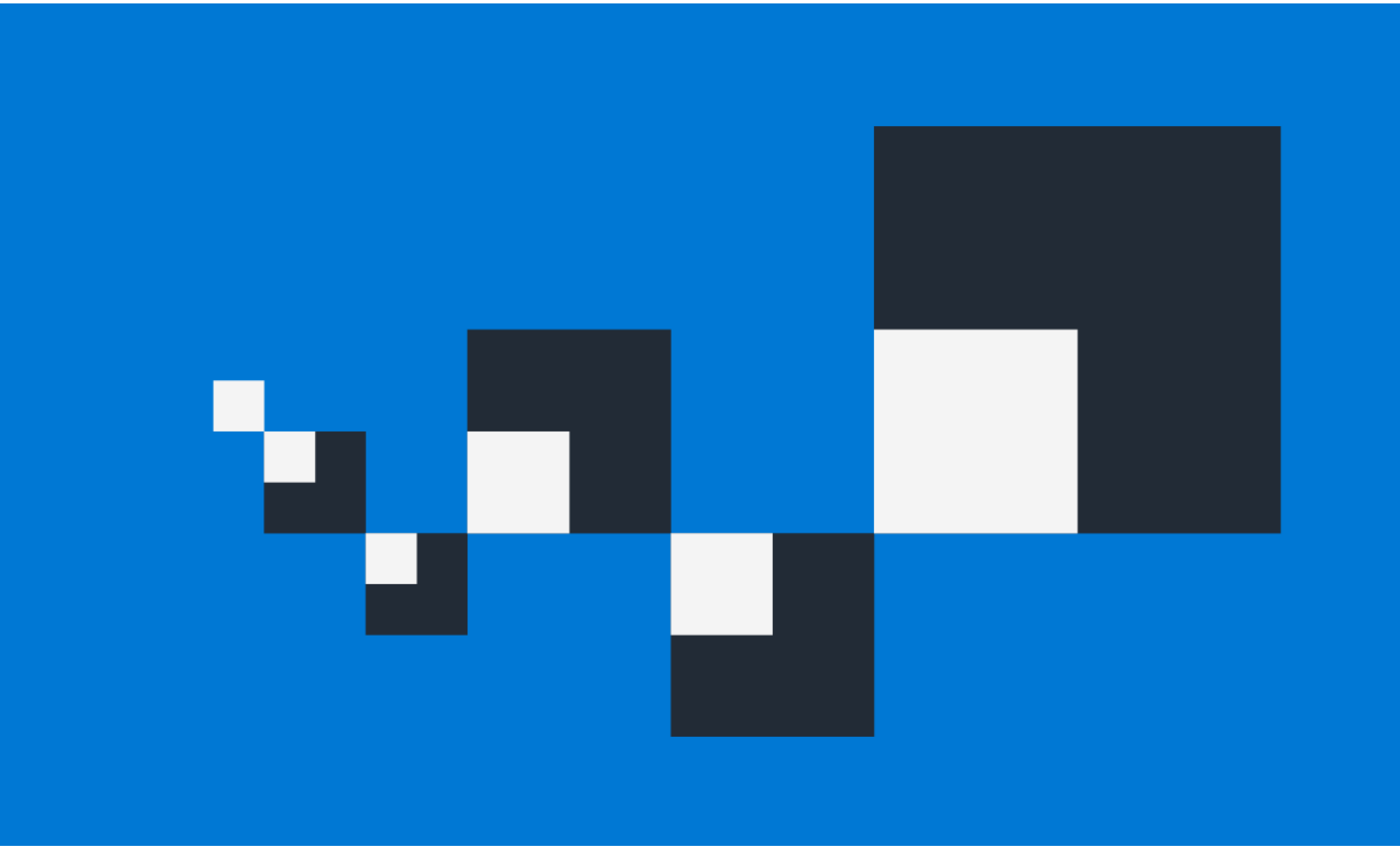
MILLIMAN ACTUARIAL MEMORANDUM

Western Health Advantage

Part III Actuarial Memorandum Small Group Rate Filing
Effective January 1, 2027

July 13, 2026

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1. General Information

This document contains the Part III Actuarial Memorandum for Western Health Advantage's (WHA's) Affordable Care Act (ACA) small group market block of business effective January 1, 2027 (2027Q1). We submit this Actuarial Memorandum in conjunction with the Part I Unified Rate Review Template (URRT).

