

**Actuarial Memorandum
Blue Cross Blue Shield of Wyoming
Individual Market Rates Effective 1/1/2018
HIOS Number: 11269**

A. Scope and Purpose of the Filing

I, Dianna K. Welch, am a Principal with Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), and have been retained by Blue Cross Blue Shield of Wyoming (BCBSWY) to assist in the review and development of their single risk pool plans to be offered for calendar year 2018 in the individual market. The products in this filing are anticipated to be offered both on and off the Federally Facilitated Marketplace (FFM) in Wyoming. The effective date of the proposed rates is 1/1/2018.

I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and am qualified to render an opinion regarding health insurance rates and plans.

This memorandum supports a rate filing for BCBSWY's individual market business. The scope of this memorandum is limited to supporting the development of the individual market rates. The rates were developed in compliance with the applicable laws and regulations of the State of Wyoming and the rules established by the Department of Health and Human Services (HHS) with respect to market rating rules and the FFM.

This memorandum should not be used for any purpose other than those expressly stated.

B. General Information

Company Information

Company Legal Name	Blue Cross Blue Shield of Wyoming
State	Wyoming
HIOS Issuer ID	11269
Market	Individual
Effective Date	1/1/2018

Primary Contact

Name	[REDACTED]
Phone Number	[REDACTED]
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Optional:

Certifying Actuary

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C. Proposed Rate Increases

This filing contains the proposed rates for two existing ACA-compliant products that BCBSWY will offer both on and off the FFM in the individual market. The products contained in this filing are as follows:

Rate Increases by Product				
Product ID	Product Name	Min	Max	Average
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The rate increase for all products is the result of updated experience, revised projection factors including updated assumptions for morbidity and trend and changes in non-benefit expenses. The proposed rate change varies by plan as a result of changes in the paid to allowed ratios used to determine the actuarial value and cost sharing component of the Plan Adjusted Index Rates. The Actuarial Value (AV) calculator published by HHS was updated for determining the actuarial value of plans offered in 2018 relative to the AV calculator used for determining the actuarial value of plans offered in 2017. Cost sharing changes were made to select plans in order to maintain an actuarial value within the required metallic ranges. Additional cost sharing changes were made to reflect the impact of medical inflation. The paid to allowed ratios were updated for 2018 to reflect cost sharing changes. Additionally, the paid to allowed ratios were calibrated to reflect the anticipated claim costs associated with the projected 2018 individual market population. Additionally, tobacco use rating factors will be applied for tobacco users age 18 and older. Previously tobacco loads were applied only to those 21 and older. [REDACTED]

A portion of the spread between the minimum rate increase and the maximum rate increase is being driven by changes in the HHS standard age curve for ages 0 to 20. Rate increases are first calculated at the plan level using the plan-specific distribution of enrollment by age and area. Plans with a higher than average proportion of children under age 21 will show higher rate increases than they otherwise would as a result of the increase in the age factors at those ages. The plan level rate increases are then summarized to produce the product-level minimum, maximum, and average rate increases shown in the table above.

D. Experience Period Premium and Claims

Per the actuarial memorandum instructions, we are providing premium and claims information for the non-grandfathered individual market experience, which forms the single risk pool. The experience includes transitional policies, since these policies are non-grandfathered. This information is shown in Sections I and II of Worksheet 1 of the URRT.

Paid Through Date:

The claims shown in Section I of Worksheet 1 were incurred in calendar year 2016 with claims paid through January 31, 2017.

Premiums (net of MLR Rebate) in Experience Period:

Financial Information	

The premium shown reflects the calendar year 2016 earned premium for the individual market non-grandfathered block of business. The Supplement Health Care Exhibits submitted by BCBSWY indicate that BCBSWY does not expect to pay any MLR rebates in calendar year 2016 for its individual market line of business.

Allowed and Incurred Claims Incurred During the Experience Period:

The allowed and incurred claims shown in Worksheet 1 of the URRT represent the best estimate of claims for the experience period including claims that have been incurred but not yet paid (IBNR). Allowed and incurred claims are taken directly from BCBSWY’s claim system, with the exception of pharmacy rebates and cost sharing paid by HHS, which were provided separately and processed outside of the claim system. To verify all claims were accounted for, the claims were reconciled with financial reports. We are satisfied the claims information we received from BCBSWY is accurate. However, we did not audit the data provided, and we did not perform an independent calculation of the member’s cost sharing amounts, including cost sharing paid by HHS.

