



---

**Part III Actuarial Memorandum**

**CareSource Indiana, Inc.  
Individual Rate Filing  
Effective January 1, 2020**

Prepared for:  
**CareSource Indiana, Inc.**

Prepared by:  
**Milliman, Inc.**

**Barbara R. Collier, FSA, MAAA**  
Consulting Actuary

15800 W. Bluemound Road  
Suite 100  
Brookfield, WI 53005  
USA  
Tel +1 262 784 2250  
Fax +1 262 923 3680

milliman.com

## TABLE OF CONTENTS

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

SECTION #	SECTION TITLE
Section 1	General Information
Section 2	Proposed Rate Changes
Section 3	Experience and Current Period Premium, Claims, and Enrollment
Section 4	Benefit Categories
Section 5	Projection Factors
Section 6	Manual Rate Adjustments
Section 7	Credibility of Experience
Section 8	Establishing the Index Rate
Section 9	Development of the Market-Wide Adjusted Index Rate
Section 10	Plan Adjusted Index Rate
Section 11	Calibration
Section 12	Consumer Adjusted Premium Rate Development
Section 13	Projected Loss Ratio
Section 14	AV Metal Values
Section 15	Membership Projections
Section 16	Plan Type
Section 17	Terminated Plans and Products
Section 18	Premium Guarantee Provisions
Section 19	Company Financial Position
Section 20	Projected Experience
Section 21	Effective Rate Review
Section 22	Reliance
Section 23	Actuarial Certification

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 1. GENERAL INFORMATION**

**DOCUMENT OVERVIEW**

This document contains the Part III Actuarial Memorandum for CareSource Indiana, Inc.'s (CIN's) individual comprehensive medical block of business, effective January 1, 2020. These revised individual rates are guaranteed through December 31, 2020. These products are offered both on and off the Individual Insurance Exchange. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of premium rate filings, 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.

The information in this Actuarial Memorandum has been prepared for the use of CIN and is intended for use by the Indiana Department of Insurance (DOI), the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of CIN's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this Actuarial Memorandum or rate filing to other users. Likewise, other users of this Actuarial Memorandum 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 the law.

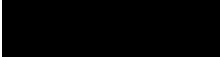
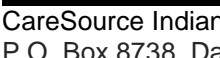
The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

The 2020 plan year premium rates provided in this Actuarial Memorandum were developed based upon the current Affordable Care Act (ACA) statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Indiana statutes and regulations, and court decisions in full force and effect as of date this Actuarial Memorandum is submitted. Accordingly, the 2020 plan year premium rates provided in this Actuarial Memorandum are contingent upon the current ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Indiana statutes and regulations, and court decisions not changing, including, but not limited to, the Cost-Sharing Reduction (CSR) subsidies not being funded for the 2020 plan year, the individual mandate penalty not being enforced for the 2019 plan year, and the continued availability of advanced premium tax credits to eligible individuals for the 2020 plan year. Accordingly, CIN retains and reserves the right to amend this Actuarial Memorandum and 2020 plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Indiana statutes and regulations, and court decisions.

As prescribed by the Indiana DOI, the premium rates developed and supported by this Actuarial Memorandum assume that CSR subsidies will not be funded as described in current regulations and guidance. The Indiana DOI prescribes the impact of CSR subsidy non-payment should be spread across all on and off exchange plans equally in the single risk pool. Future modifications in legislation, regulation and / or court decisions regarding the funding of CSR subsidy payments may affect the extent to which the premium rates are neither excessive nor deficient.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**COMPANY IDENTIFYING INFORMATION**

SERFF Tracking Number:	
Prior SERFF Tracking Number:	
Company Legal Name:	CareSource Indiana, Inc.
Address:	P.O. Box 8738, Dayton, Ohio 45401-8738
Toll-Free Number:	1 800 479 9502
Filer Email:	<a href="mailto:Scott.Brockman@caresource.com">Scott.Brockman@caresource.com</a>
State:	Indiana
HIOS Issuer ID:	54192
NAIC Company Code:	10142
Market:	Individual
Effective Date:	January 1, 2020

**COMPANY CONTACT INFORMATION**

Primary Contact Name:	Scott Brockman
Primary Contact Telephone Number:	937 531 2626
Primary Contact Email-Address:	<a href="mailto:Scott.Brockman@caresource.com">Scott.Brockman@caresource.com</a>

**CONSULTANT CONTACT INFORMATION**

Primary Contact Name:	Barbara R. Collier
Primary Contact Telephone Number:	262 796 3495
Primary Contact Email-Address:	<a href="mailto:Barbara.Collier@milliman.com">Barbara.Collier@milliman.com</a>

**DESCRIPTION OF BENEFITS**

These products provide comprehensive medical benefits for services received within the provider network. The products have various cost sharing designs, which are a combination of deductibles, coinsurance, and copayments that vary for in-network services.

