



Part III Actuarial Memorandum

Total Health Care USA, Inc. Individual Rate Filing Effective January 1, 2019

Prepared for:
Total Health Care USA, Inc.

Prepared by:
Milliman, Inc.

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1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Total Health Care USA, Inc.'s (THC's) individual medical block of business offered on and off the exchange, effective January 1, 2019. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

The purpose of the Actuarial Memorandum is to provide certain information related to the submission, including support for the values entered in the URRT. This memorandum may not be appropriate for other purposes.

This information is intended for the use of the Michigan Department of Insurance and Financial Services, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of THC's rate filing. However, we recognize this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users are instructed to place no reliance upon this Actuarial Memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

This Actuarial Memorandum assumes Cost Sharing Reduction (CSR) subsidy payments will not be funded by CMS in 2019. We maintain a load to marketplace eligible plans with projected subsidized membership only. Future modifications in legislation, regulation and / or court decisions regarding the funding of CSR payments may affect the extent to which the premium rates are either excessive or deficient. If the federal government does fund CSR subsidies, and assuming no other significant legislative changes take place, premiums for silver plans offered on the exchange would likely need to change from the values in this filing. THC reserves the right to amend this Actuarial Memorandum and 2019 plan premium rates should there be any changes to the current ACA statutes and regulations.

Company Identifying Information

Company Legal Name:	Total Health Care USA, Inc.
State:	Michigan
HIOS Issuer ID:	67183
Market:	Individual
Effective Date:	January 1, 2019

Company Contact Information

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Description of Benefits

The products in this filing provide coverage for inpatient, outpatient, physician, prescription drugs, and miscellaneous services subject to deductible, coinsurance, and copays. Annual out-of-pocket maximums apply to deductibles, coinsurance, and copays. Pharmacy cost sharing reflects a four-tier (generic, formulary and non-formulary brand, and specialty) copayment or coinsurance structure. The product includes one gold plan, four silver plans, and two bronze plans.

Effective Date of Requested Rate Adjustments

This submission is for a rate change to individual medical products in THC's single risk pool, effective January 1, 2019.

2. PROPOSED RATE CHANGE(S)

SERFF Tracking Number, Binder Number, and Effective Date of Prior Filing

The January 1, 2018 through December 31, 2018 plans were filed under SERFF binder number THCI-MI19 -125078095 and tracking number THCI-131486869.

Proposed Percentage Rate Change

The average proposed rate change across THC's individual market product as shown in Worksheet 2, Section I of the URRT is 7.6%. The new rates will apply for individuals with an effective date or renewal date of January 1, 2019. These rates are guaranteed through December 31, 2019.

Reason for the Rate Change

We summarize the items contributing to the 2019 rate change in the following table.

Table 2.1 Total Health Care USA, Inc. Components of the Rate Increase	
Component	Contribution
Trend to 2019	1.088
Updated Experience	0.775
2019 Risk Adjustment	1.066
Plan Benefit and Distribution Changes	1.042
Network Changes	1.028
Morbidity	1.047
CSR Shortfall Adjustment	1.056
Admin, Taxes, and Profit / Risk Load	1.011
Total Rate Change Factor	1.076
Total Rate Change	7.6%

There are no significant changes in cost sharing, except when necessary, to comply with the final 2019 Federal Actuarial Value (AV) Calculator. Rate changes vary by plan mainly due to shifts in benefit relativities to account for movements in member cost sharing and changes to the value of the unfunded CSR liability for Silver plans. Morbidity has not been considered when developing the rate change by plan.

Average Annual Premium

The average annual 2019 premium from Worksheet 1, Section III of the URRT is \$5,139. The average annual 2018 premium implied by the rate change is, therefore, \$4,776.

Number of Policyholders and Covered Lives

As of March 31, 2018, THC had 17,920 inforce policyholders and 11,916 subscribers covered on individual ACA plans.

Impact of the Tax Cuts and Jobs Act of 2017

THC is a non-profit entity. Thus the Tax Cuts and Jobs Act of 2017 will not affect the 2019 premium rates.

3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

Paid Through Date

Single risk pool experience presented in Worksheet 1, Section I of the URRT represents incurred and paid claims for the period from January 1, 2017 through December 31, 2017, with claims paid through April 30, 2018.

Premiums (Net of MLR Rebate) in Experience Period

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period net of MLR rebates. THC projects the 2017 individual loss ratio will exceed the MLR requirement, and, therefore, we did not include an adjustment for MLR rebates. The following table summarizes earned premium, as illustrated in Worksheet 1, Section I of the URRT.

