



Part III Actuarial Memorandum

Consumers' Choice Health Insurance Company South Carolina Individual Rate Filing Effective January 1, 2016

Prepared for:
Consumers' Choice Health Insurance Company

Prepared by:
Milliman, Inc.

Kimberley K. Hiemenz, FSA, MAAA
Principal and Consulting Actuary

15800 Bluemound Road
Suite 100
Brookfield, WI 53005
USA
Tel +1 262 784 2250
Fax +1 262 923 3680

milliman.com

TABLE OF CONTENTS

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

1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for the individual comprehensive medical block of business of Consumers' Choice Health Insurance Company d/b/a Consumers' Choice Health Plan (CCHP), effective January 1, 2016. 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 of the premium rate filing, including support for the values entered in the Part I URRT (which supports compliance with the market rating rules and reasonableness of applicable rate increases). This memorandum may not be appropriate for other purposes.

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

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

Please note the rate development in this filing is contingent upon the continued availability of federal subsidies under the Affordable Care Act (ACA) in 2016. If federal subsidies in their current form are not available to eligible residents of South Carolina, substantial changes to this filing may be required.

Company Identifying Information

Company Legal Name:	Consumers' Choice Health Insurance Company
State:	South Carolina
HIOS Issuer ID:	65122
Market:	Individual
Effective Date:	January 1, 2016

Company Contact Information

Primary Contact Name:	Lynda Johnson, ASA, MAAA
Primary Contact Telephone Number:	(423) 305-4900
Primary Contact Email-Address:	ljohnson@chatn.org

2. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to CCHP's existing individual medical ACA-compliant products. The new rates are effective for individuals with an effective date or renewal date of January 1, 2016 through December 31, 2016. The proposed rate increase on 2015 plans weighted on enrollment as of April 2015 is 22.0%. Appendix A summarizes proposed rate increases by plan effective January 1, 2016, including the mapped rate increase for terminating plans. Auto-renewal options for terminating plans are supplied by CCHP in the crosswalk template accompanying this rate filing.

The composite rates in Appendix A are average age 40 non-tobacco rates calculated using CCHP's individual market membership by area and plan as of April 2015. Tobacco loads are not shown in this calculation because CCHP is not changing its tobacco rate load for 2016.

The proposed rate change varies by region and plan. There are a number of 2015 to 2016 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, changes to the provider reimbursements, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan. The area factor changes reflect current estimates of the underlying cost of care delivery. The area factors do not account for any morbidity differences.

The reasons for the rate change are:

- Emerging claim experience,
- Expected future medical and drug inflation and utilization changes,
- Expected changes in provider reimbursement,
- Changes in ACA taxes and fees,
- Changes in expected Federal Transitional Reinsurance Program,
- Expected changes in morbidity of the statewide insured risk pool,
- Change in the mix of business,
- Changes in administrative fees and requested profit margin, and
- Expected payments into the Federal Risk Adjustment program.

3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

CCHP's actual claims for 2014 ACA-compliant individual market business in South Carolina is reflected in URRT Worksheet 1.

Claims Paid Through Date

The 2014 claims incurred in the experience reflect payments through April 21, 2015.

Premiums (Net of MLR Rebate) in Experience Period

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2014). CCHP's 2014 individual ACA loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not needed.

Allowed and Incurred Claims Incurred During the Experience Period

Table 1 provides a breakdown of the allowed and incurred claims during the experience period, as illustrated in Worksheet 1, Section I of the URRT.

Table 1 Consumers' Choice Health Insurance Company 2014 Incurred Claims Summary South Carolina Individual Market		
Claim Category	2014 Allowed Claims	2014 Incurred Claims
Claims with Run-out through April 21, 2015	\$201,930,799	\$157,759,346
Incurred but not Reported (IBNR)	\$9,441,704	\$8,744,717
Total Incurred (URRT Worksheet 1)	\$211,372,502	\$166,504,062

Medical and pharmacy claims are processed by separate external vendors. Both allowed claims and incurred claims were provided directly from CCHP's claim records.

Allowed Claims and Paid Claims reflect the applicable values from CCHP's third-party administrator's claim payment system for claims received and paid for that are covered on a fee-for-service basis (i.e., not capitated) during the experience period.

Incurred but not paid (IBNP) claims are estimated using the lag method and a lag triangle paid through April 21, 2015. Incurred claims are calculated as paid claims plus IBNP.

We developed completion factor based on the ratio of incurred to paid claims. We multiplied allowed claims by the same completion factor applied to paid claims, and subtracted allowed claims to develop allowed IBNP. Total allowed in the experience period equals allowed claims plus allowed IBNP, as illustrated in Table 1.

4. BENEFIT CATEGORIES

Experience and Credibility Manual: Categories are assigned based on place and type of service as follows:

- Inpatient Hospital: facility charges with an overnight stay
- Outpatient Hospital: facility charges without an overnight stay
- Professional: services billed separately from facility claims associated with a given inpatient hospital stay or outpatient procedure
- Other Medical: all other, with units measured as a mix of visits, cases, procedures, etc.
- Capitation: not applicable
- Prescription Drug: prescriptions not billed by a facility or professional

5. PROJECTION FACTORS

Changes in the Morbidity of the Population Insured

Calendar year 2014 was the first year of coverage for many of CCHP's members in the Individual Market. We believe many individuals delayed medical services until they received adequate coverage; this phenomenon is often referred to as "pent-up demand". We estimate the composite impact of pent-up demand for CCHP's Individual members in 2014 was [REDACTED] of allowed claims. The true impact of pent-up demand cannot be known, but we believe this estimate is in a reasonable range. Therefore a projection factor of [REDACTED] is used to remove the impact of pent-up demand, which is not expected to continue into the projection period. This factor is illustrated under "Pop'l risk Morbidity" in URRT Worksheet 1 Section II.

Changes in Benefits

There are no changes to covered benefits for this product. However, we estimate the change in the average utilization of services due to differences in average cost-sharing requirements during the experience period and average cost-sharing requirements in the projection period (i.e., plan design behavior change) is [REDACTED]. This factor is part of the "Util" projection factors illustrated in URRT Worksheet 1, Section II.

Changes in Demographics

The distribution of members by age, gender, and area in the experience period reflects CCHP's actual enrollment. The distribution of members in the projection period (calendar year 2016) is assumed to be the same as the distribution of members in April 2015. We estimate the impact of demographic differences between the experience and projection period is [REDACTED]. Therefore, the projection factor for age and gender is [REDACTED]. This change is part of the "Other" projection factors illustrated in URRT Worksheet 1, Section II.

