Part III Actuarial Memorandum

Optima Health Plan
Individual Rate Filing
Effective January 1, 2018

Prepared for:

Optima Health Plan

Prepared by:

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The following table summarizes the exhibits included in this document. Some exhibits may span multiple pages.

EXHIBIT 1. GENERAL INFORMATION

DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for Optima Health Plan (OHP)'s individual medical block of business, effective January 1, 2018. 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 into the Part I URRT, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the Commonwealth of Virginia Bureau of Insurance (BOI), the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of OHP's individual rate filing. However, we recognize that 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 of this letter should not place reliance upon this Actuarial Memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

The premium rates developed and supported by this Actuarial Memorandum assume that Cost Share Reductions (CSR) will not be funded and therefore are not calculated as described in current regulations and guidance. The BOI does not prescribe how the impact of CSR subsidy non-payment should be spread, though recommended the impact be applied across silver on-exchange plans only in the single risk pool. Future modifications in legislation, regulation, sub-regulatory guidance, and / or court decisions regarding the funding of CSR payments or other aspects of health insurance programs may affect the extent to which the premium rates are neither excessive nor deficient.

COMPANY IDENTIFYING INFORMATION

Company Legal Name:	Optima Health Plan
State:	Virginia
HIOS Issuer ID:	20507
Market:	Individual
Effective Date:	January 1, 2018

COMPANY CONTACT INFORMATION

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EXHIBIT 2. PROPOSED RATE INCREASE(S)

This submission is for the following rate revisions and new benefit plans, effective January 1, 2018:

- Rate revisions to existing OHP individual medical ACA-compliant products, as presented by the HIOS Plan ID in the applicable line item of Worksheet 2 in the URRT. The average proposed rate change across all plans from the most recently approved rates effective January 1, 2017 is 81.8%. The cumulative average rate change over the past 12 months is the same since the most recently approved rates were effective January 1, 2017. Note that the average rate increase includes any changes for members that are in terminating plans and mapped into a plan that will be available in 2018, as applicable.

- Proposed premiums for new individual benefit plans to be available for sale effective January 1, 2018. To the extent that current membership on terminating plans are proposed to be mapped into one of the new plans, the applicable rate change is illustrated in the URRT and included in the previously noted average.

REASON FOR RATE REVISION

The proposed rate revision reflects consideration for the impact of a number of factors, including:

- Anticipated medical cost and utilization trends
- Historical experience
- Consideration for anticipated changes in the average morbidity of the covered population
- Benefit changes
- Changes to reflect the applicable provisions of ACA-related taxes and fees for 2018
- Anticipated changes in federal risk adjustment transfers
- Change in the mix of business
- Considerations for market activity
- Changes in the child age premium rating factors
- Non-funding of the Cost Sharing Reduction (CSR) subsidies

Changes vary by benefit plan to reflect a combination of benefit changes, changes in the anticipated impact of fixed cost-sharing items and deductible leveraging given increasing medical costs (i.e., paid to allowed), any impact of mapping members from terminating plans into continuing plans, and non-funding of the CSR subsidies. In addition, we adjusted benefit relativities by metallic tier based on a review of claim experience by metallic tier net of the risk adjustment transfer payment (i.e., a more up to date representation of the impact of removing morbidity in setting benefit relativities).

EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

CLAIMS PAID THROUGH DATE

Incurred claims presented in Worksheet 1, Section I of the URRT for the experience period from January 1, 2016 through December 31, 2016 are based on claims paid through February 28, 2017.

PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD

Earned premiums presented in Worksheet 1, Section I of the URRT are calculated as follows:

- Collected premium – Change in Unearned Premium + Change in Due and Unpaid Premium

OHP does not anticipate the payment of any MLR rebates on the earned premiums shown for the experience period based on experience to date.

Allowed and Incurred Claims Incurred During the Experience Period

Table 1 provides a breakdown of the allowed and incurred claims during the experience period, as presented in the Worksheet 1, Section I of the URRT.

Table 1
Optima Health Plan
Summary of Allowed and Incurred Claims

Item	Processor	Allowed Claims	Incurred Claims
Processed Claims	Issuer	$279,742,963	$208,483,837
(Fee-for-Service)	External	$0	$0
Incurred but Not Paid Claims (Fee-for-Service)	n/a	$3,756,974	$3,642,975
Capitated Claims	n/a	$3,278,116	$3,278,116
Total		$286,778,054	$215,404,928

Processed fee-for-service (FFS) allowed and paid claims reflect the applicable values from OHP's claim payment system for claims incurred during the experience period and paid through 02/28/2017 for those services covered on a FFS basis (i.e., not capitated).

