

Actuarial Memorandum and Certification
Effective January 1, 2017

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

The actuarial memorandum and certification describe Molina's rating methodology used to develop rates for Individual products offered on the Wisconsin Marketplace effective January 1, 2017. Molina will not market Individual products outside the Wisconsin Marketplace.

Molina Healthcare of Wisconsin, Inc. is a managed care organization that provides healthcare services for over 135,000 individuals eligible for Medicaid, Medicare, and Marketplace throughout the state of Wisconsin. Molina Healthcare of Wisconsin, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 11 states across the nation and in the Commonwealth of Puerto Rico, Molina currently serves approximately 3.5 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families in Southern California.

Molina Healthcare's mission is to provide quality health services to financially vulnerable families and individuals covered by government programs.

11200 W Parkland Ave Milwaukee, WI 888.999.2404

MolinaHealthcare.com

TABLE OF CONTENTS

SECTION 1 - GENERAL INFORMATION	4
Company Identifying Information.....	4
Company Contact Information.....	4
Description of Benefits	4
SECTION 2 – SCOPE AND PURPOSE, PROPOSED RATE INCREASE(S).....	6
Scope and Purpose	6
Reasons for Rate Change(s)	7
Prospective Trend.....	8
SECTION 3 – EXPERIENCE PERIOD PREMIUM AND CLAIMS	8
Paid Through Date	8
Premiums (net of MLR Rebate) in Experience Period.....	9
Allowed and Incurred Claims During the Experience Period	9
SECTION 4 – BENEFIT CATEGORIES.....	9
SECTION 5 – PROJECTION FACTORS	10
Changes in the Morbidity of the Population Insured.....	10
Changes in Benefits.....	11
Changes in Demographics.....	11
Other Adjustments	12
Trend Factors (cost/utilization)	13
SECTION 6 – CREDIBILITY MANUAL RATE DEVELOPMENT	14
Source and Appropriateness of Experience Data Used	14
Adjustments Made to the Data	14
Inclusion of Capitated Payments.....	14
SECTION 7 – CREDIBILITY OF EXPERIENCE.....	14
SECTION 8 – PAID TO ALLOWED RATIO.....	14
SECTION 9 – RISK ADJUSTMENT AND REINSURANCE	15
Experience Period Risk Adjustment and Reinsurance Adjustments PMPM.....	15
Projected Risk Adjustments (Net of User Fees) PMPM Development	15
Projected Risk Adjustment (Net of User Fees) PMPM Allocation	17
SECTION 10 – NON-BENEFIT EXPENSES AND PROFIT AND RISK	17
Administrative Expense Load:	17
Contribution to Surplus and Risk Margin	18
Taxes and Fees	18
SECTION 11 – PROJECTED LOSS RATIO	20
SECTION 12 – SINGLE RISK POOL	20
SECTION 13 – INDEX RATE	21
SECTION 14 – MARKET-ADJUSTED INDEX RATE	21
SECTION 15 – PLAN-ADJUSTED INDEX RATE	21
SECTION 16 – CALIBRATION	24
Age Curve Calibration	24
Geographic Factor Calibration	25
SECTION 17 – CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT	26
SECTION 18 – AV METAL VALUES	26
SECTION 19 – AV PRICING VALUES.....	27
SECTION 20 – MEMBERSHIP PROJECTIONS	27



Marketing Method.....	27
Development of Membership Projections	27
SECTION 21 – TERMINATED PRODUCTS	29
SECTION 22 – PLAN TYPE.....	30
SECTION 23 – WARNING ALERTS.....	30
SECTION 24 – RELIANCE	30
SECTION 25 – ACTUARIAL CERTIFICATION.....	31

SECTION 1 - GENERAL INFORMATION

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

Company Identifying Information

Company Identifying Information	
Legal Name:	Molina Healthcare of Wisconsin, Inc.
State:	Wisconsin
HIOS Issuer ID:	52697
Market:	Wisconsin Individual Marketplace
Effective Date:	1/1/2017
SERFF ID(s):	MHWI-130557101

Company Contact Information

Company Contact Information	
Contact Name:	Evan Swalheim
Telephone #:	888.562.5442 x114611
Email:	evan.swalheim@molinahealthcare.com

Description of Benefits

Molina’s benefit plans provide comprehensive HMO individual health insurance benefit coverage to individuals purchasing health insurance policies inside the federal facilitated insurance marketplace in Wisconsin. Molina is filing the following benefit plans: Molina Gold, Molina Silver and its associated cost-sharing reduction benefits, and Molina Bronze along with Molina Options Silver and Molina Options Bronze, which follow the CMS standard benefit design. All benefit plans are comprehensive HMO individual products that cover all of the Essential Health Benefits (EHBs).

Molina does not plan to offer a catastrophic plan.

The table below summarized the major cost-sharing components of Molina’s 2017 benefit plans. Please also refer to attachment “WI Actuarial Values.pdf” for descriptions of benefit coverage summaries Molina plans to offer.



Summary of Molina Marketplace Benefits							
Plan Name	Medical Deductible ¹	Out Of Pocket Max	IP/OP Coins.	PCP Copay	ER Copay	Rx Deductible ²	Rx Tiers ³
Gold	\$1,025	\$7,150	20%	\$15	\$300	\$0	\$15/\$50/30%/30%
Silver 250	\$2,400	\$7,150	30%	\$20	\$400	\$0	\$10/\$55/40%/40%
Silver 200	\$2,275	\$5,700	30%	\$20	\$400	\$0	\$10/\$55/40%/40%
Silver 150	\$500	\$2,250	20%	\$10	\$205	\$0	\$5/\$30/30%/30%
Silver 100	\$0	\$1,250	10%	\$0	\$150	\$0	\$2/\$15/20%/20%
Bronze	\$6,650	\$7,150	40%	\$35	\$350	N/A	\$33/\$65/50%/50%

¹ Applies only to inpatient and outpatient facility services. Bronze deductible applies to medical and pharmacy.

