

ACTUARIAL MEMORANDUM

General Information

Company Identifying Information

Company Legal Name:	PacificSource Health Plans
State:	Montana
HIOS Issuer ID:	23603
Market:	Individual
Effective Date:	1/1/2026

Company Contact Information

Primary Contact	Benjamin Shea 208-780-2091 benjamin.shea@pacificsource.com
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Proposed Rate Increase

This rate change request impacts all ACA compliant benefit plans offered by PacificSource in the Montana Individual Market. PacificSource does not have any grandfathered or transitional business in this market.

Reason for Rate Increase

Medical inflation and a decrease in expected reinsurance impact, offset by the impact of eliminating out of network benefits, are the primary sources of PacificSource's 11.3% rate increase. Rate changes will vary by plan due to plan specific adjustments as well as pricing model changes.

Market Experience

Experience Period Premium and Claims

Experience Period:	1/1/2024 - 12/31/2024
Paid Through Date:	4/30/2025
Current Date:	4/30/2025
Allowed Claims Processed (PacificSource):	\$100,980,548
Allowed Claims Processed (Other):	\$0
Estimate of Allowed Claims Incurred but not Paid:	\$541,948

Incurred Claims Processed (PacificSource):	\$71,478,388
Incurred Claims Processed (Other):	\$0
Estimate of Incurred Claims Incurred but not Paid:	\$454,439

Allowed claims come directly from PacificSource claim records, and are defined as the total payments made under the policy to healthcare providers on behalf of covered members. Allowed claims have been reduced for expected pharmacy rebates. Incurred claims are defined as allowed claims less member cost-sharing as well as reinsurance recoveries. Our estimates of incurred but not paid claims (IBNR) are developed using completion factors from a standard lag model. The factor used to estimate IBNR above was developed using claims data which corresponds to the experience period and line of business of this filing. The estimate of IBNR is 0.6% of our total estimated incurred claims, which we do not take to be unusually high or low.

Benefit Categories

Our claims are categorized as Inpatient, Outpatient, Professional, Other Medical, Capitation, or Prescription Drug based on the site of service, procedure codes, and provider type associated with each claim.

Projection Factors

Trend Factors (cost/utilization)

We are applying two years of combined medical and pharmacy trend. To develop the overall medical trend, we estimate separate utilization trends and allowed cost per service trends for a variety of inpatient, outpatient, and physician categories. These estimates do not include changes in age, benefits, or morbidity. We have worked closely with Health Services and Provider Contracting to ensure that these estimates reflect current expectations of future medical utilization as well as current expectations of future contracting for Montana Individual members.

A pharmacy trend model is developed separately by our pharmacy benefit manager (PBM). This model takes into account introduction of new drugs, expiration of patents, and our issuer-specific utilization by drug class.

Below is a breakout of our cost and utilization trends on an allowed basis.

	Year 1 Trend		Year 2 Trend	
	Medical	Rx	Medical	Rx
Cost Trend	3.6%	3.3%	3.7%	3.3%
Utilization Trend	2.3%	4.5%	2.3%	4.5%
Total Allowed Trend	5.9%	8.0%	6.1%	8.0%

Adjustments to Trended EHB Allowed Claims PMPM

Morbidity Adjustment

We assume that the risk profile of PacificSource enrollees will be similar to market average in the projection

period. PacificSource experience is adjusted to the 2024 market average based on risk adjustment data from the Montana CSI. A factor of 0.950 is used to adjust to historical market average. The expiration of enhanced subsidies is expected to cause anti-selective market shrinkage. To account for this, a factor of 1.090 is used. The product of these two factors results in the morbidity adjustment factor of 1.036.

The risk adjustment data provided by the CSI and the corresponding morbidity adjustment used to develop rates do not account for the results of Risk Adjustment Data Validation (RADV). PacificSource's RADV adjustment for benefit year 2022 was \$0, and results for 2023 have yet to be published. RADV adjustments are expected to continue to be minor, and historical RADV results are not necessarily considered predictive of 2026 Risk Adjustment or RADV results. Therefore, we do not include any adjustment to account for the impacts related to RADV.

