

State: Pennsylvania Filing Company: First Priority Life Insurance Company, Inc.  
TOI/Sub-TOI: H16G Group Health - Major Medical/H16G.003G Small Group Only - Other  
Product Name: FPLIC Small Group Rates 2016  
Project Name/Number: /

## Filing at a Glance

Company: First Priority Life Insurance Company, Inc.  
Product Name: FPLIC Small Group Rates 2016  
State: Pennsylvania  
TOI: H16G Group Health - Major Medical  
Sub-TOI: H16G.003G Small Group Only - Other  
Filing Type: Rate - Other (Not M.U. or G.I. Product)  
Date Submitted: 05/13/2015  
SERFF Tr Num: BCNP-130071709  
SERFF Status: Assigned  
State Tr Num: BCNP-130071709  
State Status: Received Review in Progress  
Co Tr Num: FPLIC SMALL GROUP RATES 2016  
  
Implementation: 01/01/2016  
Date Requested:  
Author(s): Kelly Flannery  
Reviewer(s): Rashmi Mathur (AH) (primary)  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:  
sm grp rri=9.5%  
Binder #: BCNP-PA16-125046851

**State:** Pennsylvania **Filing Company:** First Priority Life Insurance Company, Inc.  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003G Small Group Only - Other  
**Product Name:** FPLIC Small Group Rates 2016  
**Project Name/Number:** /

## General Information

Project Name: Status of Filing in Domicile:  
Project Number: Date Approved in Domicile:  
Requested Filing Mode: Review & Approval Domicile Status Comments:  
Explanation for Combination/Other: Market Type: Group  
Submission Type: New Submission Group Market Size: Small  
Group Market Type: Overall Rate Impact:  
Filing Status Changed: 05/13/2015  
State Status Changed: 05/14/2015 Deemer Date:  
Created By: Kelly Flannery Submitted By: Kelly Flannery  
Corresponding Filing Tracking Number: BCNP-PA16-  
125046851; BCNP-130065543; BCNP-130066080; BCNP-  
130066501; BCNP-130067574

PPACA: Not PPACA-Related

PPACA Notes: null

Include Exchange Intentions: No

Filing Description:

FPLIC is hereby submitting the attached rates and pertinent documentation for review and approval effective January 1, 2016.

## Company and Contact

### Filing Contact Information

Kelly Flannery, Contract Administrator kelly.flannery@bcnepa.com  
19 North Main Street 570-200-6476 [Phone]  
Wilkes Barre, PA 18711 570-200-6633 [FAX]

### Filing Company Information

First Priority Life Insurance	CoCode: 60147	State of Domicile:
Company, Inc.	Group Code:	Pennsylvania
19 North Main Street	Group Name:	Company Type: Health
Wilkes-Barre, PA 18711	FEIN Number: 23-2905083	Insurance
(570) 200-4300 ext. [Phone]		State ID Number: 60147

## Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	First Priority Life Insurance Company, Inc.
<b>TOI/Sub-TOI:</b>	H16G Group Health - Major Medical/H16G.003G Small Group Only - Other		
<b>Product Name:</b>	FPLIC Small Group Rates 2016		
<b>Project Name/Number:</b>	/		

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Transmittal Letter (A&H)
<b>Comments:</b>	
<b>Attachment(s):</b>	FPLIC SG Cover Letter-signed 20150511110044317.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum and Certifications
<b>Comments:</b>	Part III Actuarial Memorandum not to be made public.
<b>Attachment(s):</b>	55957_01012016_SG_RedactedAM.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

May 11, 2015

Teresa D. Miller  
Acting Insurance Commissioner  
Commonwealth of Pennsylvania  
1311 Strawberry Square, 13th Floor  
Harrisburg, PA 17120

First Priority Life Insurance Company  
Re: FPLIC Small Group Rate Filing #F-2025-SG-R-1/1/16  
Effective January 1, 2016

Dear Commissioner Consedine,

First Priority Life Insurance Company ("FPLIC") is hereby submitting the attached rate filing for its Small Group Affordable Care Act (ACA)-compliant Products, effective on January 1, 2016.

There are 41 total benefit options to be offered in the SG market effective January 1, 2016, with 12 of those Options to be offered on the Small Business Health Options Program ("SHOP"):

- 16 Preferred Provider Organization ("PPO")
- 21 CustomPPO
- 2 AffordaBlue
- 2 Qualified High Deductible (QHD) benefit options

Please note that the rate development in this filing is contingent upon the continued availability of federal subsidies under the ACA in 2016. If federal subsidies in their current form are not available to eligible residents of Pennsylvania, substantial changes to this filing may be required.

FPLIC respectfully requests that the enclosed data, formula methodology, and other material as marked be held as confidential and proprietary and thus not disseminated or disclosed in any matter without the prior consent of FPLIC.

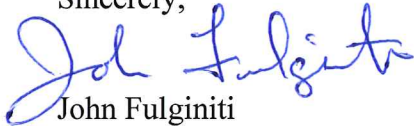
FPLIC believes and therefore asserts that the information submitted has been developed by methods that are unique and proprietary to FPLIC and based on a FPLIC internal analysis of market data that is intrinsic to the pricing strategy of the company.

Additionally, as the market leader in membership in the thirteen county area in which FPLIC operates, access to this information which is unique to our pricing strategy would provide our competitors with an unfair advantage.

Included with this filing are an Actuarial Rationale, Rate Pages and supporting exhibits. The files that have been submitted via the federal Health Insurance Oversight System (HIOS) will also be available with this filing.

Please feel free to contact us with any questions or comments you may have regarding this filing.

Sincerely,



John Fulginiti  
Senior Director of Actuarial Services  
Blue Cross of Northeastern Pennsylvania  
(570) 200-6402  
john.fulginiti@bcnepa.com

CC: J. Fulginiti, C. Decker, P. Holdren, C. Curley, B. Farrell, M. Yantis

Attachments/Enclosures



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## **Part III Actuarial Memorandum (REDACTED)**

**First Priority Life Insurance Company  
Small Group Rate Filing  
Effective January 1, 2016**

Prepared for:  
**First Priority Life Insurance Company**

Prepared by:  
**Courtney R. White FSA, MAAA  
Principal & Consulting Actuary  
Milliman, Inc.**

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## EXHIBIT 1. GENERAL INFORMATION

### Document Overview

This document contains the Part III Actuarial Memorandum for First Priority Life Insurance Company's (FPLIC) small group block of business, effective January 1, 2016. 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 Commonwealth of Pennsylvania Insurance Department, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of FPLIC's small group rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

### Company Identifying Information

Company Legal Name: First Priority Life Insurance Company  
State: The Commonwealth of Pennsylvania has regulatory authority over these policies.  
HIOS Issuer ID: 55957  
Market: Small Group  
Effective Date: January 1, 2016

### Company Contact Information

Primary Contact Name: John Fulginiti  
Primary Contact Telephone Number: 570-200-6402  
Primary Contact Email Address: john.fulginiti@bcnepa.com



## EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

The premium rate increases by plan are shown in Table 2.1.

Table 2.1 First Priority Life Insurance Company Summary of Proposed Rate Increases - Average Rates, Age 21				
<u>Product</u>	<u>Membership Mix</u>	<u>2015 Rate</u>	<u>2016 Rate</u>	<u>Rate Increase</u>
BlueCare PPO Platinum 1	8.2%	\$387.85	\$424.64	9.5%
BlueCare PPO Platinum 2	5.9%	\$387.14	\$423.93	9.5%
BlueCare PPO Platinum 3	3.3%	\$386.63	\$423.39	9.5%
BlueCare PPO Platinum 6	3.4%	\$385.82	\$422.46	9.5%
BlueCare PPO Platinum 7	1.6%	\$385.52	\$422.16	9.5%
BlueCare PPO Platinum 11	0.9%	\$382.36	\$418.66	9.5%
BlueCare PPO Platinum 12	2.9%	\$396.92	\$433.58	9.2%
BlueCare PPO Platinum 13	0.0%		\$420.47	New
BlueCare PPO Gold 12	0.6%	\$363.52	\$390.11	7.3%
BlueCare PPO Gold 13	0.5%	\$337.09	\$368.00	9.2%
BlueCare PPO Gold 18	0.9%	\$354.57	\$389.74	9.9%
BlueCare PPO Gold 19	0.0%	\$353.64	\$388.76	9.9%
BlueCare PPO Gold 24	4.9%	\$348.07	\$382.49	9.9%
BlueCare PPO Silver 5	0.3%	\$300.90	\$330.79	9.9%
BlueCare PPO Bronze 3	0.0%	\$301.80	\$302.62	0.3%
BlueCare PPO Bronze 4	0.0%	\$288.67	\$273.12	-5.4%
BlueCare Custom PPO Platinum 1	7.1%	\$325.79	\$356.70	9.5%
BlueCare Custom PPO Platinum 2	8.0%	\$325.20	\$356.09	9.5%
BlueCare Custom PPO Platinum 3	5.8%	\$324.77	\$355.64	9.5%
BlueCare Custom PPO Platinum 6	2.9%	\$324.09	\$354.87	9.5%
BlueCare Custom PPO Platinum 7	5.0%	\$323.84	\$354.62	9.5%
BlueCare Custom PPO Platinum 11	1.2%	\$321.18	\$351.67	9.5%
BlueCare Custom PPO Platinum 12	4.8%	\$333.42	\$364.21	9.2%
BlueCare Custom PPO Platinum 13	1.4%		\$353.19	New
BlueCare Custom PPO Platinum 14	3.4%		\$349.30	New
BlueCare Custom PPO Platinum 15	0.9%		\$350.70	New
BlueCare Custom PPO Gold 12	1.3%	\$305.37	\$327.70	7.3%
BlueCare Custom PPO Gold 15	0.5%	\$281.61	\$309.59	9.9%
BlueCare Custom PPO Gold 18	2.2%	\$297.84	\$327.38	9.9%
BlueCare Custom PPO Gold 19	1.6%	\$297.06	\$326.57	9.9%
BlueCare Custom PPO Gold 20	1.1%	\$289.89	\$314.34	8.4%
BlueCare Custom PPO Gold 24	11.4%	\$292.38	\$321.43	9.9%
BlueCare Custom PPO Silver 2	2.6%	\$253.51	\$272.69	7.6%
BlueCare Custom PPO Silver 6	0.4%	\$253.62	\$278.75	9.9%
BlueCare Custom PPO Silver 9	1.6%	\$262.97	\$288.94	9.9%
BlueCare Custom PPO Bronze 3	0.0%	\$253.51	\$254.20	0.3%
BlueCare Custom PPO Bronze 4	0.0%	\$242.48	\$229.42	-5.4%
BlueCare QHD PPO Bronze 3	0.4%	\$254.65	\$271.76	6.7%
BlueCare QHD PPO Bronze 4	0.0%	\$257.26	\$271.63	5.6%
AffordaBlue Platinum1	2.2%	\$295.71	\$323.99	9.6%
AffordaBlue Gold Option 1	1.0%	\$282.93	\$302.99	7.1%
<b>Average Age 21, Non-Smoker</b>	<b>100.0%</b>	<b>\$314.85</b>	<b>\$364.42</b>	<b>15.7%</b>

Rate increases vary by plan due to shifts in benefit relativities and benefit design changes.

## EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

Table 2.2 shows the significant factors driving the proposed rate increases.

Table 2.2 First Priority Life Insurance Company Attribution Analysis of Proposed Rate Increases	
Factor	Values
2016 Average Rate	\$527.89

### Total Paid Claims Trend

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical/prescription drug utilization. See Exhibit 5 for a detailed breakdown of trend.

### Benefit Change

The benefit changes by plan are described below. We adjusted benefit relativities from 2015 to 2016 to account for changes due to leveraging by using the Milliman Health Cost Guidelines (HCGs) calibrated to the projected 2016 allowed cost.

#### BlueCare PPO Platinum 1 - 55957PA0270001

- Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.
- Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.
- Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.
- Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

#### BlueCare PPO Platinum 2 - 55957PA0270002

- Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.
- Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.
- Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.
- Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

#### BlueCare PPO Platinum 3 - 55957PA0270003

- Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.
- Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.
- Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.
- Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

#### BlueCare PPO Platinum 6 - 55957PA0270004

- Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.
- Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.
- Mail Prescription Drug Tier 3 copay changed from \$100 in 2015 to \$80 in 2016.
- Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

#### BlueCare PPO Platinum 7 - 55957PA0270005

- Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.
- Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.
- Mail Prescription Drug Tier 3 copay changed from \$100 in 2015 to \$80 in 2016.
- Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

#### BlueCare PPO Platinum 11 - 55957PA0270006

- Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.
- Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.
- Mail Prescription Drug Tier 3 copay changed from \$37.50 in 2015 to \$30 in 2016.
- Mail Prescription Drug Tier 4 copay changed from \$135 in 2015 to \$90 in 2016.

#### BlueCare PPO Platinum 12 - 55957PA0270007

- Individual In-Network Out-of-Pocket Maximum changed from \$1,750 in 2015 to \$2,000 in 2016.
- Individual Out-of-Network Out-of-Pocket Maximum changed from \$3,500 in 2015 to \$4,000 in 2016.
- Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.
- Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.
- Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.
- Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

## EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

### BlueCare PPO Platinum 13 - 55957PA0270016

No benefit changes. Plan is new in 2016.

### BlueCare PPO Gold 12 - 55957PA0270008

Individual In-Network Out-of-Pocket Maximum changed from \$3,000 in 2015 to \$6,500 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$6,000 in 2015 to \$12,000 in 2016.  
 Emergency Room copay changed from \$150 in 2015 to \$200 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Retail Prescription Drug Tier 2 copay changed from \$20 in 2015 to \$25 in 2016.  
 Retail Prescription Drug Tier 3 copay changed from \$40 in 2015 to \$50 in 2016.  
 Retail Prescription Drug Tier 4 copay changed from \$60 in 2015 to \$75 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 2 copay changed from \$40 in 2015 to \$50 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$150 in 2016.

### BlueCare PPO Gold13 - 55957PA0270014

PCP Office Visit copay increased from \$10 in 2015 to \$25 in 2016.  
 Specialist Office Visit copay increased from \$20 in 2015 to \$50 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare PPO Gold 18 - 55957PA0270009

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare PPO Gold 19 - 55957PA0270010

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare PPO Gold 24 - 55957PA0270011

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$37.50 in 2015 to \$30 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$135 in 2015 to \$90 in 2016.

### BlueCare PPO Silver 5 - 55957PA0270015

Individual In-Network Out-of-Pocket Maximum changed from \$6,500 in 2015 to \$6,850 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$13,000 in 2015 to \$13,700 in 2016.  
 Emergency Room copay changed from \$150 in 2015 to \$200 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$125 in 2015 to \$100 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$225 in 2015 to \$150 in 2016.

### BlueCare PPO Bronze 3 - 55957PA0270012

Individual In-Network Deductible changed from \$3,000 in 2015 to \$3,500 in 2016.  
 Individual In-Network Out-of-Pocket Maximum changed from \$6,350 in 2015 to \$6,500 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$12,000 in 2015 to \$13,000 in 2016.  
 Emergency Room coinsurance changed from 80% in 2015 to 70% in 2016.  
 In-Network coinsurance changed from 80% in 2015 to 70% in 2016.  
 Out-of-Network coinsurance changed from 60% in 2015 to 50% in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$225 in 2015 to \$180 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$450 in 2015 to \$300 in 2016.

### BlueCare PPO Bronze 4 - 55957PA0270013

Individual In-Network Deductible changed from \$2,500 in 2015 to \$4,000 in 2016.  
 Individual Out-of-Network Deductible changed from \$5,000 in 2015 to \$8,000 in 2016.  
 Individual In-Network Out-of-Pocket Maximum changed from \$6,350 in 2015 to \$6,850 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$12,000 in 2015 to \$13,700 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$225 in 2015 to \$180 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$450 in 2015 to \$300 in 2016.

## EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

### BlueCare Custom PPO Platinum 1 - 55957PA0290001

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Platinum 2 - 55957PA0290002

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Platinum 3 - 55957PA0290003

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Platinum 6 - 55957PA0290004

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$100 in 2015 to \$80 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Platinum 7 - 55957PA0290005

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$100 in 2015 to \$80 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Platinum 11 - 55957PA0290006

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$37.50 in 2015 to \$30 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$135 in 2015 to \$90 in 2016.

### BlueCare Custom PPO Platinum 12 - 55957PA0290007

Individual In-Network Out-of-Pocket Maximum changed from \$1,750 in 2015 to \$2,000 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$3,500 in 2015 to \$4,000 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Platinum 13 - 55957PA0290008

No benefit changes. Plan is new in 2016.

### BlueCare Custom PPO Platinum 14 - 55957PA0290009

No benefit changes. Plan is new in 2016.

### BlueCare Custom PPO Platinum 15 - 55957PA0290010

No benefit changes. Plan is new in 2016.

### BlueCare Custom PPO Gold 12 - 55957PA0290011

Individual In-Network Out-of-Pocket Maximum changed from \$3,000 in 2015 to \$6,500 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$6,000 in 2015 to \$12,000 in 2016.  
 Emergency Room copay changed from \$150 in 2015 to \$200 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Retail Prescription Drug Tier 2 copay changed from \$20 in 2015 to \$25 in 2016.  
 Retail Prescription Drug Tier 3 copay changed from \$40 in 2015 to \$50 in 2016.  
 Retail Prescription Drug Tier 4 copay changed from \$60 in 2015 to \$75 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 2 copay changed from \$40 in 2015 to \$50 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$150 in 2016.

### BlueCare Custom PPO Gold 15 - 55957PA0290012

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Gold 18 - 55957PA0290013

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

## EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

### BlueCare Custom PPO Gold 19 - 55957PA0290014

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### BlueCare Custom PPO Gold 20 - 55957PA0290015

Individual In-Network Out-of-Pocket Maximum changed from \$2,500 in 2015 to \$3,000 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$125 in 2015 to \$100 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$225 in 2015 to \$150 in 2016.

### BlueCare Custom PPO Gold 24 - 55957PA0290016

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$37.50 in 2015 to \$30 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$135 in 2015 to \$90 in 2016.

### BlueCare Custom PPO Silver 2 - 55957PA0290017

Individual In-Network Deductible changed from \$1,250 in 2015 to \$1,750 in 2016.  
 Individual In-Network Out-of-Pocket Maximum changed from \$6,350 in 2015 to \$6,750 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$12,000 in 2015 to \$13,500 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$125 in 2015 to \$100 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$225 in 2015 to \$150 in 2016.

### BlueCare Custom PPO Silver 6 - 55957PA0290018

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$225 in 2015 to \$180 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$450 in 2015 to \$300 in 2016.

### BlueCare Custom PPO Silver 9 - 55957PA0290019

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$125 in 2015 to \$100 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$225 in 2015 to \$150 in 2016.

### BlueCare Custom PPO Bronze 3 - 55957PA0290020

Individual In-Network Deductible changed from \$3,000 in 2015 to \$3,500 in 2016.  
 Individual In-Network Out-of-Pocket Maximum changed from \$6,350 in 2015 to \$6,500 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$12,000 in 2015 to \$13,000 in 2016.  
 Emergency Room coinsurance changed from 80% in 2015 to 70% in 2016.  
 In-Network coinsurance changed from 80% in 2015 to 70% in 2016.  
 Out-of-Network coinsurance changed from 60% in 2015 to 50% in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$225 in 2015 to \$180 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$450 in 2015 to \$300 in 2016.

### BlueCare Custom PPO Bronze 4 - 55957PA0290021

Individual In-Network Deductible changed from \$2,500 in 2015 to \$4,000 in 2016.  
 Individual Out-of-Network Deductible changed from \$5,000 in 2015 to \$8,000 in 2016.  
 Individual In-Network Out-of-Pocket Maximum changed from \$6,350 in 2015 to \$6,850 in 2016.  
 Individual Out-of-Network Out-of-Pocket Maximum changed from \$12,000 in 2015 to \$13,700 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$225 in 2015 to \$180 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$450 in 2015 to \$300 in 2016.

### BlueCare QHD PPO Bronze 3 - 55954PA0280001

Individual In-Network Deductible changed from \$4,000 in 2015 to \$4,500 in 2016.  
 Individual Out-of-Network Deductible changed from \$8,000 in 2015 to \$9,000 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$225 in 2015 to \$180 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$450 in 2015 to \$300 in 2016.

