1. Introduction and Purpose

The purpose of this document, which is submitted in conjunction with the Part I Unified Rate Review Template (URRT), is to comply with the requirements of the Part III Actuarial Memorandum and to support the premium rates developed for Oscar Insurance Company (Oscar's) Affordable Care Act (ACA) products in the Individual market, with an effective date of January 1, 2026.

This actuarial memorandum provides certain information related to the rate filing submission including support for the values entered into the URRT, which demonstrates compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the Alabama Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Oscar's individual market rate filing.

Future regulatory changes may affect the extent to which the rates presented herein are neither excessive nor deficient.

2. General Information

Company Identifying Information

Company Legal Name:	Oscar Insurance Company
State:	Alabama
NAIC:	15777
HIOS Issuer ID:	17091
Market:	Individual
Effective Date:	January 1, 2026

Company Contact Information

Primary Contact Name:	[redacted]
Primary Contact Telephone Number:	[redacted]
Primary Contact Email Address:	[redacted]

The products offered within this filing are all guaranteed issue (i.e. no medical underwriting) and guaranteed renewable as required under the ACA. This rate filing applies to non-grandfathered plans only that are open to new sales. Premiums will be charged on a monthly basis.

3. Proposed Rate Increases

Reason for Rate Increase(s)

Oscar is a newly licensed health plan in Alabama, entering the individual market for the first time in 2026. As such, the premium rates presented in this memorandum do not reflect proposed rate changes over a prior set of rates. The proposed premium rates for Oscar's individual block of business both on and off Exchange are presented in Exhibit A.

Rate Development Overview

The plans included in this rate filing are to be offered for sale effective January 1, 2026. Oscar's rate development, including the methodology described below, is based on generally accepted actuarial principles for community rated individual blocks of business.

Underlying Claim Experience

Oscar is entering the Alabama Individual market effective with the 2026 plan year. In the absence of base experience claim data, Oscar started with individual claim experience from January 1, 2024 through December 31, 2024, with runout through May 31, 2025, as the manual rate basis in the projection. The starting claim experience is from Oscar's legal entity (Oscar Insurance Company of Florida; NAIC code 16374) offering in the Florida individual market and includes an estimate for IBNR claims.

Trend

Oscar applied utilization and unit cost trends to the underlying medical and prescription drug claims to reflect the expected claim levels in the projection period.

Benefit Adjustment

The projected claims were adjusted to reflect the benefits for each of the products to be offered on and off the exchange.

Demographics and Morbidity

The starting claim experience was adjusted to reflect changes in the anticipated morbidity and demographics corresponding to Oscar's projected 2026 membership distribution.

Market Morbidity

The starting claim experience was additionally adjusted to reflect changes in the anticipated market morbidity from the base period to the projection period in response to the uncertainty inherent in the marketplace.

Network Adjustment

The projected claims were adjusted to reflect changes in the anticipated provider reimbursement levels and network configuration.

Risk Adjustment

The projected claims were adjusted to reflect payments to the individual (catastrophic and non-catastrophic) risk pool as a result of the risk adjustment program.

Administrative Expenses and Risk Margin

The premium incorporates an average [redacted] administrative charge, which is inclusive of general administrative expenses, commission, and risk margin.

Taxes and Fees

The premium rates reflect applicable state and federal taxes and fees for the 2026 plan year.

4. Market Experience

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

Not applicable.

Paid Through Date

Not applicable.

Current Date

Not applicable. Oscar is entering the Alabama individual market effective with the 2026 plan year.

Allowed and Incurred Claims Incurred During the Experience Period

Not applicable. Oscar used a manual rate methodology for claim projection purposes.

4.2. Benefit Categories

The benefit categories described below are based on the algorithm used by Milliman's *Health Cost Guidelines*™ (HCGs). The HCG grouper uses a combination of Diagnosis Related Groups (DRGs), Current Procedural Terminology Codes – Fourth Edition (CPT-4 Codes), Healthcare Common Procedural Coding System codes (HCPCS), and revenue codes to allocate detailed claims into roughly 60 benefit categories.

The utilization and unit cost data for rate development were assigned to benefit categories as shown in Worksheet 1, Section I of the URRT based on place and type of service using a detailed claim mapping algorithm, which can be summarized as follows:

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, ancillary, observation and other services provided in an outpatient facility setting and billed by the facility.

Professional

Includes non-capitated primary care, specialty care, therapy, the professional component of laboratory and radiology, and other professional services, except for hospital based professionals whose payments are included in facility fees.

Other Medical

Includes non-capitated ambulance, home health care, durable medical equipment, prosthetics, supplies, vision exams, dental services and other services. The measurement units for utilization used in this category are a mix of visits, cases, and procedures.

Prescription Drug

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

4.3. Projection Factors

Trend Factors – Cost and Utilization

Not applicable. Oscar solely relied on a manual rate methodology for claim projection purposes.

Adjustments to Trended EHB Allowed Claims PMPM

Not applicable.

Manual Rate Adjustments

Due to Oscar entering the Alabama individual market effective with the 2026 plan year, a manual rate methodology was developed for rating purposes as described in this section.