Demographic Shift

As of the time of this filing, the average three child capped age factor of our insured population is lower than was the average for 2024 calendar year experience. To account for this as well as for differences in geographic exposure between 2024 and 2026, a factor of 0.9940 was applied for changes in demographics.

Plan Design Changes

A benefit adjustment of 0.9933 was applied to account for the difference between the average benefit in the experience period and the projected average benefit under 2026 plan designs. This represents anticipated changes in utilization due to changes in average cost sharing. Additionally, we are transitioning from a PPO product to an EPO product. A factor of 0.9660 was applied to account for the elimination of out of network benefits. The product of these two factors results in a factor of 0.960 as shown in the URRT.

Other Adjustments

Claims in the experience period were pooled at \$1,000,000. In this filing, the net effect of this adjustment was \$3.05 PMPM. In the URRT, this corresponds to a factor of 1.0038.

Manual Rate Adjustments

For the purpose of this filing, no manual rate adjustments were considered due to the level of credibility of the experience (see "Credibility of Experience"). Additionally, considerations for the "Source and Appropriateness of Experience Data Used", "Adjustments Made to the Data", and "Inclusion of Capitation Payments" were deemed to not be applicable to this filing and were intentionally omitted from this filing.

Credibility of Experience

Based on generally accepted credibility principles and in full accordance with Actuarial Standards of Practice #25, PacificSource considers an experience basis of 24,000 member months or greater to be fully credible for the purposes of prospective rate setting. According to this standard PacificSource's 2024 experience for this line of business is fully credible.

Establishing the Index Rate

The single risk pool used in this filing is established according to the requirements in 45 CFR § 156.80(d). The premium rates for all of PacificSource's plans in this filing use the applicable market-wide adjusted rates, subject only to permitted plan-level adjustments. The single risk pool reflects all covered lives for every non-grandfathered product/plan combination for PacificSource in the market of this filing. PacificSource did not have any transitional products or plans offered in this market during the experience period.

The Index Rate represents the estimated total combined allowed claims PMPM in the single risk pool, and is not adjusted for payments and charges under the risk adjustment and reinsurance programs, or for Marketplace user fees. It is developed following the specifications of 45 CFR § 156.80(d)(1). There were no non-EHB claims covered during the experience period. Therefore, the EHB percentage of total allowed claims in the experience period was 100.00%. This value, multiplied by the experience period allowed claims yields the experience period Index Rate.

Experience period allowed claims PMPM	\$802.21	(a)
EHB % of total allowed claims	100.00%	(b)
Experience Period Index Rate (rounded)	\$802.21	(c) = (a)*(b)

The derivation of the projection period Index Rate is shown below. Montana HB291 added a state mandate requiring the coverage of amplification devices and accessories for children, in addition to the previously covered cochlear implants, as of January 1, 2022. We expect the state to defray the cost of any state required benefit in addition to EHB and as such are treating this cost as non-EHB in the URRT. The expected cost for this benefit is nominal.

Trend (2 yrs cost/utilization)	1.130	(d)
Morbidity Adjustment	1.036	(e)
Demographic Shift	0.994	(f)
Plan Design Changes	0.960	(g)
Other	1.004	(h)
Projected Index Rate	\$899.94	IR = (c)*(d)*(e)*(f)*(g)*(h)

Development of the Market-wide Adjusted Index Rate

The Market Adjusted Index Rate is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules, CFR § 156.80(d)(1). This includes federal reinsurance, risk adjustment, and Exchange user fees. Similar to the Index Rate, the Market Adjusted Index Rate reflects the average demographic characteristics of our estimate of the single risk pool. Since the Index Rate is on an allowed claims basis, please note that these adjustments are also made on an allowed basis.

Projected Index Rate	\$899.94	IR
Reinsurance	\$78.31	(j)
Risk Adjustment Payment/Charge	\$0.00	(k)
Exchange User Fee	2.33%	(l)

Market Adjusted Index Rate	\$841.23	$MAIR = [IR - (j) - (k)]/[1 - (l)]$
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Projected Reinsurance

Our 0.913 Montana Reinsurance Association (MRA) adjustment factor is derived in four steps. First, a large claims analysis is performed using our 2024 experience. These large claims are trended forward to 2026, where 2026 reinsurance parameters are then applied to project anticipated recoveries. Finally, the anticipated recoveries are compared to projected claims to establish the adjustment factor.