Other Adjustments

The following adjustments were also made in our projection, as illustrated in URRT Worksheet 1, Section II:

- **Tobacco Use:** CCHP provided data regarding reported tobacco use in its 2014 experience. The projected 2016 proportion of reported tobacco use is based on CCHP's actual Individual experience as of April 2015. The expected impact on CCHP's 2016 allowed claims due to the change in the proportion of tobacco users is [REDACTED]. This change is part of the "Other" projection factors illustrated in URRT Worksheet 1, Section II.
- **Subsidized Cost Sharing:** CCHP provided data for the distribution of members on plans with Federally subsidized cost sharing in the experience period for this product, as well as the distribution of members on such plans in this product as of April 2015. We used the April 2015 membership data to project membership in 2016. Using the membership change combined with the behavior change factors from The Department of Health and Human Services' (HHS's) Risk Adjustment formula, we estimate the impact of subsidized cost sharing on utilization, relative to the experience period, is [REDACTED]. This change is part of the "Util" projection factors illustrated in URRT Worksheet 1, Section II.
- **Provider Reimbursement:** CCHP anticipates small increases in composite provider reimbursement relative to the experience period due to the utilization of the out-of-state rental network, which has a higher level of provider reimbursement than CCHP's in-state network. The net impact of this change in average provider reimbursement is [REDACTED]. This change is part of the "Other" projection factors illustrated in URRT Worksheet 1, Section II.

All factors which are part of the "Other" projection factor are illustrated in Table 2:

Table 2 Consumers' Choice Health Insurance Company Illustration of Other Projection Factors				
Category	Demographics	Tobacco	Provider Reimbursement	Totals
Inpatient	[REDACTED]	[REDACTED]	[REDACTED]	0.907
Outpatient	[REDACTED]	[REDACTED]	[REDACTED]	0.907
Professional	[REDACTED]	[REDACTED]	[REDACTED]	0.907
Other	[REDACTED]	[REDACTED]	[REDACTED]	0.907
Capitation	[REDACTED]	[REDACTED]	[REDACTED]	1.000
Drug	[REDACTED]	[REDACTED]	[REDACTED]	0.907

Trend Factors

Allowed costs were trended from the experience period to the projection period using an aggregate annual [REDACTED] trend. This trend assumption was developed based on general industry knowledge regarding recent trends in medical inflation, Milliman research, and actuarial judgment.

We illustrated our trend assumption separately for unit cost and utilization, as well as by service category, based on weights from Milliman's Commercial *Health Cost Guidelines (HCGs)*. Annualized unit cost trend is illustrated in URRT Worksheet 1 Section II in the "Cost" column of projection factors. Annualized utilization trend is illustrated in URRT Worksheet 1 Section II in the "Util" column of projection factors; as noted above, the utilization trend is combined with the utilization impact of plan design changes, as well as changes due to subsidized cost sharing. The derivation of the utilization factor illustrated in URRT Worksheet 1, Section II is shown in Table 3.

Table 3
Consumers' Choice Health Insurance Company
Illustration of Util Projection Factors

Category	Utilization Trend	Subsidized Cost Sharing	Plan Design Behavior Changes	Totals
Inpatient				0.978
Outpatient				0.996
Professional				0.992
Other				0.992
Capitation				1.000
Drug				0.996

6. CREDIBILITY MANUAL RATE DEVELOPMENT

CCHP's rates rely completely (i.e., 100%) on the experience. Therefore, no manual rate was developed.

7. CREDIBILITY OF EXPERIENCE

As indicated in URRT Worksheet 1, Section II, we assigned 100% credibility to CCHP's Individual experience in calendar year 2014. CCHP's experience consists of over 450,000 member-months, which we consider fully credible.

8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the Paid (i.e., after member cost sharing) and Allowed (i.e., before member cost sharing) claims for each plan on a PMPM basis, and taking the ratio of the weighted average Paid PMPM to weighted average Allowed PMPM. The weighting is by projected member months by plan as shown in Appendix B. Appendix B uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

9. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

As CMS announced on June 30, 2015, CCHP will pay \$6,160,779 into the South Carolina individual risk adjustment pool for 2014. This is shown by plan (in addition to risk adjustment user fees, per HHS's instructions) in URRT Worksheet 2 Section III.

Projected Risk Adjustments PMPM

We assume CCHP's risk adjustment payment will be [REDACTED] in 2016. For the 2014 benefit year, CCHP will pay approximately 3.8% of 2014 premium. We assume CCHP's risk adjustment results will improve in 2016 relative to 2014 (i.e. CCHP's risk score will be closer to the statewide average in 2016) due to the following reasons:

- The morbidity and mix changes CCHP anticipates for 2016;
- New carriers are at a disadvantage with respect to risk adjustment, and CCHP will no longer be a new carrier in 2016;
- Historical data for members will allow CCHP to improve its risk adjustment coding in 2016;

- CCHP anticipates a narrower range of premium rates between South Carolina competitors in 2016, which may decrease selection among carriers; and
- The potential impact on the statewide morbidity of transitional policies entering the market.

This payment, in addition to user fees, is illustrated in URRT Worksheet 1, Section III and in URRT Worksheet 2 Section IV.

The risk transfer receipts, net of risk adjustment fees, was applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS. The impact of risk adjustment on the Market Adjusted Index Rate is an increase, as described in Section 14 of this Memorandum.

Experience Period Reinsurance PMPM

Estimates for Federal reinsurance received for each plan in the experience period are illustrated in URRT Worksheet 2 Section III, net of reinsurance contributions per HHS's instructions. We developed this estimate based on a review of CCHP's large claims in 2014 for the plans in this product.

Projected Reinsurance Recoveries PMPM

We estimated Federal reinsurance recoveries in the projection period will be \$14.66 PMPM, as illustrated in URRT Worksheet 1, Section III. This amount is net of the 2016 reinsurance premiums of \$2.25 PMPM. These receipts are also illustrated in URRT Worksheet 2 Section IV net of reinsurance premiums, per HHS's instructions. The recoveries assume CCHP will receive 50% of all CCHP's individual members' per member per year incurred claims between \$90,000 and \$250,000.

We estimated the recoveries using Milliman's *HCGs* claim probability distributions (CPDs) calibrated to CCHP's projected experience. CPDs are a frequency distribution of claim amounts that can be used to estimate PMPM claims between deductibles and stop-loss amounts. Appendix C displays the calculations. The net recoveries were applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Administrative Expense Load

We estimate CCHP's administrative expenses to be \$49.09 PMPM. This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by CCHP based on a projection of 2016 expenses using 2015 budgeted expenses and anticipated changes from 2015 to 2016. This amount does not include any profit, risk load, taxes, or assessments described below. Table 4 below summarizes CCHP's administrative expenses.

Table 4 Consumers' Choice Health Insurance Company Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin		
Commission		
Commercial Reinsurance Recoveries		
Commercial Reinsurance Premiums		
Subtotal: Administrative Expense Load	\$49.09	12.47%

Profit and Risk Margin

Profit and Risk Margin target values were determined as an aggregate value for the single-risk pool based on CCHP's goals for contribution to surplus in 2016. CCHP's 2016 rates include a 0.74% profit which is used consistently for all plans in this product. This is an increase from the break-even profit target in the prior filing. CCHP's increased its profit and risk margin to strengthen its surplus and help maintain required surplus levels.