The methodology used to develop the IBNR claims is based on historical payment patterns and follows a standard completion factor approach. Completion factor estimates for BCBSWY were developed from the issuer’s individual and small group lines of business to ensure credible results. Separate completion factors were developed by claim type (i.e., facility, professional and pharmacy). The completion factors were applied by claim type and aggregated to generate the overall expected IBNR for the individual market. Pharmacy rebates are paid quarterly. The first three quarters’ amounts for 2016 were based on payments actually made. The fourth quarter payments for 2016 were estimated separately based on the paid amounts for calendar years 2014 and 2015 and the first three quarters of 2016. Claim payments and IBNR estimates are summarized below. The same completion factors were applied to allowed and incurred claims for system claims. Since there is no cost sharing on pharmacy rebates, the resulting IBNR differs slightly as a percent of allowed versus incurred claims.

Claims Information		
Claim Type	Allowed	Incurred

E. Benefit Categories

Claims were grouped into the benefit categories shown on Worksheet 1 of the URRT using characteristics from BCBSWY’s claim records such as the place of service, provider type, revenue codes, procedure codes, etc. The definitions used to bucket the claims into benefit categories are consistent with the preferred definitions in the URRT instructions.

Inpatient hospital claims are claims associated with an inpatient facility stay. These include claims associated with medical, surgical, maternity, mental health, substance abuse and skilled nursing facilities. The utilization shown in Worksheet 1 of the URRT template is the number of days for each admission.

Outpatient hospital claims are claims associated with outpatient facility services. These include claims associated with emergency room visits, surgeries, lab and radiology services, therapies, etc.

Professional claims are claims associated with services provided by primary care physicians, specialists, therapy, the professional component of lab and radiology and other professional services. Procedure codes and provider types are used to allocate these claims.

Other Medical claims are claims associated with ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services, Part B drugs, and other items.

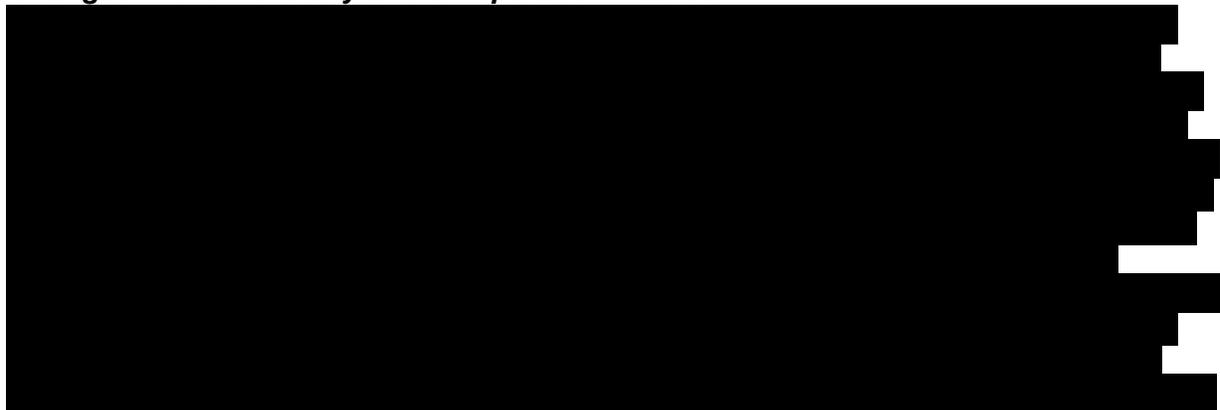
Prescription drugs include all drugs dispensed by a pharmacy. Pharmacy costs are net of pharmacy rebates.

BCBSWY does not have any capitation arrangements.

F. Projection Factors

Various sources were used in the generation of the projection factors employed in the rate development. The sources include historical experience specific to BCBSWY, publically available data, and other proprietary information.

Changes in the Morbidity of the Population Insured:



We anticipate the average morbidity of the individual market will deteriorate between 2016 and 2018 due to the impact of the “soft mandate” (i.e., the IRS publically announcing it will not reject tax returns of individuals who do not answer the question as to whether he/she had

health insurance) [REDACTED] We utilized results from Oliver Wyman’s Healthcare Reform Microsimulation Model (HRM Model) to inform our estimates of the impact the “soft mandate” [REDACTED]
 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

	Individual	
	Bronze	Silver
[REDACTED]	[REDACTED]	[REDACTED]

Changes in Benefits:

Adjustments for changes in benefits are necessary to reflect benefits that comply with the mandated Essential Health Benefits (EHBs), since some of the 2016 non-grandfathered experience is associated with transitional policies. We have adjusted the medical claims experience of members with transitional policies to account for the following benefits:

- [REDACTED] was added for expanded mental health and substance abuse services.
- [REDACTED] was added for expanded maternity benefits, including the impact of extending maternity benefits to dependents.
- [REDACTED] was added for habilitative services.
- [REDACTED] was added for pediatric vision services.

