

SERFF Tracking #:	HGHM-131020691	State Tracking #:	HGHM-131020691	Company Tracking #:	1A-DP-17-HSR
State:	Pennsylvania	Filing Company:	Highmark Select Resources Inc		
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense				
Product Name:	1A-DP-17-HSR				
Project Name/Number:	1A-DP-17-HSR/1A-DP-17-HSR				

Supporting Document Schedules

Satisfied - Item:	Public Rate Filing
Comments:	A redacted version of the rate filing is attached for public disclosure.
Attachment(s):	1A-DP-17-HSR Public PDF v3 (1 of 2).pdf 1A-DP-17-HSR Public PDF v3 (2 of 2).pdf
Item Status:	
Status Date:	



May 22, 2017

Ms. Johanna Fabian-Marks, Special Deputy & Acting Director
Commonwealth of Pennsylvania Insurance Department
Bureau of Life, Accident & Health Insurance
1311 Strawberry Square
Harrisburg, PA 17120

Re: Highmark Select Resources 2018 ACA Rate Filing (Individual Market)
Filing # 1A-DP-17- HSR(SERFF # HGHM-131020691)

This constitutes Notice pursuant to Section 707 of the Pennsylvania Right-to-Know Law that the attached Highmark Select Resources (HSR) 2018 Individual Market Rate Filing contains Trade Secret and Confidential Proprietary Information. Therefore, HSR must, prior to the release of any portion of this Filing, be notified of any request by a third party for access to this Filing, and the Trade Secret and/or Confidential Proprietary Information identified by HSR should be redacted before release.

Dear Ms. Fabian-Marks:

This Filing includes the Highmark Select Resources ("HSR", "Company") Individual Market rates and the supporting rate development for policies with effective dates on or after January 1, 2018.

In the event the Department decides to publish this Filing in the PA Bulletin, the company information requested in the Department's 2018 ACA-Compliant Health Insurance Rate Filing Guidance, Section B, is provided below:

Requested Company Information

1. Company Name & NAIC #: **Highmark Select Resources, NAIC # 10131**
2. Market: **Individual**
3. On or Off Exchange: **This filing reflects that the Company anticipates selling plans off of the exchange.**
4. Effective date of coverage: **January 1, 2018**

5. Average rate change requested: **0.0% increase**
6. Range of rate change requested: **0.0% to 0.0%**
7. Product(s): **PPO**
8. Rating Areas and the change from 2017: **Rating Area 9**

There are no changes in our covered Rating Areas from the 2017 rate filing.

9. Metal Levels and Catastrophic Plans: This filing reflects that the Company anticipates selling the following Metal Levels in the indicated Market: **Catastrophic**
10. Current number of covered lives and of policyholders as of February 1, 2017: **659 covered lives; 397 policyholders**
11. Number of plans offered in 2018 and the change this represents from 2017: **1**

The Company offered 2 plans in 2017. For 2018, the Company is removing 1 plan from the Market.

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

12. Corresponding contract form #, SERFF and Binder ID#s: **The corresponding SERFF binder number is HGHM-PA18-125072217 affecting the following Company products and forms:**

Product Name / Type	Contract Form & SERFF#
Major Events Blue PPO	CAT/HSR/DP-1; HGHM131017989

13. HIOS Issuer ID # and submission tracking number: **HIOS Issuer ID #36247, Company Filing #1A-DP-17-HSR (SERFF Filing # HGHM-131020691)**

Additional Filing Disclosures

The Company has submitted all Required Documents stipulated by the Department, including the federal documents related to this filing, in its SERFF submission. In addition to the Required Documents, the Company has submitted a Supplemental Exhibits file containing additional detailed exhibits on items referenced in the PA Actuarial Memorandum. All tables, exhibits, and detail in support of this filing and the PA Actuarial Memorandum have been included in Excel

format. To assist in the Department's review, the Excel files have retained their formulas to the extent possible.

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

Potential Changes to Federal Regulations

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. Most notably, these assumption include that CSR payments and advance payment of premium credits (APTCs) will continue until the end of 2018, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2018. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. One of these uncertainties includes the prospective enforcement of the ACA individual mandate. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, HSR reserves the right to submit a revised filing.

Request for Confidentiality

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

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

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

Furthermore and pursuant to the Pennsylvania Right-to-Know Law ("RTKL"), HSR must be notified prior to release of information contained in this Filing and be given the opportunity to respond to requests for such information. Should the Department receive such request or require

the release of information contained in this Filing for its own purposes, HSR asserts its right to release a redacted version of the Filing. In accordance with the RTKL, please contact the HSR RTKL representative identified below prior to release of any information contained in this Filing:

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

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

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

Sincerely,

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

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

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

Highmark Select Resources – Individual Plans

Rate request filing ID # 1A-DP-17-HSR; SERFF # HGHM-131020691- 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:	0.0% ¹
Revised requested average rate change:	N/A ¹
Range of requested rate change:	0.0% to 0.0%
Effective date:	January 1, 2018
People impacted:	659
Available in:	Rating Area 9

Key information

Jan. 2016-Dec. 2016 financial experience

Premiums	\$70,844,623
Claims	\$79,510,666
Administrative expenses	\$7,259,888
Taxes & fees	\$4,834,800
Company made (after taxes)	(\$20,760,731)

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2018:

Claims:	82%
Administrative:	13%
Taxes & fees:	5%
Profit:	0%

The company expects its annual medical costs to increase **8.7%**.

Explanation of requested rate change

HSR is not requesting a rate change.

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

Actuarial Memorandum

1. Basic Information and Data

A. Company Information

The appropriate company information has been provided in Table 0.

B. Rate History and Proposed Variations in Rate Changes

The three most recent rate changes in Pennsylvania for HSR are as follows:

Year	Avg. Increase	SERFF ID#
2017	32.4%	HGHM-130540919
2016	N/A-Initial Filing	HGHM-130063170
2015	N/A	N/A

In 2017 the rate change did not vary by product.

The proposed 2018 increase is for the one catastrophic plan and this plan level increase can be found in Table 10.

C. Average Rate Change

The average rate changes as presented in the filing are:

- Table 10: 0%
- Table 11: 0%
- URRT Worksheet 1 Cell V45: -23.97%
- URRT Worksheet 1 Cell V46: -12.80%

The two values above from the URRT Worksheet 1 are changes in the projected average premium, which also includes the substantial impacts of changes in the distribution of members by plan, as well as changes in the covered population's average age and mix of members by rating area. They do not represent changes in premium rates for a fixed population from 2017 to 2018.

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

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. Most notably, these assumption include that CSR payments and advance payment of premium credits (APTCs) will continue until the end of 2018, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2018. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. One of these uncertainties includes the prospective

enforcement of the ACA individual mandate. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, HSR reserves the right to submit a revised filing.

D. Membership Count

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

E. Benefit/Cost Sharing Changes

The Major Events plans are renewing with an update to the deductible and out-of-pocket maximum to maintain regulatory compliance.

The PA Plan Design Summary and Rate Tables with the HIOS Plan IDs are submitted in SERFF Rate/Rule Schedule Tab.

F. Experience Period Claims and Premium

Please see Table 2 for the experience period data for the most recent calendar year. The experience period paid claims data represents the 2016 calendar year results for all policies in the single risk pool, with run out through January 2017. This data is consistent with the data reported in Section I of Worksheet I of the URRT.

The components of this exhibit were developed as follows:

- The Earned Premium represents actual revenues earned in the experience period.
- Incurred Claims represent claims paid by HSR net of expected CSR recoveries. Note that the URRT includes capitated services and is net of Rx Rebates. Those values are not included here as they are listed as separate items.
- The Allowed Claims represent our best estimate of the total claims prior to member cost sharing incurred during the experience period. The Allowed Claims include:
 - One month of run out from the end of the experience period,
 - Claims processed outside of the Company's claims system (e.g., claim settlement costs), and
 - Our best estimate of claims incurred but not paid as of the end of the run out period.

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

- Allowed Charges for non EHB services are included in column G. The amount of non EHB included is shown in column H.
- Prescription Drug Rebates are used to reduce the level of Incurred Claims in the experience period.
- Total EHB capitation includes amounts for the pediatric vision benefit (\$0.34).
- Total Non-EHB capitation includes amounts for our adult vision benefit (\$0.48).
- The Estimated Risk Adjustment for the experience period represents our best estimate of the year end risk adjustment transfer payment that HSR will incur. This amount is developed based on an analysis of HSR data (risk scores as defined in the HHS Notice of Benefit and Payment

Parameters, as well as other risk transfer formula components), and an estimate as to the Market-wide risk profile. This Market-wide risk profile is developed from available Market data, including prior years' risk adjustment transfer results, publicly available data (such as MLR reports), and outside expertise from actuarial consultants.

- Estimated Reinsurance Recoveries reflect what HSR expects to receive for the experience period. HSR is assuming a \$90,000 attachment point and 40% coinsurance up to \$250,000. The coinsurance value is different than the current CMS regulations due to uncertainty surrounding how CMS will treat treasury payments.

G. Credibility of Data

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

H. Trend Identification

Table 3 identifies the annual medical and prescription drug allowed claims cost and utilization trends. The underlying total annual trend is 11.0%. Additionally, there is an induced utilization adjustment of -2.06% per year applied to reach the overall trend of 8.72% shown in Table 3 column G. The definitions of service categories, cost, and utilization in Table 3 are consistent with the URRT instructions. The numbers entered in the Cost and Utilization columns are consistent with those entered in Worksheet I, Section 2 of the URRT, except as noted below.

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

The trend components represent a blended average for all types of service and are applied to the aggregate experience for pricing, and as such Table 3 shows the same trend components for each service category. Due to the significant change in the make-up of the ACA population from 2014 to 2016, the data included in Table 4 was not used in the development of the trend. A separate regression study was developed by the HSR valuation team that analyzed the ACA trend levels of cohorts of ACA members that were continuously enrolled in a significant portion of both 2015 and 2016. The analysis took into consideration seasonality and removed outlier months. The resulting trend was compared to the group business and any industry available ACA data.

I. Historical Experience

Table 4 presents the most recent 36 months (3 calendar years) of HSR data with run-out through January 2017. This data was not used to develop the trend in Table 3. Please see Section H for further details.

2. Rate Development & Change

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

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

- The Change in Demographics adjustment reflects the change in age and geography factors we expect from the experience period to the projection period.
- The Change in Network adjustment reflects the change in the allowed claims we anticipate due to network contracting changes between the experience period and the projection period.
- There is no explicit Change in Benefits adjustment.
- The Change in Other adjustment reflects improved contracting with our pharmacy benefits provider.

Please see Attachment A for a more detailed calculation of these factors. These factors can also be found in the accompanying spreadsheet.

The -\$14.77 Risk Adjustment assumption in cell C31 represents our best estimate of the year end risk adjustment transfer payment that HSR will incur. This amount is developed based on an analysis of HSR data (risk scores as defined in the HHS Notice of Benefit and Payment Parameters, as well as other risk transfer formula components), and an estimate as to the Market-wide risk profile. This Market-wide risk profile is developed from available Market data, including prior years' risk adjustment transfer results, publicly available data (such as MLR reports), and outside expertise from actuarial consultants.

The -\$14.77 PMPM projected risk adjustment assumption is comprised of an expected risk transfer payable of \$14.63 PMPM, less the \$0.14 PMPM risk adjustment user fee. The development of the \$14.63 PMPM (payable) is shown in Attachment B as well as in the attached spreadsheet. Our expected payable of \$14.63 reflects that we anticipate HSR's average risk score (net of allowable rating factors) to be lower than the statewide average.

With the exception of the adult vision benefit that was removed in 2017, HSR will offer a similar package of non-EHB benefits to those offered in 2016. Given the small magnitude of these claims, cell C38 is populated by taking the PMPM value of these claims in the experience period and adding it back into the proposed rates. Additionally, this value has been grossed up by the paid to allowed factor so that the resulting value in C40 is correct.

B. Retention Items

Table 6 has been completed with the requested retention elements for the proposed rates for the rating period. The amounts presented separately sum to the total administrative expenses and taxes and fees presented in the rate development. Administrative costs reflect internal costs that the HSR is projected

to incur in the projected experience period, and are developed from standard expense allocation methods. Agent/broker fees and commissions reflect our anticipated costs for these items in the experience period.

Note the following regarding plan level retention items:

- The Profit/Contingency for all plans is set to 0%.
- The Health Insurance Provider Fee of 3.4%
- The administrative expenses do not vary by plan
- 2% Pennsylvania Premium Tax was included
- The \$0.21 PMPM PCORI fee was factored into the administrative expense percentage of premium.
- Expenses for Quality Improvement Initiatives are 0.50%.

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

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

C. Normalized Market-Adjusted Projected Allowed Total Claims

The normalization factors presented in Table 7 are each determined from the underlying membership demographics expected in the projected rating period. The 2017 values are pulled from the prior year's filing, while the 2018 values represent our projection for 2018 assumed in the 2018 rate development.

D. Components of Rate Change

Table 8 presents the components of change in the proposed 2018 Calibrated Plan Adjusted Index Rate (PMPM). Cell C72 is populated with the base period allowed charges found in the 2017 plan year rate filing. There are no differences between the values in Row H and Row A.

Table 9 presents the data elements supporting the calculations in Table 8. Note the following differences between the Table 9 values presented for 2017 and the values from the 2017 URRT:

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

The 2017 values are populated using the 2017 filed factors adjusted for the membership mix as of February 1, 2017.

3. Plan Rate Development

Table 10 shows the plan rate development for 2018. This table shows the plans that HSR intends to offer in 2018, as well as all plans offered in 2017 portfolio. The calibrated plan adjusted index rates for 2017 are calculated according to the instructions. The 2018 rating factors are consistent with the factors found in Exhibit II of the Part III URRT memorandum with the pricing effect further broken out into pricing AV and benefit richness. Additionally, the tobacco surcharge factor is broken out in Table 10 as requested. This surcharge factor is included as part of calibration in the URRT. Admin effect is broken into admin costs, taxes and fees, and profit or contingency.

The benefit richness factors in column L are populated with the factors found in Attachment C. The table in Attachment C can also be found in the attached spreadsheet. The derivation of the AV and Cost Sharing factors can also be found in Attachment C. Please note that the attachment includes the tobacco factor in the AV and Cost Sharing Factor as requested. This will make the values inconsistent with those found in the URRT as the URRT treats tobacco as a calibration factor. The values in column 9 of the attachment represent the pure induced utilization for each plan. HSR's utilization factors are consistent with those used in the Federal Risk Adjustment program. Each plan's factor was then normalized by the average utilization factor. The average is a weighted average using projected membership as the weight. After normalization the average factor as shown in attachment C is 1.000.

