



Part III Actuarial Memorandum

**MercyCare HMO, Inc.
Individual Rate Filing
Effective January 1, 2018**

Prepared for:
MercyCare HMO, Inc.

Prepared by:
Milliman, Inc.

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TABLE OF CONTENTS

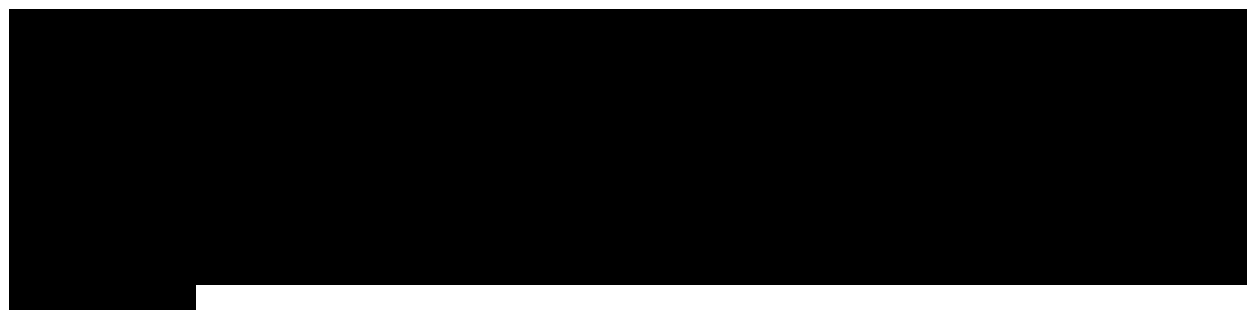
EXHIBIT #	EXHIBIT TITLE
Exhibit 1	General Information
Exhibit 2	Scope and Purpose, Proposed Rate Changes
Exhibit 3	Experience Premium and Claims
Exhibit 4	Benefit Categories
Exhibit 5	Projection Factors
Exhibit 6	Credibility Manual Rate Development
Exhibit 7	Credibility of Experience
Exhibit 8	Paid to Allowed Ratio
Exhibit 9	Risk Adjustment and Reinsurance
Exhibit 10	NBE, Profit, and Risk
Exhibit 11	Projected Loss Ratio
Exhibit 12	Single Risk Pool
Exhibit 13	Index Rate
Exhibit 14	Market Adjusted Index Rate
Exhibit 15	Plan Adjusted Index Rates
Exhibit 16	Calibration
Exhibit 17	Consumer Adjusted Premium Rate Development
Exhibit 18	AV Metal Values
Exhibit 19	AV Pricing Values
Exhibit 20	Membership Projections
Exhibit 21	Terminated Products
Exhibit 22	Plan Type
Exhibit 23	Warning Alerts
Exhibit 24	Reliance
Exhibit 25	Actuarial Certification

EXHIBIT 1. GENERAL INFORMATION

DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for MercyCare HMO, Inc. (MercyCare)'s individual block of business, effective January 1, 2018. 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 OCI, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of MercyCare's individual 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:	MercyCare HMO, Inc.
State:	Wisconsin
HIOS Issuer ID:	58326
Market:	Individual
Effective Date:	January 1, 2018
SERFF ID:	MCIN-131112558

COMPANY CONTACT INFORMATION



DESCRIPTION OF BENEFITS

The plans in this filing provide coverage for inpatient, outpatient, physician, prescription drugs, and miscellaneous services subject to deductible, coinsurance, and copays. Annual out-of-pocket maximums apply to deductibles, coinsurance, and copays. Pharmacy cost sharing reflects a copayment or coinsurance structure.

In-network deductibles for individuals range from \$1,400 to \$5,750 and in-network member coinsurance ranges from 0% to 30%. In-network out-of-pocket maximums for individuals range from \$2,000 to \$7,350.

The plans include adult vision examinations, allergy testing, routine foot care services, and nutritional counseling benefits which exceed the Essential Health Benefits. Regarding wellness benefits, preventive services are covered with zero cost sharing, as required by law.

REASON FOR RATE CHANGES

Premium rates were developed based on historical experience for individual and small group medical business sold through MercyCare, in conjunction with internal research proprietary to Milliman and other industry studies and surveys. A rate change was needed to account for revisions to the following pricing assumptions:



These assumptions are outlined in more detail in other sections of this Memorandum.

PROSPECTIVE TREND

The annualized medical trend value expected for the 12 months following the effective date of the filing is [REDACTED]. The annualized Insurance Trend value expected for the 12 months directly following the effective date of the filing is 0.00%.

