TOI/Sub-TOI:
Product Name:
Project Name/Number:

## Supporting Document Schedules

| Satisfied - Item: | ACA Public Rate Filing PDF |
| :--- | :--- |
| Comments: |  |
| Attachment(s): | SG_21-62_Initial_CAIC_PPO_PublicFiling01_Supporting_20210713.pdf |
|  | SG_21-62_Initial_CAIC_PPO_PublicFiling02_Supporting_20210713.pdf |
|  | SG_21-62_Initial_CAIC_PPO_PublicFiling03_Supporting_20210713.pdf |
| SG_21-62_Initial_CAIC_PPO_PublicFiling04_Supporting_20210713.pdf |  |

## Capital BLUE 愚

May 18, 2021

Ms. Tracie Gray, 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: Capital Advantage Insurance Company Small Group Rates <br> Filing No 21-62 <br> TOI Code: H15G Group Health - Hospital/Surgical/Medical Expense Sub-TOI Code: H15G.003 Small Group Only Filing Type: Rate

Dear Ms. Gray:
By this filing Capital BlueCross, on behalf of its wholly owned subsidiary Capital Advantage Insurance Company, submits to the Department Small Group Rates effective January 1, 2022.

The following is a summary of the rate filing:

- Company Name: Capital Advantage Insurance Company (CAIC)
- NAIC: 41203
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 1/1/2022
- Average Rate Change: 5.8\%
- Range of Requested Rate Change: $5.8 \%$ to $5.8 \%$
- Total additional annual revenue generated from the proposed rate change: $\$ 60,284$
- Product: PPO
- Rating Areas: 6,7,9
- Metal Levels: Gold
- Current Covered Lives and Policyholders: 132/83
- 2022 Number of Plans/Change from 2021: 1/No Changes
- Contract Form \#: C22-CAIC-SGP
- Form Filing SERFF \#: CABC-132793478
- Binder SERFF \#: CABC-PA22-125107257
- HIOS Issuer ID: 82795
- HIOS Submission Tracking Number: 82795-2003721964618918916

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

If you have any questions regarding this filing, please call me at $\square$ (or via email at

. Thank you for your assistance in this matter.
Sincerely,


Enclosures
cc: , FSA, MAAA, Senior Director, Actuarial Services
$\square$, ASA, MAAA, Vice President and Chief Actuary, Actuarial Services
, Associate General Counsel

## Attachment I

## Rate Change Summary

## Capital Advantage Insurance Company (CAIC) - Small Group Plans

## Rate request filing ID \# CABC-132795942 - This document is prepared by the insurance company submitting the rate filing as a consumer tool to help explain the rate filing. It is not intended to describe or include all factors or information considered in the review process. For more information, see the filing at http://www.insurance.pa.gov/Consumers/ACARelatedFilings/

## Overview

| Initial requested average rate change: | $5.5 \%^{1}$ |
| :--- | :--- |
| Revised requested average rate change: | $\mathrm{N} / \mathrm{A}^{1}$ |
| Range of requested rate change: | $5.5 \%$ to 5 |
| Effective date: | $1 / 1 / 2022$ |
| Mapped Members: | 132 |
| Available in: | Rating Are |
|  |  |
| Key information |  |
| Jan. 2020-Dec. 2020 financial experience |  |
| Premiums | $\$ 791,989$ |
| Claims | $\$ 632,161$ |
| Administrative expenses | $\$ 66,567$ |
| Taxes \& fees | $\$ 26,699$ |
| Company made (after taxes) | $\$ 66,562$ |

How it plans to spend your premium
This is how the insurance company plans to spend the premium it collects in 2022:

Claims:
Administrative:
Taxes \& fees:
Profit:
85.66\%
9.75\%
2.59\%
2.00\%

The company expects its annual medical costs to increase 6.52\%.

## Explanation of requested rate change

Future Cost and Utilization: 6.5\%
Less migration of groups from ACA to ASO arrangements: -1.0\%

[^0]
## Capital BLUE 愚

July 13, 2021
Ms. Tracie Gray, 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: Capital Advantage Insurance Company Small Group Rates <br> Filing No 21-62 <br> TOI Code: H15G Group Health - Hospital/Surgical/Medical Expense Sub-TOI Code: H15G. 003 Small Group Only Filing Type: Rate

Dear Ms. Gray:
By this filing Capital BlueCross, on behalf of its wholly owned subsidiary Capital Advantage Insurance Company, submits to the Department Small Group Rates effective January 1, 2022.

The following is a summary of the rate filing:

- Company Name: Capital Advantage Insurance Company (CAIC)
- NAIC: 41203
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 1/1/2022
- Average Rate Change: 5.5\%
- Range of Requested Rate Change: $5.5 \%$ to $5.5 \%$
- Total additional annual revenue generated from the proposed rate change: $\$ 57,107$
- Product: PPO
- Rating Areas: 6,7,9
- Metal Levels: Gold
- Current Covered Lives and Policyholders: 132/83
- 2022 Number of Plans/Change from 2021: 1/No Changes
- Contract Form \#: C22-CAIC-SGP
- Form Filing SERFF \#: CABC-132793478
- Binder SERFF \#: CABC-PA22-125108746
- HIOS Issuer ID: 82795
- HIOS Submission Tracking Number: 82795-2003721964618918916

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

If you have any questions regarding this filing, please call me at $\square$ (or via email at


Sincerely,


Enclosures
cc: $\square$, FSA, MAAA, Senior Director, Actuarial Services
$\square$ ASA, MAAA, Vice President and Chief Actuary, Actuarial Services , Associate General Counsel

# CAPITAL ADVANTAGE INSURANCE COMPANY, INC. ACTUARIAL MEMORANDUM Small Group Rates <br> Effective January 1, 2022 

## General Information

## Company Information

- Company Legal Name: Capital Advantage Insurance Company - CAIC
- State: PA
- HIOS Issuer ID: 82795
- Market: Small Group
- Effective Date: 1/1/2022


## PID Company Information

- Company Name: Capital Advantage Insurance Company (CAIC)
- NAIC: 41203
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 1/1/2022
- Average Rate Change: 5.5\%
- Range of Requested Rate Change: $5.5 \%$ to $5.5 \%$
- Total additional annual revenue generated from the proposed rate change: $\$ 57,107$
- Product: PPO
- Rating Areas: 6,7,9
- Metal Levels: Gold
- Current Covered Lives and Policyholders: 132/83
- 2022 Number of Plans/Change from 2021: 1/No Changes
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- Binder SERFF \#: CABC-PA22-125108746
- HIOS Issuer ID: 82795
- HIOS Submission Tracking Number: 82795-2003721964618918916


## Company Contact Information

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


## Scope and Purpose

By this filing, Capital Advantage Insurance Company (CAIC), a subsidiary of Capital BlueCross (CBC), submits rates for products to be made available to all small groups effective January 1, 2022.

## Rate History and Proposed Variations in Rate Changes

| Market | Company | Effective <br> Date | SERFF \# | Annual Increase |
| :---: | :---: | :---: | :---: | :---: |
| Small Group | CAIC | $1 / 1 / 2018$ | CABC-131022120 | $4.7 \%$ |
| Small Group | CAIC | $1 / 1 / 2019$ | CABC-131455106 | $16.2 \%$ |
| Small Group | CAIC | $1 / 1 / 2020$ | CABC-131921812 | $13.2 \%$ |
| Small Group | CAIC | $7 / 1 / 2020$ | CABC-132294744 | $8.6 \%$ |
| Small Group | CAIC | $1 / 1 / 2021$ | CABC-132352732 | $-6.0 \%$ |
| Small Group | CAIC | $10 / 1 / 2021$ | CABC-132750951 | $-3.5 \%$ |

## Average Rate Change

CAIC is proposing an aggregate annual $5.5 \%$ rate change. The rate change is calculated in PA Rate Exhibits Part III, Table 10, cell AC15.

The key drivers of the rate change, and approximate impact, are as follows:
Future Cost and Utilization: 6.5\%
Less migration of groups from ACA to ASO arrangements: $-1.0 \%$
Please note the filing includes a COVID-19 adjustment of 1.026.

## Membership

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

## Benefit Changes 2021-2022

A summary of proposed 2022 benefits is included in Exhibit A.
There are several benefit changes being implemented in 2022. 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 CAIC in the small group market.

Base Experience Period: The base experience period (BEP) includes completed fee-for-service paid and incurred claims for dates of service between January 1, 2020 and December 31, 2020.

Transitional membership is not included in PA Rate Exhibits Table 2 or URRT.
Paid Through Date: Claims in the BEP are paid through February 28, 2021
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 CAIC 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).
- CBC only covers Essential Health benefits (EHBs).
- CAIC does not include capitated 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 CBC'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.

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

## 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 5/9/2021.

Loss Ratio in BEP: Loss ratio is 79.82\%

## Credibility of Data

For the purpose of rate development, CAIC small group products are combined with other product offerings (HMO, PPO) from CBC 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 CAIC, Capital Advantage Assurance Company (CAAC), and Keystone Health Plan Central (KHPC) HMO data. The credibility manual BEP includes completed fee-for-service paid and incurred claims and capitation for dates of service between January 1, 2020 and December 31, 2020. All data is trended and benefit-adjusted in the same manner as the experience data (same projection factors and trend).

## Trend Identification

Trend: $6.52 \%$

Trend levels reflect CBC'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. CBC 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 BlueCross (CBC)'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 CBC 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 CBC'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. CBC 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 CBC'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 CAIC'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. CBC projects 3\% change in morbidity due to COVID-19 claim suppression during 2020. The morbidity factor is based on the following analysis:

1. Gather BEP claims, membership and premium from Ib Manual Data, Table 2. This is for the filing BEP $1 / 1 / 2020-12 / 31 / 2020$.
2. Develop Claim PMPM A using data from (1)
3. Gather 2019 claims, membership and premium from Ib Manual Data, Table 2 from the 2021 annual filing. This is for BEP $1 / 1 / 2019-12 / 31 / 2019$. Trend the claims data 12 months to the filing BEP in (1).
4. Develop Claim PMPM B using data from (2)
5. Claim PMPM B/Claim PMPM A $-1=3.6 \%$
6. $3 \%$ is applied in rating due to market competition.

The above calculation is found in Exhibit Q, Morbidity Factor Calculation.
2. In addition to the COVID-19 morbidity change, CAIC is also applying a factor of 1.14 to reflect the difference is projected Plan Liability Risk Score (PLRS) between CAIC and its subsidiary, CAAC, which underwrites the vast majority of the BEP experience. This factor aligns the rates with similar benefits offered under CAAC.

Changes in Benefits: Benefit changes are not applied to allowed claims as allowed should stay consistent from 2020 to 2022. 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 CBC'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: CAIC does not expect changes in demographics in its small group population.

Changes in Network: No Network change is applied.
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 CAIC's allowed claims PMPM, set in accordance with the single risk pool provision. All CAIC covered benefits are categorized as Essential Health Benefits (EHBs), therefore no adjustment was made to the experience period index.

Projected Allowed Claims: The CAIC 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 as well as PA Rate Exhibits Table 5 for the Index Rate.

## Paid to Allowed Ratio

CAIC 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, CAIC 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:

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

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. CAIC 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:

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 PPO 2000 and PPO 1000 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:

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

b. And to arrive at the Total Projected Claims PMPM, CAIC 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,

```
[Market Adjusted Index Rate]
    =([Index Rate] x [Paid to Allowed Ratio]
    - [Projected Incurred Reinsurace Recoveries]
    - [Projected Incurred Risk Adjustment PMPM]
    +[Exchange Fees PMPM]) \div[Paid to Allowed Ratio]
```


## Projected Incurred Risk Adjustments PMPM:

Relevant to 2022 pricing is the impact of Commercial Risk Adjustment (CRA) payment transfers that are expected to be earned in 2022. 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. 2019-2020 risk adjustment results
5. Market improvement in coding risk: CBC'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 CBC is disadvantaged in the market. This will drive CBC's relative risk to the market down over time.

The 2022 projected risk adjustment PMPM is set equal to the 2020 amount sent by the Department on $5 / 9 / 21$.

## Projected Incurred Reinsurance Recoveries:

Reinsurance does not apply to the small group market.

