State: Arkansas *Filing Company:* QCA Health Plan, Inc.
TOI/Sub-TOI: H16G Group Health - Major Medical/H16G.003D Small Group Only - POS
Product Name: QCA Small Group Metal Rates 2018
Project Name/Number: /

Rate Information

Rate data applies to filing.

Filing Method: Approval
Rate Change Type: Decrease
Overall Percentage of Last Rate Revision: 0.750%
Effective Date of Last Rate Revision: 01/01/2017
Filing Method of Last Filing: Approval

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):
QCA Health Plan, Inc.	Decrease	-6.960%	-6.960%	$-432,104	128	$5,772,034	-2.100%	-13.200%

Rate Review Detail

COMPANY:

Company Name: QCA Health Plan, Inc.
HHS Issuer Id: 70525

PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
Qualchoice Small Group Plus	70525AR008	70525-1000654313942477830	1
QualChoice Small Group POS with Pediatric Dental	70525AR015	70525-1000654313942477830	1327

Trend Factors:

FORMS:

New Policy Forms: QCA SG NGF POS EOC (1-2018), SG NGF PEDIATRIC DENTAL RIDER (1-2018), QCA SG NGF POS QCNN ACCESS RIDER (1-2018)
Affected Forms:
Other Affected Forms:

REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual
Member Months: 75,898
Benefit Change: None
Percent Change Requested: Min: -13.2 Max: -2.1 Avg: -6.96

PRIOR RATE:

Total Earned Premium: 6,204,137.80
Total Incurred Claims: 4,963,310.00
Annual $: Min: 1,607.00 Max: 14,385.00 Avg: 4,711.00

REQUESTED RATE:

Projected Earned Premium: 17,213,067.00
Projected Incurred Claims: 13,770,453.00
Annual $: Min: 1,367.00 Max: 11,298.00 Avg: 4,383.00

GENERAL INFORMATION

Company Identifying Information

Company Legal Name:	QCA Health Plan, Inc.
NAIC Company Code:	95448
SERFF Customer Filing Number:	30387
State:	Arkansas
HIOS ID:	70525
Market:	Small Employer Group
Effective Date:	January 1, 2018 to December 31, 2018
Form Numbers:	QCA SG NGF POS EOC (1-2018), SG NGF PEDIATRIC DENTAL RIDER (1-2018), QCA SG NGF POS QCNN ACCESS RIDER (1-2018)

Company Contact Information

Contact Name:
Telephone Number:
Email:

1. PROPOSED RATE INCREASES

Reasons for Rate Increases

In order to maintain both stability and sustainability, both QCA Heath Plan, Inc. ("QualChoice") and QualChoice Life and Health Insurance Company, Inc. review each line of business' financials to determine what, if any, changes are necessary. To complement the financial review, QualChoice also examines market competitiveness and product position to solidify both long and short-term strategies.

Please note that the small group metallic plans is an open block of business and subject to the market type of group sizes 2 to 50. The Calendar Year 2017 portfolio has been reviewed, and the plan options have been adjusted in response to market preferences and mandated requirements.

As of the certification date reflected in the subsequent certification, any non-grandfathered, transitional business will not have to enroll into compliant metallic plans until January 1, 2019.

As such, QualChoice reviewed the 2016 and emerging 2017 experience for the small group metallic plans and determined that rate adjustments were necessary.

The principal factors that influence the overall rate adjustment include, but are not limited to:

- Price Inflation – the cost per service is increasing;
- Utilization Trend – the number of and distribution of services utilized by members is increasing plan sponsor costs;
- Morbidity – the anticipated average risk profile of projected membership in 2018;

- Administrative Expenses – QualChoice reviewed the allocation process associated with the operational cost of business for the exchange business.

The Contract Year ("CY") 2018 filing submission is compliant and pursuant to both Arkansas Insurance Department ("AID") Bulletin 7-2011 and applicable federal regulation. The rates subject to this filing submission apply to all metallic small employer group policies issued or renewed in CY 2018, of employer size 2 to 50. The rates are hereby effective at the renewal date of each group. The rates do not apply to grandfathered plans or transitional plans that are allowed to be renewed pursuant to executive order.

All benefits are priced consistent with the single risk pool.

Please note that the following rate proposal is subject to final market determinations. For example, if any regulatory or market changes are enacted, QualChoice retains the right to reexamine the reasonability of the proposed rates and adjust accordingly. Potential regulatory or market reforms may include, but are not limited to changes in:

- Average risk profile of single risk pool (e.g., modifications to Arkansas Works Program);
- Cost Sharing Reductions (better known as CSR); and
- State or Federal Taxes (e.g., Health Insurer Fee).

