots of the calculation results have been included as an exhibit separate from the Part III Exhibits.

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

7.2 AV Pricing Values

The AV pricing values, as seen in Exhibits 3c, include plan specific adjustment factors for both utilization and effective plan design. The utilization and effective plan design adjustment pieces of the AV pricing values are calculated using a proprietary pricing model, which reflects a standard population and KFHP specific cost, service utilization, and induced utilization data. The utilization factors have been normalized to an average of 1.00 to account for the Market Adjusted Index Rate, which represents the average allowed costs. The pricing method is consistent among all plans.

The AV pricing values have changed from 2026 to 2027 plans due to both cost sharing changes and trending of the pricing model to account for deductible leveraging. The cost share and model changes have varying effects on each plan design, which leads to non-uniform rate changes between the plans.

7.3 Membership Projections

The total membership projection for 2027 utilizes emerging 2026 membership data and estimates 2027 membership based on forecasted changes in rate position and small group market size. The projected allocation of members by plan follows the emerging distribution of members for February 2026, with minor adjustments for presumed changes in 2027.

7.4 Terminated Plans and Products

See Exhibit 13 for a list of terminated plans.

7.5 Plan Type

Only standard plan types have been used on Worksheet 2, Section 1 of the Part I URRT.

7.6 Warning Alerts

Warnings occur on Worksheet 2 of the URRT due to Renewing plans with no current membership or premiums. Given the large number of plans in the small group market relative to the size of the market, especially On-Exchange, it is expected that various KP plans would not have any enrollment in the current period.

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

8 Miscellaneous

8.1 Effective Rate Review Information

Additional information has been provided consistent with reviewer requests from prior filings.

8.2 Reliance

All data and assumptions were prepared by a team of KFHP employees which includes the certifying actuary. Relative risk information from the experience period, relevant to the risk adjustment estimates, has been provided by a third-party consulting firm.

8.3 Actuarial Certification

I, Stephen Chuang, Actuary for Kaiser Foundation Health Plan (KFHP) am a member in good standing of the American Academy of Actuaries. I meet the qualification standards for certifying Regulatory Filings for Rates and Financial Projections for Health Plans.

This Actuarial Certification applies to the attached filing for an approval of premium rates for small group medical plans sold on and off the Exchange. This actuarial memorandum documents the assumptions and sources of data pertaining to the development of KFHP small group premium rates for effective dates January 2027 through December 2027.

- The index rate is in compliance with all applicable Maryland State and Federal Statutes and Regulations, including 45 CFR part 156, §156.80(d)(1) and 45 CFR part 147.102.
- 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 revised final 2027 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. The development of the Federal actuarial value is based on the acceptable alternative method outlined in 156.135(b)(2) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV. The AV Metal Values have also been developed in accordance with ASOP No. 50.
- The allocation of the essential health benefit portion of the premium amounts, including the total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is appropriate for the calculation of advanced payment of premium tax credits (APTCs) and was calculated in accordance with Actuarial Standards of Practice.
- Geographic rating factors have not been used in the development of this filing.
- This filing is consistent with KFHP's internal business plans.
- The adjusted community rate charged can be reasonably expected to result in a medical loss ratio that meets or exceeds the standard of eighty percent.

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**

All rates, calculations and values were developed accordance with generally accepted actuarial principles and methodologies and in accordance with the Code of Professional Conduct and the following Actuarial Standards of Practice:

- ASOP No. 5, Incurred Health and Disability Claims
- ASOP No. 11, Financial Statement Treatment of Reinsurance Transactions Involving Life or Health Insurance
- ASOP No. 12, Risk Classification
- ASOP No. 23, Data Quality
- ASOP No. 25, Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages
- 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. 45, The Use of Health Status Based Risk Adjustment Methodologies
- ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act

8.4 Qualifications

- While the filed rates are neither excessive nor unfairly discriminatory, KFHP leadership has targeted increased affordability, resulting in rates that have a negative expected margin. However, KFHP's business plan calls for positive overall margin which would support the expected results on this line of business and provide a buffer for adverse deviation.
- This actuarial opinion is qualified such that the information contained within this filing reflects the Maryland State and Federal statutes, rules, regulations and guidance as of July 23, 2026. Changes to the applicable regulations, including but not limited to changes to Risk Stabilization programs could have a significant impact on rate development. Subsequent changes to these statutes, rules and regulations may make these rates either deficient or excessive and would necessitate revisions to this filing.
- This actuarial opinion is qualified to state that the URRT does not demonstrate the process used by KFHP 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 and used consistently and only adjusted by the allowable modifiers.

**Kaiser Foundation Health Plan of the Mid-Atlantic States
State of Maryland - 2027 Small Group Plan Rate Filing
Part III – Actuarial Memorandum and Certification**



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July 23, 2026