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## Part III Actuarial Memorandum

**Common Ground Healthcare Cooperative  
Small Group Rate Filing  
Effective January 1, 2019**

Prepared for:  
**Common Ground Healthcare Cooperative**

Prepared by:



**Milliman, Inc.**



milliman.com

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## EXHIBIT 1. GENERAL INFORMATION

### DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for Common Ground Healthcare Cooperative's (CGHC) small group block of business, effective January 1, 2019. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).



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

This information is intended for use by the State of Wisconsin Office of the Commissioner of Insurance (OCI), the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of CGHC's small group rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this Actuarial Memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

### COMPANY IDENTIFYING INFORMATION

Company Legal Name: Common Ground Healthcare Cooperative  
State: The State of Wisconsin has regulatory authority over these policies.  
HIOS Issuer ID: 87416  
Market: Small Group  
Effective Date: January 1, 2019  
SERFF ID(s): CGHC-131545500

### COMPANY CONTACT INFORMATION

Primary Contact Name: Cathy Mahaffey  
Primary Contact Telephone Number: 414 847 5469  
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### CONSULTANT CONTACT INFORMATION



### DESCRIPTION OF BENEFITS



## EXHIBIT 2. SCOPE AND PURPOSE, PROPOSED RATE CHANGE(S)

### SCOPE AND PURPOSE

This submission is for CGHC's small group medical product. This is a requested rate change filing for CGHC's existing plans that will be offered in 2019, with an effective date of January 1, 2019.

[REDACTED]

[REDACTED]

CGHC has made changes to most plans that were offered in 2018. The structure of the plan designs remained the same, but CGHC increased the deductibles, maximum out-of-pocket (MOOP) limits, and copay levels to maintain compliance with metallic levels as required by the 2019 Actuarial Value Calculator (AVC).

[REDACTED]

**Table 2.1  
Common Ground Healthcare Cooperative  
Proposed Rate Change**

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The rate increase differs by plan as a result of the following factors:

- Geography – Per above, the geographic factors have been updated for 2019, such that they will composite to 1.0 based on the projected 2019 enrollment distribution.
- Expenses – The expense load varies slightly by plan as a result of a mix of fixed and variable expenses.
- Actuarial values – We updated the actuarial values for each plan and determined both a benefit value and utilization adjustment for each plan. The utilization adjustment is based purely on the impact of the plan design on the utilization of services (i.e., a plan with a higher deductible will have lower utilization), and not based on health status. The plan design impact varies by plan.

The following are significant factors driving the proposed rate increases.

**SINGLE RISK POOL EXPERIENCE AND MARKET-WIDE MORBIDITY**



**MEDICAL AND PRESCRIPTION DRUG INFLATION & UTILIZATION TREND**

Claims costs were increased for anticipated changes due to medical / prescription drug inflation and increased medical / prescription drug utilization. Below are the assumed annual charge and utilization increases to trend the claims data from 2017 to 2019. These assumptions were incorporated into our experience claims projection.

Table 2.2 Common Ground Healthcare Cooperative Unit Cost and Utilization Trend Assumptions			
Service Type	Charge	Utilization	Total
Medical	[REDACTED]	[REDACTED]	[REDACTED]
Prescription Drug	[REDACTED]	[REDACTED]	[REDACTED]

The State of Wisconsin requested trend rate assumptions for the 12 months directly following the effective date of the filing be split between medical and insurance trend. Medical Trend is defined as “the combined effect of medical provider price and / or capitation changes, utilization changes, medical cost shifting, and new medical procedures and technology,” and Insurance Trend is defined as “the combined effect of underwriting wear-off, deductible leveraging, anti-selection resulting from rate increases, discontinuance of new sales, and any other factor affecting claims.” The following table outlines our assumptions for 2019 medical and insurance trend:

Table 2.3 Common Ground Healthcare Cooperative 2019 Medical Trend and Insurance Trend	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

**PROSPECTIVE BENEFIT CHANGES**

Effective January 1, 2019 benefits have changed based on maintaining compliance with the 2019 AVC. The following are a list of the benefit changes:

- Increased MOOP limits in certain circumstances
- Increased deductibles in certain circumstances
- Increased copayments (e.g., office visits and pharmacy) in certain circumstances

Note that the benefit adjustment was calculated on a PMPM basis; therefore, the premium adjustment varies by plan.

