State: Arkansas **Filing Company:** HMO Partners, Inc. d/b/a Health Advantage
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other
Product Name: 2019 HA Small Group Off Exchange Rate Filing
Project Name/Number: 2019 HA Small Group Off Exchange Only Rate Filing Submission/31-23, 31-24, 31-25, 31-26, 31-27, 31-28, 31-29, 31-30 R1/18

Rate Information

Rate data applies to filing.

Filing Method: Review and Approve
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 6.720%
Effective Date of Last Rate Revision: 01/01/2018
Filing Method of Last Filing: Review and Approve
SERFF Tracking Number of Last Filing:

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):
HMO Partners, Inc. d/b/a Health Advantage	Increase	5.580%	5.580%	$1,566,887	404	$28,094,840	19.210%	-4.010%

State: *Arkansas* ***Filing Company:*** *HMO Partners, Inc. d/b/a Health Advantage*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other*
Product Name: *2019 HA Small Group Off Exchange Rate Filing*
Project Name/Number: *2019 HA Small Group Off Exchange Only Rate Filing Submission/31-23, 31-24, 31-25, 31-26, 31-27, 31-28, 31-29, 31-30 R1/18*

Rate Review Detail

COMPANY:

Company Name: HMO Partners, Inc. d/b/a Health Advantage
HHS Issuer Id: 13262

PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
Off Exchange	12362-AR022	13262-1263155468927298578	4928

Trend Factors: Inpatient Hospital 1.054 1.009 Outpatient Hospital 1.046 1.033 Professional 1.029 1.014 Other Medical 0.993 1.141 Capitation 1.037 1.000 Prescription Drug 1.077 1.010

FORMS:

New Policy Forms:
Affected Forms:
Other Affected Forms: 31-23 31-24 31-25 31-26 31-27 31-28 31-29 31-30

REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual
Member Months: 46,816
Benefit Change: None
Percent Change Requested: Min: -4.01 Max: 19.21 Avg: 5.58

PRIOR RATE:

Total Earned Premium: 19,851,524.00
Total Incurred Claims: 15,646,375.00
Annual $: Min: 170.54 Max: 1,191.54 Avg: 424.03

REQUESTED RATE:

Projected Earned Premium: 27,606,744.00
Projected Incurred Claims: 21,758,807.00
Annual $: Min: 185.02 Max: 1,233.99 Avg: 447.68

SERFF Tracking #:	*HLAD-131580532*	***State Tracking #:***	*ACA OFF EXCHANGE ONLY*	***Company Tracking #:***	*HLAD-131580532*

State:	*Arkansas*	***Filing Company:***	*HMO Partners, Inc. d/b/a Health Advantage*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other*		
Product Name:	*2019 HA Small Group Off Exchange Rate Filing*		
Project Name/Number:	*2019 HA Small Group Off Exchange Only Rate Filing Submission/31-23, 31-24, 31-25, 31-26, 31-27, 31-28, 31-29, 31-30 R1/18*		

Supporting Document Schedules

Satisfied - Item:	Redacted Act Mem
Comments:	
Attachment(s):	PartIII_ActuarialMemo_SG_HA_2019_Redacted.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Plain Language Summary
Comments:	
Attachment(s):	PlainLanguageSummary.pdf
Item Status:	
Status Date:	

Actuarial Memorandum

Company Information

Company Name: **HMO Partners, Inc. d/b/a Health Advantage**
State: **Arkansas**
HIOS Issuer ID: **13262**
Market: **Group**
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):

Average Proposed Rate Increase: ------%

Reason for Rate increase: The primary drivers of the rate increase is due to claims trend.

Experience Period Premium and Claims

Premiums, Claims and Member Months were accumulated from Health Advantage (HA) non-grandfathered and ACA actual data for calendar year ------. Claims were incurred in ------ and paid through ------ and then completed via completion factors.

1) Premiums: $------
2) Member Months: ------
3) Allowed Claims: $------
4) Paid Claims: $------

The completion factors used were based on HA claims experience of the entire small group block which included both grandfathered and non-grandfathered business. The two main reasons for using the entire block was 1) grandfathered and non-grandfather business have similar benefits, and 2) due to credibility of the underlying data, especially when splitting it out by inpatient hospital, outpatient hospital, physician, other, and pharmacy. In order to complete each of the benefit categories with a factor that was credible, we felt we needed to include more data from a similar and more stable block of business.

Allowed claims were extracted directly from the claim records. In the table below, the benefit categories are determined by using ARBCBS 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: As shown in the table below, adjustments have been made for the antiselection load (Table 1) and for the removal of the Transitional Experience from the overall experience data (Table 2). (Pop'l risk) = (Remove Transitional) x (Antiselection)

Other: Most of the factors (Table 3) are self-explanatory, but for the following item, further explanation is warranted and is as follows.

1) Other = (Remove Transional Average Cost/Service) x (Age) x (Area) x (1/2 Qtr Trend) x (Cranial Facial) x (HA/BC Adj)
2) USAble Mutual Insurance Company has a goal of not favoring one of our companies, ARBCBS and Health Advantage (HA), over the other. So as to continue that goal and not wanting to disrupt our market, we have historically rated the two companies together with an anticipated 5% difference in pricing due to their differing provider agreements and administrative expense. As a result of our corporate goal of we have adjusted the anticipated base claims of each company to accomplish this goal.

