

Part III: Actuarial Memorandum
Ambetter of Magnolia Inc.
Annual Individual Health Rate Filing
Mississippi
Assuming CSR Subsidies are Unfunded
Effective January 1, 2019
Forms: 90714MS001, 90714MS002, 90714MS003

TABLE OF CONTENTS

1.	GENERAL INFORMATION	3
2.	PROPOSED RATE INCREASES	6
3.	EXPERIENCE PERIOD PREMIUM AND CLAIMS	8
4.	BENEFIT CATEGORIES	9
5.	PROJECTION FACTORS	10
6.	CREDIBILITY MANUAL RATE DEVELOPMENT	12
7.	CREDIBILITY OF EXPERIENCE	14
8.	PAID TO ALLOWED RATIO	15
9.	RISK ADJUSTMENT AND REINSURANCE	16
10.	NON-BENEFIT EXPENSES AND PROFIT & RISK	18
11.	PROJECTED LOSS RATIO	19
12.	SINGLE RISK POOL	20
13.	INDEX RATE	21
14.	MARKET ADJUSTED INDEX RATE	22
15.	PLAN ADJUSTED INDEX RATE	23
16.	CALIBRATION	24
17.	CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT	25
18.	AV METAL VALUES	26
19.	AV PRICING VALUES	27
20.	MEMBERSHIP PROJECTIONS	28
21.	TERMINATED PLANS AND PRODUCTS	29
22.	PLAN TYPE	30
23.	WARNING ALERTS	31
24.	EFFECTIVE RATE REVIEW INFORMATION	32
25.	RELIANCE	33
26.	ACTUARIAL CERTIFICATION	34

1. General Information

Scope and Purpose:

This document contains the Part III Actuarial Memorandum for Ambetter of Magnolia Inc.'s individual health block of business annual rate filing, effective January 1, 2019. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT). This is a renewal rate filing.

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 rule and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

Consistent with the October 12, 2017 payment memo from the U.S. Department of Health and Human Services (HHS)¹, the premium rates developed and supported by this Actuarial Memorandum assume that cost-sharing reduction (CSR) subsidies will not be funded. 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 sufficient and neither excessive nor deficient.

Ambetter of Magnolia Inc., asserts that the premium rates developed and supported by this Actuarial Memorandum are based on legislative and regulator provisions in effect at the time of submission, including the continued operation of the risk adjustment program as described in current regulations and guidance. Changes to the administration of the program that impact 2019 may affect the extent to which the premium rates are sufficient and neither excessive nor deficient. Furthermore, delays in resolving the impacts to 2018 and prior years, based on the recent suspension of the risk adjustment program for those years, may lead to emerging disruption in the market, which may also affect the extent to which the premium rates are sufficient and neither excessive nor deficient. Ambetter of Magnolia Inc. reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed to ensure rates are appropriate. In addition to CSR payments and risk adjustment program payments/disruption, material rating impacts could arise from changes to various factors, including but not limited to:

- Advanced Premium Tax Credits
- Limit on age rating factors
- Open enrollment and grace periods
- Enrollment of other populations, most notably Short Term Health Plans and Farm Bureaus, but also Medicare, Medicaid, high risk pools
- Rules for Health Savings Accounts
- Taxes and fees

We have not included any rating adjustments for the potential impact of Short Term and Association Health plans being introduced. Should additional data or analysis support a material impact to the individual risk pool from these plans, we would like to incorporate any such changes into our rates. Further if there are material deviations in market level premiums from our statewide average premium (SWAP) for 2019 - for example, based on changes in the number of carriers in the market or carriers' pricing assumptions for 2019 - we would like to work with the the Mississippi Insurance Department, after initial submissions to revise our filing to update our estimated risk adjustment transfer. Market disruption, resulting from changes or carrier's perceived changes in the risk adjustment program, could also necessitate working with the Department to update other critical pricing assumptions such as market morbidity and/or relative risk.

