

State:	Pennsylvania	Filing Company:	First Priority Life Insurance Company, Inc.
TOI/Sub-TOI:	H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)		
Product Name:	2016 Individual & MSP Rate Filing		
Project Name/Number:	/		

Supporting Document Schedules

Satisfied - Item:	Transmittal Letter (A&H)
Comments:	
Attachment(s):	20150511093348696 PID cover letter for individual.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	55957_01012016_IND_RedactedAM.pdf 2016 Individual ACA Rate Justification Memo - final (2).pdf
Item Status:	
Status Date:	

May 11, 2015

Teresa D. Miller
Acting Insurance Commissioner
Commonwealth of Pennsylvania
1311 Strawberry Square, 13th Floor
Harrisburg, PA 17120

First Priority Life Insurance Company
Re: FPLIC Individual Rate Filing # F-2026-I-R-1/1/16
Effective January 1, 2016

Dear Commissioner Miller,

First Priority Life Insurance Company ("FPLIC") is hereby submitting the attached rate filing for Individual Affordable Care Act (ACA)-compliant Products, effective on January 1, 2016.

In 2016, FPLIC is filing for thirteen products to be offered in the individual market: four Preferred Provider Organization ("PPO") products, six Custom PPO products, and three Two-tiered Custom PPO products. All four metal levels, as well as Catastrophic, are represented.

FPLIC respectfully requests that the enclosed data, formula methodology, and other material as marked be held as confidential and proprietary and thus not disseminated or disclosed in any matter without the prior consent of FPLIC.

FPLIC believes and therefore asserts that the information submitted has been developed by methods that are unique and proprietary to FPLIC and based on a FPLIC internal analysis of market data that is intrinsic to the pricing strategy of the company.


Additionally, as the market leader in membership in the thirteen county area in which FPLIC operates, access to this information which is unique to our pricing strategy would provide our competitors with an unfair advantage.

Included with this filing are an Actuarial Rationale, Rate Pages and supporting exhibits. The files that have been submitted via the federal Health Insurance Oversight System (HIOS) will also be available with this filing.

Please note that the rate development in this filing is contingent upon the continued availability of federal subsidies under the ACA in 2016. If federal subsidies in their current form are not available to eligible residents of Pennsylvania, substantial changes to this filing may be required

Please feel free to contact us with any questions or comments you may have regarding this filing.

Sincerely,



John Fulginiti
Senior Director of Actuarial Services
Blue Cross of Northeastern Pennsylvania
(570) 200-6402
john.fulginiti@bcnepa.com

CC: J. Fulginiti, M. Yantis, C. Decker, P. Holdren, C. Curley, B. Farrell, G. McGowan

Attachments/Enclosures



Part III Actuarial Memorandum (REDACTED)

**First Priority Life Insurance Company
Individual Rate Filing
Effective January 1, 2016**

Prepared for:
First Priority Life Insurance Company

Prepared by:
**Courtney R. White FSA, MAAA
Principal & Consulting Actuary
Milliman, Inc.**

3424 Peachtree Road NE, Suite 1900
Atlanta, GA 30326
Tel +1 404 237 7060
Fax +1 404 237 6984

milliman.com

TABLE OF CONTENTS

The following table summarizes the exhibits included in this document. Some exhibits may span multiple pages.

<u>Exhibit #</u>	<u>Exhibit Title</u>
Exhibit 1	General Information
Exhibit 2	Proposed Rate Increase(s)
Exhibit 3	Exp Premium and Claims
Exhibit 4	Benefit Categories
Exhibit 5	Projection Factors
Exhibit 6	Credibility Man Rate Dev
Exhibit 7	Credibility of Experience
Exhibit 8	Paid to Allowed Ratio
Exhibit 9	Risk Adj and Reinsurance
Exhibit 10	NBE, Profit, & Risk
Exhibit 11	Projected Loss Ratio
Exhibit 12	Single Risk Pool
Exhibit 13	Index Rate
Exhibit 14	Market Adj Index Rates
Exhibit 15	Plan Adj Index Rates
Exhibit 16	Calibration
Exhibit 17	Cons Adj Prem Rate Dev
Exhibit 18	AV Metal Values
Exhibit 19	AV Pricing Values
Exhibit 20	Membership Projections
Exhibit 21	Terminated Products
Exhibit 22	Plan Type
Exhibit 23	Warning Alerts
Exhibit 24	Eff Rate Review Info
Exhibit 25	Reliance
Exhibit 26	Actuarial Certification

EXHIBIT 1. GENERAL INFORMATION

Document Overview

This document contains the Part III Actuarial Memorandum for First Priority Life Insurance Company's (FPLIC) Individual ACA block of business, effective January 1, 2016. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the Commonwealth of Pennsylvania Insurance Department, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of FPLIC's Individual ACA rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

Please note that the rate development in this filing is contingent upon the continued availability of federal subsidies under the ACA in 2016. If federal subsidies in their current form are not available to eligible residents of Pennsylvania, substantial changes to this filing may be required.

Company Identifying Information

Company Legal Name: First Priority Life Insurance Company
State: The Commonwealth of Pennsylvania has regulatory authority over these policies.
HIOS Issuer ID: 55957
Market: Individual
Effective Date: January 1, 2016

Company Contact Information

Primary Contact Name: John Fulginiti
Primary Contact Telephone Number: 570-200-6402
Primary Contact Email Address: john.fulginiti@bcnepa.com

EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

Rate Increases by Plan

The premium rate increases by plan are shown in Table 2.1.

Table 2.1 First Priority Life Insurance Company Summary of Proposed Rate Increases (Age 21 Non-Smoker)				
Product	Membership Mix	2015 Rate	2016 Rate	Rate Increase
my Blue Cross, a MSP \$2000	6.5%	\$283.18	\$385.71	36.2%
myBlue Choice \$2500	3.5%	\$246.22	\$299.09	21.5%
myBlue Access \$1500	10.0%	\$196.91	\$251.12	27.5%
my Blue Cross, a MSP \$3,000	0.6%	\$260.17	\$312.31	20.0%
myBlue Care - Silver	34.5%	\$188.32	\$229.74	22.0%
myBlue Choice LP \$5500	0.9%	\$196.31	\$251.14	27.9%
myBlue Access LP \$4600	9.8%	\$145.58	\$187.46	28.8%
myBlue Access \$6350	1.7%	\$108.72	\$132.50	21.9%
myBlue Access \$4000	0.9%	\$170.00	\$203.65	19.8%
myBlue Access LP \$3500	7.0%	\$174.94	\$239.87	37.1%
myBlue Access LP \$1500	4.8%	\$206.80	\$288.70	39.6%
myBlue Care - Gold	12.0%	\$199.15	\$272.72	36.9%
myBlue Care - Platinum	8.1%	\$240.91	\$331.86	37.8%
Average Age 21 Non-Smoker	100.0%	\$197.65	\$255.99	29.5%

Rate increases vary by plan due to a combination of factors including shifts in benefit relativities, non-benefit expense allocation, profit targets, and benefit design changes.

Table 2.2 shows the significant factors driving the proposed rate increases.

Table 2.2 First Priority Life Insurance Company Attribution Analysis of Proposed Rate Increases	
2016 Rate	\$470.71

Mix Change

Projected revenue is expected to decrease due to the mix of projected members. More members are expected to enroll in the Affordablue and CustomPPO plans.

Change in Age and Tobacco

Projected revenue is expected to increase slightly due to a higher average age and more tobacco users.

EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

Total Paid Claims Trend

Paid (after cost sharing) claims costs were increased for anticipated changes due to medical/prescription drug inflation. See Exhibit 5 for a detailed breakdown of the trend factors. The paid claims trend reflect the baseline trends in Exhibit 5 plus the impact of fixed dollar cost share leveraging.

Prospective Benefit Changes

Effective January 1, 2016 benefits have changed based on state requirements, business decisions and new Actuarial Value Calculator testing. The following are a list of the benefit changes:

my Blue Cross, a MSP \$2000 - 55957PA0310002

- Out-of-Pocket Max changed from \$3,000 in 2015 to \$3,500 in 2016.
- Retail prescription drugs changed from \$0/\$20/\$45/\$90/\$90 in 2015 to \$3/\$20/\$40/\$90/\$90 in 2016.
- Mail prescription drugs changed from \$0/\$40/\$100/\$270/NA in 2015 to \$6/\$40/\$80/\$180/NA in 2016.
- Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

myBlue Choice \$2500 - 55957PA0340001

- Out-of-Pocket Max changed from \$6,350 in 2015 to \$6,850 in 2016.
- Routine eye exam changed from \$25 in 2015 to 100% coinsurance in 2016.
- Emergency Room copay changed from \$250 in 2015 to \$275 in 2016.
- Ambulance Room copay changed from \$250 in 2015 to \$275 in 2016.
- Retail prescription drugs changed from \$0/\$25/\$50/\$75/\$75 in 2015 to \$3/\$25/\$50/\$75/\$75 in 2016.
- Mail prescription drugs changed from \$0/\$50/\$125/\$225/NA in 2015 to \$6/\$50/\$100/\$150/NA in 2016.
- Routine Eye Exam for Children changed from \$25 copay in 2015 to 100% coinsurance in 2016.
- Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

myBlue Access \$1500 - 55957PA0350001

- Out-of-Pocket Max changed from \$6,500 in 2015 to \$6,600 in 2016.
- Routine eye exam changed from \$40 in 2015 to 100% coinsurance in 2016.
- Retail prescription drugs changed from \$0/\$25/\$50/\$75/\$75 in 2015 to \$3/\$25/\$50/\$75/\$75 in 2016.
- Mail prescription drugs changed from \$0/\$50/\$125/\$225/NA in 2015 to \$6/\$50/\$100/\$150/NA in 2016.
- Routine Eye Exam for Children changed from \$40 copay in 2015 to 100% coinsurance in 2016.
- Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

