



ACTUARIAL MEMORANDUM Public Version

The Health Plan of West Virginia, Inc. Rates for Individual Policies Effective January 1, 2021

OVERVIEW

In prior years, these products were developed using Milliman methodology and models and followed the unified rate review instructions as appropriate. Starting in 2020, these products are being developed using Optum methodology and models and follow the most recent set of unified rate review instructions.

I. GENERAL INFORMATION

Company Legal Name: The Health Plan of West Virginia, Inc.

State: West Virginia

HIOS Issuer ID: 72982

Market: Individual

Effective Date: January 1, 2021

Company Contact Information:

Name: Kent Roepke, ASA, MAAA

Primary Phone: (612)-747-2205

Primary E-mail: kroepke@healthplan.org

Responsible Actuary:

Name: David M. Tuomala

Primary Phone: (952) 205-0338

Primary E-mail: david.tuomala@optum.com

Filing Information:

Type of Filing: Renewing

Type of Plan: HMO

Latest Effective Date for Which Rate Increases are being Submitted: 12/31/2021

II. PROPOSED RATE CHANGE(S) (REDACTED)

III. MARKET EXPERIENCE

1. **Experience and Current Period Premium, Claims, and Enrollment** - Below is the information related to premium, claims, and enrollment for the single risk pool during the experience and current period, as reported in Wksh 1, Section 1 and Wksh 2, Section 2 of the Unified Rate Review Template (URRT).

ACTUARIAL MEMORANDUM (Page 2)

- 1.1. ***Paid Through Date:*** The date through which payments have been made on claims incurred during the experience period is March 31, 2020.
- 1.2. ***Current Date:*** The applicable date for which the current enrollment and premium is reported is May 2020.
- 1.3. ***Allowed and Incurred Claims Incurred During the Experience Period:*** The experience report on Wksh 1, Section 1 of the URRT shows earned premium, allowed claims, and paid claims for the period of January 1, 2019 through December 31, 2019, with claims paid through March 31, 2020.

Medical and prescription drug allowed and paid claims were provided by HPWV. An estimate of incurred but not reported allowed claims was added to the processed amount to arrive at a final estimate of total allowed claims. No estimate of incurred but not reported claims was added to the prescription drug claims or capitated claims. The completion factors were developed using the lag development method. The completion factors for paid and allowed claims are the same. Appendix II details the estimate of claims incurred but not paid for both allowed claims and incurred claims in the experience period.

2. **Benefit Categories** - The experience and manual data utilization and cost information was assigned to benefit categories based on place and type of service using a detailed claims mapping algorithm summarized as follows:
 - 2.1. ***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.
 - 2.2. ***Outpatient Hospital:*** Includes non-capitated facility services for surgery, emergency room, urgent care, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
 - 2.3. ***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.
 - 2.4. ***Other Medical:*** Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services, hearing aids, and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.
 - 2.5. ***Capitation:*** HPWV does not anticipate having any capitated contracts.
 - 2.6. ***Prescription Drug:*** Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.
3. **Projection Factors** - This section includes a description of the factors used to project the experience period allowed claims to the projection period, as well as supporting information on how these factors were developed.

ACTUARIAL MEMORANDUM (Page 3)

3.1. **Trend Factors (cost/utilization): Redacted**

3.2. **Adjustments to Trended EHB Allowed Claims PMPM: Redacted**

3.3. **Manual Rate Adjustments: Redacted**

3.4. **Credibility of Experience:** This section provides support for the credibility level assigned to the experience period, with the complement being applied to the manual rate.

3.4.1. **Description of Credibility Method Used:** The method used to determine credibility of the experience period is the same as the one used by CMS to develop a credibility formula for Medicare Advantage/Prescription Drug plans, where:

$$\text{Credibility} = \sqrt{\frac{\text{Experience Member Months}}{\text{Full Credibility Threshold}}}$$

The full credibility threshold was set to 48,000 member months, this threshold was estimated to have a similar level of predictive accuracy as the CMS requirement for predictive accuracy in the Medicare Advantage space (i.e., within 10% of the actual value, 95% of the time, if the only source of variability is random fluctuations in claim costs).

3.4.2. **Resulting Credibility Level Assigned to Experience Period:** The base data used in the experience projection consisted of the 2019 data for all members enrolled in an ACA-compliant plan. We counted member months for this experience base when determining credibility to apply. Appendix IV displays the base experience credibility level.

3.5. **Establishing the Index Rate**

3.5.1. **Experience Period Index Rate:** The index rate for the experience period reflects the allowed claim level PMPM for EHB benefits. Since there were no non-EHB benefits offered in the base period, the experience period index rate is equal to experience period total allowed claims PMPM reported on Wksh 1, Section 1 of the URRT. The index rate reflects the average morbidity enrolled in the single risk pool during the experience period and has not been adjusted for payments or charges under the risk adjustment and reinsurance programs.

3.5.2. **Projection Period Index Rate:** The index rate for the projection period is a measurement of the expected average allowed claims PMPM for EHB benefits. The projection period index rate reflects the projected mix of membership by age/gender, area, plan, and morbidity expected to be enrolled in the single risk pool (ACA-compliant policies) during the 2021 rate effective period.