Table 3.1 Total Health Care USA, Inc. Earned Premium Summary	
Description	Value
Earned Premium	\$30,852,556
Projected MLR Rebates	\$0
Total	\$30,852,556

Allowed and Incurred Claims Incurred During the Experience Period

The following table summarizes allowed claims and incurred claims, as illustrated in Worksheet 1, Section I of the URRT.

Table 3.2 Total Health Care USA, Inc. Allowed and Incurred Claim Experience Summary		
	Allowed Claims	Incurred Claims*
Paid	\$30,712,335	\$21,977,760
Incurred But Not Paid	\$297,125	\$244,335
Total	\$31,009,460	\$22,222,095

**Net of assumed Cost Share Reduction subsidies
Numbers in the table may not sum to the total due to rounding*

We determine allowed claims by combining actual paid claims with member cost sharing. Both allowed claims and incurred claims were provided directly from THC's claim records. THC processes all medical claims internally. Pharmacy claims are processed by a separate external vendor.

We add an estimate of incurred but not paid (IBNP) claims to the processed amount to arrive at a final estimate of total claims. The IBNP estimate uses THC's 2017 commercial experience and follows generally accepted actuarial development methods when estimating claim liabilities. We give consideration for liabilities calculated using a claim cost or loss ratio method for recent incurral months prior to the valuation date that have less data available (e.g., 1 to 3 months). We use the same IBNP as a percentage of claims for both allowed and incurred claims.

4. BENEFIT CATEGORIES

Each claim processed on a fee-for-service basis during the experience period is assigned to the applicable benefit category from Worksheet 1, Section II of the URRT, based on place and type of service, using a detailed claims mapping algorithm summarized as follows:

- 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 surgery, emergency room, lab, radiology, therapy, observation, and other services provided in an outpatient facility setting and billed by the facility.
- Professional includes non-capitated primary care, specialist, therapy, 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 ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services, and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.
- Capitation includes those services for which THC does not take risk.
- Prescription Drug includes prescriptions dispensed by a pharmacy and not billed by a facility or professional.

5. PROJECTION FACTORS

The following section includes explanations of the projection factors illustrated in URRT Worksheet 1 and supporting information related to the development of those factors.

Changes in the Morbidity of the Population Insured

We assume the removal of the individual mandate penalty and other marketwide changes will have an overall adverse impact on the underlying morbidity of the ACA risk pool. We include an adjustment of 1.05 to account for this change.

Changes in Benefits

There are no material changes to covered services for THC’s individual product. THC modified the benefits of several plans to comply with the requirements of the final 2019 AV Calculator. Using Milliman’s *Health Cost Guidelines (HCGs)*, we estimate the change in the average utilization of services, due to differences in average cost-sharing requirements between the experience period and the projection period (i.e., plan design behavior change or PDBC). The factor representing these changes is 0.990 and is part of the “Util” projection factor illustrated in URRT Worksheet 1, Section II.

The *HCGs* have been developed as a result of Milliman’s continuing research into commercial health care costs. First developed in 1954, the *HCGs* are continually monitored against other data sources and have been updated and expanded annually since that time. The *HCGs* provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience, and establish interrelationships between different health coverages. The *HCGs* are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research, and judgment. An extensive amount of data is used in developing these guidelines, including published and unpublished data. The detailed claims and enrollment data underlying the guidelines represent over 50 million commercially insured lives.

In most instances, cost assumptions are based upon our evaluation of several data sources and, hence, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

Changes in Demographics

We assume the distribution of members by age and gender in the projection period will be roughly the same as the distribution of members by age and gender of THC’s 2017 ACA experience (which also aligns with 2018 emerging experience). We do not anticipate material changes to the geographic or tobacco use mix. We use a projection factor of 1.003 for these combined effects on allowed costs. We develop this factor using the *HCGs* and illustrate it in the “Other” projection factors in URRT Worksheet 1, Section II.

Other Adjustments

We adjust underlying claims for anticipated provider contracting changes between the experience and projection period. We include a provider reimbursement factor of 1.030 in the “Other” projection factors illustrated in URRT Worksheet 1, Section II.

Trend Factors (Cost / Utilization)

We trend the 2017 experience forward to 2019 assuming an aggregate annual 7.7% trend. As mentioned above, we include the plan design behavior change factor in the utilization trend component.

Table 5.1 Total Health Care USA, Inc. Trend Components	
Component	Value
Base Utilization Trend	1.013
Plan Design Behavior Change	0.990
<i>Total Utilization Trend</i>	<i>1.003</i>
<i>Total Charge Trend</i>	<i>1.074</i>
Total Allowed Trend	1.077

We develop the trend assumptions using general industry knowledge regarding recent trends in medical and prescription drug inflation, Milliman research, conversations with THC management, and judgment.

