| State: | Pennsy/vania $\quad$ Filing Company: Keystone Health Plan Central |
| :--- | :--- |
| TOI/Sub-TOI: | HOrgO2G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO |
| Product Name: | Rates - KHPC Small Group HMO |
| Project Name/Number: | 1 |

## Supporting Document Schedules

| Satisfied - Item: | ACA Public Rate Filing PDF |
| :--- | :--- |
| Comments: |  |
| Attachment(s): | SG_23-20_Revised_KHP_HMO_PublicFiling_Supporting_20230414.pdf |
| Item Status: |  |
| Status Date: |  |

March 17, 2023

Ms. Lindsi Swartz, Director
Bureau of Life, Accident and Health Insurance
Office of Insurance Product Regulation and Administration
Commonwealth of Pennsylvania Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

## Re: Keystone Health Plan Central Small Group Rates <br> Filing No 23-20 <br> TOI Code: H15G Group Health - Hospital/Surgical/Medical Expense Sub-TOI Code: H15G. 003 Small Group Only Filing Type: Rate

Dear Ms. Swartz:
By this filing Capital Blue Cross, on behalf of its wholly owned subsidiary Keystone Health Plan Central, submits to the Department Small Group Rates effective July 1, 2023.

The following is a summary of the rate filing:

- Company Name: Keystone Health Plan Central (KHPC)
- NAIC: 95199
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 7/1/2023
- Q3 Quarterly Rate Change Approved: 1.53\%
- Additional Q3 Quarterly Rate Change Requested: -1.88\%
- Average 2023 Annual Rate Change: 7.13\%
- Range of Requested Rate Change: $7.13 \%$ to $7.13 \%$
- Total additional annual revenue generated from the proposed rate change: $\$ 45,994$
- Product: HMO
- Rating Areas: 6,7,9
- Metal Levels: Bronze
- Current Covered Lives and Policyholders: 117/69
- 2023 Number of Plans/Change from 2022: 1/No Changes
- Contract Form \#: C23-KHPC-SGP
- Form Filing SERFF \#: CABC-133252159
- Binder SERFF \#: CABC-PA23-125113436
- HIOS Issuer ID: 53789

In support of this filing, I have included an Actuarial Memorandum with supporting exhibits, URRT, Rates Table Template, and PA Plan Design Summary and Rate Tables.

If you have any questions regarding this filing, please call me at
or or at

Sincerely,


Enclosures
cc:
, FSA, MAAA, Senior Director, Actuarial Services
Associate General Counsel

## April 14, 2023

Ms. Lindsi Swartz, Director
Bureau of Life, Accident and Health Insurance
Office of Insurance Product Regulation and Administration
Commonwealth of Pennsylvania Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

## Re: Keystone Health Plan Central Small Group Rates <br> Filing No 23-20 <br> TOI Code: H15G Group Health - Hospital/Surgical/Medical Expense <br> Sub-TOI Code: H15G. 003 Small Group Only <br> Filing Type: Rate

Dear Ms. Swartz:
By this filing Capital Blue Cross, on behalf of its wholly owned subsidiary Keystone Health Plan Central, submits to the Department Small Group Rates effective July 1, 2023 - December 31, 2023.

The following is a summary of the rate filing:

- Company Name: Keystone Health Plan Central (KHPC)
- NAIC: 95199
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 7/1/2023-12/31/2023
- Q3/Q4 Quarterly Rate Change Approved: 1.53\%
- Additional Q3/Q4 Quarterly Rate Change Requested: -1.88\%
- Average 2023 Annual Rate Change: 7.13\%
- Range of Requested Rate Change: $7.13 \%$ to $7.13 \%$
- Total additional annual revenue generated from the proposed rate change: $\$ 45,994$
- Product: HMO
- Rating Areas: 6,7,9
- Metal Levels: Bronze
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- HIOS Issuer ID: 53789

In support of this filing, I have included an Actuarial Memorandum with supporting exhibits, URRT, Rates Table Template, and PA Plan Design Summary and Rate Tables.


Sincerely,


Enclosures
cc:
, FSA, MAAA, Senior Director, Actuarial Services
Associate General Counsel

# KEYSTONE HEALTH PLAN CENTRAL 

## ACTUARIAL MEMORANDUM <br> Small Group Rates <br> Effective July 1, 2023 - December 31, 2023

## General Information

## Company Information

- Company Legal Name: Keystone Health Plan Central
- State: PA
- HIOS Issuer ID: 53789
- Market: Small Group
- Effective Date: 7/1/2023-12/31/2023


## PID Company Information

- Company Name: Keystone Health Plan Central (KHPC)
- NAIC: 95199
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 7/1/2023-12/31/2023
- Q3/Q4 Quarterly Rate Change Approved: 1.53\%
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- Form Filing SERFF \#: CABC-133252159
- Binder SERFF \#: CABC-PA23-125113436
- HIOS Issuer ID: 53789


## Company Contact Information

- Primary Contact Name:
- Primary Contact Telephone Number:
- Primary Contact Email Address:


## Scope and Purpose

By this filing, Keystone Health Plan Central (KHPC), a subsidiary of Capital Blue Cross (Capital), submits rates for products to be made available to all small groups effective July 1, 2023 to December 31, 2023. KHPC will offer small group products off the federally-facilitated exchange.

This quarterly filing, as compared to the annual approved filing, only makes changes to the follow data items/factors:

- Membership
- Calibration factors due to updated enrollment
- Updated base experience period
- Risk adjustment projection
- Paid to Allowed Ratio and associated pricing AV due to updated base data
- Morbidity factor to align rates with CAAC

All other data items/factors are consistent with the approved annual filing.

## Rate History and Proposed Variations in Rate Changes

| Market | Company | Effective <br> Date | SERFF \# | Annual <br> Increase |
| :---: | :---: | :---: | :---: | :---: |
| Small Group | KHPC | $1 / 1 / 2019$ | CABC-131455108 | $5.0 \%$ |
| Small Group | KHPC | $1 / 1 / 2020$ | CABC-131921815 | $1.2 \%$ |
| Small Group | KHPC | $7 / 1 / 2020$ | CABC-132294841 | $-2.1 \%$ |
| Small Group | KHPC | $1 / 1 / 2021$ | CABC-132352804 | $-8.7 \%$ |
| Small Group | KHPC | $10 / 1 / 2021$ | CABC-132750972 | $-7.3 \%$ |
| Small Group | KHPC | $1 / 1 / 2022$ | CABC-132795960 | $4.6 \%$ |
| Small Group | KHPC | $1 / 1 / 2023$ | CABC-133252133 | $8.4 \%$ |

## Average Rate Change

KHPC is proposing an aggregate annual $7.13 \%$ rate change. The rate change is calculated in PA Rate Exhibits Part III, Table 10, cell AZ15.

- The additional rate change over the approved Q3/Q4 2023 rate is $-1.88 \%$.
- The total rate change consumers will see year over year (Q3/Q4 2023 over Q3/Q4 2022) is $6.26 \%$.
- The additional rate change over the total average approved annual rate is $-1.09 \%$. KHPC rates align with Capital subsidiary, Capital Advantage Assurance Company (CAAC), which holds the majority of Capital's Small Group membership. CAAC is projecting a favorable restatement of claims net risk adjustment, worth a reduction of $1.88 \%$ in premium rates for both CAAC and KHPC.


## Membership

Membership is shown in PA Rate Template Part I, Table 1. The average age is 40 .

## Benefit Changes 2022-2023

A summary of 2023 benefits is included in Exhibit A. There are no benefit design changes associated with this quarterly filing other than those changes submitted previously with the annual filing. All benefit changes referred to below are effective January 1, 2023.

There are benefit changes being implemented in 2023. All benefit changes comply with the uniform modification of coverage standards described in 45 CFR 147.106(e). Any plan with a benefit change that did not meet the uniform modification of coverage standard was terminated, and a new plan was created in its place. Benefit changes by plan are listed in Exhibit B, highlighted in yellow.

## Experience Period Premium and Claims

Single Risk Pool: The data used to develop rates and shown in URRT and PA Rate Exhibits abides by 45 CFR part 156.80 (d) single risk pool requirements. The single risk pool reflects all covered lives for every non-grandfathered, non-transitional product/plan combination for KHPC in the small group market.

Base Experience Period: The base experience period (BEP) includes completed fee-for-service paid and incurred claims and capitation for dates of service between July 1, 2021 and June 30, 2022.

Transitional membership is not included in PA Rate Exhibits Table 2 or URRT.
Paid Through Date: Claims in the BEP are paid through January 31, 2023
Premiums (net of MLR Rebate) in BEP: Premiums are calculated on an earned basis in the BEP. MLR rebate adjustments are equal to zero as KHPC does not expect to refund any MLR rebates in the BEP.

## Allowed and Incurred Claims in BEP:

- Allowed claims are developed by combining paid claims with member cost-sharing. Allowed claims meet the definition in the URR instructions. They do not include provider quality incentive payments.
- Incurred claims are net of HHS CSR payments (CSR does not apply to Small Group).
- Capital only covers Essential Health benefits (EHBs).
- KHPC includes capitated PCP and mental health services.
- Allowed and Incurred claims are net of pharmacy rebates. BEP rebates are completed based on actual utilization of rebate-eligible drugs and rebate amounts.

Estimated Incurred but Not Paid Claims: Paid claims by date of service come directly from Capital's data warehouse. The method for calculating incurred claims in the BEP is as follows:

1. Historical fee-for-service claims are viewed by date of service and date of payment in a claims triangle.
2. The claims triangle payments are then accumulated by date of service to develop factors that represent the rate of accumulation or rate of "completion".
3. Historical rates of completion by duration are used to derive projected rates of completion. Some of the methods used to develop projected completion factors are averages (e.g. harmonic averages, time weighted averages, geometric averages) and regression methods. Numerous items are considered when viewing these averages or regression statistics, such as the impact of high claims on perceived completion patterns.
4. For durations that exhibit a projected completion factor greater than the Valuation Actuary's chosen threshold (e.g. 80\% complete), cumulative paid and incurred claims are divided by the projected completion factor to arrive at ultimate incurred claims. For durations that are less than the chosen threshold, a projection methodology is used. Similar to completion factor development, projection methodologies are worthy of a lengthy discussion. In general, an ultimate incurred claims PMPM is derived by projecting a recent 12-month period to the current month(s) and seasonally adjusting.
5. With all months having both a cumulative paid amount and an estimated ultimate incurred amount, the completion factors used in pricing are calculated by taking the quotient of the two. Allowed completion and incurred completion are assumed to be identical.
6. Both allowed and paid claims in the BEP are completed by applying completion factors by incurred month developed in Step 6.

$$
\text { BEP Incurred Claims }=\sum \frac{\text { BEP Paid Claims by Incurred Month }}{\text { Completion by Incurred Month }}
$$

## BEP Allowed Claims

$$
=\sum \frac{\text { BEP Paid Claims }+ \text { BEP Member Cost Share by Incurred Month }}{\text { Completion by Incurred Month }}
$$

Risk Adjustment in BEP: Risk adjustment amounts in the BEP are equal to the amounts sent by the Department on 6/30/2022 and best estimate 2022 as of March 2023.

Loss Ratio in BEP: Loss ratio is 88.88\%
Credibility of Data

For the purpose of rate development, KHPC small group products are combined with other product offerings (HMO, PPO) from Capital subsidiaries. Combining the experience is actuarially justifiable for several reasons:

1. The demographics of members buying PPO and other products are similar.
2. Cost and utilization between PPO and other products are similar.
3. Medical policy between PPO and other products are almost identical, with the exception of referrals and no out-of-network benefit on HMO.

The credibility manual is the combination of KHPC, Capital Advantage Assurance Company (CAAC), and Capital Advantage Insurance Company (CAIC) data. The credibility manual BEP includes completed fee-for-service paid and incurred claims and capitation for dates of service between July 1, 2021 and June 30, 2022. All data is trended and benefit-adjusted in the same manner as the experience data (same projection factors and trend).

## Trend Identification

Trend: 6.20\%

Trend levels reflect Capital's best estimate of changes in utilization, provider reimbursement contracts, the network of facilities and providers, disease management initiatives and the impact of utilization management.

The following is a description of considerations used to determine trend.

1. Base Cost/ Change in hospital and physician contracting: The contracted increase in reimbursements to hospitals and physicians is the basis of cost trends. Capital uses the following to project future costs:
a. Vendor Physician Cost Model and Internal Hospital Contracting Model
i. The medical cost models use best estimates of Capital Blue Cross (Capital)'s future contracting increases with physicians and hospitals. The models use cost estimates based on varying contract effective dates by physician and hospital. All facilities and providers are considered in this modeling effort (i.e. acute and non-acute, network and non-network, inpatient and outpatient, in- area and out-of-area). From there, a monthly anticipated cost (assuming static utilization) summary is produced which can be used in projecting future claims costs. Cost trends are determined at the Capital book of business level for all commercial business.
b. Internal Prescription Drug Trend Model
i. Price Inflation
ii. Contract Pricing
iii. Member Cost-Sharing
iv. Units per Script
v. Brand/Generic Mix
vi. Therapeutic Mix
vii. Cost per Script
viii. Pipeline (new drugs)
2. Utilization Considerations:
a. Intensity of medical services rendered
b. Changes in place of service (e.g. continued migration of inpatient stays to outpatient setting)
c. Further migration from brand prescription drugs to generic prescription drugs
d. Favorable impacts of value based benefits designs
e. Medical utilization estimates reviewed by Capital's Chief Medical Officer
3. Leveraging: The trend model is based on allowed cost increases. Paid claims trend at a higher rate than allowed due to leveraging. Leveraging is the impact of static cost-share, such as deductibles and copays, to the paid trend.
4. Intensity: Measure of cost increase due to change in treatment sophistication. An example is migration from x-rays to MRIs at significantly higher cost.
5. Underwriting Cycle: The underwriting cycle is defined as the tendency to swing between profitable and unprofitable periods over time. The underwriting cycle is exacerbated partly by pricing performed with incomplete information as to the level of current experience trends. A reaction delay occurs, as carriers tend to rely on measurements of past experience in developing current pricing assumptions. As a result, carriers are often increasing their pricing trends when actual experience trends have begun to decline, and decreasing their pricing trends actual trends are increasing. Capital strives to mitigate the underwriting cycle by keeping trends consistent through times of increasing and decreasing claim cost and utilization.

Historical Experience: Historical experience was not used to the develop trend.
Benefit Categories: Claims in the benefit categories displayed in URRT come directly from Capital's data warehouse. These same categories are used to develop category-level trend. See Exhibit C for a description of benefits by benefit category.

See Exhibit E for KHPC's pricing trend, as well as cost and utilization components of the pricing trend.

## Rate Development \& Change

## Projection Factors

Changes in Morbidity: Found in URRT Worksheet 1, "Morbidity Adjustment", and PA Rate Exhibits, Table 5.

KHPC is applying a factor of 0.590 to reflect the difference is projected Plan Liability Risk Score (PLRS) between KHPC and its subsidiary, CAAC, which underwrites the vast majority of the BEP experience. This factor aligns the rates with similar benefits offered under CAAC.

The above factor is found in Exhibit Q, Morbidity Factor Calculation.
Changes in Benefits: Benefit changes are not applied to allowed claims as allowed should stay consistent from 2021 to 2023. Benefit changes are applied in the development of future incurred claims, due to changes in member cost-share. This calculation is shown in Exhibit D, and applied in Exhibit G. The manual cost PMPMs are developed from Capital's internal benefit relativity model, discussed in the Plan Adjusted Index Rate section below. The benefit change is equal to member-month weighted average projected manual PMPM divided by member-month weighted average manual PMPM in the BEP. This process is further discussed in the Paid-to-Allowed section below.

Changes in Demographics: KHPC does not expect changes in demographics in its small group population.

Changes in Network: Network change is applied to reflect the difference between a mix of PPO, EPO and HMO experience in the BEP compared to HMO in the projection period. The calculation is found on Exhibit D1: Network Mix Changes.

Other Adjustments: No other adjustment is applied to the BEP.
Benefits, Demographics, Network and Other adjustments are found in URRT, Worksheet 1, and PA Rate Exhibits, Table 5.

## Index Rate

The experience period index rate is KHPC's allowed claims PMPM, set in accordance with the single risk pool provision. All KHPC covered benefits are categorized as Essential Health Benefits (EHBs), therefore no adjustment was made to the experience period index.

Projected Allowed Claims: The KHPC experience period allowed claims, benefit-adjusted, trended to the projection period (See Projection Factors section above), and credibility adjusted, is the Projected Allowed Claims at Current Benefits. This number is reflected in Worksheet 1 of URRT ("Projected Allowed Experience Claims PMPM (w/ applied credibility if applicable)").

To calculate the projected index rate:

1. Start with Projected Allowed Claims at Current Benefits
2. The Projected Allowed Claims at Current Benefits reflect EHBs 100 percent, so no adjustment needs to be made to add EHBs and remove non-EHB claim cost. This is the index rate for individuals renewing January - December.

See Exhibit J for the Index Rate.

