



# UnitedHealthcare of Texas, Inc.

Part III: Actuarial Memorandum

Texas 2026 Individual Exchange Rates

July 21, 2025



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# 1 Actuarial Memorandum

This memorandum documents the development of Individual market health insurance premium rates for UnitedHealthcare of Texas, Inc. ("UHCTX"). UHCTX is offering Individual health insurance products on and off the Exchange in the Bronze, Silver and Gold metal tiers, with the premium rates documented in this memorandum effective January 1, 2026. The proposed plans are shown in Appendix A.

## Considerations for the Regulatory Environment

The rates presented and submitted here were developed assuming that CSR payments are not funded by the federal government in 2026 and the cost of these payments will instead be funded through member premiums and Advanced Premium Tax Credits.

These rates also assume the enhanced Advanced Premium Tax Credit levels extended through 2025 will expire for 2026. Additional regulatory and legislative contingencies are further explained in Section 7.1.

This version of the actuarial memorandum is considered PUBLIC and hence does not contain information determined to be TRADE SECRET. A separate actuarial memorandum was submitted and deemed TRADE SECRET, which included all proprietary information related to UHCTX. TRADE SECRET information includes the following, but not limited to: UHCTX assumptions, assumptions and methodologies that could provide insight into UHCTX's pricing strategy and contract reimbursement information.

# 2 General Information Section

## Company Identifying Information

Company Legal Name:	UnitedHealthcare of Texas, Inc.
State:	Texas
HIOS Issuer ID:	40220
Market:	Individual
Effective Date:	January 1, 2026

## Company Contact Information

Primary Contact Name:	[Redacted: TRADE SECRET]
Primary Contact Telephone Number:	[Redacted: TRADE SECRET]
Primary Contact Email Address:	[Redacted: TRADE SECRET]



### 3 Proposed Rate Changes

UHCTX will sell Individual policies with an effective date of January 1, 2026. The 2026 aggregate rate change as shown on the Unified Rate Review Template (URRT) is [Redacted: TRADE SECRET]. Rate changes by plan are found in Worksheet 2, row 1.11 of the URRT. The quantitative impact for all significant factors driving the proposed rate change is shown in the table below.

[Redacted: TRADE SECRET]

[Redacted: TRADE SECRET]

### 4 Market Experience

#### 4.1 Experience and Current Period Premium, Claims, and Enrollment

**Paid Through Date:** [Redacted: TRADE SECRET]

**Current Date:** [Redacted: TRADE SECRET]

#### Allowed and Incurred Claims Incurred During the Experience Period

Allowed claims and incurred claims are pulled from the same source(s) and calculated using a similar methodology. Only claim amounts for members in the Individual Single Risk Pool for claims which have already been processed are included in our claims data (incomplete claims). Pharmacy rebates are processed outside the claims system and are equal on an incurred and allowed basis.

A set of completion factors is applied to the incomplete claims to develop the expected allowed and incurred claims for the experience period.

		Allowed Claims	Incurred Claims
A	Claims processed through issuer's claims system for experience period and paid through date above	[Redacted: TRADE SECRET]	[Redacted: TRADE SECRET]
B	Claims processed outside issuer's claims system for same time period	[Redacted: TRADE SECRET]	[Redacted: TRADE SECRET]
C	Estimate of claims incurred but not paid as of paid through date above	[Redacted: TRADE SECRET]	[Redacted: TRADE SECRET]
=A-B+C	Estimated claims incurred during experience period	[Redacted: TRADE SECRET]	[Redacted: TRADE SECRET]

The same methodology was used to develop the estimate of claims incurred but not paid for both allowed claims and incurred claims in the experience period. The methodology incorporates estimates based upon developed completion factors. Model results are evaluated for reasonableness and actuarial judgment may be applied.



The claims used to develop completion factors are reflective of the experience period claims for the information submitted. The incurred but not paid claims are not unusually high or unusually low relative to the experience period claims paid.

## **4.2 Benefit Categories**

Claims processed through UHCTX's systems were mapped to the benefit categories in Worksheet 1, Section II of the URRT based on where services were administered and the types of medical services rendered.

