SERFF Tracking #:	*USHG-131042611*	***State Tracking #:***	*ACA OFF EXCHANGE ONLY*	***Company Tracking #:***	*2018 AR EHB EHBC FLIC RATES OFF EXCHANGE*

State:	*Arkansas*	***Filing Company:***	*Freedom Life Insurance Company of America*
TOI/Sub-TOI:	*H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)*		
Product Name:	*EHB Plan*		
Project Name/Number:	*2018 EHB Rates/*		

Rate Information

Rate data applies to filing.

Filing Method:	SERFF
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	9.980%
Effective Date of Last Rate Revision:	01/01/2017
Filing Method of Last Filing:	SERFF

Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Freedom Life Insurance Company of America	Increase	105.870%	105.870%	$13,287	2	$13,136	207.270%	101.150%

State: Arkansas **Filing Company:** Freedom Life Insurance Company of America
TOI/Sub-TOI: H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)
Product Name: EHB Plan
Project Name/Number: 2018 EHB Rates/

Rate Review Detail

COMPANY:

Company Name: Freedom Life Insurance Company of America
HHS Issuer Id: 61273

PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
AR EHB FLIC	61273AR021	61273-998218748877911053	1
AR EHBC FLIC	61273AR022	61273-998218748877911053	1

Trend Factors: The total trend is assumed to be 7.6% annually.

FORMS:

New Policy Forms:
Affected Forms:
Other Affected Forms: EHB-2017-IP-AR-FLIC, EHBC-2017-IP-AR-FLIC

REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual
Member Months: 21
Benefit Change: None
Percent Change Requested: Min: 105.87 Max: 105.87 Avg: 105.87

PRIOR RATE:

Total Earned Premium: 0.00
Total Incurred Claims: 0.00
Annual $: Min: 259.39 Max: 439.68 Avg: 430.88

REQUESTED RATE:

Projected Earned Premium: 327,326.00
Projected Incurred Claims: 268,997.00
Annual $: Min: 534.00 Max: 905.17 Avg: 887.06

Freedom Life Insurance Company of America

Actuarial Memorandum for Policy Form
EHB-2017-IP-AR-FLIC with EHB-2017-SCH-AR-FLIC &
EHBC-2017-IP-AR-FLIC with EHBC-2017-SCH-AR-FLIC

I. GENERAL INFORMATION

Insurance Company Name	Freedom Life Insurance Company of America
State	Arkansas
HIOS Issuer ID	61273
Market	Individual Major Medical
Effective Date	January 1, 2018
Primary Contact Name	Daniel Cruz
Primary Contact Phone #	[redacted]
Primary Contact E-mail Address	[redacted]

The rates included in this filing are for non-grandfathered individual major medical plans and child only non-grandfathered individual major medical plans which cover the Essential Health Benefits (EHB) as required under the Affordable Care Act (ACA). These plans are guaranteed issue and guaranteed renewable as defined under the ACA and HIPAA. These plans were marketed through licensed agents operating through a variety of distribution channels. In 2018, our insurance company will renew plans that were previously sold outside of the public health exchanges in this state. Coverage beyond age 65 will be secondary to Medicare. Premiums are on an attained age basis and will increase with age. Premiums also vary by plan design, tobacco status and geographic area. Only the oldest three dependents under age 21 will be charged a premium rate for a given policy. This actuarial memorandum has been prepared for the purpose of demonstrating compliance with the applicable requirements in your state, assuring that premium rates are reasonable in relation to benefits provided. This rate filing is not intended to be used for other purposes.

II. PROPOSED RATE INCREASE

There are currently 2 inforce policies under these forms. The average net total premium increase proposed for these policy forms is 105.87%. This increase reflects expected changes in morbidity from the experience period population to the projection period population, medical and utilization trend and other adjustments to the experience that reflect our best estimate of projected costs in your state. The development of the projected 2018 Index Rate along with the underlying assumptions is detailed in later sections.

In 2018 we are changing the deductible(s) due to the new HHS AV Calculator. The new HHS AV Calculator has been updated to include medical cost and utilization trend as well as an updated out of pocket maximum. The annual trend assumption does not include deductible leveraging. The deductible leveraging increase that would normally be included in the annual trend is offset by the increase in deductibles and the change in the HHS AV Calculator. This change is covered under the uniform modification of coverage

exception under sections 2702 and 2703 of the Public Health Service Act as defined by 45 CFR 146.152, 147.106 and 148.122.

