

**State:** Arkansas **Filing Company:** QualChoice Life and Health Insurance Company, Inc.  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO  
**Product Name:** QCLH Small Group Metal Rates 2025  
**Project Name/Number:** /

### Filing at a Glance

Company: QualChoice Life and Health Insurance Company, Inc.  
Product Name: QCLH Small Group Metal Rates 2025  
State: Arkansas  
TOI: H16G Group Health - Major Medical  
Sub-TOI: H16G.003A Small Group Only - PPO  
Filing Type: Rate  
Date Submitted: 06/13/2024  
SERFF Tr Num: QUAC-134144505  
SERFF Status: Closed-Approved  
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Effective: 01/01/2025  
Date Requested:  
Author(s): Liz Hubbard, Sara Shin  
Reviewer(s): Donna Lambert (primary), Johnny Flippo, David Dillon  
Disposition Date: 08/14/2024  
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State Filing Description:  
Associated Binder tracking number: QUAC-AR25-125118670  
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## Rate Filing Justification Part II (Plain Language Summary)

Pursuant to 45 CFR 154.215, health insurance issuers are required to file Rate Filing Justifications. Part II of the Rate Filing Justification for rate increases and new submissions must contain a written description that includes a simple and brief narrative describing the data and assumptions that were used to develop the proposed rates. The Part II template below must be filled out and uploaded as an Adobe PDF file under the Consumer Disclosure Form section of the Supporting Documentation tab.

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Name of Company      QualChoice Life and Health Insurance Company,  
SERFF tracking number      QUAC-134144505  
Submission Date      08/09/2024  
Product Name      Small Group Medical PPO  
Market Type       Individual       Small Group  
Rate Filing Type       Rate Increase       New Filing

### Scope and Range of the Increase:

The 8.23 % increase is requested because:

Price Inflation - the cost per service is increasing;

Utilization Trend - the number of and distribution of services utilized by members is increasing plan sponsor costs;

Morbidity - the anticipated average risk profile of projected membership in 2024; and

Administrative Expenses

This filing will impact:

# of Arkansas policyholder's 294      # of Arkansas covered lives 3642

The average, minimum and maximum rate changes increases are:

- Average Rate Change: The average premium change, by percentage, across all policy holders if the filing is approved 8.23 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved 2.47 %
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 11.7 %

Individuals within the group may vary from the aggregate of the above increase components as a result of:

Changes to the cost-sharing structure of their plan, Adjustments to region factors

### Financial Experience of Product

The overall financial experience of the product includes:

A historical review of 2023 financials and emerging 2024 experience indicates a rate adjustment is necessary.

The rate increase will affect the projected financial experience of the product by:  
Ensuring the overall financial sustainability of the product and QualChoice.

### Components of Increase

The request is made up of the following components:

*Trend Increases* – 87 % of the 8.23 % total filed increase

1. Medical Utilization Changes – Defined as the increase in total plan claim costs not attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts. Examples include changes in the mix of services utilized, or an increase/decrease in the frequency of service utilization.

This component is 8.3 % of the 8.23 % total filed increase.

2. Medical Price Changes – Defined as the increase in total plan claim costs attributable to changes in the unit cost of underlying services, or renegotiation of provider contracts.

This component is 78.7 % of the 8.23 % total filed increase.

*Other Increases* – 13 % of the 8.23 % total filed increase

1. Medical Benefit Changes Required by Law – Defined as any new mandated plan benefit changes, as mandated by either State or Federal Regulation.

This component is 0 % of the 8.23 % total filed increase.

2. Medical Benefit Changes Not Required by Law – Defined as changes in plan benefit design made by the company, which are not required by either State or Federal Regulation.

This component is 0 % of the 8.23 % total filed increase.

3. Changes to Administration Costs – Defined as increases in the costs of providing insurance coverage. Examples include claims payment expenses, distribution costs, taxes, and general business expenses such as rent, salaries, and overhead.

This component is 14.5 % of the 8.23 % total filed increase.

4. Changes to Profit Margin – Defined as increases to company surplus or changes as an additional margin to cover the risk of the company.

This component is -0.8 % of the 8.23 % total filed increase.

5. Other – Defined as:

Morbidity, Risk Adjustment, Taxes, and Benefit Pricing

This component is -0.6 % of the 8.23 % total filed increase.

