Milliman

Part III Actuarial Memorandum

Alliant Health Plans
Small Group Rate Filing
Effective January 1, 2022

Prepared for:
Alliant Health Plans

Prepared by:
Milliman, Inc.

Jeremy J. Kush, FSA, CERA, MAAA
Consulting Actuary

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1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Alliant Health Plan's (Alliant's) small group medical block of business, effective January 1, 2022. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT) and Part II Preliminary Justification.

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of the premium rate filing, including support for the values entered in the Part I URRT, (which supports compliance with the market rating rules and reasonableness of applicable rate increases). This memorandum may not be appropriate for other purposes.

The information in this Actuarial Memorandum has been prepared for the use of Alliant. We understand the Actuarial Memorandum will be provided to the State of Georgia Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Alliant's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for Alliant by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

The rates accompanying this Actuarial Memorandum reflect current law and regulations effective at the time of this rate filing submission. Future regulatory changes may affect the extent to which the rates are neither excessive nor deficient.

[redacted]

Company Identifying Information

Company Legal Name:	Alliant Health Plans
State:	Georgia
HIOS Issuer ID:	83761
Market:	Small Group
Effective Date:	January 1, 2022

Company Contact Information

Primary Contact Name:	[redacted]
Primary Contact Telephone Number:	
Primary Contact Email Address:	

2. PROPOSED RATE CHANGES

This submission is for rate revisions to Alliant's existing small group medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for small groups with an effective date or renewal date of January 1, 2022, through December 31, 2022. The average proposed rate change relative to the most recently approved rates effective January 1, 2021 is [redacted] provides a comparison of the revised base rates to the current base rates for a 21-year-old.

[redacted]

[redacted]

The reasons for the rate change are:

[redacted]

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

Alliant's actual claim experience for its 2020 small group ACA business were directly incorporated in the development of the 2022 rates.

Paid Through Date

The claims incurred in the experience reflect payments through March 31, 2021.

Current Date

The reported date for current enrollment and premium in URRT Worksheet 2, Section II is [redacted].

Allowed and Incurred Claims Incurred During the Experience Period

Allowed claims were determined by combining the paid claims with member cost sharing. We add an estimate of incurred but not paid (IBNP) claims to the processed amount to arrive at a final estimate of total claims. The IBNP estimate uses generally accepted actuarial development methods for estimating claim liabilities. We use the same IBNP as a percentage of medical claims for allowed and incurred claims.

Table 1 summarizes the incurred claims underlying the rate projection.

Table 1
Alliant Health Plans
2020 Incurred Claims Summary

Claim Category	2020 Incurred Claims
Inpatient Hospital	[redacted]
Outpatient Hospital	
Professional	
Other Medical	
Capitation	
Prescription Drug Claims	
Total	

4. BENEFIT CATEGORIES

We assigned the experience data utilization and cost information to benefit categories as shown in Worksheet 1, Section II of the URRT based on place and type of service 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

There are no capitated arrangements.

Prescription Drug

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

5. PROJECTION FACTORS

We made the following adjustments to project the experience period index rate to the projection period.

Trend Factors

[redacted]

Morbidity Adjustment

[redacted]

Demographic Shift

[redacted]

Table 2 lists and quantifies the components of the demographic shift projection factor.

Table 2
Alliant Health Plans
Components of the URRT Worksheet 1 Demographic Shift Adjustment

Component	Factor
[redacted]	[redacted]

Plan Design Changes

[redacted]

Other Adjustments

[redacted]

Table 3 lists and quantifies the components of the "Other" projection factor.

Table 3
Alliant Health Plans
Components of the URRT Worksheet 1 "Other" Projection Factor

Component	Factor
[redacted]	[redacted]
[redacted]	
[redacted]	

The projected index rate for January 1, 2022, through December 31, 2022, is in Worksheet 1, Section II of the URRT, and in Table 4.

6. MANUAL RATE ADJUSTMENTS

Alliant's 2022 small group rates rely completely (i.e., 100%) on its small group ACA-compliant experience. Therefore, no manual rate was developed.

7. CREDIBILITY OF EXPERIENCE

Alliant's 2020 ACA small group experience represents [redacted] member months, and we consider this level of enrollment to be 100% credible.

8. ESTABLISHING THE INDEX RATE

The index rate for the projection period is a measurement of average allowed claims PMPM for EHBs. The projected index rate reflects the projected 2022 mixture of area factors, plan mix, demographics, and morbidity Alliant expects to receive in the single risk pool. The projected index rate is equal to the projected total allowed claims PMPM minus the total non-EHB allowed claims. Table 4 illustrates the development of the projected index rate.

Table 4
Alliant Health Plans
Projected Index Rate Development

	2022
Experience Member Months	[redacted]
Experience EHB Allowed Claims	[redacted]
Experience EHB Allowed Claims PMPM	[redacted]
Year 1 Trend	[redacted]
Year 2 Trend	[redacted]
Morbidity Adjustment	[redacted]
Demographic Shift	[redacted]
Plan Design Changes	[redacted]
Other Adjustments	[redacted]
Adjusted Trended EHB Allowed Claims PMPM	[redacted]
Credibility %	[redacted]
Projected Index Rate[1]	[redacted]

[1]*May not tie to the URRT due to required URRT rounding conventions.*

9. DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

The market-wide adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 5 shows the development of the market-adjusted index rate. The adjustments in Table 5 are applied to the Index Rate on an allowed basis as required by CMS.