## Exchange Fee PMPM:

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

$$
\begin{aligned}
& \text { Exchange Fee PMPM } \\
&=[\text { Avg } 2022 \text { On }- \text { Exchange Premium PMPM }] \times[\% \text { Members On } \\
&- \text { Exchange }]
\end{aligned}
$$

Where
[Avg 2022 On - Exchange Premium PMPM
$=[$ Avg 2021 On-Exchange Premium PMPM $\times(1$
$+[$ Avg Proposed Rate Change $]$ )
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 \$0.25 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 CBC'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 CBC 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 BlueCross 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 CBC'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. The 2021 broker commission schedule is yet to be finalized. Attached please find the $1 / 1 / 2020$ copy of the broker agreement - redacted version. Files are as follows:
a. Redacted Standard Producer Master Agreement: "SG_21-

62_Initial_CAIC_PPO_SPMABrokerGroupRedacted_Supporting_20210518.pdf"
b. Redacted Preferred Producer Master Agreement: "SG_20-

62_Initial_CAIC_PPO_PPMABrokerGroupRedacted_Supporting_20210518.pdf"
4. Additional Quality Improvement: Additional QI amounts applied in rating equal $0.4 \%$. 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.
3. Premium Tax: CAIC is charged premium tax of $2 \%$. Premium tax is included in URRT, Worksheet2, "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 Adjusted Index Rates

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 CAIC's actuarial cost model. CAIC 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:

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

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 PPO 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 CBC. 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_21-62_Initial_CAIC_PPO_ListBilled_Supporting_20210518.xlsb for the calculation.

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

Geographic factors are unchanged from 2021.
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 $]=\sum[$ 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.

## $\underline{\text { AV Metal Values }}$

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.

## AV Pricing Values

All AV Pricing values were developed using CBC'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 2017-2019 filings. Actual comes from Table 4.

## 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 8
Exhibit A - Benefit Summary
Exhibit B - Benefit Change Summary
Exhibit C - Benefit Categories
Exhibit D - Benefit 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
Exhibit N - Calibration
Exhibit O - Rating Factors
Exhibit P - Quarterly Base Rates
Exhibit Q - Morbidity Factor
Exhibit R - MLR Exhibit
Broker Contracts
Actuarial Value Screenshots
List-Billed Data

## 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(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 2021 Rate Filing Justification.

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




| Month-rear | Total Annual Pemium | Incurece Clains | Completion fatars* | Utimate Inurred Clims | Members | Ultimate Incured PMPM | $\underset{\text { Estimaed Amual cost sharing }}{\text { (Member ths) }}$ | Prescripioion Dug Reates** |  | Alowe PMPM |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $\underset{\substack{\text { lagn-17 } \\ \text { feb-17 }}}{\text { ata }}$ |  |  | $\xrightarrow{\frac{1}{1.0000}} 1$ | $\xrightarrow{14.03550 .5} 1$ | ${ }_{88}^{117}$ | ${ }_{\substack{119.96 \\ 1388}}$ |  |  |  | ${ }_{\substack{173.00 \\ 251.15}}$ |
|  |  |  |  |  | 83 <br> ${ }_{8}^{83}$ <br> 8 <br> 8 | (isisit |  |  |  |  |
| (tar-1 |  |  |  | (i.tis.011 | 83 <br> 11 <br> 112 |  |  |  | cincine | ( |
|  |  |  |  |  | 111 <br> 113 <br> 113 |  |  |  |  |  |
| ${ }_{\substack{\text { aug } \\ \text { Sep } 17}}^{\text {atil }}$ |  |  | ${ }_{\text {1.0000 }}^{1.000}$ |  |  |  |  |  |  | ${ }_{5}^{542424}$ |
| Soty |  |  | - |  | ${ }_{111}^{110}$ | ${ }_{\substack{289.35 \\ 22,15}}$ |  |  |  |  |
| $\frac{\text { Decal }}{\substack{\text { an-18 }}}$ | S645,90442 |  | $\xrightarrow{1.0000} 1$ | 3250720 <br> 23, 21287 | ${ }_{117}^{117}$ |  | S10138709 |  |  | 230.36 <br> 27,52 <br> 2. |
| dis |  |  |  |  | ${ }_{117}^{117}$ | (1075.55 |  |  | ¢ |  |
|  |  | (in | (1.0000 |  | $\xrightarrow{1120}$122 <br> 12 <br>  | (193.63 |  | (1543500 | (in | (intin |
| $\xrightarrow{\text { Jum-18 }}$ |  | Sise.596.68 | 1.0000 |  | ${ }_{106}^{106}$ |  |  |  | Sisish |  |
| ${ }_{\text {Aug }}^{\text {Als }}$ |  |  | 1.0000 |  | ${ }_{104}^{104}$ | - 133.19 |  |  | Silispo.as |  |
| Sor |  |  |  |  | 103 <br> 103 <br> 103 |  |  |  |  | (19205 |
| coter | S679416,75 |  | $\xrightarrow{1.0000}$ |  | ${ }_{\text {102 }}^{102}$ |  | S88,43,17 |  | ¢ |  |
|  |  |  | ${ }_{0}^{0.90939}$ |  | ${ }_{63}^{57}$ | $c230133028$ |  |  |  |  |
| ${ }_{\text {Mar-19 }}^{\text {Apr-19 }}$ |  | S20.123.99 | ${ }_{\text {O. }}^{0.9895}$ |  | ${ }_{7}^{69}$ |  |  | (151756000 |  |  |
| mar 10 |  |  |  |  |  |  |  | (S1.118.00 |  |  |
| (intor |  |  | ${ }_{0}^{0.90997}$ |  | ${ }_{69}^{69}$ |  |  |  |  |  |
|  |  |  | $\xrightarrow{0.909985}$ |  | 69 <br> 9 <br> 69 |  |  |  |  |  |
| (inctio | S600.78878 |  | ${ }_{\text {a }}^{\text {O.9993s }}$ |  | 76 <br> 176 <br> 165 |  | 56, 356.19 | (15,212000 |  |  |
|  |  | ${ }_{\text {Slem }}$ | ${ }_{0}^{0.9981}$ | (12, |  |  |  |  |  | 83,76 |
|  |  |  | ${ }_{0}^{0.9989} 0$ |  | ${ }_{64}^{70}$ | (90,04 |  | Soion |  | ${ }^{940,01}$ |
| $\underset{\text { Mapr-20 }}{\text { Mar }}$ |  |  | ${ }_{0}^{0.9959} 0$ | ¢ | ¢ ${ }_{56}^{63}$ | (955,022 |  | 旡 | Stiche | (1012.49 |
| Jum20 |  |  | O.9990 |  | ${ }_{96}^{56}$ | ${ }_{\text {470, }{ }^{42} 5}$ |  | Soon | S27,859.10 | ${ }_{4}^{488.13}$ |
| ${ }_{\text {ald }}^{\text {Aut20 }}$ |  |  | ${ }_{0}^{0.9992}$ |  | ${ }_{99}$ |  |  | Soicteo |  |  |
|  |  |  |  |  | ${ }_{100}^{100}$ |  |  | Sou0 |  |  |
|  | S776,91631 |  |  |  | (102 | (1020.54 | ${ }_{544,714.46}$ | Soiol |  |  |



```
Small
```

Table 2b．Manual Experience Period Claims and Premiums


Table 3b．Manual Trend Components


Table 4b．Historical Manual Experience

| Month－rear | Total Anual Premium | Incurred Claims | Completion factors＊ | Ulimate Incurred Clims | Members | Ultimate Incurred PMPM | Estimated Annual Cost Sharing （Member + HHS） | Prescription rug Reabases＊ | Allowed Claims（Net of Prescription Drug Rebates | Allowe PmPM |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $\underset{\substack{\text { Jana } 17 \\ \text { fob－17 }}}{ }$ |  |  | 1.0000 |  | $\xrightarrow{76,234}$ |  |  |  | 586，688898473 | 47307 |
| $\stackrel{\text { Feb－17 }}{\text { Mar－17 }}$ |  |  | ${ }_{1}^{1.00000}{ }_{1}$ |  | $\xrightarrow{77,169}$ | 38407 <br> 451.50 |  |  |  | ${ }_{\text {4 }}^{459.15} 5$ |
| $\underset{\substack{\text { Apr－17 } \\ \text { Mav－17 }}}{\text { ate }}$ |  |  | ${ }_{1}^{1.00000}{ }_{1}^{\text {s }}$ |  | $\begin{array}{r}77,64 \\ 78,57 \\ \hline\end{array}$ | 402.61 46132 |  |  | Sis．20，73，4．45 |  |
| Jun－17 |  | S2，936，3838．47 | 1.0000 | ${ }^{32,936,388.47}$ | 78,19 | 421.46 |  | （51，357，783，98］ | 538，062，141．50 | ${ }_{487,05}$ |
| Jut－17 |  | ${ }_{\text {S83，159，991，47 }}$ | 1.000 | ${ }_{\text {33，159，99147 }}$ | 78，299 |  |  | ${ }_{\text {［52，66299］}}$ | ${ }_{5}^{588,765,815,75}$ | 2956 |
| ${ }_{\substack{\text { Aug } 17 \\ \text { Sep－17 }}}^{\text {at }}$ |  | S37，46，066．25 | ${ }_{1}^{1.0000} 1$ |  | 78,25 <br> 78.589 <br> 78 | $\stackrel{477.89}{423,55}$ |  |  |  | 558．37 <br> 46.88 |
| Oot－17 |  | S36．504，119．59． | ${ }^{1.0000}{ }^{\text {s }}$ |  |  | 4680．01 |  | （51．838．00） | ${ }_{\text {S42，851．880．49 }}$ |  |
| $\frac{\text { Noor } 11}{\text { Decil }}$ | S469，0012，898．02 | 约， | ${ }_{1}^{1.0000}{ }^{1.000}$ s |  | ${ }_{\text {71，269 }}^{713}$ | 486.70 <br> 434.12 | 577，45，908．91 |  |  | 561．28 <br> 45.48 <br> 4.4 |
| $\mathrm{Jam}^{\text {and }}$ |  | S33，36，7，29．877 | ${ }_{1}^{1.0000}{ }^{\text {a }}$ |  | ${ }_{72,82}$ | ${ }_{46286}^{462}$ |  | ［ 51.412, 646．00］ | S39，610，201．46 | ${ }_{5}^{59,5.52}$ |
| ${ }_{\text {Feber }}^{\text {Mar18 }}$ |  | 约 | ${ }_{1}^{1.0000}{ }^{1000} 5$ |  | 7， 1,081 <br> 70.48 |  |  |  | S | 512．23 <br> 5585 |
| ${ }_{\text {Apr－18 }}^{\text {Mar－18 }}$ |  | S32，77，64．808 | 1.0000 |  | $\xrightarrow{69,694}$ | ${ }_{4}^{470.32} 4$ |  |  |  | 536.15 <br> 5920 |
| Jun－18 |  |  | ${ }_{1}^{1.0000}{ }^{1}$ |  | $\xrightarrow{67783}$ |  |  |  | ${ }_{\text {S35，567，884．19，}}^{5}$ | ¢ 5 52．10 |
| Aug－18 |  | S33，118，106．86 | 1.0000 s | ${ }_{\text {3，}}^{3,18,10,10866}$ | ${ }_{64,486}$ | ${ }_{51198}$ |  | （51，500，198．99］ | ${ }^{536} 5$ | ${ }_{\text {cher }} 5$ |
| Sep $\frac{\substack{\text { Sotis }}}{\text { Ooti8 }}$ |  |  | 1.0000 <br> 1.000 |  | 63,198 <br> 60.800 | －48888 <br> 53641 |  |  | S31．66，8．6．365 | 50098 <br>  <br> 59796 |
| $\xrightarrow{\text { Nor－18 }}$ | S440，928229．00 |  | ${ }_{\text {a }}^{0.90999}$ |  | 59,066 <br> 48412 <br> 4 | $\begin{array}{r}489.57 \\ \hline 5008 \\ \hline\end{array}$ | 566784597976 |  |  | 54117 |
|  |  | S24，331．016，31 | ${ }_{0}^{0.99065}$ | ${ }_{\text {2，} 2,560,974.93}$ | 450,73 | ${ }_{4}^{504922}$ |  | ［（51，170，39100］ | S28，562．26，07\％ | $\frac{563.70}{63,0}$ |
| reb， |  | S22，659，237，63， |  | ${ }^{22,662565390}$ | 44,461 |  |  | （51，174，879．99］ | S25，722，047．28 |  |
| Apr－19 |  | S | 0.9998 s | 2，2，077，3470， | 43.130 | ${ }_{510,26}$ |  | ${ }_{\text {（ } 51,352,16,16.98)}$ | ${ }_{\text {S2，}}^{5212,882,14}$ | ${ }_{575.51}$ |
| Mar－19 |  |  | ${ }_{\text {O }}^{0.99975}$ |  |  | 54187 <br> $\substack{6941 \\ 4694 \\ \hline}$ |  |  | S22，664245055 | 59897 <br> 5020 <br> 503 |
| Sulter |  | S22，2994，430．344 | 0.9997 s |  | 41.965 | 579.11 |  | ［ $51.209,2959.00 \mid$ | S26，816，115．95 | ${ }^{63901}$ |
| ${ }_{\text {Aup } 19}^{\text {Se－19 }}$ |  |  | ${ }_{0}^{0.9999955}$ |  | ${ }_{\text {41，467 }}^{41.02}$ | 543.21 51109 |  |  | S24，460，72．55 | ¢5991．18 <br> 6.10 |
| Oot－19 |  | S23，507，76429， | ${ }^{0.99945}$ | ${ }^{23,584899952}$ | ${ }^{40,723}$ | 579．15 |  |  | S22，066，373．44］ |  |
| ${ }_{\text {Nor－19 }}^{\text {Noc－19 }}$ | S315，45，338．05 |  | ${ }_{0}^{0.995955}$ | ${ }_{\text {20，}}^{20,977,8,84,992}$ | $\xrightarrow{40,5592}$ | 513．09 <br> 50.97 | 546，46，527．81 |  |  |  |
| $\xrightarrow{\text { Jan－20 }}$ |  |  | ${ }^{0.998845}$ |  | $\begin{array}{r}35,088 \\ 3010 \\ \hline 301 \\ \hline\end{array}$ | 520.54 <br> 5743 |  | （15699．012．99］ | S $521,383,224.65$ | $\stackrel{610.81}{ }$ |
| Mar－20 |  | S10．488，700．56 | ${ }_{0}^{0.9975}$ | ${ }_{\text {10，4，29，122，17 }}$ | ${ }_{3}{ }_{3,404}$ | ${ }_{4}^{49363}$ |  |  |  | ${ }_{548806}^{62406}$ |
| Apr－20 |  |  |  |  |  | 395．58 |  |  | \＄13，565，564515 | 41881 |
| Jun－20 |  | 51.4 .41 .376 .06 | 0.9952 s | 16，521，15284 | 30，75 | 537.36 |  | ［ $5712,155.977$ | S118，80，294，48 | 594 |
| $\xrightarrow{\text { Aut } 20}$ |  |  | ${ }_{0}^{0.9997}$ | ${ }_{\text {18，}}^{17,555,484743}$ | ${ }_{\substack{30,896}}^{\text {2096 }}$ |  |  | ${ }_{\text {［5834．5．551．999 }}$ |  | ${ }_{664620}^{60.20}$ |
| $\xrightarrow{\text { Sep－20 }} \mathrm{OCt20}$ |  |  | ${ }_{0}^{0.988875}$ |  | 29，360 <br> 28,65 | $\begin{array}{r}570.60 \\ 50.64 \\ \hline\end{array}$ |  |  | \＄18，428．600．29 | （628．10 |
| Nor 20 | 4210932 | S16．077．321．45 | 0.9697 s | 16．580，225．90 | ${ }^{28.088}$ | 590.30 | 星 | （5800，196．01） | S11．096，536．89 | 28 |
|  | S243，66，966124 | ${ }_{\text {S11，588，388，48］}}$ | 0.9481 ［ | ${ }_{16,411888828}$ | ${ }^{26,546}$ |  | S31，378，916．18 | ［S812，401，99］ | ${ }_{\text {S11，374，50931］}}$ |  |

