

SERFF Tracking #:

CABC-131454888

State Tracking #:

CABC-131454888

Company Tracking #:

18-13

State: Pennsylvania

Filing Company: Capital Advantage Insurance Company

TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense

Product Name: Rates - CAIC Individual PPO

Project Name/Number: /

Supporting Document Schedules

Satisfied - Item:	Public Rate filing
Comments:	
Attachment(s):	Ind_18-13_Revised_CAIC_PPO_PublicFiling01_Supporting_20180716.pdf Ind_18-13_Revised_CAIC_PPO_PublicFiling02_Supporting_20180716.pdf Ind_18-13_Revised_CAIC_PPO_PublicFiling03_Supporting_20180716.pdf Ind_18-13_Revised_CAIC_PPO_PublicFiling04_Supporting_20180716.pdf
Item Status:	
Status Date:	



May 18, 2018

██████████, 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
Individual Rates
Filing No 18-13
TOI Code: H15I Individual Health – Hospital/Surgical/Medical Expense
Sub-TOI Code: H15I.001 - Hospital/Surgical/Medical Expense
Filing Type: Rate**

Dear ██████████:

By this filing Capital BlueCross, on behalf of its wholly owned subsidiary Capital Advantage Insurance Company, submits to the Department Individual Rates effective January 1, 2019.

The following is a summary of the rate filing:

- Company Name: Capital Advantage Insurance Company (CAIC)
- NAIC: 41203
- Market: Individual
- On/Off Exchange: Off Exchange
- Effective Date: 1/1/2019
- Average Rate Change Requested: -42.6%
- Range of Requested Rate Change: -42.6% to -42.6%
- Total additional annual revenue generated from the proposed rate change: \$(1,123,770)
- Product: PPO
- Rating Areas: 6, 7, 9
- Metal Levels: Catastrophic
- Current Covered Lives and Policyholders: 257/169
- 2019 Number of Plans: 1
- 2018 Number of Plans and Percent Change: 1/0%
- Contract Form #: CAIC-Ind-PPO-C-v0119
- Form Filing SERFF #: CABC-131454364
- Binder SERFF #: CABC-PA19-125079476
- HIOS Issuer ID: 82795
- HIOS Submission Tracking Number: 82795-1216316734001166339

Harrisburg, PA 17177 | capbluecross.com

Please note that per instructions from the Insurance Department, 0.06 was added to the morbidity factor to account for the possible repeal of the individual mandate.

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

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

Sincerely,

[REDACTED]

[REDACTED], ASA, MAAA
Manager, Actuarial Services
Capital BlueCross

Enclosures

cc: [REDACTED], FSA, MAAA, Senior Director, Actuarial Services
[REDACTED], ASA, MAAA, Vice President and Chief Actuary, Actuarial Services
[REDACTED], Corporate Counsel

Attachment I

Rate Change Summary

Capital Advantage Insurance Company – Individual Plans

Rate request filing ID # CAB-131454888 - 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:	-42.6% ¹
Revised requested average rate change:	-42.7%
Range of requested rate change:	-42.7% to -42.7%
Effective date:	1/1/2019
People impacted:	257
Available in:	Rating Area 6, Rating Area 7, and Rating Area 9

Key information

Jan. 2017-Dec. 2017 financial experience

Premiums	\$	570,416
Claims	\$	827,271
Administrative expenses	\$	76,820
Taxes & fees	\$	152,711
Company made (after taxes)		\$(486,386)

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2019:

Claims:	83.22%
Administrative:	12.36%
Taxes & fees:	2.42%
Profit:	2.0%

The company expects its annual medical costs to increase **10.67%**.

Explanation of requested rate change

Stabilization of the Individual market in recent years
Suspension of the Health Insurer Fee in 2019
Anticipated increase in facility and physician unit costs
Anticipated changes in prescription drug unit costs
Continuing change in utilization

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.



July 13, 2018

██████████, 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

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- NAIC: 41203
- Market: Individual
- On/Off Exchange: Off Exchange
- Effective Date: 1/1/2019
- Average Rate Change Requested: -42.7%
- Range of Requested Rate Change: -42.7% to -42.7%
- Total additional annual revenue generated from the proposed rate change: \$(1,128,278)
- Product: PPO
- Rating Areas: 6,7,9
- Metal Levels: Catastrophic
- Current Covered Lives and Policyholders: 257/169
- 2019 Number of Plans: 1
- 2018 Number of Plans and Percent Change: 1/0%
- Contract Form #: CAIC-Ind-PPO-C-v0119
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Sincerely,

[REDACTED]

[REDACTED], ASA, MAAA
Manager, Actuarial Services
Capital BlueCross

Enclosures

cc: [REDACTED], FSA, MAAA, Senior Director, Actuarial Services
[REDACTED], ASA, MAAA, Vice President and Chief Actuary, Actuarial Services
[REDACTED], Corporate Counsel

CAPITAL ADVANTAGE INSURANCE COMPANY, INC.

ACTUARIAL MEMORANDUM

Individual Rates

Effective January 1, 2019

General Information

Company Information

- Company Legal Name: Capital Advantage Insurance Company – CAIC
- State: PA
- HIOS Issuer ID: 82795
- Market: Individual
- Effective Date: 1/1/2019

PID Company Information

- Company Name: Capital Advantage Insurance Company (CAIC)
- NAIC: 41203
- Market: Individual
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- Binder SERFF #: CABC-PA19-125079476
- HIOS Issuer ID: 82795
- HIOS Submission Tracking Number: 82795-121631673400116633

Company Contact Information

- Primary Contact Name: [REDACTED]
- Primary Contact Telephone Number: [REDACTED]
- Primary Contact Email Address: [REDACTED]

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 effective January 1, 2019. CAIC will only offer products off the federally-facilitated exchange.

Rate History and Proposed Variations in Rate Changes

Market	Company	Effective Date	SERFF #	Annual Increase
Individual	CAIC	1/1/2015	CABC-129649188	0.00%
Individual	CAIC	1/1/2016	CABC-130079084	-2.10%
Individual	CAIC	1/1/2017	CABC-130539588	39.00%
Individual	CAIC	1/1/2018	CABC-131022047	20.20%

Average Rate Change

CAIC is proposing an aggregate annual -42.7% rate change. The rate change does vary by plan. The rate change is calculated in PA Rate Template Part III, Table 10, cell AC15.

Regulatory Considerations

Rates submitted by this filing assume changes to the current regulatory framework. As directed by the Insurance Department, the following factors have been applied to the rates for regulatory changes:

- Individual Mandate: 0.06 added to the morbidity factor.

Membership

Membership is shown in PA Rate Template Part I, Table 1. The average age is 46.

Benefit Changes 2018-2019

A summary of proposed 2019 benefits is included in Exhibit A. There are several benefit changes being implemented in 2018. 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.

CAIC has discontinued its Gatekeeper PPO product and is offering an off-exchange Catastrophic PPO plan in 2019.

Experience Period Premium and Claims

Single Risk Pool: The data used to develop rates and shown in the URRT abides by 45 CFR part 156.80(d) single risk pool requirements. The single risk pool reflects all covered lives for every non-grandfathered product/plan combination for CAIC in the individual market. The single risk pool includes transitional products/plans for purposes of base rate experience.

Base Experience Period: The base experience period (BEP) includes completed fee-for-service paid and incurred claims for dates of service between January 1, 2017 and December 31, 2017.

Paid Through Date: Claims in the BEP are paid through March 31, 2018

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.
- 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.

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

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

Risk Adjustment in BEP: Risk adjustment amounts in the BEP are equal to those reported by the Department on 5/9/2018.

Loss Ratio in BEP: Loss ratio is 145.03%

Credibility of Data

CAIC individual data is not credible, so CBC subsidiary, Keystone Health Plan Central (KHPC) is used as the credibility manual. KHPC data is relevant to CAIC rate development because KHPC offers off-exchange Bronze and Catastrophic plans, similar to CAIC's 2019 product offering.

Trend Identification

Trend: 11.3%

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

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. Induced Utilization: Induced utilization is CBC's best estimate for increased utilization in the individual market due to unknown future regulatory changes. CBC predicts that consumers will use more services in 2019 due to unknown coverage status in 2020.
- f. 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, to the paid trend. Estimated leveraging is calculated in Exhibit E1.

- o Estimated costs are based on average plan benefit value in the month, calculated using CBC's internal benefit model.
- o CBC expects the average benefit level in 2019 to be similar to current month, 201803.
- o As of 201803, on average, Individual members pay 44.8% of costs, while CBC pays 55.2%. So for example,
 - \$2,000 in annual allowed claims results in member pay = \$896, and CBC pay = \$1,104.
 - \$2,000 trends at 5.5% = \$2,110
 - Member pay is fixed at \$896
 - $CBC\ pay = 2,110 - 896 = \$1,214$
 - $Total\ CBC\ trend = 1,214/1,104 - 1 = 10\%$
- o With an allowed trend of 5.5%, and static cost-share, leveraging will add an additional 4.5% to trend.

4. Intensity: Intensity is defined as the amount of inputs used to provide each unit of service. This can best be seen in an example:

Year 2018

<u>Type of Service</u>	<u>Units</u>	<u>Cost per Unit</u>
X-Ray	1	\$200
MRI	1	\$5,000
Total	2	\$5,200

Year 2019

<u>Type of Service</u>	<u>Units</u>	<u>Cost per Unit</u>
X-Ray	0	\$200
MRI	2	\$5,000
Total	2	\$10,000

Total Annual Trend	92%
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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. CAIC 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 the 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, "Pop'l risk Morbidity", and PA Rate Template Table 5.

The changes to morbidity incorporate both the Department's Individual Mandate factor discussed above, and changes to the population going from Bronze and Catastrophic experience to Catastrophic in the projection period. The additional morbidity change factor calculated in Exhibit F.

Changes in Benefits: Benefit changes are not applied to allowed claims as allowed should stay consistent from 2017 to 2019. 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 individual population.

Changes in Network: No network adjustment is applied.

Other Adjustments: No other adjustment is applied.

Benefits, Demographics, Network and Other adjustments are found in URRT, Worksheet 1, “Other”, and PA Rate Template 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 the URRT (“Projected Allowed Experience Claims PMPM (w/ applied credibility if applicable)”).

To calculate the projected index rate:

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

See Exhibit J for the Index Rate.

Paid to Allowed Ratio

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. The 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*:

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

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

Trended Claim PMPM

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

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:

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

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

$$\begin{aligned} &\text{Base Plan Paid and Incurred Claims PMPM} \\ &= \frac{\text{Benefit Adjusted Paid and Incurred Claims PMPM}}{\text{Benefit Level Adjustment}} \end{aligned}$$

- 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:

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

- b. And to arrive at the *Total Projected Claims PMPM*, CAIC assumes a distribution of members across the benefit plans being offered in 2019. The *Total Projected Claims PMPM* :

$$= \text{Projected Claims PMPM Benefit A} \times \text{Expected Member Dist of Benefit A} \\ + \text{Projected Claims PMPM Benefit B} \\ \times \text{Expected Member Dis of Benefit B} + \dots$$

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.

Risk Adjustment

Projected Risk Adjustments PMPM:

Relevant to 2019 pricing is the impact of Commercial Risk Adjustment (CRA) payment transfers that are expected to be earned in 2019. The pricing impact is:

$$[\text{Net Projected Risk Adjustments PMPM}] \\ = [\text{Projected CRA Transfer PMPM}] - [\text{Risk Adjustment Fee PMPM}]$$

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. 2016-2017 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.

To fund the HHS-risk adjustment program, issuers will remit to HHS a fee of \$0.13 PMPM. The Risk Adjustment Fee PMPM is included in the URRT Worksheet 1, "Projected Risk Adjustments PMPM", and is found on Exhibit K.

Market Adjusted Index Rate

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

$$\begin{aligned} & [\textit{Market Adjusted Index Rate}] \\ & = ([\textit{Index Rate}] \times [\textit{Paid to Allowed Ratio}] \\ & \quad - [\textit{Net Projected ACA Reinsurance Recoveries}] \\ & \quad - [\textit{Net Projected Risk Adjustments PMPM}] + [\textit{Exchange Fees PMPM}]) \\ & \div [\textit{Paid to Allowed Ratio}] \end{aligned}$$

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

Retention Items

Administrative Expense Load:

1. **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 CAIC Individual products. Administrative expenses are included in the URRT Worksheet 1, “Administrative Load”, and PA Rate Template Table 6. Expense as a percentage of premium vary by plan because a fixed dollar admin PMPM is applied to each plan.
2. **Broker Expense:** Calculated based on CAIC’s explicit per contract broker fee. Broker Expense is included in the URRT Worksheet 1, “Administrative Load”, and PA Rate Template Table 6. CAIC pays commissions for new business and renewal enrollment received during open enrollment, both on and off exchange, and in all geographic areas. Commission is less on catastrophic plans due to the lower premium. CAIC does not pay commission during Special Enrollment Periods (SEP). The 2019 broker commission schedule is yet to be finalized. Attached please find the 1/1/2018 copy of the broker agreement – redacted version. Files are as follows:
 - a. Redacted Agent Agreement: “Ind_18-13_Initial_CAIC_PPO_WBEBrokerIndRedacted_Supporting_20180518.pdf”
 - b. Redacted Preferred Producer Master Agreement: “Ind_18-13_Initial_CAIC_PPO_PPMABrokerIndRedacted_Supporting_20180518.pdf”
3. **Member Out-Of-Pocket (OOP) and Ways to Save:**
 - a. **Description:** These products offer enhanced transparency to cost savings potential both prospectively and retrospectively. These are new services included in each

of CAIC's plans that work to decrease costs by engaging members in their health care decisions. The Member OOP program will show a member, prospectively, the value of a service and the impact of member cost-sharing when that service is incurred. It allows a member to shop for the best price while introducing transparency related to the member's expected cost share at the time of service. The "Ways to Save" program allows members to receive alerts, retrospectively, informing them of cost savings that could have been incurred had they have known about competing medical providers in the area. The alerts are retrospective and offer transparency around member's healthcare options.

- b. Costs: Costs are aggregated into CBC's total administrative expense above. No additional fee is charged. The cost is approximately \$0.25 PMPM. Included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6.
4. 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:
 - a. Complete Health Risk Assessment questionnaire and receive a gift card.
 - b. Participate in an online coaching program and receive a gift card reward.
 - c. The wellness program is administered through a vendor and costs are based on vendor fees, anticipated participation, and reward card amounts.
 - d. Included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6.
5. Identity Theft Coverage: Identity protection offering will include the following components:
 - a. Credit monitoring – Monitors activity that may affect credit
 - b. Fraud detection – Identifies potentially fraudulent use of identity or credit
 - c. Fraud resolution support – Assists members in addressing issues that arise in relation to credit monitoring and fraud detection
 - d. Included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6.
6. Additional Quality Improvement: The Final Notice of Benefit and Payment Parameters (NBPP) for 2019 finalized the rule to allow issuers to apply a standard 0.8% of premium for quality improvement (QI) measures in the MLR calculation. Total QI amounts applied in rating equal 0.8%.

Profit (or Contribution to Surplus) & Risk Margin:

7. Contingency: Contingency is included in the URRT Worksheet 1, "Profit and Risk", and PA Rate Template Table 6.

Taxes and Fees:

1. Health Insurer Fee (HIF) – Section 9010 of PPACA and Section 1406 of the Reconciliation Act (which modified PPACA) refers to HIF. The fee is a fixed-dollar amount distributed across health insurance providers. This fee has been suspended for 2019.

2. Exchange Fee – All issuers participating in a federally-facilitated exchange will remit 3.5% of premium to HHS. The exchange user fee is applied as an adjustment to the Index Rate at the market level. The calculation and amount is found in Exhibit K. The amount is also found in PA Rate Template, Table 5.
3. 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 the URRT Worksheet 1, “Taxes and Fees”, and PA Rate Template, Table 6.

See Exhibit H for all retention values.

Plan Rate Development

The Plan Adjusted Index Rates are included in Worksheet 2, Section IV of the 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: Please see Table 8
3. Provider Network: The Provider network is the same across all PPO plans. A network factor is applied to the EPO plan.
 - a. The Capital Advantage EPO plan is a plan built around Pinnacle Health’s delivery system and is available in Cumberland, Dauphin, and Perry counties.
 - b. See Exhibit O1 for the development of the network factor.
4. Adjustment for benefits in addition to EHBs: No benefits other than EHBs are included in the plans, so no adjustment is necessary.
5. Catastrophic Plans: Applied to catastrophic plans to reflect lower morbidity.
6. Adjustment for distribution and administrative costs: Described in Non-Benefit Expenses and Profit & Risk section above.
7. Tobacco Adjustment: Calculated as the average tobacco factor applied across the risk pool.

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

Plan Premium Development for 21-Year-Old Non-Tobacco User

Age Curve Calibration: The average age factor is calculated by taking the member-weighted average of current individual enrollment by age in CAIC. 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 Ind_18-12_Initial_CAIC_PPO_List-Billed_Supporting_20180518 for the calculation.

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

Geographic Factors: CAIC performed regional analysis to quantify the cost difference between the three regions in our service area. The analysis gathered allowed claims in a 12-month period by region, normalized for demographics. We then compared the claim cost for each of the three regions, and found cost differentials between the regions, mostly due to differences in hospital contracting between regions. The data from the analysis is found in Exhibit Q.

Tobacco Factor Calibration: Average tobacco factor is calculated using 2017 member and smoking status data.

The calibration is:

$$[\textit{Calibrated Plan Adjusted Index Rate}] = [\textit{Plan Adjusted Index Rate}] \div ([\textit{Age Curve Calibration}] \times [\textit{Geographic Factor Calibration}] \times [\textit{Tobacco Factor}])$$

Calibrated Plan Adjusted Index Rates are found on PA Rate Template 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:

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

2. $[\textit{Family Consumer Adjusted Premium Rate}] = \sum[\textit{Member - Level Consumer Adjusted Premium Rate}]$

With no more than three child dependents under age 21 taken into account

All consumer-level adjustments are applied uniformly to all plans in the Single Risk Pool. These adjustments do not vary by plan. Age and Geographic factors are displayed in Exhibits O.

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

AV Metal Values

The AV Metal Values included in Worksheet 2 of the URRT were based on the federally issued AV Calculator.

AV Pricing Values

All AV Pricing values were developed using CAIC'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 the URRT were developed by assuming that moderate growth and similar distribution to current.

Attachments and Examples

The following is a list of Exhibits and Data to support this filing:

PA Rate Template 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 F1 - Leveraging
Exhibit G – Paid-to-Allowed Development
Exhibit G1 – Transitional Data
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 – Regional Analysis

Broker Contracts
List-Billed Data

Actuarial Statement

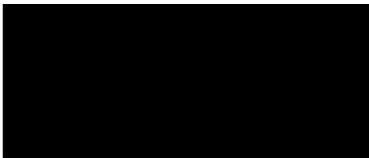
I, [REDACTED], ASA, MAAA, am of the opinion that this filing is in compliance with the applicable Federal and State Laws and Regulations concerning the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.

I, [REDACTED], 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 included in Worksheet 2, Sections III and IV 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(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. All factor, benefit and other changes from the prior approved filing have been disclosed in the actuarial memorandum.
6. New plans cannot be considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
7. The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2019 Rate Filing Justification.



