

<b>SERFF Tracking #:</b>	HGHM-131475736	<b>State Tracking #:</b>	INDIVIDUAL MEDICAL, HGHM-131475736, 376 ...	<b>Company Tracking #:</b>	1A-DP-18-FPLIC
<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	First Priority Life Insurance Company		
<b>TOI/Sub-TOI:</b>	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense				
<b>Product Name:</b>	1A-DP-18-FPLIC				
<b>Project Name/Number:</b>	1A-DP-18-FPLIC/1A-DP-18-FPLIC				

## Supporting Document Schedules

<b>Satisfied - Item:</b>	ACA Public Rate Filing PDF
<b>Comments:</b>	A redacted version of the rate filing is attached for public disclosure. Two files are required due to file size limitations.
<b>Attachment(s):</b>	1A-DP-18-FPLIC Public Rate Filing 071718 1 of 2.pdf 1A-DP-18-FPLIC Public Rate Filing 071718 2 of 2.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

May 21, 2018

Ms. Tracie Gray, Director  
Bureau of Life, Accident & Health Insurance  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: First Priority Life Insurance Company 2019 ACA Rate Filing (Individual Market)  
Filing # 1A-DP-18-FPLIC (SERFF # HGHM-131475736)

**This constitutes Notice pursuant to Section 707 of the Pennsylvania Right-to-Know Law that the attached First Priority Life Insurance Company (FPLIC) 2019 Individual Market Rate Filing contains Trade Secret and Confidential Proprietary Information. Therefore, FPLIC must, prior to the release of any portion of this Filing, be notified of any request by a third party for access to this Filing, and the Trade Secret and/or Confidential Proprietary Information identified by FPLIC should be redacted before release.**

Dear Ms. Gray:

This Filing includes the First Priority Life Insurance Company (“FPLIC”, “Company”) Individual Market rates and the supporting rate development for policies with effective dates on or after January 1, 2019.

**In the event the Department decides to publish this Filing in the PA Bulletin, the company information requested in the Department’s 2019 ACA-Compliant Health Insurance Rate Filing Guidance, Section B, is provided below:**

**Requested Company Information**

1. Company Name & NAIC #: **First Priority Life Insurance Company, NAIC # 60147**
2. Market: **Individual**
3. On or Off Exchange: **This filing reflects that FPLIC anticipates selling one plan off of the exchange.**
4. Effective date of coverage: **January 1, 2019**
5. Average rate change requested: **10.4% increase**

6. Range of rate change requested: **FPLIC will offer only one plan in 2019. The rate increase for this plan is 10.4%.**

7. Total additional annual revenue generated from the proposed rate change: **\$80,756**

8. Product(s): **PPO**

9. Rating Areas and the change from 2018: **Rating Area 3**

There are no changes in our covered Rating Areas from the 2018 rate filing, but the counties covered by the plan offering is changing. Please see the Plan Design Summary for details.

10. Metal Levels and Catastrophic Plans: This filing reflects that the Company anticipates selling the following Metal Levels in the indicated Market: **Bronze**

11. Current number of covered lives and of policyholders as of February 1, 2018: **376 covered lives; 274 policyholders**

12. Number of plans offered in 2019 and the change this represents from 2018: **1**

There are no changes in the plan offering from the 2018 rate filing.

Please note that inclusion of premium rates in this filing for a given offering should not be construed to mean that the offering will ultimately be made available for sale in the Market. Final offering decisions will be made consistent with and within the timelines set forth in CMS rules and/or ACA regulations.

13. Corresponding contract form #, SERFF and Binder ID#s: **The corresponding SERFF binder number is HGHM-PA19-125080798 affecting the following Company products and forms:**

Product Name / Type	Contract Form & SERFF#
my Blue Access	BA/PPO/FPLIC/DP; HGHM-131469439

14. HIOS Issuer ID # and submission tracking number: **HIOS Issuer ID #55957, Company Filing #1A-DP-18-FPLIC (SERFF Filing # HGHM-131475736)**

### **Additional Filing Disclosures**

The Company has submitted all Required Documents stipulated by the Department, including the federal documents related to this filing, in its SERFF submission. In addition to the Required Documents, the Company has submitted a Supplemental Exhibits file containing additional

detailed exhibits on items referenced in the PA Actuarial Memorandum. All tables, exhibits, and detail in support of this filing and the PA Actuarial Memorandum have been included in Excel format. To assist in the Department's review, the Excel files have retained their formulas to the extent possible.

CMS has instructed issuers that it no longer requires any interim changes to the URRT to be submitted to HIOS. CMS is requesting that only the initial URRT and the final URRT be submitted to HIOS.

### **Potential Changes to Federal Regulations**

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. In accordance with the Department's guidance, we have assumed that the ACA health insurance coverage mandate is eliminated and the CSR payments remain ceased for 2019. We have also included an assumed load for expected adverse selection due to the Short Term Limited Durational Insurance market expansion based on HHS recently proposed rule modifying federal requirements for this market.

Additional assumptions include that advance payment of premium credits (APTCs) will continue until the end of 2019, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2019. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, FPLIC reserves the right to submit a revised filing.

### **Request for Confidentiality**

Please note that the rates and the supporting rate development contained in this Filing are competitively sensitive, are not in the public domain, and constitute business confidential proprietary/trade secret information that would cause harm to the competitive position of FPLIC if disclosed to the public.

Public disclosure of any information contained in this Filing would allow FPLIC competitors to better understand or discover its confidential and proprietary rating, pricing and/or marketing practices, would undermine competition in the Individual market and could have negative consequences for the operation of FPLIC's business. Therefore, FPLIC asserts that this Filing, in its entirety, constitutes Trade Secret and Confidential Proprietary Information and should not be disclosed.

It is our understanding that the Department does not intend to publish the confidential & proprietary information contained in this Filing or to otherwise permit this Filing and its confidential information, other than the redacted information and final approved rates, to be disclosed or released.

Furthermore and pursuant to the Pennsylvania Right-to-Know Law ("RTKL"), FPLIC must be notified prior to release of information contained in this Filing and be given the opportunity to respond to requests for such information. Should the Department receive such request or require the release of information contained in this Filing for its own purposes, FPLIC asserts its right to release a redacted version of the Filing. In accordance with the RTKL, please contact the FPLIC RTKL representative identified below prior to release of any information contained in this Filing:

Lisa Martinelli, Esq.  
RTKL Representative  
VP Chief Privacy Officer  
Highmark Health  
120 Fifth Avenue, Suite 2114  
Pittsburgh, PA 15222

Furthermore, it should be noted that FPLIC is equally concerned that even if this information is released in aggregate form, it still may be easy to identify the carrier that submitted it.

Should you have any questions regarding the attached Filing, please feel free to contact me at (717) 302-2143 or via e-mail at: [jeffrey.scheib@highmark.com](mailto:jeffrey.scheib@highmark.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey Scheib', with a stylized, cursive script.

Jeffrey Scheib, ASA, MAAA  
Vice President, Actuarial Services  
Highmark Inc.

cc: Frank Haver  
Tija Hilton-Phillips, Esq.  
Kevin Luu  
William Sarniak



**BlueCross  
BlueShield**

First Priority Life

July 13, 2018

Ms. Tracie Gray, Director  
Bureau of Life, Accident & Health Insurance  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: First Priority Life Insurance Company 2019 ACA Rate Filing (Individual Market)  
Filing # 1A-DP-18-FPLIC (SERFF # HGHM-131475736)

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Dear Ms. Gray:

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**In the event the Department decides to publish this Filing in the PA Bulletin, the company information requested in the Department's 2019 ACA-Compliant Health Insurance Rate Filing Guidance, Section B, is provided below:**

**Requested Company Information**

1. Company Name & NAIC #: **First Priority Life Insurance Company, NAIC # 60147**
2. Market: **Individual**
3. On or Off Exchange: **This filing reflects that FPLIC anticipates selling one plan off of the exchange.**
4. Effective date of coverage: **January 1, 2019**
5. Average rate change requested: **8.6% increase**

6. Range of rate change requested: **FPLIC will offer only one plan in 2019. The rate increase for this plan is 8.6%.**

7. Total additional annual revenue generated from the proposed rate change: **\$66,434**

8. Product(s): **PPO**

9. Rating Areas and the change from 2018: **Rating Area 3**

There are no changes in our covered Rating Areas from the 2018 rate filing, but the counties covered by the plan offering is changing. Please see the Plan Design Summary for details.

10. Metal Levels and Catastrophic Plans: This filing reflects that the Company anticipates selling the following Metal Levels in the indicated Market: **Bronze**

11. Current number of covered lives and of policyholders as of February 1, 2018: **376 covered lives; 274 policyholders**

12. Number of plans offered in 2019 and the change this represents from 2018: **1**

There are no changes in the plan offering from the 2018 rate filing.

Please note that inclusion of premium rates in this filing for a given offering should not be construed to mean that the offering will ultimately be made available for sale in the Market. Final offering decisions will be made consistent with and within the timelines set forth in CMS rules and/or ACA regulations.

13. Corresponding contract form #, SERFF and Binder ID#s: **The corresponding SERFF binder number is HGHM-PA19-125080798 affecting the following Company products and forms:**

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14. HIOS Issuer ID # and submission tracking number: **HIOS Issuer ID #55957, Company Filing #1A-DP-18-FPLIC (SERFF Filing # HGHM-131475736)**

### **Additional Filing Disclosures**

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detailed exhibits on items referenced in the PA Actuarial Memorandum. All tables, exhibits, and detail in support of this filing and the PA Actuarial Memorandum have been included in Excel format. To assist in the Department's review, the Excel files have retained their formulas to the extent possible.

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### **Potential Changes to Federal Regulations**

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. In accordance with the Department's guidance, we have assumed that the ACA health insurance coverage mandate is eliminated and the CSR payments remain ceased for 2019. The company has chosen to remove the STLDI load from the rate development at this time, however, forthcoming guidance and the ongoing filing review process may make it necessary to revisit this assumption.

Additional assumptions include that advance payment of premium credits (APTCs) will continue until the end of 2019, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2019. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, FPLIC reserves the right to submit a revised filing.

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Lisa Martinelli, Esq.  
RTKL Representative  
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Should you have any questions regarding the attached Filing, please feel free to contact me at (717) 302-2143 or via e-mail at: [jeffrey.scheib@highmark.com](mailto:jeffrey.scheib@highmark.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Scheib", with a stylized, cursive script.

Jeffrey Scheib, ASA, MAAA  
Vice President, Actuarial Services  
Highmark Inc.

cc: Frank Haver  
Tija Hilton-Phillips, Esq.  
Kevin Luu  
William Sarniak

# Rate Change Summary

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## First Priority Life Insurance Company – Individual Plans

Rate request filing ID # 1A-DP-18-FPLIC (SERFF # HGHM-131475736) - 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:	8.6% <sup>1</sup>
Revised requested average rate change:	N/A <sup>1</sup>
Range of requested rate change:	8.6% to 8.6%
Effective date:	January 1, 2019
People impacted:	111
Available in:	3

### Key information

#### Jan. 2017-Dec. 2017 financial experience

Premiums	\$4,013,162
Claims	\$5,764,163
Administrative expenses	\$1,032,456
Taxes & fees	\$671,041
Company made (after taxes)	<b>(\$3,454,498)</b>

#### How it plans to spend your premium

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

Claims:	90%
Administrative:	8%
Taxes & fees:	2%
Profit:	0%

The company expects its annual medical costs to increase **9.5%**.

### Explanation of requested rate change

These premium rates are being set at a level that is required to adequately cover rising costs, primarily due to increasing medical and pharmacy services in the Individual market.

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<sup>1</sup> 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.

# Actuarial Memorandum

## 1. Basic Information and Data

### A. Company Information

The appropriate company information has been provided in Table 0.

### B. Rate History and Proposed Variations in Rate Changes

The three most recent rate changes in Pennsylvania for First Priority Life Insurance Company (FPLIC) are as follows:

Year	Avg. Increase	SERFF ID#
2018	12.2%	HGHM-131020586
2017	45.8%	HGHM-130536965
2016	21.5%	BCNP - 130071834

In 2016, increases varied by plan due to cost sharing alterations required to maintain federal AV levels as well as for updates to other pricing factors. In 2017 and 2018 the rate change was for the one Bronze plan.

The proposed 2019 increase is for the one Bronze plan and the plan level increase can be found in Table 10.

### C. Average Rate Change

The average rate changes as presented in the filing are:

- Table 10: 8.6%
- Table 11: 8.6%
- URRT Worksheet 1 Cell V45: 37.9%
- URRT Worksheet 1 Cell V46: 17.4%

The two values above from the URRT Worksheet 1 are changes in the projected average premium, which also includes the substantial impacts of changes in the distribution of members by plan, as well as changes in the covered population's average age and mix of members by rating area. They do not represent changes in premium rates for a fixed population from 2018 to 2019.

FPLIC feels that the best representation of the rate increase is the value from Table 10.

Worksheet 2 of the URRT also shows plan level rate changes. These values are used in the development of the average rate change shown in the Federal Part II Justification. A demonstration of this calculation is included in Attachment F. However, a Part II Justification is not required for this filing since the plan level increase is less than 15%.

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. In accordance with the Department's guidance, we have assumed that the ACA health insurance coverage mandate is eliminated (See Sections 2.A. below for a discussion on the impact). The company has chosen to remove the STLDI load from the rate development at this time, however, forthcoming guidance and the ongoing filing review process may make it necessary to revisit this assumption.

Additional assumptions include that advance payment of premium credits (APTCs) will continue until the end of 2019, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2019. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, FPLIC reserves the right to submit a revised filing.

#### **D. Membership Count**

Please see Table 1 for the average age, age breakdown, and total membership for the periods shown.

#### **E. Benefit/Cost Sharing Changes**

The sole Bronze plan is renewing with an update to the copays and out-of-pocket maximum to maintain regulatory compliance.

The screenshot from the HHS AV calculator, showing the plan benefits and the resulting actuarial value, can be found as a separate attachment within the *Supporting Documentation* section in SERFF. Also, the PA Plan Design Summary and Rate Tables along with the HIOS Plan ID can be found within the *Rate/Rule Schedule* section in SERFF.

#### **F. Experience Period Claims and Premium**

Please see Table 2 for the experience period data for the most recent calendar year. The experience period paid claims data represents the 2017 calendar year results for all policies in the single risk pool, with run out through February 2018. This data is consistent with the data reported in Section I of Worksheet I of the URRT.

The components of this exhibit were developed as follows:

- The Earned Premium represents actual revenues earned in the experience period.
- Incurred Claims represent claims paid by FPLIC net of expected CSR recoveries. Note that the URRT includes capitated services and is net of Rx Rebates. Those values are not included here as they are listed as separate items.
- The Allowed Claims represent our best estimate of the total claims prior to member cost sharing incurred during the experience period. The Allowed Claims include:
  - Two month of run out from the end of the experience period,

- Claims processed outside of the Company's claims system (e.g., claim settlement costs), and
- Our best estimate of claims incurred but not paid as of the end of the run out period.

Note that allowed claims in the URRT include capitation and are net of drug rebates. They are not included here as they are called out separately in the exhibit.

- Allowed Charges for non EHB services are included in column G. The amount of non EHB included is shown in column H.
- Prescription Drug Rebates are used to reduce the level of Incurred Claims in the experience period.
- Total EHB capitation includes amounts for the pediatric vision benefit (\$0.34 PMPM).
- The Estimated Risk Adjustment for the experience period represents our best estimate of the year end risk adjustment transfer payment that FPLIC will incur. This amount is developed based on an analysis of FPLIC data (risk scores as defined in the HHS Notice of Benefit and Payment Parameters, as well as other risk transfer formula components), and an estimate as to the Market-wide risk profile. This Market-wide risk profile is developed from available Market data, including prior years' risk adjustment transfer results, publicly available data (such as MLR reports), and outside expertise from actuarial consultants.

## **G. Credibility of Data**

The experience period data for FPLIC is large enough to be fully credible. The results are based 100% on the experience period data.

## **H. Trend Identification**

Table 3 identifies the annual medical and prescription drug allowed claims cost and utilization trends. The underlying total annual trend is 9.5%. Additionally, there is an induced utilization adjustment of 0.00% per year applied to reach the overall trend of 9.49% shown in Table 3 column G. The definitions of service categories, cost, and utilization in Table 3 are consistent with the URRT instructions. The numbers entered in the Cost and Utilization columns are consistent with those entered in Worksheet I, Section 2 of the URRT, except as noted below.

The cost trends presented in Table 3 reflect FPLIC's expectations regarding increases in in-network contractual reimbursement, as well as projected out-of-network costs. These estimates measure and normalize for benefit leverage, population aging, and historical changes for fee schedules, as well as company-wide utilization management programs, and external trend drivers.

The significant changes observed in the volume, demographics and morbidity of the ACA population from 2014 to 2017 yields component trends that are not directly applicable for trend analysis. The trend components in Table 3 therefore represent the same blended average for all types of service and are applied to the aggregate experience for pricing. Component data was not used in the development of the trend.

A separate regression study was developed by the FPLIC valuation team to analyze the ACA trend levels of continuously enrolled cohorts of ACA members in order to normalize for population change. That

continuous enrollment period covers a significant portion of both 2016 and 2017. The analysis took into consideration seasonality and adjusted for step changes that were included in the network factors in the two periods. Resulting r-squared levels were compared to determine confidence levels of the resulting regression trends to develop a reasonable range of trend assumptions.

The regression study resulted in a composite trend of 8.5%. This continuous enrollment approach addresses the unstable population concerns in the underlying ACA experience, but it does not reflect the impact of partial year population changes that are inherent to an individual market. The pricing trend was set at 9.5% in consideration of that factor. This trend level was deemed reasonable when compared to Highmark group business and industry available ACA data. These benchmarks include publicly available trend studies (e.g., Aon study focused on group business), along with trade association trend surveys received that include an individual market view.

## **I. Historical Experience**

Table 4 presents the most recent 48 months (4 calendar years) of FPLIC data with run-out through February 2018. This data was not used to develop the trend in Table 3. Please see Section H for further details.

