



Part III Actuarial Memorandum

**CareSource West Virginia Co.
Individual Rate Filing
Effective January 1, 2020**

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SECTION 1. GENERAL INFORMATION

DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for CareSource West Virginia Co.'s (CWV) 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 CWV and is intended for use by the West Virginia Offices of the Insurance Commissioner (OIC), the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of CWV'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 West Virginia 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 West Virginia statutes and regulations, and court decisions not changing, which include, but are 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, CWV 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 West Virginia statutes and regulations, and court decisions.

As prescribed by the West Virginia OIC, 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 West Virginia OIC prescribes the impact of CSR subsidy non-payment should be spread across all 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.

COMPANY IDENTIFYING INFORMATION

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HIOS Issuer ID: 50328
Market: Individual
Effective Date: January 1, 2020

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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 50328WV001 and 50328WV002 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 50328WV001 offers no additional EHBs. Product 50328WV002 also includes additional non-EHB coverage for adult eyewear, adult routine eye examinations, and adult dental services. No EHB substitutions were made.

SECTION 2. PROPOSED RATE CHANGES

This filing is a requested rate change filing for eleven of CWV's individual Affordable Care Act (ACA) compliant non-group plan rates originally filed for effective dates January 1, 2019, through December 31, 2019. There are no new plans offered. The experience basis, benefit plans, rating factors, and other projection assumptions are updated for this filing.

CWV'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 CWV'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
- Anticipated risk adjustment payments (receipts)

This memorandum addresses the rate increase requested for CWV's individual HMO product, which impacts [REDACTED] members as of March 2019. The rate change being requested weighted by current enrollment for CWV's products is an aggregate [REDACTED]. The requested rate change varies by plan and area within the individual HMO products with a [REDACTED]. These plans 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

- Base Experience – CWV's 2017 and 2018 individual ACA experience are the bases for CWV's 2019 and 2020 premium rates, respectively. CWV's 2018 experience period allowed claims per member per month (PMPM) adjusted for changes in experience member characteristics results in a [REDACTED] in CWV premium rates.
- Trend – We price CWV's 2020 premiums using a [REDACTED] annual trend. This results in a [REDACTED] in premium rates; [REDACTED] annual trend to project from 2019 to 2020, and a [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).
- Morbidity – We estimate a [REDACTED] 2018 to 2020 statewide morbidity [REDACTED] due to the removal of the individual mandate in the 2019 marketplace. [REDACTED]
- Risk Adjustment – CWV estimates it will [REDACTED] per member per month (PMPM). CWV's 2019 risk adjustment transfer payment estimate was a [REDACTED]. This change in risk adjustment as a percent of premium [REDACTED].
- 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.
- CSR Subsidy Shortfall Adjustment – Based on guidance from the West Virginia OIC, this filing assumes CSR subsidies will continue to not be funded in 2020, and CWV 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, based on guidance from the West Virginia

OIC. Due to CWV anticipating a comparable percentage of enrollment in CSR plans in 2020 as experience in 2018, the CSR shortfall adjustment results in a [REDACTED] to premium rates.

- 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), CWV's plans are somewhat richer than 2019 levels resulting in a [REDACTED] in premium rates.
- Other Factors – Other Factors include changes in plan mix and provider reimbursement, and pharmacy contracting changes resulting in an [REDACTED] in premium rates.

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

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

CWV is a managed care organization, contracting with provider networks to provide medical and pharmacy care to its members. CWV contracts with carriers on a fee-for-service basis. CWV'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 April 1, 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. CWV's 2018 individual loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included. CWV'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

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

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

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

CWV 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 CWV'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).

Table 2, as well as Worksheet 1 Section 1 in the URRT display a breakdown of the individual allowed claims, incurred benefits, and earned premium for CWV's 2018 West Virginia experience.

Table 2 CareSource West Virginia Co. West Virginia Individual ACA Plans 2018 Experience		
	Allowed	Paid
Claims Paid through March 2019	██████████	██████████
Incurred But Not Reported (IBNR)	██████████	██████████
Total	██████████	██████████

Note: Values are rounded

SECTION 4. BENEFIT CATEGORIES

EXPERIENCE

The experience period claim information by benefit category represents CWV's ACA-compliant individual medical plans in West Virginia in 2018.

