

State: Arkansas **Filing Company:** Arkansas Blue Cross and Blue Shield
TOI/Sub-TOI: H16G Group Health - Major Medical/H16G.003B Small Group Only - PPO Basic
Product Name: 2020 SG BG Off Exchange Rates
Project Name/Number: 2020 SG BG Off Exchange Rates/17-321, 17-322, 17-323, 17-324, 17-325, 17-327, 17-328

Rate Information

Rate data applies to filing.

Filing Method: Review and Approve
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 2.730%
Effective Date of Last Rate Revision: 04/01/2019
Filing Method of Last Filing: Review and Approve
SERFF Tracking Number of Last Filing: ARBB-131755010

Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Arkansas Blue Cross and Blue Shield	Increase	3.290%	3.290%	\$3,010,414	1,164	\$94,512,376	7.020%	-20.600%

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Rate Review Detail

COMPANY:

Company Name: Arkansas Blue Cross and Blue Shield
 HHS Issuer Id: 75293

PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
BC Metallics	75293AR122	75293-1533469791199963141	15126

Trend Factors:

Benefit Category	Cost Year1	Utilization Year1	Cost Year2	Utilization Year2
Inpatient Hospital	1.050	1.000	1.054	1.000
Outpatient Hospital	1.040	1.015	1.043	1.016
Professional	1.020	1.020	1.022	1.022
Other Medical	1.070	1.080	1.076	1.087
Capitation	1.153	1.000	1.167	1.000
Prescription Drug	1.053	1.007	1.057	1.008

FORMS:

New Policy Forms: n/a
 Affected Forms: n/a
 Other Affected Forms: 17-321, 322, 323, 324, 325, 327, 328

REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual
 Member Months: 203,489
 Benefit Change: None
 Percent Change Requested: Min: -20.6 Max: 7.02 Avg: 3.29

PRIOR RATE:

Total Earned Premium: 91,501,961.00
 Total Incurred Claims: 74,317,893.00
 Annual \$: Min: 177.88 Max: 1,233.84 Avg: 449.67

REQUESTED RATE:

Projected Earned Premium: 94,512,376.00
 Projected Incurred Claims: 77,723,494.00
 Annual \$: Min: 142.67 Max: 1,308.06 Avg: 464.46

SERFF Tracking #:

ARBB-132018982

State Tracking #:

ACA OFF EXCHANGE ONLY

Company Tracking #:

2020 BC SG OFF EXCHANGE RATES

State:

Arkansas

Filing Company:

Arkansas Blue Cross and Blue Shield

TOI/Sub-TOI:

H16G Group Health - Major Medical/H16G.003B Small Group Only - PPO Basic

Product Name:

2020 SG BG Off Exchange Rates

Project Name/Number:

2020 SG BG Off Exchange Rates/17-321, 17-322, 17-323, 17-324, 17-325, 17-327, 17-328

Supporting Document Schedules

Satisfied - Item:	Redacted Actuarial Memorandum for Public Disclosure
Comments:	Please see attached.
Attachment(s):	2020 US Able Actuarial Memorandum for BC SG - Redacted.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Arkansas Plain Language Summary
Comments:	Please see attached.
Attachment(s):	AR Specific Plain Language Summary 2020_BCv2.pdf
Item Status:	
Status Date:	

Actuarial Memorandum

USAbLe Mutual Insurance Company

Premium Rate Filing
for
Small Group Off-Exchange Health Insurance Products

Effective January 1, 2020

Redacted, Public Version

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1. General Information

As required by 45 CFR § 154.215, this Actuarial Memorandum documents the development and justification for Arkansas Blue Cross and Blue Shield's (ABCBS) Affordable Care Act (ACA) Small Group Off-Exchange health insurance premium rates effective January 1, 2020.

The required company identifying information and company contact information can be found below:

Company Identifying Information

- Company Legal Name: **USable Mutual Insurance Company**
- State: **Arkansas**
- HIOS Issuer ID: **75293**
- Market: **Small Group**
- Effective Date: **1/1/2020**

Company Contact Information

- Primary Contact Name: -----
- Primary Contact Telephone Number: -----
- Primary Contact E-mail Address: -----

2. Proposed Rate Changes

ABCBS is requesting a ----- average rate increase weighted across all renewing plans, which ranges from ----- to ----- . The rating impact by plan ID can be found in the Unified Rate Review Template (URRT), specifically Worksheet 2, Section 1.11.

