Part III Actuarial Memorandum

Capital Health Plans
Small Group Rate Filing
Effective January 1, 2025

Prepared for:
Capital Health Plans

Prepared by:
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EXHIBIT 1. GENERAL INFORMATION

Document Overview

This document contains the Part III Actuarial Memorandum for Capital Health Plans's (CHP) small group block of business, effective January 1, 2025. 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 Florida Office of Insurance Regulation, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of CHP's small group rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

Company Identifying Information

Company Legal Name: Capital Health Plans
State: The State of Florida has regulatory authority over these policies.
HIOS Issuer ID: 66966
Market: Small Group
Effective Date: January 1, 2025

Company Contact Information

Primary Contact Name: Adriel W. Cornman, FSA, MAAA
Primary Contact Telephone Number: (850) 523-7481
Primary Contact Email Address: awcornman@chp.org

EXHIBIT 2. PROPOSED RATE CHANGES

Medical and Prescription Drug Inflation & Utilization Trend

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical/prescription drug utilization. Please refer to Table 5.1 for a breakdown of these trend assumptions by major service category as reported on Worksheet 1, Section II of the URRT.

New Taxes, Fees and Administrative Expenses

Changes to the overall premium level are needed because of required changes in federal/state taxes and fees. In addition, there are anticipated changes in the administrative expenses and commission arrangements. The following is a list of any anticipated changes and comments regarding the adjustment:

Table 2.2
Capital Health Plans
Anticipated Non-Benefit Expenses Changes

Item	Prior Year Value	Effective Year Value	Reason for Adjustment
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Prospective Benefit Changes

Effective January 1, 2025 benefits have changed based on state requirements, business decisions and new Actuarial Value Calculator testing. The following are a list of the benefit changes:

[redacted]

Note that the benefit adjustment was calculated on a PMPM basis; therefore, the premium adjustment varies by plan.

EXHIBIT 2. PROPOSED RATE CHANGES

Anticipated Single Risk Pool Morbidity

A morbidity adjustment of [redacted] was applied to account for the expected changes in the average population morbidity between the base and projection period.

Rate Changes by Plan

The following table summarizes proposed rates change(s) by product:

Table 2.3
Capital Health Plans
Summary of Proposed Rate Changes

Plan	2024 Rate	2025 Rate	Rate Change
[redacted]	[redacted]	[redacted]	[redacted]

Rate changes vary by plan due to a combination of factors including shifts in benefit relativities, non-benefit expense allocation, network factors, and induced utilization.

Single Risk Pool

CHP rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the State of Florida small group health insurance market.

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



EXHIBIT 4. BENEFIT CATEGORIES

We used Milliman's Health Cost Guidelines (HCG) Grouper in order to categorize the CHP Small Group historical claims into the benefit categories in Worksheet 1, Section II of the URRT. The HCG Grouper uses a combination of HCPCS Codes, revenue codes, DRGs, specialty codes, diagnosis codes, and other indicators in order to categorize claim-level detail into benefit categories. Milliman updates HCG Grouper code sets and reporting workbooks at least once a year to incorporate new HCPCS, revenue codes, specialty codes, etc., so the classification methodology remains current.

Inpatient Hospital

The inpatient hospital category 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

The outpatient hospital category 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

The professional category 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

The other medical category includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.

Capitation

The capitation category includes all services provided under one or more capitated arrangements.

Prescription Drug

The prescription drug category includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

EXHIBIT 5. PROJECTION FACTORS

[redacted]

[redacted]

Table 5.1
Capital Health Plans
Annual Unit Cost and Utilization Trend Assumptions

Service Type	Year 1			Year 2		
	Inflation	Utilization	Total	Inflation	Utilization	Total
[redacted]						

[redacted]

EXHIBIT 5. PROJECTION FACTORS



EXHIBIT 6. MANUAL RATE ADJUSTMENTS

[redacted]

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

Description of the Credibility Method Used

The CMS guidelines used for Medicare Advantage/Prescription Drug Plans (MA/PD) were used to determine the credibility of the experience. These guidelines specify 24,000 member months as 100% credible for medical and specify the following formula for determination of partial credibility:

(n / 24,000)^(1/2) for medical
(n / 56,000)^(1/2) for prescription drugs

where n = member months in the experience period.

Since prescription drug and medical coverage are both covered, and medical services make up a significantly larger portion of the costs, the above medical formula was used for the determination of partial credibility. The use of the CMS MA/PD credibility is appropriate given that both MA/PD and Commercial cover similar benefit categories.

