



May 19, 2020

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

SUBMITTED VIA SERFF

**RE: QCC Insurance Company, Inc.
Individual PPO Rate Filing effective 1/1/2021
INAC-132358777**

Dear Ms. Gray:

Attached is the 2021 annual rate filing for PPO plans of QCC Insurance Company, Inc. (QCC) in the Individual (non-group) marketplace in the Commonwealth of Pennsylvania. Rates for new and renewing plans are being filed and satisfy market reform requirements of the Affordable Care Act (ACA).

This rate filing includes rates for these plans and specifies compliance with rating requirements of the ACA. The enclosed is for rating periods effective from January 1, 2021 through December 31, 2021.

Per the guidance provided in the 2021 ACA-Compliant Health Insurance Rate Filing Guidance provided by the Pennsylvania Insurance Department, we applied a factor of 1.01 to all individual plans. We also applied a factor of 1.20 to Silver plans for the impact of non-payment of CSR costs per the guidance. The rates also consider the impact of the state's reinsurance program, including a Reinsurance Morbidity Adjustment of 0.999 (-0.1%).

The proposed rates represent a -2.0% increase over the previously approved 2020 rates.

Information for the Pennsylvania Bulletin:

- | | |
|----------------------------------|--------------------------------------|
| 1. Company Name and NAIC Number: | QCC Insurance Company, Inc. 93688 |
| 2. Market | Individual |
| 3. On or Off Exchange | On and Off |
| 4. Effective Date of Coverage | January 1, 2021 |
| 5. Average Rate Change Requested | -2.0% |



- | | | |
|-----|--|---|
| 6. | Range of Rate Changes Requested | -2.0% to 0.4% |
| 7. | Total Annual Revenue Generated from the Proposed Rate Change | -\$6,263,320 |
| 8. | Products | PPO |
| 9. | Rating Areas and Change from 2018 | Rating Area 8; No Change |
| 10. | Metal Levels and Catastrophic Plans | Gold, Silver, Bronze |
| 11. | Current covered lives and policyholders as of February 1, 2020 | 41,560 lives |
| 12. | Number of plans offered in 2021 and change from 2020 | 14 plans in 2021; 16 plans in 2020 |
| 13. | Corresponding contract form number, SERFF, and binder numbers | INLG-132356154, INLG-132356143, INLG-132356181 See appendix for form numbers |
| 14. | HIOS Issuer ID # and submission tracking Number | HIOS Issuer ID # 31609; Tracking # 31609-1751467485967847430 |

Please contact [REDACTED] at [REDACTED] or [REDACTED] with any questions regarding this filing.

Sincerely,

[REDACTED]

cc:

[REDACTED]



APPENDIX

Form Numbers

08535.ON Rev. 1.21
08535-OC.ON Rev. 1.21
08535.OFF Rev. 1.21
08535-OC.OFF Rev. 1.21
08537.ON.PDEN Rev. 1.21
08537-OC.ON.PDEN Rev. 1.21
08537.OFF Rev. 1.21
08537-OC.OFF Rev. 1.21
08537.ON.PDEN.HSA Rev. 1.21
08537-OC.ON.PDEN.HSA Rev. 1.21
08537.OFF.PDEN.HSA Rev. 1.21
08537-OC.OFF.PDEN.HSA Rev. 1.21
PREV/SCH-II Rev. 1.21

Attachment I

Rate Change Summary

QCC Insurance Company, Inc. – Individual Plans

Rate request filing ID # INAC-132358777 - 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: | -1.9% |
| Revised requested average rate change: | N/A |
| Range of requested rate change: | -2.0% to 0.4% |
| Effective date: | January 1, 2021 |
| Mapped Members: | 41,560 |
| Available in: | Area 8 |

Key information

Jan. 2019-Dec. 2019 financial experience

| | |
|----------------------------|---------------------|
| Premiums | \$334,625,048 |
| Claims | \$235,428,535 |
| Administrative expenses | \$17,258,766 |
| Taxes & fees | \$19,786,151 |
| Company made (after taxes) | \$62,151,596 |

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2021:

| | |
|-----------------|-------|
| Claims: | 87.5% |
| Administrative: | 8.0% |
| Taxes & fees: | 2.5% |
| Profit: | 2.0% |

The company expects its annual medical costs to increase **8.5%**.

Explanation of requested rate change

QCC Insurance Company ("QCC") is revising premium rates for the Pennsylvania Consumer ACA compliant products, effective from January 1, 2021.

About 42,000 members will be affected.

Changes in Taxes and Fees:

The Federal government ended the Health Insurance Providers Fee beginning with premiums due in 2021. This lowers 2021 premium rates by about 3.4%.

Changes in Medical Service Costs:

Premium rates for health care insurance are increasing as the cost of health care service rise. Health care service costs increase as health care providers increase their fees, members use more health care services and supplies, and the types of health care services and supplies change, among other factors.

Financial Experience of the Product:

QCC is required by federal law to pay out a minimum of 80% percent of premium dollars for medical claims—this is referred to as the minimum Medical Loss Ratio (MLR). The rate action proposed in this filing is expected to achieve a Medical Loss Ratio of greater than 80% using the state's estimates for individual mandate and CSRs not being funded.

Changes in Benefits:

Some plan benefits are mandated by federal and state law. Benefit changes for some plans were also made. All changes in benefits are in compliance with the uniform modifications rules stipulated by the Federal government.

Administrative Costs:

In addition, the Affordable Care Act (ACA) imposes taxes and other levies.

PENNSYLVANIA ACTUARIAL MEMORANDUM

PURPOSES

This Actuarial Memorandum is provided along with the Unified Rate Review Template (URRT) and PA Actuarial Memorandum Rate Exhibits to provide certain information to support the gross premium for the single risk pool for individual market health care insurance underwritten by QCC Insurance Co., Inc. in the Commonwealth of Pennsylvania. It is provided as a component of a state rate filing. This submission may not be appropriate for other purposes.

1. BASIC INFORMATION AND DATA

A. COMPANY INFORMATION

| | |
|----------------------------------|------------------------------------|
| Company Legal Name: | QCC Insurance Co., Inc. ("QCC") |
| State: | Pennsylvania |
| NAIC #: | 93688 |
| Market: | Individual |
| Marketplace: | On and Off Exchange |
| Effective Date(s): | 1/1/2021 – 12/31/2021 |
| Average Rate Change: | -2.0% |
| Range of Rate Changes: | -2.0% to 0.4% |
| Products: | PPO |
| Rating Areas: | Rating Area 8 |
| Metal Levels: | Gold, Silver, Bronze, Catastrophic |
| Current Members: | 41,560 |
| Number of 2021 Plans: | 14 |
| HIOS Issuer ID (5-digit): | 31609 |

Worksheet 1 of the accompanying URRT contains experience period data and development of the projected Single Risk Pool Gross Premium Average Rate PMPM for the individual market for QCC. Worksheet 2 contains experience period data and projections by product for the single risk pool for the same entities. This memorandum pertains only to plans denoted in Worksheet 2 by Plan IDs starting with the sequence 31609.

COMPANY CONTACT INFORMATION

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

B. RATE HISTORY AND PROPOSED VARIATIONS IN RATE CHANGES

| | | |
|-----------------|--------|-----------------|
| January 1, 2015 | 14.90% | INAC- 129626643 |
| January 1, 2016 | 4.53% | INAC- 129938930 |
| January 1, 2017 | 28.38% | INAC- 130539917 |
| January 1, 2018 | 28.80% | INAC- 131146005 |
| January 1, 2019 | 0.00% | INAC- 131478475 |
| January 1, 2020 | 5.10% | INAC- 131927222 |

The historical rate changes varied by metallic tier based on plan benefits as illustrated via the Pricing AV.

Proposed rate changes may vary by metallic tier and plan based on plan benefit changes.

C. AVERAGE RATE CHANGE

The average proposed rate change shown in Cell AC15 of Table 10 is -3.0%. The changes to the single risk pool gross premium average rate per member per month (PMPM) from calendar year 2019 to calendar year 2021 are incorporated into the pricing and reflected in the Unified Rate Review Template.

The change in 21-year-old Non-Tobacco Premium PMPM calculated in Table 11, Cell AN13 is -2.7%.

D. MEMBERSHIP COUNT

Table 1 illustrates the Experience Period member-months, Current Period members as of February 1, 2020, and Projected Rating Period Member-months by ages.

E. BENEFIT CHANGES

Benefit changes were made to the following plans to assure compliance with Actuarial Value Requirements, including differences that resulted from changes to the AV Calculator. The basis for pricing changes was our internal pricing model.

F. EXPERIENCE PERIOD CLAIMS AND PREMIUMS

Table 2 illustrates the experience period claims and premiums using calendar year data. The data is consistent with the data reported in Section 1 of Worksheet I of the URRT.

Experience period premium, claims, and member months are obtained from the company's internal data warehouse. The claims data is collected for incurred dates from January through December 2019 and paid through February 2020. Earned premiums and member months are for January through December 2019. The data are for all direct-written individual business of QCC in the Commonwealth of

Pennsylvania, including out-of-network claims written by QCC but paid by QCC for POS plans. No private reinsurance was applicable.

The Non-EHB benefits portion of Allowed Claims is shown separately in cell H36 of Table 2. Capitation is uniform by age for the experience period. Net pharmacy rebates are illustrated in cell I36 of Table 2.

Projected Risk Adjustment PMPM

Projected Risk Adjustment is accounted for in Projected Incurred Claims before the state based reinsurance program and Risk Adjustment to reflect anticipated risk adjustment transfer amounts for the projection period. The amount reflects the projected morbidity for the single risk pool in the projection period.

The estimated risk adjustment revenue for all of the plans in the risk pool is developed using the following methodology. We recognize that the HHS payment transfer formula implies that the projected incurred claims based solely on the experience period single risk pool claims need to be adjusted by the ratio of the current statewide market's risk relative to allowable rating factor (ARF) for age compared to the single risk pool's risk relative to ARF presented during the experience period. This adjustment, together with the assumed future changes in population risk morbidity, results in the issuer's pricing being consistent with the anticipated morbidity level of the future statewide market.

The anticipated risk adjustment transfer revenue is allocated proportionally based on plan premium. The Projected Risk Adjustment is subtracted from Projected Incurred Claims before ACA Risk Adjustment to reflect anticipated receipt of risk adjustment transfer amounts for the projection period.

The projected risk adjustment amounts for KHPE and Independence Blue Cross (QCC) are consistent with the projection made in the respective submissions. We also considered preliminary 2019 risk transfer results.

In the URRT v5.1, it is necessary to divide Risk Adjustment by the Paid to Allowed factor when it is used in calculations based on Allowed Claims to produce calculations that are consistent with the Actuarial Memo Rate Exhibit.

G. CREDIBILITY OF DATA

The experience period data is considered 100% credible.

H. TREND IDENTIFICATION

Table 3 identifies the proposed annual medical and prescription drug allowed claims cost and utilization trends. These data match the data illustrated in Section 2 of Worksheet I of the URRT. Additional discussion is provided in Section I, Historical Experience.

We populated the URRT with the Total Annual Trend calculated in cell C52 of Table 3. The URRT requires that factors are rounded to four decimal places which results in some small differences. To arrive more closely with the result in the Actuarial Memo Rate Exhibit, we adjusted the utilization component of Capitation trend in the URRT.

I. HISTORICAL EXPERIENCE

Table 4 illustrates historical experience from 2016 through 2019 for the product line.

a. Annualized Cost Trend

Annual cost trend reflects changes in costs of medical treatment due to medical inflation and changes in the distribution of services across network providers. The trend value is developed by reviewing historical medical costs for the single risk pool and adjusting them for anticipated future provider contracting reimbursement levels. The data is normalized for changes in age, benefit changes during the experience period, changes to provider contracts, and prescription drug formulary, and new drugs brought to market.

b. Annualized Utilization Trend

Annual utilization trend reflects the change in the number of units per 1,000 members for a fixed level of illness burden and includes changes due to the mix and intensity of services provided and changes related to shifts in product mix. It also includes effects of selection, if any, since this cannot be reflected in the relative cost of the various products and plans offered.

J. TERMINATED PLANS

The following plans are being terminated in 2021:

| | |
|----------------|------------------------------------|
| 31609PA0160003 | Personal Choice EPO Silver Reserve |
| 31609PA0160004 | Personal Choice EPO Platinum |
| 31609PA0180002 | Personal Choice EPO Silver Reserve |
| 31609PA0180003 | Personal Choice EPO Platinum |

2. RATE DEVELOPMENT AND CHANGE

A. DEVELOPMENT OF PROJECTED INDEX RATE, MARKET-ADJUSTED INDEX RATE, & TOTAL ALLOWED CLAIMS

Table 5 illustrates the development of the Projected Index Rate and Market-Adjusted Index Rate beginning with the Experience Period Index Rate. Exhibit A provides additional information about the adjustment factors.

Changes in Population Risk Morbidity

INAC-132358777
QCC Consumer

Experience period allowed claims are adjusted to account for differences in the average morbidity of the single risk pool population underlying the experience and the anticipated population in the projection period. This adjustment reflects changes in the individual market-wide morbidity.

COVID-19 Impact

Morbidity was increased by an additional 1% to account for the impact of COVID-19 on overall projected claims.

Development of Reinsurance Tables

The Continuance Table for Calculating Reinsurance Impact - Individual Market Only, Experience Period Information was populated using 2019 QCC Individual claims data by individual member. 2019 claims paid through February 2020 were completed and compiled into the Annual Incurred Claims Ranges shown on Tab II.a. of the Actuarial Memorandum Exhibit.

The Continuance Table for Calculating Reinsurance Impact - Individual Market Only, Projection Period Information was populated by trending the data from the Experience Period table to 2021 using a 7% trend assumption on the incurred claims. The resulting impact is shown in Cell E7 of Tab II.b. of the Actuarial Memorandum Exhibit.

Changes in Other Factors

Experience period allowed claims are adjusted to account for differences in the single risk pool population underlying the experience and the anticipated population in the projection period pertaining to several factors not due to changes in morbidity or the costs and utilization of medical care. This adjustment reflects: additional benefits required to be covered as essential health benefits; recently mandated benefits required by state law that are not reflected in the experience period data; benefits in the experience that are removed for the projection period; anticipated changes in the average utilization of services due to differences in average cost sharing requirements during the experience period and average cost sharing requirements in the projection period; changes in demographic characteristics of the single risk pool experience period population and the projection period population (including age, gender, region, and tobacco use); changes in the provider network (adding or removing a provider system or introducing a limited network option); and anticipated changes in pharmacy rebates.

Table 5 of the Actuarial Memorandum Rate Exhibit shows the components used in calculating change in other. The calculations of the components are based on the changes in values shown in Table 7.

CSR payments are funded through premiums in this filing. The additional cost to provide the CSRs is recognized in Column P of Table 10 of the Actuarial Memorandum Rate Exhibit. In URRT Part I, the cost is reflected in the Paid to Allowed factor. The Paid to Allowed factor in the URRT Part 1 is equal to the Paid to Allowed factor in Table 5 multiplied by the value in cell P15 of Table 10 of the Actuarial Memorandum Rate Exhibit.

B. RETENTION ITEMS

Table 6 illustrates the retention items, expressed as percentages of premium. Consistent with conversations with our State regulator, no Pricing load was applied for the Managed Care Assessment levied pursuant to Article VIII-I of the Pennsylvania Code, as it will be separately reimbursed. Federal Income Tax is calculated by applying the tax rate to the sum of the HIF plus Profit/Contingency.

| | | |
|-----------------------------------|--------|--------|
| Administrative Expenses | | 12.81% |
| General and Claims | 10.40% | |
| Agent/Broker Fees and Commissions | 1.61% | |
| Quality Improvement Initiatives | 0.80% | |
| Taxes and Fees | | 2.49% |
| RA User Fee | 0.03% | |
| PCORI Fee | 0.04% | |
| PA Premium Tax | 2.00% | |
| Federal Income Tax | 0.42% | |
| Health Insurance Providers Fee | 0.00% | |
| Profit/Contingency | | 2.00% |
| Total Retention | | 17.30% |

C. NORMALIZED MARKET-ADJUSTED PROJECTED ALLOWED TOTAL CLAIMS

Table 7 compares the normalization factors used in this filing to those used in the 2020 filing. The changes in the factors reflect small differences from the projected populations in 2020 and 2021.

D. COMPONENTS OF RATE CHANGE

Table 8 illustrates the components of rate change, based on inputs from other sections of the Rate Exhibits. The results in Row H are similar to the values in Row A of Table 8.

Data in Table 9 is consistent with the 2020 and 2021 URRT with the exceptions of Risk Adjustment and Reinsurance which were revised to project company-specific values.

3. PLAN RATE DEVELOPMENT

Table 10 is populated with plan information consistent with entries in the 2021 URRT. Plan mappings, where applicable, are illustrated in Column F of Table 10.

Attached to this actuarial memorandum are exhibits providing actuarial certifications for the use of alternate methods of calculating the Actuarial Value, where applicable, as well as required support for the calculations.

The factor “AV and Cost Sharing Design of Plan” in Worksheet 2 of the URRT is the product of the Pricing AV, the Non-Funding of CSR Adjustment, and the Benefit Richness Factors from the Actuarial Memo Rate Exhibit. Again, please note that the URRT requires factors to be rounded to four decimal places, resulting in small differences.

4. PLAN PREMIUM DEVELOPMENT FOR 21-YEAR OLD NON-TOBACCO USER

Table 11 is populated from other sections of the Rate Exhibits, along with the population by age and rating area for the Projection Period.

5. PLAN FACTORS

Tables 12, 13, and 14 illustrate the factors used in pricing for age, tobacco, geographic rating area, and network. The tobacco factors match the previously approved tobacco factors from the 2020 filing.

6. ACTUARIAL CERTIFICATION

I, [REDACTED], [REDACTED] [REDACTED] for the Independence Blue Cross Family of Companies. I am a member of the Society of Actuaries and the American Academy of Actuaries with the education and experience necessary to perform the work necessary and meet the Qualification Standards of the American Academy of Actuaries to render the qualified actuarial opinion contained herein. The developed rates and memorandum have been prepared in conformity with appropriate Actuarial Standards of Practice and the Academy’s Code of Professional Conduct.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the premium rates and allowable rating factors. Rather, it represents information required by Federal regulation to be provided in support of the review of gross premium 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.

I hereby certify that, to the best of my knowledge and judgment, the following:

- The projected index rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.08(d)(1) and 147.106);
 - Developed in compliance with applicable Actuarial Standards of Practice;
 - Reasonable in relation to the benefits provided and the population anticipated to be covered; and
 - Neither excessive nor deficient.
- 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 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.

- The AV Calculator was used to determine the AV Metal Values illustrated in Worksheet 2 of the Part I Unified Rate Review Template for all plans, unless an alternate methodology was required. If an alternate methodology was used to calculate the AV Metal Value for at least one plan offered, a copy of the actuarial certification required by 45 CFR Part 156, §156.135 will be included.
- All factor, benefit, and other changes from the prior approved filing have been disclosed in the actuarial memorandum.
- New plans cannot be considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
- The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2021 Rate Filing Justification.

