



Part III Actuarial Memorandum

Indiana University Health Plans, Inc.
Individual Rate Filing
Effective January 1, 2017

Prepared for:
Indiana University Health Plans, Inc.

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SECTION 1. GENERAL INFORMATION

Introduction

Milliman, Inc. (Milliman) was retained by Indiana University Health Plans, Inc. (IU Health Plans) to prepare the premium rates, actuarial memorandum, and associated templates for 2017 individual market products. This document contains the Part III Actuarial Memorandum and the Indiana Department of Insurance (IDOI) memorandum requirements for the 2017 individual market products. It is to be submitted in conjunction with the Part I Unified Rate Review Template (URRT), the IDOI Major Medical Experience Workbook, and the IDOI Rates and Crosswalk Template.

The purpose of the Part III Actuarial Memorandum is to provide certain information related to the submission, including support for the values entered into the Part I URRT, which supports compliance with the market rating rules and reasonableness of applicable rate changes. This information may not be appropriate for other purposes.

The Part I URRT and Part III Actuarial Memorandum are subject to the terms and conditions of the Consulting Services Agreement between IU Health and Milliman dated February 25, 2011. These documents have been prepared for the use of IU Health Plans. We understand that these documents will be provided to IDOI, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of IU Health Plans' individual rate filing. We understand that 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 these documents to third parties. Likewise, third parties are instructed to place no reliance upon these documents prepared for IU Health Plans by Milliman that would create any duty or liability under any theory of law by Milliman or its employees to any third party. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work.

The memorandum does not guarantee that the rates will be adequate. Rather, the filing shows that the rates will be adequate if the assumptions underlying their development are realized.

Differences between our 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.

Company Identifying Information

SERFF Tracking Number: IUHP-130556841
Company Legal Name: Indiana University Health Plans, Inc.
State of Domicile: Indiana
HIOS Issuer ID: 33380
NAIC Company Code: 13164
Market: Individual
Effective Date: January 1, 2017

Company Contact Information

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SECTION 2. PROPOSED RATE INCREASE(S)

The proposed premium rating factors effective January 1, 2017 are estimated to generate an average increase of approximately [REDACTED] versus previously filed rates effective January 1, 2016. The proposed premium rating factors reflect the following significant changes:

- Trend, i.e., medical inflation and increased utilization;
- End of the federal transitional reinsurance program in 2016;
- Moratorium on the ACA Health Insurer Provider Fee for 2017;
- Exclusion of state premium tax;
- An increase in administrative expenses and inclusion of quality improvement expenses; and
- Benefit changes based on 2017 Actuarial Value Calculator testing.

The table below presents 2016 and 2017 Plan IDs and indicates the average rate change for each Plan ID. 2016 Plan IDs of terminating plans are indicated in italic font and are crosswalked to 2017 Plan IDs.

2016 Plan ID	2017 Plan ID	2017 Plan Name	2017 Average Rate Change
33380IN0020001	33380IN0020001	IU Health Plans Gold Value	[REDACTED]
33380IN0040001	33380IN0040001	IU Health Plans Gold Value Plus Dental & Vision	[REDACTED]
33380IN0020002	33380IN0020002	IU Health Plans Silver HSA	[REDACTED]
<i>33380IN0020003</i>	33380IN0020013	IU Health Plans Silver Prime	[REDACTED]
<i>33380IN0040002</i>	33380IN0040005	IU Health Plans Silver Copay Plus Dental & Vision	[REDACTED]
<i>33380IN0020004</i>	33380IN0020015	IU Health Plans Silver Copay	[REDACTED]
<i>33380IN0020009</i>	33380IN0020015	IU Health Plans Silver Copay	[REDACTED]
33380IN0020005	33380IN0020005	IU Health Plans Bronze HSA	[REDACTED]
<i>33380IN0020006</i>	33380IN0020016	IU Health Plans Bronze Value	[REDACTED]
33380IN0020011	33380IN0020011	IU Health Plans Bronze Simple HSA	[REDACTED]
<i>33380IN0040003</i>	33380IN0040006	IU Health Plans Bronze Value Plus Dental & Vision	[REDACTED]
N/A	33380IN0040004	IU Health Plans Silver HSA Plus Dental & Vision	N/A
N/A	33380IN0020017	IU Health Plans Bronze Standardized	N/A
N/A	33380IN0020014	IU Health Plans Silver Standardized	N/A
N/A	33380IN0020012	IU Health Plans Gold Standardized	N/A

A Part II Rate Filing Justification is included with this submission since [REDACTED] plans exceed the 10% product threshold increase for review. There are no changes in covered services for 2017.

