

MILLIMAN

Part III Actuarial Memorandum

Mending Health

Maine individual market 2026

June 5, 2025

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FSA, MAAA

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A. General Information

Overview

This document contains the Part III Actuarial Memorandum for Mending Health's (Mending) individual block of business, effective January 1, 2026. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

For the 2026 plan year, the Maine Bureau of Insurance has requested that carriers submit three versions of rates. One version would assume the existence of Maine's 1332 waiver reinsurance program and the expiration of enhanced subsidies at the end of 2025. A second version of rates would assume the existence of the reinsurance program and extension of enhanced subsidies into 2026. Alternative versions of the Part I Unified Rate Review Template and Rates Tables are uploaded to SERFF to support this scenario. A third version of rates would assume the reinsurance program is not in effect for plan year 2026 (and enhanced subsidies expire at the end of 2025). For purposes of this submission, the waiver effect does not include the impact of the merged Maine individual and small group markets. Rather, it only captures the impact of the continued operation and funding of the Maine Guaranteed Access Reinsurance Association (MGARA). Both versions include the MGARA assessment fee of \$4.00 PMPM.

This information is intended for use by Maine Bureau of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Mending's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

Company identifying information

Company Legal Name: Mending Health
 State: Maine
 HIOS Issuer ID: 54879
 Market: Individual
 Effective Date: January 1, 2026

Company contact information

Primary Contact Name: Dan Phillips
 Primary Contact Telephone Number: (703) 216-1313
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B. Proposed rate increase

Mending is renewing seven plans and terminating one plan offered in 2025 in Maine. The overall rate increase proposed for the plans in this filing is 19.0% for the merged market membership weights and 19.1% for the individual market membership weights. Note that the plan level rates do not vary between individual and small group as it is a merged market. Table B.1 contains basic rate change information on the proposed plans and table B.2 provides a brief benefit description of each plan.

TABLE B.1: PROPOSED 2026 RATE INCREASES

PRODUCT NAME	PLAN NAME	HIOS	METAL	RATE INCREASE (PLAN)
Mending Health Plans in Maine, Inc.	Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010002	Bronze	20.4%
Mending Health Plans in Maine, Inc.	Mending Direct Primary Care Silver 2300 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010003	Silver	17.1%
Mending Health Plans in Maine, Inc.	Mending Direct Primary Care Gold \$0 Ded (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010006	Gold	16.8%
Mending Health Plans in Maine, Inc.	Mending Clear Choice Silver 4000 (No Direct Primary Care, for DPC get DPC Silver)	54879ME0010008	Silver	21.3%
Mending Health Plans in Maine, Inc.	Mending Clear Choice Gold 2500 (No Direct Primary Care, for DPC select DPC Gold)	54879ME0010009	Gold	19.8%
Mending Health Plans in Maine, Inc.	Mending ClearChoice Bronze 8000 HSA (No Direct Primary Care,for DPC get DPC Bronze)	54879ME0010010	Bronze	18.5%
Mending Health Plans in Maine, Inc.	Mending Clear Choice Silver 4000 HSA (No Direct Primary Care,for DPC get DPC Silver)	54879ME0010011	Silver	21.2%

TABLE B.2: BENEFIT DESCRIPTION

PLAN NAME	PCP / MH COPAY*	DEDUCTIBLE	COINSURANCE	MAXIMUM OUT OF POCKET
Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health)	\$0.00	\$4,950	50%	\$10,150
Mending Direct Primary Care Silver 2300 (\$0 DPC + \$0 PCP + \$0 Mental Health)	\$0.00	\$2,300	50%	\$10,150
Mending Direct Primary Care Gold \$0 Ded (\$0 DPC + \$0 PCP + \$0 Mental Health)	\$0.00	\$0	50%	\$8,800
Mending Clear Choice Silver 4000 (No Direct Primary Care, for DPC get DPC Silver)	\$40.00	\$4,000	30%	\$8,500
Mending Clear Choice Gold 2500 (No Direct Primary Care, for DPC select DPC Gold)	\$20.00	\$2,500	30%	\$6,000
Mending ClearChoice Bronze 8000 HSA (No Direct Primary Care,for DPC get DPC Bronze)	0% Coinsurance	\$8,000	0%	\$8,000
Mending Clear Choice Silver 4000 HSA (No Direct Primary Care,for DPC get DPC Silver)	20% Coinsurance	\$4,000	20%	\$7,000

**Per Bulletin 441, we note here that all of Mending's Alternative Plan Designs cover one primary care and one behavioral health care visits without application of any type of cost sharing (deductible, copay or coinsurance). Clear Choice plan offerings follow benefit designs mandated by the state and are, therefore, also compliant with this requirement.*

Reason for rate increase

The rates for these products are being adjusted for the reasons outlined in this section.