## PA Rate Template Part II <br> Rate Development and Chang




| Recerion lems-EEpeses |  |  |
| :---: | :---: | :---: |
| Ademintive Exemes |  |  |
|  |  | (in |
| Tremer |  |  |
|  |  | ( |
|  |  | ¢ |
| Pofitconitigeny (ateret tex) | 20.08 | 34,76 |
| Total Peeterion | 14.388 | ${ }_{\text {S10 } 581}$ |
| Projeces fequired Re | S ${ }^{3306}$ |  |






## 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 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 | 1.000 | 44 | 1.397 | 1.000 |
| 19 | 0.941 | 1.000 | 45 | 1.444 | 1.000 |
| 20 | 0.970 | 1.000 | 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: | Capital Advantage Insurance Company |
| :--- | :--- |
| Product(s): | PPO |
| Market Segment: | Small Group |
| Rate Effective Date: | $1 / 1 / 2022$ |

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, Schutkill, Snyder, <br> Union | 1.000 |

Table 14. Network Factors

| Projection Period Network Factors |  |  |  |  |
| :---: | :---: | ---: | ---: | ---: |
| Network Name | Rating Area | Current <br> Factor | Proposed <br> Factor | DOH <br> Approval <br> Date |
| PPO | All | 1.000 | 1.000 |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

Capital Advantage Insurance Company
Small Group Rates
Effective 1/1/2022
Table B

| Plan ID | Plan Name | Metal Level | Projected <br> Membership | $\frac{\text { Projected Allowed }}{\text { Claims }}$ | Projected Paid Claims | $\frac{\text { Paid to Allowed }}{\text { Factor }}$ | $\frac{\text { Average Tobacco }}{\text { Factor }}$ | $\frac{\mathrm{AV} \text { and Cost }}{\text { Sharing Factor }}$ | $\frac{(8) /(6 * 7) \text { Induced }}{\text { Utilization }}$ | Induced Demand <br> Table 10 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (1) |  | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |  |
| 82795PA0130001 | Gold PPO 0/0/20 Rx 500 | Gold | 1,509 | \$1,072,151 | \$954,055 | 0.89 | 1.000 | 0.89 | 1.00 | 1.00 |
| Total |  |  | 1,509 | 1,072,151 | 954,055 | 0.89 | 1.00 | 0.89 | 1.00 | 1.00 |
| PMPM |  |  |  | 710.50 | 632.24 |  |  |  |  |  |
| Rate Dev II |  |  |  | 710.50 | 632.24 |  |  |  |  |  |


| Company Name: <br> Market: <br> Product: <br> Effective Date of Rates: | Capital Advantage Insurance Company (CAIC) |  |  |  | Ending date of Rates: |  | March 31, 2022 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Small |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | January 1, 2022 |  |  |  |  |  |  |
| HIOS Plan ID (On Exchange)=> |  |  |  |  |  |  |  |
| HIOS Plan ID (Off Exchange)=> | 82795PA0130001 |  | 82795PA0130001 |  | 82795PA0130001 |  |  |
| Plan Marketing Name => | Gold PPO 0/0/20 Rx 500 |  | Gold PPO 0/0/20 Rx 500 |  | Gold PPO 0/0/20 Rx 500 |  |  |
| Form \# => | C22-CAIC-SGP |  | C22-CAIC-SGP |  | C22-CAIC-SGP |  |  |
| Rating Area => | 6 |  | 7 |  | 9 |  |  |
| Network => | PPO |  | PPO |  | PPO |  |  |
| Metal => | Gold |  | Gold |  | Gold |  |  |
| Deductible => | \$0/\$500 Med/Rx |  | \$0/\$500 Med/Rx |  | \$0/\$500 Med/Rx |  |  |
| Coinsurance => |  |  | 0\% |  | 0\% |  |  |
| Copays => | \$20/\$40/\$300 PCP/SPC/ER |  | \$20/\$40/\$300 PCP/SPC/ER |  | \$20/\$40/\$300 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 | \$352.26 | \$352.26 | \$380.44 | \$380.44 | \$359.30 | \$359.30 |  |
| 15 | \$383.57 | \$383.57 | \$414.26 | \$414.26 | \$391.24 | \$391.24 |  |
| 16 | \$395.54 | \$395.54 | \$427.19 | \$427.19 | \$403.45 | \$403.45 |  |
| 17 | \$407.52 | \$407.52 | \$440.12 | \$440.12 | \$415.67 | \$415.67 |  |
| 18 | \$420.41 | \$420.41 | \$454.04 | \$454.04 | \$428.82 | \$428.82 |  |
| 19 | \$433.30 | \$433.30 | \$467.97 | \$467.97 | \$441.97 | \$441.97 |  |
| 20 | \$446.66 | \$446.66 | \$482.39 | \$482.39 | \$455.59 | \$455.59 |  |
| 21 | \$460.47 | \$460.47 | \$497.31 | \$497.31 | \$469.68 | \$469.68 |  |
| 22 | \$460.47 | \$460.47 | \$497.31 | \$497.31 | \$469.68 | \$469.68 |  |
| 23 | \$460.47 | \$460.47 | \$497.31 | \$497.31 | \$469.68 | \$469.68 |  |
| 24 | \$460.47 | \$460.47 | \$497.31 | \$497.31 | \$469.68 | \$469.68 |  |
| 25 | \$462.31 | \$462.31 | \$499.30 | \$499.30 | \$471.56 | \$471.56 |  |
| 26 | \$471.52 | \$471.52 | \$509.24 | \$509.24 | \$480.95 | \$480.95 |  |
| 27 | \$482.57 | \$482.57 | \$521.18 | \$521.18 | \$492.22 | \$492.22 |  |
| 28 | \$500.53 | \$500.53 | \$540.57 | \$540.57 | \$510.54 | \$510.54 |  |
| 29 | \$515.27 | \$515.27 | \$556.49 | \$556.49 | \$525.57 | \$525.57 |  |
| 30 | \$522.63 | \$522.63 | \$564.44 | \$564.44 | \$533.09 | \$533.09 |  |
| 31 | \$533.68 | \$533.68 | \$576.38 | \$576.38 | \$544.36 | \$544.36 |  |
| 32 | \$544.74 | \$544.74 | \$588.31 | \$588.31 | \$555.63 | \$555.63 |  |
| 33 | \$551.64 | \$551.64 | \$595.77 | \$595.77 | \$562.68 | \$562.68 |  |
| 34 | \$559.01 | \$559.01 | \$603.73 | \$603.73 | \$570.19 | \$570.19 |  |
| 35 | \$562.69 | \$562.69 | \$607.71 | \$607.71 | \$573.95 | \$573.95 |  |
| 36 | \$566.38 | \$566.38 | \$611.69 | \$611.69 | \$577.71 | \$577.71 |  |
| 37 | \$570.06 | \$570.06 | \$615.67 | \$615.67 | \$581.46 | \$581.46 |  |
| 38 | \$573.75 | \$573.75 | \$619.65 | \$619.65 | \$585.22 | \$585.22 |  |
| 39 | \$581.11 | \$581.11 | \$627.60 | \$627.60 | \$592.74 | \$592.74 |  |
| 40 | \$588.48 | \$588.48 | \$635.56 | \$635.56 | \$600.25 | \$600.25 |  |
| 41 | \$599.53 | \$599.53 | \$647.49 | \$647.49 | \$611.52 | \$611.52 |  |
| 42 | \$610.12 | \$610.12 | \$658.93 | \$658.93 | \$622.33 | \$622.33 |  |
| 43 | \$624.86 | \$624.86 | \$674.85 | \$674.85 | \$637.35 | \$637.35 |  |
| 44 | \$643.28 | \$643.28 | \$694.74 | \$694.74 | \$656.14 | \$656.14 |  |
| 45 | \$664.92 | \$664.92 | \$718.11 | \$718.11 | \$678.22 | \$678.22 |  |
| 46 | \$690.70 | \$690.70 | \$745.96 | \$745.96 | \$704.52 | \$704.52 |  |
| 47 | \$719.71 | \$719.71 | \$777.29 | \$777.29 | \$734.11 | \$734.11 |  |
| 48 | \$752.87 | \$752.87 | \$813.10 | \$813.10 | \$767.93 | \$767.93 |  |
| 49 | \$785.56 | \$785.56 | \$848.41 | \$848.41 | \$801.27 | \$801.27 |  |
| 50 | \$822.40 | \$822.40 | \$888.19 | \$888.19 | \$838.85 | \$838.85 |  |
| 51 | \$858.78 | \$858.78 | \$927.48 | \$927.48 | \$875.95 | \$875.95 |  |
| 52 | \$898.84 | \$898.84 | \$970.74 | \$970.74 | \$916.81 | \$916.81 |  |
| 53 | \$939.36 | \$939.36 | \$1,014.51 | \$1,014.51 | \$958.15 | \$958.15 |  |
| 54 | \$983.10 | \$983.10 | \$1,061.75 | \$1,061.75 | \$1,002.77 | \$1,002.77 |  |
| 55 | \$1,026.85 | \$1,026.85 | \$1,109.00 | \$1,109.00 | \$1,047.39 | \$1,047.39 |  |
| 56 | \$1,074.28 | \$1,074.28 | \$1,160.22 | \$1,160.22 | \$1,095.76 | \$1,095.76 |  |
| 57 | \$1,122.17 | \$1,122.17 | \$1,211.94 | \$1,211.94 | \$1,144.61 | \$1,144.61 |  |
| 58 | \$1,173.28 | \$1,173.28 | \$1,267.14 | \$1,267.14 | \$1,196.74 | \$1,196.74 |  |
| 59 | \$1,198.60 | \$1,198.60 | \$1,294.49 | \$1,294.49 | \$1,222.58 | \$1,222.58 |  |
| 60 | \$1,249.72 | \$1,249.72 | \$1,349.69 | \$1,349.69 | \$1,274.71 | \$1,274.71 |  |
| 61 | \$1,293.92 | \$1,293.92 | \$1,397.43 | \$1,397.43 | \$1,319.80 | \$1,319.80 |  |
| 62 | \$1,322.93 | \$1,322.93 | \$1,428.76 | \$1,428.76 | \$1,349.39 | \$1,349.39 |  |
| 63 | \$1,359.31 | \$1,359.31 | \$1,468.05 | \$1,468.05 | \$1,386.49 | \$1,386.49 |  |
| 64+ | \$1,381.40 | \$1,381.40 | \$1,491.92 | \$1,491.92 | \$1,409.03 | \$1,409.03 |  |