## **2. Rate Development & Change**

### **A. Development of Projected Index Rate, Market-Adjusted Index Rate, & Total Allowed Claims**

The development of the Projected Index Rate, Projected Market-Adjusted Index Rate, and Projected Total Allowed Claims, shown in Table 5, closely follows that utilized in the development presented in Worksheet 1 of the URRT, a discussion of which can be found in the Part III Actuarial Memorandum submitted in the Rate Filing Justification. Some of the items separately identified in Table 5 include:

- The Change in Morbidity adjustment of 0.626 reflects the change in the population mix/claim levels from the experience period to the projection period. There are a few drivers of this factor. First, the geographic footprint of the plan offering is changing from 7 counties to 4 counties. Second, there were several events that occurred in the experience period which led to abnormally high claim levels which we do not expect to continue into the projection period. Finally, this factor also takes into consideration the effects of adverse selection inherent to guaranteed issue markets. The Individual ACA risk pool continues to have a significantly higher proportion of older members than the group business with a high prevalence of chronic conditions. This remains a national concern and questions the long-term viability of this guaranteed issue market which adds to the uncertainty of any future claim projections.

#### **Impact of Health Insurance Coverage Mandate Elimination**

In accordance with the Department's guidance, the morbidity factor was increased by 6.0% to reflect the market uncertainty from the elimination of the health insurance coverage mandate.

This deterioration is reflected in the filing by multiplying the original morbidity factor of 0.591 by 1.06 to arrive at a final morbidity factor of 0.626.

- The Change in Demographics adjustment of 1.110 reflects the change in age and geography factors we expect from the experience period to the projection period.
- There is no Change in Network adjustment.
- There is no Change in Benefits adjustment.
- The Change in Other adjustment of 0.994 reflects changes in pharmacy rebates and expected changes in hospital/physician settlements.
- Please see Attachments A and E for a more detailed calculation of these factors. These factors can also be found in the accompanying spreadsheet.

The (\$31.76) Risk Adjustment assumption in cell C31 represents our best estimate of the year end risk adjustment transfer payment for FPLIC as developed in Attachment B adjusted for the (\$0.15) PMPM risk adjustment user fee. This amount is developed based on an analysis of FPLIC data (risk scores as defined in the HHS Notice of Benefit and Payment Parameters, as well as other risk transfer formula components), and an estimate as to the Market-wide risk profile. This Market-wide risk profile is developed from available Market data, including prior years' risk adjustment transfer results, publicly available data (such as MLR reports), and outside expertise from actuarial consultants.

The development of the projected *gross* risk adjustment assumption of (\$31.61) PMPM is shown in Attachment B as well as the attached spreadsheet. Our expected *gross* payable of (\$31.61) reflects that we anticipate FPLIC's average risk score (net of allowable rating factors) to be lower than the statewide average.

## **B. Retention Items**

Table 6 has been completed with the requested retention elements for the proposed rates for the rating period. The amounts presented separately sum to the total administrative expenses and taxes and fees presented in the rate development. Administrative costs reflect internal costs that the FPLIC is projected to incur in the projected experience period, and are developed from standard expense allocation methods. Agent/broker fees and commissions reflect our anticipated costs for these items in the experience period.

Note the following regarding plan level retention items:

- The Profit/Contingency for all plans is set to 0%.
- The administrative expenses do not vary by plan.
- 2% Pennsylvania Premium Tax was included.
- The \$0.16 PMPM PCORI fee was factored into the administrative expense percentage of premium.
- Expenses for Quality Improvement Initiatives are 0.54%.

FPLIC has voluntarily refrained from adding a risk and contingency factor in this filing. By this voluntary action, FPLIC is not waving any right to include a risk and contingency factor which FPLIC believes is consistent with historical and legal interpretations of FPLIC and the Pennsylvania Insurance Department.

The proposed rate development assumes an average broker commission of \$0 for 2018. A schedule of the current broker commission amounts is included in Attachment D.

### **C. Normalized Market-Adjusted Projected Allowed Total Claims**

The normalization factors presented in Table 7 are each determined from the underlying membership demographics expected in the projected rating period. The 2018 values are pulled from the prior year's filing, while the 2019 values represent our projection for 2019 assumed in the 2019 rate development.

### **D. Components of Rate Change**

Table 8 presents the components of change in the proposed 2019 Calibrated Plan Adjusted Index Rate (PMPM). Cell C72 is populated with the base period allowed charges found in the 2018 plan year rate filing (\$536.44).

Table 9 presents the data elements supporting the calculations in Table 8. Note the following differences between the Table 9 values and the URRT values:

- Taxes and Fees shown in Table 9 differ from the Taxes and Fees from the URRT as Table 9 shows the Exchange User Fee as a separate line item. In the URRT the Exchange User Fee is included in the Taxes and Fees line item.

The 2018 values are populated using the 2018 filed factors adjusted for the membership mix as of February 1, 2018.

## **3. Plan Rate Development**

Table 10 shows the plan rate development for 2019. This table shows the plans that FPLIC intends to offer in 2019, as well as all plans offered in 2018 portfolio. The calibrated plan adjusted index rates for 2018 are calculated according to the instructions. The 2019 rating factors are consistent with the factors found in Exhibit II of the Part III URRT memorandum with the pricing effect further broken out into pricing AV and benefit richness. Admin effect is broken into admin costs, taxes and fees, and profit or contingency.

The benefit richness factors in column L are populated with the factors found in Attachment C. The table in Attachment C can also be found in the attached spreadsheet. The derivation of the AV and Cost Sharing factors can also be found in Attachment C. The values in column 8 of the attachment represent the pure induced utilization for each plan. FPLIC's utilization factors are consistent with those used in the Federal Risk Adjustment program. Each plan's factor was then normalized by the average utilization factor. The average is a weighted average using projected membership as the weight. After normalization the average factor as shown in attachment C is 1.000.



Note that the HHS Actuarial Value Calculator was unable to accommodate all of FPLIC's benefit designs. Plans needing certification are marked in column I of Table 10. Screen shots of all of the AV calculations and the appropriate certifications are included as a separate attachment within the *Supporting Documentation* section in SERFF.

Columns AG through AP are populated with the February 1, 2018 enrollment by 2019 plan and rating area.

#### **4. Plan Premium Development for 21-Year-Old Non-Tobacco User**

Table 11 presents FPLIC's 21-year-old non-tobacco premium in the Individual Market. As mentioned in Section 1.C above, the change in 21-year-old non-tobacco premium PMPM calculated in this table is 8.6%, which is consistent with the SERFF Rate Review Detail Screen "percent rate change requested".

#### **5. Plan Factors**

##### **A. Age and Tobacco Factors**

Please see Table 12 for FPLIC's age and tobacco factors.

##### **B. Geographic Factors**

Please see Table 13 for FPLIC's geographic factors. FPLIC's factors for the rating period are unchanged from the currently approved factors.

##### **C. Network Factors**

Please see Table 14 for FPLIC's network rating factors. The current factors represent the medical network adjustment factors from the prior approved rate filing. The projected factors are set to 1.000 since the effective medical network adjustments are now reflected in the claims experience.

##### **D. Service Area Composition**

The Plan Design Summary exhibit uploaded as a separate document contains the service areas related to this filing. As requested, service area maps are included.

#### **6. Actuarial Certifications**

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This filing is prepared on behalf of FPLIC to accompany its rate filing (for calendar year 2019) for the Individual Market on and off the Pennsylvania Exchange.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1) and 147.102),

- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient.

I certify that the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates. The allowable modifiers used to generate plan-level rates were:

- The actuarial value and cost-sharing design of the plan.
- The plan's provider network, delivery system characteristics, and utilization management practices.
- The benefits provided under the plan that are in addition to the essential health benefits. These estimated benefits were pooled with similar benefits within the single risk pool and the claims experience from those benefits was utilized to determine rate variations.
- Administrative costs, excluding Exchange user fees.

I certify that all factors, benefit and other changes from the prior approved filing have been disclosed in the 2019 PA Actuarial Memorandum Rate Exhibits.

I certify that the benefits included in FPLIC's plans are substantially equivalent to the Essential Health Benefits (EHBs) in the State of Pennsylvania's benchmark plans. I certify that any benefit substitutions are:

- Actuarially equivalent to the benefits being replaced,
- Are made within only the same essential health benefit category,
- Are based on a standardized plan population,
- Are determined regardless of cost-sharing,
- Are not prescription drug benefits, and
- Are based on an analysis performed in accordance with generally accepted actuarial principles and methodologies.

I certify that new plans are not considered modifications of existing plans (per the uniform modification standards in 45 CFR 147.106).

I certify that the AV Metal Values included in Table 10 were based entirely on the Federal AV Calculator or one of the approved alternative approaches.

I certify that the geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

I certify that the information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2019 Part II Rate Filing Justification.

A large black rectangular redaction box covering the signature area.A black rectangular redaction box covering the name of the certifier.

Title: Manager, Actuarial Services

Date: 07/13/2018

**First Priority Life Insurance Company**

**Individual Market Product Portfolio**

**Supplemental Exhibits**

Attachment A	'Change in Morbidity' & 'Change in Other' Calculations
Attachment B	Risk Adjustment Calculation
Attachment C	Induced Demand Calculations
Attachment D	Broker Commission Schedule
Attachment E	'Change in Demographics' Calculation
Attachment F	URRT Average Increase
Attachment G	Milliman Certification

**First Priority Life Insurance Company**

**Individual Market**

**Attachment A - 'Change in Morbidity' & 'Change in Other' Calculations**

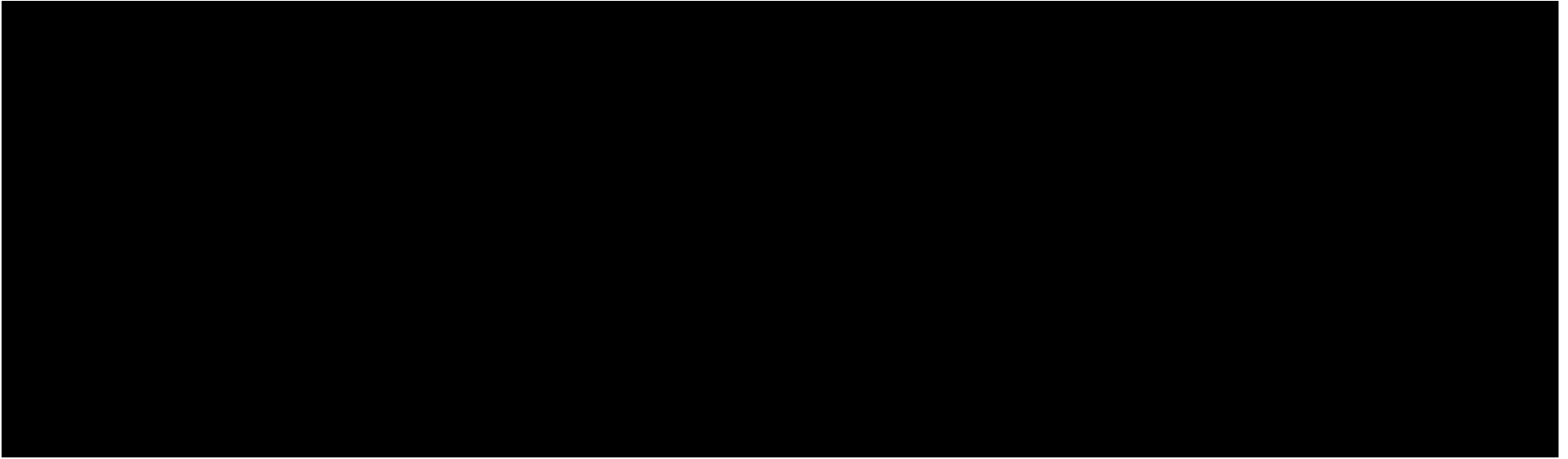
Components of 'Change in Morbidity'	2017 Member Distribution	2017 Normalized Allowed PMPM	2019 Member Distribution	2017 Normalized Allowed PMPM	Morbidity Change Relative to Total
<u>Population Source</u>					
FPLIC ACA	100.0%	\$587.07	100.0%	\$346.67	0.591
Other Highmark			0.0%	\$0.00	0.000
Prior ACA			0.0%	\$0.00	0.000
New-to-Blue			0.0%	\$0.00	0.000
Morbidity Factor	100.0%	\$587.07	100.0%	\$346.67	0.591
Capitation and Dental Dampening Factor					1.000
Dampened Morbidity Factor					0.591
Individual Mandate Load					1.060
Morbidity Factor with Individual Mandate Load					0.626

Components of 'Change in Other'	Factor
CY2017 Demographic Factor	1.823
<u>CY2019 Demographic Factor</u>	<u>2.024</u>
Change in Demographics	1.110
CY2017 Network Factor	1.000
<u>CY2019 Network Factor</u>	<u>1.000</u>
Change in Network	1.000
Change in Benefits	1.000
Change in Other	0.994
URRT and Table 5 'Change in Other'	1.104

First Priority Life Insurance Company

Individual Market

Attachment B - Risk Adjustment Calculation



**First Priority Life Insurance Company**

**Individual Market**

**Attachment C - Induced Demand Calculations**

<b>Induced Utilization Exhibit</b>							
Plan ID (1)	Metal Level (2)	Projected Membership (3)	Projected Allowed Claims (4)	Projected Paid Claims (5)	Paid to Allowed Factor (6)	AV & Cost Sharing Factor (7)	(7)/(6) (8)
55957PA0350005	Bronze	1,224	\$1,070,193.97	\$717,023.95	0.670	0.670	1.000
Total		1,224	\$1,070,193.97	\$717,023.95	0.670	0.670	1.000

<b>Components of AV &amp; Cost Sharing Factor</b>				
HIOS Plan ID	Metal Level	Paid-to- Allowed Ratio	Induced Utilization Factor	Avg. Benefit Richness
55957PA0350005	Bronze	0.670	1.000	1.000
				0.670

**First Priority Life Insurance Company**

## Individual Market

## Attachment D - Broker Commission Schedule

[illegible]



### Attachment E - 'Change in Demographics' Calculation

**Table E.3 - Projection Period Membership**

Membership Mix		
Non-Tobacco	Tobacco	Total
0.00%	0.00%	0.00%
1.88%	0.00%	1.88%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.94%	0.00%	0.94%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.94%	0.00%	0.94%
1.88%	0.00%	1.88%
0.00%	0.00%	0.00%
0.94%	0.00%	0.94%
2.82%	0.00%	2.82%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.94%	0.00%	0.94%
0.86%	0.00%	0.86%
0.94%	0.00%	0.94%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.94%	0.00%	0.94%
0.94%	0.00%	0.94%
1.88%	0.00%	1.88%
3.76%	0.00%	3.76%
0.94%	0.00%	0.94%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
0.94%	0.00%	0.94%
0.94%	0.00%	0.94%
0.94%	0.00%	0.94%
0.00%	0.00%	0.00%
0.94%	0.00%	0.94%
0.94%	0.00%	0.94%
0.94%	0.00%	0.94%
1.88%	0.00%	1.88%
0.00%	0.00%	0.00%
0.94%	0.94%	1.88%
0.94%	0.00%	0.94%
0.94%	0.00%	0.94%
0.94%	0.00%	0.94%
2.82%	1.88%	4.70%
0.00%	0.00%	0.00%
0.00%	0.00%	0.00%
1.88%	0.00%	1.88%
1.88%	0.00%	1.88%
1.88%	0.00%	1.88%
0.94%	0.00%	0.94%
1.88%	0.00%	1.88%
2.82%	0.00%	2.82%
3.76%	0.00%	3.76%
3.13%	0.00%	3.13%
3.68%	0.00%	3.68%
0.00%	0.94%	0.94%
6.03%	0.00%	6.03%
7.52%	1.72%	9.25%
3.76%	0.00%	3.76%
5.64%	0.00%	5.64%
5.64%	0.94%	6.58%
6.50%	0.00%	6.50%

**Table E.5 - 'Change in Demographics' Calculation**

	Experience Period	Projection Period	Change in Demographics
Average Age Factor	1.802	2.001	
Average Tobacco Factor	1.012	1.012	
<u>Average Area Factor</u>	<u>1.000</u>	<u>1.000</u>	
Average Demographic Factor	1.824	2.025	
Child Capping Adjustment		1.000	
Adjusted Demographic Factor		2.025	
<u>Capitation Dampening</u>	<u>1.000</u>	<u>1.000</u>	
Final Demographic Factor	1.823	2.024	1.110

**First Priority Life Insurance Company**

**Individual Market**

**Attachment F - URRT Average Increase**

Mapped ID	Designation	Projected 2019 MM	2019 MM Renewing Plans	Current Avg Rate	Projected Avg Rate	Increase
55957PA0350005	Renewing	1,224	1,224	\$ 590.88	\$ 641.52	8.57%
Total		1,224	1,224	\$ 590.88	\$ 641.52	8.57%



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## ACTUARIAL MEMORANDUM

### First Priority Life Insurance Company

#### Revised Individual Rate Filing - January 1, 2019

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for preparing individual rate filings. As a consulting actuary, I was requested by First Priority Life Insurance Company ("FPLIC") to review the development of the market-wide base rate for the individual market off the Pennsylvania Exchange. The confidential material presented in this revised filing was prepared for the specific purpose of submitting the rating formula for the Pennsylvania Insurance Department and may not be appropriate for other purposes. This filing represents premium rates for individuals sold or renewed effective January 1, 2019. The rates are guaranteed until December 31, 2019.

To the best of my knowledge and judgment, the following are true with respect to this filing:

1. Premium rates are established in accordance with generally accepted actuarial principles and the applicable Actuarial Standards of Practice. They are not excessive, inadequate, or unfairly discriminatory. Rates are reasonable in relationship to the benefits provided. However, it is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent that actual experience is different from the assumptions used in developing the rates, the actual results will also deviate from the projected amounts.
2. In compliance with all applicable Pennsylvania and Federal Statutes and Regulations (45 CFR 156.80 and 147.102).
3. The rating factors and rating methodology are reasonable and consistent with FPLIC's business plan at the time of the filing.

