

**Alabama**  
**Federal Part III Actuarial Memorandum**  
**UnitedHealthcare Life Insurance Company**  
**NAIC: 0707-97179 / FEIN: 86-0207231**

**Purpose**

Following is a rate filing prepared by UnitedHealthcare Life Insurance Company. This filing has been prepared to provide the necessary information required by the Department of Health and Human Services. The purpose of this memorandum is to provide information relevant to the Federal Part I Unified Rate Review Template.

This filing establishes initial rates intended to be used for individual health benefit plans sold off the health insurance exchange in Alabama for the 2016 plan year.

This memorandum is intended solely for the information of and use by the Department of Health and Human Services and the Alabama Department of Insurance and Financial Services. It will demonstrate compliance with state and federal laws and regulations and is not intended to be used for any other purpose.

**General Information**

Company Identifying Information

Company Legal Name: UnitedHealthcare Life Insurance Company  
State: Alabama  
HIOS Issuer ID: 59809  
Market: Individual  
Effective Date: January 1, 2016

Primary Contact Information

Name: [REDACTED]  
Telephone Number: [REDACTED]  
Email Address: [REDACTED]

Previously Approved Filing Information

Tracking Number: AMMS-129580930  
Effective Date: January 1, 2015

**Policy Forms**

Platinum Copay Select	OFX16-DP-P-PCS-01
Gold Copay Select	OFX16-DP-P-GCS-01
Silver HSA 100	OFX16-DP-P-SHSA-01
Silver Copay Select 1	OFX16-DP-P-SCS1-01
Silver Copay Select 2	OFX16-DP-P-SCS2-01
Silver Copay Select 3	OFX16-DP-P-SCS3-01
Bronze HSA 100	OFX16-DP-P-BHSA-01
Bronze Copay Select 1	OFX16-DP-P-BCS1-01
Bronze Copay Select 2	OFX16-DP-P-BCS2-01
Select Saver	OFX16-DP-P-SS-01

**Proposed Rate Changes**

- o With this filing, we are taking a [REDACTED] increase to base rates and a [REDACTED] increase to plan factors.
- o We are also revising area factors with an estimated aggregate impact of a [REDACTED] increase.
- o The overall rate impact to the Plan Adjusted Index Rate is a 24.5% increase.

Following are the proposed rate changes for each plan included in the single risk pool. These rate change percentages represent the average change in premium rates over the rates included in the prior rate filing for each plan. They measure the change in premium rate tables using the expected distribution of enrollment by age, geographic area, and tobacco status. These values are consistent with the rate change percentages reported in Worksheet 2, Section I of the Unified Rate Review Template.

Plan Name	Rate Change
Platinum Copay Select	38.4%
Gold Copay Select	25.5%
Silver HSA 100	17.4%
Silver Copay Select 1	21.5%
Silver Copay Select 2	23.6%
Silver Copay Select 3	NEW
Bronze HSA 100	19.5%
Bronze Copay Select 1	15.5%
Bronze Copay Select 2	21.5%
Select Saver	16.5%
Weighted Average	24.5%

*The figures above may not tally exactly due to rounding of the display.*

We refined the medical plan price relativities to reflect the most recent pricing methodology and pricing models. The methodology is based on UnitedHealthcare nationwide experience data, which contains utilization frequencies and unit costs by service category in addition to claim distributions and adjustment factors for a large number of plan design variables. Benefit design parameters such as deductibles, coinsurance, copays, out-of-pocket maximums, etc. were input for each plan. The expected paid-to-allowed relativities and expected utilization differences due to differences in cost sharing for each plan are then used to develop the plan factors for each benefit plan. All benefit plans are priced consistently with each other, with the rates differing only by the estimated value of the benefits and

the expected utilization differences due to differences in cost sharing. The utilization differences do not reflect differences due to health status.

Other significant factors driving the proposed rate change are discussed in further detail under the '*Credibility Manual Rate Development*' section of this memorandum.

### **Experience Period Premium and Claims**

The experience period is January 1, 2014 to December 31, 2014. UnitedHealthcare Life Insurance Company had no existing individual market business in Alabama for the 2014 plan year. Therefore, no historical claims experience exists. Since the Unified Rate Review Template requires entry of data in this section, amounts of \$1 were entered in order for the spreadsheet to be validated and submitted.

