SERFF Tracking #:	*UHLC-131006378*	***State Tracking #:***	*ACA OFF EXCHANGE ONLY*	***Company Tracking #:***	

State:	*Arkansas*	***Filing Company:***	*UnitedHealthcare Insurance Company*
TOI/Sub-TOI:	*H16G Group Health - Major Medical/H16G.003G Small Group Only - Other*		
Product Name:	*AR SG INS 2018.01.01*		
Project Name/Number:	*/*		

Rate Information

Rate data applies to filing.

Filing Method:	Review & Approve
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	10.647%
Effective Date of Last Rate Revision:	04/01/2017
Filing Method of Last Filing:	Review & Approve

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):
UnitedHealthcare Insurance Company	Increase	19.448%	19.448%	$9,082,430	428	$46,700,883	31.512%	12.640%

State: *Arkansas* ***Filing Company:*** *UnitedHealthcare Insurance Company*
TOI/Sub-TOI: *H16G Group Health - Major Medical/H16G.003G Small Group Only - Other*
Product Name: *AR SG INS 2018.01.01*
Project Name/Number: */*

Rate Review Detail

COMPANY:

Company Name: UnitedHealthcare Insurance Company
HHS Issuer Id: 81392

PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
POS, PPO, IND		81392-980205539453626430	8447

Trend Factors: The current annual trend is 8.0%. The proposed annual pricing trend is 7.2%.

FORMS:

New Policy Forms: COC-INS-2018-SG AR; EXH-INS-NOC2-2018 SG AR; Policy-INS-2018-SG AR; Rider-INS-2018-UnitedMotion-SG AR; Rider-INS-2018-RealAppeal-SG AR; Rider-INS-2018-Pediatric Dental Network and Out-of-Network-SG AR; Rider-INS-2018-Pediatric Dental Network -SG AR; Rider-INS-2018-Pediatric Vision Network and Out-of-Network-SG AR; Rider-INS-2018-Pediatric Vision Network-SG AR; Rider-INS-2018-Pharmacy Network and Out-of-Network-SG AR; Rider-INS-2018-Pharmacy Network-SG AR; SBN-Medical-INS-2018-Choice Plus-SG AR; SBN-Medical-INS-2018-Non-Differential-SG AR; SBN-Pharmacy-INS-2018-Pharmacy Network and Out-of-Network-SG AR; SBN-Pharmacy-INS-2018-Pharmacy Network-SG AR;

Affected Forms:
Other Affected Forms:

REQUESTED RATE CHANGE INFORMATION:

Change Period: Other
Member Months: 116,761
Benefit Change: None
Percent Change Requested: Min: 12.64 Max: 31.512 Avg: 19.448

PRIOR RATE:

Total Earned Premium: 46,700,883.00
Total Incurred Claims: 35,615,338.00
Annual $: Min: 399.97 Max: 399.97 Avg: 399.97

REQUESTED RATE:

Projected Earned Premium: 55,783,314.00
Projected Incurred Claims: 38,186,765.00
Annual $: Min: 450.52 Max: 526.01 Avg: 477.76

Federal Rate Filing Justification Part III
Actuarial Memorandum and Certification

UnitedHealthcare Insurance Company
NAIC: 79413
FEIN: 36-2739571

State of Arkansas Rate Review

Table of Contents

Section 1: Purpose

Following is a rate filing prepared by UnitedHealthcare Insurance Company. This filing has been prepared to provide the necessary information required by the Department of Health and Human Services and the state of Arkansas. The purpose of this memorandum is to provide information relevant to the Federal Part I Unified Rate Review Template (URRT).

This filing establishes rates intended to be used for non-grandfathered PPACA compliant small group health benefit plans sold off the Small Business Health Options Program in Arkansas for the 2018 plan year. A rate increase is being filed at this time. The rates and other information in this submission are based on the current regulations and guidance from HHS. Changes to this filing may be necessary if there are revisions to the regulations or updated guidance from HHS.

This memorandum is intended solely for the information of and use by the Department of Health and Human Services and the Arkansas Department of Insurance and Financial Services. It will demonstrate compliance with state and federal laws and regulations related to the development of the index rate and allowable rating factors and is not intended to be used for any other purpose.