[REDACTED]

[REDACTED]  
Fellow, Society of Actuaries  
Member, American Academy of Actuaries  
July 13, 2018

PA Rate Template Part I  
Data Relevant to the Rate Filing

Table 0. Identifinz Information

Carrier Name:	FPLC		
Product(s):	PPO		
Market Segment:	Individual		
Rate Effective Date:	01/01/2019	to	12/31/2019
Base Period Start Date	01/01/2017	to	12/31/2017
Date of Most Recent Membership	02/01/2018		

Table 1. Number of Members

	Member-months Experience Period	Members Current Period (as of 02-01-2018)	Member-months Projected Rating Period
Average Age	43.3	44.6	47.2
Total	6,716	376	1,224
<18	776	37	115
18-24	492	29	34
25-29	426	22	104
30-34	184	12	35
35-39	414	20	58
40-44	519	23	58
45-49	657	32	104
50-54	874	46	115
55-59	1,089	64	215
60-63	1,005	72	309
64+	280	19	80

\*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 Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment
\$ 3,348,261.80	\$ 5,647,926.19	\$ 5,879,543.93	6,716	\$ 1,321,483.43	7,203,027.36	\$ -	\$ (117,664.32)	\$ 2,283.44	\$ -	\$ 664,900.41
Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)										\$ 1,055.04
Loss Ratio										143.63%

\*Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

Service Category	Cost*	Utilization*	Induced Demand*	Composite URRT Trend **	Weight*
Inpatient Hospital	5.00%	4.29%	0.00%	9.50%	28.45%
Outpatient Hospital	5.00%	4.29%	0.00%	9.50%	31.00%
Professional	5.00%	4.29%	0.00%	9.50%	20.32%
Other Medical	5.00%	4.29%	0.00%	9.50%	0.00%
Capitation				-16.71%	1.22%
Prescription Drugs	5.00%	4.29%	0.00%	9.50%	18.95%
Total Annual Trend				9.49%	100.00%
Months of Trend				24	
Total Applied Trend Projection Factor				1.199	

\* 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
Jan-14		\$ 4,284,384.21	1.0000	\$ 4,284,384.21	8,830	\$ 485.21		\$ (68,002.41)	\$ 5,668,362.08	\$ 641.94
Feb-14		\$ 5,613,832.74	1.0000	\$ 5,613,832.74	10,842	\$ 517.79		\$ (76,623.88)	\$ 7,041,819.63	\$ 649.49
Mar-14		\$ 6,808,328.00	1.0000	\$ 6,808,328.00	13,138	\$ 518.22		\$ (93,712.79)	\$ 8,552,360.87	\$ 650.96
Apr-14		\$ 7,842,402.75	1.0000	\$ 7,842,402.75	16,788	\$ 467.14		\$ (112,407.07)	\$ 9,946,761.47	\$ 592.49
May-14		\$ 7,926,305.25	1.0000	\$ 7,926,305.25	21,103	\$ 375.60		\$ (120,212.57)	\$ 9,971,342.51	\$ 472.51
Jun-14		\$ 7,661,866.04	1.0000	\$ 7,661,866.04	21,339	\$ 359.05		\$ (130,584.42)	\$ 9,739,869.88	\$ 456.44
Jul-14		\$ 9,917,724.98	1.0000	\$ 9,917,724.98	22,591	\$ 439.01		\$ (152,066.21)	\$ 12,551,228.59	\$ 542.31
Aug-14		\$ 9,102,489.59	1.0000	\$ 9,102,489.59	22,862	\$ 398.15		\$ (149,230.28)	\$ 11,163,573.29	\$ 488.30
Sep-14		\$ 10,686,599.65	1.0000	\$ 10,686,599.65	23,259	\$ 459.46		\$ (172,200.31)	\$ 12,957,493.30	\$ 557.10
Oct-14		\$ 12,100,595.11	1.0000	\$ 12,100,595.11	23,309	\$ 519.14		\$ (173,389.37)	\$ 14,358,772.24	\$ 616.02
Nov-14		\$ 9,984,905.08	1.0000	\$ 9,984,905.08	23,184	\$ 430.68		\$ (153,003.69)	\$ 12,018,886.76	\$ 518.41
Dec-14	\$ 83,685,265.58	\$ 11,492,880.80	1.0000	\$ 11,492,880.80	22,997	\$ 499.76	\$ 23,754,174.38	\$ (178,965.95)	\$ 13,506,017.97	\$ 587.29
Jan-15		\$ 13,874,631.09	1.0000	\$ 13,874,631.09	35,210	\$ 394.05		\$ (245,113.33)	\$ 18,269,817.99	\$ 518.88
Feb-15		\$ 14,702,632.77	1.0000	\$ 14,702,632.77	37,322	\$ 393.94		\$ (263,051.68)	\$ 18,480,348.19	\$ 495.16
Mar-15		\$ 17,574,433.50	1.0000	\$ 17,574,433.50	41,056	\$ 428.06		\$ (308,844.04)	\$ 22,138,024.91	\$ 539.22
Apr-15		\$ 17,366,738.80	1.0000	\$ 17,366,738.80	40,911	\$ 424.50		\$ (302,696.36)	\$ 21,480,804.81	\$ 525.06
May-15		\$ 16,473,823.10	1.0000	\$ 16,473,823.10	40,559	\$ 406.17		\$ (294,921.54)	\$ 20,277,184.59	\$ 499.94
Jun-15		\$ 17,440,628.11	1.0000	\$ 17,440,628.11	40,262	\$ 433.18		\$ (308,502.62)	\$ 21,185,254.52	\$ 526.18
Jul-15		\$ 17,457,513.92	1.0000	\$ 17,457,513.92	39,953	\$ 436.95		\$ (314,820.96)	\$ 21,218,545.43	\$ 531.09
Aug-15		\$ 16,588,155.25	1.0000	\$ 16,588,155.25	39,609	\$ 418.80		\$ (298,993.28)	\$ 19,916,452.82	\$ 502.83
Sep-15		\$ 16,828,993.27	1.0000	\$ 16,828,993.27	39,357	\$ 427.60		\$ (310,179.93)	\$ 20,142,196.99	\$ 512.80
Oct-15		\$ 19,246,928.49	1.0000	\$ 19,246,928.49	39,036	\$ 493.06		\$ (328,585.92)	\$ 22,813,212.70	\$ 581.41
Nov-15		\$ 16,714,740.98	1.0000	\$ 16,714,740.98	38,320	\$ 436.19		\$ (316,771.71)	\$ 20,056,133.39	\$ 523.39
Dec-15	\$ 169,717,732.00	\$ 19,148,999.50	1.0000	\$ 19,148,999.50	37,087	\$ 516.33	\$ 45,115,328.35	\$ (355,803.18)	\$ 22,515,561.79	\$ 607.10

Jan-16		\$	11,960,148.23		1.0000	\$	11,960,148.23	34,757		344.11		\$	(266,916.31)	\$	17,389,042.48	\$	500.30	
Feb-16		\$	13,424,049.95		1.0000	\$	13,424,142.68	35,918		373.74		\$	(329,787.96)	\$	18,917,615.96	\$	526.69	
Mar-16		\$	14,209,966.94		1.0000	\$	14,210,063.89	36,860		385.51		\$	(355,218.97)	\$	19,576,145.15	\$	531.09	
Apr-16		\$	13,877,011.62		0.9972	\$	13,915,876.69	36,552		380.71		\$	(334,157.82)	\$	18,696,114.72	\$	510.40	
May-16		\$	15,969,534.05		0.9975	\$	16,002,961.16	36,062		443.76		\$	(352,645.16)	\$	20,664,118.94	\$	573.02	
Jun-16		\$	15,132,387.33		0.9973	\$	15,173,443.46	35,620		425.98		\$	(384,232.41)	\$	19,370,360.03	\$	543.81	
Jul-16		\$	15,098,914.63		0.9970	\$	15,144,304.02	35,230		429.87		\$	(350,700.00)	\$	18,868,223.14	\$	535.57	
Aug-16		\$	15,269,888.31		0.9966	\$	15,321,481.44	34,818		440.04		\$	(373,932.53)	\$	19,318,107.49	\$	554.83	
Sep-16		\$	14,611,634.76		0.9961	\$	14,668,427.97	34,492		425.27		\$	(360,761.37)	\$	18,154,203.02	\$	526.33	
Oct-16		\$	14,580,542.52		0.9959	\$	14,640,109.14	34,041		430.07		\$	(377,546.85)	\$	18,084,176.81	\$	531.25	
Nov-16		\$	15,791,357.71		0.9958	\$	15,857,704.60	33,393		474.88		\$	(402,021.93)	\$	19,474,787.22	\$	583.20	
Dec-16	\$	171,968,138.71	\$	15,439,283.65	0.9944	\$	15,526,732.08	31,863	\$	487.30	\$	51,461,202.58	\$	(441,414.70)	\$	18,433,702.99	\$	591.08
Jan-17		\$	300,544.33		0.9906	\$	303,398.32	609		498.19		\$	(8,742.23)	\$	481,226.07	\$	790.19	
Feb-17		\$	353,198.78		0.9897	\$	356,881.58	599		595.80		\$	(7,842.17)	\$	516,243.98	\$	861.84	
Mar-17		\$	802,586.39		0.9919	\$	809,174.96	596		1,357.68		\$	(9,877.35)	\$	974,720.50	\$	1,635.44	
Apr-17		\$	1,036,646.32		0.9955	\$	1,041,313.60	583		1,786.13		\$	(8,155.95)	\$	1,144,419.32	\$	1,962.98	
May-17		\$	421,658.89		0.9904	\$	425,732.26	580		734.02		\$	(9,652.45)	\$	545,627.95	\$	940.74	
Jun-17		\$	406,223.91		0.9890	\$	410,731.54	574		715.56		\$	(8,349.53)	\$	505,824.66	\$	881.23	
Jul-17		\$	301,007.67		0.9812	\$	306,786.81	568		540.12		\$	(9,164.26)	\$	411,677.96	\$	724.79	
Aug-17		\$	910,462.65		0.9821	\$	927,088.97	553		1,676.47		\$	(10,865.68)	\$	1,015,104.59	\$	1,835.63	
Sep-17		\$	300,949.60		0.9782	\$	307,669.62	544		565.57		\$	(12,320.50)	\$	378,042.56	\$	694.93	
Oct-17		\$	355,361.86		0.9656	\$	368,032.06	531		693.09		\$	(15,320.26)	\$	460,083.31	\$	866.45	
Nov-17		\$	214,177.30		0.9543	\$	224,429.25	503		446.18		\$	(8,165.51)	\$	299,490.43	\$	595.41	
Dec-17	\$	3,348,261.80	\$	245,108.53	0.8657	\$	283,134.27	476	\$	594.82	\$	1,323,206.69	\$	(9,326.41)	\$	355,118.61	\$	746.05

\* Express Completion Factor as a percentage

\*\*Express Prescription Drug Rebates as a negative number

Carrier Name:	FPLC
Product(s):	PPO
Market Segment:	Individual
Rate Effective Date:	01/01/2019

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
Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)										\$ -
Loss Ratio										0.00%

\*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	5.00%	4.29%	-100.00%	-100.00%	0.00%
Outpatient Hospital	5.00%	4.29%	-100.00%	-100.00%	0.00%
Professional	5.00%	4.29%	-100.00%	-100.00%	0.00%
Other Medical	0.00%	0.00%	0.00%	0.00%	0.00%
Capitation				0.00%	100.00%
Prescription Drugs	5.00%	4.29%	-100.00%	-100.00%	0.00%
Total Annual Trend				0.00%	100.00%
Months of Trend				24	
Total Applied Trend Projection Factor				1.000	

\* 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
Jan-14				#DIV/0!		#DIV/0!				#DIV/0!
Feb-14				#DIV/0!		#DIV/0!				#DIV/0!
Mar-14				#DIV/0!		#DIV/0!				#DIV/0!
Apr-14				#DIV/0!		#DIV/0!				#DIV/0!
May-14				#DIV/0!		#DIV/0!				#DIV/0!
Jun-14				#DIV/0!		#DIV/0!				#DIV/0!
Jul-14				#DIV/0!		#DIV/0!				#DIV/0!
Aug-14				#DIV/0!		#DIV/0!				#DIV/0!
Sep-14				#DIV/0!		#DIV/0!				#DIV/0!
Oct-14				#DIV/0!		#DIV/0!				#DIV/0!
Nov-14				#DIV/0!		#DIV/0!				#DIV/0!
Dec-14				#DIV/0!		#DIV/0!				#DIV/0!
Jan-15				#DIV/0!		#DIV/0!				#DIV/0!
Feb-15				#DIV/0!		#DIV/0!				#DIV/0!
Mar-15				#DIV/0!		#DIV/0!				#DIV/0!
Apr-15				#DIV/0!		#DIV/0!				#DIV/0!
May-15				#DIV/0!		#DIV/0!				#DIV/0!
Jun-15				#DIV/0!		#DIV/0!				#DIV/0!
Jul-15				#DIV/0!		#DIV/0!				#DIV/0!
Aug-15				#DIV/0!		#DIV/0!				#DIV/0!
Sep-15				#DIV/0!		#DIV/0!				#DIV/0!
Oct-15				#DIV/0!		#DIV/0!				#DIV/0!
Nov-15				#DIV/0!		#DIV/0!				#DIV/0!
Dec-15				#DIV/0!		#DIV/0!				#DIV/0!
Jan-16				#DIV/0!		#DIV/0!				#DIV/0!
Feb-16				#DIV/0!		#DIV/0!				#DIV/0!
Mar-16				#DIV/0!		#DIV/0!				#DIV/0!
Apr-16				#DIV/0!		#DIV/0!				#DIV/0!
May-16				#DIV/0!		#DIV/0!				#DIV/0!
Jun-16				#DIV/0!		#DIV/0!				#DIV/0!
Jul-16				#DIV/0!		#DIV/0!				#DIV/0!
Aug-16				#DIV/0!		#DIV/0!				#DIV/0!
Sep-16				#DIV/0!		#DIV/0!				#DIV/0!
Oct-16				#DIV/0!		#DIV/0!				#DIV/0!
Nov-16				#DIV/0!		#DIV/0!				#DIV/0!
Dec-16				#DIV/0!		#DIV/0!				#DIV/0!
Jan-17				#DIV/0!		#DIV/0!				#DIV/0!
Feb-17				#DIV/0!		#DIV/0!				#DIV/0!
Mar-17				#DIV/0!		#DIV/0!				#DIV/0!
Apr-17				#DIV/0!		#DIV/0!				#DIV/0!
May-17				#DIV/0!		#DIV/0!				#DIV/0!
Jun-17				#DIV/0!		#DIV/0!				#DIV/0!
Jul-17				#DIV/0!		#DIV/0!				#DIV/0!
Aug-17				#DIV/0!		#DIV/0!				#DIV/0!
Sep-17				#DIV/0!		#DIV/0!				#DIV/0!
Oct-17				#DIV/0!		#DIV/0!				#DIV/0!
Nov-17				#DIV/0!		#DIV/0!				#DIV/0!
Dec-17				#DIV/0!		#DIV/0!				#DIV/0!

\* 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:

Product(s):

Market Segment:

Rate Effective Date:

FPUC

PPO

Individual

01/01/2019

**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	\$ 1,055.04	\$ -	<- Actual Experience PMPM should be consistent with the Index Rate for Experience Period
Two year trend projection Factor	1.199	1.000	
Unadjusted Projected Allowed EHB Claims PMPM	\$ 1,264.73	\$ -	
<u>Single Risk Pool Adjustment Factors</u>			
Change in Morbidity	0.626	0.000	<- See URRT Instructions
Change in Other	1.104	1.000	
Change in Demographics	1.110	1.000	<- See URRT Instructions
Change in Network	1.000	1.000	
Change in Benefits	1.000	1.000	<- See URRT Instructions
Change in Other	0.994	1.000	
Total Adjusted Projected Allowed EHB Claims PMPM	\$ 874.34	\$ -	
Credibility Factors	100%	0%	<- See Instructions
Blended Projected EHB Claims PMPM		\$ 874.34	
<b>Development of the Market-Adjusted Index Rate and Total Allowed Claims</b>			<b>&lt;- Projected Index Rate</b>
Adjusted Projected Allowed EHB Claims PMPM	\$ 874.34		<- 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]	\$ -		
Projected Paid to Allowed Ratio	0.670		<- Paid to Allowed Average Factor in Projection Period on URRT
Projected Paid EHB Claims PMPM	\$ 585.80		
<u>Market-wide Adjustments</u>			
Projected Risk Adjustment PMPM	\$ (31.76)		
Projected Paid Exchange User Fees PMPM	\$ -		
Market-Adjusted Projected Paid EHB Claims PMPM	\$ 617.56		
Market-Adjusted Projected Allowed EHB Claims PMPM	\$ 921.75		<- Market-Adjusted Index Rate
Projected Allowed Non-EHB Claims PMPM	\$ -		
Market-Adjusted Projected Paid Total Claims PMPM	\$ 617.56		
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 921.75		

**Table 6. Retention**

Retention Items - Express in percentages	Percentages	PMPM Amounts	
Administrative Expenses	8.12%	\$55.83	
General and Claims	7.58%	\$52.12	
Agent/Broker Fees and Commissions	0.00%	\$0.00	
Quality Improvement Initiatives	0.54%	\$3.71	
Taxes and Fees	2.02%	\$13.90	
PCORI Fees	0.02%	\$0.16	
PA Premium Tax (if applicable)	2.00%	\$13.75	
Federal Income Tax	0.00%	\$0.00	
Health Insurance Providers Fee (Prorated for Small Groups only)	0.00%	\$0.00	
Profit/Contingency (after tax)	0.00%	\$0.00	
Total Retention	10.15%	\$69.73	
Projected Required Revenue PMPM	\$ 687.30		<- 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)	\$ 312.60	\$ 339.40	\$26.80	8.6%
B. Base period allowed claims before normalization	\$ 536.44	\$ 1,055.04	\$518.60	165.9%
C. Normalization factor component of change	\$ (229.79)	\$ (534.04)	-\$304.25	-97.3%
D. Change in Normalized Allowed Claims Adjustment Components				
D1. Base period allowed claims after normalization	\$ 306.65	\$ 521.00	\$ 214.35	68.6%
D2. URRT Trend	\$ 72.50	\$ 103.55	\$ 31.05	9.9%
D3. URRT Morbidity	\$ 22.57	\$ (233.43)	\$ (256.00)	-81.9%
D4. URRT Other	\$ (7.62)	\$ 40.65	\$ 48.27	15.4%
D5. Normalized URRT RA/RI on an allowed basis	\$ 9.94	\$ 23.41	\$ 13.46	4.3%
D6. Normalized Exchange User Fee on an allowed basis	\$ -	\$ -	\$ -	0.0%
D7. Subtotal - Sum(D1:D6)	\$ 404.04	\$ 455.18	\$ 51.14	16.4%
E. Change in Allowable Plan Adjusted Level Components				
E1. Network	\$ (15.35)	\$ -	\$ 15.35	4.9%
E2. Pricing AV	\$ (120.43)	\$ (150.21)	\$ (29.78)	-9.5%
E3. Benefit Richness	\$ -	\$ -	\$ -	0.0%
E4. Catastrophic Eligibility	\$ -	\$ -	\$ -	0.0%
E5. Subtotal - Sum(E1:E4)	\$ (135.79)	\$ (150.21)	\$ (14.43)	-4.6%
F. Change in Retention Components				
F1. Administrative Expenses	\$ 27.36	\$ 27.57	\$ 0.21	0.1%
F2. Taxes and Fees	\$ 16.99	\$ 6.87	\$ (10.13)	-3.2%
F3. Profit and/or Contingency	\$ -	\$ -	\$ -	0.0%
F4. Subtotal - Sum(F1:F3)	\$ 44.35	\$ 34.44	\$ (9.92)	-3.2%
G. Change in Miscellaneous Items			\$ -	0.0%
H. Sum of Components of Rate Change (should approximate the change shown in line A)	\$ 312.60	\$ 339.40	\$ 26.80	8.6%

od on URRT

For Informational Purposes only - No input required.