EXHIBIT 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

PAID THROUGH DATE

Incurred claims presented in Worksheet 1, Section I of the Unified Rate Review Template (URRT) for the experience period from January 1, 2016 through December 31, 2016 are based on claims paid through April 30, 2017.

PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2016). MercyCare's 2016 individual loss ratio exceeded the MLR requirement and, therefore, an adjustment for MLR rebates was not needed.

ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD

Table 3.1 provides a breakdown of the allowed and incurred claims during the experience period, as illustrated in Worksheet 1, Section I of the URRT.

Table 3.1 MercyCare HMO, Inc. URRT Worksheet 1 Incurred and Allowed Claims				
	From Issuer's Claims System	Outside Issuer's Claims System	Incurred But not Paid (IBNP)	Total
Experience Period Incurred Claims	\$4,441,715	\$1,147,712	\$59,057	\$5,648,484
Experience Period Allowed Claims	\$5,972,029	\$1,543,136	\$79,403	\$7,594,568

Medical claims are processed by MercyCare. Pharmacy claims are processed by a separate external vendor. Paid claims were provided directly from MercyCare's claim records. Paid Claims reflect the applicable values from MercyCare's data on a fee-for-service basis (i.e., not capitated) during the experience period.

Allowed claims are determined by dividing paid claims by an average paid-to-allowed ratio for MercyCare's experience, as estimated by Milliman's Commercial *Health Cost Guidelines (HCGs)*.

Incurred but not paid (IBNP) claims are estimated using a lag method. The lag triangle used to estimate IBNP contains data for MercyCare's group and individual experience, which we believe provides an appropriate basis for determining IBNP. Incurred claims are calculated as paid claims plus IBNP.

We develop a completion factor based on the ratio of incurred to paid claims. We multiply allowed claims by the completion factor and subtracted allowed claims to develop allowed IBNP. Total allowed in the experience period equals allowed claims plus allowed IBNP, as illustrated in Table 3.1.

EXHIBIT 4. BENEFIT CATEGORIES

Experience and Credibility Manual: Categories are assigned based on place and type of service as follows:

- Inpatient Hospital: Facility charges with an overnight stay. [REDACTED]
- Outpatient Hospital: Facility charges without an overnight stay. [REDACTED]
- Professional: Services billed separately from facility claims associated with a given inpatient hospital stay or outpatient procedure.
- Other Medical: All other, with units measured as a mix of visits, cases, procedures, etc.
- Capitation: [REDACTED]
- Prescription Drug: Prescriptions not billed by a facility or professional.

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



CHANGES IN BENEFITS

There are no changes to covered benefits for this product. Using the *HCGs* and actuarial judgment, we have estimated the change in the average utilization of services due to differences in average cost-sharing requirements during the experience period and average cost-sharing requirements in the projection period (i.e., plan design behavior change) at [REDACTED]. This factor, annualized at [REDACTED] is part of the “Util” projection factors illustrated in URRT Worksheet 1, Section II.

The *HCGs* have been developed as a result of Milliman’s continuing research into commercial health care costs. First developed in 1954, the *HCGs* are continually monitored against other data sources and have been updated and expanded annually since that time.

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

The *HCGs* are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research, and judgment. An extensive amount of data is used in developing these guidelines, including published and unpublished data. The detailed claims and enrollment data underlying the guidelines represent over 54 million commercially insured lives.

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

CHANGES IN DEMOGRAPHICS

The distribution of members by age, gender, and area in the projection period is assumed to be the same as the distribution of members by age and gender in March 2017. Using the *HCGs*, we estimate the impact of demographic differences between the experience and projection period is [REDACTED]. Therefore, the projection factor for age and gender is [REDACTED]. This change is part of the “Other” projection factors illustrated in URRT Worksheet 1, Section II.

OTHER ADJUSTMENTS

The following adjustments were also made in our projection, as illustrated in URRT Worksheet 1, Section II:

Provider Reimbursement: MercyCare anticipates changes to provider reimbursement worth [REDACTED] for inpatient and outpatient services. These changes are part of the “Other” projection factors illustrated in URRT Worksheet 1, Section II.

All factors which are part of the “Other” projection factor are illustrated in Table 5.1 below:

Table 5.1 MercyCare HMO, Inc. Illustration of Other Projection Factors			
Category	Demographic	Provider	Totals
	Mix	Reimbursement	
Inpatient			
Outpatient			
Professional			
Capitation			
Drug			

*Note: Factors are rounded.

