

Part III Actuarial Memorandum
Highmark West Virginia, Inc.
d/b/a Highmark Blue Cross Blue Shield West Virginia
Individual Rate Filing
Effective January 1, 2022

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I. General Information

Document Overview

This document contains the Part III Actuarial Memorandum for Highmark Blue Cross Blue Shield West Virginia's (Highmark WV) individual block of business rate filing, for products with an effective date of January 1, 2022. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

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 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 West Virginia Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Highmark WV's rate filing. However, we recognize that this certification may become a public document. Highmark WV makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this actuarial memorandum that would result in the creation of any duty or liability under any theory of law by Highmark WV.

The results are actuarial projections. Actual experience is likely to differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

I.1 Company Identifying Information:

- Company Legal Name: Highmark Blue Cross Blue Shield West Virginia.
- State: The State of West Virginia has regulatory authority over these policies
- HIOS Issuer ID: 31274
- Market: Individual
- Effective Date: January 1, 2022

I.2 Company Contact Information:

- Primary Contact Name: [REDACTED]
- Primary Contact Telephone Number: [REDACTED]
- Primary Contact Email Address: [REDACTED]

II. Proposed Rate Changes

For all rate changes by plan, see the ‘Cumulative Rate Change % (over 12 mos prior)’ found in Worksheet 2, line 1.11 of the URRT. The rate change varies by plan due to an update in several of our pricing factors and changes in cost sharing required to meet Actuarial Value and other cost sharing restrictions under the Affordable Care Act as well as mappings between discontinued and new plans.

The primary drivers of the rate increase are increasing cost and utilization of medical and pharmacy services in the Individual market.

This rate filing also includes an adjustment for the impact of COVID-19 as well as the American Rescue Plan Act (ARPA).

Other assumptions in this filing account for the elimination of the Individual Mandate penalty and the lack of CSR funding in 2022 by using adjustment factors outlined in this memorandum. Additional assumptions include that advance payment of premium credits (APTCs) will continue until the end of 2022, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and that there are no significant changes in the participation of QHP issuers that would materially change risk adjustment transfer amounts. Finally, modifications to the rate development may be necessary if significant unforeseen events occur. Examples include, but are not limited to, repeal or invalidation of the ACA or material developments in the course of the COVID-19 pandemic. As a result, Highmark WV reserves the right to submit a revised filing.

III. Experience and Current Period Premium, Claims, and Enrollment

III.1 Paid through Date:

Experience Period claims were based on incurred calendar year 2020, paid through February 2021. This includes 2020 experience in Affordable Care Act compliant plans. Highmark WV did not offer any transitional plans in 2020.

III.2 Current Date:

The current date shown represents a snapshot of February 1, 2021.

III.3 Allowed and Paid Claims Incurred During the Experience Period:

- Historical Experience: We chose Highmark WV’s current experience for the individual block of business for the period January 1, 2020 through December 31, 2020, with claims paid through February 2021 as the basis for the 2022 projected individual market pricing.
- Claims Incurred During the 12-month Experience Period: Worksheet 1, Section I shows our best estimate of the amount of claims that were incurred during the 12-

month experience period for Highmark WV's individual book-of-business. This section includes:

- The amount of claims which were processed through Company's claims system,
 - Claims processed outside of the Company's claims system, and
 - Our best estimate of claims incurred but not paid as of the paid through date stated above.
- **Method for Determining Allowed Claims:** For non-capitated claims, the allowed charges are summarized from Highmark WV's detailed claim-level historical data. This experience includes 2020 claims for Affordable Care Act compliant business. For capitated and other off-system claims, historical capitations and experience were tabulated and added to the claims.
 - **Paid Claims:** We also summarized the paid claims from detailed member records. The paid-to-allowed ratio for the experience period reflects the 2020 plan designs chosen by each member.
 - **Incurred but Not Paid (IBNR) Claims Estimate:** Highmark WV is using a completion factor of [REDACTED] to include IBNR claims in allowed charges. The IBNR completion factor was developed using our corporate reserving system for Highmark WV's individual business. We applied it equally to both paid and allowed total claims (as a change to utilization) to complete the experience.