### **CHANGES TO TAXES, FEES, AND ADMINISTRATIVE EXPENSES**

Changes to the overall premium level are needed because of required changes in federal / state taxes and fees. In addition, there are anticipated changes in the administrative expenses. The following is a list of any anticipated changes and comments regarding the adjustment:

- Expenses – CGHC continues to manage expenses to a competitive overall percent of premium
- Health Insurance Provider Fee moratorium for plan year 2019
- The Patient-Centered Outcomes Research Institute (PCORI) fee is no longer applicable

## EXHIBIT 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

### CLAIMS PAID THROUGH DATE

**Table 3.1**  
Common Ground Healthcare Cooperative  
2017 Experience - Premium and Claims

### PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD

The premiums earned during the experience period and as reported on Worksheet 1, Section I of the URRT are consistent with CGHC's most recent financial statements for year-end 2017.

CGHC's 2014 through 2017 small group loss ratios exceeded the MLR requirements, therefore, no adjustment was made for MLR rebates.

Consistent with the URRT instructions, we do not include expected risk adjustment receivables / payables in the experience period premium.

### ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD

Table 3.2 provides a breakdown of the experience incurred and allowed claims as listed in Worksheet 1, Section I of the Part I URRT. CGHC processed all medical and prescription drug claims.

**Table 3.2**  
Common Ground Healthcare Cooperative  
Experience - Allowed and Incurred Claims

All allowed claims were processed through CGHC's claim systems. We determined processed allowed claims amounts from claim records provided by CGHC.

Incurred claims were calculated by applying a completion factor to the paid claims from the experience period. The completion factors were developed using the lag development method, combined with current unpaid claims inventory information. The completion factors for paid and allowed claims are the same by month of incurral. No completion factor was applied to the prescription drug claims.

The completion factors were developed using CGHC's actual claims experience and combined for individual and small group products. Claims are processed in the same system and we believe the completion factors by month of incurral for individual and small group are not materially different.

## EXHIBIT 4. BENEFIT CATEGORIES

*Experience:* We categorized utilization and cost information as shown in Worksheet 1, Section I of the Part 1 URRT using a detailed claims mapping algorithm summarized as follows:

- Inpatient Hospital (facility charges with an overnight stay)
- Outpatient Hospital (facility charges without an overnight stay)
- Professional (services billed separately from facility claims associated with a given inpatient hospital stay or outpatient procedure)
- Other Medical (with units measured as a mix of visits, cases, procedures, etc.)
- Capitation (services for which CGHC does not take risk, but pays another provider based on members served)
- Prescription Drug (Prescriptions not billed by a facility or professional), net of expected rebates



## EXHIBIT 5. PROJECTION FACTORS

This section includes a description of each factor used to project the experience period allowed claims to the projection period, and supporting information related to the development of those factors.

### CHANGES IN THE MORBIDITY OF THE POPULATION INSURED

[REDACTED]

### CHANGES IN BENEFITS

We made the following adjustments to reflect the expected differences in benefits between the experience period and projection period, which is included in the Other column of Worksheet 1, Section II:

- Utilization and cost changes the total insured population would exhibit due specifically to increased benefit plan cost sharing levels for 2019 plans (i.e., actuarial value / cost sharing, irrespective of health status)

We used Milliman's *Health Cost Guidelines (HCGs)*, in conjunction with the historical experience of CGHC's small group block of business to estimate the value of benefit changes.