## CONFIDENTIAL

### GENERAL INFORMATION

#### Company Identifying Information

Company Legal Name:	QualChoice Life and Health Insurance Company, Inc.
NAIC Company Code:	70998
SERFF Customer Filing Number:	30387
State:	Arkansas
HIOS ID:	37903
Market:	Small Employer Group, ACA Metallic
Effective Date:	January 1, 2025 to December 31, 2025
Form Numbers:	[REDACTED]

#### Company Contact Information

Contact Name 1:	[REDACTED]
Telephone Number:	[REDACTED]
Email:	[REDACTED]

Contact Name 2:	[REDACTED]
Telephone Number:	[REDACTED]
Email:	[REDACTED]

### 1. PROPOSED RATE INCREASES

#### Reasons for Rate Increases

QualChoice Life and Health Insurance Company, Inc. ("QualChoice") continues to evaluate the utilization and cost impact of new state legislation [REDACTED]. At the time of this filing, the aggregate impact is assumed to be [REDACTED].

In order to maintain both stability and sustainability, both QCA Health Plan, Inc. and QualChoice review each line of business' financials to determine what, if any, changes are necessary. To complement the financial review, QualChoice also examines market competitiveness and product position to solidify both long and short-term strategies.

Please note that the small group metallic plans is an open block of business and subject to the market type of group sizes 2 to 50. The Calendar Year 2024 portfolio has been reviewed, and the plan options have been adjusted in response to market preferences and mandated requirements.

As of the certification date of this memo, any non-grandfathered, transitional business will not have to enroll into compliant metallic plans. As such, QualChoice reviewed the 2023 and emerging 2024 experience for the small group metallic plans and determined that rate adjustments were necessary.

The principal factors that influence the overall rate adjustment include, but are not limited to:

- Price Inflation – the cost per service is increasing;
- Utilization Trend – the number of and distribution of services utilized by members is increasing plan sponsor costs;
- Morbidity – the anticipated average risk profile of projected membership in 2025;
- Administrative Expenses – QualChoice reviewed the allocation process associated with the operational cost of business for the exchange business.

QualChoice is requesting an overall rate change for all new and renewing small group ACA metallic off-exchange plans effective between January 1, 2025 and December 31, 2025. The requested rate increase of [REDACTED] is weighted across all renewing plans.

QualChoice does not expect costs related to COVID-19 to extend into plan year 2025 with the same magnitude of impact as the base year experience of 2023. A COVID-19 adjustment is included within the morbidity assumption to account for 2025's expected level of COVID-19 related expenses. QualChoice believes there is sufficient margin in these filed rates should an adverse scenario occur.

The Contract Year ("CY") 2025 filing submission is compliant and pursuant to both Arkansas Insurance Department ("AID") Bulletin 7-2011 and applicable federal regulation. The rates subject to this filing submission apply to all metallic small employer group policies issued or renewed in CY 2025, of employer size 2 to 50. The rates are hereby effective at the renewal date of each group. The rates do not apply to grandfathered plans or transitional plans that are allowed to be renewed pursuant to executive order.

All benefits are priced consistent with the single risk pool.

Please note that the following rate proposal is subject to final market determinations. For example, if any regulatory or market changes are enacted, QualChoice retains the right to reexamine the reasonability of the proposed rates and adjust accordingly. Potential regulatory or market reforms may include, but are not limited to changes in:

- Average risk profile of single risk pool (e.g., modifications to ARHOME Program);
- Implementation of state legislation;
- Transitional Policies;
- State Taxes or Federal Fees.

## MARKET EXPERIENCE

### 2. EXPERIENCE PERIOD PREMIUM AND CLAIMS

The experience period premium and claims reflect actual base period data of QualChoice members with incurred dates between January 1, 2023 and December 31, 2023, with run-out and Incurred but Not Reported (“IBNR”) claim calculations as of May 31, 2024. Experience for those members who enrolled in a metallic or transitional plan is reflected in the Experience section of the Unified Rate Review Template (“URRT”).

#### Paid Through Date

The experience period paid through date is May 31, 2024.

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

The premiums reflected on Worksheet 1 of the URRT are consistent with the financials for only members in metallic and transitional plans.

Per QualChoice financials, the minimum loss ratio (“MLR”) exceeded the statutory minimum for the 2023 base period. Therefore, QualChoice is not required to pay a rebate for 2023.

#### Allowed and Incurred Claims Incurred During the Experience Period

The Allowed and Incurred Claims are data extracts summarized from the QualChoice internal data warehouse and QualChoice’s Pharmacy Benefit Manager and reconciled against applicable financial information. The data extracts represent claims incurred between January 1, 2023 and December 31, 2023 and paid as of May 31, 2024.

The IBNR residual amount was applied to the baseline experience to estimate the ultimate plan liability consistent with the organization’s financial expectations. Medical claim data from all fully insured health plans was used to determine credible completion factors.

Please note that pharmacy claim data was tallied separately with no IBNR residual.

Any additional information is deemed trade secret and proprietary in nature.