We categorize utilization and cost information by benefit using CWV's 2020 projected West Virginia claims distribution by major service category. CWV'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.

CWV'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.

SECTION 5. PROJECTION FACTORS

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

TREND FACTORS (COST / UTILIZATION)

We trend CWV's 2018 West Virginia experience forward to 2020 using an aggregate annual ██████ trend (annual utilization and charge trends of approximately ██████, respectively), as shown in Table 3. We develop the trend assumptions with input from CWV and general industry reports regarding recent trends in medical inflation.

Table 3 CareSource West Virginia Co. West Virginia Individual ACA Plans 2018 to 2020 Annual Trend			
Service Category	Utilization		
	Trend	Cost Trend	Total Trend
Inpatient Hospital	██████	██████	██████
Outpatient Hospital	██████	██████	██████
Professional	██████	██████	██████
Other Medical	██████	██████	██████
Capitation	██████	██████	██████
Prescription Drug	██████	██████	██████
Total	██████	██████	██████

Note: Factors are rounded.

MORBIDITY ADJUSTMENT

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

DEMOGRAPHIC SHIFT

We assume CWV's 2020 individual enrollment will have the product type and metal level, as provided by CWV and shown in Table 8 in Section 15 Membership Projections. Within each product and metal, we assume CWV's 2020 individual enrollment distribution by age, gender, and tobacco status will mirror the demographics underlying CWV'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 CWV'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 *Health Cost Guidelines (HCGs)*, in conjunction with the historical experience of CWV's Individual market block of business, in order to estimate the benefit changes for each of the items listed above.

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

OTHER ADJUSTMENTS

CWV has negotiated 2020 West Virginia provider discount levels (primarily as a discount off billed charges) that are different than the reimbursement levels underlying the 2018 experience. We adjust CWV's 2020 Index Rate for the difference between the 2018 and 2020 provider reimbursement levels, changes to capitation agreements, changes in county level enrollment mix, and for expansion into new counties.

ADJUSTMENTS TO TRENDED EHB ALLOWED CLAIMS PMPM

No additional adjustments were applied to CWV's experience.

SECTION 6. MANUAL RATE ADJUSTMENTS

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

SECTION 7. CREDIBILITY OF EXPERIENCE

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

SECTION 8. ESTABLISHING THE INDEX RATE

The Experience Index Rate represents the estimated total combined allowed EHB claims PMPM of CWV's non-grandfathered individual West Virginia 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 CWV 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 CWV covers non-EHBs on the 50328WV002 product in the experience period.

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 morbidity risk that CWV 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 4 below, as well as Worksheet 1, Section II of the URRT. Amounts shown in Table 4 may not match the URRT exactly due to URRT rounding conventions.

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

SECTION 9. DEVELOPMENT OF THE MARKET-WIDE 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 5 below. Amounts shown in Table 5 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 5.

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

RISK ADJUSTMENT PAYMENT / CHARGE

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM

CWV estimates it will ██████████ for West Virginia 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 CWV's expected differences from the state average. The composite risk adjustment transfer payments are allocated proportionally to all plans based on plan premiums. CWV estimates it will ██████████. We estimate the 2020 risk adjustment as CWV'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.

The risk adjustment ██████████ when including the ██████████ PMPM risk adjustment administrative fee.

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

CWV 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.

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
- 2) Plan provider network, delivery system characteristics, and utilization management practices factor
- 3) Benefits provided by the plan that are in addition to EHB
- 4) Distribution and administrative costs, excluding user exchange fees
- 5) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans

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

ACTUARIAL VALUE 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 spread evenly across all plans.

PROVIDER NETWORK, DELIVERY SYSTEM CHARACTERISTICS AND UTILIZATION MANAGEMENT PRACTICES

CWV 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 50328WV001 does not offer any non-EHB benefits. Product 50328WV002 includes non-EHB benefits of adult dental, eyewear, and routine eye examinations so an adjustment is made within this product.