Products 54192IN001 and 54192IN002 are HMO products with Gold, Silver, and Bronze benefit plan options and provide coverage for inpatient, outpatient, physician, prescription drugs, and miscellaneous services subject to deductible, coinsurance, and copays. All member cost-sharing (deductibles, coinsurance, and copays) accrue toward the annual out-of-pocket maximum. Both products have pharmacy cost sharing with a five-tier (generic, preferred brand, non-preferred brand, preferred specialty, and non-preferred specialty) copayment or coinsurance structure.

All plans within the products have the same Essential Health Benefits (EHBs). Product 54192IN001 includes no additional non-EHB benefits. Product 54192IN002 includes additional non-EHB coverage for adult eyewear, adult routine eye examinations, and adult dental services. No EHB substitutions were made.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 2. PROPOSED RATE CHANGES**

This filing is a requested rate change filing for 11 of CIN's individual Affordable Care Act (ACA) compliant non-group plan rates originally filed for effective dates January 1, 2019 through December 31, 2019. As noted above, the SERFF Tracking Number for the current rates is [REDACTED]. There are no new plans offered. The experience basis, benefit plans, rating factors, and other projection assumptions are updated for this filing.

CIN's 2020 plan designs include copay, deductible, out-of-pocket maximum, and other benefit changes from their existing 2019 plan designs to comply with changes in the most recent AV Calculator and also to better compete in the market.

We develop premium rates for these individual plans using CIN's 2018 individual experience, in conjunction with internal research proprietary to Milliman and other industry studies and surveys. We consider a number of items in developing the premium rates, including but not necessarily limited to the:

- Projected morbidity level of the population anticipated to purchase the products,
- Proposed benefit plan designs,
- Anticipated medical trend, both utilization and cost of services,
- Applicable taxes and fees, including those newly applicable since 2014 under ACA, and
- Anticipated risk adjustment payments (receipts).

This memorandum addresses the rate increase requested for CIN's individual HMO product, which impacts [REDACTED] members as of March 2019. The rate change being requested, weighted by March 31, 2019 enrollment for CIN's products, is an aggregate [REDACTED]. The requested rate change varies by plan and area within the individual HMO products with a [REDACTED]. These are ACA compliant plan rates, effective for 12 months beginning January 1, 2020 and ending December 31, 2020. Exhibit 1 displays the rate change by plan and area.

**REASON FOR RATE CHANGE**

1. Base Experience – CIN's 2017 and 2018 individual ACA experience are the bases for CIN's 2019 and 2020 premium rates, respectively. CIN's 2018 experience period allowed claims per member per month (PMPM), adjusted for changes in experience member characteristics, results in a [REDACTED] in CIN premium rates.
2. Trend – We price CIN's 2020 premiums using a [REDACTED] annual trend. Compared to last year's pricing, this change results in an [REDACTED] in premium rates; [REDACTED] annual trend to project from 2019 to 2020, and an [REDACTED] in trend to project from 2018 to 2019 (using [REDACTED] to project from 2018 to 2019 instead of the [REDACTED] annual trend used to project from 2018 to 2019 in last year's pricing).
3. Morbidity - We estimate a [REDACTED] between 2018 and 2020 due to the removal of the individual mandate in the 2019 marketplace (and expected to continue into 2020). The change in morbidity assumptions from 2019 results in a [REDACTED] to premium [REDACTED].
4. Risk Adjustment – CIN estimates it will [REDACTED] per member per month (PMPM). CIN's 2019 risk adjustment transfer payment estimate was a [REDACTED]. This change in risk adjustment as a percent of premium [REDACTED].

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

5. Administrative costs, taxes and fees, profit and risk loads – The total retention [REDACTED] from [REDACTED] PMPM in 2019 to [REDACTED] PMPM in 2020, resulting in a percent of premium [REDACTED] to premium rates.
6. CSR Subsidy Shortfall Adjustment – Based on guidance from the Indiana DOI, this filing assumes CSR subsidies will continue to be unfunded in 2020, and CIN will be responsible for paying claims at the reduced cost sharing variant levels. We spread the impact of the increased claim payments across all plans in the single risk pool (on and off exchange), based on guidance from the Indiana DOI. The CSR shortfall adjustment between years results in a [REDACTED] to premium rates.
7. Plan Benefit Relativity – Due to changes in benefits for AV Calculator compliance and competitive reasons (as well as changes in determining the plan design behavior factors for plans), CIN's plans are somewhat richer than 2019 levels, resulting in a [REDACTED] in premium rates.
8. Other Factors – Other Factors include changes in plan mix and provider reimbursement and pharmacy contracting changes resulting in a [REDACTED] in premium rates.

