



Part III Actuarial Memorandum

**Optima Health Plan
Individual Rate Filing
Effective January 1, 2017**

Prepared for:

Optima Health Plan

Prepared by:

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EXHIBIT 1. GENERAL INFORMATION

DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for Optima Health Plan (OHP)'s individual medical block of business, effective January 1, 2017. These individual rates are guaranteed for 12 months after the individual's effective date. 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, including support for the values entered into the Part I URRT, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the Commonwealth of Virginia Bureau of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of OHP'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 letter to other users. Likewise, other users of this letter 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 law.

COMPANY IDENTIFYING INFORMATION

Company Legal Name:	Optima Health Plan
State:	Virginia
HIOS Issuer ID:	20507
Market:	Individual
Effective Date:	January 1, 2017

COMPANY CONTACT INFORMATION

Primary Contact Name:	James Juillerat, ASA, MAAA
Primary Contact Telephone Number:	(757) 552-7389
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EXHIBIT 2. PROPOSED RATE INCREASE(S)

This submission is for the following rate revisions and new benefit plans, effective January 1, 2017:

- Rate revisions to existing OHP individual medical ACA-compliant products, as presented by the HIOS Plan ID in the applicable line item of Worksheet 2 in the URRT. The average proposed rate change across all plans from the most recently approved rates effective January 1, 2016 is 24.3%. The cumulative average rate change over the past 12 months is the same since the most recently approved rates were effective January 1, 2016. Note that the average rate increase includes changes applicable to members that were in previously terminating plans and mapped into a plan continuing in 2017.
- Proposed premiums for new individual benefit plans to be available for sale effective January 1, 2017. To the extent that current membership on terminating plans are proposed to be mapped into one of the new plans, the applicable rate change is illustrated in the URRT and included in the previously noted average

REASON FOR RATE REVISION

The proposed rate revision reflects consideration for the impact of a number of factors, including:

- Anticipated medical cost and utilization trends
- Historical experience
- Anticipated changes in the average morbidity of the covered population
- Benefit changes
- Changes to reflect the applicable provisions of ACA-related taxes and fees for 2017
- Discontinuance of the Federal Transitional Reinsurance Program in 2017
- Anticipated changes in amount receivable from the Federal Risk Adjustment Program
- Change in the mix of business
- Considerations for market activity

Changes vary by benefit plan to reflect a combination of minor benefit changes, changes in the anticipated impact of fixed cost-sharing items given increasing medical costs (i.e., paid to allowed), and the impact of mapping members from terminating plans into continuing plans. In addition, we adjusted benefit relativities by metallic tier based on a review of claim experience by metallic tier net of the risk adjustment transfer payment (i.e., a more up to date representation of the impact of removing morbidity in setting benefit relativities).

EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

CLAIMS PAID THROUGH DATE

Incurred claims presented in Worksheet 1, Section I of the URRT for the experience period from January 1, 2015 through December 31, 2015 are based on claims paid through February 29, 2016.

PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD

Earned premiums presented in Worksheet 1, Section I of the URRT are calculated as follows:

- Collected premium – Change in Unearned Premium + Change in Due and Unpaid Premium

OHP does not anticipate the payment of any MLR rebates on the earned premiums shown for the experience period based on experience to date.

Allowed and Incurred Claims Incurred During the Experience Period

Table 1 provides a breakdown of the allowed and incurred claims during the experience period, as presented in the Worksheet 1, Section I of the URRT.

Table 1 Optima Health Plan Summary of Allowed and Incurred Claims			
Item	Processor	Allowed Claims	Incurred Claims
Processed Claims	Issuer	\$250,326,583	\$184,977,890
(Fee-for-Service)	External	\$0	\$0
Incurred but Not Paid Claims	n/a	\$5,088,134	\$4,524,382
(Fee-for-Service)			
Capitated Claims	n/a	\$3,348,126	\$3,348,126
Total		\$258,762,843	\$192,850,398

Processed fee-for-service (FFS) allowed and paid claims reflect the applicable values from OHP's claim payment system for claims incurred during the experience period and paid through 02/29/2016 for those services covered on a FFS basis (i.e., not capitated).