² Does not apply to formulary generic. Bronze deductible is included in Medical deductible

³ Tier 1 consists of formulary generic drugs. Tier 2 consists of formulary preferred brand drugs. Tier 3 consists of formulary non-preferred brand drugs. Tier 4 consists of specialty drugs.

Summary of Molina Marketplace Options Benefits							
Plan Name	Medical Deductible ¹	Out Of Pocket Max	IP/OP Coins.	PCP Copay ²	ER Copay ³	Rx Deductible	Rx Tiers ⁴
Options Silver 250	\$3,500	\$7,150	20%	\$30	\$400	N/A	\$15/\$50/\$100/40%
Options Silver 200	\$3,000	\$5,700	20%	\$30	\$300	N/A	\$10/\$50/\$100/40%
Options Silver 150	\$700	\$2,000	20%	\$10	\$150	N/A	\$5/\$25/\$50/30%
Options Silver 100	\$250	\$1,250	5%	\$5	\$100	N/A	\$3/\$5/\$10/25%
Options Bronze	\$6,650	\$7,150	50%	\$45	50%	N/A	\$35/35%/40%/45%

¹ Combined Medical and Rx Deductible

² For Bronze, deductible waived for first 3 visits, then subject to deductible and 50% coinsurance

³ Copay/Coinsurance after deductible

⁴ Tier 1 consists of formulary generic drugs. Tier 2 consists of formulary preferred brand drugs. Tier 3 consists of formulary non-preferred brand drugs. Tier 4 consists of specialty drugs.

All benefit plans meet Affordable Care Act (ACA) essential health benefit (EHB) requirements. The actuarial values (AVs) were calculated exclusively using the Health and Human Services (HHS) AV Calculator. No outside AV calculator adjustments were made to any of the plan actuarial values. All benefit plans meet the AV metal requirements under ACA and other regulations under ACA. Below is a summary of the benefit plan AVs.

Actuarial Values				
Plan ID	Product Name	Metal	FPL	Actuarial Value
52697WI0010001	Molina Marketplace	Gold	Base	0.785
52697WI0010002		Silver	Base	0.720
			CSR 200-250	0.740
			CSR 150-200	0.880
			CSR 100-150	0.950
52697WI0010003		Bronze	Base	0.619
52697WI0030001	Molina Marketplace Options	Silver	Base	0.706
			CSR 200-250	0.736
			CSR 150-200	0.875
			CSR 100-150	0.943
52697WI0030002	Bronze	Base	0.619	

Molina also includes wellness programs without additional costs to Molina customers. The wellness program costs are not expected to be significant and are included in the administrative component of the rate development. Molina’s wellness programs include the following benefits:

1. Education and Information about Health and Disease
2. Motherhood Matterssm: a prenatal care program for pregnant women
3. Smoking Cessation Program
4. Weight Control Program
5. Health Education Materials

SECTION 2 – SCOPE AND PURPOSE, PROPOSED RATE INCREASE(S)

Scope and Purpose

This is the initial filing for the Molina Options Silver and Molina Options Bronze plans, and a rate revision filing for the Molina Gold, Molina Silver, and Molina Bronze plans.

For the benefit plans subject to rate revision, the rating factors did not change for age or for tobacco usage. Geographic rating factors did change from 2016 based on the expected unit costs for Molina’s contracted provider network in 2017.

Geographic Factors		
Geographic Region	2016 Factor	2017 Factor
Region 1	1.02	1.01
Region 9	0.99	1.03
Region 10	1.07	1.08
Region 11	0.93	0.96
Region 12	1.00	1.02
Region 13	1.05	0.91
Region 14	0.99	1.04
Region 16	0.92	1.03

There are not significant changes in member cost-sharing. Small changes were made to the plan designs to comply with the actuarial value ranges in the 2017 AV Calculator provided by CMS.

The table below shows the average rate change, minimum rate change, and maximum rate change for each plan based on the 63,725 members enrolled as of May 1, 2016.

Rate Change by Plan						
Plan ID	Product Name	Metal Tier	Members	Rate Change		
				Average	Minimum	Maximum
52697WI0010001	Molina Marketplace	Gold	1,966	30.7%	11.1%	43.4%
52697WI0010002		Silver	49,630	27.1%	8.6%	40.2%
52697WI0010003		Bronze	12,129	25.5%	7.5%	38.7%
52697WI0030001	Molina Marketplace Options	Silver	NA	NA	NA	NA
52697WI0030002		Bronze	NA	NA	NA	NA
Total			63,725	27.0%	7.5%	43.4%

The requested rate changes are similar by metal tier. All plans were priced from a single risk pool of experience but may exhibit differing rate changes caused by the member distribution by rating region since the geographic factors changed from 2016, as shown above. Changes to the Actuarial Values (AVs) also contributed to the difference in requested rate change by plan.

Reasons for Rate Change(s)

Molina identified the following factors contributing to the overall increase in Molina's proposed rates.