Total allowed claims were calculated as a combination of the following:

- [Allowed Claims Incurred and Processed (FFS) * Completion Factor] + [Capitation PMPM * Member Months]

Total incurred claims were calculated as a combination of the following:

- [Paid Claims Incurred and Processed (FFS) * Completion Factor] + [Capitation PMPM * Member Months]

Incurred but Not Paid Claims (FFS) are calculated as follows, for allowed and paid values, respectively:

- [Allowed Claims Incurred and Processed (FFS) * Completion Factor] – Allowed Claims Incurred and Processed (FFS)
- [Paid Claims Incurred and Processed (FFS) * Completion Factor] – Paid Claims Incurred and Processed (FFS)

Completion factors are developed by OHP using generally accepted actuarial development methods for estimating claim liabilities. Consideration is given 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., 1-3 months).

EXHIBIT 4. BENEFIT CATEGORIES

Each claim processed on a fee-for-service basis during the experience period is assigned to the applicable benefit category in Worksheet 1, Section II of the URRT. The categorization methodology looks at detailed claims records and assigns the applicable category based on the combination of a number of items including specialty codes, place of service, form types, facility type, DRG codes, provider types, and types of service indicators. Core drivers for assignment in each service category are as follows:

- Inpatient – DRG
- Outpatient – Procedure and revenue codes
- Professional – Procedure code
- Prescription Drugs – NDC code

The Inpatient & Outpatient categories contain only facility costs with no related professional fees. The Professional category reflects non-facility provider costs (i.e., Primary and Assistant Surgeons, Anesthesia, etc.).

The capitation line item reflects the negotiated capitation rates for applicable services.

EXHIBIT 5. PROJECTION FACTORS

CHANGES IN THE MORBIDITY OF THE POPULATION INSURED

OHP withdrew its individual business in Rating Areas 2, 3, 5, 7, and 12 in 2017. In 2018 OHP will offer plans only in Rating Areas 2, 4, 7, 9, and 12 and anticipates a substantial increase in membership due to the recent announcement of market exits by other issuers. For purposes of projecting 2018 costs, we calculate an adjustment to 2016 allowed claims reflecting expected population changes and costs, given these changes over the two-year period. The impact of this is a total reduction in allowed claims of about 15.2%. Note this is before any anticipated market morbidity impact, which is discussed further below. This total change includes the following:

- Minimal expected changes in the age / gender and benefit plan mix with or without the population change.

- The impact of the geographic mix change based on allowed costs relationships by area, which were developed using a combination of risk-adjusted claims experience, the Milliman Health Cost Guidelines, and consideration for competitor area relationships. This impact is expected to increase allowed charges 2.6%. This component is included in the "Other" factor of the URRT, as discussed below.

- The remainder of the cost impact is assumed to reflect morbidity variances, resulting in a cost reduction of 17.4% (0.848 / 1.026 = 0.826). With these population changes, we anticipate a shift in the distribution of medical and prescription drug costs. Particularly given the high trends observed for prescription drugs, we thought it was appropriate to vary morbidity adjustments to reflect this mix change in projecting 2018 expected costs.

In addition to the impact of the service area mix on morbidity, we also further considered adjustments that may be needed to reflect a growing uncertainty in the marketplace, particularly with respect to various aspects of the Affordable Care Act (ACA) that continue to remain undecided and unstable after several months of discussions. Such issues include, but are not limited to, the effectiveness / enforceability of the individual mandate, stability of available plan options in the marketplace (e.g., carriers exiting the market), unknown funding of the CSR subsidies, and preliminary rate filings indicating substantial rate actions for 2018 across various marketplaces, including Virginia. In addition, given a sizeable portion of the Virginia marketplace will lose its current coverage in 2018 and need to select a new carrier, there is substantial concern around the cost impact for 2018. In light of these issues, we believe the potential for adverse lapsation and selection is increasingly more likely. Based on a review of published studies and preliminary 2018 rate filings across various markets, it is anticipated claim costs could increase 20% to 25% compared to 2016 levels. In setting final rates, we used 25.0% additional morbidity, the conservative end of this range.

The combined impact of the service area changes, increased membership, and the additional morbidity due to market shifts, uncertainty, and adverse selection is an overall morbidity factor of 1.033 relative to 2016 experience. This adjustment is anticipated to result in projected costs reflective of the market average for OHP's service area. Table 2 below shows the development of the morbidity factors used in Worksheet I, Section II of the URRT.

