

**US Health and Life 2023 Individual Rate Filing
Alabama
Actuarial Memorandum**

July 1, 2022

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Section 1: General Information

Company Information	
Company Legal Name	US Health and Life Insurance Company
State of Domicile	Alabama
SERFF Tracking Number: Form	USHL-133283990
SERFF Tracking Number: Rate	USHL-133284021
SERFF Tracking Number: Binder	USHL-AL23-125114190
HIOS Issuer ID	25947
NAIC Company Code	97772
Market	Individual
Effective Date	January 1, 2023

Contact Information	
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Section 2: Scope and Purpose of the Filing

This filing is a new rate submission for the ACA-compliant Individual Major Medical policy filed in Alabama for the 2023 policy year (January 1, 2023 through December 31, 2023). The purpose of this memorandum is to document the proposed rating structure and methodology for these 2023 ACA Individual plans. The information within this memorandum is to be reviewed in conjunction with the attached components of this filing:

- Unified Rate Review Template (URRT)
- Rate Template

I, Kelsey Wakefield, have prepared this Actuarial Memorandum on behalf of US Health and Life Insurance Company (USHL) to demonstrate compliance with the applicable laws and requirements of the Affordable Care Act (ACA). This Actuarial Memorandum is not intended for any other purpose.

Section 3: Benefit Structure

This policy provides major medical benefits in the Individual Health Exchange Market, including all Alabama Essential Health Benefits (EHBs). This filing includes 9 proposed plan designs and their applicable cost sharing variations, consistent with the designated metal plan tiers, as determined using the 2023 Actuarial Value (AV) Calculator prescribed by the Centers for Medicare and Medicaid Services (CMS). These USHL EPO products provide coverage for all inpatient and outpatient services, professional services, prescription drugs, and miscellaneous medical services that may be subject to a deductible, copay, and / or coinsurance. Product offerings include both HSA-eligible and non-HSA plan designs. No coverage is provided for non-EHB benefits under the forms included in this filing.

Section 4: Proposed Rates

USHL is entering the Individual Market in Alabama for the first time in policy year 2023. The rates detailed within this memorandum represent a new product and do not reflect rate changes from prior filings.

The proposed sample premium rates for USHL's Individual block of business are included in the attached 'USHL_AL_PY2023RatesTable_V1_07012022' file. These rates apply to [REDACTED] projected policyholders ([REDACTED] members) expected to be enrolled for the policy year beginning January 1, 2023.

Manual Rate Development

Rates for USHL's Individual Market product were developed using a manual rate based on adjusted Alabama health plan experience for the credible Ascension self-funded population, using claims incurred July 1, 2020 through June 30, 2021. Medical claims experience underlying the manual rate were classified in the following order:

1. Inpatient claims were bucketed using the "Place of Service" code provided with each claim
2. Outpatient claims were mapped from remaining claims with an attached revenue code
3. Professional claims categories were developed by mapping individual procedure or HCPCS codes
4. Other claims were added to the base medical allowed amount to reflect anticipated experience not captured through the self-funded population's in-network costs, including:
 - Dialysis
 - Essential Community Providers (ECPs) contracted to meet network adequacy requirements
 - Out-of-network Emergency Room claims, and the potential resulting Inpatient Hospital services
 - Eyeglasses for children
5. Pharmacy claims were placed entirely in the prescription drug category based on the anticipated formulary for this Individual Market product.

Adjustments were made to the manual rate experience to account for differences in covered benefits and negotiated provider reimbursements between the self-funded product and Individual Market offerings. This adjusted experience was projected forward for expected cost and utilization trends. Additional adjustments were made to account for anticipated differences in COVID-19 claims experience, morbidity, average age, and tobacco utilization between the manual and projected ACA-compliant Individual Market experience in Alabama for 2023.

Section 5: Assumptions

The rates described within this memorandum and detailed within supplemental attachments pertain to USHL's Individual Market product.

