

**Actuarial Memorandum and Certification**  
**Effective January 1, 2019**

The purpose of this actuarial memorandum and certification is to provide information related to Molina Healthcare of Utah, Inc.'s (Molina) Part I Unified Rate Review Template submission to the Utah Individual Marketplace (Utah Marketplace).

The actuarial memorandum and certification describe Molina's rating methodology used to develop rates for Individual products offered on the Utah Marketplace effective January 1, 2019. Molina will not market Individual products outside of the Utah Marketplace.

Molina Healthcare of Utah, Inc. is a managed care organization that provides healthcare services for over 90,000 individuals eligible for Medicaid, Medicare, and Marketplace throughout the State of Utah. Molina Healthcare of Utah, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 12 states across the nation and in the Commonwealth of Puerto Rico, Molina serves more than 4 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families in Southern California. Today, we continue his mission of providing high quality and cost-effective health care to those who need it most.

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**MolinaHealthcare.com**

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## GENERAL INFORMATION

The information below documents the company identifying and contact information entered into the general information section of Worksheet 1 of the Unified Rate Review Template (URRT).

### Company Identifying Information

Company Identifying Information	
Legal Name:	Molina Healthcare of Utah, Inc.
State:	Utah
HIOS Issuer ID:	18167
Market:	Utah Individual Marketplace
Effective Date:	January 1, 2019

### Company Contact Information

Company Contact Information	
Contact Name	Kevin Monte
Telephone	562.650.4687
E-mail	<a href="mailto:Kevin.Monte@MolinaHealthcare.com">Kevin.Monte@MolinaHealthcare.com</a>

## PROPOSED RATE INCREASE(S)

Molina's rate filing reflects the following rate changes by metal tier for Molina's 0 members enrolled effective March 1, 2018, reported as of April 1, 2018.

The rate changes vary by metal tier due to changes in the Actuarial Value (AV) Pricing Values assigned to each metal plan that are applied to the Plan Adjusted Index Rate.

Rate Change by Plan						
Plan ID	Product Name	Metal Tier	Members	Rate Change		
				Average	Minimum	Maximum
18167UT0010001	Molina	Gold	0	23.3%	23.3%	23.3%
18167UT0010002		Silver	N/A	N/A	N/A	N/A
		<b>Total</b>	<b>0</b>	<b>23.3%</b>	<b>23.3%</b>	<b>23.3%</b>

**Reason for Rate Increase(s):** Molina identified the following factors contributing to the overall increase in Molina's proposed rates.

- **Trend:** Molina trended the experience period claims at a 19.2% annualized trend rate.
- **Individual Mandate:** The individual mandate penalty will not be enforced for the 2019 plan year, resulting in younger and healthier members dropping coverage.
- **Rate changes by metal tier:** Rate changes vary by metal tier due to changes in Actuarial Value, Cost Share Design (CSD), and Geographic factors.

Molina identified factors that mitigated the overall rate increase:

- **Health Insurer Fee:** The Health Insurer Fee will be subject to a one year moratorium with no collection for the 2019 Fee Year.
- **Federal Income Tax:** The U.S. federal statutory corporate income tax rate was reduced from 35% to 21% effective January 1, 2018.
- **Patient-Centered Outcomes Research (PCORI):** The PCORI fee no longer applies to health insurance policies with policy years ending after Oct.1, 2019.

### Effects of Unfunded CSR's

Impact of CSR's Funded						
Plan ID	Product Name	Metal Tier	2019 Projected Members	2019 Plan Adjusted Index Rate		
				CSR	No CSR	Factor
18167UT0010001	Molina	Gold	1,266	\$738.89	\$738.89	1.000
18167UT0010002		Silver	24,057	\$496.75	\$591.44	1.191
		<b>Total</b>	<b>25,323</b>	<b>\$508.86</b>	<b>\$598.81</b>	<b>1.177</b>

Molina has provided a single factor adjustment which describes an estimation of the rates if CSR's are funded. The factor is outlined by Plan ID and shows that the Molina Silver plan is rated 19.1% higher than expected due to the defunding of Cost Share Reductions (CSR's) for the 2019 benefit year.

## MARKET EXPERIENCE

Molina's 2017 experience in Part I of the Unified Rate Review Template (URRT) is based on 833,036 member months or 69,420 average members.

### Experience Period Premium and Claims

**Paid Through Date:** The market experience reported in Worksheet 1, Section I of the URRT represents 2017 incurred claims paid through May 31, 2018. The IBNR factors applied to the 2017 claims experience were updated with data through May 31, 2018.

**Premiums (Net of MLR Rebate) in Experience Period:** The premiums reported in Worksheet 1, Section I of the URRT represent the earned premium from 2017, excluding risk adjustment transfer payments for the 2017 benefit year. Molina has not accrued any amount for MLR rebates for the 2017 benefit year. No amounts were subtracted from the earned premium for any reductions prescribed by the federal MLR formula, such as taxes and assessments.

**Allowed and Incurred Claims in Experience Period:** The following table reports the allowed and incurred claims during the 2017 experience period.

2017 Experience Period Claims (paid through: May 2018)					
Item	Description	Medical	Pharmacy	Capitation	Total
a	Allowed	\$199,235,805	\$29,133,118	\$654,022	\$229,022,945
b	Member Cost Share	(\$36,519,256)	(\$4,989,472)	\$0	(\$41,508,729)
c = a + b	Subtotal	\$162,716,548	\$24,143,646	\$654,022	\$187,514,216
d	IBNR	1.027	1.000	1.000	1.024
e = c x d	Subtotal	\$167,130,670	\$24,143,646	\$654,022	\$191,928,338
f	Cost Share Reduction				(\$24,366,334)
g = e + f	Incurred Claims				\$167,562,004

Allowed claims for the experience period were calculated as the plan incurred paid claims divided by the Actuarial Value (AV) from the CMS 2017 AV Calculator for each plan according to its metal and cost-sharing reduction (CSR) variation. The allowed claims calculation applied to both fee-for-service claims and capitation costs.