May 19, 2020

PA Rate Template Part I
Data Relevant to the Rate Filing

Table 0. Identifying Information

| | |
|---------------------------------|-----------------------------|
| Carrier Name: | CCC Insurance Company, Inc. |
| Product(s): | FFO Individual |
| Market Segment: | Individual |
| Rate Effective Date: | 1/1/2021 |
| Base Period Start Date: | 1/1/2019 |
| Date of Most Recent Membership: | 1/1/2020 |

to 12/31/2021
to 12/31/2019

Table 1. Number of Members

| | Member-months | |
|-------------|-------------------|---|
| | Experience Period | Member-months Current Period (as of 02-01-2020) |
| Average Age | 41.5 | 41.8 |
| 45 | 465,684 | 41,560 |
| 46 | 39,935 | 4,010 |
| 47 | 38,739 | 3,859 |
| 48 | 38,344 | 3,746 |
| 49 | 38,105 | 3,676 |
| 50 | 37,657 | 3,605 |
| 51 | 37,129 | 3,524 |
| 52 | 36,700 | 3,434 |
| 53 | 36,271 | 3,344 |
| 54 | 35,842 | 3,254 |
| 55 | 35,413 | 3,164 |
| 56 | 34,984 | 3,074 |
| 57 | 34,555 | 2,984 |

Table 2. Experience Period Claims and Premiums

| Experience Period | 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 | Estimated Reinsurance Recoveries |
|---|-------------------|-------------------|--------------------------|---------------|---------------------------------------|--------------------------------|-----------------------------------|----------------------------------|----------------------|--------------------------|---------------------------|----------------------------------|
| 1/1/2019-12/31/2019 | \$ 324,626,831.47 | \$ 215,825,056.24 | \$ 230,054,161.09 | 466,083 | \$ 40,423,617.81 | \$ 235,916,779.82 | \$ | \$ (6,374,462.39) | \$ 2,705,817.08 | \$ 98,038.13 | \$ 29,958,244.11 | \$ |
| Experience Period Total Allowed EHB Claims + EHB Capitation (PMPM) (net of prescription drug rebates) | | | | | | | | | | | | \$ 635.84 |
| Loss Ratio | | | | | | | | | | | | \$ 70.30% |

*Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

| Service Category | Cost* | Litigation* | Induced Demand* | Composite Trend | Weight* |
|---------------------------------------|-------|-------------|-----------------|-----------------|---------|
| Inpatient Hospital | 1.57% | 9.13% | 0.00% | 13.03% | 20.01% |
| Outpatient Hospital | 1.72% | 9.13% | 0.00% | 12.70% | 21.13% |
| Professional | 2.76% | 9.13% | 0.00% | 12.15% | 29.55% |
| Other Medical | 2.76% | 9.13% | 0.00% | 12.15% | 0.00% |
| Pharmacy | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Prescription Drugs | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Annual Trend | | | | 14.61% | 100.00% |
| Months of Trend | | | | 24 | |
| Total Applied Trend Projection Factor | | | | 1.314 | |

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

** Should equal 100% 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-16 | \$ 22,787,547.80 | \$ 1,000.00 | 1.0000 | \$ 22,787,547.80 | 43,016 | \$ 529.70 | \$ | \$ (444,414.42) | \$ 29,011,962.18 | \$ 669.86 |
| Feb-16 | \$ 20,436,402.84 | \$ 1,000.00 | 1.0000 | \$ 20,436,402.84 | 41,796 | \$ 489.08 | \$ | \$ (381,038.81) | \$ 14,177,364.44 | \$ 349.84 |
| Mar-16 | \$ 20,446,512.14 | \$ 1,000.00 | 1.0000 | \$ 20,446,512.14 | 41,788 | \$ 489.42 | \$ | \$ (384,445.20) | \$ 14,178,917.24 | \$ 349.93 |
| Apr-16 | \$ 20,398,500.70 | \$ 1,000.00 | 1.0000 | \$ 20,398,500.70 | 41,771 | \$ 489.07 | \$ | \$ (383,853.22) | \$ 10,800,717.81 | \$ 272.93 |
| May-16 | \$ 20,072,608.24 | \$ 1,000.00 | 1.0000 | \$ 20,072,608.24 | 41,460 | \$ 487.44 | \$ | \$ (381,225.04) | \$ 10,790,392.77 | \$ 260.90 |
| Jun-16 | \$ 20,406,114.41 | \$ 1,000.00 | 1.0000 | \$ 20,406,114.41 | 41,407 | \$ 490.46 | \$ | \$ (378,669.32) | \$ 11,165,448.15 | \$ 269.38 |
| Jul-16 | \$ 22,059,086.66 | \$ 1,000.00 | 1.0000 | \$ 22,059,086.66 | 41,085 | \$ 539.83 | \$ | \$ (425,421.63) | \$ 11,154,269.54 | \$ 270.24 |
| Aug-16 | \$ 15,500,335.80 | \$ 1,000.00 | 1.0000 | \$ 15,500,335.80 | 40,885 | \$ 379.04 | \$ | \$ (235,805.14) | \$ 15,339,532.48 | \$ 364.80 |
| Sep-16 | \$ 20,118,971.92 | \$ 1,000.00 | 1.0000 | \$ 20,118,971.92 | 40,661 | \$ 494.31 | \$ | \$ (408,201.88) | \$ 14,689,008.14 | \$ 360.45 |
| Oct-16 | \$ 22,464,365.76 | \$ 1,000.00 | 1.0000 | \$ 22,464,365.76 | 40,343 | \$ 556.14 | \$ | \$ (432,997.40) | \$ 14,024,376.08 | \$ 379.74 |
| Nov-16 | \$ 20,168,327.78 | \$ 1,000.00 | 1.0000 | \$ 20,168,327.78 | 39,953 | \$ 509.03 | \$ | \$ (467,183.20) | \$ 12,271,633.61 | \$ 303.73 |
| Dec-16 | \$ 245,216,311.77 | \$ 1,000.00 | 1.0000 | \$ 245,216,311.77 | 39,293 | \$ 624.81 | \$ 15,922,931.70 | \$ (483,551.17) | \$ 30,607,427.58 | \$ 781.28 |
| Jan-17 | \$ 24,025,351.08 | \$ 1,000.00 | 1.0000 | \$ 24,025,351.08 | 39,006 | \$ 614.00 | \$ | \$ (467,872.40) | \$ 32,147,010.50 | \$ 820.77 |
| Feb-17 | \$ 20,726,437.17 | \$ 1,000.00 | 1.0000 | \$ 20,726,437.17 | 38,784 | \$ 536.94 | \$ | \$ (460,616.61) | \$ 15,174,625.54 | \$ 393.45 |
| Mar-17 | \$ 20,363,127.43 | \$ 1,000.00 | 1.0000 | \$ 20,363,127.43 | 38,528 | \$ 526.99 | \$ | \$ (468,476.58) | \$ 16,798,093.62 | \$ 430.50 |
| Apr-17 | \$ 21,244,861.73 | \$ 1,000.00 | 1.0000 | \$ 21,244,861.73 | 38,303 | \$ 553.52 | \$ | \$ (476,669.32) | \$ 16,520,224.34 | \$ 429.63 |
| May-17 | \$ 22,870,511.84 | \$ 1,000.00 | 1.0000 | \$ 22,870,511.84 | 38,080 | \$ 592.11 | \$ | \$ (541,966.81) | \$ 14,148,440.16 | \$ 376.47 |
| Jun-17 | \$ 22,069,171.18 | \$ 1,000.00 | 1.0000 | \$ 22,069,171.18 | 38,005 | \$ 580.00 | \$ | \$ (530,619.41) | \$ 12,361,655.26 | \$ 324.50 |
| Jul-17 | \$ 20,744,003.77 | \$ 1,000.00 | 1.0000 | \$ 20,744,003.77 | 37,826 | \$ 544.86 | \$ | \$ (516,824.43) | \$ 10,781,443.48 | \$ 283.60 |
| Aug-17 | \$ 22,509,223.82 | \$ 1,000.00 | 1.0000 | \$ 22,509,223.82 | 37,621 | \$ 598.21 | \$ | \$ (547,874.63) | \$ 12,396,369.82 | \$ 365.79 |
| Sep-17 | \$ 20,513,167.01 | \$ 1,000.00 | 1.0000 | \$ 20,513,167.01 | 37,474 | \$ 547.84 | \$ | \$ (508,517.94) | \$ 10,116,985.14 | \$ 270.27 |
| Oct-17 | \$ 22,065,662.12 | \$ 1,000.00 | 1.0000 | \$ 22,065,662.12 | 37,424 | \$ 588.00 | \$ | \$ (556,026.47) | \$ 14,173,633.61 | \$ 384.47 |
| Nov-17 | \$ 20,520,024.81 | \$ 1,000.00 | 1.0000 | \$ 20,520,024.81 | 37,381 | \$ 548.46 | \$ | \$ (511,884.62) | \$ 10,884,031.44 | \$ 288.58 |
| Dec-17 | \$ 22,179,286.47 | \$ 1,000.00 | 1.0000 | \$ 22,179,286.47 | 37,147 | \$ 596.73 | \$ 20,545,130.07 | \$ (630,263.12) | \$ 30,777,668.54 | \$ 826.95 |
| Jan-18 | \$ 23,201,123.56 | \$ 1,000.00 | 1.0000 | \$ 23,201,123.56 | 37,421 | \$ 619.13 | \$ | \$ (492,381.47) | \$ 22,138,748.02 | \$ 725.89 |
| Feb-18 | \$ 20,256,105.17 | \$ 1,000.00 | 1.0000 | \$ 20,256,105.17 | 37,442 | \$ 540.12 | \$ | \$ (467,066.61) | \$ 18,499,042.81 | \$ 493.03 |
| Mar-18 | \$ 22,142,758.29 | \$ 1,000.00 | 1.0000 | \$ 22,142,758.29 | 37,363 | \$ 593.57 | \$ | \$ (541,668.23) | \$ 22,138,718.81 | \$ 588.49 |
| Apr-18 | \$ 22,324,795.61 | \$ 1,000.00 | 1.0000 | \$ 22,324,795.61 | 37,301 | \$ 596.31 | \$ | \$ (522,139.33) | \$ 22,366,926.72 | \$ 601.49 |
| May-18 | \$ 25,260,002.00 | \$ 1,000.00 | 1.0000 | \$ 25,260,002.00 | 37,008 | \$ 680.23 | \$ | \$ (639,381.03) | \$ 20,222,625.80 | \$ 736.78 |
| Jun-18 | \$ 22,301,615.06 | \$ 1,000.00 | 1.0000 | \$ 22,301,615.06 | 36,826 | \$ 596.00 | \$ | \$ (512,648.20) | \$ 20,170,967.10 | \$ 546.58 |
| Jul-18 | \$ 22,668,381.18 | \$ 1,000.00 | 1.0000 | \$ 22,668,381.18 | 36,681 | \$ 616.00 | \$ | \$ (536,474.60) | \$ 20,506,902.41 | \$ 569.76 |
| Aug-18 | \$ 25,491,626.63 | \$ 1,000.00 | 1.0000 | \$ 25,491,626.63 | 37,703 | \$ 676.12 | \$ | \$ (651,218.67) | \$ 23,285,392.48 | \$ 726.34 |
| Sep-18 | \$ 23,817,765.06 | \$ 1,000.00 | 1.0000 | \$ 23,817,765.06 | 37,133 | \$ 643.60 | \$ | \$ (539,305.07) | \$ 21,145,048.41 | \$ 573.33 |
| Oct-18 | \$ 26,525,062.81 | \$ 1,000.00 | 1.0000 | \$ 26,525,062.81 | 36,938 | \$ 718.45 | \$ | \$ (609,651.46) | \$ 20,149,396.21 | \$ 546.24 |
| Nov-18 | \$ 22,722,278.23 | \$ 1,000.00 | 1.0000 | \$ 22,722,278.23 | 36,511 | \$ 623.16 | \$ | \$ (574,669.62) | \$ 20,818,612.66 | \$ 571.43 |
| Dec-18 | \$ 345,711,061.70 | \$ 1,000.00 | 1.0000 | \$ 345,711,061.70 | 35,683 | \$ 976.12 | \$ 61,626,428.00 | \$ (630,551.08) | \$ 25,824,148.64 | \$ 753.22 |
| Jan-19 | \$ 17,811,688.45 | \$ 0.9998 | 0.9998 | \$ 17,820,702.17 | 42,000 | \$ 424.30 | \$ | \$ (500,567.06) | \$ 25,040,830.10 | \$ 600.00 |
| Feb-19 | \$ 17,796,909.66 | \$ 0.9991 | 0.9991 | \$ 17,827,879.74 | 41,844 | \$ 424.81 | \$ | \$ (496,412.84) | \$ 23,475,462.86 | \$ 571.89 |
| Mar-19 | \$ 20,029,184.99 | \$ 0.9999 | 0.9999 | \$ 20,029,081.12 | 40,867 | \$ 496.08 | \$ | \$ (509,027.06) | \$ 25,673,909.84 | \$ 614.44 |
| Apr-19 | \$ 21,317,064.19 | \$ 0.9994 | 0.9994 | \$ 21,317,018.00 | 39,991 | \$ 534.92 | \$ | \$ (519,181.03) | \$ 26,000,148.48 | \$ 665.58 |
| May-19 | \$ 21,185,478.43 | \$ 0.9971 | 0.9971 | \$ 21,217,401.93 | 39,928 | \$ 539.05 | \$ | \$ (486,881.18) | \$ 25,980,947.36 | \$ 659.45 |
| Jun-19 | \$ 18,930,514.00 | \$ 0.9995 | 0.9995 | \$ 18,988,127.87 | 38,925 | \$ 488.11 | \$ | \$ (508,673.75) | \$ 23,911,122.81 | \$ 588.66 |
| Jul-19 | \$ 18,064,366.46 | \$ 0.9991 | 0.9991 | \$ 18,068,689.72 | 38,397 | \$ 469.00 | \$ | \$ (484,066.46) | \$ 22,428,366.44 | \$ 581.66 |
| Aug-19 | \$ 19,213,434.19 | \$ 0.9911 | 0.9911 | \$ 19,888,709.71 | 37,984 | \$ 523.56 | \$ | \$ (541,000.12) | \$ 23,652,321.21 | \$ 622.71 |
| Sep-19 | \$ 19,517,633.12 | \$ 0.9883 | 0.9883 | \$ 19,648,493.25 | 37,566 | \$ 517.44 | \$ | \$ (524,138.61) | \$ 22,131,192.48 | \$ 584.86 |
| Oct-19 | \$ 21,014,664.88 | \$ 0.9281 | 0.9281 | \$ 21,542,207.60 | 37,149 | \$ 578.20 | \$ | \$ (578,841.48) | \$ 25,105,089.08 | \$ 674.88 |
| Nov-19 | \$ 20,621,562.89 | \$ 0.9869 | 0.9869 | \$ 20,621,562.89 | 36,702 | \$ 562.01 | \$ | \$ (538,612.11) | \$ 22,851,679.93 | \$ 610.93 |
| Dec-19 | \$ 304,624,831.47 | \$ 0.9418 | 0.9418 | \$ 310,086,202.86 | 36,150 | \$ 843.50 | \$ 60,912,614.81 | \$ (600,547.01) | \$ 24,116,993.72 | \$ 667.14 |

*Express Completion Factor as a percentage

**Express Prescription Drug Rebates as a negative number

Continuance Table for Calculating Reinsurance Impact - Individual Market Only, Experience Period Information

| | | | |
|----------------------|-----------------------------|------------------------------|-----------|
| Carrier Name: | QCC Insurance Company, Inc. | Attachment Point: | \$60,000 |
| Product(s): | PPO | Reinsurance Cap: | \$100,000 |
| Market Segment: | Individual | Coinsurance Rate: | 60% |
| Rate Effective Date: | 1/1/2021 | | |
| Incurred Dates: | 1/1/2019 to 12/31/2019 | Proj. Incurred Claim Impact: | -6.2% |

| Individual ACA Compliant Policies Only: Incurred Dates 1/1/2019 to 12/31/2019 | | | | | | |
|---|-----------|----------------|----------------|-----------------------|--|--|
| Annual Incurred Claims Range | | Unique Members | Member Months | Total Incurred Claims | Total Incurred Claims with Reinsurance | |
| \$0 | \$29,999 | 47,215 | 446,299 | \$76,659,019 | \$76,659,019 | |
| \$30,000 | \$34,999 | 225 | 2,517 | \$7,301,059 | \$7,301,059 | |
| \$35,000 | \$39,999 | 191 | 2,097 | \$7,141,390 | \$7,141,390 | |
| \$40,000 | \$44,999 | 145 | 1,525 | \$6,157,626 | \$6,157,626 | |
| \$45,000 | \$49,999 | 145 | 1,620 | \$6,871,399 | \$6,871,399 | |
| \$50,000 | \$54,999 | 100 | 1,115 | \$5,260,701 | \$5,260,701 | |
| \$55,000 | \$59,999 | 98 | 1,069 | \$5,639,771 | \$5,639,771 | |
| \$60,000 | \$64,999 | 90 | 1,016 | \$5,624,233 | \$5,489,693 | |
| \$65,000 | \$69,999 | 66 | 714 | \$4,443,636 | \$4,153,454 | |
| \$70,000 | \$74,999 | 60 | 707 | \$4,340,580 | \$3,896,232 | |
| \$75,000 | \$79,999 | 70 | 773 | \$5,418,084 | \$4,687,234 | |
| \$80,000 | \$84,999 | 42 | 461 | \$3,471,750 | \$2,900,700 | |
| \$85,000 | \$89,999 | 42 | 434 | \$3,668,019 | \$2,979,208 | |
| \$90,000 | \$94,999 | 39 | 419 | \$3,601,167 | \$2,844,467 | |
| \$95,000 | \$99,999 | 42 | 495 | \$4,079,499 | \$3,143,799 | |
| \$100,000 | \$109,999 | 55 | 626 | \$5,767,539 | \$4,447,539 | |
| \$110,000 | \$119,999 | 41 | 453 | \$4,684,927 | \$3,700,927 | |
| \$120,000 | \$129,999 | 45 | 510 | \$5,613,954 | \$4,533,954 | |
| \$130,000 | \$139,999 | 29 | 313 | \$3,907,169 | \$3,211,169 | |
| \$140,000 | \$149,999 | 28 | 310 | \$4,066,781 | \$3,394,781 | |
| \$150,000 | \$159,999 | 24 | 263 | \$3,719,338 | \$3,143,338 | |
| \$160,000 | \$169,999 | 23 | 266 | \$3,785,485 | \$3,233,485 | |
| \$170,000 | \$179,999 | 20 | 221 | \$3,527,166 | \$3,047,166 | |
| \$180,000 | \$189,999 | 17 | 192 | \$3,137,039 | \$2,729,039 | |
| \$190,000 | \$199,999 | 14 | 147 | \$2,712,715 | \$2,376,715 | |
| \$200,000 | \$209,999 | 10 | 120 | \$2,041,306 | \$1,801,306 | |
| \$210,000 | \$219,999 | 10 | 112 | \$2,145,704 | \$1,905,704 | |
| \$220,000 | \$229,999 | 11 | 124 | \$2,485,434 | \$2,221,434 | |
| \$230,000 | \$239,999 | 11 | 124 | \$2,572,491 | \$2,308,491 | |
| \$240,000 | \$249,999 | 8 | 78 | \$1,970,199 | \$1,778,199 | |
| \$250,000 | \$259,999 | 3 | 30 | \$761,588 | \$689,588 | |
| \$260,000 | \$269,999 | 9 | 102 | \$2,392,503 | \$2,176,503 | |
| \$270,000 | \$279,999 | 3 | 29 | \$823,652 | \$751,652 | |
| \$280,000 | \$289,999 | 6 | 70 | \$1,711,855 | \$1,567,855 | |
| \$290,000 | \$299,999 | 7 | 69 | \$2,072,598 | \$1,904,598 | |
| \$300,000 | \$324,999 | 7 | 79 | \$2,184,859 | \$2,016,859 | |
| \$325,000 | \$349,999 | 5 | 55 | \$1,697,968 | \$1,577,968 | |
| \$350,000 | \$374,999 | 6 | 61 | \$2,169,317 | \$2,025,317 | |
| \$375,000 | \$399,999 | 3 | 28 | \$1,170,375 | \$1,098,375 | |
| \$400,000 | \$424,999 | 1 | 12 | \$416,000 | \$392,000 | |
| \$425,000 | \$449,999 | 4 | 48 | \$1,719,689 | \$1,623,689 | |
| \$450,000 | \$474,999 | 3 | 31 | \$1,381,405 | \$1,309,405 | |
| \$475,000 | \$499,999 | 4 | 45 | \$1,952,392 | \$1,856,392 | |
| \$500,000 | \$599,999 | 8 | 90 | \$4,229,583 | \$4,037,583 | |
| \$600,000 | \$699,999 | 5 | 59 | \$3,214,703 | \$3,094,703 | |
| \$700,000 | \$799,999 | 3 | 36 | \$2,289,240 | \$2,217,240 | |
| \$800,000 | \$899,999 | 4 | 48 | \$3,428,482 | \$3,332,482 | |
| \$900,000 | \$999,999 | 3 | 36 | \$2,805,996 | \$2,733,996 | |
| \$1,000,000+ | | 3 | 36 | \$3,467,593 | \$3,395,593 | |
| Total | | 49,003 | 466,084 | \$241,704,979 | \$226,760,798 | |