Inclusion of Capitation Payments

We include capitation payments in the experience rate using THC's 2017 arrangements, projected to 2019 based on known and anticipated changes to contracts and covered services.

6. CREDIBILITY MANUAL RATE DEVELOPMENT

We assume THC's 2017 single risk pool experience is fully credible for rate development purposes and do not use a manual rate in our projections.

Source and Appropriateness of Experience Data

Not applicable.

Adjustments Made to the Data

Not applicable.

Inclusion of Capitation Payments

Not applicable.

7. CREDIBILITY OF EXPERIENCE

Description of the Credibility / Methodology Used and Credibility Levels

THC's 2017 ACA individual experience represents about 94,960 member months. We consider this to be fully credible for the purpose of projecting a 2019 premium rate.

8. PAID TO ALLOWED RATIO

The following table provides support for the average paid to allowed ratio, as illustrated in Worksheet 1, Section III of the URRT. The projected paid and allowed claims reflect the member month weighted average by metal level from Worksheet 2, Section IV of the URRT. The resulting paid-to-allowed ratios reflect the full plan liability for CSR subsidy payments by THC for subsidized plans.

Table 8.1 Total Health Care USA, Inc. Average Paid to Allowed Factor				
Metallic Tier	Member Months	Allowed Claims PMPM*	Paid Claims PMPM*	Paid-to-Allowed Ratio
Gold	26,322	\$415.11	\$353.05	0.851
Silver	115,895	\$409.29	\$349.48	0.854
Bronze	37,333	\$399.26	\$242.77	0.608
Total	179,550	\$408.06	\$327.82	0.803

*May not tie exactly to the values in URRT Worksheet 1 due to required URRT rounding conventions.

We price 2019 plans using an internal Milliman cost relativity model based on Milliman's commercial *Health Cost Guidelines (HCGs)* to calculate the paid to allowed ratios. The model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to THC (including service area, provider reimbursement, degree of health care management, etc.). The total paid-to-allowed ratio is consistent with Worksheet 1, Section III of the URRT.

9. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

We develop the experience period risk adjustment transfer amount from THC's External Data Gathering Environment outbound reporting and our projections of the statewide average factors used in the risk transfer formula. We project 2017 risk transfers by plan and report the results in Worksheet 2, Section III of the URRT.

Projected Risk Adjustments PMPM

We develop the projected risk transfers based on the estimated 2017 transfer results, adjusted for increases to the state average premium level, the introduction of the 14% administrative expense factor in 2018, and THC's projected 2019 membership by metallic tier. We apply the anticipated risk transfers, net of the assumed 2019 risk adjustment fees of \$0.15, to the projected Index Rate as a market level adjustment. The overall premium impact of projected net risk adjustment transfers is a payment of \$5.04 PMPM, as displayed in Worksheet 1, Section III of the URRT.

We do not make additional adjustments for the High-Cost Risk Pool Assessment, as we assume any money paid into the pool by THC will, on average, be offset by collections from the pool.

Experience Period Reinsurance PMPM

The federal transitional reinsurance program was a temporary program that ended in 2016. Since this program did not continue in 2017, experience period reinsurance contributions and receipts were zero in 2017.

Projected Reinsurance Recoveries PMPM

The federal transitional reinsurance program was a temporary program that ended in 2016. Since this program is not expected to continue in 2019, we assume that reinsurance contributions and receipts will be zero.

10. NON-BENEFIT EXPENSES AND PROFIT AND RISK

Administrative Expense Load

Administrative expenses were provided by THC and are summarized in the table below. The values entered in Worksheet 1, Section III of the URRT illustrate this in total and as a percent of premium.

Table 10.1 Total Health Care USA, Inc. Projected Administrative Expenses		
Description	PMPM	% of Premium
General Administration	\$47.12	11.00%
Commercial Reinsurance Recoveries	(\$1.04)	-0.24%
Commercial Reinsurance Premiums	\$1.38	0.32%
Quality Improvement	\$8.57	2.00%
Rx Admin Fee	\$2.12	0.50%
POS Cofinity Fee	\$1.37	0.32%
Total Administrative Expenses	\$59.52	13.90%

**Numbers in the table may not sum to the total due to rounding.*

All values are based on THC’s projection of 2019 expenses from 2017 actual expenses and 2018 budgets. We believe 2017 experience and 2018 forecasts are an appropriate and consistent basis for projecting 2019 costs.