III. EXPERIENCE PERIOD PREMIUM AND CLAIMS

The Unified Rate Review Template was completed using state and legal entity specific non-grandfathered experience in order to comply with the Department of Health and Human Services (HHS) requirements. For the purpose of estimating the average risk of the 2018 market, experience of our non-grandfathered major medical plans for all of our affiliate companies Freedom Life Insurance Company of America, National Foundation Life Insurance Company, and Enterprise Life Insurance Company was reviewed together. This combined experience was used in order to develop an actuarially appropriate prediction of the market wide per member per month risk and standardized claim cost in 2018. The rate development experience period used for the credibility manual is for the years 2013-2016 while the Worksheet I state and company single risk pool experience and experience period are described in this section.

Experience Period: The experience period is from January 1, 2016 through December 31, 2016.

Paid Through Date: The paid through date for which payments have been made on claims incurred during the experience period is January 31, 2017.

Premiums (Net of MLR Rebate) in Experience Period: In the Unified Rate Review Template, the Earned Premium net of Medical Loss Ratio (MLR) rebates for the Calendar Year 2016 experience period was [redacted] for your state. Earned Premium was not adjusted for any reductions prescribed when calculating the MLR, such as taxes and assessments. There were no estimated MLR rebates for the experience period in your State. Our accounting department estimates accrued premium refunds required under Federal Minimum Loss Ratio regulations for our individual medical insurance business by projecting Incurred Claims, Earned Premiums, and other elements and applying adjustments as outlined in Federal laws and regulations. These projections are performed on a state and market level basis and recent claims experience is adjusted for estimated claim reserves on a state level basis.

Allowed and Incurred Claims During the Experience Period: For the Unified Rate Review Template (URRT), the amount of Incurred Claims processed through our claim system for the experience period 2016 was [redacted] for your state. The best estimate of experience period claims incurred but not reported was [redacted] for your state. The amount of allowed claims processed through our claim system for the experience period 2016 was [redacted] for your state. The best estimate of experience period allowed claims incurred but not paid as of the paid through date shown above was [redacted] for your state. Allowed claims are developed by subtracting ineligible charges and discounts from the total provider billed amount. We have no capitation agreements. All state experience

provided in the URRT is based on our entity specific non-grandfathered block of business. See the Credibility Manual Rate Development section below for details on how the Credibility Manual section of Worksheet 1 of the URRT was determined.

Our accounting department develops lag triangles for our nationwide individual medical experience. Historical averages are used in order to calculate our monthly completion factors. Specific large claims are also analyzed and additional reserves may be set up based on anticipated PPO savings and run-out for those claims.

IV. BENEFIT CATEGORIES

Inpatient services are those received during a patient's hospital stay and are included in the Inpatient Hospital Category. Outpatient services (e.g. lab tests, X-rays, and some surgical services) are those rendered by a facility within an outpatient setting. Professional services include primary care, specialist, therapy and other professional charges that are not included in facility fees. Other Medical services include charges for items that do not fall into the categories above, such as ambulance and durable medical equipment. The Other category is measured based upon distinct services or items provided. Retail and mail order pharmacy claims are included in the Prescription Drug category.

V. PROJECTION FACTORS

Changes in the Morbidity of the Insured Population: We have analyzed four years of data in order to revise this assumption. We used the CMS-HCC Risk Adjustment Model and used the diagnosis codes and member months of our non-grandfathered major medical block of business for years 2013-2016. For each calendar year we produced an average Nationwide risk score and an average state specific risk score. Each risk score was compared to the State Average Plan Liability Risk Score as shown in Appendix A of the "Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2015 Benefit Year" report produced by CMS and released on June 30, 2016. This file shows the State Average Plan Liability Risk Score to be 2.075. We assumed that the CMS-HCC Risk Adjustment Model age factors that are part of the PLRS calculation account for the true cost differential between ages not captured by the 3:1 age rating factors. Using our experience and this CMS report we have created Morbidity Adjustment Factors for each experience year, for all years combined and split between Nationwide and state specific experience. Please see the calculations in Exhibit C. The URRT uses state specific experience for calendar year 2016 only and so the population risk morbidity factor shown in Section II of the URRT corresponds to our state specific adjustment factor for the 2016 incurred year experience which is equal to [redacted]. The URRT experience is company specific but our risk score analysis is on a state level so this factor is applied equally for all affiliate company filings where multiple filings exist.