## Paid to Allowed Ratio

KHPC used the prescribed URRT allowed claim rate development methodology in conjunction with a paid and incurred rate development methodology to determine final premium rates. URRT projects allowed claims, and uses a paid-to-allowed ratio in order to adjust allowed claims to paid levels. This value is then used to develop premiums. In order to determine the paid-to-allowed ratio, KHPC projected paid and incurred claims, adjusted for benefits, to the experience period.

Projected Paid and Incurred Claims are calculated as follows:

1. Gather claims experience as described in the Data section above.
a. Base Experience Period (BEP) Paid Claims, Capitation, and Rx Rebates
b. BEP Member Months
2. Develop BEP Paid and Incurred Claims:

$$
\text { BEP Paid and Incurred Claims }=\frac{\text { BEP Paid Claims }}{\text { Completion Factor }}
$$

The development of completion factors is described in Experience Period Premium and Claims above.
3. Develop the BEP Paid and Incurred Claim PMPM:

$$
\text { BEP Paid and Incurred Claim PMPM }=\frac{\text { BEP Paid and Incurred Claims }}{\text { BEP Member Months }}
$$

4. Develop Trended Claim PMPM: Using the aggregate trend described in the Projection Factors section above, trend the BEP Paid and Incurred Claim PMPM from the midpoint of the experience period to the midpoint of the rating period.

## Trended Claim PMPM

$$
=[B E P \text { Paid and Incurred Claim PMPM }] \times(1+[\text { Trend } \%])^{\text {Trend Months } / 12}
$$

5. Develop Projected Paid and Incurred Claim PMPM:

$$
\begin{aligned}
& \text { Projected Paid and Incurred Claims PMPM } \\
&=[\text { Trended Claim PMPM }] \times[\text { Benefit Adjustment }] \\
& \times[\text { Morbidity Adjustment }] \times[\text { Other Adjustment }]
\end{aligned}
$$

The Benefit Adjustment, Morbidity Adjustment, and Other Adjustment are discussed in the Projections Factors section above.
6. Develop Projected Claims PMPM by Benefit as follows:
a. KHPC uses an actuarial cost model to measure the impact of cost-sharing designs on cost and utilization amounts by service category. The cost model shows frequency per 1,000 per year by type of service (IP, OP, Professional), and allowed cost per service for each of the same types of service, normalized to a $\$ 0$ office visit copayment and a $\$ 25$ ER copayment. Given a particular benefit design (for example, $\$ 20$ office visit copayment), utilization is adjusted from the benchmark based on assumed utilization change factors, and cost per service is reduced by the copayment or coinsurance per service. Cost and utilization are multiplied together to derive a PMPM by service, summed for all services. The impact of global deductible, coinsurance, and out-of-pocket max is then measured based on cumulative probability distributions (CPDs), where the value of services that apply to the CPDs adjusts the level of the curve, as well as global utilization adjustments.
b. This actuarial cost model derives a Manual Cost for each benefit design in the experience period, as well as plans being offered in the projection period. The average Manual Cost of the experience is compared to the Manual Cost of the base plan. The projected experience period data is then adjusted to the base plan:

$$
\text { Benefit Level Adjustment }=\frac{\text { Average Manual Cost in Projection Period }}{\text { Manual Cost of Base Plan }}
$$

c. The Projected Paid and Incurred Claim PMPM (Step 5) is then adjusted to the Base Plan as follows:

Base Plan Paid and Incurred Claims PMPM

$$
=\frac{\text { Benefit Adjusted Paid and Incurred Claims PMPM }}{\text { Benefit Level Adjustment }}
$$

d. Each additional benefit design has its own unique Manual Cost, which can then be compared to the Base Plan to develop a Benefit Relativity:

$$
\text { Benefit Relativity } A=\frac{\text { Manual Cost of Benefit } A}{\text { Manual Cost of Base Plan }}
$$

e. The Benefit Relativity developed in d . above is then used as a gauge to develop a final Pricing Relativity. This pricing relativity is developed using actuarial judgment including the following considerations:
i. Final premium relativities must make sense based on benefits. For example, the annual cost difference between a 2000 plan and 1000 plan must be less than $\$ 1000$.
ii. Adjustments for plan designs that fall outside of the actuarial cost model.
a. So the Projected Claims PMPM by Benefit is:

$$
\begin{aligned}
& \text { Projected Claims PMPM Benefit A } \\
&=\text { Projected Claims PMPM Base Plan } \\
& \times \text { Pricing Relativity } A
\end{aligned}
$$

b. And to arrive at the Total Projected Claims PMPM, KHPC assumes a distribution of members across the benefit plans being offered in the projection period. The Total Projected Claims PMPM :

$$
\begin{gathered}
=\text { Projected Claims PMPM Benefit } A \times \text { Expected Member Dist of Benefit } A \\
+ \text { Projected Claims PMPM Benefit B } \\
\times \text { Expected Member Dis of Benefit } B+\cdots
\end{gathered}
$$

7. The Paid-To-Allowed Ratio is then:

$$
\text { Paid to Allowed Ratio }=\frac{\text { Total Projected Claims PMPM }}{\text { Projected Allowed Claims at Current Benefits }}
$$

See Exhibit G for the development of the Paid-to-Allowed Ratio. And see Exhibit L for the plan-level projected incurred amount development.

## Market Adjusted Index Rate

The Market Adjusted Index Rate is calculated as the Index Rate adjusted for all allowable marketwide modifiers defined in the market rating rules, 45 CFR Part 156.80(d)(1). So,

$$
\begin{aligned}
& {[\text { Market Adjusted Index Rate }] } \\
&=([\text { Index Rate }] x[\text { Paid to Allowed Ratio }] \\
&-[\text { Projected Incurred Reinsurace Recoveries }] \\
&-[\text { Projected Incurred Risk Adjustment PMPM }] \\
&+[\text { Exchange Fees PMPM }]) \div[\text { Paid to Allowed Ratio }]
\end{aligned}
$$

## Projected Incurred Risk Adjustments PMPM:

Relevant to 2023 pricing is the impact of Commercial Risk Adjustment (CRA) payment transfers that are expected to be earned in 2023. The following items are those that we deem important in generating a CRA payment transfer adjustment:

1. Risk profile of the those enrolled in CRA eligible plans for the market or state (i.e. competitors) relative to risk profile of CRA eligible membership enrolled in our plans
2. Statewide average premiums
3. Current market penetration of this company and competitors in the market and in the state
4. 2020-2021 risk adjustment results
5. Market improvement in coding risk: Capital's ACA book of business has had a churn rate that makes a multi-year perspective of member diagnosis and risk very challenging.

Because closing gaps in care and coding, and a myriad of other risk adjustment functions require more than a single year of data to facilitate an accurate depiction of risk, it is believed that Capital is disadvantaged in the market. This will drive Capital's relative risk to the market down over time.

The 2023 projected risk adjustment PMPM uses actual 2021 CRA transfer and estimated 2022 CRA transfer to calculate a July 2021-June 2022 risk adjustment experience period. That value is projected to 2023 by assuming an increase in premium from 2021/2022 to 2023. The calculation is found is Exhibit K : Market Adjusted Index Rate.

## Projected Incurred Reinsurance Recoveries:

Reinsurance does not apply to the small group market.

## Exchange Fee PMPM:

KHPC only offers off-exchange plans in the small group market, so the exchange fee is $\$ 0$.
The exchange fee PMPM is calculated as:
Exchange Fee PMPM

$$
\begin{aligned}
& =[\text { Avg } 2023 \text { On }- \text { Exchange Premium PMPM }] \times[\% \text { Members On } \\
& - \text { Exchange }]
\end{aligned}
$$

Where

$$
\begin{aligned}
{[\text { Avg } 2023 \text { On }} & - \text { Exchange Premium PMPM } \\
& =[\text { Avg } 2022 \text { On }- \text { Exchange Premium PMPM } \times(1 \\
& +[\text { Avg Proposed Rate Change }])
\end{aligned}
$$

See Exhibit K for the development of the Market Adjusted Index Rate.

## Retention Items

## Administrative Expense Load:

1. Risk Adjustment User Fee: To fund the HHS-risk adjustment program, issuers will remit to HHS a fee of \$0.22 PMPM. The Risk Adjustment Fee PMPM is included in URRT Worksheet 1, URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.
2. Administrative Expense: Calculated using an allocation method from Capital's Finance department, and trended to the rating period. Costs are allocated according to results reported through a company-wide questionnaire. On an annual basis, each cost center within the company completes a questionnaire listing the distribution of costs (in percentage terms) by product as well as by market segment. For example, the questionnaire will ask what percentage of time is spent on PPO versus HMO versus Drug versus Medicare. And separately will ask what percentage of time is spent on large group, small group, individual, and government programs. Using those distributions, all
costs needed to perform the business are allocated to the proper market segments and lines of business. The administrative expense applied in the rate development is the total expense allocated to Capital small group products. Administrative expenses are included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.
Expense as a percentage of premium vary by plan because a fixed dollar admin PMPM is applied to each plan.
a. Value-Based Benefits (VBB): Standard with each plan, Capital Blue Cross includes wellness incentives to maximize the likelihood that consumers make positive behavioral changes, which lead to better health, and curbed health care costs for employers and employees alike. The incentive is as follows:
i. Complete biometric screening and receive a gift card.
ii. Meeting biometric measure or finish online coaching program and receive a gift card reward.
iii. The wellness program is administered through a vendor and costs are based on vendor fees, anticipated participation, and reward card amounts.
iv. Fees are included in overall administrative expense fee discussed above.
v. Included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.
3. Broker Expense: Calculated based on Capital's explicit per contract broker fee. Broker Expense is included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6. Brokers are paid on new business and renewals the same commission rate for all geographic locations, enrollment dates, and metal levels. Attached please find the proposed 2023 broker agreements - redacted versions. Files are as follows:
a. Redacted Standard Producer Master Agreement: "SG_23-

20_Initial_KHP_HMO_SPMABrokerGroupRedacted_Supporting_20230318.pdf"
b. Redacted Preferred Producer Master Agreement: "SG_23-

20_Initial_KHP_HMO_PPMABrokerGroupRedacted_Supporting_20230318.pdf"
4. Additional Quality Improvement: Additional QI amounts applied in rating equal $0.0 \%$. Included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.

## Profit (or Contribution to Surplus) \& Risk Margin:

5. Contingency: Contingency is included in URRT Worksheet 2, "Profit \& Risk Load" and PA Rate Exhibits Table 6.

## Taxes and Fees:

1. Exchange Fee: N/A
2. Federal Income Tax: Federal Income Tax will be collected on the $2 \%$ contingency built into the premium. The projected Federal Income Tax is included in URRT Worksheet 2, "Taxes and Fees", and PA Rate Exhibits, Table 6.

See Exhibit H as well as PA Rate Exhibits Table 6 for all retention values.

## Plan Rate Development

The Plan Adjusted Index Rates are included in Worksheet 2, Section IV of URRT.
The following adjustments were used to derive the Plan Adjusted Index Rate:

1. Actuarial Value and Cost Sharing adjustment: The Actuarial Value and Cost Sharing Adjustment is determined using KHPC's actuarial cost model. KHPC uses an actuarial cost model to measure the impact of cost-sharing designs on cost and utilization amounts by service category. The cost model shows frequency per 1,000 per year by type of service (IP, OP, Professional), and allowed cost per service for each of the same types of service, normalized to a $\$ 0$ office visit copayment and a $\$ 25$ ER copayment. Given a particular benefit design (for example, $\$ 20$ office visit copayment), utilization is adjusted from the benchmark based on assumed utilization change factors, and cost per service is reduced by the copayment or coinsurance per service. Cost and utilization are multiplied together to derive a claim PMPM by service, summed for all services. The impact of global deductible, coinsurance, and out-of-pocket max is then measured based on CPDs, where the value of services that apply to the CPDs adjusts the level of the curve, as well as global utilization adjustments.
2. Induced Demand: Induced Demand: Induced Demand: Please see Table 8. Induced Demand is calculated as:

$$
[\text { Pricing } A V]^{2}-[\text { Pricing } A V]+1.24
$$

Where Pricing $A V$ is adjusted by the Non-Funding of CSR factor: PA Rate Exhibits, Table 10 , column K x column P.
3. Provider Network: The Provider network is the same across all HMO plans.
4. Adjustment for benefits in addition to EHBs: No benefits other than EHBs are included in the plans, so no adjustment is necessary.
5. Adjustment for distribution and administrative costs: Described in Retention Items section above.
6. Tobacco Adjustment: Not applied to Small Group plans.

The development of the Plan Adjusted Index rate is found in Exhibit L, and summarized in Exhibit M.

## Calibrated Plan Adjusted Index Rates

Age Curve Calibration: The average age factor is calculated by taking the member-weighted average of current small group enrollment by age in Capital. Age factors are applied in accordance with CMS's Standard Age Curve. The age calibration factor is adjusted for contracts with greater than three children under the age of 21. Please see file SG_23-20_Initial_KHP_HMO_ListBilled_Supporting_20230318.xlsb for the calculation.

Geographic Factor Calibration: The average geographic rating factor is calculated by taking the Capital member-weighted average by region.

Geographic factors are unchanged from 2022.

Tobacco Factor Calibration: Tobacco factor not applied.
The calibration is:
[Calibrated Plan Adjusted Index Rate] $=[$ Plan Adjusted Index Rate] $\div$ ([Age Curve Calibration] $\times$ [Geographic Factor Calibration $] x$ [Tobacco Factor $]$ )

Calibrated Plan Adjusted Index Rates are found on PA Rate Exhibits Table 10.
The calibration factors and development are found on Exhibit N.

## Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is developed as follows:

1. Member-Level Consumer Adjusted Premium Rate:

$$
\begin{aligned}
& {[\text { Member }- \text { Level Consumer Adjusted Premium Rate }] } \\
&=[\text { Calibrated Plan Adjusted Index Rate }] \times[\text { Age Factor }] \\
& \times[\text { Geographic Factor }] \times[\text { Tobacco Factor }]
\end{aligned}
$$

2. $\quad$ Family Consumer Adjusted Premium Rate $]=\Sigma[$ Member Level Consumer Adjusted Premium Rate]

With no more than three child dependents under age 21 taken into account
All consumer-level adjustments are applied uniformly to all plans in the Single Risk Pool. These adjustments do not vary by plan. Age and Geographic factors are displayed in Exhibits O.

Base Rates, i.e. Calibrated Plan Adjusted Index Rates, are found on Exhibit P.

## AV Metal Values

The AV Metal Values included in URRT Worksheet 2 and PA Rate Exhibits, Table 10 were based on the federally issued AV Calculator.

See AV Screenshots included with the submission:
SG_23-20_Initial_KHP_HMO_AVScreenPrints_Supporting_CONF_20230318

## AV Pricing Values

All AV Pricing values were developed using Capital's actuarial cost model and actuarial judgment as described in section Paid to Allowed above. Differences in health status are not included.

## Projected Loss Ratio

See Exhibit I for the projected loss ratio calculation. The projected loss ratio is calculated using the federally prescribed MLR methodology.

## Membership Projection

The membership projections found in Worksheet 2 of URRT were developed by assuming that moderate decline in enrollment and similar distribution to current.

## Projected versus Actual MLR

Exhibit R shows a history of projected versus actual MLR and Member Months. Projected comes from the 2018-2020 filings. Actual comes from Table 4.

|  | MLR |  | Member Months |  |
| ---: | ---: | ---: | ---: | ---: |
| Calendar Year | Actual | Pricing |  | Actual |
| 2018 | $83.51 \%$ | $79.65 \%$ | 3,985 | 11,580 |
| 2019 | $87.83 \%$ | $81.67 \%$ | 1,145 | 1,514 |
| 2020 | $85.83 \%$ | $80.33 \%$ | 888 | 1,140 |

## Claim Cost Projection

Exhibit S shows a history of claim cost projection versus actual from 2018-2021 filings.

## Attachments and Examples

The following is a list of Exhibits and Data to support this filing:
PA Rate Exhibits Part I through Part V
Table B
Exhibit A - Benefit Summary
Exhibit B - Benefit Change Summary
Exhibit C - Benefit Categories
Exhibit D - Benefit Mix
Exhibit D1 - Network Mix
Exhibit E - Trend
Exhibit F - URRT
Exhibit G - Paid-to-Allowed Development
Exhibit H - Retention
Exhibit I - Projected Loss Ratio
Exhibit J - Index Rate
Exhibit K - Market Adjusted Index Rate
Exhibit L - Rate Development by Plan

Exhibit M - Plan Adjusted Index Rates<br>Exhibit N - Calibration<br>Exhibit O - Rating Factors<br>Exhibit P - Quarterly Base Rates<br>Exhibit Q - Morbidity Factor<br>Exhibit R - MLR Exhibit<br>Exhibit S - Claim Cost Projection<br>\section*{Broker Contracts}<br>Actuarial Value Screenshots<br>List-Billed Data<br>\section*{Actuarial Statement}

I, , ASA, MAAA, am of the opinion that this filing is in compliance with the applicable Federal and State Laws and Regulations concerning the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.

