

State:	Pennsylvania	Filing Company:	Pennsylvania Health & Wellness, Inc.
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	Ambetter from PA Health & Wellness		
Project Name/Number:	/		

Supporting Document Schedules

Satisfied - Item:	ACA Public Rate Filing PDF
Comments:	
Attachment(s):	2019_PA_Health_and_Wellness_Inc_Public_Rate_Filing_PDF_20180716.pdf
Item Status:	
Status Date:	

July 13, 2018

Pennsylvania Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

Re: Actuarial Memorandum – Pennsylvania – Pennsylvania Health & Wellness, Inc. – Individual Rate Filing, Effective January 1, 2019

Ms. Altman,

This filing includes Pennsylvania Health & Wellness, Inc. (PHW)'s Individual Market rates and supporting documentation for rates effective January 1, 2019.

Below you may find the requested company information, in response to the guidance sent to PHW on February 26, 2018.

Requested Company Information

1. Company Name & NAIC number: **Pennsylvania Health & Wellness, Inc.; NAIC #16041**
2. Market (Individual or Small Group): **Individual**
3. On or Off Exchange: **On Exchange**
4. Effective date of coverage: **January 1, 2019**
5. Average rate change requested: **N/A**
6. Range of rate change requested: **N/A**
7. Total additional annual revenue generated from the proposed rate change: **\$43,793,959; Note that this is an initial filing, so this value represents total projected revenue.**
8. Product(s) (Indemnity, HMO, POS (HMOs only), PPO, or EPO): **HMO**
9. Rating Areas and any changes from 2018: **Rating Area 8; This is a new filing so there are no changes from 2018.**
10. Metal Levels and Catastrophic Plans: **Gold, Silver, Bronze**
11. Current number of covered lives and of policyholders as of February 1, 2018 as shown in Cell V15 of Table 10: **0**
12. Number of plans offered in 2019 and the change this represents from 2018: **There are 5 plans offered in 2019. This is a new filing. There were no plans offered in 2018.**

13. Corresponding contract form number, SERFF and Binder ID numbers: **Form: CECO-131500543; SERFF: CECO-131500564; Binder: CECO-PA19-125082675**
14. HIOS Issuer ID number and submission tracking number: **HIOS Issuer ID number: 86199; Submission tracking number: 86199-1230340883195423771**

Rate Change Summary

Pennsylvania Health & Wellness, Inc. – Individual Plans

Rate request filing ID # CECO-131500564 - This document is prepared by the insurance company submitting the rate filing as a consumer tool to help explain the rate filing. It is not intended to describe or include all factors or information considered in the review process. For more information, see the filing at

<http://www.insurance.pa.gov/Consumers/ACARelatedFilings/>

Overview

Initial requested average rate change:	N/A ¹
Revised requested average rate change:	N/A ¹
Range of requested rate change:	N/A
Effective date:	January 1, 2019
People impacted:	6,511 (Projected 2019)
Available in:	Rating Area 8

Key information

Jan. 2017-Dec. 2017 financial experience

Premiums	N/A
Claims	N/A
Administrative expenses	N/A
Taxes & fees	N/A
Company made (after taxes)	N/A

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2019:

Claims:	81.3%
Administrative:	8.6 %
Taxes & fees:	6.2 %
Profit:	3.9 %

The company expects its annual medical costs to increase **N/A**.

Explanation of requested rate change

This is a new filing. Therefore, there is no rate change to report. Rate change values and financial experience have been populated with N/A.

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

Completeness and Redaction Justification Checklist

Issuer Name: Pennsylvania Health & Wellness, Inc.

Market: Individual

SERFF ID: CECO-131500564

TOC #	Description	Completed (Mark with "X")	Redaction Justification		
			Redacted (Y/N)	Page # in Public PDF	Justification submitted (Y/NA)
Federal Documents Required to Be Filed with PID					
A.2.	RFJ Part I - Unified Rate Review Template	X	Y	46; 56; 58; 76-77; 79; 87; 99; 103; 106	Y
	RFJ Part II – Consumer Friendly Justification	X			
	RFJ Part III – Actuarial Memorandum	X			
	Federal Rates Template	X			
Summary Documents/Confirmation of HIOS & SERFF Submissions					
A.2.B.	HIOS Submission	X			
A.2.C.	SERFF Submission	X			
A.2.D.	SERFF Rate/Rule Schedule Tab	X			
B.	Cover Letter & PA Bulletin Information	X			
C.	Rate Change Request Summary	X			
PA Actuarial Memorandum and Rate Exhibits					
D.1.A.	Company Information	X	N		
D.1.B.	Rate History & Proposed Variation in Rate Changes	X	N		
D.1.C.	Average Rate Change	X	N		
D.1.D.	Membership Count	X	N		
	PA Act. Exhibits Table 1	X	N		
D.1.E.	Benefit Changes	X	N		
D.1.F.	Experience Period Claims & Premium	X	N		
	PA Act. Exhibits Table 2	X	N		
D.1.G.	Credibility of Data	X	N		
	PA Act. Exhibits Tables 2b, 3b, 4b (if applicable)	X	N		
D.1.H.	Trend Identification	X	N		
	PA Act. Exhibits Table 3	X	N		
D.1.I.	Historical Experience	X	N		
	PA Act. Exhibits Table 4	X	N		
D.2.A.	Development of PAIR, MAIR and Total Allowed Claims	X	Y	11-13	Y
	PA Act. Exhibits Table 5	X	N		
D.2.B.	Retention Items	X	Y	17	Y
	PA Act. Exhibits Table 6	X	N		
D.2.C.	Normalized Market-Adjusted Projected Allowed Total Claims	X	N		
	PA Act. Exhibits Table 7	X	N		
D.2.D.	Components of Rate Change	X	N		
	PA Act. Exhibits Table 8	X	N		
	PA Act. Exhibits Table 9	X	N		
D.3.	Plan Rate Development	X	N		
	PA Act. Exhibits Table 10	X	N		
D.4.	Plan Premium Development for 21-Year-Old Non-Tobacco User	X	N		
	PA Act. Exhibits Table 11	X	N		
D.5.A.	Age and Tobacco Factors	X	N		
	PA Act. Exhibits Table 12	X	N		
D.5.B.	Geographic Factors	X	N		
	PA Act. Exhibits Table 13	X	N		
D.5.C.	Network Factors	X	N		
	PA Act. Exhibits Table 14	X	N		
D.5.D.	Service Area Composition	X	N		
D.5.E.	Composite Rating	X	N		
D.6.	Actuarial Certifications	X	Y	22; 24	Y
Additional Exhibits					
E.	Department Plan Design Summary & Rate Tables	X	N		
	Service Area Map	X	N		
Redaction Justification (must be submitted if any information is redacted)		X			Y

REDACTION JUSTIFICATION

The following is a list of items that will be redacted from Pennsylvania Health and Wellness, Inc.'s rate filing, in accordance with the 2019 ACA-Compliant Health Insurance Rate Filing Guidance, released by the Pennsylvania Insurance Department on March 13, 2018.

Pennsylvania Actuarial Memorandum

- Projected Risk Adjustment Transfers (pages 11, 13) *[Statements specifying a company's anticipated risk level in relation to the state average risk level]*
- State average premium assumption (page 12) *[Statements specifying a company's anticipated risk level in relation to the state average risk level]*
- Information on broker commissions (page 17) *[Commission schedules]*
- Name of opining actuary (pages 22, 24) *[Opining actuary's name]*

Part III – Federal Actuarial Memorandum

- Company Contact Information (pages 46, 76, 106) *[Opining actuary's name]*
 - Name, Telephone Number, and Email Address
- Projected Risk Adjustment Transfers (pages 56, 58, 87) *[Statements specifying a company's anticipated risk level in relation to the state average risk level]*
- State average premium assumption (page 56) *[Statements specifying a company's anticipated risk level in relation to the state average risk level]*
- Name of opining actuary (pages 77, 79) *[Opining actuary's name]*
- AV Calculator Screenshots (page 99) *[AV Screenshots]*
- Sample Producer Agreement (page 103) *[Specific provider contracting information]*

Pennsylvania Actuarial Memorandum
[Redacted]
Pennsylvania Health and Wellness, Inc.
Annual Individual Health Rate Filing

Effective January 1, 2019

Forms: 86199PA001

TABLE OF CONTENTS

1.	BASIC INFORMATION AND DATA	3
2.	RATE DEVELOPMENT AND CHANGE	6
3.	PLAN RATE DEVELOPMENT	14
4.	PLAN PREMIUM DEVELOPMENT FOR 21-YEAR OLD NON-TOBACCO USER	15
5.	PLAN FACTORS	16
6.	ACTUARIAL CERTIFICATION	17

1. Basic Information and Data

a. Company Information

Please see Table 0, “Identifying Information” for the requested company identifying information.

b. Rate History and Proposed Variation in Rate Changes

Not applicable. This is a new filing, thus there is no rate history or rate changes.

c. Average Rate Change

Not applicable. This is a new filing, thus there are no rate changes.

d. Membership Count

Please see Table 1, “Number of Members” for the average age, age breakdown, and total number of members for the projection period. Note that this is a new filing, so there is no experience period or current membership to report.

e. Benefit Changes

Not applicable. This is a new filing.

f. Experience Period Claims and Premiums

Pennsylvania Health & Wellness, Inc. (PHW) does not have 2017 experience, as this is a new filing. Table 2, “Experience Period Claims and Premiums” has been intentionally left blank.

g. Credibility of Data

PHW does not have 2017 experience, as this is a new filing. The rates in the filing are fully based on manual data.

Manual Experience Basis

The manual rate development is based on the Milliman Managed Care Rating Model (MCRM) and the companion Milliman *Health Cost Guidelines* (HCGs), and consideration of relevant QHP experience in other states. The MCRM includes several adjustments from the HCGs to be consistent with and appropriate for the expected individual population that will be enrolled, including morbidity, geographic area utilization relativities, expected provider reimbursement, and utilization management programs.

The HCGs provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience, and establish interrelationships between different health coverage levels.

The Milliman HCGs are developed as a result of Milliman's continuing research on health care costs. They were first developed in 1954 and have been updated and expanded annually since then. These guidelines are continually monitored as we use them in measuring the experience or evaluating the rates of our clients and as we compare them to other data sources.

The HCGs are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research, and judgment. An extensive amount of data is used in developing these guidelines including published and unpublished data. In most instances, cost assumptions are based on our evaluation of several data sources and, therefore, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

Market-wide rates were developed based on the adjusted MCRM (see "Adjustments Made to the Data" below for more detail on these adjustments). We used the HCGs to estimate the value of cost-sharing and relative utilization of services for each plan and to inform rating factors.

Manual Morbidity Basis

Composite morbidity factors are used to adjust the Milliman Managed Care Rating Model (MCRM) from the large employer group basis of the HCGs to the projected morbidity of PHW's membership in 2019.

The morbidity for PHW's 2019 membership is assumed to equal the projected morbidity for the Pennsylvania single risk pool times the morbidity of PHW's membership relative to the single risk pool.

We estimated historical single risk pool morbidity by comparing historical risk adjustment results for the Pennsylvania individual market versus the employer group population underlying the HCGs, controlling for risk score differences attributable to non-morbidity factors (e.g. demographics and plan mix). We then projected this historical morbidity snapshot forward to account for risk pool deterioration in reaction to the elimination of the individual mandate.

The relative morbidity assumption used for projecting claims reflects PHW's expectations regarding the morbidity of its 2019 membership relative to the single risk pool, and is consistent with the relative morbidity assumption used to estimate PHW's risk transfer payment/receivable.