Taxes and Fees

Table 5 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URRT, as PMPM values.

Table 5 Consumers' Choice Health Insurance Company Projected 2016 Taxes and Fees	
Item	PMPM
PCORI	\$0.19
Health Insurer Fee	
Marketplace User Fee	
State Premium Tax	
Municipal Premium Tax	
Total	\$26.56

The exchange user fee was applied as an adjustment to the index rate at the market level. Specifically, the [REDACTED] PMPM Marketplace user fee was allocated across all projected individual enrollment both on and off exchange.

11. PROJECTED LOSS RATIO

The projected loss ratio based on federally prescribed MLR methodology (excluding allowable adjustments, such as for credibility, quality improvement expenses, and high deductible) is [REDACTED]. Table 6 outlines the individual components of the MLR calculation.

Table 6 Consumers' Choice Health Insurance Company 2016 Projected Medical Loss Ratio		
	Amount PMPM	Annotation
Claims	\$321.63	(1)
Adjustments to Claims ¹	[REDACTED]	(2)
MLR Numerator		(3) = (1) + (2)
Premiums	\$393.55	(4)
Taxes & Fees ²	\$ (28.95)	(5)
MLR denominator	\$364.60	(6) = (4) + (5)
Projected MLR	[REDACTED]	(7) = (3) / (6)

¹ Adjustments include allowable expenses such as quality improvement, risk adjustment and reinsurance recoveries.

² Adjustments include all applicable ACA taxes and fees. This differs from the Table 5 total due to inclusion of reinsurance premium and risk adjustment user fees.

12. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). CCHP does not have any individual transitional plans or individual grandfathered plans.

13. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

Section 3 (Experience Period Premium and Claim) of this memorandum describes the development of the experience index rate. The experience period index rate covers a 12-month period for individuals effective January 1, 2014 through December 31, 2014.

The index rate for the projection period is a measurement of average allowed claims PMPM for EHBs. Section 5 (Projection Factors) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2016 mixture of catastrophic / non-catastrophic enrollment and the projected mixture of risk morbidity that CCHP expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.

The projected index rate for January 1, 2016 through December 31, 2016 is in Worksheet 1, Section III of the URRT. The projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors. Please refer to Section 5 (Projection Factors) for a description of the factors applied to the historical experience to develop the projected index rate.

14. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 7 shows the development of the market-adjusted index rate. (All components in the calculation were derived elsewhere in this memorandum.) The adjustments in Table 7 are applied to the Index Rate on an allowed basis as required by CMS.

Table 7 Consumers' Choice Health Insurance Company Market Adjusted Index Rate Development		
	Amount PMPM	Annotation
Index Rate	\$444.15	(1)
Net Risk Adjustment	8.02	(2)
Net Transitional Reinsurance	-14.66	(3)
Marketplace User Fee		(4)
Paid to Allowed Average Factor	72.4%	(5)
Market Adjustments (Allowed Basis)		(6) = [(2)+(3)+4] ÷ (5)
Market Adjusted Index Rate		(7) = (1) + (6)

15. PLAN-ADJUSTED INDEX RATE

Experience Period Plan-Adjusted Index Rates

The experience period Plan-Adjusted Index Rates shown in URRT Worksheet 2, Section III are calculated for each plan as the plan's age-21 rate in 2014 times the composite age and geographic factors developed as part of 2014 pricing. Experience period plan-adjusted index rates for terminated plans are shown as zero. Consistent with HHS's instructions to show mapped experience in the mapped plan's column, the experience period plan-adjusted index rates for terminated plans have been averaged with the plan-adjusted index rates for the mapped plans in the mapped plan's column.

Projection Period Plan-Adjusted Index Rates

The development of the plan-adjusted index rates are shown in Appendix D and URRT Worksheet 2, Section IV. The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

Actuarial Value and Cost Sharing Adjustment

- The Actuarial Value and Plan Design Behavior Change factors were developed in an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines (HCGs)*, with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to CCHP's experience. Health status was not used to establish benefit plan relativities.
- Per HHS's instructions, the Actuarial Value and Cost Sharing adjustment also includes an adjustment for non-tobacco user status. The adjustment is based on the expected percentage of tobacco users and CCHP's tobacco use surcharge.

Provider Network, Delivery System, and Utilization Management Adjustment

The value of each provider network was determined based on the experience of CCHP and any anticipated differences in the network of a given plan as compared to the current network.

Adjustment for Benefits in Addition to the EHB

CCHP does not offer any non-EHB benefits.

Adjustment for Distribution and Administrative Costs

Administrative costs are applied evenly to all plans by developing CCHP's expected administrative costs as a percent of premium.

Catastrophic Adjustment

With respect to the catastrophic plan, a ■ morbidly improvement was used to reflect the specific eligibility requirements at any given age for catastrophic plans. In addition, the catastrophic adjustment factor reflects the projected average demographics of individuals enrolled in a catastrophic plan relative to the other metal tiers. That is, the catastrophic plans are likely to attract a young, healthy population seeking minimal coverage yet still meeting the individual mandate. The morbidly improvement assumption was based on actuarial judgment after reviewing the relative cost among various ages in Milliman's *HCGs* and projected risk scores developed from the HHS risk model.

16. CALIBRATION

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

The approximate weighted average age of the projected single risk pool is ■ years. We calculated the risk pool weighted average age by projecting membership on a 5-year age group. The age curve calibration is applied to all plans. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

CCHP applies geographic rating factors to its plans as shown in Appendix E. Geographic rating factors are developed based on CCHP's expectations regarding provider reimbursement in 2016. Health status is not reflected in the geographic factors, and it is not CCHP's intent to use area factors to rate for morbidity.

The development of the plan-adjusted calibrated index rates is shown in Appendix F.

17. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan 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 consumer adjusted index rate, the geographic rating factor, and the age rating factor. CCHP applies a tobacco surcharge of 20% for tobacco users age 21 and older.

The development of the consumer-adjusted premium rates are shown in Appendix G.

18. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator (AVC). In some cases, it was necessary to use an alternate methodology to develop the AV Metal Value because the plan design couldn't be valued in the AVC. The attached actuarial certification and supplemental memorandum in Appendix I includes additional detail describing these calculations.

The AV Metal Value entered in Worksheet 2 for plan 65122SC0010008, since it is Catastrophic, is consistent with our best estimate of the Paid to Allowed Ratio (see Appendix B). AV Metal values for terminated plans are the AV metal value reported in the URRT for the last year the plan was offered.

19. AV PRICING VALUES

Appendix H provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), to arrive at the plan level rate.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman's HCGs to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

20. MEMBERSHIP PROJECTIONS

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

- Historical sales for CCHP's individual products, and
- Anticipated activity in the South Carolina individual health insurance market due to various health care reform provisions and the changing competitive environment.