Our pricing methodology utilizes four years of experience in order to increase credibility. The overall four year period Nationwide Morbidity Adjustment Factor is [redacted] and the

corresponding State Morbidity Adjustment Factor is [redacted]. If state specific data has no credibility then only the Nationwide Morbidity Adjustment Factor is used.

Changes in Benefits: There are no changes in the benefits factor assumption used in the approved 2017 rates. However, the application of the assumption in the URRT and in our pricing methodology has changed as the experience includes a different proportion of ACA compliant products to transitional non-grandfathered products. The change in benefits factor assumption is applied to the transitional non-grandfathered portion of the 2016 experience and the factor shown in the URRT reflects this change. We have also applied this factor to the transitional non-grandfathered portion of claims for the experience used in the Credibility Manual. The adjustment due to changes in benefits for the state specific 2016 experience is equal to [redacted]. The table below lists the estimated additional cost associated with each new benefit. These estimates are based upon purchased data and experience of a standard population. The estimated additional benefit costs below represent the percentage increase applied to the transitional non-grandfathered policies only:

Benefit Estimated Additional Cost	Percent
Maternity	[redacted]
Prescription Drug	[redacted]
Mental Health & Substance Abuse	[redacted]
Dental	[redacted]
Doctor's Office Visits	[redacted]
Vision	[redacted]
Chiropractor	[redacted]
All Other	[redacted]
Total	[redacted]

Changes in Demographics: Our pricing methodology utilizes the risk score differences between our internal risk score and the market average risk score. In applying a morbidity adjustment factor to our experience we are also adjusting our data to the market average age demographics. Without current experience available to more reasonably project a certain age distribution, we are using an age distribution that is equivalent to the average age of the market. The Average Area Factor adjustment shown in Exhibit A reflects the new geographic area distribution. In addition we are not altering the previously filed Area Factors, instead a geographic area calibration factor is used to adjust the projected allowed claims to account for the premium that will be collected given the new projected enrollment distribution.

Trend Factors (cost/utilization): Our trend assumption utilized in our projection varies by experience year. We based our trend assumptions on the 2017 Segal Health Plan Cost Trend Survey study. In particular, page 6 of the study provides a table that lists overall trend by year for PPO plans. [redacted]

[redacted]. In our Index Rate development we converted these annualized trends to a monthly basis and applied the trend to each month of data using the factors shown in Exhibit D. In the URRT, the 2017 trend of [redacted] is used on Worksheet I. The estimated portion of this assumption due to increases in medical cost is [redacted] and the estimated portion due to increased utilization is [redacted] (These portions are multiplicative).

VI. CREDIBILITY MANUAL RATE DEVELOPMENT

The Credibility Manual Rate was developed using Nationwide and State Specific Non-Grandfathered experience for years 2013-2016. Our non-grandfathered major medical plans include all of our affiliate companies. Allowed claims per member per month (PMPM) were calculated from this experience and adjusted to reflect the 2018 projected allowed claims. The factors used are shown in Exhibit A and are described in Section V of the Actuarial Memorandum.

The rating methodology used to project the 2018 Index Rate relied upon internal data over a four year experience period. The experience allowed claims were grouped by month and trended forward to 7/1/2018. The trended allowed claims were summed together for the four year period as were the member months and an Allowed Claims PMPM value was calculated. Three adjustments were applied to this value, an EHB Benefit Adjustment, a Morbidity Adjustment and an Average Area Factor Adjustment. The EHB Benefit Adjustment is equal to the Changes in Benefit factor described in Section V multiplied by the percent of transitional non grandfathered claims in the experience period. The Morbidity Adjustment development is shown in Exhibit C and described in Section V. The Average Area Factor Adjustment is our estimate of the relative cost between the state and Nationwide claims. This factor is applied only to the Nationwide data. The final result is a Projected 2018 Allowed Claims PMPM value for Nationwide and State Specific data. A weighted average between these two projections based on the credibility of the state specific data was used to project the final 2018 Index Rate. The 2018 Projected Index Rate equals [redacted].