MARKET EXPERIENCE

2. EXPERIENCE PERIOD PREMIUM AND CLAIMS

The experience period premium and claims reflect actual base period data of QualChoice members with incurred dates between January 1, 2016 and December 31, 2016, with run-out and incurred but not reported ("IBNR") claim calculations as of April 25, 2017.

Calendar Year 2016 experience for those members who enrolled in a metallic or transitional plan is reflected in the Experience section of the Unified Rate Review Template ("URRT"). While emerging experience was reviewed for projection purposes, no 2017 data is shown in the URRT.

<u>Paid Through Date</u>

The experience period paid through date is April 25, 2017.

<u>Premiums (net of MLR Rebate) in Experience Period</u>

The premiums reflected on Worksheet 1 of the URRT are consistent with the 2016 financials for only members in metallic and transitional plans.

Per QualChoice financials, the minimum loss ratio ("MLR") exceeded the statutory minimum for the 2016 base period. Therefore, QualChoice is not required to pay a rebate for 2016.

Allowed and Incurred Claims Incurred During the Experience Period

The Allowed and Incurred Claims are data extracts summarized from the QualChoice internal data warehouse and QualChoice's Pharmacy Benefit Manager and reconciled against applicable financial information. The data extracts represent claims incurred during 2016 and paid as of April 25, 2017.

The Incurred But Not Reported ("IBNR") residual amount was applied to the baseline experience to estimate the ultimate plan liability consistent with the organization's financial expectations. Medical claim data from all fully insured health plans was used to determine credible completion factors.

Please note that pharmacy claim data was tallied separately with no IBNR residual.

Any additional information is deemed trade secret and proprietary in nature.

3. Benefit Categories

The following table outlines the various benefit categories:

Service Category	Description of Service
Inpatient Hospital	Includes, but is not limited to, services for medical, surgical, maternity, skilled nursing, and other services provided in an inpatient facility setting
Outpatient Hospital	Includes, but is not limited to, services for surgery, emergency room, lab, radiology, therapy, observation provided in an outpatient facility setting
Professional	Includes, but is not limited to, primary care, specialist, therapy, and the professional charges associated with laboratory and radiology services
Other Medical	Includes, but is not limited to, home health care, supplies, other services
Capitation	Includes any services under a capitated arrangement
Pharmacy	Includes drugs by a retail or a mail order pharmacy and contractual rebates received from drug manufacturers

4. Projection Factors

As the base period of historical data reflects 2016 experience, projection factors are necessary to properly account for the anticipated risk of the 2018 projection period. Please note that given the immaturity of the product, a range of actuarially sound assumptions were developed to better understand the broad spectrum of risk and results.

Changes in Morbidity of the Population Insured

The small employer group market is already subject to guarantee issue in the State of Arkansas. Therefore, employees must be actively employed at work to qualify for insurance.

Furthermore, with prior coverage, there is no assumed pent-up utilization demand for services for the small employer group market.

Any additional information is deemed trade secret and proprietary in nature.

Changes in Benefits

Not Applicable.

Changes in Demographics

The average demographics of QualChoice's current enrollment block are assumed to be representative of the future profile.

Any additional information is deemed trade secret and proprietary in nature.

Other Adjustments

Any additional information is deemed trade secret and proprietary in nature.

Trend Factors (Cost/Utilization)

Unit Cost/Utilization Trend Factors

In order to project the volume and service cost of health care benefits that are anticipated to be utilized by members in 2018, both utilization and unit cost trends have been applied to the historical experience.

Utilization trend represents the change in volume of services received by members over a period of time. Unit cost trend represents a combination of the inflationary pressure and the mixture of services received.

Any additional information is deemed trade secret and proprietary in nature.

5. CREDIBILITY MANUAL RATE DEVELOPMENT

Experience from January 1, 2016 to December 31, 2016 from metallic and transitional small employer groups of employer size 2 to 50 was used as the manual.

Source and Appropriateness of Data Used

Consistent with the production of the URRT, the manual rate medical and pharmacy data are extractions from an internal QualChoice data warehouse and QualChoice's Pharmacy Benefit Manager respectively. The data reflects the total cost of health care for all members enrolled in metallic and transitional small employer group plans.

Throughout the manual rate's base period, QualChoice only operates in Arkansas. Thus, the manual rate's base period data is state-specific and reflects federal guidelines of guarantee issue.

Adjustments Made to the Data

While the manual base period data is a good representation of projected claim patterns, it does not capture the ultimate morbidity of the projected small employer group metallic population. Therefore, to account for the morbidity difference between the 2016 manual data and the projected population, an adjustment was applied.

Any additional information is deemed trade secret and proprietary in nature.

Inclusion of Capitation Payments

Not Applicable

6. CREDIBILITY OF EXPERIENCE

Any additional information is deemed trade secret and proprietary in nature.

