

**Bright Health**

8000 Norman Center Drive  
Suite 1200  
Minneapolis, MN 55437  
w: [brighthousegroup.com](http://brighthousegroup.com)

# Actuarial Memorandum (REDACTED)

## Bright Health Insurance Company

Issuer ID #73301

Alabama Individual Health Insurance 2022 Premium Rate Filing

July 21, 2021

**[REDACTED]**

8000 Norman Center Drive, Suite 1200  
Minneapolis, MN 55437  
(630) 247-1000 | [abathani@brighthousegroup.com](mailto:abathani@brighthousegroup.com)

**[REDACTED]**

8000 Norman Center Drive, Suite 1200  
Minneapolis, MN 55437  
(248) 495-1626 | [csteffens@BrightHealthgroup.com](mailto:csteffens@BrightHealthgroup.com)



# 1. EXECUTIVE SUMMARY

This actuarial memorandum and the accompanying appendices represent documentation to support the filing of premium rates for Bright Health Insurance Company (BHIC)'s individual ACA products, effective January 1, 2022. The format of this memorandum follows the Federal URR instructions.

Bright Health Insurance Company of Alabama (BHICAL) entered the Alabama individual market January 1, 2018. As of 12/31/2020 BHICAL merged to become a part of BHIC; therefore, this filing presents premium rates for new and renewing products. The BHIC products include Gold, Silver, Bronze (including a Bronze HSA-qualified plan), and Catastrophic plans. In total, BHIC is filing 19 plans (11 of which are new for 2022), plus CSR plans for each silver plan offered On-Exchange. All plans will be offered in Rating Area 3; BHIC does not offer plans in any other rating areas. All plans, except for Gold which will only be offered On-Exchange, will be offered both On and Off-Exchange, as shown in Table 1 below. Plan designs include 2022 state mandated benefits, as well as adult dental and vision benefits on select plans. All plans are EPO network plans, with emergency services and associated inpatient stays as well as trauma services to be covered when incurred out-of-network.

**Table 1: 2021 Proposed Plans**

HIOS ID	Plan Name	Exchange	Service Area
73301AL0020001	Gold \$0 PCP, SC & MH	On and Off	Rating Area 3
73301AL0020003	Bronze Low Premium	On and Off	Rating Area 3
73301AL0020004	Catastrophic	On and Off	Rating Area 3
73301AL0020006	Bronze 5100 HSA	On and Off	Rating Area 3
73301AL0020009	Silver \$0 Deductible & MH	On and Off	Rating Area 3
73301AL0020010	Bronze \$0 PCP, SC & MH	On and Off	Rating Area 3
73301AL0020011	Silver Low Premium	On and Off	Rating Area 3
73301AL0020012	Silver Low MOOP	On and Off	Rating Area 3
73301AL0020013	Silver \$0 Deductible & MH	Off	Rating Area 3
73301AL0020014	Gold \$0 Deductible & MH + Adult Dental and Vision	On and Off	Rating Area 3
73301AL0020015	Bronze \$0 Medical Deductible	On and Off	Rating Area 3
73301AL0020016	Bronze \$0 PCP, SC & MH + Adult Dental and Vision	On and Off	Rating Area 3
73301AL0020017	Silver \$0 PCP, SC, MH & Generic	Off	Rating Area 3
73301AL0020018	Silver \$0 PCP, SC, MH & Generic	On and Off	Rating Area 3
73301AL0020019	Silver 4000 HSA	Off	Rating Area 3
73301AL0020021	Silver \$0 PCP, SC, MH & Generic + Adult Dental and Vision	Off	Rating Area 3
73301AL0020022	Silver \$0 PCP, SC, MH & Generic + Adult Dental and Vision	On and Off	Rating Area 3

HIOS ID	Plan Name	Exchange	Service Area
73301AL0020023	Silver Lean	On and Off	Rating Area 3
73301AL0020024	Bronze Lean	On and Off	Rating Area 3

BHIC products will be sold through an agency/broker model, through the internet, in direct response to incoming inquiries, and through the Alabama Exchange. Products are guaranteed issue, guaranteed renewable, and issued on an issue age basis.

BHIC elected to [REDACTED]

## 2. GENERAL INFORMATION

### Company Identifying Information

Company Legal Name: Bright Health Insurance Company

State: AL

HIOS Issuer ID: 73301

Market: Individual

Effective Date of Rate Change: January 1, 2022

### Company Contact and Responsible Actuary Information

Responsible Actuary Name: [REDACTED]

Company: Bright Health Group

Phone Number: [REDACTED] , respectively.

Email Address: [REDACTED]

### SERFF Rate Review Detail

[REDACTED]

**Other General Information**

Type of Filing: Renewing

Type of Plan: EPO; On and Off-Exchange; New and Renewing Business

Months of Rate Guarantee: These rates will be guaranteed until December 31, 2022.