Continuance Table for Calculating Reinsurance Impact - Individual Market Only, Projection Period Information

| | | | |
|----------------------|-----------------------------|------------------------------|-----------|
| Carrier Name: | QCC Insurance Company, Inc. | Attachment Point: | \$60,000 |
| Product(s): | PPO | Reinsurance Cap: | \$100,000 |
| Market Segment: | Individual | Coinsurance Rate: | 60% |
| Rate Effective Date: | 1/1/2021 | Proj. Incurred Claim Impact: | -6.5% |
| | | Proj. Morbidity Impact: | -0.1% |

| Reinsurance Program Impact Continuance Table Development - Plan Year 2021 | | | | | |
|---|-----------|----------------|----------------|-----------------------|--|
| Annual Incurred Claims Range | | Unique Members | Member Months | Total Incurred Claims | Total Incurred Claims with Reinsurance |
| \$0 | \$29,999 | 47,025 | 444,281 | \$81,658,481 | \$81,658,481 |
| \$30,000 | \$34,999 | 223 | 2,411 | \$7,253,376 | \$7,253,376 |
| \$35,000 | \$39,999 | 190 | 2,100 | \$7,133,971 | \$7,133,971 |
| \$40,000 | \$44,999 | 168 | 1,844 | \$7,120,089 | \$7,120,089 |
| \$45,000 | \$49,999 | 136 | 1,437 | \$6,464,557 | \$6,464,557 |
| \$50,000 | \$54,999 | 126 | 1,380 | \$6,612,735 | \$6,612,735 |
| \$55,000 | \$59,999 | 99 | 1,127 | \$5,679,091 | \$5,679,091 |
| \$60,000 | \$64,999 | 89 | 982 | \$5,562,151 | \$5,428,860 |
| \$65,000 | \$69,999 | 85 | 919 | \$5,741,157 | \$5,356,463 |
| \$70,000 | \$74,999 | 76 | 864 | \$5,510,457 | \$4,940,183 |
| \$75,000 | \$79,999 | 58 | 627 | \$4,489,590 | \$3,883,836 |
| \$80,000 | \$84,999 | 50 | 596 | \$4,115,883 | \$3,446,353 |
| \$85,000 | \$89,999 | 64 | 700 | \$5,605,851 | \$4,546,340 |
| \$90,000 | \$94,999 | 41 | 447 | \$3,791,922 | \$2,992,769 |
| \$95,000 | \$99,999 | 40 | 425 | \$3,905,890 | \$3,002,356 |
| \$100,000 | \$109,999 | 70 | 770 | \$7,363,635 | \$5,683,635 |
| \$110,000 | \$119,999 | 58 | 671 | \$6,641,110 | \$5,249,110 |
| \$120,000 | \$129,999 | 46 | 520 | \$5,751,950 | \$4,647,950 |
| \$130,000 | \$139,999 | 33 | 364 | \$4,459,555 | \$3,667,555 |
| \$140,000 | \$149,999 | 38 | 431 | \$5,496,141 | \$4,584,141 |
| \$150,000 | \$159,999 | 25 | 267 | \$3,876,434 | \$3,276,434 |
| \$160,000 | \$169,999 | 23 | 262 | \$3,802,461 | \$3,250,461 |
| \$170,000 | \$179,999 | 21 | 227 | \$3,659,166 | \$3,155,166 |
| \$180,000 | \$189,999 | 23 | 254 | \$4,247,741 | \$3,695,741 |
| \$190,000 | \$199,999 | 12 | 135 | \$2,329,136 | \$2,041,136 |
| \$200,000 | \$209,999 | 22 | 254 | \$4,492,553 | \$3,964,553 |
| \$210,000 | \$219,999 | 16 | 175 | \$3,441,108 | \$3,057,108 |
| \$220,000 | \$229,999 | 12 | 128 | \$2,699,639 | \$2,411,639 |
| \$230,000 | \$239,999 | 7 | 84 | \$1,649,253 | \$1,481,253 |
| \$240,000 | \$249,999 | 7 | 76 | \$1,705,074 | \$1,537,074 |
| \$250,000 | \$259,999 | 10 | 114 | \$2,550,176 | \$2,310,176 |
| \$260,000 | \$269,999 | 13 | 146 | \$3,448,749 | \$3,136,749 |
| \$270,000 | \$279,999 | 5 | 55 | \$1,377,638 | \$1,257,638 |
| \$280,000 | \$289,999 | 7 | 65 | \$1,999,069 | \$1,831,069 |
| \$290,000 | \$299,999 | 2 | 24 | \$592,427 | \$544,427 |
| \$300,000 | \$324,999 | 13 | 141 | \$4,028,894 | \$3,716,894 |
| \$325,000 | \$349,999 | 12 | 129 | \$4,035,663 | \$3,747,663 |
| \$350,000 | \$374,999 | 6 | 67 | \$2,153,809 | \$2,009,809 |
| \$375,000 | \$399,999 | 5 | 55 | \$1,944,004 | \$1,824,004 |
| \$400,000 | \$424,999 | 5 | 49 | \$2,054,999 | \$1,934,999 |
| \$425,000 | \$449,999 | 4 | 40 | \$1,768,615 | \$1,672,615 |
| \$450,000 | \$474,999 | 0 | 0 | \$0 | \$0 |
| \$475,000 | \$499,999 | 4 | 48 | \$1,943,135 | \$1,847,135 |
| \$500,000 | \$599,999 | 12 | 134 | \$6,652,545 | \$6,364,545 |
| \$600,000 | \$699,999 | 4 | 44 | \$2,508,783 | \$2,412,783 |
| \$700,000 | \$799,999 | 5 | 59 | \$3,680,514 | \$3,560,514 |
| \$800,000 | \$899,999 | 1 | 12 | \$813,070 | \$789,070 |
| \$900,000 | \$999,999 | 5 | 60 | \$4,711,299 | \$4,591,299 |
| \$1,000,000+ | | 7 | 84 | \$8,204,483 | \$8,036,483 |
| Total | | 49,003 | 466,084 | \$276,728,031 | \$258,810,290 |

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

Carrier Name: QCC Insurance Company, Inc.
 Product(s): PPO
 Market Segment: Individual
 Rate Effective Date: 7/1/2021

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 | \$ 635.64 | \$ - | Actual Experience PMPM should be consistent with the Index Rate for Experience Period on URRT |
| Two year trend projection factor | 1.314 | 1.000 | |
| Unadjusted Projected Allowed EHB Claims PMPM | \$ 834.99 | \$ - | |
| Single Risk Pool Adjustment Factors | | | |
| Change in Morbidity - Impact of Reinsurance Program | 0.999 | 0.999 | |
| Change in Morbidity - All Other | 1.020 | | < See URRT Instructions |
| Total Non-Morbidity Changes | 1.006 | 0.000 | |
| Change in Demographics | 1.000 | | < See URRT Instructions |
| Change in Network | 1.006 | | < See URRT Instructions |
| Change in Benefits | 1.000 | | < See URRT Instructions |
| Change in Other | 1.000 | | < See URRT Instructions |
| Total Adjusted Projected Allowed EHB Claims PMPM | \$ 856.35 | \$ - | |
| Credibility Factors | 100% | 0% | < See Instructions |
| Blended Projected EHB Claims PMPM | \$ - | \$ 856.35 | < Projected Index Rate |
| Development of the Market-Adjusted Index Rate and Total Allowed Claims | | | |
| Adjusted Projected Allowed EHB Claims PMPM | \$ 856.35 | | < Index Rate for Projection Period on URRT |
| Projected Paid to Allowed Ratio | 0.682 | | |
| Projected Incurred EHB Claims PMPM | \$ 584.37 | | |
| Market-wide Adjustments | | | |
| Projected Incurred Risk Adjustment PMPM | \$ 544.96 | | |
| Projected Incurred Exchange User Fees PMPM | \$ 513.47 | | |
| Projected Incurred Reinsurance Recoveries PMPM | \$ 537.85 | | |
| Market-Adjusted Projected Incurred EHB Claims PMPM | \$ 515.04 | | |
| Market-Adjusted Projected Allowed EHB Claims PMPM | \$ 754.75 | | < Market-Adjusted Index Rate |
| Projected Allowed Non-EHB Claims PMPM | \$ 0.26 | | |
| Market-Adjusted Projected Incurred Total Claims PMPM | \$ 515.22 | | |
| Market-Adjusted Projected Allowed Total Claims PMPM | \$ 755.01 | | |

For Informational Purposes only - No input required.

| | | |
|--|-------------------|---|
| Blended Base Period Unadjusted Claims before Normalization | \$ 635.64 | < Index Rate of Experience Period on URRT |
| Blended Earned Premium | \$ 304,626,833.47 | |
| Blended Loss Ratio | 70.36% | |

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

| Effect Date | 1/1/2021 | 4/1/2021 | 7/1/2021 | 10/1/2021 | Total Single Risk Pool |
|--|-----------|-----------|-----------|-----------|------------------------|
| # of Member Months Renewing in Quarter | - | - | - | - | - |
| Adjusted Projected Allowed EHB Claims PMPM | \$ 856.35 | \$ 856.35 | \$ 856.35 | \$ 856.35 | \$ 856.35 |
| Months of Trend | - | 3 | 6 | 9 | - |
| Annual Trend | 14.63% | 14.63% | 14.63% | 14.63% | - |
| Single Risk Pool Projected Allowed Claims | \$ 856.35 | \$ 886.05 | \$ 916.79 | \$ 948.59 | \$ - |
| Quarterly Trend Factor | 1.000 | 1.035 | 1.071 | 1.108 | 0.000 |

Table 6. Retention

| Retention Items - Express in percentages | Percentages | PMPM Amounts |
|--|-------------|--------------|
| Administrative Expenses | 12.31% | \$79.82 |
| General and Claims | 10.60% | \$64.80 |
| Agent/Broker Fees and Commissions | 1.61% | \$10.04 |
| Quality Improvement Initiatives | 0.80% | \$4.98 |
| Taxes and Fees | 2.49% | \$15.53 |
| Risk Adjustment User Fee | 0.04% | \$0.26 |
| PCORI Fee | 0.03% | \$0.20 |
| PA Premium & Other Taxes (if applicable) | 2.00% | \$12.46 |
| Federal Income Tax | 0.42% | \$2.62 |
| Health Insurance Providers Fee (Priorated for Small Groups only) | 0.00% | \$0.00 |
| Profit/Contingency (after tax) | 2.00% | \$12.46 |
| Total Retention | 17.31% | \$107.82 |
| Projected Required Revenue PMPM | | \$ 623.03 |

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

| Normalization Factors | 2020 | 2021 |
|--|-----------|-----------|
| Average Aca Factor | 1.701 | 1.770 |
| Average Generacsis Factor | 1.000 | 1.000 |
| Average Tobacco Factor | 1.013 | 1.014 |
| Average Benefit Richness (induced demand) | 1.000 | 1.000 |
| Average Network Factor | 1.000 | 1.000 |
| Market-Adjusted Projected Allowed Total Claims PMPM | \$ 757.79 | \$ 755.01 |
| Normalized Market-Adjusted Projected Allowed Total Claims PMPM | \$ 439.88 | \$ 433.04 |

Table 8. Components of Rate Change

| Rate Components | 2020 | 2021 | Difference | Percent Change |
|---|-------------|-------------|------------|----------------|
| A. Calibrated Plan Adjusted Index Rate (PMPM) | \$ 371.25 | \$ 364.00 | \$ (7.25) | -2.0% |
| B. Base period allowed claims before normalization | \$ 719.97 | \$ 635.64 | \$ (84.33) | -22.7% |
| C. Normalization factor component of change | \$ (302.04) | \$ (271.07) | \$ 30.97 | 8.3% |
| D. Change in Normalized Allowed Claims Adjustment Components | | | | |
| D1. Base period allowed claims after normalization | \$ 417.93 | \$ 364.57 | \$ (53.35) | -14.4% |
| D2. URRT Trend | \$ 27.46 | \$ 114.34 | \$ 86.87 | 234% |
| D3. URRT Morbidity | \$ 26.72 | \$ 9.34 | \$ (17.39) | -47% |
| D4. URRT Other | \$ 5.51 | \$ 3.11 | \$ (2.40) | -6% |
| D5. Normalized URRT Risk Adjustment on an allowed basis | \$ (50.40) | \$ (37.79) | \$ 12.62 | 34% |
| D6. Normalized Exchange User Fee on an allowed basis | \$ 12.47 | \$ 11.32 | \$ (1.15) | -9% |
| D7. Normalized Reinsurance Recoveries on an allowed basis | \$ - | \$ 31.81 | \$ 31.81 | 86% |
| D8. Subtotal - Sum(D1-D7) | \$ 439.70 | \$ 496.51 | \$ 56.82 | 15.3% |
| E. Change in Allowable Plan Adjusted Level Components | | | | |
| E1. Network | \$ - | \$ - | \$ - | 0.0% |
| E2. Pricing AV | \$ (128.82) | \$ (157.69) | \$ (28.87) | -7.8% |
| E3. Benefit Richness | \$ - | \$ 0.00 | \$ 0.00 | 0.0% |
| E4. Catastrophic Eligibility | \$ (0.00) | \$ - | \$ 0.00 | 0.0% |
| E5. Subtotal - Sum(E1-E4) | \$ (128.82) | \$ (157.69) | \$ (28.87) | -7.8% |
| F. Change in Retention Components | | | | |
| F1. Administrative Expenses | \$ 46.78 | \$ 46.64 | \$ (0.14) | 0.0% |
| F2. Taxes and Fees | \$ 21.77 | \$ 9.07 | \$ (12.70) | -34% |
| F3. Profit and/or Contingency | \$ 7.42 | \$ 7.28 | \$ (0.15) | 0.0% |
| F4. Subtotal - Sum(F1-F3) | \$ 75.98 | \$ 62.99 | \$ (12.99) | -35% |
| G. Change in Miscellaneous Items | \$ - | \$ - | \$ - | 0.0% |
| H. Sum of Components of Rate Change (should approximate the change shown in line A) | \$ 386.85 | \$ 401.81 | \$ 14.96 | 4.0% |

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

| | 2020 | 2021 | |
|---|------------|------------|---|
| Paid-to-Allowed | 0.707 | 0.682 | |
| URRT Trend (Total Applied Trend Factor) | 1.066 | 1.314 | < URRT W1, S2 |
| URRT Morbidity | 1.060 | 1.019 | < URRT W1, S2 |
| URRT "Other" | 1.012 | 1.006 | < URRT W1, S2 |
| Risk Adjustment | \$ (61.33) | \$ (44.96) | < URRT W1, S3 |
| Exchange User Fee | \$ 15.19 | \$ 13.47 | < URRT W1, S3 |
| Reinsurance Recoveries | \$ - | \$ 37.85 | < URRT W1, S3 |
| Capitation | \$ - | \$ - | < URRT W1, S2 |
| Network | 1.000 | 1.000 | |
| Pricing AV | 0.707 | 0.682 | < For 2020 in cell B1, please include a factor equal to the product of the average Pricing AV and the Non-Funding of CSR Adjustment |
| Benefit Richness | 1.000 | 1.000 | |
| Catastrophic Eligibility | 1.000 | 1.000 | |
| Administrative Expenses | 12.60% | 12.81% | |
| Taxes and Fees | 5.86% | 2.49% | |
| Profit and/or Contingency | 2.00% | 2.00% | |

**QCC Insurance Company
Individual
Plan Design Summary**

| HIOS Plan ID | Plan Marketing Name | Product | Metal | On/Off Exchange | Network | Rating Area | Counties Covered |
|----------------|------------------------------------|---------|--------------|-----------------|-----------------|-------------|--|
| 31609PA0070002 | Personal Choice PPO Gold | PPO | Gold | On | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0070003 | Personal Choice PPO Silver | PPO | Silver | On | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0070004 | Personal Choice PPO Bronze | PPO | Bronze | On | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0160001 | Personal Choice EPO Catastrophic | EPO | Catastrophic | On | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0160005 | Personal Choice EPO Bronze Reserve | EPO | Bronze | On | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0160006 | Personal Choice EPO Bronze Basic | EPO | Bronze | On | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0160007 | Personal Choice EPO Gold | EPO | Gold | On | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0180001 | Personal Choice EPO Catastrophic | EPO | Catastrophic | Off | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0180004 | Personal Choice EPO Bronze Reserve | EPO | Bronze | Off | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0180005 | Personal Choice EPO Bronze Basic | EPO | Bronze | Off | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0180007 | Personal Choice EPO Gold | EPO | Gold | Off | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0190002 | Personal Choice PPO Gold | PPO | Gold | Off | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0190003 | Personal Choice PPO Silver | PPO | Silver | Off | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 31609PA0190004 | Personal Choice PPO Bronze | PPO | Bronze | Off | Personal Choice | 8 | Bucks, Chester, Delaware, Montgomery, Philadelphia |