Our pricing methodology did not use assumptions that varied by benefit category. Since this was required in the URRT we developed additional assumptions and adjustments in order to produce an appropriate utilization and average cost split between benefit categories.

VII. CREDIBILITY OF EXPERIENCE

Our standard for fully credible data is 2,000 life years, with less than 500 life years having no credibility. For life years between 500 and 2,000 life years, credibility is linearly interpolated from 0% at 500 life years to 100% at 2,000 life years. Credibility in your state is equal to [redacted]. This credibility standard was used in the Credibility Manual Rate development for each experience year and for the four year period.

VIII. PAID TO ALLOWED RATIO

Our paid to allowed ratio was initially estimated using our internal experience for the plan benefits. We have adjusted this ratio for the change in output of the Actuarial Value Calculator between the outputs for the 2018 and 2017 plan years. The estimated paid to allowed ratio is [redacted].

IX. RISK ADJUSTMENT

Risk Adjustment: We have developed manual rates for a 1.0 average statewide risk and assumed that our company would enroll average risk individuals. Therefore, no risk adjustment PMPM payment is assumed in 2018. The Risk Adjustment Admin fee is $1.68 per year which is [redacted] PMPM. We have applied this amount to the allowed claims so we divided by the average paid to allowed ratio and added this amount to the Index Rate in order to get the Market Adjusted Index Rate PMPM.

X. NON-BENEFIT EXPENSES AND PROFIT & RISK

Expenses are estimated based off of current costs, adjusted for any anticipated changes in 2018. The pricing load to cover these expenses is applied consistently across all plans.

Category	Percent of Premium
Customer Service, Claims Administration & Information Systems	[redacted]
Marketing Expenses	[redacted]
General Overhead	[redacted]
Cost Containment	[redacted]
Commissions and Sales Bonus	[redacted]
Quality Improvement	[redacted]
Taxes, Fees, and State Assessments	[redacted]
Profit and Contingency Margin	[redacted]
Total	[redacted]

XI. PROJECTED LOSS RATIO

The projected loss ratio on a traditional Incurred Claims to Earned Premium basis is [redacted]. We project the loss ratio for these products based on the MLR formula will meet or exceed 80%, after the allowed adjustments for quality improvement expenses, premium taxes & fees, credibility, and average deductible in your state.

XII. SINGLE RISK POOL

The Single Risk Pool for this filing as displayed in Section I of Worksheet 1 of the Unified Rate Review Template consists of data specific to this state and for Freedom Life Insurance Company of America. For pricing purposes, we utilized experience for all

covered lives for every non-grandfathered product/plan combination for all of our affiliate companies Freedom Life Insurance Company of America, National Foundation Life Insurance Company, and Enterprise Life Insurance Company.

XIII. INDEX RATE

The Index Rate of [redacted] is shown in cell V44 of worksheet 1 of the Unified Rate Review Template (URRT) and in Exhibit B. This index rate reflects our expected allowed claims from our pricing assumptions.

XIV. MARKET ADJUSTED INDEX RATE

Our Market Adjusted Index Rate used in pricing is shown in Exhibit B. Using the Risk Adjustment and Reinsurance Factor described in Section IX, the pricing Market Adjusted Index Rate as shown in Exhibit B is calculated as follows:

[redacted]

XV. PLAN ADJUSTED INDEX RATE

The Plan Adjusted Index Rates are developed by adjusting the Market Adjusted Index Rate to account for the Actuarial Value and Cost Sharing adjustments for each plan and adjustments for distribution and administrative costs. Using the Actuarial Value and Cost Sharing Factors and the expenses described in Section X, the Plan Adjusted Index Rates are the following:

[redacted]

XVI. CALIBRATION

An age curve calibration factor of [redacted] is used to adjust the Plan Adjusted Index Rates in order to calculate the Consumer Adjusted Premium Rates. The Geographic Calibration Factor is equal to [redacted]. The Tobacco Calibration Factor is equal to [redacted].

XVII. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for each plan that is charged to an individual after applying the calibration factors and the rating adjustments of age, area, and tobacco status. Please see Exhibit B.

XVIII. AV METAL VALUES

The HHS Actuarial Value Calculator (AVC) was used to generate the AV metal values for the plans in our portfolio. These plans represent the standardized plans promulgated by your state. We have attached the HHS AV calculator page(s).