my Blue Cross, a MSP \$3,000 - 55957PA0310001

- Deductible changed from \$2,500 in 2015 to \$3,000 in 2016.
- Out-of-Pocket Max changed from \$5,000 in 2015 to \$6,850 in 2016.
- Routine eye exam changed from \$25 in 2015 to 100% coinsurance in 2016.
- Retail prescription drugs changed from \$0/\$30/\$90/\$150/\$150 in 2015 to \$3/\$30/\$90/\$150/\$150 in 2016.
- Mail prescription drugs changed from \$0/\$60/\$225/\$450/NA in 2015 to \$6/\$60/\$180/\$300/NA in 2016.
- Routine Eye Exam for Children changed from \$25 copay in 2015 to 100% coinsurance in 2016.
- Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

myBlue Care - Silver - 55957PA0360001

- Tier 2 Deductible changed from \$3,000 in 2015 to \$4,000 in 2016.
- Out-of-Pocket Max changed from Tier 1 \$4,500 and Tier 2: \$6,350 in 2015 to Tier 1 and Tier 2 \$6,850 in 2016.
- Routine eye exam changed from Tier 1 \$20 copay and Tier 2 70% coinsurance in 2015 to Tier 1 and Tier 2 100% coinsurance in 2016.
- Retail prescription drugs changed from \$0/\$30/\$90/\$150/\$150 in 2015 to \$3/\$30/\$90/\$150/\$150 in 2016.
- Mail prescription drugs changed from \$0/\$60/\$225/\$450/NA in 2015 to \$6/\$60/\$180/\$300/NA in 2016.
- Routine Eye Exam for Children changed from Tier 1 \$20 copay and Tier 2 70% coinsurance in 2015 to Tier 1 and Tier 2 100% coinsurance in 2016.
- Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

myBlue Choice LP \$5500 - 55957PA0320001

Out-of-Pocket Max changed from \$6,000 in 2015 to \$6,500 in 2016.
 Retail prescription drugs changed from \$0/\$25/\$50/\$75/\$75 in 2015 to \$3/\$25/\$50/\$75/\$75 in 2016.
 Mail prescription drugs changed from \$0/\$50/\$125/\$225/NA in 2015 to \$6/\$50/\$100/\$150/NA in 2016.

myBlue Access LP \$4600 - 55957PA0330001

Deductible changed from \$4,500 in 2015 to \$4,600 in 2016.
 Out-of-Pocket Max changed from \$6,350 in 2015 to \$6,550 in 2016.
 Routine eye exam changed from 80% coinsurance in 2015 to 100% coinsurance in 2016.
 Retail prescription drugs changed from \$0/\$25/\$50/\$75/\$75 in 2015 to \$3/\$25/\$50/\$75/\$75 in 2016.
 Mail prescription drugs changed from \$0/\$50/\$125/\$225/NA in 2015 to \$6/\$50/\$100/\$150/NA in 2016.
 Routine Eye Exam for Children changed from 80% coinsurance in 2015 to 100% coinsurance in 2016.
 Eye Glasses for Children changed from 80% coinsurance in 2015 to 100% coinsurance in 2016.

myBlue Access \$6350 - 55957PA0350004

Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

myBlue Access \$4000 - 55957PA0350005

Deductible changed from \$2,500 in 2015 to \$4,000 in 2016.
 Out-of-Pocket Max changed from \$6,500 in 2015 to \$6,850 in 2016.
 Out-of-Network Deductible changed from \$5,000 in 2015 to \$8,000 in 2016.
 Routine eye exam changed from 70% coinsurance in 2015 to 100% coinsurance in 2016.
 Retail prescription drugs changed from \$0/\$35/\$95/\$155/\$155 in 2015 to \$3/\$35/\$95/\$155/\$155 in 2016.
 Mail prescription drugs changed from \$0/\$60/\$225/\$450/NA in 2015 to \$6/\$70/\$190/\$310/NA in 2016.
 Durable Medical Equipment changed from 70% coinsurance in 2015 to 50% coinsurance in 2016.
 Routine Eye Exam for Children changed from 70% coinsurance in 2015 to 100% coinsurance in 2016.
 Eye Glasses for Children changed from 70% coinsurance in 2015 to 100% coinsurance in 2016.
 Prosthetic Devices changed from 70% coinsurance in 2015 to 50% coinsurance in 2016.

myBlue Access LP \$3500 - 55957PA0330002

Deductible changed from \$3,000 in 2015 to \$3,500 in 2016.
 Out-of-Network Deductible changed from \$6,000 in 2015 to \$7,000 in 2016.
 Retail prescription drugs changed from \$0/\$8/\$15/\$30/\$90 in 2015 to \$3/\$8/\$15/\$30/\$30 in 2016.
 Mail prescription drugs changed from \$0/\$16/\$30/\$90/NA in 2015 to \$6/\$16/\$30/\$60/NA in 2016.

myBlue Access LP \$1500 - 55957PA0330003

Out-of-Pocket Max changed from \$2,000 in 2015 to \$2,500 in 2016.
 Retail prescription drugs changed from \$0/\$10/\$20/\$40/\$40 in 2015 to \$3/\$10/\$40/\$90/\$90 in 2016.
 Mail prescription drugs changed from \$0/\$20/\$50/\$120/NA in 2015 to \$6/\$20/\$80/\$180/NA in 2016.

myBlue Care - Gold - 55957PA0360003

Routine eye exam changed from Tier 1 \$15 copay and Tier 2 70% coinsurance in 2015 to Tier 1 and Tier 2 100% coinsurance in 2016.
 Retail prescription drugs changed from \$0/\$25/\$50/\$100/\$100 in 2015 to \$3/\$25/\$50/\$75/\$75 in 2016.
 Mail prescription drugs changed from \$0/\$50/\$125/\$180/NA in 2015 to \$6/\$50/\$100/\$150/NA in 2016.
 Routine Eye Exam for Children changed from \$15 copay in 2015 to 100% coinsurance in 2016.
 Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

myBlue Care - Platinum - 55957PA0360002

Deductible changed from Tier 1 \$100 and Tier 2: \$2,500 in 2015 to Tier 1 \$150 and Tier 2: \$2,500 in 2016.
 Out-of-Pocket Max changed from Tier 1 \$500 and Tier 2: \$6,000 in 2015 to Tier 1 \$750 and Tier 2: \$6,000 in 2016.
 Routine eye exam changed from Tier 1 100% and Tier 2 80% coinsurance in 2015 to 100% coinsurance in 2016.
 Retail prescription drugs changed from \$0/\$5/\$10/\$40/\$40 in 2015 to \$3/\$5/\$10/\$40/\$40 in 2016.
 Mail prescription drugs changed from \$0/\$10/\$30/\$120/NA in 2015 to \$6/\$10/\$20/\$80/NA in 2016.
 Routine eye exam for Children changed from Tier 1 100% and Tier 2 80% coinsurance in 2015 to 100% coinsurance in 2016.
 Eye Glasses for Children changed from 50% coinsurance in 2015 to 100% coinsurance in 2016.

EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

Adverse Claims Experience in CY2014

The actual 2014 claims experience was much worse than originally projected. This was attributed to but not limited to, the transitional policies staying in force and adverse selection.

Taxes, Fees and Administrative Expenses

Changes to the overall premium level are needed because of required changes in federal fees. The following is a list of any anticipated changes and comments regarding the adjustment:

Table 2.3
First Priority Life Insurance Company
Anticipated Non-Benefit Expenses Changes

Profit

The Company experienced higher than expected claim cost in CY2014. In developing the CY2015 premium rates, there was limited emerging information on CY2014. Losses in CY2015 are expected to be higher than anticipated. The Company is attempting to cover expected claims and administrative expenses while recognizing the impact to the member. The profits vary by metal level and plan to achieve the targeted rate increase. The premium rates do not achieve breakeven; however, the Company will use surplus to cover any shortfalls.

Federal Transitional Reinsurance Program Changes

Federal transitional reinsurance program contributions and benefit limits have changed from last year. Specifically, the reinsurance contribution has changed from an estimated \$44 PMPY to \$27 PMPY. Further, the claims threshold upon which reinsurance recoveries are triggered has changed from \$70,000 (the 2015 pricing was based on the original guidance) to \$90,000; therefore, there will be an increase in the individual rates. Changes in the benefit levels of the reinsurance recoveries will only impact the Individual ACA market, while the changes in the reinsurance contribution levels will impact both the individual and small group markets.

EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows FPLIC's earned premium and incurred and paid claims for the period of 1/1/2014 through 12/31/2014, with claims paid through 1/31/2015.

Premiums (net of MLR Rebate) in Experience Period

Premiums were developed from the FPLIC Common Actuarial System ("CAS"). The premiums are calculated by multiplying the number of contracts in each month by the effective premium rates for each month.

Based on preliminary information for calendar year 2014, no MLR rebates for the Individual ACA market are anticipated to be refunded to enrollees. Therefore, we did not include an adjustment for MLR rebates in the 2014 premium amounts.

Method for Determining Paid Claims

Claims Incurred during the 12-month experience period: Worksheet 1, Section I shows our best estimate of the amount of claims that were incurred during the 12-month experience period. This section separately indicates:

- The amount of claims which were processed through the issuer's claim system,
- Claims processed outside of the issuer's claims system,
- Adjusted for cost sharing paid for by HHS on behalf of low-income members, and
- Our best estimate of claims incurred but not paid as of the Paid Through Date stated above.

Table 3.1 First Priority Life Insurance Company 2014 Summary of Paid Claims	
Paid Claim Type	Value
Incurring and Paid Claims (Incurred in 2014 paid through 01/15)	\$118,418,273
Claims Paid outside the System	\$601,688
Incurred but not Paid	\$15,076,735
Cost sharing paid by HHS on behalf of low-income members	-\$5,968,365
Total	\$128,128,332

Method for Determining Allowed Claims

Allowed claims were calculated as the sum of paid claims, network access fees, member coinsurance, copay and member deductible. The allowed claims are then adjusted for incurred but not reported ("IBNR") reserves.

Method for Determining Incurred But Not Reported Paid Claims

The IBNR reserve was estimated using the standard lag development method. We calculated completion factors separately for the medical and prescription drug claims for all FPLIC products using forty-eight months of historical claims data. For the more recent months, we used a combination of historical trends, seasonality patterns, and actuarial judgment to develop pure premiums.

