# Part III Actuarial Memorandum

## Summa Insurance Company
## Individual Rate Filing
## Effective January 1, 2018

Prepared for:
**SummaCare, Inc.**

Prepared by:
**Milliman, Inc.**

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## TABLE OF CONTENTS

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

# SECTION 1. GENERAL INFORMATION

## DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for Summa Insurance Company's (Summa's) individual block of business, effective January 1, 2018. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT) and Part II Written Description Justifying the Rate Increase.

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 State of Ohio Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Summa's individual 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 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.

We developed the 2018 plan year premium rates in this Part III Actuarial Memorandum contingent upon the status of the Affordable Care Act (ACA) statutes and regulations including any regulatory guidance, court decisions, or otherwise. Changes have the potential to greatly impact the 2018 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 (CSR) subsidies, advance premium tax credits or a decision not to enforce the individual mandate requirement and penalty. Milliman expresses no opinion with regard to the future funding of CSR subsidies.

As prescribed by the Ohio Department of Insurance, the premium rates developed and supported by this Actuarial Memorandum assume that CSR subsidies will not continue to be funded and calculated as described in current regulations and guidance, and the impact of CSR subsidy non-payment is spread across exchange silver plans only in the single risk pool. Future modifications in legislation, regulation and/or court decisions regarding the funding of CSR subsidies may affect the extent to which the premium rates are neither excessive nor deficient. Summa reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed.

## COMPANY IDENTIFYING INFORMATION

| | |
|---|---|
| Company Legal Name: | Summa Insurance Company |
| State: | Ohio |
| HIOS Issuer ID: | 52664 |
| Market: | Individual |
| Effective Date: | January 1, 2018 |

## COMPANY CONTACT INFORMATION


| | |
|---|---|
| Primary Contact Name: | Julie Werstler |
| Primary Contact Telephone Number: | (330) 996-8716 |
| Primary Contact Email Address: | werstlerj@summacare.com |

### 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 six-tier (no cost generic, preferred generic, non-preferred generic, preferred brand, non-preferred brand, and specialty) copayment or coinsurance structure.

- Are available at Gold, Silver, Bronze, and Catastrophic levels, with individual medical deductibles ranging from $750 per year to $7,350 per year. Specific deductibles of $1,000 and $2,000 per year for drug benefits are offered on the Silver 5000 plan and Silver 5000 40 plan, respectively. Coinsurance ranges from 0% to 40%. Individual out-of-pocket maximums ranges from $6,550 to $7,350 per year for medical and drug benefits.

- Include a PPO product.

- Include an adult vision and diabetic eye exam benefit that exceeds the Essential Health Benefits (EHBs).

### MARKETING METHOD

Summa is selling plans through the Exchange and non-Exchange markets. The non-Exchange plans will be sold via independent brokers and employed sales staff.

## SECTION 2. PROPOSED RATE INCREASE(S)

This submission applies to Summa's individual medical plans available for sale January 1, 2018. These individual rates are guaranteed through December 31, 2018. The experience basis, rating factors, and other projection assumptions were updated for this filing. The following products are included in this filing:

- Individual (52664OH151)
- Individual Qualified (52664OH152)

[redacted]

Requested rate changes vary by plan and product due to changes in plan pricing relativities, by geographic area due to changes in area factors, and by age due to changes in the age curve. There were no changes made to tobacco factors.

### REASONS FOR RATE INCREASE(S)

We developed premium rates using Summa's 2016 individual ACA experience in conjunction with internal research proprietary to Milliman and other industry studies and surveys. We considered a number of significant factors when developing the premium rates. The following material factors impacted rates:

[redacted]

[redacted]

The premium rate development is discussed in more detail later in this memorandum.

## SECTION 3. EXPERIENCE PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows Summa's earned premium and incurred and paid claims for the period of January 1, 2016 through December 31, 2016, with claims paid through March 31, 2017.

### PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD

Table 3.1 summarizes the earned premiums during the experience period, as illustrated on Worksheet 1, Section I of the URRT.