Total allowed claims were calculated as a combination of the following:

- [Allowed Claims Incurred and Processed (FFS) * Completion Factor] + [Capitation PMPM * Member Months]

Total incurred claims were calculated as a combination of the following:

- [Paid Claims Incurred and Processed (FFS) * Completion Factor] + [Capitation PMPM * Member Months]

Incurred but Not Paid Claims (FFS) are calculated as follows, for allowed and paid values, respectively:

- [Allowed Claims Incurred and Processed (FFS) * Completion Factor] – Allowed Claims Incurred and Processed (FFS)
- [Paid Claims Incurred and Processed (FFS) * Completion Factor] – Paid Claims Incurred and Processed (FFS)

The same completion factors by service category are applied to allowed and incurred claims.

Completion factors are developed by OHP using generally accepted actuarial development methods for estimating claim liabilities. Consideration is given for liabilities calculated using a claim cost or loss ratio method for recent incurrence months prior to the valuation date that have less data available (e.g., 1-3 months).

EXHIBIT 4. BENEFIT CATEGORIES

Each claim processed on a fee-for-service basis during the experience period is assigned to the applicable benefit category in Worksheet 1, Section II of the URRT based on the Milliman *Health Cost Guidelines (HCGs)* grouping methodology. The *HCG* grouping methodology looks at detailed claims records and assigns the applicable category based on the combination of a number of items including specialty codes, place of service, form types, facility type, DRG codes, provider types, and types of service indicators. Core drivers for assignment in each service category are as follows:

- Inpatient – DRG
- Outpatient – Procedure and revenue codes
- Professional – Procedure code
- Prescription Drugs – NDC code

The Inpatient & Outpatient categories contain only facility costs with no related professional fees. The Professional category reflects non-facility provider costs (i.e., Primary and Assistant Surgeons, Anesthesia, etc.).

The capitation line item reflects the negotiated capitation rates for applicable services.

EXHIBIT 5. PROJECTION FACTORS

CHANGES IN THE MORBIDITY OF THE POPULATION INSURED

OHP will be withdrawing its individual business in Rating Areas 2, 3, 5, 7, and 12. For purposes of projecting 2017 costs, we calculated the applicable adjustment to 2015 allowed claims to reflect removal of the 2015 experience from these areas. The impact of this is a reduction in allowed claims of about 8.8%. The age/gender mix and plan mix remaining negligibly different before and after. The impact of the geographic mix change based on allowed costs relationships developed using a combination of experience data normalized for risk and the Milliman *HCGs* resulted in a reduction of 0.7%. The remainder of the impact was assumed to be a morbidity impact ($0.912 / 0.993 = 0.918$)

The underlying morbidity of 2017 membership is assumed to be comparable to that observed in 2015 for the membership in the rating areas OHP will continue to do business in. As such, no additional adjustments were made in the projection related to morbidity.

CHANGES IN BENEFITS

The "Other" factor in Worksheet 1, Section II of the URRT includes a reduction in expected allowed charges due to the impact of benefit changes and membership mix by plan on the average utilization of services between the experience and projection period.

CHANGES IN DEMOGRAPHICS

The "Other" factor in Worksheet 1, Section II of the URRT includes the impact of expected changes in age, gender, and geographic mix. The following outline the expected impact of each change:

- OHP will be withdrawing its individual plans in Rating Areas 2, 3, 5, 7, and 12. As discussed above, the impact of the geographic mix change based on allowed costs relationships developed using a combination of experience data normalized for risk and the *HCGs* resulted in a reduction of 0.7%.
- Minor adjustments to reflect the difference in age / gender mix between 2015 and that expected in 2017. The 2017 expected distribution is based on members in force as of January 31, 2016 adjusted for the removal of members in discontinuing rating areas.

OTHER ADJUSTMENT

The "Other" factor in Worksheet 1, Section II of the URRT also includes the following adjustments:

- A decrease in the average allowed costs to reflect the inclusion of alternate network products in 2017 that were not in place during 2015.
- Removal of transplant costs from the fee-for-service experience given these will be paid under a capitation arrangement in 2017.
- The change in the average capitated rate between 2015 and 2017.