Molina applied completion factors to both the allowed and incurred medical claim amounts. The completion factors were developed separately for inpatient and non-inpatient medical claims based on Molina's Utah Marketplace data. The IBNR factors applied to the 2017 claims experience were updated with data through May 2018. The IBNR factor applied to the allowed and incurred claims is 1.024. Molina does not apply IBNR factors to capitation and pharmacy claims.

Molina did not consider ACA related risk adjustment, reinsurance, and risk corridor payments/receivables in the experience data entered in Worksheet 1, Section I and Section II of the URRT.

All medical claims are paid through Molina's claims system. Pharmacy claims are processed through Molina's pharmacy benefit manager.

**Inclusion of Capitation Payments:** All capitated payments are included in the experience data and rate development.

## Benefit Categories

Molina assigned all experience claims to benefit categories utilizing Milliman's MedInsight Health Cost Guidelines (HCG) grouper. The following table displays the measurement units related to each benefit category.

<b>Benefit Categories</b>	
<b>Benefit Category</b>	<b>Description</b>
<b>Inpatient Hospital</b>	<b>Days</b>
<b>Outpatient Hospital</b>	<b>Services</b>
<b>Professional</b>	<b>Services</b>
<b>Other Medical</b>	<b>Services</b>
<b>Capitation</b>	<b>Benefit Period</b>
<b>Prescription Drug</b>	<b>Prescriptions</b>

## Projection Factors

**Population Morbidity:** The population morbidity adjustment is comprised of an acuity factor, which represents anticipated changes in Molina’s single risk pool, and the individual mandate impact, which represents anticipated changes in the market-wide risk pool.

**Changes in acuity:** The morbidity of Molina's covered population is expected to increase between the experience period and the projection period.

Acuity is measured by applying the 2017 HHS model risk score weights for Silver to 2017 experience period membership net of the demographic component to ensure the changes in HHS model, demographics, and metal are not included in this adjustment. Molina estimated the average allowed cost by risk score cohort normalized for age, gender, and metal and calculated the change in average allowed cost between the experience period and projection period. Molina applied the change in allowed costs as an adjustment to the experience period. The total acuity adjustment made to the 2017 experience period data was 1.015. Acuity Adjustments were not made to capitation costs.

Acuity Adjustment								
Risk Score	Member Mix		Normalized Allowed Costs by Service Category					
	Experience Period	Projection Period	IP	OP	Prof	Other	Rx	Cap
[00]	79.8%	79.6%	29.00	35.14	36.65	2.92	15.17	0.79
[00-1.0]	8.6%	8.4%	84.76	102.73	107.13	8.55	44.33	0.79
[1.0-10.0]	9.9%	10.1%	206.77	250.60	261.32	20.85	108.14	0.79
[10++++]	1.7%	2.0%	945.33	1145.70	1194.71	95.34	494.40	0.79
Total	100%	100%						
	a	2017	66.87	81.04	84.51	6.74	34.97	0.79
-	b	2019	67.87	82.25	85.77	6.84	35.49	0.79
	c = b / a	Adjustment	1.015	1.015	1.015	1.015	1.015	1.000



**Individual Mandate:** An adjustment was applied to the experience period to reflect the anticipated change in morbidity of the market-wide risk pool due to the repeal of the individual mandate. The Utah Marketplace is expected to decrease in size and have a higher average morbidity compared to the experience period. Molina performed an analysis using its own experience data to assess the impact of a subset the population dropping coverage. The impacted membership included a portion of members with low claims in the previous year, members with higher member premiums, and members who are younger. The market-wide risk pool changes together with higher average morbidity are expected to increase the fee-for-service portion of the experience period allowed claims by 9.8%. The results of the study are shown in the table below.

Individual Mandate Impact							
Age Category	Mandate Enforced			Mandate Not Enforced			Mandate
	Member Months	Allowed	PMPM	Member Months	Allowed	PMPM	Impact
	a	b	c = b / a	d	e	f = e / d	g = f / c
< 21	237,339	29,517,786	124.37	214,234	28,926,270	135.02	1.086
21 to 29	157,930	34,976,306	221.47	141,333	34,581,991	244.68	1.105
30 to 39	149,842	42,498,782	283.62	132,496	42,076,314	317.57	1.120
40 to 49	113,337	35,101,398	309.71	101,736	34,798,066	342.04	1.104
50 to 59	110,479	51,327,933	464.59	102,041	51,084,846	500.63	1.078
60+	64,108	35,600,740	555.32	59,819	35,447,402	592.58	1.067
<b>Total</b>	<b>833,036</b>	<b>229,022,945</b>	<b>274.93</b>	<b>751,660</b>	<b>226,914,888</b>	<b>301.89</b>	<b>1.098</b>

The results of the study were applied only to the fee-for-service portion of allowed claims and were not applied to capitation expenses.

**Other Adjustments:**

**Changes in Service Areas:** Molina applied a factor to the 2017 experience period claims to reflect the change in the overall unit cost structure due to the exit from Box Elder and Toole counties. These counties have higher reimbursement rates. Molina exited these counties in 2018 and will not be participating in 2019, therefore it is appropriate to adjust the experience period claims to ensure this change is accounted for in the single risk pool premium. The adjustments have been made at a service category level. The total area adjustment made to the 2017 experience period data was 0.997.