EXPIRATION OF ENHANCED SUBSIDIES

With the expiration of enhanced premium tax credits anticipated at the end of plan year 2025, we expect both the market and Mending's morbidity will increase as members no longer eligible for a subsidy (or eligible for a lower subsidy) who may have fewer healthcare needs leave the market.

MEDICAL TREND

The claim cost assumptions have been adjusted to reflect expected increases in unit cost and utilization. The manual rate and experience rate development sections contain additional information.

BENEFIT DESIGN CHANGES

Changes were made to a number of cost-sharing parameters, including updating maximum out-of-pockets and deductibles according to Clear Choice limits. See the accompanying AV calculator screenshots for more detail on plan benefits.

EXPERIENCE DATA

We have incorporated Mending's 2023 and 2024 Maine merged market experience data to develop the 2026 rates assuming 84.6% credibility of this experience. The experience period premium and claims section contains additional information.

MANUAL RATE CHANGES

We have updated our approach to develop the manual rate using the latest available information on risk adjustment and publicly available data submitted in connection with Maine individual and small group rate filings for the 2024 and prior plan years, adjusted to Mending's projected 2026 population and service area. This also includes an update to the underlying direct primary care contracted fees and assumed member effectuation, based on experience and known changes to-date. The manual rate development section contains additional information.

C. Market experience

Under federal guidance, the single risk pool may include transitional products/plans for purposes of base rate experience used to demonstrate the single risk pool. Mending does not have any transitional policies.

Experience period premium and claims

PAID-THROUGH DATE

The experience in the URRT reflects incurred claims for the experience period between January 1, 2024, through December 31, 2024, and paid through March 31, 2025. Completion factors have been applied to account for expected claims run-out after that date.

CURRENT DATE

Current enrollment and premium are reported as of March 31, 2025.

ALLOWED AND INCURRED CLAIMS DURING EXPERIENCE PERIOD

Worksheet 1, Section 1 of the URRT shows a total of \$4,985,242 of incurred claims in the experience period. Of that amount:

- \$4,491,523 were processed through Mending's claim system
- A factor of 0.989 was applied for completion of claims
- \$54.87 PMPM was included for DPC fees for effectuated members

Allowed claims are provided in Mending's claim system. They reflect provider billed charges, less contractual discounts.

The incurred but not paid claims value was estimated using actuarial principles and assumptions that consider historical and projected claim submission patterns, historical and projected claim processing time, medical cost trends, utilization of health care services, claim inventory levels, changes in membership and product mix, seasonality, and other relevant factors. The claim reserves were calculated using an adjusted completion factor approach. Single large claims could cause significant variability in the patterns of completion. Therefore, completion factors were calculated adjusting for outliers. As is common with the completion factor approach, the most recent months of incurred data have high variability in completion patterns. Therefore, for the final two to four months of data, trended Per Member Per Month (PMPM) claim projections were used rather than the completion factors alone. The analysis was performed on the experience period claims data.

BENEFIT CATEGORIES

Below is a description of which claims were assigned to each benefit category on Worksheet 1, Section II:

- Inpatient hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology services, and other professional services, other than hospital based professionals whose payments are included in facility fees.
- Other medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription drug: Includes drugs dispensed by a pharmacy.

Projection factors

TREND FACTORS (COST/UTILIZATION)

The development of the 2026 rates reflects an annual trend rate varying by service category, as shown below in Table C.1.

TABLE C.1: TREND ASSUMPTIONS (ANNUAL)

SERVICE CATEGORY	Year 1: 2024 / 2025 Trend			Year 2: 2025 / 2026 Trend		
	UNIT COST TREND (ANNUAL)	UTILIZATION TREND (ANNUAL)	TOTAL	UNIT COST TREND	UTILIZATION TREND	TOTAL
Inpatient facility	1.0%	0.0%	1.0%	4.2%	-0.5%	3.7%
Outpatient facility	7.0%	0.5%	7.6%	4.8%	1.1%	5.9%
Professional	4.5%	0.0%	4.5%	3.2%	0.0%	3.2%
Prescription drugs	11.6%	2.5%	14.4%	10.6%	2.6%	13.5%
Other	4.5%	0.0%	4.5%	3.2%	0.0%	3.2%
Composite			6.2%			5.1%

ADJUSTMENTS TO TRENDED EHB ALLOWED CLAIMS PMPM

Morbidity adjustment

The experience data provided on Worksheet 1 of the URRT is from calendar year 2024. We have developed rates assuming Mending’s morbidity increases relative to experience data by 3.4% in 2024-2025 and 2.5% in 2025-2026.

