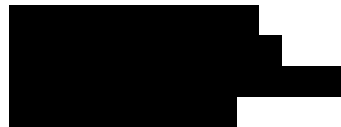


June 7, 2021



Re: Actuarial Memorandum - Individual Rate Filing, Effective January 1, 2022

Dear [REDACTED]:

Thank you for requesting our support to prepare the Actuarial Memorandum for Physicians Health Plan's (PHP) individual rate filing.

OVERVIEW

We have prepared two versions of PHP's Actuarial Memorandum:

**1. Un-redacted ("CMS") Version –
PhysiciansHealthPlan_MIActuarialMemorandum_VersionIM1.pdf**

This version will be used for CMS review and contains all the required data elements and information with no redactions.

**2. Redacted ("Public") Version –
PhysiciansHealthPlan_MIActuarialMemorandumRedacted_VersionIM1.pdf**

This version will be made available to the public in the case of any Freedom of Information Act (FOIA) requests. It redacts any information that is a trade secret or confidential commercial or financial information.

PHP must upload both versions of the Actuarial Memorandum with the rate filing.

CAVEATS AND LIMITATIONS

This Actuarial Memorandum has been prepared for the specific purpose of providing certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, 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 Michigan Department of Insurance and Financial Services (DIFS), the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of PHP's individual rate filing. However, we recognize that this certification may become a public document.

Milliman, Inc. (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.

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.

Milliman has developed certain models to estimate the values included in this memorandum. The intent of the models was to estimate PHP's 2022 Michigan individual market ACA premium rates. We 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, including all input, calculations, and output may not be appropriate for any other purpose.

In performing this analysis, we relied on data and other information provided by PHP. We 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.

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 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.

It is possible the COVID-19 pandemic could continue to have an impact on morbidity, enrollment, providers, and other factors related to the individual market. Subsequent information unavailable at the date of the submission of this Actuarial Memorandum could materially affect premium rates.

The 2022 plan year premium rates provided in this Actuarial Memorandum were developed based upon the current Affordable Care Act (ACA) statutes and regulations in full force and effect as of the date this Actuarial Memorandum is submitted. Accordingly, the 2022 plan year premium rates provided in this Actuarial Memorandum are contingent upon the current ACA statutes and regulations, and may not be sufficient if those statutes and regulations are changed. PHP reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed, including, but not limited to, changes in Cost Sharing Reduction (CSR) subsidy funding, changes to advanced premium tax credits, and changes to the individual mandate penalty enforcement.

Milliman does not provide legal advice and recommends that PHP consult with its legal advisors regarding legal matters.

ACKNOWLEDGMENT OF QUALIFICATION

[REDACTED] I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



NEXT STEPS

If you have any questions about this report, please give me a call at [REDACTED].

Sincerely,

[REDACTED]
[REDACTED]
[REDACTED]



Part III Actuarial Memorandum

**Physicians Health Plan
Individual Rate Filing
Effective January 1, 2022**

Prepared for:
Physicians Health Plan

Prepared by:

[Redacted]

[Redacted]

TABLE OF CONTENTS

The following table summarizes the exhibits included in this document. Some exhibits may span multiple pages.

EXHIBIT #	EXHIBIT TITLE
Exhibit 1	General Information
Exhibit 2	Proposed Rate Change(s)
Exhibit 3	Experience and Current Period Premium, Claims, and Enrollment
Exhibit 4	Benefit Categories
Exhibit 5	Projection Factors
Exhibit 6	Adjustments to Trended EHB Allowed Claims PMPM
Exhibit 7	Manual Rate Adjustments
Exhibit 8	Credibility of Experience
Exhibit 9	Index Rate
Exhibit 10	Development of the Market-wide Adjusted Index Rate
Exhibit 11	Plan Adjusted Index Rate
Exhibit 12	Calibration
Exhibit 13	Consumer Adjusted Premium Rate Development
Exhibit 14	Projected Loss Ratio
Exhibit 15	AV Metal Values
Exhibit 16	Membership Projections
Exhibit 17	Plan Type
Exhibit 18	Effective Rate Review Information
Exhibit 19	Reliance
Exhibit 20	Actuarial Certification
Attachment A	Actuarial Value Memorandum
Attachment B	AV Screen Shots
Attachment C	Data Reliance Letter

EXHIBIT 1: GENERAL INFORMATION

DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for Physicians Health Plan (PHP's) individual block of business, effective January 1, 2022. 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.

