



Baylor Scott & White Health

Results of Actuarial Equivalence Testing for Plan Year 2026

October 2, 2025

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Introduction

Under the Medicare Modernization Act of 2003 (MMA), beginning in 2006, Medicare provides a subsidy for Medicare-eligible retirees enrolled in a qualified employer-sponsored prescription drug plan. Qualified plans must meet certain requirements, including actuarial certification that the benefit is at least actuarially equivalent to the standard Medicare Part D benefit, maintenance of individual retiree payment and eligibility records, various eligibility and financial filings to Medicare, and notification to retirees about whether the plan provides creditable coverage. The purpose of this analysis is to provide the Creditable Coverage status for the 2026 plan year for those plans included in the benefit option summary.

WTW was engaged by Baylor Scott & White Health (BSWH) to determine whether or not the prescription drug benefits under the BSWH benefit options outlined in this memo are at least actuarially equivalent to the Medicare Part D standard benefits for 2026, prior to any improvements made by PPACA. The purpose of this analysis is to provide BSWH with the determination of creditable prescription drug coverage. This report and the accompanying exhibits document our analysis.

Summary of Results

Based on the plan information and data provided to us, we have reached the following conclusions:

The benefit options under the Plan that are listed below provide actuarially equivalent or greater benefits compared to the average benefits expected to be provided under the Medicare Part D standard benefit. As a result, each benefit option shown below provides creditable coverage for 2026:

- Select Exclusive Quality Alliance Plan (SEQA)
- Exclusive Quality Alliance Plan (EQA)
- Premium Plan (PPO)
- High Deductible Health Plan (HDHP)
- Live well Premium Plan (Live well Premium)
- Live well High Deductible Health Plan (Live well HDHP)

Creditable Coverage Tests

Gross Value Test

This test assesses the gross value (i.e., before participant contributions) of each of BSWH's benefit options to determine whether it is greater than the value of the benefits provided under the standard Medicare Part D plan.

We have reviewed each benefit option's plan design and determined its value by applying the benefit option's plan provisions to the selected claims continuance table. The plan provisions for the Medicare Part D standard benefit were also applied to the selected claims continuance table to estimate the gross value of the Medicare Part D coverage. We have determined that the gross value of each benefit option exceeds the gross value of the Medicare Part D standard benefit.

The following table illustrates the results of our analysis:

Benefit Option	Pass/Fail
Select Exclusive Quality Alliance Plan	Pass
Exclusive Quality Alliance Plan	Pass
Premium Plan	Pass
High Deductible Health Plan	Pass
Live well Premium Plan	Pass
Live well High Deductible Health Plan	Pass

Actuarial Certification

BSWH retained WTW to determine the Creditable Coverage status of the BSWH prescription drug program with the benefits by Medicare Part D for the plan year beginning January 1, 2026. There is no relationship between WTW and BSWH that would impair, or appear to impair, the objectivity of our work.

The consulting actuary is a member of the Society of Actuaries and the American Academy of Actuaries. I, Nick Westphal certify that I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time to time by the Actuarial Standards Board. I acknowledge that the information contained in this report is being used to obtain federal funds. All of the sections of this report are considered an integral part of the actuarial opinion.

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. We are aware of no errors or omissions that would have a significant effect on the results of our calculations.

The actuarial assumptions and methods employed in the demonstration of actuarial equivalence are consistent with Actuarial Standards of Practice. This analysis demonstrates actuarial equivalence in compliance with the CMS requirements under 42 CFR 423.884 and is in accordance with applicable laws and regulations. The results shown in this report are reasonable actuarial results. However, a different set of results could also be considered reasonable actuarial results, since the Actuarial Standards of Practice describe a “range of reasonable assumptions” for each measurement, rather than a single best-estimate value. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the reasonable range for each assumption.

In preparing this report, we have also used WTW’s Medicare Rx Modeler which provides an objective approach for comparing an organization’s retiree prescription drug benefit plan designs against the Standard Medicare Part D plan design in order to conduct the Gross and Net Tests for purposes of attesting to the plan’s actuarial equivalence under the Medicare Part D Retiree Drug Subsidy (RDS) program. The model allows a single set of utilization data and assumptions to be used to compare each benefit plan design to the Standard Medicare Part D plan benefits for a given calendar year. The underlying data used to run the model was a calibration of the underlying Merative MarketScan (“MarketScan”) data to approximate BSWH’s claims distribution.

The Medicare Rx Modeler is a proprietary model developed by a team of WTW employees and actuaries. The model is updated annually for the upcoming year’s Standard Medicare Part D benefit design with periodic updates made to the underlying MarketScan data. The

model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence, however, we are not aware of any material inconsistencies among assumptions used in this work. The demographics of the standard population which the underlying MarketScan data is based on may not be consistent with a specific client organization's demographics. We know of no material limitations that would prevent the model from being suitable for these intended purposes.

The calculation and presentation of results relies on the assumptions used and the reasonability of the assumptions selected. The output of the model used in this analysis are considered reasonable based on the aggregation of assumptions used. However, a different set of results could also be considered reasonable based on a range of possible values used for each assumption.

The individuals signing or delivering this report have relied on other WTW employees and actuaries who develop, test and maintain each of the proprietary models used for this analysis and have also performed a limited review of assumptions and results to ensure that the models have been set up appropriately and coded correctly. We have not relied on any external experts to develop, review, or validate the model used in this analysis.