To review the quantitative impact of significant factors driving the proposed rate change, please refer to the “Relationship of Proposed Rate Scale to Current Rate Scale” exhibit in the “Actuarial Memo Dataset.” This dataset is included with the 2020 rate filing.

The reasons for the requested rating impact include the following:

- Benefit changes required to maintain compliance with the 2020 Federal Actuarial Value Calculator (AVC) and other market considerations
- Changes in the base period claims experience
- Updated benefit factors for the 2018 experience period plans and 2020 projection period plans
- Claims trend from the 2018 experience period to the 2020 projection period
- Changes in the expected risk adjustment receivable from the 2018 experience period to the 2020 projection period
- Assumption that the Health Insurance Providers Fee (HIPF) will be assessed in 2020
 - The HIPF was suspended in 2019
The overall estimated impact for the 2020 projection period is -----

3. Market Experience

This section of the Actuarial Memorandum includes details that support the single risk pool calculations for ABCBS's product in the Arkansas small group market. Such calculations are the basis for the 2020 plan year membership, claims, and premium projections and the requested rating action.

The experience period used for this Actuarial Memorandum is plan year 2018 experience for the single risk pool only. As allowed by the URRT instructions, ABCBS has not included any transitional product/plan experience in this rate filing.

3.1 Experience and Current Period Premium, Claims, and Enrollment

A. Paid Through Date

The experience period claims represented in the URRT are claims incurred 1/1/2018 through 12/31/2018 and paid between 1/1/2018 and 5/31/2019. Runout factors have been applied so that the experience period claims reflect an incurred view of the claims.

A summary of the allowed and paid claims can be found below. These are also included in Worksheet 1, Section 1 of the URRT.

- Allowed Claims: -----
- Paid Claims: -----

B. Current Date

The membership and premium information in the URRT is current through 5/31/2019. ABCBS is not expecting to pay any small group market rebates for the 2018 experience period.

A summary of the membership (member months) and premium can be found below. These are also included in Worksheet 1, Section 1 of the URRT.

- Member Months: -----
- Premiums: -----

C. Allowed and Incurred Claims Incurred During the Experience Period

All medical claims were processed through ABCBS's internal claims processing system and all pharmacy claims were processed through ABCBS's pharmacy benefits manager (PBM), ----- . In order to better identify cost trends from the 2018 experience period to the 2020 projection period, claims have been broken down by claim category. The claim category designations come from -----
-----.

Allowed claims come directly from the claims system.

The IBNP estimate is based on completion factors that were calculated from ABCBS's ACA Small group product paid claims data. -----

3.2 Benefit Categories

As noted in the previous section, ----- was used to classify experience period claims experience into the URRT benefit categories.

- All inpatient facility claims were mapped to the “Inpatient Hospital” category
- All outpatient facility claims were mapped to the “Outpatient Hospital” category
- PCP, specialist, therapy (OT/PT/ST) and other professional-related claims were mapped to the “Professional” category
- Home health, ambulance, DME, and prosthetics were mapped to the “Other Medical” category
- Provider incentive payments and other capitated payments were mapped to the “Capitation” category
- Prescription drug claims (net of any Rx rebates) were mapped to the “Prescription Drug” category

3.3 Projection Factors

This section includes information about the adjustments used to convert 2018 experience period claims to the 2020 projection period.

A. Trend Factors (Cost/Utilization)

A trend adjustment was applied to the 2018 experience period claims to account for allowed cost and utilization changes from the 2018 experience period to the 2020 projection period. As demonstrated in Worksheet 1, Section II, ----- . This is also captured in the following exhibit:

[Exhibit Redacted]

B. Morbidity Adjustment

The exhibit below summarizes how the overall morbidity adjustment in the URRT was calculated.

[Exhibit Redacted]

C. Demographic Shift

The demographic shift from the 2018 experience period to the 2020 projection period is expected to be

The exhibit below summarizes how the overall demographic adjustment in the URRT was calculated.