<b>Table 1</b> <b>CareSource Indiana, Inc.</b> <b>Approximate 2019 to 2020 Rate Change Development</b>	
Experience after accounting for Population Changes	[REDACTED]
Trend	[REDACTED]
Morbidity	[REDACTED]
Risk Adjustment	[REDACTED]
Retention	[REDACTED]
CSR Shortfall Adjustment	[REDACTED]
Plan Benefit Relativity	[REDACTED]
Other Factors	[REDACTED]
<b>2019 to 2020 Rate Change</b>	[REDACTED]

**RATE CHANGE HISTORY**

CIN's individual HMO product rate changes were [REDACTED] in aggregate, for 2019, 2018, and 2017, respectively, reflecting 2018, 2017, and 2016 enrollment by plan. These products were first introduced in Indiana in 2015.

These products were first introduced nationwide in 2014. They had an [REDACTED]  
[REDACTED].

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 3. EXPERIENCE AND CURRENT PERIOD PREMIUM, CLAIMS, AND ENROLLMENT**

CIN is a managed care organization, contracting with provider networks to provide medical and pharmacy care to its members. CIN contracts with carriers on a fee-for-service basis. CIN's contractual arrangements for actual claims for services were directly incorporated in the development of the 2020 rates.

**PAID THROUGH DATE**

The claims incurred in the experience for both non-capitated and capitated services reflect payments through March 31, 2019.

**CURRENT DATE**

The reported date for current enrollment and premium in URRT Worksheet 2, Section II is March 31, 2019.

**EXPERIENCE PERIOD PREMIUM**

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the 2018 experience period. CIN's 2018 individual loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included. CIN's 2018 premium is not net of its estimated 2018 risk adjustment payment, per the 2020 instructions.

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

CIN's incurred claims include fee-for-service claims and prescription drug claims.

The allowed claims were provided directly from CIN's claim records.

We review large claims but do not make a specific adjustment for large claims since CIN's claims volume is sufficiently large such that large claims do not have a material impact on the average allowed claims PMPM.

CIN provided 2018 claims on a completed basis by using lag development factors for lags across all commercial services. This method estimates the portion of claims that have been paid to date for each incurral month based on past claim lag data, which reflects historic time lags in CIN's medical and prescription drug claim data between the month of service (i.e., the incurral month) and the month of claim processing (i.e., the processed month).

**Nationwide Data**

CareSource's nationwide 2014 through 2018 earned premium can be found in Table 2 below. We make no adjustments for MLR rebates since CareSource's individual loss ratios exceeded the MLR requirement in all states in 2018. CareSource's 2014 through 2018 nationwide premiums are net of actual 2014 through 2018 risk adjustment payments.

Table 2 displays a breakdown of the individual allowed claims, incurred benefits, and earned premium for experience nationwide since the inception of CareSource's products in Indiana, Kentucky, Ohio, and West Virginia. We note, the 2014 through 2016 claim runout period is through February 2018, while 2017 and 2018 claims include runout through March 2019.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**Table 2**  
**CareSource Indiana, Inc.**  
**Nationwide Individual ACA Plans**  
**2014 to 2018 Experience**

<b>2018</b>	<b>Allowed</b>	<b>Paid</b>	<b>Premium</b>
Claims Paid through March 2019			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
<b>Total</b>			
<b>2017</b>			
Claims Paid through March 2019 (net of CSR)			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
<b>Total</b>			
<b>2016</b>			
Claims Paid through February 2018 (net of CSR)			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
<b>Total</b>			
<b>2015</b>			
Claims Paid through February 2018 (net of CSR)			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
<b>Total</b>			
<b>2014</b>			
Claims Paid through February 2018 (net of CSR)			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
<b>Total</b>			

**Indiana Data**

Table 3 displays a breakdown of the individual allowed claims, incurred benefits, and earned premium for CIN's experience in Indiana since the inception of CareSource's products in Indiana. The 2018 figures can be found in the URRT Worksheet 1, Section I (premiums will be gross of 2018 risk adjustment payments in URRT Worksheet 1, Section I).

Consistent with Table 2, the 2015 and 2016 claim runout period is through February 2018, while 2017 and 2018 claims include runout through March 2019.



**CareSource Indiana, Inc.  
Individual Comprehensive Medical Business  
Rate Filing Justification  
Part III – Actuarial Memorandum and Certification**

Table 3 CareSource Indiana, Inc. Indiana - Individual Market 2015 to 2018 Experience			
2018	Allowed	Paid	Premium
Claims Paid through March 2019			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
Total			
2017			
Claims Paid through March 2019 (net of CSR)			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
Total			
2016			
Claims Paid through February 2018 (net of CSR)			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
Total			
2015			
Claims Paid through February 2018 (net of CSR)			
Incurred But Not Reported (IBNR)			
Earned Premium			
Actual Risk Adjustment Receipt (Payment)			
Total			

**Risk Adjustment and Transitional Reinsurance Recoveries**

CIN will [REDACTED] PMPM in 2018 risk adjustment transfers for Indiana individual ACA members, based on the 2018 final risk adjustment report.

CareSource will [REDACTED] PMPM in 2018 risk adjustment transfers for nationwide individual ACA members.