SECTION 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows IU Health Plans' earned premium and incurred claims for the period January 1, 2015 through December 31, 2015. The experience is for IU Health Plans' individual ACA-compliant business, on and off exchange, which is all located in Indiana.

Premiums (net of MLR Rebate) in Experience Period

The development of the premiums earned during the experience period as reported on Worksheet 1, Section I of the URRT is presented in Table 3.1 below.

Table 3.1 Indiana University Health Plans, Inc. 2015 Premium Net of MLR Rebates	
Description	Value
Earned Premium PMPM	██████████
Risk Adjustment Receivables (Payables) PMPM	██████████
MLR Rebates PMPM	██████████
2015 Earned Premium Net of MLR Rebates PMPM	██████████

Earned premium is consistent with IU Health Plans final processed EDGE server files as of May 4, 2016. We did not reduce the premium for reductions prescribed, such as taxes and assessments, when calculating the MLR for rebate purposes.

We developed the risk adjustment receivables by estimating the various components of the ACA risk adjustment transfer calculation for both IU Health Plans and the state of Indiana (statewide) to apply the required calculations. Statewide estimates were developed through the use of values in the 2015 interim risk adjustment report published March 18, 2016. IU Health Plans assumptions were developed using information in IU Health Plans' final processed EDGE server files as of May 4, 2016. This analysis resulted in an estimated risk adjustment transfer payment of approximately ██████████ PMPM for the experience period.

IU Health Plans had less than 1,000 average life years during 2015, so no MLR rebates are projected after credibility adjustment.

Allowed and Incurred Claims Incurred During the Experience Period

We used claims for calendar year 2015, paid through March 31, 2016, as the experience period. Due to low membership volume, we determined that this data was not credible for rate development purposes. For this reason, the proposed rates are the result of a manual rate development process rather than the experience illustrated in Worksheet 1, Section I of the URRT.

The development of the allowed and incurred claims estimate shown in Worksheet 1, Section I of the URRT is provided in Table 3.2 below. We relied on IU Health Plans' experience as reported in the Milliman MedInsight data analytic warehouse for the claims processed through the claim system. IU Health Plans' provided the estimated HHS cost sharing. We did not make explicit adjustments for drug rebates and incurred but not paid claims due to the net immateriality of these amounts, giving consideration to the fact that the experience is not used in the 2017 rate development.

Table 3.2 Indiana University Health Plans, Inc. 2015 Allowed and Incurred Claims		
Description	Allowed Claims PMPM	Incurred Claims PMPM
Claims Processed Through the Claim System	██████████	██████████
HHS Cost Sharing	██████████	██████████
Estimated 2015 Claims PMPM	██████████	██████████

SECTION 4. BENEFIT CATEGORIES

We used Milliman's Health Cost Guidelines (HCG) Grouper to categorize the experience and manual claims into the benefit categories in Worksheet 1, Section II of the URRT. The HCG Grouper uses a combination of HCPCS Codes, Revenue Codes, DRGs, Specialty Codes, Diagnosis Codes, and other indicators in order to categorize claims into benefit categories. These benefit categories are consistent with the categories used in Milliman's HCGs. Milliman updates the HCG Grouper code sets and reporting workbooks at least once a year to incorporate new HCPCS, revenue codes, specialty codes, etc., so the classification methodology remains current. This detailed claims mapping algorithm is summarized below.

Inpatient Hospital

Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.

Outpatient Hospital

Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.

Professional

Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.

Other Medical

Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.

Capitation

It was assumed that no services are covered under capitated arrangements.

Prescription Drug

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

SECTION 5. PROJECTION FACTORS

Factors were not developed for the purpose of projecting experience period allowed claims. Due to low membership volume in 2015, experience data was not used in the rate development process. The premium rates and corresponding factors proposed in this memorandum are based on a manual rate development process. As a result, the URRT reflects the projected trend factors used in the manual rate development process. Assumptions considered in developing manual rates are described in Section 6 of this memorandum.

SECTION 7. CREDIBILITY OF EXPERIENCE

The credibility assigned to the base period experience is [REDACTED]. The 2017 rate development is based solely on manual rates. IU Health Plans does not have credible experience in the base period to use in the rate development due to a low membership volume in 2015.

SECTION 8. PAID TO ALLOWED RATIO

The following table provides support for the average projected paid to allowed ratio. The average projected allowed and incurred PMPM reflects the member month weighted average from Worksheet 2, Section IV of the URRT. The average projected paid-to-allowed ratio is consistent with Worksheet 1, Section III of the URRT.