CCHP used its early 2015 enrollment to project the enrollment distribution by plan.

Projected membership on plans eligible for cost sharing reduction (CSR) subsidies is projected based on CCHP's enrollment on CSR plans as of April 2015. See Table 8 below for the projected Silver plan enrollment by CSR status.

Table 8 Consumers' Choice Health Insurance Company Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 73%	
Silver 87%	
Silver 94%	
Standard Silver	
Total	100.0%

21. TERMINATED PRODUCTS

CCHP did not offer plans prior to 2014. No plans were terminated on December 31, 2014.

The following plans sold in 2015 will be terminated effective December 31, 2015.

Table 9 Consumers' Choice Health Insurance Company Terminated Plans & Auto-Renewals		
Terminated HIOS ID	Plan Name	Default Renewal HIOS ID
65122SC0010009	Consumers' Choice Gold HDP 1	65122SC0010002
65122SC0010010	Consumers' Choice Silver 3	65122SC0010003
65122SC0010011	Consumers' Choice Silver 4	65122SC0010004
65122SC0010012	Consumers' Choice Silver HDP 2	65122SC0010005
65122SC0010013	Consumers' Choice Bronze HDP 2	65122SC0010007
65122SC0010014	Consumers' Choice Bronze 2	65122SC0010026
65122SC0010015	Consumers' Choice Bronze HDP 3	65122SC0010007
65122SC0010016	Consumers' Choice Bronze HDP 4	65122SC0010007
65122SC0010017	Consumers' Choice Silver HDP 3	65122SC0010005
65122SC0010018	Consumers' Choice Silver HDP 4	65122SC0010005
65122SC0010019	Consumers' Choice Silver 5	65122SC0010003
65122SC0010020	Consumers' Choice Silver 6	65122SC0010004
65122SC0010021	Consumers' Choice Silver 7	65122SC0010004
65122SC0010022	Consumers' Choice Silver 8	65122SC0010029
65122SC0010023	Consumers' Choice Gold 3	65122SC0010002

22. PLAN TYPE

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT.

23. WARNING ALERTS

The URRT shows the following warnings:

- There is a warning in Worksheet 2, cell A54, because the Section III average Plan Adjusted Index Rate does not match the experience premium PMPM from Worksheet 1. This variance is due to the fact that the experience Plan Adjusted Index Rate reported in Worksheet 2, row 54 for single risk pool compliant plans is based on the Index Rate filed in 2014, the market adjustments filed in 2014, and the allowable plan adjustments in 2014, consistent with HHS's instructions. However, the premium reported in Worksheet 1 is based on actual experience.
- There is a warning in Worksheet 2, cell A56. The calculated amounts in this row are based on the PMPMs entered in row 54, and so the warning exists for the same reasons as the Warning for cell A54 as explained above.
- There is a warning in Worksheet 2, cell A67. This warning is created by the difference between the incurred claims in the experience period reported in Worksheet 1 and the calculated incurred claims in the experience period in Worksheet 2. The amount reported in Worksheet 1 is allowed claims net of member cost sharing and net of cost-sharing paid by HHS on behalf of low-income members, consistent with HHS's instructions; thus it does not reflect reinsurance receipts. The amount calculated in Worksheet 2 is allowed claims less "Allowed Claims which are not the issuer's obligation" (Worksheet 2 row 64), which includes Federal reinsurance payments, per HHS's instructions. Thus, the incurred claims calculated in Worksheet 2 row 67 are net of reinsurance. The difference between Worksheet 1 and Worksheet 2 incurred claims is not, however, exactly equal to Worksheet 2 cell F69, since that amount is net of Federal reinsurance contributions.
- There is a warning in Worksheet 2, cell A72. The calculated amounts in this row are based on the PMPMs entered in row 67, and so the warning exists for the same reasons as the Warning for cell A67 as explained above.
- There are warnings generated by the Validate macro for Worksheet 2 cells H65, I65, J65, K65, L65, M65. These warnings say "(Section III - Portion of above payable by HHS's funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015." Based on verbal guidance from CCIO, we recognize these warnings are an error in the URRT's programming, and consistent with CCIO's guidance, we are ignoring these warnings.

24. RELIANCE

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

We performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

A data reliance letter is attached to this rate submission.

25. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. This filing is prepared on behalf of Consumers' Choice Health Insurance Company

I certify to the best of my knowledge and judgment:

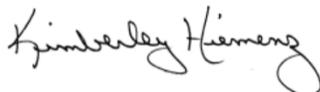
1. The projected index rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
 - Developed in compliance with the applicable Actuarial Standards of Practice,
 - Reasonable in relation to the benefits provided and the population anticipated to be covered, and
 - Neither excessive nor deficient based on my best estimates of the 2016 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 were calculated in accordance with actuarial standards of practice.
4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.
5. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

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

The information provided in this Actuarial Memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop propose premium rates. It does certify rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Respectfully Submitted,



Kimberley K. Hiemenz, FSA, MAAA
Principal and Consulting Actuary, Milliman
August 18, 2015

RELIANCE LETTER



May 9, 2015

Mrs. Kimberley K. Hiemenz, FSA, MAAA
Principal and Consulting Actuary
Milliman, Inc.
15800 Bluemound Road - Suite 100
Brookfield, WI 53005-6069

Re: Consumers' Choice Health Plan's 2016 Individual and Small Group Pricing

Dear Kim:

I, Lynda Johnson, ASA, MAAA Director of Product Development and Chief Actuary at Consumers' Choice Health Insurance Company d/b/a Consumers' Choice Health Plan (CCHP), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the 2016 individual and small group premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

1. Benefit plans for the individual and small group products CCHP intends to offer in 2016,
2. Product name, product ID, and plan name as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
3. Product IDs and plan IDs are compliant with Federal regulations,
4. Membership data as of April 2015
5. Projected 2016 enrollment by plan and rating region,
6. Projected administrative expenses and target profit,
7. Actual provider reimbursement by rating region,
8. 2014 claims, premium, Cost-Sharing Reduction subsidy, Federal Reinsurance, Federal Risk Adjustment, and membership experience for CCHP's individual and small group ACA plans,

4995 Lacross Road, Suite 1300
North Charleston, SC 29406
www.cchpsc.org

Telephone: 843.747.6300
Facsimile: 843.735.5458
Toll Free: 1-888-537-0055

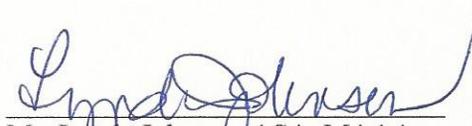
Consumers' Choice Health Insurance Company



9. Guidance on appropriate medical trend factors for CCHP,
10. Projected relative cost and utilization of CCHP's networks,
11. Expectations regarding Federal Risk Adjustment,
12. Assurance CCHP has accurately entered plan designs into the PBT and other Federal forms and found no meaningful discrepancies in the Actuarial Value calculations, and
13. Other information provided by CCHP in various meetings, phone calls, emails, and other correspondence.

