

Part III Actuarial Memorandum

Individual Rate Filing

Purpose and Scope

This filing includes UCare Minnesota's 2022 proposed rates. The proposed rates are effective January 1, 2022 through December 31, 2022 for all plans included with this filing.

The purpose of this rate filing is to document rate development, to demonstrate compliance with state and federal statutes and regulations, and to show that the anticipated loss ratio meets the requirements of MN Statute 62A.021. This filing may not be appropriate for other purposes and is not intended to be used for other purposes.

The actuarial memorandum and certification support are submitted in conjunction with the Unified Rate Review Template (URRT). Actuarial methods, considerations and analyses conform to the appropriate Actuarial Standards of Practice. The assumptions documented below reflect UCare's expectation of future contingent events and the projected results are reasonable and achievable. Actual experience will differ.

General Information

Company Identifying Information

- Company Legal Name: UCare Minnesota
- State: MN
- Issuer HIOS ID: 85736
- Effective Date: 1/1/2022
- Market: Individual

Company Contact Information

- Primary Contact Name: David Sexton
- Primary Contact Telephone Number: (612) 294-3204
- Primary Contact Email Address: dsexton@ucare.org

Proposed Rate Changes

The table below displays the proposed rate changes for 2022 when compared to the 2021 filed rates. The weighted average rate change (based on March, 2021 enrollment) is +11.18%, ranging from -7.62% to +13.73%. For existing members, these numbers do not reflect the rating effect associated with aging an additional year. Premium changes will also vary at the geographic level.

Table 1: Age 40, Non-Tobacco Premium Rates			
Plan ID	Average 2021 Premium	Average 2022 Premium	Percent Change
85736MN0230001	\$195.90	\$180.97	-7.6%
85736MN0230002	\$268.05	\$304.28	13.5%
85736MN0230003	\$317.90	\$352.00	10.7%
85736MN0230004	\$394.69	\$429.64	8.9%
85736MN0230005	\$236.49	\$264.34	11.8%
85736MN0230006	\$280.48	\$305.80	9.0%
85736MN0230007	\$254.35	\$289.28	13.7%
85736MN0230008	\$301.76	\$331.17	9.7%
85736MN0230009	\$224.41	\$251.31	12.0%
85736MN0230010	\$266.23	\$287.70	8.1%
85736MN0230011	\$348.22	\$373.25	7.2%
85736MN0230012	NA	\$157.22	NA

Primary drivers behind the rate change:

- Minnesota Premium Security Plan – reduced expected reinsurance receivable.
- Medical trend – changes in expected utilization and cost of services (including provider contract terms).
- Risk adjustment – changes in UCare’s expected population relative to the market, as well as changes to the statewide average premium are expected to result in a larger payable.
- Demographic shifts – changes in expected age and geographic mix.
- Population morbidity – the prevalence of underlying health conditions is expected to decrease.
- Benefits – changes were needed to keep pace with expected changes to the AV Calculator.
- Administrative expenses

Worksheet 1, Section I: Experience Period Data

The COVID-19 pandemic greatly influenced provider and consumer behavior in 2020. Since this market disruption is not representative of future expectations, UCare decided to rely on calendar year 2019 base experience as the best source for developing 2022 premiums. However, to best meet URRT reporting requirements, the base experience reported on Worksheet 1 comes from calendar year 2020 with paid dates through April 30, 2021. The base data is pulled from UCare’s own claims system, while pharmacy, dental, and chiropractic claims are migrated to UCare’s claims system from other vendors.

The allowed claims experience includes estimates for IBNR, using the claims lag development method, consistent with our internal restated financial reporting.

The -\$9,305,697.34 in risk adjustment stated in Section I consists of -\$9,210,662.18 in risk payable and -\$95,035.17 in federal high risk pool net reinsurance payable.

The \$189,482,725.68 in experience period premium stated in Section 1 reflects a one-time 25% premium reduction for the months of July and August to better support members during the COVID-19 pandemic. The premium reported does not include amounts related to MLR rebates.

Worksheet 1, Section II: Projections

UCare stratifies claims experience into categories that are consistent with the 2022 URRT instructions. The capitation benefit category is used for chiropractic services.