**Table 3.1**
**Summa Insurance Company**
**Premium Net of MLR Rebates**

| Description | Value |
|---|---|
| Earned Premium | [redacted] |
| MLR Rebates | [redacted] |
| **Earned Premium Net of MLR Rebates** | [redacted] |

### ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD

Table 3.2 summarizes the allowed and incurred claims during the experience period, as illustrated in Worksheet 1, Section I of the URRT.

**Table 3.2**
**Summa Insurance Company**
**Experience Period Claims Summary**

| Description | Allowed Claims | Incurred Claims |
|---|---|---|
| Processed Through Summa's Claim System | [redacted] | [redacted] |
| Processed Outside Summa's Claim System | [redacted] | [redacted] |
| Incurred but Not Paid | [redacted] | [redacted] |
| Cost Sharing Reductions | [redacted] | [redacted] |
| **Total** | [redacted] | [redacted] |

Summa processes all medical claims internally. A separate external vendor processes pharmacy claims. Both allowed claims and incurred claims are directly from Summa's claim records.

Total allowed claims are calculated as the following:

- [Allowed Claims (FFS) * Completion Factor]

Total incurred claims are calculated as the following:

- [Paid Claims (FFS) * Completion Factor]

Allowed Claims (FFS) and Paid Claims (FFS) reflect the applicable values from Summa's claim payment system for claims received and paid for that are covered on a fee-for-service basis (i.e., not capitated) during the experience period.

Incurred but not paid claims are calculated as follows, for allowed and paid values, respectively:

- Allowed Claims (FFS) * (1 - Completion Factor)
- Paid Claims (FFS) * (1 - Completion Factor)

The same completion factors are applied to allowed and incurred claims.

Summa developed the completion factors used in the rate development. We reviewed the factors 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).

## SECTION 4. BENEFIT CATEGORIES

We assigned the experience data utilization and cost information to benefit categories, as shown in Worksheet 1, Section II of the Part 1 URRT, 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

Not applicable.

### PRESCRIPTION DRUG

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

## SECTION 5. PROJECTION FACTORS

[redacted]

[redacted]

[redacted]

## SECTION 6. CREDIBILITY MANUAL RATE DEVELOPMENT

Not applicable. Summa's experience in the base period is fully credible for the purposes of the rate projection.

## SECTION 7. CREDIBILITY OF EXPERIENCE

### DESCRIPTION OF THE CREDIBILITY METHOD USED

We used the CMS guidelines for Medicare Advantage / Prescription Drug Plans (MA / PD) to determine the credibility of the experience. These guidelines specify 24,000 member months as 100% credible for medical and specify the following formula for determination of partial credibility:

(n / 24,000) ^ (1/2) for medical and
(n / 18,000) ^ (1/2) for prescription drugs
where n = member months in the experience period.

Since prescription drug and medical coverage are both covered, and medical services make up a significantly larger portion of the costs, we used the above medical formula for the determination of credibility.

### RESULTING CREDIBILITY LEVEL ASSIGNED TO THE BASE PERIOD EXPERIENCE

The credibility assigned to the base period experience is 100%.

Table 7.1 summarizes the adjusted credibility of the base period experience.

**Table 7.1**
**Summa Insurance Company**
**Credibility of Base Experience**

| Description | Value | Annotation |
|---|---|---|
| Member Months – Base Experience | [redacted] | (a) |
| Full Credibility Threshold – Member Months | [redacted] | (b) |
| % Base Experience in the Manual Rate | [redacted] | (c) |
| Credibility of Base Experience (no adjustment) | [redacted] | (d) = Min{sqrt[(a) / (b)],1} |
| **Adjusted Credibility of Base Experience** | [redacted] | (e) = [(d)-(c)] / [1-(c)] |

## SECTION 8. PAID TO ALLOWED RATIO

Table 8.1 provides support for the average projected paid to allowed ratio. The average projected allowed and incurred PMPM reflects the member month weighted average from Worksheet 2, Section IV of the URRT. The average projected paid-to-allowed ratio is consistent with Worksheet 1, Section III of the URRT. The resulting paid-to-allowed ratio reflects full plan liability for CSR plans.