Adjustments Made to the Data:

The following adjustments were made to calibrate the pricing model to the expected population:

- Rating region
- Expected demographics
- Expected morbidity
- Cost trend and provider reimbursement
- Expected utilization management savings
- Utilization trend
- Consideration of relevant QHP experience
- Benefit plan designs and expected cost-sharing

The adjustments, which are discussed above, are appropriate and necessary to reflect the anticipated population, region, provider network, and benefits anticipated for the 2019 single risk pool.

Table 2b, “Manual Experience Period Claims and Premiums” has been populated with aggregate values based on the manual data used in the rate calculation, before projection factors from 2017 to 2019 were applied. Table 3b, “Manual Trend Components” shows the adjustments made to the manual data. Table 4b, “Historical Manual Experience” has been populated with the manual data used in the rate calculation.

Manual trends were set based on a review of Milliman’s *Health Cost Guidelines* trend ranges, PBM drug trends, other relevant sources, and PHW’s risk tolerance. Therefore there is no monthly manual experience data to display in Table 4b, “Historical Manual Experience”. The values shown there are for illustrative purposes only.

h. Trend Identification

This filing is fully based on manual data, and thus has no experience to trend forward. Table 3 “Trend Components” has been intentionally left blank.

i. Historical Experience

PHW does not have 2017 experience, as this is a new filing. Table 4, “Historical Experience” has been intentionally left blank.

2. Rate Development and Change

a. Development of Projected Index Rate, Market-Adjusted Index Rate, and Total Allowed Claims

Please see Table 5 for the development of the Projected Index Rate. Appendix 24.1 shows the development of the single risk pool adjustment factors.

Total Allowed Claims

Section 1g describes the process for how the Projected Total Allowed Claims were developed.

Projected Risk Adjustments PMPM:

The Projected Risk Adjustment Transfer PMPM [REDACTED] is shown on Worksheet 1, Section III. This amount is net of the 2019 Risk Adjustment User Fee of \$0.15 PMPM (0.02% of premium). Appendix 14.1 shows how the anticipated risk adjustment transfer revenue is applied to the Index Rate in the development of the Market Adjusted Index Rate. Appendix 9.1 shows quantitative support for PHW's projected 2019 risk adjustment liability.

The risk adjustment transfer calculations are based on the risk adjustment transfer formula, as provided in the Federal Register Volume 78 Number 47, and displayed below.

$$T_i = \left[\frac{PLRS_i \times IDF_i \times GCF_i}{\sum_i (s_i \times PLRS_i \times IDF_i \times GCF_i)} - \frac{AV_i \times ARF_i \times IDF_i \times GCF_i}{\sum_i (s_i \times AV_i \times ARF_i \times IDF_i \times GCF_i)} \right] \bar{P}_s$$

Where:

\bar{P}_s = state average premium;

$PLRS_i$ = plan i 's plan liability risk score;

AV_i = plan i 's metal level AV;

ARF_i = plan i 's allowable rating factor;

IDF_i = plan i 's induced demand factor;

GCF_i = plan i 's geographic cost factor;

s_i = plan i 's share of state enrollment as measured in member months;

and the denominator is summed across all plans in the risk pool in the market in the state.

We project the portfolio average for each factor in the risk adjustment transfer formula using a combination of (i) the state's actual historical risk adjustment factors adjusted to the projected population and (ii) adjustments for market and risk adjustment program changes. The resulting aggregate payment or receivable is then proportionally allocated to all plans in the portfolio.

For the purpose of our modeling, each of these factors was approximated as follows.

\bar{P} : The state average premium was assumed to be approximately [REDACTED] (net of the 14% administrative cost carve out).

PLRS: The statewide average risk score is projected based on the average PLRS of the single risk pool in 2016, as reported by the U.S. Department of Health and Human Services (HHS), adjusted for projected changes in the demographics, morbidity, and plan mix of the single risk pool from 2016 to 2019.

The average risk score for PHW's membership is projected by adjusting the projected single risk pool average risk score for risk score differences associated with demographic, plan mix, and morbidity differences between the two populations.

HHS's proposed HCC model and coefficient changes for 2018 and 2019 (including partial year adjustment factors, prescription drug condition categories, and model recalibration) were considered in the development of the projected risk adjustment transfer. The demographic, plan mix, and morbidity assumptions supporting the projected statewide and PHW risk score projections are consistent with the demographic, plan mix, and morbidity assumptions used to project claims costs.

IDF: The statewide average IDF is projected based on the average IDF of the single risk pool in 2016, as reported by HHS.

The average IDF for PHW is projected by applying the induced demand factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 11 to PHW's projected population. The formula recognizes the following IDF factors by metallic tier: Bronze 1.00, Silver 1.03, Gold 1.08 and Platinum 1.15.

AV: The statewide average actuarial value (AV) is projected based on the average metal level AV of the single risk pool in 2016, as reported by HHS.

The average AV for PHW is projected by applying the metal level AV factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 9 to PHW's projected population. The formula recognizes the following AV values by metallic tier: Bronze 0.60, Silver 0.70, Gold 0.80, and Platinum 0.90.

ARF: As stated in the March 11, 2013 Federal Register, page 15433, the allowable rating factor (ARF) adjustment accounts only for age rating.

The statewide average ARF is projected based on the average ARF of the single risk pool in 2016, as reported by HHS, adjusted for projected changes in the demographics of the single risk pool from 2016 to 2019.

The average ARF for PHW is projected by applying the proposed 2019 HHS age rating factors to PHW's projected population. An equal distribution across ages within each age band was assumed.

GCF: The average GCF for PHW relative to the statewide average was modeled based on historical GCFs by rating area, any anticipated changes in these GCFs over time, and PHW's projected enrollment by rating area.

Based on the 2019 Notice of Benefit and Payment Parameters (NBPP), we have also modeled a net risk adjustment transfer for 2019 attributable to the high cost risk pooling program. We modeled this as the combination of a receivable, based on the attachment point and coinsurance (as outlined in the 2019 NBPP), and an assessment, based as a percentage of premium.

Outliers were reflected in our calculations to the extent that outliers are reflected in historical risk scores used as the starting point of the 2019 risk transfer projection and via the calculation of the net High Risk Pool receivable or payment. Otherwise, there were no "potential outlier assumptions" that would have an impact on transfers.

The risk adjustment transfer amounts [REDACTED] shown on Worksheet 1 of the URRT are the actual PMPM amounts expected in the projection period. The risk adjustment transfer amount applied to the Index Rate in the development of the Market Adjusted Index Rate is on an allowed claims basis, as the Index Rate is on an allowed claims basis.

The demographic, plan mix, and morbidity assumptions supporting the risk transfer projection are consistent with the demographic, plan mix, and morbidity assumptions used to project claims costs.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market and Combined Markets Only):

The Federal Transitional Reinsurance Program ended with the 2016 benefit year. This field has been populated with "0" in the URRT for the 2019 plan year.

Projected Index Rate

PHW did not offer products in 2017, so the Index Rate for the Experience Period does not apply.

The Index Rate for the Projection Period (\$464.95) (calendar year 2019) is reflected in Worksheet 1, Section III of the URRT. It was developed following the specifications of 45 CFR part 156.80(d)(1). The Index Rate for the Projection Period represents the estimated total combined projected allowed claims PMPM for Essential Health Benefits (EHB) for calendar year 2019 and has not been adjusted for payments and charges under the risk adjustment program or for Exchange user fees. There is no difference between the total allowed claims PMPM and the Index Rate, as the benefits are 100% EHB. Pediatric dental is excluded in the benefit package since this will be offered through a stand-alone plan on the Exchange. The Index Rate for the Projection Period was calculated based on the methodology discussed in Section 1g above and does not include benefits in excess of the EHBs. The Index Rate for the Projection Period will remain unchanged until a renewal filing effective January 1, 2020.

The development of the Index Rate for the Projection Period is shown in Worksheet 1, Section II. This reflects:

- The 12-month projection period shown in Worksheet 1, Section II
- The anticipated claim level of the projection period with respect to trend, benefits, and demographics
- The experience of all policies expected to be in the single risk pool (with necessary adjustments)

Appendix 13.1 demonstrates the calculation of the Projected Index Rate by blending the Experience Period Index Rate with the Credibility Manual Index Rate, as applicable.

Market-Adjusted Index Rate

The Index Rate for the Projection Period is adjusted to arrive at the Market Adjusted Index Rate (\$646.75) based on the following, as outlined in 45 CFR 156.80(d):

- Adjustment for the Risk Adjustment Program
- Exchange user fee adjustment

The risk adjustment estimation process is described above. Since the Index Rate is on an allowed claims basis, the market-level adjustments are done on an allowed basis.

The net Exchange user fee adjustment applied to premium rates is 3.50% of premium. This is based on weighting the expected distribution of issuer enrollment sold through

the Exchange and sold outside of the Exchange. Per the 2019 final benefit and payment parameters, the Exchange user fee is 3.50% of premium for members purchasing coverage via the Exchange, and there is no Exchange fee for members enrolling in coverage outside of the Exchange. We assumed 100% of members would enroll through the Exchange and 0% would enroll outside of the Exchange. On Appendix 14.1, the user fee is shown on an allowed basis as a multiplicative factor, and this factor is 1.043.

No adjustment was made for reinsurance. The Federal Transitional Reinsurance Program ended in 2016 and will not be in effect during 2019.

Similar to the Index Rate, the Market Adjusted Index Rate reflects the area and demographic characteristics of the single risk pool. The Market Adjusted Index Rate is not calibrated.

Appendix 14.1 shows the development of the Market Adjusted Index Rate. Appendix 14.2 provides additional support for the development of the net risk adjustment transfer and exchange user fee factors shown on Appendix 14.1.

Plan-Adjusted Index Rate

The Plan Adjusted Index Rate (\$640.54) is included in Worksheet 2, Section IV of the URRT. The Plan Adjusted Index Rate is the Market Adjusted Index Rate adjusted for only the following allowable adjustments, where applicable, as outlined in 45 CFR 156.80(d):

- The actuarial value and cost-sharing design of the plan
 - The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
 - The actuarial value and cost-sharing pricing adjustment was developed using the Milliman Managed Care Rating Model (MCRM), calibrated to the expected population as described above. Relativities between plans are based on the differences in cost and utilization for varying levels of cost-sharing. This adjustment does not reflect differences due to health status. When projecting plan rating factors, the pricing model assumes the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.
 - The actuarial and cost-sharing pricing adjustment reflects full plan liability for CSR subsidies. CSR costs are reflected as a uniform percentage load applied to each silver ACA-compliant plan (both those sold through the Exchange and those sold outside of the Exchange).

- The plan's provider network, delivery system characteristics, and utilization management adjustment practices.
 - Not applicable. All plans have the same provider network.
- Benefits provided under the plan that are in addition to the EHBs.
 - There are no non-EHBs for this rate filing.
- Administrative costs, excluding the Exchange user fees (which are already accounted for in the Market Adjusted Index Rate).
 - The administrative costs (\$55.24) are discussed further in Section 2b.
 - The development of the administrative costs excluding exchange user fees factor is shown in Appendix 15.2.

There are no catastrophic plans being offered, so there is no eligibility adjustment made for catastrophic plan enrollment.

Administrative costs and other benefits (non-EHB) common to all plans are added to the Market Adjusted Index Rate. Then, factors for actuarial value and cost-sharing and non-EHBs by plan are applied to reach the Plan Adjusted Index Rate for each plan.

The development and values of the Plan Adjusted Index Rates are shown in Appendix 15.1.

The Plan Adjusted Index Rate reflects the average demographic characteristics of the single risk pool and is not calibrated.

On Worksheet 2, Section III, the Plan Adjusted Index Rate of the Experience Period is set to zero as there is no reported experience.