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of the premium rate filing, including support for the values entered in the Part I URRT (which supports compliance with the market rating rules and reasonableness of applicable rate increases). This memorandum may not be appropriate for other purposes.

We prepare the information in this Actuarial Memorandum for the use of WHA. We understand the Actuarial Memorandum will be provided to Covered California (CCA), the California Department of Managed Health Care (DMHC), the Center for Consumer Information and Insurance Oversight (CCIIO), and associated subcontractors to assist in the review of WHA's rate filing. We also understand the information may be considered public documents, and as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this Actuarial Memorandum to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for WHA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions. Further, we develop the 2027 plan year premium rates based upon ACA statutes and regulations in full force and in effect as of date of this Actuarial Memorandum submission.

The premium rates in this filing are contingent upon this and other ACA statutes and regulations not changing, whether taking place through state or federal legislative or regulatory amendments, court decisions, or actions by Congress, the Health and Human Services Secretary, or the Centers for Medicaid and Medicare Services Director. Given the potential impact to 2027 plan year premium rates, WHA retains and reserves the right to amend this Actuarial Memorandum and plan premium rates should there be any changes to the current ACA statutes and regulations.

COMPANY IDENTIFYING INFORMATION

Company Legal Name:	Western Health Advantage
State:	California
HIOS Issuer ID:	93689
Market:	Small Group
Beginning Effective Date:	January 1, 2027
Ending Effective Date:	December 31, 2027

COMPANY CONTACT INFORMATION

Primary Contact Name:	Mary Ingram, ASA, MAAA
Primary Contact Telephone Number:	[redacted]
Primary Contact Email Address:	[redacted]

CONSULTANT CONTACT INFORMATION

Primary Contact Name:	Jason Petroske, FSA, MAAA
Primary Contact Telephone Number:	[redacted]
Primary Contact Email Address:	[redacted]

2. Proposed Rate Changes

PROPOSED PERCENTAGE RATE CHANGE

This submission is for rate revisions to WHA's existing small group medical ACA-compliant products, as shown in Worksheet 2, Section I of the URRT. The new rates are effective for individuals January 1, 2027 through December 31, 2027, although WHA may still resubmit quarterly rates consistently with federal guidance.

The average proposed 2027 rate change across all existing plans and regions over 2026Q3 is [redacted] The following table summarizes the proposed rate changes by region and product.

TABLE 2.1
WESTERN HEALTH ADVANTAGE
RATE CHANGE SUMMARY BY PRODUCT AND REGION

REGION	COPAYMENT PLANS	DEDUCTIBLE PLANS	HSA COMPATIBLE PLANS
Region 1	[redacted]	[redacted]	[redacted]
Region 2	[redacted]	[redacted]	[redacted]
Region 3	[redacted]	[redacted]	[redacted]

We provide a comparison of the revised base rates to the current base rates for an age 21 member in Appendix A.

REASON FOR THE RATE CHANGE

A rate change is needed to account for medical trend, as well as the following items:

[redacted]

There are no significant changes in cost sharing, except those prescribed by CCA. There are no changes to the rating factors in this filing. We do not consider morbidity by plan when developing the rates.

3. Market Experience

EXPERIENCE AND CURRENT PERIOD PREMIUM, CLAIMS, AND ENROLLMENT

WHA is a provider-owned not-for-profit health plan. [redacted] We incorporated WHA's contractual arrangement for capitated services and actual claims for non-capitated services for small group ACA business into the 2027 rate development.

Paid Through Date

Single risk pool experience for non-capitated services presented in Worksheet 1, Section I of the URRT represents incurred and paid claims for the period from January 1, 2025 through December 31, 2025, [redacted]

Current Date

The reported date for current enrollment and premium in URRT Worksheet 2, Section II is [redacted] Please note, these values represent the current mix of business, which will differ from the mix used in the premium development. This means average rate increases calculated in the URRT may not match average rate increases calculated elsewhere in the filing, particularly in California-specific templates that request rate changes on a different basis.

Allowed and Incurred Claims Incurred During the Experience Period

[redacted]

The following table summarizes 2025 incurred claims, as illustrated in Worksheet 1, Section I of the URRT.

