State: Arkansas **Filing Company:** USAble Mutual Insurance Company
TOI/Sub-TOI: H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)
Product Name: 2019 Rate Filing Individual ON/OFF Exchange
Project Name/Number: 2019 Rate Filing Individual ON/OFF Exchange/17-309, 310, 311, 313

Rate Information

Rate data applies to filing.

Filing Method: Review and Approve
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 14.200%
Effective Date of Last Rate Revision: 01/01/2018
Filing Method of Last Filing: SERFF
SERFF Tracking Number of Last Filing: ARBB-131163741

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):
USAble Mutual Insurance Company	Increase	4.400%	4.400%	$28,572,306	170,132	$701,670,164	9.600%	-15.400%

State: *Arkansas* ***Filing Company:*** *USAble Mutual Insurance Company*
TOI/Sub-TOI: *H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)*
Product Name: *2019 Rate Filing Individual ON/OFF Exchange*
Project Name/Number: *2019 Rate Filing Individual ON/OFF Exchange/17-309, 310, 311, 313*

Rate Review Detail

COMPANY:

Company Name: USAble Mutual Insurance Company
HHS Issuer Id: 75293

PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
Individual Exchange	75293AR120	75293-1270907599482578944	186510

Trend Factors:

Type	Annualized Trend
Inpatient Hospital	2.50%
Outpatient Hospital	6.17%
Professional	2.58%
Other Medical	11.10%
Capitation	4.80%
Prescription Drug	14.41%
Total	6.56%

FORMS:

New Policy Forms:
Affected Forms:
Other Affected Forms: 17-309, 17-310, 17-311, 17-313

REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual
Member Months: 1,527,755
Benefit Change: None
Percent Change Requested: Min: -15.4 Max: 9.6 Avg: 4.4

PRIOR RATE:

Total Earned Premium: 1,081,304,413.00
Total Incurred Claims: 793,733,127.00
Annual $: Min: 174.83 Max: 1,426.20 Avg: 439.92

REQUESTED RATE:

Projected Earned Premium: 701,670,164.00
Projected Incurred Claims: 584,903,107.00
Annual $: Min: 191.53 Max: 1,415.58 Avg: 459.28

SERFF Tracking #:	*ARBB-131588318*	***State Tracking #:***	*ACA ON/OFF EXCHANGE*	***Company Tracking #:***	*ARBB-131588318*

State:	*Arkansas*	***Filing Company:***	*USAble Mutual Insurance Company*
TOI/Sub-TOI:	*H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)*		
Product Name:	*2019 Rate Filing Individual ON/OFF Exchange*		
Project Name/Number:	*2019 Rate Filing Individual ON/OFF Exchange/17-309, 310, 311, 313*		

Supporting Document Schedules

Satisfied - Item:	Redacted Actuarial Memorandum for Public Disclosure
Comments:	Please see attached.
Attachment(s):	Actuarial_MemoCert_ACA_2019_PartIII_Redacted.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Arkansas Plain Language Summary
Comments:	Please see attached.
Attachment(s):	Rate Filing Justification Part II (Plain Language Summary).pdf
Item Status:	
Status Date:	

Actuarial Memorandum

Company Information

Company Name: **USAble Mutual Insurance Company**
State: **Arkansas**
HIOS Issuer ID: **75293**
Market: **Individual**
Effective Date: **1/1/2019**

Company Contact Information

Primary Contact Name: **Christi Kittler**
Primary Contact Telephone Number: **501-378-2967**
Primary Contact Email Address: **cmkittler@arkbluecross.com**

Proposed Rate Increase(s):

Arkansas Blue Cross and Blue Shield is requesting a ----% average revenue per person increase ranging from ---% to ---%. The main reasons for these different increases are due to the changes to our benefits required for compliance by the 2019 Federal AV model, new area factors that no longer will vary by region, and claims trend.

In general, the factors that drove the proposed ---% average change include:

1) The removal of the Health Insurer's Tax
2) The increase of --- percentage points in the AHIM (Arkansas Health Insurance Marketplace) fees
3) Changes in benefits due to the new 2019 Federal AV model which caused benefits that were previously qualified to not qualify, requiring a change to bring them into compliance
4) **The most important assumption continues to be that we are assuming that the Federal CSR will continue to not be paid, therefore the expense must be borne by insureds utilizing Silver benefits**

Experience Period Premium and Claims

Premiums and Member Months were accumulated from Arkansas Blue Cross and Blue Shield non-grandfathered (Transitional) and ACA actual data for the 2017 calendar year. Arkansas Blue Cross Claims experience was accumulated from actual non-grandfathered (Transitional) and ACA incurred data for the 2017 calendar year and paid through April 30, 2018, and then completed via completion factors.

The completion factors used were based on Arkansas BlueCross BlueShield ACA claims experience from Jan-2014 through April-2018.