The attached document contains confidential, proprietary information and trade secrets. This information is strictly confidential and protected from disclosure by Ark. Ins. Dept. Bulletin 2-2015, A.C.A. §§23-61-107 and 25-19-105(b)(9)(A). If the prohibition against disclosure by the Department of Insurance and Financial Services is reassessed at a later date, it may not be disclosed to any other state or federal regulatory agencies unless the recipient agrees in writing prior to receipt to maintain the confidentiality of the information.

Section 2: General Information

Company Identifying Information

Company Legal Name:	UnitedHealthcare Insurance Company
State:	Arkansas
HIOS Issuer ID:	81392
Market:	Small Business, 1-50
Proposed Effective Date:	January 01,2018

Primary Contact Information [redacted]

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

Section 3: Proposed Rate Changes

The proposed change in rates for this filing is 4.58% compared to the prior filing. This is the average change across all plans. The proposed change also includes adjusting pricing trend to [redacted] annually.

- Changes in medical service costs
  - Increasing Cost of Medical Services – Annual increases in reimbursement rates to health care providers – such as hospitals, doctors and pharmaceutical companies.
  - Increased Utilization – The number of office visits and other services continues to grow. In addition, total health care spending will vary by the intensity of care and/or use of different types of health services. Patients who are sicker generally have a higher intensity of health care utilization. The price of care can be affected by the use of expensive procedures such as surgery vs. simply monitoring or providing medications.
  - Higher Costs from Deductible Leveraging – Health care costs continue to rise every year. If deductibles and copayments remain the same, a greater percentage of health care costs need to be covered by health insurance premiums each year.
  - Cost shifting from the public to the private sector – Reimbursements from the Center for Medicare and Medicaid Services (CMS) to hospitals are do not generally cover all of the cost of care. The cost difference is being shifted to private health plans. Hospitals typically make up this difference by charging private health plans more.
  - Impact of New Technology – Improvements to medical technology and clinical practice often result in the use of more expensive services - leading to increased health care spending and utilization.
- Administrative costs and anticipated profit
  - UnitedHealthcare works to directly control administrative expenses by adopting better processes and technology and through the development of programs and innovations that make health care more affordable. We have led the marketplace by introducing key innovations that make health care services more accessible and affordable for customers, improve the quality and coordination of health care services, and help individuals and their physicians make more informed health care decisions.
  - Additionally, UnitedHealthcare indirectly controls medical cost payments by using appropriate payment structures with providers and facilities. UnitedHealthcare's goal is to control costs, maximize efficiency, and work closely with physicians and providers to obtain the best value and coverage.
  - State and/or Federal government imposed taxation and fees are another significant factor that impacts health care spending. These fees include ACA taxes and fees which will have increased health insurance costs and need to be reflected in premium.
- Changes that vary by plan
  - All plan relativity factors have been updated to reflect UnitedHealthcare's most recent pricing model.
  - The impact of any changes to plans that have occurred due to uniform modification are also reflected in the updated plan relativity factors. Please see the "Plan Adjusted Index Rate" section of the memorandum for more detail on these changes.

We refined the medical and pharmacy plan price relativities to reflect the most recent pricing methodology and pricing models. The methodology is based on UnitedHealthcare nationwide experience data, which contains utilization frequencies and unit costs by service category, in addition to claim distributions and adjustment factors for a large number of plan design variables. Benefit design parameters such as deductibles, coinsurance, copays, out-of-pocket maximums, etc. were input for each plan. The expected paid-to-allowed relativities and expected utilization differences due to differences in cost sharing for each plan are then used to develop the plan factors for each benefit plan. All benefit plans are priced consistently with each other, with the rates differing by the estimated value of the benefits and the expected utilization differences due to differences in cost sharing. The utilization differences do not reflect differences due to health status. The net impact of all changes by plan can be found in Worksheet 2, Section I of the Unified Rate Review Template.

Significant factors driving the proposed rate changes are discussed in further detail in Section 6 (*Projection Factors*) and Section 7 (*Credibility Manual Rate Development*) of this memorandum.

Section 4: Experience Period Premium and Claims

Paid Through Date

The experience period is 1/1/2016 through 12/31/2016, with claims paid through 2/28/2017.

Premiums in Experience Period

[redacted]

Allowed and Incurred Claims Incurred During the Experience Period

Incurred claims were developed by first starting with actual claims paid through 2/28/2017 by incurred date. To these paid claims estimates of incurred but not paid were added. Here is a description of the reserve methodology:

Support for estimate of incurred but not paid claims

[redacted]

Section 5: Benefit Categories

Claims were assigned to each of the benefit categories based on where services were administered and the types of medical services rendered. The benefit categories were defined by our claims department using standard industry definitions.