**3. PROPOSED RATE CHANGE(S)**

[REDACTED]

## 4. MARKET EXPERIENCE

### EXPERIENCE PERIOD PREMIUMS AND CLAIMS

BHIC began offering products effective January 1, 2018; the 2022 rate development is based on two years of experience, which when combined is considered fully credible<sup>1</sup>. For purposes of rate development, we consider the BHIC experience from 2020 to be the “Experience Rate” and the BHIC experience from 2019 to be the “Manual Rate.” This is in line with URRT instructions for Worksheet 1.

We have summarized key components of the “Experience Rate” data below.

[REDACTED]

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<sup>1</sup> The Actuaries have considered Actuarial Standard of Practice #25 when making this determination.

## BENEFIT CATEGORIES

Benefit categories were determined based on the preferred definitions, as follows:

- **Inpatient Hospital:** Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- **Outpatient Hospital:** Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- **Professional:** Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital-based professionals whose payments are included in facility fees.
- **Other Medical:** Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- **Capitation:** BHIC does not offer any services under a capitated arrangement.
- **Prescription Drug:** Includes drugs dispensed by a pharmacy. This amount should be net of rebates received from drug manufacturers.

Table 3 shows the measurement units used for each benefit category:

**Table 3: Measurement Units by Category of Service**

Benefit Category	Measurement Unit
Inpatient Hospital	Admits
Outpatient Hospital	Visits
Professional	Visits
Other Medical	Services
Prescription Drug	Prescriptions

## PROJECTION FACTORS

[REDACTED]



## MANUAL RATE ADJUSTMENTS

[REDACTED]

## CREDIBILITY OF EXPERIENCE

[REDACTED]

## ESTABLISHING THE INDEX RATE

[REDACTED]

## DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

[REDACTED]

## PLAN ADJUSTED INDEX RATE (PROJECTION PERIOD)

[REDACTED]

## CALIBRATION

[REDACTED]

## CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

[REDACTED]

## 5. PROJECTED LOSS RATIO

The Anticipated Loss Ratio (“ALR”) is defined as being the present value of expected benefits<sup>2</sup> over the present value of expected premiums for the time period that the premiums are effective. BHIC estimates the ALR to be 80.2%. This calculation does not exclude any regulatory fees or taxes from premiums, which is why it is lower than the Federal MLR calculation.

Based on the federal MLR methodology, the loss ratio is estimated to be 84.5%; therefore, BHIC does not anticipate paying consumer rebates for the 2022 plan year. Regulatory fees and taxes were excluded from premium in the calculation of this value.

## 6. PLAN PRODUCT INFORMATION

### AV METAL LEVELS

The AVC was used to generate the AV metal tiers (URRT, Worksheet 2). We relied on the ASOP 50: *Determining Minimum Value and Actuarial Value under the Affordable Care Act* in using the federal actuarial value calculator. We have incorporated the expanded *de minimus* range to the applicable plans.

BHIC’s plan designs were mostly compatible with the AVC. An adjustment was applied within the AVC to pharmacy copayments and coinsurance to account for ACA preventive drugs having no cost-sharing. The final AV is calculated in the AVC using the usual cost-sharing components of the plan (deductible, MOOP, coinsurance, etc). The prescription drug cost-sharing for the generic and brand tiers were modified to account for the preventive drugs defined by the ACA, which are zero cost to the member. These adjustments are described in full in the Uniform Plan Design Justification document, included with this submission.

The Federal AVs for the plans are shown in Appendix E.

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<sup>2</sup> BHIC has included claims attributed to quality initiatives in the numerator.



## **MEMBERSHIP PROJECTIONS**

[REDACTED]

## **NEW OR TERMINATED PLANS AND PRODUCTS**

No plans or products have terminated since the prior filing. The following BHIC plans IDs are new offerings as of 2022: 73301AL0020013, 73301AL0020014, 73301AL0020015, 73301AL0020016, 73301AL0020017, 73301AL0020018, 73301AL0020019, 73301AL0020021, 73301AL0020022, 73301AL0020023, 73301AL0020024.

## **PLAN TYPE**

All plans offered are EPO products, as indicated in Worksheet 2, Section I of the URRT.

## 7. MISCELLANEOUS INSTRUCTIONS

### EFFECTIVE RATE REVIEW INFORMATION

Additional information available upon request. Please note the following:

- **URRT Warnings:** There are no warnings appearing in the URRT.
- **Application of Market Reform Rating Rules for a Single Risk Pool:** BHIC has established a single risk pool for all individual market business. Since BHIC was new to the individual market in 2018, all BHIC's individual business will be non-grandfathered, non-transitional, and ACA-compliant.

## RELIANCE

We relied on several internal departments for key assumptions. This information included but was not limited to estimated 2022 enrollment estimates, geographic region to be covered, filed benefit designs, product design information, treatment of quality initiatives, provider reimbursement parameters, and retention components.

