BridgeSpan Health Company – Individual
Actuarial Memorandum and Certification – Part III
Rates Effective January 1, 2019

General Information

Company Identifying Information

- Company Legal Name: BridgeSpan Health Company
- State: Utah
- HIOS Issuer ID: 34541
- Market: Individual
- Effective Date: January 1, 2019

Company Contact Information

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Purpose

This Actuarial Memorandum is prepared to provide transparency regarding the assumptions and methods used to calculate the rates proposed in the BridgeSpan Health Company (hereafter referred to as BridgeSpan) January 2019 Individual Filing. Information is also included, where applicable, to support the information shown in the Part I Unified Rate Review template (URRT). The intended purpose of this document is to demonstrate the proposed rates included in this filing and the template are reasonable in relationship to the benefits provided and meet all rating requirements in the applicable laws and regulations in the state of Utah. The intended audience for this document is the Utah Insurance Department.

Two Appendix exhibits show the key framework supporting the rate filing. The process to develop the rate change for this filing is shown in "Exhibit A1: Development of 2019 Rate Change". Development of the URRT projection period index rate is shown in "Exhibit E1: Development of 2019 Index Rate".

Please note in reviewing this memorandum and its accompanying exhibits that BridgeSpan developed rates directly from incurred claims experience. The URRT requires issuers to include an index rate calculation based on allowed claims experience following a prescribed calculation methodology. Because BridgeSpan does not develop rates on an allowed claims basis, the URRT was populated indirectly such that the resulting projected average premium was consistent with the underlying rate development. Explanations regarding how the URRT was populated are included throughout this memorandum and explained relative to the actual rate development.

Per the 2019 Unified Rate Review Instructions released March 2018, the actuary may state: *"The URRT does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers."*

Proposed Rate Change

This filing proposes an average annual rate change of 11.4% at January 1, 2019, for the Individual line of business, as shown in "Exhibit A1: Development of 2019 Rate Change". The 2019 projected average premium is $532.04 per member per month (PMPM).

The average annual rate change is calculated based on Individual enrollment data as of March 2018, adjusted for service area modifications, and includes the mapped rate impact for membership enrolled in plans terminating in 2019. A summary of the rate changes by plan is shown in "Exhibit D1: 2019 Rate Change by Plan".

The estimated distribution of member-level rate changes due to changes in base rates, plan relativities, rating factors, and plan mappings is as follows:

Rate Change	Distribution
10.0% to 12.0%	33.3%
12.0% to 14.0%	66.7%

Factor Changes

This filing includes updates to the plan and area factors. Rating factor tables and changes since the last filing are shown in the "Rate Manual" document. The average annual rate change impact of 11.4% includes the impact of these factor changes and is on a member-weighted basis; the corresponding number on a premium-weighted basis is 11.4%.

Plan pricing factors are updated using the most recent data and factors from BridgeSpan's pricing relativity model, with benefit design changes incorporated. Rate differences between plans reflect objective plan design differences and not differences in population morbidity.

Area factors reflect relative cost differences between rating areas and, as required, do not include differences for population morbidity by geographic area. Area factors were updated to reflect relative cost differences between rating areas based on changes in unit cost and normalized PMPM claims cost.

Pool Base Rate Change

The pool base rate is $612.74 as of January 1, 2019, compared to $583.43 as of January 1, 2018. The pool base rate is the starting amount such that multiplying the base rate and a member's rating factors (plan, age, area, and tobacco) results in the member's premium.

Reasons for Proposed Rate Change

The following components are significant factors contributing to the proposed rate change: healthcare inflation and utilization increases and changes in taxes and fees, and anticipated changes in market-wide average morbidity.

Healthcare Inflation and Utilization Increases: These adjustments refer to what is commonly known as healthcare trend. They reflect contractual changes in the carrier's payments to healthcare providers and expected changes in the volume and types of services utilized by a carrier's members.

Taxes and Fees: Federal taxes and fees under the Affordable Care Act (hereafter referred to as the ACA) will decrease in 2019. The federal health insurer tax was removed in the 2019 filings.

Market-Wide Average Morbidity: The Individual market is expected to contract due to weakening of the federal mandate to have health insurance. This will lead to greater market-wide average morbidity.

The above descriptions are intended to provide an overall understanding of the significant factors contributing to the rate change, and each item is described in detail later in this memorandum.

Experience Period Premium and Claims

The premium and claims used to develop this filing were incurred during calendar year 2017 and includes payments and adjustments paid through March 2018. They are shown in "Exhibit E1: Development of 2019 Index Rate".

For rate development purposes, all available Utah Individual ACA compliant experience was used. This includes experience from BridgeSpan and affiliated company Regence BlueCross BlueShield of Utah (RBCBSU).

In completing the Experience Period Data section of the URRT, Worksheet 1, only BridgeSpan information is reflected, as required by the instructions. Affiliated company experience projected to 2019 appears in the Credibility Manual section of the URRT, Worksheet 1, as described in the Credibility Manual Rate Development section of this memorandum.

Allowed claims and incurred claims were extracted directly from company claim records. Unpaid claims liability (UCL) for incurred claims was developed using the following methodology, which is consistent with the corporate reserve development methodology. Unpaid claims liability for allowed claims was estimated using the same factors that were developed for incurred claims.