Section 6: Premium Guarantee Provision

The estimated average premium per member per month in 2023 is [REDACTED], per Worksheet 2, Section 4.17 of the URRT. The proposed premium rates are for a guaranteed renewable product and guaranteed to not change through December 31, 2023.

Section 7: Rating Factors

Please see the accompanying 'USHL_AL_PY2023RatesTable_V1_07012022' file for the proposed base rate and rating factors, which are intended to vary rates by age, geography, tobacco use, family size, and plan benefit.

- **Age Factors:** The age curve applied in the proposed rates is based upon the Alabama specific age curve prescribed by CMS¹.
- **Geographic Factors:** Premiums will vary by the state defined geographic rating areas. USHL's Individual Market product will only be offered in Rating Area 10. As such, the Geographic Rating Area Factor in Rating Area 10 is [REDACTED].
- **Tobacco Use Factors:** Premium surcharges vary to reflect increased expected claims for tobacco users. Tobacco rating factors vary by age band and are based upon competitor studies of the Alabama Individual Market.
- **Family Size:** Premiums are developed for Individual, Individual + Child, Individual + Spouse, and Family. Premiums are developed for family coverage by adding up the rate of each covered family member, with no more than the three oldest covered children under age 21 accounted for, in computing the family rate.
- **Plan Benefit Factors:** Plan benefit factors account for differences in the member cost sharing, as well as utilization differences due to differences in benefit levels. The plan benefit factors do not reflect expected morbidity differences.

Section 8: ACA Development

Index Rate Development

USHL is entering the Individual Market in Alabama for the first time in 2023. Therefore, in the absence of a full calendar year of experience data, the Index Rate is based on manual health plan experience for the credible Ascension self-funded population, adjusted to reflect Individual Market expectations for:

- Morbidity
- Provider reimbursement contracts
- Out-of-network emergency services
- Pharmacy claims and rebates

¹ <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Downloads/StateSpecAgeCrv053117.pdf>

- COVID-19 claims experience
- Trend projections to policy year 2023

The Projected Index Rate for the policy year 2023 period is [REDACTED] PMPM. This Index Rate is presented in Worksheet 1 of the URRT and reflects the allowed claims PMPM solely attributable to essential health benefits. The Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance, or for Exchange user fees.

Market Adjusted Index Rate (MAIR)

The Market Adjusted Index Rate (MAIR) of [REDACTED] PMPM is equal to the Index Rate previously described, adjusted for the impact of the federal risk adjustment program and Exchange user fees. Table 1 below outlines MAIR development, consistent with Worksheet 1 of the URRT.

Table 1 USHL Market Adjusted Index Rate	
(a) 2023 Projected Index Rate	[REDACTED]
(b) - Reinsurance	[REDACTED]
(c) - Risk Adjustment Payment / Charge	[REDACTED]
(d) + Exchange User Fees	[REDACTED]
(e) = Market Adjusted Index Rate	[REDACTED]

Exchange User Fee

The Exchange user fee in 2023 is [REDACTED]% of the MAIR. This charge applies to plans sold on the Exchange. The \$[REDACTED] PMPM Exchange user fee assumes [REDACTED]% of USHL’s Individual Market product will be sold on the Exchange.

Plan Adjusted Index Rate (PAIR)

The Plan Adjusted Index Rate (PAIR) is calculated in Worksheet 2, Section III of the URRT. The PAIR accounts for the following allowable adjustments to the MAIR, consistent with 45 CFR 156.80(d):

- **AV and Cost Sharing Design of Plan**
 - o The AV Metal Value included in Worksheet 2 of the URRT for the proposed plan designs was developed by inputting benefits into the AV calculator, with no additional adjustments. The AV Metal Value included in Worksheet 2 of the URRT for the proposed plan designs was developed by inputting benefits into the AV calculator, with no additional adjustments.
 - o The 2021 Milliman Health Cost Guidelines were used to adjust the AV metal value. The cost sharing adjustments reflect anticipated changes in allowed claims and member payments relative to the expected AV metal value. This adjustment varies by plan due to induced utilization.
 - o The AV and Cost Sharing Design of Plan also accounts for CSR loading across Silver metal plans. This adjustment was developed under the assumption that CSR subsidies will not be federally funded in 2023. As such, the expected cost of CSR funding was applied as an adjustment to Silver metal levels.
- **Provider Network Adjustment:** This provider network adjustment is not applicable since all plans utilize the same provider network.