Profit (or Contribution to Surplus) and Risk Margin

The proposed rates reflect a composite 4.3% contribution to surplus for margin and risk load, which vary by plan for competitive reasons.

Taxes and Fees

The following table provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URRT as a PMPM and percentage of premium.

Table 10.2 Total Health Care USA, Inc. Projected Taxes and Fees		
Description	PMPM	% of Premium
Michigan Claims Tax	\$3.25	0.76%
Exchange Fee	\$14.65	3.42%
Total Taxes and Fees	\$17.90	4.18%

We do not include risk adjustment user fees, the Comparative Research Effectiveness fee, or the Health Insurance Provider fee in this section, consistent with HHS instructions and guidance on fees applicable in 2019. Per the Worksheet 1 instructions, this fee may be subtracted from premiums for the purpose of calculating the medical loss ratio.

11. PROJECTED LOSS RATIO

The projected loss ratio, excluding adjustments for credibility, is approximately 83.1%. We calculate the loss ratio consistently with the MLR methodology prescribed by 45 CFR 158. The following table summarizes the calculation of the projected Federal medical loss ratio.

Table 11.1
Total Health Care USA, Inc.
Projected Medical Loss Ratio

	PMPM	Annotation
Claims	\$327.26	(1)
Claim-Related Retention	\$8.57	(2)
Risk Adjustment Paid (Received)	\$4.89	(3)
MLR Numerator	\$340.72	<i>(4) = (1) + (2) + (3)</i>
Premiums	\$428.22	(5)
Taxes and Fees ¹	\$18.05	(6)
MLR Denominator	\$410.17	<i>(7) = (5) - (6)</i>
Projected MLR Without Credibility Adjustments	83.1%	<i>(8) = (4) / (7)</i>

¹Includes MI claim tax, exchange fee, and risk adjustment administration

No additional state-specific projected loss ratio demonstration is required in the State of Michigan.

12. SINGLE RISK POOL

We develop THC's rates using a single risk pool in accordance with the requirements in 45 CFR 156.80(d) and reflect all covered lives for every non-grandfathered product / plan combination in the State of Michigan individual health insurance market. Note, THC's Single Risk Pool does not have transitional products / plans.

13. INDEX RATE

The experience Index Rate period is a measurement of the average allowed claims PMPM for Essential Health Benefits (EHB). The experience Index Rate reflects the actual mixture of smoker / non-smoker population, area factors, and the actual mixture of risk morbidity that THC received in the Single Risk Pool during the experience period. The experience Index Rate is equal to the experience period total allowed claims PMPM minus the total non-EHB allowed claims PMPM, since THC offers benefits beyond EHB. These benefits cover adult vision exams, adult vision hardware, dental trauma coverage, and hearing aids. The experience Index Rate has not been adjusted for payments and charges under the risk adjustment program or for Marketplace user fees.

The projected Index Rate is a measurement of the average allowed claims PMPM for EHB. The projected Index Rate reflects the projected 2019 mixture of smoker / non-smoker population, area factors, and the projected mixture of risk morbidity that THC expects to receive in the Single Risk Pool. The projected Index Rate is equal to the projection period total allowed claims PMPM minus the total non-EHB allowed claims PMPM, since THC offers benefits beyond EHB for its non-HDHPs. These benefits cover adult vision exams, adult vision hardware, and hearing aids. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment program or for Marketplace user fees.

The projected Index Rate for January 1, 2019 through December 31, 2019 is \$407.89 as shown in Worksheet 1, Section III of the URRT.

14. MARKET ADJUSTED INDEX RATE

The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate.

Table 14.1 Total Health Care USA, Inc. Market Adjusted Index Rate Development		
	Value	Annotation
Projected Index Rate PMPM	\$407.89	(1)
Market Adjustments (paid basis)		
Net Risk Adjustment	\$5.04	(2)
Marketplace User Fees	\$14.65	(3)
Paid-to-Allowed Ratio	80.3%	(4)
Market Adjustments (allowed basis)		
Net Risk Adjustment	\$6.27	(5) = (2) / (4)
Marketplace User Fees	\$18.24	(6) = (3) / (4)
Average Quarterly Trend Adjustment	1.000	(7)
Market Adjusted Index Rate PMPM	\$432.41	(8) = (1) + [(5) + (6)] * (7)

We calculate the Market Adjusted Index Rate as the projected Index Rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). The Market Adjusted Index Rate is not calibrated. This means the rate reflects the average demographic characteristics of the single risk pool. All components of the calculation are derived elsewhere in this memorandum.