██████████, ASA, MAAA
Actuarial Associate
Capital BlueCross

PA Rate Template Part I
Data Relevant to the Rate Filing

Table 0. Identificative Information

Carrier Name:	Capital Advantage Insurance Company		
Product(s):	PRO		
Market Segment:	Individual		
Rate Effective Date:	1/1/2019	to	12/31/2019
Base Period Start Date:	1/1/2017	to	12/31/2017
Date of Most Recent Membership	2/1/2018		

Table 1. Number of Members

	Member-months Experience Period	Members Current Period (as of 02-01-2018)	Member-months Projected Rating Period
Average Age	43.4	46.2	46.2
Total	1,816	257	2,609
17-18	218	28	284
24-25	68	11	112
29-29	90	8	81
34-34	96	13	132
39-39	157	10	102
44-44	194	17	173
49-49	171	17	173
54-54	218	38	386
59-59	281	46	467
64-64	215	51	528
999)	87	16	162

*Tables 1, 2 and 4 must include data for all non-grandfathered business (ACA compliant and Transitional)

Table 2. Experience Period Claims and Premiums

	Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitalization	Total Non-EHB Capitalization	Estimated Risk Adjustment
	\$ 1,138,110.65	\$ 840,201.25	\$ 841,790.30	1,816	\$ 186,512.02	\$ 1,028,302.32	\$ -	\$ (14,519.61)	\$ -	\$ -	\$ (587,695.00)
Experience Period Total Allowed EHB Claims + EHB Capitalization PMPM (net of prescription drug rebates)											\$ 158.23
Loss Ratio											\$ 145.93%

*Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

Service Category	Cost*	Utilization*	Induced Demand**	Composite URRT Trend**	Weight*
Inpatient Hospital	9.28%	0.00%	1.00%	10.87%	19.58%
Outpatient Hospital	9.03%	0.00%	1.00%	10.12%	34.83%
Professional	7.43%	1.00%	1.00%	9.60%	16.96%
Other Medical	9.03%	0.00%	1.00%	10.12%	4.60%
Capitation				3.00%	3.71%
Prescription Drugs	11.18%	0.87%	1.00%	14.23%	20.26%
Total Annual Trend				10.67%	100.00%
Months of Trend				14	
Total Applied Trend Projection Factor				1.225	

* Express Cost, Utilization, Induced Utilization and Weight as percentages

** Should = URRT Trend

Table 4. Historical Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
201401	\$ 3,206,010.00	\$ 1,000.00	1.0000	\$ 3,206,010.00	13,791	\$ 232.47		\$ (12,657.31)	\$ 3,514,707.99	\$ 254.86
201402	\$ 2,880,263.77	\$ 1,000.00	1.0000	\$ 2,880,263.77	13,110	\$ 219.89		\$ (8,588.81)	\$ 2,871,115.94	\$ 218.86
201403	\$ 3,618,095.81	\$ 1,000.00	1.0000	\$ 3,618,095.81	12,293	\$ 293.84		\$ (13,551.07)	\$ 3,761,115.88	\$ 294.91
201404	\$ 3,067,249.97	\$ 1,000.00	1.0000	\$ 3,067,249.97	10,851	\$ 282.62		\$ (15,941.72)	\$ 3,223,425.11	\$ 243.08
201405	\$ 2,454,438.00	\$ 1,000.00	1.0000	\$ 2,454,438.00	10,674	\$ 229.95		\$ (9,137.30)	\$ 3,088,381.54	\$ 289.34
201406	\$ 2,514,497.01	\$ 1,000.00	1.0000	\$ 2,514,497.01	10,477	\$ 240.00		\$ (6,812.61)	\$ 3,113,781.69	\$ 297.01
201407	\$ 2,602,365.81	\$ 1,000.00	1.0000	\$ 2,602,365.81	10,306	\$ 252.51		\$ (20,353.71)	\$ 3,182,624.15	\$ 308.81
201408	\$ 2,964,213.21	\$ 1,000.00	1.0000	\$ 2,964,213.21	10,154	\$ 291.93		\$ (9,590.92)	\$ 3,516,772.38	\$ 346.25
201409	\$ 2,663,369.44	\$ 1,000.00	1.0000	\$ 2,663,369.44	10,014	\$ 265.98		\$ (11,770.06)	\$ 3,119,602.61	\$ 313.53
201410	\$ 2,943,551.37	\$ 1,000.00	1.0000	\$ 2,943,551.37	9,893	\$ 297.54		\$ (21,706.02)	\$ 3,523,636.66	\$ 356.17
201411	\$ 2,619,800.26	\$ 1,000.00	1.0000	\$ 2,619,800.26	9,753	\$ 268.61		\$ (9,282.03)	\$ 3,135,222.56	\$ 321.46
201412	\$ 3,633,785.90	\$ 1,000.00	1.0000	\$ 3,633,785.90	9,660	\$ 376.17	\$ (7,682,495.00)	\$ (50,759.88)	\$ 4,143,782.21	\$ 428.96
201501				#DIV/0!		#DIV/0!				#DIV/0!
201502				#DIV/0!		#DIV/0!				#DIV/0!
201503				#DIV/0!		#DIV/0!				#DIV/0!
201504				#DIV/0!		#DIV/0!				#DIV/0!
201505				#DIV/0!		#DIV/0!				#DIV/0!
201506				#DIV/0!		#DIV/0!				#DIV/0!
201507				#DIV/0!		#DIV/0!				#DIV/0!
201508				#DIV/0!		#DIV/0!				#DIV/0!
201509				#DIV/0!		#DIV/0!				#DIV/0!
201510				#DIV/0!		#DIV/0!				#DIV/0!
201511				#DIV/0!		#DIV/0!				#DIV/0!
201512				#DIV/0!		#DIV/0!				#DIV/0!
201601	\$ 74.20	\$ 1,000.00	1.0000	\$ 74.20	10	\$ 7.42		\$ (37.17)	\$ 482.53	\$ 48.25
201602	\$ 645.09	\$ 1,000.00	1.0000	\$ 645.12	10	\$ 64.51		\$ (6.24)	\$ 1,130.78	\$ 113.08
201603	\$ 75.65	\$ 1,000.00	1.0000	\$ 75.65	14	\$ 5.40		\$ -	\$ 10.86	\$ 0.78
201604	\$ 75.65	\$ 1,000.00	1.0000	\$ 75.65	14	\$ 5.40		\$ -	\$ 204.20	\$ 14.59
201605	\$ 730.20	\$ 0.9998	0.9998	\$ 730.49	14	\$ 52.21		\$ (20.06)	\$ 8.72	\$ 0.62
201606	\$ 861.13	\$ 0.9982	0.9982	\$ 864.44	12	\$ 72.04		\$ (15.07)	\$ 2,360.58	\$ 196.74
201608	\$ 2,034.24	\$ 0.9998	0.9998	\$ 2,034.74	12	\$ 169.56		\$ -	\$ 2,383.37	\$ 198.61
201609	\$ 342.91	\$ 0.9998	0.9998	\$ 342.96	14	\$ 24.50		\$ -	\$ 693.72	\$ 49.48
201610	\$ 678.64	\$ 0.9998	0.9998	\$ 678.75	15	\$ 45.25		\$ -	\$ 1,035.87	\$ 69.00
201611	\$ 473.17	\$ 0.9996	0.9996	\$ 473.32	15	\$ 31.55		\$ -	\$ 1,321.85	\$ 88.12
201612	\$ 860.73	\$ 0.9996	0.9996	\$ 860.78	16	\$ 53.80	\$ 7,898.52	\$ -	\$ 2,789.69	\$ 169.12
201701	\$ 95,866.79	\$ 1,000.00	1.0000	\$ 95,870.79	164	\$ 584.98		\$ (1,041.59)	\$ 114,913.81	\$ 700.81
201702	\$ 183,194.79	\$ 1,000.00	1.0000	\$ 183,198.85	167	\$ 1,097.00		\$ (821.89)	\$ 193,128.44	\$ 1,156.40
201703	\$ 209,513.62	\$ 0.9999	0.9999	\$ 209,529.25	170	\$ 1,235.47		\$ (1,024.99)	\$ 286,368.42	\$ 1,684.52
201704	\$ 34,417.71	\$ 0.9994	0.9994	\$ 34,451.60	159	\$ 216.45		\$ (91.67)	\$ 41,369.44	\$ 260.04
201705	\$ 32,357.08	\$ 0.9985	0.9985	\$ 32,404.87	157	\$ 206.40		\$ (6,251.17)	\$ 48,958.52	\$ 311.84
201706	\$ 41,081.50	\$ 0.9991	0.9991	\$ 41,159.29	150	\$ 274.40		\$ (1,389.33)	\$ 58,669.44	\$ 391.13
201707	\$ 35,812.00	\$ 0.9978	0.9978	\$ 35,891.98	148	\$ 242.51		\$ (5,123.61)	\$ 62,776.45	\$ 423.52
201708	\$ 21,870.44	\$ 0.9980	0.9980	\$ 21,915.20	141	\$ 155.43		\$ (4,441.04)	\$ 29,149.34	\$ 206.71
201709	\$ 69,605.84	\$ 0.9998	0.9998	\$ 69,896.16	142	\$ 492.23		\$ (1,379.89)	\$ 83,518.34	\$ 588.10
201710	\$ 19,113.15	\$ 0.9982	0.9982	\$ 19,196.86	142	\$ 135.19		\$ (4,244.54)	\$ 33,488.00	\$ 235.84
201711	\$ 35,386.39	\$ 0.9872	0.9872	\$ 35,638.04	144	\$ 247.46		\$ (955.00)	\$ 32,225.96	\$ 223.78
201712	\$ 27,951.47	\$ 0.9761	0.9761	\$ 28,636.42	132	\$ 216.93	\$ 186,512.02	\$ (1,265.83)	\$ 42,697.53	\$ 323.47

* Express Completion Factor as a percentage

** Express Prescription Drug Rebates as a negative number

Carrier Name: Capital Advantage Insurance Company
 Product(s): PPO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019

Table 2b. Manual Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment
\$ 15,424,640.86	\$ 6,102,797.15	\$ 6,481,932.00	32,931	\$ 3,086,650.59	\$ 9,220,965.63		\$ (211,352.14)	\$ 347,616.96	\$ -	\$ (5,734,115.00)
Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)										\$ 284.15
Loss Ratio										68.30%

*Express Prescription Drug Rebates as a negative number

Table 3b. Manual Trend Components

Service Category	Cost*	Utilization*	Induced Utilization*	Composite URRT Trend**	Weight*
Inpatient Hospital	9.28%	0.00%	1.00%	10.37%	19.58%
Outpatient Hospital	9.03%	0.00%	1.00%	10.12%	34.83%
Professional	7.45%	1.00%	1.00%	9.60%	16.96%
Other Medical	9.03%	0.00%	1.00%	10.12%	4.66%
Capitation				3.00%	3.71%
Prescription Drugs	12.18%	0.82%	1.00%	14.23%	20.26%
Total Annual Trend				10.67%	100.00%
Months of Trend				24	
Total Applied Trend Projection Factor				1.225	

* Express Cost, Utilization, Induced Utilization and Weight as percentages
 ** should = URRT Trend

Table 4b. Historical Manual Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
201401	\$	\$ 134,270.88	1.0000	\$ 134,270.00	402	\$ 334.00		\$ (1,301)	\$ 165,879	\$ 412.63
201402	\$	\$ 498,545.84	1.0000	\$ 498,545.00	515	\$ 968.05		\$ (2,443)	\$ 541,130	\$ 1,050.74
201403	\$	\$ 495,149.05	1.0000	\$ 495,149.00	647	\$ 765.30		\$ (3,120)	\$ 555,878	\$ 859.16
201404	\$	\$ 299,915.17	1.0000	\$ 299,916.00	1,006	\$ 298.13		\$ (516)	\$ 374,634	\$ 372.40
201405	\$	\$ 415,728.89	1.0000	\$ 415,728.00	1,439	\$ 288.90		\$ (409)	\$ 487,657	\$ 338.89
201406	\$	\$ 247,144.17	1.0000	\$ 247,144.00	1,418	\$ 174.29		\$ (309)	\$ 323,404	\$ 228.07
201407	\$	\$ 385,727.54	1.0000	\$ 385,728.00	1,406	\$ 274.34		\$ (526)	\$ 462,529	\$ 328.97
201408	\$	\$ 297,347.72	1.0000	\$ 297,348.00	1,268	\$ 234.50		\$ (525)	\$ 364,592	\$ 287.53
201409	\$	\$ 496,334.71	1.0000	\$ 496,338.00	1,247	\$ 398.03		\$ (24,957)	\$ 547,650	\$ 439.17
201410	\$	\$ 532,214.07	1.0000	\$ 532,222.00	1,214	\$ 438.40		\$ (941)	\$ 609,496	\$ 502.06
201411	\$	\$ 256,265.17	1.0000	\$ 256,270.00	1,171	\$ 218.85		\$ (848)	\$ 295,309	\$ 252.19
201412	\$ 3,952,282.00	\$ 568,697.05	1.0000	\$ 568,704.00	1,132	\$ 502.39	\$ 1,073,482.80	\$ (16,571)	\$ 616,686	\$ 544.78
201501	\$	\$ 729,311.26	1.0000	\$ 729,320.17	1,783	\$ 409.04		\$ (1,448)	\$ 1,165,471	\$ 653.66
201502	\$	\$ 773,878.25	1.0000	\$ 773,887.71	2,150	\$ 359.95		\$ (2,298)	\$ 1,491,676	\$ 693.80
201503	\$	\$ 718,948.96	1.0000	\$ 718,957.75	2,822	\$ 254.77		\$ (60,635)	\$ 1,587,965	\$ 562.71
201504	\$	\$ 790,077.13	1.0000	\$ 790,086.79	2,761	\$ 286.16		\$ (9,383)	\$ 1,892,420	\$ 685.41
201505	\$	\$ 805,070.04	1.0000	\$ 805,079.88	2,717	\$ 296.31		\$ (14,866)	\$ 2,002,013	\$ 736.85
201506	\$	\$ 773,738.25	1.0000	\$ 773,738.21	2,702	\$ 286.36		\$ (134,954)	\$ 1,490,857	\$ 551.76
201507	\$	\$ 992,610.10	1.0000	\$ 992,622.23	2,650	\$ 374.57		\$ (12,160)	\$ 1,871,484	\$ 706.22
201508	\$	\$ 776,246.82	1.0000	\$ 776,256.31	2,625	\$ 295.72		\$ (10,868)	\$ 1,732,962	\$ 660.18
201509	\$	\$ 845,440.81	1.0000	\$ 845,451.14	2,627	\$ 321.83		\$ (136,754)	\$ 875,901	\$ 333.42
201510	\$	\$ 758,189.96	1.0000	\$ 758,199.23	2,562	\$ 295.94		\$ (5,616)	\$ 868,090	\$ 338.83
201511	\$	\$ 996,676.20	1.0000	\$ 996,688.38	2,565	\$ 388.57		\$ (4,128)	\$ 1,103,170	\$ 430.09
201512	\$ 8,532,932.38	\$ 986,323.35	1.0000	\$ 986,335.40	2,522	\$ 391.09	\$ 2,233,668.68	\$ (156,847)	\$ 947,983	\$ 375.89
201601	\$	\$ 6,120,965.25	0.9193	\$ 6,658,151.17	31,433	\$ 211.82		\$ (174,314)	\$ 9,131,855	\$ 290.52
201602	\$	\$ 7,784,406.47	0.9310	\$ 8,361,358.88	34,349	\$ 243.42		\$ (311,148)	\$ 11,207,725	\$ 326.29
201603	\$	\$ 10,963,903.32	0.9468	\$ 11,579,764.26	36,771	\$ 314.92		\$ (327,982)	\$ 14,982,059	\$ 407.44
201604	\$	\$ 8,893,138.11	0.9413	\$ 10,510,067.94	36,815	\$ 285.48		\$ (335,719)	\$ 13,694,625	\$ 371.98
201605	\$	\$ 10,330,524.97	0.9446	\$ 10,936,626.80	36,131	\$ 302.69		\$ (334,828)	\$ 13,975,340	\$ 386.80
201606	\$	\$ 11,311,274.78	0.9527	\$ 11,873,464.09	35,495	\$ 334.51		\$ (346,541)	\$ 14,733,356	\$ 415.08
201607	\$	\$ 10,168,747.44	0.9452	\$ 10,758,411.28	34,920	\$ 308.09		\$ (316,315)	\$ 13,654,585	\$ 391.02
201608	\$	\$ 9,177,123.06	0.9442	\$ 9,719,646.27	34,373	\$ 282.77		\$ (366,880)	\$ 12,530,431	\$ 364.54
201609	\$	\$ 8,952,635.24	0.9436	\$ 9,487,498.54	33,916	\$ 279.74		\$ (338,516)	\$ 12,138,339	\$ 357.89
201610	\$	\$ 8,868,462.16	0.9500	\$ 10,387,314.47	32,975	\$ 315.01		\$ (385,881)	\$ 12,892,131	\$ 390.97
201611	\$	\$ 10,724,976.55	0.9544	\$ 11,236,915.95	32,179	\$ 349.20		\$ (459,398)	\$ 13,692,148	\$ 425.50
201612	\$ 143,617,456.10	\$ 10,430,851.05	0.9551	\$ 10,921,582.42	30,666	\$ 356.15	\$ 37,744,026.00	\$ (443,239)	\$ 13,401,475	\$ 437.01
201701	\$	\$ 241,135.14	0.8861	\$ 272,142.68	2,922	\$ 93.14		\$ (12,097)	\$ 601,370	\$ 205.81
201702	\$	\$ 303,707.01	0.9050	\$ 335,590.45	3,020	\$ 111.12		\$ (14,463)	\$ 604,144	\$ 200.05
201703	\$	\$ 818,448.57	0.9622	\$ 850,576.36	3,010	\$ 282.58		\$ (15,494)	\$ 1,104,649	\$ 366.99
201704	\$	\$ 313,942.24	0.9098	\$ 345,053.12	2,929	\$ 117.81		\$ (15,064)	\$ 632,951	\$ 216.10
201705	\$	\$ 684,527.94	0.9588	\$ 715,468.64	2,826	\$ 252.28		\$ (27,090)	\$ 994,110	\$ 350.53
201706	\$	\$ 696,537.76	0.9584	\$ 726,747.49	2,762	\$ 263.12		\$ (27,911)	\$ 1,034,142	\$ 374.42
201707	\$	\$ 318,246.03	0.9154	\$ 347,660.03	2,717	\$ 127.96		\$ (29,038)	\$ 550,290	\$ 202.54
201708	\$	\$ 463,857.47	0.9407	\$ 493,099.84	2,660	\$ 185.38		\$ (12,765)	\$ 702,025	\$ 263.92
201709	\$	\$ 455,551.81	0.9389	\$ 485,177.86	2,621	\$ 185.11		\$ (13,521)	\$ 643,559	\$ 245.54
201710	\$	\$ 436,529.07	0.9377	\$ 465,547.50	2,556	\$ 182.14		\$ (14,099)	\$ 652,183	\$ 255.16
201711	\$	\$ 522,902.18	0.9427	\$ 554,683.37	2,505	\$ 221.43		\$ (14,235)	\$ 738,871	\$ 294.96
201712	\$ 15,424,640.86	\$ 847,411.93	0.9520	\$ 890,184.66	2,393	\$ 372.00	\$ 3,086,650.59	\$ (15,575)	\$ 1,098,935	\$ 459.23

* Express Completion Factor as a percentage
 ** Express Prescription Drug Rebates as a negative number

**PA Rate Template Part II
Rate Development and Change**

Carrier Name: Capital Advantage Insurance Company
 Product(s): PPO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019

Table 5. Development of the Projected Index Rate, Market-Adjusted Index Rate, and Total Allowed Claims