Review and Analyze Data

- Check data for inconsistencies and anomalies
- Reconcile paid claims data against the general ledger
- Monitor unpaid claims inventory
- Assess impact of large claims (claims over $100,000)
- Review claims on a per exposure basis for reasonableness (PMPM)
- Compare past UCL estimates to actual claims run-out on an ongoing basis to assess the reasonability of past calculations

Develop UCL Estimates Using Multiple Methods

- Basic Claims Development Method
- Paid PMPM Method

Determine UCL for Recent Incurred Months

The UCL was selected using judgment and considered factors such as recent observed and expected claims trends, seasonality, product design, and changes in membership and claims inventory.

For rate development purposes, pharmaceutical manufacturer rebates were not subtracted from experience period claims because an overall adjustment will occur in a later step of the claims projection process. In contrast, in the URRT, Worksheet 1, pharmacy rebates are subtracted from experience period claims. The Pharmacy Rebates section of this memorandum contains additional information about the adjustments.

Additionally, claims for plans with BlueCard network benefits have additional administrative fees for claims processed out of the service area; these non-claims expenses were removed in developing the net claims shown both for rate development purposes and for completing the URRT, Worksheet 1.

Benefit Categories

Each allowed claim is assigned to one of the following benefit categories: Inpatient Hospital, Outpatient Hospital, Professional, Other Medical, and Prescription Drugs. The categorization is derived from each claim's type of service, provider type, and place of service and is an automated process within BridgeSpan's data warehouse.

Projection Factors

Following is a description of the projection factors used in the filing. As described in the Purpose section of this memorandum, rate development is performed on an incurred claims basis (Exhibit A1) while development of the URRT projection period index rate is performed on an allowed claims basis (Exhibit E1).

Each projection factor's description addresses first how the adjustment is developed for rate development purposes (incurred claims basis). Then, any modifications needed to use the adjustment for developing the URRT projection period index rate (allowed claims basis) are described. Fixed dollar cost sharing measures such as deductibles and copays amplify the impact of cost changes on an incurred claims basis, so generally, a dampening adjustment is necessary to convert a factor on an incurred claims basis to an allowed claims basis.

Changes in Morbidity

This assumption reflects the anticipated change in morbidity from calendar year 2017 ("base period") to calendar year 2019 ("projection period") for BridgeSpan Individual ACA plans. The morbidity adjustment reflects a change in the expected health risk of the pool regardless of the underlying demographics.

The morbidity adjustment used for rate development is shown on the "Changes in Morbidity" line in "Exhibit A1: Development of 2019 Rate Change". Development of the claims adjustment for morbidity is shown in "Exhibit B1: Morbidity and Risk Adjustment". This exhibit also shows the projected risk adjustment transfer, which is closely related to the assumed projection period morbidity. An explanation of the risk adjustment transfer and its relation to company and market morbidity assumptions is provided in the "Projected Risk Adjustments PMPM" section of this memorandum.

The claims adjustment for morbidity was developed using the following process:

- Estimate morbidity level of base period company experience
- Estimate BridgeSpan Individual morbidity change from base period to projection period
- Adjust base period experience to projection period BridgeSpan Individual morbidity level

Morbidity Level of Base Period Company Experience
Morbidity for each base period experience pool was estimated using risk score data normalized for demographic and benefit differences. Because the risk scores were calculated on a consistent basis for each pool, the relativities between the risk scores represent the relative morbidities.

BridgeSpan Individual Morbidity Change from Base Period to Projection Period
A wide range of outcomes is possible for the average morbidity change between the base period and projection period for the population insured on BridgeSpan Individual plans. Population enrollment change is the biggest driver of morbidity change. Similar to claims variability though, the average morbidity of an insured population will vary from one year to the next, even with no change in covered members.

Some drivers of insured population changes include macroeconomic conditions, market competitiveness, and consumer behavior changes; however, none of these factors or their resulting impacts can be forecasted with certainty.

An estimate for the projected morbidity change between the base period and projection period is shown in “Exhibit B1: Morbidity and Risk Adjustment”. Risk score projections for 2019 continue to use the methodology and coefficients from the 2017 benefit year for consistency and the impacts of model coefficient recalibration are assumed to be minimal; the calculation of the 2019 transfer payments does reflect the 14 percent administrative cost reduction to state average premium.

A key driver of the expected morbidity change between the base period and projection period is the expected contraction of the ACA Individual market in Utah. The reduction in market size is driven by a weakened federal mandate to have health insurance coverage and the relative cost of purchasing coverage.

Adjust Base Period Experience to Projection Period BridgeSpan Individual Morbidity Level
The final factor used to adjust company base period morbidity to the projection period BridgeSpan Individual morbidity is derived by taking the ratio of the projection period BridgeSpan Individual morbidity to the base period company morbidity.

For purposes of incorporating the morbidity adjustment into the “Pop’l risk Morbidity” projection factor in the URRT, Worksheet 1, Section II, a dampening adjustment was applied to convert the factor to an allowed claims basis. The projection factor for the URRT for each experience pool is shown in “Exhibit E1: Development of 2019 Index Rate”.

Changes in Benefits
Company experience period claim costs are adjusted to reflect anticipated changes in covered benefits (Essential Health Benefits, Mandated Benefits, and Other Benefits) and changes in cost sharing.