The projection period index rate has not been adjusted for payments and

ACTUARIAL MEMORANDUM (Page 4)

charges projected under the risk adjustment program.

Appendix IV displays the adjustments made to the experience period index rate to develop the projection period index rate for HPWV's individual single risk pool in West Virginia. The development of the projection period index rate reflects 2021 calendar year experience.

- 3.6. ***Development of the Market-wide Adjusted Index Rate:*** The market adjusted index rate, which is shown in Appendix VI, is calculated as follows:

Projection period index rate (Appendix IV, Allowed Amount) + {Net impact of the federal reinsurance program (Appendix VIII, Reinsurance (ACA)) + Net impact of the risk adjustment program (Appendix VI)} ÷ Paid to Allowed Ratio (Appendix V)

3.6.1. **Reinsurance: Redacted**

3.6.2. **Risk Adjustment Payment/Charge: Redacted**

3.6.3. **Exchange User Fees: \$0** (all plans are sold off of the exchange)

4. **Plan Adjusted Index Rate (Redacted)**
5. **Calibration (Redacted)**
6. **Consumer Adjusted Premium Rate Development (Redacted)**

IV. PROJECTED LOSS RATIO (REDACTED)

V. PLAN PRODUCT INFORMATION

1. **AV Metal Values** - The individual plan design being offered by HPWV was defined using the actuarial value calculator developed by the Department of Health and Human Services (HHS). In accordance with guidance from HHS, we are providing this certification to confirm that all the proposed plans fall within margin for each of the metallic levels. Appendix XV contains the Actuarial Value Calculator screenshot.
2. **Membership Projections (Redacted)**
3. **Plan Type** - The individual plan offered is an HMO plan. HPWV will offer this plan exclusively off of the exchange.

VI. RELIANCE (REDACTED)

ACTUARIAL MEMORANDUM
(Page 5)

VII. ACTUARIAL CERTIFICATION

1. I, David M. Tuomala, am a member in good standing of the American Academy of Actuaries.
2. I certify that, to the best of my knowledge and judgment, the projected index rate 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 Standard of Actuarial Practice,
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered,
 - d. Neither excessive nor deficient.
3. I certify that the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
4. I certify that the geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.
5. I certify that the AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans.



David M. Tuomala, FSA, MAAA, FCA
Vice President, Payer Consulting

Optum
11000 Optum Circle
Eden Prairie, MN 55344
Phone: (952) 205-0338
david.tuomala@optum.com

ACTUARIAL MEMORANDUM
(Page 6)

Appendices I - XVI

Appendix II
The Health Plan of West Virginia, Inc.
2019 Claims Experience
Incurred in 2019 & Paid Through 3/31/2020

| Claims | Allowed | Paid |
|-------------------------------|--------------------|--------------------|
| Medical Paid Claims | \$1,531,241 | \$1,119,104 |
| Medical IBNR | \$27,216 | \$19,957 |
| Prescription Drug Paid Claims | \$657,016 | \$537,880 |
| Prescription Drug IBNR | \$0 | \$0 |
| Total Claims | \$2,215,472 | \$1,676,941 |

Appendix IV
The Health Plan of West Virginia, Inc.
West Virginia Individual Health Plans
Projection Period Index Rate

| Description | Experience | Manual | Total |
|--|-------------------|---------------|-----------------|
| Index Rate PMPM | \$828.22 | \$691.65 | |
| <u>Single Risk Pool Adjustments</u> | | | |
| Trend to Projection Period | 1.124 | 1.058 | |
| Morbidity Adjustment | 1.000 | 1.062 | |
| Demographic Shift | 1.039 | 1.340 | |
| Geographic Area | 0.996 | 1.065 | |
| Plan Design Changes | 0.993 | 0.869 | |
| Other | 1.000 | 1.000 | |
| Adjusted Index Rate PMPM | \$957.30 | \$965.03 | |
| Credibility | 23.61% | 76.39% | 100.00% |
| Projection Period Index Rate PMPM | | | \$963.21 |

Appendix V
The Health Plan of West Virginia, Inc.
West Virginia Individual Health Plans
Paid to Allowed Values

| HIOS Number | Plan Name | Metallic Tier | Membership Distribution | Allowed Amount | Paid Amount | Paid to Allowed Ratio |
|----------------|-------------------------|---------------|-------------------------|-----------------|-----------------|-----------------------|
| 72982WV0090001 | Bronze HMO (WV Non-Grp) | Bronze | 100.0% | \$963.21 | \$670.37 | 0.696 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | | | 100.0% | \$963.21 | \$670.37 | 0.696 |