Demographic shift

The impact of demographic changes (changes in the age, gender, and area mix of the covered population) is estimated to be +2.5% between 2024 and 2026 (total, not annualized).

Plan design changes

Cost sharing features of many of the plans will change for 2026, and additionally the mix of members between plans has shifted over time.

These benefit changes have an estimated impact of -1.0% on allowed claim costs between 2024 and 2026 (total, not annualized).

Other adjustments

We also made an adjustment of -2.2% to account for both a minor difference in the level of detail at which trend is applied to the experience-based rate in pricing compared to the URRT’s service category detail and to account for the difference in the URRT experience data (which is shown on a single-market basis in the URRT per MBOI) and the total data used in merged market pricing.

Manual rate adjustments

Since experience data were not fully credible, a manual rate was also used. This section describes the construction of the manual rates shown in Worksheet 1, Section II of the URRT.

SOURCE AND APPROPRIATENESS OF EXPERIENCE DATA USED

The manual rate that forms the basis of these rates comes from publicly available data submitted in connection with Maine individual and small group rate filings for the 2025 and prior plan years. This data is published by CCIIO and contains plan-level claims and enrollment experience. It also includes claim, revenue, and risk adjustment experience for calendar years 2023 and prior for all ACA individual Maine market participants. We used secondary sources consisting of annual financial statement information for companies writing individual business in the state of Maine. Both individual and small group experience was used to inform rates in 2026 rate filings for the merged market.

ADJUSTMENTS MADE TO THE DATA

The starting point for the manual rate is the average 2023 PMPM claim costs from Part 1 Unified Rate Review Templates (URRT) for individual and small group plans in Maine.

The section below includes a description of each factor used to adjust the manual rate starting point.

Morbidity

- We adjusted the market average claim costs by 2.5% for the impact of the expiration of enhanced subsidies.

Trend

- This development of CY2026 rates reflects an annual trend rate of 7.4% from 2023 to 2024, 6.2% from 2024 to 2025, and 5.1% from 2025 to 2026.
- The trend factors were developed using public data, market research and Milliman proprietary trend guidelines data for the Maine Individual market.

Direct Primary Care

- For Alternative Plan Design (non-Clear Choice) offerings, Mending will deliver primary care services to all members through contracted Direct Primary Care (DPC) physicians, regardless of metallic level. DPC is an innovative healthcare delivery model that provides members with greater access to their PCPs with no copayment for all office visits. The increased access to PCPs is expected to lower the utilization rates for both emergent and non-emergent services. An adjustment was applied which reflects the anticipated utilization reduction compared to the market average.
- Market average claims were also adjusted for the cost of the membership fee paid to DPC physicians.

Provider Network Adjustment

- Because primary care services delivered through the DPC physicians are only offered on the alternative Mending plans, an adjustment was applied to the Mending alternative plans offering DPC services to reflect the network care management differences between the standard and alternative Mending plans.

Area Adjustment

- Mending is filing in Rating Areas 1 and 2, which have different expected claim costs compared to the state average. To account for this, we adjusted the state average starting cost by a member-weighted average of 0.947 and 1.017 for Rating Areas 1 and 2, respectively, based on the interim HHS Risk Adjustment Geographic Cost Factor for BY2024.

Demographic Shifts

- The underlying demographic mix reflects Mending's emerging enrollment experience and CY2025 enrollees in Maine Individual and Small Group markets. Mending's projected enrollment and experience to-date reflects a younger population compared to the market on average.

Benefit Design Changes

- We made no adjustments to the market data used for the manual rate for benefit differences.

Degree of Healthcare Management

- We assumed a level of healthcare management that is consistent with expectations related to close PCP coordination of care done by DPC physicians. We also assume market average management of services outside of DPC physicians' control.

INCLUSION OF CAPITATION PAYMENTS

DPC contracted doctors are paid a monthly flat fee per member enrolled in their practice for their primary care services.