As prescribed by the state, the premium rates developed and supported by this Actuarial Memorandum assume Cost Sharing Reduction (CSR) subsidy payments will not be funded by CMS in 2022. We maintain a load to marketplace eligible plans with projected subsidized membership only. Future modifications in legislation, regulation and / or court decisions regarding the funding of CSR payments may affect the extent to which the premium rates are either excessive or deficient. If the federal government does fund CSR subsidies, and assuming no other significant legislative changes take place, premiums for silver plans offered on the exchange would likely need to change from the values in this filing. PHP reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed, including, but not limited to, changes in CSR subsidy funding, changes to advanced premium tax credits, and changes to the individual mandate penalty enforcement.

This information is intended for use by the State of Michigan Department of Insurance and Financial Services (DIFS), the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of PHP's individual rate filing. However, we recognize this certification may become a public document. Milliman, Inc. (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.

At the date of this rate filing submission, we acknowledge there is still uncertainty regarding the impact of the COVID-19 pandemic on setting premium rates, including whether the pandemic will increase or decrease costs in 2022 and how soon the recently approved vaccines will impact future experience. Actions taken by governmental authorities and the healthcare system related to the COVID-19 pandemic are rapidly changing. Consequently, our results will evolve as new information becomes available and new actions are taken by the authorities and other stakeholders. Due to the limited information available on the pandemic, any analysis is subject to a substantially greater than usual level of uncertainty.

COMPANY IDENTIFYING INFORMATION

[REDACTED]

COMPANY CONTACT INFORMATION

[REDACTED]

EFFECTIVE DATE AND SERFF TRACKING NUMBER OF PRIOR FILING

The rates are for new sales effective January 1, 2022 through December 31, 2022. The prior filed plans were effective during the calendar year 2021, and initially filed under [REDACTED]

EXHIBIT 2: PROPOSED RATE CHANGE(S)

This submission is for individual market HMO medical products. This is a requested rate filing change for PHP's existing plans available for sale January 1, 2022. We are requesting an overall rate [REDACTED] from the prior 2021 composite rates for plans effective 2022. The composite rate change varies by plan as shown in URRT Worksheet 2, Section I for plans effective January 1, 2022. Rates are guaranteed for 12 months following the effective date.

- Plan factors, the index rate, and area factors are the only rating factors changing for the existing plans
- There are cost sharing changes to the plans that were offered in 2021, which impact the proposed premium rates

REASONS FOR RATE CHANGE

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Anticipated medical and prescription drug cost inflation and utilization trends

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

AVERAGE ANNUAL PREMIUM

The average annual premium per member prior to this rate change is [REDACTED]. The average annual premium after this rate change is [REDACTED] premium PMPM shown in URRT Worksheet 2, Section IV.

NUMBER OF POLICYHOLDERS AND COVERED LIVES

There are [REDACTED] as of January 2021.

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

This section provides information related to the premium, claims, and enrollment for the single risk pool during the Experience and Current Periods reported in Worksheet 1, Section I and Worksheet 2, Section II of the URRT.

PHP 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 Michigan individual health insurance market.

The Single Risk Pool does not include transitional products / plans as PHP did not offer these policies during the Experience Period and will not offer these policies during the Projection Period.

PAID THROUGH DATE

The experience reported on Worksheet 1, Section I of the URRT shows PHP's earned premium, incurred claims and allowed claims for the period of January 1, 2020 through December 31, 2020, with claims paid through January 31, 2021.

CURRENT DATE

The report date for the current enrollment and premium in Worksheet 2, Section II, lines 2.10 and 2.11 of the URRT is January 31, 2021.

PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD

The premiums earned during the experience period and as reported on Worksheet 1, Section I of the URRT are from PHP's financial statements for CY 2020.

[REDACTED]. Table 3.1 summarizes the experience period premium and enrollment as listed in Worksheet 1, Section I of the URRT.

Member Months	[REDACTED]
Gross Earned Premium	[REDACTED]
Expected MLR Rebates To Be Paid	[REDACTED]
Premiums (net of MLR Rebate) in Experience Period	[REDACTED]

ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD

Table 3.2 summarizes the experience period allowed and incurred claims as listed in Worksheet 1, Section I of the Part I URRT.