- **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 surgical, emergency room, laboratory, radiology, therapeutic, observation and other services provided in an outpatient facility setting and billed by the facility.
- **Professional** includes non-capitated primary care, specialist care, therapeutic, the professional component of laboratory and radiology and other professional services, other than hospital based professionals whose payments are included in facility fees.
- **Other Medical** includes non-capitated ambulatory, home health care, durable medical equipment, prosthetics, supplies, vision exams, dental services and other services.
- **Capitation** includes all services provided under one or more capitated agreements.
- **Prescription Drug** includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

The benefit categories were defined by our claims department using standard industry definitions.

## **4.3 Projection Factors**

The following describes the factors used to project experience period allowed claims to the 2026 projection period.

### **4.3.1 Trend Factors**

A trend assumption was applied to translate 2024 experience year claims costs to calendar year 2026 claims costs.

The assumptions shown in "Year 1 Trend" and "Year 2 Trend" of Worksheet 1 of the URRT represent 12 months of ongoing changes in utilization, unit costs and technology. The combined, annualized trend assumption implied is [Redacted: TRADE SECRET] This assumption is based on [Redacted: TRADE SECRET] This trend assumption does not include any expected changes in demographics, morbidity or benefit changes.

[Redacted: TRADE SECRET]

### **4.3.2 Adjustments to Trended EHB Allowed Claims PMPM**

This section explains adjustments other than trend that are made to the experience period claims in order to develop the projected Index Rate.



### **Morbidity Adjustment**

The Morbidity Adjustment factor is [Redacted: TRADE SECRET] as shown on Worksheet 1 of the URRT.

### **Demographic Shift**

The Demographic Shift adjustment factor is [Redacted: TRADE SECRET] as shown on Worksheet 1 of the URRT.

[Redacted: TRADE SECRET]

[Redacted: TRADE SECRET]

### **Plan Design Changes**

The Plan Design Changes adjustment factor is [Redacted: TRADE SECRET] as shown on Worksheet 1 of the URRT.

[Redacted: TRADE SECRET]

### **Other**

The Other adjustment factor is [Redacted: TRADE SECRET] as shown on Worksheet 1 of the URRT.

[Redacted: TRADE SECRET]

#### **4.3.3 Manual Rate Adjustments**

No manual rate was needed as the experience period claims are considered fully credible.

#### **4.3.4 Credibility of Experience**

Full credibility has been assigned to the base period experience. The experience has been appropriately adjusted to reflect the material changes anticipated between the experience period and the projection period.

The following formula was used for assigning credibility to the experience period:

$$Z = \min \left[ 1, \left( \frac{MM}{FC} \right)^{.5} \right]$$

Where,

- Z is the credibility percentage applied to the experience data,
- MM is the experience period member months and
- FC is the member months required for full credibility

[Redacted: TRADE SECRET]

Consideration was given to guidance provided in Actuarial Standards of Practice #25, *Credibility Procedures*.





#### **4.3.5 Establishing the Index Rate**

As shown on Worksheet 1 of the URRT, the Index Rate for this filing is [Redacted: TRADE SECRET]. It estimates the total combined allowed claims PMPM for EHBs in the Texas Individual market.

#### **4.3.6 Development of the Market-wide Adjusted Index Rate**

The Market-wide Adjusted Index Rate (MAIR) for the projection period is [Redacted: TRADE SECRET] as shown on Worksheet 1 of the URRT. The MAIR is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules, 45 CFR 156.80(d)(1). The Index Rate and market level adjustments are on an allowed claims basis.

A	Projected Index Rate for January 1, 2026	[Redacted: TRADE SECRET]
B	Reinsurance	[Redacted: TRADE SECRET]
C	Risk Adjustment Payment/Charge	[Redacted: TRADE SECRET]
D	Exchange User Fees	[Redacted: TRADE SECRET]
<hr/> =(A-B-C)/(1-D) Market-wide Adjusted Index Rate		[Redacted: TRADE SECRET]

#### **Reinsurance**

UHCTX does not expect any reinsurance recoveries from federal or state reinsurance programs.

#### **Risk Adjustment Payment/Charge**

The projection period risk adjustment charge was developed by estimating the individual components of the risk adjustment transfer formula (e.g., PLRS, AV, etc.) for both UHCTX and the statewide average. A description of the development of each component is described below:

- PLRS: [Redacted: TRADE SECRET]
- IDF: [Redacted: TRADE SECRET]
- GCF: [Redacted: TRADE SECRET]
- ARF: [Redacted: TRADE SECRET]
- AV: [Redacted: TRADE SECRET]
- Statewide average premium: [Redacted: TRADE SECRET]

The projected risk adjustment payable/receivable was converted to an allowed basis when developing the MAIR.