TABLE 3.1
WESTERN HEALTH ADVANTAGE
INCURRED CLAIMS SUMMARY

CLAIM CATEGORY	INCURRED CLAIMS
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Note: Total row in table may not sum from the component rows due to rounding.

[redacted]

BENEFIT CATEGORIES

We categorize experience claims using the following definitions.

[redacted]

PROJECTION FACTORS

We make the following adjustments to project the experience period index rate to the projection period.

Trend Factors

[redacted]

[redacted]

We develop the trend assumption using general industry knowledge regarding recent trends in medical and prescription drug inflation, Milliman research, WHA historical experience and projected future changes in cost and utilization, and judgment. Because of WHA's capitated arrangements, the individual components driving potential future costs are less credible. As such, we utilize available market information to ensure our overall trend estimate across both medical and pharmacy services is appropriate for the totality of WHA's healthcare cost and utilization.

ADJUSTMENTS TO TRENDED EHB ALLOWED CLAIMS PMPM

Morbidity Adjustment

Not Applicable.

Demographic Shift

We adjust projected allowed claims for the following demographic-related differences between the experience and projection periods:

[redacted]

The following table lists and quantifies the components of the "Demographic Shift" projection factor.

TABLE 3.2
WESTERN HEALTH ADVANTAGE
COMPONENTS OF THE DEMOGRAPHIC SHIFT FACTOR

COMPONENT	FACTOR
[redacted]	[redacted]
Demographic Factor	

Note: Some factors with small impacts may display as 1.000.

Plan Design Changes

The covered benefits underlying WHA's 2025 small group ACA experience [redacted]

We calibrate our pricing model to WHA's experience, which affects the rate relationships among metallic tiers. Using Milliman's *Health Cost Guidelines*™ (*HCGs*), we estimate the change in the average utilization of services due to differences in average cost sharing requirements between the experience period and the projection period to be a factor of [redacted]

The *HCGs* have been developed as a result of Milliman's continuing research into commercial health care costs. First developed in 1954, the *HCGs* are continually monitored against other data sources and have been updated and expanded annually since that time. 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 coverages. 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. The detailed claims and enrollment data underlying the guidelines represent over 60 million commercially insured lives.

In most instances, cost assumptions are based upon our evaluation of several data sources and, hence, 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.

Other Adjustments

We further adjust experience allowed claims for the following:

[redacted]

[redacted]

The following table lists and quantifies the components of the "Other" projection factor.

TABLE 3.3
WESTERN HEALTH ADVANTAGE
COMPONENTS OF THE "OTHER" FACTOR

COMPONENT	FACTOR
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
Other Factor	[redacted]

MANUAL RATE ADJUSTMENTS

We rely completely (i.e., 100%) on WHA's 2025 small group ACA-compliant experience. Therefore, we did not develop a manual rate.

Source and Appropriateness of Experience Data

Not applicable.

Adjustments Made to the Data

Trend Factors

Not applicable.

Morbidity Adjustment

Not applicable.

Plan Design Changes

Not applicable.

Demographic Shift

Not applicable.

Other Adjustments

Not applicable.

Inclusion of Capitation Payments

Not applicable.

CREDIBILITY OF EXPERIENCE

Description of the Credibility / Methodology Used

[redacted]

Credibility Levels

WHA's 2025 ACA small group market experience represents almost [redacted] We consider this to be fully credible based on the methodology described above.

ESTABLISHING THE INDEX RATE

The Projected Index Rate is a measurement of the average allowed claims PMPM for Essential Health Benefits (EHBs). The Projected Index Rate reflects the projected 2027 mixture of smoker / non-smoker population, area factors, and the projected mixture of risk morbidity that WHA expects to receive in the Single Risk Pool. The Projected Index Rate is not equal to the projection period total allowed claims PMPM, [redacted] and all California issuers are required to offer non-EHB non-Hyde abortion coverage and gender affirming care. We do not adjust the Projected Index Rate for payments and charges projected under the risk adjustment program or for Marketplace user fees. Worksheet 1, Section II of the URRT demonstrates the build-up of the Projected Index Rate.

DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

We calculate the Market Adjusted Index Rate as the Projected Index Rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). The following table displays the development of the Market Adjusted Index Rate. We apply all adjustments to the Projected Index Rate on an allowed basis, as required by CMS.

TABLE 3.4
WESTERN HEALTH ADVANTAGE
MARKET ADJUSTED INDEX RATE

Projected Index Rate	[redacted]
Gross Risk Adjustment	[redacted]
Net Reinsurance	[redacted]
Exchange User Fees	[redacted]
Paid to Allowed	[redacted]
Total Market Impact	[redacted]
Market Adjusted Index Rate	[redacted]

Note: Total row in table may not sum from the component rows due to rounding. Values may not tie to the URRT due to URRT rounding requirements.

Reinsurance

There is no Federal or state-based reinsurance program applicable to the 2026 California small group market.

Risk Adjustment Payment / Charge

We estimate WHA will [redacted] in risk adjustment, not including the risk adjustment administration fee, which we illustrate on an allowed basis in URRT Worksheet 1, Section II. We develop projected risk transfers, starting with final 2025 results, by:

[redacted]

Note, WHA does not maintain explicit risk sharing arrangements that affect our risk transfer estimates.

Exchange User Fees

The following table provides support for the exchange fee for those lives sold through Covered California.

TABLE 3.5 WESTERN HEALTH ADVANTAGE BUILD-UP OF EXCHANGE USER FEE		
COMPONENT	**VALUE**	**ANNOTATION**
Exchange Premium as % of Total	[redacted]	*(1)*
Mandated Fee		*(2)*
Composite Fee - Paid Basis (% Premium)		*(3) = (1) * (2)*
Total Premium		*(4)*
Composite Fee - Paid Basis (PMPM)		*(5) = (3) * (4)*
Market Adjusted Index Rate		*(6)*
Paid-to-Allowed Ratio		*(7)*
Composite Fee - Allowed Basis (% MAIR)		*(8) = (5) / (6) / (7)*

*Values may not tie to the URRT due to URRT rounding requirements.

The final Exchange User Fee included within the Market Adjusted Index Rate in Worksheet 1, Section II reflects the required 2027 fee, scaled by the expected paid-to-allowed ratio to convert the amount to an allowed basis.

Paid to Allowed Ratio

The following table provides support for the average projected paid to allowed ratio, which reflects the member month weighted average by metal level.

TABLE 3.6 WESTERN HEALTH ADVANTAGE AVERAGE PAID TO ALLOWED FACTOR				
METALLIC TIER	**MEMBER MONTHS**	**ALLOWED CLAIMS PMPM**	**PAID CLAIMS PMPM**	**PAID-TO-ALLOWED RATIO**
Platinum	[redacted]	[redacted]	[redacted]	[redacted]
Gold				
Silver				
Bronze				
Total				

Note: Values may not tie to the URRT due to URRT rounding requirements.

We price 2027 plans using an internal Milliman cost relativity model based on Milliman's commercial *HCGs* to calculate the paid to allowed ratios. This proprietary model is updated annually and is developed using the combined experience of over 60 million lives. The model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to WHA (including service area, provider reimbursement, degree of health care management, etc.).

PLAN ADJUSTED INDEX RATE

We display the development of the Plan Adjusted Index Rates in URRT Worksheet 2, Section III and [redacted] We apply the following adjustments to the Market Adjusted Index Rate to compute the Plan Adjusted Index Rates.

Actuarial Value and Cost Sharing Design of the Plan

This factor consists of the product of the Actuarial Value (AV) and the utilization factors, excluding expected differences in the morbidity of the members assumed to select the plan. In other words, these adjustments are based only on utilization expectations related to the comparative richness of each benefit plan and not on those who select such a plan.

We develop these adjustments in our internal Milliman cost relativity model, which is based on Milliman's commercial *HCGs*. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to WHA's experience. Our pricing models assume the same demographic and risk characteristics for each plan, thereby excluding expected differences in the morbidity of members assumed to select the plan.

Provider Network, Delivery System Characteristics and Utilization Management Practices

The value of each provider network was determined based on the experience of WHA and any anticipated differences in the network of a given plan as compared with the current network.

Benefits Provided Under the Plan that are in Addition to EHBs

[redacted]

Retention

Administrative Costs

The following table summarizes projected taxes and fees illustrated in Worksheet 2, Section III of the URRT.