Table 3.2 Physicians Health Plan 2020 Experience Period Allowed and Incurred Claims		
Incurred Claims Paid thru January 2021	Allowed	Incurred
Processed Through The Issuer's Claim System		
Processed Outside The Issuer's Claim System		
Incurred but not Paid		
Total Incurred (URRT Worksheet 1)		

Allowed claims were determined by combining the paid claims with the 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. Medical and prescription drug claims available for rate development are incurred for the period January 1, 2020 through December 31, 2020 with payments as of January 2021. 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.

EXHIBIT 4: BENEFIT CATEGORIES

We assign 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.

EXHIBIT 5: PROJECTION FACTORS

This section includes a description of trend factors used to project the experience period allowed claims to the projection period, and supporting information related to the development of those factors.

TREND FACTORS (COST / UTILIZATION)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EXHIBIT 6: ADJUSTMENTS TO TRENDED EHB ALLOWED CLAIMS PMPM

This section details adjustments other than trend that are made to the Experience Period claims in order to develop the projected Index Rate.

MORBIDITY ADJUSTMENT

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DEMOGRAPHIC SHIFT

[REDACTED]

PLAN DESIGN CHANGES

[REDACTED]

[REDACTED]

[REDACTED]

OTHER ADJUSTMENTS

Changes in Covered Services

[REDACTED]

Changes in Provider Reimbursement



COVID-19 Adjustment



Table 6.1 Physicians Health Plan			

Table 6.2 summarizes the development of the “Other” projection factor illustrated in Worksheet 1, Section II of the URRT.

Table 6.2 Physicians Health Plan Illustration of Other Projection Factor	
Category	Factor

EXHIBIT 7: MANUAL RATE ADJUSTMENTS

PHP's calendar year 2020 individual experience is partially credible for the purpose of 2022 individual ACA rate development. We report the 2020 individual HMO experience in Worksheet 1, Section I of the URRT, but 2022 rate development relies partially on a manual rate representing PHP's calendar year 2019 individual HMO experience.

SOURCE AND APPROPRIATENESS OF EXPERIENCE DATA USED

[REDACTED]

[REDACTED]

MORBIDITY ADJUSTMENT

[REDACTED]

[REDACTED]

[REDACTED]

DEMOGRAPHIC SHIFT

[REDACTED]

PLAN DESIGN CHANGES

[REDACTED]

[REDACTED]

OTHER ADJUSTMENTS

Changes in Covered Services

[REDACTED]

Changes in Provider Reimbursement

[REDACTED]

[REDACTED]

EXHIBIT 8: CREDIBILITY OF EXPERIENCE

[REDACTED]

[REDACTED]

EXHIBIT 9: INDEX RATE

This section includes a description of adjustment factors (other than trend) that are applied to the experience period claims in order to develop the projected Index Rate, and supporting information related to the development of those factors.

The Experience Period Index Rate is calculated as the average allowed claims PMPM for EHB benefits. The Experience Period Index Rate reflects the actual mixture of smoker / non-smoker population, area factors, and the actual mixture of risk morbidity that PHP received in the Single Risk Pool during the experience period. The Experience Period Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs or for Exchange User Fees.

The Experience Period Index Rate is equal to the experience period total allowed claims PMPM. [REDACTED]

The Projection Period Index Rate is calculated as the average allowed claims PMPM for EHB benefits. The Projection Period Index Rate reflects the projected calendar year 2022 mixture of smoker / non-smoker population, area factors, and the projected mixture of risk morbidity that PHP expects to receive in the Single Risk Pool. [REDACTED]

EXHIBIT 10: DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

This section provides support for the development of the Market-wide Adjusted Index Rate, including an explanation for the reinsurance, risk adjustment, and exchange user fees entered in Worksheet 1, Section II of the URRT.

Table 10.1 illustrates the development of the Market Adjusted Index Rate.

