

**Part III Actuarial Memorandum**

**Avera Health Plans, Inc.  
Individual Rate Filing  
Effective January 1, 2017**

**Avera Health Plans, Inc.**

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## EXHIBIT 1. GENERAL INFORMATION

### DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for Avera Health Plans, Inc. (AHP)'s individual block of business, effective January 1, 2017. 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 State of South Dakota Division of Insurance, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of AHP's individual rate filing. However, we recognize that this certification may become a public document.

### COMPANY IDENTIFYING INFORMATION

Company Legal Name: Avera Health Plans, Inc.  
State: The State of South Dakota has regulatory authority over these policies.  
HIOS Issuer ID: 60536  
Market: Individual  
Effective Date: January 1, 2017

### COMPANY CONTACT INFORMATION

## EXHIBIT 2. PROPOSED RATE INCREASE(S)

### RATE INCREASES BY PLAN

[REDACTED] Appendix A [redacted] summarizes proposed rate increases by plan effective January 1, 2017.

[REDACTED]

The composite rate increase shown in Appendix A [redacted] differs from the average rate increase shown in URRT Worksheet 2 Section because [REDACTED]

[REDACTED]

Rate increases vary by plan due to a change in benefit relativities which is due to changes in member cost sharing for each plan. [REDACTED]

### REASON FOR RATE INCREASES

A rate change was needed to account for medical trend as well as revisions to the following pricing assumptions:

- Underlying experience base,
- Federal reinsurance,
- Federal risk adjustment,
- Provider reimbursement,
- Area factors,
- Demographic and geographic projections,
- Administrative expenses, taxes, and fees,
- Actuarial value and plan design behavior change for each plan, and
- Projected distribution of members by plan.

### EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows AHP's earned premium and incurred and paid claims for the period of 1/1/2015 through 12/31/2015, with claims paid through 2/29/2016.

#### Premiums (net of MLR Rebate) in Experience Period

The earned premium reported in Worksheet 1 of the URRT reflects the sum of non-grandfathered individual member level premium for the experience period (calendar year 2015) including expected risk adjustment transfers. AHP's 2015 individual loss ratio exceeded the MLR requirement and, therefore, an adjustment for MLR rebates was not included.

#### Method for Determining Allowed Claims

The following table summarizes the allowed claims, incurred claims, and earned premium as listed in Worksheet 1, Section I of the Part I URRT.

<b>Table 3.1</b>			
<b>Avera Health Plans, Inc.</b>			
<b>Experience Allowed Claims and Premium</b>			
	<b>Allowed Claims</b>	<b>Incurred Claims</b>	<b>Earned Premium</b>
Paid	\$84,614,337	\$61,570,942	\$46,408,585
Incurred but not Paid	\$3,235,742	\$2,592,350	N/A
<b>Total Incurred (URRT Worksheet 1)</b>	<b>\$87,850,079</b>	<b>\$64,163,292</b>	<b>\$46,408,585</b>

Incurred claims are net of cost sharing reduction (CSR) subsidy prepayments. Allowed claims are determined by combining the paid claims with the member cost sharing. AHP processes all medical claims internally. Pharmacy claims (approximately [REDACTED] of claims) are processed by a separate external vendor. Earned premium shown in URRT Worksheet 1 is net of federal risk adjustment transfers.

We add an estimate of incurred but not paid (IBNP) claims to the processed amount to arrive at a final estimate of total claims. [REDACTED]

[REDACTED] Consideration is given for liabilities calculated using a claim cost or loss ratio method for recent incurral months prior to the valuation date that have less data available (e.g., 1 - 3 months). We use the same IBNP as a percentage of claims for allowed and incurred claims. No estimate of incurred but not reported claims was added to the prescription drug claims.

## **EXHIBIT 4. BENEFIT CATEGORIES**

We assigned the experience and manual 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 service using a detailed claims mapping algorithm summarized as follows:

### **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.

### **CAPITATION**

Not applicable.

### **PRESCRIPTION DRUG**

Includes drugs dispensed by a pharmacy.

## EXHIBIT 5. PROJECTION FACTORS

This section includes an explanation of the projection factors illustrated in URRT Worksheet 1, and supporting information related to the development of those factors.