- [REDACTED] was added for costs not covered by clinical trials.
- [REDACTED] was added for coverage of pediatric dental benefits

The total impact of these items will increase medical claim costs for transitional members by approximately [REDACTED]. However, [REDACTED] of the non-grandfathered enrollees' experience reported in Section 1 of Worksheet 1 already complies with the mandated EHB requirements, and approximately [REDACTED] of claim costs are associated with medical services. As a result, we have increased the 2016 individual market non-grandfathered claim costs by approximately [REDACTED] [REDACTED] to comply with the mandated EHBs.

Changes in Demographics:

A demographic adjustment factor of [REDACTED] was applied to reflect the difference between the demographics of the expected population and those of the non-grandfathered population. This factor was developed using expected claim cost relativities by age and gender and is consistent with the demographic adjustment used to isolate the change in morbidity as described above.

Other Adjustments: Other adjustments were made to incorporate changes not already mentioned.

A geographic adjustment of [REDACTED] was applied to reflect the difference between the geographic mix of the expected population and those underlying the individual market experience.

A factor of [REDACTED] was applied to the prescription drug category to reflect changes in pharmacy rebates relative to the base period. The expected change in pharmacy rebates was developed using information provided by BCBSWY's pharmaceutical benefits manager (PBM). [REDACTED]

An additional factor of [REDACTED] was applied to the prescription drug category to account for known prescription drug claim costs that are not fully reflected in the experience data. In 2017, two individuals began taking Ravicti, a high-cost drug manufactured by Horizon Pharma, Inc. and used to treat urea cycle disorders, and treatment is expected to continue throughout the rating period. The annualized cost of treatment for both individuals is estimated to be \$1,875,000 million. In order to reflect the annualized cost of treatment, we have increased the base period claims \$1,875,000 million.

Medical and Pharmacy Trends:

Historical trends for BCBSWY's small group block of business, using the state of Wyoming's definition of small group (grandfathered and non-grandfathered combined), were analyzed for the purposes of determining historical trends. The BCBSWY small group historical experience was adjusted for the following items to generate the underlying medical trend:

- Normalization for changes in age and gender
- Normalization for changes in the average cost sharing of the population

according to the HHS Notice of Benefit and Payment Parameters for 2018. The HHS induced demand factors can be characterized using the following formula:

$$\text{Induced Demand Factor} = (((AV * 10 - 5) ^ 2 - 1) / 100 + 1)$$

G. Credibility Manual Rate Development

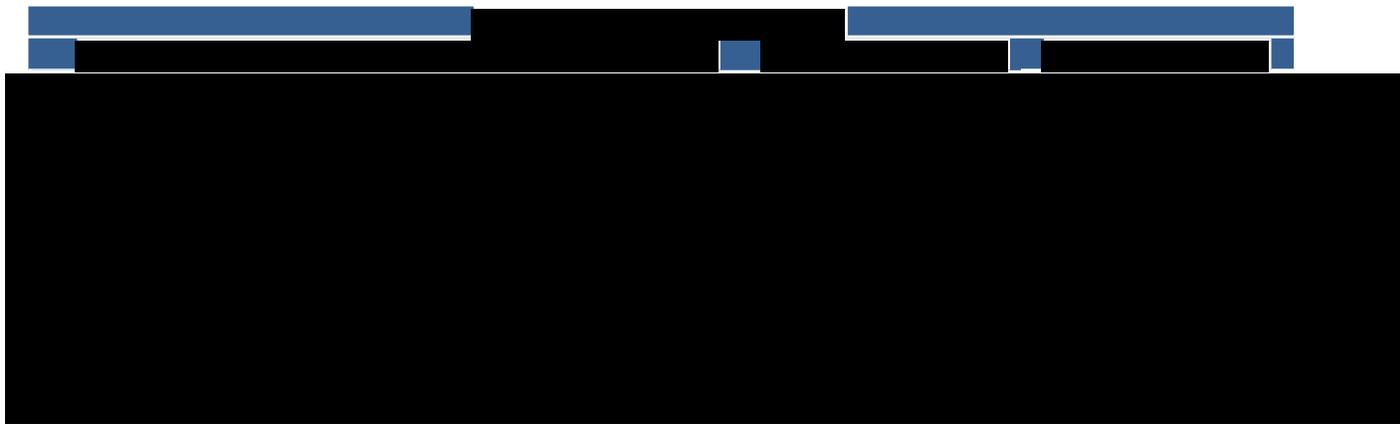
The 2018 rate development was based on BCBSWY's non-grandfathered individual market experience for the period January 1, 2016 through December 31, 2016. This experience represents approximately 329,000 member months and is considered fully credible. [REDACTED] of the 2016 non-grandfathered individual market enrollees' experience complies with the mandated EHB requirements. A manual rate was not used.