Table 10.1 Physicians Health Plan Market Adjusted Index Rate Development		
		<i>Annotation</i>
2022 Projected Index Rate PMPM	[REDACTED]	(1)
Market Adjustments (paid basis)		
Reinsurance	[REDACTED]	(2)
Risk Adjustment Payment / Charge	[REDACTED]	(3)
Exchange User Fees	[REDACTED]	(4)
Paid-to-Allowed Ratio	[REDACTED]	(5)
Market Adjustments (allowed basis)		
Reinsurance	[REDACTED]	(6) = (2) / (5)
Risk Adjustment Payment / Charge	[REDACTED]	(7) = (3) / (5)
Exchange User Fees	[REDACTED]	(8) = (4) / (5)
Market Adjusted Index Rate PMPM	[REDACTED]	(9) = (1) + ((6) + (7) + (8))

Note: Values may vary from the actual URRT due to rounding.

REINSURANCE

The federal transitional reinsurance program was a temporary program that ended in 2016. Since this program did not continue in 2020, experience period reinsurance amounts are zero. We also assume reinsurance amounts will be zero in 2022, and as a result, did not project any federal transitional reinsurance for 2022.

RISK ADJUSTMENT PAYMENT / CHARGE

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

EXCHANGE USER FEES

[REDACTED]

EXHIBIT 11: PLAN ADJUSTED INDEX RATE

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

- Actuarial value and cost sharing adjustment.
 - The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.

– The actuarial value (AV) and cost sharing pricing adjustments consist of the product of the AV and the Plan Design Behavior Change (PDBC). The AV and PDBC factors are developed utilizing a proprietary Milliman cost relativity model, which is based on the HCGs and adjustments based on actuarial judgment. Actuarial equivalent relative values between plans are based on the differences in cost and utilization for varying levels of cost sharing, do not reflect any difference in population morbidity, and are developed using estimated medical costs calibrated to PHP's experience.

- Provider network, delivery system, and utilization management adjustment.
 - Expected differences in claim costs due to differences in provider networks were determined by comparing PHP's provider reimbursement arrangements between network options and lines of business.

- Adjustment for benefits in addition to the EHBs.

–

- Adjustment for distribution and administrative costs.

– Adjustment is developed to indicate the impact of non-benefit expenses.

Table 11.1 demonstrates the Plan Adjusted Index Rate development for each plan in the projection period, as shown in Worksheet 2, Section III of the URRT. Values calculated in the URRT are rounded and may not match the results shown in Table 11.1.

EXHIBIT 12: CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Table 11.1 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. [REDACTED]

AGE CURVE CALIBRATION

We project members' distribution by age in order to determine the demographic calibration factor. We then calculate the weighted average of the factors in the age curve using this distribution.

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 development is in Table 12.1 below. The Age Calibration Factor in Worksheet 2 Section III of the URRT is the reciprocal of the Age Calibration Factor shown in Table 12.1.

Table 12.1 Physicians Health Plan Development of Age Calibration Factor				
Gender	Age Band			2022 Rating Factors
Child	0 to 1			0.765
Child	2 to 6			0.765
Child	7 to 18			0.801
Child	19 to 20			0.956
Male	21 to 24			1.000
Male	25 to 29			1.056
Male	30 to 34			1.178
Male	35 to 39			1.240
Male	40 to 44			1.332
Male	45 to 49			1.570
Male	50 to 54			1.956
Male	55 to 59			2.430
Male	60 to 63			2.837
Male	64+			3.000
Female	21 to 24			1.000
Female	25 to 29			1.056
Female	30 to 34			1.178
Female	35 to 39			1.240
Female	40 to 44			1.332
Female	45 to 49			1.570
Female	50 to 54			1.956
Female	55 to 59			2.430
Female	60 to 63			2.837
Female	64+			3.000
Age Calibration Factor by Plan Type:				
Enrollment as a % of Premium:				
Age Calibration Factor:				[REDACTED]

EXHIBIT 13: 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 Calibrated Plan Adjusted Index Rate, the geographic rating factor, the age rating factor, and the tobacco-use rating factor. All rating factors are described and shown below in Tables 13.1 and 13.2.