### 3. BENEFIT CATEGORIES

The following table outlines the various benefit categories:

Service Category	Description of Service
Inpatient Hospital	Includes, but is not limited to, services for medical, surgical, maternity, skilled nursing, and other services provided in an inpatient facility setting
Outpatient Hospital	Includes, but is not limited to, services for surgery, emergency room, lab, radiology, therapy, observation provided in an outpatient facility setting
Professional	Includes, but is not limited to, primary care, specialist, therapy, and the professional charges associated with laboratory and radiology services
Other Medical	Includes, but is not limited to, home health care, supplies, other services
Capitation	Includes any services under a capitated arrangement
Pharmacy	Includes drugs by a retail or a mail order pharmacy and contractual rebates received from drug manufacturers

### 4. PROJECTION FACTORS

As the base period of historical data reflects January 1, 2023 through December 31, 2023 experience, projection factors are necessary to properly account for the anticipated risk of the 2025 projection period. Please note that given the size and immaturity of the product, a range of actuarially sound assumptions were developed to better understand the broad spectrum of risk and results.

#### Changes in Morbidity of the Population Insured

The small employer group market is already subject to guaranteed issue in the State of Arkansas. Therefore, employees must be actively employed to qualify for insurance.

Furthermore, with prior coverage, there is no assumed pent-up utilization demand for services for the small employer group market.

Any additional information is deemed trade secret and proprietary in nature.

#### Changes in Benefits

Any additional information is deemed trade secret and proprietary in nature.

#### Changes in Demographics

Any additional information is deemed trade secret and proprietary in nature.

### Other Adjustments

#### *Non-Essential Health Benefits (Non-EHB)*

Any additional information is deemed trade secret and proprietary in nature.

### Trend Factors (Cost/Utilization)

#### *Unit Cost/Utilization Trend Factors*

In order to project the volume and service cost of health care benefits that are anticipated to be utilized by members in 2025, both utilization and unit cost trends have been applied to the historical experience.

Utilization trend represents the change in volume of services received by members over a period of time. Unit cost trend represents a combination of the inflationary pressure and the mixture of services received.

Any additional information is deemed trade secret and proprietary in nature.

## **5. CREDIBILITY MANUAL RATE DEVELOPMENT**

QCA Health Plan, Inc. and QualChoice Life and Health Insurance Company, Inc. combined Experience from January 1, 2023 through December 31, 2023 from metallic and transitional small employer groups of employer size 2 to 50 was used for manual rate development.

Any additional information is deemed trade secret and proprietary in nature.

### Source and Appropriateness of Data Used

Consistent with the production of the URRT, the manual rate medical and pharmacy data are extractions from an internal QualChoice data warehouse and QualChoice's Pharmacy Benefit Manager respectively. The data reflects the total cost of health care for all members enrolled in metallic and transitional small employer group plans.

Throughout the manual rate's base period, QualChoice only operated in Arkansas. Thus, the manual rate's base period data is state-specific and reflects federal guidelines of guaranteed issue.

### Adjustments Made to the Data

Any additional information is deemed trade secret and proprietary in nature.

### Inclusion of Capitation Payments

Any additional information is deemed trade secret and proprietary in nature.

## **6. CREDIBILITY OF EXPERIENCE**

Any additional information is deemed trade secret and proprietary in nature.

## **7. PAID TO ALLOWED RATIO**

Any additional information is deemed trade secret and proprietary in nature.

## **8. RISK ADJUSTMENT AND REINSURANCE**

### Projected Risk Adjustment

Any additional information is deemed trade secret and proprietary in nature.

### Projected ACA Reinsurance Recoveries (Net of Reinsurance Premium)

Any additional information is deemed trade secret and proprietary in nature.

## **9. NON-BENEFIT EXPENSES AND PROFIT & RISK**

As part of the general cost of business operations, administrative expenses, taxes, fees, and surplus contribution is a necessary consideration for premium development. The following sections outline key provisions included in the non-benefit load considerations.

### Administrative Expense Load

General administrative costs represent the cost of business and the provision of benefits to members.

Common groupings of administrative costs include:

- Sales and Marketing – marketing materials, salaries for sales and marketing staff, commissions, and enrollment packages;
- Direct Administration – customer service, billing, enrollment, medical management, and claim administration; and
- Indirect Administration – salaries and expenses related to corporate services, finance, accounting, and actuarial departments.

Any additional information is deemed trade secret and proprietary in nature.

### Profit (or Contribution to Surplus) & Risk Margin

Any additional information is deemed trade secret and proprietary in nature.

### Taxes and Fees

Taxes, licenses and fees are the amounts paid to government entities. Examples of fees include, but are not limited to, premium tax with offsets, real estate taxes, payroll taxes, and other fees imposed by government related to normal business operations.

Any additional information is deemed trade secret and proprietary in nature.

## **PROJECTED LOSS RATIO**

Any additional information is deemed trade secret and proprietary in nature.