### CHANGES IN DEMOGRAPHICS

[REDACTED]

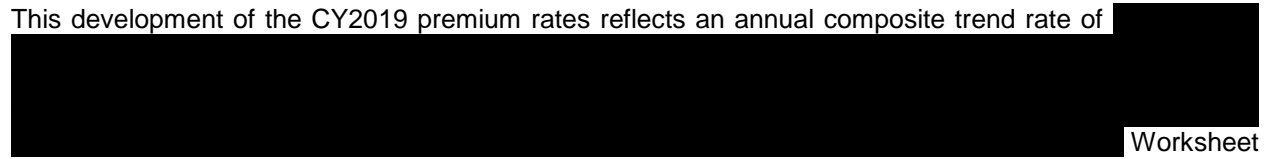
### OTHER ADJUSTMENTS

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

## TREND FACTORS (COST / UTILIZATION)

This development of the CY2019 premium rates reflects an annual composite trend rate of [REDACTED]



Worksheet

1, Section II documents CGHC's projected trends by category. The factors only reflect trend applicable to the single risk pool; they have been normalized and / or adjusted when appropriate to account for other changes such as changes in age, benefit changes, seasonality patterns, and non-recurring events.

## EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

[REDACTED]

### SOURCE AND APPROPRIATENESS OF EXPERIENCE DATA USED IN MANUAL RATE DEVELOPMENT

Source:

[REDACTED]

Appropriateness:

[REDACTED]

### ADJUSTMENTS MADE TO THE DATA

[REDACTED]

### CHANGES IN THE MORBIDITY OF THE POPULATION INSURED

[REDACTED]

[REDACTED]

### CHANGES IN BENEFITS

We made the following adjustments to reflect the expected differences in benefits between the experience period and projection period, which is included in the Other column of Worksheet 1, Section II:

- Utilization and cost changes the total insured population would exhibit due specifically to increased benefit plan cost sharing levels for 2019 plans (i.e., actuarial value / cost sharing, irrespective of health status)

We used Milliman's *Health Cost Guidelines (HCGs)*, in conjunction with the historical experience of CGHC's small group block of business to estimate the value of benefit changes.

[REDACTED]

### CHANGES IN DEMOGRAPHICS

[REDACTED]

**OTHER ADJUSTMENTS**

[REDACTED]

[REDACTED]

[REDACTED]

**TREND FACTORS (COST / UTILIZATION)**

This development of the CY2019 premium rates reflects an annual composite trend rate of [REDACTED]

[REDACTED]

Worksheet 1, Section II documents CGHC's projected trends by category. The factors only reflect trend applicable to the single risk pool; they have been normalized and / or adjusted when appropriate to account for other changes such as changes in age, benefit changes, seasonality patterns, and non-recurring events.

**INCLUSION OF CAPITATION PAYMENTS**

Not applicable.

## EXHIBIT 7. CREDIBILITY OF EXPERIENCE



### DESCRIPTION OF THE CREDIBILITY METHOD USED

The CMS guidelines used for Medicare Advantage / Prescription Drug Plans (MA/PD) were used to determine the credibility of the experience. These guidelines specify 24,000 member months as 100% credible and specify the following formula for determination of partial credibility.

$$(n / 24,000)^{(1/2)}$$

where n = member months in the experience period

### RESULTING CREDIBILITY LEVEL ASSIGNED TO THE BASE PERIOD EXPERIENCE



## EXHIBIT 8. PAID TO ALLOWED RATIO

The following table provides support for the average paid to allowed ratio shown in Worksheet 1, Section III. The table also demonstrates that the ratio is consistent with membership projections by plan included in Worksheet 2.

Table 8.1 Common Ground Healthcare Cooperative Projected 2019 Paid to Allowed Ratio					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The average paid to allowed ratio from Worksheet 1 (shown above) was developed based on the projection of the average mix of plans sold which are contained in Worksheet 2 of the URRT.