### **Benefit Categories**

**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.

**Capitation:** Includes all services provided under one or more capitated arrangements.

**Prescription Drug:** Includes drugs dispensed by a pharmacy. This amount should be net of rebates received from drug manufacturers.

### **Projection Factors**

UnitedHealthcare Life Insurance Company has no existing individual market business in Alabama in 2014. Therefore, no adjustment factors were developed.

### **Credibility Manual Rate Development**

#### Source and Appropriateness of Data Used

These rates are intended to be used on a guarantee issue basis. As UnitedHealthcare Life Insurance Company does not have credible experience for individual medical guarantee issue products in Alabama, we relied on the guarantee issue claims experience and rate development of affiliated small group carriers to develop our previously approved individual rates for the 2015 plan year. Our 2016 individual rates are subsequently developed from those previously approved individual projections for the 2015 plan year.

The experience used in the development of these rates is net of the appropriate coordination of benefit recoveries. Therefore, the rates reflect the necessary equitable reduction in premiums or costs to beneficiaries of such other insurance or contract rights.

#### Adjustments to Expected Incurred Claims

- Trend  
Our incurred claims estimate has been adjusted for annual trend factors and non-favorable emerging claims experience. The annual trend adjustment is expected to increase claims [REDACTED].
- Emerging Experience  
We have analyzed the experience for our off exchange plans offered nationally through 2014 and have determined an additional rate increase is needed. After we adjust for market average risk we still end up with a higher than anticipated loss ratios on plans offered exclusively off the exchange. We are including an additional [REDACTED] increase. The experience would indicate a much higher increase is needed but since ACA business written in Alabama is limited, we used Actuarial Judgment and reduced the increase.
- Estimated Morbidity Differential of the Population Insured:  
Because the data we used to create the 2015 rate manual was for small group business, we need to adjust for the estimated morbidity differential between the individual and small group markets. UnitedHealthcare has participated in a multi-state study done by a large actuarial consulting firm to help estimate the average expected morbidity in the individual market relative to the average expected morbidity for the small group market. Our analysis of the information provided indicates that in states that allowed transitional relief, we would anticipate that the morbidity in the individual market in 2016 is expected to increase claims [REDACTED] higher than we originally estimated in our 2015 rate manual development.
- Geographic Adjustment:  
Geographic area rating factors are reviewed periodically versus UnitedHealthcare claims data that reflects unit cost differences by county. Such a review was conducted as part of our January 1, 2016 rate development. We have also taken into consideration expected changes in unit costs resulting from ongoing provider contracting initiatives. Where the analysis indicated that there were material differences indicated by the comparison of currently approved area factors and the expected unit cost differences, we have directionally adjusted the area factors. We also anticipate our individual off-exchange business to have a different geographic composition compared to our expectations when developing the 2015 rate manual. The expected impact of changing geographic rating factors and a changing composition is expected to increase incurred claims by [REDACTED].
- Benefit Adjustment:  
In developing the rate manual in 2015, adjustments have already been made to reflect the benefit variations between the small group portfolio and our individual product, including additional individual mandates that are not covered in the small group plans. The expected impact on incurred claims for benefit adjustments is an increase of [REDACTED].
- Plan Design Adjustment:  
Some plan designs have been uniformly modified, discontinued or added since 2015. In addition, our expectation of which members will select our various plan designs is also changing. Our refined medical plan

price relativities are also changing, which results in a different expectation of incurred claims by plan. The result of these changes is expected to increase incurred claims by [REDACTED].

- Demographic Adjustment:  
Demographic factors are based on federal regulations and have not changed since the 2015 rate manual development. We do anticipate, however, our individual off-exchange business to have a different age/gender composition compared to our expectations when developing the 2015 rate manual. Therefore, an adjustment was made to account for this difference. The expected impact on incurred claims is an increase of [REDACTED].
- Tobacco Adjustment:  
Neither the tobacco rating factors nor our expectation of tobacco status by age are changing from our 2015 rate manual. Therefore, the expected impact on incurred claims is an increase of [REDACTED].

### **Credibility of Experience**

UnitedHealthcare Life Insurance Company had no existing individual market business in Alabama for the 2014 plan year; so, zero credibility is applied to the base period experience. We believe the affiliated small group experience ultimately used for developing our manual rates to be fully credible. A specific credibility formula was not used for this determination, but rather professional actuarial judgment. As ASOP 25, section 3.4 states: "Professional Judgment - The actuary should use professional judgment when selecting, developing, or using a credibility procedure. The use of credibility procedures is not always a precise mathematical process."