As requested, some plans are being listed multiple times since these plans have different mappings based on the county in which the members live.

Columns AG through AQ are populated with the February 1, 2017 enrollment by 2018 plan and rating area.

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

Table 11 presents HSR's 21-year-old non-tobacco premium in the Individual Market. As mentioned in Section 1.C above, the change in 21-year-old non-tobacco premium PMPM calculated in this table is 0% which is consistent with the SERFF Rate Review Detail Screen "percent rate change requested."

5. Plan Factors

A. Age and Tobacco Factors

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

B. Geographic Factors

Please see Table 13 for HSR's geographic factors. HSR's factors for the rating period are unchanged from the currently approved factors. Note that rating areas 3 and 8 are left blank as HSR does not offer plans in these regions.

C. Network Factors

Please see Table 14 for HSR's network rating factors.

D. Service Area Composition

HSR's offers plans in a single service area. Please see the Plan Design Summary exhibit uploaded as a separate document for more information regarding this service area. As requested, service area maps are included. The service area has been reduced by one county as compared to 2017.

6. Actuarial Certifications

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This filing is prepared on behalf of HSR to accompany its rate filing (for calendar year 2018) for the Individual Market on and off the Pennsylvania Exchange.

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

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

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

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

I certify that all factors, benefit and other changes from the prior approved filing have been disclosed in the 2018 PA Actuarial Memorandum Rate Exhibits.

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

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

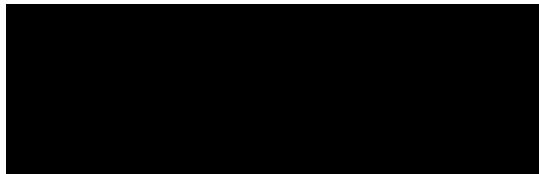
- Are based on an analysis performed in accordance with generally accepted actuarial principles and methodologies.

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

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

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

I certify that the information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2018 Part II Rate Filing Justification.

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

Title: Manager, Actuarial Services

Date: 07/18/2017

HSR Select Resources Inc
Individual Market Product Portfolio
Supplemental Exhibits

Attachment A	Demographic and Morbidity Calculations
Attachment B	Risk Adjustment Calculation
Attachment C	Induced Demand Calculations
Attachment D	Broker Commission Schedule
Attachment E	Milliman Certification

**Highmark Select Resources
Individual Market**

Attachment A - Demographic and Morbidity Calculations

Population Source	2016 Member Distribution	2016 Normalized Allowed PMPM	2018 Member Distribution	2018 Normalized Allowed PMPM	Morbidity Change Relative to Total
HSR ACA	100.0%	\$470.57	100.0%	\$430.09	0.914
HSR Medically Underwritten			0.0%	\$430.09	0.914
Uninsured & Employer Markets			0.0%	\$430.09	0.914
Total	100.0%	\$470.57	100.0%	\$430.09	0.914

Component of Other	Factor
CY2016 Demographic Factor	1.795
CY2018 Demographic Factor	1.093
Change in Demographic	0.609
CY2016 Network Factor	0.917
CY2018 Network Factor	0.986
Change in Network	1.075
Change in Benefits	1.000
Table 5 - Change in Other's Other	0.995
URRT and Table 5 Change in Other	0.651

**Highmark Select Resources
Individual Market**

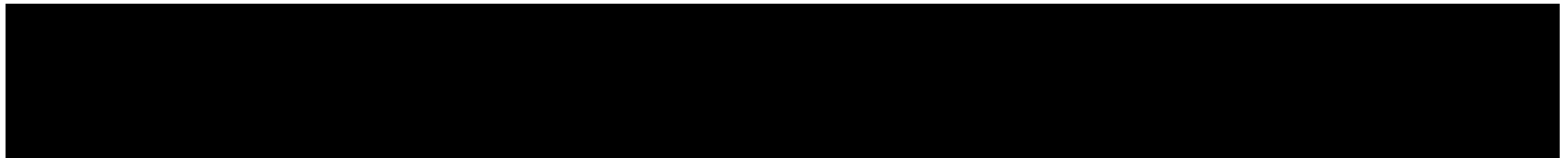
Attachment B - Risk Adjustment Calculation

Total State Development - 2018									Calculated Results - 2018			
Average	Market	Member	Member	HHS Risk	Allowable	Geo Cost	Induced	Actuarial	Factors	Factors	Transfer	
Premium	Share	Months	Months	Score	Rating	Factor	Demand	Value	incl. risk	excl. risk	PMPM	\$ Transfer
					Factor	Factor	Factor		score	score	(Calc'd)	(Estimate)

Catastrophic Pool

HSR
Other PA

Total PA



**Highmark Select Resources
Individual Market**

Attachment C - Induced Demand Calculations

Induced Utilization Exhibit								
Plan ID (1)	Metal Level (2)	Projected Membership (3)	Projected Allowed Claims (4)	Projected Paid Claims (5)	Paid to Allowed Factor (6)	Average Tobacco Factor (7)	AV & Cost Sharing Factor (8)	(8)/(6*7) (9)
36247PA0090003	Catastrophic	120	52,437	30,166	0.575	1.000	0.575	1.000

Components of AV & Cost Sharing Factor						
HIOS Plan ID	Metal Level	Paid-to- Allowed Ratio	Induced Utilization Factor	Avg. Benefit Richness	URRT Avg Cost Share Factor*	Avg. Tobacco Factor
36247PA0090003	Catastrophic	0.575	1.000	1.000	0.575	1.000
*Ties to Exhibit II of URRT memorandum where tobacco is treated as calibration and not part of the Cost Share Factor						

**Highmark Select Resources
Individual Market**

Attachment D - Broker Commission Schedule

Metal	Current Broker Commission Amount



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Wayne, PA 19087-5572
Tel + 610 687.5644
Fax + 610 687.4236
www.milliman.com

ACTUARIAL MEMORANDUM

Highmark Select Resources

Individual Rate Filing - January 1, 2018

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for preparing individual rate filings. As a consulting actuary, I was requested by Highmark Select Resources ("HSR") to review the development of the market-wide base rate for the individual market off the Pennsylvania Exchange. The confidential material presented in this filing was prepared for the specific purpose of submitting the rating formula for the Pennsylvania Insurance Department and may not be appropriate for other purposes. This filing represents premium rates for individuals sold or renewed effective January 1, 2018. The rates are guaranteed until December 31, 2018.

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

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

[REDACTED]

[REDACTED]

Fellow, Society of Actuaries
Member, American Academy of Actuaries
May 18, 2017

PA Rate Template Part I
Data Relevant to the Rate Filing

Table 0. Identifying Information

Carrier Name:	Highmark Select Resources		
Product(s):	PPG		
Market Segment:	Individual		
Rate Effective Date:	01/01/2018	to	12/31/2018
Base Period Start Date	01/01/2016	to	12/31/2016
Date of Most Recent Membership	02/01/2017		

Table 1. Number of Members

	Member-months	Members	Member-months
	Experience Period	Current Period (as of 02-01-2017)	Projected Rating Period
Average Age	42	41	28
Total	169,417	659	120
<18	21,592	121	0
18-24	11,160	59	0
25-29	9,551	27	120
30-34	11,873	37	0
35-39	11,222	39	0
40-44	11,789	30	0
45-49	14,704	59	0
50-54	19,402	56	0
55-59	24,051	97	0
60-63	29,243	106	0
64+	4,430	37	0

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

Table 2. Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
\$ 72,155,986.14	\$ 81,609,165.22	\$ 84,883,501.48	169,417	\$ 21,971,854.41	\$ 106,855,355.89	\$ 93,806.02	\$ (1,761,384.78)	\$ 57,601.78	\$ 81,320.16	\$ (1,311,362.97)	\$ 3,750,373.00
Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											\$ 620.11
Loss Ratio											112.23%

* Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

Service Category	Cost*	Utilization*	Induced Demand*	Composite UBR Trend **	Weight*
Inpatient Hospital	5.00%	5.71%	-2.06%	8.72%	22.73%
Outpatient Hospital	5.00%	5.71%	-2.06%	8.72%	34.31%
Professional	5.00%	5.71%	-2.06%	8.72%	20.90%
Other Medical	5.00%	5.71%	-2.06%	8.72%	2.08%
Capitation				31.61%	0.05%
Prescription Drugs	5.00%	5.71%	-2.06%	8.72%	19.95%
Total Annual Trend				8.73%	100.00%
Months of Trend				24	
Total Applied Trend Projection Factor				1.182	

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

** Should = UBR Trend

Table 4. Historical Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
Jan-14				#DIV/0!		#DIV/0!				#DIV/0!
Feb-14				#DIV/0!		#DIV/0!				#DIV/0!
Mar-14				#DIV/0!		#DIV/0!				#DIV/0!
Apr-14				#DIV/0!		#DIV/0!				#DIV/0!
May-14				#DIV/0!		#DIV/0!				#DIV/0!
Jun-14				#DIV/0!		#DIV/0!				#DIV/0!
Jul-14				#DIV/0!		#DIV/0!				#DIV/0!
Aug-14				#DIV/0!		#DIV/0!				#DIV/0!
Sep-14				#DIV/0!		#DIV/0!				#DIV/0!
Oct-14				#DIV/0!		#DIV/0!				#DIV/0!
Nov-14				#DIV/0!		#DIV/0!				#DIV/0!
Dec-14				#DIV/0!		#DIV/0!				#DIV/0!
Jan-15				#DIV/0!		#DIV/0!				#DIV/0!
Feb-15				#DIV/0!		#DIV/0!				#DIV/0!
Mar-15				#DIV/0!		#DIV/0!				#DIV/0!
Apr-15				#DIV/0!		#DIV/0!				#DIV/0!
May-15				#DIV/0!		#DIV/0!				#DIV/0!
Jun-15				#DIV/0!		#DIV/0!				#DIV/0!
Jul-15				#DIV/0!		#DIV/0!				#DIV/0!
Aug-15				#DIV/0!		#DIV/0!				#DIV/0!
Sep-15				#DIV/0!		#DIV/0!				#DIV/0!
Oct-15				#DIV/0!		#DIV/0!				#DIV/0!
Nov-15				#DIV/0!		#DIV/0!				#DIV/0!
Dec-15				#DIV/0!		#DIV/0!				#DIV/0!
Jan-16		\$ 6,139,076.40	0.9949	\$ 6,170,663.85	13,511	\$ 456.71		\$ (144,079.99)	\$ 8,595,882.36	\$ 636.21
Feb-16		\$ 6,536,917.49	0.9943	\$ 6,574,448.18	14,416	\$ 456.05		\$ (146,185.19)	\$ 8,853,783.88	\$ 614.16
Mar-16		\$ 8,140,848.10	0.9938	\$ 8,191,581.27	14,890	\$ 550.14		\$ (178,263.25)	\$ 10,631,442.30	\$ 714.00
Apr-16		\$ 6,587,958.48	0.9910	\$ 6,647,882.31	14,930	\$ 445.27		\$ (146,527.18)	\$ 8,744,377.03	\$ 585.69
May-16		\$ 6,730,357.64	0.9920	\$ 6,784,721.43	14,719	\$ 460.95		\$ (146,794.21)	\$ 8,759,813.33	\$ 595.14
Jun-16		\$ 6,927,024.77	0.9895	\$ 7,000,644.84	14,527	\$ 481.91		\$ (149,149.94)	\$ 8,899,491.36	\$ 612.62
Jul-16		\$ 6,016,495.09	0.9893	\$ 6,100,159.75	14,371	\$ 424.48		\$ (129,129.08)	\$ 7,708,646.56	\$ 536.40
Aug-16		\$ 7,417,755.63	0.9823	\$ 7,552,655.63	14,165	\$ 533.19		\$ (155,135.74)	\$ 9,266,564.34	\$ 654.19
Sep-16		\$ 6,303,978.50	0.9709	\$ 6,492,869.63	13,889	\$ 467.48		\$ (132,726.08)	\$ 7,921,527.73	\$ 570.35
Oct-16		\$ 7,314,367.42	0.9534	\$ 7,671,557.62	13,679	\$ 560.83		\$ (151,118.71)	\$ 9,014,783.84	\$ 659.02
Nov-16		\$ 6,875,802.56	0.8949	\$ 7,683,038.34	13,379	\$ 574.26		\$ (143,032.55)	\$ 8,533,320.84	\$ 637.81
Dec-16	\$ 72,155,986.14	\$ 6,618,582.14	0.8260	\$ 8,013,278.62	12,940	\$ 619.26	\$ 21,971,854.41	\$ (136,842.86)	\$ 8,164,337.62	\$ 630.94

* Express Completion Factor as a percentage

Carrier Name:

Product(s):

Market Segment:

Rate Effective Date:

Highmark Select Resources

PPD

Individual

01/01/2018

Table 2b. Manual Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
											\$ -
Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											\$ -
Loss Ratio											0.00%

*Express Prescription Drug Rebates as a negative number

Table 3b. Manual Trend Components

Service Category	Cost*	Utilization*	Induced Utilization*	Composite URRT Trend**	Weight*
Inpatient Hospital				0.00%	
Outpatient Hospital				0.00%	
Professional				0.00%	
Other Medical				0.00%	
Capitation					
Prescription Drugs				0.00%	
Total Annual Trend				0.00%	0.00%
Months of Trend				24	
Total Applied Trend Projection Factor				1.000	

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

** Should = URRT Trend

Table 4b. Historical Manual Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
Jan-14				#DIV/0!		#DIV/0!				#DIV/0!
Feb-14				#DIV/0!		#DIV/0!				#DIV/0!
Mar-14				#DIV/0!		#DIV/0!				#DIV/0!
Apr-14				#DIV/0!		#DIV/0!				#DIV/0!
May-14				#DIV/0!		#DIV/0!				#DIV/0!
Jun-14				#DIV/0!		#DIV/0!				#DIV/0!
Jul-14				#DIV/0!		#DIV/0!				#DIV/0!
Aug-14				#DIV/0!		#DIV/0!				#DIV/0!
Sep-14				#DIV/0!		#DIV/0!				#DIV/0!
Oct-14				#DIV/0!		#DIV/0!				#DIV/0!
Nov-14				#DIV/0!		#DIV/0!				#DIV/0!
Dec-14				#DIV/0!		#DIV/0!				#DIV/0!
Jan-15				#DIV/0!		#DIV/0!				#DIV/0!
Feb-15				#DIV/0!		#DIV/0!				#DIV/0!
Mar-15				#DIV/0!		#DIV/0!				#DIV/0!
Apr-15				#DIV/0!		#DIV/0!				#DIV/0!
May-15				#DIV/0!		#DIV/0!				#DIV/0!
Jun-15				#DIV/0!		#DIV/0!				#DIV/0!
Jul-15				#DIV/0!		#DIV/0!				#DIV/0!
Aug-15				#DIV/0!		#DIV/0!				#DIV/0!
Sep-15				#DIV/0!		#DIV/0!				#DIV/0!
Oct-15				#DIV/0!		#DIV/0!				#DIV/0!
Nov-15				#DIV/0!		#DIV/0!				#DIV/0!
Dec-15				#DIV/0!		#DIV/0!				#DIV/0!
Jan-16				#DIV/0!		#DIV/0!				#DIV/0!
Feb-16				#DIV/0!		#DIV/0!				#DIV/0!
Mar-16				#DIV/0!		#DIV/0!				#DIV/0!
Apr-16				#DIV/0!		#DIV/0!				#DIV/0!
May-16				#DIV/0!		#DIV/0!				#DIV/0!
Jun-16				#DIV/0!		#DIV/0!				#DIV/0!
Jul-16				#DIV/0!		#DIV/0!				#DIV/0!
Aug-16				#DIV/0!		#DIV/0!				#DIV/0!
Sep-16				#DIV/0!		#DIV/0!				#DIV/0!
Oct-16				#DIV/0!		#DIV/0!				#DIV/0!
Nov-16				#DIV/0!		#DIV/0!				#DIV/0!
Dec-16				#DIV/0!		#DIV/0!				#DIV/0!