-
- Federal Transitional Reinsurance Program: The Federal Transitional Reinsurance Program expired eliminating reinsurance recoveries in 2017.
 - Trend: Molina trended the experience period claims at a 4.4% annualized trend rate.
 - Administrative Expenses: Molina increased the expected administrative expenses associated with the Wisconsin Marketplace membership.
 - Single Risk Pool Experience: The single risk pool claims experience is unfavorable to what was assumed in the rate development for the current rates.
 - Risk Adjustment Transfer: The impact of Risk Adjustment Transfer payments was unfavorable compared to what was assumed in the rate development for the current rates.
 - New Membership: Molina applied a 3% upward adjustment due to the uncertainty associated with gaining new membership from other health plans leaving the Wisconsin Marketplace in 2017.

Molina identified factors that mitigated the overall rate increase:

- Health Insurer Fee: Molina reduced the Health Insurer Fee to 0% in consideration of the one-year moratorium of the Health Insurer Fee.

Prospective Trend

The Annualized Medical Trend expected for the 12 months following the effective date of the filing is 4.4%. The Annualized Insurance Trend expected for the 12 months following the effective date of the filing is 0.0%. The trend factors were based upon Molina's claims experience in similar populations as the Wisconsin Marketplace, publicly available commercial trends, and unit cost inflation in the contracted provider network.

SECTION 3 – EXPERIENCE PERIOD PREMIUM AND CLAIMS

Molina's 2015 experience in Part I of the Unified Rate Review Template (URRT) is based on 280,818 member months or 23,402 average members.

Paid Through Date

The market experience reported in Worksheet 1, Section I of the URRT represents 2015 incurred claims paid through February 29, 2016. The IBNR factors applied to the 2015 claims experience were updated with data through April 2016.

Premiums (net of MLR Rebate) in Experience Period

The premiums reported in Worksheet 1, Section I of the URRT represent only the earned premium from 2015 and the risk adjustment payables based on the June 30, 2016 results from CMS. Molina has not accrued any amount for MLR rebates based off the 2015 Wisconsin Marketplace experience. The final premium is \$106,546,523, which is reduced by \$4,595,004 for risk adjustment payables.

Allowed and Incurred Claims During the Experience Period

The following table reports the allowed and incurred claims during the 2015 experience period for Molina Marketplace.

2015 Experience Period Claims							
a	b	c	d = b + c	e	f = d x e	g	h = f + g
Item	Allowed	Member Cost-Sharing	Subtotal	IBNR	Subtotal	Cost Sharing Reduction (CSR)	Incurred Claims
Medical	131,609,769	- 22,718,608	108,891,161	1.103	120,156,126		
Pharmacy	15,272,423	-2,427,507	12,844,916	1.000	12,844,916		
Capitation	0	0	0	1.000	0		
Total	146,882,193	25,146,115	121,736,077	1.093	133,001,042	-12,976,030	120,025,012

Molina applied completion factors to both the allowed and incurred medical claim amounts. The completion factors were developed separately for inpatient and non-inpatient medical claims from the Wisconsin Marketplace data. IBNR factors applied to the 2015 experience period were developed based on incurred through April 2016. The IBNR factors applied to the allowed and incurred claims is 1.103. Molina does not apply IBNR factors to capitation and pharmacy claims.

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

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

SECTION 4 – BENEFIT CATEGORIES

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

Benefit Categories	
Benefit Category	Description
Inpatient Hospital	Days
Outpatient Hospital	Visits
Professional	Services
Other Medical	Services
Capitation	Benefit Period
Prescription Drug	Prescriptions

SECTION 5 – PROJECTION FACTORS

Changes in the Morbidity of the Population Insured

The morbidity of Molina's covered population is expected to decrease as members with lower acuity enroll with Molina's base population that has higher acuity. Molina used the 2015 risk adjustment transfers released by CMS on June 30, 2016 to calculate the 2015 relative risk score and to estimate the 2016 relative risk scores for renewal members. Relative risk scores for new members in 2016 were estimated by comparing their early experience and raw risk scores compared to the 2015 members. 2017 morbidity was estimated separately for projected new and renewing members based on the patterns of the 2016 new and renewing members and their morbidity. The weighted average relative risk score in the projection period was compared to the relative risk score from the experience to derive a population morbidity adjustment.

Population Morbidity Adjustment			
Policy Year	Cohort	Members	Relative Risk
2015	New Members		
	<u>Renewal Members</u>		
	Total	23,402	0.964
2016	New Members	39,799	0.935
	<u>Renewal Members</u>	<u>23,701</u>	<u>0.967</u>
	Total	63,500	0.947
2017	New Members	28,298	0.940
	<u>Renewal Members</u>	<u>41,131</u>	<u>0.950</u>
	Total	69,429	0.946

2015 Rel Risk	0.964
<u>2017 Rel Risk</u>	<u>0.946</u>
Acuity Factor	0.982

Changes in Benefits

No factors were applied to adjust the experience period claims for benefit changes.

Changes in Demographics

Molina applied a factor to the experience period claims to reflect a change in the age mix from the 2015 Wisconsin Marketplace Data. Molina reviewed the demographics of its 2016 Marketplace enrollment through May 31, 2016 as a starting point in projecting the age mix of 2017 enrollment.