### **Paid-to-Allowed Ratio**

The paid-to-allowed ratios were developed using the proprietary UnitedHealthcare pricing model. This model uses UnitedHealthcare nationwide experience data which is fully credible. Claim data is projected to the pricing period based on national projections of utilization and unit costs. These projections are done at the service category level (inpatient, outpatient, etc.). Benefit design parameters such as deductibles, copays, and coinsurance rates are applied to the claim distributions of the matching service category. Cost-sharing is applied, and the values of each service category are summed to determine an overall benefit value, or paid-to-allowed ratio. In order to preserve consistency, the same claim experience and projection assumptions are applied to all plan relativity calculations.

A paid-to-allowed ratio was produced for each plan using the model described above. The weighted average is then based on the projected membership by plan. The member distribution is discussed under the '*Membership Projections*' section later in this memorandum.

Plan Name	Member Distribution	Paid-to-Allowed Ratio
Platinum Copay Select	1,574	[REDACTED]
Gold Copay Select	2,408	
Silver HSA 100	361	
Silver Copay Select 1	527	
Silver Copay Select 2	712	
Silver Copay Select 3	533	
Bronze HSA 100	2,187	
Bronze Copay Select 1	559	
Bronze Copay Select 2	1,041	
Select Saver	1,548	
Weighted Average	11,450	

The figures above may not tally exactly due to rounding of the display.

### Risk Adjustment and Reinsurance

#### Projected Risk Adjustments Net of Risk Adjustment User Fees

We are offering a variety of plans at different metal levels and using a provider network that we anticipate to be similar in size to our competitors. Without any credible information or modeling of the market level risk, and lacking any other information pertaining to the risk levels of our own business compared to that of our competitors, we are assuming zero risk adjustment transfers. The HHS Notice of Benefit and Payment Parameters for 2016 specifies a risk adjustment user fee of [REDACTED] per member per year, or approximately [REDACTED] PMPM.

The projected risk adjustment transfers net of risk adjustment user fees are therefore [REDACTED] PMPM.

#### Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

Reinsurance recoveries are expected to be about [REDACTED] of incurred claims, as calculated below. The total incurred claims were calculated using an affiliated carrier's individual market nationwide experience for 2013 trended to the 2016 benefit period. Reinsurance recoveries were then calculated using the 2016 reinsurance parameters, as published in the HHS Notice of Benefit and Payment Parameters for 2016. The reinsurance parameters include a \$90,000 attachment point, 50% coinsurance, and a \$250,000 reinsurance cap.

Claim Range	Members	Incurred Claims	Claims PMPY	Reinsurance Benefit
(-Infinite,90k] (90k,250k] (250K,Infinite)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Incurred Claims				[REDACTED]
Total Reinsurance Benefit				[REDACTED]
Estimated 2016 Reinsurance Recoveries as % of Claims				[REDACTED]

The figures above may not tally exactly due to rounding of the display.

Incurred claims for this product in the state of Alabama are expected to be [REDACTED] PMPM. Therefore, reinsurance recoveries are anticipated to be [REDACTED] 4 PMPM. The HHS Notice of Benefit and Payment Parameters for 2016 specifies a reinsurance premium of [REDACTED] per member per year, or [REDACTED] PMPM.

The projected reinsurance recoveries net of reinsurance premium are therefore [REDACTED] PMPM.

**Non-Benefit Expenses and Profit**

Administrative Expense Load

The [REDACTED] administrative expense load includes commissions, quality improvements, and SG&A.

- Commissions: We anticipate an average commission rate of approximately [REDACTED] for 2016.
- Quality Improvements: We included [REDACTED] for quality improvements based on an affiliated carrier’s individual market data.
- SG&A: Our general and administrative expense assumption is based on PMPM estimates provided by UnitedHealthcare’s finance department for the 2016 calendar year. For this product in the state of Alabama, this amount equates to approximately [REDACTED] of premium for 2016.

Profit and Risk Margin

Our projected profit margin for the 2016 rating period is approximately [REDACTED] of pre-tax premium. This is an increase in the 2015 rate manual, where profit was expected to be [REDACTED] of pre-tax premium. The increase of [REDACTED] is in response to the higher risk associated with selling individual products off the exchange. Emerging nationwide experience indicates the risks with selling such policies are higher than initially anticipated.