TREND FACTORS

Allowed costs were trended from the experience period to the projection period using an aggregate annual trend. This trend assumption was developed based on general industry knowledge regarding recent trends in medical inflation, Milliman research, and actuarial judgment.

We illustrate our trend assumption separately for unit cost and utilization, as well as by service category, based on weights from the HCGs. Annualized unit cost trend is illustrated in URRT Worksheet 1, Section II in the “Cost” column of projection factors. Annualized utilization trend is illustrated in URRT Worksheet 1, Section II in the “Util” column of projection factors; as noted above, the utilization trend is combined with the utilization impact of plan design changes, as well as changes due to subsidized cost sharing. The derivation of the utilization factor illustrated in URRT Worksheet 1, Section II is shown in Table 5.2 below:

Table 5.2 MercyCare HMO, Inc. Illustration of Util Projection Factors			
Category	Utilization Trend	Plan Design	Totals
		Behavior Change	
Inpatient	1.008		0.950
Outpatient	1.008		0.950
Professional	1.012		0.954
Capitation	1.000		1.000
Drug	1.008		0.950

*Note: Factors are rounded.

EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

SOURCE AND APPROPRIATENESS OF EXPERIENCE DATA USED

Source: The credibility manual rate utilization and unit costs shown in Worksheet 1, Section II of the URRT are based on the 2015 individual experience and the 2015 and 2016 experience of MercyCare's small group business, including grandfathered and non-grandfathered experience.

Appropriateness: MercyCare's current small group and individual books of business include over [REDACTED] member months of experience and provide a consistent basis for the determination of claim costs.

ADJUSTMENTS MADE TO THE DATA

Trend

The manual rates were trended forward to the projection period assuming an aggregate annual [REDACTED] trend. The trend assumptions were developed to reflect MercyCare's expectations regarding contractual reimbursements. General industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment were also considered.

Changes in the Morbidity of the Population Insured

We adjust the small group experience in the credibility manual by [REDACTED] to account for the anticipated morbidity difference between the small group experience and the individual market in the projection period. We also adjust the 2015 individual experience by [REDACTED] to account for anticipated morbidity changes between 2015 and 2018 for the individual block of business. This adjustment is based on an analysis of emerging 2017 claims experience.

Benefits

We adjust the projection to reflect the benefit relativities of MercyCare's 2018 benefit plans, as estimated by the Milliman HCGs, including a plan design behavior change utilization adjustment of [REDACTED] which represents the difference in utilization levels between the manual and the projection period.

Demographic and Geographic Adjustment

We adjust the projection to reflect MercyCare's expected demographic profile in the projection period, using the HCGs. The demographic adjustment is [REDACTED] which represents the difference in allowed costs from the manual to the projection period.

Other

We adjust the projection to reflect MercyCare's expectations with regard to provider reimbursement in the projection period. The provider reimbursement adjustment is [REDACTED]

INCLUSION OF CAPITATION PAYMENTS

[REDACTED]

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

As stated in Actuarial Standard of Practice (ASOP) #25, "Credibility Procedures," section 3.4, "The use of credibility procedures is not always a precise mathematical process." We used actuarial judgment consistent with this ASOP to assign MercyCare's non-grandfathered experience in 2016 50% credibility.

EXHIBIT 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the Paid (i.e., after member cost sharing) and Allowed (i.e., before member cost sharing) claims for each plan on a PMPM basis, and taking the ratio of the weighted average Paid PMPM to weighted average Allowed PMPM. The weighting is by projected member months by metal level and is shown in Table 8.1 at the metal level. Table 8.1 uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

PMPMs shown in Table 8.1 differ from PMPMs shown in URRT Worksheet 1 due to rounding within URRT Worksheet 1.

Table 8.1 MercyCare HMO, Inc. Average Paid to Allowed Factor Support				
Metal Level	Member Months	Paid Claims PMPM	Allowed Claims PMPM	Paid-to-Allowed Ratio
Gold	████	427.84	519.05	82.4%
Silver	████	343.95	483.46	71.1%
Bronze	████	284.36	457.65	62.1%
Total	████	335.42	479.70	69.9%

Note: PMPMs within Table 8.1 may not tie to PMPMs within URRT Worksheet 1, Section III due to rounding within URRT Worksheet 1, Section III.

EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

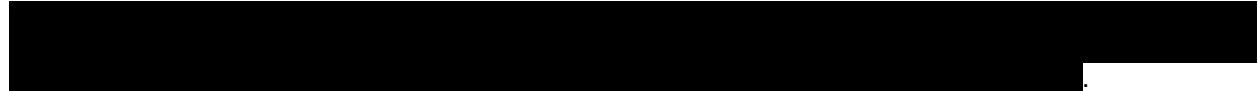
EXPERIENCE PERIOD RISK ADJUSTMENT PMPM

MercyCare's actual risk adjustment results for 2016 are illustrated in URRT Worksheet 2 Section III. We spread the risk adjustment amount proportional to experience period member months net of the 2016 \$0.15 PMPM amount for risk adjustment user fees for each plan's risk adjustment in URRT Worksheet 2, Section III.

PROJECTED RISK ADJUSTMENT PMPM

**Table 9.1
MercyCare HMO, Inc.
Illustrative 2018 Risk Adjustment Projection**

	<u>Individual Market</u>	
Statewide Average Premium PMPM	\$558.68	
<u>Adjustments without Risk Selection</u>	MercyCare	Statewide
Metallic Level Actuarial Value	█	█
Allowable Rating Factor	█	█
Induced Demand Factor	█	█
<u>Geographic Cost Factor</u>	█	█
Adjustment Factor without Risk Selection	█	█
Expected Premium PMPM without Risk Selection	█	
<u>Adjustments with Risk Selection</u>	MercyCare	Statewide
Risk Score	█	█
Induced Demand Factor	█	█
<u>Geographic Cost Factor</u>	█	█
Adjustment Factor with Risk Selection	█	█
Expected Premium PMPM with Risk Selection	█	
Transfer Payment from (to) MercyCare	█	PMPM



EXPERIENCE PERIOD REINSURANCE PMPM

Estimates for Federal reinsurance received for each plan in the experience period are illustrated in URRT Worksheet 2, Section III, net of Federal reinsurance fees for 2016 of \$2.25 PMPM, consistent with HHS' instructions. These estimates were provided by MercyCare based on MercyCare's analysis of their individual market paid claims.

PROJECTED REINSURANCE PMPM

We assume no federal reinsurance for benefit year 2018.

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

ADMINISTRATIVE EXPENSE LOAD

Administrative expenses were provided by MercyCare and are summarized in Table 10.1 below. The values entered in Worksheet 1, Section III of the URRT illustrate expenses in total and as a PMPM or percent of premium. PMPMs within Table 10.1 may not tie to PMPMs within URRT Worksheet 1, Section III due to rounding within URRT Worksheet 1, Section III. Administrative expenses are allocated evenly to all plans as a PMPM or percent of premium.

PROFIT / CONTRIBUTION TO SURPLUS AND RISK LOAD

A large black rectangular redaction box covers the content of the table under the heading 'PROFIT / CONTRIBUTION TO SURPLUS AND RISK LOAD'. The redaction is complete, obscuring all data and text within this section.

TAXES AND FEES

Table 10.1 displays the projected taxes and fees that may be subtracted from premiums when calculating MercyCare's loss ratio for MLR purposes, in addition to the risk adjustment user fee which is not included in this section per CMS' instructions. The total value is displayed in Worksheet 1, Section III of the URRT. PMPMs within Table 10.1 may not tie to PMPMs within URRT Worksheet 1, Section III due to rounding within URRT Worksheet 1, Section III.

A large black rectangular redaction box covers the content of the table under the heading 'TAXES AND FEES'. The redaction is complete, obscuring all data and text within this section.

The following table summarizes retention components included in the rate development.

Table 10.1 MercyCare HMO, Inc. Illustration of Administrative Expenses by URRT Worksheet 1 Category		
Retention Description	PMPM	% Premium
<u>Administrative Expense Load</u>		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Subtotal: Administrative Expense Load	\$36.68	7.36%
<u>Profit and Risk Load</u>		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Subtotal: Profit and Risk Load	\$60.41	12.13%
<u>Taxes and Fees</u>		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Subtotal: Taxes and Fees	\$25.60	5.14%
Total Retention	\$122.68	24.63%

Note: PMPMs within Table 10.1 may not tie to PMPMs within URRT Worksheet 1, Section III due to rounding within URRT Worksheet 1, Section III.

EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio based on federally prescribed MLR methodology (excluding allowable adjustments for credibility and high deductible) is 80.0%. Table 11.1 outlines the individual components of the MLR calculation. This Medical Loss Ratio calculation assumes our 16.4% of Silver plan premium load for MercyCare's CSR liability on all Silver plans is profit, as required by OCI.