[Exhibit Redacted]

D. Plan Design Changes

E. Manual Rate Adjustments

No manual rate was necessary, as the 2018 experience period claims are fully credible.

F. Credibility of Experience

Given that the base period experience included -----, the credibility assigned to the base period experience for the purposes of this rate filing is 100%.

G. Establishing the Index Rate

The index rate for ABCBS's 2020 Off-Exchange small group rate filing is ----- . This is demonstrated in the exhibit below.

Please note that any PMPM differences between the exhibit below and the URRT is due to rounding limitations in the URRT.

[Exhibit Redacted]

The index rate is scheduled to -----.

H. Development of Market-Wide Adjusted Index Rate (MAIR)

The development of the 2020 projection period MAIR can be viewed in the exhibit below. Additional information regarding risk adjustment and exchange user fee modifiers can also be found in this section.

Please note that any PMPM differences between the exhibit below and the URRT is due to rounding limitations in the URRT.

[Exhibit Redacted]

(1) Reinsurance

(2) Risk Adjustment Payment/Charge

The expected risk adjustment transfer can be found in Worksheet 1, Section II of the URRT.

The basis for this calculation was -----risk adjustment information from the following sources:

- -----
 - -----

- -----
 - -----

 - -----
- -----
 - -----

When estimating the risk adjustment transfer for the 2020 projection period, key variables in the risk adjustment transfer were estimated and applied against the Federal risk adjustment transfer formula. These variables include the following:

- -----
 - -----
 - -----

- -----
 - -----
 - -----
- -----
 - -----

 - -----

 - -----
- -----
 - -----
 - -----

Other variables used in the risk adjustment transfer formula were carried over from 2018 into 2020 with -----
----- . These factors include the following:

- -----
- -----
- -----

Finally, the HCRP was estimated by -----

The expected HCRP PMPM -----

The following exhibit below demonstrates how the risk adjustment payment was calculated. This is being presented on a paid basis.

[Exhibit Redacted]

(3) Exchange User Fees

The small group plans are only being offered off-exchange, so no user fees are assumed.

3.4 Plan Adjusted Index Rate

The plan adjusted index rate (PAIR) was calculated by applying all allowable adjustments to the MAIR as outlined in the 2020 URRT instructions. All factors outlined below can be found in Worksheet 2, Section III of the URRT.

A. Actuarial Value (AV) and Cost-Sharing Design Adjustment

The weighted average AV and cost-sharing design factor for the 2020 projection period is -----.

Benefit factors to adjust 2018 experience period claims to the 2020 projection period were developed using -----

Plan benefits were changed in order to maintain compliance with the 2020 Federal AV Calculator. Some plan benefits were also changed to ensure plan benefits and premiums were in line with ABCBS’s perceived market expectations.

B. Changes to Network, Delivery System, and Utilization Management Practices

The factor for changes to network, delivery system, and UM practices is -----

C. Benefits in Addition to EHB Benefits

The weighted average factor for benefits covered in addition to EHB benefits is -----

The non-EHB benefits included in the “Benefits in Addition to EHB” factor are as follows:

- Treatment of craniofacial anomaly
 - Coverage of craniofacial anomaly is a state mandated benefit adopted after December 31, 2011 by the State of Arkansas.
- Adult vision exams
- Newborn screening

D. Administrative Costs

The following administrative costs include all expenses other than EUF and reinsurance fees, which have already been factored into the MAIR.

(1) Administrative Expense

The weighted average factor for administrative expenses is ----- . Administrative expense assumptions were developed using -----

(2) Taxes and Fees

The weighted average factor for taxes and fees in the projection period is ----- . This percentage includes the following:

- -----
- -----
- -----
- -----

(3) Profit and Risk Load

The weighted profit and risk load for the projection period is ----- . -----

E. Development of Plan Adjusted Index Rate

The exhibits below demonstrate how the plan adjusted index rate was developed for each plan ID being offered in 2020. This includes an exhibit that ties the administrative expenses, taxes and fees, and profit and risk loads for each Plan ID to Worksheet 2, Section III of the URRT.