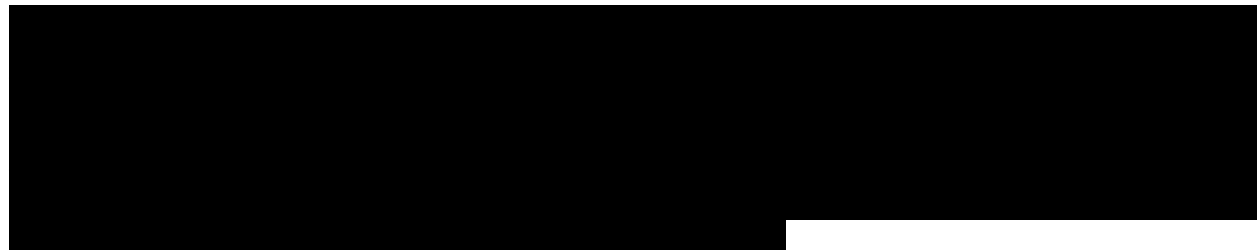
**NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.**

## EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

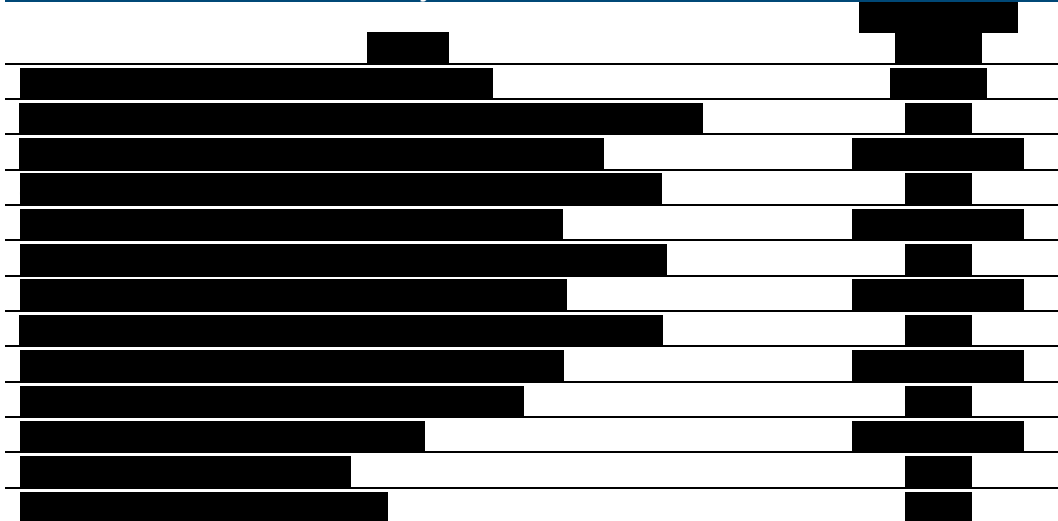
### EXPERIENCE PERIOD RISK ADJUSTMENTS PMPM



### PROJECTED RISK ADJUSTMENTS (NET OF USER FEES) PMPM DEVELOPMENT



**Table 9.1  
Common Ground Healthcare Cooperative  
Risk Adjustment Transfer Factors**



**PROJECTED RISK ADJUSTMENTS (NET OF USER FEES) PMPM ALLOCATION**

A large black rectangular redaction box covers the table content, obscuring all data and headers.

***NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.***



## EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT AND RISK

The following table summarizes retention components included in rate development.

Table 10.1 Common Ground Healthcare Cooperative Illustration of Administrative Expenses By URRT Worksheet 1 Category		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

### ADMINISTRATIVE EXPENSE LOAD

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

### CONTRIBUTION TO SURPLUS AND RISK MARGIN

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

### TAXES AND FEES

Table 10.2 displays the projected taxes and fees that may be subtracted from premiums when calculating CGHC's loss ratio for MLR purposes with the exception of the \$0.15 PMPM risk adjustment administration fee which is shown net of recoveries and not in this section. The composite value is displayed in Worksheet 1, Section III of the URRT. We include a weighted average Health Insurer Fee to account for the fact that Small Group policies issued after January 1, 2019 will be effective during a portion of 2020, when the Health Insurer Fee is expected to be reinstated. The Comparative Effectiveness Research fee is no longer applicable.

