

SERFF Tracking #:

QUAC-132014943

State Tracking #:

ACA ON/OFF EXCHANGE

Company Tracking #:

State:

Arkansas

Filing Company:

QualChoice Life and Health Insurance Company, Inc.

TOI/Sub-TOI:

H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)

Product Name:

2020 QCLHIC Individual Metal Rates

Project Name/Number:

/

### Rate Information

Rate data applies to filing.

Filing Method:

Review & Approval

Rate Change Type:

Increase

Overall Percentage of Last Rate Revision:

1.060%

Effective Date of Last Rate Revision:

01/01/2019

Filing Method of Last Filing:

Review & Approval

SERFF Tracking Number of Last Filing:

QUAC-131590480

### Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
QualChoice Life and Health Insurance Company, Inc.	Increase	0.512%	0.512%	\$505,621	18,314	\$98,690,259	5.559%	-1.481%

State: Arkansas

Filing Company: QualChoice Life and Health Insurance Company, Inc.

TOI/Sub-TOI: H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)

Product Name: 2020 QCLHIC Individual Metal Rates

Project Name/Number: /

## Rate Review Detail

### COMPANY:

Company Name: QualChoice Life and Health Insurance Company, Inc.  
 HHS Issuer Id: 37903

### PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
QC Life & Health PPO	37903AR007	37903-1533231187571648518	18401

Trend Factors:

### FORMS:

New Policy Forms: 62141AR008.QCLHIC  
 Affected Forms:  
 Other Affected Forms:

### REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual  
 Member Months: 219,154  
 Benefit Change: None  
 Percent Change Requested: Min: -1.481 Max: 5.559 Avg: 0.512

### PRIOR RATE:

Total Earned Premium: 95,411,917.93  
 Total Incurred Claims: 72,580,937.77  
 Annual \$: Min: 2,835.24 Max: 15,981.48 Avg: 5,385.00

### REQUESTED RATE:

Projected Earned Premium: 173,364,906.76  
 Projected Incurred Claims: 128,406,279.97  
 Annual \$: Min: 2,974.68 Max: 16,434.96 Avg: 5,792.51

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State Tracking #:

ACA ON/OFF EXCHANGE

Company Tracking #:

State:

Arkansas

Filing Company:

QualChoice Life and Health Insurance Company, Inc.

TOI/Sub-TOI:

H161 Individual Health - Major Medical/H161.005A Individual - Preferred Provider (PPO)

Product Name:

2020 QCLHIC Individual Metal Rates

Project Name/Number:

/

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Redacted Actuarial Memorandum for Public Disclosure
<b>Comments:</b>	
<b>Attachment(s):</b>	37903_20190719_2020_AR_Indiv_AM_Final_Redacted.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Arkansas Plain Language Summary
<b>Comments:</b>	
<b>Attachment(s):</b>	AR-Specific Plain_Language_Summary_2020_37903.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

**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: Individual  
Effective Date: January 1, 2020 to December 31, 2020  
Form Numbers: 62141AR008.QCLHIC

Company Contact Information

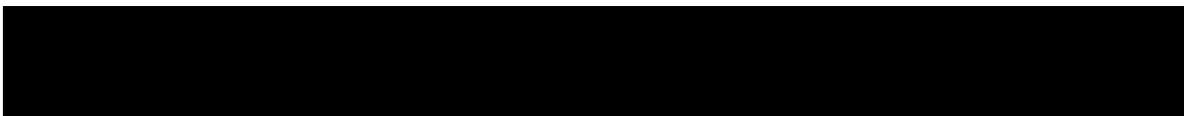
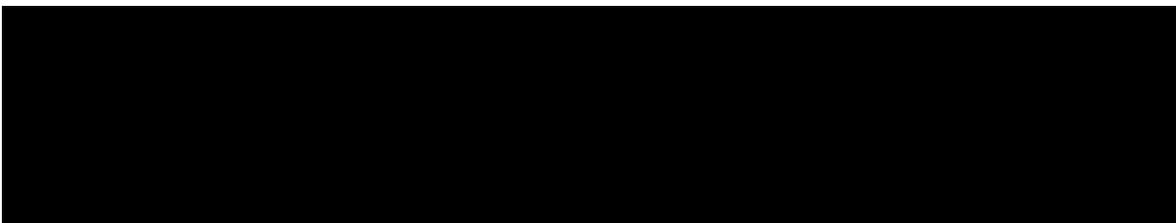
Contact Name:  
Telephone Number:  
Email:



**1. PROPOSED RATE INCREASES**

Reasons for Rate Increases

In order to maintain both stability and sustainability, both QCA Health Plan, Inc. and QualChoice Life and Health Insurance Company, Inc. ("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.



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

- [Redacted]
- [Redacted]

- [REDACTED]

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:

- [REDACTED]

## 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, 2018 and December 31, 2018, with run-out and incurred but not reported (“IBNR”) claim calculations as of June 25, 2019.

Calendar Year 2018 experience for those members who enrolled in a metallic plan is reflected in the Experience section of the Unified Rate Review Template (“URRT”). While emerging experience was reviewed for projection purposes, no 2019 data is shown in the URRT.

#### Paid Through Date

The experience period paid through date is June 25, 2019.

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

The premiums reflected on Worksheet 1 of the URRT are consistent with the 2018 financials.

[REDACTED]

#### 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 during 2018 and paid as of June 25, 2019.

[REDACTED]

[REDACTED]

The following table illustrates the summarized claim data for 2018:

[REDACTED]

### 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 2018 experience, projection factors are necessary to properly account for the anticipated risk of the 2020 projection period. Please note that given the regulatory uncertainty 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

[REDACTED]

[Redacted]

[Redacted]

Changes in Benefits

[Redacted]

Changes in Demographics

[Redacted]

[Redacted]

[Redacted]

Other Adjustments

[Redacted]

Trend Factors (Cost/Utilization)

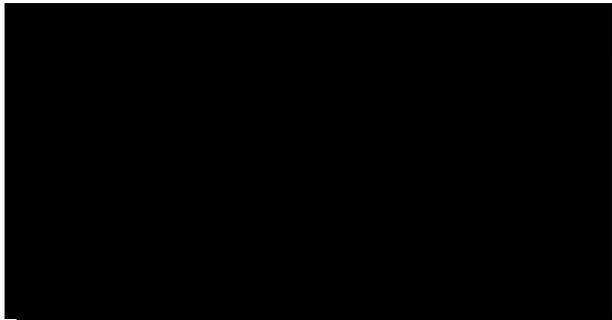
*Unit Cost/Utilization Trend Factors*

[Redacted]

[Redacted]

[Redacted]

[Redacted]



**5. CREDIBILITY MANUAL RATE DEVELOPMENT**

The projected experience of Celtic Insurance Company’s individual exchange membership in Arkansas was used as the manual for QualChoice’s rate development.

Source and Appropriateness of Data Used

On or before January 1, 2020, [REDACTED]

[REDACTED]

[REDACTED]

Therefore, there was no concern about significant differences in risk pool composition between entities.

The projection that serves as the baseline for this manual (before the changes described below) is identical to that filed for [REDACTED].

The manual rate’s base period is January 1, 2018 to December 31, 2018.

Adjustments Made to the Data

[REDACTED]

**6. CREDIBILITY OF EXPERIENCE**

[REDACTED] Also, there is no significant expectation

of systemic differences between the projected experience of the entities except those heretofore described.

[REDACTED]

## 7. PAID TO ALLOWED RATIO

QualChoice has relied on the plan pricing factors provided by Celtic Insurance Company that align with its portfolio of plans. [REDACTED]

[REDACTED]

## 8. RISK ADJUSTMENT AND REINSURANCE

For 2018, the State of Arkansas' single risk pool includes a wide spectrum of populations. The populations included in the single risk pool are:

- Arkansas Works Program (formerly known as, Private Option)
- State-based Marketplace (i.e., "On Exchange")
- Commercial members in metallic plans outside of the Marketplace (i.e., "Off Exchange")

[REDACTED]

Understanding the potential volatility of the 2019 projection, and that the results for 2018 may not reflect the 2020 risk pool appropriately, QualChoice projects a [REDACTED] per member per month for 2020.

