Milliman

AvMed, Inc.
Individual Medical Business
Part II – Written Description Justifying the Rate Increase

This document contains the Part II written description justifying the rate increase subject to review on AvMed, Inc.'s (AvMed) individual medical block of business, effective January 1, 2026. The statements provided are intended to provide a brief, non-technical description of why the issuer is requesting the proposed rate increase.

The information in this document will be provided to the Florida Office of Insurance Regulation (OIR), the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of AvMed's rate filing. We understand that the information provided will be considered public documents, and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this document to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for AvMed by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party. Furthermore, it is possible that changes subsequent to this filing in laws, regulations, and / or sub-regulatory guidance by the federal government, the state government, or any of their agencies could affect the appropriateness of the premium rates being filed.

PART II – WRITTEN DESCRIPTION JUSTIFYING THE RATE INCREASE

Scope and Range of Rate Increase

The average proposed rate increase of 27.0%, effective January 1, 2026 is expected to impact 19,558 members, based on March 2025 membership. The rate increase varies by plan and area, ranging between 21.3% and 32.8%. Rate changes vary by plan due to the impact of changes in benefits and rating adjustments to account for the non-funding of Cost Sharing Reduction (CSR) payments.

Financial Experience of the Product

After accounting for payments into the risk adjustment program, AvMed has an overall risk-adjusted MLR of 90.6% in 2024. The proposed rate increase is intended to account for expected claims activity in 2026 given historical experience and any anticipated changes. With the proposed rate increase, the anticipated federal loss ratio is expected to be 83.2% overall in 2026.

Changes in Medical Service Costs

Medical trend for these products is anticipated to be an average of 5.9% for medical services and 13.1% for prescription drugs per year on allowed claims. This was developed based on historical experience, as well as consideration for information available on changes in the cost of services due to general medical inflation and changes in the anticipated utilization of services. For 2026 cost projections, adjustments to 2024 allowed claims consider population changes and costs. This includes factoring in expected disenrollments resulting from the expiration of enhanced premium subsidies established in the American Rescue Plan Act at the end of 2025. **The expiration of these subsidies may lead to higher average statewide morbidity, potentially increasing overall medical costs.**

Changes in Benefits

Changes in benefits have been made to these plans, leading to an aggregate 1.8% increase in rates. Any impact of benefit changes is reflected in the proposed rate changes.

Administrative Costs and Anticipated Profits

AvMed assumes comparable administrative costs and margin to that underlying 2025 pricing, totaling approximately 20% of premium. As such, these components do not have an impact on the proposed rate change.