TABLE 3.7
WESTERN HEALTH ADVANTAGE
2027 PROJECTED ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSE	PMPM	% PREMIUM
General Admin	[redacted]	[redacted]
Agent Commission		
Net Commercial Reinsurance		
Quality Improvement		
Medical Management		
Marketing		
Total		

WHA developed administrative expenses based on 2026 budgeted expenses and anticipated changes between 2026 and 2027.

Profit and Risk Margin

We display WHA's profit and risk load in Worksheet 2, Section III of the URRT. The values are consistent with the prior filing.

Taxes and Fees

The following table summarizes projected taxes and fees illustrated in Worksheet 2, Section III of the URRT.

TABLE 3.8
WESTERN HEALTH ADVANTAGE
PROJECTED TAXES AND FEES

TAX / FEE	PMPM
Risk Adjustment Admin Fee	[redacted]
Comparative Effectiveness Research Fee (PCORI)	
Premium-Related Taxes and Fees	

We describe the build-up of the exchange fee reflected in the Market Adjustment Index Rate above.

CALIBRATION

We apply a single calibration factor to the Plan Adjusted Index Rates to calibrate rates for the expected age and geographic distributions expected to enroll in the plan. We apply the single calibration factor uniformly across all plans and display all factor values in Worksheet 2, Section III of the URRT and [redacted]

Age Curve Calibration

To develop the age calibration factor, we premium-weight the CMS federal age curve factors on a projected premium basis. The following table demonstrates the build-up of the age calibration factor.

TABLE 3.9
WESTERN HEALTH ADVANTAGE
AGE CALIBRATION FACTOR DEVELOPMENT

AGE BAND	PREMIUM RATING FACTOR	MEMBERSHIP DISTRIBUTION
0 to 20 (1 to 3)	[redacted]	[redacted]
0 to 20 (4+)		
21 to 24		
25 to 29		
30 to 34		
35 to 39		
40 to 44		
45 to 49		
50 to 54		
55 to 59		
60 to 63		
64+		
Final Age Calibration Factor		
Reciprocal Factor		

We apply the age curve calibration to all plans. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

Geographic Factor Calibration

WHA applies geographic rating factors to its plans as shown in Worksheet 3 of the URRT. The factors for this rate filing are consistent with the 2026Q3 filing.

Health status is not reflected in the geographic factors, and it is not WHA's intent to use area factors to rate for morbidity.

Tobacco Use Rating Factor Calibration

California does not allow a tobacco surcharge, and no surcharge is included in the calibration of the Plan Adjusted Index Rate.

CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments, as articulated in the applicable market reform rating rules. It is the product of the Plan Adjusted Index Rate and the calibration factors. WHA uses the Federal age curve and will not apply adjustments for tobacco use. Because WHA normalizes its geographic factors to a 1.00 level, there is no geographic calibration impact.

4. Projected Loss Ratio

The projected loss ratio, excluding adjustments for credibility, is approximately [redacted] We calculate the loss ratio consistently with the MLR methodology prescribed by 45 CFR 158. The following table summarizes the calculation of the projected federal medical loss ratio. Taxes and Fees includes the items outlined in the table in the prior section, and the Adjustments to Claims at this time only reflects WHA's quality improvement expenses.

TABLE 4.1
WESTERN HEALTH ADVANTAGE
PROJECTED MEDICAL LOSS RATIO

COMPONENT	AMOUNT PMPM	ANNOTATION
Claims	[redacted]	*(1)*
Adjustments to Claims		*(2)*
Risk Adjustment Paid (Received)		*(3)*
MLR Numerator		*(4) = (1) + (2) + (3)*
Premiums		*(5)*
Taxes and Fees		*(6)*
Income Tax		*(7)*
MLR Denominator		*(8) = (5) - (6) - (7)*
Projected MLR		*(9) = (4) / (8)*

Note: Total row in table may not sum from the component rows due to rounding. Values may not tie to the URRT due to URRT rounding requirements.

The above loss ratio represents a single year only. To the extent this amount on a three-year rolling average basis, and after applying applicable credibility adjustments, falls below the federal 80% threshold, WHA will comply with all federal rebate regulations found in Public Health Service Act (PHS Act) section 2718.