Development of the Projected Index Rate	Actual Experience Data	Manual Data	
Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates) PMPM	\$ 558.25	\$ 284.15	< Actual Experi 5284.15
Two year trend projection Factor	1.225	1.225	
Unadjusted Projected Allowed EHB Claims PMPM	\$ 683.78	\$ 348.04	
Single Risk Pool Adjustment Factors			
Change in Morbidity	1.060	1.060	< See URRT Instructions
Change in Other	1.016	1.016	< See URRT Instructions
Change in Demographics	1.000	1.000	< See URRT Instructions
Change in Network	1.016	1.016	< See URRT Instructions
Change in Benefits	1.000	1.000	< See URRT Instructions
Change in Other	1.000	1.000	< See URRT Instructions
Total Adjusted Projected Allowed EHB Claims PMPM	\$ 736.59	\$ 374.92	
Credibility Factors	0%	100%	< See Instructions
Blended Projected EHB Claims PMPM	\$ 374.92	\$ 374.92	< Projected In 5374.92
Development of the Market-Adjusted Index Rate and Total Allowed Claims			
Adjusted Projected Allowed EHB Claims PMPM	\$ 374.92		< Index Rate for Projection Period on URRT - Individual or First Quarter Small Group
Adjusted Projected Allowed EHB Claims PMPM (will only populate for small group filings)	\$ 0.422		< Paid to Allowed Average Factor in Projection Period on URRT
Projected Paid EHB Claims PMPM	\$ 158.09		
Market-wide Adjustments			
Projected Risk Adjustment PMPM	\$ (191.67)		
Projected Paid Exchange User Fees PMPM	\$ 349.76		
Market-Adjusted Projected Paid EHB Claims PMPM	\$ 349.76		
Market-Adjusted Projected Allowed EHB Claims PMPM	\$ 829.46		< Market-Adjusted Index 829.46
Projected Allowed Non-EHB Claims PMPM	\$ -		
Market-Adjusted Projected Paid Total Claims PMPM	\$ 349.76		
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 829.46		

Table 6. Retention

Retention Items - Express in percentages	Percentages	PMPM Amounts	
Administrative Expenses	12.36%	\$51.95	
General and Claims	9.58%	\$40.25	
Agent/Broker Fees and Commissions	1.14%	\$4.80	
Quality Improvement Initiatives	1.64%	\$6.90	
Taxes and Fees	2.42%	\$10.17	
PCORI Fees	0.00%	\$0.00	
PA Premium Tax (if applicable)	2.00%	\$8.41	
Federal Income Tax	0.42%	\$1.77	
Health Insurance Providers Fee (Prorated for Small Groups only)	0.00%	\$0.00	
Profit/Contingency (after tax)	2.00%	\$8.41	
Total Retention	16.78%	\$70.53	
Projected Required Revenue PMPM		\$ 420.29	< Single Pool Gross Premium Avg. Rate, PMPM on URRT

Table 8. Components of Rate Change

Rate Components	2018	2019	Difference	Percent Change
A. Calibrated Plan Adjusted Index Rate (PMPM)	\$ 438.75	\$ 251.30	-\$187.45	-42.7%
B. Base period allowed claims before normalization	\$ 593.01	\$ 284.15	-\$308.86	-70.4%
C. Normalization factor component of change	\$ (246.38)	\$ (116.97)	\$129.41	29.5%
D. Change in Normalized Allowed Claims Adjustment Components				
D1. Base period allowed claims after normalization	\$ 346.63	\$ 167.18	-\$179.46	-40.9%
D2. URRT Trend	\$ 98.24	\$ 37.59	-\$60.65	-13.8%
D3. URRT Morbidity	\$ 42.12	\$ 12.29	-\$29.83	-6.8%
D4. URRT Other	\$ (31.53)	\$ 3.53	\$ 34.88	8.0%
D5. Normalized URRT RA/RI on an allowed basis	\$ (19.38)	\$ 267.43	\$ 286.81	65.4%
D6. Normalized Exchange User Fee on an allowed basis	\$ -	\$ -	\$ -	0.0%
D7. Subtotal - Sum(D1:D6)	\$ 436.26	\$ 488.02	\$ 51.76	11.8%
E. Change in Allowable Plan Adjusted Level Components				
E1. Network	\$ -	\$ 16.00	\$ 16.00	3.6%
E2. Pricing AV	\$ (70.41)	\$ (234.78)	-\$164.37	-37.5%
E3. Benefit Richness	\$ 3.66	\$ 149.02	\$ 145.36	33.1%
E4. Catastrophic Eligibility	\$ -	\$ (209.13)	-\$209.13	-47.7%
E5. Subtotal - Sum(E1:E4)	\$ (66.75)	\$ (278.89)	-\$212.14	-48.4%
F. Change in Retention Components				
F1. Administrative Expenses	\$ 31.91	\$ 31.06	-\$0.85	-0.2%
F2. Taxes and Fees	\$ 28.56	\$ 6.08	-\$22.47	-5.1%
F3. Profit and/or Contingency	\$ 8.78	\$ 5.03	-\$3.75	-0.9%
F4. Subtotal - Sum(F1:F3)	\$ 69.24	\$ 42.17	-\$27.07	-6.2%
G. Change in Miscellaneous Items			\$ -	0.0%
H. Sum of Components of Rate Change (should approximate the change shown in line A)	\$ 438.76	\$ 251.30	-\$187.46	-42.7%

For Informational Purposes only - No input required.

Blended Base Period Unadjusted Claims before Normalization	\$ 284.15	< Index Rate of Experience Period on URRT
Blended Earned Premium	\$ 15,424,640.86	
Blended Loss Ratio	68.30%	

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

Effective Date	1/1/2019	4/1/2019	7/1/2019	10/1/2019	Total Single Risk Pool
# of Member Months Renewing in Quarter	-	-	-	-	-
Adjusted Projected Allowed EHB Claims PMPM Q1	\$ 374.92	\$ 374.92	\$ 374.92	\$ 374.92	\$ 374.92
Months of Trend	-	3	6	9	9
Annual Trend	10.67%	10.67%	10.67%	10.67%	
Single Risk Pool Projected Allowed Claims	\$ 374.92	\$ 384.55	\$ 394.42	\$ 404.55	\$ -
Quarterly Trend Factor	100.0%	102.6%	105.2%	107.9%	0.0%
2019 Trend Factors by Quarter	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

Normalization Factors	2018	2019	
Average Age Factor	1.700	1.618	Exhibit N
Average Geographic Factor	1.000	1.027	Exhibit N
Average Tobacco Factor	1.006	1.006	
Average Benefit Richness (induced demand)	1.000	1.000	
Average Network Factor	1.000	1.016	
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 746.34	\$ 829.46	
Normalized Market-Adjusted Projected Allowed Total Claims PMPM	\$ 436.26	\$ 488.02	

Table 9. Year-over-Year Data to Support Table 8

	2018	2019	
Paid-to-Allowed	0.847	0.422	
URRT Trend (Total Applied Trend Factor)	1.281	1.225	< URRT W1, S2
URRT Morbidity	1.095	1.060	< URRT W1, S2
URRT "Other"	0.936	1.016	< URRT W1, S2
Risk Adjustment	\$ (28.09)	\$ 191.67	< URRT W1, S3
Exchange User Fee	\$ -	\$ -	< URRT W1, S3
Capitation	\$ -	\$ 0.30	< URRT W1, S2
Network	1.000	1.033	
Pricing AV	0.839	0.534	
Benefit Richness	1.010	1.553	
Catastrophic Eligibility	1.000	0.500	
Administrative Expenses	7.27%	12.36%	
Taxes and Fees	6.51%	2.42%	
Profit and/or Contingency	2.00%	2.00%	

Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Table B

<u>Plan ID</u>	<u>Plan Name</u>	<u>Metal Level</u>	<u>Projected Membership</u>	<u>Projected Allowed Claims</u>	<u>Projected Paid Claims</u>	<u>Paid to Allowed Factor</u>	<u>Average Tobacco Factor</u>	<u>AV and Cost Sharing Factor</u>	<u>(8)/(6*7) Induced Utilization</u>	<u>Induced Demand Table 10</u>
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
82795PA0140001	Catastrophic PPO 7900/0/75	Catastrophic	2,609	2,164,069	912,527	0.42	1.000	0.53	0.63	1.58
Total			2,609	2,164,069	912,527	0.42	1.00	0.53	0.63	1.58
PMPM				829.46	349.76					
Rate Dev II				829.46	349.76					

Company Name:	Capital Advantage Insurance Company	Ending date of Rates:	December 31, 2019
Market:	Individual		
Product:	PPO		
Effective Date of Rates:	January 1, 2019		

HIOS Plan ID (On Exchange)=>	82795PA0140001		82795PA0140001		82795PA0140001	
HIOS Plan ID (Off Exchange)=>	82795PA0140001		82795PA0140001		82795PA0140001	
Plan Marketing Name =>	Catastrophic PPO 7900/0/75		Catastrophic PPO 7900/0/75		Catastrophic PPO 7900/0/75	
Form # =>	CAIC-Ind-PPO-C-v0119		CAIC-Ind-PPO-C-v0119		CAIC-Ind-PPO-C-v0119	
Rating Area =>	6		7		9	
Network =>	PPO		PPO		PPO	
Metal =>	Bronze		Bronze		Bronze	
Deductible =>	\$7900 Med/Rx Combined		\$7900 Med/Rx Combined		\$7900 Med/Rx Combined	
Coinsurance =>	0%		0%		0%	
Copays =>	\$75/\$0/\$0 PCP/SPC/ER		\$75/\$0/\$0 PCP/SPC/ER		\$75/\$0/\$0 PCP/SPC/ER	
OOP Maximum =>	\$7900 Med/Rx Combined		\$7900 Med/Rx Combined		\$7900 Med/Rx Combined	
Pediatric Dental (Yes/No) =>	Yes		Yes		Yes	
Age Band	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco
0 - 14	\$192.24	\$192.24	\$198.01	\$198.01	\$207.62	\$207.62
15	\$209.33	\$209.33	\$215.61	\$215.61	\$226.08	\$226.08
16	\$215.87	\$215.87	\$222.34	\$222.34	\$233.14	\$233.14
17	\$222.40	\$222.40	\$229.07	\$229.07	\$240.19	\$240.19
18	\$229.44	\$229.44	\$236.32	\$236.32	\$247.79	\$247.79
19	\$236.47	\$236.47	\$243.57	\$243.57	\$255.39	\$255.39
20	\$243.76	\$243.76	\$251.07	\$251.07	\$263.26	\$263.26
21	\$251.30	\$257.58	\$258.84	\$265.31	\$271.40	\$278.19
22	\$251.30	\$257.58	\$258.84	\$265.31	\$271.40	\$278.19
23	\$251.30	\$257.58	\$258.84	\$265.31	\$271.40	\$278.19
24	\$251.30	\$257.58	\$258.84	\$265.31	\$271.40	\$278.19
25	\$252.31	\$258.61	\$259.87	\$266.37	\$272.49	\$279.30
26	\$257.33	\$263.76	\$265.05	\$271.68	\$277.92	\$284.87
27	\$263.36	\$269.95	\$271.26	\$278.04	\$284.43	\$291.54
28	\$273.16	\$279.99	\$281.36	\$288.39	\$295.02	\$302.39
29	\$281.20	\$288.23	\$289.64	\$296.88	\$303.70	\$311.29
30	\$285.23	\$292.36	\$293.78	\$301.13	\$308.04	\$315.74
31	\$291.26	\$298.54	\$299.99	\$307.49	\$314.56	\$322.42
32	\$297.29	\$304.72	\$306.21	\$313.86	\$321.07	\$329.10
33	\$301.06	\$308.58	\$310.09	\$317.84	\$325.14	\$333.27
34	\$305.08	\$312.71	\$314.23	\$322.09	\$329.48	\$337.72
35	\$307.09	\$314.77	\$316.30	\$324.21	\$331.66	\$339.95
36	\$309.10	\$316.83	\$318.37	\$326.33	\$333.83	\$342.17
37	\$311.11	\$318.89	\$320.44	\$328.45	\$336.00	\$344.40
38	\$313.12	\$320.95	\$322.51	\$330.58	\$338.17	\$346.62
39	\$317.14	\$325.07	\$326.65	\$334.82	\$342.51	\$351.07
40	\$321.16	\$345.25	\$330.80	\$355.61	\$346.85	\$372.87
41	\$327.19	\$351.73	\$337.01	\$362.28	\$353.37	\$379.87
42	\$332.97	\$357.95	\$342.96	\$368.68	\$359.61	\$386.58
43	\$341.01	\$366.59	\$351.24	\$377.59	\$368.30	\$395.92
44	\$351.07	\$377.40	\$361.60	\$388.72	\$379.15	\$407.59
45	\$362.88	\$399.16	\$373.76	\$411.14	\$391.91	\$431.10
46	\$376.95	\$414.65	\$388.26	\$427.08	\$407.11	\$447.82
47	\$392.78	\$432.06	\$404.57	\$445.02	\$424.20	\$466.62
48	\$410.88	\$451.96	\$423.20	\$465.52	\$443.75	\$488.12
49	\$428.72	\$471.59	\$441.58	\$485.74	\$463.02	\$509.32
50	\$448.82	\$516.15	\$462.29	\$531.63	\$484.73	\$557.44
51	\$468.67	\$538.98	\$482.73	\$555.14	\$506.17	\$582.09
52	\$490.54	\$564.12	\$505.25	\$581.04	\$529.78	\$609.25
53	\$512.65	\$589.55	\$528.03	\$607.24	\$553.66	\$636.71
54	\$536.53	\$617.00	\$552.62	\$635.51	\$579.45	\$666.36
55	\$560.40	\$672.48	\$577.21	\$692.65	\$605.23	\$726.28
56	\$586.28	\$703.54	\$603.87	\$724.65	\$633.19	\$759.82
57	\$612.42	\$734.90	\$630.79	\$756.95	\$661.41	\$793.69
58	\$640.31	\$768.37	\$659.52	\$791.43	\$691.54	\$829.84
59	\$654.13	\$784.96	\$673.76	\$808.51	\$706.46	\$847.76
60	\$682.03	\$852.54	\$702.49	\$878.11	\$736.59	\$920.74
61	\$706.15	\$882.69	\$727.34	\$909.17	\$762.65	\$953.31
62	\$721.98	\$902.48	\$743.64	\$929.56	\$779.74	\$974.68
63	\$741.84	\$927.30	\$764.09	\$955.12	\$801.18	\$1,001.48
64+	\$753.89	\$942.38	\$776.51	\$970.65	\$814.20	\$1,017.77

**Capital Advantage Insurance Company
Individual
Plan Design Summary**

HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	Network	Rating Area	Counties Covered
82795PA0140001	Catastrophic PPO 7900/0/75	PPO	Catastrophic	Off	PPO	6,7,9	All

Company Name Capital Advantage Insurance Company
 Market Individual
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

02-01-2018 Number of Covered Lives by Rating County				
HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange
82795PA0140001	Catastrophic PPO 7900/0/75	PPO	Catastrophic	Off

RATING AREA 6

0	0	0	0	0	0	0	0	0	0
Centre	Columbia	Lehigh	Mifflin	Montour	Northampton	Northumberland	Schuylkill	Snyder	Union
\$251.30	\$251.30	\$251.30	\$251.30	\$251.30	\$251.30	\$251.30	\$251.30	\$251.30	\$251.30

RATING AREA 7

0	0	0	1
Adams	Berks	Lancaster	York
\$258.84	\$258.84	\$258.84	\$258.84

RATING AREA 9

145	94	0	0	0	4	13
Cumberland	Dauphin	Franklin	Fulton	Juniata	Lebanon	Perry
\$271.40	\$271.40	\$271.40	\$271.40	\$271.40	\$271.40	\$271.40

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	X	Y	
1	Unified Rate Review v4.3																							
2																								
3	Company Legal Name:	Capital Advantage Insurance C										State:	PA											
4	HIOS Issuer ID:	82795										Market:	Individual											
5	Effective Date of Rate Change(s):	1/1/2019																						
6																								
7																								
8	Market Level Calculations (Same for all Plans)																							
9																								
10																								
11	Section I: Experience period data																							
12	Experience Period:	1/1/2017		to	12/31/2017																			
13		<u>Experience Period</u>			<u>Aggregate Amount</u>		<u>PMPM</u>	<u>% of Prem</u>																
14	Premiums (net of MLR Rebate) in Experience Period:	\$1,169,923			\$644.23			100.00%																
15	Incurred Claims in Experience Period	\$827,271			455.55			70.71%																
16	Allowed Claims:	\$1,013,783			558.25			86.65%																
17	Index Rate of Experience Period				\$558.25																			
18	Experience Period Member Months	1,816																						
19																								
20	Section II: Allowed Claims, PMPM basis																							
21		<u>Experience Period</u>			<u>Projection Period:</u>		1/1/2019	to	12/31/2019		Mid-point to Mid-point, Experience to Projection:										24 months			
22		<u>on Actual Experience Allowed</u>			<u>Adj't. from Experience to Projection Period</u>		<u>Annualized Trend Factors</u>				<u>Projections, before credibility Adjustment</u>			<u>Credibility Manual</u>										
23	<u>Benefit Category</u>	<u>Utilization Description</u>	<u>Utilization per 1,000</u>	<u>Average Cost/Service</u>	<u>PMPM</u>	<u>Pop'l risk Morbidity</u>		<u>Other</u>	<u>Cost</u>	<u>Util</u>	<u>Utilization per 1,000</u>	<u>Average Cost/Service</u>	<u>PMPM</u>	<u>Utilization per 1,000</u>	<u>Average Cost/Service</u>	<u>PMPM</u>								
24	Inpatient Hospital	Admits	39.65	\$12,831.68	\$42.40	1.060	1.016	1.093	1.010		42.87	\$15,572.46	\$55.63	52.41	16718.60	\$73.01								
25	Outpatient Hospital	Visits	2,874.45	319.75	76.59	1.060	1.016	1.090	1.010		3,108.16	386.30	100.06	1983.53	782.09	129.27								
26	Professional	Visits	10,704.85	101.40	90.45	1.060	1.016	1.074	1.020		11,807.88	118.96	117.06	7168.30	104.42	62.38								
27	Other Medical	Services	1,863.44	51.59	8.01	1.060	1.016	1.090	1.010		2,014.94	62.33	10.47	1718.35	120.72	17.29								
28	Capitation	Benefit Period	0.00	0.00	0.00	1.060	1.016	1.030	1.000		0.00	0.00	0.00	0.39	374783.37	12.06								
29	Prescription Drug	Prescriptions	9,211.45	443.97	340.80	1.060	1.016	1.122	1.018		10,124.95	567.74	479.03	5182.53	187.33	80.90								
30	Total				\$558.25							\$762.24				\$374.92								
31																								
32	Section III: Projected Experience:		Projected Allowed Claims PMPM (w/applied credibility if applicable)										0.00%			100.00%		<u>After Credibility</u>		<u>Projected Period Totals</u>				
33			Paid to Allowed Average Factor in Projection Period															0.422		\$978,169				
34			Projected Incurred Claims, before ACA rein & Risk Adj't, PMPM															\$158.09		\$412,466				
35			Projected Risk Adjustments PMPM															-191.67		(500,061)				
36			Projected Incurred Claims, before reinsurance recoveries, net of rein prem, PMPM															\$349.76		\$912,527				
37			Projected ACA reinsurance recoveries, net of rein prem, PMPM															0.00		0				
38			Projected Incurred Claims															\$349.76		\$912,527				
39			Administrative Expense Load													12.36%		51.95		135,544				
40			Profit & Risk Load													2.00%		8.41		21,931				
41			Taxes & Fees													2.42%		10.17		26,536				
42			Single Risk Pool Gross Premium Avg. Rate, PMPM															\$420.29		\$1,096,539				
43			Index Rate for Projection Period															\$374.92						
44			% increase over Experience Period															-34.76%						
45			% Increase, annualized:															-19.23%						
46			Projected Member Months																	2,609				
47																								
48																								
49	Information Not Releasable to the Public Unless Authorized by Law: This information has not been publicly disclosed and may be privileged and confidential. It is for internal government use only and must not be disseminated, distributed, or copied to persons not authorized to receive the information. Unauthorized disclosure may result in prosecution to the full extent of the law.																							
50																								