Table 2 provides a summary of the buildup of these components into the "Other" factor in Worksheet 1, Section II of the URRT, including the benefit and demographic adjustments discussed above.

Table 2 Optima Health Plan Other Allowed Adjustments Buildup	
Component	Factor
Benefit Changes	0.971
Exiting Five MSAs	0.993
Provider Network Adjustments	0.995
Age / Gender	1.021
Removal of transplants	0.992
CSR IU	0.992
Total	0.963

ANNUALIZED TREND FACTORS

The utilization and cost trend factors shown in Worksheet 1, Section II are reflective of an aggregate annual allowed charge trend of 7.5% for non-capitated (i.e., fee-for-service) claims (before adjustments for provider network arrangements, as described below). This aggregate value was developed based on a combination of OHP small group experience, the Milliman *HCGs*, and general industry knowledge regarding recent trends in medical inflation.

Separate trend factors for utilization and cost were estimated based on relative values from the *HCGs*. Factors were developed such that the aggregate value is 7.5%.

We reviewed OHP allowed charge trends (combined utilization and cost) by service category in comparison to the *HCG* developed values to test for reasonability of our final assumptions. This experience was found to be fairly volatile (i.e., lacking in credibility) for purposes of developing assumptions at this detailed level using OHP experience.

EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

OHP's individual experience is considered to be fully credible for purposes of rate development. As such, a manual rate was not developed and zeroes have been entered into the credibility manual rate section of the URRT, in accordance with URRT instructions.

SOURCE AND APPROPRIATENESS OF EXPERIENCE DATA USED IN MANUAL RATE DEVELOPMENT

Not applicable.

ADJUSTMENTS MADE TO THE DATA

Not applicable.

INCLUSION OF CAPITATION PAYMENTS

Not applicable.

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

OHP's individual experience in aggregate is considered to be fully credible for purposes of rate development. As shown in Section 1 of the URRT, there are over 60,000 member months included in the experience data, which supports assigning 100% credibility for the purposes of rate development. As such, a 100% credibility factor to the projected experience is assigned.

EXHIBIT 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed as follows:

Weighted Average Paid Claim PMPM by Plan
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.

EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

EXPERIENCE PERIOD RISK ADJUSTMENTS PMPM

Amounts included in Worksheet II, Section III of the URRT for risk adjustment were determined based on the PMPM booked values at year-end 2015. Per the URRT instructions, the line item "Allowed Claims which are not the issuer's obligation" only includes expected payments to OHP, without adjustment for the risk adjuster fee. The amount shown in "Net Amt of Risk Adj" includes the impact of the 2015 risk adjuster fee.

Amounts included in Worksheet II, Section III of the URRT for reinsurance were determined based on the PMPM values booked by OHP at year-end 2015. Per the URRT instructions, the line item "Allowed Claims which are not the issuer's obligation" only includes expected payments to OHP, without adjustment for the reinsurance contribution. The amount shown in "Net Amt of Reinsurance" includes the impact of the 2015 reinsurance contribution.

PROJECTED RISK ADJUSTMENTS PMPM

The following approach was used to develop projected 2017 risk adjustment PMPM transfer values:

- OHP received actual 2015 risk adjustment results on June 30, 2016, resulting in an aggregate receivable of \$101.06 PMPM. With the removal of individuals in the rating areas Optima plans to exit, this value decreases to approximately \$76 PMPM.
- It is assumed that Optima will have a comparable risk profile relative to the state market in 2017 compared to what has been seen in 2015, after accounting for the discontinuance of rating areas. There are also changes in the 2017 risk adjustment transfer payment formula that are anticipated to have an impact on the OHP expected transfer payment. Using the 2017 risk adjustment model formula, with the same underlying risk profile after areas are removed, results in an expected receipt of \$110.74 PMPM. This amount was then adjusted to account for expected changes in the state average premium, expected to increase 6% per year on average, resulting in an average expected payment of \$118.04 PMPM.