The federal transitional reinsurance program was a temporary program that ended in 2016. As such, there are no reinsurance recoveries in 2018.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 4. BENEFIT CATEGORIES**

*Experience:* The experience period claim information by benefit category represents CIN's ACA-compliant individual medical plans in Indiana in 2018.

We categorize utilization and cost information by benefit using CIN's 2020 projected Indiana claims distribution by major service category. CIN's projected 2020 fee-for-service medical claims are included by service category:

- **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.

CIN's projected prescription drug claims net of rebates are included in the "Prescription Drug" line in the URRT with a benefit category of "Prescriptions."

*Credibility Manual:* The experience period claim information was deemed credible. Therefore, no credibility manual was required to develop the 2020 projected allowed experience claims.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 5. PROJECTION FACTORS**

CIN's rates are based 100% on an experience rate as their 2018 experience reflects [REDACTED] member months, which we deem fully credible.

**TREND FACTORS (COST / UTILIZATION)**

We trend CIN's 2018 Indiana experience forward to 2020 using an aggregate annual [REDACTED] trend (annual utilization and charge trends of approximately [REDACTED], respectively), as shown in Table 4. We develop the trend assumptions with input from CIN and general industry reports regarding recent trends in medical inflation.

<b>Table 4</b>			
<b>CareSource Indiana, Inc.</b>			
<b>Indiana Individual ACA Plans</b>			
<b>2018 to 2020 Annual Trend</b>			
<b>Service Category</b>	<b>Utilization</b>		
	<b>Trend</b>	<b>Cost Trend</b>	<b>Total Trend</b>
Inpatient Hospital	[REDACTED]	[REDACTED]	[REDACTED]
Outpatient Hospital	[REDACTED]	[REDACTED]	[REDACTED]
Professional	[REDACTED]	[REDACTED]	[REDACTED]
Other Medical	[REDACTED]	[REDACTED]	[REDACTED]
Capitation	[REDACTED]	[REDACTED]	[REDACTED]
Prescription Drug	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	[REDACTED]	[REDACTED]	[REDACTED]

*Note: Factors are rounded.*

**MORBIDITY ADJUSTMENT**

We estimate a [REDACTED] 2018 to 2020 morbidity [REDACTED] to the statewide risk pool to reflect the removal of the individual mandate.

**DEMOGRAPHIC SHIFT**

We assume CIN's 2020 individual enrollment will have the product type and metal level as provided by CIN and shown in Table 9 in Section 15 Membership Projections. Within each product and metal, we assume CIN's 2020 individual enrollment distribution by age, gender, and tobacco status will mirror the demographics underlying CIN's emerging 2019 enrollment.

Our rate projection is based on 2018 experience including the average demographics and geographic mix of the 2018 enrollees. Our development of the 2020 Index Rate reflects the anticipated differences in the demographic, tobacco, and geographic mix of the population, as compared to the 2018 experience period.

**PLAN DESIGN CHANGES**

We adjust CIN's 2020 Index Rate to reflect anticipated changes in the average utilization of services due to differences in average 2018 cost sharing requirements and average 2020 cost sharing requirements.

We use Milliman's commercial market *Health Cost Guidelines (HCGs)*, in conjunction with the historical experience of CIN's Individual market block of business, in order to estimate the benefit changes for each of the items listed above.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

EHBs are consistent between the 2018 experience period and the 2020 projection period.

**OTHER ADJUSTMENTS**

CIN has negotiated 2020 Indiana provider discount levels as a percent of Medicare and prescription drug contracting factors that are different than the percent of Medicare reimbursement levels and prescription drug contracting factors underlying the 2018 experience. We adjust CIN's 2020 Index Rate for the difference between the 2018 and 2020 provider reimbursement levels as a percent of Medicare, prescription drug contracting difference, changes in county level enrollment mix, expansion into new counties, and for the addition of capitated vision benefit reimbursements.

**ADJUSTMENTS TO TRENDED EHB ALLOWED CLAIMS PMPM**

No additional adjustments were applied to CIN's experience.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 6. MANUAL RATE ADJUSTMENTS**

We determine CIN's 2018 individual experience of [REDACTED] member months is fully credible, and therefore, do not develop a manual rate.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 7. CREDIBILITY OF EXPERIENCE**

CIN's 2018 ACA-compliant experience includes claims for [REDACTED] member months, which we consider 100% credible.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 8. ESTABLISHING THE INDEX RATE**

The Experience Period Index Rate represents the estimated total combined allowed EHB claims PMPM of CIN's non-grandfathered individual Indiana plans. The Index Rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Exchange fees. The Experience Period Index Rate reflects the actual mixture of tobacco / non-tobacco population, area factors, and the actual mixture of risk morbidity that CIN received in the Single Risk Pool during the experience period.

The Experience Period Index Rate is less than the experience period total allowed claims PMPM since product 54192IN002 covers non-EHBs in the experience period.