Appendix VI
The Health Plan of West Virginia, Inc.
West Virginia Individual Health Plans
Market Adjusted Index Rate

| Description | Total |
|--|-----------------|
| Projection Period Index Rate PMPM | \$ 963.21 |
| <u>Market Adjustments (Paid Basis)</u> | |
| Projected Risk Adjustment Transfer | \$ 24.27 |
| Risk Adjustment User Fee | \$ - |
| Reinsurance | \$ - |
| Total | \$ 24.27 |
| Paid to Allowed Ratio | 0.696 |
| <u>Market Adjustments (Allowed Basis)</u> | |
| Projected Risk Adjustment Transfer | \$ 34.87 |
| Risk Adjustment User Fee | \$ - |
| Reinsurance | \$ - |
| Total | \$ 34.87 |
| Projection Period Index Rate PMPM (Prior to Exchange User Fee) | \$ 998.08 |
| Exchange User Fee | 0.00% |
| Market Adjusted Index Rate PMPM | \$998.08 |

Appendix XV
The Health Plan of West Virginia, Inc.
Actuarial Value Calculator Results

User Inputs for Plan Parameters

- Use Integrated Medical and Drug Deductible?
- Apply Inpatient Copay per Day?
- Apply Skilled Nursing Facility Copay per Day?
- Use Separate MOOP for Medical and Drug Spending?
- Indicate if Plan Meets CSR or Expanded Bronze AV Standard?
- Desired Metal Tier: Bronze

| HSA/HRA Options | Tiered Network Option |
|---|---|
| HSA/HRA Employer Contribution? <input type="checkbox"/> | Tiered Network Plan? <input type="checkbox"/> |
| Annual Contribution Amount: | 1st Tier Utilization: |
| | 2nd Tier Utilization: |

| | Tier 1 Plan Benefit Design | | |
|---------------------------------------|----------------------------|------|------------|
| | Medical | Drug | Combined |
| Deductible (\$) | | | \$4,000.00 |
| Coinsurance (%; Insurer's Cost Share) | | | 60.00% |
| MOOP (\$) | | | \$8,550.00 |
| MOOP if Separate (\$) | | | |

| Tier 2 Plan Benefit Design | | |
|----------------------------|------|----------|
| Medical | Drug | Combined |
| | | |
| | | |
| | | |

[Click Here for Important Instructions](#)

| Type of Benefit | Tier 1 | | | | Tier 2 | | | | Tier 1 | Tier 2 |
|--|---|---|---------------------------|--------------------|---|---|---------------------------|--------------------|--------------------------------------|--------------------------------------|
| | Subject to Deductible? | Subject to Coinsurance? | Coinsurance, if different | Copay, if separate | Subject to Deductible? | Subject to Coinsurance? | Coinsurance, if different | Copay, if separate | Copay applies only after deductible? | Copay applies only after deductible? |
| Medical | <input checked="" type="checkbox"/> All | <input checked="" type="checkbox"/> All | | | <input checked="" type="checkbox"/> All | <input checked="" type="checkbox"/> All | | | <input type="checkbox"/> All | <input type="checkbox"/> All |
| Emergency Room Services | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| All Inpatient Hospital Services (inc. MH/SUD) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Primary Care Visit to Treat an Injury or Illness (exc. Preventive, and X-rays) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Specialist Visit | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Mental/Behavioral Health and Substance Use Disorder Outpatient Services | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Imaging (CT/PET Scans, MRIs) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Speech Therapy | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Occupational and Physical Therapy | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Preventive Care/Screening/Immunization | <input type="checkbox"/> | <input type="checkbox"/> | 100% | \$0.00 | <input type="checkbox"/> | <input type="checkbox"/> | 100% | \$0.00 | <input type="checkbox"/> | <input type="checkbox"/> |
| Laboratory Outpatient and Professional Services | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| X-rays and Diagnostic Imaging | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Skilled Nursing Facility | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Outpatient Facility Fee (e.g., Ambulatory Surgery Center) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Outpatient Surgery Physician/Surgical Services | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Drugs | <input checked="" type="checkbox"/> All | <input checked="" type="checkbox"/> All | | | <input checked="" type="checkbox"/> All | <input checked="" type="checkbox"/> All | | | <input type="checkbox"/> All | <input type="checkbox"/> All |
| Generics | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Preferred Brand Drugs | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Non-Preferred Brand Drugs | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Specialty Drugs (i.e. high-cost) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 50% | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |

Options for Additional Benefit Design Limits:

| | |
|---|--------------------------|
| Set a Maximum on Specialty Rx Coinsurance Payments? | <input type="checkbox"/> |
| Specialty Rx Coinsurance Maximum: | |
| Set a Maximum Number of Days for Charging an IP Copay? | <input type="checkbox"/> |
| # Days (1-10): | |
| Begin Primary Care Cost-Sharing After a Set Number of Visits? | <input type="checkbox"/> |
| # Visits (1-10): | |
| Begin Primary Care Deductible/Coinsurance After a Set Number of Copays? | <input type="checkbox"/> |
| # Copays (1-10): | |

Plan Description:

Name: Bronze HMO (WV Non-Grp)
Plan HIOS ID: 72982WV0090001
Issuer HIOS ID: 72982
 2021_1j

Output

Status/Error Messages: Expanded Bronze Standard (56% to 65%), Calculation Successful.
 Actuarial Value: 64.32%
 Metal Tier: Bronze

Additional Notes:

Calculation Time: 0.2812 seconds