Table 2 Optima Health Plan Morbidity Allowed Adjustments Buildup					
	Component	**Medical**	**Rx**	**Capitation**	**Total**
(1)	Area Changes Morbidity Impact	0.826	0.826	0.826	0.826
(2)	Allowed Claims Mix for Experience	67%	31%	1%	100%
(3)	Allowed Claims Mix with Area Change Impact	72%	27%	1%	100%
(4) = (3) / (2)	Distribution Morbidity Adjustment Factor	1.062	0.866	1.000	1.000
(5)	Additional Market Morbidity	1.250	1.250	1.250	1.250
(1) * (4) * (5)	Morbidity Adjustment - URRT	1.097	0.895	1.033	1.033

CHANGES IN BENEFITS

The ”Other” factor in Worksheet 1, Section II of the URRT includes a reduction in expected allowed charges due to the impact of benefit changes and membership mix by plan on the average utilization of services between the experience and projection period.

CHANGES IN DEMOGRAPHICS

The “Other” factor in Worksheet 1, Section II of the URRT includes the impact of expected changes in age, gender, and geographic mix. The following outline the expected impact of each change:

- OHP will offer plans in Rating Areas 2, 4, 7, 9, and 12 only in 2018 after it had withdrawn its individual plans in Rating Areas 2, 3, 5, 7, and 12 in 2017. As discussed above, the impact of the geographic mix change based on allowed costs relationships results in an increase of 2.6%.

- Minor adjustments to reflect the difference in age / gender mix between 2016 and that expected in 2018. The 2018 expected distribution is based on members in force as of February 28, 2017. Additional membership assumed to be procured in 2018 is anticipated to have a comparable age / gender mix.

OTHER ADUSTMENTS

The “Other” factor in Worksheet 1, Section II of the URRT also includes the following adjustments:

- A decrease in average allowed costs to reflect the inclusion of alternate network products in 2018 that were not in place during 2016.

- The change in the average capitated rate between 2016 and 2018.

- An increase in costs due to the mix of members with Cost Sharing Reduction plans from 2016 to 2018.

Table 3 provides a summary of the buildup of these components into the “Other” factor in Worksheet 1, Section II of the URRT (other than capitation), including the benefit and demographic adjustments discussed above. The change in capitation is its own adjustment in the applicable URRT service category.

Table 3 Optima Health Plan Other Allowed Adjustments Buildup Services Other Than Capitation	
Component	**Factor**
Benefit Changes	0.981
Rating Area Mix Changes	1.026
Provider Network Adjustments	0.999
Age / Gender	0.989
CSR Mix	1.007
Total	1.002

ANNUALIZED TREND FACTORS

The utilization and cost trend factors shown in Worksheet 1, Section II are reflective of an aggregate annual allowed charge trend of 8.1% for non-capitated (i.e., fee-for-service) claims (before adjustments for provider network arrangements, as described below). This aggregate value was developed based on a combination of OHP small group experience, the Milliman *HCG*s, and general industry knowledge regarding recent trends in medical inflation. Note this average reflects the expected average after adjusting starting costs to account for the change in mix of medical and prescription drug costs, as discussed above.

Separate trend factors for utilization and cost were estimated based on relative values from the *HCG*s. Factors were developed such that the aggregate value is 8.1%.

We reviewed OHP allowed charge trends (combined utilization and cost) by service category in comparison to the *HCG* developed values to test for reasonability of our final assumptions. This experience was found to be fairly volatile (i.e., lacking in credibility) for purposes of developing assumptions at this detailed level using OHP experience.

EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

OHP's individual experience is considered to be fully credible for purposes of rate development. As such, a manual rate was not developed and zeroes have been entered into the credibility manual rate section of the URRT, in accordance with URRT instructions.

SOURCE AND APPROPRIATENESS OF EXPERIENCE DATA USED IN MANUAL RATE DEVELOPMENT

Not applicable.

ADJUSTMENTS MADE TO THE DATA

Not applicable.

INCLUSION OF CAPITATION PAYMENTS

Not applicable.

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

OHP's individual experience in aggregate is considered to be fully credible for purposes of rate development. As shown in Section 1 of the URRT, there are over 60,000 member months included in the experience data, which supports assigning 100% credibility for the purposes of rate development. As such, a 100% credibility factor to the projected experience is assigned.

EXHIBIT 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed as follows:

$$\frac{\text{Weighted Average Paid Claim PMPM by Plan}}{\text{Weighted Average Allowed Claim PMPM by Plan}}$$

The weighted average in both the numerator and denominator was developed based on projected member months by plan, as presented in Worksheet 2, Section IV of the URRT.

EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

EXPERIENCE PERIOD RISK ADJUSTMENTS PMPM

Amounts included in Worksheet II, Section III of the URRT for risk adjustment were determined based on the actual 2016 values released in June 2016. Risk adjustment values are included in the following line items, per the 2018 URRT instructions:

- Total Allowed Claims – Expected transfer payment amounts to OHP, without any adjustment for the risk adjustment transfer fee, are added to allowed claims (i.e., a payment to OHP increases the claim amounts shown in this line item.
- Allowed Claims which are not the issuer's obligation - Expected transfer payments to OHP, without adjustment for the risk adjuster fee.
- Net Amt of Risk Adj – Expected transfer payments to OHP, net of the 2016 risk adjuster fee.

Amounts included in Worksheet II, Section III of the URRT for reinsurance were determined based on the PMPM values booked by OHP at year-end 2016. Reinsurance payment to OHP are included in the following line items, per the 2018 URRT instructions:

- Allowed Claims which are not the issuer's obligation - Expected payments to OHP, without adjustment for the reinsurance contribution.
- Net Amt of Reinsurance – Expected payments to OHP, net of the 2016 reinsurance contribution.

PROJECTED RISK ADJUSTMENTS PMPM

OHP's 2018 risk adjustment estimate is based on anticipated changes in OHP's risk relative to the statewide average, consideration of the changes to the risk adjustment model, and actuarial judgement.

In consideration of a sizeable increase in membership, we estimate OHP's 2018 risk profile will be similar to the Virginia 2018 individual single-risk pool market average and will only pay the $0.14 PMPM user fee. This is illustrated in URRT Worksheet 1, Section III.

The estimates of relative risk and risk transfer amounts are highly dependent on the population that enrolls with OHP as well as with other carriers in the state.

Along with the metallic projection, we assume that members in OHP's new catastrophic plan will also have a risk profile similar to the state average, resulting in an expected transfer payment of $0.

PROJECTED ACA REINSURANCE RECOVERIES NET OF REINSURANCE PREMIUM

The federal transitional reinsurance program was temporary and ended 12/31/2016. It is not expected to be in place for 2018, so we assume reinsurance contributions and reinsurance recoveries will be zero.

EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

ADMINISTRATIVE EXPENSE LOAD

Overall administrative expenses are assumed to increase substantially due to the anticipated large increase in membership in 2018. On a PMPM basis, these expenses are expected to be about $7 higher compared to the 2017 rate filing ($58.32 vs $51.29). However, with the greater percentage increase in premium driven by other factors, this results in a decrease in expenses as a percent of premium compared to 2017.

Total PMPM expenses are allocated by benefit plan as a percent of premium, or 6.54%, as presented in Worksheet 1, Section III of the URRT.

PROFIT & RISK LOAD

The Profit and Risk Load target value of 8.0% in aggregate was determined based on Company targets, anticipated uncertainty of the 2018 market, and in consideration of federal MLR requirements. This is an increase over the 5.5% assumption used for 2017 pricing. Target values vary by metallic tier to reflect the impact of market considerations in setting premium rates.

Premium adjustments by metallic tier to reflect experience net of risk adjustment were done through this item in the development of plan adjusted index rates, with the aggregate impact netting to 0% impact, thus maintaining the 8.0% margin.

TAXES AND FEES

Table 4 provides a breakdown of projected taxes and fees presented in Worksheet 1, Section III of the URRT, as a percent of premium.

Table 4
Optima Health Plan
Projected Taxes and Fees

Item	% Prem
Premium Tax	0.10%
Health Insurer Fee	1.11%
Research Trust Fund Fee	0.02%
Exchange User Fee	3.05%
Total	4.29%

The exchange user fee is applied as an adjustment to the index rate at the market level, as discussed in Section 14 below. Specifically, exchange business premium is assumed to be about 87% of OHP's projected 2018 individual premium, as determined based on February 2017 inforce membership. The percent of premium value in Table 4 reflects an allocation of anticipated exchange fees of 3.5% of exchange premium across all projected individual enrollment.

EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio is 85.6%. This loss ratio is calculated consistently with the MLR methodology, according to the National Association of Insurance Commissioners, as prescribed by 211 CMR 147.00. Table 5 shows this calculation.