The 2017 expected risk adjuster transfer of \$117.91 reported in the Worksheet 1, Section III of the URRT is net of the \$0.13 PMPM expense of the 2017 risk adjuster fee.

PROJECTED ACA REINSURANCE RECOVERIES NET OF REINSURANCE PREMIUM

The federal transitional reinsurance program is a temporary program that ends 12/31/2016. Since this program is not expected to continue in 2017, we assume that reinsurance contributions and reinsurance recoveries will be zero. As a result, we did not project any federal transitional reinsurance contributions or recoveries for 2017.

EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

ADMINISTRATIVE EXPENSE LOAD

Administrative expenses are assumed to be consistent with 2016 pricing assumptions, assuming 60% of cost is variable and 40% fixed. The fixed component is trended 2.5% from 2016 to 2017, whereas the variable portion is assumed to be the same percent of premium. Expected 2017 cost for the OHP Fitbit wellness program is also added to the expected fixed cost PMPM.

Total PMPM expenses are allocated by benefit plan as a percent of premium, or 10.55%, as presented in Worksheet 1, Section III of the URRT.

PROFIT & RISK LOAD

The Profit and Risk Load target value of 5.50% in aggregate was determined based on Company targets, anticipated uncertainty of the 2017 market, and in consideration of federal MLR requirements.

TAXES AND FEES

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

Table 3 Optima Health Plan Projected Taxes and Fees	
Item	% Prem
Premium Tax	0.07%
Health Insurer Fee	0.00%
Research Trust Fund Fee	0.04%
Exchange User Fee	2.78%
Total	2.88%

The exchange user fee was applied as an adjustment to the index rate at the market level, as discussed in Section 14 below. Specifically, exchange business is assumed to be about 80% of OHP's projected 2017 individual enrollment, as determined based on January 2016 inforce membership. The percent of premium value reflects an allocation of anticipated exchange fees of 3.5% of exchange premium across all projected individual enrollment.

EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio is 83.6%. This loss ratio is calculated consistently with the MLR methodology, according to the National Association of Insurance Commissioners, as prescribed by 211 CMR 147.00.

EXHIBIT 12. SINGLE RISK POOL

The single risk pool for OHP Virginia individual plans was established in accordance with the requirements in 45 CFR part 156, §156.80(d). The single risk pool reflects covered lives in all non-grandfathered products sold in the Virginia individual market by OHP.

EXHIBIT 13. INDEX RATE

EXPERIENCE PERIOD

The index rate for the experience period is equal to the Allowed Claims PMPM for the experience period, as shown in Worksheet 1, Section I of the URRT, adjusted for removal of Non-EHB Claims. The non-essential health benefits provided in OHP individual plans during 2014 are as follows:

- Adult routine vision exam benefit
- Abortion for which public funding is prohibited (off-exchange plans only)

Historical allowed claims were adjusted to remove non-EHB charges and develop the experience period index rate as follows:

(1)	Allowed Claims – Worksheet 1, Section 1	\$258,762,843
(2)	Non-EHB Allowed Claims	\$365,342
(3)	Allowed EHB Claims [(1) – (2)]	\$258,397,501
(4)	Member Months	410,824
(5)	Index Rate [(3)/(4)] (round to whole dollar)	\$629.00

PROJECTION PERIOD

The projected index rate shown in Worksheet 1, Section III of the URRT was developed as follows:

- Projected Allowed Claims PMPM * % of Allowed Claims Attributable to EHB

Projected allowed claims are those after any applicable credibility adjustments, but before any adjustment for risk adjuster or reinsurance payments and / or recoveries.

The difference between the Projected Allowed Claims PMPM and the index rate reflect the removal of the average anticipated cost across the entire single risk pool of the following non-EHB benefits:

- Adult routine vision exam benefit
- Abortion for which public funding is prohibited (off-exchange plans only)

All other benefits provided in the OHP individual benefit plans are considered EHB.