Since calendar year 2019 base experience served as the starting point for developing 2022 premiums, interpolation techniques are used to arrive at the appropriate 2022 projections when relying on 2020 experience as the starting point, as shown in the URRT. The table below demonstrates how EHB allowed claims were trended from the experience period to the projection period. The projected EHB allowed \$545.64 PMPM differs from the \$545.62 PMPM reported in the URRT due to rounding differences.

	a	b	C	$d=a*(b*c)^3$
	2019 Allowed	Util	Cost	2022 Allowed
Inpatient Hospital	\$102.09	1.019	1.036	\$119.88
Outpatient Hospital	\$87.77	1.022	1.042	\$106.03
Professional	\$105.31	1.016	1.031	\$121.01
Other Medical	\$41.57	1.018	1.027	\$47.57
Capitation	\$1.21	1.000	1.000	\$1.21
Prescription Drug	\$129.79	1.018	1.030	\$149.96
	\$467.74			\$545.64

Credibility of Experience

UCare assumes experience is fully credible at approximately 26,000 member months. This is based on applied classical credibility theory (i.e. with 95% probability, the sum of individual allowed claims cost random variables will be within 10% of the allowed claims experience). UCare's base experience is deemed fully credible based on UCare's full credibility threshold and follows the guidance set forth in the Actuarial Standard of Practice #25: Credibility Procedures.

Prescription Drug Rebates

UCare recovered \$7 million, or \$13.92 per member per month (PMPM), in prescription drug rebates in 2020. This amount is grossed up by UCare's paid-to-allowed factor when reporting allowed claims in the experience period so that rebates net to the appropriate rebate projection in 2022. This amount is trended to 2022 consistent with the projection factors shown on worksheet 1 of the URRT.

Cost/Utilization Factors

UCare's commercial experience was reviewed, but it was deemed an unreliable source for trend projections due to the sizable enrollment growth recently experienced, as well as the significant utilization disruptions that have resulted from the COVID-19 pandemic. Instead, claims PMPM trends were developed based on industry survey data and prior year UCare and competitor rate filings. UCare applied an average annual allowed PMPM trend of 5.2%.

Morbidity Adjustment

UCare applied a morbidity factor of 0.98446.

Morbidity is calculated holding network, age, area, and product mix constant. No explicit adjustments were made to account for Short-Term Limited Duration Plans, Association Health Plans, or for the Individual Mandate no longer being enforced.

Demographic Shift

UCare applied a demographic adjustment factor of 1.02954 to reflect expected changes in age and geographic mix between UCare's base period population and projected population. This calculation is made using the same data as that underlying the morbidity adjustment, but is determined prior to calculating the morbidity adjustment to avoid double-counting.

Plan Design Changes

UCare did not apply a plan design factor adjustment. While UCare's benefit designs changed between 2019 and 2022, the actuarial value did not change significantly. As such, UCare does not expect the marginal aggregate benefit changes to have a material effect on the Index Rate.

Table 2: Benefit Design Changes		
Plan ID	Plan Name	2021-2022 benefit changes
85736MN0230001	UCare Core	Deductible/MOOP increase from \$8,550 to \$8,700.
85736MN0230002	UCare Bronze	MOOP increase from \$8,550 to \$8,700.
85736MN0230003	UCare Silver	MOOP increase from \$7,900 to \$8,000. \$30 combined office visit copays to \$40 unlimited Primary Care copays, \$70 unlimited Specialist copays. ER copay replaced by ded/coins.

85736MN0230003-04	UCare Silver 73% CSR	Deductible decrease from \$2,400 to \$2,300. MOOP increase from \$6,500 to \$6,700. \$30 combined office visit copays to \$30 unlimited Primary Care copays, \$60 unlimited Specialist copays.
85736MN0230004	UCare Gold	MOOP increase from \$7,300 to \$7,400.
85736MN0230005	UCare M Health Fairview Bronze	MOOP increase from \$8,550 to \$8,700.
85736MN0230006	UCare M Health Fairview Silver	MOOP increase from \$7,900 to \$8,000. \$30 combined office visit copays to \$40 unlimited Primary Care copays, \$70 unlimited Specialist copays. ER copay replaced by ded/coins.
85736MN0230006-04	UCare M Health Fairview Silver 73% CSR	Deductible decrease from \$2,400 to \$2,300. MOOP increase from \$6,500 to \$6,700. \$30 combined office visit copays to \$30 unlimited Primary Care copays, \$60 unlimited Specialist copays.
85736MN0230007	UCare Bronze HSA	Deductible/MOOP increase from \$6,800 to \$6,950.
85736MN0230008	UCare Silver HSA	No changes.
85736MN0230008-04	UCare Silver HSA 73% CSR	MOOP increase from \$5,800 to \$6,200.
85736MN0230009	UCare M Health Fairview Bronze HSA	Deductible/MOOP increase from \$6,800 to \$6,950.
85736MN0230010	UCare M Health Fairview Silver HSA	No changes.
85736MN0230010-04	UCare M Health Fairview Silver HSA 73% CSR	MOOP increase from \$5,800 to \$6,200.
85736MN0230011	UCare M Health Fairview Gold	MOOP increase from \$7,300 to \$7,400.
85736MN0230012	UCare M Health Fairview Core	New plan.