15. PLAN ADJUSTED INDEX RATE

Experience Plan Adjusted Index Rates

The experience Plan Adjusted Index Rates shown in URRT Worksheet 2, Section III are the Plan Adjusted Index Rates filed in the experience period, consistent with HHS's instructions

Projected Plan Adjusted Index Rates

We display the development of the projected Plan Adjusted Index Rates in Appendix A and URRT Worksheet 2, Section IV. The projected Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and, therefore, are not calibrated. We modify the projected Market Adjusted Index Rate to compute the projected Plan Adjusted Index Rates using the following allowable adjustments:

Actuarial Value and Cost Sharing Adjustment

This factor consists of the product of the Actuarial Value and the PDBC factors. We develop the Actuarial Value and PDBC factors in our internal Milliman cost relativity model, which is based on Milliman's commercial HCGs. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to THC's experience.

The AV and Cost Sharing adjustment also reflects the full plan liability for CSR subsidy payments by THC for subsidized plans.

Provider Network, Delivery System and Utilization Management Adjustment

We determine the value of each provider network based on a review of the contractually negotiated reimbursement arrangements for THC and changes expected in future arrangements.

Adjustment for Benefits in Addition to the EHB

THC will offer the following benefits in addition to EHBs:

- Adult vision exam coverage
- Adult vision hardware coverage
- Hearing aids

We project these services to make up roughly 0.04% of composite allowed claims, as entered in Worksheet 2, Section IV of the URRT.

Adjustment for Distribution and Administrative Costs

This adjustment indicates the impact of non-benefit expenses. We develop and apply the distribution and administrative costs to each plan as a mix of “percent of premium”, “percent of claim”, and PMPM bases.

The following table demonstrates the build-up of the Administrative Cost factor.

Table 15.1 Total Health Care USA, Inc. Administrative Cost Factor Development			
Expense Item	Amount	Per Member Per Month*	Annotation
Administrative Expenses	13.90%	\$59.52	(1)
Taxes and Fees, Net of Exchange Fees	0.76%	\$3.25	(2)
Expected Pre-Tax Profit	4.32%	\$18.50	(3)
Total Expenses, Net of Exchange Fees	18.98%	\$81.27	(4) = (1) + (2) + (3)
Paid Claims		\$327.82	(5)
Net Risk Adjustment (Paid Basis)		\$5.04	(6)
Exchange Fee		\$14.65	(7)
Paid Claims PMPM with Market Adjustments		\$347.51	(8) = (5) + (6) + (7)
Load to Claims for Expenses Net of Exchange Fees		1.23	(9) = (4) / (8) + 1

*May not tie exactly to the URRT due to URRT rounding conventions

Impact of Specific Eligibility Categories for the Catastrophic Plan

Not applicable.

16. CALIBRATION

We apply a single calibration factor uniformly across all plans to the projected Plan Adjusted Index Rates to calibrate rates for the expected age, tobacco use, and geographic distributions expected to enroll in the plan. Appendix B displays the development of the Calibrated Plan Adjusted Index Rates.

Age Curve Calibration

The approximate weighted average age of the projected single risk pool is 48 years. The weighted average age curve calibration factor is 0.602, which is equivalent to an average age factor of 1.660.

In order to determine the calibration factor for age, we first summarize the projected distribution of members by age and then calculate the weighted average of the factors in the age curve using this distribution. We determine the average age by finding the corresponding age of a member that would have the closest factor to the weighted average age curve calibration factor. Prior to applying the allowed rating factors for age, geography, and tobacco, the projected Plan Adjusted Index Rates need to be multiplied by the age curve calibration factor.

The following table demonstrates the build-up of the age calibration factor.

Table 16.1 Total Health Care USA, Inc. Age Calibration Factor Development		
Age Band	Premium Rating Factor	Membership Distribution
0-20 (1-3)	0.813	13.5%
0-20 (4+)	0.000	0.8%
21-24	1.000	4.7%
25-29	1.056	8.3%
30-34	1.178	8.8%
35-39	1.240	7.5%
40-44	1.332	7.7%
45-49	1.570	9.8%
50-54	1.956	11.1%
55-59	2.430	12.2%
60-63	2.837	11.5%
64+	3.000	4.1%
Composite Rating Factor		1.660
Age Calibration Factor		0.602

Tobacco Curve Calibration

THC will apply a 1.15 tobacco surcharge in the 2019 individual market.

Geographic Factor Calibration

THC does not vary rates by geographic area. Thus, the geographic calibration is a 1.00 factor.