Table 10.2 Common Ground Healthcare Cooperative Summary of Taxes and Fees		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

**NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.**

## EXHIBIT 11. PROJECTED LOSS RATIO



## EXHIBIT 12. SINGLE RISK POOL

CGHC premium rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product / plan combination, in the State of Wisconsin small group health insurance market. CGHC does not have any transitional policies currently or in the experience period.

## EXHIBIT 13. INDEX RATE

The index rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period index rate reflects the actual mixture of area factors, and the actual mixture of risk morbidity that CGHC received in the Single Risk Pool during the experience period. The experience Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The experience period Index Rate is equal to the experience period total allowed claims PMPM minus the total non-EHB allowed claims PMPM. [REDACTED]

The index rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected index rate reflects the projected CY2019 mixture of area factors, and the projected mixture of risk morbidity that CGHC expects to receive in the Single Risk Pool. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment program, or for Marketplace user fees.

The projected Index Rate is equal to the projected total allowed claims PMPM minus the total non-EHB allowed claims PMPM. [REDACTED]

The experience period and projection period index rates are illustrated in Table 13.1 below:

Table 13.1 Common Ground Healthcare Cooperative Summary of Index Rates	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The small group rate submission includes prospective quarterly trend adjustments. The following table illustrates the quarterly adjustments made to the index to reflect cost trend increases:

Table 13.2 Common Ground Healthcare Cooperative 2019 Index Rate Development					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.**

## EXHIBIT 14. MARKET ADJUSTED INDEX RATES

The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate:

**Table 14.1**  
**Common Ground Healthcare Cooperative**  
**Market Adjusted Index Rate Development**

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

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

Each of the above modifiers were developed as follows:

[REDACTED]

[REDACTED]

- Exchange User Fee adjustment.

The Exchange User Fee adjustment was determined as the average of no fee and the Marketplace user fee, weighted using the expected distribution of issuer enrollment sold through versus outside the Marketplace.

**NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.**

## EXHIBIT 15. PLAN ADJUSTED INDEX RATES

The Market Adjusted Index Rate is adjusted to compute the Plan Adjusted Index Rates using the following allowable adjustments:

### ACTUARIAL VALUE AND COST SHARING ADJUSTMENT

- The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
- The AV and cost sharing pricing adjustment was developed utilizing Milliman's *HCGs*, calibrated to the projected demographics in the Wisconsin market place. Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.

### PROVIDER NETWORK, DELIVERY SYSTEM, AND UTILIZATION MANAGEMENT PRACTICES ADJUSTMENT

[REDACTED]

### ADJUSTMENT FOR BENEFITS IN ADDITION TO THE EHBS

[REDACTED]

### ADJUSTMENT FOR DISTRIBUTION AND ADMINISTRATIVE COSTS

- Administrative items (other than those included in the Market-Adjusted Index Rate) are applied to the plan on the basis provided in Exhibit 10. All other factors being equal, percentage of premium retention items will have the same impact on all plans, while PMPM retention items will result in different factors by plan.

### IMPACT OF SPECIFIC ELIGIBILITY CATEGORIES FOR THE CATASTROPHIC PLAN

Not applicable.

The following table outlines a mapping from marketing plan name to the plan descriptions used in the tables.

Table 15.1 Common Ground Healthcare Cooperative Actuarial Memorandum Plan Name Mapping		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

The following table demonstrates the Plan Adjusted Index Rate development for each plan:

Table 15.2 Common Ground Healthcare Cooperative Projection Period Plan Adjusted Index Rate Development								
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

**EXPERIENCE PERIOD PLAN ADJUSTED INDEX RATES**

The Plan Adjusted Index Rates for the experience period in Worksheet 2 of the URRT are the Plan Adjusted Index Rates that were filed for an effective date of January 1, 2017.

**NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.**

## EXHIBIT 16. CALIBRATION

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

### AGE CURVE CALIBRATION

[REDACTED]

The following process was used to determine the calibration factor for age:

- 1) The projected distribution of members by age was determined, based on actual 2018 membership experience.
- 2) The weighted average of the factors in the age curve was then determined using this distribution of members.
- 3) A rating factor of 0 was used for those assumed to be over the three dependent child limit.
- 4) The average age was then determined by finding the age of a member that is the closest factor to the weighted average age curve calibration factor.