For each product, the completion factors for the medical and prescription drug claims for all FPLIC products were the starting point. We then applied these completion factors to the Retail PPO and ACA paid and incurred claims, separately. We reviewed the incurred claims for the most recent months for reasonableness and adjusted them. FPLIC does not adjudicate claims by product, so we would expect the completion factors for all the medical claims to be similar. Paid and allowed claims were completed using the same methodology.

Method for Determining Paid Cost Sharing

Deductibles, coinsurance, and copays are reported from the claims system.

EXHIBIT 4. BENEFIT CATEGORIES

FPLIC summarized the utilization and claim costs. Claims source codes in CAS were used to differentiate between medical (source codes 08/09) and prescription drugs (source codes 05/80). For medical, the “sub LOB” and “Place of Service” fields were used to differentiate between hospital and physician. CAS differentiates these claims based on the type of form submitted by the provider – 1450 for hospital and 1500 for physician. Finally, the “In Out Patient” field was used to identify inpatient and outpatient hospital claims.

EXHIBIT 5. PROJECTION FACTORS (REDACTED)

This section includes a description of each factor used to project the experience period allowed claims to the projection period, and supporting information related to the development of those factors.

Changes in the Morbidity of the Population Insured

We used the following data source(s) and methodology in order to estimate the changes in the morbidity of the experience population and the projected population, as shown in the Population Risk Morbidity column of Worksheet 1, Section II:

See the Change in Demographic section below for a description on how the morbidity of the projected population was developed.

Changes in Benefits

We made the following adjustments to reflect the expected differences in benefits between the experience period and projection period, as shown in the Other column of Worksheet 1, Section II:

We used Milliman Health Cost Guidelines (HCGs), calibrated to the 2016 projected allowed cost, in order to estimate the impact of benefit changes for each plan. The results of these adjustments are included in the projection factors of Worksheet 1, Section II under "Other". A summary of benefit changes by plan is shown in Exhibit 2.

Changes in Demographics

We used the following data source(s) and methodology in order to estimate the changes in the demographic and geographic mix of the population, as shown in the Other column of Worksheet 1, Section II:

As of December 31, 2014, all Retail PPO policyholders will be required to renew into an Individual ACA plan. We estimated the age/gender mix based on the current enrollment as of January 2015, which includes these Retail PPO members.

Other Adjustments

Not applicable.

Trend Factors (Cost/Utilization)

The development of the premium rates reflects an annual trend rate of 7.4%, which was developed by FPLIC. The information provided below reflects FPLIC's expectations regarding increases in in-network contractual reimbursement. The annual trend estimates include the impact of trends in both projected in and out-of-area for both hospital and professional services. We reviewed FPLIC's estimated utilization and unit cost increases. The analysis was based on utilization and unit costs for FPLIC's PPO the large and small group markets. Given relatively minor changes in age/gender and benefit mix and since gross costs (before member cost sharing) were used, FPLIC did not incorporate age/gender or benefit changes. Please note, the unit cost trend does not match the URRT since the unit cost trend in the URRT reflect the impact of network mix between the experience period and projection period. The impact of network mix is shown on exhibit 13.

Table 5.1 First Priority Life Insurance Company Trend Projection			
Overall Trend			7.4%

EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

Not applicable. FPLIC's experience in the base period is fully credible, for the purposes of the rate projection.

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

Description of the Credibility Method Used

The Retail product had over 100,000 member months in 2014. The FPLIC Individual ACA block of business has over 230,000 member months in 2014. The experience data was assumed to be 100% credible based on internal Milliman research.

EXHIBIT 8. PAID TO ALLOWED RATIO

The following table provides support for the average paid to allowed ratio shown in Worksheet 1, Section III. The table also demonstrates that the ratio is consistent with membership projections by plan included in Worksheet 2.

Table 8.1		
First Priority Life Insurance Company		
Paid to Allowed Average Factor Support Exhibit		
	Worksheet 1, Section III	Worksheet 2 Section IV
Allowed Per Member Per Month	\$526.67	\$526.63
Paid Per Member Per Month	\$413.96	\$391.97
Average Paid to Allowed Ratio	78.6%	74.4%

The average factor Worksheet 1 shown above was developed based on the projection of the average mix of plans sold. The Worksheet 2 factor shown above was measured using the projected Allowed PMPMs by plan from Worksheet 2 and the Actuarial Value calculated using the Federal AV Calculator model. Because Catastrophic plans by definition do not have an AV Calculator value, the actual AV is used in the Worksheet 2 calculation for these plans.

EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE (REDACTED)

Experience Period Risk Adjustments PMPM

The following methodology was used to estimate final risk adjustment transfers for CY2014:

The experience period risk adjustment transfer amount was calculated using the HHS risk adjuster formula, as shown below. Factors calculated for FPLIC and the State are based on enrollment distributions by age, gender, metal tier, and geographic rating area as provided by FPLIC and as seen in the May 1, 2014 Marketplace Summary Enrollment Addendum published by the HHS Office of the Assistant Secretary for Planning and Evaluation, respectively. The net projected CY2014 risk adjustment transfer is a payment of \$21.16 from FPLIC.

Table 9.1 illustrates the calculation of the expected risk adjustment transfer payment amount, using the HHS risk adjuster formula:

Table 9.1
First Priority Life Insurance Company
Expected Impact of the Federal Risk Adjustment Program

Projected Risk Adjustments PMPM

The risk score for the plan's experience is projected to be roughly equal to the expected state average risk score in CY2016. The estimates of relative risk and risk transfer payments are highly dependent on the population that enrolls with FPLIC but also with other carriers in the state.

FPLIC's average risk is projected to be approximately equal to the state average risk level. As a result, premium levels have been set at the anticipated state average risk level with the expectation that no significant portion of this premium will be either received from or paid to the Risk Adjustment transfer program.

The anticipated risk transfer payments, net of risk adjustment fees assumed to be \$0.15 for CY2016, are applied to the Index Rate as a market level adjustment. The overall impact of projected net risk adjustment transfers is a premium increase of \$0.15 PMPM, which is applied at the market level as an additive adjustment of \$0.15.

Experience Period ACA Reinsurance Recoveries Net of Reinsurance Premium

The following methodology was used to estimate final reinsurance receivables for CY2014:

CY2014 reinsurance recoveries were calculated at the member level. Members for whom the carrier's total paid claims obligation, including IBNR, were identified as being greater than the CY2014 federal reinsurance attachment point of \$45,000 were identified. As specified in the HHS federal reinsurance calculation formula for CY2014, 80% coinsurance was then applied to the member claims between this attachment point and the CY2014 reinsurance limit of \$250,000. This resulted in a reinsurance recovery estimate of \$85.71 PMPM. The CY2014 reinsurance contribution of \$5.25 PMPM was netted against this amount for a total net receivable of \$80.46 PMPM.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

We assumed that individual membership both sold through and outside the Marketplace will be assessed \$2.25 PMPM in reinsurance contributions in CY2016.

Reinsurance recoveries were estimated at the plan level. The Milliman Health Cost Guidelines (HCGs), combined with the projected allowed charges by plan, were used to estimate a claims probability distribution for each plan. The out-of-pocket maximum was added to the attachment point to estimate the carrier's paid claims obligation in excess of \$90,000, consistent with the methodology discussed in the 2016 Benefit and Payment Parameters. Similarly, the out-of-pocket maximum was added to the reinsurance cap to estimate the carrier's paid claims obligations in excess of \$250,000. A coinsurance rate of 50% was applied to the difference to estimate the expected annual reinsurance recovery. This amount was divided by 12 to obtain an expected monthly reinsurance recovery of \$18.60 PMPM.

EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT & RISK (REDACTED)

The following table summarizes retention components included in rate development.

Table 10.1 First Priority Life Insurance Company Illustration of Administrative Expenses by URRT Worksheet 1 Category			
Total Retention	\$72.98	15.51%	(10) = (2)+(4)+(9)

¹The Marketplace user fee is 3.5% and applies only to members sold to through the Marketplace only. Marketplace user fee is then applied as a market level adjustment to the index rate.

FPLIC is a majority owned subsidiary of its parent company, Hospital Service Association of Northeastern Pennsylvania ("HSA"). HSA incurs nearly all of the administrative expenses to support insurance operations for the parent and its three down-stream subsidiary health insurance companies, including FPLIC. All administrative expenses incurred by HSA are distributed into "cost centers", which are groups of individuals or departments that perform similar functions.

All expenses allocated to cost centers are intended to quantify the full cost associated with the unit, to include direct salaries and benefits, outsourced services, equipment expenses, occupancy expenses and other direct charges, but excluding any corporate overhead. The resulting cost center total expenses are further allocated to the separate insurance product lines based on one of the following methods: (1) direct charge to product serviced, (2) allocation based on a units-of-production methodology, or (3) a volume weighted line of business methodology. The allocations are performed on a monthly basis.

The projected administrative expense load is based on the most recent cost allocation results, adjusted for changes in future administrative expense levels and changes in the future product mix. The administrative load does not vary by product on a percent of premium basis.

EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio is 91.7%. This loss ratio is calculated consistently with the MLR methodology according to the National Association of Insurance Commissioners as prescribed by 211 CMR 147.00.

EXHIBIT 12. SINGLE RISK POOL

FPLIC rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the Commonwealth of Pennsylvania individual health insurance market.

Note that the Single Risk Pool includes transitional products/plans for purposes of the base rate experience; however, the experience for these policies has only been used in the projection to the extent that FPLIC anticipates the members in those policies will be enrolled in their fully ACA-compliant plans during the projected period.

EXHIBIT 13. INDEX RATE (REDACTED)

The index rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period index rate reflects the actual mixture of smoker/non-smoker population, area factors, catastrophic/non-catastrophic enrollment, and the actual mixture of risk morbidity that FPLIC received in the Single Risk Pool during the experience period. Note that there were additional benefits offered beyond the EHB benefits. The experience Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The experience period Index Rate is equal to the experience period total allowed claims PMPM minus the total non-EHB allowed claims PMPM.