¹ <https://www.hhs.gov/sites/default/files/csr-payment-memo.pdf>

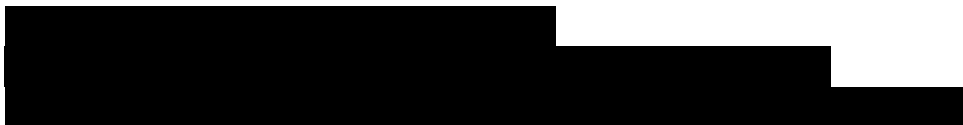
This information is intended for use by the Mississippi Insurance Department, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Ambetter of Magnolia Inc. individual rate filing. However, we recognize that this certification may become a public document.

The results are actuarial projections. Actual results will vary from those projected in the filing for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

Company Identifying Information:

- Company Legal Name: Ambetter of Magnolia Inc.
- State: The State of Mississippi has regulatory authority over these policies
- HIOS Issuer ID: 90714
- Market: Individual
- Effective Date: January 1, 2019

Company Contact Information:



Description of Benefits:

These products are issued by Ambetter of Magnolia Inc. as HMO health policies

The major provisions of this form for each plan design and product can be found in Appendix 1.1.

Rate Guarantees

Rates are guaranteed not to change through December 31, 2019

Renewability

Each policy is renewable by paying the applicable renewal premiums unless the policy holder no longer meets the eligibility requirements of the policy or the company decides not to renew all the policies in the state.

Applicability:

The rates will apply to new and renewing business.

General Marketing Method:

This product will be sold through agents, direct mailings, the internet, and the Federally-facilitated Marketplace.

Estimated Average Annual Premium:

The estimated average annual premium per policy in calendar year 2019 is [REDACTED]

Distribution of Business:

See Appendix 1.2 for the expected age and geographic distributions for these products.

Rate Tables:

See Appendix 1.3 for allowable rating factors. Appendix 1.4 also includes an example of how rating factors will be applied. Note that, for family coverage, rates for children are charged to no more than the three oldest covered children under age 21 consistent with the Patient Protection and Affordable Care Act (ACA).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3. Experience Period Premium and Claims

The following information supports the best estimate of premium and claims for the single risk pool during the experience period, as reported in Worksheet 1, Section I of the URRT. The experience period for this rate filing is calendar year 2017.

Premiums (net of MLR Rebate) in Experience Period:

Earned premium in the experience period, both prior to and net of MLR rebates, as well as the estimated amount of MLR rebates refund [REDACTED] provided in Appendix 3.1.

A table with multiple rows and columns, all of which are completely redacted with black boxes. The structure of the table is not discernible.

Earned premium in the experience period is not adjusted for risk adjustment receivables or payables.

Earned premium in the experience period is not reduced for any reductions prescribed when calculating the issuer's MLR, such as taxes and assessments.


Allowed and Incurred Claims incurred During the Experience Period:

A breakout of the claims shown in Worksheet 1, Section I is provided in the appendices as Appendix 3.2.

A table with multiple rows and columns, all of which are completely redacted with black boxes. The structure of the table is not discernible.

Incurred claims are defined as allowed claims less member cost-sharing and cost-sharing paid by HHS on behalf of low-income members. Note that for rating purposes, we assumed that CSR subsidies were funded for the entire 2017 calendar year rather than recognizing the portion of the 2017 calendar year for which CSRs were not funded, which allowed us to appropriately assess the impact from defunding these subsidies.

4. Benefit Categories



The algorithm used to assign the experience and manual data utilization and cost information is summarized as follows:

Inpatient Hospital

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

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

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

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

Capitation includes all services provided under one or more capitated arrangements.

Prescription Drug

Prescription drug includes drugs dispensed by a pharmacy and is net of rebates.

5. Projection Factors

This section describes and supports the factors used to project the 2017 experience period allowed claims to 2019 projection period as shown in Worksheet 1, Section II of the URRT.

Changes in the Morbidity of the Population Insured:

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Changes in Benefits

[Redacted]

Changes in Demographics (URRT Other Projection Factor):

[Redacted]

[Redacted]

Trend Factors (URRT Cost Trend and URRT Utilization Trend Projection Factors):

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

Other Changes (URRT Other Projection Factor):

[Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

6. Credibility Manual Rate Development

This filing is 100% experience rated. No credibility manual rate is being filed for 2019. This section describes the manual calculations used to supplement and support review of the experience projections described in the prior section.