I, , ASA, MAAA, do hereby certify that:

1. This filing has been prepared in accordance with the following:
a. Actuarial Standard of Practice No. 5, "Health and Disability Claims"
b. Actuarial Standard of Practice No. 8, "Regulatory Filings for Rates and Financial Projections for Health Plans"
c. Actuarial Standard of Practice No. 12, "Risk Classification"
d. Actuarial Standard of Practice No. 23, "Data Quality"
e. Actuarial Standard of Practice No. 25, "Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverage"
f. Actuarial Standard of Practice No. 26, "Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans"
g. Actuarial Standard of Practice No. 41, "Actuarial Communications".
2. The index rate is:
a. Projected in compliance with all applicable state and federal statutes and regulations (45 CFR 156.80(d) (1)).
b. Developed in compliance with the applicable Actuarial Standards of Practice.
c. Reasonable in relation to the benefits provided and the population anticipated to be covered.
d. Neither excessive nor deficient.
e. Adjusted by only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR $156.80(\mathrm{~d})(2)$ to generate plan level rates.
3. The percent of total premium that represents essential health benefits were calculated in accordance with actuarial standards of practice.
4. The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans, and in accordance with CFR 156.135(b)(2) as necessary. For any plan requiring an alternative method, the development of the actuarial value is based on one of the acceptable alternative methods outlined in $156.135(\mathrm{~b})(2)$ or 156.135 (b)(3) for benefits that deviate substantially from the parameters of the AVC and have a material impact on the actuarial value.
a. The analysis was
i. conducted by a member of the American Academy of Actuaries, and
ii. performed in accordance with generally accepted actuarial principles and methods.
5. Geographic area rating factors reflect only differences in the costs of delivery and not differences due to population morbidity.
6. All factor, benefit and other changes from the prior approved filing have been disclosed in the actuarial memorandum.
7. New plans are not considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
8. The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2023 Rate Filing Justification.


PA Rate Template Part I
Data Relevant to the Rate Filing
Table 0 . Identifiving Information


\section*{ <br> | snal Groum |
| :--- |
| $7 / 1 / 2023$ |}

Table 2b. Manual Experience Period Claims and Premiums


Table 3b. Manual Trend Component


Table 4b. Historical Manual Experience


## PA Rate Template Part II <br> Rate Developmentent and Chang Canier vame




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## PA Rate Quarterly Template Part V

## Consumer Factors

Table 12. Age and Tobacco Factors

| Projection Period Age and Tobacco Factors |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Age <br> Band | Age Factor | Tobacco Factor | Age <br> Band | Age Factor | Tobacco Factor |
| 0-14 | 0.765 |  | 40 | 1.278 | 1.000 |
| 15 | 0.833 |  | 41 | 1.302 | 1.000 |
| 16 | 0.859 |  | 42 | 1.325 | 1.000 |
| 17 | 0.885 |  | 43 | 1.357 | 1.000 |
| 18 | 0.913 |  | 44 | 1.397 | 1.000 |
| 19 | 0.941 |  | 45 | 1.444 | 1.000 |
| 20 | 0.970 |  | 46 | 1.500 | 1.000 |
| 21 | 1.000 | 1.000 | 47 | 1.563 | 1.000 |
| 22 | 1.000 | 1.000 | 48 | 1.635 | 1.000 |
| 23 | 1.000 | 1.000 | 49 | 1.706 | 1.000 |
| 24 | 1.000 | 1.000 | 50 | 1.786 | 1.000 |
| 25 | 1.004 | 1.000 | 51 | 1.865 | 1.000 |
| 26 | 1.024 | 1.000 | 52 | 1.952 | 1.000 |
| 27 | 1.048 | 1.000 | 53 | 2.040 | 1.000 |
| 28 | 1.087 | 1.000 | 54 | 2.135 | 1.000 |
| 29 | 1.119 | 1.000 | 55 | 2.230 | 1.000 |
| 30 | 1.135 | 1.000 | 56 | 2.333 | 1.000 |
| 31 | 1.159 | 1.000 | 57 | 2.437 | 1.000 |
| 32 | 1.183 | 1.000 | 58 | 2.548 | 1.000 |
| 33 | 1.198 | 1.000 | 59 | 2.603 | 1.000 |
| 34 | 1.214 | 1.000 | 60 | 2.714 | 1.000 |
| 35 | 1.222 | 1.000 | 61 | 2.810 | 1.000 |
| 36 | 1.230 | 1.000 | 62 | 2.873 | 1.000 |
| 37 | 1.238 | 1.000 | 63 | 2.952 | 1.000 |
| 38 | 1.246 | 1.000 | 64+ | 3.000 | 1.000 |
| 39 | 1.262 | 1.000 |  |  |  |


| Carrier Name: | Keystone Health Plan Central |
| :--- | :--- |
| Product(s): | HMO |
| Market Segment: | Small Group |
| Rate Effective Date: | $\mathbf{7 / 1 / 2 0 2 3}$ |

Table 13. Geographic Factors

| Geographic Area Factors |  |  |  |  |
| :--- | :--- | ---: | ---: | :---: |
| Area | Counties | Current <br> Factor | Proposed <br> Factor |  |
| Rating Area 1 |  |  |  |  |
| Rating Area 2 |  |  |  |  |
| Rating Area 3 |  |  |  |  |
| Rating Area 4 |  |  |  |  |
| Rating Area 5 | Centre, Columbia, Lehigh, Mifflin, Montour, <br> Northampton, Northumberland, Schutlkill, Snyder, <br> Union | 1.000 | 1.000 |  |
| Rating Area 6 | Adams, Berks, Lancaster, York | 1.080 | 1.080 |  |
| Rating Area 7 | Cumberland, Dauphin, Franklin, Fulton, Juniata, <br> Lebanon, Perry | 1.020 | 1.020 |  |
| Rating Area 8 |  |  |  |  |
| Rating Area 9 |  |  |  |  |

Table 14. Network Factors

| Projection Period Network Factors |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Network Name | Rating Area | Current <br> Factor | Proposed <br> Factor | Approval <br> Date |
| HMO | All | 1.000 | 1.000 | $9 / 19 / 2016$ |
|  |  |  |  |  |
|  |  |  |  |  |
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Keystone Health Plan Central
Small Group Rates
Effective 7/1/2023
Table B

| Plan ID | Plan Name | Metal Level <br> (2) | Projected Member Projected Allowed |  | Projected Paid Claims | Paid to Allowed Factor | Average Tobacco Factor | AV and Cost Sharing Factor | (8)/(6*7) Induced Utilization | Induced Demand Table 10 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Months | Claims |  |  |  |  |  |  |
| (1) |  |  | (3) | (4) | (5) | (6) | (7) | (8) | (9) |  |
| 53789PA0090004 | Bronze HMO 8000/0/50 | Bronze | 1,376 | \$1,092,952 | \$559,672 | 0.51 | 1.000 | 0.51 | 1.00 | 1.00 |
| Total |  |  | 1,376 | 1,092,952 | 559,672 | 0.512 | 1.00 | 0.512 | 1.00 | 1.00 |
| PMPM |  |  |  | 794.30 | 406.74 |  |  |  |  |  |
| Rate Dev II |  |  |  | 794.30 | 406.74 |  |  |  |  |  |


| Company Name: Market: Product: Effective Date of Rates: | Keystone Health Plan Central |  | Ending date of Rates: |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| HIOS Plan ID (On Exchange)=> |  |  |  |  |  |  |
| HIOS Plan ID (Off Exchange)=> | 53789PA0090004 |  | 53789PA0090004 |  | 53789PA0090004 |  |
| Plan Marketing Name => | Bronze HMO 8000/0/50 |  | Bronze HMO 8000/0/50 |  | Bronze HMO 8000/0/50 |  |
| Form \# => | C23-KHPC-SGP |  | C23-KHPC-SGP |  | C23-KHPC-SGP |  |
| Rating Area => | 6 |  | 7 |  | 9 |  |
| Network => | HMO |  | HMO |  | HMO |  |
| Metal => | Bronze |  | Bronze |  | Bronze |  |
| Deductible => | \$8000 Med/Rx Combined |  | \$8000 Med/Rx Combined |  | \$8000 Med/Rx Combined |  |
| Coinsurance => | 0\% |  | 0\% |  | 0\% |  |
| Copays => | \$50/\$85/\$0 PCP/SPC/ER |  | \$50/\$85/\$0 PCP/SPC/ER |  | \$50/\$85/\$0 PCP/SPC/ER |  |
| OOP Maximum => | \$8550 Med/Rx Combined |  | \$8550 Med/Rx Combined |  | \$8550 Med/Rx Combined |  |
| Pediatric Dental (Yes/No) => | Yes |  | Yes |  | Yes |  |
| Age Band | Non-Tobacco | Tobacco | Non-Tobacco | Tobacco | Non-Tobacco | Tobacco |
| 0-14 | \$233.23 | \$233.23 | \$251.88 | \$251.88 | \$237.89 | \$237.89 |
| 15 | \$253.96 | \$253.96 | \$274.27 | \$274.27 | \$259.04 | \$259.04 |
| 16 | \$261.88 | \$261.88 | \$282.83 | \$282.83 | \$267.12 | \$267.12 |
| 17 | \$269.81 | \$269.81 | \$291.39 | \$291.39 | \$275.21 | \$275.21 |
| 18 | \$278.35 | \$278.35 | \$300.61 | \$300.61 | \$283.91 | \$283.91 |
| 19 | \$286.88 | \$286.88 | \$309.83 | \$309.83 | \$292.62 | \$292.62 |
| 20 | \$295.72 | \$295.72 | \$319.38 | \$319.38 | \$301.64 | \$301.64 |
| 21 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 22 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 23 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 24 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 25 | \$306.09 | \$306.09 | \$330.58 | \$330.58 | \$312.21 | \$312.21 |
| 26 | \$312.19 | \$312.19 | \$337.16 | \$337.16 | \$318.43 | \$318.43 |
| 27 | \$319.50 | \$319.50 | \$345.06 | \$345.06 | \$325.89 | \$325.89 |
| 28 | \$331.39 | \$331.39 | \$357.91 | \$357.91 | \$338.02 | \$338.02 |
| 29 | \$341.15 | \$341.15 | \$368.44 | \$368.44 | \$347.97 | \$347.97 |
| 30 | \$346.03 | \$346.03 | \$373.71 | \$373.71 | \$352.95 | \$352.95 |
| 31 | \$353.34 | \$353.34 | \$381.61 | \$381.61 | \$360.41 | \$360.41 |
| 32 | \$360.66 | \$360.66 | \$389.51 | \$389.51 | \$367.87 | \$367.87 |
| 33 | \$365.23 | \$365.23 | \$394.45 | \$394.45 | \$372.54 | \$372.54 |
| 34 | \$370.11 | \$370.11 | \$399.72 | \$399.72 | \$377.51 | \$377.51 |
| 35 | \$372.55 | \$372.55 | \$402.36 | \$402.36 | \$380.00 | \$380.00 |
| 36 | \$374.99 | \$374.99 | \$404.99 | \$404.99 | \$382.49 | \$382.49 |
| 37 | \$377.43 | \$377.43 | \$407.62 | \$407.62 | \$384.98 | \$384.98 |
| 38 | \$379.87 | \$379.87 | \$410.26 | \$410.26 | \$387.47 | \$387.47 |
| 39 | \$384.75 | \$384.75 | \$415.53 | \$415.53 | \$392.44 | \$392.44 |
| 40 | \$389.62 | \$389.62 | \$420.79 | \$420.79 | \$397.42 | \$397.42 |
| 41 | \$396.94 | \$396.94 | \$428.70 | \$428.70 | \$404.88 | \$404.88 |
| 42 | \$403.95 | \$403.95 | \$436.27 | \$436.27 | \$412.03 | \$412.03 |
| 43 | \$413.71 | \$413.71 | \$446.81 | \$446.81 | \$421.98 | \$421.98 |
| 44 | \$425.90 | \$425.90 | \$459.98 | \$459.98 | \$434.42 | \$434.42 |
| 45 | \$440.23 | \$440.23 | \$475.45 | \$475.45 | \$449.04 | \$449.04 |
| 46 | \$457.30 | \$457.30 | \$493.89 | \$493.89 | \$466.45 | \$466.45 |
| 47 | \$476.51 | \$476.51 | \$514.63 | \$514.63 | \$486.04 | \$486.04 |
| 48 | \$498.46 | \$498.46 | \$538.34 | \$538.34 | \$508.43 | \$508.43 |
| 49 | \$520.11 | \$520.11 | \$561.72 | \$561.72 | \$530.51 | \$530.51 |
| 50 | \$544.50 | \$544.50 | \$588.06 | \$588.06 | \$555.39 | \$555.39 |
| 51 | \$568.58 | \$568.58 | \$614.07 | \$614.07 | \$579.95 | \$579.95 |
| 52 | \$595.11 | \$595.11 | \$642.71 | \$642.71 | \$607.01 | \$607.01 |
| 53 | \$621.93 | \$621.93 | \$671.69 | \$671.69 | \$634.37 | \$634.37 |
| 54 | \$650.90 | \$650.90 | \$702.97 | \$702.97 | \$663.92 | \$663.92 |
| 55 | \$679.86 | \$679.86 | \$734.25 | \$734.25 | \$693.46 | \$693.46 |
| 56 | \$711.26 | \$711.26 | \$768.16 | \$768.16 | \$725.49 | \$725.49 |
| 57 | \$742.97 | \$742.97 | \$802.41 | \$802.41 | \$757.83 | \$757.83 |
| 58 | \$776.81 | \$776.81 | \$838.95 | \$838.95 | \$792.34 | \$792.34 |
| 59 | \$793.58 | \$793.58 | \$857.06 | \$857.06 | \$809.45 | \$809.45 |
| 60 | \$827.42 | \$827.42 | \$893.61 | \$893.61 | \$843.97 | \$843.97 |
| 61 | \$856.68 | \$856.68 | \$925.22 | \$925.22 | \$873.82 | \$873.82 |
| 62 | \$875.89 | \$875.89 | \$945.96 | \$945.96 | \$893.41 | \$893.41 |
| 63 | \$899.98 | \$899.98 | \$971.97 | \$971.97 | \$917.98 | \$917.98 |
| 64+ | \$914.60 | \$914.60 | \$987.77 | \$987.77 | \$932.90 | \$932.90 |