Prior to applying the allowed rating factors for age, geography, and tobacco, the plan adjusted index rates need to be divided by the age curve calibration factor. The age curve calibration adjustment is not plan specific - the same age curve calibration is applied to all plans in the projected single risk pool.

The methodology employed in the calculation of the average age and the calibration to the age curve complies with the standard age curve methodology and conforms with the rating rules specified in 45 CFR 147.102.

[REDACTED]

### TOBACCO USE FACTOR CALIBRATION

[REDACTED]

[REDACTED]

### GEOGRAPHIC FACTOR CALIBRATION

The projected distribution of members by area was developed to determine the calibration factor for geography. The weighted average of the area factors was then determined using this distribution. The area factors used are reflective of differences in delivery costs (including unit cost and provider practice pattern differences) only, and do not reflect any difference in population morbidity. To inform the development of these factors, CGHC assessed its medical loss ratios net of risk adjustment transfer payments, as well as competitor geographic factors in rating areas where CGHC has limited credibility. Prior to applying the allowed rating factors for age and geography, the plan adjusted index rates need to be divided by the geography calibration factor.

Table 16.1 illustrates the geographic rating factors that will be applied to the plan base premium rates reported in the Wisconsin Rate Data submission.



Table 16.1 Common Ground Healthcare Cooperative 2019 Geographic Area Factors	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The following table demonstrates the calibration performed for each plan.

Table 16.2 Common Ground Healthcare Cooperative Plan Adjusted Index Rate Calibration							
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**NOTE:** Due to URRT rounding conventions, there may be some variance in reported figures.

## EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating Rules. It is the product of the calibrated Plan Adjusted Index Rate, the geographic rating factor, the age rating factor, the quarterly trend factor, and the tobacco rating factor, if applicable. All rating factors are described below and the calculation of premium rates for a family are consistent with 45 CFR Part 147 § 147.102.



Table 17.1 Common Ground Healthcare Cooperative Age and Tobacco Factors					
Age Band	Age Rating Factor	Tobacco Factor	Age Band	Age Rating Factor	Tobacco Factor
0-14			40		
15			41		
16			42		
17			43		
18			44		
19			45		
20			46		
21			47		
22			48		
23			49		
24			50		
25			51		
26			52		
27			53		
28			54		
29			55		
30			56		
31			57		
32			58		
33			59		
34			60		
35			61		
36			62		
37			63		
38			64+		
39					

CGHC's CY2019 geographic rating factors are shown in the previous exhibit in Table 16.1. Milliman's HCGs, in conjunction with CGHC's provider reimbursement contracted amounts, medical loss ratios net of risk adjustment, and competitor geographic factors, were used to determine the area factors.

For Small Group plans, the result from above would further be multiplied by a quarterly trend factor. Since the consumer adjusted premium rate developed above is the member weighted average over the calendar year, an adjusted trend factor must be applied. The following Table 17.2 shows the adjusted trend factor for each quarter and how it was developed.

Table 17.2 Common Ground Healthcare Cooperative Small Group Quarterly Trend Factors				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The premium for family coverage is determined by summing the consumer adjusted premium rates for each individual family member, provided at most three child dependents under age 21 are taken into account.

Below is an example of how to arrive at the premium rate for an age 34 individual in rating area 12 with a January 1, 2019 effective date:

Table 17.3 Common Ground Healthcare Cooperative Sample Consumer Adjusted Premium Rate Development	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

**NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.**

## EXHIBIT 18. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the 2019 AVC. Table 18.1 below summarizes these values for each plan being offered in 2019.

Table 18.1 Common Ground Healthcare Cooperative CMS Actuarial Values			

**NOTE:** Due to URRT rounding conventions, there may be some variance in reported figures.

## EXHIBIT 19. AV PRICING VALUES

The following table summarizes all of the adjustments included in the AV Pricing Value:

Table 19.1 Common Ground Healthcare Cooperative Actuarial Value Pricing Values						

The AV Pricing Value represents the cumulative effect of the adjustments allowable under 45 CFR section 156.80(d)(2) to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate (before calibration).