- **Catastrophic Adjustment:** Not applicable; USHL is not offering catastrophic plans.
- **Non-Benefit Expenses:** All taxes, fees, and expenses are provided and validated by the USHL Finance and Legal Departments. Certain expenses are converted to a percentage of premium for application to the rates, while others are applied on a PMPM basis. Tables 2a and 2b below outline the assumed expenses for the proposed Individual Market rates

Table 2a USHL Non-Benefit Expenses: Retention		
<u>Retention Factors</u>	<u>PMPM</u>	<u>% of PAIR*</u>
Administrative Costs	■	■
Commissions and Broker Fees	■	■
Contribution to Surplus	■	■
Total Retention	■	■

* From Worksheet 2, Section 3.10 of the URRT

Table 2b USHL Non-Benefit Expenses: Taxes & Fees		
<u>Retention Factors</u>	<u>PMPM</u>	<u>% of PAIR*</u>
Risk Adjustment Fee**	■	■
State Premium Tax	■	■
Health Exchange User Fee***	■	■
PCORI Fee**	■	■
Total Taxes & Fees	■	■

* From Worksheet 2, Section 3.10 of the URRT

** Expense charged PMPM rather than as a percentage of premium

*** Health Exchange User Fee is calibrated as a % of MAIR

Non-benefit expenses vary by plan as summarized below in Table 3.

Table 3 USHL Non-Benefit Expenses by Plan									
Plan ID	Metal Level	Admin Expenses	Commissions and Broker Fees	Risk Load and Contribution to Surplus	Risk Adjustment Fee	State Premium Tax	Health Exchange User Fee	PCORI Fee	Total % of PAIR
25947AL0010001	Bronze	█	█	█	█	█	█	█	█
25947AL0010002	Bronze	█	█	█	█	█	█	█	█
25947AL0010004	Bronze	█	█	█	█	█	█	█	█
25947AL0010008	Bronze	█	█	█	█	█	█	█	█
25947AL0010005	Silver	█	█	█	█	█	█	█	█
25947AL0010006	Silver	█	█	█	█	█	█	█	█
25947AL0010007	Silver	█	█	█	█	█	█	█	█
25947AL0010009	Silver	█	█	█	█	█	█	█	█
25947AL0010010	Gold	█	█	█	█	█	█	█	█

Calibration

- Age Calibration:** The Index Rate reflects an assumed distribution of members by age band that is consistent with 2022 Open Enrollment reports from Healthcare.gov. The age calibration factor resets the age rating factor to █. The age calibration factor relies upon a member-weighted average of the CMS age curve. Table 4 below illustrates development of the age calibration factor, which is applied in Worksheet 3, Section 3.11 of the URRT.

Table 4 USHL Age Calibration Factor		
(a) Age Band	(b) CMS Age Rating Factors	(c) Membership Distribution*
0-17	█	█
18-25	█	█
26-34	█	█
35-44	█	█
45-54	█	█
55-64	█	█
65+	█	█
(d) Weighted Average Age Rating Factor: = $\sum[(b) \times (c)]$		█
(e) Age Calibration Factor: = $1 / (d)$		█

* Based on 2022 Open Enrollment Reports from Healthcare.gov for USHL rating areas in Alabama as of April 2022

- Geographic Calibration:** USHL's Individual Market product will only be offered in Rating Area 10. As such, the Rating Area Factor in Rating Area 10 is [REDACTED]. Since the Index Rate already accounts for the projected mix of enrollees by rating area, no further calibration is applied in Worksheet 2, Section 3.12 of the URRT.