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | | | |
|----|---|-----------------------------|--------------|-------------|------------------|------------------|----------|---|----------------------------|---|---|---|---|---|---------|---|---|--|---|--|--|--|
| 1 | Unified Rate Review v5.1 | | | | | | | | | | | | | | | To add a product to Worksheet 2 - Plan Product Info, select the Add Product button or Ctrl + Shift + P. | | | | | | |
| 2 | | | | | | | | | | | | | | | | To add a plan to Worksheet 2 - Plan Product Info, select the Add Plan button or Ctrl + Shift + L. | | | | | | |
| 3 | Company Legal Name: | QCC Insurance Company, Inc. | | | | | | | | | | | | | State: | PA | | To validate, select the Validate button or Ctrl + Shift + I. | | | | |
| 4 | HIOS Issuer ID: | 31609 | | | | | | | | | | | | | Market: | Individual | | To finalize, select the Finalize button or Ctrl + Shift + F. | | | | |
| 5 | Effective Date of Rate Change(s): | 1/1/2021 | | | | | | | | | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | | | | | | | | | | | |
| 8 | Market Level Calculations (Same for all Plans) | | | | | | | | | | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | | | | | | | |
| 11 | Section I: Experience Period Data | | | | | | | | | | | | | | | | | | | | | |
| 12 | Experience Period: | 1/1/2019 | | | to | 12/31/2019 | | | | | | | | | | | | | | | | |
| 13 | | | | | Total | | | | PMPM | | | | | | | | | | | | | |
| 14 | Allowed Claims | | | | \$296,263,134.51 | | | | \$635.64 | | | | | | | | | | | | | |
| 15 | Reinsurance | | | | \$0.00 | | | | \$0.00 | | | | | | | | | | | | | |
| 16 | Incurred Claims in Experience Period | | | | \$235,330,516.68 | | | | \$504.91 | | | | | | | | | | | | | |
| 17 | Risk Adjustment | | | | \$29,998,214.87 | | | | \$64.36 | | | | | | | | | | | | | |
| 18 | Experience Period Premium | | | | \$304,626,833.47 | | | | \$653.59 | | | | | | | | | | | | | |
| 19 | Experience Period Member Months | | | | 466,084 | | | | | | | | | | | | | | | | | |
| 20 | | | | | | | | | | | | | | | | | | | | | | |
| 21 | Section II: Projections | | | | | | | | | | | | | | | | | | | | | |
| 22 | | Experience Period Index | Year 1 Trend | | | Year 2 Trend | | | Trended EHB Allowed Claims | | | | | | | | | | | | | |
| 23 | Benefit Category | Rate PMPM | Cost | Utilization | Cost | Utilization | PMPM | | | | | | | | | | | | | | | |
| 24 | Inpatient Hospital | \$127.21 | 1.036 | 1.091 | 1.036 | 1.091 | \$162.51 | | | | | | | | | | | | | | | |
| 25 | Outpatient Hospital | \$147.02 | 1.033 | 1.091 | 1.033 | 1.091 | \$186.74 | | | | | | | | | | | | | | | |
| 26 | Professional | \$187.85 | 1.028 | 1.091 | 1.028 | 1.091 | \$236.29 | | | | | | | | | | | | | | | |
| 27 | Other Medical | \$0.00 | 1.028 | 1.091 | 1.028 | 1.091 | \$0.00 | | | | | | | | | | | | | | | |
| 28 | Capitation | \$5.87 | 0.998 | 0.994 | 0.997 | 0.994 | \$5.77 | | | | | | | | | | | | | | | |
| 29 | Prescription Drug | \$167.70 | 1.105 | 1.091 | 1.105 | 1.091 | \$243.73 | | | | | | | | | | | | | | | |
| 30 | Total | \$635.65 | | | | | \$835.04 | | | | | | | | | | | | | | | |
| 31 | | | | | | | | | | | | | | | | | | | | | | |
| 32 | Morbidity Adjustment | | | | 1.019 | | | | | | | | | | | | | | | | | |
| 33 | Demographic Shift | | | | 1.000 | | | | | | | | | | | | | | | | | |
| 34 | Plan Design Changes | | | | 1.000 | | | | | | | | | | | | | | | | | |
| 35 | Other | | | | 1.006 | | | | | | | | | | | | | | | | | |
| 36 | Adjusted Trended EHB Allowed Claims PMPM for | 1/1/2021 | | | \$856.01 | | | | | | | | | | | | | | | | | |
| 37 | | | | | | | | | | | | | | | | | | | | | | |
| 38 | Manual EHB Allowed Claims PMPM | | | | \$0.00 | | | | | | | | | | | | | | | | | |
| 39 | Applied Credibility % | | | | 100.00% | | | | | | | | | | | | | | | | | |
| 40 | | | | | | | | | | | | | | | | | | | | | | |
| 41 | Projected Period Totals | | | | | | | | | | | | | | | | | | | | | |
| 42 | Projected Index Rate for | 1/1/2021 | | | \$856.01 | \$426,909,307.20 | | | | | | | | | | | | | | | | |
| 43 | Reinsurance | | | | \$55.46 | \$27,659,011.20 | | | | | | | | | | | | | | | | |
| 44 | Risk Adjustment Payment/Charge | | | | \$65.88 | \$32,855,673.60 | | | | | | | | | | | | | | | | |
| 45 | Exchange User Fees | | | | 2.68% | \$10,089,782.04 | | | | | | | | | | | | | | | | |
| 46 | Market Adjusted Index Rate | | | | \$754.90 | \$376,484,404.44 | | | | | | | | | | | | | | | | |
| 47 | | | | | | | | | | | | | | | | | | | | | | |
| 48 | Projected Member Months | | | | 498,720 | | | | | | | | | | | | | | | | | |
| 49 | | | | | | | | | | | | | | | | | | | | | | |
| 50 | Information Not Releasable to the Public Unless Authorized by Law: This information has not been publicly disclosed and may be privileged and confidential. It is for internal government use only and must not be disseminated, distributed, or copied to persons not authorized to receive the information. Unauthorized disclosure may result in prosecution to the full extent of the law. | | | | | | | | | | | | | | | | | | | | | |
| 51 | | | | | | | | | | | | | | | | | | | | | | |

Rating Area Data Collection

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

| Rating Area | Rating Factor |
|---------------|---------------|
| Rating Area 8 | 1.0000 |

URRT Part II – Consumer Friendly Justification

Scope and Range of the Rate Increase:

QCC Insurance Company ("QCC") is revising premium rates for the Pennsylvania Consumer ACA compliant products, effective from January 1, 2021. The proposed revisions to each plan are shown on the second page of this exhibit.

About 42,000 members will be affected.

Financial Experience of the Product:

QCC is required by federal law to pay out a minimum of 80% percent of premium dollars for medical claims—this is referred to as the minimum Medical Loss Ratio (MLR). The rate action proposed in this filing is expected to achieve a Medical Loss Ratio of greater than 80% using the state's estimates for individual mandate and CSRs not being funded.

Changes in Taxes and Fees:

The Federal government ended the Health Insurance Providers Fee beginning with premiums due in 2021. This lowers 2021 premium rates by about 3.4%.

Changes in Medical Service Costs:

Premium rates for health care insurance are increasing as the cost of health care service rise. Health care service costs increase as health care providers increase their fees, members use more health care services and supplies, and the types of health care services and supplies change, among other factors.

We are projecting that claims will increase by 8.5% in 2021. Nearly half of the change in health care service costs is driven by changes to health care provider fees.

We project an additional 1% increase in claims to account for the impact of COVID-19 on overall projected claims.

A reinsurance program administered by the state will be effective beginning January 1, 2021. We project that this will reduce rates by approximately 6.5%.

Changes in Benefits:

Some plan benefits are mandated by federal and state law. Benefit changes for some plans were also made. All changes in benefits are in compliance with the uniform modifications rules stipulated by the Federal government.

Administrative Costs:

The premium rates presented in this filing include a 2% contribution to reserves. Furthermore, the Affordable Care Act (ACA) imposes taxes and other levies.

URRT Part II – Consumer Friendly Justification

| HIOS ID | Plan Name | 2021 % Change |
|----------------|------------------------------------|---------------|
| 31609PA0070002 | Personal Choice PPO Gold | 0.4% |
| 31609PA0070003 | Personal Choice PPO Silver | -1.9% |
| 31609PA0070004 | Personal Choice PPO Bronze | -1.1% |
| 31609PA0160001 | Personal Choice EPO Catastrophic | -2.0% |
| 31609PA0160005 | Personal Choice EPO Bronze Reserve | -1.2% |
| 31609PA0160006 | Personal Choice EPO Bronze Basic | -1.6% |
| 31609PA0180001 | Personal Choice EPO Catastrophic | -2.0% |
| 31609PA0180004 | Personal Choice EPO Bronze Reserve | -1.2% |
| 31609PA0180005 | Personal Choice EPO Bronze Basic | -1.6% |
| 31609PA0190002 | Personal Choice PPO Gold | 0.4% |
| 31609PA0190003 | Personal Choice PPO Silver | -1.9% |
| 31609PA0190004 | Personal Choice PPO Bronze | -1.1% |

GENERAL OVERVIEW

PURPOSES

This Actuarial Memorandum is provided along with the Unified Rate Review Template (URRT) to provide certain information to support the gross premium for the single risk pool for individual market health care insurance underwritten by QCC Insurance Company, Inc. in the Commonwealth of Pennsylvania. It is provided as a component of an application for certification as a Qualified Health Plan and a state rate filing. This submission may not be appropriate for other purposes.

GENERAL INFORMATION

COMPANY IDENTIFYING INFORMATION

Company Legal Name: QCC Insurance Company, Inc. ("QCC")

State: Pennsylvania

HIOS Issuer ID (5-digit): 31609

Market: Individual

Effective Date(s): 1/1/2021

Worksheet 1 of the accompanying URRT contains experience period data and development of the projected Single Risk Pool Gross Premium Average Rate PMPM for the individual market for QCC. Worksheet 2 contains experience period data and projections by product for the single risk pool for the same entities.

COMPANY CONTACT INFORMATION

Primary Contact Name: [REDACTED]

Primary Contact Telephone Number: [REDACTED]

Primary Contact Email Address: [REDACTED]

PROPOSED RATE INCREASE

The changes to the single risk pool gross premium average rate per member per month (PMPM) from calendar year 2019 to calendar year 2021 were incorporated into the pricing and reflected in the Unified Rate Review Template. The changes are driven by factors including: changes in market-wide population risk morbidity and covered services, increasing unit costs for medical services, increasing utilization of medical services, increasing fees and taxes imposed by the federal government, anticipated costs to administer the plan, and anticipated revenue or payments due to market-wide risk adjustment.

The Federal government ended the Health Insurance Providers Fee beginning with premiums due in 2021. This lowers 2021 premium rates by about 3.4%.

We are projecting that claims will increase by 8.5% in 2021. Nearly half of the change in health care service costs is driven by changes to health care provider fees.

A reinsurance program administered by the state will be effective beginning January 1, 2021. We project that this will reduce rates by approximately 6.5%.

Some plan benefits are mandated by federal and state law. Benefit changes for some plans were also made. All changes in benefits are in compliance with the uniform modifications rules stipulated by the Federal government.

The weighted average increase across QCC plans based on projected membership, inclusive of the impact of benefit and cost sharing changes, is -2.0%. The minimum increase is -2.0% and the maximum increase is 0.4%.

WORKSHEET 1: MARKET EXPERIENCE

SECTION I: EXPERIENCE PERIOD DATA

SINGLE RISK POOL

The single risk pool reflects all covered lives for every individual non-grandfathered product and plan combination for KHPE in the state of Pennsylvania. It is established according to the Single Risk Pool requirements in 45 CFR § 156.80(d).

PAID THROUGH DATE

Experience period premium, claims, and member months are obtained from the company's internal data warehouse. The claims data is collected for incurred dates from January through December 2019 and paid through February 2020. Earned premiums and member months are for January through December 2019. The data are for all direct-written individual business of QCC in the Commonwealth of Pennsylvania.

PREMIUMS IN EXPERIENCE PERIOD

Earned Premiums in the Experience Period are developed by summing the earned premium reported in the company's internal data warehouse.

ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD

Paid-to-Date and Incurred Claims, and Member Months

Insurer fee-for-service claims expenses and member liabilities for dates of service in January 2019 through December 2019 and paid through February 2020 are sourced from the IBCFOC's internal data warehouse. The claims and member liabilities are completed with incurred but not reported (IBNR)

adjustments to develop ultimate incurred insurer fee-for-service claims expenses and member liabilities for the January through December 2019 period. Capitation amounts are also sourced from the internal data warehouse for the January through December 2019 period but they are not adjusted for IBNR.

Allowed Claims

Allowed claims are determined by separately obtaining paid-to-date fee-for-service claims and member cost-sharing amounts, applying claim lag factors to those amounts to estimate ultimate incurred fee-for-service claims and member-sharing amounts and adding them together with capitation amounts.

Allowed claims do not include ineligible claims, payments for services other than medical care provided, recovery payments related to internal large claim pooling mechanisms, or active live reserves.

IBNR Development

Medical fee for service incurred but not reported (IBNR) claims are modeled through the use of standard claim lag methodologies. A range of results is developed, and a provision for adverse deviation is applied. The provision for adverse deviation is dependent on many factors such as stability, size, product mix, etc.

The completion factors are developed annually in the 2Q – 3Q period. We do not believe our IBNR is unusually high or unusually low for incurred 2019 paid through February 2020.

Experience Period Index Rate

The Index Rate of Experience Period is estimated by removing cost and utilization trend from the Index Rate for Projection Period.

SECTION II: PROJECTIONS

BENEFIT CATEGORIES

Experience Period Index Rate PMPM Data is provided in Section II. The data is provided by benefit category using a standardized indicator from the internal data warehouse that assigns each claim line to a category based on the type of provider and the location of the service.

PROJECTION FACTORS

The estimated incurred claims experience on an allowed basis for January 2019 through December 2019 is projected to the future rating period by several factors.

Morbidity Adjustment

Experience period allowed claims are adjusted to account for differences in the average morbidity of the single risk pool population underlying the experience and the anticipated population in the projection period. This adjustment reflects changes in the individual market-wide morbidity.

COVID-19 Impact

Morbidity was increased by an additional 1% to account for the impact of COVID-19 on overall projected claims.

Demographic Shift

This factor reflects the projected change in the average age, rating area, and tobacco utilization of the single risk pool.

Plan Design Changes

This factor reflects any changes in EHB allowed claims due to plan design changes.

Other Changes

This factor reflects changes in cost related to items other than changes in Morbidity, Demographic Shift, or Plan Design.

Trend Factors

a. Annualized Cost Trend

Annual cost trend reflects changes in costs of medical treatment due to medical inflation and changes in the distribution of services across network providers. The trend value is developed by reviewing historical medical costs for the single risk pool and adjusting them for anticipated future provider contracting reimbursement levels. The data is normalized for changes in age, benefit changes during the experience period, changes to provider contracts, and prescription drug formulary, and new drugs brought to market.

b. Annualized Utilization Trend

Annual utilization trend reflects the change in the number of units per 1,000 members for a fixed level of illness burden and includes changes due to the mix and intensity of services provided and changes related to shifts in product mix. It also includes effects of selection, if any, since this cannot be reflected in the relative cost of the various products and plans offered.

CREDIBILITY MANUAL RATE DEVELOPMENT

The experience period claims for the single risk pool are determined to be fully credible; therefore no credibility adjustment is required.

RISK ADJUSTMENT AND REINSURANCE

Projected Risk Adjustment PMPM

Projected Risk Adjustment is accounted for in Projected Incurred Claims before the state based reinsurance program and Risk Adjustment to reflect anticipated risk adjustment transfer amounts for

the projection period. The amount reflects the projected morbidity for the single risk pool in the projection period.

The estimated risk adjustment revenue for all of the plans in the risk pool is developed using the following methodology. We recognize that the HHS payment transfer formula implies that the projected incurred claims based solely on the experience period single risk pool claims need to be adjusted by the ratio of the current statewide market's risk relative to allowable rating factor (ARF) for age compared to the single risk pool's risk relative to ARF presented during the experience period. This adjustment, together with the assumed future changes in population risk morbidity, results in the issuer's pricing being consistent with the anticipated morbidity level of the future statewide market.

The anticipated risk adjustment transfer revenue is allocated proportionally based on plan premium. The Projected Risk Adjustment is subtracted from Projected Incurred Claims before ACA Risk Adjustment to reflect anticipated receipt of risk adjustment transfer amounts for the projection period.

The projected risk adjustment amounts for KHPE and Independence Blue Cross (QCC) are consistent with the projection made in the respective submissions. We also considered preliminary 2019 risk transfer results.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market Only)

With the expiration of the reinsurance program at the end of the 2016 benefit year, there are no projected reinsurance recoveries or reinsurance premium assumed in the rates.

MARKET ADJUSTED INDEX RATE

The template calculates a MAIR by subtracting the amounts entered for reinsurance and risk adjustment and dividing by 1 minus the exchange user fee percentage. The MAIR calculation flows into Worksheet 2.

The Market Adjusted Index rate is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules: federal reinsurance program adjustment, risk adjustment and exchange user fees. The Market Adjusted Index Rate reflects the average demographic characteristics of the single risk pool.

WORKSHEET 2: PRODUCT-PLAN DATA COLLECTION

SECTION I: GENERAL PRODUCT AND PLAN INFORMATION

All products and plans included in the single risk pool are shown in Worksheet 2.

AV METAL VALUES

The AV Metal Values included in Worksheet 2 of the URRT were valued using the AV Calculator, where possible, otherwise the AV Metal Values were developed under an alternate methodology. Actuarial certifications required by 45 CFR Part 156, §156.135 are provided in a separate document.

SECTION II: EXPERIENCE PERIOD AND CURRENT PLAN LEVEL INFORMATION

Experience Period data is shown for each plan included in the single risk pool.

SECTION III: PLAN ADJUSTMENT FACTORS

The MAIR is adjusted for each plan based on its plan design, provider network, and non-EHBs. Administrative costs are added to calculate the Plan Adjusted Index Rate. The Plan Adjusted Index Rate is multiplied by the Age Calibration Factor, Geographic Calibration Factor, and Tobacco Calibration Factor to calculate the Calibrated Plan Adjusted Index Rate.

PLAN ADJUSTED INDEX RATE

The Plan Adjusted Index Rate is calculated as the issuer Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rule. These include actuarial value and cost sharing adjustment, provider network, delivery system and utilization management adjustment, adjustment for benefits in addition to the EHBs, impact of specific eligibility categories for the catastrophic plan and administrative costs.

NON-BENEFIT EXPENSES AND PROFIT & RISK

Administrative Expense Load

An Administrative Expense Load is applied to Projected Incurred Claims to reflect expenses related to quality improvement and fraud detection/recovery and other expenses of operating a business, broker commissions, and premium payment processing fees.

Profit & Risk Load/Contribution to Surplus

A Profit & Risk Load/Contribution to Surplus for the single risk pool is applied to Projected Incurred Claims for the projection period, if applicable.

Taxes and Fees

A Taxes & Fees load is applied to Projected Incurred Claims to pass through fees and taxes levied by the federal and state governments.

CALIBRATION

The plan adjusted index rate is projected for all products using the same anticipated age distribution and the mandated age curve. Therefore the consumer adjusted premium rate is the plan adjusted index rate divided by the average age, geographic and tobacco factors for the expected distribution. The average age of the combined individual risk pool population is 42.

The Average Age factor is the reciprocal of the weighted average age factor based on the projected membership. The Tobacco Factor is calculated as the reciprocal of the projected average factor for tobacco users multiplied by the projected tobacco use prevalence.

There is only one geographic rating area for this filing. The geographic rating area factor for this filing is 1.0.

Small differences result between the Calibrated Plan Adjusted Index rates and the Age 21 non-tobacco rates in the Rate Template due to rounding restrictions required in the URRT Part 1.

When rounded to the nearest dollar, the Calibrated Plan Adjusted Index Rates match the Age 21 non-tobacco rates in the Rate Template as required in the DIT.

MEMBERSHIP PROJECTIONS

Enrollment is projected based on current and anticipated enrollment by plan. Items impacting these projections include changes in the size of the market due to guarantee issue requirements and the individual mandate changes. The enrollment is our February 2020 enrollment.

LOSS RATIO

The loss ratio calculated in Section IV is generated within the template and is not based on the MLR formula. The projected loss ratio for the single risk pool is estimated to exceed 80% reflecting premium adjustments permitted by the federal MLR calculation.

INDEX RATE

The Index Rate is defined as the EHB portion of projected allowed claims divided by all projected single risk pool lives. The Index Rate is the same value for all non-grandfathered plans for QCC Individual Plans in Pennsylvania. The Index Rate reflects the twelve month projection for calendar year 2020. It has been developed following the specifications of 45 CFR § 156.80(d)(1).

TERMINATED PLANS

The following plans are being terminated in 2021:

| | |
|----------------|------------------------------------|
| 31609PA0160003 | Personal Choice EPO Silver Reserve |
| 31609PA0160004 | Personal Choice EPO Platinum |
| 31609PA0180002 | Personal Choice EPO Silver Reserve |
| 31609PA0180003 | Personal Choice EPO Platinum |

WORKSHEET 3: RATING AREAS

There are nine rating areas in Pennsylvania. These plans are offered only in Rating Area 8, which consists of Bucks, Chester, Delaware, Montgomery, and Philadelphia counties.

ACTUARIAL CERTIFICATION

I, [REDACTED], [REDACTED] [REDACTED] for the Independence Blue Cross Family of Companies. I am a member of the Society of Actuaries and the American Academy of Actuaries in good standing with the education and experience necessary to perform the work necessary and meet the Qualification Standards of the American Academy of Actuaries to render the qualified actuarial opinion contained herein. The developed rates and memorandum have been prepared in conformity with appropriate Actuarial Standards of Practice and the Academy's Code of Professional Conduct.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the premium rates and allowable rating factors. 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.