The Experience Period Index Rate is less than the experience period total allowed claims PMPM since CIN covers non-EHBs on both the 54192IN001 and 54192IN002 products.

The projected Index Rate is a measurement of the average allowed claims PMPM for EHB benefits. The projected Index Rate reflects the projected 2020 mixtures of tobacco / non-tobacco population, area factors, and the projected mixture of risk morbidity that CIN expects to receive in the single risk pool. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment and reinsurance programs, or for Exchange user fees.

We develop the 2020 projected Index Rate from the 2018 allowed claims PMPM. The Experience Period Index Rate is shown in Worksheet 1, Section I of the URRT. The projected Index Rate is shown in Worksheet 1, Section II of the URRT. The projected Index Rate excludes coverage of non-EHBs.

Section 5 Projection Factors describes the development of the projected Index Rate. The projected Index Rate covers a 12-month period for individuals effective January 1, 2020 through December 31, 2020. As described in Section 5, the projected Index Rate reflects the anticipated claim level of the projection period with respect to trend, benefits, and demographics.

The projected Index Rate for January 1, 2020 through December 31, 2020 is shown in Table 5 below as well as Worksheet 1, Section II of the URRT. Amounts shown in Table 5 may not match the URRT exactly due to URRT rounding conventions

<b>Table 5</b> <b>CareSource Indiana, Inc.</b> <b>Indiana Individual ACA Plans</b> <b>Projected Index Rate Development</b>		
		<b>Annotation</b>
2018 Total Allowed Claims PMPM	██████████	(1)
2018 Non-EHB Allowed Claims PMPM	██████████	(2)
2018 EHB Allowed Claims PMPM	██████████	(3) = (1) - (2)
Trend	██████████	(4)
2020 EHB Allowed Claims PMPM	██████████	(5) = (3) * (4)
Morbidity Adjustment	██████████	(6)
Demographic Shift	██████████	(7)
Plan Design Changes	██████████	(8)
Other	██████████	(9)
<b>Projected Index Rate</b>	██████████	<b>(10) = (5) * (6) * (7) * (8) * (9)</b>

*Note: Values may vary from the actual URRT due to rounding*

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 9. DEVELOPMENT OF THE MARKET ADJUSTED INDEX RATE**

The Market Adjusted Index Rate was calculated as the Index Rate adjusted for all allowable market wide modifiers as defined in the market rating rules, 45 CFR Part 156, §156.80(d)(1). The development of the Market Adjusted Index Rate is illustrated in Worksheet 1, Section II of the URRT and in Table 6 below. Amounts shown in Table 6 may not match the URRT exactly due to URRT rounding conventions. The adjustments applied to the Index Rate in developing the Market Adjusted Index Rate and their development are described following Table 6.

<b>Table 6</b> <b>CareSource Indiana, Inc.</b> <b>Indiana Individual ACA Plans</b> <b>Market Adjusted Index Rate Development</b>		
		<i>Annotation</i>
<b>2020 Index Rate PMPM</b>	██████████	(1)
<b>Market Adjustments (paid basis)</b>		
Gross Risk Adjustment	██████████	(2)
Net Federal Transitional Reinsurance	██████████	(3)
Exchange User Fees	██████████	(4)
<b>Paid-to-Allowed Ratio</b>	██████████	(5)
<b>Market Adjustments (allowed basis)</b>		
Gross Risk Adjustment	██████████	(6) = (2) / (5)
Net Federal Transitional Reinsurance	██████████	(7) = (3) / (5)
Exchange User Fees	██████████	(8) = (4) / (5)
<b>Market Adjusted Index Rate PMPM</b>	██████████	<b>(9) = (1) + ((6) + (7) + (8))</b>

*Note: Values may vary from the actual URRT due to rounding*

**RISK ADJUSTMENT PAYMENT / CHARGE**

**Experience Period Risk Adjustment and Reinsurance Adjustments PMPM**

CIN will ██████████ PMPM in 2018 risk adjustment transfers for Indiana individual ACA members. This amount does not include the risk adjustment administrative fee.

**Projected Risk Adjustments PMPM**

Risk transfer payments are estimated at the plan level using the published transfer payment formula, taking into account CIN's expected differences from the state average. The composite risk adjustment transfer payments are allocated proportionally to all plans based on plan premiums. CIN estimates it will ██████████ PMPM. We estimate the 2020 risk adjustment as CIN's actual 2018 PMPM risk adjustment transfer for each metal level trended ██████████ to reflect the estimated 2018 through 2020 statewide change in premium PMPM. We develop our estimated ██████████ 2018 to 2020 statewide change in premium PMPM by analyzing average exchange Silver premium rate changes. We reflect anticipated changes in member distribution by metal between 2018 and 2020 for the 2020 composite risk adjustment estimate based on emerging 2019 CIN membership.

The risk adjustment ██████████ when including the \$0.18 PMPM risk adjustment administrative fee.