Blended Base Period Unadjusted Claims before Normalization	\$ 1,055.04	<- Index Rate of Experience Period on URRT
Blended Earned Premium	\$ 3,348,261.80	
Blended Loss Ratio	143.63%	

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

Effective Date	01/01/2019	04/01/2019	07/01/2019	10/01/2019	Total Single Risk Pool
# of Member Months Renewing in Quarter					
Adjusted Projected Allowed EHB Claims PMPM Q1	\$ 874.34	\$ 874.34	\$ 874.34	\$ 874.34	\$ 874.34
Months of Trend	3	6	9		
Annual Trend	9.49%	9.49%	9.49%	9.49%	
Single Risk Pool Projected Allowed Claims	\$ 874.34	\$ 894.38	\$ 914.88	\$ 935.85	\$ -
Quarterly Trend Factor	100.0%	102.3%	104.6%	107.0%	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	1.796	2.001
Average Geographic Factor	1.000	1.000
Average Tobacco Factor	1.013	1.012
Average Benefit Richness (induced demand)	1.000	1.000
Average Network Factor	0.962	1.000
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 706.81	\$ 921.75
Normalized Market-Adjusted Projected Allowed Total Claims PMPM	\$ 404.04	\$ 455.18

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

	2018	2019	
Paid-to-Allowed	0.690	0.670	
URRT Trend (Total Applied Trend Factor)	1.236	1.199	< URRT W1, S2
URRT Morbidity	1.060	0.626	< URRT W1, S2
URRT "Other"	0.981	1.104	< URRT W1, S2
Risk Adjustment	\$ 12.01	\$ 31.76	< URRT W1, S3
Exchange User Fee	\$ -	\$ -	< URRT W1, S3
Capitation	\$ -	\$ 0.25	< URRT W1, S2
Network	0.962	1.000	
Pricing AV	0.690	0.670	
Benefit Richness	1.000	1.000	
Catastrophic Eligibility	1.000	1.000	
Administrative Expenses	8.75%	8.12%	
Taxes and Fees	5.44%	2.02%	
Profit and/or Contingency	0.00%	0.00%	



## Table 10. Plan Rates

Carrier Name:	FP LIC
Product(s):	PPO
Market Segment:	Individual
Rate Effective Date:	01/01/2019
Base Period Start Date	01/01/2017
Date of Most Recent Membership	02/01/2018
Market Adjusted Index Rate	\$ 921.75

### 45 CFR Part 156.8 (d) (2) Allowable Factors

[illegible]

PA Rate T

Table 10. Pla

Carrier Name: Product(s): Market Segment	Calibration			Total Covered Lives @ 02-01-2018																	
	Age Calibration Factor		2.001	376																	
	Geographic Calibration Factor		1.000																		
	Tobacco Calibration Factor		1.012																		
Aggregate Calibration Factor		2.025																			
Rate Effective Date																					
Base Period Start Date																					
Date of Most Recent Market Adjusted Rate																					
Plan Number	Admin Costs	Taxes & Fees (not including Exchange fees)	Profit or Contingency	Total Covered Lives Mapped into 2019 Plans @ 02-01-2018	Total Policyholders @ 02-01-2018	2018 Calibrated Plan Adjusted Index Rate PMPM	2019 Calibrated Plan Adjusted Index Rate PMPM	Proposed Rate Change Compared to Prior 12 months	% of Total Covered Lives	02-01-2018 Number of Covered Lives by Rating Area											
										1	2	3	4	5	6	7	8	9	Total	2019 Continued/ Discontinued Plans Indicator	
Totals	8.1%	2.0%	0.0%	111	274	\$ 312.60	\$ 339.40	8.6%		-	-	376	-	-	-	-	-	-	-	376	
Transitional Plans	N/A	N/A	N/A	-		N/A	N/A	N/A	N/A	-	-	111	-	-	-	-	-	-	-	-	0
Plan 1	8.1%	2.0%	0.0%	111	87	\$ 312.60	\$ 339.40	8.6%	1	-	-	-	-	-	-	-	-	-	-	111	1
Plan 2	0.0%	0.0%	0.0%	-	187	\$ 312.60	\$ -	0.0%	0.0%	-	-	265	-	-	-	-	-	-	-	265	0

PA Rate Template Part IV A - Individual
Table 11. Plan Premium Development for 21-Year-Old Non-Tobacco User

Carrier Name: FPLIC
Product(s): PPO
Market Segment: Individual
Rate Effective Date: 01/01/2019

Plan Number	HIOS Plan ID (Standard Component)	1/1/2018 Plan Marketing Name	Discontinued, New, Modified, Existing (D,N,M,E) for 2019	1/1/2019 Plan HIOS Plan ID (If 1/1/2018 Plan Discontinued & Mapped)	Metallic Tier	Exchange On/Off or Off
Totals						
These cells auto-fill using the data entered in Table 10.						
Plan 1	55957PA0350005	myBlue Access 7000	M		Bronze	Off
Plan 2	55957PA0350005	myBlue Access 7000	DNM			

2018 21-year-old, Non-Tobacco Premium PMPM									
1	2	3	4	5	6	7	8	9	Average (weighted by enrollment by rating area)
\$ -	\$ -	\$ 312.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312.60
\$ -	\$ -	\$ 312.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312.60
\$ -	\$ -	\$ 312.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312.60

**PA Rate Te**  
**Table 11. Pla**

Carrier Name:  
Product(s):  
Market Segment:  
Rate Effective Da

[illegible]

Change in 21-year-old Non-Tobacco Premium PMPM									
1	2	3	4	5	6	7	8	9	Average (weighted by enrollment by rating area)
0.0%	0.0%	8.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.6%
		8.6%							8.6%

## PA Rate Quarterly Template Part V Consumer Factors

<b>Carrier Name:</b>	FPLIC
<b>Product(s):</b>	PPO
<b>Market Segment:</b>	Individual
<b>Rate Effective Date:</b>	01/01/2019

### Table 12. Age and Tobacco Factors

Projection Period Age and Tobacco Factors						
Age Band	Age Factor	Tobacco Factor		Age Band	Age Factor	Tobacco Factor
0-14	0.765			40	1.278	1.100
15	0.833			41	1.302	1.105
16	0.859			42	1.325	1.112
17	0.885			43	1.357	1.121
18	0.913	1.000		44	1.397	1.132
19	0.941	1.000		45	1.444	1.145
20	0.970	1.000		46	1.500	1.160
21	1.000	1.025		47	1.563	1.177
22	1.000	1.025		48	1.635	1.196
23	1.000	1.025		49	1.706	1.217
24	1.000	1.025		50	1.786	1.225
25	1.004	1.025		51	1.865	1.225
26	1.024	1.025		52	1.952	1.225
27	1.048	1.025		53	2.040	1.225
28	1.087	1.025		54	2.135	1.225
29	1.119	1.025		55	2.230	1.225
30	1.135	1.025		56	2.333	1.225
31	1.159	1.025		57	2.437	1.225
32	1.183	1.025		58	2.548	1.225
33	1.198	1.025		59	2.603	1.225
34	1.214	1.025		60	2.714	1.225
35	1.222	1.025		61	2.810	1.225
36	1.230	1.025		62	2.873	1.225
37	1.238	1.025		63	2.952	1.225
38	1.246	1.025		64+	3.000	1.225
39	1.262	1.025				

\*PA follows the federal default age curve.

### Table 13. Geographic Factors

Geographic Area Factors			
Area	Counties	Current Factor	Proposed Factor
Rating Area 1		0.000	0.000
Rating Area 2		0.000	0.000
Rating Area 3	Clinton, Sullivan, Tioga, Wyoming	1.000	1.000
Rating Area 4		0.000	0.000
Rating Area 5		0.000	0.000
Rating Area 6		0.000	0.000
Rating Area 7		0.000	0.000
Rating Area 8		0.000	0.000
Rating Area 9		0.000	0.000

### Table 14. Network Factors

[illegible]

**Company Name:** First Priority Life Insurance Com  
**Market:** Individual  
**Product:** PPO  
**Effective Date of Rates:** January 1, 2019

**Ending date of Rates:** December 31, 2019

<b>HIOS Plan ID (On Exchange)=&gt;</b>	N/A	
<b>HIOS Plan ID (Off Exchange)=&gt;</b>	55957PA0350005	
<b>Plan Marketing Name =&gt;</b>	my Blue Access PPO Bronze 7000	
<b>Form # =&gt;</b>	BA/PPO/FPLIC/DP	
<b>Rating Area =&gt;</b>	Area 3	
<b>Network =&gt;</b>	S	
<b>Metal =&gt;</b>	Bronze	
<b>Deductible =&gt;</b>	\$7,000	
<b>Coinsurance =&gt;</b>	70%	
<b>Copays =&gt;</b>	\$65 PCP	
<b>OOP Maximum =&gt;</b>	\$7,900	
<b>Pediatric Dental (Yes/No) =&gt;</b>	Yes	
<b>Age Band</b>	<b>Non-Tobacco</b>	<b>Tobacco</b>
0-14	\$259.64	\$259.64
15	\$282.72	\$282.72
16	\$291.54	\$291.54
17	\$300.37	\$300.37
18	\$309.87	\$309.87
19	\$319.38	\$319.38
20	\$329.22	\$329.22
21	\$339.40	\$347.89
22	\$339.40	\$347.89
23	\$339.40	\$347.89
24	\$339.40	\$347.89
25	\$340.76	\$349.28
26	\$347.55	\$356.24
27	\$355.69	\$364.58
28	\$368.93	\$378.15
29	\$379.79	\$389.28
30	\$385.22	\$394.85
31	\$393.36	\$403.19
32	\$401.51	\$411.55
33	\$406.60	\$416.77
34	\$412.03	\$422.33
35	\$414.75	\$425.12
36	\$417.46	\$427.90
37	\$420.18	\$430.68
38	\$422.89	\$433.46
39	\$428.32	\$439.03
40	\$433.75	\$477.13
41	\$441.90	\$488.30
42	\$449.71	\$500.08
43	\$460.57	\$516.30
44	\$474.14	\$536.73
45	\$490.09	\$561.15
46	\$509.10	\$590.56
47	\$530.48	\$624.37
48	\$554.92	\$663.68
49	\$579.02	\$704.67
50	\$606.17	\$742.56
51	\$632.98	\$775.40
52	\$662.51	\$811.57
53	\$692.38	\$848.17
54	\$724.62	\$887.66
55	\$756.86	\$927.15
56	\$791.82	\$969.98
57	\$827.12	\$1,013.22
58	\$864.79	\$1,059.37
59	\$883.46	\$1,082.24
60	\$921.13	\$1,128.38
61	\$953.71	\$1,168.29
62	\$975.10	\$1,194.50
63	\$1,001.91	\$1,227.34
64+	\$1,018.20	\$1,247.30

**First Priority Life Insurance Company  
Individual  
Plan Design Summary**

HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	Network	Rating Area	Counties Covered
55957PA0350005	my Blue Access PPO Bronze 7000	PPO	Bronze	Off	S	3	Clinton, Sullivan, Tioga, Wyoming

Company Name First Priority Life 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					RATING AREA 1								RATING AREA 2		
HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	0	0	0	0	0	0	0	0	0	0	0
55957PA0350005	my Blue Access PPO Bronze 7000	PPO	Bronze	Off	Crawford	Clarion	Erie	Forest	Mckean	Mercer	Venango	Warren	Elk	Cameron	Potter



Company Name First Priority Life Insurance Company

Market Individual

RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

					RATING AREA 3													
02-01-2018 Number of Covered Lives by Rating County					0	0	26	0	0	0	0	80	13	103	39	82	33	
HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	Bradford	Carbon	Clinton	Lackawanna	Luzerne	Lycoming	Monroe	Pike	Sullivan	Susquehanna	Tioga	Wayne	Wyoming	
55957PA0350005	my Blue Access PPO Bronze 7000	PPO	Bronze	Off	\$339.40							\$339.40			\$339.40			\$339.40

Company Name First Priority Life Insurance Company  
Market Individual  
RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

	RATING AREA 4														RATING AREA 5						
	02-01-2018 Number of Covered Lives by Rating County				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off	Allegheny	Armstrong	Beaver	Butler	Fayette	Greene	Indiana	Lawrence	Washington	Westmoreland	Bedford	Blair	Clearfield	Cambria	Huntingdon	Jefferson	Somerset
55957PA0350005	my Blue Access PPO Bronze 7000	PPO	Bronze	Off																	

Company Name First Priority Life 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
55957PA0350005	my Blue Access PPO Bronze 7000	PPO	Bronze	Off

RATING AREA 6

0	0	0	0	0	0	0	0	0	0
Centre	Columbia	Lehigh	Mifflin	Montour	Northampton	Northumberland	Schuylkill	Snyder	Union

RATING AREA 7

0	0	0	0
Adams	Berks	Lancaster	York

Company Name First Priority Life 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					RATING AREA 8					RATING AREA 9						
HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	0	0	0	0	0	0	0	0	0	0	0	0
55957PA0350005	my Blue Access PPO Bronze 7000	PPO	Bronze	Off	Bucks	Chester	Delaware	Montgomery	Philadelphia	Cumberland	Dauphin	Franklin	Fulton	Juniata	Lebanon	Perry

## **AV Screenshots-FPLIC**

**Screenshots of HHS AV calculator and Actuarial Certification for Approach 1**

**First Priority Life Insurance Company**  
**Individual Market Product Portfolio**  
**Effective January 1, 2019**

[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]		[REDACTED]		[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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[REDACTED]