| Company Name: <br> Market: <br> Product: <br> Effective Date of Rates: | Capital Advan Compan | Insurance CAIC) |  |  | Ending date of Rates: |  | December 31, 2022 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Small | oup |  |  |  |  |  |
|  | PP |  |  |  |  |  |  |
|  | October 1, 2022 |  |  |  |  |  |  |
| HIOS Plan ID (On Exchange)=> |  |  |  |  |  |  |  |
| HIOS Plan ID (Off Exchange)=> | 82795PA0130001 |  | 82795PA0130001 |  | 82795PA0130001 |  |  |
| Plan Marketing Name => | Gold PPO 0/0/20 Rx 500 |  | Gold PPO 0/0/20 Rx 500 |  | Gold PPO 0/0/20 Rx 500 |  |  |
| Form \# => | C22-CAIC-SGP |  | C22-CAIC-SGP |  | C22-CAIC-SGP |  |  |
| Rating Area => | 6 |  | 7 |  | 9 |  |  |
| Network => | PPO |  | PPO |  | PPO |  |  |
| Metal => | Gold |  | Gold |  | Gold |  |  |
| Deductible => | \$0/\$500 Med/Rx |  | \$0/\$500 Med/Rx |  | \$0/\$500 Med/Rx |  |  |
| Coinsurance => | 0\% |  | 0\% |  | 0\% |  |  |
| Copays => | \$20/\$40/\$300 PCP/SPC/ER |  | \$20/\$40/\$300 PCP/SPC/ER |  | \$20/\$40/\$300 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 | \$369.35 | \$369.35 | \$398.90 | \$398.90 | \$376.74 | \$376.74 |  |
| 15 | \$402.18 | \$402.18 | \$434.36 | \$434.36 | \$410.22 | \$410.22 |  |
| 16 | \$414.73 | \$414.73 | \$447.91 | \$447.91 | \$423.03 | \$423.03 |  |
| 17 | \$427.29 | \$427.29 | \$461.47 | \$461.47 | \$435.83 | \$435.83 |  |
| 18 | \$440.81 | \$440.81 | \$476.07 | \$476.07 | \$449.62 | \$449.62 |  |
| 19 | \$454.32 | \$454.32 | \$490.67 | \$490.67 | \$463.41 | \$463.41 |  |
| 20 | \$468.33 | \$468.33 | \$505.79 | \$505.79 | \$477.69 | \$477.69 |  |
| 21 | \$482.81 | \$482.81 | \$521.43 | \$521.43 | \$492.47 | \$492.47 |  |
| 22 | \$482.81 | \$482.81 | \$521.43 | \$521.43 | \$492.47 | \$492.47 |  |
| 23 | \$482.81 | \$482.81 | \$521.43 | \$521.43 | \$492.47 | \$492.47 |  |
| 24 | \$482.81 | \$482.81 | \$521.43 | \$521.43 | \$492.47 | \$492.47 |  |
| 25 | \$484.74 | \$484.74 | \$523.52 | \$523.52 | \$494.44 | \$494.44 |  |
| 26 | \$494.40 | \$494.40 | \$533.95 | \$533.95 | \$504.29 | \$504.29 |  |
| 27 | \$505.98 | \$505.98 | \$546.46 | \$546.46 | \$516.10 | \$516.10 |  |
| 28 | \$524.81 | \$524.81 | \$566.80 | \$566.80 | \$535.31 | \$535.31 |  |
| 29 | \$540.26 | \$540.26 | \$583.49 | \$583.49 | \$551.07 | \$551.07 |  |
| 30 | \$547.99 | \$547.99 | \$591.83 | \$591.83 | \$558.95 | \$558.95 |  |
| 31 | \$559.58 | \$559.58 | \$604.34 | \$604.34 | \$570.77 | \$570.77 |  |
| 32 | \$571.16 | \$571.16 | \$616.86 | \$616.86 | \$582.59 | \$582.59 |  |
| 33 | \$578.41 | \$578.41 | \$624.68 | \$624.68 | \$589.97 | \$589.97 |  |
| 34 | \$586.13 | \$586.13 | \$633.02 | \$633.02 | \$597.85 | \$597.85 |  |
| 35 | \$589.99 | \$589.99 | \$637.19 | \$637.19 | \$601.79 | \$601.79 |  |
| 36 | \$593.86 | \$593.86 | \$641.36 | \$641.36 | \$605.73 | \$605.73 |  |
| 37 | \$597.72 | \$597.72 | \$645.54 | \$645.54 | \$609.67 | \$609.67 |  |
| 38 | \$601.58 | \$601.58 | \$649.71 | \$649.71 | \$613.61 | \$613.61 |  |
| 39 | \$609.31 | \$609.31 | \$658.05 | \$658.05 | \$621.49 | \$621.49 |  |
| 40 | \$617.03 | \$617.03 | \$666.39 | \$666.39 | \$629.37 | \$629.37 |  |
| 41 | \$628.62 | \$628.62 | \$678.91 | \$678.91 | \$641.19 | \$641.19 |  |
| 42 | \$639.72 | \$639.72 | \$690.90 | \$690.90 | \$652.52 | \$652.52 |  |
| 43 | \$655.17 | \$655.17 | \$707.59 | \$707.59 | \$668.28 | \$668.28 |  |
| 44 | \$674.49 | \$674.49 | \$728.44 | \$728.44 | \$687.98 | \$687.98 |  |
| 45 | \$697.18 | \$697.18 | \$752.95 | \$752.95 | \$711.12 | \$711.12 |  |
| 46 | \$724.22 | \$724.22 | \$782.15 | \$782.15 | \$738.70 | \$738.70 |  |
| 47 | \$754.63 | \$754.63 | \$815.00 | \$815.00 | \$769.72 | \$769.72 |  |
| 48 | \$789.39 | \$789.39 | \$852.55 | \$852.55 | \$805.18 | \$805.18 |  |
| 49 | \$823.67 | \$823.67 | \$889.57 | \$889.57 | \$840.15 | \$840.15 |  |
| 50 | \$862.30 | \$862.30 | \$931.28 | \$931.28 | \$879.54 | \$879.54 |  |
| 51 | \$900.44 | \$900.44 | \$972.48 | \$972.48 | \$918.45 | \$918.45 |  |
| 52 | \$942.45 | \$942.45 | \$1,017.84 | \$1,017.84 | \$961.29 | \$961.29 |  |
| 53 | \$984.93 | \$984.93 | \$1,063.73 | \$1,063.73 | \$1,004.63 | \$1,004.63 |  |
| 54 | \$1,030.80 | \$1,030.80 | \$1,113.26 | \$1,113.26 | \$1,051.42 | \$1,051.42 |  |
| 55 | \$1,076.67 | \$1,076.67 | \$1,162.80 | \$1,162.80 | \$1,098.20 | \$1,098.20 |  |
| 56 | \$1,126.40 | \$1,126.40 | \$1,216.51 | \$1,216.51 | \$1,148.92 | \$1,148.92 |  |
| 57 | \$1,176.61 | \$1,176.61 | \$1,270.74 | \$1,270.74 | \$1,200.14 | \$1,200.14 |  |
| 58 | \$1,230.20 | \$1,230.20 | \$1,328.62 | \$1,328.62 | \$1,254.80 | \$1,254.80 |  |
| 59 | \$1,256.75 | \$1,256.75 | \$1,357.29 | \$1,357.29 | \$1,281.89 | \$1,281.89 |  |
| 60 | \$1,310.35 | \$1,310.35 | \$1,415.17 | \$1,415.17 | \$1,336.55 | \$1,336.55 |  |
| 61 | \$1,356.70 | \$1,356.70 | \$1,465.23 | \$1,465.23 | \$1,383.83 | \$1,383.83 |  |
| 62 | \$1,387.11 | \$1,387.11 | \$1,498.08 | \$1,498.08 | \$1,414.86 | \$1,414.86 |  |
| 63 | \$1,425.26 | \$1,425.26 | \$1,539.28 | \$1,539.28 | \$1,453.76 | \$1,453.76 |  |
| 64+ | \$1,448.42 | \$1,448.42 | \$1,564.29 | \$1,564.29 | \$1,477.40 | \$1,477.40 |  |

Plan Design Summary

| HIOS Plan ID | Plan Marketing Name | Product | Metal | On/Off <br> Exchange | Network | Rating Area | Counties Covered |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 82795PA0130001 | Gold PPO 0/0/20 Rx 500 | PPO | Gold | Off | PPO | 6,7,9 | All |
|  |  |  |  |  |  |  |  |

## Company Name Capital Advantage insurance Company (CAIC)

| 02-01-2021 Number of Covered Lives by Rating County |  |  |  |  | Rating area 6 |  |  |  |  |  |  |  |  |  | rating area 7 |  |  |  | rating area 9 |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  | 0 | 0 | 9 | 1 | 0 | 47 | 0 | 3 | 4 | 0 | 9 | 8 | 29 | 1 |  | 12 | 0 | 0 | 0 | 0 | 0 |
| HIOS Plan ID | Plan Marketing Name | Product | Metal | $\begin{gathered} \text { On/Off } \\ \text { Exchange } \end{gathered}$ | Centre | Columbia | Lehigh | Mifflin | Montour | Northampton | Northumberland | Schuykill | Snyder | Union | Adams | Berks | Lancaster | York | Cumberland | Dauphin | Franklin | Futton | Juniata | Lebanon | Perry |
| 82795 PA0130001 | Gold PPO 0/0/20 Rx 500 | PPO | Gold | off | \$460.47 | \$460.47 | \$460.47 | \$460.47 | \$460.47 | \$460.47 | \$460.47 | \$460.47 | \$460.47 | \$460.47 | \$497.31 | \$497.31 | \$497.31 | \$497.31 | \$469.68 | \$469.68 | \$469.68 | \$469.68 | \$469.68 | \$469.68 | \$469.68 |
| S2JPaisoor | Gormoorknjo |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |




Product/P/Pan Level Calculutions


$\frac{1.8 \text { Pant TVe }}{1.9}$



|  |  |  |
| :--- | :--- | :--- | :--- |


| Section II: Plan Adisistent factors |  |  |
| :---: | :---: | :---: |
|  |  | S7105001 |
|  |  | 0.8899 |
|  |  |  |
| Administative cost |  |  |
|  |  |  |
| 3.6 <br> 3.7 Adminisitative Expense |  |  |
|  |  |  |
| ${ }^{3.9 .9 .9}$ castrophic Adisstment |  |  |
| 3.10 Pana Adusted Index Xate |  |  |
| 3.11 Age Calibation Fatar | 0.6411 | 0.6411 |
|  | (i.9731 | (i.9731 |
| 3 Oonacco Calibra |  |  |
| 3.4 Caibrated Panan Ajusted Index Xate |  |  |
| Section IV: Projected Plan Level Information |  |  |
|  |  |  |
| 4.2 Alowed clims | S1202,287 | S1,202 |
| ${ }_{4}^{4.3 \text { Renenurance }}$ |  |  |
| ${ }^{4.4 .4 \text { Member Cos Sharing }}$ | ${ }_{\text {S132, }}$ 933 | ${ }_{\text {S132,433 }}$ |
|  |  |  |
| ${ }_{4}^{4.7 \text { Pisk Adsisustment T Transere Amount }}$ |  | ${ }_{5116,309}$ |
| ${ }_{4.8}^{4.8 \text { remium }}$ | S1,113,730 | 3,300 |
| 4.9 Prijected Member Monts |  |  |
|  |  |  |
| 4.11 Alowed clims | 12 | ${ }_{5}^{599.12}$ |
|  | 50.00 |  |
| 4.13 Member Cost Sharing | ${ }_{58780}$ |  |
| ${ }_{4}^{4.14 .5 \text { costs Sharining Readection }}$ | 50.00 | ( 5 |
| 4.16 Risk Adisstment | 5 |  |
| ${ }_{4.17}$ |  |  |