**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

Based on current regulatory guidance, we assume that the high-cost enrollee risk pooling program will be cost neutral for CIN, and as such, we do not make an explicit adjustment for this program in CIN's 2020 risk adjustment transfer estimate.

**REINSURANCE**

The federal transitional reinsurance program was temporary and ended December 31, 2016. Since this program is not expected to continue in 2020, we assume that reinsurance contributions will be zero. As a result, we did not project any federal transitional reinsurance contributions for 2020.

**EXCHANGE USER FEES**

CIN is writing all projected business through the individual exchange in 2020; therefore, the resulting percent of premium value of [REDACTED] reflects an allocation of anticipated exchange fees of [REDACTED] of exchange premium across all projected individual enrollment.

**PAID TO ALLOWED RATIOS**

The average paid to allowed ratio was developed as follows:

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

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

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 10. PLAN ADJUSTED INDEX RATE**

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

Market Adjusted Index Rate

- x (1) Plan actuarial value and cost sharing value factor.
- x (2) Plan provider network, delivery system characteristics, and utilization management practices factor.
- x (3) Benefits provided by the plan that are in addition to EHB.
- x (4) Distribution and administrative costs, excluding user exchange fees.
- x (5) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans. CIN is not offering a catastrophic plan in 2020.

The applicable adjustment factors for each plan are illustrated in Worksheet II, Section III of the URRT.

**ACTUARIAL VALUE (AV) AND COST SHARING DESIGN OF THE PLAN**

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

The *HCGs* provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience, and establish interrelationships between different health coverages.

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

The *HCGs* are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research and judgment. An extensive amount of data is used in developing these guidelines, including published and unpublished data. In most instances, cost assumptions are based upon our evaluation of several data sources and, hence, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

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

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**PROVIDER NETWORK, DELIVERY SYSTEM CHARACTERISTICS AND UTILIZATION MANAGEMENT PRACTICES**

CIN provided their estimated provider network reimbursement rates based on their contractually negotiated reimbursement arrangements to date. Negotiations are ongoing, and contractual provider reimbursements may vary from the ones we assume in our pricing. Section 5 Projection Factors - Other Adjustments provides additional details.

**BENEFITS IN ADDITION TO EHBS**

Product 54192IN001 does not include non-EHB benefits. Product 54192IN002 includes non-EHB benefits of adult dental, eyewear, and routine eye examinations with corresponding adjustments made within this product.

**ADMINISTRATIVE COSTS, EXCLUDING EXCHANGE USER FEES**

We estimate CIN's administrative expenses to be █████ PMPM, as shown in Table 7. This estimate is entered as a percent of premium that varies by plan due to certain PMPM expenses entered as a level PMPM regardless of metal type as shown in Worksheet 2, Section III of the URRT. It is based on CareSource's estimate of 2020 projected expenses. This amount does not include any profit, risk load, taxes, or assessments described below.

<b>Table 7</b>		
<b>CareSource Indiana, Inc.</b>		
<b>Indiana Individual ACA Plans</b>		
<b>Summary of Administrative Expenses</b>		
	<b>Administrative Expense</b>	
	PMPM	% of Premium
General Admin	█████	█████
Quality Improvement / Health IT	█████	█████
Commercial Reinsurance Recoveries	█████	█████
Commercial Reinsurance Premiums	█████	█████
<b>Subtotal: Administrative Expense Load</b>	<b>█████</b>	<b>█████</b>

**PROFIT AND RISK LOAD**

We build in █████ of premium for a target pre-tax contribution to surplus that does not vary by product or plan. We build an additional █████ into the profit and risk load to account for the three child cap premium load. This provides for a total profit and risk load of █████. We do not build in any additional loads for profit or risk. We consider the uncertainty of estimated claims in the 2020 market and federal MLR requirements in the target.

**TAXES AND FEES**

Table 8 provides a breakdown of projected taxes and fees.

**CareSource Indiana, Inc.  
 Individual Comprehensive Medical Business  
 Rate Filing Justification  
 Part III – Actuarial Memorandum and Certification**

<b>Table 8            CareSource Indiana, Inc.            Indiana Individual ACA Plans            Summary of Taxes and Fees</b>		
Description	Taxes and Fees	
	PMPM	% of Premium
Risk Adjustment Admin Fee	█	█
Health Insurer Fee	█	█
<b>Total</b>	█	█

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 11. CALIBRATION**

**AGE CALIBRATION FACTOR**

To develop the age calibration factor, we calculate the CMS federal age curve factors on a projected membership basis. The age curve calibration is applied to all plans. We use the underlying demographic mix assumptions as described in Section 5. The average age curve calibration factor is [REDACTED]. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

Exhibit 2 provides an illustration for the development of the applicable calibration factor for age. We round the average premium factor to the nearest table value to determine the average rounded age. The age calibration factor is approximately equal to the age [REDACTED] adult factor.