H. Credibility of Experience

The 2016 individual non-grandfathered experience was assigned 100% credibility.

I. Paid to Allowed Ratio

The paid to allowed ratio shown on Worksheet 1 of the URRT reflects the weighted average distribution of the expected membership by plan and the corresponding pricing AVs. The following table shows the ratios by metal level and in total. Please note, the average paid to allowed ratio is not a pure member weighted average but is instead based on a weighted average paid claim amount divided by a weighted average allowed claim amount.



The paid to allowed ratios for silver plans offered through the FFM assume the federal government will no longer pay cost sharing reduction (CSR) subsidies to carriers in 2018. [REDACTED]

[REDACTED]

The premium rates for silver plans sold through the FFM would have been significantly lower if CSR funding were appropriated by the Federal government. [REDACTED]

J. Risk Adjustment and Reinsurance

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM:

Transitional reinsurance adjustments reflected in Worksheet 2, Section III, of the URRT were estimated using the EDGE Server Reinsurance Summary Report (RISR). The EDGE server data reflects claims incurred in 2016 and paid through April 11, 2017. The amounts shown on Worksheet 2 of the URRT are net of the \$2.25 transitional reinsurance contribution that applied in 2016.

BCBSWY was the only carrier offering ACA-compliant coverage in Wyoming's individual market in 2016. As a result, no risk adjustment payment or receipt is expected for 2016. The amounts shown on Worksheet 2 of the URRT are net of the \$0.15 risk adjustment user fee PMPM that applied in 2016.

Projected Risk Adjustments PMPM:

BCBSWY was the only carrier offering comprehensive health insurance coverage in the Wyoming individual market in 2016. The rate development assumes BCBSWY will continue to be the only carrier in the individual market in 2018. As a result, we have assumed BCBSWY will not be a payer or a receiver in the risk transfer process. The amount shown in Worksheet 1, Section III, of the URRT reflects the \$0.14 per billable member per month risk adjustment user fee.

The projected risk adjustments PMPM are converted from a paid claim basis to an allowed claim basis using the average paid-to-allowed factor. This conversion allows the average amount PMPM of \$0.14 to be realized after the application of the paid to allowed ratios in the development of the Plan Adjusted Index Rates. The converted amount PMPM is then added to the Index Rate in the development of the Market Adjusted Index Rate to spread the user fee evenly across all plans. On average, the projected risk adjustments PMPM, net of user fees, will increase premiums marginally by [REDACTED]

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium:

The transitional reinsurance program expired at the end of 2016 so no adjustment was made.

K. Non-Benefit Expenses and Risk & Profit

Non-benefit expenses and risk and profit are shown below as a percentage of premium.

Non-Benefit Expenses and Profit & Risk	
Category	% of Premium
[REDACTED]	

BCBSWY staff developed the expected administrative expenses as a percentage of premium for the individual market. The projected administrative expense levels are lower than the administrative expense levels included in the 2017 rate development as a percentage of premium and on a converted PMPM basis.

We included a [REDACTED] after-tax contribution to reserves. Please note, the after-tax contribution to reserves has not changed relative to the prior filing nor does it vary by plan.

Taxes and fees include the following items and are shown as a percent of premium:

Taxes and Fees	
Category	% of Premium
[REDACTED]	

The adjustment to reflect other taxes and fees (i.e., state premium tax, federal income tax, and the ACA health insurer fee) has been applied as a percentage of premium. Exchange user fees have been reflected above in the taxes and fees section of non-benefit expenses. However, marketplace user fees are actually applied as an adjustment to the index rate at the market level, similar to the risk adjustment user fee. We estimate that approximately [REDACTED] of members will seek coverage with BCBSWY via the FFM. As a result, we estimate BCBSWY's liability for marketplace user fees will be [REDACTED]

The Patient Centered Outcomes Research Institute (PCORI) fee of \$0.21 is applied on a PMPM basis. Please note, the PCORI fee translates to [REDACTED] of premium.

L. Projected Loss Ratio

The target loss ratio using the federal MLR definition is estimated to be [REDACTED]. The traditional loss ratio, calculated as 1 minus the non-benefit expenses shown on Worksheet 1, is projected to be [REDACTED].

MLR Calculation
[REDACTED]

M. Single Risk Pool

The base period experience shown in the URRT reflects all covered lives for every non-grandfathered product/plan combination in the individual market within BCBSWY's service area in the State of Wyoming in accordance with 45 CFR 156.80. The experience shown includes transitional policies. We anticipate individuals currently enrolled in transitional plans will maintain their transitional plan throughout calendar year 2018.