Please note that any PMPM differences between the exhibits below and the URRT is due to rounding limitations in the URRT.

[Exhibit Redacted]

[Exhibit Redacted]

3.5 Calibration

The following calibrations are used to make the PAIR calibrated to a 1.00 factor. All of the calibration factors can be found in Worksheet 2, Section III of the URRT.

A. Age Curve Calibration

The age calibration factor for the 2020 projection period is -----. This was found using the most recent Federal age curve and applying it to the 2020 projection period enrollment by age, which resulted in an average age curve factor of -----.

The age curve calibration factor is used to help calibrate the PAIR to a normalized value, which can then be applied to consumer-level adjustments. The age curve is one of three factors used to normalize (see sections B and C below). Once the PAIR is normalized to the calibrated PAIR and ready to be priced at the consumer-level, ABCBS will apply the appropriate age factor based on a consumer's age per the Federal age curve (see Appendix A).

B. Geographic Factor Calibration

The geographic calibration factor for the 2020 projection period is ----- based on -----

C. Tobacco Use Rating Factor Calibration

The calibration factor is 1.000 as tobacco use will not be rated for.

D. Combined Calibration Factors

The combined calibration factors used in the 2020 rate filing is ----- . It is used uniformly for all plans in the single risk pool. The exhibit below demonstrates how the calibrated plan adjusted index rate is calculated, using the plan adjusted index rate and calibration factors.

Please note that any PMPM differences between the exhibit below and the URRT is due to rounding limitations in the URRT.

[Exhibit Redacted]

3.6 Consumer Adjusted Premium Rate Development

The exhibit below shows how to calculate the premium rate for a 35 year-old on the plan 75293AR122000100 (Platinum 250 Elite). The exhibit starts with the PAIR, applies the calibration factors from Section 3.5 of this memorandum, and then applies the appropriate consumer-level adjustments based on the consumer's age and rating area.

Please note that any PMPM differences between the exhibit below and the URRT is due to rounding limitations in the URRT.

[Exhibit Redacted]

4. Projected Loss Ratio

The projected loss ratio for the 2020 projection period was calculated based on the federally prescribed MLR methodology, including non-ACA small group business in the MLR filing. In addition to the 2020 projection period, 2018 and 2019 MLR projections have been provided in order to calculate the three-year average MLR for the 2020 projection period. This can be found in the exhibit below.

[Exhibit Redacted]

5. Plan Product Information

5.1 AV Metal Value

All plan AV metal values were based on the Federal AV Calculator methodology and tool. These values by plan can be found in Worksheet 2, Section I of the URRT.

5.2 Membership Projections

The membership projections used for the 2020 projection -----

- -----
- -----

5.3 Terminated Plans and Products

The exhibit below includes a list of terminated plans for plan years 2019 and 2020.

[Exhibit Redacted]

5.4 Plan Type

All plans in Worksheet 2, Section 1 of the URRT were described accurately by the available drop-down box in this section of the URRT.

6. Miscellaneous

6.1 Effective Rate Review Information

As this section is optional, ABCBS has elected not to provide additional information requested in this section.

6.2 Actuarial Certification

I, -----, am a Fellow in the Society of Actuaries (FSA) and a member of the American Academy of Actuaries. I meet the Qualification Standards of Actuarial Opinions as adopted by the American Academy of Actuaries, and have the education and experience necessary to complete this rate filing for USAble Mutual Insurance Corporation (ABCBS). I am employed by ABCBS as -----.

I certify the rates in this filing were developed in accordance with the appropriate Actuarial Standards of Practice (ASOPs) and the profession's Code of Professional Conduct. While other ASOPs apply, particular emphasis was placed on the following:

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures*
- ASOP No. 26, *Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*
- ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*

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

1. The projected Index Rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
 - Developed in compliance with the applicable Actuarial Standards of Practice
 - Reasonable in relation to the benefits provided and the population anticipated to be covered
 - Neither excessive nor deficient
2. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan-level rates.
3. The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.
4. The AV Calculator was used to determine the AV Metal Values shown in Part I of Worksheet 2 in the URRT for all plans.

The URRT does not demonstrate the process used by the issuer to develop the rates. Rather, it represents information required by federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-facilitated Exchanges, and for certification that the Index Rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.