Credibility of experience

The experience has been given 84.6% weight in the development of the projected claim costs for 2026.

The manual rates were not developed with any reliance on the experience period data and are thus fully independent.

Establishing the Index rate

The index rate is the projected allowed claim costs for EHBs for the single risk pool. The 2026 index rate is \$699.69.

Development of the Market-wide adjusted index rate

Under federal regulations, market-wide adjustments to the index rate are made for projected transfers under the risk adjustment program, and for exchange fees.

The 2026 projected market-wide adjusted index rate is \$780.92 PMPM. This value is calculated as follows:

TABLE C.2: INDEX RATE BUILD-UP

DESCRIPTION	VALUE
EHB Paid claims	\$547.19
<u>Average paid-to-allowed</u>	<u>0.78</u>
Market-wide index rate	\$699.69
Risk adjustment payment (receipt)	\$120.21
State reinsurance (receipt)	(\$62.97)
<u>Exchange fees</u>	<u>\$23.99</u>
Market-wide adjusted index rate	\$780.92

STATE REINSURANCE

Worksheet 1 of the URRT includes a line to adjust for reinsurance, which is described in the instructions as referring to state reinsurance programs.

Maine's Section 1332 Wavier for the operation and funding of the Maine Guaranteed Access Reinsurance Associate (MGARA) and the merging of the individual and small group markets will be effective for 2026. To adjust market-wide adjusted index rate for this impact, we use state-wide estimates based on public presentations and modeling done for the MBOI. Mending has not received meaningful reinsurance receivables from this program in prior plan years to-date, due to the characteristics of its enrolled populations, and therefore does not have sufficient claims experience on which to base an independent estimate. A market-wide estimate is a reasonable and appropriate substitute.

We assumed a 9.0% reduction in paid claims for the impact of the reinsurance program.

RISK ADJUSTMENT PAYMENT/CHARGE

For 2026, the premiums assume a risk adjustment payment of \$94.01 PMPM. This equates to 12.7% of premium across the entire single risk pool. The URRT Part I and the premium development assume a constant allocation (as a percent of premium) across all plans.

The following table summarizes the development of the PMPM transfer assumption.

TABLE C.3: RISK ADJUSTMENT ANALYSIS

	CARRIER - MERGED	MARKET - MERGED
ARF	1.51	1.66
IDF	1.02	1.02
GCF	0.95	1.00
PLRS	0.91	1.21
AV	0.66	0.67
Left Side Numerator		0.88
Left Side Denominator		1.24
Right Side Numerator		0.97
Right Side Denominator		1.13
Receive (pay)		-13.92%
State average premium		\$785.21
Administrative cost adjustment		0.86
Transfer payment scalar		\$675.28
Transfer PMPM		(\$94.01)

In this table, “Left side” and “Right side” refer to the two sections of the risk adjustment transfer formula given in the 2014 Notice of Benefit and Payment Parameters:

$$T_i = \left[\frac{PLRS_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot PLRS_i \cdot IDF_i \cdot GCF_i)} - \frac{AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i)} \right] \bar{P}_s$$

It should be noted that this implementation of the formula is an approximation, because the exact formula would require an assumption about plan-level information for every carrier in the state (in order to calculate the weighted average of products in the denominator rather than the product of the statewide averages). In most cases, however, the approach above is a reasonable approximation and is, in any event, the best that can be done with information available.

The following assumptions were used in developing this estimate:

- ARF for Mending is consistent with the projected age mix of the 2026 population, using the HHS age curve. ARF for the market is projected based on the 2024 interim risk adjustment report.
- IDF for Mending is consistent with the projected metallic mix for 2026 sales. For the market, IDF is projected based on the BY2024 interim risk adjustment report, incorporating an assumed decrease to reflect the market buying down to leaner, lower cost plans following the expiration of enhanced subsidies.
- GCF for Mending is projected based on Mending’s expected sales mix in 2026 and the interim geographic relativities released for the 2024 plan year. This value is 1.00 by definition for the market.
- PLRS for Mending is assumed to be approximately 12.4% higher than Mending’s 2024 PLRS, adjusted for increased morbidity and assumed coding improvement in plan years 2025 and 2026. PLRS for the market is projected based on an estimated completed PLRS from the BY2024 interim risk adjustment report, increased by 2.5% to reflect the impact of the expiration of enhanced subsidies.
- AV for Mending is projected based on Mending’s expected mix of sales by plan in 2026. For the market, AV is projected based on the BY2024 interim risk adjustment report, incorporating an assumed decrease to reflect the market buying down to leaner, lower cost plans following the expiration of enhanced subsidies.
- The statewide average premium is projected based on the 2024 interim risk adjustment report, with projected increases based on known rate changes in 2024-2025 (8.0% on average to reflect members’ proclivity to buy down to cheaper plans when there is a market rate increase). Premiums for 2026 are assumed to be 10.0% higher than the projected average 2025 premium.