<b>Service Area Adjustment</b>			
<b>Benefit</b>	<b>All Region Allowed PMPM</b>	<b>Adj. Region Allowed PMPM</b>	<b>Total</b>
<b>Inpatient Hospital</b>	<b>66.87</b>	<b>66.15</b>	<b>0.989</b>
<b>Outpatient Hospital</b>	<b>81.04</b>	<b>81.27</b>	<b>1.003</b>
<b>Professional</b>	<b>84.51</b>	<b>83.90</b>	<b>0.993</b>
<b>Other Medical</b>	<b>6.74</b>	<b>6.71</b>	<b>0.995</b>
<b>Capitation</b>	<b>0.79</b>	<b>0.80</b>	<b>1.022</b>
<b>Prescription Drug</b>	<b>34.97</b>	<b>35.11</b>	<b>1.004</b>

**Changes in Demographics:** Molina applied a factor to the experience period claims to reflect the anticipated change in the demographic mix from the 2017 experience period to the 2019 projection period. The anticipated demographic mix is based on a review of enrollment as of March 2018 compared to the 2017 experience period. Molina anticipates that its 2019 demographics will be consistent with its 2017 demographics. The demographic adjustments were developed for the major categories of service for fee-for-service claims as shown in the table below. Demographic adjustments were not made to capitation costs. The total demographic adjustment made to the 2017 experience period data was 0.992.

Population Demographic Adjustment							
		Member Mix		Claim Costs PMPM			
Age	Gender	Experience Period	Projection Period	IP	OP	Prof	Rx
0-14	M	10.2%	10.2%	50.79	15.39	56.76	13.31
0-14	F	9.6%	10.4%	37.32	14.19	52.49	8.21
15-19	M	3.2%	3.2%	16.61	21.35	34.99	14.96
15-19	F	3.3%	3.3%	16.02	29.00	47.89	17.36
20-29	M	10.3%	10.2%	27.89	25.63	31.42	27.09
20-29	F	10.6%	10.7%	37.94	40.98	67.32	22.13
30-39	M	9.0%	9.1%	33.31	39.81	42.54	44.04
30-39	F	9.3%	8.8%	57.81	63.45	90.78	31.82
40-49	M	6.6%	6.7%	58.87	46.42	57.59	54.11
40-49	F	7.0%	6.8%	57.93	83.05	97.46	42.16
50-59	M	6.0%	6.5%	131.80	86.45	89.46	71.94
50-59	F	7.2%	6.7%	85.14	107.79	117.31	63.10
60+	M	3.4%	3.6%	200.32	130.63	130.87	86.40
60+	F	4.4%	4.0%	139.04	138.40	146.53	76.05
Total		100%	100%				
		a	2017	59.87	53.29	71.40	36.85
		b	2019	<u>59.87</u>	<u>52.56</u>	<u>70.74</u>	<u>36.66</u>
		c = b / a	Adjustment	1.000	0.986	0.991	0.995

The claim costs to determine the estimated impact of demographic mix changes from 2017 to 2019 are calculated based on Molina's 2017 claims experience.

**Internal Reinsurance:** Molina applied a factor in consideration of premiums related to catastrophic reinsurance coverage.

**Changes in Benefits:** No factors were applied to adjust the experience period claims for benefit changes.

**Trend Factors:** Trend factors were applied separately for unit cost and utilization and by each major benefit category shown in Worksheet 1, Section I of the URRT. Molina trended the experience period claims forward 24 months from the midpoint of the base period, July 2017, to the midpoint of the projection period, July 2019.

Unit cost trends were developed by comparing anticipated changes in provider contracts between the 2017 experience period and the 2019 projection period. The contract changes were calculated for the major service categories in each rating area.

Utilization trends were developed through a review of Molina’s allowed claims experience in Utah and Molina’s Marketplace experience across 9 states representing over 900,000 members in 2017 and 500,000 members in 2016. The utilization data was normalized to account for differences in demographics and health status between the two comparison periods. The chart below shows the annual trends by category of service included in the rate filing.

Annual Claims Trends			
Benefit	Utilization	Unit Cost	Total
IP	5.5%	6.2%	12.1%
OP	9.0%	21.8%	32.8%
Prof	3.0%	8.3%	11.5%
Other	3.0%	8.3%	11.5%
Cap	0.0%	0.0%	0.0%
Rx	10.5%	7.0%	18.2%
<b>Total</b>	<b>6.5%</b>	<b>12.0%</b>	<b>19.2%</b>

**Utilization Trend – Product Mix Adjustment:** The utilization trend factor in Worksheet 1, Section 1 of the URRT also reflects changes related to shifts in product mix. This includes changes in induced demand related to product shifts. It also includes any effects of selection since this cannot be reflected in the relative cost of the various products and plans offered. The factors for utilization trend by service category entered into the URRT is the product of the annual claim trends shown above and the square root of the product mix developed below. The square root of the service category factor is applied to ensure the full factor is not compounded twice. The table following the Product Mix Adjustment shows how the final utilization trend factors inputted into the URRT are developed.

Product Mix Adjustment — Experience Rate									
		Experience	Projected	Molina Base Claims by Service Category					
Product	Metal	Member Mix	Member Mix	IP	OP	Prof	Other	Rx	Cap
Molina	Gold	0.5%	5.0%	259.42	217.94	214.12	23.53	187.82	0.77
	Silver	67.2%	95.0%	73.96	96.27	96.34	8.18	41.85	0.76
	Bronze	23.3%	0.0%	42.56	34.76	45.04	3.16	13.12	1.07
Molina Options	Silver	6.5%	0.0%	74.12	96.91	112.12	5.47	40.10	0.22
	Bronze	2.5%	0.0%	42.21	32.50	35.07	1.12	7.42	0.23
a	Base Claim PMPM			66.87	81.04	84.51	6.74	34.97	0.79
b	Projected Claim PMPM			83.24	102.35	102.23	8.95	49.15	0.76
c = b / a	Product Mix Adjustment Factor			1.245	1.263	1.210	1.327	1.405	0.971

Worksheet 1, Section 1 URRT Util Trend Factors							
Category		IP	OP	Prof	Other	Rx	Cap
a	Annual Util Trend Factor	1.055	1.090	1.030	1.030	1.105	1.000
b	Square Root of the Product Mix Adjustment	1.116	1.124	1.100	1.152	1.185	0.985
c = a*b	URRT Util Trend Factor	1.177	1.225	1.133	1.187	1.310	0.985

The following tables summarize all of the adjustments made to the data in the URRT, Worksheet 1.