[REDACTED]

## 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:

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

Profit (or Contribution to Surplus) & Risk Margin

[REDACTED]

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.

[REDACTED]

[REDACTED]

**PROJECTED LOSS RATIO**

The 2020 loss ratio is projected to be [REDACTED], per the ACA definition.

**APPLICATION OF MARKET REFORM RATING RULES**

**10. SINGLE RISK POOL**

The single risk pool for the experience period reflects all covered lives for all individual metallic, and Arkansas Works policies.

The single risk pool for the projection period reflects all covered lives for all individual, non-grandfathered metallic and Arkansas Works members. The single risk pool for the projection period excludes grandfathered individual plans, transitional policies, and temporary insurance coverage.

## 11. 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.

As reflected in Worksheet 1 of the URRT, the Index Rate for the [REDACTED] per member per month. The projected Index Rate is the result of adjusting the projected manual EHB allowed claims for those enrollment differences previously described.

### MARKET ADJUSTED INDEX RATE

The Market Adjusted Index Rate was derived from the Index Rate with recognition of risk adjustment and the marketplace user fee allocation.

[REDACTED]	[REDACTED]

### 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 are based on those provided by Celtic Insurance Company, and not the CCIIO Actuarial Value Calculator.

The Plan Adjusted Index Rate was adjusted to reflect consideration for administrative expense, taxes and fees, and margin.

[REDACTED]
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CALIBRATION

*Age Curve Calibration*

[REDACTED]

The average age is based on the distribution of members reflected in the manual rate, as previously discussed, and the standard federal age slope. The calculation of the average age and age curve calibration is compliant with the rating rules, as defined by 45 CFR §147.102.

*Geographic Factor Calibration*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

*Tobacco Calibration*

[REDACTED]

CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

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

For an illustrative example of a premium calculation for a 21 year old member, please refer to Attachment 1.

## **12. AV METAL VALUES**

The Actuarial Value (“AV”) for metallic validation, as required by 45 CFR Part 156, §156.135 was produced by the official CCIIO AV Calculator.

No adjustments were made to the CCIIO AV Calculator to determine the final metallic level.

## **13. AV PRICING VALUES**



## **14. MEMBERSHIP PROJECTIONS**

The 2020 enrollment projection is based on Celtic management’s expectations of future retention and growth.



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

Please refer to Appendix 2 for a complete listing of terminated plans.

## **16. PLAN TYPE**

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

## **17. WARNING ALERTS**

There are no warnings with respect to the URRT.

## **MISCELLANEOUS INSTRUCTIONS**

## 18. RELIANCE

The certifying actuary relied on elements of Celtic Insurance Company's 2020 Arkansas Individual filing including projection period claims, geographic factors, and plan rating factors. In addition, the actuary relied on data and information provided by QualChoice on its own population for the purposes of developing this rate filing.

## 19. ACTUARIAL CERTIFICATION

I, [REDACTED] am a Fellow 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;
- The projected index rate is neither excessive nor deficient;
- The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates;
- The percent of total premium that represents Essential Health Benefits included on Worksheet 2, Sections III and IV, of the URRT was calculated in accordance of applicable Actuarial Standards of Practice;
- The final 2020 AV Calculator, as released on March 19, 2019, was used to calculate the AV Metal Values reflected in Worksheet 2 of the Part 1 URRT for all plans;
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area; and
- The filing was prepared in good faith and based upon all Actuarial Standards of Practice as defined by the Actuarial Standards Board.

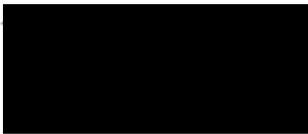
The Part I Unified Rate Review Template does not demonstrate the process used to develop the rates. Rather, it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for state based marketplaces and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

The 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.