17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan charged to individuals or families utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the projected Plan Adjusted Index Rate, the geographic rating factor, the age rating factor, and the tobacco status rating factor. THC uses the Federal age curve and will apply an adjustment of 15% for tobacco use. THC also varies rates by geographic area.

We determine the premium for family coverage by summing the Consumer Adjusted Premium Rates for each individual family member, provided, at most, three child dependents under age 21 are taken into account. The following table demonstrates the development of the Consumer Adjusted Premium Rate beginning with the Calibrated Plan Adjusted Index Rate in Appendix B and applying the appropriate age, area, tobacco, and trend factors.

Table 17.1	
Total Health Care USA, Inc.	
Sample Consumer Adjusted Premium Rate Development*	
Totally You - 37183MI0030002	
Calibrated Plan Adjusted Index Rate	\$293.88
Age: 30	1.135
Area: 1	1.000
Tobacco Status: Non-Tobacco User	1.000
Consumer Adjusted Premium Rate	\$333.56

**Factors are rounded, and rates may not to the federal Rate Template.*

18. AV METAL LEVELS

We develop the AV Metal Values included in Worksheet 2, Section I of the URRT with the 2019 CMS Actuarial Value Calculator. We provide screenshots for each individual plan in this filing.

19. AV PRICING VALUES

Appendix C provides a summary of the AV Pricing Values by plan, as illustrated in Worksheet 2, Section I. The AV Pricing Value is the product of the factors for AV & Cost Sharing (including the impact of the full plan liability for CSR subsidy payments by THC for subsidized plans), Provider Network Adjustment, Benefits in Addition to EHB, and Administrative Costs Excluding Marketplace User Fee. It represents the cumulative effect of the adjustments made to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

The adjustment for plan cost sharing includes expected differences in utilization due to differences in cost sharing. Adjustments in utilization due to differences in cost sharing were based on the HCGs and actuarial judgment. These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

20. MEMBERSHIP PROJECTIONS

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT, were developed by THC and were based on consideration for the following:

- Historical sales for THC's individual products
- Sales distribution
- Expected competitive position in the market
- Anticipated activity in the Michigan individual health insurance market due to various health care reform provisions

The following table displays the projected Silver membership distribution by CSR variant as a percentage of total projected Silver enrollment. We base this estimate on emerging 2018 experience through April.

Table 20.1	
Total Health Care USA, Inc.	
Projected Silver Membership Distribution by CSR Status	
Subsidy Level	Projected Membership*
Silver 94%	40.9%
Silver 87%	32.0%
Silver 73%	12.3%
Standard Silver	14.8%
Zero Cost Sharing Silver	0.0%
Limited Cost Sharing Silver	0.0%
Total	100.0%

**Distribution displayed as percentage of total silver enrollment
Numbers in the table may not sum to the total due to rounding*

21. TERMINATED PRODUCTS

THC did not terminate any 2017 or 2018 plan offering.

22. PLAN TYPE

All of THC's plan types are noted in Worksheet 2, Section I of the URRT.

23. WARNING ALERTS

There are no warning alerts in the URRT.

24. EFFECTIVE RATE REVIEW INFORMATION

Not applicable.

25. RELIANCE

In performing this analysis, we relied on data and other information provided by THC. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in the analysis for reasonableness and consistency, and have not found material defects in the data. If there are material defects in the data, it is possible they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

A data reliance letter is attached to this rate submission.

26. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. Total Health Care USA, Inc. engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

I certify to the best of my knowledge and judgment:

1. The projected Index Rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (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 the population anticipated to be covered
 - Neither excessive nor deficient based on my best estimates of the 2019 individual market
2. The projected 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.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV was calculated in accordance with actuarial standards of practice.
4. The geographic rating factors reflect only differences in the costs of delivery (e.g., unit costs, provider practice pattern differences) and do not include differences for population morbidity by geographic area.
5. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the URRT for all plans.

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans, and for certification that the projected Index Rate is developed in accordance with Federal regulation and is used consistently and only adjusted by the allowable modifiers.

The information provided in this Actuarial Memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

The 2019 plan year premium rates in this actuarial memorandum are contingent upon the status of the ACA statutes and regulations including any regulatory guidance, court decisions, or otherwise. Changes have the potential to greatly impact the 2019 plan year premium rates provided in this Actuarial Memorandum. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, or a decision by Congress, the Health and Human Services Secretary, or the Centers for Medicare and Medicaid Services director whether to fund cost-sharing reduction subsidies or advance premium tax credits. Milliman expresses no opinion with regard to the future funding of CSR payments.

27. SAMPLE RATE CALCULATION

Appendix D provides a summary of all rates and rate setting parameters for THC in 2019. We include a sample rate calculation in this exhibit.