I hereby certify that, to the best of my knowledge and judgment, the following:

- The projected index rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102);
 - Developed in compliance with applicable Actuarial Standards of Practice;
 - Reasonable in relation to the benefits provided and the population anticipated to be covered; and
 - Neither excessive nor deficient.
- 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.
- Geographic rating factors reflect only differences in the costs of delivery of and do not include differences for population morbidity by geographic area.
- 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, unless an alternate methodology was required. When an alternate methodology was used to calculate the AV Metal Value a copy of the actuarial certification required by 45 CFR Part 156, §156.135 was included.

[REDACTED]
May 19, 2020

The image shows a vertical rectangular area on the left side of a white page. This area is filled with a dense, repeating pattern of horizontal lines, characteristic of a barcode or a highly compressed data table. The lines are thin and closely spaced, creating a textured, greyish appearance. The overall structure is rectangular and occupies the upper portion of the page.

The image shows a vertical rectangular area on the left side of a white page. This area contains a grid of horizontal lines, with several rectangular blocks shaded in light gray. The shaded blocks are arranged in a regular, repeating pattern along the vertical axis. The grid lines are thin and closely spaced, while the shaded blocks are wider and taller than the individual grid cells. The overall appearance is that of a technical drawing or a data visualization element, possibly representing a cross-section or a specific data set.

The image shows a vertical rectangular area on the left side of a white page. This area contains a grid of horizontal lines, with several rectangular blocks shaded in gray. The shaded blocks are arranged in a regular, repeating pattern along the vertical axis. The grid lines are thin and closely spaced, creating a dense, textured appearance. The gray blocks are solid and uniform in color, contrasting with the white background of the grid.

The image shows a vertical rectangular area on the left side of a white page. This area contains a grid of horizontal lines, resembling a ruler or a scale. There are several shaded rectangular blocks of varying heights and widths, positioned at regular intervals along the vertical axis. The shading is a light gray color. The overall appearance is that of a technical drawing or a schematic diagram, possibly representing a vertical structure or a sequence of components.

The image shows a vertical rectangular area on the left side of a white page. This area is filled with a dense grid of horizontal lines, resembling a ruler or a scale. On the far left edge of this grid, there is a vertical column shaded in a light gray color. The grid lines are evenly spaced and extend across the width of the rectangle. The overall appearance is that of a technical drawing or a data visualization element, possibly representing a scale or a set of data points.

Cover Page

HIOS Issuer ID: 31609

HIOS Product IDs: 31609PA007, 31609PA019, 31609PA016, 31609PA018

This single PDF file contains three separate actuarial certifications for the unique plan designs under Issuer ID 31609. Please refer to all of the pages contained herein.

Unique Plan Design Supporting Documentation and Justification

ACTUARIAL MEMORANDUM

HIOS Issuer ID: 31609

HIOS Product IDs: 31609PA007, 31609PA019

Applicable HIOS Plan IDs (Standard Component): 31609PA0070002, 31609PA0190002, 31609PA0070003, 31609PA0190003, 31609PA0070004, 31609PA0190004

Purpose of document:

The purpose of this document is to provide CMS with a justification of the methods used in calculating the actuarial value for unique plan designs offered in the individual or small group market for the plan year beginning 1/1/2021. As prescribed by law, the AV calculation was based on the AV calculator to the full extent possible. The AV is meant to represent the average percent of costs paid by the insurer for a standard population and may vary from actual member experience. The resulting AV was based on prescribed methodology and, therefore, may not reasonably reflect the actuary's estimate of the portion of allowed costs covered by the health insurance plan. The AV was determined based on the plan's benefits and coverage data, the standard population, and utilization and continuance tables published by HHS for purposes of the valuation of AV. This actuarial analysis is not appropriate for any other purposes.

Reasons the plan design is unique (benefits that are not compatible with the parameters of the AV calculator and the materiality of those benefits):

The cost-sharing of inpatient hospital services for these plans differs by facility and professional claims. Inpatient hospital services account for about 21% of allowed costs in the AV calculation.

The cost-sharing for laboratory outpatient and professional services varies by site of service. Laboratory outpatient and professional services account for roughly 3% of allowed costs in the AV calculation.

The outpatient facility fee cost-sharing for 31609PA0070003 and 31609PA0190003 varies by site of service. Services have different coinsurances for a free-standing facility setting and a hospital setting. Outpatient facility fee accounts for roughly 14% of allowed costs in the AV calculation.

The cost-sharing for occupational and physical therapy for 31609PA0190002, 31609PA0070002, 31609PA0190003, 31609PA0070003 varies by site of service. Occupational and physical therapy accounts for roughly 2% of allowed costs in the AV calculation.

The cost-sharing for x-rays and diagnostic imaging for 31609PA0190002, 31609PA0070002, 31609PA0190003, 31609PA0070003 varies by site of service. X-rays and diagnostic imaging accounts for roughly 4% of allowed costs in the AV calculation.

The cost-sharing for imaging (CT/PET scans, MRIs) varies by site of service. Imaging accounts

for roughly 2% of allowed costs in the AV calculation.

Acceptable alternate method used per 156.135(b)(2) or 156.135(b)(3):

Method 156.135(b)(2) was used for laboratory (for plans with no deductible), x-rays, imaging, inpatient hospital cost-sharing, and outpatient facility site of service cost-sharing.

Method 156.135(b)(3) was used for laboratory site of service cost-sharing (for plans with deductibles).

Confirmation that only in-network cost-sharing, including multitier networks, was considered:

I confirm that only in-network cost-sharing was considered.

Description of the standardized plan population data used:

We used our commercial PPO and HMO data incurred between July 2018 and June 2019.

For the freestanding and hospital utilization data for outpatient facility, we used our commercial PPO and HMO data incurred between July 2018 and June 2019.

For the freestanding and hospital utilization data for laboratory services, we used our commercial PPO data incurred between July 2018 and June 2019.

For the physical therapy and radiology site-of-service utilization, we used our commercial PPO data incurred between July 2018 and June 2019.

If the method described in 156.135(b)(2) was used, a description of how the benefits were modified to fit the parameters of the AV calculator:

Combination of Copays and Coinsurance for IP Hospital

The copays for inpatient hospital facility claims were combined with the coinsurance on professional claims to calculate equivalent copays for inpatient claims.

First, we took the allowed PMPY inpatient costs and divided that by the utilization by admit PMPY to calculate the average cost per admit. We also took the utilization by day PMPY and divided that by the utilization by admit PMPY to calculate the average length of stay.

The average cost per admit was divided by the average length of stay to calculate the average cost per day. Based on our data, we assumed that 84% of the cost was from facility claims and the remaining 16% was from professional claims.

The professional coinsurance was multiplied by the professional portion of the daily inpatient cost to calculate equivalent daily copay for that piece. Because there is a 5-day maximum on our plans' inpatient copays, an effective copay factor was calculated by dividing the PMPY cost-sharing from a \$100 per day inpatient copay with a 5-day maximum by the PMPY cost-sharing from a \$100 per day inpatient copay without any maximum. The equivalent daily professional copay amount was then divided by this factor in order to determine the final professional copay reflecting a 5-day maximum.

The final professional copay was then added onto the facility copay in order to determine the equivalent overall IP hospital copay amount. The exhibit below details this calculation.

| | |
|------------------------|-----------------------------------|
| HIOS IDs | 31609PA0070002, 31609PA0190002 |
| IP Cost Sharing | |
| Facility | \$750 |
| Professional | 20% |

| | |
|-----------------------------------|----------|
| AVC Continuance Table | Gold |
| PMPY for IP | \$1,516 |
| Admit PMPY | 0.06 |
| Claim per Admit | \$23,897 |
| Average LOS (days) | 4.6 |
| Effective Copay Factor for 5-days | 0.46 |

| | |
|-----------------------------|-----|
| Assumption from Data | |
| % Facility Cost | 84% |
| % Professional Cost | 16% |

| | |
|---------------------------------|----------------|
| Calculations | |
| Professional Claim per Admit | \$3,823 |
| Professional Claim per Day | \$824 |
| Equiv. Copay per Day no max | \$165 |
| Equiv. Copay per Day, 5-day max | \$356 |
| Total Copay per Day, 5-day max | \$1,106 |

Combination of Coinsurance for IP Hospital

The coinsurance for inpatient hospital facility claims were blended with the coinsurance on professional claims to calculate equivalent coinsurance for inpatient claims. Based on our data, we assumed that 84% of the cost was from facility claims and the remaining 16% was from professional claims.

| | |
|--------------|--|
| HIOS IDs | 31609PA0070003, 31609PA0070004, 31609PA0190003 31609PA0190004 |
| Facility | 25% 25% |
| Professional | 30% 50% |
| Blend | 74.2% 71.0% |

The silver variations, 31609PA0070003-04, 31609PA0070003-05 and 31609PA0070003-06, do not require blending of the facility and professional inpatient coinsurances. They are included in this justification solely because their standard component is a unique plan design, and the Plans and Benefits template required indicating the same for these cost sharing variations. In fact, the actual benefit coinsurance amounts were entered directly into the AV calculator.

Combination of Coinsurance for Laboratory Services

For the lab site of service cost-sharing, our recent data suggested that 20% of units are at a hospital setting with an average unit cost of \$53.60, while 80% of units are at a freestanding setting with an average unit cost of \$20.16. Taking a weighted average of a 50% issuer coinsurance applied to \$53.60 and a 100% issuer coinsurance applied to \$20.16 produced an average issuer paid amount of \$21.21 out of an average cost of \$25.44, giving an effective issuer coinsurance of 83.37% which was entered into the AV calculator.

Combination of Coinsurance for Outpatient Facility Fee

For the outpatient facility site of service cost-sharing, our recent data indicated that 80% of outpatient facility claims came from the hospital setting. The cost-sharing entered into the AV calculator is a blend of the coinsurance in a hospital setting and the coinsurance in an ambulatory surgery center.

| | |
|----------|---|
| | 31609PA0070003, 31609PA0190003 |
| Hospital | 50.0% |
| ASC | 70.0% |
| Blend | 54.0% |

The silver variations, 31609PA0070003-04, 31609PA0070003-05 and 31609PA0070003-06, do not require blending of the hospital and ambulatory surgery center coinsurances. They are included in this justification solely because their standard component is a unique plan design, and the Plans and Benefits template required indicating the same for these cost-sharing variations. In fact, the actual benefit coinsurance amounts were entered directly into the AV calculator.

Occupational and Physical Therapy Site-of-service Differential

For the physical therapy site of service cost-sharing, our recent data indicated that 88% of utilization came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of the copays at each site.

X-rays and Diagnostic Imaging Site-of-service Copay Differential

For the x-ray site of service cost-sharing, our recent data indicated that 45% of utilization came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of copays based on utilization at each site.

X-rays and Diagnostic Imaging Site-of-service Coinsurance Differential

For the x-ray site of service cost-sharing, our recent data indicated that 20% of claims came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of coinsurance based on claims at each site.

Imaging (CT/PET scans, MRIs) Site-of-service Copay Differential

For the imaging site of service cost-sharing, our recent data indicated that 45% of utilization came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of copays based on utilization at each site.

Imaging (CT/PET scans, MRIs) Site-of-service Coinsurance Differential

For the imaging site of service cost-sharing, our recent data indicated that 25% of claims came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of coinsurance based on claims at each site.

| | | Cost-sharing | | |
|-----------------------------------|--------------|----------------|--------------------|----------|
| HIOS ID | Service Type | Preferred Site | Non-preferred Site | AV Input |
| 31609PA0190002, 31609PA0070002 | Phys. Ther. | \$65 | \$95 | \$68.60 |
| | X-rays | \$60 | \$90 | \$76.50 |
| | Imaging | \$120 | \$160 | \$142.00 |
| 31609PA0190003, 31609PA0070003 | Phys. Ther. | \$70 | \$100 | \$73.60 |
| | X-rays | 30% | 50% | 54% |
| | Imaging | 30% | 50% | 55% |

If the method described in 156.135(b)(3) was used, a description of the data and method used to develop the adjustments:

Not applicable.

Certification Language:

The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV.

The analysis was

- (i) conducted by a member of the American Academy of Actuaries; and
- (ii) performed in accordance with generally accepted actuarial principles and methodologies.

I am an employee of the issuer, I meet the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* promulgated by the American Academy of Actuaries, and I have the education and experience necessary to perform this work. All AVs herein were determined in accordance with the ASOPs established by the Actuarial Standards Board and comply with applicable laws and regulations; furthermore, all metal levels herein were appropriately assigned based on applicable law.

Actuary signature: _____

Actuary Printed Name: _____

Date: _____ 5/19/2020 _____

Unique Plan Design Supporting Documentation and Justification

ACTUARIAL MEMORANDUM

HIOS Issuer ID: 31609

HIOS Product IDs: 31609PA016, 31609PA018

Applicable HIOS Plan IDs (Standard Component): 31609PA0160006, 31609PA0180005

Purpose of document:

The purpose of this document is to provide CMS with a justification of the methods used in calculating the actuarial value for unique plan designs offered in the individual or small group market for the plan year beginning 1/1/2021. As prescribed by law, the AV calculation was based on the AV calculator to the full extent possible. The AV is meant to represent the average percent of costs paid by the insurer for a standard population and may vary from actual member experience. The resulting AV was based on prescribed methodology and, therefore, may not reasonably reflect the actuary's estimate of the portion of allowed costs covered by the health insurance plan. The AV was determined based on the plan's benefits and coverage data, the standard population, and utilization and continuance tables published by HHS for purposes of the valuation of AV. This actuarial analysis is not appropriate for any other purposes.

Reasons the plan design is unique (benefits that are not compatible with the parameters of the AV calculator and the materiality of those benefits):

This plan exempts the first three outpatient mental health visits from the deductible. It has an outpatient mental health copay of \$20 for the first three visits without applying the copays to the deductible. Beyond three visits, outpatient mental health is covered 100% after the deductible. Outpatient mental health accounts for about 2% of allowed costs in the AV calculation.

Acceptable alternate method used per 156.135(b)(2) or 156.135(b)(3):

Method 156.135(b)(2) was used for the outpatient mental health cost-sharing.

Confirmation that only in-network cost-sharing, including multitier networks, was considered:

I confirm that only in-network cost-sharing was considered.

Description of the standardized plan population data used:

OP Surgery Copay/Coinsurance:

For the outpatient mental health utilization data, we used our commercial PPO data incurred between July 2018 and June 2019.

If the method described in 156.135(b)(2) was used, a description of how the benefits were modified to fit the parameters of the AV calculator:

Using the bronze continuance table in the Final 2021 AV Calculator, we calculated the average cost per visit for outpatient mental health before the out-of-pocket maximum. This average cost was used as a point estimate of the allowed cost per visit for services before satisfying the out-of-pocket maximum. An effective member copay is calculated by taking a weighted average of \$20 for the first three visits times the proportion of visits within the first three visits, which according to our experienced period between July 2018 and June 2019 for commercial PPO is 12.48%, and the average cost per service from the AV Calculator times the remaining proportion of visits.

| | |
|------------------------|-----------------------|
| | 31609PA0160002 |
| Cost per Visit | \$98.50 |
| Copay for Visits 1-3: | \$20.00 |
| Visits 1-3 Proportion: | 12.48% |
| Eff. Member Copay | \$88.70 |

If the method described in 156.135(b)(3) was used, a description of the data and method used to develop the adjustments:

Not applicable.

Certification Language:

The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV.

The analysis was

- (i) conducted by a member of the American Academy of Actuaries; and
- (ii) performed in accordance with generally accepted actuarial principles and methodologies.

I am an employee of the issuer, I meet the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* promulgated by the American Academy of Actuaries, and I have the education and experience necessary to perform this work. All AVs herein were determined in accordance with the ASOPs established by the Actuarial Standards Board and comply with applicable laws and regulations; furthermore, all metal levels herein were appropriately assigned based on applicable law.

Actuary signature: _____

Actuary Printed Name: _____

Date: _____ 5/19/2020 _____

Unique Plan Design Supporting Documentation and Justification

ACTUARIAL MEMORANDUM

HIOS Issuer ID: 31609

HIOS Product IDs: 31609PA016, 31609PA018

Applicable HIOS Plan IDs (Standard Component): 31609PA0160007, 31609PA0180007

Purpose of document:

The purpose of this document is to provide CMS with a justification of the methods used in calculating the actuarial value for unique plan designs offered in the individual or small group market for the plan year beginning 1/1/2021. As prescribed by law, the AV calculation was based on the AV calculator to the full extent possible. The AV is meant to represent the average percent of costs paid by the insurer for a standard population and may vary from actual member experience. The resulting AV was based on prescribed methodology and, therefore, may not reasonably reflect the actuary's estimate of the portion of allowed costs covered by the health insurance plan. The AV was determined based on the plan's benefits and coverage data, the standard population, and utilization and continuance tables published by HHS for purposes of the valuation of AV. This actuarial analysis is not appropriate for any other purposes.

Reasons the plan design is unique (benefits that are not compatible with the parameters of the AV calculator and the materiality of those benefits):

The cost-sharing of inpatient hospital services for these plans differs by facility and professional claims. Inpatient hospital services account for about 21% of allowed costs in the AV calculation.

The cost-sharing for laboratory outpatient and professional services varies by site of service. Lab work done at the office or a free-standing facility has zero cost-sharing, and lab work done by a hospital has 50% coinsurance. Laboratory outpatient and professional services account for roughly 3% of allowed costs in the AV calculation.

The cost-sharing for occupational and physical therapy varies by site of service. Occupational and physical therapy accounts for roughly 2% of allowed costs in the AV calculation.

The cost-sharing for x-rays and diagnostic imaging varies by site of service. X-rays and diagnostic imaging accounts for roughly 4% of allowed costs in the AV calculation.

The cost-sharing for imaging (CT/PET scans, MRIs) varies by site of service. Imaging accounts for roughly 2% of allowed costs in the AV calculation.

Acceptable alternate method used per 156.135(b)(2) or 156.135(b)(3):

Method 156.135(b)(2) was used for laboratory (for plans with no deductible), x-rays, imaging, inpatient hospital cost-sharing, and outpatient facility site of service cost-sharing.

Confirmation that only in-network cost-sharing, including multitier networks, was

considered:

I confirm that only in-network cost-sharing was considered.

Description of the standardized plan population data used:

We used our commercial PPO and HMO data incurred between July 2018 and June 2019.

For the freestanding and hospital utilization data for laboratory services, we used our commercial PPO data incurred between July 2018 and June 2019.

For the physical therapy and radiology site-of-service utilization, we used our commercial PPO data incurred between July 2018 and June 2019.

If the method described in 156.135(b)(2) was used, a description of how the benefits were modified to fit the parameters of the AV calculator:

Combination of Coinsurance for IP Hospital

The coinsurance for inpatient hospital facility claims were blended with the coinsurance on professional claims to calculate equivalent coinsurance for inpatient claims. Based on our data, we assumed that 84% of the cost was from facility claims and the remaining 16% was from professional claims.

| | |
|-----------------|-----------------------------------|
| HIOS IDs | 31609PA0160007, 31609PA0180007 |
| Facility | 25% |
| Professional | 20% |
| Blend | 75.8% |

Laboratory Site-of-service Differential for Plans with No Deductible

For the lab site of service cost-sharing, our recent data suggested that 20% of units are at a hospital setting with an average unit cost of \$53.60, while 80% of units are at a freestanding setting with an average unit cost of \$20.16. Taking a weighted average of a 50% issuer coinsurance applied to \$53.60 and a 100% issuer coinsurance applied to \$20.16 produced an average issuer paid amount of \$21.21 out of an average cost of \$25.44, giving an effective issuer coinsurance of 83.37% which was entered into the AV calculator.