Inclusion of Capitation Payments

Capitated payments for services are accounted for through a PMPM allocation to claims, where the average capitation amount replaces the projected claims amount.

b. Retention Items

Please see Table 6, "Retention" for the retention items. Combined with margin and contingency from Table 10, "Plan Rates", this represents the total administrative expenses and taxes and fees. Profit, margin, and administrative expenses do not vary by plan.

Administrative Expense Load:

The administrative expense load (\$49.66; 7.75% of Premium) was provided by PHW. This allowance is based on the projected enrollment and is estimated to appropriately cover expenses for overhead, operations, sales, and marketing expenses.

There is an additional amount to cover approved quality improvement expenses (\$3.58) and provider incentive payments (\$2.00).

The administrative expenses are allocated proportionally by plan on a constant percentage of premium basis.

Profit (or Contribution to Surplus) & Risk Margin:

This load (\$25.03; 3.91% of Premium) was applied proportionally to all products and plans and can be found in Appendix 10.1.

Taxes and Fees:

The taxes and fees (\$39.62) which may be subtracted from premiums for purposes of calculating the MLR are listed in Appendix 10.1.

The Risk Adjustment User Fee (\$0.15) is netted out of the risk adjustment transfer amount. This value is not included as part of Taxes and Fees on Worksheet 1, Section III of the URRT.

See above for discussion on how the Exchange user fee is calculated and applied to the Market Adjusted Index Rate.

Note that the taxes and fees (\$17.20; 2.69% of Premium) shown in Table 6 account for only PCORI fees (\$0.00), the PA Premium Tax and State Income Tax (\$10.48), and Federal Income Tax (\$6.73), all of which can be found in Appendix 10.1.

Broker Commissions:

A sample producer agreement has been included in Appendix 24.2.

Loss Ratio:

The projected medical loss ratio (MLR) as prescribed by 45 CFR 158 is 87.6%. The projected MLR reflects the projection year single risk pool experience, rather than the three-year combined period that is used for determining MLR rebates. There was no credibility adjustment applied to the projected MLR. Including a credibility adjustment would only increase the projected MLR, which already satisfies the MLR requirement. See Appendix 11.1 for the calculation for the projected federal medical loss ratio.

c. Normalized Market-Adjusted Projected Allowed Total Claims

Normalization factors are shown in Table 7, “Normalized Market-Adjusted Projected Allowed Total Claims”. Rates were normalized for age, geography, tobacco usage, and benefit richness.

The development of the average age factor (1.731) may be found in Appendix 16.2.

The development of the average geography factor (1.000) may be found in Appendix 16.3.

The development of the average tobacco usage factor (1.004) may be found in Appendix 16.4.

The development of the average benefit richness factor (1.007) may be found in Appendix 24.3.

PHW operates in a single network. There are no network differences, and thus the network factor is 1.000.

Since this filing is new in 2019, factors for 2018 were intentionally left blank.

d. Components of Rate Change

Since this is a new filing, there is no rate change. All 2018 values in Table 8, “Components of Rate Change” and Table 9, “Year-over-Year Data to Support Table 8” were intentionally left blank.

3. Plan Rate Development

Table 10, “Plan Rates” shows the development of the final 2019 rates by plan. Because this filing is new in 2019, all 2018 values have been left blank and all plans are identified as “new”.

The buildup of the Induced Utilization shown in column L of Table 10 is shown in Table B below.

Pennsylvania Health & Wellness, Inc. Table B: Induced Utilization Buildup									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (8) / (6 * 7)	
Plan ID	Metal Level	Projected Membership	Projected Allowed Claims	Projected Paid Claims	Paid to Allowed Factor	Average Tobacco Factor	AV & Cost-Sharing Factor	Induced Utilization	
86199PA0010001	Gold	1,575	\$764,903.82	\$671,101.99	0.877	0.996	0.967	1.107	
86199PA0010004	Silver	50,974	24,211,596.42	20,645,142.44	0.853	0.996	0.856	1.009	
86199PA0010003	Silver	2,832	1,373,994.45	1,240,756.95	0.903	0.996	0.980	1.090	
86199PA0010005	Silver	2,832	1,337,316.68	1,198,466.91	0.896	0.996	0.869	0.974	
86199PA0010002	Bronze	10,157	4,100,778.59	2,936,994.52	0.716	0.996	0.690	0.967	
Total		68,370	\$31,788,589.96	\$26,692,462.81	0.840	0.996	0.840	1.007	

The buildup of this factor can also be found in Appendix 24.3. Values in column (9) represent the pure induced utilization for each plan. Additional support for the development of the AV and Cost Sharing Factor for each plan can be found in Appendix 24.4.

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

Table 11, “Plan Premium Development for 21-Year-Old Non-Tobacco User” shows the premium development for a 21-year-old non-tobacco user. This filing is new in 2019; therefore there is no rate increase to report.

5. Plan Factors

a. Age and Tobacco Factors

Age and tobacco factors are shown in Table 12, “Age and Tobacco Factors”. Age factors represent the federal standard age curve.

The tobacco factor for 2019 is set to 1.15 for all ages 18+. In lieu of credible data, the factor was selected from a reasonable range of cost impacts based on tobacco cost literature. Specifically, the report “The Business Case for Coverage of Tobacco Cessation, 2012 Update” by Leif Associates, Inc. was considered which suggests that healthcare costs for smokers are greater than those of non-smokers and may be as much as 34% higher than costs for non-smokers.

b. Geographic Factors

The geographic areas used are consistent with those defined by the state. Geographic factors are shown in Table 13, “Geographic Factors” and Appendix 1.3.

c. Network Factors

Network factors are shown in Table 14, “Network Factors”. PHW only has one network, so this factor is shown as 1.0.

d. Service Area Composition

Not Applicable. Rates do not vary by service area.

e. Composite Rating

Not Applicable. This is an individual rate filing.

6. Actuarial Certification

I, [REDACTED], am a member of the American Academy of Actuaries in good standing and meet its qualification standards for actuaries issuing statements of actuarial opinion in the United States promulgated by the American Academy of Actuaries, and have the education and experience necessary to perform the work. This filing is prepared on behalf of Pennsylvania Health & Wellness, Inc. (the "Company") to comply with applicable State and Federal Statutes for individual rate filings.

I am affiliated with Milliman, Inc. ("Milliman"), an independent actuarial consulting firm that is not affiliated with, nor a subsidiary of, nor in any way owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers.

I certify the rates were developed in accordance with the appropriate Actuarial Standards of Practice (ASOPs) and the profession's Code of Professional Conduct. While other ASOPs apply, particular emphasis was placed on the following:

- ASOP No. 5, Incurred Health and Disability Claims
- ASOP No. 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
- ASOP No. 12, Risk Classification
- ASOP No. 23, Data Quality
- ASOP No. 25, Credibility Procedures
- 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. 42, Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims
- ASOP No. 45, The Use of Health Status Based Risk Adjustment Methodologies
- ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act

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

1. The Index Rate for the Projection Period is:
 - a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
 - b. Developed in compliance with the applicable Actuarial Standards of Practice
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered

- d. Neither excessive nor deficient based on my best estimates of the 2019 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 was calculated in accordance with actuarial standards of practice. The EHB portion of premium is appropriate as the basis of determining APTCs.
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 URRT for all plans.
6. This is a new filing. Therefore, there are no factor, benefit, or other changes from a prior approved filing to be disclosed.
7. No new plan is a modification of an existing plan.
8. The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2019 Rate Filing Justification.

The 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 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 2019 plan year premium rates in this actuarial memorandum are contingent upon the status of the ACA statutes and regulations including any regulatory guidance, court decisions, or otherwise. Changes have the potential to greatly impact the 2019 plan year premium rates provided in this Actuarial Memorandum and the alignment of these premium rates with incurred costs. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, 1332 waivers bringing reinsurance or other such programs to a state; or a decision by Congress, the Health and Human Services Secretary, or the Centers for Medicare and Medicaid Services director to fund cost-sharing reduction subsidies, alter advance premium tax credits, or further modify the individual mandate requirement and penalty. In the event that a material provision is impacted, a revision to the rates will be needed. In particular, rates were developed assuming steady funding of Advanced Premium Tax Credits (APTCs) and no funding of cost-sharing reduction (CSR) subsidy payments. The

continuity of this funding approach will impact whether rates are sufficient and not excessive. Milliman expresses no opinion with regard to the future funding of CSR payments.

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:

[REDACTED]

Title: Principal & Consulting Actuary

Date: July 13, 2018

PA Rate Template Part I
Data Relevant to the Rate Filing

Table 0. Identifying Information

Carrier Name:	Pennsylvania Health & Wellness, Inc.
Product(s):	HMO
Market Segment:	Individual
Rate Effective Date:	1/1/2019
Base Period Start Date:	1/1/2017
Date of Most Recent Membership	2/1/2018

to

12/31/2019

to

12/31/2017

Table 1. Number of Members

Average Age	Member-months	Members	Member-months
	Experience Period	Current Period (as of 02-01-2018)	Projected Rating Period
	N/A	N/A	48.0
Total	0	0	68,370
<18	0	0	8,887
18-24	0	0	5,115
25-29	0	0	5,889
30-34	0	0	5,889
35-39	0	0	5,445
40-44	0	0	5,489
45-49	0	0	6,142
50-54	0	0	7,191
55-59	0	0	8,972
60-63	0	0	9,476
64+	0	0	3,082

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

Table 2. Experience Period Claims and Premiums

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

*Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

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

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

**Should be UBR Trend

Table 4. Historical Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
Jan-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Feb-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Mar-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Apr-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
May-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jun-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jul-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Aug-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Sep-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Oct-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Nov-14		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Dec-14	\$	\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!	\$	\$	\$	#DIV/0!
Jan-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Feb-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Mar-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Apr-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
May-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jun-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jul-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Aug-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Sep-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Oct-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Nov-15		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Dec-15	\$	\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!	\$	\$	\$	#DIV/0!
Jan-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Feb-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Mar-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Apr-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
May-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jun-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jul-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Aug-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Sep-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Oct-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Nov-16		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Dec-16	\$	\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!	\$	\$	\$	#DIV/0!
Jan-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Feb-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Mar-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Apr-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
May-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jun-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Jul-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Aug-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Sep-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Oct-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Nov-17		\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!		\$	\$	#DIV/0!
Dec-17	\$	\$ 0.0000	#DIV/0!	#DIV/0!	-	#DIV/0!	\$	\$	\$	#DIV/0!