* Express Completion Factor as a percentage

PA Rate Template Part II
Rate Development and Change

Carrier Name:	Highmark Select Resources
Product(s):	PPD
Market Segment:	Individual
Rate Effective Date:	01/01/2018

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	\$ 620.11	\$ 1.000	< Actual Experience PMPM should be consistent with the Index Rate for Experience Period on URRT
Two year trend projection factor	1.182	1.000	
Unadjusted Projected Allowed EHB Claims PMPM	\$ 733.08	\$ -	
<u>Single Risk Pool Adjustment Factors</u>			
Change in Morbidity	0.914		< See URRT Instructions
Change in Other	0.651	0.000	
Change in Demographics	0.609		< See URRT Instructions
Change in Network	1.075		< See URRT Instructions
Change in Benefits	1.000		< See URRT Instructions
Change in Other	0.995		< See URRT Instructions
Total Adjusted Projected Allowed EHB Claims PMPM	\$ 436.43	\$ -	< See Instructions
Credibility Factors	100%	0%	
Blended Projected EHB Claims PMPM		\$ 436.43	
<u>Development of the Market-Adjusted Index Rate and Total Allowed Claims</u>			
Adjusted Projected Allowed EHB Claims PMPM	\$ 436.43		< Index Rate for Projection Period on URRT - Individual or First Quarter Small Group
Adjusted Projected Allowed EHB Claims PMPM [will only populate for small group filings]	\$ -		< Index Rate for Projection Period on URRT - Small Group
Projected Paid to Allowed Ratio	0.575		< Paid to Allowed Average Factor in Projection Period on URRT
Projected Paid EHB Claims PMPM	\$ 251.07		
Market-wide Adjustments			
Projected Risk Adjustment PMPM	\$ (14.77)		
Projected Paid Exchange User Fees PMPM	\$ -		
Market-Adjusted Projected Paid EHB Claims PMPM	\$ 265.84		
Market-Adjusted Projected Allowed EHB Claims PMPM	\$ 462.11		< Market-Adjusted Index Rate
Projected Allowed Non-EHB Claims PMPM	\$ 0.96		
Market-Adjusted Projected Paid Total Claims PMPM	\$ 266.39		
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 463.07		

For Information

Blended EHB Claims PMPM

Blended EHB Claims PMPM

Blended EHB Claims PMPM

Blended EHB Claims PMPM
Adjusted EHB Claims PMPM
Months of Experience
Annual Trend
Single Risk Pool Adjustment
Quarterly Trend
2018 Trend

Table 6. Retention

<u>Retention Items - Express in percentages</u>	
Administrative Expenses	12.27%
General and Claims	11.77%
Agent/Broker Fees and Commissions	0.00%
Quality Improvement Initiatives	0.50%
Taxes and Fees	5.46%
PCORN Fees (Enter \$ amount here: \$)	0.00%
Pa Premium Tax (if applicable)	2.00%
Federal Income Tax	0.00%
Health Insurance Providers Fee	3.40%
Profit/Contingency (after tax)	0.00%
Total Retention	17.74%
Projected Required Revenue PMPM	\$ 323.82

Table 8. Components of Rate Change

Rate Components	2017	2018	Difference	Percent Change
A. Calibrated Plan Adjusted Index Rate (PMPM)	296.2824814	296.2867062	\$0.00	0.0%
B. Base period allowed claims before normalization	\$ 499.40	\$ 620.11	\$120.71	41%
C. Normalization factor component of change	\$ (209.69)	\$ -44.67101246	\$165.02	\$0.56
D. Change in Normalized Allowed Claims Adjustment Components				
D1. Base period allowed claims after normalization	\$ 289.71	\$ 575.44	\$ 285.73	96%
D2. URRT Trend	\$ 61.52	\$ 104.83	\$ 43.31	15%
D3. URRT Morbidity	\$ 140.72	\$ (58.60)	\$ (199.31)	-67%
D4. URRT Other	\$ 7.12	\$ (216.69)	\$ (223.80)	-76%
D5. Normalized URRT RA/Ri on an allowed basis	\$ 0.125658002	\$ 23.83213565	\$ 23.71	8%
D6. Normalized Exchange User Fee on an allowed basis	\$ -	\$ -	\$ -	0%
D7. Subtotal - Sum(D1.D6)	\$ 499.19	\$ 428.82	\$ (70.37)	-24%
E. Change in Allowable Plan Adjusted Level Components				
E1. Network	\$ -	\$ -6.003512164	\$ (6.00)	-2%
E2. Pricing AV	\$ (212.16)	\$ (179.58)	\$ 32.57	11%
E3. Benefit Richness	\$ -	\$ -	\$ -	0%
E4. Catastrophic Eligibility	\$ (22.96)	\$ -	\$ 22.96	8%
E5. Subtotal - Sum(E1.E4)	\$ (235.12)	\$ (185.59)	\$ 49.53	17%
F. Change in Retention Components				
F1. Administrative Expenses	\$ 26.31	\$ 36.36	\$ 10.05	3%
F2. Taxes and Fees	\$ 6.03	\$ 16.19	\$ 10.16	3%
F3. Profit and/or Contingency	\$ -	\$ -	\$ -	0%
F4. Subtotal - Sum(F1.F3)	\$ 32.34	\$ 52.55	\$ 20.21	7%
G. Change in Miscellaneous Items		\$ -	\$ -	0%
H. Sum of Components of Rate Change (should approximate the change shown in line A)	\$ 296.41	\$ 295.78	\$ (0.62)	0%

For informational Purposes only - No input required.

Blended Base Period Unadjusted Claims before Normalization	\$ 620.11	< Index Rate of Experience Period on URRT
Blended Earned Premium	\$ 72,155,986.14	
Blended Loss Ratio	112.23%	

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

Effective Date	01/01/2018	04/01/2018	07/01/2018	10/01/2018	Total Single Risk Pool
# of Member Months Renewing in Quarter					-
Adjusted Projected Allowed EHB Claims PMPM Q1	\$ 436.43	\$ 436.43	\$ 436.43	\$ 436.43	\$ 436.43
Months of Trend	-	3	6	9	
Annual Trend	8.73%	8.73%	8.73%	8.73%	
Single Risk Pool Projected Allowed Claims	\$ 436.43	\$ 445.65	\$ 455.08	\$ 464.70	\$ -
Quarterly Trend Factor	100.0%	102.1%	104.3%	106.5%	0.0%
2018 Trend Factors by Quarter	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

Normalization Factors	2017	2018
Average Age Factor	1.733	1.073
Average Geographic Factor	1.020	1.020
Average Tobacco Factor	1.011	1.000
Average Benefit Richness (induced demand)	1.000	1.000
Average Network Factor	0.965	0.986
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 860.50	\$ 463.07
Normalized Market-Adjusted Projected Allowed Total Claims PMPM	\$ 499.19	\$ 429.71

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

	2017	2018
Paid-to-Allowed	0.600	0.575
URRT Trend (Total Applied Trend Factor)	1.212	1.182
URRT Morbidity	1.403	0.914
URRT "Other"	1.014	0.653
Risk Adjustment	\$ 0.13	\$ 14.77
Exchange User Fee	\$ -	\$ -
Capitation	\$ 0.34	\$ 0.34
Network	1.000	0.986
Pricing AV	0.575	0.575
Benefit Richness	1.000	1.000
Catastrophic Eligibility	0.920	1.000
Administrative Expenses	8.88%	12.27%
Taxes and Fees	2.03%	5.46%
Profit and/or Contingency	0.00%	0.00%

PA Rate Template Part III

Table 10. Plan Rates

Carrier Name: Highmark Select Resources
Product(s): PPO
Market Segment: Individual
Rate Effective Date: 01/01/2018
Base Period Start Date: 01/01/2016
Date of Most Recent Membership: 02/01/2017
Market Adjusted Index Rate: \$ 462.11

Calibration	
Age Calibration Factor	1.0772
Geographic Calibration Factor	1.0200
Aggregate Calibration Factor	1.0993

Total Covered Lives @ 02-01-2017
2

Date of Most Recent Membership Market Adjusted Index Rate			02/01/2017 462.11		45 CFR Part 156.8 (d) (2) Allowable Factors															
	HIOS Plan ID (Standard Component)	Plan Type (HMO, POS, PPO, EPO, Indemnity, Other)	Plan Marketing Name	Existing, Modified, New, Discontinued & Mapped, Discontinued & Not Mapped (E,M,N,D, DNM) for 2018	1/1/18 Plan HIOS Plan ID (If 1/1/17 Plan Discontinued & Mapped)	Metallic Tier	Metallic Tier Actuarial Value	Standard AV, Approach (1), Approach (2)	Exchange On/Off or Off	Pricing AV (company-determined AV)	Benefit Richness (induced demand)	Benefits in addition to EHB	Provider Network	Catastrophic Eligibility	Tobacco Surcharge Adjustment	Pure Premium	Admin Costs	Taxes & Fees (not including Exchange fees)	Profit or Contingency	
Totals							0.575			0.575	1.000	1.002	1.000	1.000	1.000	\$ 266.39	12.3%	5.5%	0.0%	
Plan 1	36247PA0090003	PPO	Major Events PPO 7350C	IM	36247PA0090003	Catastrophic	0.575	Standard AV	Off	0.575	1.000	1.002	1.000	1.000	1.000	\$266.39	12.3%	5.5%	0.0%	
Plan 2	36247PA0090003	PPO	Major Events PPO 7350C	DNM												\$0.00				
Plan 3	36247PA0060003	PPO	Alliance Flex Blue PPO 6800	DNM												\$0.00				

Total Covered Lives Mapped Into 2018 Plans @ 02-01-2017	Total Policyholders @ 02-01-2017
2	397
2	2
-	1
-	394

2017 Calibrated Plan Adjusted Index Rate PMPM	2018 Calibrated Plan Adjusted Index Rate PMPM
\$ 296.28	\$ 296.29
\$ 296.28	\$ 296.28
\$ 296.28	\$ -
\$ 234.29	\$ -

Proposed Rate Change Compared to Prior 12 months
0.00%
0.0%
-100.0%
-100.0%

[illegible]

PA Rate Template Part IV A - Individual

Table 11. Plan Premium Development for 21-Year-Old Non-Tobacco User

Carrier Name: Highmark Select Resources
 Product(s): PPO
 Market Segment: Individual
 Rate Effective Date: 01/01/2018

Plan Number	HIOS Plan ID (Standard Component)	1/1/17 Plan Marketing Name	Discontinued, New, Modified, Existing (D,N,M,E) for 2018	1/1/18 Plan HIOS PLAN ID (If 1/1/17 Plan Discontinued)	Metallic Tier	Exchange On/Off or Off
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Totals

These cells auto-fill using the data entered in Table 10.

Plan 1	36247PA0090003	Major Events PPO 7350C	M	36247PA0090003	Catastrophic	Off
Plan 2	36247PA0090003	Major Events PPO 7350C	DNM	0	0	0
Plan 3	36247PA0060003	Alliance Flex Blue PPO 68	DNM	0	0	0

2017 21-year-old, Non-Tobacco Premium PMPM									
1	2	3	4	5	6	7	8	9	(weighted by enrollment by rating area)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302.21	\$ 302.21
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302.21	\$ 302.21
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302.21	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330.77	\$ -

|

[illegible]

[illegible]

PA Rate Quarterly Template Part V Consumer Factors

Carrier Name:	Highmark Select Resources
Product(s):	PPO
Market Segment:	Individual
Rate Effective Date:	01/01/2018

Table 12. Age and Tobacco Factors

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

*PA follows the federal default age curve.