Other

UCare applied an adjustment factor of 0.99420. This factor is calculated after controlling for the morbidity and demographic factors described above. This factor represents the following:

- Child factor
 - A child adjustment factor of 1.00199 is applied within the index rate calculation for the non-billable premium due to contracts with four or more dependents under age 21. This adjustment factor is calculated as the ratio of the weighted average age factor for all members and the weighted average age factor when 0 is assigned for all non-billable members.

- Other
 - The remainder of this adjustment reflects changes in product mix and provider networks.

Projected Index Rate

The projected index rate represents the estimated total combined allowed claims experience PMPM in the single risk pool and was derived by dividing the total combined Essential Health Benefits (EHB) projected allowed claims for the single risk pool by anticipated covered lives in the single risk pool. The projected index rate reflects the anticipated claim level for each plan calculated by the weighted average total combined EHB allowed claims expenses. UCare's index rate, effective January 1, 2022 is \$549.80. The URRT reports this amount as \$549.68 in Worksheet 1 due to rating factors being rounded, whereas UCare's actual projection factors are unrounded.

Reinsurance

The projected 2022 UCare reinsurance recovery is estimated to be \$69.14 PMPM or \$47.4 million. This amount on an allowed basis is \$93.67 PMPM or \$64.3 million. This is calculated based on 2019 plan experience projected to 2022 consistent with URRT projection factors, applying 60% coinsurance to projected claims costs between \$50,000 and \$250,000. Projected reinsurance recoverables for the HSA plans (newly introduced in 2020) are calculated by taking the PMPM reinsurance recoverable of each plan's respective copay counterpart (e.g. UCare M Health Fairview Bronze HSA is based on UCare M Health Fairview Bronze's recoverable) and applying an adjustment to reflect the projected age and geographic mix differences. The reinsurance modeling recognizes that there are duplicative payment streams for certain high-cost conditions between the federal risk adjustment program and the Minnesota Reinsurance program.

Risk Adjustment

UCare's projected risk transfer for 2022 is estimated at \$35.53 PMPM payable. This amount does not include the risk adjustment user fee since this is considered a tax and thus is included as an administrative expense. UCare assumes federal High Cost Risk Pool recoveries less related charges will balance out to \$0 PMPM. The risk adjustment transfer becomes \$48.14 PMPM when grossed up to an allowed amount.

Exchange User Fees

The 2022 MNsure user fee is expected to be 3.50% of on-exchange premium. UCare applied the 3.50% adjustment to average projected premiums. Since off-exchange enrollment is expected to be immaterial for the 2022 plan year, the 3.50% user fee will apply to all projected enrollment, which ensures that the fee will be spread evenly across the portfolio. Since several portions of the premium calculation are missing from worksheet 1¹, UCare reported an exchange user fee of 4.04% such that worksheet 1 appropriately reflects UCare's market adjusted index rate. See Appendix A for PMPM exchange user fees.

¹ Non-EHBs and admin costs are excluded from Worksheet 1. Additionally, Worksheet 1 requires that projection factors are rounded to three decimals. UCare's actual rating factors do not round to three decimals. Rounding differences are also incorporated into the exchange user fee line.

Market Adjusted Index Rate

The market adjusted index rate is calculated as the index rate adjusted for federal risk adjustment, any expected state-based reinsurance payments, and the exchange user fee. UCare's market adjusted index rate is \$525.35. The amount reported on worksheet 1 is \$525.38 due to rounding differences.

American Rescue Plan Act (ARPA)

The following outlines assumptions affected by ARPA:

- Enrollment
 - The enrollment analysis performed for the Minnesota Council of Health Plans by Oliver Wyman entitled 'Minnesota Microsimulation Model Results' projects significant on-exchange enrollment growth 2021-22 due to the expanded premium subsidies and COBRA subsidies. UCare is currently projecting that MNsure enrollment will grow by approximately 10,500 enrollees 2021-22, with UCare expecting to pick up 40% or approximately 4,200 of those enrollees based on the expectation that its premium position remains strong.
- Risk adjustment and morbidity adjustment
- Administrative expenses
 - Enrollment growth will spread fixed costs across more members, resulting in reduced administrative expenses PMPM.