Source and Appropriateness of Experience Data Used

In the absence of base experience claim data, Oscar started with individual claim experience from January 1, 2024 through December 31, 2024, with runout through May 31, 2025, as the manual rate basis in the projection. The starting claim experience is from Oscar's legal entity (Oscar Insurance Company of Florida; NAIC code 16374) offering in the Florida individual market.

In accordance with *Actuarial Standards of Practice (ASOP) #25 — Credibility Procedures,* Oscar's internal credibility manual, determined from statistical relationships inherent in nationwide experience in the individual market, assigns full credibility at 85,000 member months. Oscar's manual includes [redacted] member months and is considered fully credible for purposes of developing claim projections.

Adjustments Made to the Data

Exhibit B summarizes the adjustment factors, as described in this section, used to project the manual rate claims on an allowed basis to the projection period.

- Incurred But Not Reported

  The starting claim experience represents Oscar's best estimate of claims incurred during the manual period. The estimate includes:

  - Claims processed through Oscar's claim system,
  - Claims processed outside of the claim system (e.g. pediatric dental and vision services), and
  - Oscar's best estimate of IBNR.

  Oscar's claim reserves consists of liabilities for both claims incurred but not reported ("IBNR") and reported but not yet processed through our systems that are determined by employing actuarial methods that are commonly used by health insurance actuaries. The completion factor development method is utilized for non-catastrophic claims (under $250,000), supplemented by a projected per-member per-month (PMPM) claims methodology for generally the most recent two months. Projected PMPMs are developed from the Company's historical experience and adjusted for emerging experience data in the preceding months, which may include adjustments for known changes in estimates of recent hospital and drug utilization data, provider contracting changes, changes in benefit levels, changes in member cost sharing, changes in medical management processes, product mix, and workday seasonality. A seriatim methodology is utilized for single catastrophic claims (over $250,000), supplemented by known open cases that are in various stages of review by Oscar's medical management team, or under bill audit review. A separate accrual process is also employed to develop reserves for exposure related to out-of-network and other provider disputed claims.

- Trend Factors – Cost and Utilization

  Average cost trends were developed based on Oscar's anticipated reimbursement levels. Utilization trends were developed at the broad service category level: inpatient facility, outpatient facility, professional, other, and prescription drugs. Utilization trend assumptions were generally estimated using Milliman's HCG secular utilization trend levels, which are based on large data sets and are widely used by insurers and others to estimate expected claim costs and model healthcare utilization.

  Table 1 provides the annualized trend assumptions that were used to adjust the allowed claims from the manual period to the projection period. The overall trend used to get from the manual period to the projection period is based on an unleveraged prospective annual trend of [redacted]

- Plan Design Changes

  Oscar applied an adjustment to account for the anticipated changes in the average utilization of services due to differences in average cost sharing requirements between the manual period and projection period. Plan behavior change factors were applied at the plan level using factors developed from Oscar's nationwide risk adjusted individual claim experience. The resulting allowed and net claim costs for each plan reflect differences due to cost sharing and the impact of plan behavior change only, and not due to health status.

  A second adjustment was included to account for anticipated changes in underlying benefit coverage between the manual period and the projection period capturing inherent differences in EHBs, state mandated benefits, and eliminated benefits.

- Demographic Shift

  An adjustment was included to account for the anticipated changes in demographic mix — in age and gender — between the manual base period and the projection period.

- Changes in the Morbidity of the Covered Population

  The starting claim experience was adjusted to reflect changes in the anticipated morbidity corresponding to Oscar's projected demographic mix and membership distributions.

  A second adjustment of [redacted] was included to reflect changes in the anticipated market morbidity in response to the uncertainty inherent in the marketplace. Specifically, Oscar anticipated changes to the market morbidity associated with a [redacted] shrinkage in Alabama's enrollment for the projection period relative to the experience period, due to the ending of the enhanced subsidies introduced by the American Rescue Plan Act, as well as the several new procedures and requirements introduced by the 2025 Marketplace Integrity and Affordability Proposed Rule.

Lastly, an adjustment was made to account for the anticipated changes in market morbidity between the Florida and Alabama individual markets. To estimate the market morbidity impact, Oscar relied upon the Final Summary Report on Risk Adjustment for the 2024 Benefit Year published by CMS on June 30, 2025 to estimate the market wide plan liability risk score, allowable rating factor, actuarial value, and induced demand factor for the Florida and Alabama individual markets.

These adjustments reflect the projected change in claim costs outside of the underlying demographics of the covered population and were also assumed when estimating the risk adjustment transfer for the projection period.

- Change in Network
  Oscar applied an adjustment to account for anticipated changes in provider reimbursement levels between the manual period and projection period. The reimbursement changes are in response to modifications to Oscar's underlying contracts with its providers.

- Prescription Drug Rebates
  An adjustment was included to account for the anticipated changes in the level of prescription drug rebates between the manual period and projection period.

- Pooling Charge
  An adjustment was included to account for Oscar experiencing higher than expected shock claims during the manual period. In this context, a shock claim is defined as annual costs in excess of $750,000 per individual claimant.