Allowed claims were extracted from the claim records. In the table below, the benefit categories are determined by using Arkansas Blue Cross actual data and inputting it into Milliman's Health Cost Guidelines software program which sums up the utilization, allowed claims, and paid claims by benefit types, which are easily identified to match up to the benefit categories in the Unified Rate Review Template workbook. Listed in the table below are the Total Allowed Claims split by benefit category and components.

Projection Factors:

Population risk Morbidity: Shown in the Table that follows are the components that make up the Pop's Risk Morbidity factors on Worksheet 1 of the URRT.

Other: Shown in the Table that follows are the components that make up the Other factors on Worksheet 1 of the URRT.

Trend Methodology:

Monthly ACA data from January, 2014, through December, 2017, were used to estimate future allowed trends. The analysis used rolling-12 monthly incurred allowed per-member per-month (PMPM) claim costs by category (IP, OP, Professional, Other, Rx). The monthly incurred values were completed by category using a lag development methodology.

Similarly, monthly utilization totals were calculated and completed using a lag development methodology. The units were days, claim counts, visits, and scripts for In-Patient, Out-Patient, Other, Professional, and Rx claim types, respectively. Cost trend is calculated by category as the residual required to achieve the overall estimated trend by category.

Projected Allowed Experience Claims PMPM

Credibility Manual Rate Development

We made the Credibility Manual equal to the ACA experience as we believe the data to be 100% credible.

Paid-to-Allowed Ratio

The paid-to-allowed ratio was calculated using the following formula:

The resulting factor of --- is consistent with the weighted average AV Metal Value of --- as we have found our actual benefit model consistently runs lower than the Federal AV Model. The main difference between these factors is the calculation of the value of copays between the AV Calculator and Arkansas Blue Cross' pricing model. The other main difference is with the Silver plans. The Benefit Factor is adjusted so as to allow for the CSR to be paid for by all Silver members with the demonstration of this calculation as follows.

Risk Adjustment

Risk Adjustment: The Wakely Actuarial Consulting Group performed a market study estimating what the risk adjustment payments would be for the different competitors in the market that participated in the study. We have taken the 2017 results along with a preliminary 2018 result to create a 2019 anticipated risk factor transfer model. The results of our model lead to the conclusion that, for this population, we expect to make a payment of $------.

High-Cost Risk Pooling: As specified in the Notice of Benefit and Payment Parameters for 2019, issuers will be reimbursed for 60% of members' paid claims above $1,000,000 in the individual and small group markets. Another Wakely study sought to determine the cost that issuers will be assessed in 2019 to fund the high-cost risk pooling payments. These results were given as percentile estimates and have been split between Individual and Small Group. To be conservative, we have used the ---- percentile estimate of ----% of premium as our costs for 2019. Our best estimate of expected claims over $1,000,000 taken at 60% less the expected cost yielded an overall net recovery of $-----.

The total pmpm shown on Worksheet 1 of the URRT is ($-------) / ------- = $----- payable plus it was then further -------- by $---- PMPM to account for the risk-adjustment fee in Worksheet 1 of the URRT for a total ------ pmpm.

Shown below is how we estimated the 2019 Worksheet 1 Risk Adjustment:

Non-Benefit Expenses and Profit & Risk

Administrative Expense Load: The starting point for expenses is the 2018 Budgeted Arkansas Blue Cross Individual ACA expenses less premium, taxes, and fees. Then, we trended this value

using ---% annual trend to get to the expected 2019 expenses. The resulting PMPM is then converted to a percent of premium (i.e., ----%).

Contribution to Surplus & Risk Margin: Margin has been set at ------% after FIT and is applied equally across all plans.

Taxes and fees: Averages out to ----%

1) PCORI Fee: $------ PMPY
2) Exchange fee: ------% (-----% of premium for on-exchange members)
3) Premium Tax: -----% (due to premium tax credits)
4) Additional Premium Tax -----% (removal of premium tax credits for FFM and Private Option)
5) FIT of ----%

Projected Federally-prescribed Medical Loss Ratio: -----%

Single Risk Pool

The claims and member months in the experience period of the URRT represents all of ABCBS' Non-Grandfathered members regardless of whether the member is on a fully ACA-compliant product or a transitional policy. The index rate has been adjusted, on a market-wide basis for the state, based on total required market-wide payments and charges under risk adjustment, reinsurance programs, and exchange user fees. The only adjustments to the market-wide adjusted index rate are:

- Actuarial value and cost-sharing design of the plan
- State mandated benefits provided under the plan that are in addition to the essential health benefits. These benefits are pooled with similar benefits within the single risk pool.
- Other non-EHB

Index Rate

Experience Period: The index rate for the experience period is represented by the average allowed claims (excluding non-EHB claims) divided by the member months.

Projected Period: The "Projected Allowed Experience Claims PMPM (w/applied credibility if applicable)" applies only to the metallic plans and includes benefits that are not EHB. The non-EHB benefits are Adult Vision Exams and the state-mandated Craniofacial Surgery. We have adjusted the Index rate accordingly.