Adjustments -- Experience to Projection Period (Population Risk Morbidity)					
	a	b			c = a*b
Benefit Category	Acuity Factor	Individual Mandate			Population Risk Morbidity
Inpatient Hospital	1.015	1.098			1.114
Outpatient Hospital	1.015	1.098			1.114
Professional	1.015	1.098			1.114
Other Medical	1.015	1.098			1.114
Capitation	1.000	1.000			1.000
Prescription Drug	1.015	1.098			1.114

Adjustments -- Experience to Projection Period (Other)					
	a	b	c	d	d = prod(a:d)
Benefit Category	Demographic Adjustment	Service Area Adjustment	Reinsurance	Non-EHB Benefits	Total
Inpatient Hospital	1.000	0.989	1.001	1.001	0.992
Outpatient Hospital	0.986	1.003	1.001	1.001	0.991
Professional	0.991	0.993	1.001	1.001	0.986
Other Medical	0.991	0.995	1.001	1.001	0.988
Capitation	1.000	1.022	1.000	1.001	1.023
Prescription Drug	0.995	1.004	1.001	1.001	1.001

## Credibility of Experience

Molina calculated the credibility percentage to apply to the experience data based on experience period member months and the credibility formula below:

Molina Credibility Table			
Member Months		Experience Period	Manual Rate
Low	High	Weight	Weight
0	11,999	0%	100%
12,000	23,999	50%	50%
24,000	+	100%	0%

Molina’s 2017 experience in Part I of the Unified Rate Review Template (URRT) is based on 833,036 member months, resulting in a credibility percentage of 100%. This method is consistent with the applicable American Academy of Actuaries’ Actuarial Standards of Practice (ASOP) No. 25 Credibility Procedures.

### Paid to Allowed Ratio

The Paid to Allowed ratio reflects the estimated cost-sharing in the projection period. The actuarial value (AV) for each product was based on output from the CMS 2019 AV Calculator.

The allowed claims experience was developed by dividing plan incurred paid claims experience by the 2017 Actuarial Values as a significant portion of Molina’s expenses are based on capitation payments, which do not have corresponding allowed amounts. The CMS 2019 AV Calculator results were used to estimate the expected change in the actuarial value of the plans between the experience period and the projection period. This approach ensures that the differences between the standard population underlying the CMS AV calculator and Molina’s population are being considered.

The Paid to Allowed ratio is the average of the AVs weighted by projected premium dollars. The table below documents the Paid to Allowed ratio factor entered into the URRT, Worksheet I, Section III.

Paid to Allowed Ratio							
Plan ID	Product Name	Metal	FPL	Member %	Projected Allowed PMPM	Paid to Allowed	Calibrated Paid to Allowed
a	b	c	d	e	f	g	k = g*j
18167UT0010001	Molina	Gold	Base	5.0%	\$1,401.44	0.790	0.794
18167UT0010002		Silver	CSR 100-150	41.4%	\$566.47	0.949	0.955
			CSR 150-200	20.6%	\$467.18	0.877	0.883
			CSR 200-250	13.5%	\$404.77	0.739	0.744
			Base	19.5%	\$456.03	0.685	0.689
<b>Total</b>				<b>100%</b>	<b>\$544.38</b>	<b>0.847</b>	<b>0.852</b>
<b>h</b>	<b>Member Weighted Average</b>					<b>0.847</b>	
<b>i</b>	<b>Dollar Weighted Average</b>					<b>0.852</b>	
<b>j = i/h</b>	<b>Calibration Factor</b>					<b>1.006</b>	

## Risk Adjustment and Reinsurance

### **Experience Period Risk Adjustment PMPM:**

Molina used results from the Utah Department of Insurance to supplement internal estimates of risk scores, statewide premiums, and the corresponding risk adjustment transfer amounts. For the 2017 experience period the estimated risk transfer payable is \$46.92 per member per month (PMPM) or \$39,086,049.

### **Projected Risk Adjustments PMPM:**

Molina estimated the risk transfer amount for 2019 using the 2017 experience period risk transfer amounts. The 2019 risk transfer estimates were developed by projecting 2017 relative risk scores, (Molina had exited the Exchange market in 2018) and transfer payments, then projecting 2019 relative risk scores and transfer payments. The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The population was grouped into the following cohorts:

- 2017 Renewal Members – The majority of Molina’s current members previously had coverage in 2016 and renewed with Molina in 2017. Molina relied on the renewal member’s 2017 experience and risk scores to project their 2019 relative risk scores, taking into consideration applicable changes in enrollment across metal tiers.
- 2017 New Members – To estimate the relative risk of the 2019 new members, Molina referred to the estimated risk scores and transfer amounts from new members in the 2017 experience period. Estimated risk scores were adjusted to take into consideration applicable changes in enrollment across metal tiers between new members in 2017 members and new members in 2019.
- 2019 Members – Molina assumed the 2019 members would have higher relative risk scores than the 2017 members, with consideration for the metal tier mix between the two years.



The impact of the national high-risk pool fund was incorporated using 2017 claims experience and a white paper report from Wakely on the estimated high-cost risk pooling charges based on information voluntarily provided by issuers. Molina estimates that the charges would exceed recoveries resulting in an increase to the amount for the risk transfer payable of \$1.01 per member per month (PMPM).

The resulting 2019 risk transfer payable estimate is \$3.81 per member per month (PMPM). Molina added \$1.01 PMPM for projected national high-risk pooling funding and \$0.15 PMPM in risk adjustment user fees to the risk transfer payable estimate and entered the total of \$4.96 PMPM in the URRT Worksheet I, Section III.