Inclusion of Capitation Payments
Not applicable.

Credibility of Experience
Not applicable. Oscar is entering the Alabama individual market effective with the 2026 plan year.

Establishing the Index Rate
Experience Period
Not applicable.

Projection Period
The index rate is defined as the EHB portion of projected allowed claims with respect to trend, benefit, and demographics and divided by all projected single risk pool lives. Oscar's projection period index rate for the 2026 plan year as shown in Worksheet 1, Section II of the URRT is [redacted]

Development of the Market-Wide Adjusted Index Rate
The market-adjusted index rate is calculated as the sum of the projection period index rate, the impact of the risk adjustment program, and the projected exchange user fees. Table 2 details the projection period index rate, allowable market-wide modifiers as defined in 45 CFR Part 156, §156.80(d), and the resulting market-adjusted index rate.

[redacted]

[redacted]

The adjustments in the table above reflect all of the market-wide modifiers allowed in federal regulation and the average demographic characteristics of the single risk pool. Please note the allowable market-wide modifiers were adjusted to an allowed basis in the development of the market-adjusted index rate which is consistent with the basis of the projected index rate.

Reinsurance

Not Applicable

Risk Adjustment Payment/Charge

To estimate the risk adjustment PMPM, Oscar relied upon the results of the *The Wakley National Risk Adjustment Reporting Project* supplied to Oscar by Wakely to estimate the market wide plan liability risk score, allowable rating factor, actuarial value, and induced demand factor for the individual market. The statewide average premium estimates relied on results from the *Interim Summary Report on Risk Adjustment for the 2024 Benefit Year* published by CMS on March 14, 2025. Oscar's geographic cost factor was also adjusted based on the anticipated geographic mix for the 2026 plan year.

Oscar then crosswalked the market metrics — plan liability risk score, statewide average premium, and geographic cost factors — from the manual period (i.e. Florida market) to the projection period (i.e. Alabama market) while maintaining similar relative risk profiles by metal level.

Additional adjustments were made to account for the anticipated changes in the Health and Human Services Hierarchical Condition Categories (HHS-HCC) risk adjustment coefficient changes from the 2024 plan year to the 2026 plan year, for both Oscar and the market. These adjustments were determined from the HHS Risk Weight Conversion Tool that was supplied to Oscar by Wakely.

Oscar also included an adjustment to account for the anticipated impact of the Risk Adjustment Data Validation (RADV) audit on the 2026 plan year. To estimate the RADV impact, Oscar relied on historical experience in the individual market, measured anticipated risk adjustment coding error rates inherent in the 2022 and 2023 plan years, and forecasted those error rates to the projection period. The RADV impact is estimated as a payment of [redacted] PMPM.

Lastly, Oscar considered the impact to the projected risk adjustment transfer for the addition of the high-cost risk pooling mechanism that was implemented starting with the 2018 plan year.

The projected risk adjustment transfer, net of the risk adjustment user fee and expressed on an allowed basis, is estimated as a payment of approximately [redacted] and is reflected in Worksheet 1, Section II of the URRT.

Any resulting risk adjustment transfer payments would be allocated proportionally across all plans in Oscar's individual market single risk pool.

Detailed quantitative support of the risk adjustment transfer projection is provided in Exhibit C.

Exchange User Fees

Oscar assumed that [redacted] of gross premiums will enroll through the exchange which translates to an estimated exchange user fee assessment of [redacted] PMPM. Development of this estimate is provided in Table 3.

[redacted]

[redacted]

The projected exchange user fee, expressed on an allowed basis, is estimated as a payment of approximately [redacted] and is reflected in Worksheet 1, Section II of the URRT.

4.4. Plan-Adjusted Index Rate

Projected Plan-Adjusted Index Rates

Exhibit D summarizes the plan-adjusted index rates, which are determined by applying the allowable plan-level modifiers to the market-adjusted index rate.

The allowable modifiers as described in 45 CFR Part 156, §156.80(d)(2) are the following:

Actuarial Value and Cost-Sharing

Each plan's actuarial value and cost-sharing factor includes a benefit relativity adjustment and the expected impact of the plan's cost sharing amounts on the member's utilization of services. Oscar's internal benefit pricing model, which uses a single claim distribution for all plans, was used to estimate how members purchase services differently based on the level of plan-specific cost sharing. By utilizing a static claim distribution, the pricing model's adjustments assume the same demographic and risk characteristics for each plan priced and therefore exclude expected differences in the health status of members assumed to select each plan.

Plan's Provider Network and Delivery System Characteristics

There are no anticipated plan-specific differences in the provider network or utilization management practices in Oscar's projected product suite.

Plan Benefits in Addition to the EHBs

Oscar's product suite will not cover benefits for any non-EHB services.

Administrative Costs, Excluding Exchange User Fees

The net claims costs are adjusted to account for expected non-benefit expenses. Exhibit E summarizes the components of the administrative cost factor as shown in Worksheet 2, Section III of the URRT.

