



Part III Actuarial Memorandum

Alliant Health Plans Individual Rate Filing Effective January 1, 2019

Prepared for:
Alliant Health Plans

Prepared by:
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I. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Alliant Health Plans' (Alliant's) individual medical block of business, effective January 1, 2019. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT) and Part II Preliminary Justification.

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of the premium rate filing, including support for the values entered in the Part I URRT (which supports compliance with the market rating rules and reasonableness of applicable rate increases). This memorandum may not be appropriate for other purposes.

This Actuarial Memorandum is subject to the terms and conditions of the Consulting Services Agreement between Alliant and Milliman, Inc. (Milliman). The information in this Actuarial Memorandum has been prepared for the use of Alliant. We understand the Actuarial Memorandum will be provided to the State of Georgia Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of Alliant's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for Alliant by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

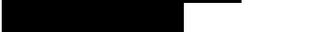
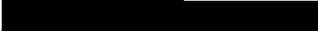
The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

The rates accompanying this Actuarial Memorandum assume CSR subsidies are not funded by the federal government. As such, the CSR load has been spread over Silver Exchange plans only. Significant changes to health care law that could affect the 2019 market are under consideration at the federal and state level. These and any other potential future regulatory changes may affect the extent to which the rates are neither excessive nor deficient. Accordingly, Alliant retains and reserves the right to amend this Actuarial Memorandum and 2019 plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions.

Company Identifying Information

Company Legal Name:	Alliant Health Plans
State:	Georgia
HIOS Issuer ID:	83761
Market:	Individual
Effective Date:	January 1, 2019

Company Contact Information

Primary Contact Name:	
Primary Contact Telephone Number:	
Primary Contact Email-Address:	

II. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to Alliant's existing individual medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for individuals with an effective date or renewal date of January 1, 2019 through December 31, 2019. The average proposed rate change across all plans and regions from the most recently approved rates effective January 1, 2018 is [REDACTED]

There are a number of 2018 to 2019 plan-specific changes that cause the rate increase to vary by plan including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan. Additionally, there are changes to the base premium rate and rate relativities by plan.

The reasons for the rate change are:

- Emerging claim experience
- Expected future medical inflation and utilization changes
- Change in the mix of business
- Anticipated risk adjustment payments (receipts)
- Non-enforcement of federal funding of cost sharing reduction (CSR) subsidies
- Changes to plan benefit designs in 2019
- Changes in administrative fees and profit margin

III. EXPERIENCE PERIOD PREMIUM AND CLAIMS

Alliant's actual claims for its 2017 individual ACA business were directly incorporated in the development of the 2019 rates.

Claims Paid Through Date

The experience reported on Worksheet 1, Section I of the URRT shows Alliant's earned premium, incurred, and allowed claims for the period of January 1, 2017 through December 31, 2017. Medical and prescription drug claims available for rate development are paid through March 31, 2018.

Premiums (Net of MLR Rebate) in Experience Period

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2017). [REDACTED]

Allowed and Incurred Claims Incurred During the Experience Period

Allowed claims were determined by combining the paid claims with member cost sharing. We add an estimate of incurred but not paid (IBNP) claims to the processed amount to arrive at a final estimate of total claims. The IBNP estimate uses generally accepted actuarial development methods for estimating claim liabilities. We use the same IBNP as a percentage of medical claims for allowed and incurred claims.

Table 1 summarizes the incurred claims underlying the rate projection.

Table 1 Alliant Health Plans 2017 Incurred Claims Summary	
Claim Category	
Inpatient Hospital	
Outpatient Hospital	
Professional	
Other Medical	
Capitation	
Prescription Drug	
Total	

IV. BENEFIT CATEGORIES

We assigned the experience data utilization and cost information to benefit categories as shown in Worksheet 1, Section II of the URRT based on place and type of service 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

There are no capitated arrangements.