May 9, 2015

Date



Ms. Lynda Johnson, ASA, MAAA
Director of Product Development and
Chief Actuary
Consumers' Choice Health Plan

APPENDICES

**Appendix A
Consumers' Choice Health Insurance Company
2016 Individual Rate Filing**

2016 Individual Premium Rate Increases - 2015 Plans, Including Terminating Plans, Average Age 40 Rates

2015 HIOS ID	Continuing or Terminating on 12/31/2015	2016 HIOS ID	2015 Plan	2016 Plan	2015 Membership	Average Age 40 2015 Rate	Average Age 40 2016 Rate	Rate Increase
65122SC0010001	Continuing	65122SC0010001	Consumers' Choice Gold 1	Consumers' Choice Gold 1	2.2%	\$313		
65122SC0010002	Continuing	65122SC0010002	Consumers' Choice Gold 2	Consumers' Choice Gold 2	1.7%	\$306		
65122SC0010003	Continuing	65122SC0010003	Consumers' Choice Silver 1	Consumers' Choice Silver 1	9.3%	\$268		
65122SC0010004	Continuing	65122SC0010004	Consumers' Choice Silver 2	Consumers' Choice Silver 2	31.5%	\$266		
65122SC0010005	Continuing	65122SC0010005	Consumers' Choice Silver HDP 1	Consumers' Choice Silver HDP 1	7.7%	\$271		
65122SC0010006	Continuing	65122SC0010006	Consumers' Choice Bronze 1	Consumers' Choice Bronze 1	5.7%	\$209		
65122SC0010007	Continuing	65122SC0010007	Consumers' Choice Bronze HDP 1	Consumers' Choice Bronze HDP 1	8.0%	\$196		
65122SC0010008	Continuing	65122SC0010008	Consumers' Choice Value Plan	Consumers' Choice Value Plan	0.6%	\$173		
65122SC0010009	Terminating	65122SC0010002	Consumers' Choice Gold HDP 1	Consumers' Choice Gold 2	0.2%	\$304		
65122SC0010010	Terminating	65122SC0010003	Consumers' Choice Silver 3	Consumers' Choice Silver 1	0.1%	\$264		
65122SC0010011	Terminating	65122SC0010004	Consumers' Choice Silver 4	Consumers' Choice Silver 2	0.0%	\$255		
65122SC0010012	Terminating	65122SC0010005	Consumers' Choice Silver HDP 2	Consumers' Choice Silver HDP 1	0.0%	\$245		
65122SC0010013	Terminating	65122SC0010007	Consumers' Choice Bronze HDP 2	Consumers' Choice Bronze HDP 1	0.0%	\$221		
65122SC0010014	Terminating	65122SC0010026	Consumers' Choice Bronze 2	Consumers' Choice Bronze 10	0.0%	\$206		
65122SC0010015	Terminating	65122SC0010007	Consumers' Choice Bronze HDP 3	Consumers' Choice Bronze HDP 1	0.0%	\$202		
65122SC0010016	Terminating	65122SC0010007	Consumers' Choice Bronze HDP 4	Consumers' Choice Bronze HDP 1	0.1%	\$205		
65122SC0010017	Terminating	N/A*	Consumers' Choice Silver HDP 3	N/A*	0.0%	N/A*		
65122SC0010018	Terminating	65122SC0010005	Consumers' Choice Silver HDP 4	Consumers' Choice Silver HDP 1	0.0%	\$282		
65122SC0010019	Terminating	65122SC0010003	Consumers' Choice Silver 5	Consumers' Choice Silver 1	0.0%	\$272		
65122SC0010020	Terminating	65122SC0010004	Consumers' Choice Silver 6	Consumers' Choice Silver 2	0.0%	\$251		
65122SC0010021	Terminating	65122SC0010004	Consumers' Choice Silver 7	Consumers' Choice Silver 2	0.0%	\$301		
65122SC0010022	Terminating	65122SC0010029	Consumers' Choice Silver 8	Consumers' Choice Silver 20	0.0%	\$259		
65122SC0010023	Terminating	65122SC0010002	Consumers' Choice Gold 3	Consumers' Choice Gold 2	0.1%	\$310		
65122SC0010024	Continuing	65122SC0010024	Consumers' Choice Silver 10	Consumers' Choice Silver 10	17.7%	\$258		
65122SC0010025	Continuing	65122SC0010025	Consumers' Choice Silver 11	Consumers' Choice Silver 11	0.2%	\$276		
65122SC0010026	Continuing	65122SC0010026	Consumers' Choice Bronze 10	Consumers' Choice Bronze 10	12.0%	\$204		
65122SC0010027	Continuing	65122SC0010027	CO-Options Consumers' Choice Silver 12, A Multistate Plan	CO-Options Consumers' Choice Silver 12, A Multistate Plan	1.3%	\$265		
65122SC0010028	Continuing	65122SC0010028	CO-Options Consumers Choice' Gold 4, A Multistate Plan	CO-Options Consumers Choice' Gold 4, A Multistate Plan	1.5%	\$292		
Composite - All Plans					100.00%	\$250	\$305	22.0%

*No membership on this plan in April 2015. No members will be auto-renewing and the plan is terminating.

Appendix B
Consumers' Choice Health Insurance Company
2016 Individual Rate Filing
Development of Paid to Allowed

Plan Name	HIOS ID	Projected Membership	Allowed Claims	Paid Claims	Paid to Allowed Ratio
Consumers' Choice Gold 1	65122SC0010001	2.3%			
Consumers' Choice Gold 2	65122SC0010002	1.7%			
Consumers' Choice Silver 1	65122SC0010003	9.3%			
Consumers' Choice Silver 2	65122SC0010004	27.8%			
Consumers' Choice Silver HDP 1	65122SC0010005	7.7%			
Consumers' Choice Bronze 1	65122SC0010006	5.8%			
Consumers' Choice Bronze HDP 1	65122SC0010007	6.0%			
Consumers' Choice Value Plan	65122SC0010008	0.6%			
Consumers' Choice Silver 10	65122SC0010024	17.8%			
Consumers' Choice Silver 11	65122SC0010025	0.2%			
Consumers' Choice Bronze 10	65122SC0010026	12.1%			
CO-OPtions Consumers' Choice Silver 12, A Multistate Plan	65122SC0010027	1.3%			
CO-OPtions Consumers Choice' Gold 4, A Multistate Plan	65122SC0010028	1.5%			
Consumers' Choice Silver 20	65122SC0010029	4.0%			
Consumers' Choice Bronze 20	65122SC0010030	2.0%			
Composite		100.0%	\$444.15	\$321.63	0.724