4.5. Calibration

A composite calibration adjustment is applied uniformly to all plans. Detailed support of the calibration factor is provided in Exhibit F. The market-wide calibration factor is [redacted]

Age Curve Calibration

The average age factor used in the calibration process is [redacted] and was determined by applying the standard age curve established by HHS to the projected member distribution by age, with an adjustment for non-billable members who exceed the maximum of three child dependents under the age of 21 rule.

Under this methodology, the approximate average rated age, rounded to the nearest whole number, associated with the single risk pool is [redacted].

Geographic Factor Calibration

The average geographic rating factor is [redacted]. In order to determine the geographic calibration factor the projected distribution of members by area was determined. The weighted average of the area factors was then calculated using this distribution.

Exhibit G provides a summary of the proposed geographic rating factors applied to the plan-adjusted index rates.

Tobacco Factor Calibration

The average tobacco rating factor used in the calibration process is [redacted]

The tobacco factors by age were developed using a Milliman research report titled *Impact of Height, Weight, and Smoking on Medical Claim Costs*, which tabulates the medical claim costs by age for smokers and non-smokers using a government data source, the Medical Expenditure Panel Survey (MEPS). Smoker prevalence rates, which were utilized above to develop the tobacco calibration factor, were based on Oscar's empirical data, and are not anticipated to be substantially different in the projection period.

4.6. Consumer-Adjusted Premium Rate Development

Oscar derives consumer-adjusted premium rates by calibrating the plan-adjusted index rate and applying the rating factors specified by 45 CFR Part 147, §147.102. Exhibit H includes the proposed rate manual and a sample rate calculation.

5. Projected Loss Ratio

Oscar's projected loss ratio based on the federally-prescribed MLR methodology is [redacted]. The numerator of the projected loss ratio contains claim costs and HCQI expenses net of receipts from the risk adjustment program and the denominator consists of total premiums net of premium taxes and regulatory fees. Note the MLR in this context does not capture all adjustments, including multi-year averaging, credibility, and deductible averaging. A summary of each component included in the loss ratio projection is provided in Exhibit I.

6. Plan Product Information

6.1. AV Metal Values

The AV metal values included in Worksheet 2, Section I of the URRT were based on the HHS actuarial value calculator with actuarial adjustments for certain plans with unique plan designs.

6.2. Membership Projections

Oscar projected membership as displayed in Worksheet 2, Section IV of the URRT by considering the size of the projected Alabama Individual market in 2026 as well as our historical enrollment patterns of the Alabama Individual market, to estimate our assumed market penetration rate and member months projection. For silver level plans in the individual market, an estimate was made for the portion of projected enrollment that will be eligible for CSR subsidies at each subsidy level.

Exhibit J summarizes the membership projection by metal level, including the alternative variant silver plans which CSR eligibles can purchase, and exchange status.

6.3. Plan Type

The plan types listed in Worksheet 2, Section I of the URRT appropriately describe Oscar's plans.

7. Miscellaneous Information

7.1. Effective Rate Review Information

CSR Subsidies

Oscar assumed that CSR subsidies will not be funded by the federal government for the 2026 plan year. If CSR funds are not appropriated and CSR plans continue to be offered, Oscar will then be solely responsible for covering cost sharing for these members. The proposed rates contained herein assume that CSR subsidies remain unfunded by the federal government and that the resulting shortfall will be applied exclusively to Oscar's on-exchange silver plans.

Marketing Method

Oscar will market individual policies through the federally facilitated marketplace, direct sales channels and broker arrangements.

Renewability

The products offered within this filing are all guaranteed issue (i.e., no medical underwriting) and guaranteed renewable as required under the ACA. This rate filing applies to non-grandfathered plans only that are open to new sales. Premiums will be charged on a monthly basis and are guaranteed for the duration of the 2026 plan year.

Issue Age Limit

No age limits apply to the plans represented in this filing. Dependent children are eligible for coverage up to and including age 25.

7.2. Reliance

In developing this rate filing, several internal departments were relied upon for information and assumption setting. This information includes, but is not limited to: Actuarial providing rating factors, and claim trend projections; Insurance Financial Management providing membership projections, non-benefit expenses, and taxes and fees; supplemental market data and analytics modeling to estimate the impact of the Expiration of the Enhanced Subsidy Tax Credits from third party consultants; and the Insurance Business providing product changes and contractual terms for healthcare providers and vendors. I have performed a limited review of this information and have deemed it to be reasonable.

7.3. Actuarial Certification

I, [redacted] am an Actuary for Oscar. I am a member of the American Academy of Actuaries and I meet the qualification standards of the Academy to render the actuarial opinion contained herein.

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 Part 156, §156.80(d)(2) and 45 CFR Part 147, §147.102),
- Developed in compliance with the applicable Actuarial Standards of Practice, including but not limited to:
    - 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. 26, *Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans*,
- ASOP No. 41, *Actuarial Communications*,
- ASOP No. 42, *Determining Health and Disability Liabilities Other than Liabilities for Incurred Claims,*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies,* and
- ASOP No. 50, *Determining Minimum Value and Actuarial Value Under the ACA*.