The only non-EHB offered in the experience period was outside the country emergency services.

The index rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected index rate reflects the projected CY2016 mixture of smoker/non-smoker population, area factors, catastrophic/non-catastrophic enrollment, and the projected mixture of risk morbidity that FPLIC expects to receive in the Single Risk Pool. Note that there were additional benefits offered beyond the EHB benefits. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The projected Index Rate is equal to the projected total allowed claims PMPM minus the total non-EHB allowed claims PMPM.

The only non-EHBs offered in the projection period are outside the country emergency services and adult dental services. The cost for coverage outside the country is projected to be negligible.

The following table summarizes the factors applied to the Experience Period Index Rate to determine the Projected Index Rate.

Table 13.1	
First Priority Life Insurance Company	
Projected Index Rate Development (\$PMPM)	
Projection Period Index Rate	\$520.92

EXHIBIT 14. MARKET ADJUSTED INDEX RATES

The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate.

Table 14.1 First Priority Life Insurance Company Marked Adjusted Index Rate Development	
Index Rate	\$520.92
Net Risk Adjustment	\$0.15
Net Transitional Reinsurance	(\$16.46)
Exchange Fee	\$10.58
Paid to Allowed Average Factor	0.791
Market Adjustments (Allowed Basis)	(\$7.25)
Quarterly Trend	1.000
Market Adjusted Index Rate	\$513.67

The Market Adjusted Index Rate is not calibrated. This means that this rate reflects the average demographic characteristics of the single risk pool.

Each of the above modifiers were developed as follows:

- **Net Risk Adjustment**
This fee includes the impact of the estimated risk adjustment transfer payment as addressed in Exhibit 9 plus the Risk Adjustment User Fee of \$0.15.
- **Net Transitional Reinsurance**
This fee includes the impact of the estimated Transitional Reinsurance PMPM recovery as addressed in Exhibit 9 plus the Transitional Reinsurance Contribution of \$2.25 PMPM.
- **Marketplace User Fee adjustment**
The Marketplace User Fee adjustment was determined as the average of no fee and the Marketplace user fee, weighted using the expected distribution of issuer enrollment sold through versus outside the Marketplace.

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

The Market Adjusted Index Rate is adjusted to compute the Plan Adjusted Index Rates using the following allowable

- Actuarial value and cost sharing adjustment
 - The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
 - The AV and cost sharing pricing adjustment was developed utilizing Milliman Health Cost Guidelines (HCGs). Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.
 - The AV & Cost also includes a tobacco surcharge adjustment, so that the resulting Plan Adjusted Index Rate excludes the cost expected to be recouped through the tobacco surcharge.
- Provider network, delivery system and utilization management adjustment
 - Expected differences in claims costs due to differences in provider networks was determined by using the current small group PPO, EPO and AffordaBlue networks as a proxy for the corresponding individual products; Choice, Access, and myBlue Care respectively.
- Adjustment for benefits in addition to the EHBs
 - Adjustment were made for outside the country emergency coverage and adult dental, which are non-EHBs.
- Adjustment for distribution and administrative costs
 - Administrative expenses are developed on a percent of premium. Contributions to surplus and risk vary by plan.
- Impact of specific eligibility categories for the catastrophic plan
 - Impact of the specific eligibility criteria was determined by modeling changes to the base rate using the expected population demographics and corresponding impacts on allowed charges, required premium, and risk adjustment.

The following table demonstrates the Plan Adjusted Index Rate development for each plan:

Plan	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Costs Excl. Mktplace User Fee	Specific Catastrophic Eligibility	Plan Adjusted Index Rate
my Blue Cross, a MSP \$2000	\$513.67						\$698.45
myBlue Choice \$2500	\$513.67						\$541.60
myBlue Access \$1500	\$513.67						\$454.73
my Blue Cross, a MSP \$3,000	\$513.67						\$565.54
myBlue Care - Silver	\$513.67						\$416.03
myBlue Choice LP \$5500	\$513.67						\$454.77
myBlue Access LP \$4600	\$513.67						\$339.45
myBlue Access \$6350	\$513.67						\$239.94
myBlue Access \$4000	\$513.67						\$368.77
myBlue Access LP \$3500	\$513.67						\$434.36
myBlue Access LP \$1500	\$513.67						\$522.79
myBlue Care - Gold	\$513.67						\$493.86
myBlue Care - Platinum	\$513.67						\$600.94

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

Experience Period Plan Adjusted Index Rates

Although Plan Adjusted Index Rates were not required for the CY2014 filing, the methodology for their development would have been identical. The following table demonstrates the retroactive Plan Adjusted Index Rate development for each filed CY2014 plan:

Table 15.2 First Priority Life Insurance Company Experience Period Plan Adjusted Index Rate Development							
2014 Plan Name	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Costs Excl. Mktplace User Fee	Specific Catastrophic Eligibility	Plan Adjusted Index Rate
myBlue Choice \$250	\$372.04					1.000	\$498.09
myBlue Access \$500	\$372.04					1.000	\$371.99
myBlue Choice \$1000	\$372.04					1.000	\$416.54
myBlue Access \$750	\$372.04					1.000	\$321.50
myBlue Multi-State Plan \$2000	\$372.04					1.000	\$423.20
myBlue Choice \$2500	\$372.04					1.000	\$362.07
myBlue Access \$1500	\$372.04					1.000	\$296.50
myBlue Multi-State Plan \$2500	\$372.04					1.000	\$373.54
myBlue Care	\$372.04					1.000	\$281.60
myBlue Choice LP \$5500	\$372.04					1.000	\$286.37
myBlue Access LP \$4500	\$372.04					1.000	\$212.68
myBlueAccess \$6350	\$372.04					0.570	\$138.79

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

EXHIBIT 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Exhibit 15 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

Age Curve Calibration

The approximate weighted average age, rounded to a whole number, for the single risk pool is 50. The weighted average age curve calibration factor is 1.811.

In order to determine the calibration factor for age, the projected distribution of members by age was determined. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor. Prior to applying the allowed rating factors for age, geography and tobacco, the plan adjusted index rates need to be divided by the age curve calibration factor.

Additional information regarding the age curve can be found on Exhibit 17.

Geographic Factor Calibration

FPLIC only participates in area 3, so geographic calibration is not necessary.

Additional information regarding the area rating factors can be found on Exhibit 17.

The following table demonstrates the calibration performed for each plan.

Plan	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
my Blue Cross, a MSP \$2000	\$698.45	1.811	1.000	1.811	\$385.71
myBlue Choice \$2500	\$541.60	1.811	1.000	1.811	\$299.09
myBlue Access \$1500	\$454.73	1.811	1.000	1.811	\$251.12
my Blue Cross, a MSP \$3,000	\$565.54	1.811	1.000	1.811	\$312.31
myBlue Care - Silver	\$416.03	1.811	1.000	1.811	\$229.74
myBlue Choice LP \$5500	\$454.77	1.811	1.000	1.811	\$251.14
myBlue Access LP \$4600	\$339.45	1.811	1.000	1.811	\$187.46
myBlue Access \$6350	\$239.94	1.811	1.000	1.811	\$132.50
myBlue Access \$4000	\$368.77	1.811	1.000	1.811	\$203.65
myBlue Access LP \$3500	\$434.36	1.811	1.000	1.811	\$239.87
myBlue Access LP \$1500	\$522.79	1.811	1.000	1.811	\$288.70
myBlue Care - Gold	\$493.86	1.811	1.000	1.811	\$272.72
myBlue Care - Platinum	\$600.94	1.811	1.000	1.811	\$331.86

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating Rules. It is the product of the Plan Adjusted Index Rate, the geographic rating factor, the age rating factor and the tobacco status rating factor. All rating factors are described and shown below.

FPLIC's CY2016 age and tobacco rating factors are shown below. The age rating factors used by FPLIC are identical to those prescribed by CMS. Industry research regarding tobacco use and differences in health costs for smokers by age was used as the basis of our adjustment factors.

Table 17.1 First Priority Life Insurance Company 2016 Age and Tobacco Factors						
Age Band	Rate Factor	Tobacco Factor		Age Band	Rate Factor	Tobacco Factor
0-17	0.635	1.000		41	1.302	1.103
18	0.635	1.000		42	1.325	1.106
19	0.635	1.000		43	1.357	1.110
20	0.635	1.000		44	1.397	1.115
21	1.000	1.050		45	1.444	1.120
22	1.000	1.050		46	1.500	1.127
23	1.000	1.050		47	1.563	1.135
24	1.000	1.050		48	1.635	1.144
25	1.004	1.050		49	1.706	1.153
26	1.024	1.050		50	1.786	1.163
27	1.048	1.050		51	1.865	1.172
28	1.087	1.050		52	1.952	1.183
29	1.119	1.050		53	2.040	1.194
30	1.135	1.050		54	2.135	1.206
31	1.159	1.050		55	2.230	1.217
32	1.183	1.050		56	2.333	1.230
33	1.198	1.050		57	2.437	1.230
34	1.214	1.050		58	2.548	1.185
35	1.222	1.050		59	2.603	1.168
36	1.230	1.050		60	2.714	1.129
37	1.238	1.050		61	2.810	1.098
38	1.246	1.050		62	2.873	1.081
39	1.262	1.050		63	2.952	1.060
40	1.278	1.100		64+	3.000	1.050

FPLIC's CY2016 geographic rating factors are shown below.

Table 17.2 First Priority Life Insurance Company 2016 Geographic Area Factors	
Area	Rate Factor
Rating Area 1	N/A
Rating Area 2	N/A
Rating Area 3	1.000
Rating Area 4	N/A
Rating Area 5	N/A
Rating Area 6	N/A
Rating Area 7	N/A
Rating Area 8	N/A
Rating Area 9	N/A

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The premium for family coverage is determined by summing the consumer adjusted premium rates for each individual family member, provided at most three child dependents under age 21 are taken into account.

