

## Part III Actuarial Memorandum

### General Information

#### Company Identifying Information:

- Company Legal Name Noridian Mutual Insurance Company
- Issuer Legal Name *d/b/a* Blue Cross Blue Shield of North Dakota
- State North Dakota
- HIOS Issuer ID 37160
- Market Individual
- Effective Date January 1, 2019

#### Company Contact Information:

- Primary Contact Information Tony Piscione, FSA, MAAA
- Primary Contact Telephone Number (701) 282-1461
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### Scope and Purpose

This document is the Part III Actuarial Memorandum for Noridian Mutual Insurance Company's (BCBSND) Individual Qualified Health Plans (QHPs) to be offered in North Dakota for 2019. BCBSND will offer a variety of Individual QHPs, both on and off the North Dakota Health Insurance Marketplace, with rates effective January 1, 2019. Hereinafter, BCBSND refers to the non-grandfathered plans offered both on and off the Marketplace as *Metallic plans*.

One purpose of this actuarial memorandum is to provide support for the values reported on Part 1 of the Unified Rate Review Template (URRT), and therefore this actuarial memorandum is submitted in conjunction with the URRT. Additionally, this actuarial memorandum demonstrates how each allowable modifier is applied to the index rate, in accordance with Federal regulations, to develop premium rates. The information contained in this actuarial memorandum may not be appropriate for other purposes.

As specified by the North Dakota Insurance Department (NDID) memorandum dated April 30, 2018, the rates for Silver plans sold both on- and off-Exchange have been increased to offset the expected impact of Cost-Share Reduction (CSR) subsidies not being funded by the federal government during the 2019 plan year. [REDACTED]

### Brief Description of the Benefits

Exhibit XI includes a brief description of the *Metallic* benefit plan designs for 2019 compared with 2018. Effective January 1, 2019 benefits have changed within regulatory limits based on business decisions and new Actuarial Value Calculator testing. The following are a list of the benefit changes for Individual coverage (with similar corresponding changes made to Family coverage as shown on the Exhibit):

- On BlueDirect Gold, the Individual deductible increased from \$1,700 to \$2,000 and the Individual out-of-pocket maximum (OOPM) increased from \$3,675 to \$3,950.

- On BlueDirect Silver, the Individual deductible increased from \$2,700 to \$3,000 and the Individual out-of-pocket maximum (OOPM) increased from \$6,650 to \$6,750.
- On BlueDirect Bronze, the Individual deductible increased from \$6,650 to \$6,750 and the Individual out-of-pocket maximum (OOPM) increased from \$6,650 to \$6,750.
- On BlueCare Gold, the Individual deductible increased from \$500 to \$750, and the Individual OOPM increased from \$7,350 to \$7,900. The Emergency Room copay increased from \$200 to \$300. The prescription drug copays for generics, preferred brand, and non-preferred brand increased from \$5, \$50, and \$100 to \$10, \$80, and \$150, respectively.
- On BlueCare Silver, the Individual deductible increased from \$3,500 to \$5,000 and the Individual OOPM increased from \$7,350 to \$7,900. The Emergency Room copay increased from \$250 to \$300. The prescription drug copays for generics, preferred brand, and non-preferred brand increased from \$10, \$75, and \$125 to \$20, \$100, and \$200, respectively.
- On SimplyBlue, the Individual out-of-pocket maximum (OOPM) increased from \$7,350 to \$7,900.
- On BlueEssential, the Individual deductible increased from \$7,350 to \$7,900 and the Individual OOPM increased from \$7,350 to \$7,900.

[Redacted]

#### Terminated Products

BCBSND has not terminated a *Metallic plan* since December 31, 2016 and [Redacted]

#### **Proposed Rate Increase**

The proposed rate increase *before benefit changes* is 7.7%; Exhibit IX illustrates how the 7.7% proposed rate increase is developed step-by-step through a [Redacted] calculation methodology.

[Redacted]

The proposed rate increase shown on the Worksheet 2, Section 1 of the URRT is 5.79%; the URRT rate increase is different because [Redacted]

#### Rate Increases by Plan

Redacted

#### Reasons for Rate Increase

Redacted

## Experience Period Premium and Claims

The experience reported on Worksheet 1, Section 1 of the URRT shows BCBSND's earned premium and incurred claims for the period of 1/1/2017 through 12/31/2017, with claims paid through 3/31/2018. BCBSND does not expect to pay any MLR rebates for the 2017 rebate year.

### Plan Liability Incurred Claims

Experience in this rate filing includes paid claims incurred during 2017 and paid through March 31, 2018 for individual non-grandfathered plans (aka *Metallic plans*), both on-and off-exchange. All paid claims were processed through the BCBSND claim system. BCBSND calculates completion factors to develop the estimate of incurred but not paid claims which is then added to the processed paid claim amount to arrive at a final estimate of total plan liability incurred claims. Exhibit V displays a historical record of BCBSND's completion factors as well as an explanation of how that history was used to determine the factor used for completing incurred claims. Based on the analysis shown in Exhibit V, a completion factor of █████% was developed and applied in this rate filing.

### Allowed Incurred Claims

Experience in this rate filing includes allowed claims incurred during 2017 and paid through March 31, 2018 for individual non-grandfathered plans (aka *Metallic plans*), both on-and off-exchange. Allowed claims include both the plan liability claims and member cost share. The allowed claims are the claims eligible under the plan. The same completion factor applied to plan liability incurred claims was applied to allowed incurred claims to arrive at a final estimate of total allowed incurred claims.