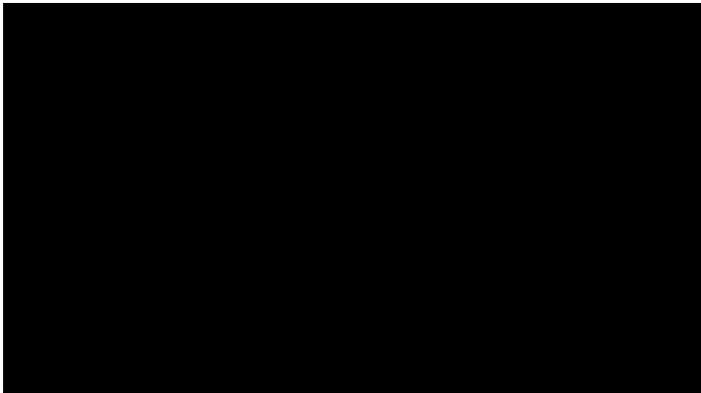
At a minimum, the following Actuarial Standards of Practice (“ASOPs”) are applicable:

- 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*

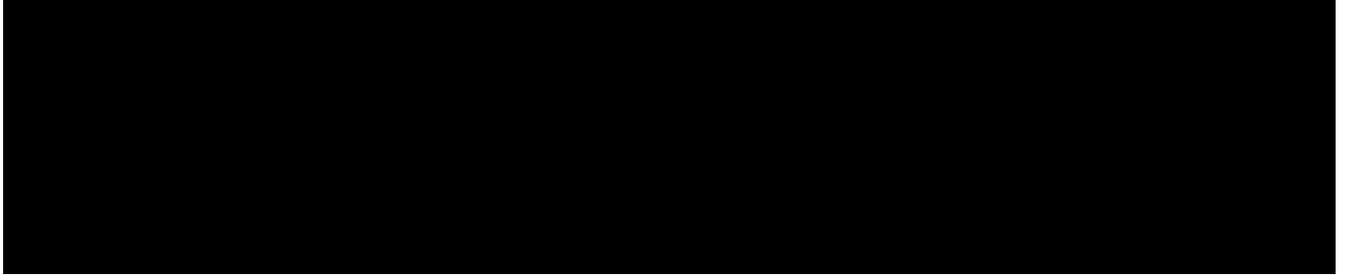


Actuary  
Celtic Insurance Company

**Appendix 1: Illustrative Premium of 21 Year Old in Central Region Ambetter Balanced Care 7 (2020)  
(QualChoice)**



## Appendix 2: Terminated Plans



## 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.

Name of Company      QualChoice Life and Health Insurance Company,

SERFF tracking number      QUAC-132014943

Submission Date      7/19/2019

Product Name      2020 QCLHIC Individual Metal Rates

Market Type       Individual       Small Group

Rate Filing Type       Rate Increase       New Filing

### Scope and Range of the Increase:

The .51 % 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;

Changes in Taxes and Fees - the rate increase requested takes into consideration the decrease in the Federal Exchange User Fee from 3.0% to 2.5% and the elimination of the Arkansas Health Insurance Marketplace (AHIM) Exchange User Fee of 1.25% beginning January 1, 2020; and

This filing will impact:

# of Arkansas policyholder's 18,314      # of Arkansas covered lives 18,401

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 .51 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved -1.5 %
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 5.6 %

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

Age, Region

### Financial Experience of Product

The overall financial experience of the product includes:

A historical review of 2018 financials and emerging 2019 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* – 7.6 % of the .51 % 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 4.1 % of the .51 % 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 3.5 % of the .51 % total filed increase.

*Other Increases* – -7.0% of the .51 % 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 .51 % 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 .51 % 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 1.6 % of the .51 % 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 % of the .51 % total filed increase.

5. Other – Defined as:

Changes to provider contracts, demographics, morbidity, and risk adjustment.

This component is -8.6% of the .51 % total filed increase.