Prescription Drug

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

V. PROJECTION FACTORS

Changes in the Morbidity of the Population Insured

[REDACTED]

Changes in Demographics

[REDACTED]

Changes in Geography

[REDACTED]

Changes in Benefits

[REDACTED]

Trend Factors

[REDACTED]

VI. CREDIBILITY MANUAL RATE DEVELOPMENT

Alliant's 2019 individual rates are completely (i.e., 100%) based on its individual ACA-compliant experience. Therefore, no manual rate was developed.

VII. CREDIBILITY OF EXPERIENCE

Alliant's 2017 ACA individual experience represents [REDACTED] member months. We considered the experience to be fully credible based on membership volume.

VIII. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the average ratio of Paid (i.e., after member cost sharing) to Allowed (i.e., before member cost sharing) claims for each plan, weighted by projected member months by plan. [REDACTED]

[REDACTED]

IX. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

The risk adjustment estimates in URRT Worksheet 2 Section III are based on a risk adjustment report provided by Wakely Consulting (Wakely). Wakely performed a risk score simulation of the Georgia individual market using HHS' risk score formula. We used the aggregate market estimates from the study to form the basis of the experience period risk adjustment values in URRT Worksheet 2, Section III. Our estimates are net of the user fees, per HHS' instructions.

Projected Risk Adjustments PMPM

The table content is completely redacted with black boxes.

Experience and Projected Reinsurance Recoveries PMPM

The federal transitional reinsurance program was a temporary program that ended in 2016. We assume reinsurance contributions and reinsurance recoveries will be zero in both the experience and the projection period.

X. NON-BENEFIT EXPENSES AND PROFIT & RISK

The table content is completely redacted with a black box.

Administrative Expense Load

 This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by Alliant based on a projection of 2019 expenses using 2018 budgeted expenses and anticipated changes from 2018 to 2019. This amount does not include any profit, risk load, taxes, or assessments described below. Table 2 below summarizes Alliant's administrative expenses.

Table 2
Alliant Health Plans
Summary of Administrative Expenses

Description	Administrative Expenses	
	PMPM	% of Premium
General Admin	████	████
Selling Expense	████	████
Commercial Reinsurance Recoveries	████	████
Commercial Reinsurance Premiums	████	████
Information Technology	████	████
Variable General Admin	████	████
Total: Administrative Expense Load	████	████

Profit and Risk Margin



Taxes and Fees

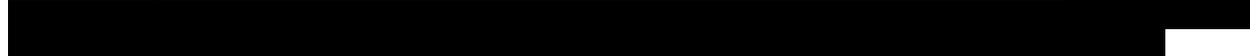
Table 3 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URRT, as a PMPM and percent of premium.

Table 3
Alliant Health Plans
Summary of Taxes and Fees

Description	Taxes and Fees	
	PMPM	% of Premium
Premium Tax	████	████
Effective Exchange Fee ¹	████	████
Federal Income Tax	████	████
Total: Taxes and Fees	████	████

¹Effective aggregate fee after allocating the federal 3.5% fee for exchange business across total block.

The exchange user fee was applied as an adjustment to the index rate at the market level. ██████████



XI. PROJECTED LOSS RATIO



XII. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). Alliant does not have any individual transitional plans or individual grandfathered plans.

XIII. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The experience period index rate reflects the actual mixture of area factors and risk morbidity that Alliant received in the single risk pool during the experience period. The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

The index rate for the projection period is a measurement of average allowed claims PMPM for EHBs. Section V (Projection Factors) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2018 mixture of geographic factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that Alliant expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.

Section III (Experience Period Premium and Claim) describes the development of the experience index rate. The projected index rate covers a 12-month period for individuals effective January 1, 2019 through December 31, 2019. As described in Section V of this memorandum, the projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors.

The projected index rate for January 1, 2019 through December 31, 2019 is in Worksheet 1, Section III of the URRT, and in Table 4.

Table 4 Alliant Health Plans Projected Index Rate Development	
Experience Member Months	
Experience Allowed Claims	
Experience Allowed Claims PMPM	
Morbidity Adjustment	
2 Year Utilization & Claim Trend	
Other Factors (Demographics, Plan Mix, etc.)	
Projected Index Rate	

XIV. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 5 shows the development of the market-adjusted index rate (all components in the calculation were derived elsewhere in this memorandum). The adjustments in Table 5 are applied to the Index Rate on an allowed basis as required by CMS.