Worksheet 2, Section I: General Product and Plan Information

Terminated Plans

There are no terminated products for 2022.

AV Metal Development

The AV metal values are based on output from the AV calculator and on adjustments to the AV calculator to quantify the impact of plan design features not specifically modeled within the AV calculator. The special design features are outlined in the Unique Plan Design Justification document. The AV metal values are as follows:

Table 3: Metal AVs		
Plan ID	Metal	Metal AV
85736MN0230001	Catastrophic	57.05%
85736MN0230002	Bronze	64.99%
85736MN0230003	Silver	70.94%
85736MN0230004	Gold	81.73%
85736MN0230005	Bronze	64.99%
85736MN0230006	Silver	70.94%
85736MN0230007	Bronze	64.66%
85736MN0230008	Silver	69.41%
85736MN0230009	Bronze	64.66%
85736MN0230010	Silver	69.41%
85736MN0230011	Gold	81.73%
85736MN0230012	Catastrophic	57.05%

Worksheet 2, Section II: Experience Period and Current Plan Level Information

The following tables summarize UCare's average rate changes, historical member months, and loss ratios. It should be noted that incurred claims include the risk adjustment transfer.

Table 4: Historical Average Premium Change	
Contract Year	Rate Change %
2017	66.4%
2018	-13.3%
2019	-10.0%
2020	0.2%
2021	1.6%

Table 5: Historical Loss Ratios					
Contract Year	Member Months	Revenue	Incurred Claims	MN Loss Ratio	Fed Loss Ratio
2016	190,587	\$35,548,197	\$36,161,576	101.7%	115.2%
2017	280,941	\$159,013,570	\$104,965,067	66.0%	74.7%
2018	361,889	\$145,360,909	\$99,661,552	68.6%	71.9%
2019	386,358	\$151,770,561	\$114,573,583	75.5%	80.6%
2020	505,768	\$189,482,726	\$146,583,973	77.4%	82.5%

Worksheet 2, Section III: Plan Adjustment Factors

The following shows how the plan adjusted index rates are derived from the market adjusted index rate. The plan adjusted index rates shown in Table 7 are different from those shown on Worksheet 2 due to rounding errors.

Table 6: Pricing AV Development				
Plan ID	Paid to Allowed	Induced Utilization	Network Factor	Pricing AV
85736MN0230001	0.6604	0.7978	1.0383	0.5470
85736MN0230002	0.7054	0.9705	1.0383	0.7109
85736MN0230003	0.7628	1.0471	1.0383	0.8293
85736MN0230004	0.8393	1.1868	1.0383	1.0343
85736MN0230005	0.7054	0.9705	0.9402	0.6437
85736MN0230006	0.7628	1.0471	0.9402	0.7509
85736MN0230007	0.6848	0.9505	1.0383	0.6759
85736MN0230008	0.7284	1.0317	1.0383	0.7803
85736MN0230009	0.6848	0.9505	0.9402	0.6120
85736MN0230010	0.7284	1.0317	0.9402	0.7065
85736MN0230011	0.8393	1.1868	0.9402	0.9365
85736MN0230012	0.6604	0.7978	0.9402	0.4953

Table 7: Plan Adjusted Index Rate Development						
Plan ID	Mkt Adj Index Rate	Non-claim Costs (excl MNsure fee)	Pricing AV	Catastrophic Adjustment	CSR Loading	Plan Adj Index Rate
85736MN0230001	\$525.35	1.15734	0.54704	0.77183	1.00000	\$256.71
85736MN0230002	\$525.35	1.15734	0.71090	1.00000	1.00000	\$432.23
85736MN0230003	\$525.35	1.13477	0.82934	1.00000	1.01135	\$500.02
85736MN0230004	\$525.35	1.12324	1.03429	1.00000	1.00000	\$610.33
85736MN0230005	\$525.35	1.15734	0.64370	1.00000	1.00000	\$391.37
85736MN0230006	\$525.35	1.13477	0.75094	1.00000	1.01135	\$452.75
85736MN0230007	\$525.35	1.15734	0.67585	1.00000	1.00000	\$410.92
85736MN0230008	\$525.35	1.13477	0.78027	1.00000	1.01135	\$470.44
85736MN0230009	\$525.35	1.15734	0.61196	1.00000	1.00000	\$372.08
85736MN0230010	\$525.35	1.13477	0.70651	1.00000	1.01135	\$425.97
85736MN0230011	\$525.35	1.12324	0.93652	1.00000	1.00000	\$552.63
85736MN0230012	\$525.35	1.15734	0.49533	0.77183	1.00000	\$232.45