The overall benefit design adjustment used for rate development is shown on the "Changes in Benefits" line in "Exhibit A1: Development of 2019 Rate Change".

Essential Health Benefits
Plans offered in 2019 must include covered benefits following Utah's essential health benefits (EHB) benchmark package for Individual plans. Covered benefits included in the base period plans were reviewed against the 2019 EHB benchmark plan.

Experience period covered benefits for ACA plans satisfy Utah's 2019 requirements. Therefore, no specific experience period adjustments are applied to ACA plan experience.

Pediatric dental benefits are included as an embedded set of benefits in all 2019 ACA products.

Mandated Benefits
There are no significant pricing adjustments for new or prior mandates included in this filing.

Other Benefits
This adjustment reflects anticipated differences in non-EHB benefits between the experience period and projection period. There are no material differences that need to be adjusted for.

Changes in Cost Sharing
This adjustment reflects anticipated changes in the average cost sharing requirements between the base period and projection period, which was derived by comparing the base period average benefit design to the projection period average benefit design, independent of changes in covered benefits and population health status. It includes anticipated changes in the average utilization and cost of services due to differences in average cost sharing requirements.

The "Other" projection factor in the URRT, Worksheet 1, Section II, includes corresponding adjustments to the changes in covered benefits and changes in cost sharing described above. These items are labeled "Covered Benefits" and "Utilization from Cost-Sharing Differences", respectively, in "Exhibit E1: Development of 2019 Index Rate". "Covered Benefits" corresponds directly to the changes in covered benefits described above. "Utilization from Cost-Sharing Differences" corresponds to the Changes in Cost Sharing described above, but only includes the portion of the adjustment attributable to anticipated changes in the average utilization of services due to differences in average cost sharing requirements. Anticipated changes in the average cost sharing requirements were excluded because they do not affect allowed claims.

Changes in Demographics
A demographic adjustment is reflected to account for population demographic differences between the experience period and the projection period. Adjustments are developed consistent with current filed factors for age and area.

The demographic adjustment used for rate development is shown on the "Changes in Demographics" line in "Exhibit A1: Development of 2019 Rate Change".

For purposes of incorporating this adjustment into the "Other" projection factor in the URRT, Worksheet 1, Section II, a dampening adjustment was applied to convert the factor to an allowed claims basis. The projection factor used in the URRT for each experience pool can be found in "Exhibit E1: Development of 2019 Index Rate".

Other Adjustments
This section describes cost adjustments other than changes in morbidity of the population insured, changes in benefits, changes in demographics, and expected cost increases due to trend.

Changes in Network
A network adjustment is reflected to account for expected network differences between the experience period and the projection period. The network adjustment used for rate development is shown on the "Changes in Network" line in "Exhibit A1: Development of 2019 Rate Change".

A proprietary network model is used to determine the projected cost relativities between different networks, based on historical experience projected to the rating period. The model allows the inclusion or exclusion of providers on a group by group basis. As a provider group is excluded from the network, the services that were delivered by that group are redistributed to other providers within the same specialty. As care is shifted among providers, adjustments are made to reflect utilization efficiency and unit cost differences between the providers.

In 2019, network offerings include the Individual and Family network, a statewide network. For the purpose of claims projection, a network factor of 1.0 represents a broad, PPO network; network premium factors are scaled such that the broadest available network is a 1.0.

For purposes of incorporating this adjustment into the "Other" projection factor in the URRT, Worksheet 1, Section II, a dampening adjustment is applied to convert the factor to an allowed claims basis. The projection factor used in the URRT for each experience pool is shown in "Exhibit E1: Development of 2019 Index Rate".

Pharmacy Rebates
Incurred claims in the experience period are not reduced by estimated pharmaceutical manufacturer rebates, so a pharmacy rebates adjustment is reflected to account for estimated rebates in the projection period. The pharmacy rebates adjustment for rate development is shown on the "Pharmacy Rebates" line in "Exhibit A1: Development of 2019 Rate Change". Pharmacy rebates are estimated by projecting 2019 aggregate rebate-eligible script counts companywide from base period experience, adjusting for expected changes in average per script rebate guarantees, and then allocating the projected rebates to each line of business using base period pharmacy experience.

Because experience period allowed claims used in the URRT are net of pharmacy rebates, for purposes of incorporating this adjustment into the "Other" projection factor in the URRT, Worksheet 1, Section II, only the estimated difference in pharmacy rebates between the experience period and the projection

period is reflected. The projection factor used in the URRT for each experience pool is shown in "Exhibit E1: Development of 2019 Index Rate".

Overall, the "Other" projection factor in the URRT, Worksheet 1, Section II, includes adjustments for covered benefits, utilization from cost-sharing differences, demographics, network, and pharmacy rebates.

Trend Factors

Projected Rating Trend

The trend factor used in rate development is shown on the "Trend Factor to Rating Period" line in "Exhibit A1: Development of 2019 Rate Change", reflecting twenty-four months of trend at an annual rate of 10.5%. The table below shows the expected components of the annual trend used to project incurred claims costs to the rating period. Note that the leverage component does not impact allowed claims; this trend applies to incurred, paid claims.

Components of Projected Trend

Reimbursement		[redacted]	
Utilization			
Mix/Intensity			
Leverage			

For reporting purposes, trend and its respective components are reported throughout the filing on a medical and prescription drug combined basis.