7. PAID TO ALLOWED RATIO

Any additional information is deemed trade secret and proprietary in nature.

8. RISK ADJUSTMENT AND REINSURANCE

Please note that the populations in the single risk pool for 2016 is assumed consistent with the anticipated population of 2018.

Projected Risk Adjustment

For 2016, QCA Health Plan, Inc. incurred a $59,364 payable for risk adjustment, as published by CCIIO.

Any additional information is deemed trade secret and proprietary in nature.

Projected ACA Reinsurance Recoveries (Net of Reinsurance Premium)

Not Applicable.

9. NON-BENEFIT EXPENSES AND PROFIT & RISK

As part of the general cost of business operations, administrative expenses, taxes, fees, and surplus contribution is a necessary consideration for premium development. The following sections outline key provisions included in the non-benefit load considerations.

Administrative Expense Load

General administrative costs represent the cost of business and the provision of benefits to members.

Common groupings of administrative costs include:

- Sales and Marketing – marketing materials, salaries for sales and marketing staff, commissions, and enrollment packages;
- Direct Administration – customer service, billing, enrollment, medical management, and claim administration; and
- Indirect Administration – salaries and expenses related to corporate services, finance, accounting, and actuarial departments.

Any additional information is deemed trade secret and proprietary in nature.

Profit (or Contribution to Surplus) & Risk Margin

Any additional information is deemed trade secret and proprietary in nature.

Taxes and Fees

Taxes, licenses and fees are the amounts paid to government entities. Examples of fees include, but are not limited to, premium tax with offsets, real estate taxes, payroll taxes, and other fees imposed by government related to normal business operations.

The Patient-Centered Outcome Research Institute ("PCORI") fee for 2018 is assumed to be $2.26 per member per year.

Any additional information is deemed trade secret and proprietary in nature.

PROJECTED LOSS RATIO

Any additional information is deemed trade secret and proprietary in nature.

APPLICATION OF MARKET REFORM RATING RULES

10. SINGLE RISK POOL

The single risk pool reflects all covered lives for all small employer group metallic plans. The single risk pool excludes grandfathered individual plans, transitional policies, and temporary insurance coverage.

11. INDEX RATE

The Index Rate reflects the total allowed claim expense per member per month charge, as extracted from QualChoice's internal data warehouse. The Index Rate of the base period includes only those services compliant with the Essential Health Benefits ("EHB"). Routine adult vision exams were covered in the experience period, but were removed in the calculation of the index rate.

Please note that the Index Rate reflects no cost sharing and represents the allowable costs associated with provision of the EHBs to members in the single risk pool.

For small employer group, the projection periods are defined as the year following a group's anniversary date, as effective in 2018. For example, a group with an anniversary month of April, the projection period is defined as April 2018 to March 2019.

The Index Rate for the Projection Period reflects the member weighted average of the projected Index Rates for all four quarters of 2018.

Any additional information is deemed trade secret and proprietary in nature.

MARKET ADJUSTED INDEX RATE

The Market Adjusted Index Rate was derived from the Index Rate with recognition of the risk adjustment amount.

The Market Adjusted Index Rate for the Projection Period reflects the member weighted average of the projected Market Adjusted Index Rates for all four quarters of 2018.

Any additional information is deemed trade secret and proprietary in nature.

PLAN ADJUSTED INDEX RATES

Plan Adjusted Index Rates were derived from the Market Adjusted Index Rate. The average metallic level actuarial value was determined from the assumed projected distribution of members and ultimate pricing of the products.

The Plan Adjusted Index Rate was adjusted to reflect consideration for administrative expense, margin, and the addition of routine adult vision (a non-EHB).

The Plan Adjusted Index Rates for the Projection Period reflect the member weighted average of the projected respective Plan Adjusted Index Rates for all four quarters of 2018.

Any additional information is deemed trade secret and proprietary in nature.

QUARTERLY TRENDS

Any additional information is deemed trade secret and proprietary in nature

CALIBRATION

Age Curve Calibration

The average age is based on the distribution of members reflected in the manual rate, as previously discussed, and the standard federal age slope. The data reflected in the weighted average age calculation is consistent with the manual rate development. The calculation of the average age and age curve calibration is compliant with the rating rules, as defined by 45 CFR §147.102.

Any additional information is deemed trade secret and proprietary in nature.

Geographic Factor Calibration

Any additional information is deemed trade secret and proprietary in nature.

CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the Plan Adjusted Index Rate calibrated, with all allowable rating factors applied, to both the standard federal age curve and the aforementioned geographic factors.

Any additional information is deemed trade secret and proprietary in nature.

12. AV METAL VALUES

The Actuarial Value ("AV") for metallic validation, as required by 45 CFR Part 156, §156.135 was produced by the official CCIIO AV Calculator.