**GEOGRAPHIC CALIBRATION FACTOR**

CIN applies geographic rating area factors to its plans as shown in Worksheet 3 of the URRT. The geographic rating factors were developed based a combination of risk-adjusted experience (premium-weighted aggregate loss ratios for 2017 and 2018 experience by rating area), changes to Milliman's HCGs area factors by rating area, provider reimbursement changes by rating area, and actuarial judgment (e.g., we considered the credibility of a rating area and the volatility of experience when determining a rating area factor change). The impact of these items is applied to 2019 area factors (normalized on projected 2020 enrollment to result in a geographic calibration factor of 1.000) to calculate 2020 area factors. Exhibit 3 provides an illustration for the development of the applicable calibration factor for geography.

**TOBACCO USE RATING FACTOR CALIBRATION**

CIN applies a tobacco premium load for users age 21 and over that varies by age. This load results in a similar weighted average premium adjustment compared to the projected weighted average tobacco morbidity surcharge. The tobacco rating factors are [REDACTED] for children and between [REDACTED] for ages 21 and over. Exhibit 4 displays the development of the tobacco adjustment factor.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 12. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT**

The Consumer Adjusted Premium Rate is the final premium rate for a plan charged to an individual 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 age calibration factor, the geographic calibration factor, and the tobacco calibration factor.

The applicable adjustment factors for each plan are illustrated in Worksheet II, Section III of the URRT.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 13. PROJECTED LOSS RATIO**

The projected loss ratio based on federally prescribed MLR methodology, excluding allowable adjustments, such as for credibility, quality improvement expenses, and high deductible is [REDACTED], as shown in Exhibit 5. Exhibit 5 values may not tie to URRT Worksheet 2, Section IV since the calculations do not consider the same exclusions / adjustments).

The Exhibit 5 loss ratio is a single year value only. To the extent this amount, on a 3-year rolling average basis, and after applying applicable credibility adjustments, falls below the federal 80% threshold, CareSource will comply with all federal rebate regulations found in Public Health Service Act (PHS Act) section 2718.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 14. AV METAL VALUES**

The AV Metal Values included in Worksheet 2, Section I of the URRRT were developed using the 2020 CMS Actuarial Value calculator and are shown in Attachment B.



**CareSource Indiana, Inc.  
Individual Comprehensive Medical Business  
Rate Filing Justification  
Part III – Actuarial Memorandum and Certification**

**SECTION 15 MEMBERSHIP PROJECTIONS**

CareSource projected membership, (as displayed in Worksheet 2, Section IV of the URR) is detailed in Table 9 below. We base CIN's projected 2020 enrollment on 2019 open enrollment exchange data and CIN marketing projections.

<b>Table 9 CareSource Indiana, Inc. Indiana Individual ACA Plans Projected 2020 Member Months</b>				
Product Type:	IN001	IN002	Total	% Distribution
Gold				
Silver				
Bronze				
<b>Total</b>				

*Methodology to Project Cost Sharing Reduction (CSR) Eligibles:* We estimate CSR eligibles based on 2019 open enrollment exchange data.

*Projected Cost Sharing Reduction (CSR) Eligibles:* For the Silver level plans, we assume a member will generally select the richest benefit plan the member qualifies for a given income level (we understand that some individuals will not select the richest subsidy for which they qualify based on personal preference but do not expect this impact to be material). Table 10 shows the projected distribution across the Silver level plans.

<b>Table 10 CareSource Indiana, Inc. Indiana Individual ACA Plans Assumed Member Distribution Across Silver Metal Tier</b>	
Silver Plan	Assumed Member Distribution
Silver 94%	
Silver 87%	
Silver 73%	
Silver 70%	

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 16. PLAN TYPE**

CIN's plans are HMO plans. The applicable plan type for each plan has been selected in the drop-down box in Worksheet 2, Section I of the URRT.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 17. TERMINATED PLANS AND PRODUCTS**

2018 plans cross-walked prior to January 1, 2019 are listed in Exhibit 6.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 18. PREMIUM GUARANTEE PROVISIONS**

These plans are guaranteed renewable. The average projected annual premium per policy is [REDACTED] and the average current annual premium per policy is [REDACTED].

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 19. COMPANY FINANCIAL POSITION**

CareSource Indiana, Inc.'s 2018 risk-based capital ratio is

in 2018.

**CareSource Indiana, Inc.  
 Individual Comprehensive Medical Business  
 Rate Filing Justification  
 Part III – Actuarial Memorandum and Certification**

**SECTION 20. PROJECTED EXPERIENCE**

Table 11 displays the projected experience, without estimated risk adjustment payment, but including the requested rate change.

<b>Table 11 CareSource Indiana, Inc. Indiana Individual ACA Plans Projected Experience with Requested Rate Change</b>			
<b>Period</b>	<b>Earned Premium</b>	<b>Incurred Claims</b>	<b>Loss Ratio</b>
Next 12 Months from Paid to Date (Jan '19 through Dec '19)			
Next Calendar Year (Jan '20 through Dec '20)			
Anticipated Implementation Date (Jan' 20 through Dec '20)			

Table 12 displays the projected experience, without estimated risk adjustment payment and the requested rate change.