Non-Claim Costs

Table 8: Non-Claim Allowed Costs

Plan ID	UCare Premium Margin	MN HMO Surcharge	MN Premium Tax	UCare Admin	Broker Comm	Private Reins	PCORI Fee	Non-Claim Costs	Non-Claim Costs Factor
85736MN0230001	\$17.62	\$3.65	\$6.08	\$47.20	\$4.93	\$2.87	\$0.30	\$82.66	1.1573
85736MN0230002	\$17.62	\$3.65	\$6.08	\$47.20	\$4.93	\$2.87	\$0.30	\$82.66	1.1573
85736MN0230003	\$5.96	\$3.58	\$5.96	\$47.20	\$4.93	\$2.87	\$0.30	\$70.80	1.1348
85736MN0230004	\$0.00	\$3.54	\$5.90	\$47.20	\$4.93	\$2.87	\$0.30	\$64.74	1.1232
85736MN0230005	\$17.62	\$3.65	\$6.08	\$47.20	\$4.93	\$2.87	\$0.30	\$82.66	1.1573
85736MN0230006	\$5.96	\$3.58	\$5.96	\$47.20	\$4.93	\$2.87	\$0.30	\$70.80	1.1348
85736MN0230007	\$17.62	\$3.65	\$6.08	\$47.20	\$4.93	\$2.87	\$0.30	\$82.66	1.1573
85736MN0230008	\$5.96	\$3.58	\$5.96	\$47.20	\$4.93	\$2.87	\$0.30	\$70.80	1.1348
85736MN0230009	\$17.62	\$3.65	\$6.08	\$47.20	\$4.93	\$2.87	\$0.30	\$82.66	1.1573
85736MN0230010	\$5.96	\$3.58	\$5.96	\$47.20	\$4.93	\$2.87	\$0.30	\$70.80	1.1348
85736MN0230011	\$0.00	\$3.54	\$5.90	\$47.20	\$4.93	\$2.87	\$0.30	\$64.74	1.1232
85736MN0230012	\$17.62	\$3.65	\$6.08	\$47.20	\$4.93	\$2.87	\$0.30	\$82.66	1.1573

The Non-Claim cost factor is calculated as (Market Index + Allowed Non-EHBs + Allowed Non-Claim Costs PMPM)/((Market Index + Allowed Non-EHBs)

Example: Plan ID 85736MN0230002

Non-Claim Cost Factor = $(\$525.35 + \$0.00 + 82.66)/(\$525.35 + \$0.00) = 1.15734$.

UCare Premium Margin - The target aggregate gain/loss margin is 2% and varies at the plan level as shown below.

Table 9: Premium Margin	
Plan ID	Margin
85736MN0230001	2.90%
85736MN0230002	2.90%
85736MN0230003	1.00%
85736MN0230004	0.00%
85736MN0230005	2.90%
85736MN0230006	1.00%
85736MN0230007	2.90%
85736MN0230008	1.00%
85736MN0230009	2.90%
85736MN0230010	1.00%
85736MN0230011	0.00%
85736MN0230012	2.90%

MN HMO Surcharge – The 0.60% premium surcharge assessment for HMO carriers equates to \$1.8 million or \$2.67 PMPM.

MN Premium Tax – The 1.00% premium tax equates to \$3 million or \$4.45 PMPM.

UCare Admin Fee - The administrative cost projections for 2022 Individual business are based on enrollment forecasts, known costs to operate the product for 2022, and other projected expenses. There are also specific costs that will be incurred in 2022 based on enrollment projections and assumptions relating to billing, claim processing, and broker fees. The projected administrative expenses for 2022 include estimated projected administration for delegated services related to pharmacy, mental health, and dental. Projected administrative expenses include allocations of indirect administrative costs per UCare's administrative allocation methodology that is consistent with the allocation for other UCare lines of business.

Total projected 2022 administrative expenses are \$27.9 million (\$38.48 PMPM) and includes \$2.5 million (\$3.64 PMPM) for broker commissions and \$170,000 (\$0.25 PMPM) for the risk adjustment user fee. Product specific administrative costs include personnel costs, purchased services including consulting fees and other services, general administrative expenses including materials printing and enrollment related fees, and other direct expenses including vendor fees and broker fees.