Table 8.1 Indiana University Health Plans, Inc. Average Paid to Allowed Factor Support	
Description	Value
Average projected allowed PMPM	██████████
Average projected incurred claims PMPM	██████████
Average projected paid-to-allowed ratio	██████████
Average AV metal value	██████████

The average actuarial value (AV) metal value is based on AVs calculated using the 2017 Federal AV calculator, weighted on projected allowable cost by plan.

SECTION 9. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

A discussion of the development of IU Health Plans' individual market risk adjustment transfer estimate for calendar year 2015 is included in Section 3.

Projected Risk Adjustments PMPM

The 2017 manual rates were developed based on the assumed average risk profile of the Indiana individual market. As such, IU Health Plans' projected risk adjustment transfer amount was assumed to be \$0.13 PMPM to reflect the federal risk adjustment user fee.

Experience Period ACA Reinsurance Recoveries Net of Reinsurance Premium

The source of IU Health Plans' individual market ACA reinsurance recoveries estimate for calendar year 2015 is included in Section 3.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The federal transitional reinsurance program is a temporary program that ends in 2016. Since this program is not expected to continue in 2017, we assume that reinsurance contributions and recoveries will be zero. As a result, we did not project any federal transitional reinsurance contributions or recoveries for 2017.

SECTION 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Table 10.1 below summarizes retention components included in the rate development.

Table 10.1 Indiana University Health Plans, Inc. Illustration of Administrative Expenses by URRT, Worksheet 1 Category				
Retention Description	PMPM	% Premium	Basis	Annotation
<u>Administrative Expense Load</u>				
General Administrative Expenses	██████████	██████████	██████████	(1)
Commission	██████████	██████████	██████████	(2)
Quality Improvement Expenses	██████████	██████████	██████████	(3)
General Administrative Expenses PMPM	██████████	██████████	██████████	(4)
Subtotal: Administrative Expense Load	██████████	██████████		(5) = (1) + (2) + (3) + (4)
<u>Profit and Risk Load</u>				
Target Post-Tax Profit	██████████	██████████	██████████	(6)
Subtotal: Profit and Risk Load	██████████	██████████		(7) = (6)
<u>Taxes and Fees</u>				
Comparative Effectiveness Research Fee	██████████	██████████	██████████	(8)
Exchange User Fee	██████████	██████████	██████████	(9)
Subtotal: Taxes and Fees	██████████	██████████		(10) = (8) + (9)
Total Retention	██████████	██████████		(11) = (5) + (7) + (10)

Administrative Expenses

Administrative expenses for IU Health Plans' individual market products reflect an increase from 2016 levels as well as the inclusion of quality improvement expenses.

Contribution to Surplus & Risk Margin

The proposed rates reflect ██████████ of premium being allocated to Contribution to Surplus & Risk Margin. This percentage is consistent with the level filed in 2016 individual rates. This load was applied evenly to all plans being offered.

Taxes and Fees

The taxes and fees provided in Table 10.1 are included in Worksheet 1, Section III of the URRT. We assumed that approximately ██████████ of IU Health Plans' individual market membership will be sold via the exchange and assessed the 3.5% of premium exchange user fee. ██████████ We also assumed that IU Health Plans will not be assessed the ACA Health Insurer Provider Fee for calendar year 2017 business.

SECTION 11. PROJECTED LOSS RATIO

The projected loss ratio is [REDACTED] for IU Health Plans' individual market products. This loss ratio is calculated consistently with the MLR methodology as prescribed by 45 CFR 158 and does not reflect any credibility adjustments that may be permitted.

SECTION 12. SINGLE RISK POOL

IU Health Plans' rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d), and reflect all covered lives for every non-grandfathered product/plan combination, in the State of Indiana individual health insurance market.

SECTION 13. INDEX RATE

Experience Period Index Rate

The Index Rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits incurred in calendar year 2015. The experience period Index Rate reflects the actual mixture of risk morbidity that IU Health Plans received in the single risk pool during the experience period.

The experience period Index Rate of approximately [REDACTED] is equal to the experience period total allowed claims PMPM. There were no additional benefits offered beyond the EHB benefits in 2015. The experience period Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs.

Projection Period Index Rate

The Index Rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The Projection Period Index Rate reflects the projected calendar year 2017 mixture of risk morbidity that IU Health Plans expects to receive in the single risk pool.