Table 11.1 MercyCare HMO, Inc. Projected Federal Medical Loss Ratio	
	Projection Period
Projected Member Months	59,884
MLR Numerator Calculations	
Paid Claims PMPM	\$335.42
Risk Adjustment Paid (Received) PMPM	39.85
Claim-Related Retention (QI / Health IT) PMPM	2.71
MLR Numerator	\$377.98
MLR Denominator Calculations	
Premium	498.10
Premium-Related Retention (Taxes & Fees) PMPM*	-25.74
MLR Denominator	\$472.36
Medical Loss Ratio	80.0%

* Adjustments include all applicable ACA taxes and fees. This differs from the Table 10.1 total due to inclusion of risk adjustment user fees.

EXHIBIT 12. SINGLE RISK POOL

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

MercyCare does not have individual transitional experience.

EXHIBIT 13. INDEX RATE

INDEX RATE DEVELOPMENT

The index rate represents the estimated total combined allowed PMPM claims of all plans within MercyCare's individual plans in Wisconsin. The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees.

The index rate for the experience period is a measurement of the average allowed claims PMPM for essential health benefits (EHB). In the experience period, MercyCare offered adult vision examinations, allergy testing, routine foot care services, and nutritional counseling benefits on all plans. We estimate these benefits constitute 0.52% of total claims and premium based on the Milliman HCGs and actuarial judgment. The experience period index rate is \$488.61.

The index rate for the projection period is a measurement of the average allowed claims PMPM for EHB. Sections 5 and 6 of this Memorandum describe the development of the projected index rate. The projected index rate covers a 12-month period for individual members effective January 1, 2018. The projected index rate is equal to allowed claims PMPM in the projection period, and reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors. The projection period index rate is \$477.20.

In the projection period, MercyCare will offer adult vision examinations, allergy testing, routine foot care services, and nutritional counseling benefits, which constitute benefits in addition to EHBs. We estimate these benefits constitute 0.52% of total claims and premium based on the Milliman HCGs and actuarial judgment. These benefits are included in projected allowed claims in URRT Worksheet 1, Section III, but are not reflected in the projected index rate. This value is reflected in URRT Worksheet 2, Section IV.

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

SMALL GROUP TREND ADJUSTMENT

This is not applicable for the individual market.

EXHIBIT 14. MARKET-ADJUSTED INDEX RATE

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

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). We project exchange fees, and a risk adjustment transfer as stated above in Exhibits 9 and 10. These adjustments are applied to the Index Rate on an allowed basis as required by CMS. Table 14.1 shows the development of the Market-Adjusted Index Rate.

Table 14.1 MercyCare HMO, Inc. Market Adjusted Index Rate Development		
		Annotation
2018 Index Rate PMPM	\$477.20	(1)
Market Adjustments (paid basis)		
Net Risk Adjustment	\$39.99	(2)
Marketplace User Fees	\$16.04	(3)
Paid-to-Allowed Ratio	69.9%	(4)
Market Adjustments (allowed basis)		
Net Risk Adjustment	\$57.19	(5) = (2) / (4)
Marketplace User Fees	\$22.93	(6) = (3) / (4)
Market Adjusted Index Rate PMPM	\$557.32	(7) = (1) + (5) + (6)

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:

- Net Risk Adjustment

This factor includes the impact of the estimated risk adjustment transfer payment as addressed in Exhibit 9 plus the Risk Adjustment User Fee of \$0.14 PMPM.

- Marketplace User Fee adjustment

The Marketplace User Fee is addressed in Exhibit 10.

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:

- The AV and cost sharing pricing adjustment was developed utilizing the HCGs. 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 adjustment
 - There are no expected differences in the provider network and / or utilization management between plans.
- Adjustment for benefits in addition to the EHBs
 - We adjust for benefits in addition to the EHBs which are enumerated in Exhibit 13 of this Memorandum.
- Adjustment for distribution and administrative costs
 - This adjustment is developed to indicate the impact of non-benefit expenses.

The following table demonstrates the Plan Adjusted Index Rate development for each plan in the projection period.

The factor for administrative costs excluding Marketplace User Fee varies by plan because some administrative expenses are allocated as PMPM values and some administrative expenses are allocated as a percent of premium.

MercyCare is not offering any Catastrophic plans in 2018. Therefore, there is no adjustment for Catastrophic eligibility in the development of the Plan Adjusted Index Rate.