Market Adjusted Index Rate

Plan Adjusted Index Rate: (HIOS # -)

Craniofacial Surgery: based on a study by Oliver-Wyman
Adult Vision Exam: determined using Arkansas Blue Cross benefit model
Actuarial Benefit Factor: Based on Arkansas Blue Cross benefit model but then the factor was adjusted for Risk Adjustment Fees and retention differences. The Exchange User Fees were determined on an overall pool basis and uniformly distributed across all plans. Distribution and administration costs are the same percent of premium for plans.

Calibration

Area calibration: There was no area calibration made to the Plan Adjusted Index rate because the Index rate was normalized to a statewide level so as to be consistent with the 2017 filing. The normalization was done by taking Arkansas Blue Cross area factors times the membership by region divided by the same membership.

Age calibration: The age calibration was calculated by using current ACA membership limited to no more than three dependent children times the HHS-provided Age Factors divided by the total members. This produced an Age Calibration Factor of ---. Replacing the Age Factors with actual member ages gives an approximate weighted-average age of ---. This single factor is used for all plans to determine the actual rate by age for each plan.

Final Premium Rates

The calculation to go from the Uniform Rate Review Template to a Premium rate is as follows:

Lowest Premium: $------

Highest Premium: $-----

AV Metal Values

These values were all based on the AV Calculator

AV Pricing Values

These values were all based on an internal Arkansas Blue Cross pricing model. The model only adjusts utilization of benefits based on the cost share associated with the benefit.

Membership Projections

The membership projections found in Worksheet 2 of the Part I Unified Rate Review Template were developed by using the current membership and then identifying any anticipated new sales and assigning accordingly.

Terminated Plans

Listed below in bold print are the 2018 terminated plans and the plans that they were cross walked to. Also included are the 2017 plans cross walked as they are in our experience data.

Warnings

There are no warnings.

Qualifications

I, ----------, hold the position of --------- for -------. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The purpose of this memorandum is to demonstrate the needed premium rates and its compliance with applicable laws State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)) and (45 CFR 156.80(d)(2)). Assuming that the Cost Sharing Reduction (CSR) is paid by the federal government, the anticipated loss ratio of this product meets the minimum requirement of Arkansas as given in bulletin 12-81. This rate filing is not intended to be used for other purposes.

These policies are comprehensive major medical policies

ACTUARIAL CERTIFICATION

I, ---------, hold the position of ---------. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I have reviewed the filing of the rates contained in this document. To the best of my knowledge and judgment, I certify that

1) The projected index rate is:
   a. In compliance with applicable laws State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
   b. Developed in compliance with the applicable Actuarial Standards of Practice,
   c. Neither excessive nor deficient.
   d. Developed using only the permitted rating classifications.

2) The geographic rating factors reflect only differences in the cost of delivery and do not include population morbidity by geographic area.

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 III and IV were calculated in accordance with Actuarial Standards of Practice.

5) 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 for plan year 2019

6) Part I Unified Rate Review Template does not demonstrate the process used to develop the 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.

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: USAble Mutual Insurance Company

SERFF tracking number:

Submission Date: 7/20/2018

Product Name: Individual Major Medical PPO

Market Type: (•) Individual ( ) Small Group

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

Scope and Range of the Increase:

The 4.4 % increase is requested because:

The overall trend is around 6.6%, however, the claims experience is coming in better than anticipated in 2018 leading us to believe that the cost for 2019 will not increase at the same level.

This filing will impact:

# of Arkansas policyholder's 170,132 # of Arkansas covered lives 170,132

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 4.40 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved -15.0 %
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 9.56 %

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

Even though the average revenue increase is a 4.40%, there are differences by benefit and areas. Then if the individual is a tobacco user, then the rate may be an additional 20% higher.

Financial Experience of Product

The overall financial experience of the product includes:

Our current estimate of the demand for medical services is running better than was originally expected, which has impacted the needed rates for 2019.

• Rates Reflect Cost of Care. The cost of providing healthcare has the biggest impact on health insurance premiums. Our rates reflect the cost of caring for those with chronic illnesses and

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

We believe the requested rate increase is necessary to adequately support these products as well as for meeting the federal Minimum Loss Ratio (MLR) requirement.

Components of Increase

The request is made up of the following components:

Trend Increases – 45 % of the 4.40 % 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 29 % of the 4.40 % 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 16 % of the 4.40 % total filed increase.

Other Increases – 55 % of the 4.40 % 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 6 % of the 4.40 % 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 4.40 % 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 4 % of the 4.40 % 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 12 % of the 4.40 % total filed increase.

5. Other – Defined as:

   Included is the changes in cost due to impact of the constantly changing demographic makeup, any enhanced benefits, and the loss of Cost Sharing Reduction subsidies.

   This component is 33 % of the 4.40 % total filed increase.