Population Age Adjustment -- Marketplace Data						
	Marketplace Base		Marketplace Expected		Molina Base	
	Member Mix		Member Mix		Claims PMPM	
Age/Sex	M	F	M	F	M	F
0-19	2.9%	3.0%	3.6%	3.5%	204.68	146.30
20-34	10.5%	13.5%	11.7%	13.1%	203.00	388.50
35-49	11.1%	14.1%	11.2%	12.5%	389.18	533.66
50-64	18.9%	25.9%	19.2%	25.0%	848.55	802.95
(a) Molina Marketplace Claims PMPM:					571.56	
<u>(b) Claims PMPM with Marketplace Member Mix:</u>					<u>562.02</u>	
(c) Demographic Adjustment Factor (b) / (a):					0.983	

Other Adjustments

- Cost Sharing Design: Members will utilize services less frequently when their responsibility of cost-sharing increases. Molina calculated the cost sharing design utilization factor by estimating the members by metal tier and cost-sharing subsidy. Molina assigned each metal tier and cost-sharing subsidy tier a cost sharing design utilization factor. Molina calculated the cost sharing design factor for the experience period and the projection period. Molina applied the difference in the factors as an adjustment to the experience period. Cost sharing design utilization factors do not include any adjustment for health status.

Cost Share Design (CSD) Adjustment						
Product Name	Metal	FPL	2015		2017	
			Mem Mths	CSD	Mem Mths	CSD
Molina Marketplace	Gold	Base	7,340	0.980	30,105	0.980
	Silver	Base	34,725	0.835	146,446	0.835
		CSR 200-250	26,998	0.835	81,158	0.835
		CSR 150-200	66,940	0.835	153,099	0.835
		CSR 100-150	90,365	0.835	207,046	0.835
	Bronze	Base	54,450	0.828	149,899	0.828
Molina Marketplace Options	Silver	Base	0	0.860	12,537	0.860
		CSR 200-250	0	0.852	7,650	0.852
		CSR 150-200	0	0.860	13,636	0.860
		CSR 100-150	0	0.860	17,674	0.860
	Bronze	Base	0	0.853	13,902	0.853
			280,818	0.837	833,150	0.841

2015 CSD	0.837
<u>2017 CSD</u>	<u>0.841</u>
CSD Factor Adjustment	1.004

- Unit Cost Adjustment: Molina applied a factor for anticipated changes in the unit costs between the 2015 experience period and the 2017 projection period.
- Internal Reinsurance: Molina applied a factor for reinsurance coverage purchased exclusive of the federal reinsurance program.

- New Membership: Molina applied a 3% upward adjustment due to the uncertainty associated with gaining new membership from other health plans leaving the Wisconsin Marketplace in 2017.

Trend Factors (cost/utilization)

Trend factors were applied separately for unit cost and utilization and by each major benefit category shown in Worksheet 1, Section I of the URRT. Molina trended the experience period claims forward 24 months from the midpoint of the base period, July 2015, to the midpoint of the projection period, July 2017. Unit cost trends were developed by comparing anticipated changes in provider contracts between the 2015 experience period and the 2017 projection period. The contract changes were calculated for the major service categories by weighing fee schedule changes in each rating area with the 2015 membership. The chart below shows each annual trend by category of service.

Marketplace Annual Claims Trends						
Trend	IP	OP	Prof	Rx	Cap	Total
Utilization	0.5%	0.5%	2.0%	1.0%	0.0%	1.0%
<u>Unit Cost</u>	<u>3.4%</u>	<u>3.5%</u>	<u>2.7%</u>	<u>5.0%</u>	<u>0.0%</u>	<u>3.4%</u>
Total	3.9%	4.0%	4.8%	6.1%	0.0%	4.4%

The following table summarizes all of the adjustments made to the data and their application to utilization versus unit cost.

Adjustments Made to the Marketplace Data							
Adjustment	Population Risk Adj	Util Adj 1	Util Adj 2	Util Adj 3	Cost Adj 1	Cost Adj 2	PMPM
Change in Morbidity	0.982						0.982
New Member Adjustment				1.030			1.030
Change in Demographics			0.983				0.983
Other: Cost Sharing Utilization		1.004					1.004
Change in Unit Cost					0.911		0.911
<u>Other: Reinsurance</u>						<u>1.001</u>	<u>1.001</u>
Subtotal	0.982	1.004	0.983	1.030	0.911	1.001	0.911
Trend Factor		1.019			1.068		1.089

All capitated payments are included in the experience data and rate development.

SECTION 6 – CREDIBILITY MANUAL RATE DEVELOPMENT

Source and Appropriateness of Experience Data Used

A manual rate was not used in the rate development.

Adjustments Made to the Data

A manual rate was not used in the rate development.

Inclusion of Capitated Payments

A manual rate was not used in the rate development.

SECTION 7 – CREDIBILITY OF EXPERIENCE

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

Molina Credibility Table			
Member Months		Experience Period	Manual Rate
Low	High	Weight	Weight
0	11,999	0.0%	100.0%
12,000	23,999	50.0%	50.0%
24,000	+	100.0%	0.0%

Molina’s 2015 experience in Part I of the Unified Rate Review Template (URRT) is based on 280,818 member months, resulting in a credibility percentage of 100.0%. Molina believes this method is consistent with the applicable American Academy of Actuaries’ Actuarial Standards of Practice (ASOP) No. 25 Credibility Procedures.