*Express Completion Factor as a percentage

**Express Prescription Drug Rebates as a negative number

Carrier Name: Pennsylvania Health & Wellness, Inc.
Product(s): HMO
Market Segment: Individual
Rate Effective Date: 1/1/2019

Table 2b. Manual Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment
\$4,781,939,404.84	\$4,083,170,071.65	\$4,083,170,071.65	12,000,000	\$ 1,749,930,030.71	\$ 5,833,100,102.36	\$ 93,372,534.45	\$ -	\$ 29,280,616.51	\$ -	\$ -
Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)										\$ 480.75
Loss Ratio										86.00%

*Express Prescription Drug Rebates as a negative number

Table 3b. Manual Trend Components

Service Category	Cost*	Utilization*	Induced Utilization*	Composite URRT Trend**	Weight*
Inpatient Hospital	0.54%	1.92%	-2.48%	-0.07%	18.25%
Outpatient Hospital	-21.14%	-0.85%	-2.80%	-23.99%	29.74%
Professional	1.96%	1.32%	-1.15%	2.12%	27.19%
Other Medical	-9.56%	-2.29%	-5.06%	-16.10%	2.07%
Capitation				0.00%	0.51%
Prescription Drugs	12.17%	-4.06%	-5.16%	2.06%	22.25%
Total Annual Trend				-5.72%	100.00%
Months of Trend				24	
Total Applied Trend Projection Factor				0.889	

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

** Should = URRT Trend

Table 4b. Historical Manual Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
Jan-14	\$ 3,976,268,200.43	\$ 277,308,140.12	1.0000	\$ 277,308,140.12	1,000,000	\$ 277.31	\$ 1,465,538,851.02	\$ -	\$ 396,154,485.89	\$ 396.15
Feb-14		\$ 278,677,660.21	1.0000	\$ 278,677,660.21	1,000,000	\$ 278.68		\$ -	\$ 396,110,943.16	\$ 396.11
Mar-14		\$ 280,053,943.85	1.0000	\$ 280,053,943.85	1,000,000	\$ 280.05		\$ -	\$ 400,077,062.64	\$ 400.08
Apr-14		\$ 281,437,024.42	1.0000	\$ 281,437,024.42	1,000,000	\$ 281.44		\$ -	\$ 402,052,892.03	\$ 402.05
May-14		\$ 282,826,935.51	1.0000	\$ 282,826,935.51	1,000,000	\$ 282.83		\$ -	\$ 404,038,479.30	\$ 404.04
Jun-14		\$ 284,223,710.85	1.0000	\$ 284,223,710.85	1,000,000	\$ 284.22		\$ -	\$ 406,033,872.64	\$ 406.03
Jul-14		\$ 285,627,384.33	1.0000	\$ 285,627,384.33	1,000,000	\$ 285.63		\$ -	\$ 408,039,120.47	\$ 408.04
Aug-14		\$ 287,037,990.02	1.0000	\$ 287,037,990.02	1,000,000	\$ 287.04		\$ -	\$ 410,054,271.46	\$ 410.05
Sep-14		\$ 288,455,562.16	1.0000	\$ 288,455,562.16	1,000,000	\$ 288.46		\$ -	\$ 412,079,374.52	\$ 412.08
Oct-14		\$ 289,880,135.15	1.0000	\$ 289,880,135.15	1,000,000	\$ 289.88		\$ -	\$ 414,114,478.79	\$ 414.11
Nov-14		\$ 291,311,743.58	1.0000	\$ 291,311,743.58	1,000,000	\$ 291.31		\$ -	\$ 416,159,633.68	\$ 416.16
Dec-14		\$ 292,750,422.17	1.0000	\$ 292,750,422.17	1,000,000	\$ 292.75		\$ -	\$ 418,214,888.82	\$ 418.21
Jan-15	\$ 4,218,422,933.84	\$ 294,196,205.86	1.0000	\$ 294,196,205.86	1,000,000	\$ 294.20	\$ 1,554,790,167.04	\$ -	\$ 420,280,294.08	\$ 420.28
Feb-15		\$ 295,649,129.72	1.0000	\$ 295,649,129.72	1,000,000	\$ 295.65		\$ -	\$ 422,355,899.60	\$ 422.36
Mar-15		\$ 297,109,229.03	1.0000	\$ 297,109,229.03	1,000,000	\$ 297.11		\$ -	\$ 424,441,755.75	\$ 424.44
Apr-15		\$ 298,576,539.21	1.0000	\$ 298,576,539.21	1,000,000	\$ 298.58		\$ -	\$ 426,537,913.16	\$ 426.54
May-15		\$ 300,051,095.88	1.0000	\$ 300,051,095.88	1,000,000	\$ 300.05		\$ -	\$ 428,644,422.69	\$ 428.64
Jun-15		\$ 301,532,934.84	1.0000	\$ 301,532,934.84	1,000,000	\$ 301.53		\$ -	\$ 430,761,335.48	\$ 430.76
Jul-15		\$ 303,022,092.03	1.0000	\$ 303,022,092.03	1,000,000	\$ 303.02		\$ -	\$ 432,888,702.90	\$ 432.89
Aug-15		\$ 304,518,603.61	1.0000	\$ 304,518,603.61	1,000,000	\$ 304.52		\$ -	\$ 435,026,576.59	\$ 435.03
Sep-15		\$ 306,022,505.90	1.0000	\$ 306,022,505.90	1,000,000	\$ 306.02		\$ -	\$ 437,175,008.42	\$ 437.18
Oct-15		\$ 307,533,835.39	1.0000	\$ 307,533,835.39	1,000,000	\$ 307.53		\$ -	\$ 439,334,050.55	\$ 439.33
Nov-15		\$ 309,052,628.76	1.0000	\$ 309,052,628.76	1,000,000	\$ 309.05		\$ -	\$ 441,503,755.37	\$ 441.50
Dec-15		\$ 310,578,922.88	1.0000	\$ 310,578,922.88	1,000,000	\$ 310.58		\$ -	\$ 443,684,175.55	\$ 443.68
Jan-16	\$ 4,475,324,890.51	\$ 312,112,754.79	1.0000	\$ 312,112,754.79	1,000,000	\$ 312.11	\$ 1,649,476,888.22	\$ -	\$ 445,875,363.99	\$ 445.88
Feb-16		\$ 313,654,161.72	1.0000	\$ 313,654,161.72	1,000,000	\$ 313.65		\$ -	\$ 448,077,373.89	\$ 448.08
Mar-16		\$ 315,203,181.07	1.0000	\$ 315,203,181.07	1,000,000	\$ 315.20		\$ -	\$ 450,290,258.68	\$ 450.29
Apr-16		\$ 316,759,850.45	1.0000	\$ 316,759,850.45	1,000,000	\$ 316.76		\$ -	\$ 452,514,072.07	\$ 452.51
May-16		\$ 318,324,207.62	1.0000	\$ 318,324,207.62	1,000,000	\$ 318.32		\$ -	\$ 454,748,868.03	\$ 454.75
Jun-16		\$ 319,896,290.57	1.0000	\$ 319,896,290.57	1,000,000	\$ 319.90		\$ -	\$ 456,994,700.81	\$ 456.99
Jul-16		\$ 321,476,137.44	1.0000	\$ 321,476,137.44	1,000,000	\$ 321.48		\$ -	\$ 459,251,624.91	\$ 459.25
Aug-16		\$ 323,063,786.57	1.0000	\$ 323,063,786.57	1,000,000	\$ 323.06		\$ -	\$ 461,519,695.10	\$ 461.52
Sep-16		\$ 324,659,276.51	1.0000	\$ 324,659,276.51	1,000,000	\$ 324.66		\$ -	\$ 463,798,966.44	\$ 463.80
Oct-16		\$ 326,262,645.96	1.0000	\$ 326,262,645.96	1,000,000	\$ 326.26		\$ -	\$ 466,089,494.23	\$ 466.09
Nov-16		\$ 327,873,933.85	1.0000	\$ 327,873,933.85	1,000,000	\$ 327.87		\$ -	\$ 468,391,334.07	\$ 468.39
Dec-16		\$ 329,493,179.29	1.0000	\$ 329,493,179.29	1,000,000	\$ 329.49		\$ -	\$ 470,704,541.84	\$ 470.70
Jan-17	\$ 4,747,872,176.34	\$ 331,120,421.56	1.0000	\$ 331,120,421.56	1,000,000	\$ 331.12	\$ 1,749,930,030.71	\$ -	\$ 473,029,173.66	\$ 473.03
Feb-17		\$ 332,755,700.17	1.0000	\$ 332,755,700.17	1,000,000	\$ 332.76		\$ -	\$ 475,365,285.96	\$ 475.37
Mar-17		\$ 334,399,054.80	1.0000	\$ 334,399,054.80	1,000,000	\$ 334.40		\$ -	\$ 477,712,935.43	\$ 477.71
Apr-17		\$ 336,050,525.34	1.0000	\$ 336,050,525.34	1,000,000	\$ 336.05		\$ -	\$ 480,072,179.06	\$ 480.07
May-17		\$ 337,710,151.87	1.0000	\$ 337,710,151.87	1,000,000	\$ 337.71		\$ -	\$ 482,443,074.10	\$ 482.44
Jun-17		\$ 339,377,974.66	1.0000	\$ 339,377,974.66	1,000,000	\$ 339.38		\$ -	\$ 484,825,678.09	\$ 484.83
Jul-17		\$ 341,054,034.21	1.0000	\$ 341,054,034.21	1,000,000	\$ 341.05		\$ -	\$ 487,220,048.87	\$ 487.22
Aug-17		\$ 342,738,371.17	1.0000	\$ 342,738,371.17	1,000,000	\$ 342.74		\$ -	\$ 489,626,244.53	\$ 489.63
Sep-17		\$ 344,431,026.44	1.0000	\$ 344,431,026.44	1,000,000	\$ 344.43		\$ -	\$ 492,044,323.49	\$ 492.04
Oct-17		\$ 346,132,041.10	1.0000	\$ 346,132,041.10	1,000,000	\$ 346.13		\$ -	\$ 494,474,344.43	\$ 494.47
Nov-17		\$ 347,841,456.42	1.0000	\$ 347,841,456.42	1,000,000	\$ 347.84		\$ -	\$ 496,916,366.32	\$ 496.92
Dec-17		\$ 349,559,313.90	1.0000	\$ 349,559,313.90	1,000,000	\$ 349.56		\$ -	\$ 499,370,448.43	\$ 499.37

* Express Completion Factor as a percentage

**Express Prescription Drug Rebates as a negative number

PA Rate Template Part II
Rate Development and Change

Carrier Name: Pennsylvania Health & Wellness, Inc.
Product(s): HMO
Market Segment: Individual
Rate Effective Date: 1/1/2019

Table 5. Development of the Projected Index Rate, Market-Adjusted Index Rate, and Total Allowed Claims

Development of the Projected Index Rate	Actual Experience Data	Manual Data	
Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates) PMPM	\$ -	\$ 480.75	< Actual Experience PMPM should be consistent with the Index Rate for Experience Period on URRT
Two year trend projection factor	1.000	0.889	
Unadjusted Projected Allowed EHB Claims PMPM	\$ -	\$ 427.35	
Single Risk Pool Adjustment Factors			
Change in Morbidity		0.944	< See URRT Instructions
Change in Other	1.000	1.152	
Change in Demographics	1.000	1.230	< See URRT Instructions
Change in Network	1.000	0.935	< See URRT Instructions
Change in Benefits	1.000	1.000	< See URRT Instructions
Change in Other	1.000	1.002	< See URRT Instructions
Total Adjusted Projected Allowed EHB Claims PMPM	\$ -	\$ 464.95	
Credibility Factors	0%	100%	< See Instructions
Blended Projected EHB Claims PMPM		\$ 464.95	< Projected Index Rate
Development of the Market-Adjusted Index Rate and Total Allowed Claims			
Adjusted Projected Allowed EHB Claims PMPM	\$ 464.95		< Index Rate for Projection Period on URRT - Individual or First Quarter Small Group
Adjusted Projected Allowed EHB Claims PMPM [will only populate for small group filings]	\$ 0.840		
Projected Paid to Allowed Ratio			< Paid to Allowed Average Factor in Projection Period on URRT
Projected Paid EHB Claims PMPM	\$ 390.41		
Market-wide Adjustments			
Projected Risk Adjustment PMPM	\$ (130.24)		
Projected Paid Exchange User Fees PMPM	\$ 22.42		
Market-Adjusted Projected Paid EHB Claims PMPM	\$ 543.07		
Market-Adjusted Projected Allowed EHB Claims PMPM	\$ 646.75		< Market-Adjusted Index Rate
Projected Allowed Non-EHB Claims PMPM	\$ -		
Market-Adjusted Projected Paid Total Claims PMPM	\$ 543.07		
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 646.75		