<b>Table 12 CareSource Indiana, Inc. Indiana Individual ACA Plans Projected Experience without Requested Rate Change</b>			
<b>Period</b>	<b>Earned Premium</b>	<b>Incurred Claims</b>	<b>Loss Ratio</b>
Next 12 Months from Paid to Date (Jan '19 through Dec '19)			
Next Calendar Year (Jan '20 through Dec '20)			

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 21. EFFECTIVE RATE REVIEW INFORMATION**

Information is available upon request.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 22. RELIANCE**

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we rely on information provided to us by the CIN management and its affiliates. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of our conclusions, may be materially affected.

We perform 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.



**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

**SECTION 23. ACTUARIAL CERTIFICATION**

I am a Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This filing is prepared on behalf of CareSource.

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 2020 individual market
2. The Index Rate and only 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 geographic rating factors shown in Worksheet 3 of the Part I Unified Rate Review Template (URRT) reflect only differences in the costs of delivery (e.g., unit costs, provider practice pattern differences) and do not include differences for population morbidity by geographic area.
4. 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 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.

The 2020 plan year premium rates provided in this Actuarial Memorandum were developed based upon the current Affordable Care Act (ACA) statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Indiana statutes and regulations, and court decisions in full force and effect as of date this Actuarial Memorandum is submitted. Accordingly, the 2020 plan year premium rates provided in this Actuarial Memorandum are contingent upon the current ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Indiana statutes and regulations, and court decisions not changing, including, but not limited to, the cost-sharing reduction subsidies not being funded for the 2020 plan year, the individual mandate penalty not being enforced for the 2020 plan year, and the continued availability of advanced premium tax credits to eligible individuals for the 2020 plan year. Accordingly, CIN retains and reserves the right to amend this Actuarial Memorandum and 2020 plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Indiana statutes and regulations, and court decisions.

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.

**CareSource Indiana, Inc.**  
**Individual Comprehensive Medical Business**  
**Rate Filing Justification**  
**Part III – Actuarial Memorandum and Certification**

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 deviations from assumptions.

Respectfully submitted,



Barbara R. Collier, FSA, MAAA  
Consulting Actuary  
Milliman, Inc.

BRC/bl

Attachments

## RELIANCE LETTER



June 3, 2019

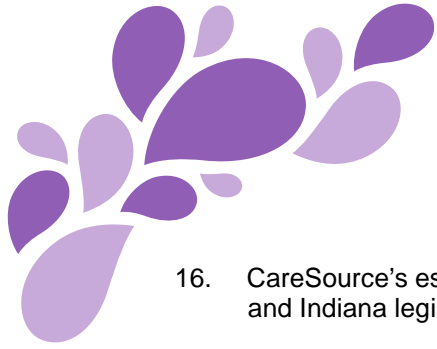
**Re: CareSource Indiana, Inc.'s 2020 Individual Pricing**

Dear Barb:

I, Scott Brockman, VP of Actuarial Science, CareSource, Inc. hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. for developing CareSource's 2020 individual commercial premium rates were prepared under my direction. These items were relied upon by Milliman and are, to the best of my knowledge, accurate and complete. Finally, I affirm all information that affects the 2020 individual premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

1. Specific 2019 plans CareSource intends to renew or terminate,
2. Benefit plans and networks CareSource offers in 2020,
3. The rating regions in which CareSource offers products in 2020,
4. HIOS Product Names, Product IDs, and Plan Names for each 2020 benefit plan,
5. Renewal / new plan status based on compliance with the Uniform Modification regulations.
6. Historical 2018 claim experience and membership for CareSource's products and plans,
7. Estimates of CareSource's 2018 risk adjustment transfer payments/receivables, federal reinsurance recoveries, and cost-sharing subsidy receipts,
8. Projected administrative expenses and target profit margin,
9. Emerging 2019 enrollment by county, plan, and demographics,
10. Description of contractual provider reimbursement arrangements, including 2018 and projected 2020 provider discounts by service category,
11. The 2020 PMPM cost of payments related to non-EHB added benefits,
12. Projected changes in projected 2020 prescription drug costs related to the new Pharmacy Benefit Manager contract,
13. Guidance on appropriate utilization and unit cost trend assumptions,
14. Other information provided by CareSource in various meetings, phone calls, emails, and other correspondence,
15. Assurance that CareSource has completed the plan benefit template and has found no meaningful discrepancies in Actuarial Value calculations.



16. CareSource's estimated values for a morbidity increase due to the removal of the individual mandate and Indiana legislature's treatment of short-term limited duration insurance.

June 3, 2019

---

Date

A handwritten signature in black ink that reads "Scott W. Brockman". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

---

Signature