Table 13. Geographic Factors

Geographic Area Factors			
Area	Counties	Current Factor	Proposed Factor
Rating Area 1			
Rating Area 2			
Rating Area 3			
Rating Area 4			
Rating Area 5			
Rating Area 6			
Rating Area 7			
Rating Area 8			
Rating Area 9	Cumberland, Dauphin, Franklin, Fulton, Juniata, Lebanon, Perry	1.020	1.020

Table 14. Network Factors

[illegible]

Highmark Select Resources
Individual Market
Plan Design Summary

HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	Network	Rating Area	Counties Covered
36247PA0090003	Major Events PPO 7350C	PPO	Catastrophic	Off	W	9	Dauphin, Perry

Company Name: Highmark Select Resources

Market: Individual

Product: PPO

Effective Date of Rates:

January 1, 2018

Ending date of Rates:

31-Dec-18

HIOS Plan ID (On Exchange)=>	NA	
HIOS Plan ID (Off Exchange)=>	36247PA0090003	
Plan Marketing Name =>	Major Events PPO 7350C	
Form # =>	CAT/HSR/DP-1	
Rating Area =>	Area 9	
Network =>	W	
Metal =>	Catastrophic	
Deductible =>	\$7,350	
Coinsurance =>	100%	
Copays =>	N/A	
OOP Maximum =>	\$7,350	
Pediatric Dental (Yes/No) =>	Yes	
Age Band	Non-Tobacco	Tobacco
0 - 14	\$231.19	\$231.19
15	\$251.74	\$251.74
16	\$259.60	\$259.60
17	\$267.46	\$267.46
18	\$275.92	\$275.92
19	\$284.38	\$284.38
20	\$293.14	\$293.14
21	\$302.21	\$309.77
22	\$302.21	\$309.77
23	\$302.21	\$309.77
24	\$302.21	\$309.77
25	\$303.42	\$311.01
26	\$309.46	\$317.20
27	\$316.72	\$324.64
28	\$328.50	\$336.71
29	\$338.17	\$346.62
30	\$343.01	\$351.59
31	\$350.26	\$359.02
32	\$357.51	\$366.45
33	\$362.05	\$371.10
34	\$366.88	\$376.05
35	\$369.30	\$378.53
36	\$371.72	\$381.01
37	\$374.14	\$383.49
38	\$376.55	\$385.96
39	\$381.39	\$390.92
40	\$386.22	\$424.84
41	\$393.48	\$434.80
42	\$400.43	\$445.28
43	\$410.10	\$459.72
44	\$422.19	\$477.92
45	\$436.39	\$499.67
46	\$453.32	\$525.85
47	\$472.35	\$555.96
48	\$494.11	\$590.96
49	\$515.57	\$627.45
50	\$539.75	\$661.19
51	\$563.62	\$690.43
52	\$589.91	\$722.64
53	\$616.51	\$755.22
54	\$645.22	\$790.39
55	\$673.93	\$825.56
56	\$705.06	\$863.70
57	\$736.49	\$902.20
58	\$770.03	\$943.29
59	\$786.65	\$963.65
60	\$820.20	\$1,004.75
61	\$849.21	\$1,040.28
62	\$868.25	\$1,063.61
63	\$892.12	\$1,092.85
64+	\$906.63	\$1,110.62

Company Name **Highmark Select Resources**

Market **Individual**

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

HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange
36247PA0090003	Major Events PPO 7350C	PPO	Catastrophic	Off

RATING AREA 1

Crawford	Clarion	Erie	Forest	Mckean	Mercer	Venango	Warren
----------	---------	------	--------	--------	--------	---------	--------

RATING AREA 2

Elk	Cameron	Potter
-----	---------	--------

RATING AREA 3

Bradford	Carbon	Clinton	Lackawanna	Luzerne	Lycoming	Monroe	Pike	Sullivan	Susquehanna	Tioga	Wayne	Wyoming
----------	--------	---------	------------	---------	----------	--------	------	----------	-------------	-------	-------	---------

RATING AREA 4

Allegheny	Armstrong	Beaver	Butler
-----------	-----------	--------	--------

Fayette	Greene	Indiana	Lawrence	Washington	Westmoreland
---------	--------	---------	----------	------------	--------------

RATING AREA 5

Bedford	Blair	Clearfield	Cambria	Huntingdon	Jefferson	Somerset
---------	-------	------------	---------	------------	-----------	----------

RATING AREA 6

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

RATING AREA 7

Adams	Berks	Lancaster	York
-------	-------	-----------	------

RATING AREA 8

Bucks	Chester	Delaware	Montgomery	Philadelphia
-------	---------	----------	------------	--------------

RATING AREA 9

Cumberland	Dauphin	Franklin	Fulton	Juniata	Lebanon	Perry
------------	---------	----------	--------	---------	---------	-------

302.21

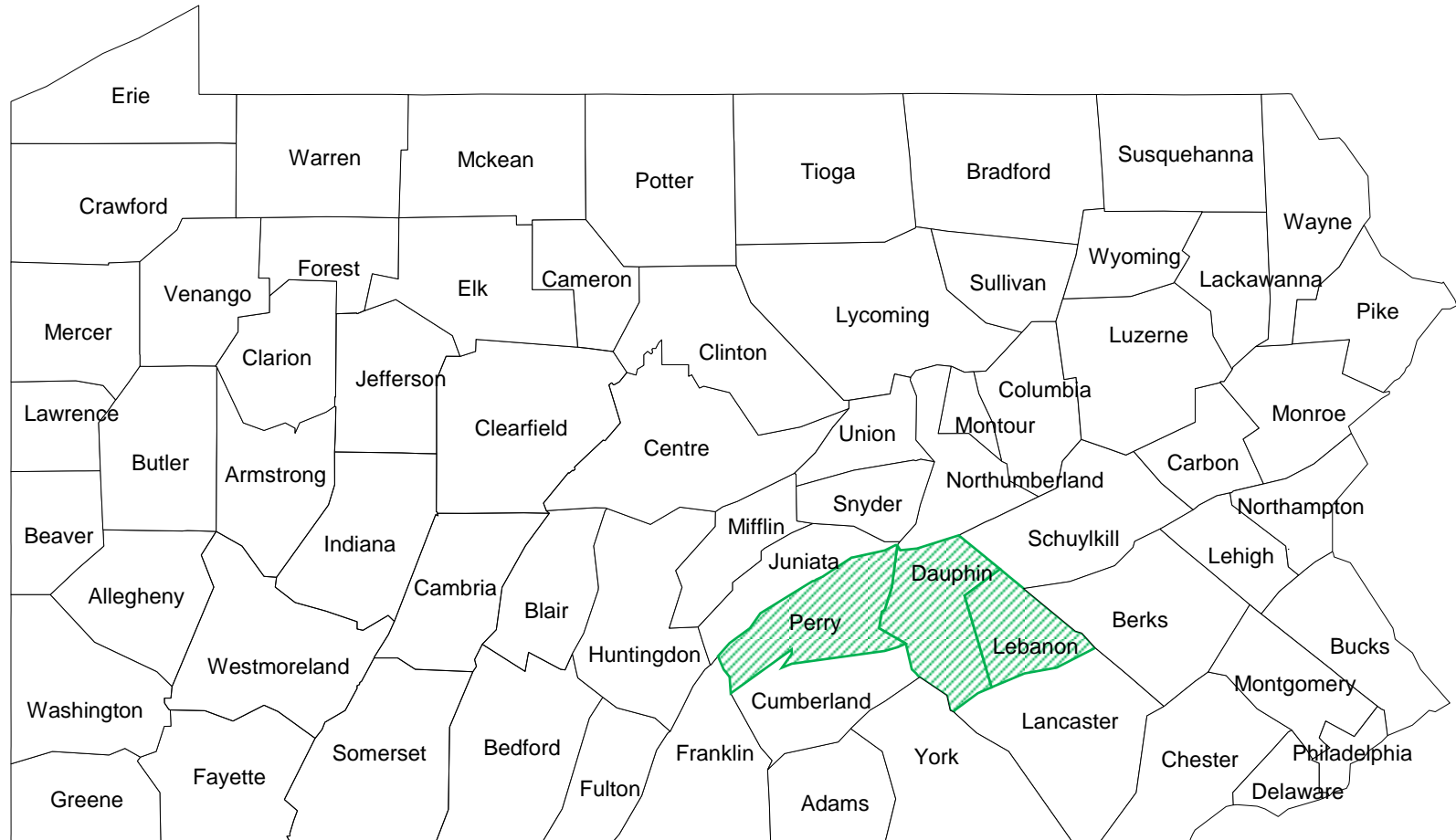
302.21



2017 Service Area


Issuer: Highmark Select Resources (HSR)

Market: Individual



Key (*modify as needed*)

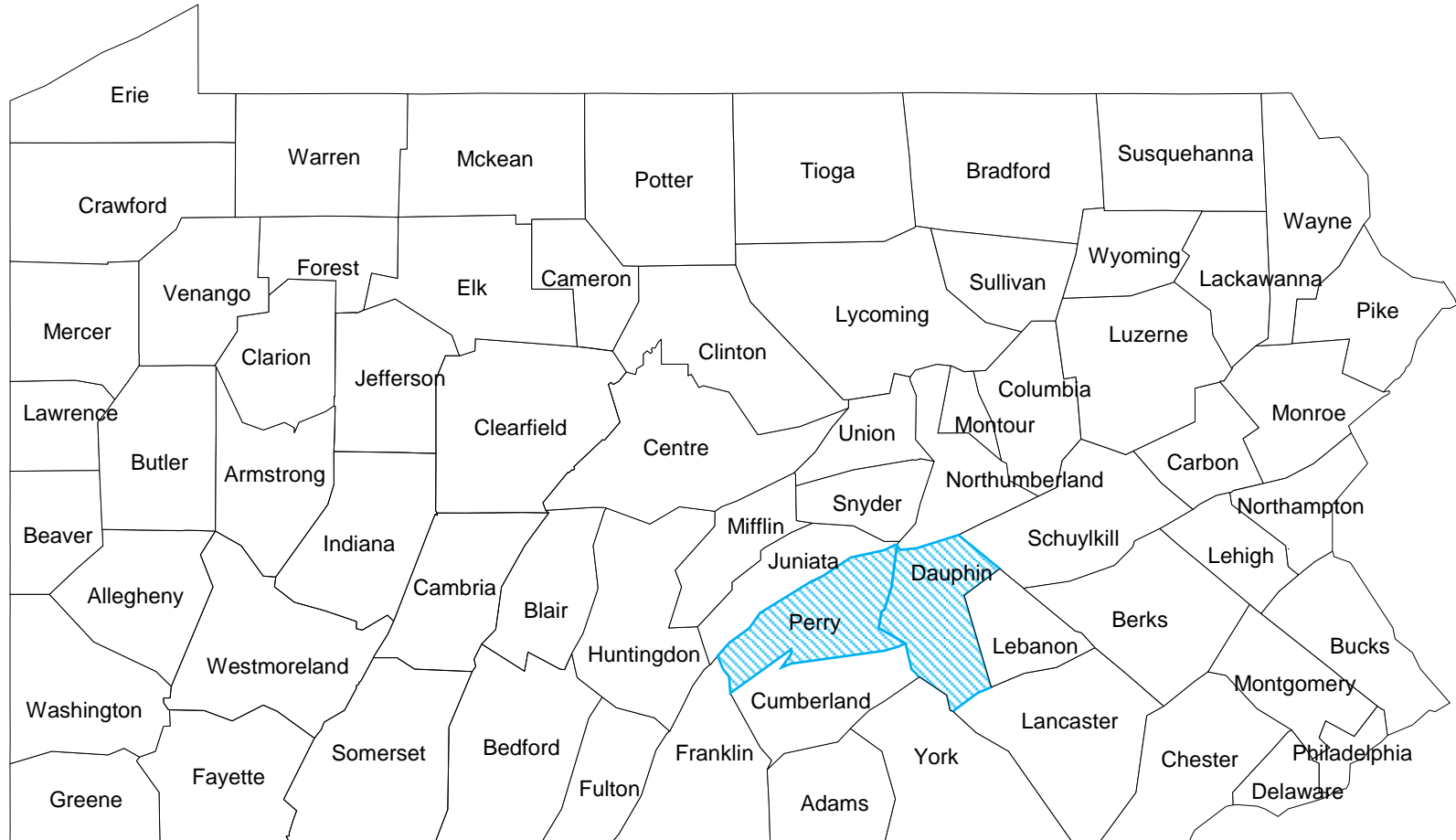
 : 2017 on-exchange service area

 : 2017 off-exchange only service area

2018 Service Area


Issuer: Highmark Select Resources (HSR)

Market: Individual



Key *(modify as needed)*

 : 2018 on-exchange service area

 : 2018 off-exchange only service area

Product-Plan Data Collection

Company Legal Name:

HIOS Issuer ID:

Effective Date of Rate Change(s):

HSR

36247

01/01/2018

State:

Market:

PA

Individual

Product/Plan Level Calculations

Section I: General Product and Plan Information

Product:	Alliance Flex Blue PPO		Major Events PPO
Product ID:	36247PA006		36247PA009
Metal:	Silver	Gold	Catastrophic
AV Metal Value	0.696	0.795	0.575
AV Pricing Value	0.010	0.010	0.701
Plan Category	Terminated PPO	Terminated PPO	Renewing PPO
Plan Type:			
Plan Name	Alliance Flex Blue PPO 2100	Alliance Flex Blue PPO 1000	Major Events PPO 7350C
Plan ID (Standard Component ID):	36247PA0060001	36247PA0060002	36247PA0090003
Exchange Plan?	No	No	No
Historical Rate Increase - Calendar Year - 2	0.00%	0.00%	0.00%
Historical Rate Increase - Calendar Year - 1	0.00%	0.00%	0.00%
Historical Rate Increase - Calendar Year 0	0.00%	0.00%	0.00%
Effective Date of Proposed Rates	01/01/2016	01/01/2016	01/01/2018
Rate Change % (over prior filing)	0.00%	0.00%	0.00%
Cum'tive Rate Change % (over 12 mos prior)	0.00%	0.00%	0.00%
Proj'd Per Rate Change % (over Exper. Period)	-100.00%	-100.00%	#DIV/0!
Product Rate Increase %	0.00%	0.00%	0.00%

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

Plan ID (Standard Component ID):	Total	36247PA0060001	36247PA0060002	36247PA0090003
Inpatient	\$0.00	\$0.00	\$0.00	-\$12.30
Outpatient	\$0.00	\$0.00	\$0.00	-\$17.09
Professional	\$0.00	\$0.00	\$0.00	-\$9.92
Prescription Drug	\$0.00	\$0.00	\$0.00	\$1.95
Other	\$0.00	\$0.00	\$0.00	-\$0.02
Capitation	\$0.00	\$0.00	\$0.00	\$0.40
Administration	\$0.00	\$0.00	\$0.00	\$11.20
Taxes & Fees	\$0.00	\$0.00	\$0.00	\$25.78
Risk & Profit Charge	\$0.00	\$0.00	\$0.00	\$0.00
Total Rate Increase	\$0.00	\$0.00	\$0.00	\$0.00
Member Cost Share Increase	\$0.00	\$0.00	\$0.00	-\$29.80
Average Current Rate PMPM	\$323.82			\$323.82
Projected Member Months	120	0	0	120

Section III: Experience Period Information

Plan ID (Standard Component ID):	Total	36247PA0060001	36247PA0060002	36247PA0090003
Plan Adjusted Index Rate	\$410.65	\$392.51	\$465.24	\$0.00
Member Months	169,417	127,149	42,268	0
Total Premium (TP)	\$72,164,872	\$53,522,745	\$18,642,127	\$0
EHB Percent of TP, [see instructions]	99.71%	99.71%	99.71%	0.00%
state mandated benefits portion of TP that are other than EHB	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TP	0.29%	0.29%	0.29%	100.00%
Total Allowed Claims (TAC)	\$105,222,638	\$74,790,898	\$30,431,740	\$0
EHB Percent of TAC, [see instructions]	99.84%	99.83%	99.85%	0.00%
state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TAC	0.16%	0.17%	0.15%	100.00%
Allowed Claims which are not the issuer's obligation:	\$24,229,105	\$16,464,516	\$7,764,590	\$0
Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0			
Portion of above payable by HHS on behalf of insured person, as %	0.00%			
Total Incurred claims, payable with issuer funds	\$80,993,533	\$58,326,383	\$22,667,150	\$0
Net Amt of Rein	\$3,369,184.75	\$2,434,408.90	\$934,775.85	\$0.00
Net Amt of Risk Adj	-\$1,336,775.52	-\$3,048,108.80	\$1,711,333.28	\$0.00
Incurred Claims PMPM	\$478.07	\$458.72	\$536.27	#DIV/0!
Allowed Claims PMPM	\$621.09	\$588.21	\$719.97	#DIV/0!
EHB portion of Allowed Claims, PMPM	\$620.07	\$587.21	\$718.89	#DIV/0!