SECTION 8 – PAID TO ALLOWED RATIO

The Paid to Allowed ratio reflects the estimated cost-sharing in the projected period. The actuarial value (AV) for each product was based on output from the AV Calculator provided by CMS. The Paid to Allowed ratio is the average of AVs weighted by projected members. The AV Calculator utilizes

commercial cost-sharing data for the standard population. Molina does not expect material cost sharing differences due to differences in the Wisconsin Marketplace population and the standard population in the AV Calculator. Therefore, Molina believes using the AV calculator is appropriate for estimating the paid to allowed ratio in 2017. The table below documents the Paid to Allowed ratio factor entered into the URRT, Worksheet I, Section III.

Paid to Allowed Ratio				
Plan ID	Product Name	Metal	Member %	Paid to Allowed
52697WI0010001	Molina Marketplace	Gold	3.6%	0.785
52697WI0010002		Silver	70.5%	0.720
52697WI0010003		Bronze	18.0%	0.619
52697WI0030001	Molina Marketplace Options	Silver	6.2%	0.706
52697WI0030002		Bronze	1.7%	0.619
Total			100%	0.701

SECTION 9 – RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM

Molina used the 2015 risk adjustment transfers released by CMS on June 30, 2016 to calculate the Risk Adjustment Transfer PMPM. Molina used the 2015 federal reinsurance recoveries released by CMS on June 30, 2016.

Projected Risk Adjustments (Net of User Fees) PMPM Development

Molina estimated the risk transfer amount for 2017 using the final released 2015 risk transfer amounts and preliminary risk scores and early experience data from 2016. The 2017 risk transfer estimates were developed separately for new and renewal members by first projecting 2016 risk scores and transfer payments, then projecting 2017 risks and transfer payments as follows:

- 2016 Renewal Members – Many of Molina’s current members previously had coverage in 2015 and renewed in 2016. Molina relied on the renewal members’ 2015 final risk scores and assumed their risk scores would be consistent in 2016.
- 2016 New Members – To estimate the relative risk of the 2016 new membership, Molina compared pharmacy and risk score data available through May 2016 for new membership to 2015 new members for the same time period a year ago. It was assumed that the risk score of the 2016 new members would be slightly lower than the 2015 members.
- 2017 Renewal Members – Molina assumed the 2017 renewal members would have higher risk scores compared to the total 2016 membership. This ratio was developed based on the 2015 members who renewed in 2016.

- 2017 New Members - Molina assumed 2017 new members would have risk scores similar to the market average but slightly healthier due to the types of members Molina attracted in the past.

The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. Since we do not have catastrophic plans, they were not considered in our calculations.

The resulting 2017 risk transfer payable estimate is \$26.53 per member per month (PMPM). Molina added \$0.13 PMPM in projected risk adjustment user fees to the \$26.53 PMPM risk transfer payable estimate and entered the total of \$26.66 PMPM in the URRT Worksheet I, Section III.

The table below summarizes the development of the risk transfer estimate.

Risk Transfer Estimate			
Policy Year	Cohort	Members	Risk Transfer
2015	New Members		
	<u>Renewal Members</u>		
	Total	23,402	-16.35
2016	New Members	39,799	-29.65
	<u>Renewal Members</u>	<u>23,701</u>	<u>-15.02</u>
	Total	63,500	-24.19
2017	New Members	28,298	-29.38
	<u>Renewal Members</u>	<u>41,131</u>	<u>-24.57</u>
	Total	69,429	-26.53
2017	Total	69,429	-26.53
	<u>Margin</u>		<u>0.0%</u>
	Total	69,429	-26.53

2017 Risk Adjustment Factors		
Item	Element	Aggregate Value
1	Statewide Average Premium PMPM	\$491.40
2	Average Company-Specific Metal Level AV	0.684
3	Average Statewide Metal Level AV	0.683
4	Average Company-Specific ARF	1.735
5	Average Statewide ARF	1.759
6	Average Company-Specific IDF	1.026
7	Average Statewide IDF	1.031
8	Average Company-Specific GCF	1.003
9	Average Statewide GCF	1.000
10	Average Company-Specific Risk Score	1.649
11	Average Statewide Risk Score	1.765
	Total Transfer PMPM	-\$26.53

Molina trended forward the 2015 CMS Statewide Average Premium in order to get the new Statewide Average Premium PMPM of \$491.40

The company specific factors were generated with the 2017 projected demographic mix. Statewide ARF and GCF came from a 2015 Milliman study, while the Statewide Risk Score, IDF, and AV were estimated based on the information provided in the 2015 CMS TPIR file

Projected Risk Adjustment (Net of User Fees) PMPM Allocation

Risk adjustment transfer estimates are applied to the Market-Adjusted Index Rate, in accordance with the market rating rules in 45 CFR 156.80 (d)(1). There is no difference in allocation to the Plan-Adjusted Index Rates.

SECTION 10 – NON-BENEFIT EXPENSES AND PROFIT AND RISK

Administrative Expense Load:

Molina based the administrative cost assumptions for the Wisconsin Marketplace population on 2015 experience period expenses and made adjustments to account for anticipated changes in 2017. Molina used an internal administrative cost budget on a PMPM basis and converted the costs to an overall percentage of premiums to apply to the Wisconsin Marketplace rates. The expected administrative expense load is 9.5%.

Administrative Expense Load		
Description	PMPM	% of Premium
Corporate and Plan Expense	32.84	6.5%
Quality Expenses	7.58	1.5%
<u>Broker Commissions</u>	<u>7.55</u>	<u>1.5%</u>
Total	47.97	9.5%

- Corporate and Plan Expenses: Molina expects corporate and plan expenses of 6.5% of premium in 2017.
- Quality Expenses: Molina expects quality expenses of 1.5% of premium in 2017.
- Broker Commissions: Molina expects broker commissions of 1.5% of premium in 2017, based on Molina's broker-sold business in 2016 and a projection of new and renewing members sold through the broker channel.