IV. Benefit Categories

The index rate of the experience period was summarized at the defined benefit categories included in Worksheet 1, Section II of the URRT.

The data provided in this section closely adheres to the preferred definitions of the Benefit Categories included in the URRT instructions, including the "Other Medical" category. The "Other Medical" category units reflect visits for PDN/home health, trips for ambulance and procedures for DME/prosthetics. Prescription drugs utilization were converted to a "per 30-day" script count.

V. Projection Factors

V.1 Trend Factors

This development of the CY2022 rates reflects an annual trend rate of [REDACTED]% ([REDACTED]% cost, [REDACTED]% utilization). These trends reflect Highmark WV's expectations regarding increases in in-network contractual reimbursement and out-of-network costs. These estimates measure and normalize for benefit leverage, population aging, and historical changes for fee schedules, as well as company-wide utilization management programs, and external trend drivers.

The trend represents a blended average for all types of service and is applied to the aggregate experience for pricing. These trends represent assumed community-wide expectations. Claim variations due to the specific projected enrolled population in this single risk pool are reflected in the morbidity adjustment.

V.2 Changes in the Morbidity of the Population Insured

We applied an adjustment of approximately ■■■% to reflect the anticipated changes in the average morbidity of the covered population (beyond allowable rating factors). This morbidity adjustment reflects multiple changes including blending of the ACA business with new members from multiple sources including uninsured and the employer markets, as well as anticipated impacts of the American Rescue Plan Act (ARPA).

V.3 Changes in Demographics

We project that the average rating factor (age, tobacco load and area combined) will increase by about ■■■% due to the change in the population. This is primarily due to the expectation that the new members from the group and/or uninsured populations to be slightly older than the population in the underlying experience. This increases the projected allowed claims (utilization) by the same amount.

V.4 Changes in Benefits

There is no change in benefits related to the essential health benefit (EHB) categories so the factor is set to ■■■. The cost sharing changes for the EHBs are captured in the paid to allowed ratio factors discussed in the AV and Cost Sharing Design of Plan section X.1.

V.5 Changes in Other

The ■■■ factor accounts for changes in hospital/physician settlements, changes in pharmacy rebates, and the anticipated effect of WV specific legislation such as the PBM legislation (WV HB2263) and Rx insulin copay cap bill. It includes adjustments for the impact of the elimination of the health insurance coverage mandate and estimated impact of COVID-19 as outlined below.

Impact of Health Insurance Coverage Mandate

The Other factor was increased by ■■■% to reflect the market uncertainty from the elimination of the health insurance coverage mandate. This deterioration is reflected in the filing by multiplying the original Other factor by ■■■ to arrive at a final Other factor of approximately ■■■.

Impact of COVID-19

In order to account for the impact of COVID-19 on projected claim costs, the Company took the following steps:

1. Adjusted the claims in the base experience period to a non-COVID-19 baseline environment. This was done to provide a more stable base from which to project future claims. Claims in the base experience period were increased by █%, representing the expected degree of claims suppression experienced.
2. Projected claims to the projection period using trends with the impact of COVID-19 excluded. Again, this provides for a more stable projection of future claims, before applying the anticipated impact of COVID-19 in the projection period. This was accomplished by applying a trend of █% (which excludes any impact from COVID-19) to our adjusted BEP claims.
3. The projected claims were then further adjusted by applying the anticipated impacts of COVID costs expected in the projection period. There are four components of this adjustment determined by the Company:
 - a. Treatment costs (█ PMPM) – COVID treatment utilization in 2022 are expected to follow a similar utilization pattern as flu treatment from 2018 and 2019, with COVID specific admission costs based on recent admission costs for COVID.
 - b. COVID Testing (█ PMPM) – COVID testing utilization in 2022 are expected to follow a similar utilization pattern as flu testing from 2018 and 2019, with COVID specific testing costs based on recent testing costs for COVID.
 - c. COVID Vaccine (█ PMPM) – The Company is assuming that █% of the population will be receiving vaccine boosters at a frequency of once every █ years. This impact represents the expected cost that the Company will incur.
 - d. Additional morbidity (█% claims impact) – Due to insureds missing preventative care (maintenance care and testing services) and quarantine rules leading to a more sedentary lifestyle, the Company expects a general trend towards worsening member morbidity.