Premium	[REDACTED]	[REDACTED]
Claims	[REDACTED]	[REDACTED]
Premium Tax	[REDACTED]	[REDACTED]
Reinsurance Fees	[REDACTED]	[REDACTED]
Reinsurance Recoveries	[REDACTED]	[REDACTED]
Risk Adjustment User Fees	[REDACTED]	[REDACTED]
Risk Adjustment Transfers	[REDACTED]	[REDACTED]
Net Insurer Fees	[REDACTED]	[REDACTED]
PCORI Fee	[REDACTED]	[REDACTED]
Commissions	[REDACTED]	[REDACTED]
SG&A	[REDACTED]	[REDACTED]
Quality Improvements	[REDACTED]	[REDACTED]
<b>Pre-Tax Income</b>	[REDACTED]	[REDACTED]
Income Tax	[REDACTED]	[REDACTED]
<b>After-Tax Income</b>	[REDACTED]	[REDACTED]

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Taxes and Fees

Taxes and fees are expected to be [REDACTED] and include premium tax, insurer fees, PCORI fees, and federal income tax.

- Premium Tax: The premium tax rate is [REDACTED] for the state of Alabama.
- Insurer Fees: Each insurance carrier's assessment of insurer fees will be based on earned health insurance premium in the prior year, with certain exclusions. UnitedHealthcare (parent company of UnitedHealthcare Life Insurance Company) estimates that [REDACTED] of its 2016 premium will be allocated for insurer fees.

- PCORI Fees: This product will be offered for the 2016 plan year, with a PCORI fee of [REDACTED] per member per year, or approximately [REDACTED] PMPM. For this product in the state of Alabama, this equates to approximately [REDACTED] of premium.
- Federal Income Tax: Federal income tax is projected to be [REDACTED] of premium and is calculated as 35% \* (Pre-Tax Income + Insurer Fees), since insurer fees are not tax deductible.

**Projected Loss Ratio**

The projected loss ratio using the federally prescribed MLR methodology for calendar year 2016 is [REDACTED].

Claims	[REDACTED]	[REDACTED]
Reinsurance Recoveries	[REDACTED]	[REDACTED]
Risk Adjustment Transfers	[REDACTED]	[REDACTED]
Quality Improvement	[REDACTED]	[REDACTED]
<b>Total MLR Claims</b>	[REDACTED]	[REDACTED]
Premium	[REDACTED]	[REDACTED]
Premium Tax	[REDACTED]	[REDACTED]
Reinsurance Fees	[REDACTED]	[REDACTED]
Risk Adjustment User Fee	[REDACTED]	[REDACTED]
Net Insurer Fees	[REDACTED]	[REDACTED]
PCORI Fee	[REDACTED]	[REDACTED]
Income Tax	[REDACTED]	[REDACTED]
<b>Total MLR Premium</b>	[REDACTED]	[REDACTED]

<b>Federal MLR</b>	[REDACTED]
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**Single Risk Pool**

The single risk pool reflects all covered lives for every individual non-grandfathered product and plan combination for UnitedHealthcare Life Insurance Company. It is established in accordance with the requirements of 45 CFR Part 156, §156.80(d).

**Index Rate**

The index rate for the 2016 projection period represents [REDACTED] of allowed claims for this block of business.

**Market Adjusted Index Rate**

The market adjusted index rate includes market-wide adjustments for the federal reinsurance program and risk adjustment program. Please refer to the 'Risk Adjustment and Reinsurance' and the 'Taxes and Fees' sections previously discussed in this memorandum for a brief description of each of these items. The market adjusted index rate is calculated below.

Index Rate	Net Reinsurance Adjustment	Net Risk Adjustment	Market Adjusted Index Rate
\$410.37	[REDACTED]	[REDACTED]	[REDACTED]

The figures above may not tally exactly due to rounding of the display.

**Plan Adjusted Index Rates**

The plan adjusted index rates include adjustments for all allowable plan level modifiers as defined in the market rating rules. The calculations are shown below, and the allowable adjustments are subsequently discussed in further detail. The weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Market Adjusted Index Rate	Actuarial Value & Cost-Sharing Adjustment	Benefits in Excess of EHBs	Catastrophic Eligibility Adjustment	Distribution & Admin. Cost Adjustment	Plan Adjusted Index Rate
Platinum Copay Select						
Gold Copay Select						
Silver HSA 100						
Silver Copay Select 1						
Silver Copay Select 2						
Silver Copay Select 3						
Bronze HSA 100						
Bronze Copay Select 1						
Bronze Copay Select 2						
Select Saver						
Weighted Average						

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The actuarial value and cost sharing adjustment accounts for benefit differences, utilization differences due to differences in cost sharing, and an adjustment for non-tobacco user status. Since we will be applying tobacco user rating factors, an adjustment must be made to remove the portion of costs that is expected to be recouped through the tobacco surcharge. The total average tobacco surcharge is expected to be about [redacted] of premium as calculated below. The total member distribution is based on the same survey results used for the age calibration discussed in the 'Calibration' section of this memorandum. The individual tobacco user percentages are based on an affiliated carrier's individual block of business.