2026 Montana Reinsurance Attachment Point	\$40,000
Montana Reinsurance Coinsurance	60%
Montana Reinsurance Cap	\$75,000

MRA Recoveries on Trended Claims	\$64.70	(a)
2026 Projected Claims	\$743.55	(b)

MRA Impact to Claims	0.913	(c) = 1 - (a)/(b)
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Projected Risk Adjustments

In the rate development, experience is adjusted to the expected market risk, so risk adjustment is projected to be zero in 2026. The adjustments necessary to do so are described in the Projection Factors: Changes in the Morbidity of the Population Insured section of this memorandum.

Exchange User Fee

Use of the federal exchange platform will be assessed a fee of 2.50% of premium. PacificSource projects that approximately 80.7% of its individual membership will be sold through the exchange. This projection reflects the assumption that about 7.5% of members will exit the market due to the expiration of enhanced subsidies. This corresponds to the 2.33% user fee shown on URRT worksheet 1. The calculation is shown below.

HHS Proposed Exchange user Fee:	2.50%	(a)	
Projected Exchange Membership:	80.68%	(b)	
Exchange Fee as % of Projected Premium:	2.02%	(c)=(a)*(b)	
Administrative Expense:	8.07%	(d)	Wksh 2 - Field # 3.6
Taxes and Fees:	2.26%	(e)	Wksh 2 - Field # 3.7
Profit & Risk Load:	3.00%	(f)	Wksh 2 - Field # 3.8
Exchange User Fees:	2.33%	(g)=(c)/(1-[(d)+(e)+(f)])	

Plan Adjusted Index Rates

Similar to the Index Rate and Market Adjusted Index Rate, the Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool. In other words, the Plan Adjusted Index Rate is not calibrated. Only adjustments specified by CFR § 156.80(d)(2) have been included.

The Plan Adjusted Index Rates for the projection period are included in Worksheet 2, Section III of the Unified Rate Review Template. The Plan Adjusted Index Rate is calculated as the PacificSource Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rules CFR § 156.80(d)(2); which include (i) the actuarial value and cost-sharing design of the plan; (ii) the plan's provider network, delivery system characteristics, and utilization management practices; (iii) the benefits provided under the plan that are in addition to the essential health benefits; (iv) administrative costs, excluding Exchange user fees; and with respect to catastrophic plans, (v) the expected impact of the specific eligibility categories for those plans. The product of each of these factors is collectively known as the Pricing Actuarial Value. Detailed support of administrative expenses, taxes & fees, and profit & risk load components are shown in the Projected Loss Ratio section of this memorandum.

The Pricing Actuarial Value is primarily determined through PacificSource's proprietary pricing model. This model is based on incurred claims data from 01/1/23-12/31/23 for our commercial block. The model uses historical unit cost and utilization data trended appropriately, and adjustments are made based on plan design. Utilization adjustments reflect differences in cost-sharing, and do not reflect differences due to health status. Member cost-sharing is determined based on the deductible, copays, and coinsurance associated with each benefit plan.

The AV Pricing Values vary from the AV Metal Values for a variety of reasons. AV Pricing Values are intended to be applied to a single Market Adjusted Index Rate, whereas the AV Metal Values assume different average allowed cost PMPMs by metal level based on induced utilization related to the level of member cost-sharing. Pricing is based on PacificSource data, and so cost and utilization differ from federal calculator data. Furthermore, different provider networks have varying levels of discount and care management practices. Finally, an administrative adjustment is applied to take the AV Pricing Value from a paid basis to a premium basis. Administrative costs were applied uniformly to all plans.