Source and Appropriateness of Experience Data Used:

Manual Experience Basis

[Redacted]

[Redacted]

[Redacted]

Manual Morbidity Basis

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Adjustments Made to the Data:

[Redacted]

[Redacted]

[Redacted]

Inclusion of Capitation Payments:

[Redacted]

7. Credibility of Experience

Description of the Credibility Methodology Used:

This filing is 100% experience rated, with member months excluding [REDACTED] receiving full credibility. No credibility manual rate is being filed for 2019.

Here, "Member Months" is defined as total 2017 member months across Ambetter's calendar year 2017 individual block of business that are suitable for pricing.

Total 2017 Member Months: [REDACTED]

Credibility Level Assigned to Base Period Experience: 100%

Note that credibility is calculated based on 2017 experience data that is suitable for pricing and may not exactly match the total 2017 member months shown above.

Actuarial Standard of Practice #25 "Credibility Procedures" was considered when determining the credibility level.

8. Paid to Allowed Ratio

The Paid to Allowed Average Factor in the Projection Period for the market is shown on Worksheet 1, Section III of the URRT.



9. Risk Adjustment and Reinsurance

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM:

Final amounts for risk adjustment and reinsurance are not known at this time. The amounts were estimated using data available through 03/31/2018.

Projected Risk Adjustment PMPM:

The Projected Risk Adjustment PMPM is shown on Worksheet I, Section I [REDACTED]

The Risk Transfer calculations are based on the risk adjustment transfer formula, as provided in the Federal Register Volume 78 Number 47, and displayed below.

$$T_i = \left[\frac{PLRS_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot PLRS_i \cdot IDF_i \cdot GCF_i)} - \frac{AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i)} \right] \bar{P}_s$$

Where:

- \bar{P}_s = state average premium;
- $PLRS_i$ = plan i's plan liability risk score;
- AV_i = plan i's metal level AV;
- ARF_i = plan i's allowable rating factor;
- IDF_i = plan i's induced demand factor;
- GCF_i = plan i's geographic cost factor;
- s_i = plan i's share of state enrollment as measured in member months;

and the denominator is summed across all plans in the risk pool in the market in the state.

We project the portfolio average for each factor in the risk adjustment transfer formula using a combination of (i) actual historical risk adjustment factors adjusted to the projected population and (ii) adjustments for market and risk adjustment program changes. The resulting aggregate payment or receivable is then proportionally allocated to all plans in the portfolio.

For the purpose of our modeling, each of these factors was approximated as follows.

\bar{P}_s : The state average premium was assumed to be approxima [REDACTED]

PLRS: The [REDACTED]

HHS's proposed 2017 and 2019 HCC model and coefficient changes for 2019 (including partial year adjustment factors, prescription drug condition categories, and model recalibration) were considered in the development of the projected risk adjustment transfer. The demographic, plan mix, and morbidity assumptions were used to project claims costs.

IDF: The statewide average IDF is projected based on the average IDF of the single risk pool in [REDACTED]

The average IDF for Ambetter of Magnolia Inc. is projected by applying the induced demand factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 11 to Ambetter of Magnolia Inc.'s projected population. The formula recognizes the following IDF factors by metallic tier: Bronze 1.00, Silver, 1.03, Gold 1.08, and Platinum 1.15.

AV: The statewide average actuarial value (AV) is projected based on the average metal level AV of the single risk pool in 2017, as reported by Wakely in their National Risk Adjustment Reporting Project (WNRAR) for the state of Mississippi. The average AV for Ambetter of Magnolia Inc.'s by applying the metal level AV factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 9 to Ambetter of Magnolia Inc.'s projected population. The formula recognizes the following:

AV values by metallic tier: Bronze 0.60, Silver 0.70, Gold 0.80, and Platinum 0.90.

ARF: As stated in the March 11, 2013 Federal Register, page 15433, the allowable rating factor (ARF) adjustment accounts only for age rating.

The statewide average ARF was set equal to the average ARF of the single risk pool in 2016, a [REDACTED]

The average ARF for Ambetter of Magnolia Inc. is projected by applying the proposed 2019 HHS age rating factors to Ambetter of Magnolia Inc.'s projected population. An equal distribution across ages within each age band was assumed.

GCF: The average Geographic Cost Factors for Ambetter of Magnolia Inc.'s membership is projected based on the 2016 GCFs, as reported by HHS, adjusted for projected changes caused by carrier rate actions from 2016 to 2019.