An area of concern is high prescription drug cost trends. The increasing prevalence of specialty drugs in the market, new specialty drugs expected to be introduced, the extremely high cost of specialty prescriptions, and the lack of low cost substitutes for these drugs contribute to high anticipated prescription drug trends. In addition, the market is observing larger cost increases for certain lower cost drugs that also contribute to higher observed trends.

BridgeSpan and its affiliated companies are actively working to ensure the effectiveness of pharmaceutical drugs is balanced against their affordability and availability to consumers. This includes providing consumer tools to help members identify safe and lower cost alternatives whenever possible, as well as working with lawmakers, regulators, and the pharmaceutical industry to create more clarity around the process of making, marketing, and pricing medications.

To determine projected trend for the rating period, BridgeSpan analyzed the individual components of trend, change in reimbursement, utilization, mix/intensity, and leverage, to determine the aggregate expected trend.

The reimbursement component captures unit cost changes, including negotiated rate changes with providers. The utilization component measures the difference in number of services per 1,000 members. The mix/intensity component measures the shift within service categories (e.g., using more MRIs versus X-Rays or more specialty drug prescriptions as a percentage of total prescriptions) and between service categories (utilizing outpatient services instead of inpatient services). Fixed dollar cost sharing measures, such as deductibles and copays, serve to amplify trend since the member portion of total costs remains fixed while the insurer portion increases over time. This effect is captured in the leveraging component of trend.

BridgeSpan considers historical experience, state and federal mandates, new technologies, cost shifting, drug patents, and anticipated economic conditions in determining the utilization and mix/intensity components of projected trend.

Additionally, BridgeSpan actively reviews and implements opportunities to improve the quality of health care delivery and achieve sustainable costs. This filing reflects an explicit reduction of [redacted] to projected trend due to expected incremental impacts of program changes from the base period to projection period. These initiatives are focused on lowering the utilization, mix/intensity, and reimbursement components of trend.

A few examples of new or expanded initiatives include:

- Multi-pronged approach addressing prevention and prescribing of opioids
- Formulary changes and partnership to optimize affordability of EpiPen via generic epinephrine
- Site of care program shifting low acuity procedures to a physician office as clinically appropriate
- Provider billing education to improve correct billing practices

The following trend variables are not considered when calculating trend: margin, fluctuation, anti-selection, or underwriting wear-off.

Differences in projected and observed trend levels in prior periods are also considered in projected rating trend, but have an indirect impact on the selected projected rating trend assumption and the resulting rate change.

Normalized Experience Trend
BridgeSpan reviews experience trend by calculating rolling twelve month historical claims trend on both an observed and underlying basis. In order to differentiate between the observed trend and the underlying trend, claims are normalized for differences in benefits, demographics, health risk, and large claims. Demographic adjustments are developed using the current filed factors for age and area, benefit adjustments are developed using a benefit relativity model, and health risk adjustments are developed using risk score data.

A summary of the underlying experience is included in "Exhibit B2: Normalized Claims Trend". The analysis shows an underlying average claim trend of 21.6% when comparing calendar year 2017 to calendar year 2016. This estimate of recent underlying trend experience is a single point of reference and is not the sole predictor of future trends.

Credibility Manual Rate Development

Source and Appropriateness of Experience Data Used

As described previously in the Experience Period Premium and Claims section, 2017 calendar year data for BridgeSpan, and RBCBSU Individual ACA plans are used to develop 2019 rates. Given the choice of available options, affiliated company Individual experience was deemed best to develop the framework for a state-wide single risk pool.

For purposes of completing the URRT, Worksheet 1, all BridgeSpan ACA compliant Individual experience was included in the Experience Period claims development section. All other experience used to develop rates was reflected in the Credibility Manual section of the URRT, Worksheet 1. A detailed summary is included in "Exhibit E1: Development of 2019 Index Rate".

Adjustments Made to the Data

Adjustments made to the data underlying the Credibility Manual section of the URRT are similar to the adjustments made to the data included in the Experience Period section of the URRT, Worksheet 1, Section II. A detailed summary of the adjustments is included in "Exhibit E1: Development of 2019 Index Rate". Descriptions of the adjustments are included in the corresponding sections of this memorandum.

Inclusion of Capitation Payments

No services are provided under a capitation arrangement.

Credibility of Experience

To develop 2019 rates, the overall projected claims cost was derived by taking a weighted average based on enrollment from each experience pool.

The claims cost weight assigned to each experience pool is shown in "Exhibit A1: Development of 2019 Rate Change". The resulting overall projected incurred claims cost is $522.19 PMPM.

For purposes of completing the URRT, the credibility percentage applied to the experience included in the Credibility Manual section is consistent with the weights for rate development. The resulting projected allowed claims cost is $716.65 PMPM.

Paid to Allowed Ratio

A demonstration of the "Paid to Allowed Average Factor in Projection Period" contained in the URRT, Worksheet 1, Section III, is included in "Exhibit D3: Paid to Allowed Ratio and AV Metal Value". This exhibit includes the projected membership by plan and each plan's corresponding metallic actuarial values in the URRT, Worksheet 2. The estimated paid to allowed ratios for each plan are consistent with the metallic actuarial values, but they are not identical due to differences in pool experience and the AV Calculator's data. The estimated paid to allowed ratio demonstration is only for reporting purposes; BridgeSpan sets rates by directly estimating the portion of the health plan's costs using incurred claims data.