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, laboratory, radiology, therapeutic, observation, and other services provided in an outpatient facility setting and billed by the facility.

Professional

Includes non-capitated primary care, specialist care, therapeutic, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.

Other Medical

Includes non-capitated ambulatory, home health care, durable medical equipment, prosthetics, supplies, vision exams, dental services and other services.

Capitation

Includes all services provided under one or more capitated agreements.

Prescription Drug

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

Section 6: Projection Factors

Changes in the Morbidity of the Population Insured

The total Population Risk Morbidity Adjustment is [redacted]. It is comprised of the following factors:

Employer Drop-Out:

[redacted] The risk identified as small employer drop out risk is included in URRT "Pop'l risk Morbidity" category on Worksheet 1 of the URRT. The claims were adjusted by [redacted], to align with the expected rating period single risk pool morbidity level.

Other Adjustments

The total other adjustments are [redacted] it is comprised of the following factors:

Demographic Creep:

A morbidity adjustment of [redacted] was made for expected claim costs in 2018 compared to the experience period. The adjustment is needed to account for policies being quoted on an "issue-age" basis, where a 12-month rate is developed based on a members age as of the effective date of the policy. The age factors do not account for aging that occurs during the policy year.

Composite Rating:

An adjustment was made to account for the selection impact of composite rated groups. A [redacted] indicates a selection impact of [redacted] in allowed claims for composite rated groups.

Catastrophic Claims Adjustment:

An adjustment was made to account for catastrophic claims experience in the experience period. The claims were adjusted by [redacted] to align with expected catastrophic claim levels in the rating period.

Changes in Benefits:

The estimate of the cost of additional Essential Health Benefits were developed [redacted] No other benefit changes are assumed.The allowed claims were adjusted by [redacted] to account for the change in covered benefits from the experience period to the rating period. Cost sharing was changed on some plans in order to maintain AV Metal compliance. This impacted plan rating factors but did not impact projected allowed claims.

Changes in Demographics:

The HHS-specified age curve was used in rating.

Shift in Benefit Plan Distribution

An adjustment of [redacted] was made to account for the expected change in allowed claims due to the shift in the distribution of benefit plans between the experience period and the rating period.

All Other Adjustments:

All other adjustments account for [redacted] of the total other adjustments.

Trend

The most recent trend analysis indicates that annualized trend in Arkansas for URRT Worksheet 1 will be [redacted]. The unit cost trend and utilization trend are 3% and 3%, respectively. The table below details the components of each trend factor.

Trend Component	Annualized for URRT Wksh1
Unit Cost	[redacted]
Utilization	[redacted]
Total	[redacted]

UnitedHealthcare develops forward-looking medical expense estimates based on a number of considerations. In general, recent/emerging claims experience is reviewed at the market level for several broad medical expense categories (inpatient, professional, pharmacy, etc.), with utilization, unit cost, and benefit leveraging identified for each category. Future trends are developed based on a projection of each component.

Utilization rates by category are measured and projected. Forward looking utilization levels are developed based on emerging market level data, supplemented by regional and/or national level utilization data. Macro-economic data is often used to develop assumptions regarding directional changes in national health care consumption rates. UnitedHealthcare uses same store analysis to reflect utilization.

Market-level unit cost projections are developed based on evaluations of current and anticipated provider contract economics, as well as consideration to both current and expected changes in non-contracted provider cost exposure. Unit cost projections also consider the estimated cost impact of new technologies, service availability/mandates, or other factors that might influence mix of procedures. Unit cost is based on our contractual changes with providers.

In addition, market-level healthcare affordability activities that are expected to impact forward-looking medical costs are recognized. Depending on the nature of individual initiatives, the impact may be recognized in one or more of the component cost items discussed above. Only incremental activities are recognized for this purpose in the expected trend impact for any particular period.

Section 7: Credibility Manual Rate Development

Source and Appropriateness of Data Used

- [redacted] was used for rate development.

Adjustments Made to the Data

Adjustments similar to the ones described in Section 6 were applied to the experience of the credibility manual to project it to the projection period. In addition, the credibility manual was adjusted to reflect the average age, geography, plan design and morbidity of the adjusted experience period claims.