| Company Name:Market:Product:Effective Date of Rates: | Keystone Health Plan Central (KHPC) |  | Ending date of Rates: |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Small Group |  |  |  |  |  |
|  | HMO |  |  |  |  |  |
|  | April 1, 2023 |  |  |  |  |  |
| HIOS Plan ID (On Exchange)=> |  |  |  |  |  |  |
| HIOS Plan ID (Off Exchange)=> | 53789PA0090004 |  | 53789PA0090004 |  | 53789PA0090004 |  |
| Plan Marketing Name => | Bronze HMO 8000/0/50 |  | Bronze HMO 8000/0/50 |  | Bronze HMO 8000/0/50 |  |
| Form \# => | C23-KHPC-SGP |  | C23-KHPC-SGP |  | C23-KHPC-SGP |  |
| Rating Area => | 6 |  | 7 |  | 9 |  |
| Network => | HMO |  | HMO |  | HMO |  |
| Metal => | Bronze |  | Bronze |  | Bronze |  |
| Deductible => | \$8000 Med/Rx Combined |  | \$8000 Med/Rx Combined |  | \$8000 Med/Rx Combined |  |
| Coinsurance => | 0\% |  | 0\% |  | 0\% |  |
| Copays => | \$50/\$85/\$0 PCP/SPC/ER |  | \$50/\$85/\$0 PCP/SPC/ER |  | \$50/\$85/\$0 PCP/SPC/ER |  |
| OOP Maximum => | \$8550 Med/Rx Combined |  | \$8550 Med/Rx Combined |  | \$8550 Med/Rx Combined |  |
| Pediatric Dental (Yes/No) => | Yes |  | Yes |  | Yes |  |
| Age Band | Non-Tobacco | Tobacco | Non-Tobacco | Tobacco | Non-Tobacco | Tobacco |
| 0-14 | \$233.23 | \$233.23 | \$251.88 | \$251.88 | \$237.89 | \$237.89 |
| 15 | \$253.96 | \$253.96 | \$274.27 | \$274.27 | \$259.04 | \$259.04 |
| 16 | \$261.88 | \$261.88 | \$282.83 | \$282.83 | \$267.12 | \$267.12 |
| 17 | \$269.81 | \$269.81 | \$291.39 | \$291.39 | \$275.21 | \$275.21 |
| 18 | \$278.35 | \$278.35 | \$300.61 | \$300.61 | \$283.91 | \$283.91 |
| 19 | \$286.88 | \$286.88 | \$309.83 | \$309.83 | \$292.62 | \$292.62 |
| 20 | \$295.72 | \$295.72 | \$319.38 | \$319.38 | \$301.64 | \$301.64 |
| 21 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 22 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 23 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 24 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 25 | \$306.09 | \$306.09 | \$330.58 | \$330.58 | \$312.21 | \$312.21 |
| 26 | \$312.19 | \$312.19 | \$337.16 | \$337.16 | \$318.43 | \$318.43 |
| 27 | \$319.50 | \$319.50 | \$345.06 | \$345.06 | \$325.89 | \$325.89 |
| 28 | \$331.39 | \$331.39 | \$357.91 | \$357.91 | \$338.02 | \$338.02 |
| 29 | \$341.15 | \$341.15 | \$368.44 | \$368.44 | \$347.97 | \$347.97 |
| 30 | \$346.03 | \$346.03 | \$373.71 | \$373.71 | \$352.95 | \$352.95 |
| 31 | \$353.34 | \$353.34 | \$381.61 | \$381.61 | \$360.41 | \$360.41 |
| 32 | \$360.66 | \$360.66 | \$389.51 | \$389.51 | \$367.87 | \$367.87 |
| 33 | \$365.23 | \$365.23 | \$394.45 | \$394.45 | \$372.54 | \$372.54 |
| 34 | \$370.11 | \$370.11 | \$399.72 | \$399.72 | \$377.51 | \$377.51 |
| 35 | \$372.55 | \$372.55 | \$402.36 | \$402.36 | \$380.00 | \$380.00 |
| 36 | \$374.99 | \$374.99 | \$404.99 | \$404.99 | \$382.49 | \$382.49 |
| 37 | \$377.43 | \$377.43 | \$407.62 | \$407.62 | \$384.98 | \$384.98 |
| 38 | \$379.87 | \$379.87 | \$410.26 | \$410.26 | \$387.47 | \$387.47 |
| 39 | \$384.75 | \$384.75 | \$415.53 | \$415.53 | \$392.44 | \$392.44 |
| 40 | \$389.62 | \$389.62 | \$420.79 | \$420.79 | \$397.42 | \$397.42 |
| 41 | \$396.94 | \$396.94 | \$428.70 | \$428.70 | \$404.88 | \$404.88 |
| 42 | \$403.95 | \$403.95 | \$436.27 | \$436.27 | \$412.03 | \$412.03 |
| 43 | \$413.71 | \$413.71 | \$446.81 | \$446.81 | \$421.98 | \$421.98 |
| 44 | \$425.90 | \$425.90 | \$459.98 | \$459.98 | \$434.42 | \$434.42 |
| 45 | \$440.23 | \$440.23 | \$475.45 | \$475.45 | \$449.04 | \$449.04 |
| 46 | \$457.30 | \$457.30 | \$493.89 | \$493.89 | \$466.45 | \$466.45 |
| 47 | \$476.51 | \$476.51 | \$514.63 | \$514.63 | \$486.04 | \$486.04 |
| 48 | \$498.46 | \$498.46 | \$538.34 | \$538.34 | \$508.43 | \$508.43 |
| 49 | \$520.11 | \$520.11 | \$561.72 | \$561.72 | \$530.51 | \$530.51 |
| 50 | \$544.50 | \$544.50 | \$588.06 | \$588.06 | \$555.39 | \$555.39 |
| 51 | \$568.58 | \$568.58 | \$614.07 | \$614.07 | \$579.95 | \$579.95 |
| 52 | \$595.11 | \$595.11 | \$642.71 | \$642.71 | \$607.01 | \$607.01 |
| 53 | \$621.93 | \$621.93 | \$671.69 | \$671.69 | \$634.37 | \$634.37 |
| 54 | \$650.90 | \$650.90 | \$702.97 | \$702.97 | \$663.92 | \$663.92 |
| 55 | \$679.86 | \$679.86 | \$734.25 | \$734.25 | \$693.46 | \$693.46 |
| 56 | \$711.26 | \$711.26 | \$768.16 | \$768.16 | \$725.49 | \$725.49 |
| 57 | \$742.97 | \$742.97 | \$802.41 | \$802.41 | \$757.83 | \$757.83 |
| 58 | \$776.81 | \$776.81 | \$838.95 | \$838.95 | \$792.34 | \$792.34 |
| 59 | \$793.58 | \$793.58 | \$857.06 | \$857.06 | \$809.45 | \$809.45 |
| 60 | \$827.42 | \$827.42 | \$893.61 | \$893.61 | \$843.97 | \$843.97 |
| 61 | \$856.68 | \$856.68 | \$925.22 | \$925.22 | \$873.82 | \$873.82 |
| 62 | \$875.89 | \$875.89 | \$945.96 | \$945.96 | \$893.41 | \$893.41 |
| 63 | \$899.98 | \$899.98 | \$971.97 | \$971.97 | \$917.98 | \$917.98 |
| 64+ | \$914.60 | \$914.60 | \$987.77 | \$987.77 | \$932.90 | \$932.90 |



| Company Name:Market:Product:Effective Date of Rates: | Keystone Health Plan Central(KHPC) |  | Ending date of Rates: |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Small Group |  |  |  |  |  |
|  | HMO |  |  |  |  |  |
|  | October 1, 2023 |  |  |  |  |  |
| HIOS Plan ID (On Exchange)=> |  |  |  |  |  |  |
| HIOS Plan ID (Off Exchange)=> | 53789PA0090004 |  | 53789PA0090004 |  | 53789PA0090004 |  |
| Plan Marketing Name => | Bronze HMO 8000/0/50 |  | Bronze HMO 8000/0/50 |  | Bronze HMO 8000/0/50 |  |
| Form \# => | C23-KHPC-SGP |  | C23-KHPC-SGP |  | C23-KHPC-SGP |  |
| Rating Area => | 6 |  | 7 |  | 9 |  |
| Network => | HMO |  | HMO |  | HMO |  |
| Metal => | Bronze |  | Bronze |  | Bronze |  |
| Deductible => | \$8000 Med/Rx Combined |  | \$8000 Med/Rx Combined |  | \$8000 Med/Rx Combined |  |
| Coinsurance => | 0\% |  | 0\% |  | 0\% |  |
| Copays => | \$50/\$85/\$0 PCP/SPC/ER |  | \$50/\$85/\$0 PCP/SPC/ER |  | \$50/\$85/\$0 PCP/SPC/ER |  |
| OOP Maximum => | \$8550 Med/Rx Combined |  | \$8550 Med/Rx Combined |  | \$8550 Med/Rx Combined |  |
| Pediatric Dental (Yes/No) => | Yes |  | Yes |  | Yes |  |
| Age Band | Non-Tobacco | Tobacco | Non-Tobacco | Tobacco | Non-Tobacco | Tobacco |
| 0-14 | \$233.23 | \$233.23 | \$251.88 | \$251.88 | \$237.89 | \$237.89 |
| 15 | \$253.96 | \$253.96 | \$274.27 | \$274.27 | \$259.04 | \$259.04 |
| 16 | \$261.88 | \$261.88 | \$282.83 | \$282.83 | \$267.12 | \$267.12 |
| 17 | \$269.81 | \$269.81 | \$291.39 | \$291.39 | \$275.21 | \$275.21 |
| 18 | \$278.35 | \$278.35 | \$300.61 | \$300.61 | \$283.91 | \$283.91 |
| 19 | \$286.88 | \$286.88 | \$309.83 | \$309.83 | \$292.62 | \$292.62 |
| 20 | \$295.72 | \$295.72 | \$319.38 | \$319.38 | \$301.64 | \$301.64 |
| 21 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 22 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 23 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 24 | \$304.87 | \$304.87 | \$329.26 | \$329.26 | \$310.97 | \$310.97 |
| 25 | \$306.09 | \$306.09 | \$330.58 | \$330.58 | \$312.21 | \$312.21 |
| 26 | \$312.19 | \$312.19 | \$337.16 | \$337.16 | \$318.43 | \$318.43 |
| 27 | \$319.50 | \$319.50 | \$345.06 | \$345.06 | \$325.89 | \$325.89 |
| 28 | \$331.39 | \$331.39 | \$357.91 | \$357.91 | \$338.02 | \$338.02 |
| 29 | \$341.15 | \$341.15 | \$368.44 | \$368.44 | \$347.97 | \$347.97 |
| 30 | \$346.03 | \$346.03 | \$373.71 | \$373.71 | \$352.95 | \$352.95 |
| 31 | \$353.34 | \$353.34 | \$381.61 | \$381.61 | \$360.41 | \$360.41 |
| 32 | \$360.66 | \$360.66 | \$389.51 | \$389.51 | \$367.87 | \$367.87 |
| 33 | \$365.23 | \$365.23 | \$394.45 | \$394.45 | \$372.54 | \$372.54 |
| 34 | \$370.11 | \$370.11 | \$399.72 | \$399.72 | \$377.51 | \$377.51 |
| 35 | \$372.55 | \$372.55 | \$402.36 | \$402.36 | \$380.00 | \$380.00 |
| 36 | \$374.99 | \$374.99 | \$404.99 | \$404.99 | \$382.49 | \$382.49 |
| 37 | \$377.43 | \$377.43 | \$407.62 | \$407.62 | \$384.98 | \$384.98 |
| 38 | \$379.87 | \$379.87 | \$410.26 | \$410.26 | \$387.47 | \$387.47 |
| 39 | \$384.75 | \$384.75 | \$415.53 | \$415.53 | \$392.44 | \$392.44 |
| 40 | \$389.62 | \$389.62 | \$420.79 | \$420.79 | \$397.42 | \$397.42 |
| 41 | \$396.94 | \$396.94 | \$428.70 | \$428.70 | \$404.88 | \$404.88 |
| 42 | \$403.95 | \$403.95 | \$436.27 | \$436.27 | \$412.03 | \$412.03 |
| 43 | \$413.71 | \$413.71 | \$446.81 | \$446.81 | \$421.98 | \$421.98 |
| 44 | \$425.90 | \$425.90 | \$459.98 | \$459.98 | \$434.42 | \$434.42 |
| 45 | \$440.23 | \$440.23 | \$475.45 | \$475.45 | \$449.04 | \$449.04 |
| 46 | \$457.30 | \$457.30 | \$493.89 | \$493.89 | \$466.45 | \$466.45 |
| 47 | \$476.51 | \$476.51 | \$514.63 | \$514.63 | \$486.04 | \$486.04 |
| 48 | \$498.46 | \$498.46 | \$538.34 | \$538.34 | \$508.43 | \$508.43 |
| 49 | \$520.11 | \$520.11 | \$561.72 | \$561.72 | \$530.51 | \$530.51 |
| 50 | \$544.50 | \$544.50 | \$588.06 | \$588.06 | \$555.39 | \$555.39 |
| 51 | \$568.58 | \$568.58 | \$614.07 | \$614.07 | \$579.95 | \$579.95 |
| 52 | \$595.11 | \$595.11 | \$642.71 | \$642.71 | \$607.01 | \$607.01 |
| 53 | \$621.93 | \$621.93 | \$671.69 | \$671.69 | \$634.37 | \$634.37 |
| 54 | \$650.90 | \$650.90 | \$702.97 | \$702.97 | \$663.92 | \$663.92 |
| 55 | \$679.86 | \$679.86 | \$734.25 | \$734.25 | \$693.46 | \$693.46 |
| 56 | \$711.26 | \$711.26 | \$768.16 | \$768.16 | \$725.49 | \$725.49 |
| 57 | \$742.97 | \$742.97 | \$802.41 | \$802.41 | \$757.83 | \$757.83 |
| 58 | \$776.81 | \$776.81 | \$838.95 | \$838.95 | \$792.34 | \$792.34 |
| 59 | \$793.58 | \$793.58 | \$857.06 | \$857.06 | \$809.45 | \$809.45 |
| 60 | \$827.42 | \$827.42 | \$893.61 | \$893.61 | \$843.97 | \$843.97 |
| 61 | \$856.68 | \$856.68 | \$925.22 | \$925.22 | \$873.82 | \$873.82 |
| 62 | \$875.89 | \$875.89 | \$945.96 | \$945.96 | \$893.41 | \$893.41 |
| 63 | \$899.98 | \$899.98 | \$971.97 | \$971.97 | \$917.98 | \$917.98 |
| 64+ | \$914.60 | \$914.60 | \$987.77 | \$987.77 | \$932.90 | \$932.90 |

Keystone Health Plan Central (KHPC)
Small Group
Plan Design Summary

| HIOS Plan ID | Plan Marketing Name | Product | Metal | On/Off <br> Exchange | Network | Rating Area | Counties Covered |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 53789PA0090004 | Bronze HMO 8000/0/50 | HMO | Bronze | Off | HMO | $6,7,9$ |  |

rates for age 21, Non-tobacco user, by rating area and county

|  |  |  |  |  | rating area 6 |  |  |  |  |  |  |  |  |  | rating area 7 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 02-01-2022 Numb | Lives by | County |  | 3 | 0 | 22 | 0 | 0 | 10 | 8 | 5 | 4 | 0 |  |
| HIOS Plan ID | Plan Marketing Name | Product | Metal | On/Off Exchange | Centre | Columbia | Lehigh | Mifflin | Montour | Northampton | Northumberland | Schuykill | Snyder | Union |  |
| 53789PA0090004 | Bronze HMO 8000/0/50 | HMO | Bronze | Off | \$304.87 | \$304.87 | \$304.87 | \$304.87 | \$304.87 | \$304.87 | \$304.87 | \$304.87 | \$304.87 | \$304.87 |  |

[^0]




anod Member M a

| 2.1. curentent tronment |
| :--- |
| 2.12 Loss foremim PMPM |


${ }_{2}^{2.15 \text { Member Cost Sharing }}$


| Section II: Pan Adiustment |  |  |
| :---: | :---: | :---: |
| Plan 1 P Standarat component |  | $\frac{189 p \text { a0090004 }}{57930}$ |
| 3.3 AV and Cost Stharing Desigi of PP |  | 1 |
| ${ }^{3}$ |  | (1.0000 |
| Administative Costs |  |  |
| 3.6 Administative Expense |  | 14.990 |
|  |  | \% |
| 3.9 Catastrobic Adisusment |  |  |
| 3.10 Plan Adiusted Index Rate |  | 1 |
| 3.11 Age Calibatation fatar | ${ }_{0} 0.646$ | 0.6446 |
| 3.12 eoegrapic caibration factor |  |  |
|  |  | ${ }_{50308.36}$ |
| Section V: Projectede Plan Level Intormation |  |  |
| 4.1 PPan II ( Standarat Component ti) | Total | Pa0000004 |
|  | ${ }_{\text {S666, } 92} 50$ | 6636,2 |
| 4.4 Member Cos Sharing | ,707 | 310,707 |
|  |  |  |
| ${ }_{\text {4, }}^{4.5}$ | (326,038 |  |
| 4.8 Renium | ${ }_{\text {S67, }{ }^{\text {a }} \text { (35 }}$ | ${ }_{6} 677.6$ |
| $\frac{4.9 \text { Projected M Member Month }}{4.0}$ | ${ }^{1.3,36}$ | 1.336 |
|  |  |  |
| 4.11 Allowed clims | ${ }_{546278}$ | 46278 |
| $\frac{4.12 \text { Reinururare }}{4.13 \text { Member cost Sharing }}$ | S0.00 <br> $\substack{\text { S22.80 }}$ |  |
| 4.14 cost Sharing Reduction | 50.00 |  |
| ${ }_{4}^{4.1515}$ neurred Clams | ${ }_{5}^{5236.98}$ | 532.98 |
|  |  |  |

Company legal Name:
Hos ssuer ID:
${ }_{\substack{5789 \\ 7 / 1 / 2023}}^{\text {State: }}$
${ }_{\text {sman Group }}^{\text {pa }}$


## Rating Area Data Collection

Specify the total number of Rating Areas in your State by selecting the Create Rating Areas button or Ctrl + Shift $+R$. Select only the Rating Areas you are offering plans within and add a factor for each area
To validate, select the Validate button or Ctrl + Shift +1 .

Rating Area Rating Factor To finalize, select the Finalize button or Ctrl + Shift + F.

| Rating Area | Rating Factor |
| :--- | :--- |
| Rating Area 6 | 1.0000 |
| Rating Area 7 | 1.0800 |
| Rating Area 9 | 1.0200 |

# KEYSTONE HEALTH PLAN CENTRAL 

## ACTUARIAL MEMORANDUM <br> Small Group Rates <br> Effective July 1, 2023 - December 31, 2023

## General Information

## Company Information

- Company Legal Name: Keystone Health Plan Central
- State: PA
- HIOS Issuer ID: 53789
- Market: Small Group
- Effective Date: 7/1/2023-12/31/2023


## PID Company Information

- Company Name: Keystone Health Plan Central (KHPC)
- NAIC: 95199
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 7/1/2023-12/31/2023
- Q3/Q4 Quarterly Rate Change Approved: 1.53\%
- Additional Q3/Q4 Quarterly Rate Change Requested: -1.88\%
- Average 2023 Annual Rate Change: 7.13\%
- Range of Requested Rate Change: $7.13 \%$ to $7.13 \%$
- Total additional annual revenue generated from the proposed rate change: $\$ 45,994$
- Product: HMO
- Rating Areas: 6,7,9
- Metal Levels: Bronze
- Current Covered Lives and Policyholders: 117/69
- 2023 Number of Plans/Change from 2022: 1/No Changes
- Contract Form \#: C23-KHPC-SGP
- Form Filing SERFF \#: CABC-133252159
- Binder SERFF \#: CABC-PA23-125113436
- HIOS Issuer ID: 53789


## Company Contact Information

- Primary Contact Name:
- Primary Contact Telephone Number:
- Primary Contact Email Address:


## Scope and Purpose

By this filing, Keystone Health Plan Central (KHPC), a subsidiary of Capital Blue Cross (Capital), submits rates for products to be made available to all small groups effective July 1, 2023 to December 31, 2023. KHPC will offer small group products off the federally-facilitated exchange.