The risk adjustment fee of \$0.20 PMPM was incorporated into 2026 rates and included within the taxes and fees.

[Redacted: TRADE SECRET]

#### **Exchange User Fees**



The Exchange User Fee reflecting the expiration of enhanced premium subsidies is [Redacted: TRADE SECRET] represented as a percentage of allowed claims in the development of the MAIR. [Redacted: TRADE SECRET]

As a percent of premium, the Exchange User Fee is 2.50% for all policies sold through the Exchange.

#### ***4.4 Plan Adjusted Index Rate***

The Plan Adjusted Index Rates (PAIR) were developed by applying allowable plan level adjustments to the MAIR. The allowable plan-level adjustments are shown in Appendix C.

The following describes how each component of the adjustment was developed.

##### **Actuarial Value and Cost-Sharing Design**

The Actuarial Value and Cost Sharing Design of the plans consists of four components:

1. Pricing AVs,
2. Induced Demand Factors (IDF),
3. An IDF normalization factor that applies consistently to all plans, and
4. A CSR load applied to only Silver, on-exchange plans.

Please see Appendix F for a listing of these factors and how they relate to the TDI's Actuarial Value and Cost Sharing Design Template (AVCSDT).

##### **PRICING AVs AND INDUCED DEMAND FACTORS**

The Pricing AVs reflecting the actuarial value and cost-sharing design of each plan was developed using a simulation methodology whereby a large dataset of Individual ACA enrollment and claims were calibrated to the projected population and member-level claims were re-adjudicated using the cost-sharing parameters of each plan design. Each plan was developed using the same dataset and population adjusted only for the expected induced utilization by metal level ensuring the same risk profile informs all Pricing AVs.

Pursuant to Texas regulation §3.505(f)(6)(B), the Pricing AVs used in rate development fall within the de minimis variation permitted under 45 CFR §156.140 for the respective metal levels of coverage. Induced demand factors applied in pricing assumptions are 1.00 for Bronze plans, 1.03 for Silver plans, and 1.08 for Gold plans.

##### **IDF NORMALIZATION FACTOR**

As noted in §4.4.4 of the URR instructions, the PAIR reflects the average demographic characteristics of the single risk pool. An IDF normalization factor is thus required to maintain the average demographics of the population established in the MAIR. The IDF normalization factor is calculated as the inverse member-weighted average of the required IDF curve and is calculated as [Redacted: TRADE SECRET].

[Redacted: TRADE SECRET]

##### **CSR LOAD**





We have included an adjustment to the filed plans to reflect the impact of CSRs no longer being funded by the federal government. The regulation still requires CSR variant plans to be offered to low-income members, under the same federal AV requirements (keeping similar plan design and cost sharing structures as the current regulations), but the subsidy amounts will instead be a liability to the insurers and not the government. [Redacted: TRADE SECRET]

### **Provider Network, Delivery System Characteristics and Utilization Management Practices**

The network factors represent the unit cost differences between the various networks. To estimate total unit cost differences, the network factors must be combined with area factors. [Redacted: TRADE SECRET] These factors do not reflect morbidity differences or selection impact by network, and have been calibrated.

### **Benefits in Addition to EHBs**

[Redacted: TRADE SECRET]

### **Administrative Costs**

Non-benefit administrative costs were applied on a percent of premium basis and on a PMPM basis. They are bucketed into three categories as shown on Worksheet 2 of the URR: (1) administrative expenses, (2) taxes and fees and (3) profit and risk load.

#### ADMINISTRATIVE EXPENSE

UHCTX expects to incur [Redacted: TRADE SECRET] in general administrative expenses for the Individual ACA block of business in Texas for 2026. We expect to incur an additional [Redacted: TRADE SECRET] in broker commissions over this period. [Redacted: TRADE SECRET]

Health Care Quality Improvement and Fraud Detection Expenses were estimated as [Redacted: TRADE SECRET] and were included in the administrative expense load.