Product-Plan Data Collection

Company Legal Name: **Capital Advantage Insurance Company**
 HIOS Issuer ID: **82795**
 Effective Date of Rate Change(s): **1/1/2019**

State: **PA**
 Market: **Individual**

Product/Plan Level Calculations

Section I: General Product and Plan Information

Product	Gatekeeper PPO	PPO
Product ID:	82795PA012	82795PA014
Metal:	Silver	Catastrophic
AV Metal Value	0.700	0.600
AV Pricing Value	0.700	0.534
Plan Category	Terminated	New
Plan Type:	PPO	PPO
Plan Name	Silver CareConnect	Catastrophic PPO
Plan ID (Standard Component ID):	8000/075	7900/075
Exchange Plan?	82795PA0120001	82795PA0140001
Historical Rate Increase - Calendar Year - 2	No	No
Historical Rate Increase - Calendar Year - 1	-2.10%	-2.10%
Historical Rate Increase - Calendar Year - 0	39.00%	39.00%
Historical Rate Increase - Calendar Year 0	20.20%	20.20%
Effective Date of Proposed Rates	1/1/2019	1/1/2019
Rate Change % (over prior filing)	0.00%	0.00%
Cumulative Rate Change % (over 12 mos prior)	0.00%	0.00%
Proj'd Per Rate Change % (over Exper. Period)	-100.00%	#DIV/0!
Product Rate Increase %	0.00%	0.00%

Section II: Components of Premium Increase (PMPM Dollar Amount above Current Average Rate PMPM)

Plan ID (Standard Component ID):	Total	82795PA0120001	82795PA0140001
Inpatient	\$0.00	\$0.00	\$0.00
Outpatient	\$0.00	\$0.00	\$0.00
Professional	\$0.00	\$0.00	\$0.00
Prescription Drug	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Capitation	\$0.00	\$0.00	\$0.00
Administration	\$0.00	\$0.00	\$0.00
Taxes & Fees	\$0.00	\$0.00	\$0.00
Risk & Profit Charge	\$0.00	\$0.00	\$0.00
Total Rate Increase	\$0.00	\$0.00	\$0.00
Member Cost Share Increase	\$0.00	\$0.00	\$0.00

Average Current Rate PMPM	\$0.00	\$0.00	\$0.00
Projected Member Months	2,609	0	2,609

Section III: Experience Period Information

Plan ID (Standard Component ID):	Total	82795PA0120001	82795PA0140001
Plan Adjusted Index Rate	\$621.00	\$621.00	\$0.00
Member Months	1,815	1,815	0
Total Premium (TP)	\$1,127,116	\$1,127,116	\$0
EHB Percent of TP, (see instructions)	100.00%	100.00%	100.00%
state mandated benefits portion of TP that are other than EHB	0.00%	0.00%	0.00%
Other benefits portion of TP	0.00%	0.00%	0.00%
Total Allowed Claims (TAC)	\$513,622	\$513,622	\$0
EHB Percent of TAC, (see instructions)	100.00%	100.00%	100.00%
state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%	0.00%
Other benefits portion of TAC	0.00%	0.00%	0.00%
Allowed Claims which are not the issuer's obligation:	\$176,455	\$176,455	\$0
Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0		
Portion of above payable by HHS on behalf of insured person, as %	0.00%		
Total Incurred claims, payable with issuer funds	\$337,168	\$337,168	\$0
Net Amt of Reim	\$0.00	\$0.00	\$0.00
Risk Adjustment Transfer Amount	-\$567,695.00	-\$567,695.00	\$0.00
Incurred Claims PMPM	\$185.77	\$185.77	#DIV/0!
Allowed Claims PMPM	\$282.99	\$282.99	#DIV/0!
EHB portion of Allowed Claims, PMPM	\$282.99	\$282.99	#DIV/0!

Section IV: Projected (12 months following effective date)

Plan ID (Standard Component ID):	Total	82795PA0120001	82795PA0140001
Plan Adjusted Index Rate	\$420.29	\$0.00	\$420.29
Member Months	2,609	-	2,609
Total Premium (TP)	\$1,096,539	\$0	\$1,096,539
EHB Percent of TP, (see instructions)	100.00%	100.00%	100.00%
state mandated benefits portion of TP that are other than EHB	0.00%	0.00%	0.00%
Other benefits portion of TP	0.00%	0.00%	0.00%
Total Allowed Claims (TAC)	\$1,716,396	\$0	\$1,716,396
EHB Percent of TAC, (see instructions)	100.00%	100.00%	100.00%
state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%	0.00%
Other benefits portion of TAC	0.00%	0.00%	0.00%

Allowed Claims which are not the issuer's obligation	\$1,299,583	\$0	\$1,299,583
Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0		
Portion of above payable by HHS on behalf of insured person, as %	0.00%		
Total incurred claims, payable with issuer funds	\$416,813	\$0	\$416,813
Net Amt of Reins	\$0	\$0	\$0
Risk Adjustment Transfer Amount	-\$500,061	\$0	-\$500,061

CAPITAL ADVANTAGE INSURANCE COMPANY, INC.

ACTUARIAL MEMORANDUM

Individual Rates

Effective January 1, 2019

General Information

Company Information

- Company Legal Name: Capital Advantage Insurance Company – CAIC
- State: PA
- HIOS Issuer ID: 82795
- Market: Individual
- Effective Date: 1/1/2019

PID Company Information

- Company Name: Capital Advantage Insurance Company (CAIC)
- NAIC: 41203
- Market: Individual
- On/Off Exchange: Off Exchange
- Effective Date: 1/1/2019
- Average Rate Change Requested: -42.7%
- Range of Requested Rate Change: -42.7% to -42.7%
- Total additional annual revenue generated from the proposed rate change: \$(1,128,278)
- Product: PPO
- Rating Areas: 6,7, 9
- Metal Levels: Catastrophic
- Current Covered Lives and Policyholders: 257/169
- 2019 Number of Plans: 1
- 2018 Number of Plans and Percent Change: 1/0%
- Contract Form #: CAIC-Ind-PPO-C-v0119
- Form Filing SERFF #: CABC-131454364
- Binder SERFF #: CABC-PA19-125079476
- HIOS Issuer ID: 82795
- HIOS Submission Tracking Number: 82795-121631673400116633

Company Contact Information

- Primary Contact Name: [REDACTED]
- Primary Contact Telephone Number: [REDACTED]
- Primary Contact Email Address: [REDACTED]

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 effective January 1, 2019. CAIC will only offer products off the federally-facilitated exchange.

Rate History and Proposed Variations in Rate Changes

Market	Company	Effective Date	SERFF #	Annual Increase
Individual	CAIC	1/1/2015	CABC-129649188	0.00%
Individual	CAIC	1/1/2016	CABC-130079084	-2.10%
Individual	CAIC	1/1/2017	CABC-130539588	39.00%
Individual	CAIC	1/1/2018	CABC-131022047	20.20%

Average Rate Change

CAIC is proposing an aggregate annual -42.7% rate change. The rate change does vary by plan. The rate change is calculated in PA Rate Template Part III, Table 10, cell AC15.

Regulatory Considerations

Rates submitted by this filing assume changes to the current regulatory framework. As directed by the Insurance Department, the following factors have been applied to the rates for regulatory changes:

- Individual Mandate: 0.06 added to the morbidity factor.

Membership

Membership is shown in PA Rate Template Part I, Table 1. The average age is 46.

Benefit Changes 2018-2019

A summary of proposed 2019 benefits is included in Exhibit A.

There are several benefit changes being implemented in 2018. 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.

CAIC has discontinued its Gatekeeper PPO product and is offering an off-exchange Catastrophic PPO plan in 2019.

Experience Period Premium and Claims

Single Risk Pool: The data used to develop rates and shown in the URRT abides by 45 CFR part 156.80(d) single risk pool requirements. The single risk pool reflects all covered lives for every non-grandfathered product/plan combination for CAIC in the individual market. The single risk pool includes transitional products/plans for purposes of base rate experience.

Base Experience Period: The base experience period (BEP) includes completed fee-for-service paid and incurred claims for dates of service between January 1, 2017 and December 31, 2017.

Paid Through Date: Claims in the BEP are paid through March 31, 2018

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.
- 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.

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

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

Risk Adjustment in BEP: Risk adjustment amounts in the BEP are equal to those reported by the Department on 5/9/2018.

Loss Ratio in BEP: Loss ratio is 145.03%

Credibility of Data

CAIC individual data is not credible, so CBC subsidiary, Keystone Health Plan Central (KHPC) is used as the credibility manual. KHPC data is relevant to CAIC rate development because KHPC offers off-exchange Bronze and Catastrophic plans, similar to CAIC's 2019 product offering.

Trend Identification

Trend: 11.3%

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
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. Induced Utilization: Induced utilization is CBC's best estimate for increased utilization in the individual market due to unknown future regulatory changes. CBC predicts that consumers will use more services in 2019 due to unknown coverage status in 2020.
 - f. 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, to the paid trend. Estimated leveraging is calculated in Exhibit E1.
- o Estimated costs are based on average plan benefit value in the month, calculated using CBC's internal benefit model.
 - o CBC expects the average benefit level in 2019 to be similar to current month, 201803.
 - o As of 201803, on average, Individual members pay 44.8% of costs, while CBC pays 55.2%. So for example,
 - \$2,000 in annual allowed claims results in member pay = \$896, and CBC pay = \$1,104.
 - \$2,000 trends at 5.5% = \$2,110
 - Member pay is fixed at \$896
 - CBC pay = 2,110 – 896 = \$1,214
 - Total CBC trend = 1,214/1,104 -1 = 10%
 - o With an allowed trend of 5.5%, and static cost-share, leveraging will add an additional 4.5% to trend.
4. Intensity: Intensity is defined as the amount of inputs used to provide each unit of service. This can best be seen in an example:

Year 2018

<u>Type of Service</u>	<u>Units</u>	<u>Cost per Unit</u>
X-Ray	1	\$200
MRI	1	\$5,000
Total	2	\$5,200

Year 2019

<u>Type of Service</u>	<u>Units</u>	<u>Cost per Unit</u>
X-Ray	0	\$200
MRI	2	\$5,000
Total	2	\$10,000

Total Annual Trend	92%
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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. CAIC 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 the 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, "Pop'l risk Morbidity", and PA Rate Template Table 5.

The changes to morbidity incorporate both the Department's Individual Mandate factor discussed above, and changes to the population going from Bronze and Catastrophic experience to Catastrophic in the projection period. The additional morbidity change factor calculated in Exhibit F.

Changes in Benefits: Benefit changes are not applied to allowed claims as allowed should stay consistent from 2017 to 2019. 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 individual population.

Changes in Network: No network adjustment is applied.

Other Adjustments: No other adjustment is applied.

Benefits, Demographics, Network and Other adjustments are found in URRT, Worksheet 1, “Other”, and PA Rate Template 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 the URRT (“Projected Allowed Experience Claims PMPM (w/ applied credibility if applicable)”).

To calculate the projected index rate:

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

See Exhibit J for the Index Rate.

Paid to Allowed Ratio

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. The 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*:

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

The development of completion factors is described in Experience Period Premium and Claims above.

3. Develop the *BEP Paid and Incurred Claim PMPM*:

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

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

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

5. Develop *Projected Paid and Incurred Claim PMPM*:

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

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:

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

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

$$\begin{aligned} &\text{Base Plan Paid and Incurred Claims PMPM} \\ &= \frac{\text{Benefit Adjusted Paid and Incurred Claims PMPM}}{\text{Benefit Level Adjustment}} \end{aligned}$$

- 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:

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

- b. And to arrive at the *Total Projected Claims PMPM*, CAIC assumes a distribution of members across the benefit plans being offered in 2019. The *Total Projected Claims PMPM* :

$$= \text{Projected Claims PMPM Benefit A} \times \text{Expected Member Dist of Benefit A} \\ + \text{Projected Claims PMPM Benefit B} \\ \times \text{Expected Member Dis of Benefit B} + \dots$$

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.

Risk Adjustment

Projected Risk Adjustments PMPM:

Relevant to 2019 pricing is the impact of Commercial Risk Adjustment (CRA) payment transfers that are expected to be earned in 2019. The pricing impact is:

$$[\text{Net Projected Risk Adjustments PMPM}] \\ = [\text{Projected CRA Transfer PMPM}] - [\text{Risk Adjustment Fee PMPM}]$$

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. 2016-2017 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.

To fund the HHS-risk adjustment program, issuers will remit to HHS a fee of \$0.13 PMPM. The Risk Adjustment Fee PMPM is included in the URRT Worksheet 1, "Projected Risk Adjustments PMPM", and is found on Exhibit K.

Market Adjusted Index Rate

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

$$\begin{aligned} & [\textit{Market Adjusted Index Rate}] \\ & = ([\textit{Index Rate}] \times [\textit{Paid to Allowed Ratio}] \\ & \quad - [\textit{Net Projected ACA Reinsurance Recoveries}] \\ & \quad - [\textit{Net Projected Risk Adjustments PMPM}] + [\textit{Exchange Fees PMPM}]) \\ & \div [\textit{Paid to Allowed Ratio}] \end{aligned}$$

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

Retention Items

Administrative Expense Load:

1. 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 CAIC Individual products. Administrative expenses are included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6. Expense as a percentage of premium vary by plan because a fixed dollar admin PMPM is applied to each plan.
2. Broker Expense: Calculated based on CAIC's explicit per contract broker fee. Broker Expense is included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6. CAIC pays commissions for new business and renewal enrollment received during open enrollment, both on and off exchange, and in all geographic areas. Commission is less on catastrophic plans due to the lower premium. CAIC does not pay commission during Special Enrollment Periods (SEP). The 2019 broker commission schedule is yet to be finalized. Attached please find the 1/1/2018 copy of the broker agreement – redacted version. Files are as follows:
 - a. Redacted Agent Agreement: "Ind_18-13_Initial_CAIC_PPO_WBEBrokerIndRedacted_Supporting_20180518.pdf"
 - b. Redacted Preferred Producer Master Agreement: "Ind_18-13_Initial_CAIC_PPO_PPMABrokerIndRedacted_Supporting_20180518.pdf"
3. Member Out-Of-Pocket (OOP) and Ways to Save:
 - a. Description: These products offer enhanced transparency to cost savings potential both prospectively and retrospectively. These are new services included in each

of CAIC's plans that work to decrease costs by engaging members in their health care decisions. The Member OOP program will show a member, prospectively, the value of a service and the impact of member cost-sharing when that service is incurred. It allows a member to shop for the best price while introducing transparency related to the member's expected cost share at the time of service. The "Ways to Save" program allows members to receive alerts, retrospectively, informing them of cost savings that could have been incurred had they have known about competing medical providers in the area. The alerts are retrospective and offer transparency around member's healthcare options.

- b. Costs: Costs are aggregated into CBC's total administrative expense above. No additional fee is charged. The cost is approximately \$0.25 PMPM. Included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6.
4. 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:
 - a. Complete Health Risk Assessment questionnaire and receive a gift card.
 - b. Participate in an online coaching program and receive a gift card reward.
 - c. The wellness program is administered through a vendor and costs are based on vendor fees, anticipated participation, and reward card amounts.
 - d. Included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6.
5. Identity Theft Coverage: Identity protection offering will include the following components:
 - a. Credit monitoring – Monitors activity that may affect credit
 - b. Fraud detection – Identifies potentially fraudulent use of identity or credit
 - c. Fraud resolution support – Assists members in addressing issues that arise in relation to credit monitoring and fraud detection
 - d. Included in the URRT Worksheet 1, "Administrative Load", and PA Rate Template Table 6.
6. Additional Quality Improvement: The Final Notice of Benefit and Payment Parameters (NBPP) for 2019 finalized the rule to allow issuers to apply a standard 0.8% of premium for quality improvement (QI) measures in the MLR calculation. Total QI amounts applied in rating equal 0.8%.

Profit (or Contribution to Surplus) & Risk Margin:

7. Contingency: Contingency is included in the URRT Worksheet 1, "Profit and Risk", and PA Rate Template Table 6.

Taxes and Fees:

1. Health Insurer Fee (HIF) – Section 9010 of PPACA and Section 1406 of the Reconciliation Act (which modified PPACA) refers to HIF. The fee is a fixed-dollar amount distributed across health insurance providers. This fee has been suspended for 2019.

2. Exchange Fee – All issuers participating in a federally-facilitated exchange will remit 3.5% of premium to HHS. The exchange user fee is applied as an adjustment to the Index Rate at the market level. The calculation and amount is found in Exhibit K. The amount is also found in PA Rate Template, Table 5.
3. 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 the URRT Worksheet 1, “Taxes and Fees”, and PA Rate Template, Table 6.

See Exhibit H for all retention values.

Plan Rate Development

The Plan Adjusted Index Rates are included in Worksheet 2, Section IV of the 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: Please see Table 8
3. Provider Network: The Provider network is the same across all PPO plans. A network factor is applied to the EPO plan.
 - a. The Capital Advantage EPO plan is a plan built around Pinnacle Health’s delivery system and is available in Cumberland, Dauphin, and Perry counties.
 - b. See Exhibit O1 for the development of the network factor.
4. Adjustment for benefits in addition to EHBs: No benefits other than EHBs are included in the plans, so no adjustment is necessary.
5. Catastrophic Plans: Applied to catastrophic plans to reflect lower morbidity.
6. Adjustment for distribution and administrative costs: Described in Non-Benefit Expenses and Profit & Risk section above.
7. Tobacco Adjustment: Calculated as the average tobacco factor applied across the risk pool.

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

Plan Premium Development for 21-Year-Old Non-Tobacco User

Age Curve Calibration: The average age factor is calculated by taking the member-weighted average of current individual enrollment by age in CAIC. 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 Ind_18-12_Initial_CAIC_PPO_List-Billed_Supporting_20180518 for the calculation.

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

Geographic Factors: CAIC performed regional analysis to quantify the cost difference between the three regions in our service area. The analysis gathered allowed claims in a 12-month period by region, normalized for demographics. We then compared the claim cost for each of the three regions, and found cost differentials between the regions, mostly due to differences in hospital contracting between regions. The data from the analysis is found in Exhibit Q.

Tobacco Factor Calibration: Average tobacco factor is calculated using 2017 member and smoking status data.

The calibration is:

$$[\textit{Calibrated Plan Adjusted Index Rate}] = [\textit{Plan Adjusted Index Rate}] \div ([\textit{Age Curve Calibration}] \times [\textit{Geographic Factor Calibration}] \times [\textit{Tobacco Factor}])$$

Calibrated Plan Adjusted Index Rates are found on PA Rate Template 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:

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

2. $[\textit{Family Consumer Adjusted Premium Rate}] = \sum[\textit{Member - Level Consumer Adjusted Premium Rate}]$

With no more than three child dependents under age 21 taken into account

All consumer-level adjustments are applied uniformly to all plans in the Single Risk Pool. These adjustments do not vary by plan. Age and Geographic factors are displayed in Exhibits O.

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

AV Metal Values

The AV Metal Values included in Worksheet 2 of the URRT were based on the federally issued AV Calculator.

AV Pricing Values

All AV Pricing values were developed using CAIC'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 the URRT were developed by assuming that moderate growth and similar distribution to current.

Attachments and Examples

The following is a list of Exhibits and Data to support this filing:

PA Rate Template 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 F1 - Leveraging
Exhibit G – Paid-to-Allowed Development
Exhibit G1 – Transitional Data
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 – Regional Analysis

Broker Contracts
List-Billed Data

Actuarial Statement

I, [REDACTED], 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, [REDACTED], 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 included in Worksheet 2, Sections III and IV 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(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. All factor, benefit and other changes from the prior approved filing have been disclosed in the actuarial memorandum.
6. New plans cannot be considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
7. The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2019 Rate Filing Justification.