### BlueCare QHD PPO Bronze 4 - 55957PA0280002

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Retail Prescription Drug Tier 2 copay changed from \$25 in 2015 to \$30 in 2016.  
 Retail Prescription Drug Tier 3 copay changed from \$50 in 2015 to \$90 in 2016.

## EXHIBIT 2. PROPOSED RATE INCREASE(S) (REDACTED)

Retail Prescription Drug Tier 4 copay changed from \$75 in 2015 to \$150 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 2 copay changed from \$50 in 2015 to \$60 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$125 in 2015 to \$180 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$225 in 2015 to \$300 in 2016.

### AffordaBlue Platinum1 - 55957PA0300001

Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$87.50 in 2015 to \$70 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$180 in 2015 to \$120 in 2016.

### AffordaBlue Gold1 - 55957PA0300002

Individual In-Network Deductible Tier 1 changed from \$500 in 2015 to \$1,000 in 2016.  
 Individual In-Network OOP Maximum Tier 2 changed from \$3,350 in 2015 to \$3,750 in 2016.  
 PCP Office Visit copay changed from \$20 in 2015 to \$40 in 2016.  
 Specialist Office Visit copay changed from \$40 in 2015 to \$50 in 2016.  
 Retail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$3 in 2016.  
 Mail Prescription Drug Tier 1 copay changed from \$0 in 2015 to \$6 in 2016.  
 Mail Prescription Drug Tier 3 copay changed from \$125 in 2015 to \$100 in 2016.  
 Mail Prescription Drug Tier 4 copay changed from \$225 in 2015 to \$150 in 2016.

## New Taxes, Fees and Administrative Expenses

Changes to the overall premium level are needed because of required changes in federal/state taxes and fees. The following is a list of any anticipated changes and comments regarding the adjustment:

Table 2.3 First Priority Life Insurance Company Anticipated Non-Benefit Expenses Changes			
Item	Prior Year Value	Effective Year Value	Reason for Adjustment

## Federal Transitional Reinsurance Program Changes

Federal transitional reinsurance program contributions and benefit limits have changed from last year. Specifically, the reinsurance contribution has changed from an estimated \$44 PMPY to \$27 PMPY. Further, the claims threshold upon which reinsurance recoveries are triggered has changed from \$70,000 (the 2015 pricing was based on the original guidance) to \$90,000; therefore, there will be an increase in the individual rates. Changes in the benefit levels of the reinsurance recoveries will only impact the individual market, while the changes in the reinsurance contribution levels will impact both the individual and small group markets.

## Other

Not applicable.



## EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows FPLIC's earned premium and incurred and paid claims for the period of 1/1/2014 through 12/31/2014, with claims paid through 3/31/2015.

### Premiums (net of MLR Rebate) in Experience Period

Premiums were developed from the FPLIC Common Actuarial System ("CAS"). The premiums are calculated by multiplying the number of contracts in each month by the effective premium rates for each month.

Based on preliminary information for calendar year 2014, no MLR rebates for small group market are anticipated to be refunded to enrollees. Therefore, we did not include an adjustment for MLR rebates in the 2014 premium amounts.

### Method for Determining Paid Claims

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. This section separately indicates:

- The amount of claims which were processed through the issuer's claim system,
- Claims processed outside of the issuer's claims system, and
- Our best estimate of claims incurred but not paid as of the Paid Through Date stated above.

<b>Table 3.1</b> <b>First Priority Life Insurance Company</b> <b>2014 Summary of Paid Claims</b>	
<b>Paid Claim Type</b>	<b>Value</b>
Incurred and Paid Claims (Incurred in 2014 paid through 03/15)	\$156,976,168
Claims Paid outside the System	\$1,636,854
Incurred but not Paid	\$8,262,075
<b>Total</b>	<b>\$166,875,096</b>

### Method for Determining Allowed Claims

Allowed claims were calculated as the sum of paid claims, network access fees, member coinsurance, and member deductible. The allowed claims are then adjusted for incurred but not reported ("IBNR") reserves as described below.

### Method for Determining Incurred But Not Reported Paid Claims

The IBNR reserve was estimated using the standard lag development method. We calculated completion factors separately for the medical and prescription drug claims for all FPLIC products using forty-eight months of historical claims data. For the more recent months, we used a combination of historical trends, seasonality patterns, and actuarial judgment to develop pure premiums.

For each product, the completion factors for the medical and prescription drug claims for all FPLIC products were the starting point. We then applied these completion factors to the small group paid and incurred claims, separately. We reviewed the incurred claims for the most recent months for reasonableness and adjusted them. FPLIC does not adjudicate claims by product, so we would expect the completion factors for all the medical claims to be similar. Paid and allowed claims were completed using the same methodology.

### Method for Determining Paid Cost Sharing

Deductibles, coinsurance, and copays are reported from the claim system.

## EXHIBIT 4. BENEFIT CATEGORIES

FPLIC summarized the utilization and claim costs. Claims source codes in CAS were used to differentiate between medical (source codes 08/09) and prescription drugs (source codes 05/80). For medical, the “sub LOB” and “Place of Service” fields were used to differentiate between hospital and physician. CAS differentiates these claims based on the type of form submitted by the provider – 1450 for hospital and 1500 for physician. Finally, the “In Out Patient” field was used to identify inpatient and outpatient hospital claims.



## EXHIBIT 5. PROJECTION FACTORS (REDACTED)

This section includes a description of each factor used to project the experience period allowed claims to the projection period, and supporting information related to the development of those factors.

### Changes in the Morbidity of the Population Insured

We used the following data source(s) and methodology in order to estimate the changes in the morbidity of the experience population and the projected population, as shown in the Population Risk Morbidity column of Worksheet 1, Section II:

Given the significant changes to the small group rating methodologies (no gender, 3-to-1 age, no medical underwriting/experience rating, and no industry) and existing carrier attempts to enroll and renew groups prior to January 1, 2014, we incorporated a 8.5% increase in claim costs to the non-ACA small group experience to account for the mix of groups expected to enroll in these products.

### Changes in Benefits

We made the following adjustments to reflect the expected differences in benefits between the experience period and projection period, as shown in the Other column of Worksheet 1, Section II:

We used Milliman Health Cost Guidelines (HCGs), calibrated to the 2016 projected allowed cost, in order to estimate the impact of benefit changes for each plan. The results of these adjustments are included in the projection factors of Worksheet 1, Section II under "Other". A summary of benefit changes by plan is shown in Exhibit 2.

### Changes in Demographics

We assumed the demographic of the population in the experience period would be reflective of the demographic in the projection period.

### Other Adjustments

Not applicable.

## EXHIBIT 5. PROJECTION FACTORS (REDACTED)

### Trend Factors (Cost/Utilization)

The development of the premium rates reflects an annual trend rate of 7.4%, which was developed by FPLIC. The information provided below reflects FPLIC's expectations regarding increases in in-network contractual reimbursement. The annual trend estimates include the impact of trends in both projected in and out-of-area for both hospital and professional services. We reviewed FPLIC's estimated utilization and unit cost increases. The analysis was based on utilization and unit costs for FPLIC's PPO large and small group markets. Given relatively minor changes in age/gender and benefit mix and since gross costs (before member cost sharing) were used, FPLIC did not incorporate age/gender or benefit changes.

The table below summarizes the starting projected 2014 to 2016 annual utilization, unit cost and claim costs trends:

Table 5.1 First Priority Life Insurance Company Trend Projection			
Service Type	Utilizatio	Cost	Total
Overall Trend			7.4%

## EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

Not applicable. FPLIC's experience in the base period is fully credible, for the purposes of the rate projection.

## EXHIBIT 7. CREDIBILITY OF EXPERIENCE

### Description of the Credibility Method Used

The experience data was assumed to be 100% credible. The small group product had over 480,000 member months in 2014. The experience data was assumed to be 100% credible based on internal Milliman research.

## EXHIBIT 8. PAID TO ALLOWED RATIO

The following table provides support for the average paid to allowed ratio shown in Worksheet 1, Section III. The table also demonstrates that the ratio is consistent with membership projections by plan included in Worksheet 2.

<b>Table 8.1</b> <b>First Priority Life Insurance Company</b> <b>Paid to Allowed Average Factor Support Exhibit</b>		
	<b>Worksheet 1, Section III</b>	<b>Worksheet 2 Section IV</b>
Allowed Per Member Per Month	\$463.30	\$463.30
Paid Per Member Per Month	\$417.44	\$402.83
Average Paid to Allowed Ratio	90.1%	86.9%

The average factor Worksheet 1 shown above was developed based on the projection of the average mix of plans sold. The Worksheet 2 factor shown above was measured using the projected Allowed PMPMs by plan from Worksheet 2 and the Actuarial Value calculated using the Federal AV Calculator model.

## **EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE**

### **Experience Period Risk Adjustments PMPM**

We do not feel that credible information is present to suggest a risk adjustment transfer payable or receivable for the experience period. Therefore, we are assuming a risk adjustment transfer amount of \$0.00 PMPM for CY2014.

### **Projected Risk Adjustments PMPM**

No risk adjustment was projected for the 2016 premium development. There is insufficient information about the relationship between FPLIC's risk score compared to the statewide risk score. We assumed each member will be assessed \$0.15 PMPM in risk adjustment fees.

### **Experience Period ACA Reinsurance Recoveries Net of Reinsurance Premium**

Not applicable as Small Group business is not eligible for federal reinsurance recoveries. The CY2014 reinsurance contribution of \$5.25 PMPM was netted against the \$0 receivable for a total net payable of \$5.25 PMPM.

### **Projected ACA Reinsurance Recoveries Net of Reinsurance Premium**

Small group membership is not eligible for reinsurance recoveries. We assumed that individual and small group membership both on and off the exchange will be assessed \$2.25 PMPM in reinsurance contributions.

## EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT & RISK (REDACTED)

The following table summarizes retention components included in rate development.

<b>Table 10.1</b> <b>First Priority Life Insurance Company</b> <b>Illustration of Administrative Expenses by URRT Worksheet 1 Category</b>				
<b><u>Retention Description</u></b>	<b><u>PMPM</u></b>	<b><u>% Premium</u></b>	<b><u>Basis</u></b>	<b><u>Annotation</u></b>
<b>Total Retention</b>	<b>\$101.71</b>	<b>19.5%</b>		<b>(13) = (2) + (5) + (11)</b>

\*The Federal Exchange Fee is 3.5% of premium for each member enrolled on the exchange

FPLIC is a majority owned subsidiary of its parent company, Hospital Service Association of Northeastern Pennsylvania ("HSA"). HSA incurs nearly all of the administrative expenses to support insurance operations for the parent and its three down-stream subsidiary health insurance companies, including FPLIC. All administrative expenses incurred by HSA are distributed into "cost centers", which are groups of individuals or departments that perform similar functions.