**Table 8.1**
**Summa Insurance Company**
**Average Paid to Allowed Factor Support**

| Description | Value |
|---|---|
| Average projected allowed claims PMPM | [redacted] |
| Average projected incurred claims PMPM | [redacted] |
| **Average projected paid-to-allowed ratio** | [redacted] |

## SECTION 9. RISK ADJUSTMENT AND REINSURANCE

### EXPERIENCE PERIOD RISK ADJUSTMENTS PMPM

[redacted]

### PROJECTED RISK ADJUSTMENTS PMPM

[redacted]

### EXPERIENCE PERIOD ACA REINSURANCE RECOVERIES NET OF REINSURANCE PREMIUM

We used the RI Detail Enrollee (RIDE) file from the EDGE server. The file reflects 2016 incurred claims paid through April 28, 2017.

Individual carriers paid contributions of $2.25 PMPM for the ACA reinsurance program in 2016. The instructions of the Part III Actuarial Memorandum indicate this item must be reported net of reinsurance contributions. As such, we include the $2.25 PMPM payment in this line item of Worksheet 2, Section III of the URRT.

### PROJECTED ACA REINSURANCE RECOVERIES NET OF REINSURANCE PREMIUM

The federal transitional reinsurance program is a temporary program that ended in 2016. As a result, we did not project any federal transitional reinsurance contributions or recoveries for 2018.

## SECTION 10. NON-BENEFIT EXPENSES, PROFIT AND RISK

Table 10.1 summarizes retention components included in the rate development.

**Table 10.1**
**Summa Insurance Company**
**Illustration of Administrative Expenses by URRT, Worksheet 1 Category**

| Retention Description | PMPM | % Premium | Basis | Annotation |
|---|---|---|---|---|
| **Administrative Expense Load** | | | | |
| [redacted] | [redacted] | [redacted] | % of Premium | (1) |
| [redacted] | [redacted] | [redacted] | % of Premium | (2) |
| [redacted] | [redacted] | [redacted] | PMPM Spread | (3) |
| [redacted] | [redacted] | [redacted] | PMPM Spread | (4) |
| [redacted] | [redacted] | [redacted] | | **(5) = (1) + (2) + (3) + (4)** |
| [redacted] | | | | |
| [redacted] | [redacted] | [redacted] | % of Premium | (6) |
| [redacted] | [redacted] | [redacted] | | **(7) = (6)** |
| [redacted] | | | | |
| [redacted] | [redacted] | [redacted] | % of Premium | (8) |
| [redacted] | [redacted] | [redacted] | PMPM | (9) |
| [redacted] | [redacted] | [redacted] | % of Premium | (10) |
| [redacted] | [redacted] | [redacted] | % of Premium | (11) |
| [redacted] | [redacted] | [redacted] | | **(12) = (8) + (9) + (10) + (11)** |
| [redacted] | [redacted] | [redacted] | | **(13) = (5) + (7) + (12)** |

The administrative expenses reflect Summa's estimate of 2018 projected expenses.

[redacted]

Exhibit 10.2 shows the retention loads by plan.

## SECTION 11. PROJECTED LOSS RATIO

Table 11.1 summarizes the calculation for the projected federal medical loss ratio. This loss ratio is calculated consistently with the MLR methodology, according to the National Association of Insurance Commissioners, as prescribed by 45 CFR 158.221.

**Table 11.1**
**Summa Insurance Company**
**2018 Projected Federal Medical Loss Ratio**

| Description | PMPM | Annotation |
|---|---|---|
| Paid Claims | [redacted] | (1) |
| Claim-Related Retention (QI / Health IT) | [redacted] | (2) |
| Risk Adjustment Paid (Received) | [redacted] | (3) |
| Transitional Reinsurance Recoveries (Received) | [redacted] | (4) |
| Risk Corridors Paid (Received) | [redacted] | (5) |
| **MLR Numerator** | [redacted] | **(6) = (1) + (2) + (3) + (4) + (5)** |
| Premium | [redacted] | (7) |
| Premium-Related Retention (Taxes and Fees) | [redacted] | (8) |
| **MLR Denominator** | [redacted] | **(9) = (7) - (8)** |
| **Medical Loss Ratio** | [redacted] | **(10) = (6) / (9)** |

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

## SECTION 12. SINGLE RISK POOL

Summa's rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d), and reflect all covered lives for every non-grandfathered product / plan combination in the State of Ohio individual health insurance market.