Private Reinsurance – The net cost of private reinsurance is estimated to be approximately \$1.4 million or \$2.12 PMPM.

PCORI Fee – The PCORI Fee is expected to be \$2.66 per member per year (PMPY) or \$0.22 PMPM, which amounts to approximately \$150,000.

Health Insurer Fee - UCare is exempt from the health insurer fee.

Paid to Allowed Ratio

Plan specific paid to allowed factors are calculated based on UCare 2019 aggregate individual experience projected to 2022, which includes adjustments for induced utilization and benefit design differences for each specific plan. Included within these paid to allowed ratios is an estimated effect of charging members no more than UCare's expected cost at point of sale. Assumed rate impacts are provided in Appendix B.

UCare is not rating based on health status, because each plan is projected from the aggregate plan experience. UCare's average projected paid to allowed ratio for plans offered effective 1/1/2022 is 73.81%.

Induced Utilization Factors

UCare is maintaining the same induced utilization factor curve as applied to its 2021 rates; this curve was developed using UCare's 2017 induced utilization study², UCare's prior year induced utilization factors and a market review of competitor induced utilization. To generate induced utilization factors applied within UCare's 2022 rates, two adjustments are made: 1) the 2020 induced utilization curve is extrapolated to reflect 2022 AV differentials and 2) induced utilization factors are normalized to 1.0 across UCare's projected 2022 enrollment.

This induced utilization methodology controls for differences in utilization due to differing health status of people with different cost-sharing designs.

Network Factors

UCare calculated network factors based on how well costs were managed within UCare's two provider networks (using the induced utilization study described above) as well as known and expected provider contract changes from 2019-2022.

Additional analysis was performed to determine whether adjustments were needed to reflect provider systems newly added for the 2021 plan year. However, the impact of these additions is already being captured through the rating area factors. As such, no additional adjustments were made.

The resulting network factors – after normalizing for projected 2022 enrollment – are 1.02033 and 0.92388 for UCare Individual and Family Plans and UCare M Health Fairview, respectively.

CSR Loading

UCare assumes Cost Sharing Reduction (CSR) federal funds will not be paid in 2022 and the actuarially-justified shortfall has been reflected in UCare's silver premiums. To avoid introducing health status into the CSR payment calculation, projected paid claims were calculated for CSR members using the entire 2019 UCare population and projecting the claims to 2022, consistent with URRT projection factors, with the CSR plan design. Then the difference is taken between these projected paid claims and what those paid claims would have been assuming a standard silver design. Projected CSR enrollment is based on UCare's 03/2021 enrollment mix. The total value of the projected CSR payments is about \$891,000 or \$4.78 PMPM spread across on-exchange silver plans. The CSR loading is calculated as follows: $(\text{average silver on-exchange premium} + \text{CSR loading}) / (\text{average silver premium})$ or $(\$420.73 + \$4.78) / (\$420.73) = 1.01135$.

PANDAS/PANS

Minnesota Statutes, Chapter 62A.3097 states that all health plans must provide coverage for Pediatric Autoimmune Neuropsychiatric Disorders Associated with Streptococcal Infections (PANDAS) and Pediatric

² UCare's induced utilization study was a case-control study which analyzed UCare's 2017 individual ACA risk-adjusted claims experience on a PMPM basis and performed bootstrapping to derive induced utilization adjustment factors across metal levels.

Acute-Onset Neuropsychiatric Syndrome (PANS). Many of the services needed to treat these conditions are already included in the EHB benefit set, like behavioral health treatment. Additional analysis was needed to determine the rating impact of non-EHB services like plasma exchange and immunoglobulin (IVIG). Per UCare's clinical staff, plasma exchange and IVIG utilization review was restricted to children between ages 3 and 14, inclusive. Experience was reviewed for plan years 2018-2020, but no members received these services within the 3-14 age band. Subsequently, UCare identified *potential* members in the age range 3-14 who met two or more of the following diagnosis categories:

F41.0-F41.9 Anxiety Disorders

F42.8-F42.9 Obsessive-Compulsive Disorder

F40.1-F40.11 Social Phobia

F33.2-F33.3 Major Depressive Disorder, Recurrent Severe w/o Psych

F95.1-F95.9 Tic Disorders

D80.0-D80.3 Nonfamilial Hypogammaglobulinemia

D80.6-D80.9 Antibody Deficiency with Near-Normal Immunoglobulins or with Hyperimmunoglobulinemia

D89.8, D89.89 Disorder involving the immune mechanism, unspecified

Given such low prevalence rates within UCare's population and a small probability of using the new non-EHB services conditioning on likely PANS/PANDAS cases, UCare believes these costs to be immaterial. As such, no changes were made to account for non-EHB services like plasma exchange and IVIG.