N. Index Rate

The index rate is defined as the average allowed cost PMPM for EHBs prior to adjusting for payments and charges under the risk adjustment program and Marketplace user fees. The base period allowed costs PMPM for BCBSWY's individual non-grandfathered business are [REDACTED]. All base period claims are EHBs; however, because this experience reflects a mix of transitional policies and ACA-compliant policies, these allowed costs PMPM do not fully reflect EHBs required in 2018 (e.g., habilitative services, pediatric vision and dental, mental health and substance abuse benefits at parity with medical benefits).

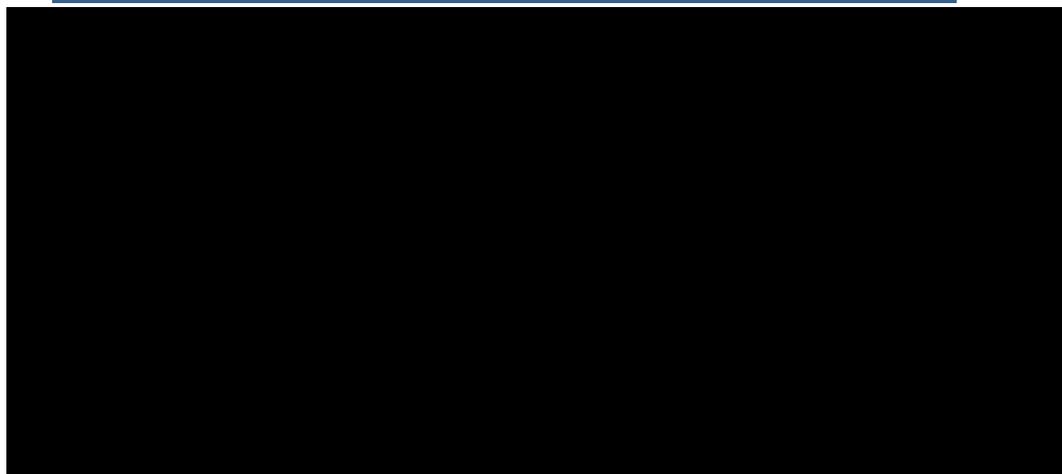
The projected allowed costs PMPM were adjusted to reflect coverage of all EHBs and the population expected to be insured in 2018, including an adjustment for claims trend. With these adjustments, we estimate the projected index rate to be [REDACTED]. Since BCBSWY does not cover any benefits in excess of EHBs, this is also the projected total allowed costs PMPM aside from rounding differences.

O. Market Adjusted Index Rate

In order to determine the Market Adjusted Premium Rate, the Index Rate must be adjusted to account for market-level items, with the impact of these items spread evenly across the single risk pool. Market-level items adjust for the impact of risk adjustment transfers and marketplace user fees.

The impacts of the risk adjustment program and marketplace user fees have been calculated such that after the application of the average paid-to-allowed ratio, the dollar amount is realized. The adjustments applied to the Index Rate to arrive at the Market Adjusted Index Rate [REDACTED]

Market Adjusted Index Rate Development



P. Plan Adjusted Index Rates

Two plan level adjustments are applied to the Market Adjusted Index Rate to develop the Plan Adjusted Index Rates – an actuarial value and cost sharing adjustment and an adjustment for distribution and administrative costs. Since BCBSWY only offers one network and does not offer benefits in excess of EHBs, plan level adjustments for network and non-EHB benefits are not applicable. BCBSWY will not offer a catastrophic plan for 2018.

The actuarial value and cost sharing adjustment was developed using Oliver Wyman’s Medical Actuarial Relative Value (MarVAL™) model. The model is calibrated to produce paid claim costs that are consistent with those expected to be observed in 2018, and models the impact of cost sharing for each plan. The impact includes an estimate of induced utilization related to cost sharing but does not reflect any difference due to the morbidity of the individuals expected to select a given plan. The induced utilization assumptions in the model follow the HHS induced demand assumptions underlying the risk adjustment transfer formula.

Distribution and administrative costs, except those already reflected at the market level (i.e., marketplace user fees and risk adjustment user fees), are applied equally to each plan. The PCORI fee is applied as a fixed \$0.21 PMPM, while all other administrative costs are applied as a fixed percent of premium. A [REDACTED] of premium administrative load is applied in developing the Plan Adjusted Index Rates. This is comprised of the [REDACTED] load for administrative expense, profit and risk, and taxes and fees shown on Worksheet 1 of the URRT, less the [REDACTED] marketplace user fee load and the insignificant risk adjustment user fee load that were already applied in developing the Market Adjusted Index Rate.

Please refer to Appendix A for the calculations of each Plan Adjusted Index Rate.