Based on the 2019 Notice of Benefit and Payment Parameters (NBPP), we have also modeled a net risk adjustment payment or receivable for 2019 attributable to the High Risk Pool program changes. We modeled this as the combination of a receivable based on the attachment point and coinsurance outlined in the 2019 NBPP and an assessment as a percentage of premium.

Outliers were reflected in our calculations to the extent that outliers are reflected in historical risk scores used as the starting point of the 2019 risk transfer projection and via the calculation of the net High Risk Pool receivable or payment. Otherwise, there were no "potential outlier assumptions" that would have an impact on transfers.

The risk adjustment transfer amounts shown on Worksheet 1 of the URRT are the actual PMPM amounts expected in the projection period. The risk adjustment transfer amount applied to the Index Rate in the development of the Market Adjusted index Rate is on an allowed claims basis, as the Index Rate is on an allowed claims basis.

The demographic, plan mix, and morbidity assumptions supporting the risk transfer projection are consistent with the demographic, plan mix, and the morbidity assumptions used to project claims costs.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market and Combined Markets Only):

As proposed in the 2018 Payment notice, the Federal Transitional Reinsurance Program ended with the 2016 benefit year. This field has been populated with '0' in the URRT for the 2019 plan year.

10. Non-Benefit Expenses and Profit & Risk

The non-benefit expense values can be found in Appendix 10.1.

Administrative Expense Load:



There is an additional amount to cover approved quality improvement expenses and provider incentive payments.

The administrative expenses are allocated proportionally by plan on a constant percentage of premium basis.

Profit (or Contribution to Surplus) & Risk Margin:

This load was applied proportionally to all products and plans and can be found in Appendix 10.1.

Taxes and Fees:

The taxes and fees which may be subtracted from premiums for purposes of calculating the MLR are listed in Appendix 10.1.

The Risk Adjustment User Fee is netted out of the risk adjustment transfer amount. This value is not included as part of Taxes and Fees on Worksheet 1, Section III of the URRT.

See Section 14, "Market Adjusted Index Rate", for discussion on how the Marketplace user fee is calculated and applied to the Market Adjusted Index Rate.

11. Projected Loss Ratio

The projected medical loss ratio (MLR) is [REDACTED] which satisfies the State of Mississippi's minimum MLR requirement of 80%. This projected MLR is calculated according to 45 CFR 158. The projected MLR is the projected 2019 calendar year single risk pool experience rather than the three-year period used for determining rebates. No credibility adjustment based on projected enrollment and average deductible was estimated; including a credibility adjustment would increase the projected MLR. See Appendix 11.1 for the calculation.

12. Single Risk Pool

The Index Rate is based on the single risk pool set by the State of Mississippi, which was established according to the requirements in 45 CFR Part 156.80. The single risk pool is defined as the non-grandfathered individual business in Mississippi.

The single risk pool for the experience period does not include transitional products/plans. The single risk pool for the 2019 projection period does not include members who are still eligible to remain enrolled in transitional plans.

13. Index Rate

The Index Rate for the Experience Period (calendar year 2017) is a measurement of the average allowed claims PMPM for EHB benefits. This value is located on Worksheet 1, Section I of the URRT. The Index Rate for the Experience Period reflects the actual mixture of smoker/non-smoker population, area factors, plan enrollment, and the actual mixture of risk morbidity in the single risk pool during the experience period. The Index Rate for the Experience Period has not been adjusted for payments and charges under the risk adjustment and reinsurance programs or for Marketplace user fees.

The Index Rate for the Projection Period (calendar year 2019) is reflected in Worksheet 1, Section III of the URRT. It was developed following the specifications of 45 CFR part 156.80(d)(1). The Index Rate for the Projection Period represents the estimated total combined projected allowed claims PMPM for Essential Health Benefits (EHB) for calendar year 2019 and has not been adjusted for payments and charges under the risk adjustment program or for Marketplace user fees. The total allowed claims include benefits in excess of EHBs (adult vision, and adult dental). Pediatric dental is excluded in the benefit package since this will be offered through a stand-alone plan on the Exchange. [REDACTED]

[REDACTED] Index Rate for the Projection Period will remain unchanged until a renewal filing effective January 1, 2020.