HIOS ID	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Mktplace User Fee*	Plan Adjusted Index Rate
58326WI0090001	557.32	0.863	1.000	1.004	1.106	534.39
58326WI0090002	557.32	0.726	1.000	1.004	1.351	548.65
58326WI0090006	557.32	0.602	1.000	1.004	1.110	374.15
58326WI0090012	557.32	0.866	1.000	1.004	1.106	535.90
58326WI0090013	557.32	0.890	1.000	1.004	1.105	550.56
58326WI0090015	557.32	0.727	1.000	1.004	1.351	549.52
58326WI0090016	557.32	0.721	1.000	1.004	1.351	545.16
58326WI0090018	557.32	0.605	1.000	1.004	1.109	375.91
58326WI0090019	557.32	0.570	1.000	1.004	1.110	354.56
58326WI0090020	557.32	0.599	1.000	1.004	1.110	372.09

**This adjustment reflects full plan liability for CSR Silver plans. An additional risk margin has been included in the profit and risk load to reflect this adjustment, as required by OCI.*

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 experience period plan-adjusted index rates shown in URRT Worksheet 2, Section III are the Plan Adjusted Index Rates filed in the experience period, consistent with HHS' instructions.

EXHIBIT 16. CALIBRATION

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

AGE CURVE CALIBRATION

The approximate weighted average age, rounded to a whole number, for the single risk pool is [REDACTED]. The weighted average age curve calibration factor is [REDACTED].

In order to determine the calibration factor for age, the projected distribution of members by age was determined based on MercyCare's current individual market age distribution. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor. Prior to applying the allowed rating factors for age, the plan adjusted index rates need to be divided by the age curve calibration factor.

The age curve calibration factor reflects the fact that [REDACTED] of children will be beyond the 3rd or greater child in a family and will thus be statutorily rated at 0.000. This logic is consistent with the Exposure Draft of the Academy's practice note entitled "Actuarial Practices Relating to Preparing, Reviewing, and Commenting on Rate Filings Prepared in Accordance with the Affordable Care Act for 2015 and Beyond" (http://actuary.org/files/RRPN_exposure_draft_092614.pdf). No additional revenue is being collected from children in excess of the three dependent child limit, and the calibration factor only reflects the statutory age factors that apply to projected membership.

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

TOBACCO CURVE CALIBRATION

A tobacco use load of [REDACTED] applies. The tobacco calibration factor is shown in Table 16.2. The derivation of the tobacco calibration factor is demonstrated in Table 16.1.

Table 16.1 MercyCare HMO, Inc. Tobacco Calibration Factor Development					
Age	Membership Distribution	Age Factor Without Tobacco	Tobacco Usage	Tobacco Use Load	Age Factor With Tobacco
Child	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adult	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Overall	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The overall tobacco use load of 1.018 is developed by dividing the composite age factor with tobacco by the composite age factor without tobacco.

GEOGRAPHIC FACTOR CALIBRATION

The geographic calibration factor is 1.0. MercyCare is offering plans only in Wisconsin Rating Area 14, so premium rates do not vary by region.

The following table demonstrates the calibration performed for each plan.

Table 16.2
MercyCare HMO, Inc.
Calibrated Plan Adjusted Index Rate Development

HIOS ID	Plan Adjusted Index Rate	Age Calib. Factor	Tobacco Calib. Factor	Geographic Calib. Factor	Total Calib. Factor	Calibrated Plan Adjusted Index Rate
58326WI0090001	534.39	1.781	1.018	1.000	1.812	294.93
58326WI0090002	548.65	1.781	1.018	1.000	1.812	302.80
58326WI0090006	374.15	1.781	1.018	1.000	1.812	206.49
58326WI0090012	535.90	1.781	1.018	1.000	1.812	295.76
58326WI0090013	550.56	1.781	1.018	1.000	1.812	303.85
58326WI0090015	549.52	1.781	1.018	1.000	1.812	303.28
58326WI0090016	545.16	1.781	1.018	1.000	1.812	300.87
58326WI0090018	375.91	1.781	1.018	1.000	1.812	207.46
58326WI0090019	354.56	1.781	1.018	1.000	1.812	195.68
58326WI0090020	372.09	1.781	1.018	1.000	1.812	205.35

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, or family 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, and the tobacco status rating factor. All rating factors are described and shown below.

MercyCare's 2018 age and tobacco rating factors are shown below. The age rating factors used by MercyCare are identical to those prescribed by CMS.