Table 5
Optima Health Plan
Minimum Loss Ratio

	Amount PMPM	Annotation
Claims	$723.50	(1)
Risk Adjustment Paid (Received)	$0.00	(2)
Quality Improvement / Health IT	$7.33	(3)
MLR Numerator	$730.83	(4) = (1) + (2) + (3)
Premium	$891.73	(5)
Taxes & Fees	$38.40	(6)
MLR Denominator	$853.33	(7) = (5) - (6)
Federal MLR	85.6%	(8) = (4) / (7)

EXHIBIT 12. SINGLE RISK POOL

The single risk pool for OHP Virginia individual plans was established in accordance with the requirements in 45 CFR part 156, §156.80(d). The single risk pool reflects covered lives in all non-grandfathered products sold in the Virginia individual market by OHP. There are not any transitional members in the OHP individual risk pool for 2016 as OHP did not sell individual business prior to 2014.

EXHIBIT 13. INDEX RATE

EXPERIENCE PERIOD

The index rate for the experience period is equal to the Allowed Claims PMPM for the experience period, as shown in Worksheet 1, Section I of the URRT, adjusted for removal of Non-EHB Claims. The non-essential health benefits provided in OHP individual plans during 2016 are as follows:

- Adult routine vision exam benefit
- Abortion for which public funding is prohibited (off-exchange plans only)

Historical allowed claims were adjusted to remove non-EHB charges and develop the experience period index rate as follows:

(1)	Allowed Claims – Worksheet 1, Section 1	$286,778,054
(2)	Non-EHB Allowed Claims	$430,167
(3)	Allowed EHB Claims [(1) – (2)]	$286,347,887
(4)	Member Months	413,245
(5)	Index Rate [(3)/(4)] (rounded to whole dollar in URRT)	$692.94

PROJECTION PERIOD

The projected index rate shown in Worksheet 1, Section III of the URRT was developed as follows:

- Projected Allowed Claims PMPM * % of Allowed Claims Attributable to EHB

Projected allowed claims are those after any applicable credibility adjustments, but before any adjustment for risk adjuster or reinsurance payments and / or recoveries. Table 6 illustrated this calculation.

Table 6
Optima Health Plan
Index Rate Development

2018 Allowed Claims PMPM	$836.41
% of Allowed Claims Attributable to EHB	99.63%
2018 Index Rate	$833.32

The difference between the Projected Allowed Claims PMPM and the index rate reflect the removal of the average anticipated cost across the entire single risk pool of the following non-EHB benefits:

- Adult routine vision exam benefit
- Abortion for which public funding is prohibited (included in off-exchange plans only)

All other benefits provided in the OHP individual benefit plans are considered EHB.

EXHIBIT 14. MARKET ADJUSTED INDEX RATES

The Market Adjusted Index rate was calculated as the Index Rate adjusted for all allowable market-wide modifiers as defined in the market rating rules, 45 CFR Part 156, §156.80(d)(1). Table 7 illustrates the calculation of the market adjusted index rate:

Table 7
Optima Health Plan
Market Adjusted Index Rate Development

2018 Index Rate PMPM	$833.32
Market Adjustments (paid basis)	
+ Net Risk Adjustment Payment	$0.14
- Net Federal Transitional Reinsurance	$0.00
+ Exchange User Fees	$27.18
Paid-to-Allowed Ratio	0.865
Market Adjustments (allowed basis)	
+ Net Risk Adjustment Payment	$0.16
- Net Federal Transitional Reinsurance	$0.00
+ Exchange User Fees	$31.43
Market Adjusted Index Rate PMPM	**$864.90**

In accordance with Part III instructions, the federal reinsurance reimbursements and the risk adjuster payments and fees used in the development of the market adjusted index rate reflect projected values from Worksheet I, Section III, adjusted to an allowed basis. This was done by dividing the PMPM amounts illustrated in Worksheet I, Section III by the paid-to-allowed ratio, also shown in Worksheet I, Section III.

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

Plan adjusted index rates reflect the Market Adjusted Index Rate adjusted for allowable plan level modifiers defined in the market rating rules, 45 CFR Part 156, §156.80(d)(2). This is summarized as follows:

Market Adjusted Index Rate

x (1) Plan actuarial value and cost sharing value factor

x (2) Plan provider network, delivery system characteristics, and utilization management practices factor

x (3) Benefits provided by the plan that are in addition to EHB

x (4) Distribution and administrative costs, excluding user exchange fees

x (5) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans.

EXHIBIT 16. CALIBRATION

Attachment A provides an illustration for the development of the applicable calibration factors for age and geographic area. The age calibration factor is approximately equal to the age 48 adult factor, as shown in Attachment A.