Age Curve Calibration

Using the Minnesota standard age curve, UCare is projecting its weighted average age factor to be 1.83092 and its weighted average actuarial age to be approximately 51.

Tobacco Factor Calibration

UCare applied a 0.99792 tobacco calibration adjustment factor so the consumer adjusted premium rate is set to reflect a non-tobacco rating factor of 1.0.

Geographic Factor Calibration

UCare applied a 1.02675 geographic calibration adjustment factor so the consumer adjusted premium rate is set to reflect a rating factor of 1.0.

Catastrophic Adjustment

An adjustment of 0.77177 is applied to the catastrophic plan to reflect its expected plan costs as being lower than non-catastrophic plans due to its unique eligibility requirements and higher cost sharing requirements. This adjustment was calculated by blending UCare's 2019 catastrophic allowed experience with catastrophic experience as reported by competing health plans. The credibility threshold is the same as that used for base period experience. After applying projection factors consistent with worksheet 1, the projected catastrophic index rate is then adjusted for age, geographic mix, and induced utilization so that it can be compared directly to the index rate used for the entire single risk pool. The resulting differential serves as the catastrophic adjustment.

Worksheet 2, Section IV: Projected Plan Level Information

Projected Enrollment

UCare's projected 2022 enrollment is 686,660 member months. No explicit assumptions were made regarding the impact of the individual mandate, Association Health Plans, Short-Term Limited Duration Health Plans, nor Individual Coverage Health Reimbursement Arrangement (HRA) Plans.

Projected Loss Ratios

The projected loss ratios based on the federally prescribed Medical Loss Ratio (MLR) methodology is 91.1% and is higher than the 80% Federal minimum loss ratio.

The statutory minimum loss ratio under the State's prescribed methodology is 72%. Using the prescribed methodology, UCare's projected loss ratio is 90.2%.

It should be noted that the risk adjustment transfer is being reflected in the numerator in each of these calculations.

Worksheet 3: Rating Area Data Collection

Area Factors

After reviewing 2020 experience and emerging 2021 experience for purposes of updating existing rating area factors, it was determined that existing factors are still appropriate for the 2022 plan year. These factors were reweighted for expected 2022 enrollment. For convenience, the development of these factors is outlined below.

To establish factors for UCare's existing service area (rating areas 2, 7, and 8), 2019 allowed claims experience was re-priced at Medicare payment rates and risk adjusted. Experience was then analyzed separately by metal level and age. UCare's analysis focused on bronze and silver experience, while gold and catastrophic experience parsed to the required granularity was unreliable. Several claim outliers required smoothing. The resulting area factors were then blended with previous year area factors to help transition needed rate increases in the northeast region (rating area 2).

To establish factors for UCare's expanded service area (rating areas 1, 3, 4, 5, 6, and 9), several data sources were relied upon, including The Wakely National Risk Adjustment Reporting Project and Minnesota individual and small group market competitor rate filings. Since enrollment distributions differed by data source, the factors from each data source were first normalized to rating area 8 costs. The final factors were derived by blending the various data sources.

Once established, the area factors were normalized to 1.0 across the projected 2022 enrollment. This method is compliant with guidance not to reflect health status differences between rating areas. The area factors correspond to the rating areas defined by the state of Minnesota.

Table 9: Rating Area Factors		
Rating Area	2021 Rating Factor	2022 Rating Factor
1	1.3857	1.3664
2	1.1724	1.1560
3	1.1928	1.1762
4	1.1792	1.1628
5	1.1150	1.0995
6	1.0316	1.0172
7	1.0459	1.0313
8	0.9531	0.9399
9	1.0562	1.0415

Age Factors

UCare uses an age curve that is consistent with the modifications made by the Minnesota Department of Commerce to the factors published in the Federal Register (ranging from 1.0 at age 21 to 3.0 for ages 64 and older). The age factors for the proposed rates are those from the Federal Register for ages 21 to 64+ and 0.890 for ages less than 21.

Tobacco Factor

The tobacco factor development uses the same process as the area factor development. Due to UCare's small tobacco user population, UCare also considered its 2021 tobacco factor and that of its competitors. Based on this information, UCare decided to keep the same tobacco factor of 1.03023.