Table 6. Retention

Retention Items - Express in percentages	Percentages	PMPM Amounts	
Administrative Expenses	8.62%	\$55.24	
General and Claims	6.60%	\$42.26	
Agent/Broker Fees and Commissions	1.15%	\$7.40	
Quality Improvement Initiatives	0.87%	\$5.58	
Taxes and Fees	2.69%	\$17.20	
PCORI Fees	0.00%	\$0.00	
PA Premium Tax (if applicable)	1.64%	\$10.48	
Federal Income Tax	1.05%	\$6.73	
Health Insurance Providers Fee (Prorated for Small Groups only)	0.00%	\$0.00	
Profit/Contingency (after tax)	3.91%	\$25.03	
Total Retention	15.22%	\$97.47	
Projected Required Revenue PMPM		\$ 640.54	< Single Pool Gross Premium Avg. Rate, PMPM on URRT

Table 8. Components of Rate Change

Rate Components	2018	2019	Difference	Percent Change
A. Calibrated Plan Adjusted Index Rate (PMPM)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B. Base period allowed claims before normalization	\$ -	\$ 480.75	\$480.75	#DIV/0!
C. Normalization factor component of change	#DIV/0!	\$ (212.15)	#DIV/0!	#DIV/0!
D. Change in Normalized Allowed Claims Adjustment Components				
D1. Base period allowed claims after normalization	#DIV/0!	\$ 268.61	#DIV/0!	#DIV/0!
D2. URRT Trend	#DIV/0!	\$ (29.83)	#DIV/0!	#DIV/0!
D3. URRT Morbidity	#DIV/0!	\$ (13.35)	#DIV/0!	#DIV/0!
D4. URRT Other	#DIV/0!	\$ 34.36	#DIV/0!	#DIV/0!
D5. Normalized URRT RA/Ri on an allowed basis	#DIV/0!	\$ 86.66	#DIV/0!	#DIV/0!
D6. Normalized Exchange User Fee on an allowed basis	#DIV/0!	\$ 14.92	#DIV/0!	#DIV/0!
D7. Subtotal - Sum(D1:D6)	#DIV/0!	\$ 361.35	#DIV/0!	#DIV/0!
E. Change in Allowable Plan Adjusted Level Components				
E1. Network	#DIV/0!	\$ -	#DIV/0!	#DIV/0!
E2. Pricing AV	#DIV/0!	\$ (97.62)	#DIV/0!	#DIV/0!
E3. Benefit Richness	#DIV/0!	\$ 15.72	#DIV/0!	#DIV/0!
E4. Catastrophic Eligibility	#DIV/0!	\$ -	#DIV/0!	#DIV/0!
E5. Subtotal - Sum(E1:E4)	#DIV/0!	\$ (81.91)	#DIV/0!	#DIV/0!
F. Change in Retention Components				
F1. Administrative Expenses	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
F2. Taxes and Fees	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
F3. Profit and/or Contingency	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
F4. Subtotal - Sum(F1:F3)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
G. Change in Miscellaneous Items	\$ -	\$ -	\$ -	#DIV/0!
H. Sum of Components of Rate Change (should approximate the change shown in line A)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

For Informational Purposes only - No input required.

Blended Base Period Unadjusted Claims before Normalization	\$ 480.75	< Index Rate of Experience Period on URRT
Blended Earned Premium	\$ 4,781,919,404.84	
Blended Loss Ratio	86.00%	

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

Effective Date	1/1/2019	4/1/2019	7/1/2019	10/1/2019	Total Single Risk Pool
# of Member Months Renewing in Quarter	-	-	-	-	-
Adjusted Projected Allowed EHB Claims PMPM Q1	\$ 464.95	\$ 464.95	\$ 464.95	\$ 464.95	\$ 464.95
Months of Trend	-	3	6	9	
Annual Trend	-5.72%	-5.72%	-5.72%	-5.72%	
Single Risk Pool Projected Allowed Claims	\$ 464.95	\$ 458.16	\$ 451.46	\$ 444.87	\$ -
Quarterly Trend Factor	100.0%	98.5%	97.1%	95.7%	
2019 Trend Factors by Quarter	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

Normalization Factors	2018	2019
Average Age Factor	0.00%	1.72%
Average Geographic Factor	0.00%	1.00%
Average Tobacco Factor	0.00%	1.00%
Average Benefit Richness (induced demand)	0.00%	1.02%
Average Network Factor	0.00%	1.00%
Market-Adjusted Projected Allowed Total Claims PMPM	\$ -	\$ 646.75
Normalized Market-Adjusted Projected Allowed Total Claims PMPM	#DIV/0!	\$ 361.35

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

	2018	2019	
Paid-to-Allowed	0.00%	0.840	
URRT Trend (Total Applied Trend Factor)	0.00%	0.889	< URRT WL1, S2
URRT Morbidity	0.00%	0.944	< URRT WL1, S2
URRT "Other"	0.00%	1.152	< URRT WL1, S2
Risk Adjustment	\$ -	\$ 130.24	< URRT WL1, S3
Exchange User Fee	\$ -	\$ 22.42	< URRT WL1, S3
Capitation	\$ -	\$ 2.44	< URRT WL1, S2
Network	0.00%	1.00%	
Pricing AV	0.00%	0.730	
Benefit Richness	0.00%	1.060	
Catastrophic Eligibility	0.00%	1.00%	
Administrative Expenses	0.00%	8.62%	
Taxes and Fees	0.00%	2.69%	
Profit and/or Contingency	0.00%	3.91%	

PA Rate Template Part III
Table 10. Plan Rates

Carrier Name:	Pennsylvania Health & Wellness, Inc.
Product(s):	HMO
Market Segment:	Individual
Rate Effective Date:	1/1/2019
Base Period Start Date	1/1/2017
Date of Most Recent Membership	2/1/2018
Market Adjusted Index Rate	\$ 646.75

										45 CFR Part 156.8 (d) (2) Allowable Factors						
Plan Number	HIOS Plan ID (Standard Component)	Plan Type (HMO, POS, PPO, EPO, Indemnity, Other)	1/1/2018 Plan Marketing Name	Existing, Modified, New, Discontinued & Mapped, Discontinued & Not Mapped (E,M,N,DM, DNM) for 2019	1/1/2019 Plan HIOS Plan ID (If 1/1/2018 Plan Discontinued & Mapped)	Metallic Tier	Metallic Tier Actuarial Value	Standard AV, Approach (1), Approach (2)	Exchange On/Off or Off	Pricing AV (company-determined AV)	Benefit Richness (induced demand)	Benefits in addition to EHB	Provider Network	Catastrophic Eligibility	Non-Funding of CSR Adjustment	Pure Premium
Totals							0.695			0.730	1.029	1.000	1.000	1.000	1.168	\$ 28.21
Transitional Plans	TRANSITIONAL	N/A	TRANSITIONAL	DNM	TRANSITIONAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan 1	86199PA0010001	HMO	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	N	N/A	Gold	0.8035	Standard AV	On/Off	0.873	1.107	1.000	1.000	1.000	1.000	625.3826058
Plan 2	86199PA0010004	HMO	Ambetter Balanced Care 11 (2019)	N	N/A	Silver	0.6832	Standard AV	On/Off	0.663	1.009	1.000	1.000	1.000	1.280	\$553.75
Plan 3	86199PA0010003	HMO	Ambetter Balanced Care 3 (2019)	N	N/A	Silver	0.7183	Standard AV	On/Off	0.702	1.090	1.000	1.000	1.000	1.280	\$633.51
Plan 4	86199PA0010005	HMO	Ambetter Balanced Care 5 (2019)	N	N/A	Silver	0.6764	Standard AV	On/Off	0.697	0.974	1.000	1.000	1.000	1.280	\$562.25
Plan 5	86199PA0010002	HMO	Ambetter Essential Care 1 (2019)	N	N/A	Bronze	0.5941	Standard AV	On/Off	0.713	0.967	1.000	1.000	1.000	1.000	\$446.13

Total Covered Lives @ 02-01-2018	
	-

[illegible]

2018 Calibrated Plan Adjusted Index Rate PMPM	2019 Calibrated Plan Adjusted Index Rate PMPM
#DIV/0!	#DIV/0!
N/A	N/A
\$ -	\$ 424.23
\$ -	\$ 375.64
\$ -	\$ 429.74
\$ -	\$ 381.40
\$ -	\$ 302.63

Proposed Rate Change Compared to Prior 12 months
#DIV/0!
N/A
0.0%
0.0%
0.0%
0.0%
0.0%

<div> <div></div> <div>% of Total Covered Lives</div> </div>	
	N/A
	#DIV/0!
	#DIV/0!
	#DIV/0!
	#DIV/0!
	#DIV/0!

[illegible]

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

Carrier Name:	Pennsylvania Health & Wellness, Inc.
Product(s):	HMO
Market Segment:	Individual
Rate Effective Date:	1/1/2019

Plan Number	HIOS Plan ID (Standard Component)	1/1/2018 Plan Marketing Name	Discontinued, New, Modified, Existing (D,N,M,E) for 2019	1/1/2019 Plan HIOS Plan ID (If 1/1/2018 Plan Discontinued & Mapped)	Metallic Tier	Exchange On/Off or Off
Totals	These cells auto-fill using the data entered in Table 10.					
Plan 1	86199PA0010001	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	N	N/A	Gold	On/Off
Plan 2	86199PA0010004	Ambetter Balanced Care 11 (2019)	N	N/A	Silver	On/Off
Plan 3	86199PA0010003	Ambetter Balanced Care 3 (2019)	N	N/A	Silver	On/Off
Plan 4	86199PA0010005	Ambetter Balanced Care 5 (2019)	N	N/A	Silver	On/Off
Plan 5	86199PA0010002	Ambetter Essential Care 1 (2019)	N	N/A	Bronze	On/Off

[illegible]

#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	\$ 424.23	#VALUE!	\$ -
#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	\$ 375.64	#VALUE!	\$ -
#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	\$ 429.74	#VALUE!	\$ -
#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	\$ 381.40	#VALUE!	\$ -
#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	\$ 302.63	#VALUE!	\$ -

[illegible]

PA Rate Quarterly Template Part V Consumer Factors

Carrier Name:	Pennsylvania Health & Wellness, Inc.
Product(s):	HMO
Market Segment:	Individual
Rate Effective Date:	1/1/2019

Table 12. Age and Tobacco Factors

Age Band	Age Factor	Tobacco Factor	Age Band	Age Factor	Tobacco Factor
0-14	0.765		40	1.278	1.150
15	0.833		41	1.302	1.150
16	0.859		42	1.325	1.150
17	0.885		43	1.357	1.150
18	0.913	1.150	44	1.397	1.150
19	0.941	1.150	45	1.444	1.150
20	0.970	1.150	46	1.500	1.150
21	1.000	1.150	47	1.563	1.150
22	1.000	1.150	48	1.635	1.150
23	1.000	1.150	49	1.706	1.150
24	1.000	1.150	50	1.786	1.150
25	1.004	1.150	51	1.865	1.150
26	1.024	1.150	52	1.952	1.150
27	1.048	1.150	53	2.040	1.150
28	1.087	1.150	54	2.135	1.150
29	1.119	1.150	55	2.230	1.150
30	1.135	1.150	56	2.333	1.150
31	1.159	1.150	57	2.437	1.150
32	1.183	1.150	58	2.548	1.150
33	1.198	1.150	59	2.603	1.150
34	1.214	1.150	60	2.714	1.150
35	1.222	1.150	61	2.810	1.150
36	1.230	1.150	62	2.873	1.150
37	1.238	1.150	63	2.952	1.150
38	1.246	1.150	64+	3.000	1.150
39	1.262	1.150			

*PA follows the federal default age curve.