This quarterly filing, as compared to the annual approved filing, only makes changes to the follow data items/factors:

- Membership
- Calibration factors due to updated enrollment
- Updated base experience period
- Risk adjustment projection
- Paid to Allowed Ratio and associated pricing AV due to updated base data
- Morbidity factor to align rates with CAAC

All other data items/factors are consistent with the approved annual filing.

## Rate History and Proposed Variations in Rate Changes

| Market | Company | Effective <br> Date | SERFF \# | Annual <br> Increase |
| :---: | :---: | :---: | :---: | :---: |
| Small Group | KHPC | $1 / 1 / 2019$ | CABC-131455108 | $5.0 \%$ |
| Small Group | KHPC | $1 / 1 / 2020$ | CABC-131921815 | $1.2 \%$ |
| Small Group | KHPC | $7 / 1 / 2020$ | CABC-132294841 | $-2.1 \%$ |
| Small Group | KHPC | $1 / 1 / 2021$ | CABC-132352804 | $-8.7 \%$ |
| Small Group | KHPC | $10 / 1 / 2021$ | CABC-132750972 | $-7.3 \%$ |
| Small Group | KHPC | $1 / 1 / 2022$ | CABC-132795960 | $4.6 \%$ |
| Small Group | KHPC | $1 / 1 / 2023$ | CABC-133252133 | $8.4 \%$ |

## Average Rate Change

KHPC is proposing an aggregate annual $7.13 \%$ rate change. The rate change is calculated in PA Rate Exhibits Part III, Table 10, cell AZ15.

- The additional rate change over the approved Q3/Q4 2023 rate is $-1.88 \%$.
- The total rate change consumers will see year over year (Q3/Q4 2023 over Q3/Q4 2022) is $6.26 \%$.
- The additional rate change over the total average approved annual rate is $-1.09 \%$. KHPC rates align with Capital subsidiary, Capital Advantage Assurance Company (CAAC), which holds the majority of Capital's Small Group membership. CAAC is projecting a favorable restatement of claims net risk adjustment, worth a reduction of $1.88 \%$ in premium rates for both CAAC and KHPC.


## Membership

Membership is shown in PA Rate Template Part I, Table 1. The average age is 40 .

## Benefit Changes 2022-2023

A summary of 2023 benefits is included in Exhibit A. There are no benefit design changes associated with this quarterly filing other than those changes submitted previously with the annual filing. All benefit changes referred to below are effective January 1, 2023.

There are benefit changes being implemented in 2023. All benefit changes comply with the uniform modification of coverage standards described in 45 CFR 147.106(e). Any plan with a benefit change that did not meet the uniform modification of coverage standard was terminated, and a new plan was created in its place. Benefit changes by plan are listed in Exhibit B, highlighted in yellow.

## Experience Period Premium and Claims

Single Risk Pool: The data used to develop rates and shown in URRT and PA Rate Exhibits abides by 45 CFR part 156.80 (d) single risk pool requirements. The single risk pool reflects all covered lives for every non-grandfathered, non-transitional product/plan combination for KHPC in the small group market.

Base Experience Period: The base experience period (BEP) includes completed fee-for-service paid and incurred claims and capitation for dates of service between July 1, 2021 and June 30, 2022.

Transitional membership is not included in PA Rate Exhibits Table 2 or URRT.
Paid Through Date: Claims in the BEP are paid through January 31, 2023
Premiums (net of MLR Rebate) in BEP: Premiums are calculated on an earned basis in the BEP. MLR rebate adjustments are equal to zero as KHPC does not expect to refund any MLR rebates in the BEP.

## Allowed and Incurred Claims in BEP:

- Allowed claims are developed by combining paid claims with member cost-sharing. Allowed claims meet the definition in the URR instructions. They do not include provider quality incentive payments.
- Incurred claims are net of HHS CSR payments (CSR does not apply to Small Group).
- Capital only covers Essential Health benefits (EHBs).
- KHPC includes capitated PCP and mental health services.
- Allowed and Incurred claims are net of pharmacy rebates. BEP rebates are completed based on actual utilization of rebate-eligible drugs and rebate amounts.

Estimated Incurred but Not Paid Claims: Paid claims by date of service come directly from Capital's data warehouse. The method for calculating incurred claims in the BEP is as follows:

1. Historical fee-for-service claims are viewed by date of service and date of payment in a claims triangle.
2. The claims triangle payments are then accumulated by date of service to develop factors that represent the rate of accumulation or rate of "completion".
3. Historical rates of completion by duration are used to derive projected rates of completion. Some of the methods used to develop projected completion factors are averages (e.g. harmonic averages, time weighted averages, geometric averages) and regression methods. Numerous items are considered when viewing these averages or regression statistics, such as the impact of high claims on perceived completion patterns.
4. For durations that exhibit a projected completion factor greater than the Valuation Actuary's chosen threshold (e.g. 80\% complete), cumulative paid and incurred claims are divided by the projected completion factor to arrive at ultimate incurred claims. For durations that are less than the chosen threshold, a projection methodology is used. Similar to completion factor development, projection methodologies are worthy of a lengthy discussion. In general, an ultimate incurred claims PMPM is derived by projecting a recent 12-month period to the current month(s) and seasonally adjusting.
5. With all months having both a cumulative paid amount and an estimated ultimate incurred amount, the completion factors used in pricing are calculated by taking the quotient of the two. Allowed completion and incurred completion are assumed to be identical.
6. Both allowed and paid claims in the BEP are completed by applying completion factors by incurred month developed in Step 6.

$$
\text { BEP Incurred Claims }=\sum \frac{\text { BEP Paid Claims by Incurred Month }}{\text { Completion by Incurred Month }}
$$

## BEP Allowed Claims

$$
=\sum \frac{\text { BEP Paid Claims }+ \text { BEP Member Cost Share by Incurred Month }}{\text { Completion by Incurred Month }}
$$

Risk Adjustment in BEP: Risk adjustment amounts in the BEP are equal to the amounts sent by the Department on 6/30/2022 and best estimate 2022 as of March 2023.

Loss Ratio in BEP: Loss ratio is 88.88\%
Credibility of Data

For the purpose of rate development, KHPC small group products are combined with other product offerings (HMO, PPO) from Capital subsidiaries. Combining the experience is actuarially justifiable for several reasons:

1. The demographics of members buying PPO and other products are similar.
2. Cost and utilization between PPO and other products are similar.
3. Medical policy between PPO and other products are almost identical, with the exception of referrals and no out-of-network benefit on HMO.

The credibility manual is the combination of KHPC, Capital Advantage Assurance Company (CAAC), and Capital Advantage Insurance Company (CAIC) data. The credibility manual BEP includes completed fee-for-service paid and incurred claims and capitation for dates of service between July 1, 2021 and June 30, 2022. All data is trended and benefit-adjusted in the same manner as the experience data (same projection factors and trend).

## Trend Identification

Trend: 6.20\%

Trend levels reflect Capital's best estimate of changes in utilization, provider reimbursement contracts, the network of facilities and providers, disease management initiatives and the impact of utilization management.

The following is a description of considerations used to determine trend.

1. Base Cost/ Change in hospital and physician contracting: The contracted increase in reimbursements to hospitals and physicians is the basis of cost trends. Capital uses the following to project future costs:
a. Vendor Physician Cost Model and Internal Hospital Contracting Model
i. The medical cost models use best estimates of Capital Blue Cross (Capital)'s future contracting increases with physicians and hospitals. The models use cost estimates based on varying contract effective dates by physician and hospital. All facilities and providers are considered in this modeling effort (i.e. acute and non-acute, network and non-network, inpatient and outpatient, in- area and out-of-area). From there, a monthly anticipated cost (assuming static utilization) summary is produced which can be used in projecting future claims costs. Cost trends are determined at the Capital book of business level for all commercial business.
b. Internal Prescription Drug Trend Model
i. Price Inflation
ii. Contract Pricing
iii. Member Cost-Sharing
iv. Units per Script
v. Brand/Generic Mix
vi. Therapeutic Mix
vii. Cost per Script
viii. Pipeline (new drugs)
2. Utilization Considerations:
a. Intensity of medical services rendered
b. Changes in place of service (e.g. continued migration of inpatient stays to outpatient setting)
c. Further migration from brand prescription drugs to generic prescription drugs
d. Favorable impacts of value based benefits designs
e. Medical utilization estimates reviewed by Capital's Chief Medical Officer
3. Leveraging: The trend model is based on allowed cost increases. Paid claims trend at a higher rate than allowed due to leveraging. Leveraging is the impact of static cost-share, such as deductibles and copays, to the paid trend.
4. Intensity: Measure of cost increase due to change in treatment sophistication. An example is migration from x-rays to MRIs at significantly higher cost.
5. Underwriting Cycle: The underwriting cycle is defined as the tendency to swing between profitable and unprofitable periods over time. The underwriting cycle is exacerbated partly by pricing performed with incomplete information as to the level of current experience trends. A reaction delay occurs, as carriers tend to rely on measurements of past experience in developing current pricing assumptions. As a result, carriers are often increasing their pricing trends when actual experience trends have begun to decline, and decreasing their pricing trends actual trends are increasing. Capital strives to mitigate the underwriting cycle by keeping trends consistent through times of increasing and decreasing claim cost and utilization.

Historical Experience: Historical experience was not used to the develop trend.
Benefit Categories: Claims in the benefit categories displayed in URRT come directly from Capital's data warehouse. These same categories are used to develop category-level trend. See Exhibit C for a description of benefits by benefit category.

See Exhibit E for KHPC's pricing trend, as well as cost and utilization components of the pricing trend.

## Rate Development \& Change

## Projection Factors

Changes in Morbidity: Found in URRT Worksheet 1, "Morbidity Adjustment", and PA Rate Exhibits, Table 5.

KHPC is applying a factor of 0.590 to reflect the difference is projected Plan Liability Risk Score (PLRS) between KHPC and its subsidiary, CAAC, which underwrites the vast majority of the BEP experience. This factor aligns the rates with similar benefits offered under CAAC.

The above factor is found in Exhibit Q, Morbidity Factor Calculation.
Changes in Benefits: Benefit changes are not applied to allowed claims as allowed should stay consistent from 2021 to 2023. Benefit changes are applied in the development of future incurred claims, due to changes in member cost-share. This calculation is shown in Exhibit D, and applied in Exhibit G. The manual cost PMPMs are developed from Capital's internal benefit relativity model, discussed in the Plan Adjusted Index Rate section below. The benefit change is equal to member-month weighted average projected manual PMPM divided by member-month weighted average manual PMPM in the BEP. This process is further discussed in the Paid-to-Allowed section below.

Changes in Demographics: KHPC does not expect changes in demographics in its small group population.

Changes in Network: Network change is applied to reflect the difference between a mix of PPO, EPO and HMO experience in the BEP compared to HMO in the projection period. The calculation is found on Exhibit D1: Network Mix Changes.

Other Adjustments: No other adjustment is applied to the BEP.
Benefits, Demographics, Network and Other adjustments are found in URRT, Worksheet 1, and PA Rate Exhibits, Table 5.

## Index Rate

The experience period index rate is KHPC's allowed claims PMPM, set in accordance with the single risk pool provision. All KHPC covered benefits are categorized as Essential Health Benefits (EHBs), therefore no adjustment was made to the experience period index.

Projected Allowed Claims: The KHPC experience period allowed claims, benefit-adjusted, trended to the projection period (See Projection Factors section above), and credibility adjusted, is the Projected Allowed Claims at Current Benefits. This number is reflected in Worksheet 1 of URRT ("Projected Allowed Experience Claims PMPM (w/ applied credibility if applicable)").

To calculate the projected index rate:

1. Start with Projected Allowed Claims at Current Benefits
2. The Projected Allowed Claims at Current Benefits reflect EHBs 100 percent, so no adjustment needs to be made to add EHBs and remove non-EHB claim cost. This is the index rate for individuals renewing January - December.

See Exhibit J for the Index Rate.

## Paid to Allowed Ratio

KHPC used the prescribed URRT allowed claim rate development methodology in conjunction with a paid and incurred rate development methodology to determine final premium rates. URRT projects allowed claims, and uses a paid-to-allowed ratio in order to adjust allowed claims to paid levels. This value is then used to develop premiums. In order to determine the paid-to-allowed ratio, KHPC projected paid and incurred claims, adjusted for benefits, to the experience period.

Projected Paid and Incurred Claims are calculated as follows:

1. Gather claims experience as described in the Data section above.
a. Base Experience Period (BEP) Paid Claims, Capitation, and Rx Rebates
b. BEP Member Months
2. Develop BEP Paid and Incurred Claims:

$$
\text { BEP Paid and Incurred Claims }=\frac{\text { BEP Paid Claims }}{\text { Completion Factor }}
$$

The development of completion factors is described in Experience Period Premium and Claims above.
3. Develop the BEP Paid and Incurred Claim PMPM:

$$
\text { BEP Paid and Incurred Claim PMPM }=\frac{\text { BEP Paid and Incurred Claims }}{\text { BEP Member Months }}
$$

4. Develop Trended Claim PMPM: Using the aggregate trend described in the Projection Factors section above, trend the BEP Paid and Incurred Claim PMPM from the midpoint of the experience period to the midpoint of the rating period.

## Trended Claim PMPM

$$
=[B E P \text { Paid and Incurred Claim PMPM }] \times(1+[\text { Trend } \%])^{\text {Trend Months } / 12}
$$

5. Develop Projected Paid and Incurred Claim PMPM:

$$
\begin{aligned}
& \text { Projected Paid and Incurred Claims PMPM } \\
&=[\text { Trended Claim PMPM }] \times[\text { Benefit Adjustment }] \\
& \times[\text { Morbidity Adjustment }] \times[\text { Other Adjustment }]
\end{aligned}
$$

The Benefit Adjustment, Morbidity Adjustment, and Other Adjustment are discussed in the Projections Factors section above.
6. Develop Projected Claims PMPM by Benefit as follows:
a. KHPC uses an actuarial cost model to measure the impact of cost-sharing designs on cost and utilization amounts by service category. The cost model shows frequency per 1,000 per year by type of service (IP, OP, Professional), and allowed cost per service for each of the same types of service, normalized to a $\$ 0$ office visit copayment and a $\$ 25$ ER copayment. Given a particular benefit design (for example, $\$ 20$ office visit copayment), utilization is adjusted from the benchmark based on assumed utilization change factors, and cost per service is reduced by the copayment or coinsurance per service. Cost and utilization are multiplied together to derive a PMPM by service, summed for all services. The impact of global deductible, coinsurance, and out-of-pocket max is then measured based on cumulative probability distributions (CPDs), where the value of services that apply to the CPDs adjusts the level of the curve, as well as global utilization adjustments.
b. This actuarial cost model derives a Manual Cost for each benefit design in the experience period, as well as plans being offered in the projection period. The average Manual Cost of the experience is compared to the Manual Cost of the base plan. The projected experience period data is then adjusted to the base plan:

$$
\text { Benefit Level Adjustment }=\frac{\text { Average Manual Cost in Projection Period }}{\text { Manual Cost of Base Plan }}
$$

c. The Projected Paid and Incurred Claim PMPM (Step 5) is then adjusted to the Base Plan as follows:

Base Plan Paid and Incurred Claims PMPM

$$
=\frac{\text { Benefit Adjusted Paid and Incurred Claims PMPM }}{\text { Benefit Level Adjustment }}
$$

d. Each additional benefit design has its own unique Manual Cost, which can then be compared to the Base Plan to develop a Benefit Relativity:

$$
\text { Benefit Relativity } A=\frac{\text { Manual Cost of Benefit } A}{\text { Manual Cost of Base Plan }}
$$

e. The Benefit Relativity developed in d . above is then used as a gauge to develop a final Pricing Relativity. This pricing relativity is developed using actuarial judgment including the following considerations:
i. Final premium relativities must make sense based on benefits. For example, the annual cost difference between a 2000 plan and 1000 plan must be less than $\$ 1000$.
ii. Adjustments for plan designs that fall outside of the actuarial cost model.
a. So the Projected Claims PMPM by Benefit is:

$$
\begin{aligned}
& \text { Projected Claims PMPM Benefit A } \\
&=\text { Projected Claims PMPM Base Plan } \\
& \times \text { Pricing Relativity } A
\end{aligned}
$$

b. And to arrive at the Total Projected Claims PMPM, KHPC assumes a distribution of members across the benefit plans being offered in the projection period. The Total Projected Claims PMPM :

$$
\begin{gathered}
=\text { Projected Claims PMPM Benefit } A \times \text { Expected Member Dist of Benefit } A \\
+ \text { Projected Claims PMPM Benefit B } \\
\times \text { Expected Member Dis of Benefit } B+\cdots
\end{gathered}
$$

7. The Paid-To-Allowed Ratio is then:

$$
\text { Paid to Allowed Ratio }=\frac{\text { Total Projected Claims PMPM }}{\text { Projected Allowed Claims at Current Benefits }}
$$

See Exhibit G for the development of the Paid-to-Allowed Ratio. And see Exhibit L for the plan-level projected incurred amount development.