An adjustment to the credibility manual was made to account for catastrophic claims experience in the experience period.

Inclusion of Capitation Payments

Capitation payments are included in both the experience and projections.

Section 8: Credibility of Experience

We have set our rate levels based on the experience of [redacted] with [redacted] member months in the experience period. This block of business has historically demonstrated relatively stable claim patterns. For the base rate developing purpose, we regard it to be fully credible.

Section 9: Paid-to-Allowed Ratio

The paid to allowed average factor in projection period was set to be consistent with overall estimates of projected revenue and claims per member per month.

Section 10: Risk Adjustment and Reinsurance

Experience Period Risk Adjustment and Reinsurance Adjustments (PMPMs)

Risk Adjustments for the experience period are not known at this time.

Our 2016 risk adjustment transfer PMPM is estimated using data provided to UnitedHealthcare as a result of our participation in a multi-state study done by a large, independent actuarial consulting firm. Based on the results of that study, we expect that risk level of the membership insured by UnitedHealthcare Insurance Company to be higher than the market. This results in an approximate adjustment of [redacted]

Since this is a small group filing and the state of Arkansas chose not to combine its individual and small group markets, reinsurance recoveries are not applicable to this rate filing. As such, no adjustments were made to the experience.

Projected Risk Adjustments Net of Risk Adjustment User Fees

UnitedHealthcare Insurance Company anticipates [redacted] an average of [redacted] PMPM for risk adjustment transfers in the state of Arkansas for the 2018 plan year. We are assuming the risk level of our business relative to that of our competitors for the 2018 plan year will be similar to what it was in the 2016 plan year. [redacted] The HHS Notice of Benefit and Payment Parameters for 2018 specifies a risk adjustment user fee of [redacted] PMPM.

The projected risk adjustment transfers net of risk adjustment user fees are therefore [redacted] PMPM.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The reinsurance program ended in 2016. As such, reinsurance premiums were not included in the 2018 rate development.

Section 11: Non-Benefit Expenses and Profit

Administrative Expense Load

The administrative expense load is a long-term estimate of administrative expenses, including selling expenses and general administrative expenses. This load varies by plan. These assumptions are based on the general ledger actual results (GAAP) for 2016 with known adjustments. Known adjustments include, but are not limited to, pay increases/raises for employees and administrative expenses as a result of Healthcare Reform and compliance requirements. The administrative expense allocation methodology used in pricing is appropriate because it is consistent with how UnitedHealthcare runs its business and how it allocates administrative costs for Statutory Filings and the Healthcare Reform Exhibits.

Profit and Risk Margin

The profit and risk margin is shown in Worksheet 1, Section 3 of the URRT. This target does not vary by product or plan.

[redacted]

The profit and risk margin results in a MLR above the minimum requirements as described in the Projected Loss Ratio section.

Taxes and Fees

Taxes and fees are expected to be [redacted] and include premium tax, exchange fees, PCORI fees, and federal income tax. The following is a breakdown of the taxes and fees.

Premium Taxes and Fees Allocation	Estimated % of Premium
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Section 12: Projected Loss Ratio

The projected loss ratio using the federally prescribed MLR methodology for calendar year 2018 is [redacted] UnitedHealthcare Insurance Company agrees to comply with the rebate requirements of 45 CFR Part 158 should the actual market MLR fall below the 80.0% requirement.

Section 13: Single Risk Pool

The single risk pool reflects all covered lives for every small group non-grandfathered product and plan combination for UnitedHealthcare Insurance Company in the state of Arkansas. It is established in accordance with the requirements of 45 CFR §156.80(d).

Section 14: Index Rate

[redacted]

Small Group Trend Adjustment

We are proposing premium rates that trend by quarter. The trend assumption only includes unit cost and utilization trend as this calculation is on an allowed basis.

	Q1	Q2	Q3	Q4	Average
[redacted]					

Section 15: Market Adjusted Index Rate

The market adjusted index rate includes market-wide adjustments for the risk adjustment program and exchange user fees. Please refer to Section 10 (*Risk Adjustment*) and Section 11 (*Non-Benefit Expenses and Profit*) of this memorandum for a brief description of each of these items. Incurred values were grossed up by the average paid-to-allowed ratio to reflect an allowed basis.