EXCHANGE USER FEES

In Maine, the applicable exchange user fee is 2.5% of premium. This filing assumes that 95% of premium will be for on-exchange sales that are subject to this assessment. The rate build-up therefore includes an adjustment of \$18.76 PMPM to the index rate to account for exchange user fees (2.5% exchange fee x 95% of premium on exchange x \$737.69 PMPM total single risk pool premium equals \$18.76). The market-wide adjusted index rate includes a provision of \$23.99 for exchange fees, after grossing up \$18.76 to an allowed basis.

Plan-adjusted index rate

The plan-adjusted index rate for each plan, as shown on Worksheet 2 of the URRT Part 1 workbook, results from the adjustments to the market-wide adjusted index rate that are allowed under 45 CFR 156.80(d)(2). Table C.4 shows the build-up of the plan-adjusted index rates, and the adjustment factors are described in the following subsections.

TABLE C.4: SUMMARY OF PRICING AND BASE RATES (PLAN-ADJUSTED INDEX RATES)

PLAN NAME	HIOS ID	METAL	MARKET-WIDE INDEX RATE	MARKET ADJUSTMENTS	MARKET-WIDE ADJUSTED INDEX RATE	AV & COST SHARING	PROVIDER NETWORK	NON-EHB	ADMIN (NON-EXCHANGE FEE)	PLAN-ADJUSTED INDEX RATE
Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010002	Bronze	\$699.69	\$81.23	\$780.92	(\$220.76)	(\$9.40)	\$0.99	\$119.16	\$670.91
Mending Direct Primary Care Silver 2300 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010003	Silver	\$699.69	\$81.23	\$780.92	(\$148.98)	(\$9.40)	\$1.01	\$151.29	\$774.83
Mending Direct Primary Care Gold \$0 Ded (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010006	Gold	\$699.69	\$81.23	\$780.92	(\$23.92)	(\$9.40)	\$0.99	\$135.60	\$884.19
Mending Clear Choice Silver 4000 (No Direct Primary Care, for DPC get DPC Silver)	54879ME0010008	Silver	\$699.69	\$81.23	\$780.92	(\$120.12)	\$67.30	\$0.96	\$72.58	\$801.63
Mending Clear Choice Gold 2500 (No Direct Primary Care, for DPC select DPC Gold)	54879ME0010009	Gold	\$699.69	\$81.23	\$780.92	(\$17.36)	\$67.30	\$0.99	\$172.51	\$1,004.35
Mending ClearChoice Bronze 8000 HSA (No Direct Primary Care,for DPC get DPC Bronze)	54879ME0010010	Bronze	\$699.69	\$81.23	\$780.92	(\$275.19)	\$67.30	\$0.99	\$123.40	\$697.42
Mending Clear Choice Silver 4000 HSA (No Direct Primary Care,for DPC get DPC Silver)	54879ME0010011	Silver	\$699.69	\$81.23	\$780.92	(\$186.57)	\$67.30	\$0.96	\$140.28	\$802.88

ACTUARIAL VALUE AND COST SHARING

This factor accounts for the fact that different plans have different benefit designs and benefit richness levels. Without incorporating differences in morbidity, demographics, area mix, or other similar attributes (even though they are likely to exist), each plan’s relative richness is modeled and compared to the average of the entire single risk pool. The relativity of expected paid costs are estimated using a consistent assumed population, to ensure that only differences in the plans themselves are accounted for in this factor.

Per the CMS bulletin released on May 2, 2025, *Insurance Standards Bulletin: Plan Year 2026 Individual Market Rate Filing Instructions*, carriers are required to specify the actual CSRs paid for plan year 2024, as well as the CSR load assumed in 2026 rates and how this was developed. Mending's actual CSRs paid in plan year 2024 was \$300,800. The CSR load assumed in 2026 pricing is 7.8%. This was developed based on the CSR enrollment enrolled by Mending in 2025 and the claim costs projected from 2024 experience data and the manual rate described above.