Section IV: Projected (12 months following effective date)

Plan ID (Standard Component ID):	Total	36247PA0060001	36247PA0060002	36247PA0090003
Plan Adjusted Index Rate	\$323.82	\$0.00	\$0.00	\$323.82
Member Months	120	-	-	120
Total Premium (TP)	\$38,858	\$0	\$0	\$38,858
EHB Percent of TP, [see instructions]	99.83%	100.00%	100.00%	99.83%
state mandated benefits portion of TP that are other than EHB	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TP	0.17%	0.00%	0.00%	0.17%
Total Allowed Claims (TAC)	\$52,437	\$0	\$0	\$52,437
EHB Percent of TAC, [see instructions]	99.87%	100.00%	100.00%	99.87%
state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TAC	0.13%	0.00%	0.00%	0.13%
Allowed Claims which are not the issuer's obligation:	\$20,516	\$0	\$0	\$20,516
Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0			
Portion of above payable by HHS on behalf of insured person, as %	0.00%			
Total Incurred claims, payable with issuer funds	\$31,922	\$0	\$0	\$31,922
Net Amt of Rein	\$0	\$0	\$0	\$0
Net Amt of Risk Adj	-\$1,773	\$0	\$0	-\$1,773
Incurred Claims PMPM	\$266.02	#DIV/0!	#DIV/0!	\$266.02
Allowed Claims PMPM	\$436.98	#DIV/0!	#DIV/0!	\$436.98
EHB portion of Allowed Claims, PMPM	\$436.41	#DIV/0!	#DIV/0!	\$436.41

Part III Actuarial Memorandum
Highmark Select Resources, Inc.
Individual Rate Filing
Effective January 1, 2018

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I. General Information

Document Overview

This document contains the Part III Actuarial Memorandum for Highmark Select Resources(HSR) individual block of business rate filing, for products with an effective date of January 1, 2018. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

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

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

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

I.1 Company Identifying Information:

- Company Legal Name: Highmark Select Resources
- State: The Commonwealth of Pennsylvania has regulatory authority over these policies.
- HIOS Issuer ID: 36247
- Market: Individual
- Effective Date: January 1, 2018

I.2 Company Contact Information:

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

II. Proposed Rate Increase(s)

For all rate increases by plan see the 'Cum'tive Rate Change % (over 12 mos prior)' found in Worksheet 2 Row 26 of the URRT. The rate increase varies by plan due to an update in several of our pricing factors and changes in cost sharing required to meet Actuarial Value and other cost sharing restrictions under the Affordable Care Act as well as mappings between discontinued and new plans.

The primary drivers of the rate increase are increasing medical and pharmacy services in the Individual market and the re-introduction of the federal insurer fee.

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. Most notably, these assumption include that CSR payments and advance payment of premium credits (APTCs) will continue until the end of 2018, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2018. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. One of these uncertainties includes the prospective enforcement of the ACA individual mandate. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, HSR reserves the right to submit a revised filing

III. Experience Period Premium and Claims

III.1 Paid through Date:

Experience Period claims were based on incurred calendar year 2016, paid through January 2017. This includes 2016 experience in Affordable Care Act compliant plans. HSR did not offer any transitional plans in 2016.

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

The premiums shown for the experience period were based on calendar year 2016 actual revenues.

Based on preliminary information for calendar year 2016, no MLR rebates are anticipated to be refunded to enrollees. Therefore, we did not include an adjustment for MLR rebates in the 2016 premium amounts.

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

- **Historical Experience:** We chose HSR's current experience for the individual block of business for the period January 1, 2016 through December 31, 2016, with

claims paid through January, 2017 as the basis for the 2018 projected individual market pricing.

- **Claims Incurred During the 12-month Experience Period:** Worksheet 1, Section I shows our best estimate of the amount of claims that were incurred during the 12-month experience period for HSR's individual book-of-business. This section includes:
 - The amount of claims which were processed through Company's claims system,
 - Claims processed outside of the Company's claims system, and
 - Our best estimate of claims incurred but not paid as of the paid through date stated above.
- **Method for Determining Allowed Claims:** For non-capitated claims, the allowed charges are summarized from HSR's detailed claim-level historical data. This experience includes 2016 claims for Affordable Care Act compliant business. For capitated and other off-system claims, historical capitations and experience were tabulated and added to the claims.
- **Paid Claims:** We also summarized the paid claims from detailed member records. The paid-to-allowed ratio for the experience period reflects the 2016 plan designs chosen by each member.
- **Incurred but Not Paid (IBNR) Claims Estimate:** HSR is using a completion factor of 0.963 to include IBNR claims in allowed charges. The IBNR completion factor was developed using our corporate reserving system for HSR's individual business. We applied it equally to both paid and allowed total claims (as a change to utilization) to complete the experience.

IV. Benefit Categories

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

The data provided in this section closely adheres to the preferred definitions of the Benefit Categories included in the URRT instructions, including the "Other Medical" category. The "Other Medical" category units reflect visits for PDN/home health, trips for ambulance and procedures for DME/prosthetics. Prescription drugs utilization were converted to a "per 30-day" script count.

V. Projection Factors

V.1 Changes in the Morbidity of the Population Insured

We applied an adjustment of approximately -8.6% to reflect the anticipated changes in the average morbidity of the covered population (beyond allowable rating factors). This morbidity adjustment reflects multiple changes including changes in HSR's plan offering as well as changes in HSR's operating footprint.

V.2 Changes in Benefits

HSR provided a Non-EHB Adult Vision benefit in 2016. This benefit was removed in 2017 and will not be offered in 2018. The removal of this benefit was captured in the capitation portion of trend and thus not captured in the change in benefits factor.

V.3 Changes in Demographics

We project that the average rating factor (age, tobacco load and area combined) will decrease by about 40% due to the change in the population. This is primarily due to HSR moving to an offering that includes only a catastrophic plan. Given the limitations on eligibility based on age the population covered is expected to be significantly younger. This decreases the projected allowed claims (utilization) by the same amount.

V.4 Trend Factors (cost/utilization)

This development of the CY2018 rates reflects an annual trend rate of 11.0% (5% cost, 5.7% utilization). These trends reflect HSR's expectations regarding increases in in-network contractual reimbursement. The annual trend estimates include the impact of trends in both projected in-network and out-of-network costs. These estimates measure and normalize for benefit leverage, population aging, and historical changes for fee schedules, as well as company-wide utilization management programs, and external trend drivers.

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

Please note that while the underlying utilization trend is expected to be 5.7% HSR has included the anticipated change in utilization due to cost sharing requirements in the utilization trend column as instructed. The utilization adjustment is -2.1% per year. This brings the final utilization trend to 3.5% as found in the URRT.

VI. Credibility Manual Rate Development

VI.1 Source and Appropriateness of Experience Data Used

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

VII. Credibility of Experience

The experience is from HSR's individual book of business in 2016. It is large enough to be fully credible. Our results are based 100% on the experience rate, as adjusted.

VIII. Paid to Allowed Ratio

The paid to allowed ratio of 0.576 is a weighted average of the 2018 plan level paid to allowed ratios. Plan level paid to allowed factors were developed using an internal model based on HSR individual claims experience.

IX. Risk Adjustment and Reinsurance

IX.1 Projected Risk Adjustments PMPM:

The estimated average risk score for HSR's projected 2018 population was developed by using HSR's 2016 claim diagnoses and the risk adjustment coefficients as finalized in the Notice of Benefit and Payment Parameters. Similarly, allowable rating factors, actuarial value factors, and induced demand factors were estimated for HSR based upon its projected 2018 population.

We estimated the statewide average risk transfer factors based on current market assumptions. We estimated the statewide average premium using current market premium assumptions with adjustments for anticipated rate changes for 2018.

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

The analysis resulted in HSR paying into the risk adjustment pool. This value is reflected in worksheet 1 net of the risk adjuster fee (\$0.14 PMPM) consistent with the single risk pool regulations

IX.2 Projected ACA Reinsurance Recoveries Net of Reinsurance:

The Federal Reinsurance Program was terminated in 2017 resulting in projected 2018 reinsurance of \$0.

X. Non-Benefit Expenses and Profit & Risk

X.1 Administrative Expense Load:

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

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

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

X.3 Taxes and Fees:

The following fees were added:

- \$0.21 Per Member Per Month for the Patient Centered Outcomes Research Fee.
- 3.4% for the Health Insurance Provider Fee
- 2.0% for the PA Premium Tax

XI. Projected Loss Ratio

The anticipated medical loss ratio is about 87.0% relative to total premium less taxes and fees. This loss ratio is calculated consistently with the federally prescribed MLR methodology.

XII. Single Risk Pool

As described above, the base experience used includes all HSR individual members in accordance with the Single Risk Pool regulations. The projected membership and their corresponding premiums and claims only include those members who will be enrolled in a fully ACA-compliant plan in 2018.

XIII. Index Rate

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

XIV. Market Adjusted Index Rate

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

XV. Plan Adjusted Index Rates

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

XVI. Calibration

XVI.1 Age Curve Calibration:

The projected weighted average age factor for billable members is 1.072. This factor is calculated by dividing the all members age factor of 1.072 by the ratio of all members to billable members (1.000). Each Plan Adjusted Index Rate represents the rate for an average member with an age factor of 1.072. Please note that no member will pay these rates because the age factor of 1.072 is not found on the HHS Age Curve. It only represents the average age factor of the projected population. The nearest age to that factor is for age 28, which has a factor of 1.087. Please see Exhibit I for the development of the calibration factor.

XVI.2 Geographic Factor Calibration:

The projected weighted average geographic factor is 1.02. Each Plan Adjusted Index Rate represents the rate for an average member with a geographic factor of 1.02. Please see Exhibit I for the development of the calibration factor.

XVI.3 Tobacco Factor Calibration:

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

XVII. Consumer Adjusted Premium Rate Development

The plan adjusted index rate represents the rate for an average age and average geographic member with a mix of tobacco users and non-tobacco users. Multiplying by the Combined Calibration Factor found in Exhibit I results in the value for a 28 year old non-tobacco user in a 1.0 geographical area. The standard HHS Age Curve along with the filed tobacco factors and geography factors can be used to calculate any rate found in the QHP rate template.

XVIII. AV Metal Values

HSR is offering only the catastrophic plan. No AV calculations are required for this plan.

XIX. AV Pricing Values

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

XX. Membership Projections

Membership projections are from HSR's current forecast for 2018. These projections reflect expected changes in market share due to an expected increase in market competition.

HSR is only offering Catastrophic plans off of the exchange in 2018.

XXI. Terminated Plans and Products

Plans in the 2016 experience period that will no longer be available in 2018 can be found in Exhibit III.

HSR also has some plans that were offered only in 2017 (neither offered in the experience period nor in the projection period.) These plans are shown in Exhibit III.

XXII. Plan Type

The Plan types listed in Worksheet 2, Section I of the Part I Unified Rate Review Template describe HSR's plans adequately. No differences are needed.

XXIII. Warning Alerts

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

XXIV. Actuarial Certification

I, [REDACTED] am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This filing is prepared to accompany HSR's rate filing for the individual combined market on and off the Pennsylvania Exchange.

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

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

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

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

I certify that the percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.

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

- Actuarially equivalent to the benefits being replaced,
- Are made within only the same essential health benefit category,

- Are based on a standardized plan population,
- Are determined regardless of cost-sharing,
- Are not prescription drug benefits, and
- Are based on an analysis performed in accordance with generally accepted actuarial principles and methodologies.

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

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

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

Signed:



Title:



Date: May 22, 2017

Exhibit I
Highmark Select Resources

Individual Market Adjusted Index Rate (effective January 1, 2018)

CY2018 Projected Period Average Members	10
CY2018 Projected Allowed Claims	\$436.98
Non-EHB Allowed Claims	\$0.55
CY2018 Index Rate (Allowed Claims for EHB Only)	\$436.43
Market-Wide Adjustment	
Risk Adjustment (Net of Risk Adjuster Fee)	1.059
Transitional Reinsurance Program (Net of Reinsurance Premium)	1.000
Exchange User Fee	1.000
CY2018 Market Adjusted Index Rate	\$462.11
Calibration	
Calibration from Plan Adjusted Index Rate to Age 28, 1.0 Area, Non-Smoker	
(a) Average Age Factor	1.072
(b) Age 28 (Nearest Age on HHS Age Curve) Age Factor	1.087
(c) Average Geographic Factor	1.020
(d) Average Tobacco Load Factor	1.000
Combined Calibration Factor $1/[(a/b)*c*d]$	0.995

Exhibit II
Highmark Select Resources

Unified Rate Review Template (URRT) AV Pricing Value Development
Market Adjusted Index Rate PMPM = \$462.11

HIOS Plan ID	Exchange Status	Metal Level	Plan Design Marketing Name	Premium PMPM	AV Value	Portion of URRT AV Pricing Value ⁽¹⁾				
						(i)	(ii)	(iii)	(iv)	(v)
36247PA0090003	Off	Catastrophic	Major Events PPO 7350C	\$323.82	0.701	0.575	1.000	1.002	1.216	1.000

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

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

Exhibit III
Highmark Select Resources

Terminated Experience Period Plans

HIOS ID	Metal	Plan Name	2018 Mapping
36247PA0060002	Gold	Alliance Flex Blue PPO 1000	NA
36247PA0060001	Silver	Alliance Flex Blue PPO 2100	NA

Plans Offered in 2017 Only

HIOS ID	Metal	Plan Name	2018 Mapping
36247PA0060003	Bronze	Alliance Flex Blue PPO 6800	NA

ACTUARIAL MEMORANDUM

Highmark Select Resources

Individual Rate Filing - January 1, 2018

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for preparing individual rate filings. As a consulting actuary, I was requested by Highmark Select Resources ("HSR") to review the development of the market-wide base rate for the individual market off the Pennsylvania Exchange. The confidential material presented in this filing was prepared for the specific purpose of submitting the rating formula for the Pennsylvania Insurance Department and may not be appropriate for other purposes. This filing represents premium rates for individuals sold or renewed effective January 1, 2018. The rates are guaranteed until December 31, 2018.

