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, 2018

Company Contact Information:
- Primary Contact Information: Tony Piscione, FSA, MAAA
- Primary Contact Telephone Number: (701) 282-1461
- Primary Contact Email Address: anthony.piscione@bcbsnd.com

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 2018. BCBSND will offer all individual QHPs, both on and off the North Dakota Health Insurance Marketplace, with rates effective January 1, 2018. 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.

The validity of this rate filing is contingent upon the continued funding of Cost-Share Reduction (CSR) subsidies; BCBSND reserves the right to submit a revised rate filing should the CSRs be defunded.

Brief Description of the Benefits

Exhibit XI includes a brief description of the Metallic benefit plan designs for 2018 compared with 2017. Effective January 1, 2018 benefits have changed based on business decisions and new Actuarial Value Calculator testing. The following are a list of the benefit changes for Single coverage (with similar corresponding changes made to Family coverage as shown on the Exhibit):

- On BlueDirect Gold, the Single deductible decreased from $2,000 to $1,700 and the Single out-of-pocket maximum (OOPM) increased from $2,900 to $3,675.
- On BlueCare Gold, the Single OOPM increased from $7,150 to $7,350.
- On BlueDirect Silver, the Single deductible increased from $2,600 to $2,700 and the Single OOPM increased from $6,550 to $6,650.
- On BlueCare Silver, the Single deductible increased from $3,000 to $3,500 and the Single OOPM increased from $7,150 to $7,350.
- On BlueDirect Bronze, the Single deductible increased from $6,550 to $6,650 and the Single OOPM increased from $6,550 to $6,650.
On SimplyBlue, the Single OOPM increased from $7,150 to $7,350.
On Blue Essential, the Single deductible increased from $7,150 to $7,350 and the Single OOPM increased from $7,150 to $7,350.

**Terminated Products**

BCBSND terminated one *Metallic plan* as of December 31, 2016: BlueDirect Gold 100 (HIOS ID 37160ND2410018). All members in this plan were cross-walked into new plan BlueDirect Gold 90 (HIOS ID 37160ND2410022) as of January 1, 2017. No additional plans were terminated in 2017, nor does BCBSND expect to terminate any individual *Metallic plans* in 2018.

**Proposed Rate Increase**

The proposed rate increase *before benefit changes* is 23.3%; this is reported on Worksheet 2, Section 1 of the URRT as 23.86%.

**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 1/1/2016 through 12/31/2016, with claims paid through 3/31/2017. BCBSND does not expect to pay any MLR rebates for the 2016 rebate year.

**Plan Liability Incurred Claims**

Experience in this rate filing includes paid claims incurred during 2016 and paid through March 31, 2017 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 2016 and paid through March 31, 2017 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, with the claims amount net of rebates received from drug manufacturers; each unit is a prescription.

**Projection Factors**

Redacted

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. BCBSND’s experience period member months greatly exceeds 24,000, and therefore the credibility assigned to the Calendar Year 2016 experience is 100%. In other words, no credibility adjustments were used due to the size of the block in the experience period.

Paid to Allowed Ratio

Risk Adjustment and Reinsurance

Redacted

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:

Redacted

Other Non-Benefit Expenses:

Redacted
Projected Loss Ratio

The projected loss ratio is 91.5% which exceeds the minimum threshold of 80% for individual business. Exhibit VI shows the calculation of BCBSND’s projected MLR for 2018, which is consistent with the MLR methodology as prescribed by 45 CFR 158. Specifically, the numerator is the projected incurred claims, or 100% minus Retention Total, plus expenditures for activities that improve health care quality, estimated at 0.5% of premium. The denominator is the projected premium revenue, minus BCBSND’s projected ACA Fees and Premium Taxes. The ACA Fees component includes: Health Insurance Provider Fees, Exchange User Fees, Risk Adjustment User Fees, and PCORI Fees, using the Percent of Premiums associated with each ACA Fee as listed in Retention Exhibit VI (plus the additional Risk Adjustment User Fee of 14 cents PMPM).

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

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<thead>
<tr>
<th>Product Name</th>
<th>Form Number</th>
<th>Effective Date of Termination</th>
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<tbody>
<tr>
<td>BlueDirect Gold 100 2300</td>
<td>29317052, 29317055</td>
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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 18, 2017
Date
## LIST OF EXHIBITS

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Page</th>
<th>Description</th>
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<tbody>
<tr>
<td></td>
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<td>All Exhibits redacted.</td>
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