**First Priority Life Insurance Company**  
**Individual Market Product Portfolio**  
**Effective January 1, 2019**

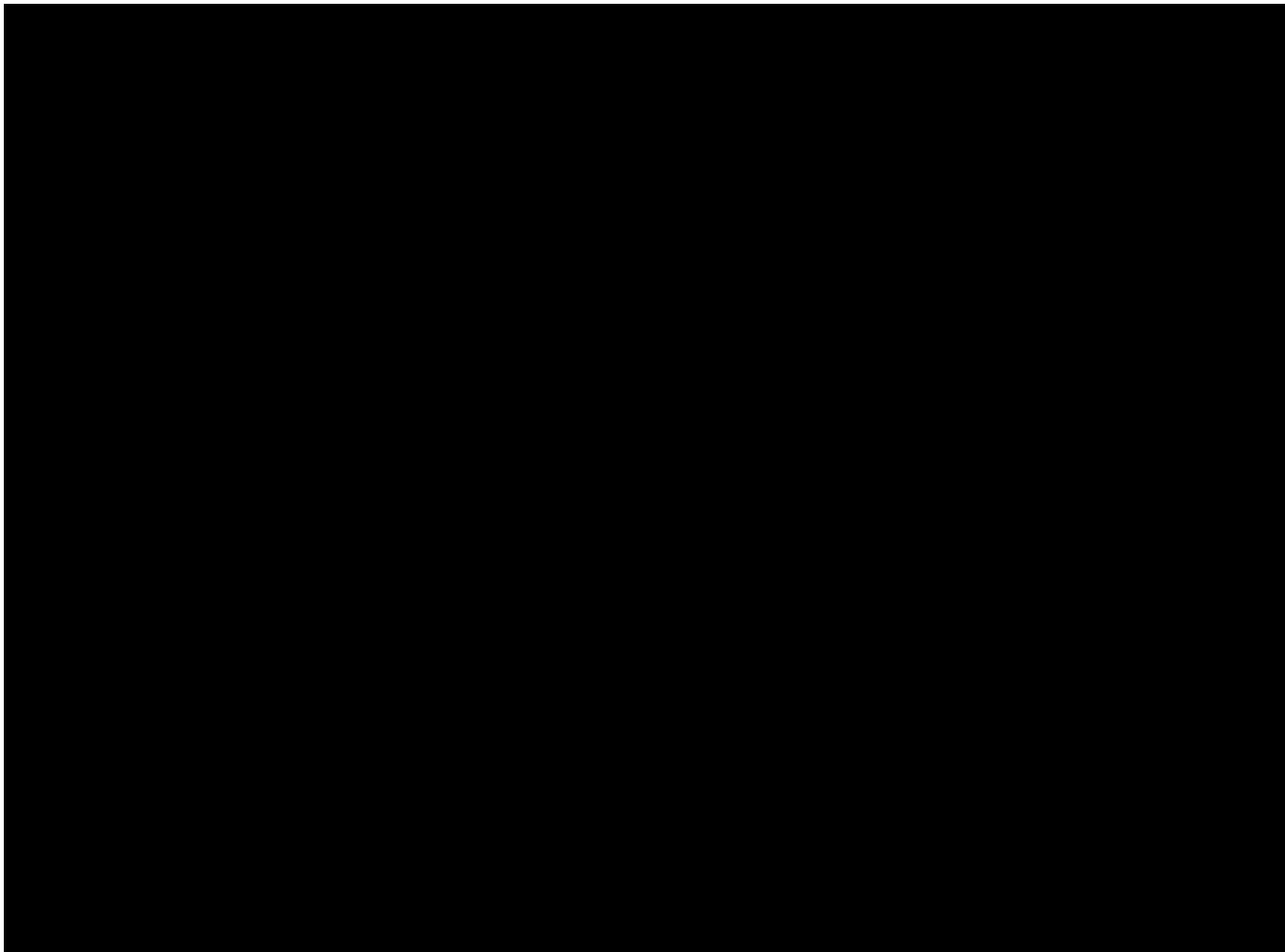
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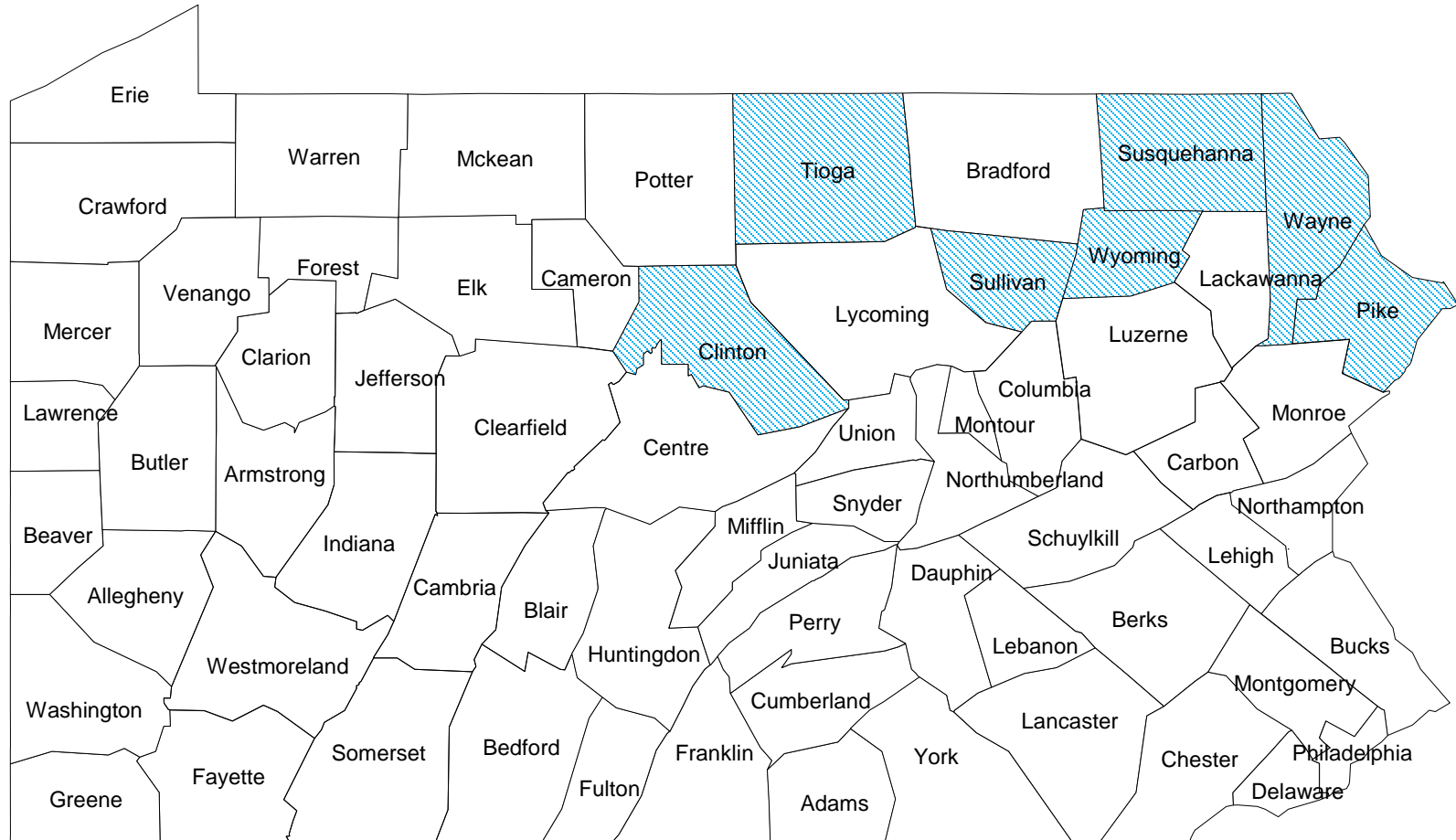
First Priority Life Insurance Company  
Form Numbers

HIOS Plan ID	Plan Marketing Name	Form Number
55957PA0350005	my Blue Access PPO Bronze 7000	BA/PPO/FPLIC/DP

# **2018 Service Area**


**Issuer: First Priority Life Insurance Company (FPLIC)**

**Market: Individual**



**Key** (*modify as needed*)

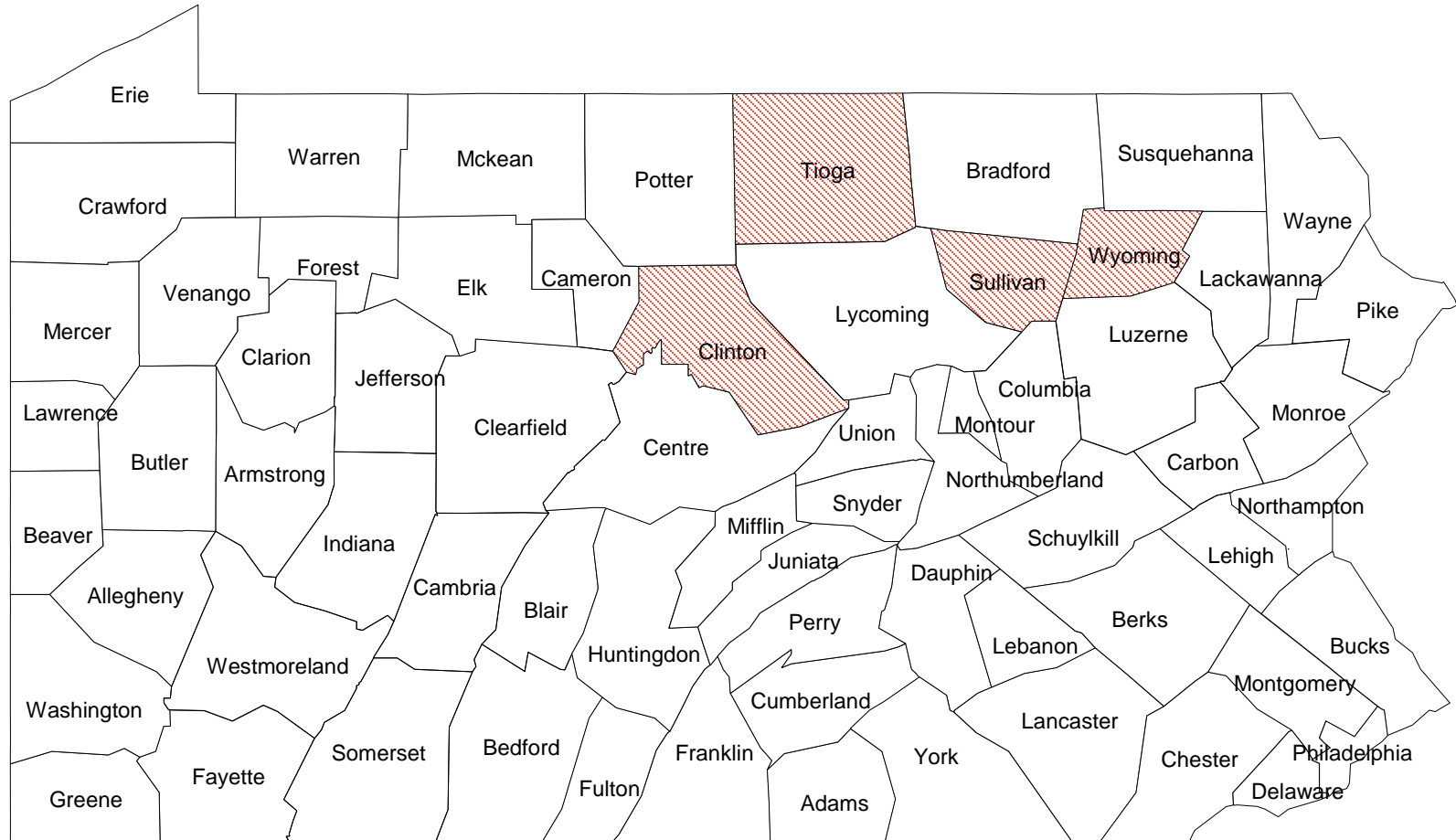
 : 2018 on-exchange service area

 : 2018 off-exchange only service area


# **2019 Service Area**


**Issuer: First Priority Life Insurance Company (FPLIC)**

**Market: Individual**



**Key** *(modify as needed)*

 : 2019 on-exchange service area

 : 2019 off-exchange only service area



**BlueCross  
BlueShield**  
First Priority Life

June 22, 2018

Ms. Cherri Sanders-Jones, Reviewer  
Bureau of Life, Accident & Health Insurance  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: First Priority Life Insurance Company 2019 ACA Rate Filing (Individual Market)  
Filing # 1A-DP-18-FPLIC (SERFF # HGHM-131475736)

Dear Ms. Sanders-Jones:

The filing has been revised to reflect the removal of the 1% load for the Short Term Limited Duration policies.

It is important to note the ultimate impact of specific factor changes on overall rate adequacy cannot be fully assessed in isolation. It is our understanding and expectation that the reasonability of the overall rates will be discussed when the filing review is complete, which could result in revisiting these factors.

Additionally, the filing has been revised to include formulas in Table 6 where applicable (in response to Question 3).

Should you have any questions regarding the attached Filing, please feel free to contact me at [REDACTED] or via e-mail at: [REDACTED]

Sincerely,

[REDACTED]

[REDACTED]  
Manager, Actuarial Services  
Highmark Inc.

cc: [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

TO: Cherri Sanders-Jones  
Bureau of Life, Accident & Health Insurance  
Pennsylvania Insurance Department

FROM: [REDACTED], Actuarial Manager  
Highmark Inc.

DATE: June 22, 2018

SUBJECT: First Priority Life Insurance Company 2019 Individual ACA-Compliant Rate Filing  
Response to June 15, 2018 Objection Letter  
Filing Number: 1A-DP-18-FPLIC  
SERFF Tracking Number: HGHM-131475736

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Below are FPLIC's responses to your objection letter dated June 15, 2018. We have included the questions along with the responses for your convenience.

**1. 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.**

Response:

FPLIC has elected to maintain the 6% factor related to the elimination of the Individual Mandate.

FPLIC believes the Department's 2018 approach of using a uniform factor for all issuers maintains market stability more so than issuer-specific factors. Variations by issuer could result in unanticipated shifts in enrollment that destabilize the market and introduce more uncertainty for issuers to consider.

**2. The PA actuarial memorandum, page 2, indicates that Highmark has included a 1% load for expected adverse selection due to the Short Term Limited Durational Insurance market expansion. Please remove this load as the rule has not yet been finalized.**

Response:

The STLDI final rule has not been released, but the prevailing industry expectation based on the proposed rule is adverse selection will occur as low-cost consumers opt for these less expensive alternatives. We believe the impact of the STLDI policies would be in addition to the impact of the Individual mandate factor since these market forces are not the same. Many consumers were expected to drop coverage to avoid the penalty even when there were no viable STLDI policies to fill the void. More robust STLDI policies will likely entice more consumers to leave the market.

The company has chosen to remove the STLDI load from the rate development at this time, however, forthcoming guidance and the ongoing filing review process may make it necessary to revisit this assumption.

**3. Per Department guidance, the input, in cells C15 and D15 for the change in morbidity in Table 5 and Table 6, must be a formula. Please comply.**

Response:

With respect to Table 5, our initial submission did include a formula in cell C15 showing the multiplication of our change in morbidity assumption with the 1.06 individual mandate factor. Cell D15 was set to 0 since this filing did not utilize the Manual Data section.

With respect to Table 6, we interpreted the Department's guidance to mean that formulas were being requested where applicable. For most of the retention items, we did not believe that a formula was applicable. The bullets below provide additional context for the values shown:

- *General & Claims Expense* – We assumed a \$52.06 PMPM value. This value represents the base administrative expense PMPM assumption provided by our Cost Accounting department less the portion attributable to Quality Improvement Initiatives. The percentage shown in cell C50 is simply the PMPM value divided by the total Projected Required Revenue PMPM.
- *Commission Expense* – We assumed a \$0.00 PMPM value. Additional support for this assumption can be found in the response to Question 14. The percentage shown in cell C51 is simply the PMPM value divided by the total Projected Required Revenue PMPM.
- *Quality Improvement Expense* – We assumed 0.54% of premium based on the percentage of premium value found in the 2017 SHCE.
- *PCORI Fee* – We assumed a \$0.16 PMPM value. Additional support for this assumption can be found in the response to Question 11. The percentage shown in cell C54 is simply the PMPM value divided by the total Projected Required Revenue PMPM.
- *PA Premium Tax & Health Insurance Provider Fee* – These are known values and so there is no formula to show.
- *Federal Income Tax* – We do not expect to owe Federal Income Tax for this business and so the value was set to 0%.

**4. Section E. of the PA actuarial memorandum indicates that the Bronze plan is renewing with an update to copays and OOM. Discuss and quantify the benefit changes.**

Response:

FPLIC Bronze plan 55957PA0350005 has a number of changes to the benefit design, some of them more substantial than others. The 2019 plan was designed to provide consumer access to basic and preventive care services while keeping overall premium costs down.

The table on the following page summarizes the changes and the impact on the pricing AV:

	2018	2019	Change
Deductible	\$7,000	\$7,000	
Coinsurance	70%	70%	
Out of Pocket	\$7,350	\$7,900	
PCP Copay	\$60	\$65	
Specialist Copay	\$100	70% AD	
MH Copay	\$100	70% AD	
Lab	\$60	\$60	
X Ray & Diagnostics	\$100	\$115	
Generic Drug	\$3-\$10	\$5	
Preferred Brand Drug	\$20-\$75	\$30	
Non Preferred Brand Drug	\$70-\$250	35%	
Specialty Drug	\$150-\$1000	\$250-\$1000	
Pricing AV	69.0%	67.0%	-2.9%

**5. Please reconcile the data in Table 2 with the individual market data contained in the SHCE.**

Response:

Below please find the values from Table 2 and the corresponding values from the SHCE:

	<b>Table 2</b>	<b>SHCE</b>
Premiums	4,013,162	17,421,861
Incurred Claims	5,764,163	2,798,004
Allowed Claims	7,201,027	N/A
Member Months	6,716	12,878

The differences between the two exhibits include the following:

- The SHCE exhibit is a year-end accounting view of results with no runout and would include the experience based on actual cash transfers adjusted for changes in reserves, which affects both premiums and claims.
- Table 2 presents an updated view of results where experience is restated based upon two more months runout and is tied more directly to the incurred period with some provision for IBNR included in the claims.

- The SHCE exhibit uses a different classification of business than Table 2; the SHCE classification is based on the mandated MLR classifications and results in the following differences in premiums, claims, and membership:
  - Sole proprietors and other groups of one from the Small Group are included in SHCE.
  - Ceded reinsurance incurred claims are included in the SHCE.
- Network access fees are removed from the claims in the SHCE exhibit, per the instructions for completing that exhibit.

**6. For the expanded Bronze plans, please demonstrate that the copay is less than or equal to 50% coinsurance for that category.**

Response:

The Prescription Drug Benefit Plan provides three major services of coverage (as defined on page 94142 of the 2018 Notice of Benefit and Payment Parameters) that are less than or equal to 50% coinsurance and available prior to any deductible. These services include: generic drugs, specialty drugs, and preferred branded drugs. The coinsurance percentages and certifications of the values corresponding to these categories can be found in the AV Screenshots and Certifications document which was provided as a separate attachment during the initial SERFF submission.

**7. It appears that, in developing rates for 2019, 100% credibility has been assigned to base experience representing 6,716 member months. Please confirm that this is correct and, if so, provide justification for assuming that the underlying base experience is 100% credible. Please additionally provide the methodology that was utilized to assess the credibility of the base experience.**

Response:

Yes, this is correct. Membership was certainly a consideration when determining whether a manual rate was necessary, along with the fact the rate change applies to a single product/metal offering in this region. The results of the proposed rate change calculation using this approach were compared for reasonability given its limited use and anticipated exposure.

**8. The underlying annual trend supporting the filing is 9.5%, which has no induced utilization adjustment since both the experience period and projection period contain a sole bronze plan. Please provide quantitative support for the 9.5% trend assumption (e.g. demonstrate that it is reasonably consistent with recent historical changes in claim costs).**

Response:

An exhibit with the underlying results of the regression study described in the actuarial memorandum has been included in this response. This separate regression study was developed by the valuation team to analyze the ACA trend levels of continuously enrolled cohorts of ACA members in order to normalize for population change, demographics, seasonality, along with adjusting for material step changes that were included in the network factors in the two periods. Resulting r-squared levels were compared to determine confidence levels of the resulting regression trends to develop a reasonable range of trend assumptions. The requested trend falls within recent trade association survey results for Individual markets. Additionally, the recent AON trend study is attached as a reference point for the prospective 2018 trend for more stable group market.