Index Rate	Net Risk Adjustment (allowed basis)	Exchange Fee Adjustment (allowed basis)	Market Adjusted Index Rate
[redacted]	[redacted]	[redacted]	[redacted]

The figures above may not tally exactly due to rounding of the display.

Section 16: Plan Adjusted Index Rates

The development of the projected index rate and all rating factors is in compliance with all applicable federal statutes and regulations (45 CFR 156.80 and 147.102)

Actuarial Value and Cost Sharing Adjustment

[redacted]

Provider network, delivery system and utilization management adjustment

Any adjustments for these items are included in the plan relativity factors.

Benefits in Addition to EHBs

[redacted]

Distribution and Administrative Costs

Distribution and administrative costs include premium tax, PCORI fees, SG&A, quality improvements, federal income tax, and after-tax income. These items were previously discussed in Section 11 (*Non-Benefit Expenses and Profit*) of this memorandum. Risk adjustment transfers and user fees and exchange fees are excluded because they are accounted for in the market adjusted index rate.

Section 17: Calibration

Plan Adjusted Index Rates need to be calibrated to apply the allowable rating factors of age and geography in order to calculate the Consumer Adjusted Premium Rates. Calibration factors are applied uniformly to all plans.

Age Calibration

The calculated age curve calibration is [redacted] which equals the average age factor of the expected member distribution by age. This corresponds with an approximate age of [redacted] years. The age factors used in this calculation are the HHS-specified age curve. Please see the Age Calibration exhibit near the end of this document.

Geographic Calibration

The geographic factor calibration is [redacted], which equals the expected average area factor. A table of the geographic rating factors is below. For this filing, no changes were made to previously approved area factors.

Rating Area	Area Factor
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Geographic rating factors are reviewed periodically versus UnitedHealthcare claims data that reflects unit cost differences by county. Such a review was conducted as part of our January 1, 2018 rate development.

Population morbidity by area was not considered when determining geographic area factors.

Calibrating the plan adjusted index rate to the age curve and geographic distribution results in the calibrated premium rate for each plan. The calibrated premium rate represents the preliminary premium rate charged to an individual before applying the consumer specific rating adjustments for age and area.

Tobacco Calibration

[redacted]

Section 18: Consumer Adjusted Premium Rate Development

The consumer adjusted premium rate is the final premium rate that is charged to an individual. It is developed by calibrating the plan adjusted index rate by the average age and geographic rating factors, and applying the consumer specific age and geographic rating factors. The calculation is provided below.

Plan Adjusted Index Rate
/ Age Calibration Factor
/ Geographic Calibration Factor
* Consumer Specific Age Rating Factor
* Consumer Specific Geographic Rating Factor
* Small Group Trend Adjustment
=Consumer Adjusted Premium Rate

Small Group Trend Adjustment

Since this is a small group filing that includes rates with schedule trend increases by quarter, the Index Rate, Market Adjusted Index Rate and Plan Adjusted Index Rate reflect the member weighted average premium over the calendar year. As such, the Consumer Adjusted Premium Rate needs to include a trend adjustment specific to the quarter for which the rates are being calculated. The trend factors used to develop the consumer adjusted premium rates are shownbelow.

	Quarterly Trend (a)	Average Trend (b)	Trend Adjustment (a) / (b)
Q1		[redacted]	
Q2			
Q3			
Q4			

Section 19: AV Metal Values

The AV calculator used to calculate the AV metal values is based on a prescribed methodology and, therefore, does not necessarily reflect a reasonable estimate of the portion of allowed costs covered by the associated plan. Please refer to Section 9 (*Paid-to-Allowed Ratio*) of this memorandum for further detail regarding our estimate of the portion of allowed costs covered by each plan.

Some plans within this portfolio have cost sharing features that differ between individual and family coverage (i.e., when two or more people are covered by the plan). For all plans, consistent with the Actuarial Value Calculator inputs, we have used only the cost sharing provisions applicable for individuals in the actuarial value calculation.

The AV calculator was used to determine the AV metal values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. Some of our plan designs are not directly compatible with the AV calculator. The values were developed in accordance with generally accepted actuarial principles and methodologies. Additional details are provided below to describe the types of adjustments that were made for plan designs that are not directly compatible with the AV calculator.