All expenses allocated to cost centers are intended to quantify the full cost associated with the unit, to include direct salaries and benefits, outsourced services, equipment expenses, occupancy expenses and other direct charges, but excluding any corporate overhead. The resulting cost center total expenses are further allocated to the separate insurance product lines based on one of the following methods: (1) direct charge to product serviced, (2) allocation based on a units-of-production methodology, or (3) a volume weighted line of business methodology. The allocations are performed on a monthly basis.

The projected administrative expense load is based on the most recent cost allocation results, adjusted for changes in future administrative expense levels and changes in the future product mix. The administrative load does not vary by product on a percent of premium basis.

## EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio is 87.8%. This loss ratio is calculated consistently with the MLR methodology according to the National Association of Insurance Commissioners as prescribed by 211 CMR 147.00.



## EXHIBIT 12. SINGLE RISK POOL

FPLIC rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the Commonwealth of Pennsylvania small group health insurance market.

Note that the Single Risk Pool includes transitional products/plans for purposes of the base rate experience; however, the experience for these policies has only been used in the projection to the extent that FPLIC anticipates the members in those policies will be enrolled in their fully ACA-compliant plans during the projected period.

## EXHIBIT 13. INDEX RATE (REDACTED)

The index rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period index rate reflects the actual mixture of smoker/non-smoker population, area factors, and the actual mixture of risk morbidity that FPLIC received in the Single Risk Pool during the experience period. Note that there were additional benefits offered beyond the EHB benefits. The experience Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The experience period Index Rate is equal to the experience period total allowed claims PMPM minus the total non-EHB allowed claims PMPM.

The only non-essential health benefits are coverage outside the country.

The projected Index Rate is equal to the projected total allowed claims PMPM minus the total non-EHB allowed claims

The only non-EHBs offered in the projection period are outside the country emergency services.

The index rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected index rate reflects the projected CY2016 mixture of smoker/non-smoker population, area factors, and the projected mixture of risk morbidity that FPLIC expects to receive in the Single Risk Pool. Note that there were additional benefits offered beyond the EHB benefits. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The following table summarizes the factors applied to the Experience Period Index Rate to determine the Projected Index

Table 13.1 First Priority Life Insurance Company Projected Index Rate Development (\$PMPM)	
<u>Factor</u>	<u>Value</u>
<b>2016 Index Rate</b>	<b>\$463.27</b>

Below is an illustration of the Quarterly Index Rates as well as the Total Single Risk Pool Index Rate. Note that the base allowed claims number shown is the January Index Rate constructed above.

Table 13.2 First Priority Life Insurance Company Small Group Index Rate Accounting for Quarterly Trend					
	January	April	July	October	Total Single Risk Pool

## EXHIBIT 14. MARKET ADJUSTED INDEX RATES

The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate.

Table 14.1 First Priority Life Insurance Company Marked Adjusted Index Rate Development	
Index Rate	\$469.12
Net Risk Adjustment	\$0.15
Net Transitional Reinsurance	\$2.25
Exchange Fee	\$0.62
Paid to Allowed Average Factor	0.901
Market Adjustment (Allowed Basis)	<b>\$3.35</b>
Quarterly Trend	1.013
<b>Market Adjusted Index Rate</b>	<b>\$472.51</b>

The Market Adjusted Index Rate is not calibrated. This means that this rate reflects the average demographic characteristics of the single risk pool.

Each of the above modifiers were developed as follows:

- **Net Risk Adjustment**  
This fee includes the impact of the estimated risk adjustment transfer payment as addressed in Exhibit 9 plus the Risk Adjustment User Fee of \$0.15.
- **Net Transitional Reinsurance**  
This fee includes the impact of the estimated Transitional Reinsurance PMPM recovery as addressed in Exhibit 9 plus the Transitional Reinsurance Contribution of \$2.25 PMPM.
- **Marketplace User Fee Adjustment**  
The Marketplace User Fee adjustment was determined as the average of no fee and the Marketplace user fee, weighted using the expected distribution of issuer enrollment sold through versus outside the Marketplace.

## EXHIBIT 15. PLAN ADJUSTED INDEX RATES

The Market Adjusted Index Rate is adjusted to compute the Plan Adjusted Index Rates using the

- Actuarial value and cost sharing adjustment
  - The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
  - The AV and cost sharing pricing adjustment was developed utilizing Milliman Health Cost Guidelines (HCGs). Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.
- Provider network, delivery system and utilization management adjustment
  - Expected differences in claims costs due to differences in provider networks was determined by using the current small group PPO, EPO and AffordaBlue networks as a proxy for the corresponding individual products; Choice, Access, and myBlue Care respectively.
- Adjustment for benefits in addition to the EHBs
  - Adjustment were made to add outside the country emergency coverage, which is a non-EHBs.
- Adjustment for distribution and administrative costs
  - Administrative costs are a fixed percentage across all plans.

## EXHIBIT 15. PLAN ADJUSTED INDEX RATES

The following table demonstrates the Plan Adjusted Index Rate development for each plan:

Plan	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustmen t	Benefits In Addition to EHBs	Admin Costs Excl. Mktplace User Fee	Plan Adjusted Index Rate
BlueCare PPO Platinum 1	\$472.51					\$615.13
BlueCare PPO Platinum 2	\$472.51					\$614.08
BlueCare PPO Platinum 3	\$472.51					\$613.30
BlueCare PPO Platinum 6	\$472.51					\$611.97
BlueCare PPO Platinum 7	\$472.51					\$611.54
BlueCare PPO Platinum 11	\$472.51					\$606.46
BlueCare PPO Platinum 12	\$472.51					\$628.07
BlueCare PPO Platinum 13	\$472.51					\$609.08
BlueCare PPO Gold 12	\$472.51					\$565.11
BlueCare PPO Gold 13	\$472.51					\$533.08
BlueCare PPO Gold 18	\$472.51					\$564.56
BlueCare PPO Gold 19	\$472.51					\$563.16
BlueCare PPO Gold 24	\$472.51					\$554.06
BlueCare PPO Silver 5	\$472.51					\$479.17
BlueCare PPO Bronze 3	\$472.51					\$438.37
BlueCare PPO Bronze 4	\$472.51					\$395.64
BlueCare Custom PPO Platinum 1	\$472.51					\$516.71
BlueCare Custom PPO Platinum 2	\$472.51					\$515.83
BlueCare Custom PPO Platinum 3	\$472.51					\$515.17
BlueCare Custom PPO Platinum 6	\$472.51					\$514.05
BlueCare Custom PPO Platinum 7	\$472.51					\$513.69
BlueCare Custom PPO Platinum 11	\$472.51					\$509.42
BlueCare Custom PPO Platinum 12	\$472.51					\$527.58
BlueCare Custom PPO Platinum 13	\$472.51					\$511.63
BlueCare Custom PPO Platinum 14	\$472.51					\$505.99
BlueCare Custom PPO Platinum 15	\$472.51					\$508.01
BlueCare Custom PPO Gold 12	\$472.51					\$474.69
BlueCare Custom PPO Gold 15	\$472.51					\$448.46
BlueCare Custom PPO Gold 18	\$472.51					\$474.23
BlueCare Custom PPO Gold 19	\$472.51					\$473.06
BlueCare Custom PPO Gold 20	\$472.51					\$455.34
BlueCare Custom PPO Gold 24	\$472.51					\$465.60
BlueCare Custom PPO Silver 2	\$472.51					\$395.01
BlueCare Custom PPO Silver 6	\$472.51					\$403.78
BlueCare Custom PPO Silver 9	\$472.51					\$418.55
BlueCare Custom PPO Bronze 3	\$472.51					\$368.23
BlueCare Custom PPO Bronze 4	\$472.51					\$332.34
BlueCare QHD PPO Bronze 3	\$472.51					\$393.66
BlueCare QHD PPO Bronze 4	\$472.51					\$393.47
AffordBlue Platinum1	\$472.51					\$469.33
AffordBlue Gold Option 1	\$472.51					\$438.91

\*The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

## EXHIBIT 15. PLAN ADJUSTED INDEX RATES

### Experience Period Plan Adjusted Index Rates

Although Plan Adjusted Index Rates were not required for the CY2014 filing, the methodology for their development would have been identical. The following table demonstrates the retroactive Plan Adjusted Index Rate development for each filed CY2014 plan:

Plan	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustmen t	Benefits In Addition to EHBs	Admin Costs Excl. Mktplace User Fee	Plan Adjusted Index Rate
BlueCare PPO Shop Gold	\$464.01					\$460.70
BlueCare PPO Shop Silver	\$464.01					\$414.36
BlueCare PPO PPO 1	\$464.01					\$528.17
BlueCare PPO PPO 2	\$464.01					\$527.32
BlueCare PPO PPO 3	\$464.01					\$526.66
BlueCare PPO PPO 4	\$464.01					\$526.14
BlueCare PPO PPO 5	\$464.01					\$526.38
BlueCare PPO PPO 6	\$464.01					\$525.85
BlueCare PPO PPO 7	\$464.01					\$525.46
BlueCare PPO PPO 8	\$464.01					\$525.14
BlueCare PPO PPO 9	\$464.01					\$511.44
BlueCare PPO PPO 10	\$464.01					\$510.58
BlueCare PPO PPO 11	\$464.01					\$521.02
BlueCare PPO PPO 12	\$464.01					\$513.84
BlueCare PPO PPO 13	\$464.01					\$512.22
BlueCare PPO PPO 14	\$464.01					\$510.90
BlueCare PPO PPO 15	\$464.01					\$481.94
BlueCare PPO PPO 16	\$464.01					\$475.59
BlueCare PPO PPO 17	\$464.01					\$473.98
BlueCare PPO PPO 18	\$464.01					\$472.51
BlueCare PPO PPO 19	\$464.01					\$471.09
BlueCare PPO PPO 20	\$464.01					\$501.13
BlueCare PPO PPO 21	\$464.01					\$499.51
BlueCare PPO PPO 22	\$464.01					\$498.15
BlueCare PPO PPO 23	\$464.01					\$497.06
BlueCare PPO PPO 24	\$464.01					\$459.51
BlueCare PPO PPO 25	\$464.01					\$458.40
BlueCare PPO PPO 26	\$464.01					\$488.12
BlueCare PPO PPO 27	\$464.01					\$486.47
BlueCare PPO PPO 28	\$464.01					\$485.10
BlueCare PPO PPO 29	\$464.01					\$483.96
BlueCare PPO PPO 30	\$464.01					\$471.88
BlueCare PPO PPO 31	\$464.01					\$471.02
BlueCare PPO PPO 32	\$464.01					\$470.26
BlueCare PPO PPO 33	\$464.01					\$469.52
BlueCare PPO PPO 34	\$464.01					\$475.73
BlueCare PPO PPO 35	\$464.01					\$420.53
BlueCare PPO PPO 36	\$464.01					\$398.06
BlueCare PPO PPO 37	\$464.01					\$386.91
BlueCare PPO PPO 38	\$464.01					\$375.98
BlueCare PPO PPO 39	\$464.01					\$364.36
BlueCare Custom PPO EPO 1	\$464.01					\$443.66
BlueCare Custom PPO EPO 2	\$464.01					\$442.95
BlueCare Custom PPO EPO 3	\$464.01					\$442.40
BlueCare Custom PPO EPO 4	\$464.01					\$441.95
BlueCare Custom PPO EPO 5	\$464.01					\$442.16
BlueCare Custom PPO EPO 6	\$464.01					\$441.71
BlueCare Custom PPO EPO 7	\$464.01					\$441.39
BlueCare Custom PPO EPO 8	\$464.01					\$441.12
BlueCare Custom PPO EPO 9	\$464.01					\$429.61

## EXHIBIT 15. PLAN ADJUSTED INDEX RATES

BlueCare Custom PPO EPO 10	\$464.01					\$428.89
BlueCare Custom PPO EPO 11	\$464.01					\$437.65
BlueCare Custom PPO EPO 12	\$464.01					\$431.63
BlueCare Custom PPO EPO 13	\$464.01					\$430.27
BlueCare Custom PPO EPO 14	\$464.01					\$429.16
BlueCare Custom PPO EPO 15	\$464.01					\$404.83
BlueCare Custom PPO EPO 16	\$464.01					\$399.50
BlueCare Custom PPO EPO 17	\$464.01					\$398.14
BlueCare Custom PPO EPO 18	\$464.01					\$396.91
BlueCare Custom PPO EPO 19	\$464.01					\$395.72
BlueCare Custom PPO EPO 20	\$464.01					\$420.95
BlueCare Custom PPO EPO 21	\$464.01					\$419.59
BlueCare Custom PPO EPO 22	\$464.01					\$418.45
BlueCare Custom PPO EPO 23	\$464.01					\$417.53
BlueCare Custom PPO EPO 24	\$464.01					\$386.98
BlueCare Custom PPO EPO 25	\$464.01					\$385.98
BlueCare Custom PPO EPO 26	\$464.01					\$385.06
BlueCare Custom PPO EPO 27	\$464.01					\$410.02
BlueCare Custom PPO EPO 28	\$464.01					\$408.64
BlueCare Custom PPO EPO 29	\$464.01					\$407.48
BlueCare Custom PPO EPO 30	\$464.01					\$406.52
BlueCare Custom PPO EPO 31	\$464.01					\$396.38
BlueCare Custom PPO EPO 32	\$464.01					\$395.66
BlueCare Custom PPO EPO 33	\$464.01					\$395.02
BlueCare Custom PPO EPO 34	\$464.01					\$394.40
BlueCare Custom PPO EPO 35	\$464.01					\$399.61
BlueCare Custom PPO EPO 36	\$464.01					\$353.25
BlueCare Custom PPO EPO 37	\$464.01					\$348.06
BlueCare Custom PPO EPO 38	\$464.01					\$334.37
BlueCare Custom PPO EPO 39	\$464.01					\$325.00
BlueCare Custom PPO EPO 40	\$464.01					\$315.82
BlueCare Custom PPO EPO 41	\$464.01					\$306.06
BlueCare QHD PPO QHD PPO 1	\$464.01					\$458.12
BlueCare QHD PPO QHD PPO 2	\$464.01					\$463.42
BlueCare QHD PPO QHD PPO 3	\$464.01					\$445.72
BlueCare QHD PPO QHD PPO 4	\$464.01					\$413.83
BlueCare QHD PPO QHD PPO 5	\$464.01					\$363.64
AffordaBlue affordaBlue 1	\$464.01					\$403.49
AffordaBlue affordaBlue 2	\$464.01					\$387.31
AffordaBlue affordaBlue 3	\$464.01					\$372.99
AffordaBlue affordaBlue 4	\$464.01					\$363.33

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

## EXHIBIT 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Exhibit 15 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. The single calibration factor is applied

### Age Curve Calibration

The approximate weighted average age, rounded to a whole number, for the single risk pool is 45. The weighted average age curve calibration factor is 1.449.

In order to determine the calibration factor for age, the projected distribution of members by age was determined. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor. Prior to applying the allowed rating factors for age, geography and tobacco, the plan adjusted index rates need to be divided by the age curve calibration factor.

Additional information regarding the age curve can be found on Exhibit 17.

### Geographic Factor Calibration

FPLIC only participates in area 3, so geographic calibration is not necessary.

Additional information regarding the area rating factors can be found on Exhibit 17.

The following table demonstrates the calibration performed for each plan.

<b>Plan</b>	<b>Plan Adjusted Index Rate</b>	<b>Age Calibration Factor</b>	<b>Geography Calibration Factor</b>	<b>Calibration Factor</b>	<b>Calibrated Plan Adjusted Index Rate</b>
BlueCare PPO Platinum 1	\$615.13	1.449	1.000	1.449	\$424.64
BlueCare PPO Platinum 2	\$614.08	1.449	1.000	1.449	\$423.92
BlueCare PPO Platinum 3	\$613.30	1.449	1.000	1.449	\$423.38
BlueCare PPO Platinum 6	\$611.97	1.449	1.000	1.449	\$422.47
BlueCare PPO Platinum 7	\$611.54	1.449	1.000	1.449	\$422.17
BlueCare PPO Platinum 11	\$606.46	1.449	1.000	1.449	\$418.66
BlueCare PPO Platinum 12	\$628.07	1.449	1.000	1.449	\$433.58
BlueCare PPO Platinum 13	\$609.08	1.449	1.000	1.449	\$420.47
BlueCare PPO Gold 12	\$565.11	1.449	1.000	1.449	\$390.11
BlueCare PPO Gold 13	\$533.08	1.449	1.000	1.449	\$368.00
BlueCare PPO Gold 18	\$564.56	1.449	1.000	1.449	\$389.74
BlueCare PPO Gold 19	\$563.16	1.449	1.000	1.449	\$388.77
BlueCare PPO Gold 24	\$554.06	1.449	1.000	1.449	\$382.49
BlueCare PPO Silver 5	\$479.17	1.449	1.000	1.449	\$330.79
BlueCare PPO Bronze 3	\$438.37	1.449	1.000	1.449	\$302.62
BlueCare PPO Bronze 4	\$395.64	1.449	1.000	1.449	\$273.13
BlueCare Custom PPO Platinum 1	\$516.71	1.449	1.000	1.449	\$356.70
BlueCare Custom PPO Platinum 2	\$515.83	1.449	1.000	1.449	\$356.09
BlueCare Custom PPO Platinum 3	\$515.17	1.449	1.000	1.449	\$355.64
BlueCare Custom PPO Platinum 6	\$514.05	1.449	1.000	1.449	\$354.87
BlueCare Custom PPO Platinum 7	\$513.69	1.449	1.000	1.449	\$354.62
BlueCare Custom PPO Platinum 11	\$509.42	1.449	1.000	1.449	\$351.67
BlueCare Custom PPO Platinum 12	\$527.58	1.449	1.000	1.449	\$364.21
BlueCare Custom PPO Platinum 13	\$511.63	1.449	1.000	1.449	\$353.20
BlueCare Custom PPO Platinum 14	\$505.99	1.449	1.000	1.449	\$349.31
BlueCare Custom PPO Platinum 15	\$508.01	1.449	1.000	1.449	\$350.70
BlueCare Custom PPO Gold 12	\$474.69	1.449	1.000	1.449	\$327.69
BlueCare Custom PPO Gold 15	\$448.46	1.449	1.000	1.449	\$309.59
BlueCare Custom PPO Gold 18	\$474.23	1.449	1.000	1.449	\$327.38
BlueCare Custom PPO Gold 19	\$473.06	1.449	1.000	1.449	\$326.57



## EXHIBIT 16. CALIBRATION

BlueCare Custom PPO Gold 20	\$455.34	1.449	1.000	1.449	\$314.34
BlueCare Custom PPO Gold 24	\$465.60	1.449	1.000	1.449	\$321.42
BlueCare Custom PPO Silver 2	\$395.01	1.449	1.000	1.449	\$272.69
BlueCare Custom PPO Silver 6	\$403.78	1.449	1.000	1.449	\$278.74
BlueCare Custom PPO Silver 9	\$418.55	1.449	1.000	1.449	\$288.94
BlueCare Custom PPO Bronze 3	\$368.23	1.449	1.000	1.449	\$254.20
BlueCare Custom PPO Bronze 4	\$332.34	1.449	1.000	1.449	\$229.43
BlueCare QHD PPO Bronze 3	\$393.66	1.449	1.000	1.449	\$271.76
BlueCare QHD PPO Bronze 4	\$393.47	1.449	1.000	1.449	\$271.63
AffordaBlue Platinum1	\$469.33	1.449	1.000	1.449	\$323.99
AffordaBlue Gold Option 1	\$438.91	1.449	1.000	1.449	\$302.99

## EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT (REDACTED)

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating Rules. It is the product of the Plan Adjusted Index Rate, the geographic rating factor, the age rating factor and the tobacco status rating factor. All rating factors are described and shown below.

FPLIC's CY2016 age and tobacco rating factors are shown below. The age rating factors used by FPLIC are identical to those prescribed by CMS. FPLIC is not applying any tobacco adjustment.