Adjustment for Distribution and Administrative Costs

An adjustment is developed to indicate the impact of non-benefit expenses. [REDACTED]

Catastrophic Adjustment

Alliant does not offer a catastrophic plan.

XVI. CALIBRATION

A single calibration factor is applied to the plan-adjusted index rates to calibrate rates for the expected age, geographic, and tobacco user distributions expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

[REDACTED] The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

Alliant applies geographic rating factors to its plans as shown in Table 6. Health status is not reflected in the geographic factors, and it is not Alliant’s intent to use area factors to rate for morbidity.

Table 6 Alliant Health Plans Geographic Factors		
Rating Area	Projected 2019 Membership	Factor
Rating Area 7	[REDACTED]	[REDACTED]
Rating Area 9	[REDACTED]	[REDACTED]
Rating Area 10	[REDACTED]	[REDACTED]
Rating Area 13	[REDACTED]	[REDACTED]
Composite	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

XVII. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the calibrated plan-adjusted index rate, the geographic rating factor, the age rating factor, and the tobacco rating factor.

The calibrated plan-adjusted index rates and the geographic factors are shown in [REDACTED] and Table 6, respectively. Alliant uses the Federal age curve.

[REDACTED]

XVIII. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator AVC.

XIX. AV PRICING VALUES



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. We used the Milliman’s *HCGs* to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

We recognize Alliant is fully responsible for CSR subsidy funding, and we increased the AVs of CSR plans to recognize this. This adjustment is reflected in the AV pricing values for Silver Exchange plans.

XX. MEMBERSHIP PROJECTIONS

Alliant developed membership projections, as illustrated in Worksheet 2, Section IV of the URRT based on consideration for the following:



Table 7 displays the projected CSR distribution.

Table 7 Alliant Health Plans Silver Plan Distribution by CSR Category	
CSR Category	Distribution
Silver 94%	[REDACTED]
Silver 87%	[REDACTED]
Silver 73%	[REDACTED]
Standard Silver	[REDACTED]
Silver LCS	[REDACTED]
Total	[REDACTED]

XXI. TERMINATED PRODUCTS

Table 8 displays the plans sold in 2018 that will be terminated effective December 31, 2018.

Table 8 Alliant Health Plans 2018 Terminated Plans and Products		
2018 HIOS ID	Present in Experience	New Plan Mapping HIOS ID
██████████	██	██████████

XXII. PLAN TYPE

All of Alliant’s plans are PPO plans as noted in Worksheet 2, Section I of the URRT.

XXIII. WARNING ALERTS

No warning alerts appear in Worksheet 2, Section III of the URRT.

XXIV. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by the Alliant. To the extent it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

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 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.

XXV. ACTUARIAL CERTIFICATION

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 its Qualification Standards to render the actuarial opinion contained herein. This filing is prepared on behalf of Alliant Health Plans.

Future regulatory changes may affect the extent to which the rates are neither excessive nor deficient.

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(d)(1))
 - Developed in compliance with the applicable Actuarial Standards of Practice
 - Reasonable in relation to the benefits provided and the population anticipated to be covered

- Neither excessive nor deficient based on my best estimates of the 2019 individual market
2. The 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 were calculated in accordance with actuarial standards of practice.
 4. The geographic rating factors reflect only differences in the costs 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 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 for federally facilitated exchanges, 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 propose premium rates. It does certify rates were developed in accordance with applicable regulations, as noted.

The 2019 plan year premium rates in this Actuarial Memorandum are contingent upon the status of the ACA statutes and regulations including any regulatory guidance, court decisions, or otherwise. Changes have the potential to greatly impact the 2019 plan year premium rates provided in this Actuarial Memorandum. Accordingly, Alliant retains and reserves the right to amend this Actuarial Memorandum and 2019 plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions.

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 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.

Respectfully Submitted,

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