Occupational and Physical Therapy Site-of-service Differential

For the physical therapy site of service cost-sharing, our recent data indicated that 88% of utilization came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of the copays at each site.

X-rays and Diagnostic Imaging Site-of-service Copay Differential

For the x-ray site of service cost-sharing, our recent data indicated that 45% of utilization came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of copays based on utilization at each site.

Imaging (CT/PET scans, MRIs) Site-of-service Copay Differential

For the imaging site of service cost-sharing, our recent data indicated that 45% of utilization came from the preferred site. The cost-sharing entered into the AV calculator is a weighted average of copays based on utilization at each site.

| | | Cost-sharing | | |
|-----------------|--------------|----------------|--------------------|----------|
| HIOS ID | Service Type | Preferred Site | Non-preferred Site | AV Input |
| 31609PA0160007, | Phys. Ther. | \$50 | \$80 | \$53.60 |
| 31609PA0180007 | X-rays | \$60 | \$90 | \$76.50 |
| | Imaging | \$120 | \$160 | \$142.00 |

If the method described in 156.135(b)(3) was used, a description of the data and method used to develop the adjustments:

Not applicable.

Certification Language:

The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV.

The analysis was

- (i) conducted by a member of the American Academy of Actuaries; and
- (ii) performed in accordance with generally accepted actuarial principles and methodologies.

I am an employee of the issuer, I meet the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* promulgated by the American Academy of Actuaries, and I have the education and experience necessary to perform this work. All AVs herein were determined in accordance with the ASOPs established by the Actuarial Standards Board and comply with applicable laws and regulations; furthermore, all metal levels herein were appropriately assigned based on applicable law.

Actuary signature: _____

Actuary Printed Name: _____

Date: 5/19/2020

The network factors used in Table 10 are based on the network differentials from the prior filing.

The network factor used for PPO was 1.000.

The network factor used for EPO was 0.950.

The factors used in Table 10 recalibrate the values so that the differentials between the factors remains constant, and the composite factor equals 1.000.

| | | |
|-------------------|-----|-------|
| Table 10 factors: | PPO | 1.029 |
| | EPO | 0.977 |

A Reinsurance Morbidity Adjustment of 0.999 was used as requested in the guidance.
An Individual Morbidity Adjustment of 1.01 was used as requested in the guidance.
A COVID-19 Morbidity Adjustment of 1.01 was used in the rate calculation.

The change in demographics was calculated considering changes to age, geography, and tobacco use.

The change in the average age was measured by comparing the average age factor calculated in this filing, based on May 2019 enrollments, to the average age factor calculated for the prior annual filing.

| | 2020 | 2021 | |
|-------------------|--------|--------|--------|
| | Filing | Filing | Change |
| Age Factor | 1.701 | 1.720 | 1.011 |
| Geographic Factor | 1.000 | 1.000 | 1.000 |
| Tobacco Factor | 1.013 | 1.014 | 1.001 |
| Total change | | | 1.012 |

No changes were assumed for this filing.

REDACTION JUSTIFICATION

DOCUMENT

URRT Part III – Federal Actuarial Memorandum

Redacted Name of opening actuary (page 8)

Redacted Company Contact Information (page 1) – name, telephone number, email address

PA Actuarial Memorandum

Redacted Name of opening actuary (page 7)

Redacted Company Contact Information (page 1) – name, telephone number, email address

Cover Letter

Redacted names and contact information (page 2)

AV Screenshots

Entire File Redacted

Unique AV Justification file

Redacted name of opening actuary (pages 4 and 13)

Redacted AV Screenshots (pages 5-9 and 14-24)

2020 and 2021 Service Area

Issuer: QCC Insurance Company

Market: Individual



Key (*modify as needed*)

- : On-exchange service area
- : Off-exchange only service area

- 1. The cover letter indicates that the average rate change requested is -3.0%, with the range varying from -3.1% to 0.7%. The rate change request summary indicates that the average rate change requested is -3.0%, with the range varying from -3.6% to -0.7%. However, Worksheet II of the URRT shows rate changes by plan varying from 0.0% to 5.8%. Please explain these discrepancies.**

We corrected Worksheet 2 of the URRT to show the proposed increases for this filing.

- 2. The following questions are related to the projected risk adjustment transfer amount:**
 - a. Please explain and provide the quantitative development of the projected risk adjustment transfer amount PMPM.**
 - b. Please compare the projected 2021 risk adjustment transfer amount PMPM to the anticipated 2019 risk adjustment transfer amount PMPM and identify the specific driver(s) of any differences between the two values.**

We are working to provide the information in a subsequent response.

- 3. The following questions are related to the proposed annual trend rate included in the filing.**
 - a. A number of the filing documents, including the rate change request summary and Part II Justification indicate that a trend of 8.5% has been assumed in rate development. However, the URRT and rate exhibits show that an overall annual trend of 14.6% has been applied. Please explain this discrepancy.**
 - b. Please provide the actual observed trends based on historical allowed claims experience for each benefit category for years 2017, 2018, 2019, and 2020 (year to date). We realize 2020 trends will be partially based on estimated claim costs. In providing your response, for each calendar year, provide the total member months, allowed claims, and any normalization adjustments that should be applied to the claims experience.**
 - c. Please compare the proposed annual trend rate to the actual observed trend rates per your response above. To the extent they are significantly different, please explain and justify why it is reasonable that they should be different.**

We are working to provide the information in a subsequent response.

- 4. Please provide the numerical development of the Exchange User Fee of \$13.47 applied to the Market Adjusted Index Rate shown in Table 5 of the rate filing exhibits.**

The calculation is shown on Tab Q4 of the “QCC Consumer Response to June 16 Obj” excel worksheet.

- 5. Please provide a numerical development of the average 2020 and 2021 age and tobacco factors as shown in the file [ACA QCC Individual Supporting 05192020 RV.xlsx].**

We used the February 2020 membership to calculate the 2021 age and tobacco factors. The 2020 factors are those calculated in last year’s annual filing based on February 2019 membership. The calculations are shown on Tab Q5&6 of the “QCC Consumer Response to June 16 Obj” excel worksheet.

- 6. Please reconcile the change in the average age factor included in the file [ACA QCC Individual Supporting 05192020 RV.xlsx] with the change in demographic factor included in Table 5 of the rate filing exhibits.**

The change in the average age factor is calculated by comparing the projected 2021 average age factor to the age factor calculated for 2019 as of February 2020. The 2019 factor is based on the entire year's membership instead of just the membership as of February 2019, making it more consistent with the experience period premiums and claims. The calculation is shown on Tab Q5&6 of the "QCC Consumer Response to June 16 Obj" excel worksheet.

7. Please provide a numerical development of the 1.006 change in network factor included in Table 5 of the rate filing exhibits.

The calculation is shown on Tab Q7 of the "QCC Consumer Response to June 16 Obj" excel worksheet.

8. Please explain why the pricing AVs are significantly higher than the metal AVs for Gold plans, as shown in Table 10 of the rate filing exhibits.

Please note that the metal AV is to determine compliance with Actuarial Value and is not a Pricing AV. The metal AV is based on the AV calculator which is calibrated to national average costs. The Philadelphia market is significantly more expensive than the national average from a cost of services standpoint. This means that the same deductible or copay is worth significantly less as a percentage of total allowed cost in the Philadelphia market compared to the national average. This leads to different Pricing AVs for the same metal level.

9. Please provide the numerical development of the projected 2021 MLR that shows compliance with the 80% minimum MLR. In addition, please compare the average 2021 pricing AV's by metal level to the actual observed 2019 paid-to-allowed ratios by metal level. To the extent the pricing AV's are significantly different than the actual observed experience for a particular metal level, please explain and justify why the pricing AV's are appropriate.

The calculation of the MLR is shown on Tab Q9 of the "QCC Consumer Response to June 16 Obj" excel worksheet.

10. Please explain and provide support for the 1.001 adjustment factor for benefits in addition to EHB applied to some plans as demonstrated in Table 10 of the rate filing exhibits.

The adjustment factor was applied to off-exchange plans to reflect the projected cost of non-elective abortion coverage included in these plans.

11. The sum of rate increase components shown in Table 8 Line H of the rate filing exhibits does not approximate Line A as indicated by the label. Please explain why this value varies significantly.

We are working to provide the information in a subsequent response. However, we would like clarification on two components in the Table. Row D7, reinsurance, is increasing the calculation while we would have expected it to reduce the amount. Row E2, Pricing AV, the note directs us to include the CSR factor, but the cell for 2021 does not include that factor.

12. Per Table 10 of the PA Rate Template, it appears that the Non-Funding CSR Adjustment of 1.20 was applied to Plans 12 and 17 even though those plans are indicated to be offered off-exchange only. Please explain why it is appropriate that the 1.20 adjustment was applied to this

plan and/or correct the rate filing as necessary.

Plan 12 is the off-exchange version of Plan 4. Rates must be equal for the on and off-exchange versions of a plan. The CSR factor was applied to both versions to comply with this requirement. Plan 17 is a discontinued plan being mapped to Plan 12 and the values shown are those of the plan it is being mapped to, Plan 12.

- 13. The Risk Adjustment User Fee has been finalized at \$0.25 pmpm; please revise Table 6 accordingly.**

We have made this revision.

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

We tested the rates in the exhibits and rate tables to assure that they were identical.

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

Our average allowed cost per visit for PCP is about \$107. Therefore \$50 PCP copay is less than 50% coinsurance.

- 16. Please provide an exhibit showing the financial gains and losses for calendar years 2014 – 2019 for the following categories: Member months, total administrative expenses, total incurred claims, total premium, total actual paid taxes and fees, profit, annual underwriting gain/loss and underwriting gain/loss pmpy.**

[We are working to provide the information in a subsequent response.](#)

- 17. Per the Department's published guidance, the Benefit Richness factors in Table 10 Column L should be developed based upon the following formula: (Plan Pricing AV in column K * CSR Defunding Adjustment in column P)^2 - (Plan Pricing AV in column K * CSR Defunding Adjustment in column P) + 1.24. Further, the value developed by the quadratic formula must then be multiplied by a normalization constant such that the value in Cell L15 or L16 balances back to 1.000. Please modify the cells in Column L to explicitly show the quadratic formula and normalizing constant to demonstrate compliance with our guidance.**

The calculation of the MLR is shown on Tab Q17 of the "QCC Consumer Response to June 16 Obj" excel worksheet. This shows that we followed the department's guidance. The normalization requires two levels of calculation that could not simply be demonstrated in the cells in Column L. We calculated factors by plan based on the formula, then divided each result by the weighted average to normalize Cells L15 and L16 to 1.000 while maintain the relativities between each plan's factors. We have copied the resulting formulas into Table 10.

- 18. Section 4.3 of the 2021 URR Instructions requires issuers to discuss the reason for rate increase(s): Issuers must provide the quantitative impact and a narrative description of all significant factors driving the proposed rate increase. As an example, these factors could include:**

- Single risk pool experience which is more adverse than that assumed in the current rates

- **Medical inflation**
- **Increased utilization**
- **Prospective changes to benefits covered by the product or successor products**
- **New taxes and fees imposed on the issuer**
- **Anticipated changes in the average morbidity of the covered population that is market-wide, as opposed to issuer specific morbidity that is reflected in risk adjustment**

We have added this information to the URRT Part III.

- 19. If the requested rate increase is not the same across all products and plans, provide an explanation as to why the rate changes vary by product or plan given they are based on the same single risk pool of experience for the market. Explain how the impact of morbidity was removed from impacting the variance in rate changes across products or plans.**

For the most part we have held our rate increases constant by plan design across the single risk pool except for differences in changes in cost sharing between plan design and the changes to the induced demand factors that were required by the state. The largest driver of different rate increase by plan design for our plans in 2021 is the required change in induced demand factors that were required by the state. In this way the morbidity impact by plan was removed from the rate increases because if the plans had the same benefit changes, they would have received the same rate increase regardless of what their plan specific experience was.

- 20. In Table 2, please update the risk adjustment amount to reflect the risk adjustment transfer shared by the Department on May 23, 2020 from Jim Laverty.**

We are working to provide the information in a subsequent response.

- 21. Regarding Trend:**

- a. Was the data in Table 4 utilized in developing the proposed trend?
- b. Is the data in Table 4 raw unadjusted data or has it been normalized or otherwise adjusted? If the data has been adjusted, please provide an exhibit that quantitatively shows the unadjusted allowed monthly data for the 48 months. Also include the following monthly data:
 - i. The average age factor;
 - ii. The average geographic factor;
 - iii. The average tobacco factor; and
 - iv. The average benefit factor;
 - v. The normalized average pmpm (should match the allowed pmpms in column L of Table 4).

We are working to provide additional information in a subsequent response.

- 22. Cell D16 of Table 5 should contain a formula, specifically the product of the 1.01 factor to reflect the repeal of the individual mandate and any other assumption that produces the amount shown in that cell. Please revise; I note that the formula could be as simple as 1.01×1 .**

We have entered the formula “ $1.01*1$ ” in this cell.

- 23. Regarding Table 6:**

- a. Please provide the proposed commission schedules for 2021.
- b. Using the proposed commission schedules, quantitatively show the development of the percent and pmpm amounts in cells C51 and D51.
- c. Using the 2019 SHCE in the Annual Statement, please quantitatively show the development

of the Quality Improvement Initiatives percent and pmpm amount.

d. We have repurposed row 54 to capture RA User Fees. Please provide the RA User Fee percentage and pmpm amount in cells C54 and D54.

[We are working to provide the information in a subsequent response.](#)

- 24. Please provide an exhibit that shows, by HIOS Plan ID, summary benefit and cost sharing changes for 2021 relative to the 2020 design for all plans to be offered in 2021. Include Pricing AV columns for 2020 and 2021. Please show the approved 2020 Pricing AVs for all plans in the 2020 column and the proposed 2021 Pricing AVs in the 2021 column. Also provide a supporting worksheet that shows the quantitative development of the proposed factors.**

[We are working to provide the information in a subsequent response.](#)

- 25. Please provide an exhibit that quantitatively shows a comparison of the actual to projected claim cost pmpms for calendar years 2015 – 2019, as applicable.**

[We are working to provide the information in a subsequent response.](#)

Cover Letter for Responses to June 16 Objection Letter – QCC Consumer INAC-132358777
Response Date June 30, 2020

- 1. The cover letter indicates that the average rate change requested is -3.0%, with the range varying from -3.1% to 0.7%. The rate change request summary indicates that the average rate change requested is -3.0%, with the range varying from -3.6% to -0.7%. However, Worksheet II of the URRT shows rate changes by plan varying from 0.0% to 5.8%. Please explain these discrepancies.**

We corrected Worksheet 2 of the URRT to show the proposed increases for this filing.

- 2. The following questions are related to the projected risk adjustment transfer amount:**
 - a. Please explain and provide the quantitative development of the projected risk adjustment transfer amount PMPM.**
 - b. Please compare the projected 2021 risk adjustment transfer amount PMPM to the anticipated 2019 risk adjustment transfer amount PMPM and identify the specific driver(s) of any differences between the two values.**

Please refer to Tab Q2 of the “KHPE Small Group Response to June 16 Obj” excel worksheet.

- 3. The following questions are related to the proposed annual trend rate included in the filing.**
 - a. A number of the filing documents, including the rate change request summary and Part II Justification indicate that a trend of 8.5% has been assumed in rate development. However, the URRT and rate exhibits show that an overall annual trend of 14.6% has been applied. Please explain this discrepancy.**

The URRT Part II states “We are projecting that claims will increase by 8.5% in 2021” and the Rate Change Request Summary states “The company expects its annual medical costs to increase 8.5%”. These are one-year estimates from 2020 to 2021. The 14.6% trend in the URRT is the annual trend applied to the experience period data over two years to calculate the projected period claims.

- b. Please provide the actual observed trends based on historical allowed claims experience for each benefit category for years 2017, 2018, 2019, and 2020 (year to date). We realize 2020 trends will be partially based on estimated claim costs. In providing your response, for each calendar year, provide the total member months, allowed claims, and any normalization adjustments that should be applied to the claims experience.**

We have added historical trend information in Tab Q3b of the “QCC Consumer Response to June 16 Obj” excel worksheet.

- c. Please compare the proposed annual trend rate to the actual observed trend rates per your response above. To the extent they are significantly different, please explain and justify why it is reasonable that they should be different.**

We have added historical trend information in Tab Q3b of the “QCC Consumer Response to June 16 Obj” excel worksheet.

- 4. Please provide the numerical development of the Exchange User Fee of \$13.47 applied to the Market Adjusted Index Rate shown in Table 5 of the rate filing exhibits.**

The calculation is shown on Tab Q4 of the “QCC Consumer Response to June 16 Obj” excel worksheet.

- 5. Please provide a numerical development of the average 2020 and 2021 age and tobacco factors as shown in the file [ACA QCC Individual Supporting 05192020 RV.xlsx].**

We used the February 2020 membership to calculate the 2021 age and tobacco factors. The 2020 factors are those calculated in last year's annual filing based on February 2019 membership. The calculations are shown on Tab Q5&6 of the "QCC Consumer Response to June 16 Obj" excel worksheet.

- 6. Please reconcile the change in the average age factor included in the file [ACA QCC Individual Supporting 05192020 RV.xlsx] with the change in demographic factor included in Table 5 of the rate filing exhibits.**

The change in the average age factor is calculated by comparing the projected 2021 average age factor to the age factor calculated for 2019 as of February 2020. The 2019 factor is based on the entire year's membership instead of just the membership as of February 2019, making it more consistent with the experience period premiums and claims. The calculation is shown on Tab Q5&6 of the "QCC Consumer Response to June 16 Obj" excel worksheet.

- 7. Please provide a numerical development of the 1.006 change in network factor included in Table 5 of the rate filing exhibits.**

The calculation is shown on Tab Q7 of the "QCC Consumer Response to June 16 Obj" excel worksheet.

- 8. Please explain why the pricing AVs are significantly higher than the metal AVs for Gold plans, as shown in Table 10 of the rate filing exhibits.**

Please note that the metal AV is to determine compliance with Actuarial Value and is not a Pricing AV. The metal AV is based on the AV calculator which is calibrated to national average costs. The Philadelphia market is significantly more expensive than the national average from a cost of services standpoint. This means that the same deductible or copay is worth significantly less as a percentage of total allowed cost in the Philadelphia market compared to the national average. This leads to different Pricing AVs for the same metal level.

- 9. Please provide the numerical development of the projected 2021 MLR that shows compliance with the 80% minimum MLR. In addition, please compare the average 2021 pricing AV's by metal level to the actual observed 2019 paid-to-allowed ratios by metal level. To the extent the pricing AV's are significantly different than the actual observed experience for a particular metal level, please explain and justify why the pricing AV's are appropriate.**

The calculation of the MLR is shown on Tab Q9 of the "QCC Consumer Response to June 16 Obj" excel worksheet.

- 10. Please explain and provide support for the 1.001 adjustment factor for benefits in addition to EHB applied to some plans as demonstrated in Table 10 of the rate filing exhibits.**

The adjustment factor was applied to off-exchange plans to reflect the projected cost of non-elective abortion coverage included in these plans.

- 11. The sum of rate increase components shown in Table 8 Line H of the rate filing exhibits does not approximate Line A as indicated by the label. Please explain why this value varies**

significantly.

We are working to provide the information in a subsequent response. However, we would like clarification on two components in the Table. Row D7, reinsurance, is increasing the calculation while we would have expected it to reduce the amount. Row E2, Pricing AV, the note directs us to include the CSR factor, but the cell for 2021 does not include that factor.