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

# CAPITAL ADVANTAGE INSURANCE COMPANY, INC. ACTUARIAL MEMORANDUM Small Group Rates <br> Effective January 1, 2022 

## General Information

## Company Information

- Company Legal Name: Capital Advantage Insurance Company - CAIC
- State: PA
- HIOS Issuer ID: 82795
- Market: Small Group
- Effective Date: 1/1/2022


## PID Company Information

- Company Name: Capital Advantage Insurance Company (CAIC)
- NAIC: 41203
- Market: Small Group
- On/Off Exchange: Off Exchange
- Effective Date: 1/1/2022
- Average Rate Change: 5.5\%
- Range of Requested Rate Change: $5.5 \%$ to $5.5 \%$
- Total additional annual revenue generated from the proposed rate change: $\$ 57,107$
- Product: PPO
- Rating Areas: 6,7,9
- Metal Levels: Gold
- Current Covered Lives and Policyholders: 132/83
- 2022 Number of Plans/Change from 2021: 1/No Changes
- Contract Form \#: C22-CAIC-SGP
- Form Filing SERFF \#: CABC-132793478
- Binder SERFF \#: CABC-PA22-125108746
- HIOS Issuer ID: 82795
- HIOS Submission Tracking Number: 82795-2003721964618918916


## Company Contact Information

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


## Scope and Purpose

By this filing, Capital Advantage Insurance Company (CAIC), a subsidiary of Capital BlueCross (CBC), submits rates for products to be made available to all small groups effective January 1, 2022.

## Rate History and Proposed Variations in Rate Changes

| Market | Company | Effective <br> Date | SERFF \# | Annual Increase |
| :---: | :---: | :---: | :---: | :---: |
| Small Group | CAIC | $1 / 1 / 2018$ | CABC-131022120 | $4.7 \%$ |
| Small Group | CAIC | $1 / 1 / 2019$ | CABC-131455106 | $16.2 \%$ |
| Small Group | CAIC | $1 / 1 / 2020$ | CABC-131921812 | $13.2 \%$ |
| Small Group | CAIC | $7 / 1 / 2020$ | CABC-132294744 | $8.6 \%$ |
| Small Group | CAIC | $1 / 1 / 2021$ | CABC-132352732 | $-6.0 \%$ |
| Small Group | CAIC | $10 / 1 / 2021$ | CABC-132750951 | $-3.5 \%$ |

## Average Rate Change

CAIC is proposing an aggregate annual $5.5 \%$ rate change. The rate change is calculated in PA Rate Exhibits Part III, Table 10, cell AC15.

The key drivers of the rate change, and approximate impact, are as follows:
Future Cost and Utilization: 6.5\%
Less migration of groups from ACA to ASO arrangements: $-1.0 \%$
Please note the filing includes a COVID-19 adjustment of 1.026.

## Membership

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

## Benefit Changes 2021-2022

A summary of proposed 2022 benefits is included in Exhibit A.
There are several benefit changes being implemented in 2022. 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 CAIC in the small group market.

Base Experience Period: The base experience period (BEP) includes completed fee-for-service paid and incurred claims for dates of service between January 1, 2020 and December 31, 2020.

Transitional membership is not included in PA Rate Exhibits Table 2 or URRT.
Paid Through Date: Claims in the BEP are paid through February 28, 2021
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 CAIC 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).
- CBC only covers Essential Health benefits (EHBs).
- CAIC does not include capitated 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 CBC'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.

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

## 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 5/9/2021.

Loss Ratio in BEP: Loss ratio is 79.82\%

## Credibility of Data

For the purpose of rate development, CAIC small group products are combined with other product offerings (HMO, PPO) from CBC 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 CAIC, Capital Advantage Assurance Company (CAAC), and Keystone Health Plan Central (KHPC) HMO data. The credibility manual BEP includes completed fee-for-service paid and incurred claims and capitation for dates of service between January 1, 2020 and December 31, 2020. All data is trended and benefit-adjusted in the same manner as the experience data (same projection factors and trend).

## Trend Identification

Trend: $6.52 \%$

Trend levels reflect CBC'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. CBC 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 BlueCross (CBC)'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 CBC 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 CBC'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. CBC 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 CBC'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 CAIC'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. CBC projects 3\% change in morbidity due to COVID-19 claim suppression during 2020. The morbidity factor is based on the following analysis:

1. Gather BEP claims, membership and premium from Ib Manual Data, Table 2. This is for the filing BEP $1 / 1 / 2020-12 / 31 / 2020$.
2. Develop Claim PMPM A using data from (1)
3. Gather 2019 claims, membership and premium from Ib Manual Data, Table 2 from the 2021 annual filing. This is for BEP $1 / 1 / 2019-12 / 31 / 2019$. Trend the claims data 12 months to the filing BEP in (1).
4. Develop Claim PMPM B using data from (2)
5. Claim PMPM B/Claim PMPM A $-1=3.6 \%$
6. $3 \%$ is applied in rating due to market competition.

The above calculation is found in Exhibit Q, Morbidity Factor Calculation.
2. In addition to the COVID-19 morbidity change, CAIC is also applying a factor of 1.14 to reflect the difference is projected Plan Liability Risk Score (PLRS) between CAIC and its subsidiary, CAAC, which underwrites the vast majority of the BEP experience. This factor aligns the rates with similar benefits offered under CAAC.

Changes in Benefits: Benefit changes are not applied to allowed claims as allowed should stay consistent from 2020 to 2022. 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 CBC'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: CAIC does not expect changes in demographics in its small group population.

Changes in Network: No Network change is applied.
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 CAIC's allowed claims PMPM, set in accordance with the single risk pool provision. All CAIC covered benefits are categorized as Essential Health Benefits (EHBs), therefore no adjustment was made to the experience period index.

Projected Allowed Claims: The CAIC 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 as well as PA Rate Exhibits Table 5 for the Index Rate.

## Paid to Allowed Ratio

CAIC 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, CAIC 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:

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

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. CAIC 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:

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 PPO 2000 and PPO 1000 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:

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

b. And to arrive at the Total Projected Claims PMPM, CAIC 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,

```
[Market Adjusted Index Rate]
    =([Index Rate] x [Paid to Allowed Ratio]
    - [Projected Incurred Reinsurace Recoveries]
    - [Projected Incurred Risk Adjustment PMPM]
    +[Exchange Fees PMPM]) \div[Paid to Allowed Ratio]
```


## Projected Incurred Risk Adjustments PMPM:

Relevant to 2022 pricing is the impact of Commercial Risk Adjustment (CRA) payment transfers that are expected to be earned in 2022. 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. 2019-2020 risk adjustment results
5. Market improvement in coding risk: CBC'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 CBC is disadvantaged in the market. This will drive CBC's relative risk to the market down over time.

The 2022 projected risk adjustment PMPM is set equal to the 2020 amount sent by the Department on $5 / 9 / 21$.

## Projected Incurred Reinsurance Recoveries:

Reinsurance does not apply to the small group market.

## Exchange Fee PMPM:

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

$$
\begin{aligned}
& \text { Exchange Fee PMPM } \\
&=[\text { Avg } 2022 \text { On }- \text { Exchange Premium PMPM }] \times[\% \text { Members On } \\
&- \text { Exchange }]
\end{aligned}
$$

Where
[Avg 2022 On - Exchange Premium PMPM
$=[$ Avg 2021 On-Exchange Premium PMPM $\times(1$
$+[$ Avg Proposed Rate Change $]$ )
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 \$0.25 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 CBC'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 CBC 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 BlueCross 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 CBC'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. The 2021 broker commission schedule is yet to be finalized. Attached please find the $1 / 1 / 2020$ copy of the broker agreement - redacted version. Files are as follows:
a. Redacted Standard Producer Master Agreement: "SG_21-

62_Initial_CAIC_PPO_SPMABrokerGroupRedacted_Supporting_20210518.pdf"
b. Redacted Preferred Producer Master Agreement: "SG_20-

62_Initial_CAIC_PPO_PPMABrokerGroupRedacted_Supporting_20210518.pdf"
4. Additional Quality Improvement: Additional QI amounts applied in rating equal $0.4 \%$. 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.
3. Premium Tax: CAIC is charged premium tax of $2 \%$. Premium tax is included in URRT, Worksheet2, "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 Adjusted Index Rates

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 CAIC's actuarial cost model. CAIC 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:

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

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 PPO 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 CBC. 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_21-62_Initial_CAIC_PPO_ListBilled_Supporting_20210518.xlsb for the calculation.

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

Geographic factors are unchanged from 2021.
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 $]=\sum[$ 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.

## $\underline{\text { AV Metal Values }}$

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.

## AV Pricing Values

All AV Pricing values were developed using CBC'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 2017-2019 filings. Actual comes from Table 4.

## 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 8
Exhibit A - Benefit Summary
Exhibit B - Benefit Change Summary
Exhibit C - Benefit Categories
Exhibit D - Benefit 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
Exhibit N - Calibration
Exhibit O - Rating Factors
Exhibit P - Quarterly Base Rates
Exhibit Q - Morbidity Factor
Exhibit R - MLR Exhibit
Broker Contracts
Actuarial Value Screenshots
List-Billed Data

## 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(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 2021 Rate Filing Justification.

## Capital BLUE 雷

## CAPITAL ADVANTAGE INSURANCE COMPANY, INC. RFJ Part II - Consumer Friendly Justification

Rate Increase Considerations: Changes being requested are based upon consideration of the factors that influence future period cost structures. The primary drivers of change in future costs are:

- Slowing migration to non-ACA group coverage options
- Anticipated increase in facility and physician unit costs
- Anticipated changes in prescription drug unit costs
- Continuing change in utilization such as
- Intensity of medical services rendered
- Changes in place of service (e.g. continued migration of inpatient stays to outpatient setting)
- Further migration from brand prescription drugs to generic prescription drugs
- Favorable impacts of value based benefits designs
- Prescription drug patent expirations and new to market brand drugs
- Leveraging associated with unchanged cost share components such as deductible and copays
- Inflation adjustment to administrative expenses













Capital Advantage Insurance Company Small Group Rates
Effective $1 / 1 / 2022$ Effective $1 / 1 / 2022$
Benefit Change Summary


Capital Advantage Insurance Company
Small Group Rates
Effective $1 / 1 / 2022$
$\underset{\text { Eeneffit Change Summary }}{\text { E }}$