Table 5
Alliant Health Plans
Market Adjusted Index Rate

Index Rate	[redacted]
Gross Risk Adjustment	[redacted]
Net Reinsurance	[redacted]
Exchange Fee	[redacted]
Paid to Allowed	[redacted]
Total Market Impact	[redacted]
Market Adjusted Index Rate[1]	[redacted]

[1]May not tie to the URRT due to required URRT rounding conventions.

Risk Adjustment Payment / Charge

[redacted]

[redacted]

Reinsurance

There is no Federal or state-based reinsurance program applicable to the 2022 Georgia small group market.

Exchange User Fees

Alliant offers all products off the exchange only. Therefore, we project no exchange user fees.

10. PLAN-ADJUSTED INDEX RATE

The development of the plan-adjusted index rate is shown in [redacted] and URRT Worksheet 2, Section III. The market-wide adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

Actuarial Value and Cost Sharing Design of the Plan

The pricing actuarial value and benefit utilization factors were developed with an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines*™ (*HCGs*), with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to Alliant's experience. Health status was not used to establish benefit plan relativities.

The 2022 CMS Actuarial Value Calculator was used to determine the AV Metal Value for each plan to ensure compliance with state and federal regulations, as illustrated in URRT Worksheet 2, Section I.

Provider Network, Delivery System Characteristics and Utilization Management Practices

[redacted]

Benefits in Addition to EHBs

[redacted]

Administrative Costs, Excluding Exchange User Fees and Reinsurance Fees

[redacted]

11. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates to calibrate rates for the expected age, geographic, and tobacco user distributions expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

Age Curve Calibration

To develop the age calibration factor, we premium-weighted the CMS federal age curve factors on a projected premium basis. [redacted] shows this calculation. The age curve calibration is applied to all plans. The weighted average age curve calibration factor is [redacted]. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

Geographic Factor Calibration

Alliant applies geographic rating factors to its plans as shown in Worksheet 3 of the URRT. [redacted] Health status is not reflected in the geographic factors, and it is not Alliant's intent to use area factors to rate for morbidity.

Tobacco Use Rating Factor Calibration

[redacted]

12. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments, as articulated in the applicable market reform rating rules. It is the product of the plan adjusted index rate, the age calibration factor, the geographic calibration factor, and quarterly trend factor.

The development of the consumer adjusted premium rates is shown in [redacted] and URRT Worksheet 2, Section III. Please note, the values in [redacted] do not match the values in the URRT due to URRT rounding conventions. Table 6 shows the quarterly trend factors applied to Alliant's 2022 ACA small group premium rates.

Table 6
Alliant Health Plans
Quarterly Trend Factors

Trend Effective Date	Quarterly Trend Factor
January 1, 2022	[redacted]
April 1, 2022	
July 1, 2022	
October 1, 2022	

13. PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology, excluding adjustments for credibility, is [redacted] displays the development of the MLR in more detail.

14. AV METAL VALUES

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value Calculator (AVC).

15. MEMBERSHIP PROJECTIONS

Alliant developed membership projections, as illustrated in Worksheet 2, Section IV of the URRT based on consideration for the following:

[redacted]

16. PLAN TYPE

All of Alliant's plans are PPO plans as noted in Worksheet 2, Section I of the URRT.

17. TERMINATED PLANS

[redacted]

18. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by Alliant. To the extent it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

We 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.

Milliman developed certain models to estimate the values included in this filing. The intent of the models is to price 2022 small group market ACA rates in the state of Georgia and may not be appropriate for any other purpose. We reviewed the models, including the inputs, calculations, and outputs. We believe they are consistent, reasonable, appropriate to the intended purpose, and compliant with generally accepted actuarial practice and relevant actuarial standards.

A data reliance letter is attached to this rate submission.

19. ACTUARIAL CERTIFICATION

I, Jeremy Kush, am a Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. This filing is prepared on behalf of Alliant Health Plans.

The rates accompanying this Actuarial Memorandum reflect current law and regulations effective at the time of this rate filing submission. Future regulatory changes may affect the extent to which the rates are neither excessive nor deficient.

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 45 CFR 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 2022 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 reflect only differences in the costs of delivery, (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.
4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.
5. The proposed premium rates in this filing are actuarially sound in aggregate.
6. In my opinion, the proposed premium rate change is reasonable. I based my opinion of reasonable rate change on the factors below.
    - The expected small group loss ratio for the 12-month period beginning January 1, 2022, is expected to be [redacted] (before a credibility adjustment). The projected loss ratio is greater than the 80% PPACA minimum MLR standard promulgated by the Department of Health and Human Services.
    - The assumptions used are reasonable and within the range of reasonableness.

- The proposed rates result in rates between insured members within similar risk categories that are permissible under applicable Georgia law, and the premium differences correspond to differences in expected claims costs between allowable risk classes.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification the index rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.

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 propose premium rates. It does certify 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 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.

Respectfully Submitted,

Jeremy J. Kush, FSA, CERA, MAAA
Consulting Actuary, Milliman
July 19, 2021