GENERAL INFORMATION

Company Identifying Information

Company Legal Name:	QCA Health Plan, Inc.
NAIC Company Code:	95448
SERFF Customer Filing Number:	30387
State:	Arkansas
HIOS ID:	70525
Market:	Individual
Effective Date:	January 1, 2022 to December 31, 2022
Form Numbers:	QUAC-132820293

Company Contact Information

Contact Name:	<REDACTED>
Telephone Number:	<REDACTED>
Email:	<REDACTED>

1. PROPOSED RATE INCREASES

Reasons for Rate Increases

In order to maintain both stability and sustainability, both QCA Heath Plan, Inc. ("QualChoice") and QualChoice Life and Health Insurance Company, Inc. review each line of business' financials to determine what, if any, changes are necessary. To complement the financial review, QualChoice also examines market competitiveness and product position to solidify both long and short-term strategies.

<REDACTED>

MARKET EXPERIENCE

2. EXPERIENCE PERIOD PREMIUM AND CLAIMS

The experience period premium and claims reflect actual base period data of QualChoice members with incurred dates between January 1, 2020 and December 31, 2020, with run-out and incurred but not reported ("IBNR") claim calculations as of <REDACTED>.

Calendar Year 2020 experience for those members who enrolled in a metallic plan is reflected in the Experience section of the Unified Rate Review Template ("URRT"). While emerging experience was reviewed for projection purposes, no 2021 data is shown in the URRT.

Paid Through Date

The experience period paid through date is <REDACTED>.

Premiums in Experience Period

The premiums reflected on Worksheet 1 of the URRT are consistent with the 2020 financials.

Allowed and Incurred Claims Incurred During the Experience Period

The Allowed and Incurred Claims are reconciled against financial information. The data extracts represent claims incurred during 2020 and paid as of <REDACTED>.

<REDACTED>

3. Benefit Categories

The following table outlines the various benefit categories:

Service Category	Description of Service
Inpatient Hospital	Includes, but is not limited to, services for medical, surgical, maternity, skilled nursing, and other services provided in an inpatient facility setting
Outpatient Hospital	Includes, but is not limited to, services for surgery, emergency room, lab, radiology, therapy, observation provided in an outpatient facility setting
Professional	Includes, but is not limited to, primary care, specialist, therapy, and the professional charges associated with laboratory and radiology services
Other Medical	Includes, but is not limited to, home health care, supplies, other services
Capitation	Includes any services under a capitated arrangement
Pharmacy	Includes drugs by a retail or a mail order pharmacy and contractual rebates received from drug manufacturers

4. Projection Factors

As the base period of historical data reflects 2020 experience, projection factors are necessary to properly account for the anticipated risk of the 2022 projection period. Please note that given the regulatory uncertainty of the product, a range of actuarially sound assumptions were developed to better understand the broad spectrum of risk and results.

Changes in Morbidity of the Population Insured

<REDACTED>

Changes in Benefits

There are no material benefit changes.

Changes in Demographics

<REDACTED>

Other Adjustments

<REDACTED>

Trend Factors (Cost/Utilization)

Unit Cost/Utilization Trend Factors

<REDACTED>

5. Credibility Manual Rate Development

The projected experience of Celtic Insurance Company's individual exchange membership in Arkansas was used as the manual for QualChoice's rate development.

Source and Appropriateness of Data Used

<REDACTED>

Adjustments Made to the Data

<REDACTED>

6. Credibility of Experience

<REDACTED>

7. Paid to Allowed Ratio

<REDACTED>

8. Risk Adjustment and Reinsurance

For 2020, the State of Arkansas' single risk pool includes a wide spectrum of populations. The populations included in the single risk pool are:

- ARHOME Program (formerly known as, Private Option)
- State-based Marketplace (i.e., "On Exchange")
- Commercial members in metallic plans outside of the Marketplace (i.e., "Off Exchange")

QualChoice reviewed data provided by Wakely Consulting Company based on data through April 2021, with completion applied, and the interim Risk Adjustment results published by CMS for 2020. Understanding the potential volatility of the 2021 projection, and that the results for 2020 may not reflect the 2022 risk pool appropriately, QualChoice <REDACTED>.

9. Non-Benefit Expenses and Profit & Risk

As part of the general cost of business operations, administrative expenses, taxes, fees, and surplus contribution is a necessary consideration for premium development. The following sections outline key provisions included in the non-benefit load considerations.

Administrative Expense Load

General administrative costs represent the cost of business and the provision of benefits to members.

Common groupings of administrative costs include:

<REDACTED>

Profit (or Contribution to Surplus) & Risk Margin

<REDACTED>

Taxes and Fees

Taxes, licenses and fees are the amounts paid to government entities. Examples of fees include, but are not limited to, premium tax with offsets, real estate taxes, payroll taxes, and other fees imposed by government related to normal business operations.

The assumptions reflected in the 2022 premiums are based on historical levels and the additional taxes related to the ACA.