Capital Advantage Insurance Company
Small Group Rates
Effective $1 / 1 / 2022$





| Benefit Mix Calculation |  |
| :--- | :---: |
|  | Manual Cost PMPM |
| Average in Experience Period | 339.58 |
| Average in Rating Period | 344.64 |
| Benefit Mix Adjustment | 1.015 |


| BEP Manual Cost Calcul | 339.58 | 369,829 | Projected 2022 Manual C | 344.64 | 1,509 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Manual Cost |  |  |  | Proj Member |
| HIOS 14 Digit | PMPM | BEP MM | HIOS 14 Digit | Total | Dist |
| 45127PA0130001 | 329.28 | 96 | 82795PA0130001 | 344.64 | 1,509 |
| 45127 PA 0130002 | 339.51 | 196 |  |  |  |
| 45127 PA 0130003 | 285.19 | 80 |  |  |  |
| 45127 PA 0130004 | 297.07 | 101 |  |  |  |
| 45127 PA0130005 | 329.28 | 0 |  |  |  |
| 45127 PA0130006 | 339.51 | 0 |  |  |  |
| 45127 PA0130007 | 285.19 | 0 |  |  |  |
| $45127 P A 0130008$ | 297.07 | 0 |  |  |  |
| $45127 P A 0010054$ | 396.82 | 11,712 |  |  |  |
| $45127 P A 0010055$ | 404.51 | 23,929 |  |  |  |
| $45127 P A 0010057$ | 387.71 | 6,932 |  |  |  |
| $45127 P A 0010058$ | 395.69 | 11,070 |  |  |  |
| 45127 PA0010069 | 310.59 | 652 |  |  |  |
| $45127 P A 0010070$ | 319.72 | 2,412 |  |  |  |
| $45127 P A 0010084$ | 353.35 | 11,538 |  |  |  |
| 45127 PA0010085 | 362.65 | 32,604 |  |  |  |
| 45127 PA0010089 | 332.72 | 19,544 |  |  |  |
| $45127 P A 0010090$ | 342.84 | 65,799 |  |  |  |
| 45127 PA0010116 | 367.13 | 9,629 |  |  |  |
| 45127 PA0010117 | 375.89 | 23,922 |  |  |  |
| $45127 P A 0010124$ | 312.69 | 13,868 |  |  |  |
| $45127 P A 0010131$ | 298.49 | 12,725 |  |  |  |
| $45127 P A 0010132$ | 309.97 | 20,892 |  |  |  |
| $45127 P A 0010135$ | 243.29 | 10,256 |  |  |  |
| $45127 P A 0010143$ | 310.59 | 10,911 |  |  |  |
| $45127 P A 0010144$ | 319.72 | 31,699 |  |  |  |
| 45127 PA0010161 | 347.48 | 5,246 |  |  |  |
| 45127 PA0010170 | 290.97 | 11,984 |  |  |  |
| 45127 PA0010184 | 284.28 | 5,776 |  |  |  |
| $45127 P A 0010185$ | 296.26 | 8,608 |  |  |  |
| $45127 P A 0010186$ | 279.20 | 2,907 |  |  |  |
| $45127 P A 0010187$ | 291.37 | 3,657 |  |  |  |
| $45127 P A 0010188$ | 333.35 | 3 |  |  |  |
| $45127 P A 0010189$ | 343.46 | 697 |  |  |  |
| 45127 PA 0010190 | 318.33 | 539 |  |  |  |
| 45127PA0010191 | 329.10 | 452 |  |  |  |
| 45127 PA 0010192 | 311.49 | 406 |  |  |  |
| $45127 P A 0010193$ | 317.72 | 207 |  |  |  |
| 45127 PA 0010194 | 323.66 | 2,433 |  |  |  |
| $45127 P A 0010195$ | 334.15 | 4,485 |  |  |  |
| $45127 P A 0010196$ | 346.08 | 0 |  |  |  |
| $45127 P A 0010197$ | 311.63 | 0 |  |  |  |
| 45127 PA0010198 | 322.53 | 0 |  |  |  |
| 45127 PA 0010199 | 277.28 | 0 |  |  |  |
| 45127 PA 0010200 | 362.65 | 0 |  |  |  |
| 45127PA0010201 | 312.69 | 0 |  |  |  |
| 45127 PA 0010202 | 309.97 | 0 |  |  |  |
| 53789PA0090004 | 218.46 | 888 |  |  |  |
| 82795PA0130001 | 344.64 | 974 |  |  |  |

## Effective 1/1/2022

## Trend

Trend by Service Category


| Aggregate Pricing Trend Year 1 |  |
| :---: | :---: |
| Total | $6.7 \%$ |
| Medical | $5.4 \%$ |
| Drug | $11.5 \%$ |
| Agg Med + Rx Trend | $6.7 \%$ |
| Dental and Vision | $2.0 \%$ |


| Aggregate Pricing Trend Year 2 |  |
| :---: | :---: |
| Total | $6.3 \%$ |
| Medical | $4.7 \%$ |
| Drug | $12.1 \%$ |
| Agg Med + Rx Trend | $6.3 \%$ |
| Dental and Vision | $2.0 \%$ |

Year 1 Raw Trends* Year 2 Raw Trends*

|  | Year 1 Raw Trends* |  |  |  | Year 2 Raw Trends* |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| URRT Categories | Cost | Utilization | Induced Demand | Composite | Cost | Utilization | Induced Demand | Composite |
| Inpatient Hospital | 5.1\% | 0.0\% | 0.0\% | 5.1\% | 4.9\% | 0.0\% | 0.0\% | 4.9\% |
| Outpatient Hospital | 5.3\% | 0.0\% | 0.0\% | 5.3\% | 5.0\% | 0.0\% | 0.0\% | 5.0\% |
| Professional | 4.6\% | 0.0\% | 0.0\% | 4.6\% | 3.1\% | 0.0\% | 0.0\% | 3.1\% |
| Other Medical | 5.3\% | 0.0\% | 0.0\% | 5.3\% | 5.0\% | 0.0\% | 0.0\% | 5.0\% |
| Capitation | 3.0\% | 0.0\% | 0.0\% | 3.0\% | 3.0\% | 0.0\% | 0.0\% | 3.0\% |
| Prescription Drugs | 9.8\% | 1.3\% | 0.0\% | 11.1\% | 10.1\% | 1.5\% | 0.0\% | 11.8\% |
| Dental \& Vision | 1.0\% | 1.0\% | 0.0\% | 2.0\% | 1.0\% | 1.0\% | 0.0\% | 2.0\% |

*From Hospital and Physician Trend Models $\quad$ Adjustments to Pricing Tren

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

mall Group Rates
Effective 1/1/2022
Credibility Manual Development for URRT

## Experience Period Member Months

369,829

| Section II: Projections |  |  | Year 1 Trend |  |  | Year 2 Trend |  | Trended EHB Allowed Claims |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Experience Period Index Rate |  | Cos |  | Utilization | Cost | Utilization |  |  | Incurred |  | Allowed |  | PMPM |
| Inpatient Hospital | \$ | 107.01 |  | 1.054 | 1.000 | 1.052 | 1.000 | 118.65 | \$ | 38,872,403 | \$ | 39,575,610 | \$ | 107.01 |
| Outpatient Hospital | \$ | 218.44 |  | 1.056 | 1.000 | 1.053 | 1.000 | 242.90 | \$ | 68,020,496 | \$ | 80,786,689 | \$ | 218.44 |
| Professional | \$ | 131.74 |  | 1.049 | 1.000 | 1.034 | 1.000 | 142.89 | \$ | 37,686,510 | \$ | 48,721,863 | \$ | 131.74 |
| Other Medical | \$ | 15.81 |  | 1.056 | 1.000 | 1.053 | 1.000 | 17.58 | \$ | 4,879,674 | \$ | 5,848,460 | \$ | 15.81 |
| Capitation | \$ | 0.03 |  | 1.030 | 1.000 | 1.030 | 1.000 | 0.03 | \$ | 11,022 | \$ | 11,022 | \$ | 0.03 |
| Prescription Drug | \$ | 127.57 |  | 1.101 | 1.013 | 1.104 | 1.015 | 159.43 | \$ | 41,273,688 | \$ | 47,179,065 | \$ | 127.57 |
| Total | \$ | 600.60 |  |  |  |  |  | 681.49 |  |  |  |  | \$ | 600.60 |

* All data experience is from CAAC, and other CBC subsidiaries - Capital Advantage Insurance Company (CAIC), and Keystone Health Plan Central (KHPC) Morbidity
1.170

Other
1.0000
1.0000
1.0000
797.10

Advantage Insurance Company


## Small Group Rates

## Effective 1/1/2022

## Retention

|  | Medical + Rx | Dental | Vision | Total | \% of Premium |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Reinsurance Contribution | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0\% |
| Risk Adjustment Fee | \$0.25 | \$0.00 | \$0.00 | \$0.25 | 0.0\% |
|  |  |  |  |  |  |
| Admin PMPM | \$48.49 | \$0.60 | \$0.09 | \$49.18 | 6.7\% |
| Broker PMPM | \$19.79 | \$0.00 | \$0.00 | \$19.79 | 2.7\% |
| 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 | 0.4\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% |
| 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 | 2.0\% | 0.0\% | 0.0\% | 2.0\% | 2.0\% |

## Insurer Tax and Admin Fee Calc

Applied HIF to All Quarters
0.00\%

| Quarter | \% of Enrollees | HIF |  | 2022 assessmen2023 assessment |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1 | 34\% | 0.00\% |  | 0 | 0.00\% | 0.00\% |
| 2 | 11\% | 0.00\% |  | 3 | 0.00\% | 0.00\% |
| 3 | 14\% | 0.00\% |  | 6 | 0.00\% | 0.00\% |
| 4 | 41\% | 0.00\% |  | 9 | 0.00\% | 0.00\% |
|  | Admin | Profit | Taxes |  |  |  |
|  | 9.7\% | 2.0\% | 2.6\% |  |  |  |
| Claims | 6.7\% |  |  |  |  |  |
| Broker | 2.7\% |  |  |  |  |  |
| Quality Improvement | 0.4\% |  | 18 |  |  |  |


| HIOS | 82795 PA0130001 |
| :---: | :---: |
| Med Plan | Gold PPO 0/0/20 |
| Rx Plan | Rx 500 |
| Deductible | 0 |
| Expected Claim Cost | 632.24 |
| Expected Premium PMPM * | $\$ 738.05$ |
|  |  |
| Allowed Adjustments to Premium for MLR | 0.00 |
| Reinsurance Contribution | 0.20 |
| Patient-Centered Outcomes Research Trust Fund: | 0.25 |
| Risk Adjustment Fee | 14.76 |
| Premium Tax | 0.00 |
| Insurer Tax | 0.00 |
| Exchange Fee | 2.95 |
| Quality Improvement | 3.10 |
| Federal Income Tax** | $\$ 635.19$ |
| MLR Adjusted Claims | $\$ 719.74$ |
| MLR Adjusted Premium | $100.0 \%$ |


| Unadjusted Premium | $\$ 738.05$ |
| :---: | :---: |
| Expected MLR Adjusted Claims | $\$ 635.19$ |
| Expected MLR Adjusted Premium | $\$ 719.74$ |
| MLR | $\mathbf{8 8 . 3 \%}$ |

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


## Projected Index Rate

| Projected Index Rate | \$797.12 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Effective Date | Total Index Rate | Trend | Distribution of Members | Projected Allowed | Market Adjusted Index Rate |
| January - March (Index 1) | \$797.12 |  | 34\% | \$797.12 | \$710.50 |
| April - June (Index 2) | \$810.09 | 6.7\% | 11\% | \$809.81 | \$723.20 |
| July - September (Index 3) | \$823.27 | 6.7\% | 14\% | \$822.71 | \$736.09 |
| October - December (Index 4) | \$836.67 | 6.7\% | 41\% | \$835.81 | \$749.19 |
|  |  |  |  |  |  |
| Average for Projection Period | \$818.49 |  |  | \$818.03 | \$731.41 |

* From URRT and Exhibit B

Effective 1/1/2022
Market Adjusted Index Rate

Development of Market Adjusted Index Rate

| Q1 Index Rate | 797.12 |
| :--- | :---: |
| Paid to Allowed | 0.89 |
| Q1 Projected Claims | 709.32 |
|  |  |
| Net Projected ACA Reinsurace Recoveries | 0.00 |
| Net Projected Risk Adjustments PMPM | 77.08 |
| Exchange User Fee Adjustment | 0.00 |
| Q1 Market-Adjusted Projected Paid EHB Claims PMPM | 632.24 |
| Q1 Market Adjusted Index Rate | 710.50 |

Development of Exchange User Fee

| Average SHOP Premium | $\$ 0.00$ |
| :--- | :---: |
| Average Exchange Fee | $\$ 0.00$ |
| Percentage of Membership on SHOP | $0 \%$ |
| Exchange Fee to Add to Market Index Rate | $\$ 0.00$ |

Development of Risk Adjustment Projection
Projected 2022 Risk Adjustment Transfer

| Projected 2020 Risk Adjustment Transfer | $\$ 75,073$ |
| :--- | :--- |



$\square$

Expected Average e Region Factor:
Cumulative Re

| Age Factors |  |  | Region Factors |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Age | Distribution of Popluation | Age Factor | Region | Distribution of Population | cor |
| $0 \cdot 14$ | 12.8\% | 0.7650 | 6 | 49.6\% | 1.0000 |
| 15 | ${ }^{1.0 \%}$ | ${ }^{0.8830}$ | 7 | 29.2\% | 1.0800 |
| 16 | 1.0\% | ${ }^{0.8590}$ | 9 | 21.2\% | 1.0200 |
| 17 | 1.1\% | 0.8850 |  |  |  |


| 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



Capital Advantage Insurance Company
Small Group Rates
Effective 1/1/2022
Morbidity Factor Calculation

| Earned Premium |  | Ultimate Incurred Claims |  | Member Months | Total Prescription |  |  | Total EHB Capitation | Risk Adjustment |  | Premium PMPM |  | Incurred Clm PMPM |  | RA PMPM |  | $\begin{gathered} \text { Loss } \\ \text { Ratio* } \\ \hline \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| \$ | 243,160,961.24 | \$ | 200,146,137.31 | 369,829 | S | (9,413,365.99) | \$ | 11,022.05 | \$ | 9,277,790.00 | \$ | 657.50 | \$ | 515.76 | \$ | 25.09 | \% |