██████████, ASA, MAAA
Actuarial Associate
Capital BlueCross



**CAPITAL ADVANTAGE INSURANCE COMPANY, INC.
RFJ Part II – Consumer Friendly Justification**

Rate Decrease Considerations:

- Stabilization of the Individual market in recent years
- Suspension of the Health Insurer Fee in 2019

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:

- 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

2019 Rates Table Template v8.1		All fields with an asterisk (*) are required. To validate press Validate button or Ctrl + Shift + I. To finalize, press Finalize button or Ctrl + Shift + F.			
		If you are in a community rating state, select Family-Tier Rates under Rating Method and fill in all columns.			
		If you are not in a community rating state, select Age-Based Rates under Rating Method and provide an Individual Rate for every age band.			
		If Tobacco is Tobacco User/Non-Tobacco User, you must give a rate for Tobacco Use and Non-Tobacco Use.			
		To add a new sheet, press the Add Sheet button, or Ctrl + Shift + H. All plans must have the same dates on a sheet.			
HIOS Issuer ID*	82795				
Federal TIN*	23-2195219				
Rate Effective Date*	1/1/2019				
Rate Expiration Date*	12/31/2019				
Rating Method*	Age-Based Rates				
Plan ID*	Rating Area ID*	Tobacco*	Age*	Individual Rate*	Individual Tobacco Rate*
Required: Enter the 14-character Plan ID	Required: Select the Rating Area ID	Required: Select if Tobacco use of subscriber is used to determine if a person is eligible for a rate from a plan	Required: Select the age of a subscriber eligible for the rate	Required: Enter the rate of an Individual Non-Tobacco or No Preference enrollee on a plan	Required: Enter the rate of an Individual tobacco enrollee on a plan
82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	0-14	192.24	192.24
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82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	16	215.87	215.87
82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	17	222.40	222.40
82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	18	229.44	229.44
82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	19	236.47	236.47
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82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	23	251.30	257.58
82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	24	251.30	257.58
82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	25	252.31	258.61
82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	26	257.33	263.76
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82795PA0140001	Rating Area 6	Tobacco User/Non-Tobacco User	29	281.20	288.23
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82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	22	271.40	278.19

82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	23	271.40	278.19
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	24	271.40	278.19
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82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	31	314.56	322.42
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	32	321.07	329.10
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	33	325.14	333.27
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	34	329.48	337.72
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	35	331.66	339.95
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	36	333.83	342.17
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	37	336.00	344.40
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	38	338.17	346.62
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	39	342.51	351.07
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	40	346.85	372.87
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	41	353.37	379.87
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	42	359.61	386.58
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	43	368.30	395.92
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	44	379.15	407.59
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	45	391.91	431.10
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	46	407.11	447.82
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	47	424.20	466.62
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	48	443.75	488.12
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	49	463.02	509.32
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	50	484.73	557.44
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	51	506.17	582.09
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	52	529.78	609.25
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	53	553.66	636.71
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	54	579.45	666.36
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	55	605.23	726.28
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	56	633.19	759.82
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	57	661.41	793.69
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	58	691.54	829.84
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	59	706.46	847.76
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	60	736.59	920.74
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	61	762.65	953.31
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	62	779.74	974.68
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	63	801.18	1001.48
82795PA0140001	Rating Area 9	Tobacco User/Non-Tobacco User	64 and over	814.20	1017.77

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Benefit Summary**

INDIVIDUAL PORTFOLIO

Changes	Plan Name	HIOS ID		Deductible (2x Family)	Coinsurance	Out-of-Pocket Maximum	PCP	Specialist	Emergency Room	Urgent Care	IP Hospital per day, maximum of 5 days	Hi-Tech Imaging	Lab Ind Hos	OP Surgery ASC ACH	Small Group: Rx \$0 Individual: Rx	Small Group: Rx \$250 (brand only deductible) Individual: N/A
		Small Group: Rx \$0 Individual: Rx	Small Group: Rx \$250 (brand only deductible) Individual: N/A													
BRONZE PRODUCTS																
1 New Plan	Catastrophic PPO 7900/0/75	82795PA0140001		\$7,900	0%	\$7,900	\$75	D	D	D	N/A	D	D D	D D	Rx Ded: Combined, Rx Gen - Ded Applies? Y, Retail: 0/0/0/0, Mail: 0/0/0/0	

1 Drug copays listed are Preferred Generic/Non-Preferred Generic/Preferred Brand/Non-Preferred Brand
2 Speciality drug coverage = 20% up to \$250 per fill/20% up to \$350 per fill/20% up to \$450 per fill
3 Tiered Lab benefits. Independent labs | Hospital based labs
4 D = Deductible D/S = Deductible applies first then a copay
5 Plan naming convention = Metal level, Plan type, Deductible/Coinsurance/Office Visit Copay - HRA funding
6 CareConnect copays listed are for PCP directed care

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Benefit Change Summary**

Line	On/Off Exchange	New/Existing	HIOS	Med Description	Rx Description	AV		Metal Level		HRA Amount		Deductible(2x Family)		Coinsurance		MOOP	
						2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1	On Exchange	Existing	45127PA0020013	Gold PPO 2000/10/20	Combined w/Med	76.3%	76.0%	Gold	Gold	0	0	2,000	2,000	10%	10%	7,350	7,350
2	Off Exchange	Existing	45127PA0020021	Silver PPO 4950/10/30	Combined w/Med	66.7%	68.3%	Silver	Silver	0	0	4,950	4,950	10%	10%	7,350	7,350
3	On Exchange	Existing	45127PA002000804	Silver PPO 5000 CSR73	Combined w/Med	72.3%	73.4%	Silver	Silver	0	0	4,500	4,500	8%	8%	5,850	5,850
4	On Exchange	Existing	45127PA002000805	Silver PPO 5000 CSR87	Combined w/Med	86.3%	86.6%	Gold	Gold	0	0	1,200	1,200	5%	5%	2,450	2,450
5	On Exchange	Existing	45127PA002000806	Silver PPO 5000 CSR94	Combined w/Med	94.5%	94.2%	Platinum	Platinum	0	0	250	250	0%	0%	1,250	1,250
6	On Exchange	Existing	45127PA0020008	Silver PPO 5000/10/30	Combined w/Med	66.6%	68.2%	Silver	Silver	0	0	5,000	5,000	10%	10%	7,350	7,350
7	Off Exchange	Existing	53789PA0100008	Bronze HMO 7350/0/60	Combined w/Med	61.3%	62.6%	Bronze	Bronze	0	0	7,350	7,350	0%	0%	7,350	7,350
8	On Exchange	Existing	45127PA0020020	Bronze PPO 7350/0/60	Combined w/Med	61.3%	62.6%	Bronze	Bronze	0	0	7,350	7,350	0%	0%	7,350	7,350
9	Off Exchange	Existing	53789PA0100004	Catastrophic HMO 7900/0/75	Combined w/Med	60.3%	60.0%	Catastrophic	Catastrophic	0	0	7,350	7,900	0%	0%	7,350	7,900
10	Off Exchange	New	82795PA0140001	Catastrophic PPO 7900/0/75	Combined w/Med		60.0%	Catastrophic	Catastrophic	0	0		7,900	0%	0%		7,900
11	On Exchange	New	45127PA0140001	Gold Capital Advantage EPO 2000/0/45	Combined w/Med		76.2%	Gold	Gold	0	0		2,000	0%	0%		7,350

Capital Advantage Insurance Company
 Individual Rates
 Effective 1/1/2019
 Benefit Change Summary

Line	On/Off Exchange	New/Existing	HIOS	Med Description	Rx Description	ACA PCP		Non-ACA PCP		SPC		ER		UC		IP Hosp Copay Per Day		Hi-Tech Imaging		Low End Imaging		Lab Independent		Lab Hospital-Based		OP Su
						2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	
1	On Exchange	Existing	45127PA0020013	Gold PPO 2000/10/20	Combined w/Med	20	20	20	20	50	45	D/300	D/300	75	75	N/A	N/A	D/10%	D/25%	D/10%	D/10%	25	25	D/75	D/75	D
2	Off Exchange	Existing	45127PA0020021	Silver PPO 4950/10/30	Combined w/Med	30	30	30	30	75	75	D/400	D/400	75	75	N/A	N/A	D/10%	D/25%	D/10%	D/10%	25	25	D/75	D/75	D
3	On Exchange	Existing	45127PA002000804	Silver PPO 5000 CSR73	Combined w/Med	10	10	10	10	20	20	D/200	D/200	45	45	N/A	N/A	D/8%	D/18%	D/8%	D/8%	20	20	D/60	D/60	D
4	On Exchange	Existing	45127PA002000805	Silver PPO 5000 CSR87	Combined w/Med	5	5	5	5	10	10	D/75	D/75	35	35	N/A	N/A	D/5%	D/15%	D/5%	D/5%	15	15	D/40	D/40	D
5	On Exchange	Existing	45127PA002000806	Silver PPO 5000 CSR94	Combined w/Med	3	3	3	3	5	5	D/50	D/50	20	20	N/A	N/A	D/0%	D/10%	D	D	10	10	D/20	D/20	D
6	On Exchange	Existing	45127PA0020008	Silver PPO 5000/10/30	Combined w/Med	30	30	30	30	75	75	D/400	D/400	75	75	N/A	N/A	D/10%	D/25%	D/10%	D/10%	25	25	D/75	D/75	D
7	Off Exchange	Existing	53789PA0100008	Bronze HMO 7350/0/60	Combined w/Med	60	60	60	60	85	85	D	D	D	D	N/A	N/A	D	D	D	D	25	25	D	D	D
8	On Exchange	Existing	45127PA0020020	Bronze PPO 7350/0/60	Combined w/Med	60	60	60	60	85	85	D	D	D	D	N/A	N/A	D	D	D	D	25	25	D	D	D
9	Off Exchange	Existing	53789PA0100004	Catastrophic HMO 7900/0/75	Combined w/Med	75	75	75	75	D	D	D	D	D	D	N/A	N/A	D	D	D	D	25	D	D	D	D
10	Off Exchange	New	82795PA0140001	Catastrophic PPO 7900/0/75	Combined w/Med		75		75	D	D	D	D	D	D	N/A	N/A	D	D	D	D		D	D	D	D
11	On Exchange	New	45127PA0140001	Gold Capital Advantage EPO 2000/0/45	Combined w/Med		25		25	50	50	D/300	D/300		75		N/A	D	D	D	D		D/25	D	D/25	D

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Benefit Change Summary**

Line	On/Off Exchange	New/Existing	HIOS	Med Description	Rx Description	% ASC	2019
1	On Exchange	Existing	45127PA0020013	Gold PPO 2000/10/20	Combined w/Med		250
2	Off Exchange	Existing	45127PA0020021	Silver PPO 4950/10/30	Combined w/Med		250
3	On Exchange	Existing	45127PA002000804	Silver PPO 5000 CSR73	Combined w/Med		200
4	On Exchange	Existing	45127PA002000805	Silver PPO 5000 CSR87	Combined w/Med		100
5	On Exchange	Existing	45127PA002000806	Silver PPO 5000 CSR94	Combined w/Med		50
6	On Exchange	Existing	45127PA0020008	Silver PPO 5000/10/30	Combined w/Med		250
7	Off Exchange	Existing	53789PA0100008	Bronze HMO 7350/0/60	Combined w/Med		250
8	On Exchange	Existing	45127PA0020020	Bronze PPO 7350/0/60	Combined w/Med		250
9	Off Exchange	Existing	53789PA0100004	Catastrophic HMO 7900/0/75	Combined w/Med		D
10	Off Exchange	New	82795PA0140001	Catastrophic PPO 7900/0/75	Combined w/Med		D
11	On Exchange	New	45127PA0140001	Gold Capital Advantage EPO 2000/0/45	Combined w/Med		D/100

Capital Advantage Insurance Company
 Individual Rates
 Effective 1/1/2019
 Benefit Change Summary

Line	On/Off Exchange	New/Existing	HIOS	Med Description	Rx Description	OP Surg AHC		Rx Ded		Rx Gen - Ded Applies?		Rx Gen Pref		Rx Gen Non-Pref		Rx Brand Pref		Rx Brand Non-Pref		Rx Specialty Coin Tier 1		Rx Specialty Max Tier 1		Rx Specialty Coin Tier 2		Rx Specialty
						2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
1	On Exchange	Existing	45127PA0020013	Gold PPO 2000/10/20	Combined w/Med	D/10%	D/10%	Combined	Combined	N	N	3	10	3	0	25	25	75	75	40%	40%	1000	800	40%	40%	1000
2	Off Exchange	Existing	45127PA0020021	Silver PPO 4950/10/30	Combined w/Med	D/10%	D/10%	Combined	Combined	N	N	10	10	10	0	50	50	100	100	50%	50%	1000	800	50%	50%	1000
3	On Exchange	Existing	45127PA002000804	Silver PPO 5000 CSR73	Combined w/Med	D/8%	D/8%	Combined	Combined	N	N	5	5	5	0	25	25	55	55	40%	40%	800	700	40%	40%	800
4	On Exchange	Existing	45127PA002000805	Silver PPO 5000 CSR87	Combined w/Med	D/5%	D/5%	Combined	Combined	N	N	3	3	3	0	15	15	40	40	30%	30%	500	400	30%	30%	500
5	On Exchange	Existing	45127PA002000806	Silver PPO 5000 CSR94	Combined w/Med	D	D	Combined	Combined	N	N	2	2	2	0	10	10	25	25	10%	10%	300	200	10%	10%	300
6	On Exchange	Existing	45127PA0020008	Silver PPO 5000/10/30	Combined w/Med	D/10%	D/10%	Combined	Combined	N	N	10	10	10	0	50	50	100	100	50%	50%	1000	800	50%	50%	1000
7	Off Exchange	Existing	53789PA0100008	Bronze HMO 7350/0/60	Combined w/Med	D	D	Combined	Combined	Y	Y	0	0	0	0	0	0	0	0	50%	50%	0	0	50%	50%	0
8	On Exchange	Existing	45127PA0020020	Bronze PPO 7350/0/60	Combined w/Med	D	D	Combined	Combined	Y	Y	0	0	0	0	0	0	0	0	50%	50%	0	0	50%	50%	0
9	Off Exchange	Existing	53789PA0100004	Catastrophic HMO 7900/0/75	Combined w/Med	D	D	Combined	Combined	Y	Y	0	0	0	0	0	0	0	0	0%	0%	0	0	0%	0%	0
10	Off Exchange	New	82795PA0140001	Catastrophic PPO 7900/0/75	Combined w/Med	D	D	Combined	Combined	Y	Y	0	0	0	0	0	0	0	0	0%	0%	0	0	0%	0%	0
11	On Exchange	New	45127PA0140001	Gold Capital Advantage EPO 2000/0/45	Combined w/Med	D/100		Combined	Combined	N	N	10		0		50		100		50%		800		50%		

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Benefit Change Summary**

Line	On/Off Exchange	New/Existing	HIOS	Med Description	Rx Description	Max Tier 2 2019	Rx Gen Pref Coins		Rx Gen Non-Pref Coins		Rx Brand Pref Coin		Rx Brand Non-Pref Coins		Rx Gen Pref Mail Copay		Rx Gen Non-Pref Mail Copay		Rx Brand Pref Mail Copay		Rx Brand Non-Pref Mail Copay	
							2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1	On Exchange	Existing	45127PA0020013	Gold PPO 2000/10/20	Combined w/Med	1000	0%	0%	0%	25%	0%	0%	0%	0%	8	20	8	0	63	50	188	150
2	Off Exchange	Existing	45127PA0020021	Silver PPO 4950/10/30	Combined w/Med	1000	0%	0%	0%	25%	0%	0%	0%	0%	25	20	25	0	125	100	250	200
3	On Exchange	Existing	45127PA002000804	Silver PPO 5000 CSR73	Combined w/Med	800	0%	0%	0%	18%	0%	0%	0%	0%	13	10	13	0	63	50	138	110
4	On Exchange	Existing	45127PA002000805	Silver PPO 5000 CSR87	Combined w/Med	500	0%	0%	0%	15%	0%	0%	0%	0%	8	6	8	0	38	30	100	80
5	On Exchange	Existing	45127PA002000806	Silver PPO 5000 CSR94	Combined w/Med	300	0%	0%	0%	10%	0%	0%	0%	0%	5	4	5	0	25	20	63	50
6	On Exchange	Existing	45127PA0020008	Silver PPO 5000/10/30	Combined w/Med	1000	0%	0%	0%	25%	0%	0%	0%	0%	25	20	25	0	125	100	250	200
7	Off Exchange	Existing	53789PA0100008	Bronze HMO 7350/0/60	Combined w/Med	0	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
8	On Exchange	Existing	45127PA0020020	Bronze PPO 7350/0/60	Combined w/Med	0	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
9	Off Exchange	Existing	53789PA0100004	Catastrophic HMO 7900/0/75	Combined w/Med	0	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
10	Off Exchange	New	82795PA0140001	Catastrophic PPO 7900/0/75	Combined w/Med	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
11	On Exchange	New	45127PA0140001	Gold Capital Advantage EPO 2000/0/45	Combined w/Med	1000	0%	0%	0%	25%	0%	0%	0%	0%	20	0	0	0	100	0	200	0

IP-OP-Professional	Type of Service
Inpatient	IP - CABG
Inpatient	IP - Cesarean Maternity Delivery
Inpatient	IP - Major Joint Procedures of Lower Extremity
Inpatient	IP - Maternity Non-delivery
Inpatient	IP - Medical
Inpatient	IP - Neonatal
Inpatient	IP - Newborn
Inpatient	IP - Normal maternity delivery
Inpatient	IP - Other Cardiovascular Procedures
Inpatient	IP - Other Surgical
Inpatient	IP - Psychiatry
Inpatient	IP - Substance Abuse
Inpatient	IP - Unmappable
Outpatient	OP - Blood
Outpatient	OP - Cardiac Rehab
Outpatient	OP - Cardiovascular
Outpatient	OP - Dialysis
Outpatient	OP - Emergency Room
Outpatient	OP - Maternity Non-delivery Care
Outpatient	OP - Observation Room
Outpatient	OP - Other OP Services
Outpatient	OP - PT/OT/ST
Outpatient	OP - Pathology/Lab
Outpatient	OP - Pharmacy
Outpatient	OP - Psychiatric
Outpatient	OP - Radiology - CT/MRI/PET
Outpatient	OP - Radiology - General
Outpatient	OP - Substance Abuse
Outpatient	OP - Surgery
Outpatient	OP - Unmapped
Professional	ADDL Benefits Other
Professional	Hearing Aids
Professional	IP Visits - IP Psychiatric
Professional	IP Visits - IP Substance Abuse
Professional	IP Visits - Medical
Professional	Inpatient Surgery - Primary Surgeon
Professional	Inpatient Surgery - Anesthesia
Professional	Inpatient Surgery - Assistant Surgeon
Professional	Maternity - Cesarean Deliveries
Professional	Maternity - Non Deliveries
Professional	Maternity - Normal Deliveries
Professional	Office Administered Drugs
Professional	Office/Misc - Allergy Immunotherapy
Professional	Office/Misc - Allergy Testing
Professional	Office/Misc - Misc. Medical
Professional	Office/Misc - Office/Home Visits
Professional	Office/Misc - Urgent Care
Professional	Other Physician - Cardiovascular
Professional	Other Physician - Chiropractor
Professional	Other Physician - Consults
Professional	Other Physician - Emergency Room Visits
Professional	Other Physician - Physical Therapy
Professional	Pathology/Lab - IP
Professional	Preventive care - Hearing/Speech Exams
Professional	Preventive care - Immunization
Professional	Preventive care - Other
Professional	Preventive care - Physical Exams
Professional	Preventive care - Well Baby Exams
Professional	Radiology - IP
Professional	Unmapped
Professional	ADDL Benefits Other
Professional	Hearing Aids
Professional	IP Visits - Medical
Professional	Independent Lab
Professional	Maternity - Cesarean Deliveries
Professional	Maternity - Non Deliveries
Professional	Maternity - Normal Deliveries
Professional	OP Visits - OP Psychiatric
Professional	OP Visits - OP Substance Abuse
Professional	Office Administered Drugs
Professional	Office/Misc - Allergy Immunotherapy
Professional	Office/Misc - Allergy Testing
Professional	Office/Misc - Misc. Medical
Professional	Office/Misc - Office/Home Visits
Professional	Office/Misc - Urgent Care
Professional	Other Physician - Cardiovascular
Professional	Other Physician - Chiropractor
Professional	Other Physician - Consults
Professional	Other Physician - Emergency Room Visits
Professional	Other Physician - Physical Therapy
Professional	Outpatient Surgery - Anesthesia
Professional	Outpatient Surgery - Office
Professional	Outpatient Surgery - Outpatient Facility
Professional	Pathology/Lab - OP
Professional	Pathology/Lab - Office
Professional	Preventive care - Hearing/Speech Exams
Professional	Preventive care - Immunization
Professional	Preventive care - Other
Professional	Preventive care - Physical Exams
Professional	Preventive care - Well Baby Exams
Professional	Radiology - OP - CT/MRI/PET
Professional	Radiology - OP - General
Professional	Radiology - Office - CT/MRI/PET
Professional	Radiology - Office - General
Professional	Unmapped
Other Medical	Unmapped
Other Medical	OP - Ambulance
Other Medical	OP - DME
Other Medical	OP - Home Health/PDN
Other Medical	OP - Medical Surgical Supplies
Other Medical	Dental
Other Medical	Other - Ambulance
Other Medical	Other - DME
Other Medical	Other - Glasses/Contacts
Other Medical	Other - PDN/Home Health
Other Medical	Other - Prosthetics
Other Medical	Preventive care - Vision Exams
Other Medical	Dental
Other Medical	Other - Ambulance
Other Medical	Other - DME
Other Medical	Other - Glasses/Contacts
Other Medical	Other - PDN/Home Health
Other Medical	Other - Prosthetics
Other Medical	Preventive care - Vision Exams