PHP's calendar year 2022 age and tobacco rating factors are shown in Table 13.1 below. [REDACTED]

Table 13.1 Physicians Health Plan Age and Tobacco Rating Factors					
Age Band	Age Rating Factor	Tobacco Factor	Age Band	Age Rating Factor	Tobacco Factor
0 to 14	0.765	[REDACTED]	40	1.278	[REDACTED]
15	0.833	[REDACTED]	41	1.302	[REDACTED]
16	0.859	[REDACTED]	42	1.325	[REDACTED]
17	0.885	[REDACTED]	43	1.357	[REDACTED]
18	0.913	[REDACTED]	44	1.397	[REDACTED]
19	0.941	[REDACTED]	45	1.444	[REDACTED]
20	0.970	[REDACTED]	46	1.500	[REDACTED]
21	1.000	[REDACTED]	47	1.563	[REDACTED]
22	1.000	[REDACTED]	48	1.635	[REDACTED]
23	1.000	[REDACTED]	49	1.706	[REDACTED]
24	1.000	[REDACTED]	50	1.786	[REDACTED]
25	1.004	[REDACTED]	51	1.865	[REDACTED]
26	1.024	[REDACTED]	52	1.952	[REDACTED]
27	1.048	[REDACTED]	53	2.040	[REDACTED]
28	1.087	[REDACTED]	54	2.135	[REDACTED]
29	1.119	[REDACTED]	55	2.230	[REDACTED]
30	1.135	[REDACTED]	56	2.333	[REDACTED]
31	1.159	[REDACTED]	57	2.437	[REDACTED]
32	1.183	[REDACTED]	58	2.548	[REDACTED]
33	1.198	[REDACTED]	59	2.603	[REDACTED]
34	1.214	[REDACTED]	60	2.714	[REDACTED]
35	1.222	[REDACTED]	61	2.810	[REDACTED]
36	1.230	[REDACTED]	62	2.873	[REDACTED]
37	1.238	[REDACTED]	63	2.952	[REDACTED]
38	1.246	[REDACTED]	64+	3.000	[REDACTED]
39	1.262	[REDACTED]			

PHP's calendar year 2022 geographic rating factors are shown in Table 13.2 below. [REDACTED]

Table 13.2 Physicians Health Plan Geographic Rating Factors	
Region	Area Rating Factor
Rating Area 5	[REDACTED]
Rating Area 7	[REDACTED]
Rating Area 8	[REDACTED]
Rating Area 12	[REDACTED]
Rating Area 13	[REDACTED]

The premium for family coverage is determined by summing the Consumer Adjusted Premium Rate for each individual family member, provided, at most, the three oldest child dependents under age 21 are taken into account.

Table 13.3 demonstrates a sample 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 13.3 Physicians Health Plan Sample Consumer Adjusted Premium Rate Development	
[REDACTED]	[REDACTED]
Calibrated Plan Adjusted Index Rate	[REDACTED]
Age: 42	[REDACTED]
Area: 7	[REDACTED]
Tobacco Status: Non-Tobacco User	[REDACTED]
Consumer Adjusted Premium Rate	[REDACTED]

Note: The values in this table are rounded.

EXHIBIT 14: PROJECTED LOSS RATIO

The projected loss ratio is ██████%. This loss ratio is calculated consistently with the MLR methodology, according to the National Association of Insurance Commissioners, as prescribed by 45 CFR 158. The following table demonstrates PHP's premium development and MLR calculation using rounded values. PHP's MLR in annual financial reporting will differ compared to the single-year projection illustrated here as the MLR formula uses a 3-year calculation and other adjustments.

Table 14.1 summarizes the calculation for the projected federal medical loss ratio.

Table 14.1 Physicians Health Plan Projected Federal Medical Loss Ratio		<i>Annotation</i>
Member Months	██████████	(1)
MLR Numerator Calculations		
Paid Claims PMPM	██████████	(2)
Risk Adjustment Paid (Received) PMPM	██████████	(3)
Quality Improvement	██████████	(4)
MLR Numerator	██████████	(5) = (2) + (3) + (4)
MLR Denominator Calculations		
Premium PMPM	██████████	(6)
Premium-Related Retention (Taxes and Fees) PMPM*	██████████	(7)
MLR Denominator	██████████	(8) = (6) - (7)
██████████	██████████	(9)
██████████	██████████	(10)
██████████	██████████	(11)
██████████	██████████	(12) = (5) / (8) + (11)

* Includes Exchange User Fees.



The above loss ratio is a single year value only. To the extent this amount, on a 3-year rolling average basis, and after applying applicable credibility adjustments, falls below the federal 80% threshold, PHP will comply with all federal rebate regulations found in Public Health Service Act (PHS Act) section 2718.