## Market Adjusted Index Rate

The Market Adjusted Index Rate is calculated as the Index Rate adjusted for all allowable marketwide modifiers defined in the market rating rules, 45 CFR Part 156.80(d)(1). So,

$$
\begin{aligned}
& {[\text { Market Adjusted Index Rate }] } \\
&=([\text { Index Rate }] x[\text { Paid to Allowed Ratio }] \\
&-[\text { Projected Incurred Reinsurace Recoveries }] \\
&-[\text { Projected Incurred Risk Adjustment PMPM }] \\
&+[\text { Exchange Fees PMPM }]) \div[\text { Paid to Allowed Ratio }]
\end{aligned}
$$

## Projected Incurred Risk Adjustments PMPM:

Relevant to 2023 pricing is the impact of Commercial Risk Adjustment (CRA) payment transfers that are expected to be earned in 2023. The following items are those that we deem important in generating a CRA payment transfer adjustment:

1. Risk profile of the those enrolled in CRA eligible plans for the market or state (i.e. competitors) relative to risk profile of CRA eligible membership enrolled in our plans
2. Statewide average premiums
3. Current market penetration of this company and competitors in the market and in the state
4. 2020-2021 risk adjustment results
5. Market improvement in coding risk: Capital's ACA book of business has had a churn rate that makes a multi-year perspective of member diagnosis and risk very challenging.

Because closing gaps in care and coding, and a myriad of other risk adjustment functions require more than a single year of data to facilitate an accurate depiction of risk, it is believed that Capital is disadvantaged in the market. This will drive Capital's relative risk to the market down over time.

The 2023 projected risk adjustment PMPM uses actual 2021 CRA transfer and estimated 2022 CRA transfer to calculate a July 2021-June 2022 risk adjustment experience period. That value is projected to 2023 by assuming an increase in premium from 2021/2022 to 2023. The calculation is found is Exhibit K : Market Adjusted Index Rate.

## Projected Incurred Reinsurance Recoveries:

Reinsurance does not apply to the small group market.

## Exchange Fee PMPM:

KHPC only offers off-exchange plans in the small group market, so the exchange fee is $\$ 0$.
The exchange fee PMPM is calculated as:
Exchange Fee PMPM

$$
\begin{aligned}
& =[\text { Avg } 2023 \text { On }- \text { Exchange Premium PMPM }] \times[\% \text { Members On } \\
& - \text { Exchange }]
\end{aligned}
$$

Where

$$
\begin{aligned}
{[\text { Avg } 2023 \text { On }} & - \text { Exchange Premium PMPM } \\
& =[\text { Avg } 2022 \text { On }- \text { Exchange Premium PMPM } \times(1 \\
& +[\text { Avg Proposed Rate Change }])
\end{aligned}
$$

See Exhibit K for the development of the Market Adjusted Index Rate.

## Retention Items

## Administrative Expense Load:

1. Risk Adjustment User Fee: To fund the HHS-risk adjustment program, issuers will remit to HHS a fee of \$0.22 PMPM. The Risk Adjustment Fee PMPM is included in URRT Worksheet 1, URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.
2. Administrative Expense: Calculated using an allocation method from Capital's Finance department, and trended to the rating period. Costs are allocated according to results reported through a company-wide questionnaire. On an annual basis, each cost center within the company completes a questionnaire listing the distribution of costs (in percentage terms) by product as well as by market segment. For example, the questionnaire will ask what percentage of time is spent on PPO versus HMO versus Drug versus Medicare. And separately will ask what percentage of time is spent on large group, small group, individual, and government programs. Using those distributions, all
costs needed to perform the business are allocated to the proper market segments and lines of business. The administrative expense applied in the rate development is the total expense allocated to Capital small group products. Administrative expenses are included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.
Expense as a percentage of premium vary by plan because a fixed dollar admin PMPM is applied to each plan.
a. Value-Based Benefits (VBB): Standard with each plan, Capital Blue Cross includes wellness incentives to maximize the likelihood that consumers make positive behavioral changes, which lead to better health, and curbed health care costs for employers and employees alike. The incentive is as follows:
i. Complete biometric screening and receive a gift card.
ii. Meeting biometric measure or finish online coaching program and receive a gift card reward.
iii. The wellness program is administered through a vendor and costs are based on vendor fees, anticipated participation, and reward card amounts.
iv. Fees are included in overall administrative expense fee discussed above.
v. Included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.
3. Broker Expense: Calculated based on Capital's explicit per contract broker fee. Broker Expense is included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6. Brokers are paid on new business and renewals the same commission rate for all geographic locations, enrollment dates, and metal levels. Attached please find the proposed 2023 broker agreements - redacted versions. Files are as follows:
a. Redacted Standard Producer Master Agreement: "SG_23-

20_Initial_KHP_HMO_SPMABrokerGroupRedacted_Supporting_20230318.pdf"
b. Redacted Preferred Producer Master Agreement: "SG_23-

20_Initial_KHP_HMO_PPMABrokerGroupRedacted_Supporting_20230318.pdf"
4. Additional Quality Improvement: Additional QI amounts applied in rating equal $0.0 \%$. Included in URRT Worksheet 2, "Administrative Expense", and PA Rate Exhibits Table 6.

## Profit (or Contribution to Surplus) \& Risk Margin:

5. Contingency: Contingency is included in URRT Worksheet 2, "Profit \& Risk Load" and PA Rate Exhibits Table 6.

## Taxes and Fees:

1. Exchange Fee: N/A
2. Federal Income Tax: Federal Income Tax will be collected on the $2 \%$ contingency built into the premium. The projected Federal Income Tax is included in URRT Worksheet 2, "Taxes and Fees", and PA Rate Exhibits, Table 6.

See Exhibit H as well as PA Rate Exhibits Table 6 for all retention values.

## Plan Rate Development

The Plan Adjusted Index Rates are included in Worksheet 2, Section IV of URRT.
The following adjustments were used to derive the Plan Adjusted Index Rate:

1. Actuarial Value and Cost Sharing adjustment: The Actuarial Value and Cost Sharing Adjustment is determined using KHPC's actuarial cost model. KHPC uses an actuarial cost model to measure the impact of cost-sharing designs on cost and utilization amounts by service category. The cost model shows frequency per 1,000 per year by type of service (IP, OP, Professional), and allowed cost per service for each of the same types of service, normalized to a $\$ 0$ office visit copayment and a $\$ 25$ ER copayment. Given a particular benefit design (for example, $\$ 20$ office visit copayment), utilization is adjusted from the benchmark based on assumed utilization change factors, and cost per service is reduced by the copayment or coinsurance per service. Cost and utilization are multiplied together to derive a claim PMPM by service, summed for all services. The impact of global deductible, coinsurance, and out-of-pocket max is then measured based on CPDs, where the value of services that apply to the CPDs adjusts the level of the curve, as well as global utilization adjustments.
2. Induced Demand: Induced Demand: Induced Demand: Please see Table 8. Induced Demand is calculated as:

$$
[\text { Pricing } A V]^{2}-[\text { Pricing } A V]+1.24
$$

Where Pricing $A V$ is adjusted by the Non-Funding of CSR factor: PA Rate Exhibits, Table 10 , column K x column P.
3. Provider Network: The Provider network is the same across all HMO plans.
4. Adjustment for benefits in addition to EHBs: No benefits other than EHBs are included in the plans, so no adjustment is necessary.
5. Adjustment for distribution and administrative costs: Described in Retention Items section above.
6. Tobacco Adjustment: Not applied to Small Group plans.

The development of the Plan Adjusted Index rate is found in Exhibit L, and summarized in Exhibit M.

## Calibrated Plan Adjusted Index Rates

Age Curve Calibration: The average age factor is calculated by taking the member-weighted average of current small group enrollment by age in Capital. Age factors are applied in accordance with CMS's Standard Age Curve. The age calibration factor is adjusted for contracts with greater than three children under the age of 21. Please see file SG_23-20_Initial_KHP_HMO_ListBilled_Supporting_20230318.xlsb for the calculation.

Geographic Factor Calibration: The average geographic rating factor is calculated by taking the Capital member-weighted average by region.

Geographic factors are unchanged from 2022.

Tobacco Factor Calibration: Tobacco factor not applied.
The calibration is:
[Calibrated Plan Adjusted Index Rate] $=[$ Plan Adjusted Index Rate] $\div$ ([Age Curve Calibration] $\times$ [Geographic Factor Calibration $] x$ [Tobacco Factor $]$ )

Calibrated Plan Adjusted Index Rates are found on PA Rate Exhibits Table 10.
The calibration factors and development are found on Exhibit N.

## Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is developed as follows:

1. Member-Level Consumer Adjusted Premium Rate:

$$
\begin{aligned}
& {[\text { Member }- \text { Level Consumer Adjusted Premium Rate }] } \\
&=[\text { Calibrated Plan Adjusted Index Rate }] \times[\text { Age Factor }] \\
& \times[\text { Geographic Factor }] \times[\text { Tobacco Factor }]
\end{aligned}
$$

2. $\quad$ Family Consumer Adjusted Premium Rate $]=\Sigma[$ Member Level Consumer Adjusted Premium Rate]

With no more than three child dependents under age 21 taken into account
All consumer-level adjustments are applied uniformly to all plans in the Single Risk Pool. These adjustments do not vary by plan. Age and Geographic factors are displayed in Exhibits O.

Base Rates, i.e. Calibrated Plan Adjusted Index Rates, are found on Exhibit P.

## AV Metal Values

The AV Metal Values included in URRT Worksheet 2 and PA Rate Exhibits, Table 10 were based on the federally issued AV Calculator.

See AV Screenshots included with the submission:
SG_23-20_Initial_KHP_HMO_AVScreenPrints_Supporting_CONF_20230318

## AV Pricing Values

All AV Pricing values were developed using Capital's actuarial cost model and actuarial judgment as described in section Paid to Allowed above. Differences in health status are not included.

## Projected Loss Ratio

See Exhibit I for the projected loss ratio calculation. The projected loss ratio is calculated using the federally prescribed MLR methodology.

## Membership Projection

The membership projections found in Worksheet 2 of URRT were developed by assuming that moderate decline in enrollment and similar distribution to current.

## Projected versus Actual MLR

Exhibit R shows a history of projected versus actual MLR and Member Months. Projected comes from the 2018-2020 filings. Actual comes from Table 4.

|  | MLR |  | Member Months |  |
| ---: | ---: | ---: | ---: | ---: |
| Calendar Year | Actual | Pricing |  | Actual |
| 2018 | $83.51 \%$ | $79.65 \%$ | 3,985 | 11,580 |
| 2019 | $87.83 \%$ | $81.67 \%$ | 1,145 | 1,514 |
| 2020 | $85.83 \%$ | $80.33 \%$ | 888 | 1,140 |

## Claim Cost Projection

Exhibit S shows a history of claim cost projection versus actual from 2018-2021 filings.

## Attachments and Examples

The following is a list of Exhibits and Data to support this filing:
PA Rate Exhibits Part I through Part V
Table B
Exhibit A - Benefit Summary
Exhibit B - Benefit Change Summary
Exhibit C - Benefit Categories
Exhibit D - Benefit Mix
Exhibit D1 - Network Mix
Exhibit E - Trend
Exhibit F - URRT
Exhibit G - Paid-to-Allowed Development
Exhibit H - Retention
Exhibit I - Projected Loss Ratio
Exhibit J - Index Rate
Exhibit K - Market Adjusted Index Rate
Exhibit L - Rate Development by Plan

Exhibit M - Plan Adjusted Index Rates<br>Exhibit N - Calibration<br>Exhibit O - Rating Factors<br>Exhibit P - Quarterly Base Rates<br>Exhibit Q - Morbidity Factor<br>Exhibit R - MLR Exhibit<br>Exhibit S - Claim Cost Projection<br>\section*{Broker Contracts}<br>Actuarial Value Screenshots<br>List-Billed Data<br>\section*{Actuarial Statement}

I, , ASA, MAAA, am of the opinion that this filing is in compliance with the applicable Federal and State Laws and Regulations concerning the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.

I, , ASA, MAAA, do hereby certify that:

1. This filing has been prepared in accordance with the following:
a. Actuarial Standard of Practice No. 5, "Health and Disability Claims"
b. Actuarial Standard of Practice No. 8, "Regulatory Filings for Rates and Financial Projections for Health Plans"
c. Actuarial Standard of Practice No. 12, "Risk Classification"
d. Actuarial Standard of Practice No. 23, "Data Quality"
e. Actuarial Standard of Practice No. 25, "Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverage"
f. Actuarial Standard of Practice No. 26, "Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans"
g. Actuarial Standard of Practice No. 41, "Actuarial Communications".
2. The index rate is:
a. Projected in compliance with all applicable state and federal statutes and regulations (45 CFR 156.80(d) (1)).
b. Developed in compliance with the applicable Actuarial Standards of Practice.
c. Reasonable in relation to the benefits provided and the population anticipated to be covered.
d. Neither excessive nor deficient.
e. Adjusted by only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR $156.80(\mathrm{~d})(2)$ to generate plan level rates.
3. The percent of total premium that represents essential health benefits were calculated in accordance with actuarial standards of practice.
4. The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans, and in accordance with CFR 156.135(b)(2) as necessary. For any plan requiring an alternative method, the development of the actuarial value is based on one of the acceptable alternative methods outlined in $156.135(\mathrm{~b})(2)$ or 156.135 (b)(3) for benefits that deviate substantially from the parameters of the AVC and have a material impact on the actuarial value.
a. The analysis was
i. conducted by a member of the American Academy of Actuaries, and
ii. performed in accordance with generally accepted actuarial principles and methods.
5. Geographic area rating factors reflect only differences in the costs of delivery and not differences due to population morbidity.
6. All factor, benefit and other changes from the prior approved filing have been disclosed in the actuarial memorandum.
7. New plans are not considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
8. The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2023 Rate Filing Justification.










PA Rate Template Part 1
Data Relevant to the Rate Filing
Table 0. Identifving Information

Table 1 Number

|  | Membermonts | Membes | Membermonts |
| :---: | :---: | :---: | :---: |
|  | Experience eeriod |  | Projected fating Period |
| Average Age | 39,7 | 40.4 | 404 |
| Total | 12.87 | 117 | ${ }_{1}^{1376}$ |
|  | 107 <br> 124 <br> 1 | ${ }_{11}$ | ${ }_{129}^{82}$ |
|  | ${ }_{\substack{138 \\ 183 \\ \hline}}$ | ${ }_{14}^{14}$ | ${ }_{\substack{195 \\ 153}}^{\text {120 }}$ |
| ${ }_{\text {38 }}^{385.39}$ | ${ }_{94}^{94}$ | ${ }_{11}^{11}$ | ${ }_{129}^{129}$ |
| ${ }_{49}^{4954.49}$ | ${ }_{116}^{116}$ | 11 | ${ }_{129}^{129}$ |
|  | ${ }^{1186}$ | 11 11 11 | ${ }_{1}^{129}$ |
|  | ${ }_{28}^{128}$ | $\frac{11}{3}$ | ${ }_{\substack{129 \\ 35}}^{10}$ |



Table 4. Historical Experience


## 

Table 2b. Manual Experience Period Claims and Premiums


Table 3b. Manual Trend Component


Table 4b. Historical Manual Experience


[^1]
## PA Rate Template Part II

| Rate Development and Change Carrier Name |  |  |  |
| :---: | :---: | :---: | :---: |
| Maxate Segment | ${ }^{\text {smana foup }}$ |  |  |
| Rate fectivivo otae |  |  |  |
| Table 5. Development of the Projected Index Rate, Marke-Adjusted Index Rate, and Total Allowed Claims |  |  |  |
|  | ${ }^{\text {Actuateperience }}$ Date | Manualotat |  |
|  | 5 ${ }_{3} 35484$ |  | fere 5 |
|  | ${ }_{1288}^{12887}$ | 79230 | ${ }_{7231}$ |
|  | - |  |  |
| Change in Motbitit- Impa | 1.000 | 1.000 |  |
|  | (0.590 |  | -Seeverar hast |
| 隹 | 1000 | (0.000 | -See uera haxations |
| Clane inemotk |  | (0900 |  |
|  | (1000 | (1000 |  |
|  | ${ }^{232888}$ | 16279 | -seentrutions |
|  |  |  |  |
|  |  |  |  |
| (aideme | coicle |  |  |
|  | 5 23698 |  |  |
| Propeced haureded changes susf fees PMM | s ${ }^{1699760}$ |  |  |
| Premer |  |  |  |
|  | $5 \quad 79390$ | Watesafisued mide | asa |
|  | 5 |  |  |
|  | S 40674 |  |  |
|  | S 79930 |  |  |



| Blended Base Period Unad Blended Earned Premium | 120.43 |
| :---: | :---: |

Table 5A. Small Group Projected Index Rate with Quarterly Trend

| Estetive oie | ${ }^{1 / 1 / 2023}$ | $41 / 2023$ | 71/2023 | 10071203 | Toat Snige Resproom |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 何 |  |  | ${ }_{462789}^{188}$ |  | s $\quad \begin{gathered}1.376 \\ 46279\end{gathered}$ |
|  |  |  | 6.2085 | ${ }_{6} 6.2{ }^{3}$ |  |
|  |  |  |  | (109, | $5 \quad \substack{26.594 \\ \text { cis }}$ |