The application of the above COVID claim adjustments to the rating period results in a COVID adjustment factor of █

VI. Manual Rate Adjustments

Highmark WV's individual experience is fully credible. No manual rate is developed or used in this projection.

VII. Credibility of Experience

The experience is from Highmark WV's individual book of business in 2020. It is large enough to be fully credible. Our results are based 100% on the experience rate, as adjusted.

VIII. Index Rate

The Index Rates as shown on Worksheet 1 of the URRT are simply the single risk pool average allowed claims for the Essential Health Benefits for the experience and projected populations, respectively, for Highmark WV. For the experience period, only non-grandfathered plans are included. The projection period Index Rate is not adjusted for reinsurance or risk adjustment programs or any other fee.

IX. Market Adjusted Index Rate [MAIR]

The Market Adjusted Index Rate is the Projected Index Rate further adjusted for risk adjustment and the exchange fee.

IX.1 Projected Reinsurance PMPM

No reinsurance program for Highmark WV is assumed at this time.

IX.2 Projected Risk Adjustments PMPM:

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IX.3 The Exchange User Fee %

The [redacted]% value shown in worksheet 1 of the URRT is developed by multiplying the [redacted]% exchange user fee by the assumed percentage of on exchange membership. This calculated amount is then divided by the paid-to-allowed factor to bring it to an equivalent allowed claims basis and adjusted further for the composite effect of catastrophic eligibility and benefits in addition to EHB.

X. Plan Adjusted Index Rates [PAIR]

The Plan Adjusted Index Rates can be found on line 3.10, Worksheet 2 of the URRT. The PAIR rates calculated by applying the allowable rating factors as described below to the Market Adjusted Index Rate.

X.1 AV and Cost Sharing Design of Plan

The AV and cost sharing allowable rating factor is comprised of the following components:

- The utilization due to differences in cost sharing is based on the factors adopted by the risk adjustment methodology relative its weight average. No differences due to health status are in these adjustments.
- The pricing AV for the benefits and cost sharing of the plan and a CSR load for all plans.

Impact of Non-Payment of Cost Sharing Reduction Subsidies

We have applied an additional adjustment to our AV pricing values for those Silver plans not offered exclusively off-exchange. This adjustment factor was ■■■ and represents the non-payment of Cost Sharing Reduction subsidies.

X.2 Provider Network Adjustment

The provider network adjustments are developed by dividing the plan level network factor by the overall weighted average from all plans.

X.3 Benefits in Addition to EHB

Non-EHB benefits have been added to several plans. Five plans have an adult dental and vision benefit and two plans have a hearing and personal assistance (i.e. Papa Pals) benefit.

X.4 Administrative Expense

The proposed rates reflect internal administrative costs including quality improvement administrative expenses. This cost was developed based on standard expense allocation methods.

X.5 Taxes and Fees:

The following fees were added:

- ■■■ PMPM for Risk Transfer User Fee
- ■■■ PMPM for the Patient-Centered Outcomes Research Institute (PCORI) fee
- ■■■ for the Health Insurance Provider Fee
- ■■■ for the State Premium Tax

X.6 Profit (or Contribution to Surplus) & Risk Margin:

The proposed rates reflect a █% risk/contribution to surplus margin for all products and plans.

X.7 Catastrophic Adjustment

For catastrophic plans, we use a █ factor for the specific eligibility adjustment.