Table 13. Geographic Factors

Geographic Area Factors			
Area	Counties	Current Factor	Proposed Factor
Rating Area 1	N/A		
Rating Area 2	N/A		
Rating Area 3	N/A		
Rating Area 4	N/A		
Rating Area 5	N/A		
Rating Area 6	N/A		
Rating Area 7	N/A		
Rating Area 8	Bucks, Montgomery, Philadelphia		1.000
Rating Area 9	N/A		

Table 14. Network Factors[illegible]

Company Name: Pennsylvania Health & Wellness, Inc.
Market: Individual
Product: Ambetter
Effective Date of Rates: January 1, 2019

Ending Date of Rates: December 31, 2019

HIOS Plan ID (On Exchange)=>	86199PA0010003	86199PA0010005	86199PA0010004	86199PA0010001	86199PA0010002	
HIOS Plan ID (Off Exchange)=>	86199PA0010003	86199PA0010005	86199PA0010004	86199PA0010001	86199PA0010002	
Plan Marketing Name =>	Ambetter Balanced Care 3 (2019)	Ambetter Balanced Care 5 (2019)	Ambetter Balanced Care 11 (2019)	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	Ambetter Essential Care 1 (2019)	
Form # =>	86199	86199	86199	86199	86199	
Rating Area =>	Rating Area 8	Rating Area 8	Rating Area 8	Rating Area 8	Rating Area 8	
Network =>	Ambetter	Ambetter	Ambetter	Ambetter	Ambetter	
Metal =>	Silver	Silver	Silver	Gold	Bronze	
Deductible =>	\$3000 INT	\$7350 INT	\$6000 INT	\$1,000 Med / \$500 Rx	\$7900 INT	
Coinsurance =>	30%	0%	40%	20%	0%	
Copays =>	Primary Care (exc. Preventive, and X-rays): \$60 Specialist Visit; \$40 Mental/Behavioral Health and Substance Use Disorder Outpatient Services; \$10 Generic Drugs; \$25 Preferred Brand Drugs; \$75	Primary Care (exc. Preventive, and X-rays): \$60 Specialist Visit; \$40 Mental/Behavioral Health and Substance Use Disorder Outpatient Services; \$10 Generic Drugs; \$25 Preferred Brand Drugs; \$75	Primary Care (exc. Preventive, and X-rays): \$60 Specialist Visit; \$40 Mental/Behavioral Health and Substance Use Disorder Outpatient Services; \$10 Generic Drugs; \$25 Preferred Brand Drugs; \$75	Primary Care (exc. Preventive, and X-rays): \$60 Specialist Visit; \$40 Mental/Behavioral Health and Substance Use Disorder Outpatient Services; \$10 Generic Drugs; \$25 Preferred Brand Drugs; \$75	Primary Care (exc. Preventive, and X-rays): \$60 Specialist Visit; \$40 Mental/Behavioral Health and Substance Use Disorder Outpatient Services; \$10 Generic Drugs; \$25 Preferred Brand Drugs; \$75	
OOP Maximum =>	\$6,750	\$7,350	\$7,900	\$6,350	\$7,900	
Pediatric Dental (Yes/No) =>	No	No	No	No	No	
Age Band	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco
0 - 14	\$328.83	\$328.83	\$291.77	\$291.77	\$287.39	\$287.39
15	\$358.05	\$358.05	\$317.71	\$317.71	\$312.94	\$312.94
16	\$369.23	\$369.23	\$327.62	\$327.62	\$322.71	\$322.71
17	\$380.41	\$380.41	\$337.54	\$337.54	\$332.48	\$332.48
18	\$392.44	\$451.31	\$348.22	\$400.45	\$342.99	\$394.44
19	\$404.48	\$465.15	\$358.90	\$412.73	\$353.51	\$406.54
20	\$416.94	\$479.48	\$369.96	\$425.45	\$364.41	\$419.07
21	\$429.85	\$494.32	\$381.41	\$438.62	\$375.69	\$432.04
22	\$429.85	\$494.32	\$381.41	\$438.62	\$375.69	\$432.04
23	\$429.85	\$494.32	\$381.41	\$438.62	\$375.69	\$432.04
24	\$429.85	\$494.32	\$381.41	\$438.62	\$375.69	\$432.04
25	\$431.56	\$496.29	\$382.93	\$440.36	\$377.18	\$433.76
26	\$440.15	\$506.18	\$390.55	\$449.14	\$384.70	\$442.40
27	\$450.47	\$518.04	\$399.71	\$459.66	\$393.71	\$444.47
28	\$467.23	\$537.32	\$414.58	\$476.77	\$408.36	\$469.62
29	\$480.99	\$553.14	\$426.79	\$490.80	\$420.38	\$483.44
30	\$487.87	\$561.05	\$432.89	\$497.82	\$426.40	\$490.36
31	\$498.18	\$572.91	\$442.04	\$508.35	\$435.41	\$500.72
32	\$508.50	\$584.77	\$451.20	\$518.88	\$444.43	\$511.09
33	\$514.95	\$592.19	\$456.92	\$525.45	\$450.06	\$517.57
34	\$521.82	\$600.10	\$463.02	\$532.47	\$456.07	\$524.49
35	\$525.26	\$604.05	\$466.07	\$535.98	\$459.08	\$527.94
36	\$528.70	\$608.01	\$469.12	\$539.49	\$462.09	\$531.40
37	\$532.14	\$611.96	\$472.17	\$543.00	\$465.09	\$534.85
38	\$535.58	\$615.91	\$475.22	\$546.51	\$468.10	\$538.31
39	\$542.46	\$623.82	\$481.33	\$553.53	\$474.11	\$545.22
40	\$549.33	\$631.73	\$487.43	\$560.54	\$480.12	\$552.14
41	\$559.65	\$643.60	\$496.58	\$571.07	\$489.13	\$562.50
42	\$569.54	\$654.97	\$505.36	\$581.16	\$497.77	\$572.44
43	\$583.29	\$670.78	\$517.56	\$595.19	\$509.80	\$586.27
44	\$600.48	\$690.56	\$532.82	\$612.74	\$524.82	\$603.55
45	\$620.69	\$713.79	\$550.74	\$633.35	\$542.48	\$623.85
46	\$644.76	\$741.47	\$572.10	\$657.92	\$563.52	\$648.05
47	\$671.84	\$772.61	\$596.13	\$685.55	\$587.19	\$675.26
48	\$702.78	\$808.20	\$623.59	\$717.13	\$614.24	\$706.37
49	\$733.30	\$843.30	\$650.67	\$748.27	\$640.91	\$737.04
50	\$767.69	\$882.84	\$681.18	\$783.36	\$670.96	\$771.61
51	\$801.65	\$921.89	\$711.31	\$818.01	\$700.64	\$805.74
52	\$839.04	\$964.90	\$744.49	\$856.17	\$733.33	\$843.32
53	\$876.87	\$1,008.40	\$778.06	\$894.76	\$766.39	\$881.34
54	\$917.70	\$1,055.36	\$814.29	\$936.43	\$802.07	\$922.39
55	\$958.54	\$1,102.32	\$850.52	\$978.10	\$837.76	\$963.43
56	\$1,002.81	\$1,153.23	\$889.81	\$1,023.28	\$876.46	\$1,007.93
57	\$1,047.51	\$1,204.64	\$929.47	\$1,068.89	\$915.53	\$1,052.86
58	\$1,095.23	\$1,259.51	\$971.81	\$1,117.58	\$957.23	\$1,100.81
59	\$1,118.87	\$1,286.70	\$992.78	\$1,141.70	\$977.89	\$1,124.58
60	\$1,166.58	\$1,341.57	\$1,035.12	\$1,190.39	\$1,019.59	\$1,172.53
61	\$1,207.84	\$1,389.02	\$1,071.73	\$1,232.49	\$1,055.66	\$1,214.01
62	\$1,234.92	\$1,420.16	\$1,095.76	\$1,260.13	\$1,079.33	\$1,241.22
63	\$1,268.88	\$1,459.21	\$1,125.89	\$1,294.78	\$1,109.00	\$1,275.36
64+	\$1,289.50	\$1,482.93	\$1,144.19	\$1,315.82	\$1,127.03	\$1,296.08

Pennsylvania Health & Wellness, Inc.
Individual
Plan Design Summary

HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	Network	Rating Area	Counties Covered
86199PA0010001	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	HMO	Gold	On	Ambetter	Rating Area 8	Bucks, Montgomery, Philadelphia
86199PA0010003	Ambetter Balanced Care 3 (2019)	HMO	Silver	On	Ambetter	Rating Area 8	Bucks, Montgomery, Philadelphia
86199PA0010005	Ambetter Balanced Care 5 (2019)	HMO	Silver	On	Ambetter	Rating Area 8	Bucks, Montgomery, Philadelphia
86199PA0010004	Ambetter Balanced Care 11 (2019)	HMO	Silver	On	Ambetter	Rating Area 8	Bucks, Montgomery, Philadelphia
86199PA0010002	Ambetter Essential Care 1 (2019)	HMO	Bronze	On	Ambetter	Rating Area 8	Bucks, Montgomery, Philadelphia

Company Name Pennsylvania Health & Wellness, Inc.

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

[illegible]

RATING AREA 4

0	0	0	0	0	0	0	0	0	0
Allegheny	Armstrong	Beaver	Butler	Fayette	Greene	Indiana	Lawrence	Washington	Westmoreland

RATING AREA 5

0	0	0	0	0	0	0
Bedford	Blair	Clearfield	Cambria	Huntingdon	Jefferson	Somerset

RATING AREA 6

0	0	0	0	0	0	0	0	0	0
Centre	Columbia	Lehigh	Mifflin	Montour	Northampton	Northumberland	Schuylkill	Snyder	Union