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

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

[REDACTED]

[REDACTED]
Fellow, Society of Actuaries
Member, American Academy of Actuaries
May 18, 2017

2018 Rates Table Template v7.1		All fields with an asterisk (*) are required. To validate press Validate button or Ctrl + Shift + I. To finalize, press Finalize button or Ctrl + Shift + F.			
		If you are in a community rating state, select Family-Tier Rates under Rating Method and fill in all columns.			
		If you are not in a community rating state, select Age-Based Rates under Rating Method and provide an Individual Rate for every age band.			
		If Tobacco is Tobacco User/Non-Tobacco User, you must give a rate for Tobacco Use and Non-Tobacco Use.			
		To add a new sheet, press the Add Sheet button, or Ctrl + Shift + H. All plans must have the same dates on a sheet.			
HIOS Issuer ID* Federal TIN* Rate Effective Date* Rate Expiration Date* Rating Method*	36247				
	20-2353206				
	01/01/2018				
	12/31/2018				
	Age-Based Rates				
Plan ID*	Rating Area ID*	Tobacco*	Age*	Individual Rate*	Individual Tobacco Rate*
Required: Enter the 14-character Plan ID	Required: Select the Rating Area ID	Required: Select if Tobacco use of subscriber is used to determine if a person is eligible for a rate from a plan	Required: Select the age of a subscriber eligible for the rate	Required: Enter the rate of an Individual Non-Tobacco or No Preference enrollee on a plan	Required: Enter the rate of an Individual tobacco enrollee on a plan
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	0-14	231.19	231.19
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	15	251.74	251.74
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	16	259.60	259.60
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	17	267.46	267.46
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	18	275.92	275.92
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	19	284.38	284.38
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	20	293.14	293.14
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	21	302.21	309.77
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	22	302.21	309.77
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	23	302.21	309.77
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	24	302.21	309.77
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	25	303.42	311.01
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	26	309.46	317.20
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	27	316.72	324.64
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	28	328.50	336.71
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	29	338.17	346.62
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	30	343.01	351.59
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	31	350.26	359.02
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	32	357.51	366.45
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	33	362.05	371.10
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	34	366.88	376.05
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	35	369.30	378.53
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	36	371.72	381.01
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	37	374.14	383.49
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	38	376.55	385.96
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	39	381.39	390.92
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	40	386.22	424.84
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	41	393.48	434.80
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	42	400.43	445.28
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	43	410.10	459.72
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	44	422.19	477.92
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	45	436.39	499.67
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	46	453.32	525.85
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	47	472.35	555.96
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	48	494.11	590.96
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	49	515.57	627.45
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	50	539.75	661.19
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	51	563.62	690.43
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	52	589.91	722.64
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	53	616.51	755.22
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	54	645.22	790.39
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	55	673.93	825.56
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	56	705.06	863.70
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	57	736.49	902.20
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	58	770.03	943.29
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	59	786.65	963.65
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	60	820.20	1004.75
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	61	849.21	1040.28
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	62	868.25	1063.61
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	63	892.12	1092.85
36247PA0090003	Rating Area 9	Tobacco User/Non-Tobacco User	64 and over	906.63	1110.62

TO: Ms. Rashmi Mathur, ASA, MAAA, Actuary
Bureau of Life, Accident & Health Insurance
Pennsylvania Insurance Department

FROM: [REDACTED]
Highmark Inc.

DATE: June 28, 2017

SUBJECT: Highmark Select Resources Inc. 2018 Individual Market Rates
Response to June 16, 2017 Objection Letter
Filing Number: 1A-DP-17-HSR
SERFF Tracking Number: HGHM-131020691

Below are HSR's responses to your objection letter dated June 16, 2017. We have included the questions along with the responses for your convenience.

1. The underlying annual trend supporting the filing is 11.0%, which is decreased by an induced utilization adjustment of -2.06% per year, to develop the overall trend assumption of 8.72% per year.

- a) Please provide quantitative support for the 11.0% trend assumption (e.g. demonstrate that it is reasonably consistent with recent historical changes in claim costs).**
- b) Please provide quantitative support for the annual induced utilization adjustment of -2.06%.**

Response:

- a) Due to the significant change in the make-up of the ACA population over the past few years, alternative approaches were necessary to develop the trend. A separate regression study was developed that analyzed the ACA trend levels of cohorts of PA ACA members that were continuously enrolled in 2015 and thru 2016 in the same metal level. The analysis took into consideration seasonality in order to determine the regression trend. Resulting r-squared levels were compared to determine confidence levels of the resulting regression trends to develop a reasonable range of trend assumptions. The assumed pricing trend of 11% fell within the range of the regression study. This assumed trend was further compared to the group business and any industry available ACA data for reasonability. The graphs from the regression study are included in the attachment (see worksheet name "PID Response – Q1a").
- b) Please see worksheet name "PID Response – Q1b" for the development.

2. The actuarial memorandum states that "the -\$14.77 PMPM projected risk adjustment assumption is comprised of an expected risk transfer payable of \$14.63 PMPM, less the \$0.14 PMPM risk adjustment user fee."

- a) Please provide the sources for all risk adjustment input values provided in Attachment B.**
- b) In calculating the \$14.63 PMPM expected payable please demonstrate quantitatively how the prescribed 0.86 factor, which is to be applied to statewide average premium for 2018, was incorporated into the risk adjustment calculation.**

Response:

- a) The projection of the 2018 risk adjustment transfer component of the rate development utilizes separate projections of the Pennsylvania Individual Market statewide factors and internal Highmark

company factors. We are expecting the Individual ACA market to experience volatility between the experience period and the projection period. This volatility is caused by a changing competitive landscape, overall market contraction, membership churn between carriers, and changes in plan/service area offerings. As such, we have used historical market data, with adjustments where appropriate, and our internal company data to develop the risk adjustment transfer components used in the rate development.

The data sources for the market components include the PA Insurance Department's calculation of 2016 risk adjustment transfer amounts using the 5/1/2017 RATEE files and the PA Insurance Department's Q1 2017 Enrollment by Metal Level survey. These sources provided data on the size of the marketplace, the average actuarial value, the average induced demand, and the overall risk of the 2016 market. Given the aforementioned volatility, this data was supplemented with additional insights into the expected 2018 market size, risk transfer component profile, and average premium levels for the total PA market.

For the Company's risk transfer component profile, the Company used 2016 experience data for the Individual ACA risk pool and adjusted the experience results for anticipated lapses and new business.

- b) The Company calculated a statewide average premium assumption of [REDACTED] PMPM for the 2018 Pennsylvania Individual Catastrophic market. The [REDACTED] was multiplied by the 0.86 factor to arrive at the [REDACTED] PMPM value shown in Attachment B.

3. With respect to the demographic adjustment equal to 0.609, please provide the distribution of membership by age and gender for the following:

- **Projected for 2018**
- **Currently inforce in 2017**
- **Underlying the 2016 base experience**

Response:

The projected 2018 demographic factor is assumed to be similar to the 2017 ACA members in aggregate. Thus, the 2017 demographic factor is used as the best estimate or proxy for the 2018 ACA projected enrollment.

Please see worksheet name "PID Response – Q3" for the development of the 2017 and 2016 factors.

4. In developing the morbidity adjustment equal to 0.914, please describe and demonstrate quantitatively how the 2018 Normalized Allowed PMPM was calculated for the HSR ACA member segment.

Response:

See worksheet name "PID Response – Q4" for the PMPMs development.

The 2016 Normalized Allowed PMPM is calculated using the 2016 ACA BEP claims, adjusting the demographic factor and trend for the 2018 rating period.

In 2018 HSR will be offering a catastrophic plan only. The 2018 Normalized Allowed PMPM is calculated using the Bronze PMPM from Highmark, Inc. adjusted for the catastrophic eligibility factor. This base was chosen due to the lack of catastrophic membership in the current HSR population. The

underlying 2016 claims are then adjusted for demographic factor, trend, and applicable change for the 2018 rating period.

The morbidity is then calculated by comparing the 2018 normalized allowed PMPM to the 2016 normalized allowed PMPM.

5. Please demonstrate how the proposed demographic and morbidity adjustments were taken into account in calculating the projected 2018 HSR Catastrophic Pool risk score of [REDACTED] used in the development of the projected 2018 risk adjustment transfer.

Response:

HSR used a blend of the catastrophic population from other companies in the Highmark family (Highmark and FPLIC) to derive the risk score of [REDACTED]. Given the use of a catastrophic population and not the base period population no explicit adjustments for demographics and morbidity were made.

6. Please demonstrate quantitatively how the CY2018 Network Factor in Attachment A equal to 0.986 was developed and describe what specific network contracting changes are expected to result in a 7.5% increase in projected costs relative to the base experience.

Response:

In attachment A, the 7.5% change in network reflected a change in the network value for 2016 versus 2018. The network values for 2016 and 2018 were set relative to the expected claims level for each respective period. For 2016, the claims level was at the broad network level so the network factor relative to 2016 is more (that is, a smaller factor vs 2018) since it was applied to a broad network claims level. For the projected 2018 period, it is expected to be less than the broad network level, so the 2018 network factor does not need to be as steep versus the 2016 network factor. Thus, this is not an increase in network cost, just a difference of relative factors since the claims base for the factors are not equivalent.

7. Since the plans are both On/Off exchange, please explain why the User Exchange fee was not included?

Response:

The catastrophic plan will not be offered on the exchange in 2018.

8. Please provide the workbook with support data and calculations for the following:

- a) Age calibration factor or 1.804**
- b) Geographic calibration factor of 1.031**
- c) Tobacco factor of 0.993**

Response:

The question is not referenceincg the HSR calibration factors. The HSR factors are:

Age: 1.072

Area: 1.02

Tobacco: 1.00

Please see worksheet name "PID Response – Q3" for the development.

The geographic factor is 1.02 for all covered counties and thus no additional calculation is required. Given the low levels of enrollment the rate development assumes a 1.00 tobacco factor.

9. The average age in Table 1 should be the true age based on single year bands distribution. If not, please revise Table 1.

Response:

There was an error in the February 1 snapshot average age. The values are corrected in the tab “PID Response – Q9” of the attached spreadsheet. Given that this average does not affect the rate calculation in any way, we have not updated any rate filing documents at this time.

10. 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, Federal Rates Template and the binder are identical.

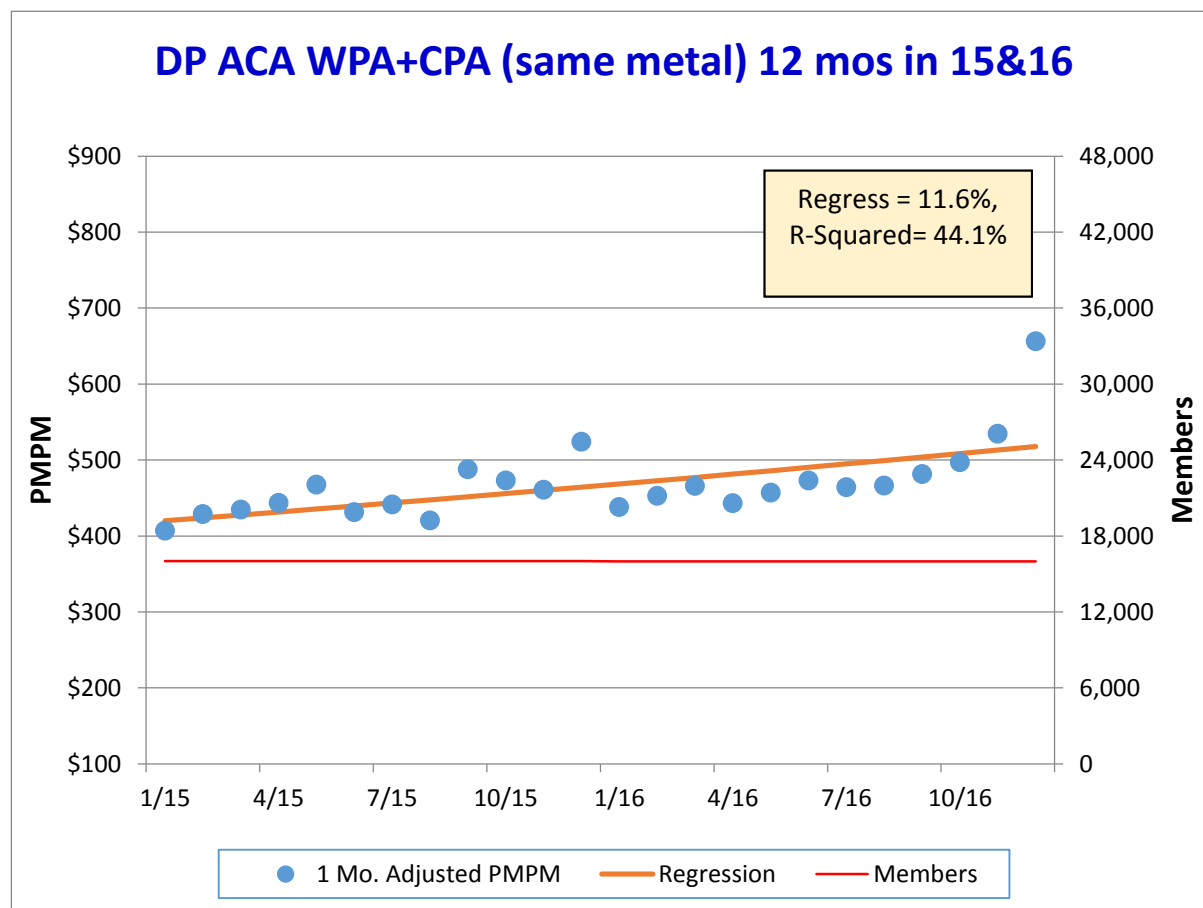
Response:

HSR confirms that testing has been done to ensure that all presented rates are consistent.

Regression Analysis

DP ACA

Valuation Date: January 31, 2017



Incur Month	1 Mo. Adj. Memb	PMPM	Regress.
1/15	16,017	\$406.95	\$419.94
2/15	16,014	\$428.84	\$423.79
3/15	16,010	\$434.79	\$427.67
4/15	16,013	\$443.24	\$431.59
5/15	16,011	\$467.40	\$435.54
6/15	16,011	\$431.33	\$439.53
7/15	16,011	\$441.38	\$443.56
8/15	16,011	\$420.21	\$447.62
9/15	16,011	\$487.73	\$451.72
10/15	16,013	\$472.86	\$455.86
11/15	16,009	\$460.83	\$460.04
12/15	16,009	\$523.77	\$464.25
1/16	16,000	\$437.85	\$468.50
2/16	16,002	\$452.52	\$472.80
3/16	16,000	\$465.73	\$477.13
4/16	16,001	\$442.95	\$481.50
5/16	15,999	\$456.95	\$485.91
6/16	15,999	\$472.88	\$490.36
7/16	16,001	\$464.04	\$494.85
8/16	16,000	\$466.02	\$499.39
9/16	16,000	\$481.29	\$503.96
10/16	16,001	\$496.88	\$508.58
11/16	16,002	\$534.42	\$513.24
12/16	16,002	\$655.98	\$517.94

Notes:

PMPM scale (on left) is allowed charges. Enrollment scale (on right) is monthly membership.