Appendix C Consumers' Choice Health Insurance Company 2016 Individual Rate Filing Expected Impact of the Federal Transitional Reinsurance Program		
	<u>Amount</u>	<u>Annotation</u>
Percentage of annual claims in excess of \$90,000	[REDACTED]	(1)
Percentage of annual claims in excess of \$250,000	[REDACTED]	(2)
Average annual claim size in excess of \$90,000	[REDACTED]	(3)
Average annual claim size in excess of \$250,000	[REDACTED]	(4)
Annual reinsurance payments requested per member	[REDACTED]	(5) = 50% of (1) x (3) - (2) x (4)
Annual reinsurance payments requested PMPM	\$16.91	(6) = (5)/12
Annual reinsurance payments received PMPM	\$16.91	(7) = 100% of (6)
Less Reinsurance Premiums Paid	\$2.25	(8)
Reinsurance Recoveries Net of Reinsurance Premium PMPM	\$14.66	(7) - (8)

Appendix D
Consumers' Choice Health Insurance Company
2016 Individual Rate Filing
Development of Plan Adjusted Index Rate

Plan Name	HIOS Plan ID	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits in Addition To EHBs	Catastrophic Adjustment	Administrative Costs Excl. Exchange Fee	Plan Adjusted Index Rate
Consumers' Choice Gold 1	65122SC0010001							\$524.54
Consumers' Choice Gold 2	65122SC0010002							\$507.07
Consumers' Choice Silver 1	65122SC0010003							\$413.94
Consumers' Choice Silver 2	65122SC0010004							\$404.15
Consumers' Choice Silver HDP 1	65122SC0010005							\$430.36
Consumers' Choice Bronze 1	65122SC0010006							\$306.89
Consumers' Choice Bronze HDP 1	65122SC0010007							\$320.95
Consumers' Choice Value Plan	65122SC0010008							\$241.16
Consumers' Choice Silver 10	65122SC0010024							\$397.88
Consumers' Choice Silver 11	65122SC0010025							\$446.10
Consumers' Choice Bronze 10	65122SC0010026							\$301.44
CO-OPtions Consumers' Choice Silver 12, A Multistate Plan	65122SC0010027							\$455.25
CO-OPtions Consumers' Choice' Gold 4, A Multistate Plan	65122SC0010028							\$534.85
Consumers' Choice Silver 20	65122SC0010029							\$398.67
Consumers' Choice Bronze 20	65122SC0010030							\$290.62

Appendix E
Consumers' Choice Health Insurance Company
2016 Individual Rate Filing
Geographic Calibration Factor

Rating Area	Projected Member Distribution	Premium Relativity
Rating Area 1		
Rating Area 2		
Rating Area 3		
Rating Area 4		
Rating Area 5		
Rating Area 6		
Rating Area 7		
Rating Area 8		
Rating Area 9		
Rating Area 10		
Rating Area 11		
Rating Area 12		
Rating Area 13		
Rating Area 14		
Rating Area 15		
Rating Area 16		
Rating Area 17		
Rating Area 18		
Rating Area 19		
Rating Area 20		
Rating Area 21		
Rating Area 22		
Rating Area 23		
Rating Area 24		
Rating Area 25		
Rating Area 26		
Rating Area 27		
Rating Area 28		
Rating Area 29		
Rating Area 30		
Rating Area 31		
Rating Area 32		
Rating Area 33		
Rating Area 34		
Rating Area 35		
Rating Area 36		
Rating Area 37		
Rating Area 38		
Rating Area 39		
Rating Area 40		
Rating Area 41		
Rating Area 42		
Rating Area 43		
Rating Area 44		
Rating Area 45		
Rating Area 46		
Geographic Calibration Factor		1.0000

Appendix F
Consumers' Choice Health Insurance Company
2016 Individual Rate Filing
Plan Adjusted Index Rate Calibration

Plan Name	HIOS Plan ID	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Consumer Adjusted Index Rate
Consumers' Choice Gold 1	65122SC0010001	\$524.54				
Consumers' Choice Gold 2	65122SC0010002	\$507.07				
Consumers' Choice Silver 1	65122SC0010003	\$413.94				
Consumers' Choice Silver 2	65122SC0010004	\$404.15				
Consumers' Choice Silver HDP 1	65122SC0010005	\$430.36				
Consumers' Choice Bronze 1	65122SC0010006	\$306.89				
Consumers' Choice Bronze HDP 1	65122SC0010007	\$320.95				
Consumers' Choice Value Plan	65122SC0010008	\$241.16				
Consumers' Choice Silver 10	65122SC0010024	\$397.88				
Consumers' Choice Silver 11	65122SC0010025	\$446.10				
Consumers' Choice Bronze 10	65122SC0010026	\$301.44				
CO-Options Consumers' Choice Silver 12, A Multistate Plan	65122SC0010027	\$455.25				
CO-Options Consumers Choice' Gold 4, A Multistate Plan	65122SC0010028	\$534.85				
Consumers' Choice Silver 20	65122SC0010029	\$398.67				
Consumers' Choice Bronze 20	65122SC0010030	\$290.62				

Appendix G
Consumers' Choice Health Insurance Company
2016 Individual Rate Filing
Development of Consumer Premium Rate

Plan Name	HIOS Plan ID	Metal Tier	Index Rate	Market Adjusted Index Rate	Plan Adjusted Index Rate	Consumer Adjusted Index Rate
Consumers' Choice Gold 1	65122SC0010001	Gold	\$444.15		\$524.54	
Consumers' Choice Gold 2	65122SC0010002	Gold	\$444.15		\$507.07	
Consumers' Choice Silver 1	65122SC0010003	Silver	\$444.15		\$413.94	
Consumers' Choice Silver 2	65122SC0010004	Silver	\$444.15		\$404.15	
Consumers' Choice Silver HDP 1	65122SC0010005	Silver	\$444.15		\$430.36	
Consumers' Choice Bronze 1	65122SC0010006	Bronze	\$444.15		\$306.89	
Consumers' Choice Bronze HDP 1	65122SC0010007	Bronze	\$444.15		\$320.95	
Consumers' Choice Value Plan	65122SC0010008	Catastrophic	\$444.15		\$241.16	
Consumers' Choice Silver 10	65122SC0010024	Silver	\$444.15		\$397.88	
Consumers' Choice Silver 11	65122SC0010025	Silver	\$444.15		\$446.10	
Consumers' Choice Bronze 10	65122SC0010026	Bronze	\$444.15		\$301.44	
CO-Options Consumers' Choice Silver 12, A Multistate Plan	65122SC0010027	Silver	\$444.15		\$455.25	
CO-Options Consumers' Choice' Gold 4, A Multistate Plan	65122SC0010028	Gold	\$444.15		\$534.85	
Consumers' Choice Silver 20	65122SC0010029	Silver	\$444.15		\$398.67	
Consumers' Choice Bronze 20	65122SC0010030	Bronze	\$444.15		\$290.62	