### CHANGES IN THE MORBIDITY OF THE POPULATION INSURED

The factor illustrated for this column in URRT Worksheet 1 Section II is [REDACTED], which is a rounded product of two factors:

- **Change in Market Morbidity:** [REDACTED]
- **Transitional Experience Removal:** We assume transitional members will be allowed to stay on their current plans until the end of calendar year 2017. Therefore, we use only AHP's ACA-compliant experience in developing premium rates. Since transitional non-grandfathered members' experience is included in URRT Worksheet 1 Section II, we remove that experience from our projection. [REDACTED].

### CHANGES IN BENEFITS

There are no changes to covered benefits for this product. [REDACTED]

[REDACTED] This factor is part of the "Util" projection factors illustrated in URRT Worksheet 1, Section II.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### CHANGES IN DEMOGRAPHICS

The distribution of members by age and gender in the projection period (calendar year 2017) is assumed to be the same as the distribution of members by age and gender in February 2016 for this product. We use a demographic projection factor of [REDACTED] for the effect of demographic changes on allowed costs. [REDACTED]

██████████ This change is part of the “Other” projection factors illustrated in URRT Worksheet 1, Section II.

We also apply an adjustment to reflect the changing mix of member distribution by rating region. We assume the distribution of members by rating region in the projection period (calendar year 2017) will be the same as the distribution in February 2016 for this product. We use a geographic projection factor of ██████████ to represent the anticipated effect on allowed costs due to geographic distribution changes from the experience period to the projection period. This factor is developed using membership data for this product and allowed cost data by region provided by AHP. This change is part of the “Other” projection factors illustrated in URRT Worksheet 1, Section II.

**OTHER ADJUSTMENTS**

The Other column of Worksheet 1, Section II contains an adjustment to account for provider reimbursement changes in addition those described above. We use a factor of ██████████ for the impact of provider reimbursement changes on costs in the projection period.

Table 5.1 summarizes the “Other” projection factors illustrated in URRT Worksheet 1.

Table 5.1 Avera Health Plans, Inc. Illustration of Other Projection Factors				
Category	Demographics	Geography	Provider Reimbursement	Totals
Inpatient	██████████	██████████	██████████	██████████
Outpatient	██████████	██████████	██████████	██████████
Professional	██████████	██████████	██████████	██████████
Other	██████████	██████████	██████████	██████████
Capitation	██████████	██████████	██████████	██████████
Drug	██████████	██████████	██████████	██████████

Note: factors are rounded

**TREND FACTORS (COST / UTILIZATION)**

This development of the 2017 rates reflects an annual trend rate of ██████████ which was determined using regional and national data and actuarial judgment.

██████████ Annualized unit cost trend is illustrated in URRT Worksheet 1 Section II in the “Cost” column of projection factors. Annualized utilization trend is illustrated in URRT Worksheet 1 Section II in the “Util” column of projection factors.

The “Util” column of URRT Worksheet 1 Section II also contains an adjustment for changes to subsidized cost sharing. AHP provided data for the distribution of members on plans with federally subsidized cost sharing in the experience period for this product, as well as the distribution of members on such plans in this product as of February 2016. We use the February 2016 membership data and actuarial judgment to project membership in 2017. Using the membership change combined with the induced utilization factors from HHS’s Risk Adjustment formula, we estimate the impact of subsidized cost sharing on utilization, relative to the experience period. The annualized factor to represent this change is ██████████

The derivation of the utilization factors illustrated in URRT Worksheet 1, Section II is shown in Table 5.2:

**Table 5.2**  
**Avera Health Plans, Inc.**  
**Illustration of Util Projection Factors**

<b>Category</b>	<b>Utilization Trend</b>	<b>Subsidized Cost Sharing</b>	<b>Plan Design Behavior Changes</b>	<b>Totals</b>
Inpatient	█	█	█	█
Outpatient	█	█	█	█
Professional	█	█	█	█
Other	█	█	█	█
Capitation	█	█	█	█
Drug	█	█	█	█

*Note: factors are rounded*

## **EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT**

Not applicable. AHP's experience in the base period is fully credible.

## EXHIBIT 7. CREDIBILITY OF EXPERIENCE

As indicated in URRT Worksheet 1, Section II, we have assigned 100% credibility to AHP's non-grandfathered experience in calendar year 2015. AHP's experience consists of over [REDACTED] member-months, and we consider this to be fully credible.

## EXHIBIT 8. PAID TO ALLOWED RATIO

The following table provides support for the average paid to allowed ratio by plan metal level.