No adjustments were made to the CCIIO AV Calculator to determine the final metallic level.

13. AV PRICING VALUES

Furthermore, the fixed reference plan covers all prescribed EHBs, and only EHBs at no cost sharing. Premium rates by metallic level reflect difference in actual pricing actuarial values, utilization, network discounts (as applicable). There are no administrative differences that affect the premium, since all administrative costs were set as a percentage of premium.

Any additional information is deemed trade secret and proprietary in nature.

14. MEMBERSHIP PROJECTIONS

The 2018 enrollment projections is based on QualChoice expectations of future retention and growth of the current block of business.

Any additional information is deemed trade secret and proprietary in nature.

15. TERMINATED PRODUCTS/PLANS

Please refer to Appendix 2 for a listing of terminated plans.

16. PLAN TYPE

The plan type options reflected in the URRT adequately represent products in the projection period. Therefore, not applicable.

17. WARNING ALERTS

There are no warning alerts.

MISCELLANEOUS INSTRUCTIONS

18. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

No additional information is warranted.

19. RELIANCE

The certifying actuary relied on various colleagues of QualChoice to determine reasonable assumptions, data, and strategy.

20. ACTUARIAL CERTIFICATION

I, , am and of , a subsidiary of Catholic Health Initiatives. I am in the Society of Actuaries and Member of the American Academy of Actuaries in good standing. I meet the qualification standards established by the American Academy of Actuaries and comply with the applicable Actuarial Standards of Practice.

With respect to the projected index rate, I hereby certify the following statements:

- The projected index rate was calculated within compliance of all applicable State Statutes, Federal Statutes, and Regulations 45 CFR 156.80(d)(1);
- The projected index rate calculations conform to all applicable Actuarial Standards of Practice;
- The projected index rate is reasonable for the projected population and covered benefits; and
- The projected index rate is neither excessive nor deficient.
- 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.

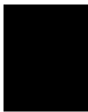
I further certify the following statements:

- 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 percent of total premium that represents Essential Health Benefits included on Worksheet 2, Sections III and IV, of the URRT was calculated in accordance of applicable Actuarial Standards of Practice;
- The final 2018 AV Calculator, as released on April 13, 2017, was used to calculate the AV Metal Values reflected in Worksheet 2 of the Part 1 URRT for all plans;
- The premium rates are not excessive, inadequate, or unfairly discriminatory; and
- The filing was prepared in good faith and based upon all Actuarial Standards of Practice as defined by the Actuarial Standards Board.

Please note that I hereby qualify this opinion that the Part 1 URRT does not demonstrate the process used to develop the premium rates. The Part 1 URRT reflects information required by Federal regulation to be provided in support of the subsequent review of rate increases.

At a minimum, the following Actuarial Standards of Practice ("ASOPs") are applicable:

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Plan Entities*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property Casualty Coverages*
- 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. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*



Confidential Under Arkansas Code Annotated §23-61-103

Appendix 1: Illustrative Premium of 21 Year Old in Central Region [redacted] Plan

Any additional information is deemed trade secret and proprietary in nature.

Appendix 2: Terminated Plans

Any additional information is deemed trade secret and proprietary in nature.

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 QCA Health Plan, Inc.

SERFF tracking number QUAC-131113278

Submission Date 7/14/2017

Product Name Small Group Medical POS

Market Type ○ Individual ◉ Small Group

Rate Filing Type ◉ Rate Increase ○ New Filing

Scope and Range of the Increase:

The -6.9 % increase is requested because:

Price Inflation - the cost per service is increasing;
Utilization Trend - the number of and distribution of services utilized by members is increasing plan sponsor costs;
Morbidity - the anticipated average risk profile of projected membership in 2018; and
Administrative Expenses

This filing will impact:
# of Arkansas policyholder's 128 # of Arkansas covered lives 1327

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 -6.9 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved -13. %
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved -2.1 %

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

Changes to the cost-sharing structure of their plan.

Financial Experience of Product

The overall financial experience of the product includes:

A historical review of 2016 financials and emerging 2017 experience indicates a rate adjustment is necessary.

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

Ensuring the overall financial sustainability of the product and QualChoice.

Components of Increase

The request is made up of the following components:

Trend Increases – -10C % of the -6.9(% 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 -57.· % of the -6.9(% 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 -43.: % of the -6.9(% total filed increase.

Other Increases – 200. % of the -6.9(% 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 -6.9(% 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 -6.9(% 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 14.3 % of the -6.9(% 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 10.7 % of the -6.9(% total filed increase.

5. Other – Defined as:

   Morbidity, Risk Adjustment, and Benefit Pricing

   This component is 175. % of the -6.9(% total filed increase.