EXHIBIT 14. MARKET ADJUSTED INDEX RATES

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). Table 4 illustrates the calculation of the market adjusted index rate:

Table 4 Optima Health Plan Market Adjusted Index Rate Development	
2017 Index Rate PMPM	\$657.31
Market Adjustments (paid basis)	
+ Net Risk Adjustment Payment	-\$117.91
- Net Federal Transitional Reinsurance	\$0.00
+ Exchange User Fees	\$13.48
Paid-to-Allowed Ratio	0.776
Market Adjustments (allowed basis)	
+ Net Risk Adjustment Payment	-\$151.95
- Net Federal Transitional Reinsurance	\$0.00
+ Exchange User Fees	\$17.38
Market Adjusted Index Rate PMPM	\$522.74

In accordance with Part III instructions, the federal reinsurance reimbursements and the risk adjuster payments and fees used in the development of the market adjusted index rate reflect projected values from Worksheet I, Section III, adjusted to an allowed basis. This was done by dividing the PMPM amounts illustrated in Worksheet I, Section III by the paid-to-allowed ratio, also shown in Worksheet I, Section III.

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

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.

For OHP individual plans, there are no applicable adjustments for Item #5.

EXHIBIT 16. CALIBRATION

Attachment A provides an illustration for the development of the applicable calibration factors for age and geographic area. The age calibration factor is approximately equal to the age 48 adult factor, as shown in Attachment A.

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

Attachment B provides an illustration for the development of consumer adjusted premium rates for sample insured members.

EXHIBIT 18. AV METAL VALUES

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed using the 2016 CMS Actuarial Value (AV) calculator.

EXHIBIT 19. AV PRICING VALUES

Attachment C provides a summary of the AV pricing values by plan, as presented in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). The product of the allowable modifiers is equal to the AV Pricing Value.

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.

EXHIBIT 20. MEMBERSHIP PROJECTIONS

Membership projections, as presented in Worksheet 2, Section IV of the URRT were developed by OHP based on consideration for the following:

- Inforce distribution of business as of January 31, 2016.
- Expected membership for new benefit plan options, including the extent to which terminating plan membership is mapped into new plans.
- Projected new sale activity, assumed to have a distribution consistent with historical experience.
- Discontinuance of plans in specified rating areas.
- The proposed rate changes and current 2016 plans and premium rates available in the Virginia market.

The portion of projected enrollment that will be eligible for cost-sharing reduction (CSR) subsidies was estimated to be 82% of individuals purchasing Silver QHP plan coverage. This assumption and the distribution of members by CSR plan were developed based on current membership in force as of January 31, 2016.

Table 5 provides the anticipated membership for Silver QHP plans by CSR subsidy level:

Table 5 Optima Health Plan Projected Enrollment (Member Months) by Subsidy Level (Silver Plans)						
Plan Name	HIOS ID	70%	73%	87%	94%	Total
OptimaFit Silver 4000 20% M	20507VA1170002	126,683	18,215	44,819	77,378	267,095
OptimaFit Silver 2600 25 20% M	20507VA1170006	5,889	847	2,083	3,597	12,416
OptimaFit Silver 3500 20% Select	20507VA1170030	2,403	346	850	1,468	5,067

EXHIBIT 21. TERMINATED PRODUCTS

Attachment D provides a listing of terminated plans from both the experience period and also any new plans in 2016 that will be terminated as of January 1, 2017. Included is information on any applicable cross-walks to continuing or new 2017 benefit plans.

Note that to the extent a terminating plan available during the experience period did not have any membership in the experience period, it is not included in Worksheet II of the URRT.

EXHIBIT 22. PLAN TYPE

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT. They are all consistent with the available options in the drop-down box in Worksheet 2.

EXHIBIT 23. WARNING ALERTS

Warning alerts appear in Worksheet 2 Section III of the URRT for the values “Plan Adjusted Index Rate” and “Total Premium (TP)”. The warning alert appears in each of these items related to the same issue, which is the definition of this item in Worksheet 1 compared to Worksheet 2, as follows:

- URRT instructions state to include risk adjuster transfer payment amounts in earned premium in Worksheet 1, whereas the plan-adjusted index rate would reflect the average member premium only.
- URRT instructions state to include the plan-adjusted index rate from the rate filing in Worksheet II, whereas actual member premium that would be included as part of earned premium in Worksheet 1 will be different.