Age Band	Rate Factor	Tobacco Factor
0-20	0.635	1.000
21	1.000	1.200
22	1.000	1.200
23	1.000	1.200
24	1.000	1.200
25	1.004	1.200
26	1.024	1.200
27	1.048	1.200
28	1.087	1.200
29	1.119	1.200
30	1.135	1.200
31	1.159	1.200
32	1.183	1.200
33	1.198	1.200
34	1.214	1.200
35	1.222	1.200
36	1.230	1.200
37	1.238	1.200
38	1.246	1.200
39	1.262	1.200
40	1.278	1.200
41	1.302	1.200
42	1.325	1.200
43	1.357	1.200
44	1.397	1.200
45	1.444	1.200
46	1.500	1.200
47	1.563	1.200
48	1.635	1.200
49	1.706	1.200
50	1.786	1.200
51	1.865	1.200
52	1.952	1.200
53	2.040	1.200
54	2.135	1.200
55	2.230	1.200
56	2.333	1.200
57	2.437	1.200
58	2.548	1.200
59	2.603	1.200
60	2.714	1.200
61	2.810	1.200
62	2.873	1.200
63	2.952	1.200
64	3.000	1.200
65 and over	3.000	1.200

Geographic Factors	
Rating Area	Rate Factor
Rating Area 1	
Rating Area 2	
Rating Area 3	
Rating Area 4	
Rating Area 5	
Rating Area 6	
Rating Area 7	
Rating Area 8	
Rating Area 9	
Rating Area 10	
Rating Area 11	
Rating Area 12	
Rating Area 13	
Rating Area 14	
Rating Area 15	
Rating Area 16	
Rating Area 17	
Rating Area 18	
Rating Area 19	
Rating Area 20	
Rating Area 21	
Rating Area 22	
Rating Area 23	
Rating Area 24	
Rating Area 25	
Rating Area 26	
Rating Area 27	
Rating Area 28	
Rating Area 29	
Rating Area 30	
Rating Area 31	
Rating Area 32	
Rating Area 33	
Rating Area 34	
Rating Area 35	
Rating Area 36	
Rating Area 37	
Rating Area 38	
Rating Area 39	
Rating Area 40	
Rating Area 41	
Rating Area 42	
Rating Area 43	
Rating Area 44	
Rating Area 45	
Rating Area 46	

Consumer Adjusted Index Rate is the base rate for a given plan.

The premium for a consumer is calculated as:

Consumer Adjusted Index Rate

x Age Factor

x Geography Factor

x Tobacco Factor

Premium Rate Example:

Consumers' Choice Silver 1 (Plan ID: 65122SC0010003)

Age: 27 Years Old, Non-Smoker

Rating Area: 2

Effective Date: January 1, 2016

Appendix H
Consumers' Choice Health Insurance Company
2016 Individual Rate Filing
Development of AV Pricing Value

Plan Name	HIOS Plan ID	AV & Cost Sharing	Administrative Costs Excl. Exchange Fee	Provider Network Adjustment	Benefits in Addition To EHBs	Catastrophic Adjustment	AV Pricing Value
Consumers' Choice Gold 1	65122SC0010001						1.156
Consumers' Choice Gold 2	65122SC0010002						1.118
Consumers' Choice Silver 1	65122SC0010003						0.913
Consumers' Choice Silver 2	65122SC0010004						0.891
Consumers' Choice Silver HDP 1	65122SC0010005						0.949
Consumers' Choice Bronze 1	65122SC0010006						0.677
Consumers' Choice Bronze HDP 1	65122SC0010007						0.708
Consumers' Choice Value Plan	65122SC0010008						0.532
Consumers' Choice Silver 10	65122SC0010024						0.877
Consumers' Choice Silver 11	65122SC0010025						0.983
Consumers' Choice Bronze 10	65122SC0010026						0.665
CO-Options Consumers' Choice Silver 12, A Multistate Plan	65122SC0010027						1.004
CO-Options Consumers Choice' Gold 4, A Multistate Plan	65122SC0010028						1.179
Consumers' Choice Silver 20	65122SC0010029						0.879
Consumers' Choice Bronze 20	65122SC0010030						0.641

Appendix I
Actuarial Value Memorandum
Consumers' Choice Health Insurance Company

The purpose of this Actuarial Memorandum is to calculate the actuarial values for determining the level of coverage in the Federally Facilitated Exchange (and outside the Exchange) for Consumers' Choice Health Insurance Company's (CCHP's) individual plans that could not be evaluated in the Health and Human Services (HHS) Actuarial Value Calculator. This memorandum addresses non-standard plans CCHP intends to market inside and outside of the Exchange:

- 65122SC0010001 (Consumers' Choice Gold 1)
- 65122SC0010002 (Consumers' Choice Gold 2)
- 65122SC0010003 - Silver 73% CSR (Consumers' Choice Silver 1 - 72-74)
- 65122SC0010003 - Silver 87% CSR (Consumers' Choice Silver 1 - 86-88)
- 65122SC0010003 - Silver 94% CSR (Consumers' Choice Silver 1 - 93-95)
- 65122SC0010003 (Consumers' Choice Silver 1)
- 65122SC0010004 - Silver 73% CSR (Consumers' Choice Silver 2 - 72-74)
- 65122SC0010004 - Silver 87% CSR (Consumers' Choice Silver 2 - 86-88)
- 65122SC0010004 - Silver 94% CSR (Consumers' Choice Silver 2 - 93-95)
- 65122SC0010004 (Consumers' Choice Silver 2)
- 65122SC0010026 (Consumers' Choice Bronze 10)
- 65122SC0010027 - Silver 73% CSR (CO-Options Consumers' Choice Silver 12, A Multistate Plan - 72-74)
- 65122SC0010027 - Silver 87% CSR (CO-Options Consumers' Choice Silver 12, A Multistate Plan - 86-88)
- 65122SC0010027 - Silver 94% CSR (CO-Options Consumers' Choice Silver 12, A Multistate Plan - 93-95)
- 65122SC0010027 (CO-Options Consumers' Choice Silver 12, A Multistate Plan)
- 65122SC0010028 (CO-Options Consumers' Choice Gold 4, A Multistate Plan)
- 65122SC0010029 - Silver 73% CSR (Consumers' Choice Silver 20 - 72-74)
- 65122SC0010029 - Silver 87% CSR (Consumers' Choice Silver 20 - 86-88)
- 65122SC0010029 - Silver 94% CSR (Consumers' Choice Silver 20 - 93-95)
- 65122SC0010029 (Consumers' Choice Silver 20)

Due to the complexity of some of the cost sharing features of these plans, they could not be evaluated directly in the HHS Actuarial Value Calculator. Therefore Milliman's *Health Cost Guidelines (HCGs)* were used to develop plan relativities, which are applied to the actuarial values calculated in the HHS Actuarial Value Calculator.