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

Attachment B provides an illustration for the development of consumer adjusted premium rates for sample insured members.

EXHIBIT 18. AV METAL VALUES

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed using the 2018 CMS Actuarial Value (AV) calculator.

EXHIBIT 19. AV PRICING VALUES

Attachment C provides a summary of the AV pricing values by plan, as presented in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). The product of the allowable modifiers is equal to the AV Pricing Value.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. In other words, these adjustments are based only on utilization expectations related to the comparative richness of each benefit plan and not on the people who select such a plan. The Milliman *HCG*s were used to estimate the value of cost-sharing and relative utilization of services for each plan. Our pricing models assume the same demographic and risk characteristics for each plan, thereby excluding expected differences in the morbidity of members assumed to select the plan.

The *HCG*s 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 Milliman *HCG*s are developed as a result of Milliman's continuing research on health care costs. They were first developed in 1954 and have been updated and expanded annually since then. These guidelines are continually monitored as we use them in measuring the experience or evaluating the rates of our clients and as we compare them to other data sources.

The *HCG*s 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. 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.

The AV pricing values reflect full plan liability for CSR plans.

EXHIBIT 20. MEMBERSHIP PROJECTIONS

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

- Inforce distribution of business as of February 28, 2017.
- Expected membership for new benefit plan options, including the extent to which terminating plan membership is mapped into new plans.
- Projected new sales activity and procurement of membership due to market exits by other issuers, assumed to have a distribution consistent with OHP historical experience.
- Changes in OHP's service area.
- The proposed rate changes and anticipated 2018 issuer participation in the Virginia market based on currently available information.

The portion of projected enrollment that will be eligible for cost-sharing reduction (CSR) subsidies is estimated to be 80% of individuals purchasing Silver coverage. This assumption and the distribution of members by CSR plan were developed based on current membership in force as of February 28, 2017.

Table 8 provides the anticipated membership for Silver QHP plans by CSR subsidy level:

Table 8
Optima Health Plan
Projected Enrollment (Member Months) by Subsidy Level (Silver Plans)

Plan Name	OptimaFit Silver 4600 20%	OptimaFit Silver 2850 20% HSA
HIOS ID	**20507VA1410017**	**20507VA1410018**
70%	118,156	9,246
73%	66,780	5,225
87%	150,585	11,783
94%	255,997	20,031
ZCS	171	13
LCS	15	1
Total	591,704	46,300

EXHIBIT 21. TERMINATED PRODUCTS

Attachment D provides a listing of terminated plans from both the experience period and also any new plans in 2017 that will be terminated as of January 1, 2018. Included is information on any applicable cross-walks to continuing or new 2018 benefit plans. Note that the 2018 OHP portfolio has entirely new HIOS ID's. However, 16 of these plans are considered renewing since they are the same plan, with benefit changes that necessitate a HIOS ID change.

Note that to the extent a terminating plan was available during the experience period, but did not have any membership in the experience period, it is not included in Worksheet II of the URRT.

EXHIBIT 22. PLAN TYPE

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT. They are all consistent with the available options in the drop-down box in Worksheet 2.

EXHIBIT 23. WARNING ALERTS

The following warning alerts appear in Worksheet 2, Section III of the URRT:

- Total Allowed Claims (Row 61) – This warning is triggered because risk adjustment transfers are included in Worksheet 2, but not included in Worksheet 1, per the 2018 URRT instructions and as noted in Exhibit 9.
- Total Incurred Claims, Payable with Issuer Funds (Row 68) – This warning is triggered because Worksheet 2 removes federal reinsurance payments from allowed claims, whereas they are not removed in Worksheet 1.
- Incurred Claims PMPM (Row 73) – This warning is triggered because these values are simply the values causing the row 68 warning divided by member months.
- Allowed Claims PMPM (Row 74) – This warning is triggered because these values are simply the values causing the row 61 warning divided by member months.

EXHIBIT 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, I have relied on information provided to me by the management of Optima Health Plan and its affiliates. If the underlying data or information is inaccurate or incomplete, the contents of the URRT and Part III Actuarial Memorandum along with many of our conclusions may likewise be inaccurate or incomplete.

I 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 that 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.

EXHIBIT 25. ACTUARIAL CERTIFICATION

This memorandum may be considered a statement of actuarial opinion. I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This filing is prepared on behalf of Optima Health Plan.

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 2016 individual market.
2. 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.
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 differences in costs 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 Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template (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 index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The information provided in this actuarial memorandum is in support of the items presented 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.