	AV and Cost-Sharing	Provider Network	Benefits in Addition to EHBs	Admin. Cost Adj.	Pricing AV
23603MT0380001	0.7241	1.0000	1.0000	1.1539	0.8355
23603MT0380002	0.6830	1.0000	1.0000	1.1539	0.7882
23603MT0380003	0.7712	1.0000	1.0000	1.1539	0.8899
23603MT0380004	1.0899	1.0000	1.0000	1.1539	1.2577
23603MT0380005	0.9864	1.0000	1.0000	1.1539	1.1383
23603MT0380006	1.0287	1.0000	1.0000	1.1539	1.1870
23603MT0380008	1.0087	1.0000	1.0000	1.1539	1.1640
23603MT0380009	1.0448	1.0000	1.0000	1.1539	1.2057
23603MT0380010	0.8892	1.0000	1.0000	1.1539	1.0260

The "AV and Cost-Sharing" component of the AV Pricing Value is derived from PacificSource's proprietary benefit plan pricing model. This model includes adjustments to account for differences in induced utilization based upon the plan design. These capture only differences for an average person's behavior based on cost sharing requirements, and do not include any anti-selection due to differences in morbidity between the populations which might purchase different plan designs. The impact of these adjustments is similar to the federal AV assumptions for induced utilization based on metal level. Below is a further breakout of the AV and Cost-Sharing component into Benefit Differences and Utilization Differences.

CSR Silver Loads

To estimate the actual CSR payments made during the experience period for members on CSR plans, we compare the AVs of each base plan and its CSR variants to estimate the percentage of total paid claims attributable to cost-sharing reductions. Multiplying these percentages by experience period paid amounts gives the estimated CSR payments. Based on this method, we estimate our 2024 CSR payments to be about \$2,900,000, shown below.

Metal Level	CSR Grouping	Paid Claims	CSR as % of paid	CSR Payments
Gold	Standard Off Exchange	\$3,167,837	0.00%	\$0
Gold	Standard On Exchange	\$11,851,616	0.00%	\$0
Gold	Zero cost share	\$0	0.00%	\$0
Gold	Limited cost share	\$7,553	0.00%	\$0
Silver	Standard Off Exchange	\$821,905	0.00%	\$0
Silver	Standard On Exchange	\$2,188,850	0.00%	\$0
Silver	Zero cost share	\$4,957	29.43%	\$1,459
Silver	Limited cost share	\$0	0.00%	\$0
Silver	73% AV level	\$1,874,054	2.79%	\$71,167
Silver	87% AV level	\$6,276,307	16.57%	\$1,193,711
Silver	94% AV level	\$5,741,229	23.60%	\$1,438,726
Bronze	Standard Off Exchange	\$11,788,483	0.00%	\$0
Bronze	Standard On Exchange	\$34,525,157	0.00%	\$0
Bronze	Zero cost share	\$536,175	36.30%	\$194,633
Bronze	Limited cost share	\$45,287	0.00%	\$0
Grand Total				\$2,899,695

The projections in this filing reflect the assumption that CSR payments will not be made in 2026 and that PacificSource will carry the associated costs of the CSR subsidy. The revenue necessary to cover the costs will be collected through an explicit load to the AV and Cost-Sharing component of each on exchange silver plan. Direct-only silver plans will not be loaded. This load is calculated by weighting Metal AVs for each CSR variant by the projected CSR enrollment. This weighted average is compared to the Metal AV of the standard variant.

Assumed Enrollment			
CSR Variant	Weight	Base AV	CSR AV
Standard	20.6%	69.97%	69.97%
73%	9.9%	69.67%	72.66%
87%	37.2%	69.67%	86.42%
94%	32.2%	69.67%	93.35%
Other	0.1%	69.67%	85.00%
Weighted Average		69.73%	83.90%
Load Versus Standard			20.3%

	Benefit Differences	Utilization Differences	AV and Cost-Sharing
23603MT0380001	0.7514	0.9636	0.7241
23603MT0380002	0.7161	0.9538	0.6830
23603MT0380003	0.7694	1.0023	0.7712
23603MT0380004	0.9910	1.0998	1.0899
23603MT0380005	0.9354	1.0546	0.9864
23603MT0380006	0.9801	1.0495	1.0287
23603MT0380008	0.8866	1.1378	1.0087
23603MT0380009	0.9172	1.1391	1.0448
23603MT0380010	0.8212	1.0828	0.8892

Calibration

Only age, geography, and tobacco factors are used in calibration. All calibration adjustments are applied uniformly to all plans; no plan specific calibration has been performed. The full CMS age curve, as well as a listing of all geographic factors applicable to the projection period, can be found below in the Consumer Adjusted Premium Rate Development.