[redacted]

Section 20: AV Pricing Values

The AV pricing values represent the cumulative effect of adjustments made by the issuer to move from the market adjusted index rate to the plan adjusted index rate. Each of the allowable modifiers to move from the market adjusted index rate to the plan adjusted index rate was previously discussed in Section 16 (*Plan Adjusted Index Rates*) of this memorandum.

Section 21: Membership Projections

The 2018 plan year membership projection was developed utilizing the experience period plan level membership distribution along with sales and persistency targets. Member distribution by plan was then based on current enrollment, taking into consideration changes in the portfolio of plans to be offered in 2018. Strictly for purposes of the URRT, we have projected membership by plan.

Section 22: Terminated Products

There are no products being terminated in this rate filing.

Some plans are being terminated as of the end of 2017. See Exhibit VII for a list of terminated plans. The terminated plans, if any, are not being mapped to specific plans. Rather, at renewal, employers are given the option to select from among multiple plans.

Section 23: Plan Type

A plan type of POS has been selected, which describes the plans exactly.

Section 24: Warning Alerts

There are no warning alerts in the URRT.

Section 25: Reliance

Due to responsibility allocation, I have relied upon other individuals within the UnitedHealthcare organization to provide certain assumptions. Although I have performed a limited review of the information and have not found it unreasonable or inconsistent, I have not reviewed it in enough detail to fully judge the reasonableness of the information due to the substantial amount of additional time required. I have therefore relied upon the expertise of those individuals who have developed the assumptions, and am providing the information required by Actuarial Standard of Practice 41, section 4.3. A list of reliances is included below.

<u>UnitedHealthcare Finance Department</u>
- Projected SG&A Assumption
- Total Projected Membership

<u>UnitedHealthcare National Pricing Team</u>
- Plan Relativity Modeling

<u>UnitedHealthcare Healthcare Economics Department</u>
- Projected Trend
- Claims Reserves
- ACO/Premium Designated Provider Cost savings estimates
- Plan Relativity Modeling

Section 26: Actuarial Certification

[redacted] for UnitedHealthcare, and a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering statements of actuarial opinion with respect to the filing of rates for health insurance products.

To the best of my knowledge and judgment, I certify that:

- The projected index rate is:
  - In compliance with state and federal statutes and regulations related to the development of the index rate and allowable rating factors (such as 45 CFR 156.80 and 147.102).
  - Developed in compliance with the applicable Actuarial Standards of Practice.
  - Reasonable in relation to the benefits provided and population anticipated to be covered.
  - Neither excessive, deficient, nor unfairly discriminatory.

- The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CRF 156.80(d)(2) were used to generate plan level rates.

- The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.

- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

- The AV calculator was used to determine the AV metal values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. Some of our plan designs are not directly compatible with the AV calculator. The values were developed in accordance with generally accepted actuarial principles and methodologies. The unique plan design actuarial certification required by 45 CFR Part 156.135 has been separately attached.

- The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop their rates. Rather, it represents information required by federal 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 regulation and used consistently and only adjusted by the allowable modifiers.

[redacted]

[redacted]

6/21/2017
Date

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	UnitedHealthcare Insurance Company
SERFF tracking number	UHLC-131006378
Submission Date	June 21, 2017
Product Name	POS, PPO, IND
Market Type	○ Individual ◉ Small Group
Rate Filing Type	◉ Rate Increase ○ New Filing

Scope and Range of the Increase:

The 19.4% increase is requested because:

This rate-change is requested in an attempt to line up our expected claims with the expected needed revenue.

This filing will impact:

# of Arkansas policyholder's 428 # of Arkansas covered lives 8447

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 19.4 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved 12.6%
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 31.5%

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

Plan-level premiums have been adjusted on some plans.

Financial Experience of Product

The overall financial experience of the product includes:

Actual claims data from January 2016 - December 2016

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

Lining up the expected claims with the expected revenue needed.

Components of Increase

The request is made up of the following components:

Trend Increases – 6.0 % of the 19.4 % 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 3.0 % of the 19.4 % 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 3.0 % of the 19.4 % total filed increase.

Other Increases – 13.4 % of the 19.4 % 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 19.4 % 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 19.4 % 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 1.0 % of the 19.4 % 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 -0.8 % of the 19.4 % total filed increase.

5. Other – Defined as:

   This includes other rate impacts such as risk adjustments, taxes and fees, and credibility adjustments.

   This component is 13.2 % of the 19.4 % total filed increase.