XIX. AV PRICING VALUES

The AV pricing values were originally determined by studying our own internal experience, comparing those results to the AV Calculator output and applying an adjustment for utilization differences we expect due to plan cost sharing design. In the Actuarial Value Calculator Methodology document released by HHS, HHS states that spending is affected by plan design through induced demand, and they in turn have explicitly differentiated and estimated the impact of induced utilization by metal level. The HHS defined induced utilization factor for the Bronze metal level is [redacted]. Since we don't have enough credible experience to determine separate induced utilization factors for each metal level, we are applying the prescribed HHS induced utilization factors used in the HHS risk score to our plans. We have adjusted the AV Pricing Values for the change in output of the Actuarial Value Calculator between the outputs for the 2018 and 2017 plan years. These values are then divided by the projected loss ratio in order to account for the administrative expenses.

XX. MEMBERSHIP PROJECTIONS

We projected 2018 enrollment from the existing business by assuming a [redacted] annual lapse rate and projecting enrollment to expected area distributions.

XXI. TERMINATED PRODUCTS

On February 23, 2017, CMS announced that transitional non-grandfathered policy forms may continue to remain inforce until December 31, 2018. Pending the response of the state along with internal considerations, we have not made a final decision as to whether or not we will terminate our transitional block of business. For filing purposes we have grouped the transitional policies in the URRT and have labeled them "Terminated Products". Non-grandfathered products USHG-2009-C-AR-FLIC, GMS-06-C-AR-FLIC-H, GMS-06-C-AR-FLIC-H-MEDSAV, HDHP-06-C-AR-FLIC-H and HDHP-2009-C-AR-FLIC may be discontinued as of 12/31/2017. These products are included in the experience period data.

XXII. PLAN TYPE

All 2018 individual medical plans will be PPO plans.

XXIII. WARNING ALERTS

Warning alerts from the unified rate review template are explained below:

1. Worksheet 2 Cell A96 has a warning because there is no projected reinsurance as the Federal Reinsurance Program went away in 2017.
2. Worksheet 2 Cell A57 has a warning because the premiums on Worksheet 1 include terminated plans while the premiums in Worksheet 2 do not. The URRT instructions for Worksheet 2 Plan Adjusted Index Rates say the following, “For terminated non-single risk pool compliant plans, enter zero in the template.”

XXIV. EFFECTIVE RATE REVIEW INFORMATION

See the attachments for additional rating information.

XXV. RELIANCE

In developing this rate filing I relied upon information provided by others within my department, as well as on information provided by other departments within the organization, and public information available including but not limited to the "2017 Segal Health Plan Cost Trend Survey", various HHS publications, and other sources. I have reviewed this information for reasonableness and I consider it to be reliable.

XXVI. ACTUARIAL CERTIFICATION

I am a member of the American Academy of Actuaries. I also meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States promulgated by the American Academy of Actuaries, and I have the education and experience necessary to perform the work included in this filing. I am employed by USHealth Administrators, LLC., a subsidiary of USHealth Group holding company, of which National Foundation Life Insurance Company and Freedom Life Insurance Company of America are also subsidiaries. I hereby certify, to the best of my knowledge and judgment,

1. This rate filing is in compliance with the applicable laws and regulations concerning premium rate development in this state and the benefits are reasonable in relation to premiums.
2. The projected index rate is:
    a. In compliance with all applicable State and Federal Statutes and Regulations.
    b. Developed in compliance with Actuarial Standards of Practice.
    c. Reasonable in relation to the benefits provided and the population anticipated to be covered.
    d. Neither excessive nor deficient.
3. 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.
4. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections 3 and 4 were calculated in accordance with actuarial standards of practice.
5. The HHS AV Calculator was used to determine the 2018 AV Metal Values for all individual health plans shown in Worksheet 2 of the Part I Unified Rate Review Template.
6. The Actuarial Value Calculator Actuarial Value was determined in accordance with the Actuarial Standards of Practice established by the Actuarial Standards Board and with applicable laws and regulations.
7. The metal levels for the 2018 individual health plans included in this filing were appropriately assigned based on applicable law.
8. The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

This opinion is qualified, in that the Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather, it represents information required by Federal regulation to be provided in support of the review of rate increases and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