ADMINISTRATIVE COSTS (EXCLUDING EXCHANGE USER FEES AND REINSURANCE FEES)

We estimate CWV's administrative expenses to be ██████████, as shown in Table 6. 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.

Table 6 CareSource West Virginia Co. West Virginia Individual ACA Plans Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin	██████	██████
Quality Improvement / Health IT	██████	██████
Commercial Reinsurance Recoveries	██████	██████
Commercial Reinsurance Premiums	██████	██████
Subtotal: Administrative Expense Load	██████	██████

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 3 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 7 provides a breakdown of projected taxes and fees.

Table 7 CareSource West Virginia Co. West Virginia Individual ACA Plans Summary of Taxes and Fees		
Description	Taxes and Fees	
	PMPM	% of Premium
Risk Adjustment Admin Fee	██████	██████
Health Insurer Fee	██████	██████
Total	██████	██████

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

CWV applies geographic rating area factors to its plans as shown in Worksheet 3 of the URRT. The geographic rating factors were developed based on a combination of risk-adjusted experience (credibility-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. Morbidity is not included in rating area factor development, since risk-adjusted loss ratios form the experience basis, and risk adjustment removes the impact of morbidity.

TOBACCO USE RATING FACTOR CALIBRATION

CWV 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 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.

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.

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. Section 13 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.

SECTION 14. AV METAL VALUES

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

SECTION 15. MEMBERSHIP PROJECTIONS

CareSource projected membership (as displayed in Worksheet 2, Section IV of the URRT) is detailed in Table 8 below. We base CWV's projected 2020 enrollment off 2019 open enrollment exchange data and CWV marketing projections.

Table 8 CareSource West Virginia Co. West Virginia Individual ACA Plans Projected 2020 Member Months				
Product Type	WV001	WV002	Total	% Distribution
Gold				
Silver				
Bronze				
Total				

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 9 shows the projected distribution across the Silver level plans.

Table 9 CareSource West Virginia Co. West Virginia Individual ACA Plans Assumed Member Distribution Across Silver Metal Tier	
Silver Plan	Assumed Member Distribution
Silver 94%	
Silver 87%	
Silver 73%	
Silver 70%	

SECTION 16. PLAN TYPE

CWV'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.

SECTION 17. TERMINATED PLANS AND PRODUCTS

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

SECTION 18. EFFECTIVE RATE REVIEW INFORMATION

Information is available upon request.

SECTION 19. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided to us by the CWV 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 performed a limited review of the data used directly in the analysis for reasonableness and consistency, and did not find 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.

SECTION 20. ACTUARIAL CERTIFICATION

I, Barbara R. Collier, 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 West Virginia 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 West Virginia 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, CWV 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 West Virginia 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.

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/mb

Attachments

RELIANCE LETTER



June 10, 2019

Ms. Barbara Collier, FSA, MAAA
Consulting Actuary
Milliman, Inc.
15800 Bluemound Road, Suite 100
Brookfield, WI 53005-6069

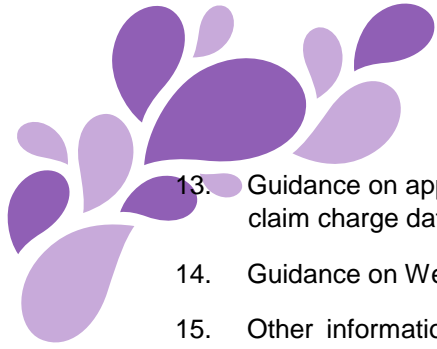
Re: CareSource West Virginia, Inc.'s 2020 Individual Pricing

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. 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, including support from detailed claim charge data in West Virginia,
14. Guidance on West Virginia cost sharing restrictions for members with chronic pain,
15. Other information provided by CareSource in various meetings, phone calls, emails, and other correspondence,
16. Assurance that CareSource has completed the plan benefit template and has found no meaningful discrepancies in Actuarial Value calculations.
17. CareSource's estimated values for a morbidity increase due to the removal of the individual mandate.

06/10/2019

Date

A handwritten signature in black ink that reads "Scott W. Brockman". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Signature