As seen from the exhibit the regression study resulted in a composite trend of 8.5%. As described in the memorandum, the continuous enrollment approach addresses the unstable population concerns in the



underlying ACA experience, but it does not reflect the impact of partial year population changes that are inherent to an individual market. The pricing trend was set at 9.5% in consideration of that factor.

**9. The actuarial memorandum states that “the (\$31.76) Risk Adjustment assumption in cell C31 represents our best estimate of the year end risk adjustment transfer payment for FPLIC as developed in Attachment B adjusted for the (\$0.15) PMPM risk adjustment user fee and the impact of the catastrophic eligibility factor.”**

- a) Please provide an exhibit that includes all of the same components as are provided in Attachment B, but which provides the development of the estimated 2017 risk transfer amount (i.e., rather than the projected 2019 risk transfer amount).**
- b) Focusing on the Non-Catastrophic Pool, to the extent any of the values included in rows 11 to 13 (e.g., statewide average premium, HHS risk score) for the 2017 estimate are significantly different than those being assumed for the 2019 projection, please reconcile those differences and provide quantitative justification for them.**

Response:

- a) The estimated 2017 risk transfer amount of [REDACTED] shown in Table 2 was based on our financial accrual and underlying assumptions as of a February 2018 valuation date. We chose this valuation date in order to (1) tie to the claims run-out period requested by the Department and (2) more closely align the reported value to the value booked in the CY2017 year-end financials. The financial accrual development took the detailed plan and rating area data as of the February 2018 valuation date and applied the transfer formula at this level. This methodology is different from the Attachment B approach. The Attachment B approach is useful for projections when detailed plan and rating area data does not exist. Therefore, replicating the Attachment B structure for 2017 would generate a different value (i.e. a “sum of products” approach vs. a “product of sums” approach).
- b) It is important to note that the issuer-specific factors and the statewide average factors used in the development of the 2017 estimate and discussed in Question 9a above were not used as the starting point for the 2019 projection.

The issuer-specific factors included in row 11 of Attachment B for the 2019 projection were developed for the population of members that comprised the morbidity factor development discussed in the response to Question 10 below. For sources of members where we had 2017 (or 2016) claims experience and diagnosis data, we utilized their risk scores in the calculation. For the “New” source of members where we did not have claims experience, we made an assumption regarding this category’s risk score based on a review of the claim level and risk score relativities of the other sources.

The statewide factors included in row 13 of Attachment B for the 2019 projection were developed by starting with information from the following sources: (1) the PID’s 2017 RATEE study released on May 9, 2018, (2) the PID’s 1Q2018 Enrollment Survey released on April 27, 2018, and (3) the CMS Interim Summary Report for 2017 released on April 27, 2018. The attached exhibit labeled Q9b Response demonstrates how we used the information from these sources in order to derive the 2019 statewide average estimates shown in Attachment B. We assumed the statewide average premium will increase [REDACTED]% in 2018 based on knowledge of approved rates and assumed an additional [REDACTED]% increase in 2019. We assumed the statewide average risk score will increase [REDACTED]% due to the individual mandate removal ([REDACTED]) and an additional [REDACTED]% increase due to anticipated general deterioration of the pool

as observed historically. We assumed the statewide average allowable rating factor will increase █%. For the statewide average actuarial value and induced demand factors, we assumed some buy-down among metals from the PID's 1Q2018 Enrollment Survey. All of these calculations can be found in the Q9b Response exhibit.

**10. In developing the morbidity adjustment equal to 0.596 (i.e., prior to the 6% increase to reflect the market uncertainty), please describe and demonstrate quantitatively how the 2017 Normalized Allowed PMPMs were calculated for FPLIC ACA in Attachment A.**

Response:

Please see the attached exhibit for the morbidity calculation.

We classified the 2/1/2018 enrollment into the following categories:

Renewal

- This represents our 2017 ACA members that reenrolled in FPLIC. The normalized allowed PMPM was calculated by normalizing the allowed PMPM for demographic, network, and benefit richness factors.

Other Highmark

- This represents the 2017 members from other Highmark markets such as group markets that would enroll in FPLIC. There was no enrollment in this category.

Prior ACA

- This represents our 2016 ACA members that lapsed in 2017 and would reenroll in FPLIC. There was no enrollment in this category

New

- This represents the catchall category of the remaining members that would enroll in FPLIC. There was no enrollment in this category.

Additional consideration included the relationship of the claims PMPM in the renewal category to its average 2018 premium PMPM.

**11. Please note that carriers should not be pricing for the PCORI fee in the 2019 calendar year rate development as the fee ends for plan years ending September 30, 2019 (i.e., policies issued before October 1, 2018). Please remove this non-benefit expense assumption, reprice, and resubmit revised filing materials.**

Response:

Based on FPLIC's current method of calculating the PCORI fee (Member Month method), we would have to pay about three fourths of the estimated \$2.52 per member per year fee for calendar year 2019 on Fully Insured business. Therefore, FPLIC built into the rates the expected amount of our PCORI liability assuming the Member Month counting method.

**12. Please describe and demonstrate quantitatively how the proposed demographic and morbidity adjustments were taken into account in calculating the projected 2019 FPLIC Non-Catastrophic Pool risk adjustment transfer.**

Response:

The issuer-specific factors included in row 11 of Attachment B for the 2019 projection were developed for the population of members that comprised the morbidity factor development discussed in the response to Question 10 above. The demographic component was used to normalize the allowed PMPM and the combined risk score was considered directionally in setting the normalized PMPMs. That is, both the risk

scores and the allowed PMPMs are moved in tandem. This does not imply that the risk scores and normalized allowed PMPMs move in the exact proportion but they are directional.

**13. With respect to the “Change in Other” adjustment equal to 1.004, please provide the factors for each of the following components of the “Change in Other” adjustment and provide quantitative support for them:**

- i. Durational Insurance market expansion**
- ii. Changes in pharmacy rebates**
- iii. Changes in hospital/physician settlements.**

Response:

The Change in Other adjustment of 1.004 included a 1.01 factor for STLDI. After removing this factor, the Change in Other adjustment becomes 0.994. The 0.994 factor is comprised of the following components:

- Change in Rx Rebates = 0.9937
- Change in Hospital/Physician Settlements = 1.0006

**14. Please show the development of the average commission as shown in Table 6. Additionally, the current and 2019 broker agreements should be included and used to develop the percent shown in Table 6 as well as the associated pmpm.**

Response:

The average projected commission is provided by the Cost Allocation department and is a function of the recent commission amount experienced in FPLIC’s financials. The current broker commission schedule was included as Attachment D in the initial submission. The 2019 broker agreement is not available at this time.

**First Priority Life Insurance Company****Individual Market****Response to Objection 1 - Question 1**

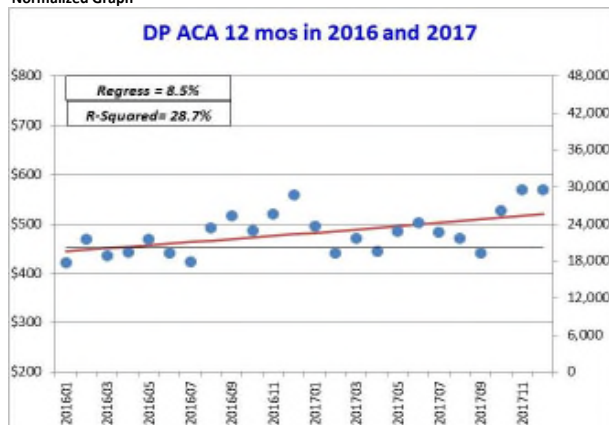
	<b>All Highmark</b>	<b>CSR 94 and 87</b>	<b>CSR%</b>
2017 MMs	746,709	179,145	
2017 BEP Allowed Claims	\$439,715,644	\$20,782,960	
2017 BEP Allowed Claims - PMPM	\$588.87	\$116.01	20%

## First Priority Life Insurance Company

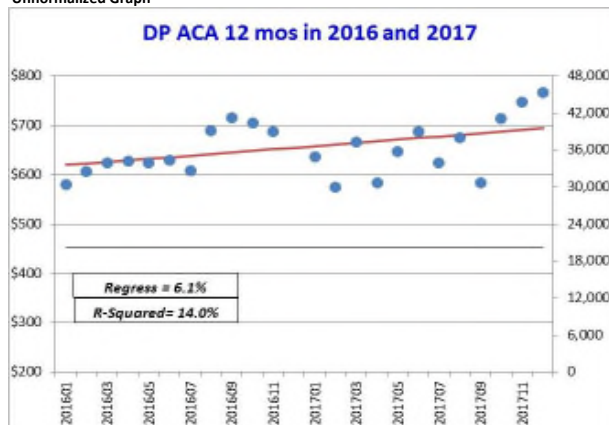
## Individual Market

## Response to Objection 1 - Question 8

Normalized Graph



Unnormalized Graph



Incurring Month	Normalized Allowed Charges	Normalized Regression	Raw Allowed Charges	Raw Regression
201601	\$422.51	\$445.05	\$581.20	\$620.24
201602	\$469.94	\$448.07	\$606.37	\$623.31
201603	\$436.55	\$451.11	\$623.96	\$626.39
201604	\$443.88	\$454.17	\$627.32	\$629.49
201605	\$468.65	\$457.26	\$625.09	\$632.60
201606	\$442.23	\$460.36	\$630.24	\$635.73
201607	\$423.61	\$463.48	\$608.31	\$638.87
201608	\$492.53	\$466.63	\$690.24	\$642.03
201609	\$517.37	\$469.79	\$715.51	\$645.21
201610	\$487.47	\$472.98	\$704.88	\$648.40
201611	\$520.82	\$476.19	\$687.44	\$651.61
201612	\$559.74	\$479.42	\$816.19	\$654.83
201701	\$495.41	\$482.68	\$636.15	\$658.07
201702	\$441.59	\$485.95	\$574.44	\$661.32
201703	\$471.63	\$489.25	\$666.60	\$664.59
201704	\$444.71	\$492.57	\$584.64	\$667.88
201705	\$485.38	\$495.91	\$646.69	\$671.18
201706	\$503.29	\$499.28	\$686.92	\$674.50
201707	\$483.90	\$502.66	\$623.65	\$677.84
201708	\$471.17	\$506.07	\$675.45	\$681.19
201709	\$440.91	\$509.51	\$583.31	\$684.56
201710	\$527.16	\$512.97	\$713.54	\$687.94
201711	\$569.90	\$516.45	\$746.70	\$691.34
201712	\$569.38	\$519.95	\$766.58	\$694.76

Slope: 1.007  
Regress: 8.5%  
R-Square 28.7%  
Intercept: \$407.59  
Regress = 8.5%  
R-Squared = 28.7%

Slope: 1.005  
Regress: 6.1%  
R-Square 14.0%  
Intercept: \$581.71  
Regress = 6.1%  
R-Squared = 14.0%

**First Priority Life Insurance Company**

**Individual Market**

**Response to Objection 1 - Question 9b**



## First Priority Life Insurance Company

## Individual Market

## Response to Objection 1 - Question 10

	Total	Projected 2019 ACA Segment				
		Renewal	Other HMRK	Prior ACA	New	Total
Member Months	6,716	1,276	0	0	0	1,276
Member Months%		100%	0%	0%	0%	100%
Risk Score	■	■				■
Completed Allowed Claims	\$7,191,441	\$896,088	\$0	\$0	\$0	896,088
Completed Allowed PMPM	\$1,070.79	\$702.26				\$702.26
Demographic Factor	1.824	2.025				2.025
Network	1.000	0.991				0.991
Benefit Richness Factor	1.000	1.000				1.000
Normalized Allowed PMPM	\$587.07	\$349.96				\$349.96

Morbidity Factor	0.596
Morbidity Factor Dampening (due to capitation & dental)	1.000
Dampened Morbidity Factor before Individual Mandate Load	0.596
Individual Mandate Load	6%
Morbidity Factor with Individual Mandate Load	0.632



**BlueCross  
BlueShield**  
First Priority Life

July 13, 2018

Ms. Cherri Sanders-Jones, Reviewer  
Bureau of Life, Accident & Health Insurance  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: First Priority Life Insurance Company 2019 ACA Rate Filing (Individual Market)  
Filing # 1A-DP-18-FPLIC (SERFF # HGHM-131475736)

Dear Ms. Sanders-Jones:

Based on the objection letter dated July 6, 2018, the filing has been revised to reflect the following change:

- A revision to the change in morbidity assumption in table 5 from 0.632 to 0.626 in order to address the error discovered in researching question 3 of the objection letter. Further details are provided in the response.

FPLIC's position regarding the uncertainty with changes in federal regulations or market participation is addressed in the filing cover letter.

Should you have any questions regarding the attached Filing, please feel free to contact me at [REDACTED] or via e-mail at: [REDACTED]

Sincerely,

[REDACTED]

[REDACTED]  
Manager, Actuarial Services  
Highmark Inc.

cc:

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]



TO: Cherri Sanders-Jones  
Bureau of Life, Accident & Health Insurance  
Pennsylvania Insurance Department

FROM: [REDACTED], Actuarial Manager  
Highmark Inc.

DATE: July 13, 2018

SUBJECT: First Priority Life Insurance Company 2019 Individual ACA-Compliant Rate Filing  
Response to July 6, 2018 Objection Letter  
Filing Number: 1A-DP-18-FPLIC  
SERFF Tracking Number: HGHM-131475736

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Below are FPLIC's responses to your objection letter dated July 6, 2018. We have included the questions along with the responses for your convenience.

**1. The following questions are related to the response to question 8:**

- a) **Please provide a quantitative demonstration of the development of the December 2016 and December 2017 normalized allowed charge PMPMs. For example, please demonstrate how the \$569.38 December 2017 normalized allowed charge PMPM is developed from the \$766.58 raw allowed charge PMPM, including a description of each of the components being normalized for (e.g., demographics, benefits) and the corresponding normalization factor associated with each component**
- b) **Please confirm whether the normalized allowed charge PMPM amounts were adjusted for seasonality. If the normalized allowed charge PMPMs were not adjusted for seasonality, please develop proposed seasonal adjustments, provide quantitative justification for the proposed adjustments, and provide an updated version of the regression analysis utilizing seasonally-adjusted normalized allowed PMPMs. If the normalized allowed charge PMPM amounts were adjusted for seasonality, please provide the seasonality factors which were utilized.**
- c) **Please provide quantitative support for the 1% trend load reflecting "the impact of partial year population changes."**
- d) **Please provide a version of the trend regression analysis which is not limited only to those individuals who were continuously enrolled (i.e., include the claims experience for all individuals who were enrolled over the time period of January 2016 to December 2017).**

**Response:**

- a. The attached exhibit labeled 'Q1a Response' provides the requested data. Normalization factors include demographics, seasonality, and step changes. The demographics factors are based on industry factors. Seasonality is described in part b of this response. The step change factors incorporate material step changes that were included in network factors in the two periods. Please note, as mentioned in the actuarial memorandum, the trend resulting from the cohort study was benchmarked against other sources for reasonability.
- b. The normalized allowed charge PMPM amounts were adjusted for seasonality. Given this is a continuous two-year cohort the primary component of the seasonality factors were the potential service days of each calendar month. The seasonality factors are included in the attached exhibits.

- c. The additional 1% impact of partial year population changes was included in the proposed trend in order to supplement the point estimate provided in the regression study. This market exhibits significant churn thru-out the year and the point estimate generated from the regression study needed to account for this market dynamic. As seen in the attached exhibit as a response for part d of this question, the ACA enrollment thru-out the calendar year is not consistent, thus demonstrating potential selection that can occur within a year.
- d. The attached exhibit labeled 'Q1d Response' provides the requested data for the same population as the original regression study, but without the continuously enrolled constraint. The regression analysis shown is based on the raw data as normalization factors are not available for a population with this much volatility. This is the primary reason we chose the continuously enrolled approach.

**2. The following questions are related to the response to the risk adjustment calculation:**

- a) **Please explain why the projected value for the Demographic Factor in cell I18 in the 'Q10 Response' tab is not equal to the value for the Allowable Rating Factor in cell K11 in Attachment B.**
- b) **We recognize that replicating the Attachment B structure for 2017 would generate a different value than the actual 2017 estimate due to the fact that the "sum of products" is not equal to the "product of sums." However, please provide the estimated average 2017 values for HHS Risk Score, Allowable Rating Factor, Geo Cost Factor, Induced Demand Factor, and Actuarial Value for each of FPLIC and Statewide for the Non-Catastrophic Pool. To the extent any of the FPLIC specific 2017 values are significantly different than the corresponding values being projected for 2019 in Attachment B, please reconcile those differences.**
- c) **Please provide the calculated Transfer PMPM amount for FPLIC when using the estimated average 2017 values (both for FPLIC and Statewide) in place of the projected 2019 values in the calculation included in Attachment B. To the extent the resulting PMPM amount is significantly different than the actual estimate for 2017 confirm that the only difference is the use of the "product of sums" vs. "sum of products".**

**Response:**

- a. The Demographic Factor in cell I18 of the 'Q10 Response' tab is the product of age, area, and tobacco factors whereas the Allowable Rating Factor shown in Attachment B represents just the age component.
- b. Please refer to the exhibit labeled Q2b Response for the requested estimated 2017 values based on the February 2018 valuation. For ease of comparison, the projected 2019 FPLIC values from Attachment B are included in the exhibit. The differences in both the HHS Risk Score and the Allowable Rating Factor values are driven by the actual changes observed based on the members who renewed in FPLIC from 2017 to 2018. In other words, the 2017 members who renewed in FPLIC for 2018 had a [REDACTED] average risk score and a [REDACTED] average age. This change then directly impacts the 2019 estimated values.
- c. Please refer to the exhibit labeled Q2c Response. This exhibit calculates the 2017 FPLIC risk adjustment transfer amount in a manner consistent with Attachment B. The only difference between the amount calculated in this exhibit and original estimate for 2017 is the use of the "product of sums" vs. "sum of products".