The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The 14% administrative cost reduction is factored in for the 2019 transfer estimates. The following table summarizes the development of the 2019 risk transfer estimate.

Risk Transfer Estimate				
$T_i = \left[ \frac{PLRS_i \cdot IDF_i \cdot GCF_i}{\sum_i (S_i \cdot PLRS_i \cdot IDF_i \cdot GCF_i)} - \frac{AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i}{\sum_i (S_i \cdot AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i)} \right] \bar{P}_s \times 86\%$				
Item	Term	Description	Molina	Statewide
a	$PLRS_i$	Plan Liability Risk Score	1.329	1.325
b	$IDF_i$	Induced Demand Factor	1.033	0.991
c	$GCF_i$	Geographic Cost Factor	1.011	1.000
d = a x b x c		PLRS x IDF x GCF	1.388	1.313
f(Molina) / f(Statewide)		Molina Relativity with Risk	1.057	
e	$AV_i$	Actuarial Value	0.705	0.699
f	$ARF_i$	Allowable Rating Factor	1.562	1.559
g	$IDF_i$	Induced Demand Factor	1.033	0.991
h	$GCF_i$	Geographic Cost Factor	1.011	1.000
l = e x f x g x h		AV x ARF x IDF x GCF	1.150	1.080
i(Molina) / i(Statewide)		Molina Relativity without Risk	1.065	
j = f - i			-0.008	
k	$\bar{P}_s$	Statewide Average Premium		576.53
l = k x 86%		Statewide Average Premium Adjusted		495.82
o = j x l	$T_i$	Molina Risk Transfer Estimate	-3.81	
p		National High Cost Risk Pool	-1.007	
q		<u>Risk Adjustment User Fee</u>	<u>-0.150</u>	
r = o + p + q		Total Risk Transfer	-4.963	

**Experience Period Reinsurance PMPM:** Not applicable.

**Projected ACA Reinsurance Recoveries Net of Reinsurance Premium:** Not applicable.

## Non-Benefit Expenses and Profit & Risk

**Administrative Expense Load:** Molina reviewed administrative expenses for the Marketplace product from 2017 and 2018 to develop administrative costs required to manage the Utah Marketplace population. Molina used an internal administrative cost budget on a PMPM basis and converted the costs to an overall percentage of premiums to apply to the Utah Marketplace rates. Amounts for broker commissions were added to the administrative costs. The expected administrative expense load is 12.19%.

Administrative Expense Load		
Description	PMPM	% of Premium
Corporate and Plan Expense	\$50.90	8.50%
Bank Service Charges	\$1.50	0.25%
Quality Expenses	\$11.98	2.00%
Broker Commissions	\$8.89	1.48%
Other Expenses	\$0.00	0.00%
<b>Total</b>	<b>\$73.26</b>	<b>12.23%</b>

The administrative expense load varies by metal tier as shown in the table below.

Administrative Expense Load								
Product Name	Metal	Corporate & Plan Expense	Bank Service Charges	Quality Expenses	Broker Commissions	Other Expenses	Total	% of Premium
a	b	c	d	e	f	g	h = sum (c:g)	
Molina	Gold	\$62.81	\$1.50	\$14.78	\$8.89	\$0.00	\$87.97	11.91%
	Silver	\$50.27	\$1.50	\$11.83	\$8.89	\$0.00	\$72.49	12.26%
	<b>Total</b>	<b>\$50.90</b>	<b>\$1.50</b>	<b>\$11.98</b>	<b>\$8.89</b>	<b>\$0.00</b>	<b>\$73.26</b>	<b>12.23%</b>

- **Broker Commissions:** Molina expects broker commissions of \$8.89 PMPM in 2019, based on Molina’s broker-sold business in 2017 and a projection of new and renewing members sold through the broker channel in 2019.

Commission Estimate				
Policy Year	Cohort	Broker Sold %	Commission \$	Commission PMPM
2019	New Members (Open Enrollment)	51.4%	\$2,574,954	\$8.47
	New Members (Special Enrollment)	2.5%	\$125,043	\$0.41
	Renewal Members (Open Enrollment)	0.0%	\$0	\$0.00
	Renewal Members (Special Enrollment)	0.0%	\$0	\$0.00
	<b>Total</b>	<b>53.8%</b>	<b>\$2,699,998</b>	<b>\$8.89</b>

**Profit & Risk Margin:** Molina’s target after-tax margin is 3.00%. The target margin is unchanged from Molina’s previously approved rate filing.

**Risk and Contingency Margin:** A risk and contingency margin is added to our premiums to account for the increased risk and volatility associated with the line of business. The risk and contingency margin varies by metal tier and considers legislative/political risk, changes in competitor participation, enrollment volatility, profitability volatility, provider contracting structure risk, shifts in metal mix, and whether an opportunity to revise risk adjustment estimates is made available after the initial rate filing. The risk and contingency margin is 2.00%.

**Taxes and Fees:** Molina’s estimated taxes and fees are 4.50%, which is lower than the previously approved rate filing estimate of 4.8%. The decrease in taxes and fees is due to the moratorium of the Health Insurer Fee and a lower federal income tax rate compared to the prior year’s rate filing. Molina will once again pay the Exchange Fee which puts upward pressure of 3.5% after being Off-Exchange in 2018. The taxes and fees estimate is comprised of the following:

- **PCORI Fee:** The PCORI fee no longer applies to health insurance policies with policy years ending after Oct. 1, 2019.

- **Federal Income Tax:** The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. The TCJA, in part, reduced the U.S. federal statutory corporate income tax rate from 35% to 21% effective January 1, 2018. The provision for income taxes is determined using an estimated annual effective tax rate, which generally differs from the U.S. federal statutory rate primarily because of state taxes, nondeductible expenses such as the Health Insurer Fee (HIF), certain compensation, and other general and administrative expenses. An estimated 1.00% of premiums will be paid in Federal income taxes based on an anticipated effective tax rate of 25%.