July 5, 2017

Daniel Cruz, A.S.A., M.A.A.A. Date
Assistant Actuary

Freedom Life Insurance Company of America
EHB-2017-IP-AR-FLIC with EHB-2017-SCH-AR-FLIC & EHBC-2017-IP-AR-FLIC with EHBC-2017-SCH-AR-FLIC
2018 Rate Filing

Exhibit A Index Rate Development

Nationwide										
Year	Trended Allowed Claims	Member Months	PMPM Trended Allowed Claims	Transitional NGF % of Claims	EHB Benefit Adjustment Factor	Morbidity Adjustment	Average Area Factor Adjustment	Projected 2018 PMPM Allowed Claims	Average Lives	Credibility
2013	[redacted]									
2014										
2015										
2016										
Total										

Arkansas										
Year	Trended Allowed Claims	Member Months	PMPM Trended Allowed Claims	Transitional NGF % of Claims	EHB Benefit Adjustment Factor	Morbidity Adjustment	Average Area Factor Adjustment	Projected 2018 PMPM Allowed Claims	Average Lives	Credibility
2013	[redacted]									
2014										
2015										
2016										
Total										

Credibility Adjusted Index Rate	
Year	Adjusted PMPM
2013	[redacted]
2014	
2015	
2016	
Average Induced Utilization	
2018 Projected Index Rate	

Exhibit B Premium Rate Development

Index Rate for Projected Period PMPM	
Risk Adjustment PMPM	
Net Reinsurance Contributions PMPM	
Exchange User Fees PMPM	
Market Adjusted Index Rate PMPM	

Metal Tier	
Metal AV Value	
Market Adjusted Index Rate PMPM	
Plan Adjustments (in multiplicative format)	
Actuarial value and cost-sharing design of the plan	
Plan benefits in addition to EHB	
Expected impact of special eligibility categories (only for catastrophic plans)	
Plan Adjustments (in % format)	
Distribution and administration costs	
Plan Adjusted Index Rate	
Age Calibration Factor	
Geography Calibration Factor	
Tobacco Calibration Factor	
Aggregate Calibration Factor	
Consumer Adjusted Premium Rate PMPM	

Age 45 Factor	
Geographic Rating Area #1	
Geographic Rating Area #2	
Geographic Rating Area #3	
Geographic Rating Area #4	
Geographic Rating Area #5	
Geographic Rating Area #6	
Geographic Rating Area #7	

Final Premium Rate (Age 45, Area 1)	$
Final Premium Rate (Age 45, Area 2)	$
Final Premium Rate (Age 45, Area 3)	$
Final Premium Rate (Age 45, Area 4)	$
Final Premium Rate (Age 45, Area 5)	$
Final Premium Rate (Age 45, Area 6)	$
Final Premium Rate (Age 45, Area 7)	$

Freedom Life Insurance Company of America
EHB-2017-IP-AR-FLIC with EHB-2017-SCH-AR-FLIC & EHBC-2017-IP-AR-FLIC with EHBC-2017-SCH-AR-FLIC
2018 Rate Filing

Exhibit C Morbidity Adjustment Exhibit

Nationwide Non-Grandfathered Risk Scores 2013-2016

Incurred Year	Member Months	Total Risk Score	Average Risk Score	2015 Marketplace Risk Score	Anti-Selection Factor	Morbidity Adjustment
2013	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2014	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2015	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2016	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Arkansas Non-Grandfathered Risk Scores 2013-2016

Incurred Year	Member Months	Total Risk Score	Average Risk Score	2015 Marketplace Risk Score	Anti-Selection Factor	Morbidity Adjustment
2013	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2014	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2015	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2016	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Freedom Life Insurance Company of America
EHB-2017-IP-AR-FLIC with EHB-2017-SCH-AR-FLIC & EHBC-2017-IP-AR-FLIC with EHBC-2017-SCH-AR-FLIC
2018 Rate Filing

Exhibit D Trend Exhibit

Year	Trend assumption
2013 Annualized Trend	[redacted]
2014 Annualized Trend	
2015 Annualized Trend	
2016 Annualized Trend	
2017 Annualized Trend	

Incurred Month	Trend Factor
201301	[redacted]
201302	
201303	
201304	
201305	
201306	
201307	
201308	
201309	
201310	
201311	
201312	
201401	
201402	
201403	
201404	
201405	
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201708	
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201710	
201711	
201712	
201801	
201802	
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201805	
201806	
201807	
201808	
201809	
201810	
201811	
201812	

Freedom Life Insurance Company of America
Exhibit E.1
Rate Formula and Example

Rating Variables:
Bronze
Age 45
Non-Tobacco User
Rating Area 1
1/1/2018 Effective Date
Monthly Mode

Formula	Value
Monthly Base Rate	[redacted]
x Age Factor	[redacted]
x Tobacco Factor	[redacted]
x Actuarial Value Pricing Factor	[redacted]
x Area Factor	[redacted]
Final Rate	[redacted]

A rate is calculated for each individual on the policy. However, only the oldest three child dependents under age 21 will be charged a premium rate.