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

The premium rates developed are based upon regulatory and legislative provisions in effect at the time of this filing, including, but not limited to, the enforcement of the individual mandate. The exception to this is related to funding of the Cost-Sharing Reduction (CSR) payments by the federal government. Pursuant to the instructions of OHP management, premium rates were developed reflecting anticipation that CSR payments will not be funded in 2018 and full liability for these costs will be OHP's responsibility. Furthermore, the additional premium needed to fund these additional CSR benefits has been reflected in

only silver plan premiums offered through the exchange. This approach to rate setting was made allowable, but not prescribed, by the Virginia Bureau of Insurance (BOI) in its August 9, 2017 guidance memo. If these provisions materially change, then these rates may no longer be appropriate and will need to be withdrawn and refiled.

Name: Margaret A. Chance, FSA, MAAA
Title: Principal and Consulting Actuary
Date: September 15, 2017

Attachment A
Optima Health Plan
Individual Medical Business
Development of Calibration & Trend Adjustment Factors

Att Age	CMS Factor (Avg of Band)	Member Distribution
21-24	1.000	5.4%
25-29	1.056	10.3%
30-34	1.178	9.0%
35-39	1.240	8.6%
40-44	1.332	7.8%
45-49	1.570	9.1%
50-54	1.956	9.7%
55-59	2.430	10.4%
60-63	2.837	9.0%
64+	3.000	5.3%
Child - Pay	0.813	14.6%
Child - non Pay	0.000	0.7%
Aggregate Factor	1.600	100.0%

Age 47 factor	1.563
Age 48 factor	1.635
Avg Adult Age	47.5
Nearest Age	48.0

Rating Area	Rating Area Factor	Member Distribution
Blacksburg-Christiansburg-Radford VA	N/A	0.0%
Charlottesville VA	1.579	13.6%
Danville	N/A	0.0%
Harrisonburg VA	1.265	7.1%
Kingsport-Bristol-Bristol TN-VA	N/A	0.0%
Lynchburg VA	N/A	0.0%
Richmond VA	1.404	3.7%
Roanoke VA-NC	N/A	0.0%
Virginia Beach-Norfolk-Newport News VA-NC	1.000	72.0%
Washington-Arlington-Alexandria	N/A	0.0%
Winchester, VA-WV	N/A	0.0%
Out-of-Area	1.250	3.7%
Total	1.121	100.0%

Attachment B
Optima Health Plan
Individual Medical Business
Sample Calculations of Consumer Adjusted Premium Rates

		Sample 1	Sample 2
	Plan	OptimaFit Bronze 7200 20	OptimaFit Silver 4600 20%
	Plan ID	20507VA1410019	20507VA1410017
	Age	35	45
	Area	Virginia Beach	Charlottesville
	Tobacco	No	No
	Effective Date	Jan-18	Jan-18
(1)	Market Adjusted Index Rate	$864.90	$864.90
	Allowable Factors		
	AV Cost Share	0.612	0.880
	Network	1.000	1.000
	non-EHB Benefits	1.003	1.003
	Expenses*	1.339	1.179
	Catastrophic	1.000	1.000
(2)	Total	0.822	1.040
(3) = (1) * (2)	Plan Adjusted Index Rate	$711.00	$899.35
	Calibration Factors		
	Age	1.600	1.600
	Geographic Area	1.121	1.121
(4)	Total Product	1.794	1.794
	Consumer Rating Factors		
	Individual/Family (n/a)	1.000	1.000
	Geographic Area	1.000	1.579
	Age	1.222	1.444
	Tobacco Code	1.000	1.000
(5)	Total Product	1.222	2.280
[(3) / (4)] * (5) * (6)	Consumer Adjusted Premium Rate	$484.36	$1,143.35

Attachment C
Optima Health Plan
Individual Medical Business
Summary of AV Pricing Values and Allowable Adjustments to the Adjusted Index Rate