- Reasonable in relation to the benefits provided and the population anticipated to be covered, and
- Neither excessive nor deficient.

I further certify that:

- The index rate and only the allowable modifiers as described in 45 CFR Part 156, §156.80(d)(1) and 45 CFR Part 156, §156.80(d)(2) were used to generate plan level rates,
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area, and
- The AV calculator was used to determine the AV metal values shown on Worksheet 2 of the Part I URRT for all plans.

URRT Methodology

The Part I URRT and Alabama ACA Rate Review Template do not demonstrate the process used by Oscar to develop proposed premium rates. It is representative of information required by federal and state 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 regulations and used consistently and only adjusted by the allowable modifiers.

Individual ACA Marketplace Changes

Rates were developed in line with the current law, which at the time of this rate filing assumes the Enhanced Premium Tax Credits included in the Inflation Reduction Act (IRA) are set to expire 12/31/2025. Future regulatory, legislative, and economic changes may affect the extent to which the rates presented herein are neither excessive nor deficient. This includes, but is not limited to, changes to the 2025 Marketplace Integrity and Affordability Proposed Rule, any changes to the Premium Tax Credit subsidy structure, changes to Medicaid eligibility, and the potential funding of Cost Sharing Reductions.

Scenario B - Enhanced Subsidy Continuation Alternative Rates

In the event that the American Rescue Plan Act enhanced subsidies are extended throughout the 2026 plan year, Oscar anticipates a premium reduction of [redacted]. Please see Table 4 below for a breakout of each impacted assumption.

Scenario C - Enhanced Subsidy Expiration and CSR-Funded Alternative Rates

In the event that the American Rescue Plan Act enhanced subsidies expire but Cost Sharing Reductions are funded for

2026, Oscar anticipates a premium reduction of [redacted]. Please see Table 4 below for a breakout of each impacted assumption.

Scenario D - Enhanced Subsidy Continuation and CSR-Funded Alternative Rates

In the event that the American Rescue Plan Act enhanced subsidies are extended and Cost Sharing Reductions are funded for 2026, Oscar anticipates a premium reduction of [redacted]. Please see Table 4 below for a breakout of each impacted assumption.

Table 4 - Rate Changes Between Scenarios by Impact

[redacted]

[redacted]
Fellow, Society of Actuaries
Member, American Academy of Actuaries
August 11, 2025

