

PART III ACTUARIAL MEMORANDUM - REDACTED

Hawaii Medical Service Association Rates for Individual Policies in Hawaii Effective January 1, 2026

GENERAL INFORMATION

Company Legal Name: Hawaii Medical Service Association (HMSA)

State: Hawaii

HIOS Issuer ID: 18350

Market: Individual

Effective Date: January 1, 2026

CONTACT INFORMATION

Name: Jason Zhu

Primary Contact Phone: (808) 952-7623

Primary Contact Address: 818 Keeaumoku Street, Honolulu, HI 96814

Primary E-mail: Jason_Zhu@hmsa.com

INTRODUCTION

This filing represents a plan and rate revision of the ACA rates to be provided in conjunction with Exchange and off-Exchange offerings in the Hawaii market. Such rates are developed in accordance with applicable ACA provisions, as well as the laws and regulations of the State of Hawaii. Products are compliant with the ACA requirements as to benefits offered under the respective Metallic offerings.

PROPOSED RATE INCREASES

The reasons for the rate changes are as follows:

- to reflect HMSA's recent 2024 individual plan experience and the change from the average morbidity and demographics in these plans in 2024 to the morbidity and demographics expected of members in ACA compliant plans only in 2026, including the impact of the expiration of enhanced premium tax credits;
- to reflect benefit and Actuarial Value (AV) changes;
- to reflect trend from 2024 to 2026, both unit cost and utilization;
- to reflect changes in risk adjustment transfer projections;
- to reflect updated costs of other Essential Health Benefit (EHB) and non-EHB cost items, including vision, quality improvement, medical management, and other

retention; and

- to reflect changes to HMSA’s administrative fees or loads, as well as to the Exchange and other ACA fees.

HHS finalized standardized plan design options to be offered in each metal tier for 2026. HMSA is proposing to maintain the Platinum PPO, Gold PPO II, Silver PPO, and Bronze PPO I plans as the standardized plans, while also maintaining the Gold PPO I, Bronze PPO II HSA, and Catastrophic plans. Plan names and HIOS IDs will remain unchanged.

The table below shows the rate changes by plan to be effective on 1/1/2026. These changes also include the impact of benefit changes, such as changes in the deductibles and out-of-pocket maximums (OOPMs).

ACA Plan Name	Projected 2026 Members	Proposed Average Premium	Change from 2025 Premium
Platinum PPO	6,377	\$974.44	11.0%
Gold PPO I	2,650	\$883.74	14.4%
Gold PPO II	3,722	\$832.66	14.8%
Silver PPO	1,932	\$932.57	14.6%
Silver PPO Direct	902	\$727.42	13.8%
Bronze PPO I	3,965	\$665.55	11.9%
Bronze PPO II HSA	1,547	\$686.06	12.3%
Catastrophic	356	\$398.26	16.4%
Total - Renewing Plans	21,501	\$837.00	12.8%*

* Weighted average rate increase based off 2026 member projection

RELIANCE ON OTHERS

The majority of the data and assumptions supporting this filing have either been extracted from HMSA systems or been developed by supporting staff. I have, however, relied upon external actuarial consultants for the following items:

- projected risk adjustment model change impacts from the actuarial consultant that HMSA engaged for this purpose;
- derivation of the catastrophic manual rate factor; and
- derivation of the AV adjustment factor that we applied to reflect mental health and substance abuse (MHSA) office visits that count toward the initial three primary visits that are not subject to the plan deductible.

ACTUARIAL CERTIFICATION

I, Jason Zhu, am a Fellow of the Society of Actuaries and a Member in good standing of the American Academy of Actuaries and meet the qualification standards of the Academy to provide the actuarial opinion contained herein.

I certify that to the best of my knowledge and judgment:

- a. The projected index rate is:
 - i. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1) and 147.102),
 - ii. Developed in compliance with the applicable Actuarial Standards of Practice,
 - iii. Reasonable in relation to the benefits provided and the population anticipated to be covered,
 - iv. Neither excessive, inadequate, nor unfairly discriminatory; however noting that there are many uncertainties in the market's that could affect this, and
 - v. Developed using only the permitted rating classifications
- b. The index rate is developed in accordance with Federal regulations, and the index rates and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45CFR 156.80(d)(2) were used to generate plan level rates.
- c. The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template are based on the most recent AV Calculator, with only adjustments to comply with unique benefit characteristics as noted in the accompanying unique plan supporting documentation and justification.

I, Jason Zhu, FSA, MAAA, am of the opinion that this filing is in compliance with all applicable Federal and State Laws and Regulations, including the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010.

I, Jason Zhu, FSA, MAAA, do hereby certify that this filing has been prepared in accordance with the following:

- i. Actuarial Standard of Practice No. 5, "Incurred Health and Disability Claims"
- ii. Actuarial Standard of Practice No. 8, "Regulatory Filings for Health Benefits, Accidental and Health Insurance, and Entities Providing Health Benefits"
- iii. Actuarial Standard of Practice No. 12, "Risk Classification (for All Practice Areas)"
- iv. Actuarial Standard of Practice No. 23, "Data Quality"
- v. Actuarial Standard of Practice No. 25, "Credibility Procedures"
- vi. Actuarial Standard of Practice No. 41, "Actuarial Communications"

- vii. Actuarial Standard of Practice No. 42, "Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims"
- viii. Actuarial Standard of Practice No. 45, "The Use of Health Status Based Risk Adjustment Methodologies"
- ix. Actuarial Standard of Practice No. 50, "Determining Minimum Value and Actuarial Value under the Affordable Care Act"

Jason Zhu, FSA, MAAA
Director, Actuarial Services

June 6th, 2025

Hawaii Medical Service Association
818 Keeaumoku Street
Honolulu, HI 96814
Phone: 808-952-7623
Jason_Zhu@hmsa.com