Below is an example of how to arrive at the rate for an age 34 individual in rating area 3 that is a smoker:

Table 17.4 First Priority Life Insurance Company Sample Consumer Adjusted Premium Rate Development	
Plan Adjusted Index Rate for myBlue Care - Silver, Calibrated	\$229.74
Age factor for a 34-year-old	1.214
Smoker status adjustment: smoker	1.050
Area 3 factor	1.000
Consumer Adjusted Premium Rate	\$292.86

EXHIBIT 18. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. Table 18.1 below summarizes these values for each product.

Table 18.1 First Priority Life Insurance Company Actuarial Values		
Plan	Actuarial	Actuarial Value Source
my Blue Cross, a MSP \$2000	0.799	Federal AV Calculator
myBlue Choice \$2500	0.719	Federal AV Calculator
myBlue Access \$1500	0.719	Federal AV Calculator
my Blue Cross, a MSP	0.713	Federal AV Calculator
myBlue Care - Silver	0.717	Federal AV Calculator
myBlue Choice LP \$5500	0.617	Federal AV Calculator
myBlue Access LP \$4600	0.618	Federal AV Calculator
myBlue Access \$6350	0.631	Federal AV Calculator
myBlue Access \$4000	0.615	Federal AV Calculator
myBlue Access LP \$3500	0.702	Federal AV Calculator
myBlue Access LP \$1500	0.815	Federal AV Calculator
myBlue Care - Gold	0.802	Federal AV Calculator
myBlue Care - Platinum	0.917	Federal AV Calculator

EXHIBIT 19. AV PRICING VALUES

The following table summarizes all of the adjustments included in the AV Pricing Value:

Table 19.1 First Priority Life Insurance Company Actuarial Value Pricing Values						
Plan	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Costs Excl. Mktplace User Fee	Specific Catastrophic Eligibility	AV Pricing Value
my Blue Cross, a MSP \$2000						1.360
myBlue Choice \$2500						1.054
myBlue Access \$1500						0.885
my Blue Cross, a MSP \$3,000						1.101
myBlue Care - Silver						0.810
myBlue Choice LP \$5500						0.885
myBlue Access LP \$4600						0.661
myBlue Access \$6350						0.467
myBlue Access \$4000						0.718
myBlue Access LP \$3500						0.846
myBlue Access LP \$1500						1.018
myBlue Care - Gold						0.961
myBlue Care - Platinum						1.170

The AV Pricing Value represents the cumulative effect of the adjustments made by FPLIC to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

The adjustment for plan cost sharing includes expected differences in utilization due to differences in cost sharing. Adjustments in utilization due to differences in cost sharing were based on the contractual adjustments from Milliman's Health Cost Guidelines (HCGs). These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

EXHIBIT 20. MEMBERSHIP PROJECTIONS

The Individual ACA membership assumptions for the enrollment figures in the 2016 filing were based on the initial enrollment figures and distribution by product and metal level through February 28, 2015 as a starting point. Contributing to the actual observed increase in the enrollment figures from year end 2014 to the end of February 2015 are the following:

1. Approximately 6,000 medically underwritten retail members have transitioned from 2014 into one of the FPLIC Individual ACA programs as of the end of February 2015.
2. Approximately 11,000 new to blue members have enrolled into one of the FPLIC Individual ACA program as of the end of February 2015.

The actual enrollment distribution by product within metal level observed through end of February 2015 incorporating the retail/medically underwritten members transitioning, 2015 new to blue members and existing members from 2014 still enrolled was assumed throughout the end of 2015. The monthly membership observed initially through the end of February 2015 is projected to increase slightly by approximately 3.8% by year end 2015. This distribution within product was then incorporated initially into 2016 as a starting point with then continued growth anticipated in the total member months yielding approximately 15.0% increase from 2015 into 2016.

In addition for 2016, the following products are being eliminated from the market in which the following enrollment migration distribution assumptions were then further incorporated to arrive at final 2016 enrollment projections:

1. MyBlue Access \$500 Platinum
 - a. 10% leave
 - b. 25% move to My Blue Care Platinum due to lower copays
 - c. 25% move to My Blue Care Gold due to cost
 - d. 20% move to My Blue Care Access LP \$1500 Gold due to cost and provider access
 - e. 20% move to My Blue Multi State Plan \$2000 Gold due to provider access
2. MyBlue Choice \$250 Platinum
 - a. 10% leave
 - b. 15% move to My Blue Care Platinum due to lower copays
 - c. 15% move to My Blue Care Gold due to cost
 - d. 20% move to My Blue Care Access LP \$1500 Gold due to cost and provider access
 - e. 40% move to My Blue Multi State Plan \$2000 Gold due to provider access
3. MyBlue Access Gold
 - a. 20% leave
 - b. 50% move to My Blue Access \$1500 Silver due to cost
 - c. 30% move to My Blue Care Gold due to lower copays
4. MyBlue Choice
 - a. 20% leave
 - b. 80% move to My Blue Multi State Plan \$2000 Gold due to provider access

Within the My Blue Care Platinum plan which is remaining in 2016, it is also assumed that 10% will leave this program in 2016, 30% will move to My Blue Care Gold due to cost and 60% will remain in this benefit plan due to the benefit preference within the program.

EXHIBIT 20. MEMBERSHIP PROJECTIONS

We projected cost sharing reduction (CSR) eligible members by first estimating the number of members FPLIC expects to enroll in their on-exchange silver plans. Using the current CSR level distribution as of April 2014, these silver members are divided into the three silver CSR levels. We assumed CSR eligible members will enroll in plans that provide the highest subsidy level for which they are eligible.

Table 20.1 First Priority Life Insurance Company Projected Enrollment (Members) by Subsidy Level					
Plan Name	73%	87%	94%	Standard	Total
myBlue Choice \$2500					
myBlue Access \$1500					
my Blue Cross, a MSP					
myBlue Care - Silver					
myBlue Access LP \$3500					

EXHIBIT 21. TERMINATED PRODUCTS

The following is a list of terminated products and plans.

Table 21.1 First Priority Life Insurance Company Terminated Products				
Product Name	HIOS ID	Present in Experience?	Year Terminated	New Plan Mapping if Applicable
BlueCare Direct	55957PA001	Yes	2014	N/A
BlueCare Direct Select	55957PA002	Yes	2014	N/A
BlueCare Direct Essentials	55957PA003	Yes	2014	N/A
BlueCare Direct Advantage	55957PA004	Yes	2014	N/A
BlueCare Direct Simplicity	55957PA013	Yes	2014	N/A
myBlue Choice \$250	55957PA0180003	Yes	2015	55957PA0340003
myBlue Access \$500	55957PA0190003	Yes	2015	55957PA0350003
myBlue Choice \$1000	55957PA0180002	Yes	2015	55957PA0340002
myBlue Access \$750	55957PA0190002	Yes	2015	55957PA0350002
my Blue Cross, a MSP	55957PA0140002	Yes	2015	55957PA0310002
myBlue Choice \$2500	55957PA0180001	Yes	2015	55957PA0340001
myBlue Access \$1500	55957PA0190001	Yes	2015	55957PA0350001
my Blue Cross, a MSP	55957PA0140001	Yes	2015	55957PA0310001
myBlue Care - Silver	55957PA0260001	Yes	2015	55957PA0360001
myBlue Choice LP \$5500	55957PA0160001	Yes	2015	55957PA0320001
myBlue Access LP \$4600	55957PA0170001	Yes	2015	55957PA0330001
myBlue Access \$6350	55957PA0190004	Yes	2015	55957PA0350004
myBlue Access \$4000	55957PA0190005	Yes	2015	55957PA0350005
myBlue Access LP \$3500	55957PA0170002	Yes	2015	55957PA0330002
myBlue Access LP \$1500	55957PA0170003	Yes	2015	55957PA0330003
myBlue Care - Gold	55957PA0260003	Yes	2015	55957PA0360003
myBlue Care - Platinum	55957PA0260002	Yes	2015	55957PA0360002

EXHIBIT 22. PLAN TYPE

There are no differences between the plans of FPLIC and the plan type selected in the drop-down box in Worksheet 2, Section I of the Part I Unified Rate Review Template.

EXHIBIT 23. WARNING ALERTS

The following warning alert(s) occurred in Worksheet 2:

There were Warning Alerts on cells A54 and A56. The values on Worksheet 1 and 2 do not match since the Plan Adjusted Index Rate on Worksheet 2 does not include non-single risk pool compliant plans per the instructions.

There were Warning Alerts on cells A67 and A72. The values on worksheet 1 and 2 do not match since the Total Incurred Claims on Worksheet 2 are net of risk adjustment and reinsurance payments, while the values on Worksheet 1 are not.

The following warning alert(s) occurred when validating the URRT:

WARNING - Wksh 2 - Plan Product Info - Cell G65 - (Section III - Portion of above payable by HHS's funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015.

WARNING - Wksh 2 - Plan Product Info - Cell M65 - (Section III - Portion of above payable by HHS's funds on behalf of

WARNING - Wksh 2 - Plan Product Info - Cell P65 - (Section III - Portion of above payable by HHS's funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015.

WARNING - Wksh 2 - Plan Product Info - Cell U65 - (Section III - Portion of above payable by HHS's funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015.

These warnings are caused by an error in the warning alert that indicates you must have \$0 for the payments made by HHS on behalf of the insured.

EXHIBIT 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

Not applicable.

EXHIBIT 25. RELIANCE

In performing this analysis, I relied on data and other information provided by First Priority Life Insurance Company. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

I performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

A data reliance letter is attached to this rate submission.

EXHIBIT 26. ACTUARIAL CERTIFICATION

I am a Principal & Consulting Actuary with the firm of Milliman, Inc. First Priority Life Insurance Company engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

I certify to the best of my knowledge and judgment:

1. The projected index rate is
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1))
 - Developed in compliance with the applicable Actuarial Standards of Practice
 - Reasonable in relation to the benefits provided and the population anticipated to be covered
 - Neither excessive nor deficient based on my best estimates of the 2016 Individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
4. The geographic rating factors used reflect only differences in the cost of delivery, and do not include differences for population morbidity by geographic area.
5. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated marketplaces and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The information provided in this actuarial memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.