## Table 6 . Retentio

|  |  | PMPM Amounts | ${ }_{82509}$ |
| :---: | :---: | :---: | :---: |
|  | cose |  |  |
|  |  |  |  |
|  |  |  |  |
|  | 0.008 | S000 |  |
|  | ${ }^{0.535}$ | ${ }_{5262}^{520}$ |  |
| Profitconingenery fater tax | ${ }^{20088}$ | ${ }_{5985}$ |  |
| Toit feemion | 17418 | 58573 |  |
| roieced feauried feemerue M M |  |  |  |



Table 8. Components of Rate Change


## 


y．

舜




## PA Rate Quarterly Template Part V

## Consumer Factors

Table 12. Age and Tobacco Factors

| Projection Period Age and Tobacco Factors |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Age <br> Band | Age Factor | Tobacco Factor | Age <br> Band | Age Factor | Tobacco |
| 0-14 | 0.765 |  | 40 | 1.278 | 1.000 |
| 15 | 0.833 |  | 41 | 1.302 | 1.000 |
| 16 | 0.859 |  | 42 | 1.325 | 1.000 |
| 17 | 0.885 |  | 43 | 1.357 | 1.000 |
| 18 | 0.913 |  | 44 | 1.397 | 1.000 |
| 19 | 0.941 |  | 45 | 1.444 | 1.000 |
| 20 | 0.970 |  | 46 | 1.500 | 1.000 |
| 21 | 1.000 | 1.000 | 47 | 1.563 | 1.000 |
| 22 | 1.000 | 1.000 | 48 | 1.635 | 1.000 |
| 23 | 1.000 | 1.000 | 49 | 1.706 | 1.000 |
| 24 | 1.000 | 1.000 | 50 | 1.786 | 1.000 |
| 25 | 1.004 | 1.000 | 51 | 1.865 | 1.000 |
| 26 | 1.024 | 1.000 | 52 | 1.952 | 1.000 |
| 27 | 1.048 | 1.000 | 53 | 2.040 | 1.000 |
| 28 | 1.087 | 1.000 | 54 | 2.135 | 1.000 |
| 29 | 1.119 | 1.000 | 55 | 2.230 | 1.000 |
| 30 | 1.135 | 1.000 | 56 | 2.333 | 1.000 |
| 31 | 1.159 | 1.000 | 57 | 2.437 | 1.000 |
| 32 | 1.183 | 1.000 | 58 | 2.548 | 1.000 |
| 33 | 1.198 | 1.000 | 59 | 2.603 | 1.000 |
| 34 | 1.214 | 1.000 | 60 | 2.714 | 1.000 |
| 35 | 1.222 | 1.000 | 61 | 2.810 | 1.000 |
| 36 | 1.230 | 1.000 | 62 | 2.873 | 1.000 |
| 37 | 1.238 | 1.000 | 63 | 2.952 | 1.000 |
| 38 | 1.246 | 1.000 | 64+ | 3.000 | 1.000 |
| 39 | 1.262 | 1.000 |  |  |  |


| Carrier Name: | Keystone Health Plan Central |
| :--- | :--- |
| Product(s): | HMO |
| Market Segment: | Small Group |
| Rate Effective Date: | $\mathbf{7 / 1 / 2 0 2 3}$ |

Table 13. Geographic Factors

| Geographic Area Factors |  |  |  |
| :--- | :--- | ---: | ---: |
| Area | Counties | Current <br> Factor | Proposed <br> Factor |
| Rating Area 1 |  |  |  |
| Rating Area 2 |  |  |  |
| Rating Area 3 |  |  |  |
| Rating Area 4 |  |  |  |
| Rating Area 5 | Centre, Columbia, Lehigh, Mifflin, Montour, <br> Northampton, Northumberland, Schutlkill, <br> Snyder, Union | 1.000 | 1.000 |
| Rating Area 6 | Adams, Berks, Lancaster, York | 1.080 | 1.080 |
| Rating Area 7 | Cumberland, Dauphin, Franklin, Fulton, Juniata, <br> Rating Area 8 <br> Lebanon, Perry | 1.020 | 1.020 |
| Rating Area 9 |  |  |  |

Table 14. Network Factors

| Projecion Period Network Factors |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Network Name | Rating Area | Current <br> Factor | Proposed <br> Factor | Approval <br> Date |
| HMO | All | 1.000 | 1.00 | $9 / 19 / 2016$ |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
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# Keystone Health Plan Centra 

Small Group Rates
Effective 7/1/2023

## Benefit Mix Changes

| Benefit Mix Calculation |  |
| :--- | :---: |
|  |  |
| Average in Experience Period | Manual Cost PMPM |
| Average in Rating Period | 332.98 |
|  | 218.46 |
| Benefit Mix Adjustment | 0.656 |


| BEP Manual Cost Calcul | 332.98 | 405,331 | Projected 2023 Manual Cr | 218.46 | 1,376 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Manual Cost |  |  |  | Proj Member |
| HIOS 14 Digit | PMPM | BEP MM | HIOS 14 Digit | $\underline{\text { Total }}$ | $\underline{\text { Dist }}$ |
| 45127PA0010054 | 391.48 | 9,814 | 53789PA0090004 | 218.46 | 1,376 |
| 45127PA0010055 | 404.41 | 22,785 |  |  |  |
| 45127PA0010057 | 382.15 | 6,262 |  |  |  |
| 45127PA0010058 | 395.23 | 12,119 |  |  |  |
| 45127PA0010084 | 349.11 | 11,042 |  |  |  |
| 45127PA0010085 | 362.65 | 31,610 |  |  |  |
| 45127PA0010089 | 328.39 | 21,624 |  |  |  |
| 45127PA0010090 | 342.84 | 62,292 |  |  |  |
| 45127PA0010116 | 362.73 | 8,283 |  |  |  |
| 45127PA0010117 | 375.89 | 20,130 |  |  |  |
| 45127PA0010161 | 347.48 | 5,024 |  |  |  |
| 45127PA0010194 | 319.46 | 12,420 |  |  |  |
| 45127PA0010195 | 334.15 | 22,309 |  |  |  |
| 45127PA0010196 | 358.49 | 1,126 |  |  |  |
| 45127PA0010124 | 312.69 | 15,251 |  |  |  |
| 45127PA0010131 | 295.51 | 14,989 |  |  |  |
| 45127PA0010132 | 309.97 | 26,516 |  |  |  |
| 45127PA0010170 | 290.97 | 16,825 |  |  |  |
| 45127PA0010184 | 281.44 | 13,033 |  |  |  |
| 45127PA0010185 | 296.26 | 14,766 |  |  |  |
| 45127PA0010186 | 276.41 | 6,618 |  |  |  |
| 45127PA0010187 | 291.37 | 7,972 |  |  |  |
| 45127PA0010199 | 277.28 | 4,916 |  |  |  |
| 45127PA0010135 | 243.29 | 17,800 |  |  |  |
| 45127PA0010188 | 349.66 | 36 |  |  |  |
| 45127PA0010189 | 354.87 | 915 |  |  |  |
| 45127PA0010190 | 348.53 | 951 |  |  |  |
| 45127PA0010191 | 355.15 | 1,216 |  |  |  |
| 45127PA0010197 | 343.74 | 2,882 |  |  |  |
| 45127PA0010198 | 350.95 | 3,930 |  |  |  |
| 45127PA0010143 | 325.31 | 1,907 |  |  |  |
| 45127PA0010144 | 328.43 | 3,252 |  |  |  |
| 45127PA0010192 | 322.21 | 19 |  |  |  |
| 45127PA0010193 | 325.64 | 7 |  |  |  |
| 45127PA0130003 | 282.34 | 410 |  |  |  |
| 45127PA0130004 | 297.07 | 322 |  |  |  |
| 45127PA0130001 | 339.60 | 288 |  |  |  |
| 45127PA0130002 | 345.64 | 223 |  |  |  |
| 53789PA0090004 | 215.58 | 1,287 |  |  |  |
| 82795PA0130001 | 360.06 | 2,160 |  |  |  |


| Network Change |  |  | 0.9900 |
| :---: | :---: | :---: | :---: |
| Projected MemberMOonts | 1,376 | 100.0\% | 0.990 |
|  | мм | Dist | Network Factor |
| нмо | 1,376 | 100.0\% | 0.99 |
| BEP MemberMonths | 390,399 | 100.0\% | 1.000 |
| PPO | 389,086 | 99.7\% | 1.00 |
| EPO | 1,313 | 0.3\% | 0.90 |
| нмо |  | 0.0\% | 0.99 |

## Effective 7/1/2023

## Trend

Trend by Service Category

| Trend by Service Category |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Year 1 |  |  | Year 2 |  |  |  |  |  |
| Category | Cost | Util | Induced Demand | Cost | Util | Induced Demand | Total Year 1 | Total Year 2 | Weights | Total Weights |
| Inpatient Hospital | 4.70\% | -1.00\% | 0.00\% | 4.60\% | -1.00\% | 0.0\% | 3.7\% | 3.6\% | 23\% | 18\% |
| Outpatient Hospital | 5.00\% | 0.00\% | 0.00\% | 4.90\% | 0.00\% | 0.0\% | 5.0\% | 4.9\% | 47\% | 39\% |
| Professional | 8.00\% | 1.00\% | 0.00\% | 6.90\% | 1.00\% | 0.0\% | 9.1\% | 8.0\% | 27\% | 22\% |
| Other Medical | 5.00\% | -1.00\% | 0.00\% | 4.90\% | -1.00\% | 0.0\% | 4.0\% | 3.9\% | 3\% | 2\% |
| Capitation | 3.00\% | 0.00\% | 0.00\% | 3.00\% | 0.00\% | 0.0\% | 3.0\% | 3.0\% | 0\% | 0\% |
| Prescription Drug | 7.30\% | 1.10\% | 0.00\% | 8.00\% | 1.10\% | 0.0\% | 8.5\% | 9.2\% | 100\% | 18\% |
| Dental \& Vision | 1.00\% | 1.00\% | 0.00\% | 1.00\% | 1.00\% | 0.0\% | 2.0\% | 2.0\% | 100\% | 100\% |


| Aggregate Pricing Trend Year 1 |  | Aggregate Pricing Trend Year 2 |  | Average Pricing Trend |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Total | 6.3\% | Total | 6.1\% | Total | 6.2\% |
| Medical | 5.8\% | Medical | 5.4\% | Medical | 5.6\% |
| Drug | 8.5\% | Drug | 9.2\% | Drug | 8.8\% |
| Agg Med + Rx Trend | 6.3\% | Agg Med + Rx Trend | 6.1\% | Agg Med + Rx Trend | 6.2\% |
| Dental and Vision | 2.0\% | Dental and Vision | 2.0\% | Dental and Vision | 2.0\% |


|  | Year 1 Raw Trends* |  |  |  | Year 2 Raw Trends* |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| URRT Categories | Cost | Utilization | Induced Demand | Composite | Cost | Utilization | Induced Demand | Composite |
| Inpatient Hospital | 4.4\% | -1.0\% | 0.0\% | 3.4\% | 4.3\% | -1.0\% | 0.0\% | 3.3\% |
| Outpatient Hospital | 4.7\% | 0.0\% | 0.0\% | 4.7\% | 4.6\% | 0.0\% | 0.0\% | 4.6\% |
| Professional | 7.7\% | 1.0\% | 0.0\% | 8.7\% | 6.6\% | 1.0\% | 0.0\% | 7.6\% |
| Other Medical | 4.7\% | -1.0\% | 0.0\% | 3.7\% | 4.6\% | -1.0\% | 0.0\% | 3.6\% |
| Capitation | 3.0\% | 0.0\% | 0.0\% | 3.0\% | 3.0\% | 0.0\% | 0.0\% | 3.0\% |
| Prescription Drugs | 7.0\% | 1.1\% | 0.0\% | 8.1\% | 7.7\% | 1.1\% | 0.0\% | 8.9\% |
| Dental \& Vision | 1.0\% | 1.0\% | 0.0\% | 2.0\% | 1.0\% | 1.0\% | 0.0\% | 2.0\% |

*From Hospital and Physician Trend Models

| Adjustments to Pricing Trend |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
|  | Medical |  |  |  |  |
|  | $0.0 \%$ | Contracting | Drug |  |  |
| Intensity |  | $0.3 \%$ | Leveraging | $0.0 \%$ |  |
| Leveraging |  | $0.0 \%$ | Demographics | $0.3 \%$ |  |
| Demographics |  | $0.0 \%$ | Buy-Downs | $0.0 \%$ |  |
| Buy-Downs | $0.0 \%$ | Pipeline | $0.0 \%$ |  |  |
| Other | $0.30 \%$ | Total | $0.0 \%$ |  |  |
| Total |  |  |  | $0.30 \%$ |  |

## mail Group Rates

Effective 7/1/2023
Credibility Manual Development for URRT


* All data experience is from CAAC, and other CBC subsidiaries - Capital Advantage Insurance Company (CAIC), and Keystone Health Plan Central (KHPC) Morbidity
0.590

Other
1.0000
0.9900
. 0000
462.79

Change in Network
Change in Benefits
Change in Other
Projected Index Rate
0.9997

Network BEP
Network Projection Perio
. 9900

|  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | BEP Paid and Incurred Claims <br> Completion Factor <br> BEP Completed Claims (1) / (2) <br> BEP Member Months <br> BEP Completed Claim PMPM (3) / (4) <br> Trend Factor <br> Trended Claim PMPM (5) x (6) <br> Benefit and Network Change Factor <br> Morbidity <br>  <br> Other Adjustment <br> Total Benefit Adjusted Claim PMPM [(7) x (8) x (9) x (10) $+(11)] \times(12)$ |  |  | $\begin{array}{r} \\ 52,023 \\ 0.993 \\ 52,405 \\ 405,682 \\ 0.13 \\ 1.04 \\ 0.13 \\ 1.00 \\ 0.590 \\ \\ \\ 1.000 \\ 0.08 \\ \hline\end{array}$ |
| Medical Drug <br> Drug Pediatric Dental Pediatric Vision <br> Expected Distribution of Embedded Dental Benefit <br> Total Expected Incurred in Rating Perio Total Expected Incurred in Rating Period Net RA | Expected Claim PMPM in <br> $\frac{\text { Rating Period }}{205.23}$ <br> 30.59 <br> 1.09 <br> 0.08 <br>  <br> $100 \%$ <br>  <br> 236.98 <br> 406.74 |  |  |  |  |  |  |
|  | $\underbrace{\substack{40.79}}_{\text {a }}$ |  |  |  |  |  |  |

## Effective 7/1/2023

## Retention

|  | Medical + Rx | Dental | Vision | Total | \% of Premium |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Reinsurance Contribution | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0\% |
| Risk Adjustment Fee | \$0.22 | \$0.00 | \$0.00 | \$0.22 | 0.0\% |
|  |  |  |  |  |  |
| Admin PMPM | \$50.48 | \$0.60 | \$0.09 | \$51.17 | 10.4\% |
| Broker PMPM | \$21.67 | \$0.00 | \$0.00 | \$21.67 | 4.4\% |
| Placeholder 1 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0\% |
| Placeholder 2 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0\% |
| Placeholder 3 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0\% |
| Quality Improvement | 0.0\% | 0.0\% | 0.0\% | 0.0\% | 0.0\% |
| Contingency | 2.0\% | 2.0\% | 2.0\% | 2.0\% | 2.0\% |
| Patient-Centered Outcomes Research Trust Fund: | \$0.20 | \$0.00 | \$0.00 | \$0.20 | 0.0\% |
| Insurer Tax | 0.0\% | 0.0\% | 0.0\% | 0.0\% | 0.0\% |
| Exchange Fee | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0\% |
| Federal Income Tax | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% |
| Premium Tax | 0.0\% | 0.0\% | 0.0\% | 0.0\% | 0.0\% |