Contribution to Surplus and Risk Margin

Molina used a 3.0% surplus and risk margin, which is the same as the percent of premium in the prior rate submission. The load is the same for all plans.

Taxes and Fees

Molina's 3.5% estimate of taxes and fees is comprised of the following:

- Wisconsin Marketplace Exchange Fee: Wisconsin Marketplace will charge a fee of 3.5% of premium for each of Molina's members enrolled in Wisconsin Marketplace. The Exchange user fee is applied at the Market adjusted Index Rate.
- Health Insurer Fee: Molina reduced the Health Insurer Fee to 0% in consideration of the one-year moratorium of the Health Insurer Fee.
- Other Fees: Molina expects to pay \$2.18 per member per year (PMPY) in patient centered outcome fees.



Taxes and Fees		
Taxes and Fees	PMPM	% of Premium
Health Insurer Fee	0.00	0.0%
PCORI Fee (\$2.15 PMPY)	0.18	0.0%
Premium Tax & Other Fees	0.00	0.0%
<u>Exchange Fee</u>	<u>17.68</u>	<u>3.5%</u>
Total Taxes and Fees	17.86	3.5%
Single Risk Pool Premium	505.19	

SECTION 11 – PROJECTED LOSS RATIO

The projected medical loss ratio (MLR) for 2017 using the federally prescribed MLR methodology is 88.6%. The MLR is 88.6% prior to the expected credibility adjustment based on Molina’s projected membership.

MLR Demonstration	
Federal Prescribed MLR Formula	
MLR = $[(i + q - s + n - r) / \{(p + s - n + r) - t - f - (s - n + r)\}] + c$	
s = transitional reinsurance receipts	-
n = risk corridors and risk adjustment payments	26.53
r = issuer’s risk corridors and risk adjustment receipts	-
s - n + r	(26.53)
MLR = $[(i + q - 26.53) / \{(p + -26.53) - t - f - (-26.53)\}] + c$	-
i = incurred claims	397.54
q = expenditures on quality improving activities	7.58
MLR = $[(397.54 + 7.58 - 26.53) / \{(p + -26.53) - t - f - (-26.53)\}] + c$	
MLR = $[(431.65) / \{(p + -26.53) - t - f - (-26.53)\}] + c$	
p = earned premiums	505.19
MLR = $[(431.65) / \{(505.19 + -26.53) - t - f - (-26.53)\}] + c$	
MLR = $[(431.65) / \{(478.66) - t - f - (-26.53)\}] + c$	
t = Federal and State taxes and assessments	0.18
f = licensing and regulatory fees, incl. transitional reins	17.68
- t - f	(17.86)
MLR = $[(431.65) / \{(478.66) - 17.86 - (-26.53)\}] + c$	
MLR = $[(431.65) / \{487.33\}] + c$	
MLR = $[88.6\%] + c$	
c = credibility adjustment, if any	0.0%
MLR = $[88.6\%] + 0.0\%$	
MLR = 88.6%	

SECTION 12 – SINGLE RISK POOL

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

SECTION 13 – INDEX RATE

The index rate for the experience period of \$572.00 is the total allowed claims PMPM. The only difference between the index rate and the allowed claims PMPM provided in URRT Worksheet I, Section I is rounding \$571.56 to the nearest dollar value.

The index rate is developed following the specifications of 45 CFR part 156.80(d)(1). The index rate for the projection period is estimated to be \$566.74. The index rate represents the estimated total combined allowed claims experience for the essential health benefits within Wisconsin Marketplace. The index rate does not include adjustments for the risk adjustment and reinsurance programs or an adjustment for the Wisconsin Marketplace user fee.

SECTION 14 – MARKET-ADJUSTED INDEX RATE

Molina modified the index rate provided in URRT Worksheet I to a market adjusted index rate as follows:

Market Adjusted Index Rate					
Item	Description	Paid Basis	Adjustment	Allowed Basis	Comments
a	URRT Index Rate			566.74	URRT, Worksheet 1
b	Risk Adjustment	26.66	0.701	38.01	
c	<u>Exchange Fee</u>	<u>17.68</u>	<u>0.701</u>	<u>25.21</u>	<u>See Taxes & Fees</u>
d	Market Adjusted Index Rate			629.95	a + b + c + d

SECTION 15 – PLAN-ADJUSTED INDEX RATE

The plan adjusted index rates are entered in Worksheet 2, Section IV, of the URRT Template. Molina calculated the plan adjusted index rates by applying plan specific level adjustments for actuarial value, cost sharing utilization, additional benefits, and administrative costs, excluding exchange user fees, to the market adjusted index rate.