**3. With regards to the response to question 10, why is the ratio of the 2019 to 2017 network (.991) factor different than assumed network factor used in index rate development of 1.000? Please provide quantitative support for the network factor supporting the projected 2019 membership.**

Response:

The network factor in the total column for the morbidity calculation is on a 2017 basis. Its primary use is to normalize the 2017 allowed claims of the 2019 projected population for the purpose to calculate the morbidity factor only. The network factor for index rate development, however, represents the 2019 projected network change which is used for rate development.

As discussed, in researching this question, we uncovered a lookup error in the network factor that was used to normalize the 2017 allowed PMPM. This factor should have been 1.0 rather than the composite 0.991. The correction for this error resulted in the morbidity on table 5 to change from 0.632 to 0.626. The revised filing reflects the correction to this assumption.

## First Priority Life Insurance Company

## Individual Market

## Response to Objection 2 - Question 1a

Month-Year	Raw Allowed PMPM	Demographic Factor	Seasonality Factor	Step Change Factor	Normalized Allowed PMPM
Jan-16	\$581.20	1.284	1.001	1.070	\$422.51
Feb-16	\$606.37	1.288	0.937	1.070	\$469.94
Mar-16	\$623.96	1.291	1.035	1.070	\$436.55
Apr-16	\$627.32	1.294	1.021	1.070	\$443.88
May-16	\$625.09	1.297	0.962	1.070	\$468.65
Jun-16	\$630.24	1.299	1.026	1.070	\$442.23
Jul-16	\$608.31	1.302	1.031	1.070	\$423.61
Aug-16	\$690.24	1.305	1.004	1.070	\$492.53
Sep-16	\$715.51	1.309	0.988	1.070	\$517.37
Oct-16	\$704.88	1.312	1.030	1.070	\$487.47
Nov-16	\$687.44	1.315	0.938	1.070	\$520.82
Dec-16	\$816.19	1.318	1.034	1.070	\$559.74
Jan-17	\$636.15	1.322	0.972	1.000	\$495.41
Feb-17	\$574.44	1.325	0.982	1.000	\$441.59
Mar-17	\$666.60	1.328	1.065	1.000	\$471.63
Apr-17	\$584.64	1.330	0.988	1.000	\$444.71
May-17	\$646.69	1.333	0.999	1.000	\$485.38
Jun-17	\$686.92	1.337	1.021	1.000	\$503.29
Jul-17	\$623.65	1.339	0.962	1.000	\$483.90
Aug-17	\$675.45	1.343	1.068	1.000	\$471.17
Sep-17	\$583.31	1.345	0.983	1.000	\$440.91
Oct-17	\$713.54	1.349	1.004	1.000	\$527.16
Nov-17	\$746.70	1.352	0.969	1.000	\$569.90
Dec-17	\$766.58	1.355	0.994	1.000	\$569.38

## First Priority Life Insurance Company

## Individual Market

## Response to Objection 2 - Question 1d

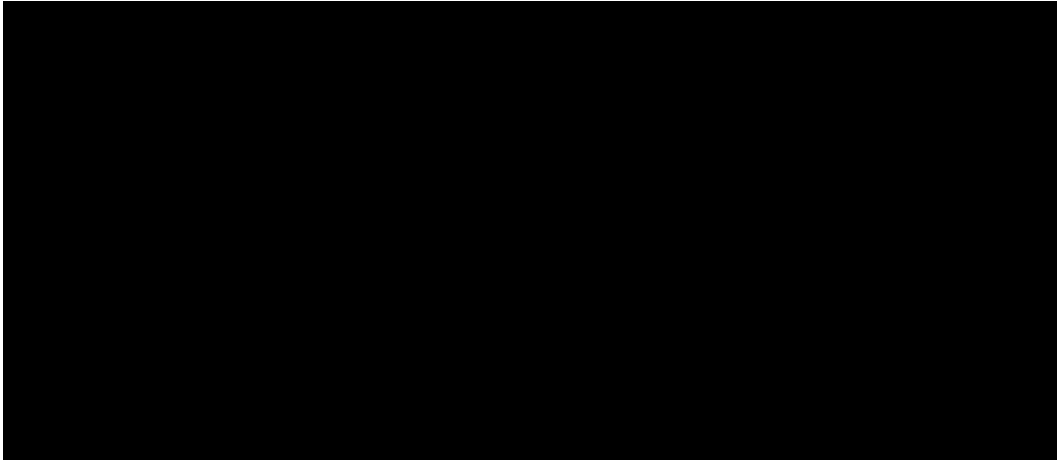
Month-Year	Members	Allowed Claims	Allowed PMPM	Adjusted PMPM	Index
Jan-16	85,060	\$46,781,684	\$549.98	\$553.69	1
Feb-16	85,707	\$49,056,840	\$572.38	\$559.58	2
Mar-16	86,103	\$53,198,586	\$617.85	\$565.53	3
Apr-16	85,313	\$48,411,025	\$567.45	\$571.55	4
May-16	83,869	\$47,326,337	\$564.29	\$577.63	5
Jun-16	82,814	\$49,263,671	\$594.87	\$583.77	6
Jul-16	81,796	\$44,985,735	\$549.97	\$589.98	7
Aug-16	80,780	\$48,507,218	\$600.49	\$596.26	8
Sep-16	79,499	\$46,999,966	\$591.20	\$602.60	9
Oct-16	78,246	\$45,681,528	\$583.82	\$609.01	10
Nov-16	76,686	\$46,687,523	\$608.81	\$615.48	11
Dec-16	72,975	\$50,026,888	\$685.53	\$622.03	12
Jan-17	45,849	\$27,896,635	\$608.45	\$628.65	13
Feb-17	44,917	\$26,757,464	\$595.71	\$635.33	14
Mar-17	44,601	\$29,675,306	\$665.35	\$642.09	15
Apr-17	43,759	\$27,827,898	\$635.94	\$648.92	16
May-17	42,996	\$28,747,204	\$668.60	\$655.82	17
Jun-17	42,429	\$28,117,924	\$662.71	\$662.80	18
Jul-17	41,664	\$27,275,324	\$654.65	\$669.85	19
Aug-17	40,984	\$27,749,207	\$677.07	\$676.97	20
Sep-17	40,289	\$24,501,978	\$608.16	\$684.17	21
Oct-17	39,661	\$29,466,432	\$742.96	\$691.45	22
Nov-17	38,993	\$27,677,628	\$709.81	\$698.81	23
Dec-17	37,713	\$28,314,352	\$750.78	\$706.24	24

<b>Slope:</b>	1.011
<b>Regress:</b>	13.5%
<b>R-Square</b>	0.694
<b>Intercept:</b>	\$547.86

**First Priority Life Insurance Company**

**Individual Market**

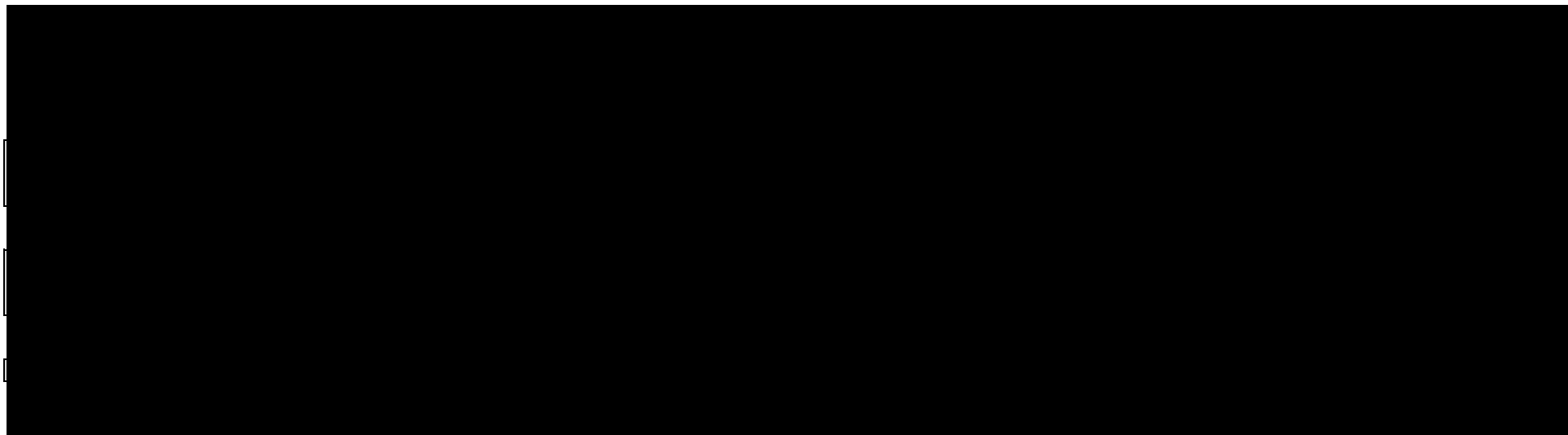
**Response to Objection 2 - Question 2b**



**First Priority Life Insurance Company**

**Individual Market**

**Response to Objection 2 - Question 2c**



1	Unified Rate Review v4.3																																					
2																																						
3	Company Legal Name:		FPLIC					State:		PA																												
4	HIOS Issuer ID:		55957					Market:		Individual																												
5	Effective Date of Rate Change(s):		01/01/2019																																			
6																																						
7																																						
8	Market Level Calculations (Same for all Plans)																																					
9																																						
10																																						
11	Section I: Experience period data																																					
12	Experience Period:		01/01/2017		to		12/31/2017																															
13							Experience Period																															
14							Aggregate Amount		PMPM		% of Prem																											
15	Premiums (net of MLR Rebate) in Experience Period:		\$3,348,262				\$498.55		100.00%																													
16	Incurred Claims in Experience Period		\$5,764,163				858.27		172.15%																													
17	Allowed Claims:		\$7,085,646				1,055.04		211.62%																													
18	Index Rate of Experience Period						\$1,055.04																															
19	Experience Period Member Months		6,716																																			
20	Section II: Allowed Claims, PMPM basis																																					
21					Experience Period		Projection Period:		01/01/2019		to															12/31/2019		Mid-point to Mid-point, Experience to Projection:		24 months								
22									Adj't. from Experience to		Annualized Trend																											
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49	Information Not Releasable to the Public Unless Authorized by Law: This information has not been publically 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.																																					
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**Product-Plan Data Collection**

Company Legal Name:

FPLIC

State:

PA

HIOS Issuer ID:

55957

Market:

Individual

Effective Date of Rate Change(s):

01/01/2019

**Product/Plan Level Calculations**

**Section I: General Product and Plan Information**

Product		my Blue Access PPO
Product ID:		55957PA035
Metal:		Bronze
AV Metal Value		0.645
AV Pricing Value		0.746
Plan Category		Renewing
Plan Type:		PPO
Plan Name		my Blue Access PPO Bronze 7000
Plan ID (Standard Component ID):		55957PA0350005
Exchange Plan?		No
Historical Rate Increase - Calendar Year - 2		18.80%
Historical Rate Increase - Calendar Year - 1		45.82%
Historical Rate Increase - Calendar Year 0		12.18%
Effective Date of Proposed Rates		01/01/2019
Rate Change % (over prior filing)		8.57%
Cum'tive Rate Change % (over 12 mos prior)		8.57%
Proj'd Per Rate Change % (over Exper. Period)		40.26%
Product Rate Increase %		8.57%

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

Plan ID (Standard Component ID):	Total	55957PA0350005
Inpatient	\$0.00	\$0.00
Outpatient	\$0.00	\$0.00
Professional	\$0.00	\$0.00
Prescription Drug	\$0.00	\$0.00
Other	\$0.00	\$0.00
Capitation	\$0.00	\$0.00
Administration	\$0.00	\$0.00
Taxes & Fees	\$0.00	\$0.00
Risk & Profit Charge	\$0.00	\$0.00
Total Rate Increase	\$0.00	\$0.00
Member Cost Share Increase	\$0.00	\$0.00

Average Current Rate PMPM	\$590.88	\$590.88
Projected Member Months	1,224	1,224

Section III: Experience Period Information

Premium Information	Plan ID (Standard Component ID):	Total	55957PA0350005
	Plan Adjusted Index Rate	\$490.03	\$490.03
	Member Months	6,716	6,716
	Total Premium (TP)	\$3,348,262	\$3,348,262
	EHB Percent of TP, [see instructions]	100.00%	100.00%
Claims Information	state mandated benefits portion of TP that are other than EHB	0.00%	0.00%
	Other benefits portion of TP	0.00%	0.00%
	Total Allowed Claims (TAC)	\$7,085,646	\$7,085,646
	EHB Percent of TAC, [see instructions]	100.00%	100.00%
	state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%
	Other benefits portion of TAC	0.00%	0.00%
	Allowed Claims which are not the issuer's obligation:	\$1,321,483	\$1,321,483
	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	\$5,764,163	\$5,764,163
	Net Amt of Rein	\$0.00	\$0.00
	Risk Adjustment Transfer Amount	\$664,900.41	\$664,900.41
Incurred Claims PMPM		\$858.27	\$858.27
Allowed Claims PMPM		\$1,055.04	\$1,055.04
EHB portion of Allowed Claims, PMPM		\$1,055.04	\$1,055.04

Section IV: Projected (12 months following effective date)

Premium Information	Plan ID (Standard Component ID):	Total	55957PA0350005
	Plan Adjusted Index Rate	\$687.30	\$687.30
	Member Months	1,224	1,224
	Total Premium (TP)	\$841,253	\$841,253
	EHB Percent of TP, [see instructions]	100.00%	100.00%
Claims Information	state mandated benefits portion of TP that are other than EHB	0.00%	0.00%
	Other benefits portion of TP	0.00%	0.00%
	Total Allowed Claims (TAC)	\$1,070,194	\$1,070,194
	EHB Percent of TAC, [see instructions]	100.00%	100.00%
	state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%
	Other benefits portion of TAC	0.00%	0.00%
	Allowed Claims which are not the issuer's obligation	\$353,170	\$353,170
	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	\$717,024	\$717,024
	Net Amt of Rein	\$0	\$0
	Risk Adjustment Transfer Amount	-\$38,691	-\$38,691
Incurred Claims PMPM		\$585.80	\$585.80
Allowed Claims PMPM		\$874.34	\$874.34
EHB portion of Allowed Claims, PMPM		\$874.34	\$874.34

## **Part II of the Preliminary Justification**

### **First Priority Life Insurance Company – Individual Market**

#### **Scope and Range:**

First Priority Life Insurance Company (FPLIC) is requesting an average rate increase of 8.6% for its one bronze 2019 ACA-qualifying individual plan with effective dates from January 1, 2019 to December 31, 2019. This is projected to affect 102 members.

These premium rates are being set at a level that is required to adequately cover rising costs, primarily due to increasing medical and pharmacy services in the Individual market.

#### **Historical Financial Experience:**

FPLIC experienced a substantial underwriting loss in its Individual ACA programs in 2017.

#### **Change in Medical Service Costs:**

The projected average cost of medical care for the projected population is expected to increase. The increase will emerge in utilization and average cost per service, and is spread across all types of services.

#### **Change in Benefits and Cost Sharing:**

Some cost sharing parameters were changed in order to maintain compliance with Federal AV requirements. Additionally, some out of pocket maximum parameters were changed to keep up with the rising cost of health care. These out of pocket maximum changes also aided in mitigating the rate increase.

#### **Administrative Costs and Anticipated Operating Results:**

The anticipated administrative costs and operating results are not excessive or unreasonable. In accordance with regulations, the projected medical loss ratio is over 80%.

**Part III Actuarial Memorandum**  
**First Priority Life Insurance Company**  
**Individual Rate Filing**  
**Effective January 1, 2019**

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## **I. General Information**

### **Document Overview**

This document contains the Part III Actuarial Memorandum for First Priority Life Insurance Company's (FPLIC) individual block of business rate filing, for products with an effective date of January 1, 2019. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

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

This information is intended for use by the Pennsylvania Insurance Department, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of FPLIC's rate filing. However, we recognize that this certification may become a public document. FPLIC makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this actuarial memorandum that would result in the creation of any duty or liability under any theory of law by FPLIC.

The results are actuarial projections. Actual experience is likely to differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

### **I.1 Company Identifying Information:**

- Company Legal Name: First Priority Life Insurance Company
- State: The Commonwealth of Pennsylvania has regulatory authority over these policies.
- HIOS Issuer ID: 55957
- Market: Individual
- Effective Date: January 1, 2019

### **I.2 Company Contact Information:**

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

## **II. Proposed Rate Increase(s)**

For all rate increases by plan see the 'Cumulative Rate Change % (over 12 mos prior)' found in Worksheet 2 Row 27 of the URRT.

The primary drivers of the rate increase are increasing medical and pharmacy services in the Individual market.

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. In accordance with the Department's guidance, we have assumed that the ACA health insurance coverage mandate will be eliminated, and that cost sharing reduction (CSR) payments will remain ceased for 2019. In prior versions we included an assumed load for expected adverse selection due to the Short Term Limited Durational Insurance market expansion based on HHS recently proposed rule modifying federal requirements for this market. The company has chosen to remove the STLDI load from the rate development at this time, however, forthcoming guidance and the ongoing filing review process may make it necessary to revisit this assumption. Additional assumptions include that advance payment of premium credits (APTCs) will continue until the end of 2019, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2019. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, FPLIC reserves the right to submit a revised filing.

## **III. Experience Period Premium and Claims**

### **III.1 Paid through Date:**

Experience Period claims were based on incurred calendar year 2017, paid through February 2018. This includes 2017 experience in Affordable Care Act compliant plans. FPLIC did not offer any transitional plans in 2017.

### **III.2 Premiums (net of MLR Rebate) in Experience Period:**

The premiums shown for the experience period were based on calendar year 2017 actual revenues.

Based on preliminary information for calendar year 2017, no MLR rebates are anticipated to be refunded to enrollees. Therefore, we did not include an adjustment for MLR rebates in the 2017 premium amounts.