Age Group	Member Distribution			Tobacco Surcharge Factors		
	Tobacco Users	Non-Tobacco Users	Total Members	Tobacco User Factor	Non-Tobacco Factor	Average Surcharge
0-20						
21-34						
35-49						
50+						
Total						

The figures above may not tally exactly due to rounding of the display.

Benefits in excess of EHBs were previously discussed under the 'Index Rate' section of this memorandum, and are expected to be [redacted] of allowed claims.

The catastrophic adjustment reflects the differences in anticipated demographics and morbidity of the catastrophic population as compared to the rest of the single risk pool. Catastrophic plans are available only to people under age

30 or those with a mandate exception due to affordability or hardship. Due to the 3:1 HHS age band limit, age factors for ages less than 30 will be somewhat higher than the anticipated relative claims costs for these age categories, so a demographic eligibility adjustment is made. In addition, catastrophic plans will not be pooled with the metallic plans for risk adjustment purposes, so a morbidity adjustment is also made. The catastrophic adjustment factor, applicable to incurred claims, is [REDACTED].

Distribution and Administrative Costs include premium tax, insurer fees, PCORI fees, commissions, SG&A, quality improvements, federal income tax, and after-tax income. These items were previously discussed in the 'Non-Benefit Expenses and Profit' section of this memorandum. Reinsurance recoveries and fees, and risk adjustment transfers and user fees have already been adjusted out of the market adjusted index rate prior to the plan adjusted index rate calculation.

**Calibration**

The calculated age curve calibration is [REDACTED]. As UnitedHealthcare Life Insurance Company has no credible individual market business, the average age curve calibration is based on 2015 individual business enrollment. This average age factor approximately corresponds to an average age assumption of [REDACTED] years.

Age Group	Member Distribution	Average HHS Age Factor
0-20	[REDACTED]	[REDACTED]
21-29	[REDACTED]	[REDACTED]
30-39	[REDACTED]	[REDACTED]
40-49	[REDACTED]	[REDACTED]
50-59	[REDACTED]	[REDACTED]
60-64	[REDACTED]	[REDACTED]
65+	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

The figures above may not tally exactly due to rounding of the display.

The geographic factor calibration is [REDACTED] which is based on our expected distribution of covered individuals. Our geographic rating factors and expected member distribution for each rating region are provided below. Our expected member distribution is based on 2015 individual business enrollment. Our geographic factors are based on rates and emerging experience from the affiliated small group carrier used as the starting point for our rate development.

Rating Region	Member Distribution	Area Factors
Area 1		
Area 2		
Area 3		
Area 4		
Area 5		
Area 6		
Area 7		
Area 8		
Area 9		
Area 10		
Area 11		
Area 12		
Area 13		
Total		

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Calibrating the plan adjusted index rate to the age curve and geographic distribution results in the calibrated premium rate for each plan. The calibrated premium rate represents the preliminary premium rate charged to an individual before applying the consumer specific rating adjustments for age, area, and tobacco status. The calculations are shown below, and the weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Plan Adjusted Index Rate (a)	Age Curve Calibration (b)	Geographic Factor Calibration (c)	Calibrated Premium Rate (d) = a / (b*c)
Platinum Copay Select	\$496.07			
Gold Copay Select	\$394.52			
Silver HSA 100	\$326.50			
Silver Copay Select 1	\$344.97			
Silver Copay Select 2	\$343.02			
Silver Copay Select 3	\$348.85			
Bronze HSA 100	\$275.97			
Bronze Copay Select 1	\$295.41			
Bronze Copay Select 2	\$309.01			
Select Saver	\$254.11			
Weighted Average	\$344.49			

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**Consumer Adjusted Premium Rate Development**