Taxes and Fees		
Taxes and Fees	PMPM	% of Premium
Health Insurer Fee	\$0.00	0.00%
PCORI Fee (\$0 PMPY)	\$0.00	0.00%
Premium Tax	\$0.00	0.00%
Federal Taxes	\$5.99	1.00%
Exchange Fee	\$20.96	3.50%
<b>Total Taxes and Fees</b>	<b>\$26.95</b>	<b>4.50%</b>
Single Risk Pool Premium	\$598.81	

Taxes and Fees vary by metal tier as shown in the table below.

Taxes and Fees								
Product Name	Metal	Health Insurer Fee	PCORI Fee	Premium Tax	Federal Taxes	Exchange Fee	Total	% of Premium
a	b	c	d	e	f	g	i = sum (c:g)	
Molina	Gold	\$0.00	\$0.00	\$0.00	\$7.39	\$25.86	\$33.25	4.50%
	Silver	\$0.00	\$0.00	\$0.00	\$5.91	\$20.70	\$26.61	4.50%
	<b>Total</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$5.99</b>	<b>\$20.96</b>	<b>\$26.95</b>	<b>4.50%</b>

## PROJECTED LOSS RATIO

The projected medical loss ratio (MLR) using the federally prescribed MLR methodology is 84.07% for calendar year 2019 based on the ratio of projected incurred claims divided by projected revenue.

A	2019 Projected Allowed Claims	\$544.38
B	Paid to Allowed Ratio	0.852
C	2019 Projected Incurred Claims	\$463.70

	Retention Development	PMPM	Percent of Premium
D	Risk Adjustment Fee	\$0.15	0.03%
E	Reinsurance Premium (N/A for small group)	\$0.00	0.00%
F	Corporate and Plan Expense	\$50.90	8.50%
G	Quality Expenses	\$11.98	2.00%
H	Commissions	\$8.89	1.48%
I	Bank Service Charges	\$1.50	0.25%
J	Premium Tax	\$0.00	0.00%
K	Exchange Fee	\$20.96	3.50%
L	Insurer's Fee (N/A for 2019)	\$0.00	0.00%
M	PCORI	\$0.00	0.00%
N	Regulatory Fees and Assessments	\$5.99	1.00%
O	<u>After-Tax Profit / Margin</u>	<u>\$29.94</u>	<u>5.00%</u>
P	Total Retention	\$130.30	21.76%

Q	Projected Gross Risk Adjustment	(\$4.81)	
R	2018 Projected Total Premium	\$598.81	= (C - Q + X) / (1 - W)

S	Total Retention - RA, RI & Exchange Fees	18.23%	= P - D - E - K
T	Administration Factor	1.223	= 1 / (1 - S)

U	Loss Ratio	78.27%	= (C + D + E - Q) / R
V	Federal Loss Ratio	84.07%	= (C - D - E - G + Q) / (R - D - E - J - K - L - M - N)

### Retention Subtotals

W	Percent of Premium Loads	20.00%	= F + G + J + L + N + O	
X	PMPM Loads	\$10.54	= D + E + H + I + K + M	

## APPLICATION OF MARKET REFORM RATING RULES

### Single Risk Pool

Molina’s single risk pool is in accordance with 45 CFR part 156, §156.80. Molina has no transitional products/plans or grandfathered products that should be included in the development of the single risk pool.

### Index Rate

The index rate is developed following the specifications of 45 CFR part 156.80(d)(1). The index rate for the projection period is estimated to be \$543.62 PMPM. The index rate represents the estimated total allowed claims experience for the essential health benefits within the Utah Marketplace. The index rate does not include adjustments for the risk adjustment and reinsurance programs or an adjustment for the Utah Marketplace user fee.

The projected allowed claims in Worksheet 1, Section III of the URRT is \$543.62. The index rate represents the estimated total combined allowed claims experience for the essential health benefits within the Utah Marketplace. The index rate does not include adjustments for the risk adjustment and reinsurance programs or an adjustment for the Utah Marketplace user fee.

Index Rate								
Item	Description	IP	OP	Prof	Other	Rx	Cap	Total
a	2017 Allowed Claims	\$66.87	\$81.04	\$84.51	\$6.74	\$34.97	\$0.79	\$274.93
b	Product Mix Adjustment	1.245	1.263	1.210	1.327	1.405	0.971	1.261
d	Demographic Adjustment	1.000	0.986	0.991	0.991	0.995	1.000	0.992
e	Service Area Adjustment	0.989	1.003	0.993	0.995	1.004	1.022	0.997
f	Utilization Trend	1.113	1.188	1.061	1.061	1.221	1.000	1.134
g	Unit Cost Trend	1.129	1.484	1.173	1.173	1.145	1.000	1.254
h	Acuity Adjustment	1.015	1.015	1.015	1.015	1.015	1.000	1.015
i	Individual Mandate	1.098	1.098	1.098	1.098	1.098	1.000	1.098
j	Reinsurance	1.001	1.001	1.001	1.001	1.001	1.000	1.001
k = product(a:j)	Projected Index Rate	\$115.40	\$199.12	\$139.55	\$12.24	\$76.54	\$0.78	\$543.62

### Market Adjusted Index Rate

The market adjusted index rate is developed following the specifications of 45 CFR part 156.80(d)(1). Molina modified the index rate provided in URRT Worksheet I to a market adjusted index rate as follows:

Market Adjusted Index Rate					
Item	Description	Paid Basis	Adjustment	Allowed Basis	Comments
a	URRT Index Rate			\$543.62	URRT, Worksheet 1
b	Risk Adjustment	\$4.96	0.852	\$5.83	
c	Exchange Fee	\$20.96	0.852	\$24.61	See Taxes & Fees
d	Market Adjusted Index Rate			\$574.05	d = a + b + c

### Plan Adjusted Index Rates

The plan adjusted index rates are developed following the specifications of 45 CFR part 156.80(d)(2). The plan adjusted index rates are entered in Worksheet 2, Section IV, of the URRT. Molina calculated the plan adjusted index rates by applying plan specific level adjustments for actuarial value, cost sharing utilization, additional benefits, and administrative costs, excluding exchange user fees, to the market adjusted index rate.