Risk Adjustment and Reinsurance

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM

Estimated risk adjustment transfers and reinsurance recoveries are populated in the "Risk Adjustment Transfer Amount" and "Net Amt of Rein" lines of the URRT, Worksheet 2, Section III. Amounts were allocated by plan in proportion to premium. The risk adjustment user fee for 2017 was $0.13 PMPM, while the reinsurance program ended in 2016 and shows $0. An estimate of the experience period risk adjustment transfer PMPM, before reduction for the risk adjustment user fee, is shown in "Exhibit B1: Morbidity and Risk Adjustment".

Projected Risk Adjustments PMPM

The projected risk adjustment PMPM reflects the difference in projection period expected relative risk between the BridgeSpan block of business and the overall market. The estimated risk adjustment transfer used for rate development is shown on the "Risk Adjustment Transfer" line in "Exhibit A1: Development of 2019 Rate Change". Information regarding the transfer estimate is shown in "Exhibit B1: Morbidity and Risk Adjustment". A positive amount represents an anticipated risk adjustment receipt, and a negative amount represents an anticipated risk adjustment payable.

The federal risk adjustment program transfers funds from carriers with relatively lower risk enrollees to carriers with relatively higher risk enrollees, which mitigates the potential concern of adverse selection in a guaranteed issue market. The transfer formula operates such that, in general, changes in a carrier's enrolled risk profile results in corresponding changes to the transfer amount. That is, a carrier enrolling relatively higher risk members would expect a higher transfer receivable (or lower transfer payable). Similarly, a carrier whose enrolled risk profile stayed the same while the market-wide average risk improved would also expect a higher transfer receivable (or lower transfer payable).

A carrier's risk transfer results from HHS's risk transfer formula will inherently vary from year-to-year even with no significant carrier or market morbidity changes. For example, periodic updates to the transfer formula methodology and carrier differences in diagnosis coding practices and data submission capabilities will introduce additional variation. For carriers whose enrollees have a significantly different average risk profile than market average, the variability in risk adjustment results may be even higher.

The 2019 projected risk adjustment PMPM is developed considering expected changes in market-wide morbidity and company enrollment profile changes, combined with risk adjustment transfer formula relationships and reasonable judgment. Considerations included 2016 actual risk adjustment results, 2017 estimated risk adjustment results, projected changes in the market-wide morbidity level between 2017 and 2019, and projected changes in company morbidity of the population insured between 2017 and 2019. Additionally, morbidity and risk relationships between Cambia companies in the Utah Individual market were considered to enhance transfer credibility for rate consistency and stability.

The projected risk adjustment transfer was populated in the "Projected Risk Adjustments PMPM" item in the URRT, Worksheet 1, Section III. As required by the instructions, the amount is net of the risk adjustment user fee, which is $0.15 PMPM for 2019.

The "Risk Adjustment Transfer Amount" item in the URRT, Worksheet 2, Section IV is the plan allocation of the aggregate net risk adjustment transfer amount from the URRT, Worksheet 1, Section III. Single risk pool pricing requirements require anticipated risk adjustment transfers to be allocated proportionally as a market level adjustment, so the risk adjustment transfer amounts were similarly allocated, by plan and in proportion to premium.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium
The federal reinsurance program ended with the 2016 benefit year, so there are no recoveries or reinsurance contributions for 2019. The "Projected ACA reinsurance recoveries, net of rein prem, PMPM" in the URRT, Worksheet 1, Section III, is populated with $0.00 PMPM.

Non-Benefit Expenses
The "Retention Development" section of "Exhibit A1: Development of 2019 Rate Change" shows non-benefit expenses included in the premium development.

Administrative Expense Load
BridgeSpan's administrative expense load is comprised of expected plan operating expenses and commissions paid to agents and brokers.

Operating expenses for 2019 are projected at $40.30 PMPM or 7.6% of premium. Operating expenses are developed by the cost accounting department consistent with company policy and were reviewed for reasonability compared to prior results. When possible, operating expenses are assigned directly as a claim or non-claim related expense to the appropriate line of business. When costs cannot be assigned directly to a specific line of business, the expenses are allocated based upon appropriate objective statistical measures. As such, reliance is placed on the internal cost accounting department's expertise in developing these estimates.

Commission expenses for 2019 are projected at $1.54 PMPM or 0.3% of premium. Historical utilization of distribution channels was analyzed against the 2019 commission schedule.

The following table shows the components of "Administrative Expense Load" in the URRT, Worksheet 1, Section III.

Administrative Expense Components

Component	Percent of Premium	PMPM
Administrative Expenses	7.57%	$40.30
Commissions	0.29%	$1.54
Total Administrative Expense Load	7.86%	$41.84

2019 Projected Average Premium PMPM: $532.04

PMPM values shown here match the rate development and may differ from the URRT due to rounding. Note that projected average premium in URRT also excludes risk adjustment user fee, which is included in the Average Premium shown in the rate development.

Risk Margin and Contribution to Surplus

Rate setting for ACA plans includes many pricing risks. One of the biggest risks is that rates are filed before relevant experience period information is available.