#### TAXES AND FEES

Taxes and regulatory fees included in the development of 2026 rates include the following:

- Risk Adjustment User Fee: \$0.20 PMPM
- PCORI Fee: \$0.32 PMPM
- Non-Reform Assessment Fee(s): [Redacted: TRADE SECRET]
- State Premium Tax: [Redacted: TRADE SECRET]
- Federal Income Tax: [Redacted: TRADE SECRET]

The Exchange User Fee load is not included here. It was previously built into the MAIR as discussed in Section 4.3.6.

#### PROFIT AND RISK LOAD



The proposed 2026 premiums allocate [Redacted: TRADE SECRET] to profit and risk margin on a post-tax basis. [Redacted: TRADE SECRET]

## Catastrophic Plans

UHCTX will not offer Catastrophic plans in Texas for 2026.

## 4.5 Calibration

### Age Curve Calibration

The approximate age calibration factor is [Redacted: TRADE SECRET]. It was determined as follows:

$$ACF = \frac{\sum Members}{\sum Members * Age Factor}$$

Where:

- ACF is the age calibration factor,
- Members are the projected members and
- Age Factor is the rating factor associated with each member.

An age factor of 0 is used for members who are not expected to pay premium.

Section 4.6 demonstrates how the PAIRs and age curve are used to generate a schedule of premiums.

### Geographic Factor Calibration

The geographic calibration factor is [Redacted: TRADE SECRET]. It was determined as follows:

$$GCF = \frac{\sum Members}{\sum Members * Area Factor}$$

Where:

- GCF is the geographic calibration factor,
- Members are the projected members and
- Area Factor is the rating factor associated with each member.

Geographic area factors are calculated based upon expected reimbursement rates UHCTX aims to achieve by rating area. These factors are relative to the membership-weighted average reimbursement rate for all areas UHCTX will service in Texas. The factors only reflect differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and not differences in population morbidity by geographic area.

Section 4.6 demonstrates how the PAIRs and area factors are used to generate a schedule of premiums.

### Tobacco Use Rating Factor Calibration



The tobacco calibration factor is [Redacted: TRADE SECRET]. It was determined as follows:

$$TCF = \frac{\sum Members}{\sum Members * Tobacco Factor}$$

Where:

- TCF is the tobacco calibration factor,
- Members are the projected members and
- Tobacco Factor is the rating factor associated with each member.

Section 4.6 demonstrates how the PAIRs and tobacco factors are used to generate a schedule of premiums.

### Application of Calibration Factors

The age, geographic and tobacco calibration adjustments are not plan specific. These adjustments are applied uniformly to all plans.

The age rating curve used by UHCTX in Texas is the curve indicated in the HHS Notice of Benefit and Payment Parameters for 2018 Final Rule.

## 4.6 Consumer Adjusted Premium Rate Development

The member's premium rate is calculated by first multiplying the PAIR by the calibration factors. This is the Calibrated PAIR, which is shown on Worksheet 2, row 3.14 of the URRT. The result can then be multiplied by the member's specific age, geographic and tobacco rating factors to determine the approximate member rate.

$$CPAIR = PAIR \times ACF \times GCF \times TCF$$

$$CAPR = CPAIR \times Age Factor \times Geographic Factor \times Tobacco Factor$$

Where:

- CPAIR is the Calibrated Plan Adjusted Index Rate,
- PAIR is the Plan Adjusted Index Rate,
- ACF is the age calibration factor,
- GCF is the geographic calibration factor,
- TCF is the tobacco calibration factor,
- CAPR is the Consumer Adjusted Premium Rate and
- Age, Geographic and Tobacco Factors are the rating factors associated with each member.

The premium for family coverage is determined by summing the premiums for each individual family member, provided at most three child dependents under age 21 are taken into account.

The rate manual and a demonstration of how the allowable rating factors are applied to the Calibrated PAIR to determine the Consumer Adjusted Premium Rate are shown in Appendix B.



## 5 Projected Loss Ratio

The projected medical loss ratio (MLR) for the individual line of business is [Redacted: TRADE SECRET]. This was calculated using the federally prescribed MLR methodology.

[Redacted: TRADE SECRET] Taxes and regulatory fees were excluded from premium in the calculation of this value. The calculation for the projected federal MLR is included in Appendix D.