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Benefit Mix Changes**

Benefit Mix Calculation		
	<u>Med Manual Cost</u>	<u>Rx Manual Cost</u>
Average in Experience Period		247.87
Average in Rating Period		247.03
Benefit Mix Adjustment		1.00

BEP Manual Cost Calculation			
<u>Company</u>	<u>HIOS 14 Digit</u>	<u>Med Plan</u>	<u>Rx Plan</u>
CAAC	45127PA002000800	PPOIJ310	
CAAC	45127PA002000801	PPOIJ304	
CAAC	45127PA002000802	PPOIJ305	
CAAC	45127PA002000803	PPOIJ306	
CAAC	45127PA002001300	PPOIJ335	
CAAC	45127PA002001301	PPOIJ332	
CAAC	45127PA002001302	PPOIJ333	
CAAC	45127PA002001303	PPOIJ334	
KHPC	53789PA010000400	HMOIJ712	
KHPC	53789PA010000800	HMOIJ725	
CAIC	82795PA012000100	PGOIJ500	

	<u>Med Man Cost</u>	<u>Rx Man Cost</u>	<u>Manual Cost</u>	
	<u>PMPM</u>	<u>PMPM</u>	<u>PMPM</u>	<u>BEP MM</u>
	333.29		333.29	57,247
	333.29		333.29	144,631
	333.29		333.29	83
	333.29		333.29	7
	350.57		350.57	35,325
	350.57		350.57	56,637
	350.57		350.57	1
	350.57		350.57	4
			247	8,616
			248.18	24,315
			356.26	1,816

Projected 2019 Manual Cost Calculation			247.03	2,609
<u>Mapped 2019 Plan</u>	<u>Med Man Cost</u>	<u>Rx Man Cost</u>	<u>Total</u>	<u>Proj Member</u>
	<u>PMPM</u>	<u>PMPM</u>	<u>Dist</u>	
82795PA0140001			247.03	2,609

Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Trend

Trend by Service Category

<u>Category</u>	<u>Cost</u>	<u>Util</u>	<u>Induced Demand</u>	<u>Total</u>	<u>Weights</u>	<u>Total Weights</u>
Inpatient Hospital	9.3%	0.0%	1.0%	10.4%	26%	20%
Outpatient Hospital	9.0%	0.0%	1.0%	10.1%	46%	35%
Professional	7.4%	1.0%	1.0%	9.6%	22%	17%
Other Medical	9.0%	0.0%	1.0%	10.1%	6%	5%
Capitation	3.0%	0.0%	0.0%	3.0%	0%	4%
Prescription Drug	12.2%	0.8%	1.0%	14.2%	100%	20%
Dental & Vision	1.0%	2.0%	0.0%	3.0%	100%	100%

Aggregate Pricing Trend

Total	10.7%
Medical	10.1%
Drug	14.2%
Agg Med + Rx Trend	10.9%
Dental and Vision	3.0%

Raw Trends

*From Hospital Trend Model

<u>URRT Categories</u>	<u>Cost</u>	<u>Utilization</u>	<u>Composite</u>
Inpatient Hospital	5.2%	0.0%	5.2%
Outpatient Hospital	5.0%	0.0%	5.0%
Professional	3.4%	1.0%	4.4%
Other Medical	5.0%	0.0%	5.0%
Capitation	3.0%		3.0%
Prescription Drugs	6.8%	0.8%	7.7%
Dental & Vision	1.0%	2.0%	3.0%

Adjustments to Pricing Trend

*Adjustments in Drug Trend Model

<u>Medical</u>		<u>Drug</u>	
Intensity	0.5%	Contracting	-0.1%
Leveraging	3.6%	Leveraging	3.0%
Demographics	0.0%	Demographics	0.0%
Buy-Downs	0.0%	Buy-Downs	0.0%
Other	0.0%	Pipeline	2.5%
Total	4.1%	Total	5.4%

Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Leveraging Calculation

Individual Leveraging Model

Zero Cost share Manual Rate: 479.2 Allowed Trend: 5.5%

<u>Market</u>	<u>Date</u>	<u>Expected Cost</u>	<u>Enrollment</u>	<u>PMPM</u>	<u>Implied AV</u>	<u>Fixed Cost Share</u>	<u>Leveraging</u>
IND	201803	10,699,088.08	40,445	264.53	0.5520	0.4480	3.6%

1.10% 20% of members see increase in member cost share

Year	Issuer cost	Member Cost	Total
2018	264.53	214.67	479.20
2019	288.53	217.03	505.56
Trend	9.1%	1.1%	5.5%

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Credibility Manual Development for URRT**

Section II: Allowed Claims, PMPM basis

Benefit Category	Experience Period				Adj't. from Experience to Projection Period		Annualized Trend Factors		Projections		
	Utilization Description	Utilization per 1,000	Average Cost/Service	PMPM	Pop'l risk Morbidity	Other	Cost	Util	Utilization per 1,000	Average Cost/Service	PMPM
Inpatient Hospital	Admits	48.46	13,776.11	55.64	1.060	1.016	1.093	1.010	52.41	16,718.60	73.01
Outpatient Hospital	Visits	1,834.38	647.36	98.96	1.060	1.016	1.090	1.010	1,983.53	782.09	129.27
Professional	Visits	6,498.68	89.01	48.20	1.060	1.016	1.074	1.020	7,168.30	104.42	62.38
Other Medical	Services	1,589.14	99.92	13.23	1.060	1.016	1.090	1.010	1,718.35	120.72	17.29
Capitation	Benefit Period	0.36	347,616.96	10.56	1.060	1.016	1.030	1.000	0.39	374,783.37	12.06
Prescription Drug	Prescriptions	4,714.95	146.49	57.56	1.060	1.016	1.122	1.018	5,182.53	187.33	80.90
Total				\$284.15							\$374.92

* All data experience is from CAIC subsidiary Keystone Health Plan Central (KHPC)

*Other	1.016
Change in Demographics	1.000
Change in Network	1.016
Change in Benefits	1.000
Change in Other	1.000

Morbidity Adjustment Applied to Allowed Claims

	Dist MM	Factor	Agg Factor
BEP	26%	1.00	1.00
Projected	100%	1.00	1.00
Morbidity Change			1.00

Morbidity Adjustment Applied to Paid Claims

	Dist MM	Factor	Agg Factor
BEP	26%	0.50	0.87
Projected	100%	0.50	0.50
Morbidity Change			0.58

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Paid to Allowed Ratio Development**

Medical Rate Development

Base Experience Period:	1/1/2017-12/31/2017
Data as of	3/31/2018
Rating Period:	1/1/2019 - 12/31/2019
Trend Months:	24
Trend:	10.1%

Drug Rate Development

Base Experience Period:	1/1/2017-12/31/2017
Data as of	3/31/2018
Rating Period:	1/1/2019 - 12/31/2019
Trend Months:	24
Trend:	14.2%

Pediatric Dental Rate Development

Base Experience Period:	1/1/2017-12/31/2017
Data as of	3/31/2018
Rating Period:	1/1/2019 - 12/31/2019
Trend Months:	24
Trend:	3.0%

Pediatric Vision Rate Development

Base Experience Period:	1/1/2017-12/31/2017
Data as of	3/31/2018
Rating Period:	1/1/2019 - 12/31/2019
Trend Months:	24
Trend:	3.0%

1	Medical Paid and Incurred Claims*	4,417,409
2	Completion Factor	0.99
3	BEP Completed Claims (1) / (2)	4,447,724
4	BEP Member Months	32,931
5	BEP Completed Claim PMPM (3) / (4)	135.06
6	Trend Factor	1.21
7	Trended Claim PMPM (5) x (6)	163.64
8	Benefit Change Factor	1.00
9	Morbidity Adjustment	0.61
10	Capitation	347,617
11	Capitation PMPM	10.56
12	Other Adjustment	1,016
13	Total Benefit Adjusted Claim PMPM [(7) x (8) x (9) x (10) + (11)] x (12)	111.79

1	BEP Paid and Incurred Claims	1,583,914
2	Completion Factor	1.000
3	BEP Completed Claims (1) / (2)	1,583,916
4	BEP Member Months	32,931
5	BEP Completed Claim PMPM (3) / (4)	48.10
6	Trend Factor	1.30
7	Trended Claim PMPM (5) x (6)	62.76
8	Benefit Change Factor	1.00
9	Morbidity Adjustment	0.61
10	Rx Rebates	211,352
11	Rx Rebates PMPM	6.42
12	Other Adjustment	1,016
13	Total Benefit Adjusted Claim PMPM [(7) x (8) x (9) x (10) + (11)] x (12)	45.28

1	BEP Paid and Incurred Claims	91,737
2	Completion Factor	0.989
3	BEP Completed Claims (1) / (2)	92,768
4	BEP Member Months	65,758
5	BEP Completed Claim PMPM (3) / (4)	1.41
6	Trend Factor	1.06
7	Trended Claim PMPM (5) x (6)	1.50
8	Benefit Change Factor	1.00
9	Morbidity Adjustment	0.61
10		
11		
12	Other Adjustment	1,016
13	Total Benefit Adjusted Claim PMPM [(7) x (8) x (9) x (10) + (11)] x (12)	0.93

1	BEP Paid and Incurred Claims	9,738
2	Completion Factor	0.983
3	BEP Completed Claims (1) / (2)	9,906
4	BEP Member Months	65,786
5	BEP Completed Claim PMPM (3) / (4)	0.15
6	Trend Factor	1.06
7	Trended Claim PMPM (5) x (6)	0.16
8	Benefit Change Factor	1.00
9	Morbidity Adjustment	0.61
10		
11		
12	Other Adjustment	1,016
13	Total Benefit Adjusted Claim PMPM [(7) x (8) x (9) x (10) + (11)] x (12)	0.10

Expected Claim PMPM in	
	Rating Period
Medical	111.79
Drug	45.28
Pediatric Dental	0.93
Pediatric Vision	0.10
Expected Distribution of Embedded Dental Benefit	100%
Total Expected Incurred in Rating Period	158.09
Total Expected Incurred in Rating Period Net RA	349.76
Projected Allowed	374.92
Paid to Allowed Ratio	0.422

*Medical Paid and Incurred Claims are net of CSR

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Retention**

	<u>Medical + Rx</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>	<u>% of Premium</u>
Reinsurance Contribution	\$0.00	\$0.00	\$0.00	\$0.00	0.0%
Risk Adjustment Fee	\$0.13	\$0.00	\$0.00	\$0.13	0.0%
Admin PMPM	\$39.56	\$0.60	\$0.09	\$40.25	9.6%
Broker PMPM	\$4.80	\$0.00	\$0.00	\$4.80	1.1%
Value Based Benefits	\$5.20	\$0.00	\$0.00	\$5.20	1.2%
BCBSA Identity Theft Protection	\$0.02	\$0.00	\$0.00	\$0.02	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%
HRA Admin Fee PMPM *	\$2.66	\$0.00	\$0.00	\$2.66	0.6%
Patient-Centered Outcomes Research Trust Fund:	\$0.00	\$0.00	\$0.00	\$0.00	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	0.4%	0.4%	0.4%	0.4%	0.4%
Premium Tax	2.0%	2.0%	2.0%	2.0%	2.0%

* HRA Admin fee in charged to HRA plans only

Insurer Tax and Admin Fee Calc

Applied HIF to All Quarters 0.00%

Quarter	% of Enrollees	HIF	2019 assessment	2020 assessment
1	100%	0.00%	0	0%
			3	0%
			6	0%
			9	0%
				2.3%
				2.3%
				2.3%
				2.3%

	<u>Admin</u>	<u>Profit</u>	<u>Taxes</u>
Claims	12.4%	2.0%	2.4%
Broker	9.6%		
Quality Improvement	1.1%		
Filing 18-13	1.6%		20

Expected Incurred	349.76
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Plan	Catastrophic PPO 7900/0/75
Deductible	7900
Expected Claim Cost	158.09
Expected Premium PMPM *	\$420.29
<u>Allowed Adjustments to Premium for MLR</u>	
Reinsurance Contribution	0.00
Patient-Centered Outcomes Research Trust Fund:	0.00
Risk Adjustment Fee	0.13
Premium Tax	8.41
Insurer Tax	0.00
Exchange Fee	0.00
Quality Improvement	1.68
Federal Income Tax**	1.77
MLR Adjusted Premium	\$408.31
Expected Member Distribution	100.0%

Unadjusted Premium	\$420.29
Expected MLR Adjusted Premium	\$408.31

MLR	85.7%
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* From Exhibit L

**21% of profit or contingency (assumed to be 2%)

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Projected Index Rate**

Projected Index Rate	\$374.92
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<u>Effective Date</u>	<u>Total Index Rate</u>	<u>Trend</u>	<u>Distribution of Members</u>	<u>Projected Allowed</u>	<u>Market Adjusted Index Rate</u>
January - December	\$374.92		100%	\$374.92	

Average for Projection Period	\$374.92			\$374.92	\$829.46
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* From URRT and Exhibit B

Individual Rates

Effective 1/1/2019

Market Adjusted Index Rate

Development of Market Adjusted Index Rate

Q1 Index Rate	374.92
Paid to Allowed	0.42
Q1 Projected Claims	158.09
Net Projected ACA Reinsurace Recoveries	0.00
Net Projected Risk Adjustments PMPM	-191.67
Exchange User Fee Adjustment	0.00
Q1 Market-Adjusted Projected Paid EHB Claims PMPM	349.76
Q1 Market Adjusted Index Rate	829.46

Development of Exchange User Fee

Average Exchange Premium	\$779.75
Average Exchange Fee	\$27.29
Percentage of Membership on Exchange	0%
Exchange Fee to Add to Market Index Rate	\$0.00

Development of Risk Adjustment Projection

Projected 2019 Risk Adjustment Payment	-\$191.54
Projected 2017 Risk Adjustment	-\$5,734,115
2017 MemberMonths	32,931
Projected 2017 Risk Adjustment Payment PMPM	-\$174.13
Capital Advantage Assurance Company	\$40,434,004
Keystone Health Plan Central	-\$5,734,115
Capital Advantage Insurance Company	-\$567,695

*10% increase for 2018 and 2019 premium changes

*CAIC is using KHPC data to project 2019
CAIC is offering Cat plan, so membership likely to be similar to KHPC

Adjust Base Experience Period to Base Plan

	<u>Medical</u>	<u>Rx</u>	<u>Ped Dental</u>	<u>Ped Vision</u>	<u>Total</u>
Expected Claim PMPM in Rating Period	111.79	45.28	0.93	0.10	158.09
Adjustment to Base Plan	1.000	1.000	1.000	1.000	1.000
Adjustment for Network	1.016	1.016	1.016	1.016	1.016
Adjustment for Induced Demand	1.000	1.000	1.000	1.000	1.000
Expected Claim Base Plan	110.00	44.56	0.91	0.10	155.56

Rate Development by Benefit Option

Off-Exchange

Level of Coverage	Gold
HIOS	82795PA0140001
Med Plan Name:	Catastrophic PPO
Rx:	7900/0/75
Plan Type:	Combined
HRA	N
Q1 Market Adjusted Index Rate	829.46

AV and Cost-Sharing Adjustment	0.53
Network	1.016
Catastrophic	0.50
Induced Demand	1.55

Plan Pricing Relativities:

Manual PMPM	247.03
Pricing Relativity	1.000
Projected Claims	158.09
Total Projected Claims PMPM + Market Level Adjustments:	349.76

Retention

Admin PMPM	\$40.25
Broker PMPM	\$4.80
Patient-Centered Outcomes Research Trust Fund:	\$0.00
HRA Admin Fee	\$0.00
Value-Based Benefits	\$5.20
BCBSA Identity Theft	\$0.02
Premium Tax	2.0%
Federal Income Tax	0.4%
Insurer Tax	0.0%
Contingency	2.0%
Quality Improvement	0.4%

Premium Neutrality	1.67
Total Premium Single Rate:	\$251.30
Plan Adjusted Index Rates	\$420.29
Expected Member Distribution	100.0%