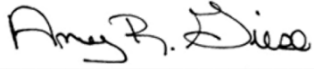
28. RATE CHANGE SUMMARY

Section 2 of this memorandum outlines all applicable changes to the rates by plan.

29. SUPPLEMENTAL HEALTH CARE EXHIBIT

We include a reconciliation between the Supplemental Health Care Exhibit and the URRT with this filing.

Respectfully Submitted,



Amy R. Giese, FSA, MAAA
Principal and Consulting Actuary – Milliman, Inc.
June 13, 2018

Attachments

RELIANCE LETTER



3011 W. GRAND BLVD., SUITE 1600, DETROIT, MI 48202-3000 (313) 871-2000

May 11, 2018

Ms. Amy R. Giese, FSA, MAAA
Consulting Actuary
Milliman, Inc.
15800 Bluemound Road, Suite 100
Brookfield, WI 53005-6069

RE: Total Health Care USA, Inc.'s 2019 Individual and Small Group Pricing Reliance Letter

Dear Amy:

I, Nicole Roush, Chief Financial Officer for Total Health Care USA, Inc. (THC), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the actuarial items examined has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

1. Historical claim and capitation experience, provider risk sharing, premium, and membership for THC's individual ACA HMO products, small group ACA HMO products, and small group ACA POS products for 2016 and 2016,
2. Historical distributions of individual and small group members by benefit plan, area, and demographic category,
3. Individual and small group benefit plans to be offered in 2019,
4. Product name, product ID, and plan names as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
5. Assurance THC has completed the plan benefit template and has found no meaningful discrepancies in the Actuarial Value calculations from the Federal Actuarial Value Calculator,
6. Confirmation THC's 2019 benefit summaries include coverage for all Essential Health Benefits, including formulary coverage,
7. Historical and projected administrative expenses and profit,



8. Historical and projected revenue and membership,
9. Emerging detailed claims, revenue, and membership experience for 2018,
10. Projected 2017 MLR rebates,
11. Guidance on appropriate claims trend factors for medical and pharmacy,
12. Guidance on historical and projected capitation values,
13. Expected provider reimbursement increases beyond normal cost trend,
14. Changes to THC's service area definition for 2019,
15. Confirmation of no pharmacy rebates for 2016 and 2017,
16. Final 2016 risk adjustment transfers and estimated 2017 risk adjustment transfers,
17. Guidance on expected 2019 risk adjustment transfers based on EDGE server reports,
18. Guidance on expected impact of non-payment of 2019 CSRs,
19. Guidance THC, with the exception of adjustments for CSR funding, will price to current marketplace regulations at the time of this filing, and
20. Other information provided by THC in various phone calls, emails, and other correspondence.

May 11, 2018

Date

A handwritten signature in black ink, appearing to read "NR", written over a horizontal line.

Ms. Nicole Roush
Chief Financial Officer
Total Health Care

APPENDICES

Appendix A
Total Health Care USA, Inc.
Development of Plan Adjusted Index Rate

Plan Name	HIOS Plan ID	Metal Tier	Plan Membership	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Administrative Costs Excl. Exchange Fee	Catastrophic Adjustment	Plan Adjusted Index Rate
Total HMO Standard	67183MI0030001	Gold	14.7%	\$432.41	0.866	1.000	1.000	1.260	1.000	\$472.21
Totally You	67183MI0030002	Silver	9.8%	\$432.41	0.941	1.000	1.000	1.226	1.000	\$499.03
Totally You - Complete	67183MI0030003	Silver	8.8%	\$432.41	0.905	1.000	1.000	1.227	1.000	\$480.29
Totally You - Simple Choice	67183MI0030004	Silver	7.2%	\$432.41	0.971	1.000	1.000	1.226	1.000	\$515.18
Totally You - Value	67183MI0030007	Silver	38.7%	\$432.41	0.802	1.000	1.000	1.228	1.000	\$426.14
Total Saver Plus	67183MI0030005	Bronze	8.5%	\$432.41	0.590	1.000	1.000	1.230	1.000	\$313.92
Total Saver Complete	67183MI0030006	Bronze	12.3%	\$432.41	0.598	1.000	1.000	1.230	1.000	\$318.22