## Benefit Categories

BCBSND assigned the experience data utilization and cost information to benefit categories as shown in Worksheet 1, Section II of the Part 1 URRT based on place and type of services using a detailed claims mapping algorithm summarized as follows:

- *Inpatient Hospital*  
Includes claims for an admission of at least one night in a hospital or other institutional health facility (e.g. skilled nursing facility); these claims are submitted via Form UB-04 and each unit is an admission.
- *Outpatient Hospital*  
Includes claims for ambulatory care at a hospital or other health facility without being admitted to the facility (e.g. hospital, ambulatory surgical facility, hospice); these claims are submitted via Form UB-04 and each unit is a visit.
- *Professional*  
Includes claims for physician and clinic services submitted via Form CMS-1500; each unit is a service.
- *Other Medical*  
Includes claims for services in swing beds, home health agencies, clinic, renal dialysis centers and intermediate care facilities that are submitted via Form UB-04 as well as DME, prosthetics, and supplies that are submitted via Form CMS-1500; each unit is a service.
- *Capitation*  
None of the benefits covered within BCBSND individual QHP plans are paid under a capitation payment arrangement; ergo, capitation does not apply in this filing.
- *Prescription Drug*  
Includes claims for prescription drugs dispensed in a pharmacy, each unit is a prescription.

## **Projection Factors**

This section includes a description of each factor used to project the experience period allowed claims to the projection period, as reported on Worksheet 1, Section II of the URRT. Additionally, supporting information related to the development of the projection factors shown in the URRT is provided in this section.

### Changes in Morbidity of the Population Insured

Redacted

### Other Adjustments

Redacted

### Trend Factors (cost/utilization)

Redacted

## **Credibility Manual Rate Development**

BCBSND's experience in the base period is fully credible for the purposes of the rate projection, therefore manual rates are not applicable.

## **Credibility of Experience**

The CMS guidelines used for Medicare Advantage/Prescription Drug Plans (MA/PD) specify 24,000 member months as 100% credible for medical. [REDACTED]

## **Paid to Allowed Ratio**

Redacted

## **Risk Adjustment and Reinsurance**

### Projected Risk Adjustment PMPM

Redacted

### Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

Redacted

## **Non-Benefit Expenses and Contribution to Surplus and Risk**

Redacted

Administrative Expense Load

Redacted

Contribution to Surplus and Risk Margin

Redacted

Taxes and Fees:

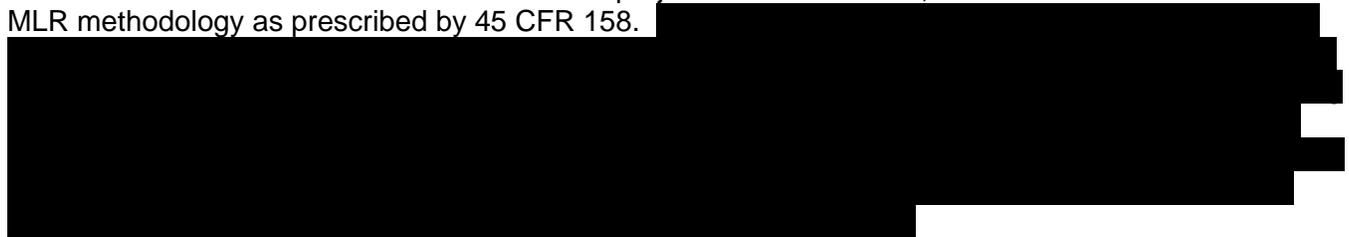
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Other Non-Benefit Expenses:

Redacted

**Projected Loss Ratio**

The projected loss ratio is 89.9% which exceeds the minimum threshold of 80% for individual business. Exhibit VII shows the calculation of BCBSND's projected MLR for 2019, which is consistent with the MLR methodology as prescribed by 45 CFR 158.



**Single Risk Pool**

BCBSND rates are developed using a single risk pool, established per the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan (aka *Metallic plan*) combination BCBSND offers in the State of North Dakota individual health insurance market.

**Index Rate**

Redacted

**Market Adjusted Index Rate**

Redacted

**Plan Adjusted Index Rates**

Redacted

**Calibration**

Calibration factors are applied to the Plan Adjusted Index Rates to calibrate rates for the age, geographic distribution, and tobacco use surcharges intrinsic within the experience period covered lives

population; in effect, the calibration process normalizes the experience period claims for the effect of applied rating factors. The calibration factors are applied uniformly across all plans.

Age Curve Calibration

Redacted

Geographic Factor Calibration

Redacted

Tobacco Use Rating Factor Calibration

Redacted

**Consumer Adjusted Premium Rate Development**

Redacted

**AV Metal Values**

The AV Metal Values included in Worksheet 2 of the URRT are entirely based on the most current CMS Actuarial Value (AV) calculator.

**AV Pricing Values**

Redacted

**Membership Projections**

Redacted

**Terminated Products**

BCBSND has not terminated a *Metallic plan* since December 31, 2016 and [REDACTED]

**Plan Type**

There are no differences between the plan types BCBSND is offering and the plan type selected in the drop-down box in Worksheet 2, Section 1 of the URRT.

**Warning Alerts**

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

**Reliance**

[REDACTED]

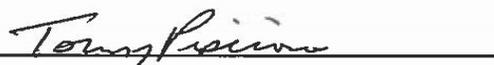
## Actuarial Certification

I, Tony Piscione, FSA, MAAA am a member of American Academy of Actuaries and certify the following:

- 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; and,
  - Expected to be neither excessive nor deficient.
- 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.
- 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.
- The CMS Actuarial Value (AV) Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Unified Rate Review Template for all plans.

The Unified Rate Review Template (URRT) does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of QHPs 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 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.



Tony Piscione, FSA, MAAA

May 25, 2018

Date

LIST OF EXHIBITS

<u>Exhibit Number</u>	<u>Page</u>	<u>Description</u>
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All Exhibits redacted.