RATING AREA 7

0	0	0	0
Adams	Berks	Lancaster	York

RATING AREA 8

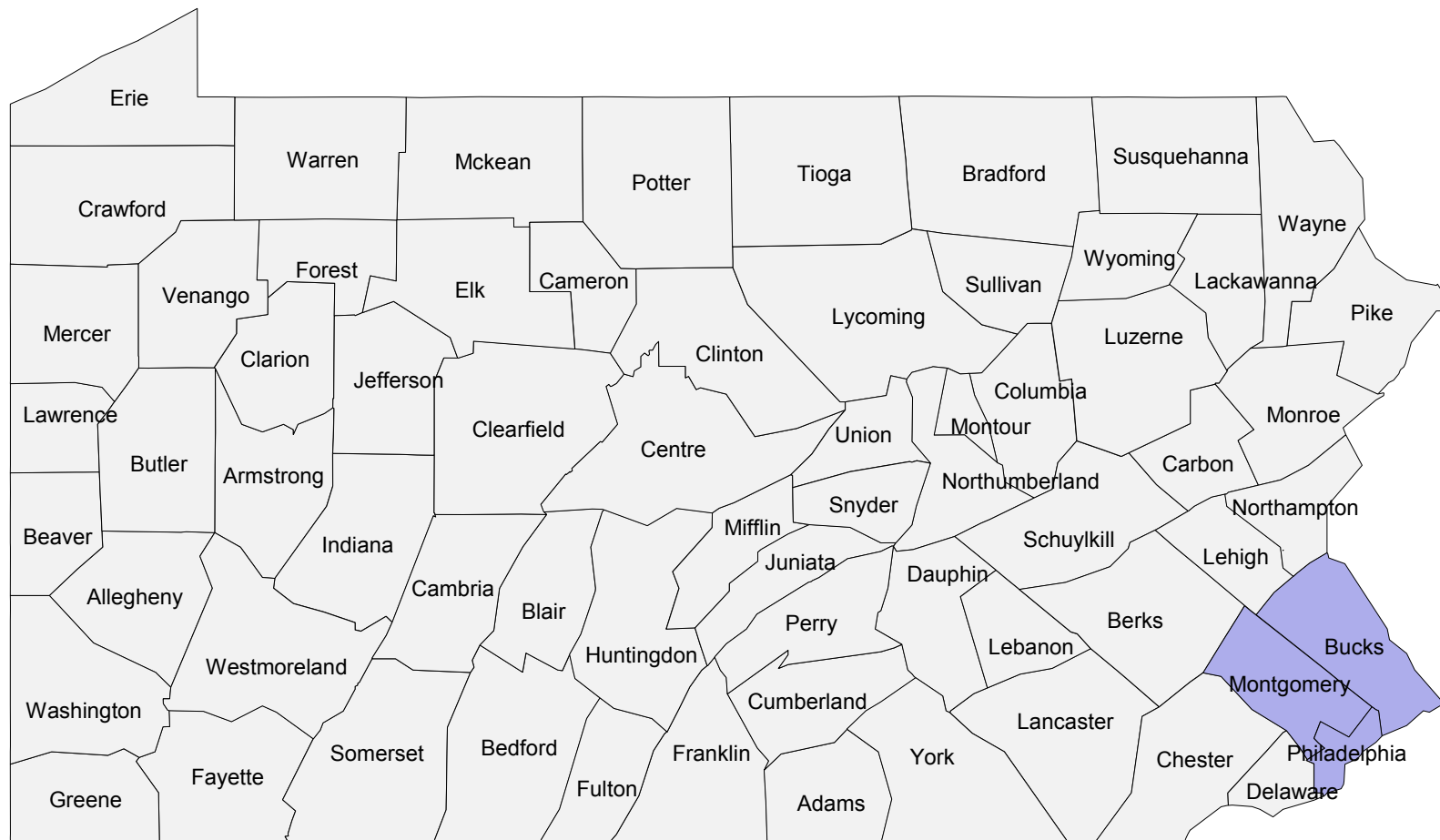
0	0	0	0	0
Bucks	Chester	Delaware	Montgomery	Philadelphia
\$424.13			\$424.13	\$424.13
\$429.85			\$429.85	\$429.85
\$381.41			\$381.41	\$381.41
\$375.69			\$375.69	\$375.69
\$302.46			\$302.46	\$302.46

RATING AREA 9

0	0	0	0	0	0	0
Cumberland	Dauphin	Franklin	Fulton	Juniata	Lebanon	Perry

Issuer: Pennsylvania Health & Wellness, Inc.

Market: Individual



Key (modify as needed)

■ : On-exchange service area

▨ : Off-exchange service area

Product-Plan Data Collection

Company Legal Name:

Pennsylvania Health & Wellness, Inc.

HIOS Issuer ID:

86199

Effective Date of Rate Change(s):

1/1/2019

State:

PA

Market:

Individual

Product/Plan Level Calculations

Section I: General Product and Plan Information

Product:	Ambetter 86199PA001				
Product ID:	86199PA001				
Metal:	Silver	Silver	Silver	Gold	Bronze
AV Metal Value	0.718	0.676	0.683	0.804	0.594
AV Pricing Value	1.155	1.025	1.010	1.141	0.814
Plan Category	New	New	New	New	New
Plan Type:	HMO	HMO	HMO	HMO	HMO
Plan Name	Ambetter Balanced Care 3 (2019)	Ambetter Balanced Care 5 (2019)	Ambetter Balanced Care 11 (2019)	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	Ambetter Essential Care 1 (2019)
Plan ID (Standard Component ID):	86199PA0010003	86199PA0010005	86199PA0010004	86199PA0010001	86199PA0010002
Exchange Plan?	Yes	Yes	Yes	Yes	Yes
Historical Rate Increase - Calendar Year - 2	0.00%				
Historical Rate Increase - Calendar Year - 1	0.00%				
Historical Rate Increase - Calendar Year 0	0.00%				
Effective Date of Proposed Rates	1/1/2019	1/1/2019	1/1/2019	1/1/2019	1/1/2019
Rate Change % (over prior filing)	0.00%	0.00%	0.00%	0.00%	0.00%
Cum'tive Rate Change % (over 12 mos prior)	0.00%	0.00%	0.00%	0.00%	0.00%
Proj'd Per Rate Change % (over Exper. Period)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Product Rate Increase %	0.00%				

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

Plan ID (Standard Component ID):	Total	86199PA0010003	86199PA0010005	86199PA0010004	86199PA0010001	86199PA0010002
Inpatient	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Outpatient	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Professional	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Prescription Drug	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capitation	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Administration	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Taxes & Fees	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Risk & Profit Charge	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Rate Increase	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Member Cost Share Increase	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Average Current Rate PMPM	\$0.00					
Projected Member Months	68,370	2,832	2,832	50,974	1,575	10,157

Section III: Experience Period Information

Plan ID (Standard Component ID):	Total	86199PA0010003	86199PA0010005	86199PA0010004	86199PA0010001	86199PA0010002
Plan Adjusted Index Rate	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Member Months	0	0	0	0	0	0
Total Premium (TP)	\$0	\$0	\$0	\$0	\$0	\$0
EHB Percent of TP, [see instructions]	#DIV/0!	0.00%	0.00%	0.00%	0.00%	0.00%
state mandated benefits portion of TP that are other than EHB	#DIV/0!	0.00%	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TP	#DIV/0!	100.00%	100.00%	100.00%	100.00%	100.00%
Total Allowed Claims (TAC)	\$0	\$0	\$0	\$0	\$0	\$0
EHB Percent of TAC, [see instructions]	#DIV/0!	0.00%	0.00%	0.00%	0.00%	0.00%
state mandated benefits portion of TAC that are other than EHB	#DIV/0!	0.00%	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TAC	#DIV/0!	100.00%	100.00%	100.00%	100.00%	100.00%
Allowed Claims which are not the issuer's obligation:	\$0	\$0	\$0	\$0	\$0	\$0
Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0	\$0	\$0	\$0	\$0	\$0
Portion of above payable by HHS on behalf of insured person, as %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Incurred claims, payable with issuer funds	\$0	\$0	\$0	\$0	\$0	\$0
Net Amt of Rein	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Risk Adjustment Transfer Amount	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Incurred Claims PMPM	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Allowed Claims PMPM	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EHB portion of Allowed Claims, PMPM	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Section IV: Projected (12 months following effective date)

Plan ID (Standard Component ID):	Total	86199PA0010003	86199PA0010005	86199PA0010004	86199PA0010001	86199PA0010002
Plan Adjusted Index Rate	\$640.54	\$747.22	\$663.16	\$653.14	\$737.63	\$526.20
Member Months	68,370	2,832	2,832	50,974	1,575	10,157
Total Premium (TP)	\$43,793,959	\$2,116,122	\$1,878,073	\$33,293,351	\$1,161,764	\$5,344,649
EHB Percent of TP, [see instructions]	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
state mandated benefits portion of TP that are other than EHB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Allowed Claims (TAC)	\$31,788,590	\$1,373,994	\$1,337,317	\$24,211,596	\$764,904	\$4,100,779
EHB Percent of TAC, [see instructions]	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other benefits portion of TAC	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Allowed Claims which are not the issuer's obligation	\$5,096,127	\$133,238	\$138,850	\$3,566,454	\$93,802	\$1,163,784
Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0	\$0	\$0	\$0	\$0	\$0
Portion of above payable by HHS on behalf of insured person, as %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Incurred claims, payable with issuer funds	\$26,692,463	\$1,240,757	\$1,198,467	\$20,645,142	\$671,102	\$2,936,995
Net Amt of Rein	\$0	\$0	\$0	\$0	\$0	\$0
Risk Adjustment Transfer Amount	-\$8,894,296	-\$366,315	-\$366,258	-\$6,587,238	-\$319,211	-\$1,255,274

Incurred Claims PMPM	\$390.41	\$438.12	\$423.19	\$405.01	\$426.10	\$289.16
Allowed Claims PMPM	\$464.95	\$485.17	\$472.22	\$474.98	\$485.65	\$403.74
EHB portion of Allowed Claims, PMPM	\$464.95	\$485.17	\$472.22	\$474.98	\$485.65	\$403.74

Part II: Written Justification of Rate Increase

Pennsylvania Health & Wellness, Inc.

Individual Rate Filing

Effective: January 1, 2019

Forms: 86199PA001

Pennsylvania Health & Wellness, Inc. (PHW) is filing rates for the individual block of business, effective January 1, 2019. This document is submitted in conjunction with the Part I Unified Rate Review Template and the Part III Actuarial Memorandum.

This information is intended for use by the Pennsylvania Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in Pennsylvania to assist in the review of PHW's individual rate filing.

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

PHW is filing rates for the individual block of business in the State of Pennsylvania for the first time in 2019, so there is no experience in 2017 or 2018.

Whether the government reimburses cost-sharing amounts for lower income individuals greatly impacts the rates. 2019 rate levels assume that there will be no funding of cost-sharing reduction subsidies.

There is no proposed rate change as PHW did not offer plans for the individual block of business in 2018. The projected loss ratio is 87.6%, which satisfies the federal minimum loss ratio requirement of 80.0%.

Part III: Actuarial Memorandum

[Redacted]

Pennsylvania Health & Wellness, Inc.

Annual Individual Health Rate Filing

Pennsylvania

Effective January 1, 2019

Forms: 86199PA001

TABLE OF CONTENTS

1.	GENERAL INFORMATION	3
2.	PROPOSED RATE INCREASES	6
3.	EXPERIENCE PERIOD PREMIUM AND CLAIMS.....	7
4.	BENEFIT CATEGORIES	8
5.	PROJECTION FACTORS	9
6.	CREDIBILITY MANUAL RATE DEVELOPMENT	10
7.	CREDIBILITY OF EXPERIENCE	12
8.	PAID TO ALLOWED RATIO	13
9.	RISK ADJUSTMENT AND REINSURANCE	14
10.	NON-BENEFIT EXPENSES AND PROFIT & RISK	17
11.	PROJECTED LOSS RATIO	18
12.	SINGLE RISK POOL	19
13.	INDEX RATE	20
14.	MARKET ADJUSTED INDEX RATE	21
15.	PLAN ADJUSTED INDEX RATE.....	22
16.	CALIBRATION	24
17.	CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT.....	26
18.	AV METAL VALUES.....	27
19.	AV PRICING VALUES	28
20.	MEMBERSHIP PROJECTIONS.....	29
21.	TERMINATED PLANS AND PRODUCTS	30
22.	PLAN TYPE	31
23.	WARNING ALERTS.....	32
24.	EFFECTIVE RATE REVIEW INFORMATION	33
25.	RELIANCE	34
26.	ACTUARIAL CERTIFICATION	35

1. General Information

Scope and Purpose:

This document contains the Part III Actuarial Memorandum for Pennsylvania Health & Wellness, Inc. (PHW)'s individual health block of business annual rate filing in the state of Pennsylvania, effective January 1, 2019. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT) and Part II Written Justification. This is a new rate filing.

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 URRT, which supports compliance with the market rating rules and reasonableness of applicable rates. This information may not be appropriate for other purposes.

Consistent with the October 12, 2017 payment memo from the U.S. Department of Health and Human Services (HHS)¹, the premium rates developed and supported by this Actuarial Memorandum assume that cost-sharing reduction (CSR) subsidies will not be funded. Future modifications in legislation, appropriations, regulation, and/or court decisions regarding the funding of CSR payments may affect the extent to which the premium rates are neither excessive nor deficient.