The consumer adjusted premium rate is the final premium rate for each plan that is charged to an individual. It is developed by calibrating the plan adjusted index rate to the average age and geographic rating factors, and applying the consumer specific age, geographic, and tobacco status rating factors. Sample calculations are shown below and represent consumer adjusted premium rates for a 25-year old consumer, residing in rating region 1, with tobacco user status. The weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Calibrated Premium Rate (a)	25-Year-Old Age Factor (b)	Region 1 Area Factor (c)	25-Year-Old Tobacco Factor (d)	Consumer Adjusted Premium Rate (e) = a*b*c*d
Platinum Copay Select					
Gold Copay Select					
Silver HSA 100					
Silver Copay Select 1					
Silver Copay Select 2					
Silver Copay Select 3					
Bronze HSA 100					
Bronze Copay Select 1					
Bronze Copay Select 2					
Select Saver					
Weighted Average					

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**AV Metal Values**

Some plans within this portfolio have cost sharing features that differ between individual and family coverage (i.e. when two or more people are covered by the plan). For all plans, we have used only the cost sharing provisions applicable for individual coverage in the actuarial value (AV) calculation.

Copays Paid in Conjunction with Coinsurance

Some of our plan designs include copays that are paid in conjunction with coinsurance in the cost-sharing range. This benefit design is not directly compatible with the AV calculator, so the alternate methodology described in 45 CFR 156.135(b)(2) was used for the AV calculation. In order to modify the AV calculator input for a copay paid in conjunction with coinsurance, the following formula was used to estimate the insurer’s cost share.

$$\text{Effective Insurer Coinsurance Rate} = \left( 1 - \frac{\text{Member Copay}}{\text{Average Unit Cost}} \right) * \left( 1 - \text{Member Coinsurance Rate} \right)$$

The benefit was then marked as “Subject to Deductible” and “Subject to Coinsurance” with a “Coinsurance, if different” equal to the effective insurer coinsurance rate as calculated above.

The average unit cost was calculated based on the claims data included within the AV calculator continuance tables for each metal level. If the plan was expected to fall within a Silver Metal Tier, the average unit cost was calculated from the Silver continuance tables. All enrollees within a continuance table were included in the calculation of the average unit cost for each benefit type.

The chart below outlines which benefits for the associated plans were impacted by the above methodology.

Plan Name	Benefit Categories including Copays Paid in Conjunction with Coinsurance
Bronze Copay Select 2	Inpatient Hospital Services

Prescription Drug Benefits

Our prescription drug benefits are based on a drug categorization of Tier 1 to Tier 4, instead of the categories presented in the AV calculator (i.e. Generic, Preferred Brand, Non-Preferred Brand, and Specialty). In addition, our Tier 3 and Tier 4 prescription drug benefits incorporate coinsurance rates along with minimum copay amounts. Based on historical experience of affiliated carriers and our expectations regarding the organization of brand and generic drugs into Tiers, the prescription drugs were re-categorized to match the parameters of the AV calculator, and the benefits were converted to equivalent member copays for each category. Below is the list of plan in the filed portfolio that utilizes this methodology.

Plan Name
Platinum Copay Select
Gold Copay Select
Silver Copay Select 1
Silver Copay Select 2
Silver Copay Select 3
Bronze Copay Select 2

**AV Pricing Values**

The AV pricing values represent the cumulative effect of adjustments made by the issuer to move from the market adjusted index rate to the plan adjusted index. The AV pricing values are shown below. Each of the allowable modifiers to move from the market adjusted index rate to the plan adjusted index rate were previously discussed in the 'Plan Adjusted Index Rates' section of this memorandum. The weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Market Adjusted Index Rate	Plan Adjustment Index Rate (b)	AV Pricing Value
Platinum Copay Select		\$496.07	1.257
Gold Copay Select		\$394.52	0.999
Silver HSA 100		\$326.50	0.827
Silver Copay Select 1		\$344.97	0.874
Silver Copay Select 2		\$343.02	0.869
Silver Copay Select 3		\$348.85	0.884
Bronze HSA 100		\$275.97	0.699
Bronze Copay Select 1		\$295.41	0.748
Bronze Copay Select 2		\$309.01	0.783
Select Saver		\$254.11	0.644
Weighted Average		\$344.49	0.873

The figures above may not tally exactly due to rounding of the display.