Age Curve Calibration

To calculate the average CMS standard age factor, a snapshot of recent exposure is taken from PacificSource's records and is assigned a CMS age factor from the federal CMS age curve based on age. For families with more than three children under the age of 21, an age factor of 0 is applied to children who will not be rated. The sum of all these age factors is then divided by the total number of members in the snapshot. This is the average age factor.

In this filing, the age calibration factor is 0.5932. The rounded weighted average age that corresponds to this factor is 49. Please see the Consumer Adjusted Premium Rate Development below for a demonstration of how this methodology is used in practice to create a schedule of rates.

Geographic Factor Calibration

Geographic area factors are developed using allowed claims experience by geographic rating region, however these factors are intended to reflect only differences in unit cost. In an effort to remove utilization impacts, allowed claims are pooled at \$100,000 per member per year and are normalized by risk acuity scores. The resulting pooled, risk-adjusted allowed claims are used as the basis for setting geographic rating factors.

The weighted average of the geographic factors does not equal 1.0 in the projection period, so calibration is also required for geographic factors. Geographic factors reflect delivery cost differences only and reflect existing and expected developments in provider contracting. Geographic factors do not include any morbidity adjustments. A calibration factor of 0.9979 was used.

To calculate the average geographic area factor, a snapshot of recent exposure is taken from PacificSource's records and is assigned an area factor from the proposed table of area factors based on member area. The sum of all these area factors is then divided by the total number of members in the snapshot. This is the average geographic area

factor. Please see the Consumer Adjusted Premium Rate Development below for a demonstration of how this methodology is used in practice to create a schedule of rates.

Tobacco Factor Calibration

The average tobacco factor is calculated by multiplying our tobacco load factor by an estimate of the percentage of members who are tobacco users. In this filing the tobacco calibration factor used is 0.9963. Tobacco rating is not used for anyone under the age of 21. Please see the Consumer Adjusted Premium Rate Development below for a demonstration of how this methodology is used in practice to create a schedule of rates.

Total Calibration Factor

The total calibration factor is the product of the age calibration factor, the geographic calibration factor, and the tobacco calibration factor.

	Average Factor	Calibration Factor	
Age	1.6857	0.5932	(a)
Geographic	1.0021	0.9979	(b)
Tobacco	1.0037	0.9963	(c)
Total	1.6955	0.5898	(d) = (a)*(b)*(c)

Consumer Adjusted Premium Rate Development

To generate a consumer specific premium rate for each plan, the Plan Adjusted Index Rate of the plan is multiplied by the calibration factors above. Next the consumer specific smoking status, age factor, and geographic area factors are applied. Rates are rounded to the nearest dollar. Rates shown below are for age 40 in rating area 2.

	PAIR	CPAIR	Premium Rate
23603MT0380001	\$702.82	\$414.50	\$535
23603MT0380002	\$662.93	\$390.97	\$505
23603MT0380003	\$748.54	\$441.46	\$570
23603MT0380004	\$1,057.87	\$623.89	\$805
23603MT0380005	\$957.41	\$564.65	\$729
23603MT0380006	\$998.47	\$588.86	\$760
23603MT0380008	\$979.06	\$577.41	\$745
23603MT0380009	\$1,014.10	\$598.08	\$772
23603MT0380010	\$863.07	\$509.01	\$657

Age Factors

Age	Factor
0 - 14	0.765
15	0.833
16	0.859

Age	Factor
31	1.159
32	1.183
33	1.198

Age	Factor
48	1.635
49	1.706
50	1.786

17	0.885	34	1.214	51	1.865
18	0.913	35	1.222	52	1.952
19	0.941	36	1.230	53	2.040
20	0.970	37	1.238	54	2.135
21	1.000	38	1.246	55	2.230
22	1.000	39	1.262	56	2.333
23	1.000	40	1.278	57	2.437
24	1.000	41	1.302	58	2.548
25	1.004	42	1.325	59	2.603
26	1.024	43	1.357	60	2.714
27	1.048	44	1.397	61	2.810
28	1.087	45	1.444	62	2.873
29	1.119	46	1.500	63	2.952
30	1.135	47	1.563	64+	3.000