The Projection Period Index Rate of approximately [REDACTED] is equal to the projected total allowed claims PMPM minus the projected total non-EHB allowed claims PMPM. Non-EHB benefits include dental and adult vision services. The Projection Period Index Rate has not been adjusted for payments and charges projected under the risk adjustment program.

Assumptions for cost structure and utilization differences by plan are outlined within Section 19, AV Pricing Values.

SECTION 14. MARKET ADJUSTED INDEX RATES

The factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate are summarized in Table 14.1 below.

Table 14.1	
Indiana University Health Plans, Inc.	
Market Adjusted Index Rate Development	
2017 Index Rate PMPM	██████████
<u>Market Adjustments (paid basis)</u>	
Net Risk Adjustment	██████████
Net Federal Transitional Reinsurance	██████████
Marketplace User Fees	██████████
Paid-to-Allowed Ratio	██████████
<u>Market Adjustments (allowed basis)</u>	
Net Risk Adjustment	██████████
Net Federal Transitional Reinsurance	██████████
Marketplace User Fees	██████████
Market Adjusted Index Rate PMPM	██████████

The Market Adjusted Index Rate is not calibrated. This means that it reflects the average demographic characteristics of the single risk pool.

Each of the above modifiers were developed as follows:

- **Net Risk Adjustment**
This factor includes the impact of the estimated risk adjustment transfer payment as addressed in Section 9 plus the Risk Adjustment User Fee of \$0.13 PMPM.
- **Net Federal Transitional Reinsurance**
This factor is \$0, since the federal transitional reinsurance program does not apply in 2017.
- **Marketplace User Fees**
This factor reflects the 3.50% of premium exchange user fee for approximately ██████████ of IU Health Plans' individual membership.

SECTION 15. PLAN ADJUSTED INDEX RATES

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 AV and cost sharing pricing adjustment was developed utilizing the Milliman HCGs. Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing. We blended the relativities by plan from the Milliman HCGs with the 2016 relativities by plan in order to gradually adjust the final relativities between plans. We anticipate making further adjustments over the next few years.
- Provider network, delivery system and utilization management adjustment
 - There are no expected differences in the provider network and/or utilization management between plans.
- Adjustment for benefits in addition to the EHBs
 - Dental and adult vision services will be covered on all Plus product plans. As a result, this rate filing reflects a cost of providing these benefits of approximately [REDACTED] PMPM.
- Adjustment for distribution and administrative costs
 - This adjustment indicates the impact of non-benefit expenses. This adjustment may differ by plan due to the relative impact of administrative costs that are developed as a PMPM rather than as a percent of premium.

Table 15.1 demonstrates the Plan Adjusted Index Rate development for each plan in the projection period.

Table 15.1
Indiana University Health Plans, Inc.
Projection Period Plan Adjusted Index Rate Development

Plan Name	HIOS ID	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Mktplace User Fee	Catastrophic Eligibility	Plan Adjusted Index Rate
IU Health Plans Gold Value	33380IN0020001							
IU Health Plans Silver HSA	33380IN0020002							
IU Health Plans Bronze HSA	33380IN0020005							
IU Health Plans Bronze Simple HSA	33380IN0020011							
IU Health Plans Gold Standardized	33380IN0020012							
IU Health Plans Silver Prime	33380IN0020013							
IU Health Plans Silver Standardized	33380IN0020014							
IU Health Plans Silver Copay	33380IN0020015							
IU Health Plans Bronze Value	33380IN0020016							
IU Health Plans Bronze Standardized	33380IN0020017							
IU Health Plans Gold Value Plus Dental & Vision	33380IN0040001							
IU Health Plans Silver HSA Plus Dental & Vision	33380IN0040004							
IU Health Plans Silver Copay Plus Dental & Vision	33380IN0040005							
IU Health Plans Bronze Value Plus Dental & Vision	33380IN0040006							

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

Experience Period Plan Adjusted Index Rates

Table 15.2 below demonstrates the Plan Adjusted Index Rate development for each plan in the experience period.