Actual final rate may vary due to rounding.

Freedom Life Insurance Company of America
Exhibit E.2
Rate Formula and Example

Rating Variables:
Bronze
Age 17
Non-Tobacco User
Rating Area 1
1/1/2018 Effective Date
Monthly Mode

Formula	Value
Monthly Base Rate	[redacted]
x Age Factor	[redacted]
x Tobacco Factor	[redacted]
x Actuarial Value Pricing Factor	[redacted]
x Area Factor	[redacted]
Final Rate	[redacted]

A rate is calculated for each individual on the policy. However, only the oldest three child dependents under age 21 will be charged a premium rate.

Actual final rate may vary due to rounding.

User Inputs for Plan Parameters

Use Integrated Medical and Drug Deductible?	☑
Apply Inpatient Copay per Day?	☐
Apply Skilled Nursing Facility Copay per Day?	☐
Use Separate OOP Maximum for Medical and Drug Spending?	☐
Indicate if Plan Meets CSR or Expanded Bronze AV Standard?	☐
Desired Metal Tier	Bronze

HSA/HRA Options		Tiered Network Option	
HSA/HRA Employer Contribution?	☐	Tiered Network Plan?	☐
Annual Contribution Amount:		1st Tier Utilization: 2nd Tier Utilization:	

	Tier 1 Plan Benefit Design			Tier 2 Plan Benefit Design		
	Medical	Drug	Combined	Medical	Drug	Combined
Deductible ($)			$7,350.00			
Coinsurance (%, Insurer's Cost Share)			100.00%			
MOOP ($)			$7,350.00			
MOOP if Separate ($)						

Click Here for Important Instructions

	Tier 1				Tier 2				Tier 1	Tier 2
Type of Benefit	Subject to Deductible?	Subject to Coinsurance?	Coinsurance, if different	Copay, if separate	Subject to Deductible?	Subject to Coinsurance?	Coinsurance, if different	Copay, if separate	Copay applies only after deductible?	
Medical	☑ All	☑ All			☑ All	☑ All			☐ All	☐ All
Emergency Room Services	☑	☑			☑	☑			☐	☐
All Inpatient Hospital Services (inc. MHSU)	☑	☑			☑	☑			☐	☐
Primary Care Visit to Treat an Injury or Illness (exc. Preventive, and X-rays)	☑	☑			☑	☑			☐	☐
Specialist Visit	☑	☑			☑	☑			☐	☐
Mental/Behavioral Health and Substance Use Disorder Outpatient Services	☑	☑			☑	☑			☐	☐
Imaging (CT/PET Scans, MRIs)	☑	☑			☑	☑			☐	☐
Speech Therapy	☑	☑			☑	☑			☐	☐
Occupational and Physical Therapy	☑	☑			☑	☑			☐	☐
Preventive Care/Screening/Immunization	☐	☐	100%	$0.00	☐	☐	100%	$0.00		
Laboratory Outpatient and Professional Services	☑	☑			☑	☑			☐	☐
X-rays and Diagnostic Imaging	☑	☑			☑	☑			☐	☐
Skilled Nursing Facility	☑	☑			☑	☑			☐	☐
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	☑	☑			☑	☑			☐	☐
Outpatient Surgery Physician/Surgical Services	☑	☑			☑	☑			☐	☐
Drugs	☑ All	☑ All			☑ All	☑ All			☐ All	☐ All
Generics	☑	☑			☑	☑			☐	☐
Preferred Brand Drugs	☑	☑			☑	☑			☐	☐
Non-Preferred Brand Drugs	☑	☑			☑	☑			☐	☐
Specialty Drugs (i.e. high-cost)	☑	☑			☑	☑			☐	☐

Options for Additional Benefit Design Limits:

Set a Maximum on Specialty Rx Coinsurance Payments?	☐
Specialty Rx Coinsurance Maximum:	
Set a Maximum Number of Days for Charging an IP Copay?	☐
# Days (1-10):	
Begin Primary Care Cost-Sharing After a Set Number of Visits?	☐
# Visits (1-10):	
Begin Primary Care Deductible/Coinsurance After a Set Number of Copays?	☐
# Copays (1-10):	

Plan Description:

Name: Essential Health Bronze
Plan HIOS ID: 61273AR0210001 & 61273AR00220001
Issuer HIOS ID: 61273

Output

Status/Error Messages:	Calculation Successful.
Actuarial Value:	58.54%
Metal Tier:	Bronze
Additional Notes:	
Calculation Time:	0.1875 seconds

2018 AV Calculator

Rate Filing Justification Part II (Plain Language Summary)

Pursuant to 45 CFR 154.215, health insurance issuers are required to file Rate Filing Justifications. Part II of the Rate Filing Justification for rate increases and new submissions must contain a written description that includes a simple and brief narrative describing the data and assumptions that were used to develop the proposed rates. The Part II template below must be filled out and uploaded as an Adobe PDF file under the Consumer Disclosure Form section of the Supporting Documentation tab.

Name of Company: Freedom Life Insurance Company of America

SERFF tracking number: USHG-131042611

Submission Date:

Product Name: AR EHB FLIC, AR EHBC FLIC

Market Type: (•) Individual ( ) Small Group

Rate Filing Type: (•) Rate Increase ( ) New Filing

Scope and Range of the Increase:

The 105.% increase is requested because:

The rate increase will affect 2 inforce members. This increase reflects a change in medical costs and utilization, changes in morbidity in the experience period and a change in the assumption for the relative morbidity between our block of business and the statewide average risk pool. The average rate increase applied to all plans is equal to 105.87%. The increase due to an annual increase in medical cost and utilization is 7.6% and the increase of 98.27% is due to worsening internal experience of similar products and changes in the expected market risk pool. We expect

This filing will impact:

# of Arkansas policyholder's 2 # of Arkansas covered lives 2

The average, minimum and maximum rate changes increases are:

- Average Rate Change: The average premium change, by percentage, across all policy holders if the filing is approved 105.%
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved 101.%
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 207.%

Individuals within the group may vary from the aggregate of the above increase components as a result of:

Due to the change in the rating factors on the federal age curve, members under the age of 21 will experience an increase higher than the average of 105.87%.

Financial Experience of Product

The overall financial experience of the product includes:

Earned Premium = 52,092, Incurred Claims = 156,526 and Member Months = 84 for 2014-2017 (May)

The rate increase will affect the projected financial experience of the product by:

Projected Earned Premium = 327,326, Incurred Claims = 268,997 and Member Months = 369

Components of Increase

The request is made up of the following components:

Trend Increases – 7.6 % of the 105. % total filed increase

1. Medical Utilization Changes –Defined as the increase in total plan claim costs not attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts. Examples include changes in the mix of services utilized, or an increase/decrease in the frequency of service utilization.

   This component is 2.47 % of the 105. % total filed increase.

2. Medical Price Changes – Defined as the increase in total plan claim costs attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts.

   This component is 5.0 % of the 105. % total filed increase.

Other Increases – 98.2 % of the 105. % total filed increase

1. Medical Benefit Changes Required by Law – Defined as any new mandated plan benefit changes, as mandated by either State or Federal Regulation.

   This component is 0 % of the 105. % total filed increase.

2. Medical Benefit Changes Not Required by Law – Defined as changes in plan benefit design made by the company, which are not required by either State or Federal Regulation.

   This component is 0 % of the 105. % total filed increase.

3. Changes to Administration Costs – Defined as increases in the costs of providing insurance coverage. Examples include claims payment expenses, distribution costs, taxes, and general business expenses such as rent, salaries, and overhead.

   This component is 0 % of the 105. % total filed increase.

4. Changes to Profit Margin – Defined as increases to company surplus or changes as an additional margin to cover the risk of the company.

   This component is 0 % of the 105. % total filed increase.

5. Other – Defined as:

   worsening internal experience of similar products and changes in the expected market risk pool.

   This component is 98.2 % of the 105. % total filed increase.