Additionally, claims experience continues to be more volatile and less predictable relative to recent years because the covered population continues to change materially from year-to-year. These changes increase uncertainty with how closely morbidity adjustments align to final risk adjustment transfer amounts. There is further underlying variability with risk adjustment transfers due to differences between carriers in diagnosis coding practices and data submission capabilities, which are factors that cannot be predicted. Also, while the risk adjustment program is intended to compensate for morbidity differences between carriers, it does not protect against the risk of market morbidity being less favorable than projected across all carriers.

A value of 5.0% is included in this filing for risk and contingency margin. The assumption included in the 2018 rate filing was 5.0%.

A value of 0.0% is included in this filing for contribution to surplus.

This information is included in "Profit & Risk Load" in the URRT, Worksheet 1, Section III.

Taxes and Fees

BridgeSpan's taxes and fees for the Individual line of business are comprised of federal health insurer taxes, Patient Centered Outcomes Research Institute (PCORI) fees, and exchange user fees. These are in addition to the risk adjustment user fee previously described.

- The federal health insurer tax is not to be collected in 2019; this filing assumes 0.0%.
- The estimated PCORI fee is $0.22 PMPM. The PCORI fee for plans ending after October 1, 2017 and before October 1, 2018 was set at $2.39 PMPY by the federal government. This value reflects two years of estimated annual growth in national healthcare expenditures.
- This filing reflects exchange user fees of $0.00 PMPM because products will not be offered on an exchange in 2019.

The following table summarizes the components of "Taxes & Fees" in the URRT, Worksheet 1, Section III.

Taxes & Fees Components

Component	Percent of Premium	PMPM
Federal Health Insurer Tax	0.00%	$0.00
PCORI Fee	0.04%	$0.22
Exchange Fee	0.00%	$0.00
Total Taxes & Fees	0.04%	$0.22

2019 Projected Average Premium PMPM: $532.04

PMPM values shown here match the rate development and may differ from the URRT due to rounding. Note that projected average premium in URRT also excludes risk adjustment user fee, which is included in the Average Premium shown in the rate development.

Projected Loss Ratio

The projected loss ratio for this line of business is 87.1%. The numerator for this ratio is projected incurred claims net of projected risk adjustment transfers, $463.23 PMPM, and the denominator is projected average premium, $532.04 PMPM.

The projected federal loss ratio calculated using federally-prescribed methodology for medical loss ratio (MLR) rebates calculations is 87.1%, which is greater than the federally prescribed MLR requirement of 80.0%. Due to the complexity of the federal MLR rebate methodology, which is beyond the scope of this filing, the only adjustment reflected is subtracting projected taxes and fees from the premium denominator. The denominator adjustment is equal to the Total Taxes & Fees PMPM described in the preceding Taxes & Fees section and $0.15 PMPM for the risk adjustment user fee.

Both the projected loss ratio and the projected federal loss ratios are shown in "Exhibit A1: Development of 2019 Rate Change".

Premium Rate Determination from Pool Base Rate

Premium rates may vary due to the following factors, as permitted by 45 CFR 147.102:

- Plan
- Age
- Area
- Tobacco
- Family status

To distribute the projected average premium across the projected population, BridgeSpan determined an overall pool base rate using a normalization calculation. The pool base rate represents the starting amount for premium determination purposes before applying consumer-specific premium factors.

The 2019 pool base rate of $612.74 and the average factors for normalization are shown in "Exhibit A1: Development of 2019 Rate Change".

The pool base rate is determined by dividing the projected average premium by the projected population's average factors. The average age factor is the factor assuming all members included in the projected population are charged a premium. Area factors reflect geographical delivery cost differences with respect to unit cost and provider practice pattern differences; as required, they do not include differences for population morbidity. Tobacco use status is also used as a rating factor. The family rating adjustment is the pool-wide premium adjustment for the three child dependent premium limit.

A plan base rate is calculated for each plan by multiplying the pool base rate with the plan's corresponding plan factor. A description of how plan factors are developed is included in the AV Pricing Values section of this memorandum.

Each member's premium is developed by multiplying the plan base rate for the member's selected plan with the member's applicable age, area, and tobacco factors. Finally, premiums for family coverage are determined by summing the premium for each individual family member, counting at most 3 child dependents under the age of 21.

Single Risk Pool

This filing demonstrates that BridgeSpan followed federal guidance and market reform rating requirements in establishing a single risk pool in the Utah Individual market. The experience data includes all of BridgeSpan's ACA compliant covered lives in the Utah Individual market.

Index Rates

The following sections describe how the index rates required by the URRT and actuarial memorandum instructions were calculated. Please note these index rates do not demonstrate the process used to develop the rates; they were prepared for reporting purposes and were calculated consistently with the results of the underlying rate development process.

Experience Period and Projection Period Index Rates
The experience period index rate represents the estimated allowed EHB claims in the experience period. The projection period index rate represents the anticipated allowed EHB claims level in the projection period with respect to trend, benefit, and demographics. It also reflects the experience of all policies expected to be in the single risk pool. Both index rates exclude significant non-EHBs, and neither is adjusted for payments and charges under the risk adjustment and reinsurance programs, or for exchange user fees.