The information contained in this report was prepared for the internal use of BSWH in connection with the determination of Creditable Coverage for their qualified active health plans. It is neither intended, nor necessarily suitable, for other purposes. BSWH may also distribute this report to the appropriate authorities who have the legal right to require BSWH to provide them with this report, in which case BSWH will use best efforts to notify WTW in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent.



Nick Westphal, ASA, MAAA

WTW

Date: 10/2/2025

Exhibit 1

Summary of Actuarial Methods and Assumptions

Average Expected Benefits (Gross Value): The average expected benefit (or gross value) was determined by applying a benefit formula (either for a benefit option or for Medicare Part D standard benefits) to the elements of each row in the continuance table. Each resulting benefit amount was multiplied by the frequency of that row. The average expected benefit was then calculated by adding the results for all rows in the continuance table.

Medicare Part D Parameters: For the attestation calculation, the 2026 Medicare parameters were used. These values are as follows:

	2025	2026
Deductible	\$590.00	\$615.00
Out-of-Pocket Threshold	\$2,000.00	\$2,100.00
Cost Limit	\$12,150.00	\$12,650.00

Continuance Table: The WTW Medicare Eligible Retiree Prescription Drug Continuance Table was the basis used to calculate expected benefits. The normative data from MarketScan^{1,2} used to create this continuance table consisted of prescription drug claim data of 360 thousand Medicare enrollees between January 1, 2023 and December 31, 2023. The resulting continuance table was projected from 2023 to 2026 assuming 7% annual trend in costs.

Part D Covered Drugs:

The claims data used in this analysis did not explicitly exclude non-Part D approved prescription drugs. The analysis of the gross value test assumed that non-Part D approved prescription drugs were, as a percentage, small enough that results would not be substantially different if removed.

Allocation of Combined Deductibles, Out-of-Pocket Limits and Maximums:

Some benefit options include a deductible, out-of-pocket limit and/or benefit maximum that applies to both prescription drug and non-prescription drug claims combined. A portion of such items was allocated to the prescription drug benefit in proportion to the expected prescription drug claims divided by the expected combined claims.

Data Sources:

BSWH, through its third-party administrator, furnished participant data, claim data, and plan provisions. Data were reviewed for reasonableness and consistency, but no audit was performed. Assumptions or estimates were made by the WTW actuaries when data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

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²Liability Language: This report contains 2023 continuance table data derived from a Merative US L.P. program licensed by WTW known as MarketScan ("MarketScan Data"). You agree not to reference, disclose or distribute any MarketScan Data to any third party. MarketScan Data shall remain the property of WTW and/or Merative US L.P. You are not granted a license, express or implied, under any trade secret right, trademark, patent, copyright or other proprietary right in the MarketScan Data.

Exhibit 2

Summary of Benefit Option Provisions

Because the majority of the BSWH pharmacy claim spend is incurred under Tier 1 pharmacy coverage, we have modeled the benefit offered by BSW pharmacies for testing purposes.

	SEQA	EQA	Premium Plan	Live well Premium Plan	HDHP Plan	Live well HDHP Plan
Annual Rx Deductible	N/A	\$100 individual deductible for Non-Preferred drugs filled at Contracted Pharmacies	\$100 individual deductible for Non-Preferred drugs filled at Contracted Pharmacies	N/A	\$1,750*	\$1,700*
Annual Out-of-Pocket Max	\$4,000*	\$4,500*	\$5,000*	\$5,000*	\$4,500*	\$4,500*
BSW Pharmacies^ – 30-day						
Preferred Generic	\$5	\$5	\$7	N/A	10% coins	N/A
Preferred Brand	\$25	\$35	\$40	N/A	10% coins	N/A
Non-Preferred	Lesser of \$50 or 50%	Lesser of \$50 or 50%	Lesser of \$60 or 50%	N/A	10% coins	N/A
Specialty	\$100	20% up to \$200 max	20% up to \$200 max	N/A	10% coins	N/A
Contracted Pharmacies^ – 30-day / 90-day mail order (out-of-state plans only)						
Preferred Generic	\$12	\$12	\$14	\$7 / \$14	20% coins	10% / 20% coins
Preferred Brand	\$50	\$50	\$60	\$40 / \$80	20% coins	10% / 20% coins
Non-Preferred	Lesser of \$75 or 50%	Lesser of \$75 or 50% after deductible	Lesser of \$75 or 50% after deductible	Lesser of \$60 / \$120 or 50%	20% coins	10% / 20% coins
Specialty	N/A	N/A	N/A	20% up to \$200 max	N/A	10% / 20% coins
BSW Pharmacies^ – 90-day						
Preferred Generic	\$10	\$10	\$14	N/A	10% coins	N/A
Preferred Brand	\$50	\$70	\$80	N/A	10% coins	N/A
Non-Preferred	Lesser of \$100 or 50%	Lesser of \$100 or 50%	Lesser of \$120 or 50%	N/A	10% coins	N/A
Specialty	N/A	N/A	N/A	N/A	N/A	N/A

* Combined with medical

^ Certain chronic and preventive prescriptions are available at a reduced cost share. Fertility drugs covered with a \$7,500 lifetime maximum.

Plan Provision Sources:

BSWH provided WTW with a summary of the plan provisions. We are not aware of any errors or omissions that would have a significant effect on the results of our calculations.