Signed: _____

Name: Courtney R. White FSA, MAAA

Title: Principal & Consulting Actuary

Date: May 4, 2015

First Priority Life Insurance Company

**List of Data and Information Received and Relied Upon by Milliman
for the 2016 Individual Premium Rates and Unified Rate Review Template (URRT)**

I, John Fulginiti, Actuarial Director, hereby affirm that to the best of my knowledge and belief, the underlying data sources and information relied upon by Milliman for use in developing the 2016 individual premium rates and in preparing the Unified Rate Review Template (URRT)-Parts 1 and 3 are accurate and complete.

Further, I acknowledge that in preparing the URRT, Milliman has relied on certain assumptions provided by First Priority Life Insurance Company as described in the attached, and I affirm that to the best of my knowledge and belief, these assumptions are consistent with the Company's reasonable expectations regarding the future financial performance.

John Fulginiti
5/27/15

Date

First Priority Life Insurance Company

**List of Data and Information Received and Relied Upon by Milliman
Provided Under the Direction of John Fulginiti, Actuarial Director
2016 Individual Premium Rates and Unified Rate Review Template (URRT)**

- A. CY2014 membership and paid and allowed claims including Worksheet 1 detail,
- B. CY2014 diagnosis data for estimating risk scores,
- C. CY2014 reinsurance and cost sharing subsidies,
- D. CY2014 premium,
- E. Completion factors and claims outside the system,
- F. Historical risk scores from DxCG and HHS-HCC,
- G. Projected trend rates,
- H. Projected network factors,
- I. Smoker curve,
- J. Current and proposed benefit plans,
- K. Actuarial values from the Actuarial Value Calculator,
- L. Current members by age, plan, CSR status, and tobacco status,
- M. Projected membership by benefit plan for both on and off exchange,
- N. Non-Essential Health Benefit information for 2014 Retail PPO,
- O. Quality improvement expenses,
- P. Projected administrative costs, taxes, and fees, and
- Q. Projected margins.

First Priority Life Insurance Company Description of Rate Changes

First Priority Life Insurance Company (FPLIC) is requesting a weighted average rate increase of 29.5% across all available plans for its Individual Affordable Care Act (ACA) products effective January 1, 2016. The weighted average increase is based on projected membership in 2016, averaging approximately 47,000 monthly members.

Data Supporting Proposed Increase

The proposed increases are being driven by rising medical care costs, which are expected to continue through the remainder of 2015 and throughout 2016 as a result of both higher service utilization and the increasing cost of services.

There are several key factors behind these trends:

- Unlike many other regions of the state and nation, FPLIC's 13-county service area in northeastern and north central Pennsylvania has a lack of tertiary care facilities (i.e., facilities that provide higher level care such as transplants), which drives a necessary use of out-of-area providers by our members. This drives up the cost of care since services utilized outside the FPLIC service area generally come at a higher cost, accounting for approximately 20% of the hospital medical care costs in FPLIC's Individual ACA program during 2014.
- The increased use of high-cost specialty drugs by a growing portion of our members is expected to continue trending upward throughout 2015 and 2016. For example, recently introduced, costly pharmaceuticals to treat Hepatitis C have already been huge drivers in increasing our prescription drug costs, and they are projected to continue driving costs in the future.
- The average age of the population in FPLIC's service area is older than the state and national mean and the population has more significant health risk factors than the rest of the state, requiring higher levels of medical services.

It is important to note that for calendar year 2014 – the first year that many major Health Care Reform provisions such as broad rating changes and requirements to offer policies on health insurance exchanges became effective – FPLIC reported a pure estimated Medical Loss Ratio (MLR) of 126.6% for the population of individuals purchasing ACA-compliant coverage on and off the exchange. Pure MLR is defined as the ratio of incurred claims to premium dollars received, before the impact of the ACA risk sharing programs described below. So as a result, FPLIC paid out more than \$1.26 for medical care costs for every \$1.00 in premium it received.

To account for risks associated with comprehensive changes in health insurers' rating methodology, the ACA includes three risk sharing mechanisms: the reinsurance, risk adjustment and risk corridor programs.

- When adjusting for the impact of the temporary transitional reinsurance program, the FPLIC MLR reported at year end 2014 yielded 104.6%.
- When further adjusting for the estimated impact of the risk adjustment transfers, the resulting net MLR yielded 98.7%, far exceeding the 80% minimum MLR level required by the federal government.
- Due to uncertainty regarding the availability of federal funding through the temporary risk corridor program, FPLIC did not include current or future estimates of payments into the rating calculations.

It is necessary for FPLIC to have sufficient premiums to cover care costs, while ensuring access to the broad network of providers that we are committed to providing for our members. And even with the proposed weighted average increase, FPLIC is projected to yield a net Medical Loss Ratio of more than 80% for 2016, above the minimum federal requirement.

The rate development in this filing is contingent upon the continued availability of federal subsidies under the ACA in 2016. If federal subsidies in their current form are not available to eligible residents of Pennsylvania, substantial changes to this filing may be required.

Our Commitment

First Priority Life Insurance Company continues to work with regional providers to negotiate the best possible rates for our covered products and to invest in initiatives that better manage medical care costs, promote wellness and preventive care for our members, and encourage high quality care. The company is increasingly utilizing a pay-for-value model to help mitigate rising costs while rewarding quality outcomes, safety and a positive patient experience. We remain committed to offering our members a wide choice of health care plans so they can select the one that best meets their family's financial situation and health care needs.

State:	Pennsylvania	Filing Company:	First Priority Life Insurance Company, Inc.
TOI/Sub-TOI:	H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)		
Product Name:	2016 Individual & MSP Rate Filing		
Project Name/Number:	/		

Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Data Request Sent	Rashmi Mathur (AH)	06/09/2015	06/09/2015

Response Letters

Responded By	Created On	Date Submitted
--------------	------------	----------------

State: Pennsylvania **Filing Company:** First Priority Life Insurance Company, Inc.
TOI/Sub-TOI: H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)
Product Name: 2016 Individual & MSP Rate Filing
Project Name/Number: /

Objection Letter

Objection Letter Status	Data Request Sent
Objection Letter Date	06/09/2015
Submitted Date	06/09/2015
Respond By Date	06/23/2015

Dear Kelly Flannery,

Introduction:

The Pennsylvania Insurance Department has received and conducted a review of the above captioned filing. In order to complete the review, we are requesting the following information. To facilitate a timely review, we request this information be provided within 14 days of the date of this letter. If you have any questions or difficulties in providing the data within this time frame, please call me.

1. Please list all factor changes proposed in this filing relative to the approved 2015 rate filing and discuss the rationale for the changes.
2. Administrative Expenses (AE) – The proposed AE is \$51.00 and the approved AE in the 2015 filing is \$34.34. To support this increase in AE, please document and quantify any unusual expenses that have incurred or are expected to incur in the rating period. Please list any actions that your company is taking to control the AE on various products.
3. Exhibit II versus Table 13.1 of Part III Actuarial Memorandum – Although the starting value [\$474.35] and the Projected Value [\$520.92] are the same in both the exhibits, please explain the discrepancies in the various factors used in the calculation of the Projected Value. For example the 'Change in Benefit Richness' factor is 0.996 on Exhibit II and 1.015 in Table 13.1.
4. Exhibit III versus Table 14.1 of Part III Actuarial Memorandum – Please explain the discrepancy in the following factors used in the calculation of Market Adjusted Index Rate:
Net Transitional Reinsurance - (16.35) in Table III and (\$16.46) in Table 14.1
Exchange Fee - \$10.51 in Table III and \$10.58 in Table 14.1
Paid to Allowed Average Factor - 0.786 in Table III and 0.791 in Table 14.1

Conclusion:

Upon receipt of your responses to the above requested data, the Department will continue to review your filing. Please note that there may be additional questions and/or requirements after reviewing the above data.

Should you have any questions regarding this correspondence, please contact me at (717) 783-0675 or e-mail at rmathur@pa.gov.
Sincerely,

Rashmi Mathur, ASA, MAAA
Actuary
Bureau of Life, Accident & Health Insurance
Sincerely,
Rashmi Mathur (AH)

State:	Pennsylvania	Filing Company:	First Priority Life Insurance Company, Inc.
TOI/Sub-TOI:	H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)		
Product Name:	2016 Individual & MSP Rate Filing		
Project Name/Number:	/		

Supporting Document Schedules

Satisfied - Item:	Response to 6-30-15 PA State Generated Message
Comments:	Response to Pennsylvania state generated message dated 6-30-15. Attached is the Redacted Response to Objection letter received 6-9-15 and responded to on 6-17-15, and Redacted Exhibit 1 and Redacted Exhibit 2.
Attachment(s):	Redacted Response to Objection Letter of 6-9-15 responded to on 6-17-15.pdf Redacted Exhibit One & Exhibit Two.pdf
Item Status:	
Status Date:	
Satisfied - Item:	Redacted responses to 7-2-15 Objection Letter
Comments:	Redacted responses to Objection Letter dated 7-2-15.
Attachment(s):	Redacted Response ltr to Objection ltr of 7-2-15.pdf Redacted - pid exhibit 07142015-individual (Redacted).xlsx
Item Status:	
Status Date:	
Satisfied - Item:	Redacted Responses to 7-23-15 Call Questions and Corresponding Redacted Exhibit
Comments:	Redacted response letter to questions posed by Ms. Mathur during 7-23-15 phone call, and redacted supporting documentation.
Attachment(s):	Redacted Cover Letter Answering Telephone Call Questions of 7-23-15.pdf Redacted - pid exhibit 07232015-individual redacted version xlsx.xlsx
Item Status:	
Status Date:	

State:	Pennsylvania	Filing Company:	First Priority Life Insurance Company, Inc.
TOI/Sub-TOI:	H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)		
Product Name:	2016 Individual & MSP Rate Filing		
Project Name/Number:	/		

Attachment Redacted - pid exhibit 07142015-individual (Redacted).xlsx is not a PDF document and cannot be reproduced here.

Attachment Redacted - pid exhibit 07232015-individual redacted version xlsx.xlsx is not a PDF document and cannot be reproduced here.