Plan Adjusted Index Rates								
Product Name	Metal	Projected Members	Market Adjusted Index Rate	Actuarial Value	Cost Sharing Adj.	Benefits in Addition to EHBs	Admin Costs	Plan Adjusted Index Rate
a	b	c	d	e	f	g	h	i = product (c:h)
Molina	Gold	1,266	\$574.05	0.794	1.328	1.001	1.218	\$738.89
	Silver	24,057	\$574.05	0.855	0.984	1.001	1.223	\$591.44
	Total	25,323	\$574.05	0.852	1.000	1.001	1.223	\$598.81



- **AV and Cost Sharing Design:** The table below shows the details of Molina’s Actuarial Value and Cost Sharing Design Adjustment factors:

Actuarial Value and Cost Sharing Adjustment					
Plan ID	Product Name	Metal	Members	Actuarial Value	Cost Sharing Adj.
18167UT0010001	Molina	Gold	1,266	0.794	1.328
18167UT0010002		Silver	24,057	0.855	0.984
		Total	25,323	0.852	1.000

- **Benefits in Addition to EHBs:** Molina will offer the State mandated benefit for Autism Spectrum Disorder (ASD). Molina estimated this benefit to be 1% of claims and adjusted the base data accordingly. Molina will continue to monitor their experience to quantify the ASD impact.
- **Provider Network, Delivery System Characteristics, and Utilization Management Practices:** Molina did not vary plan rates for variation of provider network, delivery system characteristics, and utilization management.
- **Catastrophic plans:** Molina did not consider an adjustment for the demographic composition of the Catastrophic product.
- **Administrative costs, excluding Exchange User Fees:** Molina converted all administrative costs, excluding the Utah Marketplace Fee, to a multiplicative factor, which varies for each plan according to differences in premium. The overall multiplicative factor is shown in the table below.

Administrative Costs Excluding Exchange Fee		
Item	Description	% of Premium
a	Administrative Expense Load	12.23%
b	Profit Margin	3.00%
c	Risk & Contingency	2.00%
d	Taxes & Fees excl Exchange Fee	1.00%
e = a + b + c + d	Total	18.23%
f = 1 / (1 - e)	Administrative Factor	1.223

The administrative factors vary by metal tier as shown in the table below.

Administrative Costs Excluding Exchange Fee							
Product Name	Metal	Admin. Expense Load	Profit Margin	Risk & Contingency	Taxes & Fees (excl. Exchange Fee)	Total	Admin. Factor
a	b	c	d	e	f	g = sum (c:f)	h = 1 / (1-g)
Molina	Gold	11.91%	3.00%	2.00%	1.00%	17.91%	1.218
	Silver	12.26%	3.00%	2.00%	1.00%	18.26%	1.223
	Total	12.23%	3.00%	2.00%	1.00%	18.23%	1.223

## Calibration

**Age Curve Calibration:** Molina calibrated the Plan Adjusted Index Rates to an age 21 rate. The average composite age factor was estimated by multiplying the population distribution by the age factors. The calibration factor is 1.499. An additional adjustment was implemented in the age calibration process to account for the dependent cap where only the 3 eldest children's premiums contribute to the family premium.

Age Curve Calibration								
Age	Member %	Age Factor	Age	Member %	Age Factor	Age	Member %	Age Factor
0 - 14*	0.1%	0.000	31	1.8%	1.390	49	1.2%	2.045
0 - 14	18.1%	0.793	32	1.8%	1.390	50	1.2%	2.127
15	1.2%	0.793	33	2.0%	1.390	51	1.2%	2.212
16	1.2%	0.793	34	1.9%	1.390	52	1.3%	2.300
17	1.2%	0.793	35	1.8%	1.390	53	1.3%	2.392
18	1.2%	0.793	36	1.7%	1.390	54	1.3%	2.488
19	1.7%	0.793	37	1.7%	1.404	55	1.4%	2.588
20	1.7%	0.793	38	1.6%	1.425	56	1.4%	2.691
21	1.8%	1.000	39	1.7%	1.450	57	1.4%	2.799
22	1.7%	1.050	40	1.7%	1.479	58	1.4%	2.911
23	1.6%	1.113	41	1.6%	1.516	59	1.5%	3.000
24	1.6%	1.191	42	1.5%	1.562	60	1.5%	3.000
25	1.8%	1.298	43	1.3%	1.616	61	1.6%	3.000

26	3.6%	1.363	44	1.3%	1.681	62	1.8%	3.000
27	2.7%	1.390	45	1.3%	1.748	63	1.8%	3.000
28	2.3%	1.390	46	1.3%	1.818	64+	0.8%	3.000
29	2.0%	1.390	47	1.2%	1.891	Total	97.6%	1.499
30	1.9%	1.390	48	1.2%	1.966			

Molina estimated the average age of the single risk pool to be 32 years of age by multiplying the expected age distribution percentages by the age. Molina assumed an average age of 7 for the Age 0-14 cohort in the average age estimate. Premium rates are based on the attained age as of the coverage effective date and will not be re-rated/adjusted when a birthdate occurs during the year after the coverage starts.

**Geographic Factor Calibration:** Molina applied geographic factors to the index rate in the calculation of region specific rates. The geographic factors are based solely on the provider reimbursement expectations in each region. The calibration factor of 1.000 equals the weighted average geographic factor.