The development of the Index Rate for the Projection Period is shown in Worksheet 1, Section II. This reflects:

- The 12-month projection period shown in Worksheet 1, Section II
- The anticipated claim level of the projection period with respect to trend, benefits, and demographics
- The experience of all policies expected to be in the single risk pool (with necessary adjustments)

Appendix 13.1 demonstrates the calculation of the Projected Index Rate by blending the Experience Period Index Rate with the Credibility Manual Index Rate, as applicable. The next three sections further describe the steps taken to develop the Market Adjusted Index Rate and Plan Adjusted Index Rate.

14. Market Adjusted Index Rate

The Index Rate for the Projection Period is adjusted to arrive at the Market Adjusted Index Rate based on the following, as outlined in 45 CFR 156.80(d):

- Adjustment for the Risk Adjustment Program
- Marketplace user fee adjustment

The risk adjustment is described above in Section 9, "Risk Adjustment and Reinsurance". Since the Index Rate is on an allowed claims basis, the market-level adjustments are done on an allowed basis.



Appendix 14.1 shows the development of the Market Adjusted Index Rate.

15. Plan Adjusted Index Rate

The Plan Adjusted Index Rate is included in Worksheet 2, Section IV of the URRT. The Plan Adjusted Index Rate is the Market Adjusted Index Rate adjusted for only the following allowable adjustments, where applicable, as outlined in 45 CFR 156.80(d):

- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
- [REDACTED]
 - [REDACTED]
- [REDACTED]
 - [REDACTED]
- [REDACTED]
 - [REDACTED]

There are no catastrophic plans being offered, so there is no eligibility adjustment made for catastrophic plan enrollment.

Administrative costs and other benefits (non-EHB) common to all plans are added to the Market Adjusted Index Rate. Then, factors for actuarial value and cost-sharing and non-EHBs by plan are applied to reach the Plan Adjusted Index Rate for each plan.

The development and values of the Plan Adjusted Index Rates are shown in Appendix 15.1.

The Plan Adjusted Index Rate reflects the average demographic characteristics of the single risk pool and is not calibrated.

On Worksheet 2, Section III, the Plan Adjusted Index Rate of the Experience Period is reported.

16. Calibration

The Plan Adjusted Index Rate is calibrated for plans within the single risk pool to correspond to an age rating factor of 1.0, a geographic rating factor of 1.0, and a tobacco use rating factor of 1.0. The intent of the calibration factors is to reset the Plan Adjusted Index Rate so that applying the age factor, geographic rating area factor, and tobacco use factor will result in the appropriate consumer adjusted premium rate. The calibration factors for each of the age, geographic, and tobacco use factors are shown in Appendix 16.1. Note that each of the calibration factors has one value that is applied uniformly and does not vary by plan.

Age Curve Calibration:

[REDACTED]

Appendix 16.1 of the Actuarial Memorandum demonstrates the calibration of the Plan Adjusted Index Rate for age. The distribution of members by age is in Appendix 1.2 and the age factors are in Appendix 1.3.

Geographic Factor Calibration:

[REDACTED]

[REDACTED]

Tobacco Use Rating Factor Calibration:

[REDACTED]

Calibration adjustments are applied uniformly to all plans

The calibration adjustment does not vary by plan and is evident in Appendix 16.1. The member-level adjustments as described in 45 CFR 147.102 are applied uniformly to all plans in the single risk pool, and these adjustments do not vary by plan.

[REDACTED]

Appendix 1.2. Appendix 1.4 provides an example of how to determine the schedule of premium rates for each plan.

17. Consumer Adjusted Premium Rate Development

Each Plan Adjusted Index Rate is divided by the overall calibration factor to determine the Calibrated Plan Adjusted Index Rate.

The following allowable rating factors, as specified by 45 CFR Part 147.102, are applied to the Calibrated Plan Adjusted Index Rate to determine the rate that is charged to the health insurance purchaser:

- Rating Area
 - The area factors are listed in Appendix 1.3. The methodology for developing geographic factors is included in Section 16, "Calibration".
- Age
 - The prescribed standard age factors were used.
- Tobacco status

◦



- For family coverage, rates for children are charged to no more than the three oldest covered children under age 21

Appendix 1.3 lists the allowable rating factors and Appendix 1.4 has an example calculation of a family's rates.