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

**NOTE: Due to URRT rounding conventions, there may be some variance in reported figures.**

## EXHIBIT 20. MEMBERSHIP PROJECTIONS

### MARKETING METHOD

The products in this filing will be sold:

- Directly to small groups of not more than 50 employees that sponsor health insurance plans for their employees
- On and off the exchange
- Through independent agents

### DEVELOPMENT OF MEMBERSHIP PROJECTIONS

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## EXHIBIT 21. TERMINATED PRODUCTS

[Redacted]

**Table 21.1**  
**Common Ground Healthcare Cooperative**  
**Terminated Plans**

[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

## EXHIBIT 22. PLAN TYPE

There are no differences between the plans of CGHC and the plan type selected in the drop-down box in Worksheet 2, Section 1 of the Part I URRT.



## EXHIBIT 23. WARNING ALERTS

There are no warning alerts in Worksheet 2.

## EXHIBIT 24. RELIANCE

In performing this analysis, I relied on data and other information provided by CGHC. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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

A data reliance letter is attached to this rate submission.

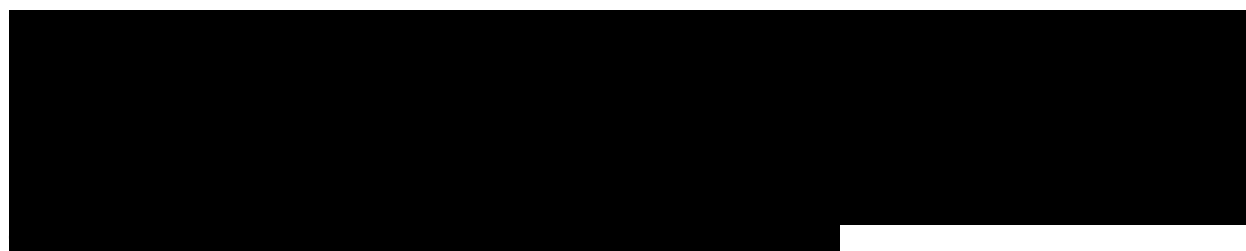
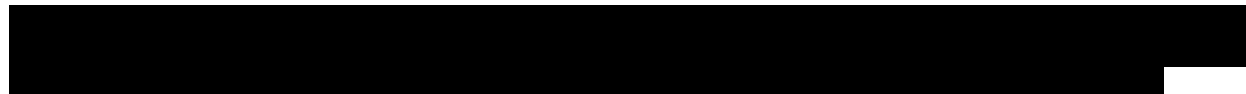
## EXHIBIT 25. ACTUARIAL CERTIFICATION

This certification includes:

Prescribed Wording Only

Prescribed Wording with Additional Wording

Revised Wording



I certify that, to the best of my knowledge and judgment:

- The entire rate filing is in compliance with the applicable laws of the state of Wisconsin and with the rules of the OCI
- The development of the projected index rate and all rating factors is in compliance with all applicable federal statutes and regulations CFR 156.80 and 147.02
- The index rate and allowable modifiers as described in 45 CFR § 156.80 (d)(1) and 45 CFR § 156.80(d)(2) are used in the development of plan-specific premium rates
- The essential health benefit portion of premium, upon which advanced payment of premium tax credits (APTCs) are based, is appropriate and was developed in accordance with Actuarial Standards of Practice
- The methodology used to calculate the AV Metal Value for each plan complies with federal regulations, using the CMS AVC
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area
- The entire rate filing, including development of the projected index rate and all rating factors, complies with all applicable Actuarial Standards of Practice
- The projected index rate and rating factors are reasonable in relation to the benefits provided and the population anticipated to be covered
- The premium schedule, including the projected index rate and rating factors, is not excessive, deficient, nor unfairly discriminatory

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

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

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

[REDACTED]