Resulting Credibility Level Assigned to the Base Period Experience

[redacted]

The following table summarizes the adjusted credibility of the base period experience:

[redacted]

EXHIBIT 8. ESTABLISHING THE INDEX RATE



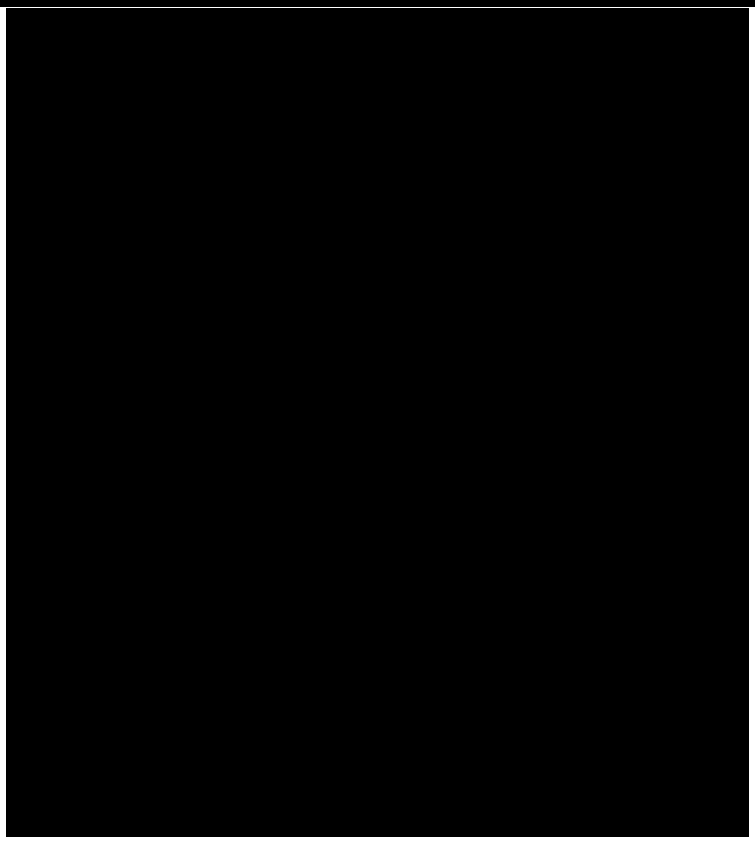


EXHIBIT 8. ESTABLISHING THE INDEX RATE



EXHIBIT 9. DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE



EXHIBIT 9. DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE



[redacted]



[redacted]

EXHIBIT 10. PLAN ADJUSTED INDEX RATE

Non-Benefit Expenses, Profit, and Risk

The following table summarizes retention components included in rate development.

[redacted]

EXHIBIT 11. CALIBRATION

[redacted]

Table 11.2
Capital Health Plans
Development of Age Calibration Factor

[redacted]

Composite Rating Factor:	[redacted]	[redacted]
Age Calibration Factor:		

EXHIBIT 12. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT







EXHIBIT 12. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT





EXHIBIT 13. PROJECTED LOSS RATIO

The projected medical loss ratio (MLR) is [redacted] This loss ratio is calculated based on the MLR methodology as prescribed by 45 CFR 158.

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



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

EXHIBIT 14. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. Table 14.1 below summarizes these values for each product.



EXHIBIT 15. MEMBERSHIP PROJECTIONS





EXHIBIT 16. TERMINATED PRODUCTS

No products will be terminated prior to the effective date.

EXHIBIT 17. PLAN TYPE

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

EXHIBIT 18. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

EXHIBIT 18. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

EXHIBIT 19. RELIANCE

In performing this analysis, I relied on data and other information provided by CHP. 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.

In order to provide the information requested by CHP, we have constructed several projection models. Differences between our 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.

Milliman has developed certain models to estimate the values included in this memorandum. The intent of the models is to develop Small Group ACA Rate projections. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

The models rely on data and information as input to the models. We have relied upon certain data and information provided by CHP for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete. Furthermore, actual results will vary from our projections to the extent that actual experience varies from the assumptions used in our analysis.



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.

EXHIBIT 20. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. Capital Health Plans engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

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 and 147.102)

   • 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 2025 small group market.

2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

3. The geographic rating factors shown in Worksheet 3 of the URRT reflect only differences in the cost of delivery, 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 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 2025 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 2025 plan year premium rates provided in this Actuarial Memorandum. Changes include, but are not limited to, any legislative or regulatory amendments, court decisions, or decisions by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director.

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.

Signed: 

Name: Pedro Alcocer, FSA, MAAA

Title: Principal and Consulting Actuary

Date: June 12, 2024