PROVIDER NETWORK, DELIVERY SYSTEM, UTILIZATION MANAGEMENT

All provider network, delivery system, and utilization management adjustments are described in the manual rate adjustments section above. No additional adjustments were made.

NON-EHBS

Mending offers non-EHB coverage for abortion services.

ADMINISTRATIVE COSTS, EXCLUDING EXCHANGE USER FEES

The following table summarizes all non-benefit amounts included in plan premiums.

TABLE C.5: ADMIN COST DETAIL

CATEGORY	APPLICATION BASIS	PMPM	% PREMIUM
Reins premium	\$ PMPM	\$18.21	2.5%
Reins recoveries	\$ PMPM	(\$16.39)	-2.2%
PCORI	\$ PMPM	\$0.29	0.0%
Commissions	\$ PMPM	\$5.51	0.7%
MGARA	\$ PMPM	\$4.00	0.5%
RA user fee	\$ PMPM	\$0.20	0.0%
Premium tax	% Premium	\$14.75	2.0%
General Admin	% Premium	\$81.15	11.0%
Profit % Premium	% Premium	\$18.27	2.5%
Total		\$125.99	17.1%

This load varies by plan as follows:

TABLE C.6: NON-BENEFIT COSTS BY PLAN

PLAN	HIOS	% PREMIUM	PMPM
Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010002	17.8%	\$119.16
Mending Direct Primary Care Silver 2300 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010003	19.5%	\$151.29
Mending Direct Primary Care Gold \$0 Ded (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010006	15.3%	\$135.60
Mending Clear Choice Silver 4000 (No Direct Primary Care, for DPC get DPC Silver)	54879ME0010008	9.1%	\$72.58
Mending Clear Choice Gold 2500 (No Direct Primary Care, for DPC select DPC Gold)	54879ME0010009	17.2%	\$172.51
Mending ClearChoice Bronze 8000 HSA (No Direct Primary Care,for DPC get DPC Bronze)	54879ME0010010	17.7%	\$123.40
Mending Clear Choice Silver 4000 HSA (No Direct Primary Care,for DPC get DPC Silver)	54879ME0010011	17.5%	\$140.28

The PMPM administrative costs vary by plan reflecting the use of a % premium-based assumption for expenses, as well as a varying profit load by metal level, selected to reflect Mending’s profit targets. The expected PMPM value across the entire single risk pool of these non-benefit costs is \$125.99.

CATASTROPHIC PLAN ADJUSTMENT

Mending does not offer any catastrophic plans.

Calibration

The result of the calibration (when applied to the plan-adjusted index rate) is the calibrated plan-adjusted index rate. The following table provides the calibrated plan-adjusted index rates. There are three calibration steps (age, geography, and tobacco). The next subsections will show the development of those calibration factors. The calibration factors are applied uniformly to all plans rather than at a plan-specific level.

TABLE C.7: CALIBRATED PLAN-ADJUSTED INDEX RATES

PLAN NAME	HIOS ID	METAL	PLAN-ADJUSTED INDEX RATE	AGE CALIBRATION	AREA CALIBRATION	TOBACCO CALIBRATION	CALIBRATED PLAN-ADJUSTED INDEX RATE
Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010002	Bronze	\$670.91	1.505	1.000	1.000	\$445.69
Mending Direct Primary Care Silver 2300 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010003	Silver	\$774.83	1.505	1.000	1.000	\$514.73
Mending Direct Primary Care Gold \$0 Ded (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010006	Gold	\$884.19	1.505	1.000	1.000	\$587.38
Mending Clear Choice Silver 4000 (No Direct Primary Care, for DPC get DPC Silver)	54879ME0010008	Silver	\$801.63	1.505	1.000	1.000	\$532.53
Mending Clear Choice Gold 2500 (No Direct Primary Care, for DPC select DPC Gold)	54879ME0010009	Gold	\$1,004.35	1.505	1.000	1.000	\$667.20
Mending ClearChoice Bronze 8000 HSA (No Direct Primary Care,for DPC get DPC Bronze)	54879ME0010010	Bronze	\$697.42	1.505	1.000	1.000	\$463.30
Mending Clear Choice Silver 4000 HSA (No Direct Primary Care,for DPC get DPC Silver)	54879ME0010011	Silver	\$802.88	1.505	1.000	1.000	\$533.36

AGE CURVE CALIBRATION

The HHS premium age factors are applied to the projected demographic mix of the population. In this process, we assumed the expected enrollment of children for whom premium cannot be collected (due to being beyond the third child in a family) to be 0.2% of the total population based on Mending’s current enrollment experience. This is shown in the “Unratable child” row of the table below.