BACKGROUND

The Patient Protection and Affordable Care Act (ACA) requires issuers in the individual and small group markets, inside and outside of the Exchange, to offer minimum levels of coverage for Essential Health Benefits (EHB). These levels of coverage are measured in the form of actuarial values, as described in the following formula:

$$\text{Actuarial Value} = \frac{\text{Anticipated Plan Paid Allowed Charges for EHB Coverage for Standard Population}}{\text{Anticipated Total Allowed Charges for EHB Coverage for Standard Population}}$$

Appendix I
Actuarial Value Memorandum
Consumers' Choice Health Insurance Company

The levels of coverage offered in the individual and small group markets must fall within certain actuarial value levels, as described in the following table:

Table 1	
Metallic Level	Actuarial Value Range
Bronze	58%-62%
Standard Silver	68%-72%
Silver 73% CSR	72%-74%
Silver 87% CSR	86%-88%
Silver 94% CSR	93%-95%
Gold	78%-82%
Platinum	88%-92%

HHS developed an Actuarial Value Calculator for issuers to use to evaluate plan designs and to ensure offerings meet the above criteria. The underlying costs in the Actuarial Value Calculator cover all federally mandated EHB and reflect a standard individual and small group population.

For plans with cost sharing which cannot be accommodated in the Actuarial Value Calculator, an actuary must certify these plans fall within the above ranges for their metallic levels. In some CCHP's proposed plans, there is one design feature that cannot be accommodated in the Actuarial Value Calculator. Therefore, adjustment factors were developed and applied to the actuarial value calculated by the Actuarial Value Calculator for each of these plans.

The plan design feature which could not be accommodated in the Actuarial Value Calculator is related to cost sharing for labs and x-rays. CCHP offers some plans that provide lab and x-ray at no cost sharing if they are performed in an office visit setting that is covered by an office visit copay. The Actuarial Value Calculator does not separately model Lab and X-ray within an office visit.

RESULTS

Table 2 below includes the results of our actuarial value analysis for CCHP's plans that did not fit in the Actuarial Value Calculator. Based on the final actuarial values listed in Table 2, all plans fall within the de minimus range for their metallic tiers.

Appendix I
Actuarial Value Memorandum
Consumers' Choice Health Insurance Company

Table 2
Consumers' Choice Health Insurance Company
Federal Actuarial Values - Individual 2016

Base HIOS ID*	AVC Output	Relativity Factor	Final Actuarial Value
65122SC0010001			80.52%
65122SC0010002			78.65%
65122SC0010003			69.83%
65122SC0010003			72.43%
65122SC0010003			87.16%
65122SC0010003			93.60%
65122SC0010004			68.99%
65122SC0010004			72.62%
65122SC0010004			86.17%
65122SC0010004			93.17%
65122SC0010026			61.35%
65122SC0010027			70.22%
65122SC0010027			72.66%
65122SC0010027			86.89%
65122SC0010027			93.34%
65122SC0010028			78.38%
65122SC0010029			68.47%
65122SC0010029			72.71%
65122SC0010029			86.55%
65122SC0010029			93.25%

METHODOLOGY AND ASSUMPTIONS

We calculated actuarial values for CCHP's proposed plans using outputs from the final 2016 HHS Actuarial Value Calculator, in combination with models developed from Milliman's *HCGs*. The *HCGs* are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research and judgment. An extensive amount of data is used in developing the *HCGs* and that data is updated annually.

The *HCGs* provide a flexible but consistent basis for the determination of health claim costs and premium rates for a wide variety of health plans. The *HCGs* are developed as a result of Milliman's continuing research on health care costs. First developed in 1954, the *HCGs* have been updated and expanded annually since that time. The *HCGs* are continually monitored as they are used in measuring the experience or evaluating the rates of health plans, and as they are compared to other data sources.

The *HCGs* consider utilization and average charge levels for roughly 60 benefit categories. These models make provision, by type of service category, for benefit characteristics such as copays, deductibles, coinsurance, and out-of-pocket maximums.

Appendix I
Actuarial Value Memorandum
Consumers' Choice Health Insurance Company

To calculate a final actuarial value for each of CCHP's plans, the plans were input into the Actuarial Value Calculator which does not allow for the benefit feature outlined above in "Background".

The same plan as input into the HHS Actuarial Value Calculator was modeled using the *HCGs*. Then the plan was modified to the actual plan design as CCHP will administer the benefits. The *HCGs* were used to develop a plan relativity factor (shown above in Table 1) to apply to the result from the Actuarial Value Calculator:

$$\text{Relativity Factor} = \frac{\text{Actuarial Value From Pricing All Benefit Provisions using the } HCGs}{\text{Actuarial Value From Pricing Benefits as Interpreted By the Actuarial Value Calculator using the } HCGs}$$

DATA RELIANCE AND CAVEATS

The actuarial values provided in this letter were developed from assumptions established based on the available data and other information provided by CCHP. If more relevant data becomes available, the assumptions should be revised. A revision in these assumptions might change the results and possibly, the related conclusions. Actual experience will vary from expected.

The actuarial values provided in this memorandum were developed using the final 2016 HHS Actuarial Value Calculator, and Milliman's Commercial *HCGs*.

This memorandum is provided to insurance regulators in South Carolina for their internal use in accordance with established regulatory procedures. It may not be shown or distributed to any other party without the prior written consent of Milliman, Inc. Furthermore, any distribution of this memorandum must be in its entirety.

Actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this memorandum. Any reader of this report must possess a substantial level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions used in the analysis, and the impact of the assumptions on the illustrated results.

Certification

I, Kimberley K. Hiemenz, Principal and Consulting Actuary, am a Member of the American Academy of Actuaries, and meet its qualification standards to provide this certification. I am associated with the firm of Milliman, Inc. My firm has been retained and I calculated the actuarial values for the following Consumers' Choice Health Insurance Company individual medical plans effective January 1, 2016 for determining the level of coverage inside and outside the Exchange:

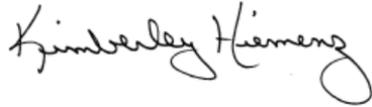
- 65122SC0010001
- 65122SC0010002
- 65122SC0010003 (including CSR variations)
- 65122SC0010004 (including CSR variations)
- 65122SC0010026
- 65122SC0010027 (including CSR variations)
- 65122SC0010028
- 65122SC0010029 (including CSR variations)

I used the Actuarial Value Calculator to determine the actuarial value for the plan provisions that fit within the calculator parameters and made appropriate adjustments to the actuarial values identified by the calculator, for plan design features that deviate substantially from the parameters of the Actuarial Values

Appendix I
Actuarial Value Memorandum
Consumers' Choice Health Insurance Company

Calculator. These plans have been accurately entered into the AV Calculator and the metal levels assigned accurately reflect the results of the AV Calculator. To the best of my knowledge, these actuarial values are calculated in compliance with the Department of Health and Human Services (HHS) and South Carolina Insurance Law.

I certify the adjustments made to the actuarial value as identified by Actuarial Value Calculator are appropriate and in accordance with generally accepted actuarial principles and methodologies.



Kimberley K. Hiemenz
Member of the American Academy of Actuaries
August 18, 2015