Table 5 USHL Geographic Calibration Factor		
(a) Rating Area	(b) Rating Area Factors	(c) Projected Member Months
Rating Area 10	[REDACTED]	[REDACTED]
(d) Weighted Average Area Factor: $= \sum[(b) \times (c)] / \sum(c)$		[REDACTED]
(e) Geographic Calibration Factor: $= 1 / (d)$		[REDACTED]

- Tobacco Calibration:** USHL will differentiate rates based on tobacco use among members. The Index Rate reflects an assumed level of tobacco utilization among members that is consistent with 2022 Open Enrollment reports from Healthcare.gov. The tobacco calibration factor resets the tobacco rating factor to [REDACTED]. Tobacco rating factors vary by age and are based upon publicly available information and expectations from Ascension's Self Funded book of business. Below, Table 6 summarizes the tobacco rating factors and calibration.

Table 6 USHL Tobacco Calibration Factor		
(a) Age Band	(b) Tobacco Rating Factors	(c) Membership Distribution*
0-21	[REDACTED]	[REDACTED]
21+	[REDACTED]	[REDACTED]
(d) Weighted Average Age Rating Factor: $= \sum[(b) \times (c)]$		[REDACTED]
(e) Tobacco Use Prevalence		[REDACTED]
(f) Tobacco Calibration Factor: $= 1 / [1-(e) + (d)*(e)]$		[REDACTED]

* Estimate based on 2022 Open Enrollment Reports for USHL rating areas in Alabama as of April 2022

Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is developed by multiplying the Calibrated Plan Adjusted Index Rate (Worksheet 2, Section 3.14 of the URRT) by the allowable rating factors specified in 45 CFR § 147.102. These factors include:

- Rating Area (see above, Table 5)
- Age, as prescribed by CMS
- Tobacco Use (see above, Table 6, columns (a) and (b))

Table 7 below shows the crosswalk from the Plan Adjusted Index Rate (Worksheet 2, Section 3.10 of the URRT) to the Calibrated Plan Adjusted Index Rate (Worksheet 2, Section 3.14 of the URRT) to the Consumer Adjusted Premium Rate.

Table 7 Calibrated Plan Adjusted Index Rate (CPAIR)						
Plan ID	Metal	Plan Adjusted Index Rate	Age Calibration	Area Calibration	Tobacco Calibration	CPAIR
25947AL0010001	Bronze	■	■	■	■	■
25947AL0010002	Bronze	■	■	■	■	■
25947AL0010004	Bronze	■	■	■	■	■
25947AL0010008	Bronze	■	■	■	■	■
25947AL0010005	Silver	■	■	■	■	■
25947AL0010006	Silver	■	■	■	■	■
25947AL0010007	Silver	■	■	■	■	■
25947AL0010009	Silver	■	■	■	■	■
25947AL0010010	Gold	■	■	■	■	■

Sample Rate Calculation

The following sample rate calculation is for a 40-year-old, non-smoker member in Rating Area 10 who purchases the Ascension Personalized Care Standard Gold plan:

Table 8 Sample Rate Calculation	
Base Rate	■
Age Factor	■
Tobacco Factor	■
Region Factor	■
Member Premium	■

Membership Projections

USHL expects to capture approximately [REDACTED] % of the Alabama Individual Market for USHL’s applicable rating areas in 2023. For Worksheet 2 of the Part I Unified Rate Review Template, this membership is projected as follows in Table 9.

Table 9 USHL Membership Projections by Region		
Region	Counties	Projected Members
Rating Area 10	Mobile	[REDACTED]

Projected Loss Ratio

The ACA minimum loss ratio (MLR) requirement for Individual Market policies is 80%. USHL’s projected MLR, as prescribed by 45 CFR 158, is 78.6%. Table 10 illustrates this MLR development.