## Insurer Tax and Admin Fee Calc

Applied HIF to All Quarters
0.00\%

| Quarter | \% of Enrollees | HIF |  | 2022 assessmen2023 assessment |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1 | 31\% | 0.00\% |  | 0 | 0.00\% | 0.00\% |
| 2 | 13\% | 0.00\% |  | 3 | 0.00\% | 0.00\% |
| 3 | 14\% | 0.00\% |  | 6 | 0.00\% | 0.00\% |
| 4 | 43\% | 0.00\% |  | 9 | 0.00\% | 0.00\% |
|  | Admin | $\underline{\text { Profit }}$ | $\underline{\text { Taxes }}$ |  |  |  |
|  | 14.8\% | 2.0\% | 0.6\% |  |  |  |
| Claims | 10.4\% |  |  |  |  |  |
| Broker | 4.4\% |  |  |  |  |  |
| Quality Improvement | 0.0\% |  |  |  |  |  |


| HIOS | 53789 PA0090004 |
| :---: | :---: |
| Bronze HMO |  |
| Med Plan | $8000 / 0 / 50$ |
| Rx Plan | Combined |
| Deductible | 8000 |
| Expected Claim Cost | 406.74 |
| Expected Premium PMPM * | $\$ 492.47$ |
| Allowed Adjustments to Premium for MLR |  |
| Reinsurance Contribution | 0.00 |
| Patient-Centered Outcomes Research Trust Fund: | 0.20 |
| Risk Adjustment Fee | 0.22 |
| Premium Tax | 0.00 |
| Insurer Tax | 0.00 |
| Exchange Fee | 0.00 |
| Quality Improvement | 0.00 |
| Federal Income Tax** | 2.07 |
| MLR Adjusted Claims | $\$ 406.74$ |
| MLR Adjusted Premium | $\$ 489.98$ |
| Expected Member Distribution | $100.0 \%$ |


| Unadjusted Premium | $\$ 492.47$ |
| :---: | :---: |
| Expected MLR Adjusted Claims | $\$ 406.74$ |
| Expected MLR Adjusted Premium | $\$ 489.98$ |
| MLR | $\mathbf{8 3 . 0 \%}$ |

* From Exhibit L
$* * 21 \%$ of profit or contingency (assumed to be $2 \%$ )


# Keystone Health Plan Central 

Small Group Rates
Effective 7/1/2023

## Projected Index Rate

| Projected Index Rate | \$462.79 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Effective Date | Total Index Rate | Trend | Distribution of Members | Projected Allowed | Market Adjusted Index Rate |
| January - March (Index 1) | \$462.79 |  | $31 \%$ | \$0.00 | \$331.51 |
| April - June (Index 2) | \$469.88 | 6.3\% | 13\% | \$0.00 | \$331.51 |
| July - September (Index 3) | \$477.08 | 6.3\% | 14\% | \$462.79 | \$794.30 |
| October - December (Index 4) | \$484.39 | 6.3\% | 43\% | \$469.80 | \$801.31 |
| Average for Projection Period | \$474.95 |  |  | \$265.94 | \$597.45 |

* From URRT and Exhibit B

Small Group Rates
Effective 7/1/2023
Market Adjusted Index Rate

| Development of Market Adjusted Index Rate |  |
| :--- | :---: |
| Q1 Index Rate | 462.79 |
| Paid to Allowed | 0.51 |
| Q1 Projected Claims | 236.98 |
|  |  |
| Net Projected ACA Reinsurace Recoveries | 0.00 |
| Net Projected Risk Adjustments PMPM | -169.76 |
| Exchange User Fee Adjustment | 0.00 |
| Q1 Market-Adjusted Projected Paid EHB Claims PMPM | 406.74 |
| Q1 Market Adjusted Index Rate | 794.30 |


| Development of Exchange User Fee |  |
| :--- | :---: |
| Average SHOP Premium | $\$ 0.00$ |
| Average Exchange Fee | 0.00 |
| Percentage of Membership on SHOP | $\$ 0.00$ |
| Exchange Fee to Add to Market Index Rate | $\$ 0.0$ |

Development of Risk Adjustment Projection

| Projected 2023 Risk Adjustment Transfer | $-\$ 169.76$ |
| :--- | :--- |


| BEP Risk Adjustment Transfer | $-\$ 204,520$ |
| :--- | :---: |
| BEP MemberMonths | 1,287 |
| BEP Risk Adjustment Transfer PMPM | $-\$ 158.91$ |
| Change in Statewide Average Premium BEP to Rating Period | $6.8 \%$ |


s.mbention
 $\stackrel{\text { Med Plan Deseripio }}{\text { Bionce } \mathrm{HMO} \text { sonoosis }}$


| Expected Average Age Factor: | 1.56 |
| :--- | ---: |
| List-Billed Adjustment for Max 3 Children | 1.00 |
| Adjusted Average Age eactor | 1.55 |
| Expected Average Region Factor: | 1.03 |
| Expected Average Tobacco Factor | 1.00 |
| Cumulative Rating Factors (Premium Neutrality): | 1.59 |


|  | Age Factors |  |  | Region Factors |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| $\underline{\text { Age }}$ | bution of Poplulation | Age Factor | Region | stribution of Population |  |
| 0-14 | 12.6\% | 0.7650 | 6 | 45.1\% | 1.0000 |
| 15 | 1.0\% | 0.8330 | 7 | 31.0\% | 1.0800 |
| 16 | 1.0\% | 0.8590 | 9 | 23.9\% | 1.0200 |
| 17 | 1.0\% | 0.8850 |  |  |  |
| 18 | 1.0\% | 0.9130 |  |  |  |
| 19 | 1.1\% | 0.9410 |  |  |  |
| 20 | 1.1\% | 0.9700 |  |  |  |
| 21 | 1.2\% | 1.0000 |  |  |  |
| 22 | 1.4\% | 1.0000 |  |  |  |
| 23 | 1.4\% | 1.0000 |  |  |  |
| 24 | 1.5\% | 1.0000 |  |  |  |
| 25 | 1.4\% | 1.0040 |  |  |  |
| 26 | 1.5\% | 1.0240 |  |  |  |
| 27 | 1.7\% | 1.0480 |  |  |  |
| 28 | 1.6\% | 1.0870 |  |  |  |
| 29 | 1.6\% | 1.1190 |  |  |  |
| 30 | 1.6\% | 1.1350 |  |  |  |
| 31 | 1.9\% | 1.1590 |  |  |  |
| 32 | 1.9\% | 1.1830 |  |  |  |
| 33 | 1.8\% | 1.1980 |  |  |  |
| 34 | 1.7\% | 1.2140 |  |  |  |
| 35 | 1.7\% | 1.2220 |  |  |  |
| 36 | 1.7\% | 1.2300 |  |  |  |
| 37 | 1.7\% | 1.2380 |  |  |  |
| 38 | 1.6\% | 1.2460 |  |  |  |
| 39 | 1.7\% | 1.2620 |  |  |  |
| 40 | 1.8\% | 1.2780 |  |  |  |
| 41 | 1.8\% | 1.3020 |  |  |  |
| 42 | 1.8\% | 1.3250 |  |  |  |
| 43 | 1.7\% | 1.3570 |  |  |  |
| 44 | 1.8\% | 1.3970 |  |  |  |
| 45 | 1.7\% | 1.4440 |  |  |  |
| 46 | 1.7\% | 1.5000 |  |  |  |
| 47 | 1.6\% | 1.5630 |  |  |  |
| 48 | 1.9\% | 1.6350 |  |  |  |
| 49 | 1.8\% | 1.7060 |  |  |  |
| 50 | 1.7\% | 1.7860 |  |  |  |
| 51 | 2.0\% | 1.8650 |  |  |  |
| 52 | 2.1\% | 1.9520 |  |  |  |
| 53 | 2.0\% | 2.0400 |  |  |  |
| 54 | 2.0\% | 2.1350 |  |  |  |
| 55 | 2.0\% | 2.2300 |  |  |  |
| 56 | 2.2\% | 2.3330 |  |  |  |
| 57 | 2.2\% | 2.4370 |  |  |  |
| 58 | 2.2\% | 2.5480 |  |  |  |
| 59 | 2.2\% | 2.6030 |  |  |  |
| 60 | 2.3\% | 2.7140 |  |  |  |
| 61 | 2.0\% | 2.8100 |  |  |  |
| 62 | 2.1\% | 2.8730 |  |  |  |
| 63 | 1.9\% | 2.9520 |  |  |  |
| 64+ | 3.7\% | 3.0000 |  |  |  |


| Age | Premium Ratio | Age | Premium Ratio | Age | Premium Ratio | Age | Premium Ratio | Age | Premium Ratio |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 0-14 | 0.765 | 24 | 1.000 | 34 | 1.214 | 44 | 1.397 | 54 | 2.135 |
| 15 | 0.833 | 25 | 1.004 | 35 | 1.222 | 45 | 1.444 | 55 | 2.230 |
| 16 | 0.859 | 26 | 1.024 | 36 | 1.230 | 46 | 1.500 | 56 | 2.333 |
| 17 | 0.885 | 27 | 1.048 | 37 | 1.238 | 47 | 1.563 | 57 | 2.437 |
| 18 | 0.913 | 28 | 1.087 | 38 | 1.246 | 48 | 1.635 | 58 | 2.548 |
| 19 | 0.941 | 29 | 1.119 | 39 | 1.262 | 49 | 1.706 | 59 | 2.603 |
| 20 | 0.970 | 30 | 1.135 | 40 | 1.278 | 50 | 1.786 | 60 | 2.714 |
| 21 | 1.000 | 31 | 1.159 | 41 | 1.302 | 51 | 1.865 | 61 | 2.810 |
| 22 | 1.000 | 32 | 1.183 | 42 | 1.325 | 52 | 1.952 | 62 | 2.873 |
| 23 | 1.000 | 33 | 1.198 | 43 | 1.357 | 53 | 2.040 | 63 | 2.952 |
|  |  |  |  |  |  |  |  | 64+ | 3.000 |

## Region



| Region | Factor |
| :---: | :---: |
| 6 | 1.0000 |
| 7 | 1.0800 |
| 9 | 1.0200 |


| Network | Factor |
| :---: | :---: |
| HMO | 1.00 |
|  |  |
|  |  |
|  |  |
|  |  |

## Keystone Health Plan Central <br> Small Group Rates <br> Effective 7/1/2023 <br> Morbidity Factor Calculation

Morbidity Factor Applied
0.590
*Applied to KHPC to align rates with CAAC

## Keystone Health Plan Central <br> Small Group Rates

Effective 7/1/2023
MLR Exhibit

|  | MLR |  | Member Months |  |
| ---: | ---: | ---: | ---: | ---: |
| Calendar Year | Actual | Pricing | Actual | Pricing |
| 2018 | $296.15 \%$ | $79.65 \%$ | 1,515 | 11,580 |
| 2019 | $87.83 \%$ | $81.67 \%$ | 1,145 | 1,514 |
| 2020 | $85.80 \%$ | $80.33 \%$ | 888 | 1,140 |

## Keystone Health Plan Central

## Small Group Rates

Effective 7/1/2023
Claim Cost Projection

|  | Paid |  | Risk Adjustment |  | Exhange User Fees |  | Market Adjusted Paid |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Year | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| 2018 | $\$ 315.56$ | $\$ 369.62$ | $-\$ 42.86$ | $-\$ 357.71$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 358.42$ | $\$ 727.33$ |
| 2019 | $\$ 378.14$ | $\$ 313.53$ | $-\$ 10.13$ | $-\$ 130.44$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 388.27$ | $\$ 443.97$ |
| 2020 | $\$ 166.72$ | $\$ 334.20$ | $-\$ 222.18$ | $-\$ 88.75$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 388.90$ | $\$ 422.95$ |
| 2021 | $\$ 211.31$ | $\$ 184.29$ | $-\$ 138.16$ | $-\$ 141.75$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 349.47$ | $\$ 326.04$ |

April 11, 2023
Ms. Lindsi Swartz, Director
Bureau of Life, Accident and Health Insurance
Office of Insurance Product Regulation and Administration
Commonwealth of Pennsylvania Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

## Re: Keystone Health Plan Central Small Group Rates <br> Filing No 23-20 <br> TOI Code: H15G Group Health - Hospital/Surgical/Medical Expense Sub-TOI Code: H15G. 003 Small Group Only <br> Filing Type: Rate

Dear Ms. Swartz:
KHPC received an objection letter from the Department dated April 5, 2023. KHPC is providing the following in response to the objection letter:

- Q\&A written response
- Revised memos - Actuarial, Cover Letter
- Revised public filing PDF

All changes are due to PID requests/questions and have been disclosed in the $\mathrm{Q} \& A$ written response. Rates were not changed with this submission.


Sincerely,

, ASA, MAAA
Director, Actuarial Services
Capital Blue Cross

Enclosures
cc:

, FSA, MAAA, Senior Director, Actuarial Services Associate General Counsel

# KEYSTONE HEALTH PLAN CENTRAL 

## Question and Answer <br> Small Group Rates <br> Effective July 1, 2023 to December 31, 2023

Question 1. The cover letter, the PA actuarial memo, and the Federal memo, all refer to these filings as affecting Q3. Please change these documents to indicate that both Q3 and Q4 are affected.

Answer 1. The cover letter, PA actuarial memo, and the Federal actuarial memo have all been updated to state that both Q3 and Q4 are affected.

Question 2. Since AVs are a function of cost sharing and the cost sharing did not change from the annual filing, why do the quarterly and annual AVs in Table 10 differ slightly?

Answer 2. The pricing AV is calculated relative to the paid-to-allowed ratio. Capital develops the paid-to-allowed ratio on Exhibit G. With the new base experience period, the paid-toallowed calculation produced new results. The pricing relativites of the plans did not change between the annual and quarterly filing, but the pricing AV does change so that the average pricing AV matches the new paid-to-allowed ratio. Table 10 shows that the average pricing AV matches the new paid-to-allowed ratio. So as an example, Platinum PPO 0/0/15 Rx 250 has a pricing AV of 1.007 and the paid-to-allowed ratio is 0.849 , so the benefits are $1.007 / .849-1=$ $18 \%$ richer than the average plan in the projection period. The same holds true in the annual filing. The paid-to-allowed ratio was .851 and Platinum PPO $0 / 0 / 15 \mathrm{Rx} 250$ had a pricing AV of 1.005. $1.005 / .851-1=18 \%$ richer than the average plan in the projection period.

For KHPC, the pricing AV equals the paid-to-allowed ratio as only 1 plan is offered.
Question 3. In the CAAC filing, the Table 14 Network Factors in two networks (Performance PPO and PPO Choice Select) appear to differ between the annual and quarterly filings. Please explain why.

Answer 3. The calculation of the network factors for these two networks relies on the current month membership distribution by county by Table 1. The calculation is found on Exhibits O4 and O5. Because Table 1 data was updated, the factors changed slightly to reflect the average discount across the available counties.

Question 4. Please provide a detailed narrative explaining why CAAC/KHPC is now projecting a favorable restatement of claims net of reinsurance.

Answer 4. The Q1 2023 CAAC market adjusted index rate (MAIR) in the annual filing was 725.53 , which included 20.87 of projected risk adjustment. If we trend the Q1 MAIR to Q3 at $6.24 \%$, that would make the Q3 MAIR 747.82 compared to the newly calculated Q3 MAIR of
731.71. The difference between the two Q3 MAIRs is approximately 16 or $2 \%$. Approximately half of the difference is attributable to the better risk adjustment projection and the other half is attributable to lower claims. The risk adjustment projection has increased as we analyze our 2022 data and population throughout the year.

CAAC claims net risk adjustment is the basis for KHPC rates, so the explanation above also applies to KHPC.

Question 5. Although there is a section in the actuarial memorandum addressing benefit changes, please confirm that there are actually no benefit design changes associated with this filing other than those changes submitted previously with the annual filing. If this is the case, please modify the memo to clearly state this.

Answer 5. I confirm there are no benefit design changes associated with the filing other than those changes submitted previously with the annual filing. The actuarial memo has been updated to state this.

April 14, 2023
Ms. Lindsi Swartz, Director
Bureau of Life, Accident and Health Insurance
Office of Insurance Product Regulation and Administration
Commonwealth of Pennsylvania Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

## Re: Keystone Health Plan Central Small Group Rates <br> Filing No 23-20 <br> TOI Code: H15G Group Health - Hospital/Surgical/Medical Expense Sub-TOI Code: H15G. 003 Small Group Only <br> Filing Type: Rate

Dear Ms. Swartz:
KHPC received an objection letter from the Department dated April 12, 2023. KHPC is providing the following in response to the objection letter:

- Revised memos - Actuarial, Cover Letter
- Revised public filing PDF

All changes are due to PID requests/questions. The memos have all been updated to clarify that the rate change applies to both Q3 and Q4 2023. Rates were not changed with this submission.


Sincerely,


Enclosures
cc:

, FSA, MAAA, Senior Director, Actuarial Services Associate General Counsel

## 2022 Service Area

## Issuer: 53789

Market: Small Group


[^2]
## 2023 Service Area

## Issuer: 53789

Market: Small Group


[^3]
[^0]:    Rating area 9

    | 1 | 1 | 5 | 0 | 0 | 0 | 0 |
    | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
    | Cumberland | Dauphin | Franklin | Fulton | Juniata | Lebanon | Perry |

    

[^1]:    "Express prescripition orug Rebotes ss a n negative number

[^2]:    Key (modify as needed)
    : 2022 on-exchange service area
    : 2022 off-exchange only service area

[^3]:    Key (modify as needed)
    : 2023 on-exchange service area
    : 2023 off-exchange only service area