18. AV Metal Values

The AV Metal Values included in Worksheet 2 of the Part I URRT were calculated using the final 2019 Federal AV Calculator released on December 28, 2017. Please refer to Appendix 18.1 for screenshots documenting the outcomes of the AV Calculator for each plan.

19. AV Pricing Values

For each plan, we have indicated the portion of the AV Pricing Value that is attributable to each of the allowable modifiers to the Index Rate as described in 45 CFR Part 156, §156.80(d)(2). See Appendix 19.1 for this development.

Each plan's AV Pricing Value represents the cumulative effect of adjustments made by the issuer to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate. The AV Pricing Values reflect the relative impact of the following items:

- The plan's provider network, delivery system characteristics, and utilization management
- The actuarial value and cost-sharing design of the plan, including full plan liability for CSR subsidies. This liability has been allocated uniformly across all ACA-compliant plans, both those sold through the Marketplace and those sold outside of the Marketplace.
- The additional expected cost of non-essential health benefits provided under each plan
- Administrative costs, excluding Marketplace user fees

In order to promote stability over time, the 2019 plan rating factors are adapted from those filed 2018, with adjustments where required to reflect benefit design changes, new benefit plans, and consideration of experience. These adjustments were informed by a combination of the HCGs, (risk-adjusted) AV experience, and claims simulation tools, with population demographic and risk characteristics held constant in order to exclude expected differences in the morbidity of members assumed to select the plan.

20. Membership Projections

[REDACTED]

21. Terminated Plans and Products

A list of the plans being terminated and the plans to which these are being mapped is included in the appendices as Appendix 21.1.

22. Plan Type



23. Warning Alerts



24. Effective Rate Review Information

See Appendix 24.1 for an exhibit summarizing or projected durational loss curve.

The percentage increase amount is stated in the LH Transmittal Document.

The traditional loss ratio of incurred claims to earned premium (without reference to MLR payments, risk adjustment, reinsurance, or risk corridor programs) was expected to [REDACTED] calendar year 2017, while the actual loss ratio was [REDACTED]

25. Reliance

While there are a number of uncertainties for which assumptions were made in the 2019 ACA premium rate development, the issue of continuation of the risk adjustment program/payments and potential market disruption caused by its suspension are critical components. We currently assume the risk adjustment program will continue, and as such have not made any rating adjustments to reflect its suspension and the potential market disruption.

See Appendix 25.1 for a listing of items received and relied upon for the rate development.

26. Actuarial Certification

██████████ member of the American Academy of Actuaries in good standing and meet its qualification standards for actuaries issuing statements of actuarial opinion in the United States promulgated by the American Academy of Actuaries, and have the education and experience necessary to perform the work.

I certify the rates were developed in accordance with the appropriate Actuarial Standards of Practice (ASOPs) and the profession's Code of Professional Conduct. While other ASOPs apply, particular emphasis was placed on the following:

- 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
- 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, Determining Health and Disability 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

I certify that to the best of my knowledge and judgment:

1. The Index Rate for the Projection Period is:
 - a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
 - b. Developed in compliance with the applicable Actuarial Standards of Practice
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered
 - d. Neither excessive nor deficient based on my best estimates of the 2019 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 percent of total premium that represents Essential Health Benefits included in Worksheet 2, Sections III and IV was calculated in accordance with actuarial standards of practice. The EHB portion of premium is appropriate as the basis of determining APTCs.
4. The geographic rating factors used reflect only differences in the cost of delivery, and do not include differences for population morbidity by geographic area.
5. 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. This rate filing was prepared in compliance with all applicable state and federal statutes and regulations.
6. The rate increase complies with the requirements of Bulletin 94-1 and Regulation 73-4.

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 2019 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 2019 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, or a decision by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director to not fund cost-sharing reduction subsidies, advance premium tax credits or a decision not to enforce 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 Advanced Premium Tax Credits (APTCs) and elimination of cost-sharing reduction (CSR) subsidy payments. The continuation of such funding will impact whether rates are sufficient and not excessive.

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: [REDACTED]

Name: [REDACTED]

Title: Actuary

Date: 7/5/2018

Appendices 1.1 - 25.1 have been redacted.