We have performed a limited review of this information and have deemed it to be reasonable.

Finally, we relied on the Wakely Pricing Model (WPM), leased from Wakely Consulting Group, to produce pricing AVs. The calculations and data were provided by Wakely, and BHIC populated the model and calibrated the allowed amounts.

## ACTUARIAL CERTIFICATION

I, [REDACTED], am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries.

I, [REDACTED], am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

We both meet the Qualification Standards of Actuarial Opinion as adopted by the American Academy of Actuaries for preparing premium rate filings for insurers.

This actuarial certification applies to the Bright Health Insurance Company, Inc. Individual products to be offered on the Alabama Federal Health Exchange.

1. The premium rates filed are in compliance with applicable laws, rules and guidelines of the State of Alabama.
2. The premium rates filed are reasonable in relation to the benefits provided and are not excessive, inadequate, or unfairly discriminatory based on the provisions of the ACA as currently implemented.
3. The premium rates are calculated on the basis of sound actuarial principles.
4. The premium rates are reasonable when related to the applicable coverage and characteristics of the applicable class of enrollees.
5. The projected index rates are developed in accordance with all applicable state and federal statutes and regulations (45 CFR 156.80 and 147.102) and with allowable modifiers used in the development of plan specific premium rates.
6. The premium rates filed are in compliance with the ASOPs promulgated by the Actuarial Standards Board that are listed below:

ASOP No. 5, Incurred Health and Disability Claims

ASOP No. 8, Regulatory Filings for Health Plan Entities

ASOP No. 12, Risk Classification

ASOP No. 23, Data Quality

ASOP No. 25, Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages

ASOP No. 41, Actuarial Communication

ASOP No. 42, Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims

ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act

ASOP No. 56, Modeling

To the best of our knowledge and judgement, the premiums herein are reasonable in relation to the benefits provided and the population anticipated to be covered. Further, the premiums are not estimated to be either excessive or deficient based on the provisions of the ACA as currently implemented. Differences between projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual experience will vary from the estimates given the inherent uncertainty in developing premium rates under the ACA.

The 2022 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. Legal or regulatory changes may significantly impact the required 2022 premium rates provided herein. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, or a decision by Congress, the Health and Human Services Secretary, or the Centers for Medicare and Medicaid Services Director.

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.

The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with ASOPs.

The geographic rating factors only reflect 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.

The Federal AV Calculator (with some modification) was used to determine the AV Metal Values shown in Worksheet 2 of the Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template 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 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.

Sincerely,

[REDACTED]  
Senior Actuarial Consultant  
Associate, Society of Actuaries  
Member, American Academy of Actuaries

[REDACTED]  
Actuarial Consultant  
Fellow, Society of Actuaries  
Member, American Academy of Actuaries

Date: July 21, 2021

## Appendices

Appendix A – REDACTED

Appendix B – REDACTED

Appendix C – REDACTED

Appendix D – REDACTED

Appendix E – REDACTED

Appendix F – REDACTED

Appendix G – Federal and Pricing Actuarial Values

**Appendix A**  
**REDACTED**



## Appendix B

**REDACTED**

## Appendix C

**REDACTED**

## Appendix E

**REDACTED**

## Appendix F

**REDACTED**

## Appendix G

### Federal and Pricing Actuarial Value

Following are the Federal AVs of the non-CSR variant plans and the Pricing AVs applied for developing the Plan Benefit Factor. The Pricing AVs include the CSR load and are on a different basis than the Federal AVs.

Plan ID	Metal Level	Federal AV	Pricing AV*
73301AL0020001	Gold	81.25%	[REDACTED]
73301AL0020003	Bronze	64.51%	[REDACTED]
73301AL0020004	Catastrophic	63.28%	[REDACTED]
73301AL0020006	Bronze	64.96%	[REDACTED]
73301AL0020009	Silver	71.03%	[REDACTED]
73301AL0020010	Bronze	64.95%	[REDACTED]
73301AL0020011	Silver	67.44%	[REDACTED]
73301AL0020012	Silver	68.56%	[REDACTED]
73301AL0020013	Silver	71.03%	[REDACTED]
73301AL0020014	Gold	80.30%	[REDACTED]
73301AL0020015	Bronze	64.98%	[REDACTED]
73301AL0020016	Bronze	64.95%	[REDACTED]
73301AL0020017	Silver	71.84%	[REDACTED]
73301AL0020018	Silver	71.84%	[REDACTED]
73301AL0020019	Silver	67.11%	[REDACTED]
73301AL0020021	Silver	71.84%	[REDACTED]
73301AL0020022	Silver	71.84%	[REDACTED]
73301AL0020023	Silver	66.81%	[REDACTED]
73301AL0020024	Bronze	62.49%	[REDACTED]

\*Silver AVs include load for CSR subsidy shortfall