The experience period index rate is $1116.93 PMPM. Non-EHB benefit categories are excluded from the calculation based upon the benefit category code assigned automatically within BridgeSpan's data warehouse. Benefits excluded include chiropractic.

The projection period index rate is $713.78 PMPM. Benefits excluded include chiropractic.

For purposes of determining non-EHB benefits, only material benefit categories not covered in the EHB benchmark plan are identified. In cases where the company provided offering is richer than the EHB benchmark plan, the benefits are not considered non-EHB. For instance, if 15 service visits are covered compared to 10 visits in the benchmark plan.

Development of the experience period and projection period index rates is shown in "Exhibit E1: Development of 2019 Index Rate".

Market Adjusted Index Rate
The market adjusted index rate is $654.97 PMPM. It is calculated as the projection period index rate adjusted for the following allowable market-wide modifiers:

- Net impact of the risk adjustment program
- Exchange user fees

Risk adjustment transfer amounts and exchange fees are unrelated to claims, so they are reflected without adjustment. Development of the market adjusted index rate is shown in "Exhibit E1: Development of 2019 Index Rate".

Plan Adjusted Index Rate
The plan adjusted index rates are calculated as the market adjusted index rate adjusted for allowable plan-level modifiers. The following adjustments are made:

- AV and cost-sharing design
- Network, delivery system characteristics, and utilization management practices
- Non-EHB benefits
- Administrative costs, excluding exchange user fees

Development of the plan adjusted index rates from the market adjusted index rate and allowable plan-level modifiers is shown in "Exhibit E2: Plan Adjusted Index Rate Development". As required, the AV and cost-sharing adjustment reflects non-tobacco user status.

State mandated benefits adopted after December 31, 2011 are excluded from the EHB percentage in the URRT, Worksheet 2, Sections III and IV. There are no significant mandated benefits excluded from the EHB percentage.

Calibration

The URRT and actuarial memorandum instructions require the plan adjusted index rates to be calibrated for age, area, and tobacco use factors. Calibration adjustments for these factors were applied uniformly to all plans.

Age Curve Calibration

The age factor calibration adjustment was calculated by applying the age curve premium factors to the projection period population. An age factor of 0 was used for the projected population under age 21 subject to the three child family rating limitation. Development of the calibration adjustment is shown in "Exhibit C1: Age Curve and Tobacco Calibration Factors".

Geographic Factor Calibration

The geographic factor calibration adjustment is calculated by applying the 2019 area factors to the projection period population. This adjustment is shown in "Exhibit C2: Geographic Calibration Factor".

Tobacco Use Rating Factor Calibration

The tobacco use rating factor calibration adjustment is calculated by applying the 2019 tobacco use factors to the projection period population. Development of the calibration adjustment is shown in "Exhibit C1: Age Curve and Tobacco Calibration Factors".

Consumer Adjusted Premium Rate Development

The consumer adjusted premium rate is the final premium rate charged to an individual or family. Premiums are determined starting from each plan's base rate as described earlier in the Premium Rate Determination from Pool Base Rate section of this memorandum.

The plan adjusted index rates calibrated for age, area, and tobacco factors are expected to approximate plan starting costs for premium determination, before applying the allowable consumer-specific rating factors for age, area, and tobacco. Reconciliation of the plan adjusted index rates and the 2019 plan base rates is shown in "Exhibit E3: Plan Adjusted Index Rate to Base Rate Mapping".

Plan Product Info

AV Metal Values

BridgeSpan followed applicable guidance in determining AV Metal Values using the prescribed AV Calculator methodology, including guidance issued by CMS on May 16, 2014, titled "Frequently Asked Questions on Health Insurance Market Reforms and Marketplace Standards". This CMS guidance states, "A plan design is incompatible when the use of the AV Calculator yields a materially different AV result from using the other approved methodologies". A materially different AV result is interpreted as one that changes a plan's metal tier.

As required, BridgeSpan used an actuarially justifiable process for inputting plan designs into the AV Calculator. For non-standard cost shares, AV Metal Values were tested using an alternate methodology under 45 CFR 156.135(b), and all plan designs were determined to be compatible with the AV Calculator, as the alternate methodologies did not produce materially different results. Therefore, AV Metal Values included in the URRT, Worksheet 2 for all plans were determined entirely based on the AV Calculator.

Please note that AV Metal Value determinations follow the AV Calculator methodology prescribed by HHS, and these actuarial values are only to be used to determine a plan's metal tier. They do not reflect BridgeSpan's best estimate of the portion of allowed costs covered by the health plan.

AV Pricing Values
The AV Pricing Values reflect expected plan benefit differences based on a proprietary benefit relativity model. The differences attributable to each allowable modifier to the Index Rate follow the same plan-specific adjustments described earlier in the Plan Adjusted Index Rate section of this memorandum.

Expected differences in utilization due to differences in cost sharing were reflected in the AV Pricing Values. Utilization differences due to differences in projected health status were not included in these adjustments. The only expected utilization differences between any two particular cost sharing plan designs were those that would apply to any member, regardless of health status.

Membership Projections
Projected member months by plan for the URRT, Worksheet 2, are estimated based on data through March 2018, assuming minimal changes in the enrollment distribution by plan, along with non-zero projected enrollment. 2019 product selections are assumed to be similar to 2018 product selections.