*Loss Ratio net of risk adjustment
2019 BEP from 2021 Annual Filing

| Earned Premium | Ultimate Incurred Claims | Member Months | Total Prescription Drug Rebates* |  | Total EHB Capitation |  | Risk Adjustment |  | Premium PMPM |  | $\begin{array}{\|c\|c\|} \hline \text { Incurred Clm } \\ \text { PMPM } \end{array}$ |  | RA PMPM |  | $\begin{gathered} \hline \text { Loss } \\ \text { Ratio } \\ \hline \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| \$ ${ }^{\text {S }}$ | 269,696,701.86 | 506,640 | \$ | (14,153,272.73) | S | 11,448.50 | S | 16,258,847.00 | \$ | 622.61 | \$ | 504.41 | \$ | 32.09 | 77.0\% |
|  | BEP Start | BEP End |  | BEP MidPoint |  |  |  |  |  |  |  |  |  |  |  |
| Annual Filing BEP (pre-COVID) | 1/1/2019 | 12/31/2019 |  | 7/2/2019 |  |  |  |  |  |  |  |  |  |  |  |
| New BEP (w COVID) | 1/1/2020 | 12/31/2020 |  | 71/2020 |  |  |  |  |  |  |  |  |  |  |  |
|  | Trend Months |  |  | 12 |  |  |  |  |  |  |  |  |  |  |  |
|  | Total Claims Trend |  |  | 6.3\% |  |  |  |  |  |  |  |  |  |  |  |
|  | Rx Trend for Rebates |  |  | 12.1\% |  |  |  |  |  |  |  |  |  |  |  |
|  | Capitation Trend |  |  | 3\% |  |  |  |  |  |  |  |  |  |  |  |


*Loss Rationet of risk adjustment

| Change in Incurred Claims | Change in LR | COVID Morbidity | AddI Factor* | Morbidity Factor <br> Aplied |
| :---: | :---: | :---: | :---: | :---: |
| $3.6 \%$ | $2.6 \%$ | 1.026 | 1.140 | 1.170 |

*Note that this additional factor varies with projected risk adjustment transfer amount. This factor assumes CAIC membership is riskier than CAAC (majority of the BEP), and risk adjustment transfer will be higher than CAAC

## Capital Advantage Insurance Company <br> Small Group Rates

## Effective 1/1/2022

MLR Exhibit

|  | MLR |  | Member Months |  |
| ---: | ---: | ---: | ---: | ---: |
| Calendar Year | Actual | Pricing | Actual | Pricing |
| 2017 | $71.74 \%$ | $84.00 \%$ | 1,269 | 660 |
| 2018 | $39.71 \%$ | $80.24 \%$ | 1,268 | 1,008 |
| 2019 | $57.86 \%$ | $83.86 \%$ | 918 | 1,138 |

## Capital BLUE 薷

June 25, 2021

Ms. Tracie Gray, Director<br>Bureau of Life, Accident and Health Insurance<br>Office of Insurance Product Regulation and Administration<br>Commonwealth of Pennsylvania Insurance Department<br>1311 Strawberry Square<br>Harrisburg, PA 17120

## Re: Capital Advantage Insurance Company Small Group Rates <br> Filing No 21-62 <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. Gray:
CAIC received an objection letter from the Department dated June 10, 2021. CAIC is providing the following in response to the objection letter:

- Q\&A written response
- Q\&A exhibits
- Trend leveraging calculation workbook
- Revised rate development workbook
- Revised PAAM exhibits
- Revised URRT
- Revised rates (PA and Federal templates)
- Revised memos - Actuarial, Cover Letter, Rate Change Summary

All changes are due to PID requests/questions and have been disclosed in the $\mathrm{Q} \& \mathrm{~A}$ written response. Additionally, below is a summary of changes:

- Question 1: Correction to Binder number
- Question 2: Correction to Rate/Rule Schedule tab: Last Filing
- Question 11: Correction to Table 6, Retention, Administrative Expenses, General and Claims
- Question 12: Correction to Table 6, Federal Income Tax
- Question 13: Correction to Table 12, include tobacco factors of 1.0 for ages 18-20


Sincerely,


ASA, MAAA
Director, Actuarial Services
Capital BlueCross
Enclosures
cc:

, FSA, MAAA, Senior Director, Actuarial Services<br>, ASA, MAAA, Vice President and Chief Actuary, Actuarial Services , Corporate Counsel

# CAPITAL ADVANTAGE INSURANCE COMPANY, INC. 

## Question and Answer <br> Small Group Rates <br> Effective January 1, 2022

With this response, please find corresponding Q\&A Exhibits in SG_2162_Initial_CAIC_PPO_Q\&AExhibits1_Supporting_20210625.xlsx

Question 1. Under the General Information tab, the binder number listed is CABC-PA22125107257. Please update the binder number to CABC-PA22-125108746. Please update all exhibits with the correct binder number.

Answer 1. The exhibits have been updated with the new binder number.
Question 2. Under the Rate/Rule Schedule tab, please update the SERFF Tracking Number of the Last Filing as currently the provided SERFF number is linked to Keystone Health Plan Central's Q4 small group quarterly filing.

Answer 2. The Rate/Rule Schedule tab has been corrected.
Question 3. A COVID-19 morbidity adjustment factor was used to bring the 2020 base experience in line with a BEP not influenced by COVID19. Currently, there is no mention of a COVID-19 adjustment being made to the projected claims. Please confirm that Capital is expecting no impact to Plan Year 2022 claims as a result from COVID-19.

Answer 3. This confirms that Capital is not making an additional adjustment for COVID-19 in 2022. We assume that 2020 adjusted for COVID-19 and trended is the best predictor of 2022.

Question 4. For the development of the 1.03 COVID morbidity factor, we had the following questions.
a. For the COVID factor development, please include demonstration for how the 2019 and 2020 calendar years were adjusted for any differences in morbidity, demographics, plan design, geography, trend, etc. in the development of the factor.
b. In the LR calculation for the support for the COVID factor on the "Exhibit Q_Morbidity" tab, the claims are trended from 2019 to 2020 but the premium is not. Please provide support for this apparent disconnect.

## Answer 4.

a. For this estimate, morbidity, demographics, plan design, and geography are assumed to be the same between 2019 and 2020.
b. Exhibit Q has been corrected to reflect 2020 premium PMPM.

Question 5. Per Pennsylvania Final Rate Filing Guidance, the trend listed in Table 3 of the PAAM Exhibits should match the aggregate 2-year trend in the URRT. The composite 2-year
trend used in Table 5, row 12, is 1.135 . However, the composite 2-year trend for the URRT comes out to 1.115 . Please explain the difference or update, as necessary.

Answer 5. For both Table 5 and the URRT, the components of trend (IP, OP, Prof, etc.) match. The aggregate varies because the manual data (CAAC, CAIC, KHPC combined) is used to develop the average trend for rate development. In contrast, the URRT uses company-specific data in Section II: Projections, and then allows for a manual PMPM. The URRT manual PMPM comes directly from Table 5, and therefore uses the aggregrate trend from Table 5.

Question 6. Per Table 5, the Change in Demographic, Change in Network, and Change in Benefits are all 1.000. Please provide quantitative and qualitative support for each adjustment. In your response please be sure to answer the following questions:
a. For Change in Demographics, the manual rate is mainly CAAC small group which has a higher average age than CAIC so why is no adjustment necessary to reflect this difference.
b. For Change in Network, the manual rate is mainly CAAC who has multiple networks, but CAIC only offers the PPO network. So, why is the 1.000 adjustment appropriate. Also, in Exhibit F_URRT, the Network Calculation is the Network Projection Period / Network BEP. Does this represent only CAIC BEP or all the manual experience?

## Answer 6.

a. We utilize the assumption that small group membership will change annually in noncredible companies such as CAIC and Keystone Health Plan Central (KHPC). But for rating purposes, we use combined data to project demographics. Small Group members do not see a difference between a CBC plan offered by CAAC, CAIC or KHPC. They are able to choose the plan that best fits their needs and that could change from year to year.
b. CAAC had a small portion of membership in its EPO plans in 2020 equaling $0.13 \%$ of total 2020 membermonths. Because of the negligible membership, the average 2020 network factor is 1.0 , making a network adjustment unnecessary.

Question 7. Per "Exhibit Q_Morbidity" tab, an additional factor of 1.14 is being applied to the Change in Morbidity - Other. It states "this additional factor varies with projected risk adjustment transfer amount. This factor assumes CAIC is riskier than CAAC (majority of the BEP), and risk adjustment transfer will be higher than CAAC." Please provide quantitative and qualitative support for this assumption.

Answer 7. We are required to use CAIC specific risk-adjustment estimates in the rating of CAIC. In order to align rates across issuers (CAAC, CAIC, KHPC), the morbidity factor is developed. We did not use a comparison of PLRS, but instead used the morbidity factor to align rate relativities across issuers. The rate relativity between plans offered in CAAC, CAIC and KHCP is consistent with 2021. This approach allows consumers to shop CBC based on benefit differences and lessens market confusion.

Question 8. The following questions pertain to the development of the 2022 risk adjustment estimate.
a. Please provide support for applying no changes to the 2020 risk adjustment results in projecting the 2022 information.
b. Please provide support for assuming no change to the statewide average premium would occur between 2020 and 2022.
c. Please provide support for assuming no changes in the relative risk for the Company relative to the statewide.

## Answer 8.

a. Rate development is being performed on an experience net risk adjustment basis. That means that we are neither making an issuer-specific morbidity adjustment to the base experience period or an adjustment to risk adjustment. This approach assumes that experience net risk adjustment is the best predictor of future experience.
b. The statewide average premium is assumed to be equal between 2020 and 2022. This is because premiums statewide decreased in 2021 and we expect them to be at or below trend in 2022. The net result is estimated to be no change from 2020.
c. The rationale is the same as explained in bullet a. above. Capital is assuming a steady state when using experience net risk adjustment as the basis of our projection.

Question 9. Please provide support for not including any utilization trend in the Medical trend amounts.

Answer 9. Annually, the actuarial team meets with our Chief Medical Officer to discuss utilization trends by market segment based on provider conversations and emerging trends in the medical community. Based on those conversations, her best estimate is no change in utilization from 2020 to 2022. Please note this is pre-Covid-19, as Covid-19 factors are applied separately.

Question 10. Please provide quantitative support for the $0.3 \%$ leveraging adjustment utilized on the "Exhibit E_Trend" tab.

Answer 10. Please see SG_21-62_Initial_CAIC_PPO_Leveraging_Supporting_20210625.xlsx, tab: LeveragingSGAllData. In order to determine the future impact of leveraging, including the impact of increasing cost sharing due to allowed costs rising, the exhibit shows a claim probability distribution with allowed amounts by range. The data is 2020 CBC ACA single risk pool population. The average pricing AV in the Small Group market is approximately 0.86 ((from Exhibit G, Paid-to-Allowed Ratio). From the data, I can infer that a deductible (applying to all services) of $\$ 1,160$ is equal to $86 \% \mathrm{AV}$ for this population. Using that deductible amount, I can measure incurred claims and member cost-sharing trend, given an allowed trend of $6.0 \%$. Claims are trended in a database in order to move claims into the correct buckets. Please note that the total allowed amounts are increasing at $6.0 \%$ annually (columns P and Z ). Given the deductible and allowed trend, incurred claims trend at $6.5 \%$, member cost-share at $1.3 \%$ and leveraging is $6.5 \%-6.0 \%=0.5 \%$. Due to market competition, the applied leveraging factor is $0.3 \%$.

Question 11. In the PAAM Exhibits, Table 6. Retention, under the Administrative Expenses section, General and Claims is listed as $68.63 \%$. Please update.

Answer 11. Table 6, General and Claims Administrative Expenses has been corrected.

Question 12. Per the PA Final Rate Filing Guidance, the profit listed in Table 6 is an after-tax amount. Given, that the profit is after-tax, the federal income tax percentage, in Table 6, is understated. In Table 6, the Federal Income Tax is listed as $0.42 \%$. Please either update the estimated federal income tax percentage to $0.5316456 \%$ or change the after-tax profit to $1.58 \%$. Please update all affected exhibits and documents.