Table 17.1 First Priority Life Insurance Company 2016 Age and Tobacco Factors						
Age Band	Rate Factor	Tobacco Factor		Age Band	Rate Factor	Tobacco Factor
0-17	0.635	1.000		41	1.302	1.000
18	0.635	1.000		42	1.325	1.000
19	0.635	1.000		43	1.357	1.000
20	0.635	1.000		44	1.397	1.000
21	1.000	1.000		45	1.444	1.000
22	1.000	1.000		46	1.500	1.000
23	1.000	1.000		47	1.563	1.000
24	1.000	1.000		48	1.635	1.000
25	1.004	1.000		49	1.706	1.000
26	1.024	1.000		50	1.786	1.000
27	1.048	1.000		51	1.865	1.000
28	1.087	1.000		52	1.952	1.000
29	1.119	1.000		53	2.040	1.000
30	1.135	1.000		54	2.135	1.000
31	1.159	1.000		55	2.230	1.000
32	1.183	1.000		56	2.333	1.000
33	1.198	1.000		57	2.437	1.000
34	1.214	1.000		58	2.548	1.000
35	1.222	1.000		59	2.603	1.000
36	1.230	1.000		60	2.714	1.000
37	1.238	1.000		61	2.810	1.000
38	1.246	1.000		62	2.873	1.000
39	1.262	1.000		63	2.952	1.000
40	1.278	1.000		64+	3.000	1.000

FPLIC's CY2016 geographic rating factors are shown below.

Table 17.2 First Priority Life Insurance Company 2016 Geographic Area Factors	
Area	Rate Factor
Rating Area 1	N/A
Rating Area 2	N/A
Rating Area 3	1.000
Rating Area 4	N/A
Rating Area 5	N/A
Rating Area 6	N/A
Rating Area 7	N/A
Rating Area 8	N/A

## EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT (REDACTED)

The premium for family coverage is determined by summing the consumer adjusted premium rates for each individual family member, provided at most three child dependents under age 21 are taken into account.

For Small Group plans, the result from above would further be multiplied by a quarterly trend factor. Since the consumer adjusted premium rate developed above is the member weighted average over the calendar year, an adjusted trend factor must be applied. The following shows the adjusted trend factor for each quarter and how it was developed:

Table 17.3 First Priority Life Insurance Company Small Group Quarterly Trend Factors				
Trend Effective Date	Qrtly Trend Factor	Member Month Weights	Weighted Avg Trend Factor	Adjusted Trend Factor

Below is an example of how to arrive at the July 1 rate for an age 34 individual in rating area 3 that is a smoker:

Table 17.4 First Priority Life Insurance Company Sample Consumer Adjusted Premium Rate Development	
Plan Adjusted Index Rate for BlueCare PPO Platinum Option 1, Calibrated	\$424.64
Age factor for a 34-year-old	1.2140
Smoker status adjustment: smoker	1.0000
Area 3 factor	1.0000
Quarterly Trend Adjustment	1.0235
Consumer Adjusted Premium Rate	\$527.63

## EXHIBIT 18. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. Table 18.1 below summarizes these values for each product.

Table 18.1 First Priority Life Insurance Company Actuarial Values			
Plan	HIOS ID	Actuarial Value	Actuarial Value Source
BlueCare PPO Platinum 1	55957PA0270001	0.903	Federal AV Calculator
BlueCare PPO Platinum 2	55957PA0270002	0.897	Federal AV Calculator
BlueCare PPO Platinum 3	55957PA0270003	0.892	Federal AV Calculator
BlueCare PPO Platinum 6	55957PA0270004	0.901	Federal AV Calculator
BlueCare PPO Platinum 7	55957PA0270005	0.898	Federal AV Calculator
BlueCare PPO Platinum 11	55957PA0270006	0.896	Federal AV Calculator
BlueCare PPO Platinum 12	55957PA0270007	0.919	Federal AV Calculator
BlueCare PPO Platinum 13	55957PA0270016	0.889	Federal AV Calculator
BlueCare PPO Gold 12	55957PA0270008	0.811	Federal AV Calculator
BlueCare PPO Gold 13	55957PA0270014	0.800	Federal AV Calculator
BlueCare PPO Gold 18	55957PA0270009	0.819	Federal AV Calculator
BlueCare PPO Gold 19	55957PA0270010	0.812	Federal AV Calculator
BlueCare PPO Gold 24	55957PA0270011	0.816	Federal AV Calculator
BlueCare PPO Silver 5	55957PA0270015	0.717	Federal AV Calculator
BlueCare PPO Bronze 3	55957PA0270012	0.612	Federal AV Calculator
BlueCare PPO Bronze 4	55957PA0270013	0.611	Federal AV Calculator
BlueCare Custom PPO Platinum 1	55957PA0290001	0.903	Federal AV Calculator
BlueCare Custom PPO Platinum 2	55957PA0290002	0.897	Federal AV Calculator
BlueCare Custom PPO Platinum 3	55957PA0290003	0.892	Federal AV Calculator
BlueCare Custom PPO Platinum 6	55957PA0290004	0.901	Federal AV Calculator
BlueCare Custom PPO Platinum 7	55957PA0290005	0.898	Federal AV Calculator
BlueCare Custom PPO Platinum 11	55957PA0290006	0.896	Federal AV Calculator
BlueCare Custom PPO Platinum 12	55957PA0290007	0.919	Federal AV Calculator
BlueCare Custom PPO Platinum 13	55957PA0290008	0.889	Federal AV Calculator
BlueCare Custom PPO Platinum 14	55957PA0290009	0.881	Federal AV Calculator
BlueCare Custom PPO Platinum 15	55957PA0290010	0.890	Federal AV Calculator
BlueCare Custom PPO Gold 12	55957PA0290011	0.811	Federal AV Calculator
BlueCare Custom PPO Gold 15	55957PA0290012	0.805	Federal AV Calculator
BlueCare Custom PPO Gold 18	55957PA0290013	0.819	Federal AV Calculator
BlueCare Custom PPO Gold 19	55957PA0290014	0.812	Federal AV Calculator
BlueCare Custom PPO Gold 20	55957PA0290015	0.804	Federal AV Calculator
BlueCare Custom PPO Gold 24	55957PA0290016	0.816	Federal AV Calculator
BlueCare Custom PPO Silver 2	55957PA0290017	0.717	Federal AV Calculator
BlueCare Custom PPO Silver 6	55957PA0290018	0.701	Federal AV Calculator
BlueCare Custom PPO Silver 9	55957PA0290019	0.717	Federal AV Calculator
BlueCare Custom PPO Bronze 3	55957PA0290020	0.612	Federal AV Calculator
BlueCare Custom PPO Bronze 4	55957PA0290021	0.611	Federal AV Calculator
BlueCare QHD PPO Bronze 3	55957PA0280001	0.620	Federal AV Calculator
BlueCare QHD PPO Bronze 4	55957PA0280002	0.617	Federal AV Calculator
AffordBlue Platinum1	55957PA0300001	0.894	Federal AV Calculator
AffordBlue Gold Option 1	55957PA0300002	0.819	Federal AV Calculator

EXHIBIT 19. AV PRICING VALUES (REDACTED)

The following table summarizes all of the adjustments included in the AV Pricing Value:

Table 19.1 First Priority Life Insurance Company Actuarial Value Pricing Values						
Plan	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Costs Excl. Mktplace User Fee	Specific Catastrophic Eligibility	AV Pricing Value

The AV Pricing Value represents the cumulative effect of the adjustments made by FPLIC to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

The adjustment for plan cost sharing includes expected differences in utilization due to differences in cost sharing. Adjustments in utilization due to differences in cost sharing were based on the contractual adjustments from the Milliman Health Cost Guidelines (HCGs). These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

## EXHIBIT 20. MEMBERSHIP PROJECTIONS

Starting with SG ACA plan enrollment as of January 2015 (1,994), we estimated that average SG ACA enrollment in 2016 will increase to 2,350 members over year ending 2015 enrollment as a result of groups transitioning to ACA products, new enrollment, as well as groups cancelling coverage.

## EXHIBIT 21. TERMINATED PRODUCTS

The following is a list of terminated products.