Relativity Checks

Claims	1.00
Premium	1.00

	\$50.27
Admin	12%
Taxes	2.4%

Benefit Plans

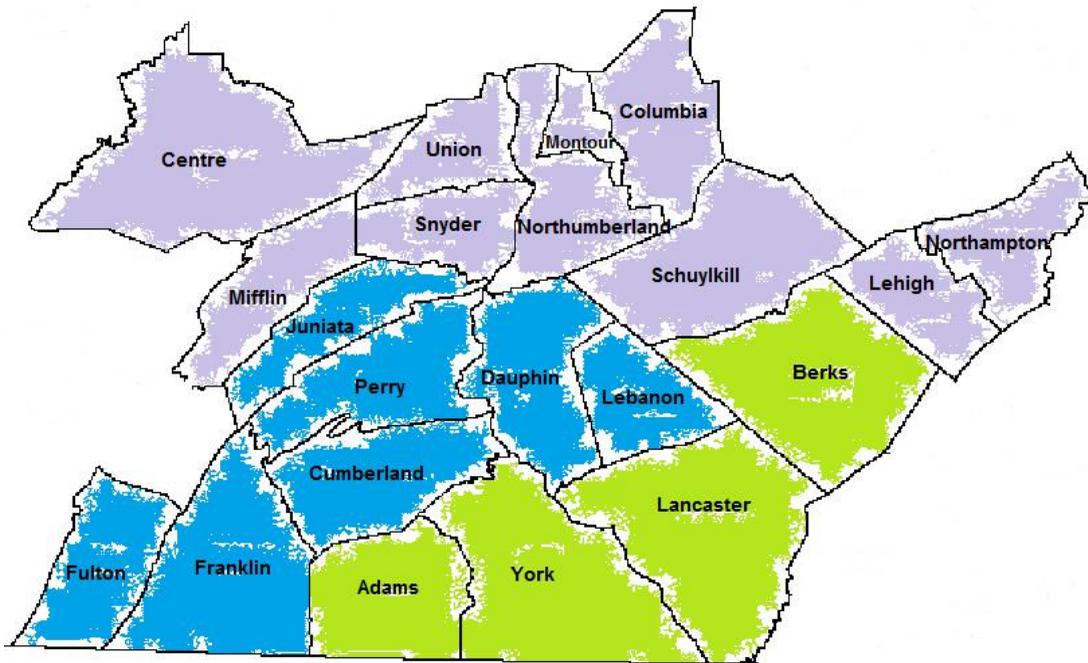
#	Combo Description	Benefit Plans										Annual Trend															
		Projected Membership	Prod MM	New or Existing	Product ID	Plan ID	On/Off Exchange	Metal Level	Metal Value	Pricing Value	Network	Induced Demand	Product	Med Plan Description	Deductible	Drug Plan	Pediatric Dental	Pediatric Vision	Average Plan Adj. Index Rate	Q1 Plan Adj. Index Rate	Q2 Plan Adj. Index Rate	Q3 Plan Adj. Index Rate	Q4 Plan Adj. Index Rate	Medical & Rx	Dental & Vision	Aggregate Trend	
1	Catastrophic PPO 7900/075	100.0%	2,609	New	8279SPA014	8279SPA0140001	Off Exchange	Catastrophic	60.0%	53.4%	1.02	1.55	PPO	Catastrophic PPO 7900/075	7900	Combined	Embedded	Embedded	\$420.29	\$420.29					10.91%	3.0%	10.65%

Capital Advantage Insurance Company
 Individual Rates
 Effective 1/1/2019
 Rating Factors

Age Factors

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

Region



Region	Factor
6	1.00
7	1.03
9	1.08

Network	Factor
PPO	1.00

Benefit Plans														Base Rates				Annual Total								
#	Combo Description	Projected Membership	Proj MM	New or Existing	Product ID	Plan ID	On/Off Exchange	Metad Level	Metad Value	Pricing Value	Index of Demand	Product	Medical Plan Description	Deductible	Drug Plan Desc	Pediatric Dental	Pediatric Vision	Medical - Rx	Medical	Rx	Pediatric Dental	Pediatric Vision	Total	Medical & Rx	Dental & Vision	
1	Catastrophic PPO 7900/0/75	100.0%	2,609	New	82790P0014	82790P0010001	Off Exchange	Catastrophic	60.0%	53.8%	1.55	PPO	Catastrophic PPO 7900/0/75	7900	Continued	Embedded	Embedded	\$250.25	\$208.21	\$48.04	\$0.00	\$0.00	\$0.00	\$250.25	\$208.21	\$48.04

**Capital Advantage Insurance Company
Individual Rates
Effective 1/1/2019
Regional Analysis**

Results

<u>Region</u>	<u>DemoUnits</u>	<u>MemberMonths</u>	<u>AdjustedPaid</u>	<u>AllowedAmount</u>	<u>Adjusted Allowed</u>	<u>Allowed PMPM</u>	<u>Demo</u>	<u>Relative Demo</u>	<u>Normalized Allowed</u>	<u>Relative Value Normalized</u>	<u>Rating Factor</u>
6	368,356	296,531	90,261,766	107,236,316	116,957,368	394.42	1.2422	1.00	393.16	-3.2%	1.00
7	362,378	294,970	89,289,240	107,114,203	118,932,154	403.20	1.2285	0.99	406.39	0.1%	1.03
9	248,747	199,516	64,263,901	75,473,210	85,405,208	428.06	1.2468	1.01	425.14	4.7%	1.08
						406.18	1.24	1.00	406.16	0.0%	

Data - Claims and Enrollment for 12 Months Ending December 2016 and Hospital and Physician Contracting thru 2018

<u>Region</u>	<u>Group County Name</u>	<u>DemoUnits</u>	<u>MemberMonths</u>	<u>AdjustedPaid</u>	<u>AllowedAmount</u>	<u>Contracted Increase</u>	<u>Adjusted Allowed</u>	<u>Allowed PMPM w Increase</u>	<u>Demo</u>	<u>Relative Demo</u>	<u>Normalized Allowed</u>	<u>Relative Value Normalized</u>
Total		979,481	791,017	243,814,906	289,823,729	1.11	321,294,730	366.39	1.2383	1.00	405.98	
7	ADAMS	13,679	10,443	3,394,184	3,973,174	1.14	4,512,605	432.12	1.3099	1.06	408.48	100.6%
7	BERKS	125,887	100,900	32,916,422	39,021,187	1.10	43,051,624	426.68	1.2476	1.01	423.47	104.3%
6	CENTRE	19,922	17,590	5,658,648	6,477,963	1.10	7,109,452	404.18	1.1326	0.91	441.89	108.8%
6	COLUMBIA	5,415	4,139	1,163,209	1,406,248	1.11	1,555,268	375.76	1.3082	1.06	355.67	87.6%
9	CUMBERLAND	74,534	61,189	19,135,213	22,553,892	1.11	25,078,821	409.86	1.2181	0.98	416.64	102.6%
9	DAUPHIN	95,161	75,619	26,105,853	30,417,196	1.13	34,369,550	454.51	1.2584	1.02	447.22	110.2%
9	FRANKLIN	39,366	31,689	8,899,778	10,555,168	1.15	12,097,676	381.76	1.2423	1.00	380.53	93.7%
9	FULTON	4,396	3,536	1,268,027	1,403,703	1.16	1,624,041	459.29	1.2431	1.00	457.49	112.7%
9	JUNIATA	2,419	1,763	1,007,291	1,112,588	1.03	1,145,491	649.74	1.3721	1.11	586.35	144.4%
7	LANCASTER	135,437	114,895	31,644,795	38,454,128	1.10	42,405,854	369.08	1.1788	0.95	387.70	95.5%
9	LEBANON	28,061	22,155	6,645,000	8,007,213	1.20	9,624,084	434.40	1.2666	1.02	424.68	104.6%
6	LEHIGH	155,388	125,195	36,288,278	43,695,605	1.09	47,444,604	378.97	1.2412	1.00	378.08	93.1%
6	MIFFLIN	4,933	4,057	1,125,642	1,281,771	1.11	1,420,226	350.07	1.2159	0.98	356.51	87.8%
6	MONTOUR	1,354	1,070	523,520	606,126	1.12	680,642	636.11	1.2650	1.02	622.65	153.4%
6	NORTHAMPTON	122,092	97,609	28,885,496	34,516,080	1.09	37,718,646	386.43	1.2508	1.01	382.54	94.2%
6	NORTHUMBERLAND	12,764	9,899	4,070,566	4,622,745	1.10	5,093,158	514.51	1.2894	1.04	494.09	121.7%
9	PERRY	4,810	3,565	1,202,738	1,423,449	1.03	1,465,544	411.09	1.3492	1.09	377.29	92.9%
6	SCHUYLKILL	34,409	27,296	9,431,239	11,009,074	1.10	12,089,177	442.89	1.2606	1.02	435.04	107.2%
6	SNYDER	7,182	5,779	2,054,579	2,351,995	1.03	2,421,549	419.03	1.2427	1.00	417.51	102.8%
6	UNION	4,898	3,897	1,060,590	1,268,710	1.12	1,424,644	365.57	1.2570	1.02	360.13	88.7%
7	YORK	87,375	68,732	21,333,839	25,665,715	1.13	28,962,071	421.38	1.2712	1.03	410.44	101.1%



June 22, 2018

██████████, 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
Individual Rates
Filing No 18-13
TOI Code: H15I Individual Health – Hospital/Surgical/Medical Expense
Sub-TOI Code: H15I.001 - Hospital/Surgical/Medical Expense
Filing Type: Rate**

Dear ██████████:

CAIC received an objection letter from the Department dated June 15, 2018. CAIC is providing the following in response to the objection letter:

- Q&A written response
- Q&A exhibits
- Correction to List-Billed data file
- Correction to Actuarial Memo – correction to 2017 rate SERFF filing number
- Correction to Memo Exhibits:
 - Exhibit E – Trend
 - Exhibit F – URRT, morbidity factor
 - Exhibit G – Paid to Allowed Ratio Development, paid-to-allowed ratio
 - Exhibit L – Rate Development, induced demand factor
 - PA Rate Template Part II, morbidity factor, paid-to-allowed ratio
 - Table 10 Plan Rates, induced demand factor
- Correction to URRT, morbidity factor, credibility manual data (matches Exhibit F), paid-to-allowed ratio

These changes do not impact rates.

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

Harrisburg, PA 17177 | capbluecross.com

Sincerely,

[REDACTED]

[REDACTED], ASA, MAAA
Manager, Actuarial Services
Capital BlueCross

Enclosures

cc: [REDACTED], FSA, MAAA, Senior Director, Actuarial Services
[REDACTED], ASA, MAAA, Vice President and Chief Actuary, Actuarial Services
[REDACTED], Corporate Counsel

CAPITAL ADVANTAGE INSURANCE COMPANY, INC.

Question and Answer Individual Rates Effective January 1, 2019

With this response, please find corresponding Q&A Exhibits in Ind_18-13_Initial_CAIC_PPO_Q&AExhibits1_Supporting_20180622.xlsx

Question 1. Please answer the following questions regarding the trend factors used (tab “Exhibit E_Trend”):

- a. The leveraging calculation assumes all member cost sharing is static (“Fixed Cost Share” column on tab “Exhibit E1_Lever”), but all plans have benefits which are subject to the deductible and/or coinsurance which would increase, to some extent, with allowed costs. Please explain why you think it is appropriate to assume all cost sharing is static.
- b. The leveraging calculation in “ExhibitE1_Lever” assumes allowed cost sharing is 5.5%. However, in the Raw Trends shown in “Exhibit E_Trend” none of the service categories have trends that high, and the weighted average, including drug but not dental/vision, appears to be closer to 5.4%. Please provide an explanation for why you used 5.5% in the calculation and a quantitative build-up of the 5.5% if it is not changing.
- c. The leveraging calculation in “ExhibitE1_Lever” compares projected paid costs by month to a plan with zero cost sharing (essentially an allowed amount since there is no cost sharing). However, it does not appear as if induced utilization is accounted for in the calculation. Based on the HHS curve, a zero cost sharing plan (1.00 AV) would have 24% higher utilization and, as a result, 24% higher allowed costs than a bronze plan (0.60 AV). Please provide an explanation for why induced utilization is not accounted for in the calculation.
- d. Please provide a quantitative buildup of the “leveraging adjustment” for the drug trend.
- e. Please provide a quantitative buildup of the “pipeline adjustment” for the drug trend and describe the adjustment and why it is necessary.
- f. Please explain the following regarding the dental and vision trends:
 - i. Please provide an explanation on the development of the final cost and utilization trends shown in cells B14 and C14 of the “Exhibit E_Trend” tab.
 - ii. Please provide an explanation on how the composite factor shown in cell C31 relates to the raw trends in cells B31 and C31.
- g. The final trends shown in cells B8:C14 tie to the trends on WS1 of the URRT as well as the rate development on tab “II Rate Development & Change.” These trends are applied to allowed claims. Please explain why you think it is necessary to make an adjustment to account for paid claim trend leveraging when trending allowed claims forward.
- h. Please provide an explanation and quantitative buildup of the induced demand adjustment. Include an explanation regarding how the higher utilization and, as a result, higher paid costs are accounted for in the calculation of the leveraging factor.

Answer 1.

- a. While, in some cases, the amount the consumer pays out of pocket increases as allowed claims increase, the consumer-paid percentage-of-total decreases due to fixed dollar cost-sharing such as deductible and copayments. For a member with a \$2,000 deductible, incurring \$1000 in allowed claims year 1 and \$1100 in year 2 (10% allowed trend, for example), their cost-sharing increased, and they paid 100% of allowed claims in both years. But if that same member incurred \$5,000 in allowed claims year 1 (paid \$2,000 in deductible), and \$5,500 year 2, the insurer's paid trend is $3,500/3,000 - 1 = 17\%$, and the member's out-of-pocket trend is 0%. This is because the member's percentage-of-total out-of-pocket expenses decrease when fixed deductibles and copays apply. The leveraging calculation factors in all scenarios, showing the average impact of cost-sharing on a large population, measuring in aggregate how paid claims rise faster than allowed as the insurer percentage-of-total claims rises over time.
- b. For this example, 5.5% allowed trend is used because it falls within the range of reasonable allowed trends. This small group filing is requesting a lower than average trend due to competitive pressures. While the raw trend shows 5.3%, induced demand drives that trend up 3 points.
- c. This calculation uses CBC's internal manual cost model to determine benefit relativities. While this model accounts for induced utilization as cost-sharing decreases, it does not use the same assumptions as the AV calculator.
- d. For Individual business, medical and Rx deductible are combined, and the average AV is Silver (approx. \$5,000 deductible on average). These larger deductibles applied to Rx creates leveraging values between 2% and 4%. Please see Q&A Exhibit 1 for a comparison of paid and allowed trends by market segment. While Individual historical trends do not reflect pricing trend (the high trend is attributable to a changes in morbidity), the difference between paid and allowed is 3%, attributable to leveraging.
- e. The pipeline adjustment is used to account for new drugs expected to enter the market in 2019. Since these drugs are new, their cost is not accounted for in the BEP. CBC has compiled pipeline reports from our PBM and Specialty Rx vendor to quantify which drugs could potentially be entering the market in 2019. While there are many unknowns as to which drugs will become available and utilization of those drugs, through this process, the group decided to apply 1% pipeline to the group market. For the individual market, it is reasonable to assume a higher pipeline adjustment due to higher specialty trend (the vast majority of pipeline drugs are specialty – low incidence, high cost). Please see Q&A Exhibit 2 for specialty trend by market segment.
- f.
 - i. We applied standard pricing trend to dental and vision. Because Individual and Small Group enrollment has fluctuated, and embedded pediatric dental and vision coverage is fairly new to the market, it is difficult to estimate changes in utilization and mix of services. Due to these factors, 3% pricing trend is applied to these components.
 - ii. The composite dental and vision trend is not correct. It is being corrected with this submission.

- g. While it is not necessary to apply paid trends to allowed claims, the format of the exhibits makes it preferable to do so. If I apply allowed trends to allowed claims, and paid trends to paid claims, the final proposed rates do not change, only the paid-to-allowed ratio changes.
- h. Induced Utilization: Induced utilization is CBC's best estimate for increased utilization in the individual market due to unknown future regulatory changes. CBC predicts that consumers will use more services in 2019 due to unknown coverage status in 2020. Association Health Plans also play a role in driving out healthier individuals from the ACA-compliant market, resulting in higher utilization trends over time. While induced utilization is not explicitly included in the leveraging calculation, it is reasonable to assume that induced utilization could further drive leveraging (paid costs).

Question 2. Please provide a quantitative build-up of the 0.500 catastrophic plan factor. In addition, please provide an explanation for how the catastrophic adjustment factor is not being double-counted in the development of the morbidity factor ("Exhibit F_URRT") and the separate application of the catastrophic adjustment factor ("III Plan Rates").

Answer 2. Please see Q&A Exhibit 4 for the catastrophic plan factor calculation. I agree that the catastrophic factor applied to the URRT allowed claims and again applied in III Plan Rates double-counts this factor. Projected claims are correct, but the double application of the catastrophic factor is driving up the induced utilization factor. With this submission, changes are being made to remove the catastrophic adjustment from Exhibit F_URRT and adjust the induced utilization factor. This also requires changes to the URRT. Final rates are not impacted.

Question 3. Please provide quantitative and qualitative support for the network factor on the "III Plan Rates" tab.

Answer 3. The network factor accounts for the difference between an HMO managed care plan with no out-of-network coverage and a PPO. CAIC is using KHPC HMO experience to rate its catastrophic plan. While membership and benefit characteristics should be similar between the two companies, network differs. KHPC assumes 2% claim reduction to the medical portion of the premium for these managed care attributes. Medical claims account for about 80% of the premium, for a total of 1.6% (0.8×0.02) claims reduction. Normalizing claims to a PPO network, the factor is $1 / (1 - 0.02 \times 0.8) = 1.016$.

Question 4. Please provide an explanation for why it is appropriate to use the 2017 risk adjustment results from Keystone Health Plan Central (KHPC) as the starting point in the risk adjustment calculation for Capital Advantage Insurance Company (CAIC). CAIC will only have a catastrophic plan in the projection period, which is in a separate risk pool for risk adjustment calculation purposes. KHPC had both a bronze plan and catastrophic plan in the 2017 calculation with the majority of its membership in the Bronze plan.

Answer 4. I applied KHPC RA estimates to CAIC because KHPC data is used to rate CAIC. Also, in order to keep rate development consistent across like benefits (same Catastrophic benefit

design is offered in CAIC and KHPC), it is reasonable to start with KHPC data, adjust for KHPC-specific RA, and apply the same catastrophic adjustment to the like-plans.

Question 5. Please provide an explanation for the why the “Benefit Richness (induced demand)” information in column L of the “III Plan Rates” tab does not result in a weighted average factor of 1.0 as directed in the Rate Filing Guidance.

Answer 5. The induced demand factor is designed to adjust the AV and Cost-Sharing factors so that, in aggregate, they equate to the Paid-to-Allowed ratio. In this filing, the AV and Cost-Sharing factors aggregate to 0.53. But the Paid-to-Allowed ratio is 0.73. The induced demand factor of 2.74 is applied to 0.53 to bring claims up to 0.73 level. $0.53 \times 2.74 = 0.73$. So projected claims by plan aggregate to equal projected claims calculated in total. Projected claims were not increased by applying induced demand (impact of 1.0), which is demonstrated in the fact that projected claims = [allowed claims] x [average AV and cost-sharing factor] x [average induced demand]. This is demonstrated in Table B.

Question 6. Please review and update your calculation of the “List-Billed Adjustment for Max 3 Children” as the work provided has factors in column N which are different than those in column M even when there are 3 or fewer children (e.g., rows 8 and 612).

Answer 6. The List-Billed Adjustment for Max 3 Children file has been corrected with this response.

Question 7. The Federal Income Tax in “Exhibit H_Ret” is calculated as a subset of the Contingency amount (21% of the 2% Contingency). However, it is included in the rate development as an amount in addition to the 2% Contingency amount. Please provide an explanation as to why this approach is appropriate and does not double-count the impact of Federal Income Tax.

Answer 7. Please see Q&A Exhibit 3 for an example of how federal income tax and contingency are applied to establish a net contingency (net of taxes) that is still less than 2%. The example shows a premium build with and without federal income tax applied. While federal income tax is applied “below the line” or to operating margin, creating a circular calculation, the goal in the premium build is to apply an assumption that accounts for this item. In the first calculation, net contingency falls to 1.58%. The second calculation results in a net contingency of 1.91%, closer to the 2% goal.

Question 8. Each response to a Department data call must contain a cover letter that details the changes made to the PA Actuarial Memorandum Exhibits and the reasons why the changes were made, e.g., in response to Department question number 5.

Answer 8. A cover letter is being provided with this response.

Question 9. Please confirm that you have tested to ensure that the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

Answer 9. I confirm that I have tested to ensure the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

Question 10. Page 2 of the actuarial memo list a SERFF number for the rate filing effective 1/1/2017 that is incorrect. The SERFF number references a form filing. Please correct this.

Answer 10. Changes have been made to the actuarial memo.