The 2020 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 at the Federal and State levels. Changes have the potential to greatly impact the 2020 plan year premium rates provided in this Actuarial Memorandum. Changes include, but are not limited to, any legislative or regulatory amendments, court decisions, or decisions by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director.

Appendix A

[Exhibit Redacted]

Rate Filing Justification Part II (Plain Language Summary)

Pursuant to 45 CFR 154.215, health insurance issuers are required to file Rate Filing Justifications. Part II of the Rate Filing Justification for rate increases and new submissions must contain a written description that includes a simple and brief narrative describing the data and assumptions that were used to develop the proposed rates. The Part II template below must be filled out and uploaded as an Adobe PDF file under the Consumer Disclosure Form section of the Supporting Documentation tab.

Name of Company Arkansas Blue Cross and Blue Shield, Inc.

SERFF tracking number ARBB-132018982

Submission Date 7/22/2019

Product Name Small Group PPO

Market Type Individual Small Group

Rate Filing Type Rate Increase New Filing

Scope and Range of the Increase:

The 3.29% increase is requested because:

This request is primarily based on utilization and cost trends from the 2018 experience period to the 2020 plan year, the Health Insurance Providers Fee being assessed in 2020, and benefit adjustments made for the 2020 plan year. Other adjustments play a minor role in the increase, such as changing demographics, morbidity assumptions, expense trend, etc. The 3.29% requested increase will ensure ABCBS's small group product is adequately and competitively priced for the 2020 plan year.

This filing will impact:

of Arkansas policyholder's 1,164 # of Arkansas covered lives 15,126

The average, minimum and maximum rate changes increases are:

- Average Rate Change: The average premium change, by percentage, across all policy holders if the filing is approved 3.29%
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved -23.1%
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 9.55%

Individuals within the group may vary from the aggregate of the above increase components as a result of:

Rate increases may vary for individuals due to changes in benefits relative to their 2019 benchmarks. Some plans have rate decreases for the 2020 plan year, while others have increases above the overall average of 3.29%.

Financial Experience of Product

The overall financial experience of the product includes:

The overall financial experience of this products is based on claims experience incurred in plan year 2018 and paid as of 5/31/2019, with an additional estimate for claims incurred but not paid (IBNP).

The rate increase will affect the projected financial experience of the product by:

The 2020 requested rate increase will allow ABCBS to provide competitively priced premiums that adequately cover the financial risks associated with this type of product, as well as allowing ABCBS to meet the federally mandated Minimum Loss Ratio (MLR) requirement (based on ABCBS's

Components of Increase

The request is made up of the following components:

Trend Increases – -10 % of the 3.29 % total filed increase

1. Medical Utilization Changes – Defined as the increase in total plan claim costs not attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts. Examples include changes in the mix of services utilized, or an increase/decrease in the frequency of service utilization.

This component is -3 % of the 3.29 % total filed increase.

2. Medical Price Changes – Defined as the increase in total plan claim costs attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts.

This component is -7 % of the 3.29 % total filed increase.

Other Increases – 110 % of the 3.29 % total filed increase

1. Medical Benefit Changes Required by Law – Defined as any new mandated plan benefit changes, as mandated by either State or Federal Regulation.

This component is 57 % of the 3.29 % total filed increase.

2. Medical Benefit Changes Not Required by Law – Defined as changes in plan benefit design made by the company, which are not required by either State or Federal Regulation.

This component is 57 % of the 3.29 % total filed increase.

3. Changes to Administration Costs – Defined as increases in the costs of providing insurance coverage. Examples include claims payment expenses, distribution costs, taxes, and general business expenses such as rent, salaries, and overhead.

This component is -26 % of the 3.29 % total filed increase.

4. Changes to Profit Margin – Defined as increases to company surplus or changes as an additional margin to cover the risk of the company.

This component is 0 % of the 3.29 % total filed increase.

5. Other – Defined as:

The other category includes adjustments for IBNP claims, demographic factors, plan mix changes, morbidity factors, taxes, fees, net risk adjustment.

This component is 22 % of the 3.29 % total filed increase.