- 12. Per Table 10 of the PA Rate Template, it appears that the Non-Funding CSR Adjustment of 1.20 was applied to Plans 12 and 17 even though those plans are indicated to be offered off-exchange only. Please explain why it is appropriate that the 1.20 adjustment was applied to this plan and/or correct the rate filing as necessary.**

Plan 12 is the off-exchange version of Plan 4. Rates must be equal for the on and off-exchange versions of a plan. The CSR factor was applied to both versions to comply with this requirement. Plan 17 is a discontinued plan being mapped to Plan 12 and the values shown are those of the plan it is being mapped to, Plan 12.

- 13. The Risk Adjustment User Fee has been finalized at \$0.25 pmpm; please revise Table 6 accordingly.**

We have made this revision.

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

We tested the rates in the exhibits and rate tables to assure that they were identical.

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

Our average allowed cost per visit for PCP is about \$107. Therefore \$50 PCP copay is less than 50% coinsurance.

- 16. Please provide an exhibit showing the financial gains and losses for calendar years 2014 – 2019 for the following categories: Member months, total administrative expenses, total incurred claims, total premium, total actual paid taxes and fees, profit, annual underwriting gain/loss and underwriting gain/loss pmpy.**

We do not have this data readily available at the level that is being requested, therefore we are unable to provide a response to this question. We also view this data as proprietary, and since the filing responses are made public, we think it would be inappropriate to provide this information if it were readily available.

- 17. Per the Department's published guidance, the Benefit Richness factors in Table 10 Column L should be developed based upon the following formula: (Plan Pricing AV in column K * CSR Defunding Adjustment in column P)^2 - (Plan Pricing AV in column K * CSR Defunding Adjustment in column P) + 1.24. Further, the value developed by the quadratic formula must then be multiplied by a normalization constant such that the value in Cell L15 or L16 balances back to 1.000. Please modify the cells in Column L to explicitly show the quadratic formula and normalizing constant to demonstrate compliance with our guidance.**

Cover Letter for Responses to June 16 Objection Letter – QCC Consumer INAC-132358777
Response Date June 30, 2020

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- **Single risk pool experience which is more adverse than that assumed in the current rates**
- **Medical inflation**
- **Increased utilization**
- **Prospective changes to benefits covered by the product or successor products**
- **New taxes and fees imposed on the issuer**
- **Anticipated changes in the average morbidity of the covered population that is market-wide, as opposed to issuer specific morbidity that is reflected in risk adjustment**

We have added this information to the URRT Part III.

19. If the requested rate increase is not the same across all products and plans, provide an explanation as to why the rate changes vary by product or plan given they are based on the same single risk pool of experience for the market. Explain how the impact of morbidity was removed from impacting the variance in rate changes across products or plans.

For the most part we have held our rate increases constant by plan design across the single risk pool except for differences in changes in cost sharing between plan design and the changes to the induced demand factors that were required by the state. The largest driver of different rate increase by plan design for our plans in 2021 is the required change in induced demand factors that were required by the state. In this way the morbidity impact by plan was removed from the rate increases because if the plans had the same benefit changes, they would have received the same rate increase regardless of what their plan specific experience was.

20. In Table 2, please update the risk adjustment amount to reflect the risk adjustment transfer shared by the Department on May 23, 2020 from Jim Laverty.

Please see our response to question 2 which also addresses this question.

21. Regarding Trend:

- a. **Was the data in Table 4 utilized in developing the proposed trend?**
- b. **Is the data in Table 4 raw unadjusted data or has it been normalized or otherwise adjusted? If the data has been adjusted, please provide an exhibit that quantitatively shows the unadjusted allowed monthly data for the 48 months. Also include the following monthly data:**
 - i. **The average age factor;**
 - ii. **The average geographic factor;**
 - iii. **The average tobacco factor; and**
 - iv. **The average benefit factor;**
 - v. **The normalized average pmpm (should match the allowed pmpms in column L of Table 4).**

The data in Table 4 was not adjusted.

- 22. Cell D16 of Table 5 should contain a formula, specifically the product of the 1.01 factor to reflect the repeal of the individual mandate and any other assumption that produces the amount shown in that cell. Please revise; I note that the formula could be as simple as 1.01 x 1.**

We have entered the formula “1.01*1” in this cell.

23. Regarding Table 6:

- a. Please provide the proposed commission schedules for 2021.**
b. Using the proposed commission schedules, quantitatively show the development of the percent and pmpm amounts in cells C51 and D51.
c. Using the 2019 SHCE in the Annual Statement, please quantitatively show the development of the Quality Improvement Initiatives percent and pmpm amount.

The 2021 Commissions schedule is still being finalized; we will provide when it is available.

CMS allows a safe harbor in the MLR formula using 0.8% of earned premium for Quality Improvement Initiatives. We are using the 0.8% of our premium in our rating to be consistent with the safe harbor provision in the MLR formula.

- d. We have repurposed row 54 to capture RA User Fees. Please provide the RA User Fee percentage and pmpm amount in cells C54 and D54.**

We entered those values in our submission and updated the cells as noted in our response to Q13.

- 24. Please provide an exhibit that shows, by HIOS Plan ID, summary benefit and cost sharing changes for 2021 relative to the 2020 design for all plans to be offered in 2021. Include Pricing AV columns for 2020 and 2021. Please show the approved 2020 Pricing AVs for all plans in the 2020 column and the proposed 2021 Pricing AVs in the 2021 column. Also provide a supporting worksheet that shows the quantitative development of the proposed factors.**

This is shown on Tab Q24 of the “QCC Consumer Response June 16 Obj” excel worksheet.

- 25. Please provide an exhibit that quantitatively shows a comparison of the actual to projected claim cost pmpms for calendar years 2015 – 2019, as applicable.**

We do not have this data readily available at the level that is being requested, therefore we are unable to provide a response to this question. We also view this data as proprietary, and since the filing responses are made public, we think it would be inappropriate to provide this information if it were readily available.

QCC Consumer

| Metal | BMMO | PLRS | ARF | GCF | IDF | AV | Product w Risk | Product w/o Risk | PMPM | RF1 |
|------------------------|----------------|--------------|--------------|--------------|--------------|--------------|----------------|------------------|--------------|--------------|
| Plat | - | | | | | | | | | |
| Gold | 82,428 | 3.487 | 1.648 | 1.032 | 1.080 | 0.800 | 3.885 | 1.469 | 497.98 | \$573.66 |
| Silver | 57,036 | 2.263 | 1.878 | 1.032 | 1.030 | 0.700 | 2.405 | 1.397 | 139.17 | \$199.93 |
| Bronze | 354,312 | 1.090 | 1.711 | 1.032 | 1.000 | 0.600 | 1.125 | 1.059 | (75.60) | (\$108.10) |
| Total | 493,776 | 1.626 | 1.720 | 1.032 | 1.017 | 0.645 | 1.734 | 1.167 | 44.96 | 41.29 |
| Check to AM | TRUE | | TRUE | | | | | | | |
| Est. StateWide Average | | 1.674 | \$ 522.04 | 1.79 | 1.00 | 1.034 | 0.699 | 1.732 | 1.295 | |

44.96

| Entity | Segment | 2017 | 2018 | 2019 | 2020 |
|----------------------|--------------|------|------|------|------|
| Comml QCC - Consumer | Inpatient | 3.4% | 2.7% | 3.2% | 4.2% |
| | Outpatient | 2.3% | 1.9% | 2.7% | 3.1% |
| | Professional | 1.3% | 1.7% | 1.7% | 2.2% |
| | Total | 2.1% | 1.9% | 2.3% | 3.0% |

Calculation of 2021 Exchange User Fee

User Fee = 3%

Projected Average Premium (KHPE and QCC Combined) = 620.66

Proportion of business on-exchange = 72.36%

Projected PMPM User Fee = \$ 13.47

| Age | Age Factor | Feb-19 Members | 2019 Members | Feb-20 Members | Tobacco Factor | Projected Use |
|----------------|------------|----------------|--------------|----------------|----------------|---------------|
| 0-14 | 0.765 | 3,316 | 3,124 | 3,189 | 0 | 0.00 |
| 15 | 0.833 | 370 | 346 | 345 | 0 | 0.00 |
| 16 | 0.859 | 348 | 353 | 373 | 0 | 0.00 |
| 17 | 0.885 | 384 | 359 | 356 | 0 | 0.00 |
| 18 | 0.913 | 413 | 380 | 375 | 0 | 0.00 |
| 19 | 0.941 | 476 | 430 | 468 | 0 | 0.00 |
| 20 | 0.970 | 454 | 443 | 513 | 0 | 0.00 |
| 21 | 1.000 | 599 | 527 | 510 | 0.125 | 0.05 |
| 22 | 1.000 | 594 | 554 | 540 | 0.125 | 0.05 |
| 23 | 1.000 | 495 | 469 | 519 | 0.125 | 0.05 |
| 24 | 1.000 | 451 | 423 | 436 | 0.125 | 0.05 |
| 25 | 1.004 | 483 | 388 | 468 | 0.125 | 0.05 |
| 26 | 1.024 | 965 | 755 | 807 | 0.125 | 0.05 |
| 27 | 1.048 | 912 | 801 | 859 | 0.125 | 0.05 |
| 28 | 1.087 | 950 | 787 | 772 | 0.125 | 0.05 |
| 29 | 1.119 | 862 | 796 | 864 | 0.125 | 0.05 |
| 30 | 1.135 | 871 | 743 | 766 | 0.175 | 0.05 |
| 31 | 1.159 | 765 | 719 | 800 | 0.175 | 0.05 |
| 32 | 1.183 | 710 | 628 | 704 | 0.175 | 0.05 |
| 33 | 1.198 | 657 | 608 | 687 | 0.175 | 0.05 |
| 34 | 1.214 | 621 | 560 | 597 | 0.175 | 0.05 |
| 35 | 1.222 | 608 | 529 | 604 | 0.175 | 0.05 |
| 36 | 1.230 | 640 | 562 | 638 | 0.175 | 0.05 |
| 37 | 1.238 | 618 | 574 | 613 | 0.175 | 0.05 |
| 38 | 1.246 | 566 | 543 | 586 | 0.175 | 0.05 |
| 39 | 1.262 | 587 | 514 | 564 | 0.175 | 0.05 |
| 40 | 1.278 | 521 | 511 | 635 | 0.225 | 0.05 |
| 41 | 1.302 | 574 | 521 | 553 | 0.225 | 0.05 |
| 42 | 1.325 | 568 | 507 | 565 | 0.225 | 0.05 |
| 43 | 1.357 | 556 | 506 | 525 | 0.225 | 0.05 |
| 44 | 1.397 | 594 | 518 | 557 | 0.225 | 0.05 |
| 45 | 1.444 | 607 | 550 | 618 | 0.225 | 0.05 |
| 46 | 1.500 | 626 | 562 | 606 | 0.225 | 0.05 |
| 47 | 1.563 | 724 | 625 | 633 | 0.225 | 0.05 |
| 48 | 1.635 | 720 | 675 | 742 | 0.225 | 0.05 |
| 49 | 1.706 | 758 | 685 | 772 | 0.225 | 0.05 |
| 50 | 1.786 | 780 | 700 | 749 | 0.375 | 0.05 |
| 51 | 1.865 | 802 | 764 | 813 | 0.375 | 0.05 |
| 52 | 1.952 | 844 | 747 | 880 | 0.375 | 0.05 |
| 53 | 2.040 | 839 | 782 | 859 | 0.375 | 0.05 |
| 54 | 2.135 | 972 | 856 | 883 | 0.375 | 0.06 |
| 55 | 2.230 | 1,005 | 950 | 1,028 | 0.375 | 0.06 |
| 56 | 2.333 | 1,014 | 943 | 1,062 | 0.375 | 0.06 |
| 57 | 2.437 | 1,107 | 1,007 | 1,091 | 0.375 | 0.06 |
| 58 | 2.548 | 1,173 | 1,113 | 1,142 | 0.375 | 0.06 |
| 59 | 2.603 | 1,257 | 1,181 | 1,251 | 0.375 | 0.06 |
| 60 | 2.714 | 1,266 | 1,194 | 1,309 | 0.375 | 0.06 |
| 61 | 2.810 | 1,360 | 1,290 | 1,385 | 0.375 | 0.06 |
| 62 | 2.873 | 1,476 | 1,358 | 1,508 | 0.375 | 0.06 |
| 63 | 2.952 | 1,576 | 1,527 | 1,645 | 0.375 | 0.06 |
| 64+ | 3.000 | 1,726 | 1,850 | 1,807 | 0.375 | 0.06 |
| Avg Age | | 1.701 | 1.719 | 1.720 | | |
| Tobacco Factor | | | | 1.013 | | |

| | | | | | | Pricing AV (co Benefit Richnes Benefits in addit | | 2021 Network | 2020 Network | Catastroph Non-Funding of CSR Adjustment | | | |
|----------------|-----|----------------|------------------|----------|----------------|--|-------|--------------|--------------|--|-------|-------|--------|
| 31609PA0160004 | EPO | Personal CI DM | 31609PA0: Gold | 0.819213 | Approach : On | 0.949 | 1.143 | 1.000 | 1.029 | 1.023 | 1.000 | 1.000 | 155 |
| 31609PA0160007 | EPO | Personal CI N | Gold | 0.819213 | Approach : On | 0.949 | 1.143 | 1.000 | 1.029 | 0.000 | 1.000 | 1.000 | - |
| 31609PA0070002 | PPO | Personal CI E | Gold | 0.807534 | Approach : On | 0.927 | 1.125 | 1.000 | 1.029 | 1.023 | 1.000 | 1.000 | 2,083 |
| 31609PA0070003 | PPO | Personal CI E | Silver | 0.718087 | Approach : On | 0.710 | 1.069 | 1.000 | 1.029 | 1.023 | 1.000 | 1.200 | 2,946 |
| 31609PA0070004 | PPO | Personal CI E | Bronze | 0.646825 | Approach : On | 0.632 | 0.967 | 1.000 | 1.029 | 1.023 | 1.000 | 1.000 | 4,720 |
| 31609PA0160005 | EPO | Personal CI E | Bronze | 0.645996 | Standard A On | 0.615 | 0.962 | 1.000 | 0.977 | 0.971 | 1.000 | 1.000 | 7,198 |
| 31609PA0160001 | EPO | Personal CI E | Catastroph | 0.629663 | Standard A On | 0.553 | 0.953 | 1.000 | 0.977 | 0.972 | 1.000 | 1.000 | 345 |
| 31609PA0180005 | EPO | Personal CI E | Bronze | 0.635621 | Approach : Off | 0.567 | 0.954 | 1.001 | 0.977 | 0.972 | 1.000 | 1.000 | 1,460 |
| 31609PA0180003 | EPO | Personal CI DM | 31609PA0: Gold | 0.819213 | Approach : Off | 0.948 | 1.143 | 1.001 | 1.029 | 1.023 | 1.000 | 1.000 | 751 |
| 31609PA0180007 | EPO | Personal CI N | Gold | 0.819213 | Approach : Off | 0.948 | 1.143 | 1.001 | 1.029 | 0.000 | 1.000 | 1.000 | - |
| 31609PA0190002 | PPO | Personal CI E | Gold | 0.807534 | Approach : Off | 0.926 | 1.124 | 1.001 | 1.029 | 1.023 | 1.000 | 1.000 | 3,880 |
| 31609PA0190003 | PPO | Personal CI E | Silver | 0.718087 | Approach : Off | 0.710 | 1.069 | 1.001 | 1.029 | 1.023 | 1.000 | 1.200 | 1,556 |
| 31609PA0190004 | PPO | Personal CI E | Bronze | 0.646825 | Approach : Off | 0.631 | 0.966 | 1.001 | 1.029 | 1.023 | 1.000 | 1.000 | 1,975 |
| 31609PA0180001 | EPO | Personal CI E | Catastroph | 0.629663 | Standard A Off | 0.552 | 0.953 | 1.001 | 0.977 | 0.972 | 1.000 | 1.000 | 67 |
| 31609PA0180004 | EPO | Personal CI E | Bronze | 0.645996 | Standard A Off | 0.614 | 0.962 | 1.001 | 0.977 | 0.971 | 1.000 | 1.000 | 3,680 |
| 31609PA0160003 | EPO | Personal CI DM | 31609PA0: Silver | 0.718087 | Approach : On | 0.710 | 1.069 | 1.000 | 1.029 | 0.971 | 1.000 | 1.200 | 173 |
| 31609PA0180002 | EPO | Personal CI DM | 31609PA0: Silver | 0.718087 | Approach : Off | 0.710 | 1.069 | 1.001 | 1.029 | 0.971 | 1.000 | 1.200 | 78 |
| 31609PA0160006 | EPO | Personal CI E | Bronze | 0.635621 | Approach : On | 0.568 | 0.954 | 1.000 | 0.977 | 0.972 | 1.000 | 1.000 | 10,493 |
| | | | | | | 0.682 | 1.000 | 1.000 | 1.000 | 0.994 | 1.000 | 1.023 | 41,560 |

$$\text{Federal MLR} = \frac{(\text{Projected Claims, after Risk Adjustment} + \text{Quality Improvement Expense} - \text{Risk Adj Prog User Fee})}{(\text{Premium, before Risk Adjustment} - \text{HCR Taxes \& Fees} - \text{Federal Income Tax} - \text{Premium Tax})}$$

| | QCC Consumer |
|--|---------------------|
| Projected Claims PMPM (After Reinsurance) | \$ 519.30 |
| Premium PMPM | \$ 627.87 |
| Quality Improvement Expense PMPM | \$ 5.02 |
| Exchange User Fee PMPM | \$ 13.47 |
| HIF PMPM | \$ - |
| Federal Income Tax PMPM | \$ 2.64 |
| Premium Tax PMPM | \$ 12.56 |
| Federal MLR | 87.5% |

Location In Table 10 of AM Exhibit

| Column B | Column W | Column K | Column P | Column L | | Revised Formula | |
|----------------|---------------|--------------|--------------|---------------------------|----------------------------------|----------------------------------|------------|
| HIOS ID | Membership | Pricing AV | CSR Load | Raw Induced Demand Factor | Normalized Induced Demand Factor | Normalized Induced Demand Factor | Difference |
| 31609PA0160004 | 155 | 0.949 | 1.000 | 1.191 | 1.143 | 1.143 | 0.000 |
| 31609PA0160007 | 0 | 0.949 | 1.000 | 1.191 | 1.143 | 1.143 | 0.000 |
| 31609PA0070002 | 2,083 | 0.927 | 1.000 | 1.172 | 1.125 | 1.125 | 0.000 |
| 31609PA0070003 | 2,946 | 0.710 | 1.200 | 1.114 | 1.069 | 1.069 | 0.000 |
| 31609PA0070004 | 4,720 | 0.632 | 1.000 | 1.007 | 0.967 | 0.967 | 0.000 |
| 31609PA0160005 | 7,198 | 0.615 | 1.000 | 1.003 | 0.962 | 0.962 | 0.000 |
| 31609PA0160001 | 345 | 0.553 | 1.000 | 0.993 | 0.953 | 0.953 | 0.000 |
| 31609PA0180005 | 1,460 | 0.567 | 1.000 | 0.995 | 0.954 | 0.954 | 0.000 |
| 31609PA0180003 | 751 | 0.948 | 1.000 | 1.191 | 1.143 | 1.143 | 0.000 |
| 31609PA0180007 | 0 | 0.948 | 1.000 | 1.191 | 1.143 | 1.143 | 0.000 |
| 31609PA0190002 | 3,880 | 0.926 | 1.000 | 1.172 | 1.124 | 1.124 | 0.000 |
| 31609PA0190003 | 1,556 | 0.710 | 1.200 | 1.114 | 1.069 | 1.069 | 0.000 |
| 31609PA0190004 | 1,975 | 0.631 | 1.000 | 1.007 | 0.966 | 0.966 | 0.000 |
| 31609PA0180001 | 67 | 0.552 | 1.000 | 0.993 | 0.953 | 0.953 | 0.000 |
| 31609PA0180004 | 3,680 | 0.614 | 1.000 | 1.003 | 0.962 | 0.962 | 0.000 |
| 31609PA0160003 | 173 | 0.710 | 1.200 | 1.114 | 1.069 | 1.069 | 0.000 |
| 31609PA0180002 | 78 | 0.710 | 1.200 | 1.114 | 1.069 | 1.069 | 0.000 |
| 31609PA0160006 | 10,493 | 0.568 | 1.000 | 0.995 | 0.954 | 0.954 | 0.000 |
| Total | 41,560 | 0.666 | 1.023 | 1.042 | 1.000 | 1.000 | |

| | | | | 2020 Pricing AV | 2021 Pricing AV |
|----------------|-----|------------------------------------|---|--------------------|--------------------|
| 31609PA0160007 | EPO | Personal Choice EPO Gold | N | #N/A | 0.949 |
| 31609PA0070002 | PPO | Personal Choice PPO Gold | E | 0.902 | 0.927 |
| 31609PA0070003 | PPO | Personal Choice PPO Silver | E | 0.757 | 0.710 |
| 31609PA0070004 | PPO | Personal Choice PPO Bronze | E | 0.614 | 0.632 |
| 31609PA0160005 | EPO | Personal Choice EPO Bronze Reserve | E | 0.578 | 0.615 |
| 31609PA0160001 | EPO | Personal Choice EPO Catastrophic | E | 0.574 | 0.553 |
| 31609PA0180005 | EPO | Personal Choice EPO Bronze Basic | E | 0.613 | 0.567 |
| 31609PA0180007 | EPO | Personal Choice EPO Gold | N | #N/A | 0.948 |
| 31609PA0190002 | PPO | Personal Choice PPO Gold | E | 0.901 | 0.926 |
| 31609PA0190003 | PPO | Personal Choice PPO Silver | E | 0.756 | 0.710 |
| 31609PA0190004 | PPO | Personal Choice PPO Bronze | E | 0.613 | 0.631 |
| 31609PA0180001 | EPO | Personal Choice Catastrophic | E | 0.574 | 0.552 |
| 31609PA0180004 | EPO | Personal Choice EPO Bronze Reserve | E | 0.577 | 0.614 |
| 31609PA0160006 | EPO | Personal Choice EPO Bronze Basic | E | 0.613 | 0.568 |

- 1. The response to Question 1 of the first round of questions indicates that the URRT has been updated to reflect the proposed rate changes for this filing. However, the range of rate changes underlying the cover letter and rate change request summary are still inconsistent. Please explain this discrepancy.**

We have updated these components to be consistent. The average increase shows the value from Cell AC15 of Table 10 in the AM Exhibit. The range of rate changes comes from Column AC of Table 10 where plans are listed as “Existing”. We note that the URRT may calculate the average increase differently than Table 10.