Table 15.2 Indiana University Health Plans, Inc. Experience Period Plan Adjusted Index Rate Development					
Plan Name	HIOS ID	Market Adjusted Index Rate	AV & Cost Sharing	Admin Costs	Plan Adjusted Index Rate
IU Health Plans Gold Value	33380IN0020001	████████	████████	████████	████████
IU Health Plans Silver HSA	33380IN0020002	████████	████████	████████	████████
IU Health Plans Silver Value	33380IN0020003	████████	████████	████████	████████
IU Health Plans Silver Enhanced	33380IN0020004	████████	████████	████████	████████
IU Health Plans Bronze HSA	33380IN0020005	████████	████████	████████	████████
IU Health Plans Bronze Value	33380IN0020006	████████	████████	████████	████████
IU Health Plans Bronze Enhanced	33380IN0020007	████████	████████	████████	████████

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

SECTION 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Section 15 to calibrate rates for the age and geographic distribution expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

Age Curve Calibration

The age distribution of the projected individual market population was developed based on IU Health Plans' individual market enrollment as of February 2016 in combination with 2016 Indiana Marketplace open enrollment data. The approximate weighted average age, rounded to a whole number, for the single risk pool is [REDACTED]. The weighted average age curve calibration factor is [REDACTED].

In order to determine the calibration factor for age, the projected distribution of members by age was determined. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor. Prior to applying the allowed rating factors for age, geography and tobacco, the Plan Adjusted Index Rates need to be divided by the age curve calibration factor. The age curve calibration factor is given below in Table 16.1.

Additional information regarding the age curve can be found in Section 17.

Geographic Factor Calibration

The geographic calibration factor is [REDACTED]. Geographic rating factors were developed using Geographic Adjusted Index Rates. The Geographic Adjusted Index Rates were calculated in the same manner and using the same adjustments as the Plan Adjusted Index Rates except that area factors were varied by rating area rather than varying actuarial value cost-sharing design by plan. Area factors, applicable to medical claims cost only, were developed based upon differences in provider contracts by rating area. Geographic rating factors were calculated by dividing each region's Geographic Adjusted Index Rate by the weighted average Geographic Adjusted Index Rate, which is equal to the required revenue PMPM for the rating period. The geographic rating area factors can be found in Section 17.

Table 16.1 demonstrates the calibration performed for each plan.

Table 16.1 Indiana University Health Plans, Inc. Calibrated Plan Adjusted Index Rate Development						
Plan	HIOS ID	Plan Adjusted Index Rate	Age Calibration Factor	Geographic Calibration Factor	Total Calibration Factor	Calibrated Plan Adjusted Index Rate
IU Health Plans Gold Value	33380IN0020001	██████	██████	██████	██████	██████
IU Health Plans Silver HSA	33380IN0020002	██████	██████	██████	██████	██████
IU Health Plans Bronze HSA	33380IN0020005	██████	██████	██████	██████	██████
IU Health Plans Bronze Simple HSA	33380IN0020011	██████	██████	██████	██████	██████
IU Health Plans Gold Standardized	33380IN0020012	██████	██████	██████	██████	██████
IU Health Plans Silver Prime	33380IN0020013	██████	██████	██████	██████	██████
IU Health Plans Silver Standardized	33380IN0020014	██████	██████	██████	██████	██████
IU Health Plans Silver Copay	33380IN0020015	██████	██████	██████	██████	██████
IU Health Plans Bronze Value	33380IN0020016	██████	██████	██████	██████	██████
IU Health Plans Bronze Standardized	33380IN0020017	██████	██████	██████	██████	██████
IU Health Plans Gold Value Plus Dental & Vision	33380IN0040001	██████	██████	██████	██████	██████
IU Health Plans Silver HSA Plus Dental & Vision	33380IN0040004	██████	██████	██████	██████	██████
IU Health Plans Silver Copay Plus Dental & Vision	33380IN0040005	██████	██████	██████	██████	██████
IU Health Plans Bronze Value Plus Dental & Vision	33380IN0040006	██████	██████	██████	██████	██████

SECTION 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating Rules. It is the product of the Plan Adjusted Index Rate, the geographic rating factor, the age rating factor and the tobacco status rating factor. All rating factors are described and shown below. Current rating factors can be found in SERFF tracking number IUHP-130080653.

Age and Tobacco Factors

IU Health Plans' individual market age and tobacco rating factors are presented in Table 17.1. Age factors are based upon each member's age as of the premium rate effective date. The HHS Default Standard Age Curve is used for the age factors. The tobacco factors have been adjusted from the 2016 tobacco factors to change in one year age increments rather than five year age bands.

Age Band	Age Rating Factor	Tobacco Factor	Age Band	Age Rating Factor	Tobacco Factor
0-17			41		
18			42		
19			43		
20			44		
21			45		
22			46		
23			47		
24			48		
25			49		
26			50		
27			51		
28			52		
29			53		
30			54		
31			55		
32			56		
33			57		
34			58		
35			59		
36			60		
37			61		
38			62		
39			63		
40			64+		

Geographic Rating Factors

IU Health Plans individual market geographic rating factors are presented in Table 17.2. The development of these factors is discussed in Section 16. The geographic factors incorporate differences in delivery costs (including unit cost and provider practice pattern differences) only, and do not reflect any difference in population morbidity. The regions are defined by IDOI Bulletin 197, dated March 22, 2013.