		Components of Allowable Adjustment to Adjusted Index Rate					
Plan Name	HIOS ID	AV/ Cost Share	Network	Non-EHB Benefits	Expenses*	Catastrophic	AV Pricing Value
OptimaFit Bronze 6000 HSA	20507VA1410008	0.630	1.000	1.003	1.339	1.000	0.846
OptimaFit Catastrophic 7350	20507VA1410009	0.584	1.000	1.004	1.286	0.980	0.739
OptimaFit Gold 1500	20507VA1410015	0.946	1.000	1.005	1.633	1.000	1.553
OptimaFit Silver 4600 20%	20507VA1410017	0.880	1.000	1.003	1.179	1.000	1.040
OptimaFit Silver 2850 20% HSA	20507VA1410018	0.911	1.000	1.004	1.179	1.000	1.078
OptimaFit Bronze 7200 20	20507VA1410019	0.612	1.000	1.003	1.339	1.000	0.822
OptimaFit Bronze 7200 20 Select	20507VA1410022	0.609	0.950	1.003	1.339	1.000	0.777
OptimaFit Silver 3500 30	20507VA1420010	0.744	1.000	1.003	1.179	1.000	0.880
OptimaFit Silver 2200 HSA	20507VA1420011	0.781	1.000	1.004	1.179	1.000	0.924

* Values do not include the Exchange fee.

Attachment D
Optima Health Plan
Individual Medical Business
Summary of Terminated Plans

Plan Name	Initial 2016 or 2017 HIOS ID HIOS ID	Metal	Exchange	Year Available	Year Terminated/Mapped	2017 Mapping	2018 Mapping
OptimaFit Gold 1500	20507VA1170001	Gold	Yes	2016	2018	20507VA1170001	20507VA1410015
OptimaFit Gold 2800 HSA	20507VA1220044	Gold	Yes	2016	2018	20507VA1220044	Discontinued
OptimaFit Silver 4600 20%	20507VA1170002	Silver	Yes	2016	2018	20507VA1170002	20507VA1410017
OptimaFit Silver 2850 20% HSA	20507VA1170006	Silver	Yes	2016	2018	20507VA1170006	20507VA1410018
OptimaFit Bronze 7200 20	20507VA1170021	Bronze	Yes	2016	2018	20507VA1170021	20507VA1410019
OptimaFit Bronze 5000 HSA	20507VA1220046	Bronze	Yes	2016	2018	20507VA1220046	Discontinued
OptimaFit Bronze 6000 HSA	20507VA1220048	Bronze	Yes	2016	2018	20507VA1220048	20507VA1410008
OptimaFit Gold 1500 Select	20507VA1170011	Gold	Yes	2016	2018	20507VA1170011	Discontinued
OptimaFit Gold 800	20507VA1220001	Gold	No	2016	2018	20507VA1220001	Discontinued
OptimaFit Gold 1600	20507VA1220013	Gold	No	2016	2018	20507VA1220013	Discontinued
OptimaFit Silver 3500 30	20507VA1220042	Silver	No	2016	2018	20507VA1220042	20507VA1420010
OptimaFit Silver 2200 HSA	20507VA1220045	Silver	No	2016	2018	20507VA1220045	20507VA1420011
OptimaFit Gold 1600 Select	20507VA1220023	Gold	No	2016	2018	20507VA1220023	Discontinued
OptimaFit Silver 4600 20% Select	20507VA1220031	Silver	No	2016	2018	20507VA1220031	Discontinued
OptimaFit Bronze 6000 HSA Select	20507VA1220038	Bronze	No	2016	2018	20507VA1220038	Discontinued
OptimaFit Gold 1400 Direct	20507VA1170007	Gold	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Silver 2600 25 20% Direct	20507VA1170008	Silver	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 4500 HSA Direct	20507VA1170009	Bronze	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 5500 HSA Select	20507VA1170017	Bronze	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 6850	20507VA1170019	Bronze	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 3750 HSA	20507VA1180001	Bronze	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 4250 HSA	20507VA1180002	Bronze	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 4750 HSA	20507VA1180003	Bronze	Yes	2016	2017	Discontinued	Discontinued
OptimaFit Gold 1000 25	20507VA1200002	Gold	No	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 4000 HSA	20507VA1210005	Bronze	No	2016	2017	Discontinued	Discontinued
OptimaFit Gold 1400 Direct	20507VA1220014	Gold	No	2016	2017	Discontinued	Discontinued
OptimaFit Silver 2600 25 20%Direct	20507VA1220019	Silver	No	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 4500 HSA Direct	20507VA1220020	Bronze	No	2016	2017	Discontinued	Discontinued
OptimaFit Bronze 30% M	20507VA1220049	Bronze	No	2017	2018	20507VA1220049	Discontinued
OptimaFit Bronze 7200 20 Select	20507VA1170028	Bronze	Yes	2017	2018	20507VA1170028	20507VA1410022
OptimaFit Silver 4000 20%	20507VA1220004	Silver	No	2016	2018	20507VA1220004	Discontinued
OptimaFit Bronze 7150	20507VA1220017	Bronze	No	2016	2018	20507VA1220017	Discontinued