## SECTION 13. INDEX RATE

The Index Rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period Index Rate reflects the actual mixture of smoker / non-smoker population, area factors, catastrophic / non-catastrophic enrollment, and the actual mixture of risk morbidity that Summa received in the Single Risk Pool during the experience period. There were additional benefits offered beyond the EHB benefits. The experience period Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs or for Marketplace user fees.

The experience period Index Rate is equal to the experience period total allowed claims PMPM minus the total non-EHB allowed claims.

The Index Rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected index rate reflects the projected 2018 mixture of smoker / non-smoker population, area factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that Summa expects to receive in the Single Risk Pool. There were additional benefits offered beyond the EHB benefits. 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 is equal to the projected total allowed claims PMPM minus the total non-EHB allowed claims PMPM.

[redacted]

The difference between the total allowed claims PMPM in Worksheet 1, Section III of the URRT and the Index Rate is due to non-EHB benefits. Summa offers adult vision and diabetic eye exam non-EHB benefits.

## SECTION 14. MARKET ADJUSTED INDEX RATES

Table 14.1 summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate.

**Table 14.1**
**Summa Insurance Company**
**Market Adjusted Index Rate Development**

| Description | PMPM | Annotation |
|---|---|---|
| Index Rate | [redacted] | (1) |
| Net Risk Adjustment | [redacted] | (2) |
| Net Federal Transitional Reinsurance | [redacted] | (3) |
| Marketplace User Fees | [redacted] | (4) |
| Paid-to-Allowed Ratio | [redacted] | (5) |
| **Impact of Market Reforms** | [redacted] | **(6) = [(2) + (3) + (4)] / (5)** |
| Average Quarterly Trend Adjustment | [redacted] | (7) |
| **Market Adjusted Index Rate** | [redacted] | (8) = (1) + (6) x (7) |

The impact of the market adjustments was calculated on an allowed basis to be consistent with the index rate by dividing the paid PMPM totals by the paid to allowed average factor.

The Market Adjusted Index Rate is not calibrated. This means the rate reflects the average demographic characteristics of the single risk pool.

Each of the above modifiers was developed as follows:

- Net Risk Adjustment.

  This factor includes the impact of the estimated risk adjustment transfer payment as addressed in Section 9 plus the Risk Adjustment User Fee of $0.14 PMPM.

- Net Transitional Reinsurance.

  This factor is $0, since the Transitional Reinsurance program ended in 2016.

- Marketplace User Fee adjustment.

  The Marketplace User Fee adjustment was determined as the average of no fee and the Marketplace User Fee, weighted using the expected distribution of issuer enrollment sold through the Marketplace versus outside the Marketplace.

## SECTION 15. PLAN ADJUSTED INDEX RATES

The Market Adjusted Index Rate is adjusted to compute the Plan Adjusted Index Rates using the following allowable adjustments:

- Actuarial value and cost sharing adjustment.
  - The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
  - The AV and cost sharing pricing adjustment was developed utilizing Milliman's *HCGs*. Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.
  - The actuarial value and cost-sharing factors were developed in an internal Milliman cost relativity model, which is based on Milliman's *HCGs*. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to Summa (including service area, provider reimbursement, degree of health care management, etc.).
  - This adjustment reflects full plan liability for CSR plans. The impact of CSR subsidy non-payment is spread across exchange silver plans only in the single risk pool.
- Provider network, delivery system and utilization management adjustment.
  - Expected differences in claims costs due to differences in provider networks and utilization management was determined based on Summa's contractually negotiated reimbursement arrangements. Expected utilization management savings of Summa was determined by review of the processes that will be used during the projection period as compared to processes used throughout the industry.
- Adjustment for benefits in addition to the EHBs.
  - We made an adjustment for non-EHBs since Summa's plans include adult vision and diabetic eye exam benefits.
- Adjustment for distribution and administrative costs.
  - This adjustment was developed to illustrate the impact of non-benefit expenses.
- Impact of specific eligibility categories for the catastrophic plan.
  - This adjustment was developed to illustrate the impact of the restricted age requirements in the Catastrophic risk pool, effect of tobacco loads applied to the expected catastrophic population, and the expected risk score specific to that population.

Exhibit 15.1 demonstrates the Plan Adjusted Index Rate development for each plan in the projection period.

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and, therefore, are not calibrated.

## SECTION 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Section 15 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

## AGE CURVE CALIBRATION

[redacted]

In order to determine the calibration factor for age, the projected distribution of members by age was determined for metallic and catastrophic plans. The weighted average of the factors in the age curve was then calculated using these distributions. The weighted average of the multiplicative inverse of the premium relativities (i.e. premium factor – single risk pool) was then determined using projected enrollment. The age curve calibration factor was then calculated as the multiplicative inverse of the premium factor – single risk pool. The average age was then determined by finding the 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 Plan Adjusted Index Rates need to be divided by the age curve calibration factor.

Table 16.1 illustrates the development of the age curve calibration factor.

**Table 16.1**
**Summa Insurance Company**
**Development of Age Curve Calibration Factor**

| Age Band | Rating Factors | Metallic Distribution | Catastrophic Distribution |
|---|---|---|---|
| 0 – 1 | 0.765 | [redacted] | [redacted] |
| 2 – 6 | 0.765 | [redacted] | [redacted] |
| 7 – 18 | 0.801 | [redacted] | [redacted] |
| 19 – 20 | 0.956 | [redacted] | [redacted] |
| 21 – 24 | 1.000 | [redacted] | [redacted] |
| 25 – 29 | 1.056 | [redacted] | [redacted] |
| 30 – 34 | 1.178 | [redacted] | [redacted] |
| 35 – 39 | 1.240 | [redacted] | [redacted] |
| 40 – 44 | 1.332 | [redacted] | [redacted] |
| 45 – 49 | 1.570 | [redacted] | [redacted] |
| 50 – 54 | 1.956 | [redacted] | [redacted] |
| 55 – 59 | 2.430 | [redacted] | [redacted] |
| 60 – 63 | 2.837 | [redacted] | [redacted] |
| 64+ | 3.000 | [redacted] | [redacted] |
| | | | |
| Premium Relativity by Plan Type | | [redacted] | [redacted] |
| Premium Factor by Plan Type | | [redacted] | [redacted] |
| Enrollment as % of Premium | | [redacted] | [redacted] |
| | | | |
| Premium Factor – Single Risk Pool | | | [redacted] |
| **Age Curve Calibration Factor – Single Risk Pool** | | | [redacted] |

Additional information regarding the age curve can be found in Section 17.

## GEOGRAPHIC FACTOR CALIBRATION

In order to determine the calibration factor for geography, the projected distribution of members by area was determined. The weighted average of the area factors was then determined using this distribution. The area factors used are reflective of differences in delivery costs (including unit cost and provider practice pattern differences) only, and do not reflect any difference in population morbidity. Prior to applying the allowed rating factors for age, geography, and tobacco, the Plan Adjusted Index Rates need to be divided by the geographic calibration factor.
Table 16.2 summarizes the development of the geographic factor calibration factor.