The calibration factor for age is 1.505, as shown in the following table.

TABLE C.8: AGE CALIBRATION

AGE	AGE FACTOR	POPULATION
Unratable child	0.000	0.2%
Ratable child age 0-14	0.765	13.7%
Ratable child age 15	0.833	0.9%
Ratable child age 16	0.859	0.5%
Ratable child age 17	0.885	0.7%
Ratable child age 18	0.913	0.5%
Ratable child age 19	0.941	0.5%
Ratable child age 20	0.970	0.5%
21	1.000	0.5%
22	1.000	0.3%
23	1.000	0.7%
24	1.000	0.6%
25	1.004	1.6%
26	1.024	2.2%
27	1.048	1.6%
28	1.087	1.6%
29	1.119	1.3%
30	1.135	2.2%
31	1.159	2.2%
32	1.183	2.4%
33	1.198	2.3%
34	1.214	1.8%
35	1.222	2.1%
36	1.230	2.0%
37	1.238	2.5%
38	1.246	3.1%
39	1.262	2.4%
40	1.278	2.6%
41	1.302	2.8%
42	1.325	2.3%
43	1.357	2.7%
44	1.397	1.7%
45	1.444	1.7%
46	1.500	1.8%
47	1.563	2.3%
48	1.635	1.6%
49	1.706	1.6%
50	1.786	1.7%
51	1.865	1.3%
52	1.952	2.0%
53	2.040	1.5%
54	2.135	1.5%
55	2.230	2.2%
56	2.333	1.8%
57	2.437	1.3%
58	2.548	2.5%
59	2.603	1.8%
60	2.714	2.0%
61	2.810	2.3%
62	2.873	2.3%
63	2.952	1.6%
64 and over	3.000	1.9%
Composite	1.505	100.0%

GEOGRAPHIC FACTOR CALIBRATION

The geographic calibration factor is 1.000, as demonstrated in the following table.

TABLE C.9: AREA CALIBRATION

AREA NAME	RATE FACTOR	POPULATION
Rating Area 1	0.995	95.1%
Rating Area 2	1.091	4.9%
Composite	1.000	100.0%

The area factors were developed based on the interim HHS Risk Adjustment Geographic Cost Factors for BY2024.

TOBACCO USE RATING FACTOR CALIBRATION

There is no additional rate-up for tobacco users.

Consumer adjusted premium rate development

The consumer-adjusted premium rate for a given plan is simply the calibrated plan-adjusted index rate (shown in Table C.7) multiplied by the age, geographic, and tobacco factors applicable to a given member. The age and area factors are given in Tables C.8 and C.9, respectively. The following table provides an example of the consumer-adjusted premium rate for a 40-year-old member living in Area 1 purchasing the Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health) plan.

TABLE C.10: SAMPLE CONSUMER ADJUSTED PREMIUM RATE

RATING VARIABLE	VALUE
Calibrated plan-adjusted index rate: Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health)	\$445.69
Age 40	1.278
Area 1 (Rating Area 1)	0.995
Tobacco: Y	1.000
Consumer-adjusted premium rate	\$566.89

These policies will be marketed to consumers primarily through the State’s health insurance marketplace CoverMe.

D. Projected loss ratio

The following table demonstrates the expected MLR, using the federal definition, for Mending in 2026.

TABLE D.1: MLR BUILD-UP

Numerator	
Paid claims	\$548.19
Risk adjustment	\$94.01
State reinsurance	(\$49.25)
Quality improvement	\$0.00
Total numerator	\$592.95
Denominator	
Gross premium	\$737.69
Taxes and fees	(\$43.51)
Total denominator	\$694.19
Federal MLR	85.42%

Note the loss ratio of paid claims / gross premium is 85.4% (after state reinsurance receipts).

This calculation does not include a credibility adjustment, even though in practice one would apply.

The actual calculation also is based on three years of data (unlike the single year calculation above). Only the projected 2026 numbers are presented above, because results for the two preceding years are not available at this time.

E. Plan product information

AV metal values

The AV metal values in the URRT were computed using the federal AV calculator.