Product Name	HIOS ID	Year	Product Type	Present in Experience	New Plan Mapping if Applicable
BlueCare PPO Gold Option 13	55957PA0050002	2014	BlueCare PPO	Yes	55957PA0270014
BlueCare PPO Platinum Option 4	55957PA0050006	2014	BlueCare PPO	Yes	55957PA0270003
BlueCare PPO Platinum Option 5	55957PA0050007	2014	BlueCare PPO	Yes	55957PA0270004
BlueCare PPO Platinum Option 8	55957PA0050010	2014	BlueCare PPO	Yes	55957PA0270005
BlueCare PPO Platinum Option 9	55957PA0050011	2014	BlueCare PPO	Yes	55957PA0270005
BlueCare PPO Platinum Option 10	55957PA0050012	2014	BlueCare PPO	Yes	55957PA0270005
BlueCare PPO Gold Option 1	55957PA0050015	2014	BlueCare PPO	Yes	55957PA0270004
BlueCare PPO Gold Option 2	55957PA0050016	2014	BlueCare PPO	Yes	55957PA0270005
BlueCare PPO Gold Option 3	55957PA0050017	2014	BlueCare PPO	Yes	55957PA0270005
BlueCare PPO Gold Option 4	55957PA0050018	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 5	55957PA0050019	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 6	55957PA0050020	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 7	55957PA0050021	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 8	55957PA0050022	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 9	55957PA0050023	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 11	55957PA0050025	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 12	55957PA0050026	2014	BlueCare PPO	Yes	55957PA0270008
BlueCare PPO Gold Option 14	55957PA0050027	2014	BlueCare PPO	Yes	55957PA0270014
BlueCare PPO Gold Option 25	55957PA0050029	2014	BlueCare PPO	Yes	Terminated
BlueCare PPO Gold Option 17	55957PA0050030	2014	BlueCare PPO	Yes	55957PA0270009
BlueCare PPO Gold Option 18	55957PA0050031	2014	BlueCare PPO	Yes	55957PA0270009
BlueCare PPO Gold Option 20	55957PA0050033	2014	BlueCare PPO	Yes	55957PA0270009
BlueCare PPO Gold Option 22	55957PA0050035	2014	BlueCare PPO	Yes	55957PA0270009
BlueCare PPO Gold Option 23	55957PA0050036	2014	BlueCare PPO	Yes	55957PA0270015
BlueCare PPO Gold Option 35	55957PA0050038	2014	BlueCare PPO	Yes	Terminated
BlueCare PPO Gold Option 36	55957PA0050039	2014	BlueCare PPO	Yes	Terminated
BlueCare PPO Gold Option 37	55957PA0050040	2014	BlueCare PPO	Yes	Terminated
BlueCare PPO Gold Option 38	55957PA0050041	2014	BlueCare PPO	Yes	Terminated
BlueCare PPO Gold Option 39	55957PA0050042	2014	BlueCare PPO	Yes	Terminated
BlueCare PPO Platinum Option 12	55957PA0050043	2015	BlueCare PPO	No	55957PA0270007
BlueCare PPO Gold Option 26	55957PA0050044	2015	BlueCare PPO	No	55957PA0270016
BlueCare PPO Silver Option 5	55957PA0050045	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Silver Option 6	55957PA0050046	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Silver Option 8	55957PA0050048	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Silver Option 9	55957PA0050049	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Silver Option 10	55957PA0050050	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Silver Option 11	55957PA0050051	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Silver Option 12	55957PA0050052	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Silver Option 13	55957PA0050053	2015	BlueCare PPO	No	55957PA0270015
BlueCare PPO Bronze Option 3	55957PA0050054	2015	BlueCare PPO	No	55957PA0270012
BlueCare PPO Bronze Option 4	55957PA0050055	2015	BlueCare PPO	No	55957PA0270013
BlueCare PPO Silver Option 14	55957PA0050056	2015	BlueCare PPO	No	55957PA0270015
BlueCare QHD PPO Silver Option 1	55957PA0070001	2014	BlueCare QHD PPO	Yes	Terminated
BlueCare QHD PPO Option 2	55957PA0070002	2014	BlueCare QHD PPO	Yes	Terminated
BlueCare QHD PPO Option 3	55957PA0070003	2014	BlueCare QHD PPO	Yes	Terminated
BlueCare QHD PPO Option 5	55957PA0070005	2014	BlueCare QHD PPO	Yes	Terminated
BlueCare QHD PPO Bronze Option 2	55957PA0070007	2015	BlueCare QHD PPO	No	55957PA0280002
BlueCare QHD PPO Bronze Option 3	55957PA0070008	2015	BlueCare QHD PPO	No	55954PA0280001
BlueCare QHD PPO Bronze Option 4	55957PA0070009	2015	BlueCare QHD PPO	No	55957PA0280002
BlueCare QHD PPO Bronze Option 5	55957PA0070010	2015	BlueCare QHD PPO	No	Terminated
BlueCare QHD PPO Silver Option 5	55957PA0070011	2015	BlueCare QHD PPO	No	55957PA0280002
BlueCare CustomPPO Platinum Option 4	55957PA0080004	2014	BlueCare CustomPPO	Yes	55957PA0290003
BlueCare CustomPPO Platinum Option 6	55957PA0080006	2014	BlueCare CustomPPO	Yes	55957PA0290004
BlueCare CustomPPO Platinum Option 8	55957PA0080008	2014	BlueCare CustomPPO	Yes	55957PA0290005

## EXHIBIT 21. TERMINATED PRODUCTS

BlueCare CustomPPO Platinum Option 9	55957PA0080009	2014	BlueCare CustomPPO	Yes	55957PA0290005
BlueCare CustomPPO Platinum Option 10	55957PA0080010	2014	BlueCare CustomPPO	Yes	55957PA0290005
BlueCare Custom PPO Gold Option 1	55957PA0080013	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare Custom PPO Gold Option 2	55957PA0080014	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare Custom PPO Gold Option 4	55957PA0080016	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 5	55957PA0080017	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 6	55957PA0080018	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 7	55957PA0080019	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 8	55957PA0080020	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 9	55957PA0080021	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 11	55957PA0080023	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 12	55957PA0080024	2014	BlueCare CustomPPO	Yes	55957PA0290011
BlueCare Custom PPO Gold Option 13	55957PA0080025	2014	BlueCare CustomPPO	Yes	55957PA0290012
BlueCare Custom PPO Gold Option 14	55957PA0080026	2014	BlueCare CustomPPO	Yes	55957PA0290012
BlueCare Custom PPO Gold Option 27	55957PA0080028	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare Custom PPO Gold Option 17	55957PA0080029	2014	BlueCare CustomPPO	Yes	55957PA0290013
BlueCare Custom PPO Gold Option 20	55957PA0080032	2014	BlueCare CustomPPO	Yes	55957PA0290015
BlueCare Custom PPO Gold Option 21	55957PA0080033	2014	BlueCare CustomPPO	Yes	55957PA0290015
BlueCare Custom PPO Gold Option 23	55957PA0080035	2014	BlueCare CustomPPO	Yes	55957PA0290015
BlueCare Custom PPO Gold Option 36	55957PA0080037	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare Custom PPO Gold Option 38	55957PA0080039	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare Custom PPO Gold Option 39	55957PA0080040	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare Custom PPO Gold Option 40	55957PA0080041	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare Custom PPO Gold Option 41	55957PA0080042	2014	BlueCare CustomPPO	Yes	Terminated
BlueCare CustomPPO Platinum Option 12	55957PA0080043	2015	BlueCare CustomPPO	No	55957PA0290007
BlueCare Custom PPO Gold Option 26	55957PA0080044	2015	BlueCare CustomPPO	No	Terminated
BlueCare Custom PPO Silver Option 5	55957PA0080045	2015	BlueCare CustomPPO	No	55957PA0290018
BlueCare Custom PPO Silver Option 6	55957PA0080046	2015	BlueCare CustomPPO	No	55957PA0290018
BlueCare Custom PPO Silver Option 8	55957PA0080048	2015	BlueCare CustomPPO	No	55957PA0290018
BlueCare Custom PPO Silver Option 9	55957PA0080049	2015	BlueCare CustomPPO	No	55957PA0290019
BlueCare Custom PPO Silver Option 10	55957PA0080050	2015	BlueCare CustomPPO	No	55957PA0290019
BlueCare Custom PPO Silver Option 11	55957PA0080051	2015	BlueCare CustomPPO	No	55957PA0290019
BlueCare Custom PPO Silver Option 12	55957PA0080052	2015	BlueCare CustomPPO	No	55957PA0290019
BlueCare Custom PPO Silver Option 13	55957PA0080053	2015	BlueCare CustomPPO	No	55957PA0290017
BlueCare CustomPPO Bronze Option 3	55957PA0080054	2015	BlueCare CustomPPO	No	55957PA0290020
BlueCare CustomPPO Bronze Option 4	55957PA0080055	2015	BlueCare CustomPPO	No	55957PA0290021
BlueCare Custom PPO Silver Option 14	55957PA0080056	2015	BlueCare CustomPPO	No	55957PA0290017
AffordaBlue Gold Option 3	55957PA0110003	2014	AffordaBlue	Yes	Terminated
AffordaBlue Gold Option 4	55957PA0110004	2014	AffordaBlue	Yes	55957PA0300002
AffordaBlue Gold Option 4	55957PA0110005	2015	AffordaBlue	No	55957PA0300002



## EXHIBIT 22. PLAN TYPE

There are no differences between the plans of FPLIC and the plan type selected in the drop-down box in Worksheet 2, Section I of the Part I Unified Rate Review Template.

## EXHIBIT 23. WARNING ALERTS

The following warning alert(s) occurred in Worksheet 2:

None

## EXHIBIT 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

Not applicable.

## EXHIBIT 25. RELIANCE

In performing this analysis, I relied on data and other information provided by First Priority Life Insurance Company. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

I performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

A data reliance letter is attached to this rate submission.

## EXHIBIT 26. ACTUARIAL CERTIFICATION

I am a Principal & Consulting Actuary with the firm of Milliman, Inc. First Priority Life Insurance Company engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

I certify to the best of my knowledge and judgment:

1. The projected index rate is
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1))
  - 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 based on my best estimates of the 2016 Individual market.
2. 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.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
4. The geographic rating factors used reflect only differences in the cost of delivery, and do not include differences for population morbidity by geographic area.
5. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of 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 marketplaces and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The information provided in this actuarial memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Signed: \_\_\_\_\_

Name: Courtney R. White FSA, MAAA

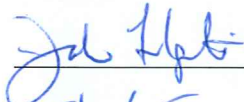
Title: Principal & Consulting Actuary

Date: May 8, 2015

**First Priority Life Insurance Company****List of Data and Information Received and Relied Upon by Milliman  
for the 2016 Small Group Unified Rate Review Template (URRT)**

I, John Fulginiti, Actuarial Director, hereby affirm that to the best of my knowledge and belief, the underlying data sources and information relied upon by Milliman for use in preparing the 2016 small group Unified Rate Review Template (URRT)-Parts 1 and 3 are accurate and complete.

Further, I acknowledge that in preparing the URRT, Milliman has relied on certain assumptions provided by First Priority Life Insurance Company as described in the attached, and I affirm that to the best of my knowledge and belief, these assumptions are consistent with the Company's reasonable expectations regarding the future financial performance.

  
\_\_\_\_\_  
5/7/15  
Date

**First Priority Life Insurance Company**

**List of Data and Information Received and Relied Upon by Milliman  
Provided Under the Direction of John Fulginiti, Actuarial Director  
2016 Small Group Unified Rate Review Template (URRT)**

- A. Pricing model,
- B. CY2014 membership and paid and allowed claims including Worksheet 1 detail,
- C. CY2014 premium,
- D. Completion factors and claims outside the system,
- E. Projected trend rates,
- F. Projected network factors,
- G. Current and proposed benefit plans,
- H. Actuarial values from the Actuarial Value Calculator,
- I. Current and projected members by age,
- J. Projected membership by benefit plan,
- K. Crosswalk for terminated plans,
- L. Projected administrative costs, taxes, and fees, and
- M. Projected margins.