Warning alerts appear in Worksheet 2, Section III of the URRT for the values “Total Incurred claims, payable with issuer funds” and “Incurred Claims PMPM”. The warning alert appears in each of these items related to the same issue, which is the definition of this item in Worksheet 1 compared to Worksheet 2, as follows:

- Worksheet 1 defines incurred claims as allowed claims less member cost-sharing and cost-sharing paid by HHS on behalf of low-income members.
- Worksheet 2 calculates incurred claims as the “Total Allowed” less “Allowed Claims Which are not the Issuer’s Obligation”. “Allowed Claims Which are not the Issuer’s Obligation” include reinsurance receipts and risk adjuster receipt / transfer, which are not part of the definition in Worksheet 1.

EXHIBIT 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, I have relied on information provided to me by the management of Optima Health Plan and its affiliates. If the underlying data or information is inaccurate or incomplete, the contents of the URRT and Part III Actuarial Memorandum along with many of our conclusions may likewise be inaccurate or incomplete.

I 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.

EXHIBIT 25. ACTUARIAL CERTIFICATION

This memorandum may be considered a statement of actuarial opinion. 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 the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This filing is prepared on behalf of Optima Health Plan.

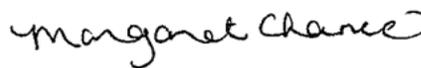
I certify to the best of my knowledge and judgment:

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 2016 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 was calculated in accordance with actuarial standards of practice.
4. The geographic rating factors reflect differences in costs 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, 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 presented 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.

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



Name: Margaret A. Chance, FSA, MAAA
Title: Principal and Consulting Actuary
Date: July 13, 2016

Attachment A
 Optima Health Plan
 Individual Medical Business
 Development of Calibration & Trend Adjustment Factors

<u>Att Age</u>	<u>CMS Factor (Avg of Band)</u>	<u>Member Distribution</u>	<u>Rating Area</u>	<u>Rating Area Factor</u>	<u>Member Distribution</u>
21-24	1.000	5.6%	Blacksburg-Christiansburg-Radford VA	1.006	4.3%
25-29	1.056	9.8%	Charlottesville VA	N/A	0.0%
30-34	1.178	8.9%	Danville	N/A	0.0%
35-39	1.240	8.1%	Harrisonburg VA	0.967	3.6%
40-44	1.332	7.9%	Kingsport-Bristol-Bristol TN-VA	N/A	0.0%
45-49	1.570	8.9%	Lynchburg VA	1.049	5.6%
50-54	1.956	10.3%	Richmond VA	N/A	0.0%
55-59	2.430	11.0%	Roanoke VA-NC	0.994	7.3%
60-63	2.837	9.3%	Virginia Beach-Norfolk-Newport News VA-NC	0.970	73.6%
64+	3.000	5.8%	Washington-Arlington-Alexandria	1.225	1.7%
			Winchester, VA-WV	0.975	3.9%
Child - Pay	0.635	13.7%	Out-of-Area	N/A	0.0%
Child - non Pay	0.000	0.7%	Total	0.982	100.0%
Aggregate Factor	1.604	100.0%			
Age 47 factor	1.563				
Age 48 factor	1.635				
Avg Adult Age	47.6				
Nearest Age	48.0				

Attachment B
Optima Health Plan
Individual Medical Business
Sample Calculations of Consumer Adjusted Premium Rates

	Sample 1	Sample 2
Plan	OptimaFit Gold 1000 M	OptimaFit Silver 3000 25
Plan ID	20507VA1170001	20507VA1220042
Age	35	45
Area	Virginia Beach	Roanoke
Tobacco	No	No
Effective Date	Jan-17	Jan-17
(1) Market Adjusted Index Rate	\$522.74	\$522.74
<u>Allowable Factors</u>		
AV Cost Share	1.024	0.716
Network	1.000	1.000
non-EHB Benefits	1.007	1.004
Expenses	1.233	1.234
<u>Catastrophic</u>	<u>1.000</u>	<u>1.000</u>
(2) Total	1.272	0.887
(3) = (1) * (2) Plan Adjusted Index Rate	\$665.01	\$463.59
<i>Calibration Factors</i>		
Age	1.604	1.604
<u>Geographic Area</u>	<u>0.982</u>	<u>0.982</u>
(4) Total Product	1.575	1.575
<i>Consumer Rating Factors</i>		
Individual/Family (n/a)	1.000	1.000
Geographic Area	0.970	0.994
Age	1.222	1.444
<u>Tobacco Code</u>	<u>1.000</u>	<u>1.000</u>
(5) Total Product	1.185	1.435
[(3) / (4)] * (5) Consumer Adjusted Premium Rate	\$500.46	\$422.46