Table 17.2 Indiana University Health Plans, Inc. Geographic Rating Factors	
Region	Area Rating Factor
Rating Area 1	
Rating Area 2	
Rating Area 3	
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	

SECTION 18. AV METAL VALUES

The AV metal values included in Worksheet 2, Section I of the URRT are entirely based on the 2017 AV Calculator. Table 18.1 below summarizes these values for each product.

Table 18.1 Indiana University Health Plans, Inc. 2017 Actuarial Values		
Plan	HIOS ID	Actuarial Value
IU Health Plans Gold Value	33380IN0020001	██████████
IU Health Plans Silver HSA	33380IN0020002	██████████
IU Health Plans Bronze HSA	33380IN0020005	██████████
IU Health Plans Bronze Simple HSA	33380IN0020011	██████████
IU Health Plans Gold Standardized	33380IN0020012	██████████
IU Health Plans Silver Prime	33380IN0020013	██████████
IU Health Plans Silver Standardized	33380IN0020014	██████████
IU Health Plans Silver Copay	33380IN0020015	██████████
IU Health Plans Bronze Value	33380IN0020016	██████████
IU Health Plans Bronze Standardized	33380IN0020017	██████████
IU Health Plans Gold Value Plus Dental & Vision	33380IN0040001	██████████
IU Health Plans Silver HSA Plus Dental & Vision	33380IN0040004	██████████
IU Health Plans Silver Copay Plus Dental & Vision	33380IN0040005	██████████
IU Health Plans Bronze Value Plus Dental & Vision	33380IN0040006	██████████

IU Health Plans will offer cost share reduction (CSR), Zero Cost-Sharing, and Limited Cost-Sharing permutations of plan designs as required.

Screen shots from the 2017 AV Calculator are included with this submission for each plan design.

SECTION 19. AV PRICING VALUES

Table 19.1 below summarizes all of the adjustments included in the AV Pricing Value.

Table 19.1 Indiana University Health Plans, Inc. AV Pricing Values							
Plan Name	HIOS ID	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Marketplace User Fee	Catastrophic Eligibility	AV Pricing Value
IU Health Plans Gold Value	33380IN0020001	██████	██████	██████	██████	██████	██████
IU Health Plans Silver HSA	33380IN0020002	██████	██████	██████	██████	██████	██████
IU Health Plans Bronze HSA	33380IN0020005	██████	██████	██████	██████	██████	██████
IU Health Plans Bronze Simple HSA	33380IN0020011	██████	██████	██████	██████	██████	██████
IU Health Plans Gold Standardized	33380IN0020012	██████	██████	██████	██████	██████	██████
IU Health Plans Silver Prime	33380IN0020013	██████	██████	██████	██████	██████	██████
IU Health Plans Silver Standardized	33380IN0020014	██████	██████	██████	██████	██████	██████
IU Health Plans Silver Copay	33380IN0020015	██████	██████	██████	██████	██████	██████
IU Health Plans Bronze Value	33380IN0020016	██████	██████	██████	██████	██████	██████
IU Health Plans Bronze Standardized	33380IN0020017	██████	██████	██████	██████	██████	██████
IU Health Plans Gold Value Plus Dental & Vision	33380IN0040001	██████	██████	██████	██████	██████	██████
IU Health Plans Silver HSA Plus Dental & Vision	33380IN0040004	██████	██████	██████	██████	██████	██████
IU Health Plans Silver Copay Plus Dental & Vision	33380IN0040005	██████	██████	██████	██████	██████	██████
IU Health Plans Bronze Value Plus Dental & Vision	33380IN0040006	██████	██████	██████	██████	██████	██████

The AV Pricing Value represents the cumulative effect of the adjustments made to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

The adjustment for plan cost sharing includes expected differences in utilization due to differences in cost sharing. Adjustments in utilization due to differences in cost sharing were based on the contractual adjustments from the Milliman HCGs. These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

We used the data contained in the Milliman's HCGs to estimate the relative impact of each plan's cost sharing amounts. The same demographic and risk characteristics were used for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan. We blended the relativities by plan from the Milliman HCGs with the 2016 relativities by plan in order to gradually adjust the final relativities between plans. We anticipate making further adjustments over the next few years.