<b>Table 8.1</b> <b>Avera Health Plans, Inc.</b> <b>Average Paid to Allowed Factor Support</b>				
<b>Metal Level</b>	<b>Member Months</b>	<b>Paid Claims PMPM</b>	<b>Allowed Claims PMPM</b>	<b>Paid-to-Allowed Ratio</b>
Gold				
Silver				
Bronze				
Catastrophic				
<b>Total</b>				

The projected paid and allowed claims reflect the member month weighted average by metal level from Worksheet 2, Section IV of the URRT. The total paid-to-allowed ratio is consistent with Worksheet 1, Section III of the URRT. PMPMs may not be consistent with PMPMs shown in URRT Worksheet 1, Section III due to rounding.

## EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

### EXPERIENCE PERIOD RISK ADJUSTMENTS PMPM

[REDACTED]

### PROJECTED RISK ADJUSTMENTS PMPM

We project risk adjustment transfers based on [REDACTED]

[REDACTED] We summarize inputs to the Federal risk adjustment transfer payment formula in Table 9.1.

Table 9.1 Avera Health Plans, Inc. South Dakota Individual Support for Projected Risk Adjustment							
	Average PMPM Premium	PLRS	IDF	GCF	AV	ARF	Rateable Factors*
Individual Market - AHP	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Individual Market - State	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

\*Product of IDF, GCF, AV, and ARF

[REDACTED] We assume AHP [REDACTED] the risk adjustment program for the individual market in 2017 for this premium rate development.

The anticipated risk transfer payments, net of risk adjustment fees assumed to be \$0.13 for CY 2017, are applied to the Index Rate as a market level adjustment. The overall impact of projected net risk adjustment transfers is a premium decrease, as demonstrated in Exhibit 14.

### EXPERIENCE PERIOD ACA REINSURANCE RECOVERIES NET OF REINSURANCE PREMIUM

[REDACTED]

### PROJECTED ACA REINSURANCE RECOVERIES NET OF REINSURANCE PREMIUM

The federal transitional reinsurance program is a temporary program that ends in 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**

Non-benefit expenses and the profit and risk load are applied uniformly to all plans as a single percent of premium.

### **ADMINISTRATIVE EXPENSE LOAD**

Administrative expenses were provided by AHP and are summarized in Table 10.1 below. The values entered in Worksheet 1, Section III of the URRT illustrate this in total and as a percent of premium. PMPMs within Table 10.1 may not tie to PMPMs within URRT Worksheet 1, Section III due to rounding within URRT Worksheet 1, Section III.

### **PROFIT AND RISK LOAD**

The profit and risk load is shown in Table 10.1 below. The profit and risk load was determined as an aggregate value for the single-risk pool based on AHP's goals for 2017. The profit and risk load is illustrated in URRT Worksheet 1, Section III. PMPMs within Table 10.1 may not tie to PMPMs within URRT Worksheet 1, Section III due to rounding within URRT Worksheet 1, Section III.

### **TAXES AND FEES**

Table 10.1 displays the projected taxes and fees that may be subtracted from premiums when calculating AHP's loss ratio for MLR purposes, in addition to the risk adjustment user fee which is not included in this section per HHS's instructions. The total value is displayed in Worksheet 1, Section III of the URRT. PMPMs within Table 10.1 may not tie to PMPMs within URRT Worksheet 1, Section III due to rounding within URRT Worksheet 1, Section III.

Risk adjustment user fees are not included in this Exhibit, consistent with HHS's instructions.

Marketplace user fees are based on [REDACTED]. Marketplace user fees are applied to the Market Adjusted Index Rate as shown in Exhibit 14.

The following table summarizes retention components included in rate development.

<b>Table 10.1</b> <b>Avera Health Plans, Inc.</b> <b>Illustration of Retention Expenses by URRT, Worksheet 1 Category</b>		
<b>Retention Description</b>	<b>PMPM</b>	<b>% Premium</b>
<u>Administrative Expense Load</u>		
[REDACTED]	[REDACTED]	[REDACTED]
Subtotal: Administrative Expense Load	[REDACTED]	[REDACTED]
<u>Profit and Risk Load</u>		
Target Post-Tax Profit	[REDACTED]	[REDACTED]
Subtotal: Profit and Risk Load	[REDACTED]	[REDACTED]
<u>Taxes and Fees</u>		
Premium Tax	[REDACTED]	[REDACTED]
Comparative Effectiveness Research Fee	[REDACTED]	[REDACTED]
Exchange Fee	[REDACTED]	[REDACTED]
Federal Income Tax	[REDACTED]	[REDACTED]
Subtotal: Taxes and Fees Load	[REDACTED]	[REDACTED]
<b>Total Retention</b>	[REDACTED]	[REDACTED]

*Note: values are rounded*

## EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio is 92.2%. This loss ratio is calculated consistently with the MLR methodology, according to the National Association of Insurance Commissioners, as prescribed by 45 CFR 158.221. The following table demonstrates AHP's premium development and MLR calculation using rounded values.