**Table 16.2**
**Summa Insurance Company**
**Development of Geographic Calibration Factor**

| Rating Area | Rating Factors | Membership Distribution |
|---|---|---|
| 1 | [redacted] | [redacted] |
| 2 | [redacted] | [redacted] |
| 3 | [redacted] | [redacted] |
| 4 | [redacted] | [redacted] |
| 5 | [redacted] | [redacted] |
| 6 | [redacted] | [redacted] |
| 7 | [redacted] | [redacted] |
| 8 | [redacted] | [redacted] |
| 9 | [redacted] | [redacted] |
| 10 | [redacted] | [redacted] |
| 11 | [redacted] | [redacted] |
| 12 | [redacted] | [redacted] |
| 13 | [redacted] | [redacted] |
| 14 | [redacted] | [redacted] |
| 15 | [redacted] | [redacted] |
| 16 | [redacted] | [redacted] |
| 17 | [redacted] | [redacted] |
| **Geographic Calibration Factor:** | | [redacted] |

Additional information regarding the area rating factors can be found on Section 17.

## TOBACCO USE RATING FACTOR CALIBRATION

In order to determine the calibration factor for tobacco use rating, the projected percentage of members using tobacco by age was determined. The weighted average of the non-tobacco use and tobacco use factors in the age curve was then calculated using this percentage. The weighted average of the composite non-tobacco / tobacco use factors (i.e., age / tobacco premium relativity) was then determined by using the projected distribution of members by age. The tobacco use rating calibration factor was then calculated as the age / tobacco premium relativity factor divided by the age curve calibration. Prior to applying the allowed rating factors for age, geography, and tobacco, the Plan Adjusted Index Rates need to be divided by the tobacco use calibration factor.

Exhibit 16.3 summarizes the development of the tobacco use rating calibration factor. Additional information regarding the tobacco use rating factors can be found on Section 17.

Exhibit 16.4 summarizes the calibrated plan adjusted index rates.

## SECTION 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual or family utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating Rules. It is the product of the Plan Adjusted Index Rate, the geographic rating factor, the age rating factor, and the tobacco status rating factor. All rating factors are described and shown below.

Table 17.1 summarizes Summa's 2018 age rating factors for non-tobacco and tobacco users. The non-tobacco age rating factors used by Summa are identical to those prescribed by CMS. Industry research regarding tobacco use and differences in health costs for smokers by age was used as the basis of the tobacco factors.

**Table 17.1**
**Summa Insurance Company**
**Age and Tobacco Factors**

| Age Band | Non-Tobacco Use Factor | Tobacco Use Factor | Age Band | Non-Tobacco Use Factor | Tobacco Use Factor |
|---|---|---|---|---|---|
| 0-14 | 0.765 | [redacted] | 40 | 1.278 | [redacted] |
| 15 | 0.833 | [redacted] | 41 | 1.302 | [redacted] |
| 16 | 0.859 | [redacted] | 42 | 1.325 | [redacted] |
| 17 | 0.885 | [redacted] | 43 | 1.357 | [redacted] |
| 18 | 0.913 | [redacted] | 44 | 1.397 | [redacted] |
| 19 | 0.941 | [redacted] | 45 | 1.444 | [redacted] |
| 20 | 0.970 | [redacted] | 46 | 1.500 | [redacted] |
| 21 | 1.000 | [redacted] | 47 | 1.563 | [redacted] |
| 22 | 1.000 | [redacted] | 48 | 1.635 | [redacted] |
| 23 | 1.000 | [redacted] | 49 | 1.706 | [redacted] |
| 24 | 1.000 | [redacted] | 50 | 1.786 | [redacted] |
| 25 | 1.004 | [redacted] | 51 | 1.865 | [redacted] |
| 26 | 1.024 | [redacted] | 52 | 1.952 | [redacted] |
| 27 | 1.048 | [redacted] | 53 | 2.040 | [redacted] |
| 28 | 1.087 | [redacted] | 54 | 2.135 | [redacted] |
| 29 | 1.119 | [redacted] | 55 | 2.230 | [redacted] |
| 30 | 1.135 | [redacted] | 56 | 2.333 | [redacted] |
| 31 | 1.159 | [redacted] | 57 | 2.437 | [redacted] |
| 32 | 1.183 | [redacted] | 58 | 2.548 | [redacted] |
| 33 | 1.198 | [redacted] | 59 | 2.603 | [redacted] |
| 34 | 1.214 | [redacted] | 60 | 2.714 | [redacted] |
| 35 | 1.222 | [redacted] | 61 | 2.810 | [redacted] |
| 36 | 1.230 | [redacted] | 62 | 2.873 | [redacted] |
| 37 | 1.238 | [redacted] | 63 | 2.952 | [redacted] |
| 38 | 1.246 | [redacted] | 64+ | 3.000 | [redacted] |
| 39 | 1.262 | [redacted] | | | |