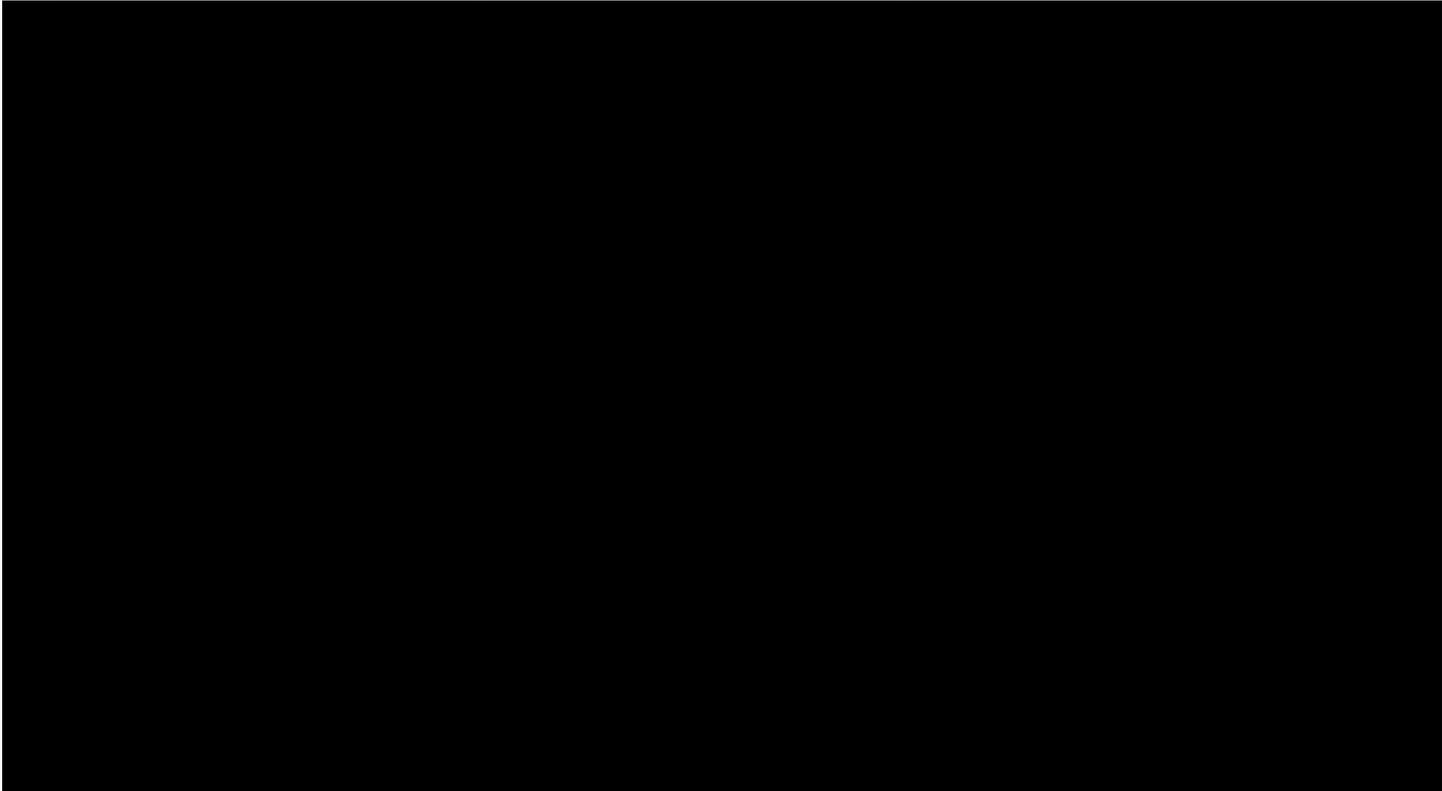
Q. Calibration

Issuers are allowed to apply a single calibration factor to all plan-adjusted index rates so that the allowable rating factors for age, geography, and tobacco use are applied appropriately to arrive at consumer adjusted premium rates. As such, all plan adjusted index rates will be adjusted by a factor of [REDACTED] to calibrate for age, geography, and tobacco use.

Calibration

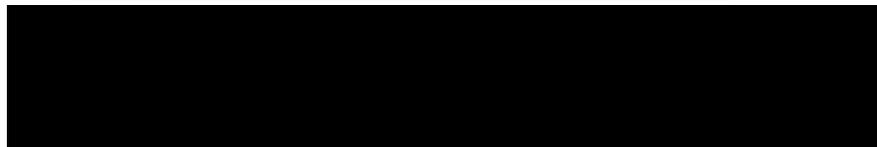
The age curve calibration applied to the Plan Adjusted Index Rate represents the relativity of the 21 year-old age rating factor to the average age rating factor produced using the distribution of members for the projection period. This is approximately equal to [REDACTED]. The age adjustment reflects a weighted average age of approximately [REDACTED]. The methodology to determine the age curve calibration is based on the projected distribution by age and the HHS standard age curve. A factor of zero was assigned to the distribution of members expected to pay no premiums (labeled “No Premium” below). The age curve calibration was applied to all plans uniformly. The table below summarizes the projected distribution by age along with the anticipated average age rating factor.