Regression uses data from CY15 and CY16.

Cohorts, by segment, are all members with exactly 12 months in each of 2015 and 2016 and no metal level changes.

REGRESSION	
Slope:	1.009
Regress:	11.6%
R-Square	44.1%
Intercept:	\$372.99

Response to Objection 1 - Question 1b

CY2016 Benefit Richness	1.0425
CY2018 Benefit Richness	1.0000
Projected Change in Benefit Richness	0.9593
Induced Demand Factor Adjustment for URRT	-2.06%

Age Band	Age Factor 2018	Age Factor Pre2018	Tobacco Factor 2015
0	0.765	0.635	1.000
1	0.765	0.635	1.000
2	0.765	0.635	1.000
3	0.765	0.635	1.000
4	0.765	0.635	1.000
5	0.765	0.635	1.000
6	0.765	0.635	1.000
7	0.765	0.635	1.000
8	0.765	0.635	1.000
9	0.765	0.635	1.000
10	0.765	0.635	1.000
11	0.765	0.635	1.000
12	0.765	0.635	1.000
13	0.765	0.635	1.000
14	0.765	0.635	1.000
15	0.833	0.635	1.000
16	0.859	0.635	1.000
17	0.885	0.635	1.000
18	0.913	0.635	1.000
19	0.941	0.635	1.000
20	0.970	0.635	1.000
21	1.000	1.000	1.025
22	1.000	1.000	1.025
23	1.000	1.000	1.025
24	1.000	1.000	1.025
25	1.004	1.004	1.025
26	1.024	1.024	1.025
27	1.048	1.048	1.025
28	1.087	1.087	1.025
29	1.119	1.119	1.025
30	1.135	1.135	1.025
31	1.159	1.159	1.025
32	1.183	1.183	1.025
33	1.198	1.198	1.025
34	1.214	1.214	1.025
35	1.222	1.222	1.025
36	1.230	1.230	1.025
37	1.238	1.238	1.025
38	1.246	1.246	1.025
39	1.262	1.262	1.025
40	1.278	1.278	1.100
41	1.302	1.302	1.105
42	1.325	1.325	1.112
43	1.357	1.357	1.121
44	1.397	1.397	1.132
45	1.444	1.444	1.145
46	1.500	1.500	1.160
47	1.563	1.563	1.177
48	1.635	1.635	1.196
49	1.706	1.706	1.217
50	1.786	1.786	1.225
51	1.865	1.865	1.225
52	1.952	1.952	1.225
53	2.040	2.040	1.225
54	2.135	2.135	1.225
55	2.230	2.230	1.225
56	2.333	2.333	1.225
57	2.437	2.437	1.225
58	2.548	2.548	1.225
59	2.603	2.603	1.225
60	2.714	2.714	1.225
61	2.810	2.810	1.225
62	2.873	2.873	1.225
63	2.952	2.952	1.225
64	3.000	3.000	1.225

[illegible]

Non-Tobacco Member	Tobacco Member	All Members 2016
0.81%	0.00%	0.81%
0.76%	0.00%	0.76%
0.64%	0.00%	0.64%
0.66%	0.00%	0.66%
0.71%	0.00%	0.71%
0.61%	0.00%	0.61%
0.65%	0.00%	0.65%
0.59%	0.00%	0.59%
0.66%	0.00%	0.66%
0.77%	0.00%	0.77%
0.66%	0.00%	0.66%
0.74%	0.00%	0.74%
0.73%	0.00%	0.73%
0.83%	0.00%	0.83%
0.75%	0.00%	0.75%
0.72%	0.00%	0.72%
0.85%	0.00%	0.85%
0.84%	0.00%	0.84%
0.94%	0.00%	0.94%
1.06%	0.00%	1.06%
1.17%	0.00%	1.17%
0.99%	0.01%	1.01%
0.88%	0.04%	0.92%
0.71%	0.05%	0.75%
0.68%	0.06%	0.74%
0.58%	0.03%	0.62%
1.43%	0.13%	1.56%
1.14%	0.08%	1.22%
0.98%	0.09%	1.07%
1.08%	0.09%	1.17%
1.29%	0.13%	1.42%
1.16%	0.11%	1.27%
1.43%	0.11%	1.54%
1.19%	0.09%	1.29%
1.33%	0.16%	1.49%
1.26%	0.10%	1.36%
1.23%	0.11%	1.34%
1.17%	0.13%	1.30%
1.26%	0.11%	1.37%
1.18%	0.08%	1.26%
1.13%	0.07%	1.20%
1.32%	0.11%	1.43%
1.27%	0.09%	1.36%
1.29%	0.14%	1.43%
1.44%	0.11%	1.55%
1.60%	0.14%	1.74%
1.71%	0.13%	1.84%
1.44%	0.13%	1.57%
1.57%	0.16%	1.73%
1.69%	0.11%	1.80%
1.83%	0.17%	2.00%
2.15%	0.17%	2.32%
2.20%	0.11%	2.32%
2.03%	0.18%	2.21%
2.46%	0.16%	2.61%
2.47%	0.23%	2.70%
2.50%	0.17%	2.67%
2.48%	0.18%	2.66%
2.88%	0.16%	3.04%
2.95%	0.18%	3.13%
3.30%	0.14%	3.43%
3.71%	0.24%	3.95%
4.26%	0.29%	4.55%
4.99%	0.33%	5.32%
2.51%	0.11%	2.62%
94.30%	5.70%	100.00%
16,073	972	17,045

Response to Objection 1 - Question 9

Average Age Factor	1.072
Child Cap Adjustment	1.000
Average Age Factor - Adjusted	1.072
Average Geographic Factor	1.020
Average Tobacco Factor	1.000
	1.000

Response to Objection 1 - Question 3

Projected for 2018	
Average Age Factor	1.072
Average Area Factor	1.020
<u>Average Tobacco Factor</u>	<u>1.000</u>
Average Demographic Factor	1.093
Currently inforce in 2017	
Average Age Factor	1.072
Average Area Factor	1.020
<u>Average Tobacco Factor</u>	<u>1.000</u>
Average Demographic Factor	1.093
2016 Base Experience	
Average Age Factor	1.732
Average Area Factor	1.028
<u>Average Tobacco Factor</u>	<u>1.009</u>
Average Demographic Factor	1.795
Projected vs Base Experience	0.609

Response to Objection 1 - Question 4

2016 PMPM Development	
BEP Member Months	169,417
Projected Normalized Allowed Claims	\$79,723,102
Projected Normalized Allowed PMPM	\$470.57
2018 PMPM Development	
Member Months (Feb 2017 Snapshot)	24
Projected Normalized Allowed Claims	\$10,321
Projected Normalized Allowed PMPM	\$430.04
2018 Morbidity Factor	0.914

HHS Age Curve

Age Band	Age Factor 2018	Age Factor Pre2018
0	0.765	0.635
1	0.765	0.635
2	0.765	0.635
3	0.765	0.635
4	0.765	0.635
5	0.765	0.635
6	0.765	0.635
7	0.765	0.635
8	0.765	0.635
9	0.765	0.635
10	0.765	0.635
11	0.765	0.635
12	0.765	0.635
13	0.765	0.635
14	0.765	0.635
15	0.833	0.635
16	0.859	0.635
17	0.885	0.635
18	0.913	0.635
19	0.941	0.635
20	0.970	0.635
21	1.000	1.000
22	1.000	1.000
23	1.000	1.000
24	1.000	1.000
25	1.004	1.004
26	1.024	1.024
27	1.048	1.048
28	1.087	1.087
29	1.119	1.119
30	1.135	1.135
31	1.159	1.159
32	1.183	1.183
33	1.198	1.198
34	1.214	1.214
35	1.222	1.222
36	1.230	1.230
37	1.238	1.238
38	1.246	1.246
39	1.262	1.262
40	1.278	1.278
41	1.302	1.302
42	1.325	1.325
43	1.357	1.357
44	1.397	1.397
45	1.444	1.444
46	1.500	1.500
47	1.563	1.563
48	1.635	1.635
49	1.706	1.706
50	1.786	1.786
51	1.865	1.865
52	1.952	1.952
53	2.040	2.040
54	2.135	2.135
55	2.230	2.230
56	2.333	2.333
57	2.437	2.437
58	2.548	2.548
59	2.603	2.603
60	2.714	2.714
61	2.810	2.810
62	2.873	2.873
63	2.952	2.952
64	3.000	3.000

Projection	Snapshot	Base Period
0.00%	1.06%	0.81%
0.00%	1.06%	0.76%
0.00%	0.91%	0.64%
0.00%	0.91%	0.66%
0.00%	1.06%	0.71%
0.00%	0.91%	0.61%
0.00%	0.91%	0.65%
0.00%	0.76%	0.59%
0.00%	0.91%	0.66%
0.00%	1.06%	0.77%
0.00%	0.91%	0.66%
0.00%	1.06%	0.74%
0.00%	1.06%	0.73%
0.00%	1.21%	0.83%
0.00%	1.06%	0.75%
0.00%	1.06%	0.72%
0.00%	1.21%	0.85%
0.00%	1.21%	0.84%
0.00%	1.06%	0.94%
0.00%	1.21%	1.06%
0.00%	1.21%	1.17%
0.00%	1.21%	1.01%
0.00%	1.06%	0.92%
0.00%	0.91%	0.75%
0.00%	0.91%	0.74%
0.00%	0.46%	0.62%
50.00%	1.06%	1.56%
0.00%	0.91%	1.22%
0.00%	0.76%	1.07%
50.00%	0.91%	1.17%
0.00%	1.21%	1.42%
0.00%	1.06%	1.27%
0.00%	1.21%	1.54%
0.00%	1.06%	1.29%
0.00%	1.06%	1.49%
0.00%	1.21%	1.36%
0.00%	1.21%	1.34%
0.00%	1.21%	1.30%
0.00%	1.21%	1.37%
0.00%	1.06%	1.26%
0.00%	0.76%	1.20%
0.00%	0.91%	1.43%
0.00%	0.91%	1.36%
0.00%	0.91%	1.43%
0.00%	1.06%	1.55%
0.00%	1.82%	1.74%
0.00%	1.82%	1.84%
0.00%	1.67%	1.57%
0.00%	1.82%	1.73%
0.00%	1.82%	1.80%
0.00%	1.52%	2.00%
0.00%	1.67%	2.32%
0.00%	1.67%	2.32%
0.00%	1.67%	2.21%
0.00%	1.97%	2.61%
0.00%	2.73%	2.70%
0.00%	2.73%	2.67%
0.00%	2.73%	2.66%
0.00%	3.19%	3.04%
0.00%	3.34%	3.13%
0.00%	3.19%	3.43%
0.00%	3.64%	3.95%
0.00%	4.25%	4.55%
0.00%	5.01%	5.32%
0.00%	5.61%	2.62%
100.00%	100.00%	100.00%
2	659	17,045

Response to Objection 1 - Question 9

Experience Period Average Age	42
Snapshot Average Age	41
Projected Average Age	28

TO: Ms. Rashmi Mathur, ASA, MAAA, Actuary
Bureau of Life, Accident & Health Insurance
Pennsylvania Insurance Department

FROM: [REDACTED]
Highmark Inc.

DATE: July 14, 2017

SUBJECT: Highmark Select Resources Inc. 2018 Individual Market Rates
Response to July 7, 2017 Objection Letter
Filing Number: 1A-DP-17-HSR
SERFF Tracking Number: HGHM-131020691

Below are HSR's responses to your objection letter dated July 7, 2017. We have included the questions along with the responses for your convenience.

1. Regarding the response to Question 1:

a) The December 2016 estimated adjusted PMPM provided in the response to Question 1a appears quite high relative to the other months provided and appears to show a seasonality impact far greater than was observed in December 2015. Please provide updated estimated adjusted PMPMs by incurral month and regression results using at least three months of run-out (e.g. a Valuation Date equal to March 31, 2017 or later).

b) With respect to the December 2016 adjusted PMPM, please provide the component of the \$655.98 value which is associated with paid claims (as of January 31, 2017) and that which is associated with IBNR.

c) Please provide the development of the CY2016 and CY2018 Benefit Richness factors provided in the response to Question 1b.

- a) We agree that December is the highest adjusted PMPM for both years and that a seasonality factor definitely occurs due to that. In general, the primary drivers include members reaching calendar year out-of-pockets, anticipated changes of coverage for the upcoming renewal year, anticipation changes in members switching markets, and the amount of retroactive cancellations that occur in the month of December.

Please see the exhibit named "Response Q1a – Exhibit 1" for the revised regression with run-out thru March. Additionally, "Response Q1a – Exhibit 2" was included as an additional regression based on CY2016 only rather than a two-year period for reference

- b) The completion factor used in the original regression study for December was 0.835.
- c) The CY2016 and CY2018 benefit richness factors were calculated by applying the metal level distribution of the each year to the following factors: Gold = 1.08, Silver = 1.03, Bronze = 1.00, and Catastrophic = 0.92.

2. Regarding the response to Question 3:

a) In the calculation being used to develop the demographic adjustment equal to 0.609, please explain why the 2016 Base Experience factors are calculated using the 2016 age factors instead of the 2018 age factors.

b) By using two different sets of rating factors for the calculation, the demographic adjustment appears to not only measure the anticipated impact to costs due to the change in projected demographic mix between the base period and 2018, but also the change in proposed rating factors. Please confirm and clarify why it is appropriate to incorporate the change in proposed rating factors (age and tobacco) in the development of the projected Index Rate.

Response:

- a) In order to capture the rate impact of all rating factors, the pre-2018 age curve was used in the base period and the 2018 age curve was used in the 2018 rating period.
- b) We agreed. The overall rate increase should reflected the impact of change in the age curve as well as the change in the demographic mixed.