The following table summarizes the calculation for the projected federal medical loss ratio.

<b>Table 11.1 Avera Health Plans, Inc. Projected Federal Medical Loss Ratio</b>	
	Individual 2017
Member Months	██████████
<b>MLR Numerator Calculations</b>	
Paid Claims PMPM	██████████
Claim-Related Retention (QI/Health IT) PMPM	██████████
Prior Rebate	██████████
Change in Reserve	██████████
Risk Adjustment Paid (Received) PMPM	██████████
Transitional Reinsurance Recoveries (Received) PMPM	██████████
Risk Corridors Paid (Received)	██████████
<b>MLR Numerator</b>	██████████
<b>MLR Denominator Calculations</b>	
Premium PMPM	██████████
Premium-Related Retention (Taxes & Fees) PMPM	██████████
<b>MLR Denominator</b>	██████████
<b>Medical Loss Ratio</b>	██████████

No additional state-specific projected loss ratio demonstration is required in the State of South Dakota.

## **EXHIBIT 12. SINGLE RISK POOL**

AHP's rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d), and reflect all covered lives for every non-grandfathered product / plan combination in the State of South Dakota individual health insurance market.

Note that the Single Risk Pool includes transitional products / plans for purposes of the base rate experience; however, the experience for these policies has only been used in the projection to the extent that AHP anticipates the members in those policies will be enrolled in their fully ACA-compliant plans during the projection period.

## **EXHIBIT 13. INDEX RATE**

The index rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period index rate reflects the actual mixture of smoker / non-smoker population, area factors, catastrophic / non-catastrophic enrollment, and the actual mixture of risk morbidity that AHP received in the Single Risk Pool during the experience period. There were no additional benefits offered beyond the EHB benefits. The experience Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs or for Marketplace user fees.

The experience period Index Rate is equal to the experience period total allowed claims PMPM, since there are no benefits that were offered beyond the EHB benefits.

The index rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected index rate reflects the projected CY 2017 mixture of smoker / non-smoker population, area factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that AHP expects to receive in the Single Risk Pool. Note that there are no additional benefits offered beyond the EHB benefits. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment program or for Marketplace user fees.

The projected Index Rate is equal to the projected total allowed claims PMPM, since there are no benefits offered beyond the EHB benefits.

**EXHIBIT 14. MARKET ADJUSTED INDEX RATES**

The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate.

<b>Table 14.1 Avera Health Plans, Inc. Market Adjusted Index Rate Development</b>		
		<b><u>Annotation</u></b>
2017 Index Rate PMPM	██████	(1)
<b>Market Adjustments (paid basis)</b>		
Net Risk Adjustment	██████	(2)
Net Federal Transitional Reinsurance	██████	(3)
Marketplace User Fees	██████	(4)
Paid-to-Allowed Ratio	██████	(5)
<b>Market Adjustments (allowed basis)</b>		
Net Risk Adjustment	██████	(6) = (2) / (5)
Net Federal Transitional Reinsurance	██████	(7) = (3) / (5)
Marketplace User Fees	██████	(8) = (4) / (5)
<b>Market Adjusted Index Rate PMPM</b>	██████	<b>(9) = (1) + (6) + (7) + (8)</b>

*\*Note: numbers are rounded*

The Market Adjusted Index Rate is not calibrated. This means the rate reflects the average demographic characteristics of the single risk pool.

Each of the above modifiers were developed as follows:

- Net Risk Adjustment

This factor includes the impact of the estimated risk adjustment transfer payment as addressed in Exhibit 9 plus the Risk Adjustment User Fee of \$0.13.

- Net Transitional Reinsurance

This factor is \$0, since the Transitional Reinsurance program has ended for 2017.

- Marketplace User Fee adjustment

The Marketplace User Fee adjustment was determined as the average of no fee and the Marketplace user fee, weighted using the expected distribution of issuer enrollment sold through versus outside the Marketplace.