Attachment C
Optima Health Plan
Individual Medical Business
Summary of AV Pricing Values and Allowable Adjustments to the Adjusted Index Rate

Plan Name	HIOS ID	Components of Allowable Adjustment to Adjusted Index Rate					AV Pricing Value
		AV/ Cost Share	Network	Non-EHB		Catastrophic	
				Benefits	Expenses*		
OptimaFit Gold 1000 M	20507VA1170001	1.024	1.000	1.007	1.233	1.000	1.272
OptimaFit Gold 1000 Select M	20507VA1170011	1.015	0.950	1.003	1.233	1.000	1.193
OptimaFit Gold 1000 20% M Select	20507VA1170029	0.982	0.803	1.004	1.233	1.000	0.977
OptimaFit Silver 4000 20% M	20507VA1170002	0.738	1.000	1.004	1.234	1.000	0.914
OptimaFit Silver 2600 25 20% M	20507VA1170006	0.763	1.000	1.005	1.233	1.000	0.946
OptimaFit Silver 3500 20% Select	20507VA1170030	0.765	0.803	1.004	1.234	1.000	0.761
OptimaFit Bronze 6850 30 M	20507VA1170021	0.697	1.000	1.003	1.234	1.000	0.863
OptimaFit Bronze 6850 30 M Select	20507VA1170028	0.694	0.950	1.004	1.234	1.000	0.817
OptimaFit Bronze 6850 20% Select	20507VA1170031	0.702	0.803	1.004	1.234	1.000	0.698
OptimaFit Gold 600	20507VA1220001	1.024	1.000	1.003	1.233	1.000	1.267
OptimaFit Gold 1400	20507VA1220013	0.987	1.000	1.006	1.233	1.000	1.224
OptimaFit Gold 1400 Select	20507VA1220023	0.988	0.950	1.003	1.233	1.000	1.161
OptimaFit Gold 2350 HSA	20507VA1220044	0.945	1.000	1.003	1.233	1.000	1.170
OptimaFit Silver 4000 20% Select	20507VA1220031	0.775	0.950	1.004	1.234	1.000	0.912
OptimaFit Silver 3000 25	20507VA1220042	0.716	1.000	1.004	1.234	1.000	0.887
OptimaFit Silver 2000 HSA	20507VA1220045	0.772	1.000	1.003	1.233	1.000	0.955
OptimaFit Bronze 7150	20507VA1220017	0.599	1.000	1.007	1.234	1.000	0.744
OptimaFit Bronze 6000 HSA Select	20507VA1220038	0.637	0.950	1.004	1.234	1.000	0.749
OptimaFit Bronze 5000 HSA	20507VA1220046	0.636	1.000	1.004	1.234	1.000	0.787
OptimaFit Bronze 6000 HSA	20507VA1220048	0.635	1.000	1.004	1.234	1.000	0.787
OptimaFit Bronze 30%	20507VA1220049	0.687	1.000	1.003	1.234	1.000	0.851

* Values do not include the Exchange fee.