Geographic Area Factors

Area	Factor
1	0.94
2	1.01
3	1.00
4	1.01

Tobacco Factors

Category	Factor
Non-Tobacco User	1.00
Tobacco User	1.20
Tobacco user in Tobacco Cessation Program	1.00

Rating Example

All PacificSource individual rates are calculated in the following manner:

$$\text{Plan CPAIR} \times \text{Age Factor} \times \text{Area Factor} \times \text{Tobacco Factor} = \text{Rate}$$

Rates are then rounded to the nearest dollar. Under federal guidelines rates are charged for all subscribers, spouses, and children, with the exception of limiting the number of children under age 21 that are allowed to be rated to the three oldest children under that age.

For example, a family purchasing a Core Silver 4000 plan in Missoula County would be rated as follows:

Member Information	Monthly Rate
Subscriber: Age 49, Tobacco User	\$1,042.00
Spouse: Age 46, Non-Tobacco User	\$764.00
Child: Age 22, Non-Tobacco User	\$509.00
Child: Age 19, Non-Tobacco User	\$479.00
Child: Age 17, Non-Tobacco User	\$450.00
Child: Age 14, Non-Tobacco User	\$389.00
Child: Age 10, Non-Tobacco User ¹	\$0.00
Total Family Rate (Sum of Allowed Individual Rates):	\$3,633.00

¹ Rates were not charged for this dependent due to federal guidelines limiting the number of children under age 21 that are allowed to be rated.

Therefore this family's rate for the Core Silver 4000 plan would be 3,633 dollars.

Projected Loss Ratio

The projected loss ratio using Federally-prescribed Medical Loss Ratio methodology is 89.3%.

The Exchange User Fee derived in Development of the Market-wide Adjusted Index Rate: Exchange User Fee earlier in this memorandum shows the exchange fee on an allowed basis. However, MLR uses this exchange fee on a paid basis. The conversion from the allowed value shown in URRT Worksheet 1 to the paid value used in MLR is shown below.

Federal Exchange User Fee as % of Premium:	2.33% (a)
Projected Premium:	\$776.47 (b)
Federal Exchange User Fee on Allowed Basis:	\$18.07 (c)=(a)*(b)

Administrative Expenses

Administration:	\$54.26 (d)
Commissions:	\$8.43 (e)
% of Premium	8.07% (f) = [(d)+(e)]/(b)

Taxes and Fees

PCORI:	\$0.30 (g)
Risk Adjustment Fee:	\$0.20 (h)
State Reinsurance Fee:	\$9.32 (i)
Medicaid Expansion Fee:	\$7.76 (j)
% of Premium	2.26% (k) = [(g)+(h)+(i)+(j)]/(b)

Profit & Risk Load

Margin:	\$23.29 (l)
% of Premium:	3.00% (m) = (l)/(b)

Federal Exchange User Fee on Paid Basis:	\$15.66 (n) = (c)*(1-[(f)+(k)+(m)])
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Under 42 CFR § 422.2420 the MLR numerator is calculated as the sum of incurred claims for all enrollees and expenditures that improve health care quality. A calculation of the MLR numerator is shown below.

Projected Claims:	\$657.23	(a)	Wksh 2 - Field # 4.15
Health Improvement Expenses:	\$6.21	(b)	
Numerator:	\$663.44	(c) = (a)+(b)	

Under 42 CFR § 422.2420 the MLR denominator is equal to the total revenue under the contract. Total revenue is broken down into earned premiums less taxes and fees. A calculation of the MLR denominator is shown below.