It is our understanding no additional state-specific projected loss ratio demonstration is required.

5. Plan Product Information

AV METAL LEVELS

The AV metal values included in Worksheet 2, Section I of the URRT were developed based on the most recently available CMS AV Calculator.

MEMBERSHIP PROJECTIONS

WHA developed membership projections based on consideration for the following:

- Historical sales for WHA's small group products
- Sales distribution and provider networks
- Anticipated activity in the California small group health insurance market
- Anticipated impacts from WHA offering coverage through CCSB

[redacted]

PLAN TYPE

WHA offers only HMO plans, as noted in Worksheet 2, Section I of the URRT.

6. Miscellaneous Instructions

EFFECTIVE RATE REVIEW INFORMATION

Information is available upon request.

TERMINATED PLANS

WHA terminated two 2025 plans as of December 31, 2025, which represent eight unique HIOS IDs across WHA's two regions and mirrored fertility plans. WHA will not terminate any of its 2026 plans as of December 31, 2026.

RELIANCE

In performing this analysis, we rely on data and other information provided by WHA. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects, it is possible they would be uncovered by a detailed, systematic review. Such a review is beyond the scope of the assignment.

[redacted]

ACTUARIAL CERTIFICATION

I, Jason J. Petroske, Principal and Consulting Actuary, am associated with the firm Milliman, Inc. and have been retained by WHA to perform this actuarial analysis. Milliman is an independent actuarial consulting firm and is not affiliated with, nor in any way owned or controlled by, a health plan, health insurer, or trade association of health plans or insurers. I meet the independence requirements stated in Health and Safety Code Section 1385.06(b)(3). I am a member of the American Academy of Actuaries and meet its qualification standards for rendering this opinion.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
   - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)).
   - Developed in compliance with the applicable Actuarial Standards of Practice.
   - Reasonable in relation to the benefits provided and the population anticipated to be covered.
   - Neither excessive nor deficient based on my best estimates of the 2027 small group 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 geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.
4. The CMS Actuarial Value Calculator was used to determine the AV metal values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.
5. The proposed premium rates in this filing are actuarially sound in aggregate and, together with expected reinsurance cash flows, governmental risk adjustment cash flows, investment income, and current surplus, are adequate to provide for all expected costs.
6. In my opinion, the proposed premium rate change is reasonable. I based my opinion of reasonable rate change on the factors below.
   - The loss ratio for the 12-month period beginning January 1, 2027 is expected to be [redacted] The projected loss ratio is greater than the 80% ACA minimum MLR standard promulgated by the Department of Health and Human Services.
   - The assumptions used are reasonable and within the range of reasonableness.
   - The proposed rates result in rates between insured members within similar risk categories that are permissible under applicable California law, and the premium differences correspond to differences in expected claims costs between allowable risk classes.

The information provided in the 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 rates were developed in accordance with applicable regulations. Further, the Part I 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 for federally facilitated exchanges, and for certification that the index rate is developed in accordance with Federal regulation and is used consistently and only adjusted by the allowable modifiers.

Milliman developed certain models to estimate the values included in this analysis. The intent of the models is to price 2027 small group market ACA rates effective January 1 in the State of California and may not be appropriate for any other purpose. We reviewed the models, including the inputs, calculations, and outputs. We believe they are consistent, reasonable, appropriate to the intended purpose, and compliant with generally accepted actuarial practice and relevant actuarial standards.

The models reflect certain data as input, as provided by WHA. We accepted this information without audit but reviewed it for general reasonableness. Our results and conclusions may not be appropriate if the data is not accurate. If there are material defects, it is possible that they would be uncovered by a detailed, systematic review. Such a review was beyond the scope of the assignment.

In preparing this work, Milliman intends no benefit to any party other than WHA and the California Department of Managed Health Care.

The premium rates are contingent upon the status of the ACA statutes and regulations, including any regulatory guidance, court decisions, or otherwise. Changes have the potential to affect the extent to which the rates are either excessive or deficient, which may be the result of 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. Actual experience will differ from the projections for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

Respectfully Submitted,

_____

Jason J. Petroske, FSA, MAAA
Principal and Consulting Actuary – Milliman, Inc.
July 13, 2026

Attachments