July 2, 2015

Rashmi Mathur
Pennsylvania Insurance Department
Bureau of Accident & Health
Actuarial Review Division
1311 Strawberry Square
Harrisburg, PA. 17120

Re: First Priority Life Insurance Company – Individual – PPO
Received: June 9, 2015 SERFF Tracking# BCNP-130071834 : Redacted version

Dear Ms. Mathur:

Enclosed please find the redacted responses below to the questions dated June 9, 2015 for the above referenced filing for First Priority Life Insurance Company. If you have any questions pertaining to the responses please contact me directly at 570-200-6402. The initial responses were sent to the Department via SERFF on June 17, 2015.

1. **Question:** Please list all factor changes proposed in this filing relative to the approved 2015 rate filing and discuss the rationale for the changes.

Response: There are no proposed changes to the rating factors. The age, tobacco, and area factors are all the same as 2015.

2. **Question:** Administrative Expenses (AE) – The proposed AE is \$ [REDACTED] and the approved AE in the 2015 filing is \$ [REDACTED]. To support this increase in AE, please document and quantify any unusual expenses that have incurred or are expected to incur in the rating period. Please list any actions that your company is taking to control the AE on various products.

Response: With the 2015 Individual ACA filing being prepared in the first half of 2014 with minimal immature claims experience, the Plan targeted single digit average increases of approximately 7 % given 2015 being the first renewal period under the ACA Individual program. In establishing the 7% average increase for 2015, a credit adjustment in the administrative cost component was incorporated in order to assist in achieving the overall 7 % 2015 rate increase.

As a result in the 2015 filing, █% of required premium (i.e. \$ █ PMPM) was used as the administrative cost component in establishing the 2015 requested pricing increase which reflected the adjustment to the administrative costs.

Please note that in comparison, the actual administrative costs for 2014 for the Individual ACA was \$ █ pmpm. In preparing our 2016 rate filing in using the estimated \$ █ pmpm for the administrative expense, this results in an average annual inflator of approximately █% (representative of CPI).

As a result of the █ % inflator noted, First Priority Life continues to bring stability from year to year in actual administrative dollars being spent as we continue to work with our providers to negotiate the best possible rates for our covered products and to invest in initiatives to control medical care costs, promote wellness and preventative care for our members within our community while encouraging high quality care. We remain dedicated to working with our members to find coverage plans that are the most appropriate, beneficial and affordable for their needs.

3. **Question:** Exhibit II versus Table 13.1 of Part III Actuarial Memorandum – Although the starting value █ and the Projected Value █ are the same in both the exhibits, please explain the discrepancies in the various factors used in the calculation of the Projected Value. For example the 'Change in Benefit Richness' factor is █ on Exhibit II and █ in Table 13.1.

Response: Table 13.1 summarizes the components of the change in the index rate into four key components. See the attached Exhibit 1 which crosswalks the various factors in Exhibit II to the four components in Table 13.1.

4. **Question:** Exhibit III versus Table 14.1 of Part III Actuarial Memorandum – Please explain the discrepancy in the following factors used in the calculation of Market Adjusted Index Rate:

Net Transitional Reinsurance - (█) in Table III and (\$█) in Table 14.1
Exchange Fee - \$█ in Table III and \$10.58 in Table 14.1
Paid to Allowed Average Factor – █ in Table III and █ in Table 14.1

Response: Exhibit III is correct. The Paid to Allowed Average Factor of █ in Table 14.1 did not include the non-Essential Health Benefits in either the numerator or denominator. See attached Exhibit 2 for a revised Table 14.1

that is consistent with Exhibit III. The market adjustments were converted to a percentage of premium then adjusted by the Paid to Allowed Average Factor. The Net Transitional Reinsurance of \$[REDACTED] would be adjusted as follows: \$[REDACTED]. Since the market adjustments decreased by the change in the Paid to Allowed Ratio and then are grossed up by the Paid to Allowed Factor, there is no impact to the Market Adjusted Index Rate or the premium rates.

Should you have any further questions and/or comments, please feel free to call me. My office number is (570)-200-6402.

Sincerely,



John Fulginiti
Senior Director – Actuarial Services

Exhibit 1
First Priority Life Insurance Company
Individual Rate Filing
Effective January 1, 2016
Filing #F-2026-I-R-1/1/16

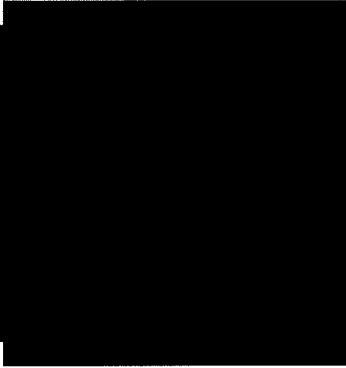
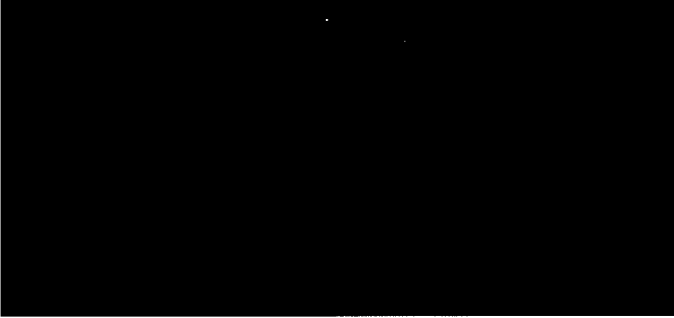
Exhibit II		
<u>Description</u>	<u>Values</u>	<u>Table 13.1 Category</u>
CY2014 Allowed Claims		
		
Projected CY2016 Allowed PMPM		

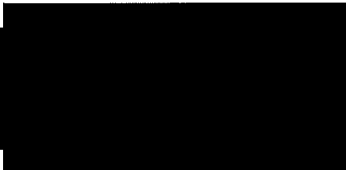

Table 13.1	
<u>Description</u>	<u>Values</u>
CY2014 Allowed Claims	
	
Projected CY2016 Allowed PMPM	

Exhibit 2
Priority Life Insurance Company
Individual Rate Filing
Effective January 1, 2016
Filing #F-2026-I-R-1/1/16

[illegible][illegible]

July 14, 2015

Rashmi Mathur
Pennsylvania Insurance Department
Bureau of Accident & Health
Actuarial Review Division
1311 Strawberry Square
Harrisburg, PA. 17120

Re: First Priority Life Insurance Company – Individual – PPO
Received: July 2, 2015 Questions - SERFF Tracking# BCNP-130071834 : REDACTED
VERSION

Dear Ms. Mathur:

Enclosed please find the redacted version of the responses below to the questions dated July 2, 2015 for the above referenced filing for First Priority Life Insurance Company. If you have any questions pertaining to the responses please contact me directly at 570-200-6402.

1. **Question:** Please provide the actuarial value screenshots for all plans being offered.

Response: The 2016 individual AV screen shots have been provided to the Department. FPLIC at this time respectfully requests that this information outlining the benefits and corresponding AV be held as confidential and proprietary.

2. **Question:** Was base data adjusted for high or low volume of large claims?

Response: The base data was not adjusted for the high or low volume of large claims.

3. **Question:** Please provide the quantitative development of the morbidity, benefit change, and demographic adjustments discussed in Exhibit 5 of the part III Actuarial Memorandum.

Response: See Exhibits 1a-1e, which show the quantitative development of the morbidity, benefit change, and demographic adjustments. We have described each in more detail below:

- 1a – Change in benefit richness due to membership shifts between plans – This factor represents the expected change in allowed costs due to member benefit plan selection.

- 1b – Change in pricing actuarial value vs. actual actuarial value – Pricing is based on projecting allowed claims and applying an actuarial value. This factor adjusts for the difference between the pricing actuarial value and the observed or actual actuarial value.
- 1c – Change in age mix – This factor reflects the expected change in age mix. The 2016 projected membership is based on BCNEPA's enrollment as of January 2015.
- 1d – Change in member source mix – BCNEPA used DxCG risk scores to measure the relative morbidity differences depending on the member's previous coverage. This factor reflects the impact of this mix changing (i.e., new to Blue moving from [REDACTED] of members to almost [REDACTED]).
- 1e – Change due to plan terminations – BCNEPA provided migration assumptions and we estimated the impact of members terminating and migrating to other metal levels.

4. **Question:** The part III Actuarial Memorandum explains that the unit cost trend factors in Table 5.1 do not match those in the URRT, but the utilization trend factors do not match either. Please provide a cross-walk between both the unit cost and utilization factors in Table 5.1 and those in the URRT.

Response: We were targeting a combined utilization and unit cost allowed trend, before any other adjustments, of about [REDACTED] based on [REDACTED] for medical and [REDACTED] for prescription drugs. We did not project utilization and unit costs by type of service. Instead, we applied the [REDACTED] trend to the overall 2014 allowed costs PMPM. Exhibit 2 compares the trend in Table 5.1 to the trends underlying the URRT. For pricing and URRT, we used preliminary trends calibrated to about [REDACTED]. Table 5.1 is similar with a slight shift between utilization and unit costs.

5. **Question:** Exhibit 8 of the part III Actuarial Memorandum indicates that the Paid to Allowed factor in Worksheet 1 of the URRT was based on the mix of plans sold rather than the projected mix used in Worksheet 2. Please explain why the projected mix was not used in Worksheet 1 given that the factor is used to determine projected incurred claims.

Response: The Paid to Allowed factors from Worksheet 1 and Worksheet 2 of the URRT both use the 2016 projected mix of members by plan.

6. **Question:** Please provide the breakdown of the 10.83% administrative expense load.

Response: The 2016 estimated breakdown of the administrative expense load of [REDACTED] % consists of:

- IT services = [REDACTED] %
- Sales, Marketing & Commissions = [REDACTED] %
- Customer Service = [REDACTED] %
- Claims Processing = [REDACTED] %
- Provider Operations, Finance, Legal and HR = [REDACTED] %
- Fraud, Corporate Compliance & Security = [REDACTED] %

Total = [REDACTED] %

7. **Question:** Given that you are projecting a loss on this line, why would federal income tax be allocated to it?