Table 10 USHL Projected Loss Ratio Calculation	
(a) Calculated Paid Claims PMPM	[REDACTED]
(b) + Projected Risk Transfer Payment / Receipt	[REDACTED]
(c) + Quality Improvement Expenses	[REDACTED]
(d) = Total Adjusted Medical Expense	[REDACTED]
(e) Calculated Average Premium PMPM	[REDACTED]
(f) - PCORI Fee	[REDACTED]
(g) - Risk Adjustment Fee	[REDACTED]
(h) - State Premium Tax	[REDACTED]
(i) - Exchange Fee	[REDACTED]
(j) = Total Adjusted Premium	[REDACTED]
(k) = (d) / (j) = Calculated Federal MLR	[REDACTED]
(l) = [(a) + (b)] / (e) = Calculated Traditional MLR	[REDACTED]

Plan Product Information

- **AV Metal Values and CSR Subsidies**

All plans offered by USHL meet the ACA EHB requirements for the state of Alabama. Premium rates were developed without the assumption of federal funding of the CSR subsidy program. The cost of CSR funding was loaded as an adjustment to Silver metal level plans based on the funding status of the CSR program.

- **AV Pricing Values**

The AV pricing value of each plan is compliant with 45 CFR §147.102 and therefore does not consider differences in health status. The adjustments made to create the AV Pricing Value can be seen in the URRT Worksheet 2.

Section 9: Company Financial Position

In 2015, US Health and Life and its affiliated company Automated Benefit Services (a third party administrator and provider of medical management solutions) became a wholly owned subsidiary of Ascension, the nation’s largest nonprofit health system. USHL’s financial position in the past five years (2017-2021) is detailed below in Table 11.

Table 11 USHL RBC Ratio Calculation					
	2017	2018	2019	2020	2021
(a) Total [adjusted] capital and surplus	■	■	■	■	■
(b) ÷ Authorized control level risk-based capital	■	■	■	■	■
(c) = RBC ratio	■	■	■	■	■

Section 10: Actuarial Certification / Rate Attestation

Data Reliance

In preparing this filing, I have relied upon historical company data provided by staff members at USHL. In addition, I have relied upon information provided by staff members of USHL for estimates regarding projected enrollment and expense levels, provider pricing changes, discount off billed charge levels as well as historical completion information on paid claims. I have also relied upon Ascension’s self-funded population data on both a nationwide and Alabama-specific basis for use as a manual rate. I have reviewed the data for reasonableness; however, I have not audited the data in detail.

Actuarial Certification

I, Kelsey Wakefield, am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Academy’s qualification standards for preparing health rate filings and, to the best of my knowledge and belief, I certify the following:

- a) This filing was developed in compliance with the applicable Actuarial Standards of Practice and conforms to generally accepted principles.
- b) This filing complies with the applicable laws and regulations of Alabama and all applicable federal statutes and regulations.
- c) The projected Index Rate is:
 - i. In compliance with all applicable state and Federal statutes and regulations (45 CFR § 156.80 and 147.102)
 - ii. Developed in compliance with the applicable Actuarial Standards of Practice

- iii. Reasonable in relation to the benefits provided and the population anticipated to be covered
- iv. Neither excessive nor deficient
- d) The Index Rate is developed in accordance with state and federal regulations (45 CFR 156.80(d)(1)), and the Index Rate (along with only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2)) is used in the development of plan specific premium rates.
- e) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
- f) 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.
- g) The AV Calculator, with no further adjustments, was used to determine the AV Metal Value for the proposed plan design.

Section 11: On / Off Exchange Attestation

The same premium rate is being charged for this product without regard to whether the plan is offered directly through an Exchange or through an agent.



Kelsey Wakefield, FSA, MAAA
Ascension
July 1, 2022