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

EXHIBIT 16: MEMBERSHIP PROJECTIONS

The projected membership, as displayed in Worksheet 2, Section IV of the URRT, was determined by considering the size of the projected PHP 2022 market share.



EXHIBIT 17: PLAN TYPE

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

EXHIBIT 18: EFFECTIVE RATE REVIEW INFORMATION

This section details elements of an effective rate review for which the data needed to perform the review is not explicitly shown on the URRT.

ADMINISTRATIVE EXPENSE LOAD

Administrative expenses were provided by PHP and are summarized in Table 18.1. The values entered in Worksheet 2, Section III of the URRT illustrate this as a percent of premium.

PROFIT AND RISK LOAD

The profit and risk load is shown in Table 18.1 below. [REDACTED] The profit and risk load is illustrated in URRT Worksheet 2, Section III. We consider PHP's desired rate level, company target profits, and relative risk in the individual market in setting this assumption.

TAXES AND FEES

Table 18.1 displays the projected taxes and fees that may be subtracted from premiums when calculating PHP's loss ratio for MLR purposes. The total value is displayed in Worksheet 2, Section III of the URRT.

Table 18.1 Physicians Health Plan Illustration of Administrative Expenses by URRT, Worksheet 2 Category			
Retention Description	PMPM	% Premium	Basis
Administrative Expense Load			
General Administrative Expenses	[REDACTED]	[REDACTED]	[REDACTED]
Commission	[REDACTED]	[REDACTED]	[REDACTED]
Commercial Reinsurance Recoveries	[REDACTED]	[REDACTED]	[REDACTED]
Commercial Reinsurance Premiums	[REDACTED]	[REDACTED]	[REDACTED]
Quality Improvement	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal: Administrative Expense Load	[REDACTED]	[REDACTED]	[REDACTED]
Profit and Risk Load			
Target Post-Tax Profit	[REDACTED]	[REDACTED]	[REDACTED]
Risk Load	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal: Profit and Risk Load	[REDACTED]	[REDACTED]	[REDACTED]
Taxes and Fees			
Risk Adjustment Admin Fee	[REDACTED]	[REDACTED]	[REDACTED]
Comparative Effectiveness Research Fee	[REDACTED]	[REDACTED]	[REDACTED]
Michigan Insurance Provider Assessment	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal: Taxes and Fees	[REDACTED]	[REDACTED]	[REDACTED]
Total Retention	[REDACTED]	[REDACTED]	[REDACTED]

* Excludes Exchange User Fees, consistent with URR Guidance.

TERMINATED PRODUCTS

The following plans sold in 2021 will be terminated effective December 31, 2021 and mapped to 2022 plans.

**Table 18.2
Physicians Health Plan
2021 Terminated Plans and Products**

2021 HIOS ID	Plan Type	Present in Experience	New Plan Mapping HIOS ID
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The following plans sold in 2020 were terminated effective December 31, 2020, and are now mapped to 2022 plans.

**Table 18.3
Physicians Health Plan
2020 Terminated Plans and Products**

2020 HIOS ID	Plan Type	Present in Experience	New Plan Mapping HIOS ID
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

EXHIBIT 19: RELIANCE

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

A data reliance letter is included in Attachment C to this rate submission.

EXHIBIT 20: ACTUARIAL CERTIFICATION

[REDACTED]. Physicians Health Plan 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 Period 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 2022 Individual 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 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. Furthermore, due to the substantial uncertainty regarding the impact of the COVID-19 pandemic, we believe some of the assumptions related to the pandemic's financial impact may exhibit a substantially greater divergence from expectations.

Milliman has developed certain models to estimate the values included in this memorandum. The intent of the models was to estimate PHP's 2022 Michigan individual market ACA premium rates. 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, including all input, calculations, and output may not be appropriate for any other purpose.

The Projection Period Index Rate assumes that the ACA will remain in place as it was written, and has been interpreted as of the date below. If there are substantial regulatory or legislative changes to the ACA that affects the individual ACA market in Michigan, I may not be able to certify that the proposed rates are adequate. Accordingly, PHP reserves the right to withdraw and / or amend this rate submission in the event of a material change to the ACA.

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. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, or a decision by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director funding of CSR subsidies or advance premium tax credits, or a decision to enforce the individual mandate requirement and penalty. Milliman expresses no opinion with regard to the future funding of CSR payments.

Signed: _____

[Redacted Signature]