## EXHIBIT 15. PLAN ADJUSTED INDEX RATES

The Market Adjusted Index Rate is adjusted to compute the Plan Adjusted Index Rates using the following allowable adjustments:

- Actuarial value and cost sharing adjustment (AVCS)
  - This factor consists of the product of the Actuarial Value and the Plan Design Behavior Change (PDBC) factors. [REDACTED]
  - Per HHS’s instructions, the Actuarial Value and Cost Sharing Adjustment includes an adjustment for non-tobacco user status. This is the “Tobacco Adjustment” in Table 15.1. The adjustment is based on the expected percentage of tobacco users and AHP’s tobacco surcharge of [REDACTED]
- Provider network, delivery system and utilization management adjustment  
[REDACTED]
- Adjustment for benefits in addition to the EHBs
  - No benefits beyond the EHBs will be offered.
- Adjustment for distribution and administrative costs
  - This adjustment is developed to indicate the impact of non-benefit expenses. This adjustment does not differ by plan, since non-benefit expenses are applied evenly to all plans as a single percent of premium.
- Impact of specific eligibility categories for the catastrophic plan
  - This adjustment was developed to illustrate the impact of the restricted age requirements in the Catastrophic risk pool, and the effect of tobacco loads applied to the expected catastrophic population.

The following table demonstrates the Plan Adjusted Index Rate development for each plan in the projection period.

**Table 15.1**  
**Avera Health Plans, Inc.**  
**Projection Period Plan Adjusted Index Rate Development**

HIOS ID	Market Adjusted Index Rate	AV & Cost Sharing			Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Mktplace User Fee	Cat. Eligibility	Plan Adjusted Index Rate
		AV	Tobacco Adj.	PDBC					
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████
██████████	██████	██	██	██	██	██	██	██	██████

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and, therefore, are not calibrated.

**EXPERIENCE PERIOD PLAN ADJUSTED INDEX RATES**

The experience period plan-adjusted index rates shown in URRT Worksheet 2, Section III are the Plan Adjusted Index Rates filed in the experience period, consistent with HHS’s instructions. Experience period plan-adjusted index rates for terminated plans are shown as zero, consistent with HHS’s instructions.

## EXHIBIT 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Exhibit 15 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

### AGE CURVE CALIBRATION

The approximate weighted average age, rounded to a whole number, for the single risk pool is [REDACTED].

In order to determine the calibration factor for age, the projected distribution of members by age was determined. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor. Prior to applying the allowed rating factors for age, geography, and tobacco, the plan adjusted index rates need to be divided by the age curve calibration factor.

The age curve calibration factor reflects the fact that [REDACTED] % of children – who would otherwise be rated at 0.635 per the federal age curve for individuals – will be beyond the 3rd or greater child in a family and will thus be statutorily rated at 0.000. This logic is consistent with the Exposure Draft of the Academy's practice note entitled "Actuarial Practices Relating to Preparing, Reviewing, and Commenting on Rate Filings Prepared in Accordance with the Affordable Care Act for 2015 and Beyond" ([http://actuary.org/files/RRPN\\_exposure\\_draft\\_092614.pdf](http://actuary.org/files/RRPN_exposure_draft_092614.pdf)). No additional revenue is being collected from children in excess of the three dependent child limit, and the calibration factor only reflects the statutory age factors that apply to projected membership.

Additional information regarding the age curve can be found on Exhibit 17.

### GEOGRAPHIC FACTOR CALIBRATION

In order to determine the calibration factor for geography, the projected distribution of members by area was determined. The weighted average of the area factors was then determined using this distribution. The area factors are determined based on AHP's expectations for provider reimbursement in 2017. The area factors used are reflective of differences in delivery costs (including unit cost and provider practice pattern differences) only, and do not reflect any difference in population morbidity. Prior to applying the allowed rating factors for age, geography, and tobacco, the plan adjusted index rates need to be divided by the geographic calibration factor.

Additional information regarding the area rating factors can be found on Exhibit 17.

The following tables demonstrate the calibration performed for each plan.

<b>Table 16.1</b> <b>Avera Health Plans, Inc.</b> <b>Calibrated Plan Adjusted Index Rate Development</b>					
HIOS ID	Plan Adjusted Index Rate	Age Calibration Factor	Geographic Calibration Factor	Total Calibration Factor	Calibrated Plan Adjusted Index Rate
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████
██████████	██████	████	████	████	██████

**EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT**

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual or family 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 geographic rating factor, the age rating factor, and the tobacco status rating factor. All rating factors are described and shown below.