Projected Premium:	\$776.47	(d)	Wksh 2 - Field # 4.17
PCORI Fee:	\$0.30	(e)	
Risk Adjustment Fee:	\$0.20	(f)	
Federal Exchange User Fee:	\$15.66	(g)	
State Reinsurance Fee:	\$9.32	(h)	
Medicaid Expansion Fee:	\$7.76	(i)	
Subtotal:	\$33.25	(j) = (e)+(f)+(g)+(h)+(i)	
Denominator:	\$743.22	(k) = (d)-(j)	
Projected MLR:	89.3%	(l) = (c)/(k)	

Plan Product Info

AV Metal Values

The AV Metal Values included in Worksheet 2 of the Unified Rate Review Template were entirely based on the federal AV Calculator.

Membership Projections

The membership projection in Worksheet 2 of the Unified Rate Review Template was developed based on PacificSource's membership levels as of 4/30/2025. It is approximately equal to the size of our current individual block. For renewing silver plans, the portion of projected enrollment eligible for cost-sharing reduction (CSR) subsidies is estimated to be the same as the percentage of silver membership eligible for each CSR variant in the experience period. New plans are projected to have non-zero enrollment.

	Projected Member Months by CSR Subsidy Level			
	73%	87%	94%	Total
23603MT0380004 Core Silver 3500	412	1,552	1,345	3,310
23603MT0380005 Core Silver 5000	1,091	4,109	3,560	8,759
23603MT0380006 Core Standard Silver	501	1,887	1,635	4,023

Terminated Plans and Products

Two plans will be terminated with this filing. PacificSource will be transitioning current plans from PPO to EPO. Plans will have new HIOS IDs but will be treated as renewing plans in order to accurately show how members will be impacted.

2025 HIOS ID	2025 Plan Name	2026 Mapped HIOS ID	2026 Mapped Plan Name
23603MT0290002	Navigator Silver HSA 3500	23603MT0380004	Core Silver 3500
23603MT0290010	Navigator Silver 3000	23603MT0380010	Core Silver 4000

Plan Type

The plan types listed in the drop-down box in Worksheet 2, Section I of the Unified Rate Review Template fully describe their respective PacificSource plans.

Miscellaneous

Reliance

We are relying on risk adjustment data from the CSI in order to estimate our relative risk versus market for the experience period. The risk adjustment data provided by the CSI and the corresponding morbidity adjustment used to develop rates do not account for the results of Risk Adjustment Data Validation (RADV).

In addition, the projections in this filing are made assuming that CSR will not be funded by CMS in 2026.

Actuarial Certification

I, Benjamin Shea, ASA, am a member of the American Academy of Actuaries and an employee of PacificSource Health Plans. I have reviewed the pricing and analyses related to the PacificSource Montana Individual block of business for a 1/1/2026 effective date. My review relied upon work prepared by other employees, and considered such review of the assumptions as I considered necessary.

In accordance with § 33-22-156(7), MCA, I certify that, to the best of my knowledge and belief, the rates are not excessive, inadequate, unjustified, or unfairly discriminatory, and comply with the applicable provisions of Title 33 and rules adopted pursuant to Title 33.

The projected index rate is in compliance with all applicable State and Federal Statutes and Regulations (45 CFR § 156.80 and 147.102), and was developed in accordance with the Actuarial Standards of Practice. In my opinion, the rates included in this filing are reasonable in relation to the benefits provided and the population anticipated to be covered, and are neither excessive nor deficient.

Only the index rate and the allowable modifiers as described in 45 CFR § 156.80(d)(1) and 45 CFR § 156.80(d)(2) were used to generate the plan level rates included in this filing.

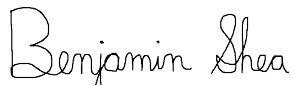
Geographic rating factors reflect only differences in the costs of delivery, which include unit cost and provider practice pattern differences. Geographic rating factors do not include differences for population morbidity by geographic area.

In accordance with ASOP No. 50, the federal AV calculator was used to determine all AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. 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 exchanges and for certification that the index rate is developed in accordance with Federal regulation, used consistently, and adjusted only by the allowable modifiers.

This memorandum and its associated rate filing is consistent with PacificSource Health Plans' internal business plans.

This memorandum was prepared in order to provide the federal and state rate reviewers the information necessary to evaluate the reasonability of this rate request, and it should not be relied upon for any other purpose.



Benjamin Shea, ASA, MAAA
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