No members are expected to enroll in cost-sharing reduction subsidy plans in 2019 because BridgeSpan is only offering products outside the exchange.

Terminated Plans and Products
ACA plans offered by BridgeSpan in 2017 or 2018 and terminating prior to January 1, 2019 are shown in "Exhibit D2: Terminated Plan Mapping". A cross-walk mapping terminating plans to the 2019 projection period is included.

Plan Type
BridgeSpan does not offer any plans that do not meet the plan type definitions in the URRT, Worksheet 2.

Warning Alerts
The Part I URRT, Worksheet 2, Section III, includes a warning in cell A57, "Total Premium (TP)". The warning compares two calculations with different definitions, a total experience amount in Worksheet 1 and a plan level experience amount in Worksheet 2. The total experience amount represents observed premiums. The plan level experience amount represents projected premiums when the experience plans were filed, reflecting projected distributions for age, area, and benefits, rather than what actually emerged.

The Part I URRT, Worksheet 2, Section III, includes warnings in cell A68, "Total Incurred claims, payable with issuer funds" and cell A73, "Incurred Claims PMPM". The warnings compare the total experience amount in Worksheet 1 to the plan level experience amount in Worksheet 2. Differences are due to plan level experience amounts, such as reinsurance and risk transfers.

Effective Rate Review Information and Additional Memorandum Requirements
This section includes supplementary information to satisfy requirements in the Utah Comprehensive Health Insurance Rate Filing Checklist, which have not been previously addressed in this memorandum.

Status of Forms
Forms are open to new sales and are non-grandfathered.

Benefits
Consumer disclosures are provided to members in compliance with ACA requirements.

Rate History
The annual rate change in the filing effective January 1, 2018 was 9.7%. The annual rate change in the filing effective January 1, 2017 was 40.9%.

Covered Members
There are 3 covered members on ACA-compliant products as of March 2018.

Member Months
Member months from the base experience period and two years prior can be found in the "Past Experience" tab of the accompanying Supplemental Exhibits workbook.

Past Experience
Monthly earned premium and incurred claims from the base experience period and two years prior can be found in the "Past Experience" tab of the accompanying Supplemental Exhibits workbook.

Rate Development
Base experience used to develop rates, and all adjustments and assumptions applied to arrive at the requested rates can be found in the "Rate Calculation" tab of the accompanying Supplemental Exhibits workbook.

Trend Assumption
Trend assumption by major types of service can be found in the "Trend Assumption" tab of the accompanying Supplemental Exhibits workbook.

Policyholder Anniversary
ACA-compliant Individual policies are offered on a calendar year basis. Most policies are effective as of the first quarter, with the majority of members expected to enroll in January.

Impact of Prior Year's Misestimate on Current Rate Increase
The projected rating trend assumption included in this filing is based on many forward-looking factors that are described in the Trend Factors section of this memorandum. Differences in projected and observed trend levels in prior periods are also considered, but have an indirect impact on the selected projected rating trend assumption and the resulting rate change. The estimated experience period normalized trend is 21.6%, and the projected rating period trend used in this filing is 10.5%.

Medical Loss Ratio
The medical loss ratio calculation can be found in the "Medical Loss Ratio" tab of the accompanying Supplemental Exhibits workbook.

Reliance
Other than as previously identified, I did not rely on any other information or underlying assumptions provided by another individual in preparing the Part I Unified Rate Review Template.

Caveats and Limitations
The index rate and premium projections contained in this filing reflect best estimates of future costs that were developed based on available data, review of the literature, applicable rules and regulations, best thinking regarding the market population, and actuarial judgment. Actual experience and financial results will likely differ from these estimates for many reasons, including material differences in the population that enrolls, demographic mix, new treatments and technologies, economic conditions, catastrophic claims, and random claim fluctuations. Changes in rules and regulations may require revisions to the premium rates included in this filing.

Actuarial Certification

I, Kevin Hurley, am an actuary employed by Cambia Health Solutions, the parent company of BridgeSpan. I am a member of the American Academy of Actuaries (AAA), in good standing, and meet the education and experience standards necessary to complete this actuarial certification.

On behalf of BridgeSpan, I have reviewed this rate filing for a January 1, 2019 effective date for the Individual block of business. I hereby certify that, in my opinion:

- The monthly premium rates are actuarially sound; aggregate expected premium is adequate to cover expected claims costs and the filed rates are reasonable in relation to the benefits offered
- The projected index rate is:
    - In compliance with all applicable State and Federal Statutes and Regulations
    - Developed in compliance with applicable Actuarial Standards of Practice (ASOPs) and professional standards
    - Reasonable in relation to the benefits provided and the population anticipated to be covered
    - 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 percentages of total premium representing essential health benefits included in the Part I URRT, Worksheet 2, Sections III and IV, were calculated in accordance with actuarial standards of practice
- 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
- The AV Calculator was used to determine the AV Metal Values shown in the Part I URRT, Worksheet 2
- This rate filing is consistent with BridgeSpan's internal business plans

Relevant AAA documents reviewed in preparation for this filing include:

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance,*
- *and Entities Providing Health Benefits*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*
- ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*
- Professional Code of Conduct

Kevin Hurley, FSA, MAAA
Assistant Director, Actuarial Pricing
Cambia Health Solutions, on behalf of BridgeSpan Health Company