## Membership Projections

Total membership projections for the 2016 plan year were provided by UnitedHealthcare's finance department. Membership distribution by metal level was estimated based on 2015 individual business enrollment. The projected membership by plan is outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Metal Level	Member Distribution
Platinum	13.8%
Gold	21.0%
Silver	18.6%
Bronze	33.1%
Catastrophic	13.5%

## Terminated Plans

Existing non-grandfathered business will be terminated for Gold Copay Select 2 (HIOS Plan ID: 59809AL0090002). These plans will be terminated no later than December 31, 2015.

Members from Gold Copay Select 2 will be mapped to 59809AL0090003 for the 2016 plan year, which is also a gold level copay plan.

## Plan Type

A plan type of PPO has been selected, which describes the plans exactly.

## Warning Alerts

There are no Warning Alerts in Worksheet 2 of the Unified Rate Review Template.

## Reliance

Due to responsibility allocation, I have relied upon other members within the UnitedHealthcare organization to provide certain assumptions. Although I have reviewed the information for reasonableness and consistency, I have not reviewed the methodology in detail due to the substantial amount of additional time required. I have therefore relied upon the expertise of those individuals who have developed the assumptions. A list of reliances is included below.

### UnitedHealthcare Finance Department

- Projected SG&A Assumption
- Projected Member Months

### UnitedHealthcare Actuaries Responsible for Small Group Rate Development

- Affiliated Small Group Rate Development

## Actuarial Certification

I, [REDACTED], am an Associate Director and Actuary for UnitedHealthcare's individual line of business, which includes UnitedHealthcare Life Insurance Company's health insurance products marketed to individuals. I am a member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering statements of actuarial opinion with respect to the filing of rates for health insurance products.

To the best of my knowledge and judgment, I certify that:

- The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
  - Developed in compliance with the applicable Actuarial Standards of Practice,
  - Reasonable in relation to the benefits provided and population anticipated to be covered,
  - Neither excessive, deficient, nor unfairly discriminatory.
- 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.
- Only EHB's are offered for 2016 plans.
- The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
- Geographic factors reflect only the differences in costs of delivery and do not reflect differences in morbidity.
- The AV calculator was used to determine the AV metal values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. Some of our plan designs include post deductible copays in addition to per-occurrence copay paid in conjunction with coinsurance rates. These benefit designs are not directly compatible with the AV calculator. Therefore, the alternate methodology described in 45 CFR 156.135(b)(2) was used to fit the parameters of the AV calculator. The values were developed in accordance with generally accepted actuarial principles and methodologies. The unique plan design actuarial certification required by 45 CFR Part 156, §156.135 has been separately attached.
- The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop their rates. Rather, it represents information required by federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification that the index rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.

[REDACTED]

[REDACTED]

Associate Director and Actuary

06/26/2015

Date

# Unique Plan Design Supporting Documentation and Justification

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Please fill in the following information.

**HIOS Issuer ID:** 59809

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**HIOS Product IDs:** 59809AL009

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**Applicable HIOS Plan IDs (Standard Component):** 59809AL0090001, 59809AL0090003, 59809AL0090006, 59809AL0090005, 59809AL0090011, 59809AL0090009

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**Reasons the plan design is unique (benefits that are not compatible with the parameters of the AV calculator and the materiality of those benefits):**

Plan designs include copays paid in conjunction with coinsurance in the cost-sharing range and drug categorization of Tier 1 to Tier 4, instead of the categories presented in the AV calculator.

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**Acceptable alternate method used per 156.135(b)(2) or 156.135(b)(3):**

The alternate method described in 45 CFR 156.135(b)(2) was used for the AV calculation.

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**Confirmation that only in-network cost sharing, including multitier networks, was considered:**

Only in-network cost sharing was considered for the alternate methodology mentioned above.

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**Description of the standardized plan population data used:**

Claims and enrollment data enclosed in the AV calculator continuance tables were used for the metal level.

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**If the method described in 156.135(b)(2) was used, a description of how the benefits were modified to fit the parameters of the AV calculator:**

Please refer to the 'AV Metal Values' section of the Federal Part III Actuarial Memorandum.

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**If the method described in 156.135(b)(3) was used, a description of the data and method used to develop the adjustments:**

Not applicable. Only the method described in 45 CFR 156.135(b)(2) was used for the AV calculation.

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**Certification Language:**

The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV

The analysis was

- (i) conducted by a member of the American Academy of Actuaries;
- (ii) performed in accordance with generally accepted actuarial principles and methodologies;

Actuary signature: 

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Actuary Printed Name: 

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Date: 04/22/2015