Membership projections

Membership projections were developed as follows:

- The enrollment distribution by metal level used in the rate development was informed based on Mending's 2025 emerging experience.
- For all bronze, silver, and gold plans, 95% of members are projected to be on-exchange.

This is demonstrated in the following table.

TABLE E.1: PROJECTED MEMBERSHIP DISTRIBUTION BY PLAN FOR MERGED MARKET

PLAN NAME	HIOS ID	PERCENTAGE DISTRIBUTION
Mending DPC Bronze 4950 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010002	51.30%
Mending Direct Primary Care Silver 2300 (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010003	21.21%
Mending Direct Primary Care Gold \$0 Ded (\$0 DPC + \$0 PCP + \$0 Mental Health)	54879ME0010006	15.24%
Mending Clear Choice Silver 4000 (No Direct Primary Care, for DPC get DPC Silver)	54879ME0010008	6.60%
Mending Clear Choice Gold 2500 (No Direct Primary Care, for DPC select DPC Gold)	54879ME0010009	0.39%
Mending ClearChoice Bronze 8000 HSA (No Direct Primary Care,for DPC get DPC Bronze)	54879ME0010010	4.40%
Mending Clear Choice Silver 4000 HSA (No Direct Primary Care,for DPC get DPC Silver)	54879ME0010011	0.86%

Terminated plans and products

Clear Choice Bronze is terminating in 2026. As shown in the table below, all impacted members are being remapped to Clear Choice Bronze 8000 HSA.

TABLE E.2: TERMINATED PLANS AND PRODUCTS

PRODUCT NAME	PLAN NAME	HIOS ID	YEAR TERMINATED	MAPPED 2024 PLAN
Mending Health Plans in Maine, Inc.	Mending Clear Choice Bronze 7500 (No Direct Primary Care, for DPC get DPC Bronze)	54879ME0010007	2026	54879ME0010010

Plan type

There were no plans that could not be appropriately described with the options available in Worksheet 2, Section I.

F. Miscellaneous

Effective rate review information

There is no additional information to provide.

Reliance

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, I have relied on information provided to me by the management of Mending Health (Mending), including:

- Dan Phillips, CFO

This information includes provider discounts, utilization management initiatives, market information, financial information, benefit design guidance, and compliance requirements. I have not audited or verified this data and other information. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum may be materially affected.

I 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 in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

Actuarial certification

I, Fritz S. Busch, am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This filing is prepared on behalf of Mending (the "Company").

I am affiliated with Milliman, Inc. ("Milliman"), an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan or health insurer.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102),

- Developed in compliance with the applicable Actuarial Standards of Practice including
 - ASOP No. 5, Incurred Health and Disability Claims
 - ASOP No. 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
 - ASOP No. 12, Risk Classification
 - ASOP No. 23, Data Quality
 - ASOP No. 25, Credibility Procedures
 - ASOP No. 41, Actuarial Communications
 - ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act
- Reasonable in relation to the benefits provided and the population anticipated to be covered, and
- Neither excessive nor deficient.

I certify that 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-specific premium rates. The allowable modifiers used to generate plan specific premium rates were based on the following:

- The actuarial value and cost-sharing design of the plan.
- The plan's provider network, delivery system characteristics, and utilization management practices.

- The benefits provided under the plan that are in addition to the Essential Health Benefits. These estimated benefits were pooled with similar benefits within the single risk pool and the claims experience from those benefits was utilized to determine rate variations.
- Administrative costs, excluding Exchange user fees.
- Characteristics of catastrophic plans.

I certify that 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.

I certify that the AV metal values in the Part I URRT all were computed using the federal AV calculator.

The 2026 benefit year premium rates in this memorandum are contingent upon the current status of the ACA statutes and regulations, including any regulatory guidance, court decisions, or otherwise. These include but are not limited to the enforcement of the individual mandate, the discontinuance of funding for cost-sharing reduction (CSR) payments by the federal government, and any legislative or regulatory amendment, court decision, decision of Congress, the Health and Human Services Secretary, or the Centers for Medicare and Medicaid Services director regarding the status of risk adjustment payments and receipts. If these provisions change materially, then these rates could no longer be appropriate and would need to be withdrawn and refiled. Milliman expresses no opinion regarding the future status of these programs.

The Part I Unified Rate Review Template (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 and multi-state plans for Federally Facilitated Exchanges and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The information provided in this 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 that rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Signed:



Fritz S. Busch, FSA, MAAA
Member, American Academy of Actuaries

Date: June 5, 2025