Data contained in the Milliman HCGs is developed as a result of Milliman's continuing research on health care costs. They were first developed in 1954 and have been updated and expanded annually since then. These guidelines are continually monitored as we use them in measuring the experience or evaluating the rates of our clients and as we compare them to other data sources.

The Milliman HCGs provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience and establish interrelationships between different health coverages.

The Milliman 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 these guidelines, including published and unpublished data. In most instances, cost assumptions are based upon our evaluation of several data sources and, hence, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

For individuals enrolled in the 87% or 94% CSR plans, it was assumed that utilization will be 12% higher consistent with CMS guidance. The impact associated with CSR utilization is being applied evenly across all plan designs and metal level offerings.

There are no assumed network differences between the plans being offered by IU Health Plans. Also, administrative costs are assumed to be consistent for each offering. However, certain administrative costs are developed on a PMPM basis and thus when demonstrated as a percent of premium they may vary.

SECTION 20. MEMBERSHIP PROJECTIONS

The projected membership in Worksheet 2, Section IV of the URRT was developed in conjunction with IU Health Plans.

Projected membership by plan and subsidy level was developed based upon IU Health Plans' individual market enrollment distribution as of February 2016 and assumptions provided to us from IU Health Plans. The results are outlined in Table 20.1 below.

Table 20.1 Indiana University Health Plans, Inc. Projected Enrollment (Member Months) by Subsidy Level (Silver Plans)						
Plan Name	HIOS ID	Base Plan	73% CSR	87% CSR	94% CSR	Total
IU Health Plans Gold Value	33380IN0020001	████████	████████	████████	████████	████████
IU Health Plans Silver HSA	33380IN0020002	████████	████████	████████	████████	████████
IU Health Plans Bronze HSA	33380IN0020005	████████	████████	████████	████████	████████
IU Health Plans Bronze Simple HSA	33380IN0020011	████████	████████	████████	████████	████████
IU Health Plans Gold Standardized	33380IN0020012	████████	████████	████████	████████	████████
IU Health Plans Silver Prime	33380IN0020013	████████	████████	████████	████████	████████
IU Health Plans Silver Standardized	33380IN0020014	████████	████████	████████	████████	████████
IU Health Plans Silver Copay	33380IN0020015	████████	████████	████████	████████	████████
IU Health Plans Bronze Value	33380IN0020016	████████	████████	████████	████████	████████
IU Health Plans Bronze Standardized	33380IN0020017	████████	████████	████████	████████	████████
IU Health Plans Gold Value Plus Dental & Vision	33380IN0040001	████████	████████	████████	████████	████████
IU Health Plans Silver HSA Plus Dental & Vision	33380IN0040004	████████	████████	████████	████████	████████
IU Health Plans Silver Copay Plus Dental & Vision	33380IN0040005	████████	████████	████████	████████	████████
IU Health Plans Bronze Value Plus Dental & Vision	33380IN0040006	████████	████████	████████	████████	████████

SECTION 21. TERMINATED PRODUCTS

IU Health Plans is terminating six plans for effective dates on or after January 1, 2017 and mapping those plans to five new plans. One plan that was terminated for 2016 has been included in this filing for its 2015 experience.

Table 21.1 Indiana University Health Plans, Inc. Terminated Plans and Products						
Product Name	Plan Name	HIOS ID	Plan Type	Present in Experience	New Plan Mapping	
					Plan	HIOS ID
IU Health Plans Individual Product	IU Health Plans Silver Value	33380IN0020003	HMO	No	IU Health Plans Silver Prime	33380IN0020013
IU Health Plans Individual Product	IU Health Plans Silver Enhanced	33380IN0020004	HMO	No	IU Health Plans Silver Copay	33380IN0020015
IU Health Plans Individual Product	IU Health Plans Silver Copay	33380IN0020009	HMO	No	IU Health Plans Silver Copay	33380IN0020015
IU Health Plans Marketplace Plus Product	IU Health Plans Silver Enhanced Plus Dental & Vision	33380IN0040002	HMO	No	IU Health Plans Silver Copay Plus Dental & Vision	33380IN0040005
IU Health Plans Individual Product	IU Health Plans Bronze Value	33380IN0020006	HMO	No	IU Health Plans Bronze Value	33380IN0020016
IU Health Plans Marketplace Plus Product	IU Health Plans Bronze Value plus Dental & Vision	33380IN0040003	HMO	No	IU Health Plans Bronze Value Plus Dental & Vision	33380IN0040006

SECTION 22. PLAN TYPE

There are no differences between IU Health Plans' plan types and the plan type selected in the drop-down box in Worksheet 2, Section I of the URRT.