<REDACTED>

PROJECTED LOSS RATIO

The 2022 loss ratio is projected to be <REDACTED> per the ACA definition.

APPLICATION OF MARKET REFORM RATING RULES

10. Single Risk Pool

The single risk pool for the experience period reflects all covered lives for all individual metallic, and ARHOME policies.

The single risk pool for the projection period reflects all covered lives for all individual, non-grandfathered metallic and ARHOME members. The single risk pool for the projection period excludes grandfathered individual plans, transitional policies, and temporary insurance coverage.

11. INDEX RATE

Please note that the Index Rate reflects no cost sharing and represents the allowable costs associated with provision of the EHBs to members in the single risk pool.

As reflected in Worksheet 1 of the URRT, the Index Rate for the 2022 projection period is <REDACTED>.

MARKET ADJUSTED INDEX RATE

The Market Adjusted Index Rate was derived from the Index Rate with recognition of risk adjustment and the marketplace user fee allocation.

<REDACTED>

PLAN ADJUSTED INDEX RATES

Plan Adjusted Index Rates were derived from the Market Adjusted Index Rate. The average metallic level actuarial value was determined from the assumed projected distribution of members and ultimate pricing of the products.

<REDACTED>

CALIBRATION

Age Curve Calibration

<REDACTED>

The calculation of the average age and age curve calibration is compliant with the rating rules, as defined by 45 CFR §147.102.

Geographic Factor Calibration

<REDACTED>

Tobacco Calibration

<REDACTED>

CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the Plan Adjusted Index Rate calibrated, with all allowable rating factors applied, to the standard federal age curve, the aforementioned geographic factors, and the tobacco factor.

For an illustrative example of a premium calculation for a 21 year old member, please refer to Appendix 1.

12. AV Metal Values

<REDACTED>

13. AV Pricing Values

<REDACTED>

14. Membership Projections

The projected membership for 2022, as reflected in the URRT, is <REDACTED> member months.

15. Terminated Products/Plans

<REDACTED>

16. Plan Type

The plan type options reflected in the URRT adequately represent products in the projection period. Therefore, this is not applicable.

17. Warning Alerts

There are no warnings with respect to the URRT.

MISCELLANEOUS INSTRUCTIONS

18. Reliance

<REDACTED>

19. Actuarial Certification

I, <REDACTED>, am an Associate in the Society of Actuaries and Member of the American Academy of Actuaries in good standing. I meet the qualification standards established by the American Academy of Actuaries and comply with the applicable Actuarial Standards of Practice.

With respect to the projected index rate, I hereby certify the following statements:

- The projected index rate was calculated within compliance of all applicable State Statutes, Federal Statutes, and Regulations 45 CFR 156.80 and 45 CFR 147.102;
- The projected index rate calculations conform to all applicable Actuarial Standards of Practice;
- The projected index rate is reasonable for the projected population and covered benefits;
- The projected index rate is neither excessive nor deficient;
- 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;
- The percent of total premium that represents Essential Health Benefits included on Worksheet 2, Sections III and IV, of the URRT was calculated in accordance of applicable Actuarial Standards of Practice;
- The final 2022 AV Calculator, with appropriate adjustments, was used to calculate the AV Metal Values reflected in Worksheet 2 of the Part 1 URRT for all plans;
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area; and
- The filing was prepared in good faith and based upon all Actuarial Standards of Practice as defined by the Actuarial Standards Board.

The Part I Unified Rate Review Template does not demonstrate the process used 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 state based marketplaces 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 results are actuarial projections. Actual experience is likely to differ from these projections for a number of reasons, including population changes, claims experience, and random deviations from assumptions. It is certain that actual experience will not conform exactly to all of the assumptions underlying the analysis.

The 2022 plan year premium rates in this actuarial memorandum are contingent upon the status of the ACA statutes and regulations including any regulatory guidance, court decisions, or otherwise. Changes have the potential to greatly impact the 2022 plan year premium rates provided in this Actuarial Memorandum and the alignment of these premium rates with incurred costs. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, 1332 waivers bringing reinsurance or other such programs to a state; or a decision by Congress, the Health and Human Services Secretary, or the Centers for Medicare and Medicaid Services director to fund cost-sharing reduction subsidies, alter Advance Premium Tax Credits (APTCs), or further modify the individual mandate requirement and penalty. In the event that a material provision is impacted, a revision to the rates will be needed. In particular, rates were developed assuming steady funding of APTCs and no funding of federal cost-sharing reduction (CSR) subsidy payments for members

enrolling through the exchange and full funding for ARHOME members. The continuity of this funding approach will impact whether rates are sufficient and not excessive.

At a minimum, the following Actuarial Standards of Practice ("ASOPs") are applicable:

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Plan Entities*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property Casualty Coverages*
- ASOP No. 26, *Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*
- ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*
- ASOP No. 56, *Modeling*

<REDACTED>
Actuary
Celtic Insurance Company

<REDACTED>