Geographic Factor Calculation			
Geographic Region	Members	Allowed Claims	Geographic Factor
Region 1	1,238	\$680.83	1.252
Region 2	1,731	\$550.58	1.013
Region 3	13,359	\$510.08	0.938
Region 4	6,474	\$519.21	0.955
Region 5	2,521	\$711.87	1.310
Total	25,323	\$543.62	1.000

A table summarizing Molina’s 2018 and 2019 geographic factors is provided below.

Geographic Factor Calculation		
Geographic Region	2018 Factor	2019 Factor
Region 1	N/A	1.252
Region 2	0.942	1.013
Region 3	1.002	0.938
Region 4	N/A	0.955
Region 5	N/A	1.310

**Tobacco Factor Calibration:** Molina does not price in a tobacco surcharge. The calibration factor is set to 1.00

### Base Premium Rate Development

The Base Premium Rates are calibrated to an age 21 premium with an area factor of 1.00. Only the allowable rating factors will be applied to the Base Premium Rates. Molina has included an exhibit identified as “Premium Example” that demonstrates how each allowable calibrated level adjustment is applied to the Base Premium Rates to determine the premiums.

Base Premium Rate						
Product Name	Metal	Projected Members	Plan Adjusted Index Rate	Age Calibration	Area Calibration	Base Premium Rate
a	b	c	d	e	f	g = product (c:f)
Molina	Gold	1,266	\$738.89	1.499	1.000	\$493.05
	Silver	24,057	\$591.44	1.499	1.000	\$394.66
	Total	25,323	\$598.81	1.499	1.000	\$399.57

## PLAN PRODUCT INFORMATION

### AV Metal Values

All benefit plans Molina proposes to offer meet ACA essential health benefit (EHB) requirements. The actuarial value (AV) for each product was based on output from the CMS 2019 AV Calculator.

Silver plan premium rates for benefit year 2019 were developed without federal funding for the cost sharing reduction (CSR) program by using the full actuarial value of the Silver CSR variant plans. No adjustments were necessary for the Gold plan based on the funding status of the CSR program. The following table illustrates the actuarial values included in the rate filing.

Actuarial Metal Values				
Plan ID	Product Name	Metal	FPL	Actuarial Value
18167UT0010001	Molina	Gold	Base	0.7891
18167UT0010002		Silver	CSR 100-150	0.9482
			CSR 150-200	0.8758
			CSR 200-250	0.7379
			Base	0.6835

### AV Pricing Values

AV pricing value of each plan only includes the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). Cost-sharing adjustments ensure that differences due to health status were not included in the adjustment.

The modifiers are applied to the index rate as shown in the following table.

Actuarial Value Pricing						
Product Name	Metal	Actuarial Value	Cost Sharing Adj.	Benefits in Addition to EHBs	Administration Costs	AV Pricing Value
a	b	c	d	e	f	g = product (c:f)
Molina	Gold	0.794	1.328	1.001	1.218	1.287
	Silver	0.855	0.984	1.001	1.223	1.030

## Membership Projections

Molina is filing Utah Marketplace rates in 9 counties representing 5 rating regions. The membership projection is based all on new members in 2019. New membership is based on an estimate of the total number of members enrolled in Utah Marketplace by county. The source of the new members is mostly from other carriers.

Molina’s enrollment projections by plan, including cost-sharing reduction eligible plans, were based enrollment as of December 2017 when Molina last offered an On-Exchange product.

Membership Projections by Region		
Region	Current Members	Projected Members
Region 1	0	1,238
Region 2	0	1,731
Region 3	0	13,359
Region 4	0	6,474
Region 5	0	2,521
<b>Total</b>	<b>0</b>	<b>25,323</b>

Membership Projections by Plan				
Plan ID	Product Name	Metal	FPL	Members
18167UT0010001	Molina	Gold	Base	1,266
18167UT0010002		Silver	CSR 100-150	10,484
18167UT0010002		Silver	CSR 150-200	5,209
18167UT0010002		Silver	CSR 200-250	3,426
18167UT0010002		Silver	Base	4,937
<b>Total</b>				<b>25,323</b>

Molina plans to offer its products in the counties listed by region below.

County List						
Geographic Region	County	County	County	County	County	County
Region 1	Cache					
Region 2	Weber					
Region 3	Davis	Salt Lake	Summit	Toole		
Region 4	Utah					
Region 5	Iron	Washington				

## Terminated Products

A summary of Molina’s terminated, renewing, and new products is provided in the following table:

Terminated Plans and Mapping					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Mapping ----->	New Plan ID
18167UT0010001-00	Jan 2018 - Dec 2018	Molina Marketplace	Gold	NA	18167UT0010001

Renewing Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A		N/A	N/A	N/A

New Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
18167UT0010001	Jan 2019 --	Molina	Gold	0.789	NA
18167UT0010002	Jan 2019 --		Silver	0.684	NA

## Plan Type

All benefit plans are comprehensive HMO individual products.

## Warning Alerts

**Warning Alert:** No warning alerts seen in any section of Worksheet II.

## MISCELLANEOUS INSTRUCTIONS

### Effective Rate Review Information

Not applicable.

### Reliance

Not applicable.



## Actuarial Certification

I, Kevin Monte, as a member in good standing with the American Academy of Actuaries, hereby certify, to the best of my knowledge and judgment, the following:

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 Actuarial Standards of Practice,
- c. Reasonable in relation to the benefits provided and the population anticipated to be covered,
- d. Neither excessive nor deficient.

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.

The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV was calculated in accordance with actuarial standards of practice.

The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

The 2019 AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template.



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Kevin Monte, ASA, MAAA  
Senior Actuarial Analyst, Actuarial Services  
Molina Healthcare Inc.

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August 20th, 2018

Date