SECTION 23. WARNING ALERTS

There is one warning alert in Worksheet 2, Sections III and IV of the URRT. The alert is in row 57. It is related to the calendar year 2015 Plan Adjusted Index Rates. The URRT compares 2015 premium to the Plan Adjusted Index Rates calculated based on 2015 rate filing information. These values do not align due to differences between projected premium and actual premium. Further, premium on Worksheet 1, Section I of the URRT is net of MLR Rebates and Risk Adjustment, whereas values in Worksheet 2, Section III are gross of these items.

SECTION 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

This section contains additional information and documentation pertaining to the IDOI's ACA rate filing requirements.

Premium Guarantee Provision

The policies are guaranteed renewable and will be sold on a guarantee of issue basis for residents of the counties where these plans are offered.

IDOI Major Medical Experience Workbook

A completed IDOI Major Medical Experience Workbook is included with this submission. The Workbook includes historical experience since inception in 2015 and a rate increase history. It also includes the projected experience for 2017 with and without the requested rate change. IU Health Plans' only has business in Indiana so nationwide values are the same as Indiana values.

IDOI Rate and Crosswalk Template

A completed IDOI Rate and Crosswalk Template is included with this submission.

Company Financial Position

IU Health Plans' risk-based capital ratio as of December 31, 2015 was approximately [REDACTED]. IU Health Plans' surplus for the last five years is presented in Table 24.1 below.

Table 24.1 Indiana University Health Plans, Inc. Historical Surplus	
Year	Total Capital and Surplus
2011	[REDACTED]
2012	[REDACTED]
2013	[REDACTED]
2014	[REDACTED]
2015	[REDACTED]

SECTION 25. RELIANCE

In performing this analysis, we relied on data and other information provided by Ms. Constance Brown, Chief Financial Officer of Indiana University Health Plans, Inc. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. In addition, we relied on 2016 open enrollment information provided within the HHS Marketplace Enrollment reports along with other public data sources.

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 our assignment.

A data reliance letter is attached to this rate submission.

SECTION 26. ACTUARIAL CERTIFICATION

I am a Consulting Actuary with the firm of Milliman, Inc. Indiana University Health Plans, Inc. engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

I certify to the best of my knowledge and judgment:

1. The projected Index Rate is
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
 - Developed in compliance with the applicable Actuarial Standards of Practice
 - Reasonable in relation to the benefits provided and the population anticipated to be covered
 - Neither excessive nor deficient based on my best estimates of the 2017 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 of the URRT was calculated in accordance with actuarial standards of practice.
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 2017 CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the URRT for all plans.
6. The same premium rate is being charged without regard to whether the plan is offered through an Exchange, or whether the plan is offered directly from issuer or through an agent.

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans and for certification that the Index Rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

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

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

Signed:  Electronic Signature

Name: Jill S. Herbold, FSA, MAAA

Title: Principal and Consulting Actuary

Date: May 9, 2016

INDIANA UNIVERSITY HEALTH PLANS

List of Data and Information Received and Relied Upon by Milliman For the 2017 Marketplace On and Off Exchange Rate Filing

I, Constance Brown, Chief Financial Officer for Indiana University Health Plans, hereby affirm that to the best of my knowledge and belief, the underlying data sources and information relied upon by Milliman for use in developing the 2017 Marketplace on and off exchange premiums rates and rate filing materials are accurate and complete.

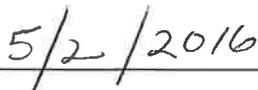
Further, I acknowledge that in preparing the state and federal rate filing materials, Milliman has relied on data and certain assumptions provided by Indiana University Health Plans (IU Health Plans) as described below.

- Summarized medical and prescription drug data for IU Health's calendar year 2015 employee health plan book of business and IU Health Plans' calendar year 2015 marketplace book of business.
- Detailed demographic information for IU Health's calendar year 2015 employee health plan book of business and IU Health Plans' 2015 marketplace book of business.
- Marketplace enrollment data for the first quarter of 2016.
- Prescription drug experience and projections from IU Health Plans' pharmacy benefit manager for its commercial and marketplace books of business from January 2015 through February 2016.
- Current and anticipated provider reimbursement information.
- Plan and product design information for 2016 and 2017.
- Administrative cost and trend assumptions for 2017.
- Data and other information related to projected fees and taxes for 2017.

I affirm that to the best of my knowledge and belief, these assumptions are consistent with IU Health Plans' reasonable expectations regarding future financial performance.



SIGNATURE



DATE