## **APPLICATION OF MARKET REFORM RATING RULES**

### **10. SINGLE RISK POOL**

The single risk pool reflects all covered lives for all non-grandfathered group metallic plans. The single risk pool excludes claims and membership from grandfathered plans.

### **11. INDEX RATE**

The Index Rate reflects the total allowed claim expense per member per month charge, as extracted from QualChoice's internal data warehouse. The Index Rate of the base period includes only those services compliant with the Essential Health Benefits ("EHB"). Routine adult vision exams, reconstructive surgery for craniofacial anomalies, and SMA testing were covered in the experience period, but were removed in the calculation of the index rate.

Please note that the Index Rate reflects no cost sharing and represents the allowable costs associated with provision of the EHBs to members in the single risk pool.

For a small employer group, the projection period is defined as the year following the group's anniversary date in 2025. For example, a group with an anniversary month of April has a projection period of April 2025 to March 2026.

Any additional information is deemed trade secret and proprietary in nature.

#### MARKET ADJUSTED INDEX RATE

The Market Adjusted Index Rate was derived from the Index Rate with recognition of the risk adjustment amount.

Any additional information is deemed trade secret and proprietary in nature.

#### PLAN ADJUSTED INDEX RATES

Plan Adjusted Index Rates were derived from the Market Adjusted Index Rate. The average metallic level actuarial value was determined from the assumed projected distribution of members and ultimate pricing of the products. The pricing actuarial values, as discussed in greater detail in later sections of this memorandum, are based on Milliman's proprietary pricing model, and not the CCIO Actuarial Value Calculator.

The Plan Adjusted Index Rate was adjusted to reflect consideration for administrative expense, margin, provider networks, and the addition of non-EHB.

Any additional information is deemed trade secret and proprietary in nature.

#### QUARTERLY TRENDS

Any additional information is deemed trade secret and proprietary in nature.

#### CALIBRATION

Any additional information is deemed trade secret and proprietary in nature.

#### CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the Plan Adjusted Index Rate calibrated, with all allowable rating factors applied, to both the standard federal age curve and the aforementioned geographic factors.

Any additional information is deemed trade secret and proprietary in nature.

### **12. AV METAL VALUES**

Any additional information is deemed trade secret and proprietary in nature.

### **13. AV PRICING VALUES**

Any additional information is deemed trade secret and proprietary in nature.

#### **14. MEMBERSHIP PROJECTIONS**

The 2025 enrollment projections are based on QualChoice expectations of future retention and growth of the current block of business.

Any additional information is deemed trade secret and proprietary in nature.

#### **15. TERMINATED PRODUCTS/PLANS**

Any additional information is deemed trade secret and proprietary in nature.

#### **16. PLAN TYPE**

The plan type options reflected in the URRT adequately represent products in the projection period. Therefore, not applicable.

#### **17. WARNING ALERTS**

There are no warning alerts.

#### **MISCELLANEOUS INSTRUCTIONS**

#### **18. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)**

No additional information is warranted.

#### **19. RELIANCE**

The certifying actuary relied on various colleagues of QualChoice to determine reasonable assumptions, data, and strategy.

#### **20. ACTUARIAL CERTIFICATION**

I, ■■■, am a ■■■. I am an ■■■ in the Society of Actuaries and Member of the American Academy of Actuaries in good standing. I meet the qualification standards established by the American Academy of Actuaries and comply with the applicable Actuarial Standards of Practice.

With respect to the projected index rate, I hereby certify the following statements:

- The projected index rate was calculated within compliance of all applicable State Statutes, Federal Statutes, and Regulations 45 CFR 156.80 and 45 CFR 147.102;
- The projected index rate calculations conform to all applicable Actuarial Standards of Practice;
- The projected index rate is reasonable for the projected population and covered benefits; and

- The projected index rate is neither excessive nor deficient.
- The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

I further certify the following statements:

- The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates;
- The final 2025 AV Calculator, as released on April 2, 2024, was used to calculate the AV Metal Values reflected in Worksheet 2 of the Part 1 URRT for all plans;
- The premium rates are not excessive, inadequate, or unfairly discriminatory; and
- The filing was prepared in good faith and based upon all Actuarial Standards of Practice as defined by the Actuarial Standards Board.

Please note that I hereby qualify this opinion that the Part 1 URRT does not demonstrate the entire process used to develop the premium rates. The Part 1 URRT reflects information required by Federal regulation to be provided in support of the subsequent review of rate increases.

The results are actuarial projections. Actual experience is likely to differ from these projections for a number of reasons, including population changes, claims experience, and random deviations from assumptions. It is certain that actual experience will not conform exactly to all of the assumptions underlying the analysis.

At a minimum, the following Actuarial Standards of Practice (“ASOPs”) are applicable:

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Plan Entities*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property Casualty Coverages*
- ASOP No. 26, *Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*