Appendix B
Total Health Care USA, Inc.
Plan Adjusted Index Rate Calibration

Plan Name	HIOS Plan ID	Metal Tier	Plan Membership	Plan Adjusted Index Rate	Age Calibration Factor	Tobacco Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Total HMO Standard	67183MI0030001	Gold	14.7%	\$472.21	0.602	0.978	1.000	0.589	\$278.08
Totally You	67183MI0030002	Silver	9.8%	\$499.03	0.602	0.978	1.000	0.589	\$293.88
Totally You - Complete	67183MI0030003	Silver	8.8%	\$480.29	0.602	0.978	1.000	0.589	\$282.84
Totally You - Simple Choice	67183MI0030004	Silver	7.2%	\$515.18	0.602	0.978	1.000	0.589	\$303.39
Totally You - Value	67183MI0030007	Silver	38.7%	\$426.14	0.602	0.978	1.000	0.589	\$250.96
Total Saver Plus	67183MI0030005	Bronze	8.5%	\$313.92	0.602	0.978	1.000	0.589	\$184.87
Total Saver Complete	67183MI0030006	Bronze	12.3%	\$318.22	0.602	0.978	1.000	0.589	\$187.40

Appendix C
Total Health Care USA, Inc.
Development of AV Pricing Value

Plan Name	HIOS Plan ID	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Administrative Costs Excl. Exchange Fee	Specific Catastrophic Eligibility	AV Pricing Value
Total HMO Standard	67183MI0030001	0.866	1.000	1.000	1.260	1.000	1.092
Totally You	67183MI0030002	0.941	1.000	1.000	1.226	1.000	1.154
Totally You - Complete	67183MI0030003	0.905	1.000	1.000	1.227	1.000	1.111
Totally You - Simple Choice	67183MI0030004	0.971	1.000	1.000	1.226	1.000	1.191
Totally You - Value	67183MI0030007	0.802	1.000	1.000	1.228	1.000	0.986
Total Saver Plus	67183MI0030005	0.590	1.000	1.000	1.230	1.000	0.726
Total Saver Complete	67183MI0030006	0.598	1.000	1.000	1.230	1.000	0.736

Appendix D
Total Health Care USA, Inc.
2019 Rate Setting Parameters

Base Rate

\$293.89

Product	Plan	HIOS Plan ID	Metal	Plan Factor	Band	Age Factor	Tobacco Factor	Geographic Factors	
								Area	Factor
HMO	Total HMO Standard	67183MI0030001	Gold	0.946	0-14	0.765	1.000	Rating Area 1	1.00
HMO	Totally You	67183MI0030002	Silver	1.000	15	0.833	1.000	Rating Area 2	1.00
HMO	Totally You - Complete	67183MI0030003	Silver	0.962	16	0.859	1.000	Rating Area 5	1.00
HMO	Totally You - Simple Choice	67183MI0030004	Silver	1.032	17	0.885	1.000		
HMO	Totally You - Value	67183MI0030007	Silver	0.854	18	0.913	1.150		
HMO	Total Saver Plus	67183MI0030005	Bronze	0.629	19	0.941	1.150		
HMO	Total Saver Complete	67183MI0030006	Bronze	0.638	20	0.970	1.150		
					21	1.000	1.150		
					22	1.000	1.150		
					23	1.000	1.150		
					24	1.000	1.150		
					25	1.004	1.150		
					26	1.024	1.150		
					27	1.048	1.150		
					28	1.087	1.150		
					29	1.119	1.150		
					30	1.135	1.150		
					31	1.159	1.150		
					32	1.183	1.150		
					33	1.198	1.150		
					34	1.214	1.150		
					35	1.222	1.150		
					36	1.230	1.150		
					37	1.238	1.150		
					38	1.246	1.150		
					39	1.262	1.150		
					40	1.278	1.150		
					41	1.302	1.150		
					42	1.325	1.150		
					43	1.357	1.150		
					44	1.397	1.150		
					45	1.444	1.150		
					46	1.500	1.150		
					47	1.563	1.150		
					48	1.635	1.150		
					49	1.706	1.150		
					50	1.786	1.150		
					51	1.865	1.150		
					52	1.952	1.150		
					53	2.040	1.150		
					54	2.135	1.150		
					55	2.230	1.150		
					56	2.333	1.150		
					57	2.437	1.150		
					58	2.548	1.150		
					59	2.603	1.150		
					60	2.714	1.150		
					61	2.810	1.150		
					62	2.873	1.150		
					63	2.952	1.150		
					64 and over	3.000	1.150		

Rate Formula Illustration - 01/2019 Effective Date

Base Rate		\$293.89
* Plan Factor	67183MI0030001	0.946
* Age Factor	21	1.000
* Tobacco Surcharge	No	1.000
* Area Factor	Rating Area 1	1.000
* Trend Factor	01/2019 Effective	1.000
= Consumer Adjusted Premium Rate		\$278.02