- 2. The ‘Q2’ tab of the file “QCC Consumer Response to June 16 Obj.xlsx” provides a numerical development of the projected 2021 risk adjustment transfer PMPM. Please provide this same exhibit for the calculation of the expected 2019 risk adjustment transfer PMPM. Additionally, please support any significant differences in the components of the risk adjustment calculation between 2019 and 2021 on an issuer and/or statewide basis.**

We have updated 2019 risk adjustment with the amounts published in the “Summary Report on Permanent Risk Adjustment Transfers for the 2019 Benefit Year” released July 17, 2020.

- 3. We have the following additional questions regarding trend.**
 - a. The response to Question 3a of the first round of questions indicates that the proposed one-year trend from 2020 to 2021 is 8.5%, while the annual trend applied to the experience period data to develop the projected period claims is 14.6%. Please identify the 2019 to 2020 trend used in conjunction with the 8.5% trend from 2020 to 2021 to develop the 14.6% overall annual trend from 2019 to 2021.**

Cell G52 of Table 3 of the AM Exhibit shows that the trend from 2019 to 2021 was 14.6%. The 8.5% we used in the URRT Part II and the Rate Change Request Summary is intended to be more moderate over both the QCC and KHPE populations. The 8.5% is between the trend from this filing and our KHPE filing. Our customers can consider plans sold by either entity within our family of companies which is why an overall value is stated.

- b. If the assumed 2020 to 2021 trend is 8.5% but the annual trend from 2019 to 2021 is 14.6%, the assumed 2019 to 2020 trend must be greater than 8.5% (e.g., 20.5%). Please provide support for the assumed trend from 2019 to 2020.**

As noted above, the annual trend from 2019 to 2021 was 14.6%. Removing the 8.5% from that result leaves a one year trend of 21.1%.

- c. Please confirm that the trends provided in the ‘Q3b’ tab of the file “QCC Consumer Response to June 16 Obj.xlsx” shows actual observed historical trends from 2017 to 2020 YTD.**

We received these trends from our Trend actuary, they represent the unit cost trends for the time periods in question.

Additionally, please provide the following information:

- i. Please include pharmacy trends in this exhibit.**

ii. Please clarify the source of the data which was used in developing the historical trend information provided in the ‘Q4b’ tab.

We received these trends from our Trend actuary, they represent the unit cost trends for the time periods in question.

iii. Please provide the following detail which underlies the calculated historical trends provided in the ‘Q4b’ tab: total member months, allowed claims, and any normalization adjustments that should be applied to the claims experience for each year from 2017 through 2020 YTD for each benefit category.

d. The actual observed historical trends included in the ‘Q3b’ tab of the file “QCC Consumer Response to June 16 Obj.xlsx” are significantly lower than those included in the URRT. Please explain and support the use of trends for pricing that are significantly higher than those experienced historically.

As noted in the response above, we have provided the Unit cost trends as that is what we have available. The pricing trend is made up of unit cost, utilization and pharmacy.

4. Please explain how the Projected Use factors included in the ‘Q5&6’ tab of the file “QCC Consumer Response to June 16 Obj.xlsx” are developed.

We continued the assumptions for Tobacco use that were used in prior rate filings.

5. Please provide an exhibit which compares the average 2021 pricing AV’s by metal level (including the CSR adjustment for silver plans; excluding any induced utilization adjustments) to the actual observed 2019 paid-to-allowed ratios by metal level. To the extent the pricing AV’s are significantly different than the actual observed experience for a particular metal level, please explain and justify why the proposed pricing AV’s are appropriate.

The information is shown on tab Q5 of the attached spreadsheet.

The Pricing AVs will differ from the observed paid-to-allowed ratios due to actual induced demand as well as health status. These factors will show up in the actual claims but will not appear in the pricing AVs since we are not allowed to price for them.

For example, if healthier members choose bronze plans, hospital utilization on Bronze will be lower than average, so the impact of this may lead to a higher paid to allowed than the pricing AV. The pricing AV considers the utilization of an average member when determining rates.

6. The Risk Adjustment User Fee included in the PA Rate template was updated based on the response to Question 13 of the first round of questions. However, the URRT does not appear to have been updated for the revised taxes and fees. Please update the URRT, and any other documentation as necessary. Please provide a list of all documentation that changes as a result of this adjustment.

We had not incorporated the change to the Risk Adjustment User Fee into the URRT yet because of its minor impact; we expected to have to make more material changes later on in the review process, such as the COVID impact, and have included it with this response.

- 7. Please update the 2019 experience period risk adjustment amount in Table 2 to reflect the department calculated revised risk adjustment transfer amount sent to your company on June 30th 2020, or the final CMS transfer amount published on or before July 16th, if it differs from the Department's calculation.**

We have updated 2019 risk adjustment with the amounts published in the "Summary Report on Permanent Risk Adjustment Transfers for the 2019 Benefit Year" released July 17, 2020.

- 8. If the projected risk adjustment transfer amount in Table 5 will be modified due to either the June 30th revisions or the final CMS transfer amount published on or before July 16th if it differs from the Department's calculation, please provide narrative and detailed supporting data to justify the proposed changes.**
- 9. Response #17 indicates that formulas have been entered in Column L of Table 10; presumably these formulas would consist of a calculation involving the data in Column K adjusted by a constant derived in in Tab Q17. Hard coded numbers are entered in Column L; please revise.**

We created the file with formulas as you requested; however, when we finalized the exhibit for uploading we inadvertently range valued these cells. We have revised the cells to show the formulas. We need to range value parts of the spreadsheet because they link to other sheets and you would not be able to review them if we kept the links intact.

- 10. Regarding your Response 22, the specified formula (1.01 x 1) was not entered into cell C16 of Table 5 as indicated; please revise.**

Similar to our response to Q9, our zeal for range valuing removed the formula details.

- 11. On July 13th the Department will communicate its guidance based upon updated survey information from the issuers on their best estimate of the Covid-19 impact on 2021 rates. Responses to the round two questions are due on July 16th; please be sure that all documents submitted via SERFF on or after that date reflect the impact of Covid-19 and are consistent with Department's July 13th guidance.**
- 12. Please confirm that you have tested to ensure that the rates in Table 11 of the Actuarial Memorandum Exhibits, PA Plan Design Summary and Rate Tables and Federal Rates Template are identical.**

We tested the rates in the exhibits and rate tables to assure that they were identical.

- 13. Please submit an amendment to update the Company Rate Information under the Rate/Rule Schedule tab if any information has changed since the initial filing.**

The Company Rate Information will be updated via a Post-Submission Update after this response letter and other components have been submitted in SERFF.

- 14. The data requested in Item 16 of the Department's June 16 letter was requested of all carriers. Please provide the requested information.**

As noted in our previous response, this information is not readily available and not something that we believe that we can share since it does not impact the setting of rates for 2021. We look forward to

Cover Letter for Responses to July 8 Objection Letter – QCC Consumer INAC-132358777
Response Date July 20, 2020

reviewing the responses from the other carriers if they choose to provide them. We would note that we were the only carrier in Rating area 8 prior to 2019 so none of our direct competitors would be able to produce this exhibit either we believe.

15. The data requested in Item 25 of the Department’s June 16 letter was requested of all carriers. Please provide the requested information.

As noted in our previous response, this information is not readily available and not something that we believe that we can share since it does not impact the setting of rates for 2021. We look forward to reviewing the responses from the other carriers if they choose to provide them. We would note that we were the only carrier in Rating area 8 prior to 2019 so none of our direct competitors would be able to produce this exhibit either we believe.

16. Please ensure that the 7/16/20 versions of the following items are posted in SERFF with your July 16th response to this data call:

- Cover letter identifying all changes made and the reason for the change. Also show the revised rate change.
- PA Actuarial Memorandum
- PA Actuarial Memorandum Exhibits
- Departments Plan Design Summary and Rate Template Exhibits (please ensure that the rate template by county is populated with only numeric values – no “NA”)
- URRT
- Federal rates template
- Part III actuarial memorandum
- Updated Rate Change Request Summary (Attachment 1)
- Public filing pdf with limited redactions as previously directed in the Guidance (includes all correspondence and supporting exhibits subsequent to the initial submission, in addition to all of the above items).

| Entity | Segment | 2017 | 2018 | 2019 | 2020 |
|----------------------|----------------------|------|-------|------|------|
| Comml QCC - Consumer | Inpatient | 3.4% | 2.7% | 3.2% | 4.2% |
| | Outpatient | 2.3% | 1.9% | 2.7% | 3.1% |
| | Professional | 1.3% | 1.7% | 1.7% | 2.2% |
| | Total Medical | 2.1% | 1.9% | 2.3% | 3.0% |
| | Drug Ingredient Cost | 0.5% | 10.3% | 1.7% | 9.4% |

| HIOS ID | 2021 | | Combined | 2019 | |
|----------------|------------|------------|----------|-----------------|---------|
| | Pricing AV | CSR Factor | | Paid to Allowed | Allowed |
| 31609PA0160007 | 0.949 | 1.000 | 0.949 | #DIV/0! | |
| 31609PA0070002 | 0.927 | 1.000 | 0.927 | 0.861 | |
| 31609PA0070003 | 0.710 | 1.200 | 0.853 | 0.861 | |
| 31609PA0070004 | 0.632 | 1.000 | 0.632 | 0.682 | |
| 31609PA0160005 | 0.615 | 1.000 | 0.615 | 0.683 | |
| 31609PA0160001 | 0.553 | 1.000 | 0.553 | 0.745 | |
| 31609PA0180005 | 0.567 | 1.000 | 0.567 | 0.620 | |
| 31609PA0180007 | 0.948 | 1.000 | 0.948 | #DIV/0! | |
| 31609PA0190002 | 0.926 | 1.000 | 0.926 | 0.854 | |
| 31609PA0190003 | 0.710 | 1.200 | 0.852 | 0.753 | |
| 31609PA0190004 | 0.631 | 1.000 | 0.631 | 0.654 | |
| 31609PA0180001 | 0.552 | 1.000 | 0.552 | 0.274 | |
| 31609PA0180004 | 0.614 | 1.000 | 0.614 | 0.752 | |
| 31609PA0160006 | 0.568 | 1.000 | 0.568 | #DIV/0! | |

catastrophic, 67 members

Completeness and Redaction Justification Checklist

Issuer Name: QCC Insurance Company, Inc.
 Market: Individual PPO
 SERFF ID: INAC-132358777

| TOC # | Description | Completed (Mark with "X") | Redaction Justification | | |
|--|---|------------------------------|-------------------------|-------------------------|------------------------------------|
| | | | Redacted (Y/N) | Page # in Public PDF | Justification submitted (Y/N/A) |
| Federal Documents Required to Be Filed with PID | | | | | |
| A.2. | RFJ Part I - Unified Rate Review Template | X | | | |
| | RFJ Part II – Consumer Friendly Justification | X | | | |
| | RFJ Part III – Actuarial Memorandum | X | Y | 30-37 | Y |
| | Federal Rates Template | X | | | |
| Summary Documents/Confirmation of HIOS & SERFF Submissions | | | | | |
| A.2.B. | HIOS Submission | X | | | |
| A.2.C. | SERFF Submission | X | | | |
| A.2.D. | SERFF Rate/Rule Schedule Tab | X | | | |
| B. | Cover Letter & PA Bulletin Information | X | | | |
| C. | Rate Change Request Summary | X | | | |
| PA Actuarial Memorandum and Rate Exhibits | | | | | |
| D.1.A. | Company Information | X | Y | 7 | Y |
| D.1.B. | Rate History & Proposed Variation in Rate Changes | X | N | 7-8 | N/A |
| D.1.C. | Average Rate Change | X | N | 8 | N/A |
| D.1.D. | Membership Count | X | N | 8 | N/A |
| | <i>PA Act. Exhibits Table 1</i> | X | N | 15 | N/A |
| D.1.E. | Benefit Changes | X | N | 8 | N/A |
| D.1.F. | Experience Period Claims & Premium | X | N | 8-9 | N/A |
| | <i>PA Act. Exhibits Table 2</i> | X | N | 15 | N/A |
| D.1.G. | Credibility of Data | X | N | 9 | N/A |
| | <i>PA Act. Exhibits Tables 2b, 3b, 4b (if applicable)</i> | X | N | N/A | N/A |
| D.1.H. | Trend Identification | X | N | 9-10 | N/A |
| | <i>PA Act. Exhibits Table 3</i> | X | N | 15 | N/A |
| D.1.I. | Historical Experience | X | N | 10 | N/A |
| | <i>PA Act. Exhibits Table 4</i> | X | N | 15 | N/A |
| D.2.A. | Development of PAIR, MAIR and Total Allowed Claims | X | N | 10-11 | N/A |
| | <i>PA Act. Exhibits Table 5</i> | X | N | 18 | N/A |
| D.2.B. | Retention Items | X | N | 12 | N/A |
| | <i>PA Act. Exhibits Table 6</i> | X | N | 18 | N/A |
| D.2.C. | Normalized Market-Adjusted Projected Allowed Total Claims | X | N | 12 | N/A |
| | <i>PA Act. Exhibits Table 7</i> | X | N | 18 | N/A |
| D.2.D. | Components of Rate Change | X | N | 12 | N/A |
| | <i>PA Act. Exhibits Table 8</i> | X | N | 18 | N/A |
| | <i>PA Act. Exhibits Table 9</i> | X | N | 18 | N/A |
| D.3. | Plan Rate Development | X | N | 12-13 | N/A |
| | <i>PA Act. Exhibits Table 10</i> | X | N | 19 | N/A |
| D.4. | Plan Premium Development for 21-Year-Old Non-Tobacco User | X | N | 13 | N/A |
| | <i>PA Act. Exhibits Table 11</i> | X | N | 20 | N/A |
| D.5.A. | Age and Tobacco Factors | X | N | 13 | N/A |
| | <i>PA Act. Exhibits Table 12</i> | X | N | 21 | N/A |
| D.5.B. | Geographic Factors | X | N | 13 | N/A |
| | <i>PA Act. Exhibits Table 13</i> | X | N | 21 | N/A |
| D.5.C. | Network Factors | X | N | 13 | N/A |
| | <i>PA Act. Exhibits Table 14</i> | X | N | 21 | N/A |
| D.5.D. | Service Area Composition | X | N | 13 | N/A |
| D.5.E. | Composite Rating | X | N | 13 | N/A |
| D.6. | Actuarial Certifications | X | Y | 13-14 | Y |
| Additional Exhibits | | | | | |
| E. | Department Plan Design Summary & Rate Tables | X | N | 22-24 | N/A |
| | Service Area Map | X | N | 67 | N/A |
| Redaction Justification (must be submitted if any information is redacted) | | X | | | Y |

Completeness and Redaction Justification Checklist

Instructions for Completion and Redaction Justification Checklist

This checklist is required for all issuers submitting ACA-Compliant rates for 2020 comprehensive major medical rate filings and should be submitted, as supporting documentation, with each 2020 ACA-Compliant comprehensive major medical rate filing. The checklist is organized by heading, section and subsection as outlined in the Draft 2020 ACA-Compliant Health Insurance Rate Filing Guidance (Guidance) released on March 8, 2019.

"Completed" Column

The first input column is labeled "Completed". In order for the filing to be considered complete and ready for department review, X must appear in each field in the column, except where data tables are marked "if applicable". The X indicates that the actuary has read the Guidance and has provided the requested information and data, as required in the PA Actuarial Memorandum and Rate Exhibits and further, that the data templates are completely and appropriately populated.

"Redaction Justification" Columns

The "Redaction Justification" section contains three columns. If the issuer's filing contains redacted information or data in the named section, "Y" must be populated in the "Redacted" column.

Each issuer must submit a "Public Rate Filing PDF" with the initial filing and with the final version that will be approved. The PDF document must contain all required documents, tables and exhibits. If the issuer chooses to make the limited redactions anticipated by the Department, those redactions should be made only in this document. The "Page # in Public PDF" section should reference the page number of the Public Rate Filing PDF where the redacted information and/or data can be located.

If any information is redacted, a justification must be submitted that specifically justifies why that information should be redacted. Correspondingly, the "Justification" column should be populated with a "Y" in any rows where it is indicated that information is redacted, and with an "NA" if information is not redacted. To reiterate the redaction criteria contained in the Guidance, only information that is trade secret or confidential commercial or financial information as defined in HHS's Freedom of Information Act (FOIA) regulations at 45 CFR§ 5.65 may be redacted.

Consistent with prior, the Department does not anticipate redactions other than the following items:

1. AV screenshots
2. Statements specifying a company's anticipated risk level in relation to the state average risk level (e.g., the underlined portion could be redacted in the following statement: "we expect the risk level of membership to be X% higher/lower than the state average risk level")
3. Opining actuary's name
4. Specific provider contracting information (note: such information was not submitted in prior rate filings and the department does not anticipate receiving such information in plan year 2019 rate filings)
5. Commission schedules

Please remain cognizant that non-redacted information and data must be submitted for review.

You may contact Tracie Gray at tgray@pa.gov if you have any questions regarding this checklist.