Reliance

I relied on other UCare staff for information provided to me, including information related to the development of administrative costs, enrollment projections, provider contract changes, margin assumptions, and PANS/PANDAS identification criteria, including clinical/pharmacy case review. I have reviewed this information and believe the assumptions are not unreasonable. I relied on the Wakely Consulting Group for the 2020 Wakely National Risk Adjustment Reporting Project (WNRAR) output as a basis for the 2022 risk score projections. I also relied on Oliver Wyman's Minnesota Microsimulation Model Results analysis to better understand enrollment impacts associated with recent health reform policy changes at the state and federal levels.

Actuarial Certification

I, David Sexton, am a member of the American Academy of Actuaries in good standing, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial certification contained herein.

I certify:

1. The projected index rate is:
 - a) In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
 - b) Developed in compliance with the applicable Actuarial Standards of Practice and the profession's Code of Conduct,
 - c) Computed in accordance with generally accepted actuarial principles and methodology, consistently applied, and fairly stated in accordance with sound actuarial principles,
 - d) Based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the filing was prepared and includes appropriate provision for all actuarial items which ought to be established,
 - e) Reasonable in relation to the benefits provided and the population anticipated to be covered, and
 - f) Neither excessive nor deficient.
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 EHB included in Worksheet 2, Section IV was calculated in accordance with actuarial standards of practice.
4. The AV calculator was used to determine the AV Metal Values shown in Worksheet 2 of the URRT for the plan provisions that fit within the calculator parameters with appropriate adjustments to the AV identified by the calculator for plan design features that deviate substantially from the parameters of the AV calculator. These values were developed in accordance with generally accepted actuarial principles and methodologies and the methodology is described in the unique plan design justification.
5. Geographic rating factors only reflect differences in the costs of delivery and do not include differences for population morbidity by geographic area.

The URRT does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification that the index rate is developed in accordance with Federal regulation and used consistently with only adjustments for allowable modifiers.

Actuarial methods, considerations, and analyses used in forming my determination conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, whose standards form the basis for this statement of opinion.

The impact of unanticipated events subsequent to the date of this opinion is beyond the scope of this opinion. It should be recognized that the future experience of the health plan(s) reviewed in this report may not follow all the assumptions used in the development of the rates and related analyses.

I have reviewed UCare's three-year strategic plan (2020-2022), three-year financial projections (2020-2022), Own Risk and Solvency Assessment report and projected Risk-Based Capital (RBC) levels. I believe UCare's financial position is sound over the three-year time horizon and that UCare will remain solvent under three years of moderately adverse conditions. I did not review or consider projections beyond 2022, because UCare's risk exposure is largely concentrated in short term risks and there are significant short-term market disruptions that may distort the validity of longer-term projection assumptions.

David Sexton, FSA, MAAA

DATE: August 18th, 2021

Appendix A – 2022 Sample Rate Calculations

Plan ID: 85736MN0230002 On-Exchange Silver? : No Age: 40
 Rating Area: Rating Area 8 Tobacco Status: Non-Tobacco User

Market-adjusted index rate		\$525.35
Non-Claim Costs Factor	×	1.15734
Proj Paid to Allowed Factor	×	0.70543
Network Factor	×	1.03835
Induced Utilization Factor	×	0.97055
CSR Adjustment	×	1.00000
Non-EHB Factor	×	1.00000
Age Calibration Factor	×	0.54617
Smoker Calibration Factor	×	0.99792
Geographic Calibration Factor	×	1.02675
Catastrophic Adjustment Factor	×	1.00000
Age Factor	×	1.27800
Rating Area Factor	×	0.93987
Tobacco Factor	×	1.00000
2022 Member Premium	=	\$290.54

Plan ID: 85736MN0230003 On-Exchange Silver? : Yes Age: 60
 Rating Area: Rating Area 7 Tobacco Status: Tobacco User

Market-adjusted index rate		\$525.35
Non-Claim Costs Factor	×	1.13477
Proj Paid to Allowed Factor	×	0.76278
Network Factor	×	1.03835
Induced Utilization Factor	×	1.04710
CSR Adjustment	×	1.01135
Non-EHB Factor	×	1.00000
Age Calibration Factor	×	0.54617
Smoker Calibration Factor	×	0.99792
Geographic Calibration Factor	×	1.02675
Catastrophic Adjustment Factor	×	1.00000
Age Factor	×	2.71400
Rating Area Factor	×	1.03130
Tobacco Factor	×	1.03023
2022 Member Premium	=	\$806.88