XI. Calibration

XI.1 Age Curve Calibration:

The projected weighted average age factor for billable members is █. This factor is calculated by dividing the all members age factor of █ by the ratio of billable members to total members █. The age curve calibration factor is █ = █.

XI.2 Geographic Calibration Factor:

The projected weighted average geographic factor is █. Each Plan Adjusted Index Rate represents the rate for an average member with a geographic factor of █. The geographic calibration factor is █ = █.

XI.3 Tobacco Calibration Factor:

The projected weighted average tobacco factor is █. Each Plan Adjusted Index Rate represents the rate for an average member with a tobacco factor of █. The tobacco calibration factor is █ = █.

XI.4 Consumer Adjusted Premium Rate Developments:

The calibrated plan adjusted index rate represents the base rate for an age factor of █, geographic rating factor of █ and tobacco rating factor of █. Thus, the approximate premium for a specific member can be derived by multiplying this rate by the HHS age curve factor, the rating area factor on Worksheet 3 of the URRT, and the appropriate tobacco factor. Please note that this method will only produce approximate rates due to URRT rounding constraints.

XII. Projected Loss Ratio

The projected loss ratio for 2022 using the federally prescribed MLR methodology is █%.

XIII. AV Metal Values

The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based the Federal AV Calculator. Some plans did require an adjustment to the inputs entered into the AV calculator. Screen shots and certifications for these plans were submitted as part of Highmark WV's QHP application.

XIV. Membership Projections

Membership projections reflect Highmark WV’s expectations for 2022. These projections reflect expected changes in market share due to market competition, relative price levels, and changes in plan offerings (where applicable).

Highmark WV expects membership in 2022 to follow a significantly different metal level distribution to that of the Individual ACA experience period in the markets where plans will continue to be offered. This difference is expected as a result of the American Rescue Plan Act (ARPA) as well as the implementation of Silver loading for 2022.

For the Silver level plans, the projected membership by cost sharing subsidy levels is based on the observed distribution of ACA members that were eligible under the federal poverty levels as determined by the federal health insurance exchange. The projected enrollment by plan and subsidy level is as follows:

CSR Silver Plan Membership Distribution			
FPL	Subsidy Level	% of Silver Membership	% of Total Membership
<150%	94%	████	████
150%-200%	87%	████	████
200%-250%	73%	████	████
<u>>250%</u>	<u>70%</u>	████	████
Total		████	████

XV. Terminated Plans and Products

Plans in the 2020 experience period that will no longer be available in 2022 can be found in Exhibit I.

Highmark WV also has some plans that were offered only in 2021 (not offered in the experience period or in the projection period). These plans are shown in Exhibit I.

XVI. Plan Type

The Plan types listed in Worksheet 2, Section I of the Part I Unified Rate Review Template describe Highmark WV’s plans adequately.

XVII. Actuarial Certification

I, ██████████, am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United

States. All statements in this actuarial certification are accurate to the best of my knowledge and understanding. This filing is prepared in compliance with applicable Actuarial Standards of Practice. In completing this filing, I relied on data/information from other sources which was reviewed for reasonableness. This filing is prepared to accompany Highmark WV's rate filing for the individual combined market on and off the West Virginia Exchange.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- 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.

I certify that 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.

I certify that the AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based on the Federal AV Calculator. If any adjustments were required outside of the AV Calculator, appropriate certification has been provided to CMS through the QHP application process.

I certify that the geographic rating 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.

The Part I Unified Rate Review Template does not demonstrate the process used by Highmark WV 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 and only adjusted by the allowable modifiers.