State:	Pennsylvania	Filing Company:	First Priority Life Insurance Company, Inc.
TOI/Sub-TOI:	H16G Group Health - Major Medical/H16G.003G Small Group Only - Other		
Product Name:	FPLIC Small Group Rates 2016		
Project Name/Number:	/		

## Correspondence Summary

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Data Request Sent	Rashmi Mathur	07/02/2015	07/02/2015

#### Response Letters

Responded By	Created On	Date Submitted
Kelly Flannery	07/15/2015	07/15/2015



**State:** Pennsylvania **Filing Company:** First Priority Life Insurance Company, Inc.  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003G Small Group Only - Other  
**Product Name:** FPLIC Small Group Rates 2016  
**Project Name/Number:** /

## Objection Letter

Objection Letter Status	Data Request Sent
Objection Letter Date	07/02/2015
Submitted Date	07/02/2015
Respond By Date	07/16/2015

Dear Kelly Flannery,

### Introduction:

The Pennsylvania Insurance Department has received and conducted a review of the above captioned filing. In order to complete the review, we are requesting the following information. To facilitate a timely review, we request this information be provided within 14 days of the date of this letter. If you have any questions or difficulties in providing the data within this time frame, please call me.

1. Please list all factor changes proposed in this filing relative to the approved 2015 rate filing and discuss the rationale for the changes.
2. Please provide the actuarial value screenshots for the ten plans with the largest enrollment in this market.
3. Was base data adjusted for high or low volume of large claims?
4. Please provide the quantitative development of the morbidity, benefit change, and demographic adjustments discussed in Exhibit 5 of the part III Actuarial Memorandum.
5. The utilization and the unit cost trend factors in Table 5.1 do not match those in the URRT. Please provide a cross-walk between both the unit cost and utilization factors in Table 5.1 and those in the URRT.
6. Please provide the breakdown of the 7.6% administrative expense load.
7. Given that you are projecting a loss on this line, why would federal income tax be allocated to it?
8. Please provide the development of the federal loss ratio showing all adjustments made.
9. Please explain why the demographic adjustment discussed in Exhibit 5 of the part III Actuarial Memorandum does not appear in Table 13.1.
10. Exhibit 15 of the part III Actuarial Memorandum - Please split the AV and Cost Sharing factor in Table 15.1 for each plan into its two components – the AV metal value as determined by the AV calculator and the AV and cost sharing pricing adjustment. For the second component, the AV and cost sharing pricing adjustment based on Milliman HCGs, please also show the split between the cost and utilization components.
11. Please provide the development of the calculation of the average age factor of 1.449.

### Conclusion:

Upon receipt of your responses to the above requested data, the Department will continue to review your filing. Please note that there may be additional questions and/or requirements after reviewing the above data. Should you have any questions regarding this correspondence, please contact me at (717) 783-0675 or e-mail at [rmathur@pa.gov](mailto:rmathur@pa.gov). Sincerely,

Rashmi Mathur, ASA, MAAA  
Actuary  
Bureau of Life, Accident & Health Insurance  
Office of Insurance Product Regulation & Administration  
Sincerely,  
Rashmi Mathur

<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	First Priority Life Insurance Company, Inc.
<b>TOI/Sub-TOI:</b>	H16G Group Health - Major Medical/H16G.003G Small Group Only - Other		
<b>Product Name:</b>	FPLIC Small Group Rates 2016		
<b>Project Name/Number:</b>	/		

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Redacted responses to 7-2-15 Objection Letter.
<b>Comments:</b>	Redacted responses to Objection Letter dated 7-2-15.
<b>Attachment(s):</b>	redacted - not confidential RESPONSE - F-2025-SG-1-1-16.pdf redacted - not confidential - R1 - F-2025-SG-R-1-1-16 - Response - Exhibits - REDACTED.xlsx
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	First Priority Life Insurance Company, Inc.
<b>TOI/Sub-TOI:</b>	H16G Group Health - Major Medical/H16G.003G Small Group Only - Other		
<b>Product Name:</b>	FPLIC Small Group Rates 2016		
<b>Project Name/Number:</b>	/		

***Attachment redacted - not confidential - R1 - F-2025-SG-R-1-1-16 - Response - Exhibits - REDACTED.xlsx is not a PDF document and cannot be reproduced here.***

July 15, 2015

Rashmi Mathur  
Pennsylvania Insurance Department  
Bureau of Accident & Health  
Actuarial Review Division  
1311 Strawberry Square  
Harrisburg PA, 17120

First Priority Life Insurance Company  
Re: FPLIC Small Group Rate Filing # F-2025-SG-R-1/1/16  
SERFF Tracking #BCNP-130071709  
REDACTED RESPONSE

Dear Ms. Mathur,

FPLIC is submitting the responses below, along with applicable exhibits, to the objection letter received from the PID on July 2, 2015.

This is the redacted version of the response which may be made public. A redacted version of the exhibits are provided as well..

1. Please list all factor changes proposed in this filing relative to the approved 2015 rate filing and discuss the rationale for the changes.

**Response:** The only factors to change relative to the approved 2015 rate filing are the benefit relativities. These have changed as a result of Milliman calibrating their Health Cost Guidelines to reflect 2016 projected allowed cost, as well as benefit changes where applicable.

2. Please provide the actuarial value screenshots for the ten plans with the largest enrollment in this market.

**Response:** Please see the AV screenshots provided. Note that the PPO and CustomPPO in-network benefits are the same, so plans with the same metal level and option number have the same AV. For example, PPO Platinum 3 has the same AV as CustomPPO Platinum 3.

3. Was base data adjusted for high or low volume of large claims?

**Response:** The base data was not adjusted for large claims.

4. Please provide the quantitative development of the morbidity, benefit change, and demographic adjustments discussed in Exhibit 5 of the part III Actuarial Memorandum.

**Response:**

- **Morbidity** - The risk score for groups currently enrolled in the SG ACA products is ■■■, whereas the pre-ACA groups' risk score is ■■■. The morbidity of the 2016 SG ACA pool will be between ■■■ and ■■■, depending upon how many small groups choose to transition from their pre-ACA products to an ACA product and how many new groups enroll in the ACA products.

At the time the filing was submitted, approximately ■■■ of the SG ACA enrollment consisted of groups that transitioned from pre-ACA to ACA in 2015 and approximately ■■■ consists of groups that are new to the SG pool in 2015.

We expect the groups with higher risk scores, and thus higher pre-ACA rates, to transition to ACA products, so we assumed that they will have the same risk score as the ACA pool. We also assumed that the new groups will be similar in risk to the pre-ACA pool. So, if we assume that ■■■ of the pool is similar in risk to the pre-ACA pool and ■■■ is similar in risk to the ACA pool, the resulting risk score is ■■■, which would require a ■■■ morbidity adjustment, and a required increase greater than ■■■.

However, given that the enrollment in the ACA products is not credible, we chose to keep the morbidity adjustment consistent with what was used in the 2015 SG ACA rate filing (SERFF# BCNP-129633483).

Please refer to the exhibit (Exhibit 4) transmitted with this response. This exhibit includes the calculation described above (Scenario 4 in the exhibit), along with three other scenarios, including a scenario that results in an ■■■ adjustment factor.

When the [REDACTED] adjustment is weighted between the pre-ACA and the ACA pools' claims, that adjustment is reduced to [REDACTED] which appears in the Part III Actuarial Memorandum.

- **Benefit Change** – We did not make any specific adjustments to the projected allowed claims due to benefit changes. We used the HCGs to develop the actuarial values; however, we do not expect a significant shift between benefit plans.
  - **Demographic Adjustments** – We did not make any specific adjustments to the projected allowed claims due to demographics. As noted in Exhibit 5, we assumed the demographic of the population in the experience period would be reflective of the demographic in the projection period.
5. The utilization and the unit cost trend factors in Table 5.1 do not match those in the URRT. Please provide a cross-walk between both the unit cost and utilization factors in Table 5.1 and those in the URRT.

**Response** – We were targeting a combined utilization and unit cost allowed trend, before any other adjustments, of about [REDACTED] based on [REDACTED] for medical and [REDACTED] for prescription drugs. We did not project utilization and unit costs by type of service. Instead, we applied the [REDACTED] trend to the overall 2014 allowed costs PMPM.

Exhibit 2 compares the trend in Table 5.1 to the trends underlying the URRT. For pricing and URRT, we used preliminary trends calibrated to about [REDACTED]. Table 5.1 is similar with a slight shift between utilization and unit costs.

6. Please provide the breakdown of the [REDACTED] administrative expense load.

**Response:** The table below provides the breakdown of the [REDACTED] administrative load:

Administrative Function	% of Premium
Sales, Marketing & Commissions	[REDACTED]
IT Services	[REDACTED]
Customer Service, Wellness & Disease Management	[REDACTED]
Provider Operations, Finance, Legal and HR	[REDACTED]
Claims Processing	[REDACTED]
<u>Fraud, Corporate Compliance, Security</u>	[REDACTED]
Total	[REDACTED]

7. Given that you are projecting a loss on this line, why would federal income tax be allocated to it?

**Response:** As can be seen in the underwriting exhibit provided with the original filing, we are not projecting a loss for the rating period of 2016 for the SG ACA products. Therefore, we are applying a federal income tax charge.

8. Please provide the development of the federal loss ratio showing all adjustments made.

**Response** - See Exhibit 2. The numerator includes incurred claims plus quality initiatives. The denominator includes earned premium reduced for taxes and fees.

9. Please explain why the demographic adjustment discussed in Exhibit 5 of the part III Actuarial Memorandum does not appear in Table 13.1.

**Response** - As noted in Question 4 above, we assumed the demographic of the population in the experience period would be reflective of the demographic in the projection period.

10. Exhibit 15 of the part III Actuarial Memorandum - Please split the AV and Cost Sharing factor in Table 15.1 for each plan into its two components – the AV metal value as determined by the AV calculator and the AV and cost sharing pricing adjustment. For the second component, the AV and cost sharing pricing adjustment based on Milliman HCGs, please also show the split between the cost and utilization components.

**Response** – Exhibit 3 shows the following:

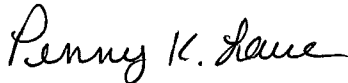
- Actuarial value by plan from the federal actuarial value calculator (AVC),
- Induced utilization from the HCGs, and
- Actuarial values from the HCGs.

11. Please provide the development of the calculation of the average age factor of [REDACTED].

**Response:** Please refer to the exhibit titled “Age Curves” in the original submission. In this calculation, the enrollment as of December 2014 is used to calculate the average age factor.

Please feel free to contact me with any questions regarding this response.

Sincerely,



Penny K. Laue, ASA, MAAA  
Lead Actuarial Analyst  
Highmark Blue Cross Blue Shield  
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(570) 200-6359