Age Factor Information								
Age	Factor	Distribution	Age	Factor	Distribution	Age	Factor	Distribution



The geographic factor calibration applied to the Plan Adjusted Index Rate represents the relativity of a “1.0” geographic area factor to the average geographic area factor using the expected membership distribution by rating region for the projection period. Based on the projected distribution by geographic rating region, the geographic factor calibration is [REDACTED]. The table below summarizes the geographic rating factors for BCBSWY’s service area along with the projected membership distribution by rating region:

Geographic Factor Information		
Rating Area	Factor	Distribution




The tobacco use rating factor calibration applied to the Plan Adjusted Index Rate represents the relativity of a “1.0” tobacco use rating factor to the average tobacco use rating factor using the expected membership distribution by tobacco user status for the projection period. Based on the expected membership distribution by tobacco use status, the tobacco use factor

calibration is [REDACTED]. The table below summarizes the tobacco use rating factors along with the projected membership distribution by tobacco use status.

Tobacco Use Calibration Information

[REDACTED TABLE]

[REDACTED TABLE]

R. Consumer Adjusted Premium Rate

Consumer adjusted non-tobacco premium rates for each age are developed by applying the standard age curve to the calibrated Plan Adjusted Index Rates and multiplying by the geographic rating factor for the applicable region. Rates for tobacco users can be derived by multiplying the tobacco load by the resulting non-tobacco premium rate.

Individual premiums are calculated for each member in a family unit, with a family unit defined as a primary, spouse, and any child dependents of the primary. The premium for an entire family unit is calculated by summing the individual premiums for all individuals age 21 and over and the premiums for the three oldest dependent children under the age of 21 for a given primary.

S. AV Metal Values

The AV Metal values included in Worksheet 2 of the URRT are based on the AV calculator; however, adjustments were made to the “HealthPlus” and “Balance” plan designs. All other plans offered by BCBSWY are non-unique plan designs, and as such no adjustments to inputs or adjustments outside the AV calculator were necessary for determining the AV Metal value.

The “HealthPlus” plan designs offer two levels of prescription drug copays, with lower cost sharing available for drugs in “value-based” categories to treat certain chronic conditions. For these plans we analyzed the utilization of drugs associated with the “value” category relative to the “non-value” category to determine a weighted average copay to enter into the AV calculator.

[REDACTED TABLE]

Please see the attached document titled “Unique Plan Design Supporting Documentation and Justification – Individual Market” for more information regarding the adjustments made to the AV calculator for these plans.

T. AV Pricing Values

The AV Pricing values reflect an adjustment for actuarial value and cost sharing and administrative and distribution costs. The actuarial value and cost sharing adjustments were developed using MarVAL™ as previously described in the Paid to Allowed section. The paid to allowed ratio for each plan was adjusted for induced utilization relative to the average paid to allowed ratio for the projection period. As noted earlier, a formula characterizing the induced utilization factors published by HHS was used to determine the induced demand factor for each plan.

Appendix A shows the calculation of the AV Pricing values for each plan BCBSWY intends to offer in 2018.

U. Membership Projections

[REDACTED] The projected membership distribution by plan as shown in the URRT is based on in-force membership by plan as of March 2017 with adjustments made to account for plan mappings. [REDACTED]

[REDACTED] membership was allocated to any new plans using judgment. The table below summarizes the projected membership distribution by metal level:

Member Month Projections			
Metal Level	Exchange	Off Exchange	Total
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

This filing assumes that there will be no CSR funding in 2018.

V. Terminated Products

BCBSWY ceased offering all existing transitional non-grandfathered products on 1/1/2014. The 2016 experience for these products can be found on Worksheet 2 of the URRT in the column labeled Terminated Products. The list of terminated transitional non-grandfathered products is as follows:

11269WY001 – Blue Choice Personal

BCBSWY will be terminating the following HIOS Product IDs in 2018:

11269WI017 – BlueSelect Individual On Exchange No Dental
 11269WI018 – BlueSelect Individual Off Exchange No Dental

BCBSWY will be terminating the following HIOS Plan IDs prior to the rating period:

11269WY0070001	11269WY0170001	11269WY0180001
11269WY0070012	11269WY0170003	11269WY0180003
11269WY0070002	11269WY0170007	11269WY0180007
11269WY0070015	11269WY0170011	11269WY0180011
11269WY0070021	11269WY0170002	11269WY0180002
11269WY0070003	11269WY0170004	11269WY0180004
11269WY0070020	11269WY0170008	11269WY0180008
11269WY0070005	11269WY0170009	11269WY0180009
11269WY0150002	11269WY0170012	11269WY0180012
11269WY0150008	11269WY0170015	11269WY0180015
11269WY0150003	11269WY0170005	11269WY0180005
11269WY0150009	11269WY0170006	11269WY0180006
11269WY0150015	11269WY0170010	11269WY0180010
11269WY0150001	11269WY0170013	11269WY0180013
11269WY0150010	11269WY0170014	11269WY0180014
11269WY0150005		

W. Plan Type

The plan types selected in the drop-down box in Worksheet 2, Section I are representative of the proposed plans included with this filing. All plans offered in 2018 will be PPO plans.

X. Warning Alerts

There is one warning alert that occurs during the validation process associated with Worksheet 1, cells V32 and V44. This warning alert occurs because the Index Rate for the Projection Period is greater than the Projected Allowed Experience Claims PMPM, After Credibility. The warning alert originates from the rounding rules required by the URRT (i.e., projection factors must be rounded to three decimal places, while our calculations do not round these factors), which produces a small rounding difference between the two cells.

Y. Reliance

In preparing this filing, I have relied on historical premium, claims, and enrollment data from BCBSWY as provided by senior staff members at BCBSWY, as well as other publicly available data for medical trends. I also relied upon BCBSWY staff for non-benefit expense assumptions and enrollment projections.

This information was provided under the direction of [REDACTED]
[REDACTED] for BCBSWY.

Z. Actuarial Certification

I, Dianna K. Welch, Principal of Oliver Wyman Actuarial Consulting, have been engaged by Blue Cross Blue Shield of Wyoming (BCBSWY) to prepare this actuarial memorandum and corresponding rates. Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), is an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way

owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers.

The information included in this actuarial memorandum has been prepared for use by BCBSWY. Oliver Wyman makes no representation or warranty to any third party regarding the content of this actuarial memorandum and no third party may rely on the information included in this actuarial memorandum that would create any legal duty by Oliver Wyman to any third party.

The analysis underlying the development of the rates included in this actuarial memorandum is based on our interpretation of current State and Federal laws and regulations. Should these laws and/or regulations be modified our results could be subject to change. It should be noted that Oliver Wyman is an actuarial consulting firm and is not engaged in the practice of law. Therefore, nothing in this actuarial memorandum should be interpreted as legal advice. The rates developed in this filing reflect estimates of future contingent events; actual results will likely vary. The magnitude of differences between projections in this filing and actual observed experience will depend on the extent to which actual experience in the future conforms to the assumptions made in this analysis. It is certain that actual experience will not conform exactly to the assumptions made in this filing.

The URRT does not demonstrate the process used 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 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.

I am a member of the American Academy of Actuaries (Academy), and I meet the Academy qualification standards for rendering this opinion. I certify that, to the best of my knowledge and judgment:

1. The projected Index Rate is:
 - a. In compliance with all applicable state and Federal statutes and regulations (45 CFR 156.80 and 147.102)
 - b. Developed in compliance with the applicable Actuarial Standard of Practice including the following:
 - i. ASOP No. 5, Incurred Health and Disability Claims
 - ii. ASOP No. 8, Regulatory Filings for Health Plan Entities
 - iii. ASOP No. 12, Risk Classification
 - iv. ASOP No. 23, Data Quality
 - v. ASOP No. 25, Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages
 - vi. ASOP No. 26, Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans
 - vii. ASOP No. 41, Actuarial Communications
 - viii. ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act

- c. Reasonable in relation to the benefits provided and the population anticipated to be covered
 - d. Neither excessive nor deficient
- 2. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.
- 3. The percent of total premium that represents EHB included in Worksheet 2, Sections III and IV, was calculated in accordance with actuarial standards of practice.
- 4. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
- 5. The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans except the HealthPlus and Balance plans. An actuarial certification for the HealthPlus and Balance plans is provided.



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Blue Cross Blue Shield of Wyoming

Appendix A

2018 Rate Development - Individual

Plan Adjusted Index Rates

Plan Marketing Name	HIOS Plan ID	A Index Rate	B Risk Adjustment	C Exchange User Fees	D=A*(1+B+C) Market Adjusted Index Rate	E Actuarial Value & Cost Sharing	F Network Adjustment	G Non-EHB Benefits	H Catastrophic Adjustment	I Distribution & Admin Costs	J=(D*E*F*G*H)/(1-I) Plan Adjusted Index Rate	K Calibration	= J * K Calendar Year Cons Calibr Rate	= J / D Pricing AV
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Rating Algorithm

Rating Example