Table 17.1 MercyCare HMO, Inc. Age and Tobacco Factors					
Age Band	Age Rating Factor	Tobacco Factor	Age Band	Age Rating Factor	Tobacco Factor
0-14	0.765	1.000	40	1.278	1.150
15	0.833	1.000	41	1.302	1.150
16	0.859	1.000	42	1.325	1.150
17	0.885	1.000	43	1.357	1.150
18	0.913	1.000	44	1.397	1.150
19	0.941	1.000	45	1.444	1.150
20	0.970	1.000	46	1.500	1.150
21	1.000	1.150	47	1.563	1.150
22	1.000	1.150	48	1.635	1.150
23	1.000	1.150	49	1.706	1.150
24	1.000	1.150	50	1.786	1.150
25	1.004	1.150	51	1.865	1.150
26	1.024	1.150	52	1.952	1.150
27	1.048	1.150	53	2.040	1.150
28	1.087	1.150	54	2.135	1.150
29	1.119	1.150	55	2.230	1.150
30	1.135	1.150	56	2.333	1.150
31	1.159	1.150	57	2.437	1.150
32	1.183	1.150	58	2.548	1.150
33	1.198	1.150	59	2.603	1.150
34	1.214	1.150	60	2.714	1.150
35	1.222	1.150	61	2.810	1.150
36	1.230	1.150	62	2.873	1.150
37	1.238	1.150	63	2.952	1.150
38	1.246	1.150	64+	3.000	1.150
39	1.262	1.150			

MercyCare's 2018 geographic rating factors are shown below. MercyCare is offering plans only in Wisconsin Rating Area 14, so premium rates do not vary by region.

Table 17.2 MercyCare HMO, Inc. Geographic Rating Factors	
Region	Area Rating Factor
Rating Area 14	1.000

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

The following table demonstrates the premium rate development for the Consumer Adjusted Premium Rate beginning with the Calibrated Plan Adjusted Index Rate and applying the appropriate age, area, and tobacco factors.

Table 17.3 MercyCare HMO, Inc. Sample Consumer Adjusted Premium Rate Development Plan HIOS ID 58326WI0090002 Member Age 30	
Calibrated Plan Adjusted Index Rate	\$302.80
Age Factor for Age 30	1.135
Area Factor for Rating Area 14	1.000
Tobacco Status: Non-Tobacco User	1.000
Consumer Adjusted Premium Rate	\$343.68

EXHIBIT 18. AV METAL LEVELS

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. Table 18.1 below summarizes these values for each product.

Table 18.1 MercyCare HMO, Inc. AV Metal Values		
HIOS ID	Actuarial Value	Source
58326WI0090001	81.4%	Federal AV Calculator
58326WI0090002	71.9%	Federal AV Calculator
58326WI0090006	60.3%	Federal AV Calculator
58326WI0090012	80.6%	Federal AV Calculator
58326WI0090013	80.8%	Federal AV Calculator
58326WI0090015	71.0%	Federal AV Calculator
58326WI0090016	70.1%	Federal AV Calculator
58326WI0090018	62.7%	Federal AV Calculator
58326WI0090019	60.5%	Federal AV Calculator
58326WI0090020	62.0%	Federal AV Calculator

Plan 58326WI0090018 is an expanded Bronze plan with an AV Metal Value greater than 62.0%. Plan 58326WI0090018 covers the following services before the application of the deductible, in addition to preventive care:

- Primary Care Visit (\$35 copay)
- Specialist Visit (\$70 copay)
- Mental / Behavioral Health and Substance Use Disorder Outpatient Services (\$35 copay)
- Tier 1 (generic) medications (\$35 copay)

Plan 58326WI0090018 is not an HSA-compatible high deductible health plan.

EXHIBIT 19. AV PRICING VALUES

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

**Table 19.1
MercyCare HMO, Inc.
AV Pricing Values**

HIOS ID	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Marketplace User Fee	AV Pricing Value
58326W10090001	0.863	1.000	1.004	1.106	0.959
58326W10090002	0.726	1.000	1.004	1.351	0.984
58326W10090006	0.602	1.000	1.004	1.110	0.671
58326W10090012	0.866	1.000	1.004	1.106	0.962
58326W10090013	0.890	1.000	1.004	1.105	0.988
58326W10090015	0.727	1.000	1.004	1.351	0.986
58326W10090016	0.721	1.000	1.004	1.351	0.978
58326W10090018	0.605	1.000	1.004	1.109	0.674
58326W10090019	0.570	1.000	1.004	1.110	0.636
58326W10090020	0.599	1.000	1.004	1.110	0.668

The AV Pricing Value represents the cumulative effect of the adjustments made by MercyCare to develop the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

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

EXHIBIT 20. MEMBERSHIP PROJECTIONS

MARKETING METHOD

The products in this filing will be marketed only to individuals on and off the exchange. Off the exchange, the products will be marketed through licensed independent agents.