Exhibit A

Summary of Proposed Rate Increases

Exhibit B

Manual Rate Development

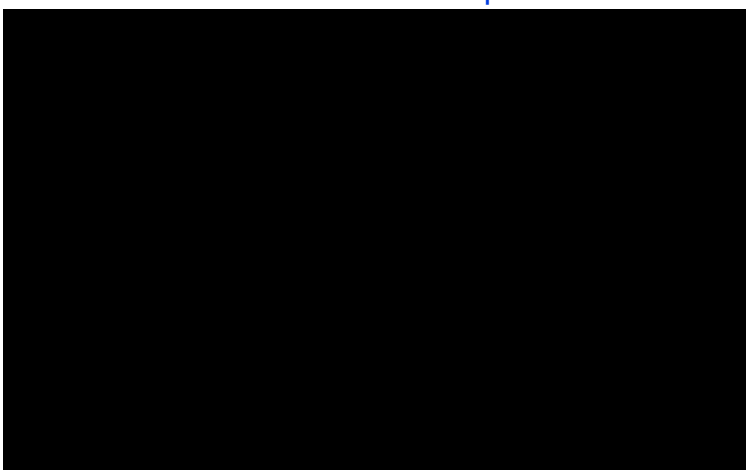

Exhibit C

Risk Adjustment Transfer Projection for the 2026 Plan Year

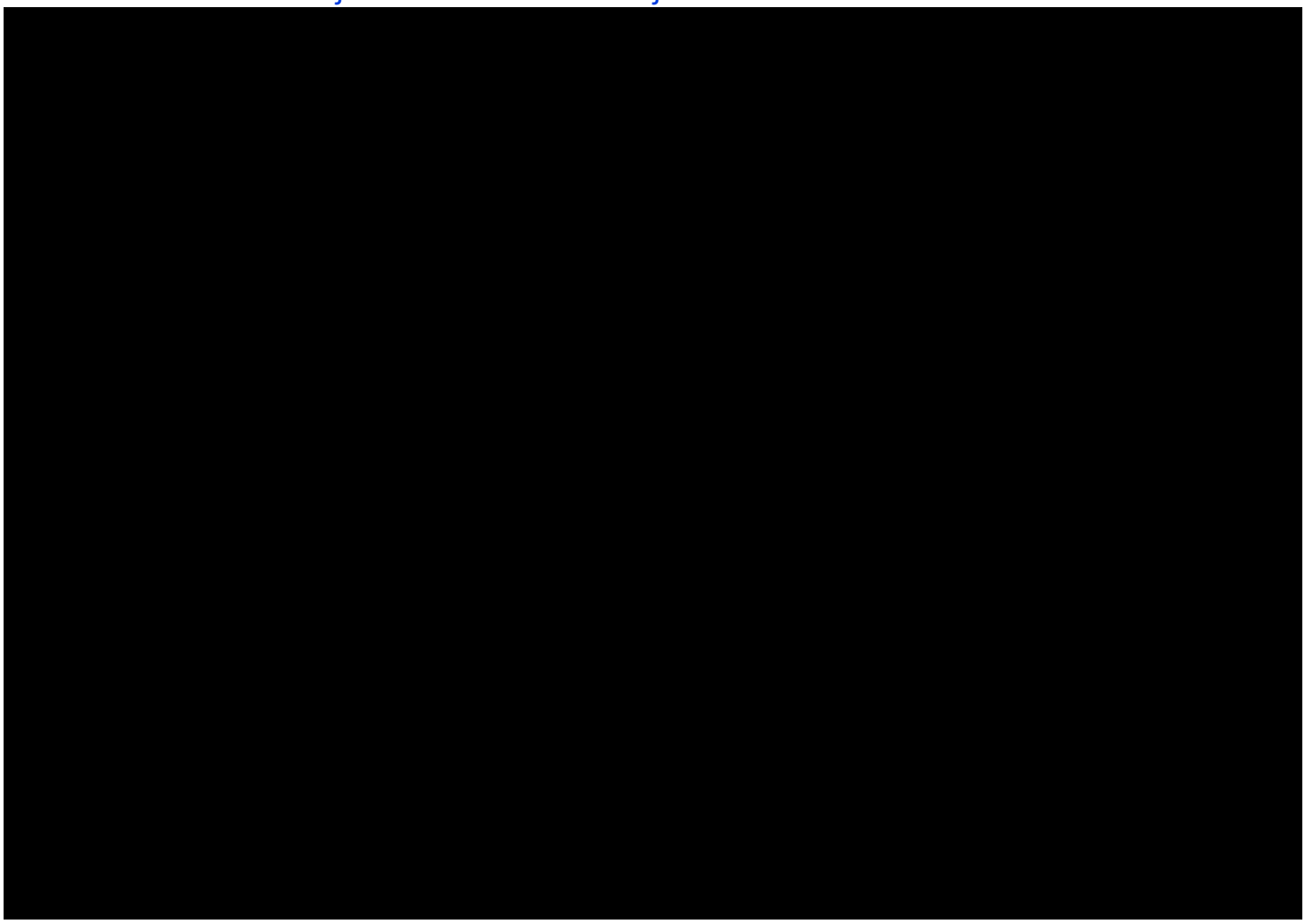

Exhibit D

Plan-Adjusted Index Rates (1 of 2)

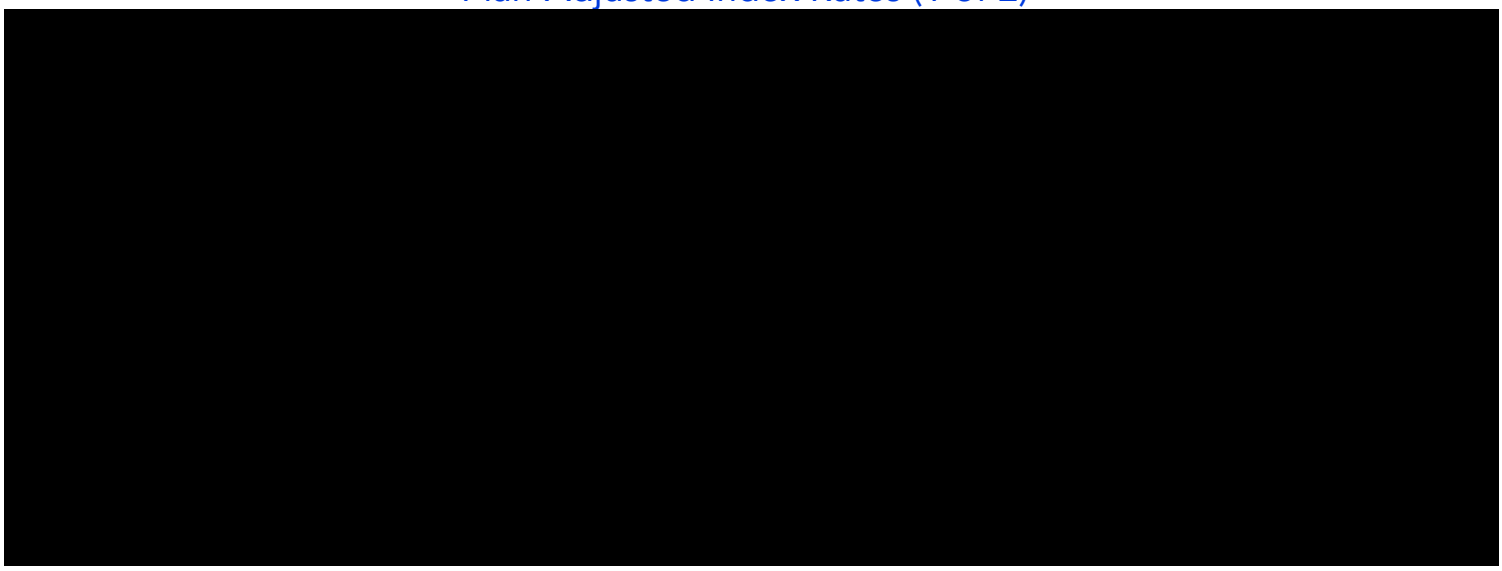

Exhibit D

Plan-Adjusted Index Rates (2 of 2)