Question 11. In the 2019 Guidance published on the Department's website, the Department required that all issuers file uniform factors for the Individual Adjustment of 1.06 and the CSR Defunding Adjustment of 1.28. In addition, the Department indicated that as the rate review process moves forward and federal healthcare reform efforts are clarified, the Department would consider issuer specific requests. We can now advise that the aforementioned factors of 1.06 for the Individual Adjustment and 1.28 for CSR Defunding Adjustment constitute ceilings. If your company desires lower adjustments than those stated in the Department's 2019 Guidance, you may provide updated materials (PA Actuarial Memorandum and Exhibits, Part III Actuarial Memorandum, Part I URRT and corresponding rate tables – State and Federal) and justification for the lower Adjustment factor(s) with your first round response due June 22, 2018. The Department will not consider adjustment factors greater than those stated in the 2019 Guidance.

Answer 11. CAIC will continue to apply the recommended factors. No changes are being made.

Capital Advantage Insurance Company
Individual Rates
Q&A Exhibit 1
Rx Leveraging

Individual

All Drugs

	12 Months Ending 201703			12 Months Ending 201803			Trend		
	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM
Allowed	367,433	\$ 2.91	\$ 89.03	438,934	\$ 3.18	\$ 116.31	19.5%	9.4%	30.6%
Paid			\$ 70.43			\$ 94.00			33.5%

SmallGroup

All Drugs

	12 Months Ending 201703			12 Months Ending 201803			Trend		
	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM
Allowed	355,574	\$ 3.20	\$ 94.86	352,476	\$ 3.46	\$ 101.63	-0.9%	8.1%	7.1%
Paid			\$ 78.90			\$ 86.05			9.1%

Capital Advantage Insurance Company
Individual Rates
Q&A Exhibit 2
Specialty Trend Considerations for Pipeline Adjustment

Individual

Specialty Drugs

	12 Months Ending 201703			12 Months Ending 201803			Trend		
	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM
Allowed	1,852	\$ 251.86	\$ 38.86	2,831	\$ 236.69	\$ 55.83	52.9%	-6.0%	43.7%
Paid			\$ 36.39			\$ 94.97			161.0%

SmallGroup

Specialty Drugs

	12 Months Ending 201703			12 Months Ending 201803			Trend		
	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM	Days/1000	Cost/Day	PMPM
Allowed	1,900	\$ 208.53	\$ 33.02	2,197	\$ 223.00	\$ 40.83	15.6%	6.9%	23.7%
Paid			\$ 31.64			\$ 38.76			22.5%

Capital Advantage Insurance Company
Individual Rates
Q&A Exhibit 3
Federal Income Tax and Contingency Examples

<u>Item</u>	<u>Without Fed Income Tax</u>	<u>With Fed Income Tax</u>
Claims	\$350.00	\$350.00
Admin	\$35.00	\$35.00
Contingency	2%	2%
Federal Taxes	0%	0.4%
Premium	\$392.86	\$394.55
Expected Profit	\$7.86	\$9.55
Federal Taxes	\$1.65	\$2.01
Profit Net Taxes	\$6.21	\$7.54
Net Contingency*	1.58%	1.91%

*Net Contingency is below 2% in both calculations, but adding an assumption for federal income tax increases contingency closer to the 2% goal.

Capital Advantage Insurance Company
Individual Rates
Q&A Exhibit 4
Catastrophic Adjustment

<u>HIOS</u>	<u>Metal Level</u>	2017 Experience		<u>Allowed PMPM</u>	<u>Avg Age</u>	<u>Age Factor</u>	<u>Normalized Allowed*</u>
		<u>MemberMonths</u>	<u>Allowed</u>				
53789PA0100008	Bronze	24,275	\$8,261,212	\$340.32	43	1.357	\$250.79
53789PA0100004	Catastrophic	8,616	\$1,145,960	\$133.00	24	1.000	\$133.00
Calculated Catastrophic Fact	0.53						
Applied in Rating	0.5						

*Normalized for Age



July 13, 2018

██████████, 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**
Individual Rates
Filing No 18-13
TOI Code: H15I Individual Health – Hospital/Surgical/Medical Expense
Sub-TOI Code: H15I.001 - Hospital/Surgical/Medical Expense
Filing Type: Rate

Dear ██████████:

CAIC received an objection letter from the Department dated July 6, 2018. CAIC is providing the following in response to the objection letter:

- Q&A written response
- Q&A exhibits
- Correction to list-billed portion of the age calibration, Memo Exhibits, Exhibit N Calibration
- Correction and modification to Memo Exhibits, Exhibit E – Trend
 - Correction to displayed dental and vision trend
 - Modification to leveraging adjustment, which impacts overall trend
- Updated rates based on trend and list-billed changes

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

Sincerely,

██████████

██████████, ASA, MAAA
Manager, Actuarial Services
Capital BlueCross

Harrisburg, PA 17177 | capbluecross.com

Enclosures

cc: [REDACTED], FSA, MAAA, Senior Director, Actuarial Services
[REDACTED], ASA, MAAA, Vice President and Chief Actuary, Actuarial Services
[REDACTED], Corporate Counsel

CAPITAL ADVANTAGE INSURANCE COMPANY, INC.

Question and Answer Individual Rates Effective January 1, 2019

With this response, please find corresponding Q&A Exhibits in Ind_18-13_Initial_CAIC_PPO_Q&AExhibits2_Supporting_20180716.xlsx

Questions from Actuarial Consultant:

Question 1. In response to Question 1a you state the leveraging calculation represents the “average impact of cost sharing on a large population.” This calculation assumes zero increase to member cost sharing from year to year. Your explanation indicates some members may see no change to their cost sharing (members with allowed claims over the deductible in your example) and some members would see increases to their cost sharing (members with allowed claims under the deductible in your example). Please provide quantitative support for the assumption that there is no change to the average member cost sharing percentage as that would assume all members had allowed claims above their deductible amount.

Answer 1. In reviewing the calculation, I see how the fixed cost sharing column did not account for member cost share increases as allowed claims increase. Exhibit E1_Lever has been updated to account for trend in member cost share. The assumption is that 20% of members see increase in their cost sharing due to allowed trend, or $5.5\% \times 0.2 = 1.1\%$ annual trend. With this change, leveraging is reduced from 4.5% to 3.6%.

Question 2. In response to Question 1b you state induced demand drives raw trend up by 3 points. The induced demand shown on the “Exhibit E_Trend” tab only shows induced demand at 1%. Please explain this discrepancy.

Answer 2. The response to Question 1b mistakenly said 3% for induced demand. Induced demand does account for 1%.

Question 3. In response to Question 1c you state your “model accounts for induced utilization as cost-sharing decreases.” However, in your calculation of the “Implied AV” on the “Exhibit E1_Lever” tab, the paid PMPM amount is always divided by the allowed amount for a plan with no cost sharing. This calculation does not appear to account for the lower allowed amount which would occur for leaner plans because of induced utilization. Please provide quantitative support for how the “Implied AV” amounts account for induced utilization when compared to a plan with no cost sharing or update the calculation accordingly if they currently do not.

Answer 3. In reviewing the calculation, induced utilization is not explicitly shown, as the allowed amount is static for all months. While Exhibit E1_Lever originally showed several months of data, the calculation only uses the most current month (201803). So to simplify the exhibit, I’ve removed the months prior to 201803. The implied AVs (developed in conjunction with the Zero

Cost Share Manual rate) for that month are correct. The new exhibit also incorporates an annual increase in member cost share, as noted above.

Question 4. In response to Question 1f you updated the total composite trend for Dental and Vision to be 3%. It appears cost trend and utilization trend are still not consistent between rows 31 and 14 of the 'Exhibit E_Trend' tab. Please provide an explanation for which is the correct assumption and please ensure all other pricing and documentation files match, as this could have a slight impact on final rates.

Answer 4. With this submission, Exhibit E_Trend has been corrected to be consistent between rows 31 and 14.

Question 5. The Individual Adjustment factor prescribed by the Pennsylvania Insurance Department is a maximum of 1.06 and includes the impact of the \$0 individual mandate penalty, association health plans, and short term limited duration policies. In response to Question 1h you state the induced utilization factor includes the impact of "unknown future regulatory changes" and association health plans. Please remove the portion of the induced utilization factor caused by those two items as they are prescribed to be included in the 1.06 morbidity factor separately included in the rate development.

Answer 5. My response mistakenly quoted Association Health Plans as part of the induced demand trend factor. As for unknown future regulatory changes, the Department has mandated a factor of 1.06 for the impact of healthier individuals leaving the PPACA market due to dropped coverage, short term limited duration policies, or Association Health Plan. The Induced Demand trend factor of 1% is intended to account for increased utilization by existing members who are concerned about losing coverage due market sabotage or ACA regulation change. These are members that need Essential Health Benefits (EHBs) covered and are concerned about losing comprehensive coverage. They are likely to use more services in the upcoming year due to fear of losing coverage in 2020.

Question 6. In response to the corrected application of the catastrophic plan factor (Question 2), please explain how a change in allowed claims and induced utilization does not impact rates.

Answer 6. While the change impacted allowed claims, the original paid claim projection was correct. So the change impacted the paid-to-allowed ratio, leaving the projected market-adjusted index rate intact. This results in no change to rates.

Question 7. As a follow up to Question 4, please provide the projected 2017 KHPC risk adjustment results (member months and total transfer amount) separately for catastrophic and non-catastrophic plans. In addition, please provide support for how the fact that catastrophic plans being in a separate risk pool than non-catastrophic plans (i.e., different statewide average premium, risk score, and allowable rating factor) was accounted for in the development of the projected risk adjustment amount, which should reflect only catastrophic plans.

Answer 7. Please see Q&A Exhibit 1 for 2017 KHPC risk adjustment results split by catastrophic and non-catastrophic plans.

While Catastrophic plans are in a separate pool for risk adjustment, they are part of the single risk pool for rating, as specified in 45 CFR 156.80(a-c). As stated in the URRT instructions, page 8:

The Market-Wide Adjusted Index Rate is the Index Rate adjusted for Risk Adjustment and Exchange Fees (with impacts and costs spread across the whole risk pool). As a result, the Market-Wide Adjusted Index Rate should be the same value for ALL non-grandfathered plans for an issuer in a State and market.

So risk adjustment must be applied equally to all plans, both catastrophic and non-catastrophic. The catastrophic adjustment of 0.50 is then made at the Plan Adjusted Index rate level to account for differences in health status, as allowed by 45 CFR 156.80(d)(2).

Additionally, CAIC uses KHPC data for both Index Rate and Market Adjusted Index rate development, so developments between subsidiaries is consistent. It is a reasonable approach in order to keep similar benefits rated consistently between subsidiaries.

Question 8. Thank you for correcting the List-Billed Adjustment file. Please explain why this change did not have a resulting impact on rates.

Answer 8. With this submission, the filing has been updated to include the impact of the List-Billed factor change.

Questions from PID:

Question 1. Each response to a Department data call must contain a cover letter that details the changes made to the PA Actuarial Memorandum Exhibits and the reasons why the changes were made, e.g., in response to Department question number 5.

Answer 1. A cover letter is being provided with this response.

Question 2. Please confirm that you have tested to ensure that the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

Answer 2. I confirm that I have tested to ensure the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

Question 3. Responses to the second round of questions are due July 13, 2018. No modifications other than risk adjustment due to the Federal Risk Adjustment Report and Department requested changes will be accepted.

Answer 3. With this submission, only changes requested by the Department have been made.

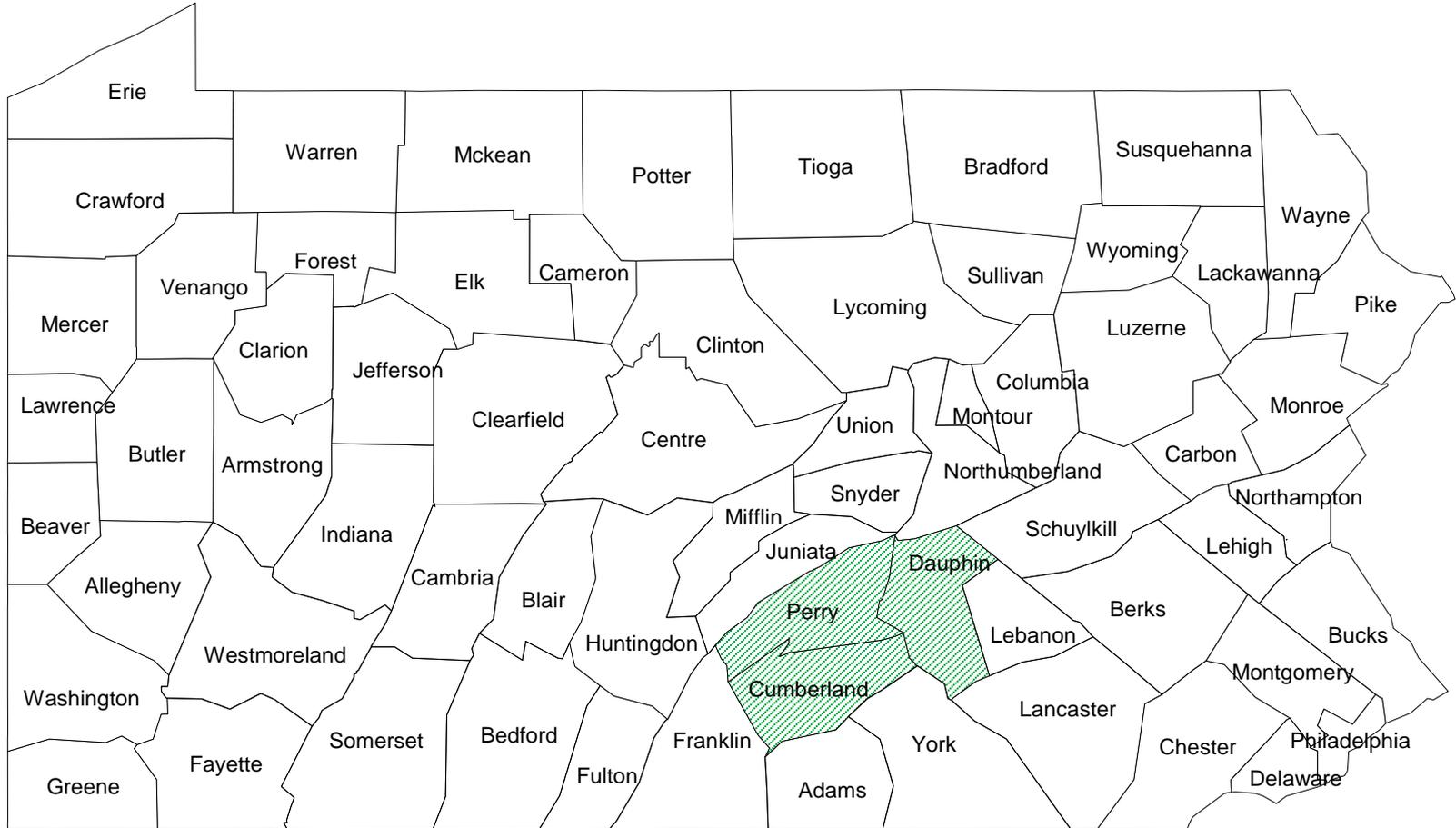
Capital Advantage Insurance Company
Individual Rates
Q&A Exhibit 1
Keystone Health Plan Central 2017 Risk Adjustment Results

<u>Market</u>	<u>Issuer</u>	<u>CBC Member Months</u>	<u>CBC PLRS</u>	<u>Statewide PLRS</u>	<u>Payment Transfer</u>
Individual	53789	24,387	0.8407	1.6620	-\$5,895,927
Catastrophic	53789	8,694	0.3721	0.3640	\$161,812

2018 Service Area

Issuer: 82795

Market: Individual



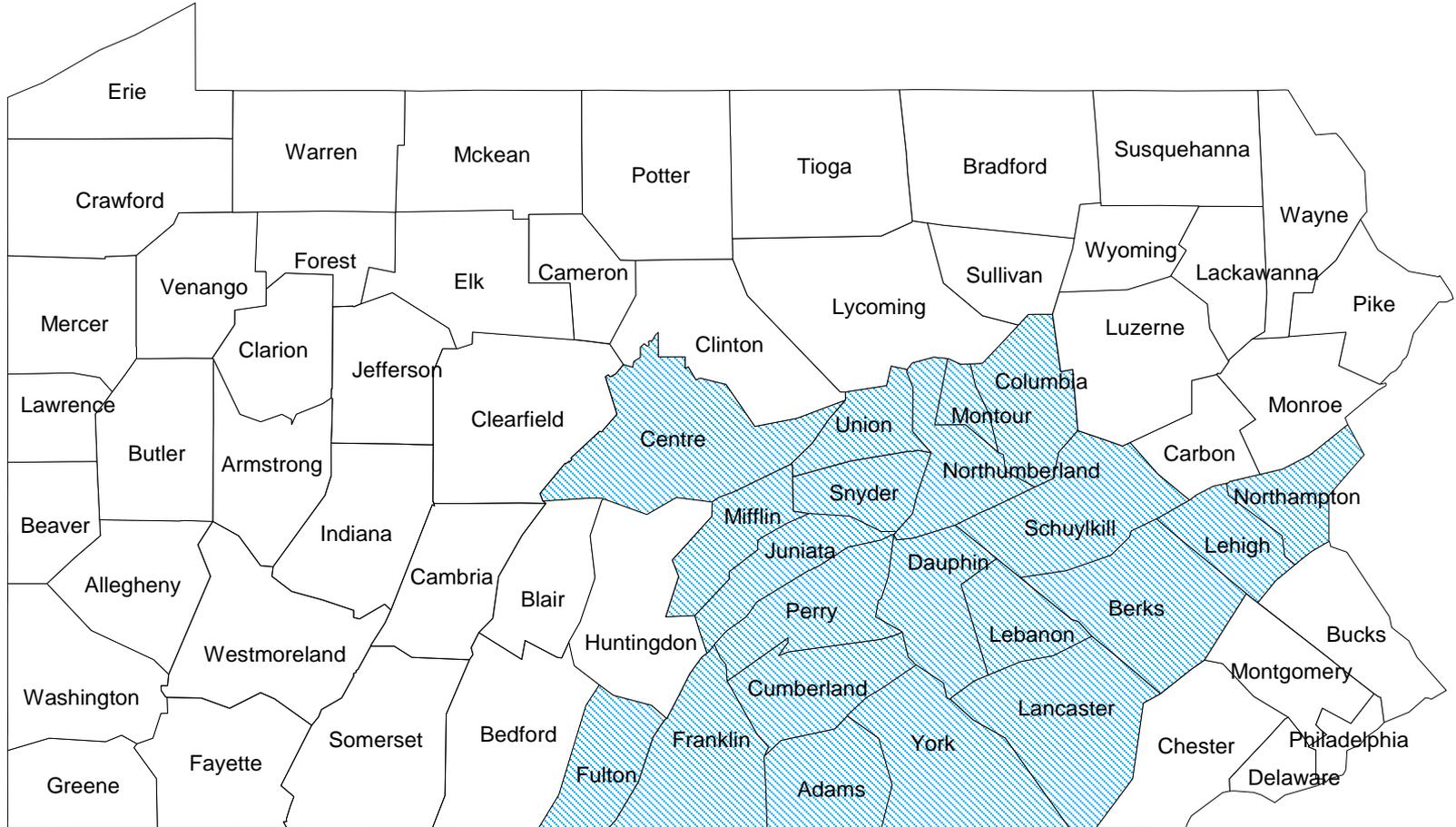
Key (*modify as needed*)

-  : 2018 on-exchange service area
-  : 2018 off-exchange only service area

2019 Service Area

Issuer: 82795

Market: Individual



Key (*modify as needed*)

-  : 2019 on-exchange service area
-  : 2019 off-exchange only service area