Table 16.2 shows Summa's 2018 geographic rating factors. The geographic rating factors were based on Summa's experience. The geographic factors used reflect only differences in cost of delivery, and do not include differences for population morbidity by geographic area.

The premium for family coverage is determined 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.

Table 17.2 illustrates the premium rate development for the Consumer Adjusted Premium Rate beginning with the Calibrated Plan Adjusted Index Rate and applying the appropriate age, area, and tobacco factors.

**Table 17.2**
**Summa Insurance Company**
**Sample Consumer Adjusted Premium Rate Development**

| SummaCare Bronze 5000 HSA – 52664OH1520042 | |
|---|---|
| Calibrated Plan Adjusted Index Rate | [redacted] |
| Age: 30 (Tobacco User) | [redacted] |
| Area: 12 | [redacted] |
| Consumer Adjusted Premium Rate | [redacted] |

Exhibit 17.3 summarizes the plan rates and allowable rating factors.

## SECTION 18. AV METAL VALUES

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

## SECTION 19. AV PRICING VALUES

Exhibit 19.1 summarizes the adjustments included in the AV Pricing Value.

The AV Pricing Value represents the cumulative effect of the adjustments made by Summa 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 contractual adjustments from the *HCGs*. These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

This adjustment reflects full plan liability for CSR plans. The impact of CSR subsidy non-payment is spread across exchange silver plans only in the single risk pool.

## SECTION 20. MEMBERSHIP PROJECTIONS

The projected membership (as displayed in Worksheet 2, Section IV of the URRT) was determined by considering the size of the projected Ohio individual market in 2018 in the plan's service area and an assumed penetration rate of this market. The size of the market was estimated based on the following:

- Current size of the Ohio individual market in the plan's service area
- Historical sales for the individual business
- Sales distribution and provider networks
- Anticipated activity in the Ohio individual health insurance market due to various health care reform provisions

The distribution of projected member months is reflective of 2018 expected enrollment.

Table 20.1 summarizes the projected enrollment by CSR plans. The values are consistent with 2017 enrollment and include an adjustment to reflect more members purchasing Silver 70% plans off the exchange.

**Table 20.1**
**Summa Insurance Company**
**Projected Enrollment by Subsidy Level**
**(Silver Exchange Plans)**

| Silver Plan | Distribution |
|---|---|
| Silver 94% | [redacted] |
| Silver 87% | |
| Silver 73% | |
| Silver 70% | |

## SECTION 21. TERMINATED PLANS AND PRODUCTS

Exhibit 21.1 is a list of terminated plans and mappings to existing and new plans.

## SECTION 22. PLAN TYPE

There are no differences between the plans of Summa and the plan type selected in the drop-down box in Worksheet 2, Section I of the URRT.

## SECTION 23. WARNING ALERTS

There are no Warning Alerts on Worksheet 2 of the URRT.

## SECTION 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

Not applicable.

## SECTION 25. RELIANCE

In performing this analysis, we relied on data and other information provided by Summa. 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.

## SECTION 26. ACTUARIAL CERTIFICATION

I am a Consulting Actuary with the firm of Milliman, Inc. Summa Insurance Company 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 2018 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 used reflect only differences in the cost of delivery 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 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 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 2018 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 2018 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 to fund CSR subsidies, advance premium tax credits or a decision not to enforce the individual mandate requirement and penalty. Milliman expresses no opinion with regard to the future funding of CSR subsidies.

[redacted]

Signed: _____

[redacted]

[redacted]

Date: August 8, 2017