Plan Adjusted Index Rates							
a	b	c	d	e	f	g	h = product (c:g)
Product Name	Metal	Market Adjusted Index Rate	Actuarial Value	Cost Sharing Adj.	Benefits in Addition to EHBs	Admin Costs	Plan Adjusted Index Rate
Molina Marketplace	Gold	629.95	0.785	1.164	1.000	1.139	655.94
	Silver	629.95	0.720	0.992	1.000	1.143	514.19
	Bronze	629.95	0.619	0.984	1.000	1.146	439.75
Molina Marketplace Options	Silver	629.95	0.706	1.021	1.000	1.143	518.99
	Bronze	629.95	0.619	1.013	1.000	1.146	452.47

- AV and Cost Sharing Design: The table below shows the details of Molina's AVs and Cost Sharing Design Adjustment factors:

Actuarial Value and Cost Sharing Adjustment					
Plan ID	Product Name	Metal	Member	Actuarial Value	Cost Sharing Adj.
52697WI0010001	Molina Marketplace	Gold	2,509	0.785	1.164
52697WI0010002		Silver	48,979	0.720	0.992
52697WI0010003		Bronze	12,492	0.619	0.984
52697WI0030001	Molina Marketplace Options	Silver	4,291	0.706	1.021
52697WI0030002		Bronze	1,158	0.619	1.013
Total			69,429	0.701	1.000

- Provider Network, Delivery System Characteristics, and Utilization Management Practices: Molina did not vary plan rates for variation of provider network, delivery system characteristics, and utilization management.
- Catastrophic plans: Not applicable. Molina will not offer a catastrophic plan.
- Administrative costs, excluding Exchange User Fees: Molina applied the same administrative costs, excluding the Wisconsin Marketplace Exchange Fee, to all products. The multiplicative factors differ slightly because some costs were applied as fixed PMPMs and the others were applied as percentages of premium.

Administrative Costs Excluding Exchange Fee			
Item	Description	% of Premium	Comments
a	Administrative Expense Load	9.5%	
b	Profit Margin	3.0%	
c	<u>Taxes & Fees excl Exchange Fee</u>	<u>0.0%</u>	
d	Total	12.5%	a + b + c
e	Administrative Factor 1/(1-d)	1.143	1 / (1 - d)

SECTION 16 – CALIBRATION

Age Curve Calibration

Molina calibrated the Plan Adjusted Index Rates to an age 21 rate. Molina estimates the average composite age factor by multiplying the expected age distribution by the age factors. The calibration factor of 0.574 equals the age factor at age 21 divided by the average age factor (1.000 / 1.741).

Age Curve Calibration								
Age	Member %	Age Factor	Age	Member %	Age Factor	Age	Member %	Age Factor
0 - 19*	0.2%	0.000	35	1.6%	1.222	51	2.3%	1.865
0 - 19	6.9%	0.635	36	1.6%	1.230	52	2.4%	1.952
20	1.2%	0.635	37	1.4%	1.238	53	2.6%	2.040
21	1.4%	1.000	38	1.4%	1.246	54	2.7%	2.135
22	1.4%	1.000	39	1.4%	1.262	55	2.9%	2.230
23	1.3%	1.000	40	1.4%	1.278	56	2.9%	2.333
24	1.3%	1.000	41	1.4%	1.302	57	2.8%	2.437
25	1.3%	1.004	42	1.5%	1.325	58	3.0%	2.548
26	2.8%	1.024	43	1.5%	1.357	59	2.9%	2.603
27	2.1%	1.048	44	1.5%	1.397	60	3.1%	2.714
28	2.0%	1.087	45	1.7%	1.444	61	3.5%	2.810
29	1.8%	1.119	46	1.7%	1.500	62	4.0%	2.873
30	1.8%	1.135	47	1.7%	1.563	63	4.2%	2.952
31	1.7%	1.159	48	1.9%	1.635	<u>64+</u>	<u>3.1%</u>	<u>3.000</u>
32	1.5%	1.183	49	2.0%	1.706	Total	100.0%	1.741
33	1.7%	1.198	50	2.1%	1.786			
34	1.6%	1.214				Adj Fx	1/total	0.574

*% of membership impacted by the 3 children under age 21 dependent cap.

Molina estimated the average age of the single risk pool to be 43 years of age by multiplying the expected age distribution percentages by the age. Molina assumed an average age of 12 for the Age 0-19 cohort in the average age estimate.

Geographic Factor Calibration

Molina applied geographic factors to the index rate in the calculation of region specific rates. The geographic factors are based solely on the provider reimbursement expectations in each region. The calibration factor of 0.998 equals 1.000 divided by the average geographic factor (1.000 / 1.002).

Geographic Factor Calculation			
Geographic Region	Members	Allowed Claims	Geographic Factor
Region 1	32,249	569.97	1.006
Region 9	11,135	581.93	1.027
Region 10	1,866	614.17	1.084
Region 11	10,257	542.08	0.957
Region 12	3,441	580.79	1.025
Region 13	4,176	517.09	0.912
Region 14	71	592.18	1.045
<u>Region 16</u>	<u>6,233</u>	<u>586.06</u>	<u>1.034</u>
Total	69,429	566.74	1.002
Calibration		1 / Total	0.998

SECTION 17 – CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

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

Consumer Adjusted Premium Rates					
a	b	c	d	e	f = product (c:e)
Product Name	Metal	Plan Adjusted Index Rate	Age Calibration	Area Calibration	Consumer Adjusted Premium Rate
Molina marketplace	Gold	655.94	0.574	0.998	376.00
	Silver	514.19	0.574	0.998	294.75
	Bronze	439.75	0.574	0.998	252.08
Molina Marketplace Options	Silver	518.99	0.574	0.998	297.50
	Bronze	452.47	0.574	0.998	259.37

SECTION 18 – AV METAL VALUES

All benefit plans Molina proposes to offer in Wisconsin Marketplace meet ACA essential health benefit (EHB) requirements. Their AV values were calculated exclusively by using HHS’s AV Calculator.