Answer 12. The Federal Income Tax has been corrected to $0.5316456 \%$.
Question 13. In Table 12, Age and Tobacco Factors, please fill in the tobacco factor for Age Bands: 18,19 , and 20 to be listed as 1.000 .

Answer 13. Table 12 has been corrected to include a Tobacco Factor of 1.000 for ages 18, 19, and 20.

Question 14. Based on Exhibit R_MLR Exhibit, the Actual MLR has consistently been significantly lower than the Pricing MLR.
a. Please provide some explanation as to why the Actual MLR has been significantly lower.
b. Has CAIC been required to pay rebates? Do you foresee this to be the case in the next few years?
c. Have any changes been made to this year's Pricing MLR assumptions to try to achieve a more accurate Actual to Pricing MLR for Plan Year 2022.?

## Answer 14.

a. CAIC offers one small group plan, and has hovered around 100 enrolled members over the past 4 years. The lack of credibility has led to missed projections.
b. Due to a lack of credibility, CAIC has not been required to pay MLR rebates.
c. We continue to price the CAIC plan alongside like CAAC plans. But we have taken a more aggressive pricing approach in the small group market as a whole. This includes relying more heavily on actual risk adjustment results to project future risk adjustment; reducing trend; and removing adverse morbidity adjustments for movement from Small Group insured to Small Group ASO.

Question 15. The current submitted broker contract agreement is not for this upcoming plan year. When does Capital expect to have their commission schedule finalized? Once finalized, please provide the current broker contract agreement. Please note that once rates have been finalized, a change to rates will not be allowed to change even if the commission schedule changes.

Answer 15. We expect to have 2022 broker contracts finalized by August. We acknowledge that a change to rates will not be allowed once rates are finalized.

Question 16. Please provide an exhibit that quantitatively shows a comparison of the actual to projected claim cost PMPMs for calendar years 2017 - 2020, as applicable.

Answer 16. Please see $Q \& A$ Exhibit 1 for the requested data.

Question 17. Please confirm that you have tested to ensure that the rates in Table 11 of the PAAM Exhibits, PA Plan Design Summary and Rate Table, Federal Rates Template, and binder are identical.

Answer 17. I confirm that the exhibits above have been tested to ensure that rates are identical.

## Capital Advantage Insurance Company <br> Small Group Rates <br> Q\&A Exhibit 1 <br> Projected vs. Actual

|  | Paid |  | Risk Adjustment |  | Exchange User Fees |  | Market Adjusted Paid |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Year | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| 2017 | $\$ 442.62$ | $\$ 227.04$ | $-\$ 0.13$ | $-\$ 192.63$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 442.75$ | $\$ 419.67$ |
| 2018 | $\$ 401.81$ | $\$ 139.26$ | $-\$ 42.86$ | $-\$ 185.08$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 444.68$ | $\$ 324.34$ |
| 2019 | $\$ 539.89$ | $\$ 414.92$ | $-\$ 10.13$ | $\$ 68.57$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 550.02$ | $\$ 346.35$ |
| 2020 | $\$ 390.73$ | $\$ 649.04$ | $-\$ 246.98$ | $\$ 77.08$ | $\$ 0.00$ | $\$ 0.00$ | $\$ 637.71$ | $\$ 571.96$ |

## Capital BLUE 愚

July 13, 2021
Ms. Tracie Gray, 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: Capital Advantage Insurance Company Small Group Rates <br> Filing No 21-62 <br> TOI Code: H15G Group Health - Hospital/Surgical/Medical Expense <br> Sub-TOI Code: H15G. 003 Small Group Only Filing Type: Rate

Dear Ms. Gray:
CAIC received an objection letter from the Department dated July 6, 2021. CAIC is providing the following in response to the objection letter:

- Q\&A written response
- Q\&A exhibits
- Revised rate development workbook
- Revised PAAM exhibits
- Revised URRT
- Revised rates (PA and Federal templates)
- Revised memos - Actuarial, Cover Letter, Rate Change Summary
- Public filing PDF

All changes are due to PID requests/questions and have been disclosed in the $\mathrm{Q} \& \mathrm{~A}$ written response. Additionally, below is a summary of changes:

- Question 2: Correction to Table 5, Morbidity Factor

If you have any questions regarding this filing, please call me at $\square$ (or via email at ( ). Thank you for your assistance in this matter.

Sincerely,


Director, Actuarial Services
Capital BlueCross
Enclosures
cc: , FSA, MAAA, Senior Director, Actuarial Services
, ASA, MAAA, Vice President and Chief Actuary, Actuarial Services
$\square$ Corporate Counsel

# CAPITAL ADVANTAGE INSURANCE COMPANY, INC. 

Question and Answer<br>Small Group Rates<br>Effective January 1, 2022

With this response, please find corresponding Q\&A Exhibits in SG_2162_Initial_CAIC_PPO_Q\&AExhibits2_Supporting_20210713.xlsx

Question 1. Does CAIC have any transitional membership? If so, has there recently been a significant drop in transition membership? Do you anticipate a drop in 2022?

Answer 1. CAIC does not have transitional membership.
Question 2. As a follow-up to question 4, please provide the 2019 and 2020 average risk score (using the same HHS model), average age factor, average actuarial value, and average geographic factor to support the assumption that the morbidity, demographic, plan design, and geographic mix is the same between 2019 and 2020.

Answer 2. Please see Q\&A Exhibit 1 for the requested information. While the factors do vary between 2019 and 2020, the method used to estimate the impact of COVID shown in Exhibit Q is reasonable with a modification. In order to account for changes in risk, I have updated Exhibit Q to include the impact of risk adjustment on the 2019 and 2020 loss ratios. So if we compare the loss ratio net risk adjustment of 2020 compared to the loss ratio of 2019 claims and premium trended to 2020 (with risk adjustment equal to 2019), the difference is $2.6 \%$. This would suggest that results are $2.6 \%$ better in 2020 than 2019 would have predicted. Using the loss ratio approach accounts for changes in geography and age since those are allowable rating factors so are included in premium. The addition of the risk adjustment transfer amount to the loss ratio means that change in risk is also considered. Due to this modification, I'm adjusting the COVID-19 adjustment factor from 1.03 to 1.026 .

Question 3. Please update the 2020 experience period risk adjustment amount, in Table 2, to reflect the final CMS risk adjustment amount released on June 30th.

Answer 3. The risk adjustment amount in Table 2 has been updated to the CMS amount released on June $30^{\text {th }}$.

Question 4. If the projected risk adjustment transfer amount in Table 5 was modified due to the final CMS transfer amount published on June 30th, please provide narrative and detailed supporting data to justify the proposed changes.

Answer 4. The risk adjustment amount in Table 5 was not adjusted.
Question 5. Please provide an exhibit showing the actual experience for calendar years 2016 2020 and the projection experience for 2021 and 2022 for the following categories: Member

Months, Total Administrative Expenses, Total Incurred Claims, Total Premium, Total Actual Paid Taxes and Fees, Profit, Total Underwriting Gain/Loss and Underwriting Gain/Loss PMPM.

Answer 5. Please see $\mathrm{Q} \& A$ Exhibit 2 for the requested data.
Question 6. Please confirm that you have tested to ensure that the rates in Table 11 of the Actuarial Memorandum Exhibits, PA Plan Design Summary and Rate Tables, and Federal Rate Templates are identical.

Answer 6. I confirm that the exhibits above have been tested to ensure that rates are identical.
Question 7. Please ensure that the 7/13/21 versions of the following items are posted in SERFF with your July 13th response to this data call.
a. Cover Letter identifying all changes made and the reasons for the change. Also, show the revised rate change.
b. PA Actuarial Memorandum
c. PA Actuarial Memorandum Exhibits
d. Department's Plan Design Summary and Rate Template Exhibits (please ensure that the rate template by county is populated with only numeric values - no "NA")
e. URRT
f. Federal Rate Template
g. Part III: Actuarial Memorandum
h. Updated Rate Change Request Summary (Attachment I)
i. Public PDF with limited redactions as previously directed in the Guidance (includes all correspondence and supporting exhibits after the initial submission, in addition to all the above items).

Answer 7. I confirm the requested information has been submitted.

## Capital Advantage Insurance Company <br> Small Group Rates <br> Q\&A Exhibit 1 <br> Risk Score, Induced Demand, Geography, AV and Age

| Year | Issuer | Market | Billed MemberMoths | Risk <br> Issuer Avg PLRS | $\frac{\text { Induced Demand }}{\text { Issuer Avg IDF }}$ | $\begin{gathered} \text { Geography } \\ \text { Issuer Avg GCF } \end{gathered}$ | $\begin{aligned} & \text { Actuarial Value } \\ & \text { Issuer Avg AV } \end{aligned}$ | $\begin{gathered} \frac{\text { Age }}{} \\ \text { Issuer Avg ARF } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2019 | 45127 | Small Group | 505,365 | 1.4952 | 1.0696 | 1.1874 | 0.7721 | 1.5448 |
| 2019 | 53789 | Small Group | 1,151 | 0.8023 | 1.0000 | 1.1876 | 0.6000 | 1.6143 |
| 2019 | 82795 | Small Group | 915 | 1.6438 | 1.0736 | 1.1867 | 0.7872 | 1.5935 |
| 2020 | 45217 | Small Group | 371,085 | 1.3245 | 1.0711 | 1.1772 | 0.7753 | 1.5567 |
| 2020 | 53789 | Small Group | 900 | 0.7726 | 1.0000 | 1.1696 | 0.6000 | 1.5541 |
| 2020 | 82795 | Small Group | 989 | 1.5293 | 1.0800 | 1.1778 | 0.8000 | 1.5963 |
| 2019 | All | Small Group | 507,431 | 1.4939 | 1.0694 | 1.1874 | 0.7718 | 1.5451 |
| 2020 | All | Small Group | 372,975 | 1.3237 | 1.0710 | 1.1772 | 0.7750 | 1.5568 |

Capital Advantage Insurance Company
Small Group Rates
Q\&A Exhibit 2
Financial History \& Projection

| Year | Member Months | Total Premium | Total Incurred |
| ---: | ---: | :---: | :---: |
| 2016 | 1,024 | $\$ 250,983$ | $-\$ 46,957$ |
| 2017 | 1,270 | $\$ 388,024$ | $\$ 263,522$ |
| 2018 | 1,271 | $\$ 432,263$ | $\$ 173,026$ |
| 2019 | 919 | $\$ 547,640$ | $\$ 298,774$ |
| 2020 | 974 | $\$ 1,001,974$ | $\$ 693,140$ |
| 2020 | 9 | $\$ 130,279$ | $\$ 29,387$ |
| Projected | 2021 | 1,509 | $\$ 1,118,273$ |
| Projected | $\$ 958,375$ |  |  |


| Total Admin | Total Taxes \& Fees | Total Profit |
| :---: | :---: | :---: |
| $\$ 99,509$ | $\$ 88,545$ | $\$ 109,886$ |
| $\$ 96,865$ | $\$ 46,180$ | $\$ 18,543$ |
| $\$ 73,149$ | $\$ 4,345$ | $\$ 181,743$ |
| $\$ 51,140$ | $\$ 38,573$ | $\$ 159,153$ |
| $\$ 66,567$ | $\$ 26,699$ | $\$ 215,568$ |
| $\$ 683$ | $\$ 164$ | $\$ 100,045$ |
| $\$ 108,544$ | $\$ 28,990$ | $\$ 22,364$ |


| Annual Underwriting gain/loss | Annual Underwriting gain/loss PMPM |
| :---: | :---: |
| $\$ 109,886$ | $\$ 107.31$ |
| $-\$ 18,543$ | $-\$ 14.60$ |
| $\$ 181,743$ | $\$ 142.99$ |
| $\$ 159,153$ | $\$ 173.18$ |
| $\$ 215,568$ | $\$ 221.32$ |
| $\$ 100,045$ | $\$ 11,116.11$ |
| $\$ 22,364$ | $\$ 14.82$ |

2016-2020 is directly from Supplemental Health Care Exhibits 2021 is from the corporate budget

## 2021 Service Area

## Issuer: 82795

Market: Small Group


[^1]
## 2022 Service Area

## Issuer: 82795

Market: Small Group


[^2]
[^0]:    ${ }^{1}$ Note that insurers will have the opportunity to revise their rate change request in July, after they are scheduled to receive updated information about the impact of a federal program called risk adjustment. This document will be updated accordingly at that time.

[^1]:    Key (modify as needed)
    2021 on-exchange service area
    : 2021 off-exchange only service area

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