Response: Prior to federal income tax and the insurer fee, we are projecting a small profit. The insurer fee is not tax deductible so it applies after federal income tax. The loss occurs after the application of federal income tax and insurer fee

8. **Question:** Please explain why the [REDACTED] morbidity factor in Table 13.1 of the part III Actuarial Memorandum differs from the [REDACTED] in the URRT.

Response: Exhibit 3 shows how the [REDACTED] morbidity factor on Table 13.1 and the morbidity factor in URRT are related. The differences are driven by how certain adjustments are grouped based on the URRT instructions. We defined the Table 13.1 adjustments, which seemed more intuitive, to better represent the changes to the index rate.

9. **Question:** Please provide the development of the federal loss ratio showing all adjustments made.

Response: The development of the federal loss ratio is shown in the "Development of ACA Medical Loss Ratio" section of Exhibit III in the state rate filing. The numerator includes incurred claims net of reinsurance plus quality initiatives. The denominator includes earned premium reduced for taxes and fees.

10. **Question:** Please explain why the demographic adjustment discussed in Exhibit 5 of the part III Actuarial Memorandum does not appear in Table 13.1.

Response: The demographic adjustment is included in the [REDACTED] in Table 13.1. See Exhibit 3 for the development of [REDACTED]. The demographic adjustments are also discussed in Question 3 above

11. **Question:** Exhibit 15 of the part III Actuarial Memorandum - Please split the AV and Cost Sharing factor in Table 15.1 for each plan into the three components – the AV metal value as determined by the AV calculator, the AV and cost sharing pricing adjustment, and the tobacco surcharge adjustment. For the second component, the AV and cost sharing pricing adjustment based on Milliman HCGs, please also show the split between the cost and utilization components.

Response: Exhibit 4 shows the requested information.

12. **Question:** Exhibit III and table 15.1 of the part III Actuarial Memorandum show a Specific Catastrophic Eligibility adjustment for non-catastrophic plans, which is explicitly prohibited by the URRT instructions. Please explain or correct this.

Response: These factors should have been [REDACTED] for the non-catastrophic plans. Exhibit 5 shows a revised Table 15.1

13. **Question:** Please provide the development of the administrative expense adjustments by plan and fully explain the reasons for the variations, including variations in the profit margin Please show how the differences between plan administrative costs were calculated.

Response: The administrative expenses and profit by plan are shown in the “Development of the Impact of Transitional Reinsurance As Percentage of Premium” section of Exhibit III in the state rate filing.

The administrative expenses (as percentage of premium) and risk load are the same for all plans; however, the profits (or contribution to surplus) varied by plan. FPLIC was attempting to balance the level of rate increase necessary to achieve target loss ratios, to maintain appropriate pricing relationships in the market, and to minimize member disruption by varying the profit by plan. The profit level was adjusted on a plan by plan basis in order to maintain the market premium relationships by metal and network. Without making these adjustments, applying a uniform profit for all plans, the premium relationships when comparing by metal and network would be inconsistent and could create selection issues.

14. **Question:** Please provide the development of the calculation of the average age factor of [REDACTED].

Response: Exhibit 6 shows the development of the age calibration factor.

15. **Question:** Please provide the percentage reduction in the 2014 premium if the 100% coinsurance rate was used in your calculation of the reinsurance payment for 2014.

Response: If the 2014 federal reinsurance benefit parameters were 100% coinsurance between \$45,000 and \$250,000, then the 2014 premium rates would have been about [REDACTED] lower than the filed and approved 2014 premium rates.

16. **Question:** Will the excess reinsurance amount lead to a reduction in the 2016 proposed rate increase? Please explain.

Response: The excess federal reinsurance for 2014 dates of service will not impact the 2016 proposed premium rates. The 2016 proposed premium rates were develop using projected allowed claims and the projected 2016 federal reinsurance benefit parameters.

17. **Question:** Please discuss how this excess reinsurance amount will flow back to the policyholder.

Response: The 2014 premium rates were inadequate as demonstrated by the high loss ratio, so the members benefitted from lower premium rates.

18. **Question:** Please provide the estimated impact on the 2014 underwriting gain due to the report that CCIIO released with the actual reinsurance recoveries and risk adjustments for 2014.

Response: At the end of 2014, FPLIC reported an estimated calendar year underwriting economic [REDACTED] within the Individual ACA of \$ [REDACTED]. The [REDACTED] of \$ [REDACTED] was based upon the estimate at the time of receiving \$ [REDACTED] for reinsurance recoveries and receiving \$ [REDACTED] for the risk adjuster within the Individual ACA.

The recent announcement from CMS for the 2014 reinsurance recoveries and risk adjuster for the Individual ACA for FPLIC yielded \$ [REDACTED] of reinsurance recoveries and \$ [REDACTED] of recoveries for the risk adjuster. As a result, when incorporating recent announcement of the reinsurance recovery and risk adjuster, the initial year end 2014 underwriting performance changes from \$ [REDACTED] to \$ [REDACTED] million due to these 2 changes.

19. **Question:** Please provide a comparison of the 2014 projected and actual reinsurance recoveries and risk adjustments for 2014.

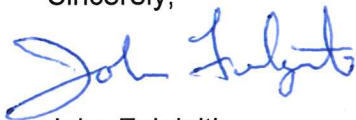
Response: Please refer to response number 18 which recaps the comparison of the 2014 projected and actual reinsurance recoveries and risk adjustment.

20. **Question:** Please notify us if you intend to revise your 2016 rate filing and provide an estimated impact the risk adjustment transfer may have on the 2016 premiums.

Response: At this time, FPLIC has responded to the Department and respectfully requests the response to this question to be held as confidential and proprietary at this time.

Should you have any further questions and/or comments, please feel free to call me.

Sincerely,



John Fulginiti
Senior Director – Actuarial Services

July 27, 2015

Rashmi Mathur
Pennsylvania Insurance Department
Bureau of Accident & Health
Actuarial Review Division
1311 Strawberry Square
Harrisburg, PA. 17120

Re: First Priority Life Insurance Company – Individual – PPO
July 23, 2015 call Questions- SERFF Tracking# BCNP-130071834 Redacted version

Dear Ms. Mathur:

Enclosed please find the redacted version of the responses to the questions from our July 23, 2015 call for the above referenced filing for First Priority Life Insurance Company. If you have any questions pertaining to the responses please contact me directly at 570-200-6402.

1. **Question:** Please comment on the pent up demand in 2015 in comparison to 2014.

Response: With over [REDACTED] members currently enrolled in the Individual ACA programs in 2015 compared to [REDACTED] members as of December 2014, FPLIC, [REDACTED] observes [REDACTED] in out of area hospital dollars as a percent of the total hospital dollars. In 2014, approximately [REDACTED] of the hospital [REDACTED] allowed dollars were for out of area services, and in 2015, FPLIC is observing this percent [REDACTED] to over [REDACTED] %. On average, the cost per service for [REDACTED] services is [REDACTED] than for services on average [REDACTED].

In addition to the [REDACTED] services referenced, FPLIC is also observing [REDACTED] in the number of [REDACTED] \$ [REDACTED] in services for the first 5 months of 2015 in comparison to the first 5 months of 2014. Please refer to the recap below comparing 2014 vs 2014 for year to date May. In 2015, [REDACTED] out of the top [REDACTED] individuals for incurred year to date May 2015 are [REDACTED]. The highest cost case in the first 5 months of 2015 was approximately \$ [REDACTED] in which this member was enrolled in the FPLIC Individual ACA for [REDACTED].

High cost Members: YTD May 2015 as of May 31, 2015:

of people over \$ [REDACTED] = [REDACTED]

Member Months = [REDACTED]

High cost Members: YTD May 2014 as of May 31, 2014:

of people over \$ [REDACTED] = [REDACTED]

Member Months = [REDACTED]

To further demonstrate the ongoing volatility and [REDACTED] utilization, it should be noted that just recently in [REDACTED], services paid [REDACTED] within the FPLIC Individual ACA for \$ [REDACTED] has been paid for dates of service in [REDACTED]. This [REDACTED] has now accumulated over \$ [REDACTED] paid thus far and we have been informed that an additional \$ [REDACTED] is being processed related to [REDACTED] services [REDACTED]. This [REDACTED] enrolled in the Individual ACA [REDACTED].

2. **Question:** Why did the Plan [REDACTED] in the base period?

Response: In the base experience period of 2014, [REDACTED]

On average, the cost per service for hospital [REDACTED] than for services [REDACTED].

3. **Question:** Please check the HIOS numbers in response number 11, exhibit 4 of the July 14, 2015 correspondence. The HIOS numbers should match to the URRT.

Response: Please see the attached excel file with the revised exhibit (Q1 tab in the attached excel file labeled Exhibit 1) from the July 14, 2015 response # 11. The attached exhibit has with the correct HIOS numbers consistent with the URRT.

4. **Question:** Why the [REDACTED] load [REDACTED] for the [REDACTED] plan [REDACTED] for the other plans?

Response: The [REDACTED] factor is [REDACTED] since the [REDACTED] membership is [REDACTED]

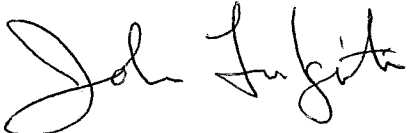
5. **Question:** How is the [REDACTED] average profit on the URRT computed?

Response: Please refer to the attached excel file in tab labeled Q2. Exhibit 2 in this tab recaps the development of the profit of the [REDACTED] noted on the URRT.

6. **Question:** Why the [REDACTED] profit load on the [REDACTED] plan?

Response: The [REDACTED] % profit load on the [REDACTED] plan used by FPLIC was to [REDACTED].

Should you have any further questions and/or comments, please feel free to call me.

A handwritten signature in black ink, appearing to read "John Fulginiti". The signature is fluid and cursive, with the first name "John" and last name "Fulginiti" clearly distinguishable.

Sincerely,
John Fulginiti
Senior Director – Actuarial Services