Signed: 

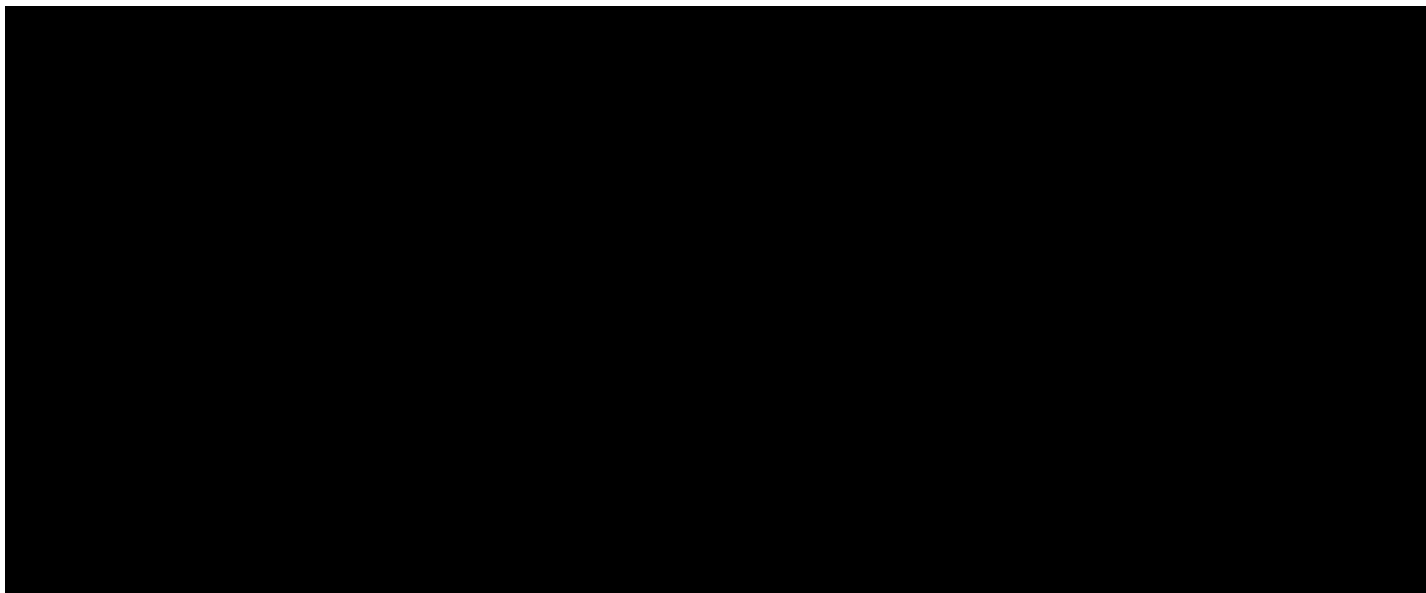
Title: 

Date: June 24, 2021

XVIII.

Exhibit I

Highmark Blue Cross Blue Shield West Virginia



ACTUARIAL MEMORANDUM

Highmark Blue Cross Blue Shield West Virginia

Individual Rate Filing- January 1, 2022

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for preparing individual rate filings. As a consulting actuary, I was requested by Highmark, Inc. (“Highmark”) to review the development of the market-wide base rate for the individual market on and off the West Virginia Exchange. The confidential material presented in this filing was prepared for the specific purpose of submitting the rating formula for the WV Insurance Department and may not be appropriate for other purposes. This filing represents rates for individuals sold or renewed effective January 1, 2022. The rates are guaranteed until December 31, 2022.

To the best of my knowledge and judgment, the following are true with respect to this filing:

1. Rates are established in accordance with generally accepted actuarial principles and the applicable Actuarial Standards of Practice. They are not excessive, inadequate, or unfairly discriminatory. Rates are reasonable in relationship to the benefits provided. However, it is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent that actual experience is different from the assumptions used in developing the rates, the actual results will also deviate from the projected amounts.
2. In compliance with all applicable West Virginia and Federal Statutes and Regulations (45 CFR 156.80 and 147.102).
3. The rating factors and rating methodology are reasonable and consistent with Highmark’s business plan at the time of the filing.

[REDACTED]

Fellow, Society of Actuaries
Member, American Academy of Actuaries
June 24, 2021