## 6 Plan Product Information

### 6.1 AV Metal Values

The federal Actuarial Value Calculator was used to generate the AV metal values shown on Worksheet 2, row 1.6 of the URRT. Please refer to the Unique Plan Design Justification and Documentation document for the impact of plans and cost sharing inputs modifications made in order to enter these into the federal Actuarial Value Calculator.

### 6.2 Membership Projections

The total membership projections for 2026 were based upon internal modeling of market share estimates for the Texas counties we intend to service. The percentage of membership distributions by metal tier and variant was based on the metal, CSR variants and rating area/county distribution enrollments for Texas from actual UHCTX enrollment with additional consideration to current Individual ACA Open Enrollment Period reports and the regulatory landscape. Refinements to this data are applied for strategic initiatives and actuarial judgment.

Projected enrollment in CSR subsidy eligible Silver plans was informed by actual UHCTX enrollment and similar distributions in the Open Enrollment Period reports with consideration for regulatory impacts. The resulting projected enrollment by plan and subsidy level is provided in Appendix E.

### 6.3 Terminated Plans and Products

Please see Appendix A for crosswalk of the terminated plans and products. Please see Worksheet 2, Section I of the URRT for plan names associated with the terminated and mapped plans.

### 6.4 Plan Type

The drop downs in Worksheet 2, Section 1 of the URRT describe the issuer's plan types appropriately.



## 7 Miscellaneous Instructions

### 7.1 *Effective Rate Review Information*

#### TDI Enrollment Template

The TDI enrollment template, which reports the number of covered lives by metal and county, as of March 31, 2025, and county-level plan availability in 2025 and 2026, is included in this SERFF filing.

#### TDI AV and Cost Sharing Design Template

The TDI template with component factors of AV and cost-sharing design of plans is included in this SERFF filing.

#### Marketplace Integrity and Affordability Final Rule

The rates and benefits represented in this filing comply with the expanded de minimis range as established in the 2025 Marketplace Integrity and Affordability Final Rule.

#### PY2024 Estimated CSR Payments

[Redacted: TRADE SECRET]

#### PY2026 Projected CSR Load Methodology

The 2026 Silver load of 1.400 was applied in accordance with Texas state law. Should funding for CSR payments be reappropriated at the federal or state level, UHCTX requests the right to amend this filing in order to better reflect pricing estimates for membership, morbidity, administrative and other changes that would be ancillary impacted by the reappropriation.

### 7.2 *Reliance*

[Redacted: TRADE SECRET]

### 7.3 *Actuarial Certification*

We, [Redacted: TRADE SECRET], are Members of the American Academy of Actuaries (MAAA). We meet the Qualification Standards of Actuarial Opinion as adopted by the American Academy of Actuaries for preparing premium rate filings for insurers.

This actuarial certification applies to the UnitedHealthcare of Texas, Inc. Individual products to be offered in the federal health Exchange. I certify that the projected Index Rate is:

- In compliance with all applicable state and federal statutes and regulations (45 CFR 156.80 and 147.102)
- Developed in compliance with 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
- Neither excessive nor deficient.

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.

The geographic rating factors reflect only differences in the cost of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

The federal AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Unified Rate Review Template for all plans. Any alternate methodologies are described in the Unique Plan Design Justification and Documentation.

The Part I Unified Rate Review Template does not demonstrate the process used to develop the rates. Rather it represents information required by federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated 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.

Sincerely,

[Redacted: TRADE SECRET]

July 21, 2025





## Appendix A: Proposed Plans

[Table Redacted]

A table outlining the crosswalk between terminated 2025 plans and 2026 plan offerings is provided below.

[Table Redacted]



## Appendix B: Rate Manual

[Table Redacted]

[Table Redacted]

[Table Redacted]

### Consumer Adjusted Premium Rate Example

Plan ID: [Redacted: TRADE SECRET]

Area: [Redacted: TRADE SECRET]

[Table Redacted]

There might be small differences between the premium rates shown above and those implied by the URRT due to rounding.



## Appendix C: Plan-Level Modifiers

[Table Redacted]

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## Appendix D: MLR Calculation

[Table Redacted]

Some numbers were adjusted for rounding. The projected MLR exceeds 80%.



## Appendix E: CSR Enrollment

### Projected CSR Enrollment

[Table Redacted]

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## Appendix F: AVCSD Components

### Components of the Actuarial Value and Cost Sharing Design Table

[Table Redacted]

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