Exhibit E

Administrative Cost Factor Components

Exhibit F

Calibration Development

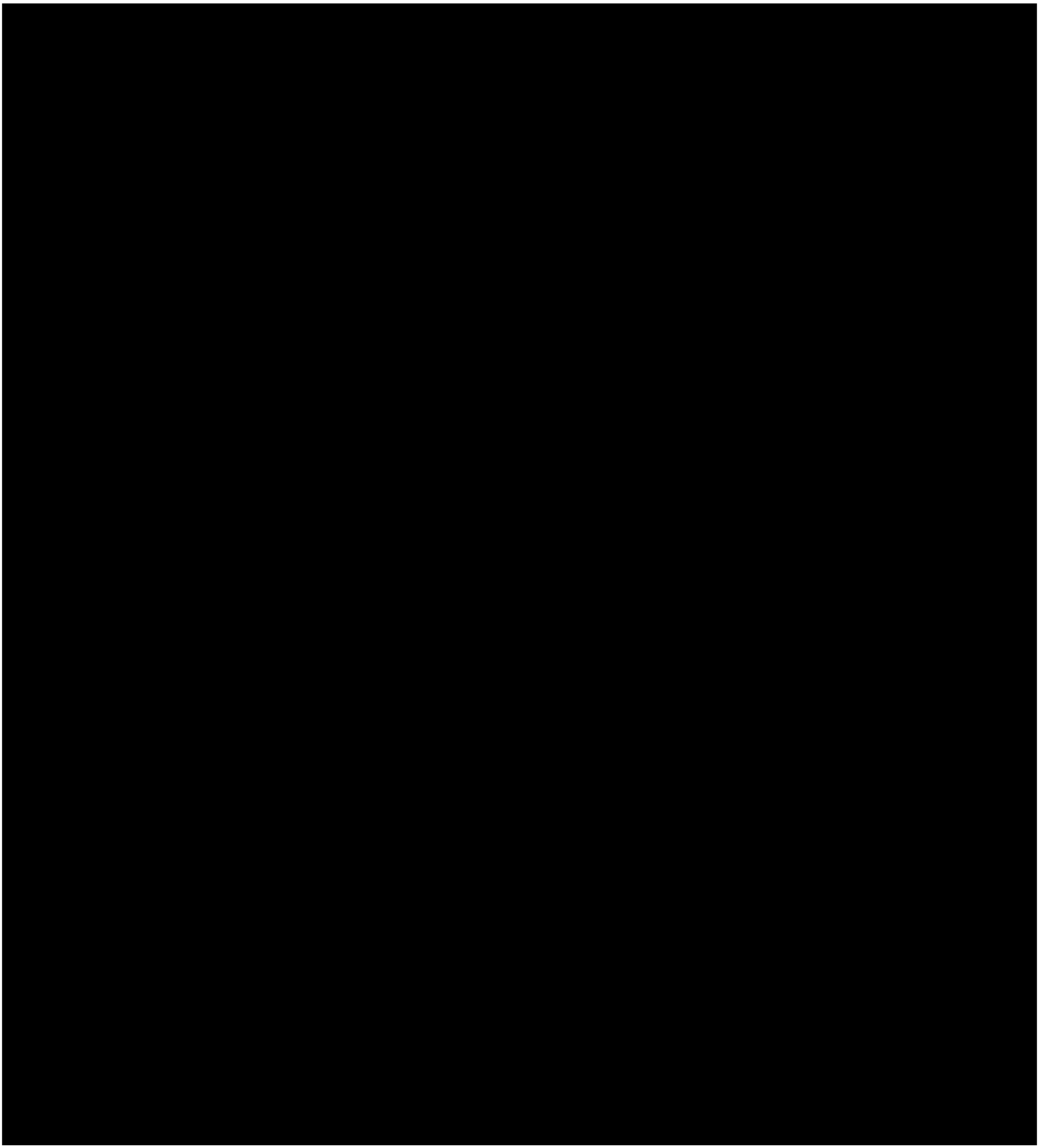

Exhibit G

Geographic Rating Factors

Exhibit H

Rate Manual (1 of 2)

Exhibit H

Rate Manual (2 of 2)