Trend Methodology, Medical:

The analysis used 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, cases, procedures, visits, and scripts for In-Patient, Out-Patient, Other, Professional, and Rx. Cost trend is calculated by category as the residual required to achieve the overall estimated trend by category. The overall trends used are demonstrated in the following Projected Allowed Experience Claims PMPM table.

Projected Allowed Experience Claims PMPM

Credibility Manual Rate Development

ABCBS uses the credibility assumption that ------ member months is a credible size population when considering an annual PMPM allowed claims amount. The combined ARBCBS and HA member months in the experience period equals ------ member months, and therefore is deemed fully credible.

Paid to Allowed Ratio

The paid to allowed ratio was calculated using the following:

The Paid to Allowed Average Factor in Section III of Worksheet 1 of the URRT comes from our proprietary benefit relativity model. The benefit relativity model uses USAble Mutual Insurance Company data to set starting claims cost and cumulative probability distribution tables. Then we use utilization adjustment factors from a nationally known consulting firm to create our own proprietary pricing model. The utilization factors used in the model make adjustments based on how a member utilizes their health care based on copay size, deductible size and coinsurance levels.

This model gives, by benefit design, the assumed allowed claims amount and the paid amount after benefits are applied. The model relativity results were applied to each benefit that will be offered to come up with the allowed to paid claims by benefit. The overall factor is a member month weighted ratio of the projected membership on each benefit.

The resulting factor is ------ whereas the average AV Metal Value is ------.

Risk Adjustment and High-Cost Risk Pooling

Risk Adjustment: An internal model was built to score each member based on their diagnosis codes for both our ACA members and non-ACA members expected to move to an ACA product. These scores were compared such that they can be assigned a PLRS factor to be input into a projected market study.

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 for 2019. The results of our model lead to the conclusion that, for this population, we expect to make a payment of $------ PMPM for risk adjustment in 2019.

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. As a PMPM, this cost is $------. As we have historically not had claimants with paid claims above $1,000,000 we are not expecting a receivable amount, yielding a total cost for this program of $------. This is combined with the $------ we expect to pay for risk adjustment to yield a payable amount of $------ PMPM

The fee associated with the risk-adjustment program is $------ PMPY. This $------ PMPM amount is added to the $------ PMPM we expect to pay, accounting for the risk-adjustment fee in Worksheet 1 of the URRT.

Non-Benefit Expenses and Profit & Risk

Administrative Expense Load: The starting point for expenses is the actual ARBCBS 2017 Group ACA expenses less premium taxes and fees. Then we trended this value by ------% for two years to get to the expected 2019 expenses. The resulting PMPM is then converted to a percent of premium (------%) and then applied equally across all plans.

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) Premium Tax: ------% (due to premium tax credits)
3) FIT: ------%

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 transitioned 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 divided by the member months since there are no benefits included that are not EHB.

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 # - 13262AR0220012)

Craniofacial Surgery: based on a study by Oliver-Wyman
Actuarial Benefit Factor: Based on ARBCBS proprietary benefit. 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 area factors had already been normalized to a statewide level.

Age calibration: The age calibration was calculated by using current ACA membership times the HHS provided Age Factors divided by the total members. This produced an Age Calibration Factor of ------ and 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 1st quarter 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 USAble Mutual Insurance Company pricing model. The benefit relativity model does include an adjustment for utilization, however, the utilization adjustments are performed at the population level without an adjustment for any specific member. The application of a particular benefit considers the adjustment to utilization for the entire population and not to any specific member and thus cannot be considered that it applied a utilization adjustment due to health conditions specific to the members on the benefit plan.

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

Confidential

Warnings

There are no warnings.

Qualifications

I, ------, hold the position of Actuary for Arkansas Blue Cross Blue Shield (ABCBS). 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)). 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 Actuary for Arkansas Blue Cross Blue Shield. 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. Reasonable in relation to the benefits provided and the population anticipated to be covered,
   d. Neither excessive nor deficient.

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.

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: HMO Partners, Inc. d/b/a/ Health Advantage

SERFF tracking number:

Submission Date: 7/13/2018

Product Name: Small Group Health Advantage

Market Type: ○ Individual ◉ Small Group

Rate Filing Type: ◉ Rate Increase ○ New Filing

Scope and Range of the Increase:

The 5.58% increase is requested because:

In general the factors driving the proposed 5.58% average rate change are medical cost and utilization trends.

This filing will impact:

# of Arkansas policyholder's 3,116 # of Arkansas covered lives 4,928

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 5.58 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved -4.7%
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 19.2%

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

The differences between the minimum and maximum rates are due to the impact of the changes to benefits due to the 2019 AV model. The new model made many of our benefits not qualified and some required more adjustments than the others to bring them back into compliance. Additionally

Financial Experience of Product

The overall financial experience of the product includes:

Our current estimate of the demand and cost of medical services is running close to what was originally expected.

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 – 126 % of the 5.58 % 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 39 % of the 5.58 % 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 87 % of the 5.58 % total filed increase.

Other Increases – -26 % of the 5.58 % 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 5.58 % 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 22 % of the 5.58 % 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 -57 % of the 5.58 % 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 13 % of the 5.58 % total filed increase.

5. Other – Defined as:

   Impact of changes in demographic makeup and adjustment for HA rates to be 5% less than BC.

   This component is -4 % of the 5.58 % total filed increase.