AHP's CY 2017 age and tobacco rating factors are shown below. The age rating factors used by AHP are identical to those prescribed by CMS. Industry research regarding tobacco use and differences in health costs for smokers by age was used as the basis of our adjustment factors.

<b>Age Band</b>	<b>Age Rating Factor</b>	<b>Tobacco Factor</b>	<b>Age Band</b>	<b>Age Rating Factor</b>	<b>Tobacco Factor</b>
0-17	0.635	■	41	1.302	■
18	0.635	■	42	1.325	■
19	0.635	■	43	1.357	■
20	0.635	■	44	1.397	■
21	1.000	■	45	1.444	■
22	1.000	■	46	1.500	■
23	1.000	■	47	1.563	■
24	1.000	■	48	1.635	■
25	1.004	■	49	1.706	■
26	1.024	■	50	1.786	■
27	1.048	■	51	1.865	■
28	1.087	■	52	1.952	■
29	1.119	■	53	2.040	■
30	1.135	■	54	2.135	■
31	1.159	■	55	2.230	■
32	1.183	■	56	2.333	■
33	1.198	■	57	2.437	■
34	1.214	■	58	2.548	■
35	1.222	■	59	2.603	■
36	1.230	■	60	2.714	■
37	1.238	■	61	2.810	■
38	1.246	■	62	2.873	■
39	1.262	■	63	2.952	■
40	1.278	■	64+	3.000	■

AHP's CY 2017 geographic rating factors are shown below.

Table 17.2 Avera Health Plans, Inc. Geographic Rating Factors	
Region	Area Rating Factor
Rating Area 1	████
Rating Area 2	████
Rating Area 3	████
Rating Area 4	████

The premium for family coverage is determined by summing the consumer adjusted premium rates for each individual family member, provided, at most, three child dependents under age 21 are taken into account.

The following table demonstrates the premium rate development for the Consumer Adjusted Premium Rate beginning with the Calibrated Plan Adjusted Index Rate and applying the appropriate age, area, and tobacco factors.

Table 17.3 Avera Health Plans, Inc. Sample Consumer Adjusted Premium Rate Development	
HIOS ID: ██████████	
Calibrated Plan Adjusted Index Rate	████████
Age: 30	████
Area: 2	████
Tobacco Status: Non-Tobacco User	████
Consumer Adjusted Premium Rate	████████

*Note: factors are rounded*

## EXHIBIT 18. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. Table 18.1 below summarizes these values for each product. [REDACTED]

Table 18.1 Avera Health Plans, Inc. Actuarial Values		
HIOS ID	Actuarial Value	Source
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator
[REDACTED]	[REDACTED]	Federal AV Calculator





## EXHIBIT 21. TERMINATED PLANS AND PRODUCTS

The following plans sold in 2015 were terminated effective December 31, 2015:

<b>Table 21.1</b> <b>Avera Health Plans, Inc.</b> <b>Plans Terminated December 31, 2015</b>			
<b>Product Name</b>	<b>Plan Name</b>	<b>2015 HIOS ID</b>	<b>2016 Mapped HIOS ID</b>
Avera MyPlan	Avera MyPlan \$250 / 10% Coinsurance	60536SD0020017	60536SD0020006
Avera MyPlan	Avera 2000	60536SD0020019	60536SD0020021
Avera MyPlan	Avera MyPlan Preferred \$2,800	60536SD0020020	60536SD0020009

The following plans sold in 2016 will be terminated effective December 31, 2016:

<b>Table 21.2</b> <b>Avera Health Plans, Inc.</b> <b>Plans Terminating December 31, 2016</b>			
<b>Product Name</b>	<b>Plan Name</b>	<b>2016 HIOS ID</b>	<b>2017 Mapped HIOS ID</b>
Avera MyPlan	[REDACTED]	[REDACTED]	[REDACTED]
Avera MyPlan	[REDACTED]	[REDACTED]	[REDACTED]
Avera MyPlan	[REDACTED]	[REDACTED]	[REDACTED]

## **EXHIBIT 22. PLAN TYPE**

There are no differences between the plans of AHP and the plan type selected in the drop-down box in Worksheet 2, Section I of the URRT.

## **EXHIBIT 23. WARNING ALERTS**

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

## **EXHIBIT 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)**

Not applicable.

## EXHIBIT 25. RELIANCE

In performing this analysis, I relied on data and other information provided by AHP. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis 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.





## Actuarial Memorandum

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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.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.