Attachment D
Optima Health Plan
Individual Medical Business
Summary of Terminated Plans

Plan Name	HIOS ID	Metal	Exchange	Year		2016 Mapping	2017 Mapping
				Available	Terminated		
OptimaFit Silver 3500 25 15	20507VA1170005	Silver	Yes	2015	2016	Discontinued	Discontinued
OptimaFit Bronze 3750 30% HSA	20507VA1180007	Bronze	Yes	2015	2016	Discontinued	Discontinued
OptimaFit 6600 50	20507VA1220011	Catastrophic	No	2015	2016	Discontinued	Discontinued
OptimaFit 6600	20507VA1190002	Catastrophic	Yes	2015	2016	20507VA1170019	Discontinued
OptimaFit Bronze 6500 25	20507VA1190001	Bronze	Yes	2015	2016	20507VA1170021	20507VA1170021
OptimaFit Silver 2000 25	20507VA1200003	Silver	No	2015	2016	20507VA1200004	20507VA1220042
OptimaFit Silver 1500 HSA	20507VA1210002	Silver	No	2015	2016	20507VA1210003	20507VA1220045
OptimaFit Gold 600	20507VA1200001	Gold	No	2015	2016	20507VA1220001	20507VA1220001
OptimaFit Silver 3500 25	20507VA1200005	Silver	No	2015	2016	20507VA1220004	20507VA1170002
OptimaFit Silver 3500	20507VA1220003	Silver	No	2015	2016	20507VA1220004	20507VA1170002
OptimaFit Silver 4000	20507VA1220005	Silver	No	2015	2016	20507VA1220004	20507VA1170002
OptimaFit Bronze 4500 HSA	20507VA1180001	Bronze	Yes	2015	2017	20507VA1180001	Discontinued
OptimaFit Bronze 5000 HSA	20507VA1180002	Bronze	Yes	2015	2017	20507VA1180002	Discontinued
OptimaFit Bronze 5500 HSA	20507VA1180003	Bronze	Yes	2015	2017	20507VA1180003	Discontinued
OptimaFit Gold 1000 25	20507VA1200002	Gold	No	2015	2017	20507VA1200002	Discontinued
OptimaFit Bronze 5000 HSA	20507VA1210005	Bronze	No	2015	2017	20507VA1210005	Discontinued
OptimaFit Silver 3000 25	20507VA1200004	Silver	No	2015	2017	20507VA1200004	20507VA1220042
OptimaFit Bronze 6500 25	20507VA1200006	Bronze	No	2015	2017	20507VA1200006	20507VA1170021
OptimaFit Gold 1950 HSA	20507VA1210001	Gold	No	2015	2017	20507VA1210001	20507VA1220044
OptimaFit Silver 2000 HSA	20507VA1210003	Silver	No	2015	2017	20507VA1210003	20507VA1220045
OptimaFit Bronze 4500 HSA	20507VA1210004	Bronze	No	2015	2017	20507VA1210004	20507VA1220046
OptimaFit Bronze 5500 HSA	20507VA1210006	Bronze	No	2015	2017	20507VA1210006	20507VA1220048
OptimaFit Gold 1000	20507VA1220002	Gold	No	2015	2017	20507VA1220002	20507VA1170001
OptimaFit Silver 3500 20%	20507VA1220004	Silver	No	2015	2017	20507VA1220004	20507VA1170002
OptimaFit Gold 1200 Direct	20507VA1170007	Gold	Yes	2016	2017	20507VA1170007	Discontinued
OptimaFit Silver 2600 25 20% Direct	20507VA1170008	Silver	Yes	2016	2017	20507VA1170008	Discontinued
OptimaFit Bronze 4500 HSA Direct	20507VA1170009	Bronze	Yes	2016	2017	20507VA1170009	Discontinued
OptimaFit Bronze 5500 HSA Select	20507VA1170017	Bronze	Yes	2016	2017	20507VA1170017	Discontinued
OptimaFit Bronze 6850	20507VA1170019	Bronze	Yes	2016	2017	20507VA1170019	Discontinued
OptimaFit Gold 1200 Direct	20507VA1220014	Gold	No	2016	2017	20507VA1220014	Discontinued
OptimaFit Silver 2600 25 20%Direct	20507VA1220019	Silver	No	2016	2017	20507VA1220019	Discontinued
OptimaFit Bronze 4500 HSA Direct	20507VA1220020	Bronze	No	2016	2017	20507VA1220020	Discontinued
OptimaFit Silver 2600 25 20%	20507VA1220016	Silver	No	2016	2017	20507VA1220016	20507VA1170006