DEVELOPMENT OF MEMBERSHIP PROJECTIONS

The projected membership (as displayed in Worksheet 2, Section IV of the URRT) was determined based on 2017 membership for this block.

Projected membership on plans eligible for cost sharing reduction (CSR) subsidies is projected based on MercyCare's enrollment of CSR plans in 2017. See Table 20.1 below for the projected Silver plan enrollment by CSR status.

Table 20.1 MercyCare HMO, Inc. Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 73%	
Silver 87%	
Silver 94%	
Zero Cost Sharing Silver	
Limited Cost Sharing Silver	
Standard Silver	
Total	

EXHIBIT 21. TERMINATED PRODUCTS

MercyCare is not terminating any ACA-compliant plans in the individual market prior to the effective date.

EXHIBIT 22. PLAN TYPE

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT.

EXHIBIT 23. WARNING ALERTS

- There is a warning alert on URRT Worksheet 2 in cell A94. We follow URRT instructions regarding Total Allowed Claims (TAC) on Worksheet 2. Cell A94 is a function of the Total Allowed Claims. The URRT instructions for Worksheet 2 define TAC consistent with the total allowed claims and the (gross) projected risk adjustments entered in Section III of Worksheet 1. However, the warning alert in column A on Worksheet 2 references allowed claims prior to projected gross risk adjustment on Worksheet 1. Therefore, allowed claims and incurred claims will be inconsistent between Worksheet 1 and Worksheet 2 by the amount of gross projected risk adjustment.
- There is a warning alert on URRT Worksheet 2 in cell A99. Worksheet 2 row 99 is a function of Worksheet 2 row 94. Therefore, the warning in A99 is caused by the same issue causing the warning in A94.

EXHIBIT 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by the MercyCare management and its affiliates. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

We performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of 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, T. Scott Bentley, am a member of the American Academy of Actuaries (Academy) and I meet the Academy qualification standards for rendering this opinion. I am a Principal and Consulting Actuary with the firm of Milliman, Inc. This filing is prepared on behalf of MercyCare HMO, Inc.

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

1. The entire rate filing is in compliance with the applicable laws of the state of Wisconsin and with the rules of the Office of the Commissioner of Insurance.
2. The development of the projected index rate and all rating factors is in compliance with all applicable federal statutes and regulations (include 45 CFR 156.80 and 147.102),
3. 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.
4. The essential health benefit portion of premium, upon which advanced premium tax credits (APTCs) are based, is appropriate and was developed in accordance with Actuarial Standards of Practice.
5. The methodology used to calculate the AV Metal Value for each plan complies with federal regulations. The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans.
6. The geographic rating factors reflect only differences in the cost of delivery and do not include differences for population morbidity by geographic area,
7. The entire rate filing, including development of the projected index rate and all rating factors, complies with all applicable Actuarial Standards of Practice,
8. The projected index rate and rating factors are reasonable in relation to the benefits provided and the population anticipated to be covered, and
9. The premium schedule, including the projected index rate and rating factors, is not excessive, deficient, nor unfairly discriminatory.

The Part I Unified Rate Review Template (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 Wisconsin 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.

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

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

The 2018 plan year premium rates in this actuarial memorandum are contingent upon the status of the ACA statutes and regulations including any regulatory guidance, court decisions, or otherwise. Changes have the potential to greatly impact the 2018 plan year premium rates provided in this Actuarial Memorandum. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, or a decision by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director to not fund cost-sharing reduction subsidies, advance premium tax credits or a decision not to enforce the individual mandate requirement and penalty. Milliman expresses no opinion with regard to the future funding of CSR payments.

Currently, the United States Congress is considering substantial overhauls to the ACA that could affect the small group and individual ACA market in Wisconsin. I would not be able to certify that the proposed rates are adequate if these proposed changes substantially alter the ACA. Accordingly, MercyCare reserves the right to withdraw and / or amend this rate submission in the event of a material change to the ACA.

Respectfully Submitted,



T. Scott Bentley, FSA, MAAA
Principal and Consulting Actuary, Milliman, Inc.
August 14, 2017