Actuarial Values				
Plan ID	Product Name	Metal	FPL	Actuarial Value
52697WI0010001	Molina Marketplace	Gold	Base	0.785
52697WI0010002		Silver	Base	0.720
52697WI0010002			CSR 200-250	0.740
52697WI0010002			CSR 150-200	0.880
52697WI0010002			CSR 100-150	0.950
52697WI0010003		Bronze	Base	0.619
52697WI0030001	Molina Marketplace Options	Silver	Base	0.706
52697WI0030001			CSR 200-250	0.736
52697WI0030001			CSR 150-200	0.875
52697WI0030001			CSR 100-150	0.943
52697WI0030002		Bronze	Base	0.619

SECTION 19 – AV PRICING VALUES

AV pricing value of each plan only includes the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). The modifiers are applied to the index rate as shown in the following table.

Actuarial Value Pricing						
a	b	c	d	e	f	g = product (c:f)
Product Name	Metal	Actuarial Value	Cost Sharing Adj.	Benefits in Addition to EHBs	Admin Costs	AV Pricing Value
Molina Marketplace	Gold	0.785	1.164	1.000	1.139	1.041
	Silver	0.720	0.992	1.000	1.143	0.816
	Bronze	0.619	0.984	1.000	1.146	0.698
Molina Marketplace Options	Silver	0.706	1.021	1.000	1.143	0.824
	Bronze	0.619	1.013	1.000	1.146	0.718

SECTION 20 – MEMBERSHIP PROJECTIONS

Marketing Method

Molina only offers individual products. Some of its customers enroll directly through the exchange and others through independent brokers.

Development of Membership Projections

Molina is filing Wisconsin Marketplace rates in 30 counties representing eight rating regions. Molina considered the number of existing members that would renew with Molina as well as estimating the number of new members likely to purchase a product in Wisconsin Marketplace by applying a market share adjustment, an estimate of what percentage of the Wisconsin Marketplace population would likely select a Molina offering. The market share adjustment took into consideration that Molina members were likely to be lower income and more dependent on subsidies and that many potential members will likely have transitioned from Molina’s Medicaid line of business.

Additionally, Molina added 9,531 members to its original projection based on a CMS notification from September 8, 2016 where Molina Healthcare of Wisconsin was selected as a crosswalk from plans of issuers exiting the market in 2017. The 9,531 new members were added to the membership projection by region and metal.

Molina’s enrollment projections by plan, including cost-sharing reduction eligible plans, were based on the proportion of enrollment enrolled in those plans as of May 2016.

Membership Projections by Region		
Region	Current Members	Projected Members
Region 1	23,340	32,249
Region 9	7,720	11,135
Region 10	1,732	1,866
Region 11	10,414	10,257
Region 12	9,267	3,441
Region 13	1,655	4,176
Region 14	1,419	71
Region 16	7,814	6,233
Total	63,361	69,429

Membership Projections by Plan				
Plan ID	Product Name	Metal	FPL	Members
52697WI0010001	Molina Marketplace	Gold	Base	2,509
52697WI0010002		Silver	Base	12,204
			CSR 200-250	6,763
			CSR 150-200	12,758
			CSR 100-150	17,254
52697WI0010003		Bronze	Base	12,492
52697WI0030001	Molina Marketplace Options	Silver	Base	1,045
			CSR 200-250	637
			CSR 150-200	1,136
			CSR 100-150	1,473
52697WI0030002	Bronze	Base	1,158	
				69,429

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

County List							
Geographic Region	County	County	County	County	County	County	County
Region 1	Milwaukee						
Region 9	Racine	Kenosha					
Region 10	Lincoln	Marathon	Wood	Portage			
Region 11	Waupaca	Outagamie	Winnebago	Calumet	Fond du Lac	Sheboygan	Dodge
Region 12	Washington	Ozaukee	Waukesha				
Region 13	Vilas	Oneida	Forest	Florence			
Region 14	Walworth	Jefferson					
Region 16	Marinette	Oconto	Menominee	Shawano	Brown	Manitowoc	Door

SECTION 21 – TERMINATED PRODUCTS

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

Terminated Plans and Mapping					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Mapping ----->	New Plan ID
NA	NA	NA	NA	NA	NA

Renewing Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
52697WI0010001	Jan 2014 --	Molina Marketplace Gold	Gold	0.785	-2.0%
52697WI0010002	Jan 2014 --	Molina Marketplace Silver	Silver	0.720	0.7%
52697WI0010003	Jan 2015 --	Molina Marketplace Bronze	Bronze	0.619	0.0%

New Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
52697WI0030001	Jan 2017 --	Molina Options Silver	Silver	0.706	NA
52697WI0030002	Jan 2017 --	Molina Options Bronze	Bronze	0.619	NA

SECTION 22 – PLAN TYPE

All benefit plans are comprehensive HMO individual products.

SECTION 23 – WARNING ALERTS

Molina did not encounter any Warning Alerts in Worksheet 2 of the URRT.

SECTION 24 – RELIANCE

Not applicable.

SECTION 25 – ACTUARIAL CERTIFICATION

This certification includes:

- Prescribed Wording Only
 Prescribed Wording with Additional Wording
 Revised Wording

PRESCRIBED WORDING:

I, Evan Swalheim, 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:

- 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,
- The development of the projected index rate and all rating factors is in compliance with all applicable federal statutes and regulations,
- 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,
- 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, and
- The premium schedule, including the projected index rate and rating factors, is not excessive, deficient, nor unfairly discriminatory.



Evan Swalheim ASA, MAAA
Director, Actuarial Services
Molina Healthcare Inc.

September 16, 2016

Date