3. Regarding the response to Question 4:

a) Please provide numerical support for the \$79,723,102 2016 "Projected Normalized Allowed Claims" and the \$10,321 2018 "Projected Normalized Allowed Claims" from the tab "PID Response - Q4" from the provided file "1A-DP-17-HSR Objection 1 Exhibits.xlsx), including the following items for each of the two figures referenced in your response:

 Starting non-normalized allowed claims and membership volumes

 Demographic normalization factor

 Trend normalization factor

 Projected risk normalization factor

 Any other normalization factors which were applied

b) Please clarify how credibility was taken into consideration, if at all, in the development of the Projected Normalized Allowed PMPM of \$430.04. To the extent the Projected Normalized Allowed Claims based on 24 member months was assumed to be fully credible, please justify doing so.

c) Please reconcile the 24 "Member Months (Feb 2017 Snapshot)" with the provided February 1, 2017 membership equal to 659.

Response:

- a) The development can be found in the "Response – Q3" tab of the attached worksheet.
- b) There is very limited data for the catastrophic rate development so we used the Highmark Bronze allowed claims as the underlying claims for HSR.
- c) The February 1, 2017 membership of 659 represents the total number of members enrolled as of that point in time. The 24 member months was calculated by taking the snapshot membership by coverage effective date and deriving the total number of member months. Additionally, in instances where there were plan discontinuations and service area changes, only a subset of the total snapshot membership was used in the development of the morbidity factor.

4. Regarding the response to Question 6:

a) Given that actual HSR experience for the period of 2016 is being used as the basis for the development of the 2018 rates, it is our understanding that the network adjustment equal to 1.075 reflects that, on a normalized basis, costs associated with the network for HSR in 2018 are expected to be approximately 7.5% higher than for those associated with the network underlying the 2016 HSR base experience. Please confirm that this understanding is correct. If it is not correct, please clarify.

b) Please demonstrate quantitatively how the CY2018 Network Factor of 0.986 and the CY2016 Network Factor of 0.917 were developed.

Response:

- a) The network factors for CY2016 and CY2018 are relative factors. The CY2018 network factor is the projected 2018 claims level while CY2016 network factor is for the 2016 claims level which included

broad network. Thus, the relative ratio of the two factors are not necessary a good measure of the difference in costs.

- b) The CY2016 and CY2018 average network factors were calculated by applying the enrollment distribution percentages at the network level to the factors in Table 14 for each respective year.

5. If you wish to make adjustments to the projected RA amount included in this rate filing and the URRT, based on the June 30, 2017 Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers, please do so in this submission. Provide narrative and an Excel spreadsheet demonstrating the development and assumptions.

Response:

The Company does not wish to make adjustments to its projected RA amount for the 2018 rating year.

6. Please note that all revisions must be reflected in this resubmission. The Department shall not allow any changes to the rates after this submission.

Response:

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing is based on certain assumptions we have had to make at this point in time. Most notably, these assumptions include that CSR payments and advance payment of premium credits (APTCs) will continue until the end of 2018, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and all Pennsylvania QHP issuers currently participating on the Marketplace will continue to do so throughout 2018. In addition, there are other uncertainties that may directly or indirectly affect an already unstable insurance market and ultimately, rates. One of these uncertainties includes the prospective enforcement of the ACA individual mandate. If any of these assumptions are ultimately incorrect or additional developments occur that similarly have a detrimental impact to the market, modifications to the rate development may be necessary. As a result, the Company reserves the right to submit a revised filing.

7. Please provide a PDF file for public review (Public Rate Filing PDF) in SERFF to show the updated rate request. The following updated supporting items must be included:

- Cover Letter
- Rate Change Request Summary (Attachment 1)
- Part 1 - Unified Rate Review Template (URRT)
- Part II - Consumer Friendly Justification
- Part III - Federal Actuarial Memorandum (redacted)
- PA Actuarial Memorandum (redacted)
- PA Actuarial Memorandum Rate Exhibits
- PA Plan Design Summary and Rate Tables
- Federal Rates Templates
- Service Area Maps
- Correspondence - Q&A's

Please remain cognizant of the limited redactions as outlined on pages 3 and 4 of the 2018 Guidance. Only those specific items may be redacted. Since AV screenshots and commission schedules are proprietary, they should not be included in this public PDF. Additionally, please ensure that documents and spreadsheets are internally consistent and that the Excel exhibit with formula corrections emailed to you on June 6, 2017 is used. The deadline for the revised PDF is COB July 18, 2017.

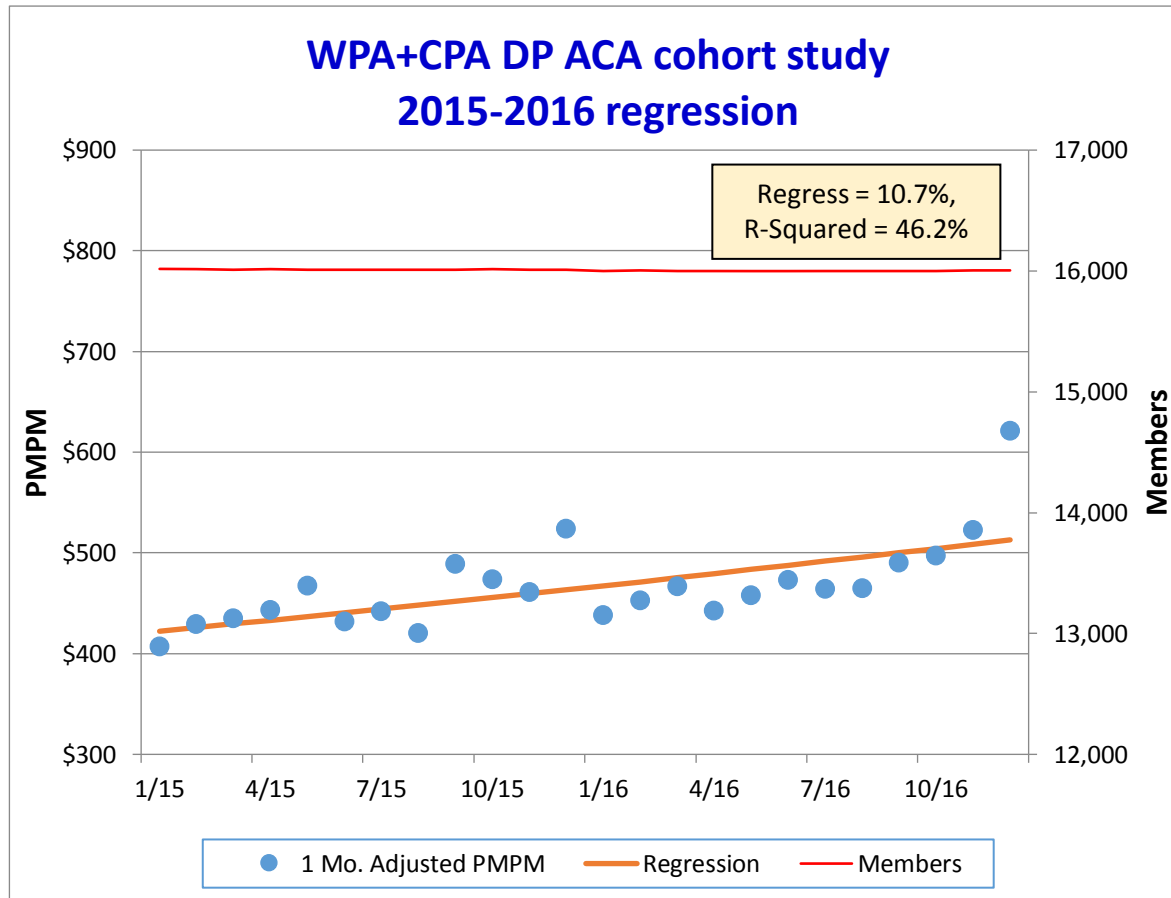
Response:

The Company will provide the requested PDF file for public review by July 18, 2017, through its SERFF rate submission. This document will contain all the supporting items referenced above, although due to SERFF file size limitations, the Public Rate Filing PDF may need to be split into two files. Please note that since Question #2 & #5 from the Department's Rate Filing Objection Letter dated 06/16/2017 pertained to relative risk levels (i.e. the risk adjustment development), the Company included a redacted response to the 06/16/2017 Rate Filing Objection Letter in its Public Rate Filing PDF.

Regression Analysis

DP ACA by region

Valuation Date: March 31, 2017



Incur Month	1 Mo. Adj. Memb	PMPM	Regress.
1/15	16,017	\$407.13	\$422.26
2/15	16,014	\$429.03	\$425.85
3/15	16,010	\$435.06	\$429.47
4/15	16,013	\$443.37	\$433.12
5/15	16,011	\$467.58	\$436.80
6/15	16,011	\$431.61	\$440.51
7/15	16,011	\$441.64	\$444.25
8/15	16,011	\$420.54	\$448.03
9/15	16,011	\$488.60	\$451.84
10/15	16,013	\$473.30	\$455.68
11/15	16,009	\$461.05	\$459.55
12/15	16,009	\$524.13	\$463.45
1/16	16,000	\$438.05	\$467.39
2/16	16,002	\$452.55	\$471.36
3/16	16,000	\$466.79	\$475.37
4/16	16,001	\$442.31	\$479.41
5/16	15,999	\$457.99	\$483.48
6/16	15,999	\$473.10	\$487.59
7/16	16,001	\$464.22	\$491.74
8/16	16,000	\$464.56	\$495.91
9/16	16,000	\$490.37	\$500.13
10/16	16,001	\$496.92	\$504.38
11/16	16,002	\$522.42	\$508.66
12/16	16,002	\$621.12	\$512.99

Notes:

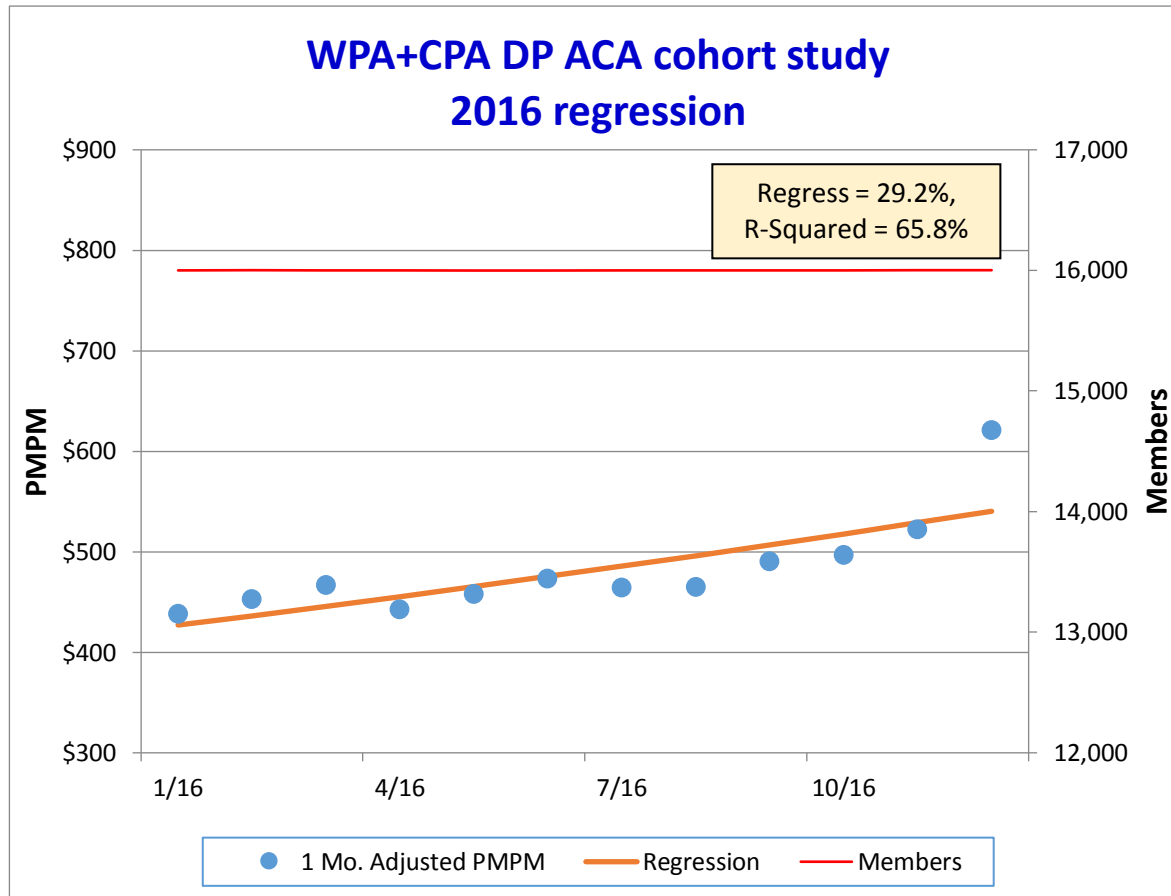
PMPM scale (on left) is allowed charges. Enrollment scale (on right) is monthly membership. Regression uses data from CY15 and CY16. Cohorts, by segment, are all members with exactly 12 months in each of 2015 and 2016. Monthly PMPMs restated from Jan-17 valuation using an adjustment factor to make comparable to Mar-17 valuation.

REGRESSION	
Slope:	1.008
Regress:	10.7%
R-Square	46.2%
Intercept:	\$378.28

Regression Analysis

DP ACA by region

Valuation Date: March 31, 2017



Incur Month	1 Mo. Adj. Memb	PMPM	Regress.
1/16	16,000	\$438.05	\$427.17
2/16	16,002	\$452.55	\$436.39
3/16	16,000	\$466.79	\$445.82
4/16	16,001	\$442.31	\$455.45
5/16	15,999	\$457.99	\$465.28
6/16	15,999	\$473.10	\$475.33
7/16	16,001	\$464.22	\$485.59
8/16	16,000	\$464.56	\$496.08
9/16	16,000	\$490.37	\$506.79
10/16	16,001	\$496.92	\$517.74
11/16	16,002	\$522.42	\$528.92
12/16	16,002	\$621.12	\$540.34

Notes:

PMPM scale (on left) is allowed charges. Enrollment scale (on right) is monthly membership. Regression uses data from CY16. Cohorts, by segment, are all members with exactly 12 months in each of 2015 and 2016. Monthly PMPMs restated from Jan-17 valuation using an adjustment factor to make comparable to Mar-17 valuation.

REGRESSION	
Slope:	1.022
Regress:	29.2%
R-Square	65.8%
Intercept:	\$250.39

Morbidity Factor Development	2016	2018
Member Months	169,417	24
Medical Allowed Claims	\$116,155,719	\$15,038
2018 Morbidity Adjustment		1.0020
2018 Non-EHB		0.9980
2018 Trend Factor @ 11% Trend	1.2321	1.2321
Demographic Factor	1.7952	1.7952
Projected Normalized Allowed Claims	\$79,723,102	\$10,321
Projected Normalized Allowed PMPM	\$470.57	\$430.04
2018 Morbidity Factor		0.914