### **III.3 Allowed and Paid Claims Incurred During the Experience Period:**

- **Historical Experience:** We chose FPLIC's current experience for the individual block of business for the period January 1, 2017 through December 31, 2017, with claims paid through February, 2018 as the basis for the 2019 projected individual market pricing.
- **Claims Incurred During the 12-month Experience Period:** Worksheet 1, Section I shows our best estimate of the amount of claims that were incurred during the 12-month experience period for FPLIC's individual book-of-business. This section includes:
  - The amount of claims which were processed through Company's claims system,
  - Claims processed outside of the Company's claims system, and
  - Our best estimate of claims incurred but not paid as of the paid through date stated above.
- **Method for Determining Allowed Claims:** For non-capitated claims, the allowed charges are summarized from FPLIC's detailed claim-level historical data. This experience includes 2017 claims for Affordable Care Act compliant business. For capitated and other off-system claims, historical capitations and experience were tabulated and added to the claims.
- **Paid Claims:** We also summarized the paid claims from detailed member records. The paid-to-allowed ratio for the experience period reflects the 2017 plan designs chosen by each member.
- **Incurred but Not Paid (IBNR) Claims Estimate:** FPLIC is using a completion factor of 0.980 to include IBNR claims in allowed charges. The IBNR completion factor was developed using our corporate reserving system for FPLIC's individual business. We applied it equally to both paid and allowed total claims (as a change to utilization) to complete the experience.

## **IV. Benefit Categories**

Historical cost and utilization data was summarized at the defined benefit categories included in Worksheet 1, Section II of the URRT. This data was used to allocate total claims into its components on the URRT.

The data provided in this section closely adheres to the preferred definitions of the Benefit Categories included in the URRT instructions, including the "Other Medical" category. The "Other Medical" category units reflect visits for PDN/home health, trips for ambulance and



procedures for DME/prosthetics. Prescription drugs utilization were converted to a “per 30-day” script count.

## **V. Projection Factors**

### **V.1 Changes in the Morbidity of the Population Insured**

We applied an adjustment of approximately -40.9% to reflect the anticipated changes in the average morbidity of the covered population (beyond allowable rating factors).

#### *Impact of Health Insurance Coverage Mandate*

In accordance with the Department’s guidance, the morbidity factor was increased by 6.0% to reflect the market uncertainty from the elimination of the health insurance coverage mandate. This deterioration is reflected in the filing by multiplying the original morbidity factor of -40.9% by 6.0% to arrive at the final morbidity factor of -37.4%.

### **V.2 Changes in Benefits**

The sole Bronze plan is renewing with an update to the copays and out-of-pocket maximum to maintain regulatory compliance.

### **V.3 Changes in Demographics**

We project that the average rating factor (age, tobacco load and area combined) will increase by about 11.0% due to the change in the population. This is primarily due to changes in the geographic footprint of the plan offerings. This increases the projected allowed claims (utilization) by the same amount.

### **V.4 Trend Factors (cost/utilization)**

This development of the CY2019 rates reflects an annual trend rate of 9.5% (5% cost, 4.3% utilization). These trends reflect FPLIC’s expectations regarding increases in in-network contractual reimbursement and out-of-network costs. These estimates measure and normalize for benefit leverage, population aging, and historical changes for fee schedules, as well as company-wide utilization management programs, and external trend drivers.

The trend represents a blended average for all types of service and is applied to the aggregate experience for pricing. These trends represent assumed community-wide expectations. Claim variations due to the specific projected enrolled population in this single risk pool are reflected in the morbidity adjustment.

Please note that while the underlying utilization trend is expected to be 4.3%, FPLIC has included the anticipated change in utilization due to cost sharing requirements in the utilization trend column as instructed. The utilization adjustment is 0.00% per year. This brings the final utilization trend to 4.3% as found in the URRT.

## **VI. Credibility Manual Rate Development**

### **VI.1 Source and Appropriateness of Experience Data Used**

FPLIC's individual experience is fully credible. No manual rate is developed or used in this projection. The Credibility Manual section of the URRT has been populated with zeroes to allow for finalization of the URRT Workbook.

## **VII. Credibility of Experience**

The experience is from FPLIC's individual book of business in 2017. It is large enough to be fully credible. Our results are based 100% on the experience rate, as adjusted.

## **VIII. Paid to Allowed Ratio**

The paid to allowed ratio of 0.670 is a weighted average of the 2019 plan level paid to allowed ratios. Plan level paid to allowed factors were developed using an internal model based on FPLIC individual claims experience.

## **IX. Risk Adjustment and Reinsurance**

### **IX.1 Projected Risk Adjustments PMPM:**

The estimated average risk score for FPLIC's projected 2019 population was developed by using FPLIC's 2017 claim diagnoses and the risk adjustment coefficients as finalized in the Notice of Benefit and Payment Parameters. Similarly, allowable rating factors, actuarial value factors, and induced demand factors were estimated for FPLIC based upon its projected 2019 population.

We estimated the statewide average risk transfer factors based on current market assumptions. We estimated the statewide average premium using current market premium assumptions with adjustments for anticipated rate changes for 2019.

The actual calculation of the risk transfer followed the risk transfer methodology as prescribed.

The analysis resulted in FPLIC paying into the risk adjustment pool. This value is reflected in worksheet 1 net of the risk adjuster fee (\$0.15 PMPM) consistent with the single risk pool regulations.

## **X. Non-Benefit Expenses and Profit & Risk**

### **X.1 Administrative Expense Load:**

The proposed rates reflect internal administrative costs including quality improvement administrative expenses. This cost was developed based on standard expense allocation methods.

### **X.2 Profit (or Contribution to Surplus) & Risk Margin:**

FPLIC has voluntarily refrained from including a risk and contingency factor in this filing. By this voluntary restraint, FPLIC is not waiving any right to include a risk and contingency factor which FPLIC believes is consistent with historical and legal interpretations of FPLIC and the Pennsylvania Insurance Department.

### **X.3 Taxes and Fees:**

The following fees were added:

- \$0.16 Per Member Per Month for the Patient Centered Outcomes Research Fee.
- 0.0% for the Health Insurance Provider Fee
- 2.0% for the PA Premium Tax

## **XI. Projected Loss Ratio**

The anticipated medical loss ratio is about 91.7% relative to total premium less taxes and fees. This loss ratio is calculated consistently with the federally prescribed MLR methodology.

## **XII. Single Risk Pool**

As described above, the base experience used includes all FPLIC individual members in accordance with the Single Risk Pool regulations. The projected membership and their corresponding premiums and claims only include those members who will be enrolled in a fully ACA-compliant plan in 2019.

## **XIII. Index Rate**

Please see Exhibit 1 for the numerical development of the projected index rate. The index rates as shown on Worksheet 1 of the URRT are simply the average allowed claims for the Essential Health Benefits for the experience and projected populations, respectively, for FPLIC. For the experience period, only non-grandfathered plans are included. The projection period Index Rate is not adjusted for reinsurance or risk adjustment programs or any other fee.

#### **XIV. Market Adjusted Index Rate**

Please see Exhibit I for a numerical demonstration of the Market Adjusted Index Rate development. The Market Adjusted Index Rate is the Index Rate further adjusted for risk adjustment, reinsurance, and the exchange fee. The Risk Adjustment factor is developed by taking one minus the expected risk transfer (net of the fee) and dividing by the projected incurred claims before reinsurance and risk adjustment. The Federal Reinsurance Program factor is developed by taking one minus the expected reinsurance recovery (net of the reinsurance premium) and dividing by the projected incurred claims, before reinsurance recoveries, net of reinsurance premium. The Exchange User Fee factor is developed by adding the expected average exchange fee PMPM and the projected incurred claims after risk adjuster and reinsurance, then dividing by the projected incurred claims after risk adjuster and reinsurance. These adjustments were developed as factors in accordance with the Part III instructions.

#### **XV. Plan Adjusted Index Rates**

A Plan Adjusted Index Rate is developed by taking the Market Adjusted Index Rate and adding a plan's actuarial value, relative benefit richness, relative network, any non EHB benefits, and retention. Please see Exhibit II for the development of the Plan Adjusted Index Rate for each plan.

#### **XVI. Calibration**

##### **XVI.1 Age Curve Calibration:**

The projected weighted average age factor for billable members is 2.001. This factor is calculated by dividing the all members age factor of 2.001 by the ratio of billable members to total members (1.000). Each Plan Adjusted Index Rate represents the rate for an average member with an age factor of 2.001. Please note that no member will pay these rates because the age factor of 2.001 is not found on the HHS Age Curve. It only represents the average age factor of the projected population. The nearest age to that factor is for age 53, which has a factor of 2.040. Please see Exhibit I for the development of the calibration factor.

##### **XVI.2 Geographic Factor Calibration:**

The projected weighted average geographic factor is 1.000. Each Plan Adjusted Index Rate represents the rate for an average member with a geographic factor of 1.000. Please see Exhibit I for the development of the calibration factor.

##### **XVI.3 Tobacco Factor Calibration:**

The projected weighted average tobacco factor is 1.012. Each Plan Adjusted Index Rate represents the rate for an average member with a tobacco factor of 1.012. Please see Exhibit I for the development of the calibration factor.

## **XVII. Consumer Adjusted Premium Rate Development**

The plan adjusted index rate represents the rate for an average age and average geographic member with a mix of tobacco users and non-tobacco users. Multiplying by the Combined Calibration Factor found in Exhibit I results in the value for a 53 year old non-tobacco user in a 1.0 geographical area. The standard HHS Age Curve along with the filed tobacco factors and geography factors can be used to calculate any rate found in the QHP rate template.

## **XVIII. AV Metal Values**

The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based the Federal AV Calculator. The single bronze plan did require an adjustment to the inputs entered into the AV calculator. Screen shots and certifications for this plan were submitted as part of FPLIC's QHP application.

## **XIX. AV Pricing Values**

Please see Exhibit II for the portion of each AV pricing value that is attributable to each of the allowable modifiers. The utilization due to differences in cost sharing is based on the factors adopted by the risk adjustment methodology. No differences due to health status are in these adjustments.

## **XX. Membership Projections**

Membership projections are from FPLIC's current forecast for 2019. These projections reflect expected changes in market share due to an expected increase in market competition.

FPLIC is only offering one Bronze plan off of the exchange in 2019.

## **XXI. Terminated Plans and Products**

There are no terminated plans or products.

## **XXII. Plan Type**

The Plan types listed in Worksheet 2, Section I of the Part I Unified Rate Review Template describe FPLIC's plans adequately.

## **XXIII. Warning Alerts**

There were no validation warnings that occurred when finalizing the URRT workbook.

## **XXIV. Actuarial Certification**

I, [REDACTED] am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United

States. This filing is prepared to accompany FPLIC's rate filing for the individual combined market on and off the Pennsylvania Exchange.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1) and 147.102),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient.

I certify that the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates. The allowable modifiers used to generate plan-level rates were:

- The actuarial value and cost-sharing design of the plan;
- The plan's provider network, delivery system characteristics, and utilization management practices.
- The benefits provided under the plan that are in addition to the essential health benefits. These estimated benefits were pooled with similar benefits within the single risk pool and the claims experience from those benefits was utilized to determine rate variations.
- Administrative costs, excluding Exchange user fees.
- With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans.

I certify that 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.

I certify that the benefits included in FPLIC's plans are substantially equivalent to the Essential Health Benefits (EHBs) in the Commonwealth of Pennsylvania's benchmark plans. I certify that any benefit substitutions are:

- Actuarially equivalent to the benefits being replaced,
- Are made within only the same essential health benefit category,
- Are based on a standardized plan population,
- Are determined regardless of cost-sharing,
- Are not prescription drug benefits, and

- Are based on an analysis performed in accordance with generally accepted actuarial principles and methodologies.

I certify that 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. The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based on the Federal AV Calculator. If any adjustments were required outside of the AV Calculator, appropriate certification has been provided to CMS through the QHP application process.

I certify that the geographic rating reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

The Part I Unified Rate Review Template does not demonstrate the process used by FPLIC to develop the rates. Rather, it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for Federally facilitated exchanges and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

Signed:

Title:

Date: July 13, 2018

**Exhibit I**  
**First Priority Life Insurance Company**

**Market Adjusted Index Rate Development**

<b>2019 Projected Period Average Members</b>	102
<b>2019 Projected Allowed Claims</b>	\$874.34
<b>Non-EHB</b>	\$0.00
<b>2019 Index Rate (Allowed Claims for EHB Only)</b>	\$874.34
<b>Market-Wide Adjustment</b>	
Risk Adjustment (Net of Risk Adjuster Fee)	1.054
Transitional Reinsurance Program (Net of Reinsurance Premium)	1.000
Exchange User Fee	1.000
<b>2019 Market Adjusted Index Rate</b>	\$921.75
<b>Calibration</b>	
<b>Calibration from Plan Adjusted Index Rate to Age 53, 1.0 Area, Non-Smoker</b>	
(a) Average Age Factor	2.001
(b) Age 53 (Nearest Age on HHS Age Curve) Age Factor	2.040
(c) Average Geographic Factor	1.000
(d) Average Tobacco Load Factor	1.012
<b>Combined Calibration Factor <math>1/[(a/b)*c*d]</math></b>	1.007



**Exhibit II**  
**First Priority Life Insurance Company**

**Unified Rate Review Template (URRT) AV Pricing Value Development**  
**Market Adjusted Index Rate PMPM = \$921.75**

HIOS Plan ID	Exchange Status	Metal Level	Plan Design Marketing Name	Plan Adjusted Index Rate	AV Value	Portion of URRT AV Pricing Value <sup>(1)</sup>				
						(i)	(ii)	(iii)	(iv)	(v)
55957PA0350005	Off	Bronze	my Blue Access PPO Bronze 7000	\$687.30	0.746	0.670	1.000	1.000	1.113	1.000

<sup>(1)</sup> Permitted Plan-Level Adjustments to the Index Rate as prescribed in 45 CFR Part 156, §156.80(d)(2):

- (i) The actuarial value and cost-sharing design of the plan.
- (ii) The plan's provider network, delivery system characteristics, and utilization management practices.
- (iii) The benefits provided under the plan that are in addition to the essential health benefits.
- (iv) Administrative costs, excluding Exchange user fees.
- (v) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans.

## **ACTUARIAL MEMORANDUM**

### **First Priority Life Insurance Company**

#### **Revised Individual Rate Filing - January 1, 2019**

I, [REDACTED] am a member of the American Academy of Actuaries and meet its qualification standards for preparing individual rate filings. As a consulting actuary, I was requested by First Priority Life Insurance Company ("FPLIC") to review the development of the market-wide base rate for the individual market off the Pennsylvania Exchange. The confidential material presented in this revised filing was prepared for the specific purpose of submitting the rating formula for the Pennsylvania Insurance Department and may not be appropriate for other purposes. This filing represents premium rates for individuals sold or renewed effective January 1, 2019. The rates are guaranteed until December 31, 2019.

To the best of my knowledge and judgment, the following are true with respect to this filing:

1. Premium rates are established in accordance with generally accepted actuarial principles and the applicable Actuarial Standards of Practice. They are not excessive, inadequate, or unfairly discriminatory. Rates are reasonable in relationship to the benefits provided. However, it is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent that actual experience is different from the assumptions used in developing the rates, the actual results will also deviate from the projected amounts.
2. In compliance with all applicable Pennsylvania and Federal Statutes and Regulations (45 CFR 156.80 and 147.102).
3. The rating factors and rating methodology are reasonable and consistent with FPLIC's business plan at the time of the filing.

[REDACTED]

[REDACTED]

Fellow, Society of Actuaries  
Member, American Academy of Actuaries  
July 13, 2018

<b>2019 Rates Table Template v8.1</b>		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*	55957				
Federal TIN*	23-2905083				
Rate Effective Date*	01/01/2019				
Rate Expiration Date*	12/31/2019				
Rating Method*	Age-Based Rates				
<b>Plan ID*</b>	<b>Rating Area ID*</b>	<b>Tobacco*</b>	<b>Age*</b>	<b>Individual Rate*</b>	<b>Individual Tobacco Rate*</b>
<b>Required:</b> Enter the 14-character Plan ID	<b>Required:</b> Select the Rating Area ID	<b>Required:</b> Select if Tobacco use of subscriber is used to determine if a person is eligible for a rate from a plan	<b>Required:</b> Select the age of a subscriber eligible for the rate	<b>Required:</b> Enter the rate of an Individual Non-Tobacco or No Preference enrollee on a plan	<b>Required:</b> Enter the rate of an Individual tobacco enrollee on a plan
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	0-14	259.64	259.64
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	15	282.72	282.72
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	16	291.54	291.54
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	17	300.37	300.37
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	18	309.87	309.87
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	19	319.38	319.38
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	20	329.22	329.22
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	21	339.40	347.89
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	22	339.40	347.89
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	23	339.40	347.89
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	24	339.40	347.89
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	25	340.76	349.28
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	26	347.55	356.24
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	27	355.69	364.58
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	28	368.93	378.15
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	29	379.79	389.28
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	30	385.22	394.85
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	31	393.36	403.19
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	32	401.51	411.55
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	33	406.60	416.77
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	34	412.03	422.33
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	35	414.75	425.12
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	36	417.46	427.90
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	37	420.18	430.68
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	38	422.89	433.46
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	39	428.32	439.03
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	40	433.75	477.13
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	41	441.90	488.30
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	42	449.71	500.08
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	43	460.57	516.30
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	44	474.14	536.73
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	45	490.09	561.15
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	46	509.10	590.56
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	47	530.48	624.37
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	48	554.92	663.68
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	49	579.02	704.67
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	50	606.17	742.56
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	51	632.98	775.40
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	52	662.51	811.57
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	53	692.38	848.17
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	54	724.62	887.66
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	55	756.86	927.15
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	56	791.82	969.98
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	57	827.12	1013.22
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	58	864.79	1059.37
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	59	883.46	1082.24
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	60	921.13	1128.38
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	61	953.71	1168.29
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	62	975.10	1194.50
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	63	1001.91	1227.34
55957PA0350005	Rating Area 3	Tobacco User/Non-Tobacco User	64 and over	1018.20	1247.30