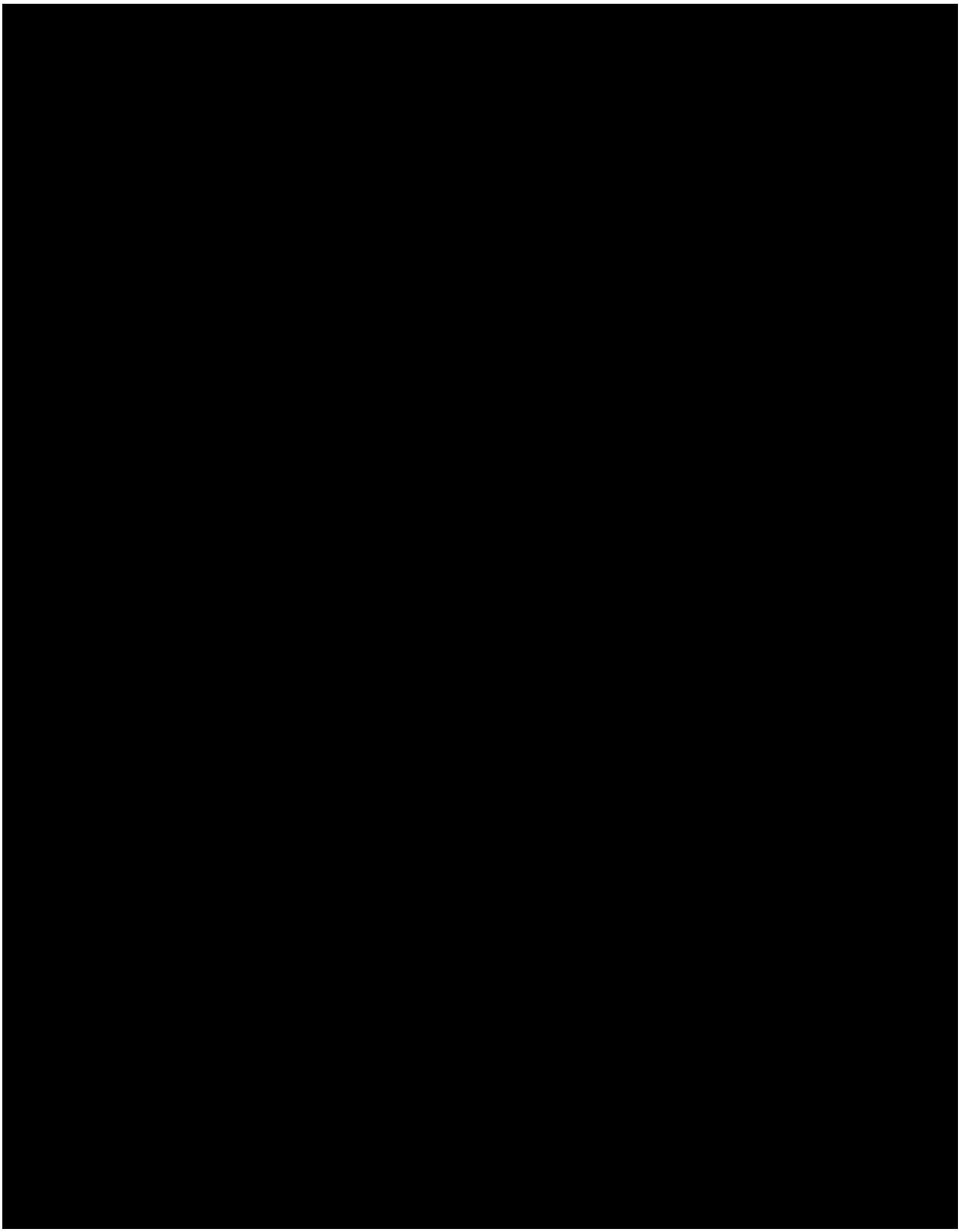

Exhibit I

Projected Medical Loss Ratio

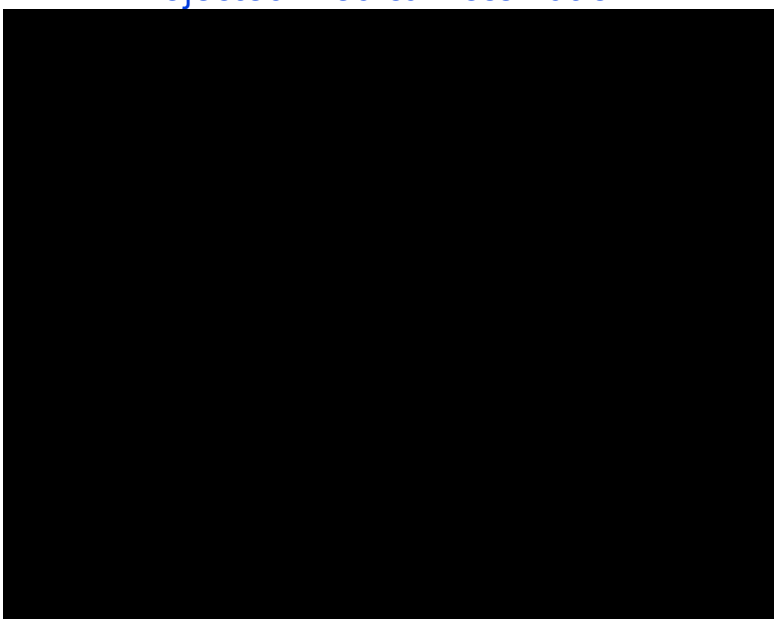

Exhibit J

Distribution of Projected Membership Across Metal