As instructed by PHW, the premium rates developed and supported by this Actuarial Memorandum are based on legislative and regulatory provisions in effect at the time of submission. PHW reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed to ensure rates are appropriate. In addition to CSR payments, material rating impacts could arise from changes to various factors, including but not limited to:

- Advanced Premium Tax Credits
- Limit on age rating factors
- Open enrollment duration and grace period modifications
- Status and implementation of the Medicaid Expansion
- Enrollment of other populations (Medicare, Medicaid, high risk pool)
- Non-QHP coverage options (e.g. association health plans, short-term limited-duration insurance)
- Rules for Health Savings Accounts and Health Reimbursement Arrangements
- Payments under Risk Adjustment
- 1332 Waivers (e.g. state-based reinsurance programs)

¹ <https://www.hhs.gov/sites/default/files/csr-payment-memo.pdf>

- Taxes and fees

If there are material deviations in the state-wide average premium (SWAP) for 2019 – for example, based on changes in the number of carriers in the market or carriers' pricing assumptions for 2019 - we would like to work with the Pennsylvania Insurance Department after the initial submission to update our estimated risk adjustment transfer.

This information is intended for use by the Pennsylvania Insurance Department, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of PHW's individual 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 or its employees under any theory of law.

The results are actuarial projections. Actual results will vary from those projected in the filing for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

Company Identifying Information:

- Company Legal Name: Pennsylvania Health & Wellness, Inc.
- State: The State of Pennsylvania has regulatory authority over these policies.
- HIOS Issuer ID: 86199
- Market: Individual
- Effective Date: January 1, 2019

Company Contact Information:

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

Description of Benefits:

These products are issued by PHW as HMO health policies.

The major provisions of this form for each plan design and product can be found in Appendix 1.1.

Rate Guarantees:

Rates are guaranteed not to change through December 31, 2019.

Renewability:

Each policy is renewable by paying the applicable renewal premiums unless the policy holder no longer meets the eligibility requirements of the policy or the company decides not to renew all the policies in the state.

Applicability:

The rates will apply to new business. Subsequent renewal business will be subject to rates filed for our 2020 rate development.

General Marketing Method:

This product will be sold through agents, direct mailings, the internet, and the Federally-facilitated Exchange.

Estimated Average Annual Premium:

The estimated average annual premium per policy in calendar year 2019 is \$7,687.

Distribution of Business:

See Appendix 1.2 for the expected age and geographic distributions for these products.

Rate Tables:

See Appendix 1.3 for allowable rating factors. Appendix 1.4 also includes an example of how rating factors will be applied. For family coverage, rates for children are charged to no more than the three oldest covered children under age 21 consistent with the Patient Protection and Affordable Care Act (ACA).

2. Proposed Rate Increases

This is an initial rate filing; there is no proposed rate increase. Subsequent rate increases beginning with effective dates of January 1, 2020 will be filed in the future.

3. Experience Period Premium and Claims

Not applicable. This product is new and, therefore, has no 2017 experience.

4. Benefit Categories

The Milliman *Health Cost Guidelines (HCGs)* were used to categorize the projected claims into the benefit categories in Worksheet 1, Section II. The detailed benefit categories from the HCGs were then consolidated into the URRT benefit categories shown on Worksheet 1, Section II of the Part I URRT. See Appendix 4.1 for a description of this mapping. No benefit categories display a utilization description of “Other”.

The algorithm used to assign the experience and manual data utilization and cost information is summarized as follows:

Inpatient Hospital

Inpatient hospital includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.

Outpatient Hospital

Outpatient hospital includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation, and other services provided in an outpatient facility setting and billed by the facility.

Professional

Professional includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services other than hospital based professionals whose payments are included in facility fees.

Other Medical

Other medical includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services, and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.

Capitation

Capitation includes all services provided under one or more capitated arrangements.

Prescription Drug

Prescription drug includes drugs dispensed by a pharmacy and is net of rebates.

5. Projection Factors

Not applicable. This is a filing based on manual rate projections. Please see Section 6, "Credibility Manual Rate Development", for details regarding the rate development process.

6. Credibility Manual Rate Development

Source and Appropriateness of Experience Data Used:

Manual Experience Basis

The manual rate development is based on the Milliman Managed Care Rating Model (MCRM) and the companion Milliman *Health Cost Guidelines* (HCGs), and consideration of relevant QHP experience in other states. The MCRM includes several adjustments from the HCGs to be consistent with and appropriate for the expected individual population that will be enrolled, including morbidity, geographic area utilization relativities, expected provider reimbursement, and utilization management programs.

The HCGs provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience, and establish interrelationships between different health coverage levels.

The Milliman HCGs are developed as a result of Milliman's continuing research on health care costs. They were first developed in 1954 and have been updated and expanded annually since then. These guidelines are continually monitored as we use them in measuring the experience or evaluating the rates of our clients and as we compare them to other data sources.

The HCGs are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research, and judgment. An extensive amount of data is used in developing these guidelines including published and unpublished data. In most instances, cost assumptions are based on our evaluation of several data sources and, therefore, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

Market-wide rates were developed based on the adjusted MCRM (see "Adjustments Made to the Data" below for more detail on these adjustments). We used the HCGs to estimate the value of cost-sharing and relative utilization of services for each plan and to inform rating factors.

Manual Morbidity Basis

Composite morbidity factors are used to adjust the Milliman Managed Care Rating Model (MCRM) from the large employer group basis of the HCGs to the projected morbidity of PHW's membership in 2019.

The morbidity for PHW's 2019 membership is assumed to equal the projected morbidity for the Pennsylvania single risk pool times the morbidity of PHW's membership relative to the single risk pool.

We estimated historical single risk pool morbidity by comparing historical risk adjustment results for the Pennsylvania individual market versus the employer group population underlying the HCGs, controlling for risk score differences attributable to non-morbidity factors (e.g. demographics and plan mix). We then projected this historical morbidity snapshot forward to account for risk pool deterioration in reaction to the elimination of the individual mandate. A factor of 1.06 was used to project the elimination of the individual mandate, based on instruction from the Pennsylvania Insurance Department.

The relative morbidity assumption used for projecting claims reflects PHW's expectations regarding the morbidity of its 2019 membership relative to the single risk pool, and is consistent with the relative morbidity assumption used to estimate PHW's risk transfer payment/receivable.

Adjustments Made to the Data:

The following adjustments were made to calibrate the pricing model to the expected population:

- Rating region
- Expected demographics
- Expected morbidity
- Cost trend and provider reimbursement
- Expected utilization management savings
- Utilization trend
- Consideration of relevant QHP experience
- Benefit plan designs and expected cost-sharing

The adjustments, which are discussed above, are appropriate and necessary to reflect the anticipated population, region, provider network, and benefits anticipated for the 2019 single risk pool.

Inclusion of Capitation Payments:

Capitated payments for services are accounted for through a PMPM allocation to claims, where the average capitation amount replaces the projected claims amount.

7. Credibility of Experience

PHW does not have calendar year 2017 experience on which to base rate development. 0% credibility was assigned to experience.

8. Paid to Allowed Ratio

Paid to allowed ratios for each plan were calculated using the Milliman Managed Care Rating Model (MCRM), calibrated to the expected population as described in Section 6, “Credibility Manual Rate Development.”

The Paid to Allowed Average Factor in the Projection Period for the market (0.840) is shown on Worksheet 1, Section III of the URRT.

This ratio was developed by compositing values from the pricing model by plan. The paid to allowed ratios for each plan were composited using the projected membership shown on Worksheet 2 of the URRT. This calculation is shown in Appendix 8.1.

Each plan’s paid to allowed ratio has been reviewed for reasonableness and found to be relatively consistent with the AV calculator value (calculated with the 2019 Federal AV Calculator). The differences between the paid to allowed ratios and the AV calculator values are appropriate given the differences between the two calculation methods.

The paid to allowed ratio reflects full plan liability for CSR subsidies.

9. Risk Adjustment and Reinsurance

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM:

This is a new filing. As such, PHW does not have calendar year 2017 experience to report.

Projected Risk Adjustments PMPM:

The Projected Risk Adjustment Transfer PMPM [REDACTED] is shown on Worksheet 1, Section III. This amount is net of the 2019 Risk Adjustment User Fee of \$0.15 PMPM (0.02% of premium). Appendix 14.1 shows how the anticipated risk adjustment transfer revenue is applied to the Index Rate in the development of the Market Adjusted Index Rate. Appendix 9.1 shows quantitative support for PHW's projected 2019 risk adjustment liability.

The risk adjustment transfer calculations are based on the risk adjustment transfer formula, as provided in the Federal Register Volume 78 Number 47, and displayed below.

$$T_i = \left[\frac{PLRS_i \times IDF_i \times GCF_i}{\sum_i (s_i \times PLRS_i \times IDF_i \times GCF_i)} - \frac{AV_i \times ARF_i \times IDF_i \times GCF_i}{\sum_i (s_i \times AV_i \times ARF_i \times IDF_i \times GCF_i)} \right] \bar{P}_s$$

Where:

\bar{P}_s = state average premium;

$PLRS_i$ = plan i 's plan liability risk score;

AV_i = plan i 's metal level AV;

ARF_i = plan i 's allowable rating factor;

IDF_i = plan i 's induced demand factor;

GCF_i = plan i 's geographic cost factor;

s_i = plan i 's share of state enrollment as measured in member months;

and the denominator is summed across all plans in the risk pool in the market in the state.

We project the portfolio average for each factor in the risk adjustment transfer formula using a combination of (i) the state's actual historical risk adjustment factors adjusted to the projected population and (ii) adjustments for market and risk adjustment program changes. The resulting aggregate payment or receivable is then proportionally allocated to all plans in the portfolio.

For the purpose of our modeling, each of these factors was approximated as follows.

\bar{P} : The state average premium was assumed to be approximately [REDACTED] (net of the 14% administrative cost carve out).

PLRS: The statewide average risk score is projected based on the average PLRS of the single risk pool in 2016, as reported by the U.S. Department of Health and Human Services (HHS), adjusted for projected changes in the demographics, morbidity, and plan mix of the single risk pool from 2016 to 2019.

The average risk score for PHW's membership is projected by adjusting the projected single risk pool average risk score for risk score differences associated with demographic, plan mix, and morbidity differences between the two populations.

HHS's proposed HCC model and coefficient changes for 2018 and 2019 (including partial year adjustment factors, prescription drug condition categories, and model recalibration) were considered in the development of the projected risk adjustment transfer. The demographic, plan mix, and morbidity assumptions supporting the projected statewide and PHW risk score projections are consistent with the demographic, plan mix, and morbidity assumptions used to project claims costs.

IDF: The statewide average IDF is projected based on the average IDF of the single risk pool in 2016, as reported by HHS.

The average IDF for PHW is projected by applying the induced demand factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 11 to PHW's projected population. The formula recognizes the following IDF factors by metallic tier: Bronze 1.00, Silver 1.03, Gold 1.08 and Platinum 1.15.

AV: The statewide average actuarial value (AV) is projected based on the average metal level AV of the single risk pool in 2016, as reported by HHS.

The average AV for PHW is projected by applying the metal level AV factors from the market reform rule published in the March 11, 2013 Federal Register, page 15433, Table 9 to PHW's projected population. The formula recognizes the following AV values by metallic tier: Bronze 0.60, Silver 0.70, Gold 0.80, and Platinum 0.90.

ARF: As stated in the March 11, 2013 Federal Register, page 15433, the allowable rating factor (ARF) adjustment accounts only for age rating.

The statewide average ARF is projected based on the average ARF of the single risk pool in 2016, as reported by HHS, adjusted for projected changes in the demographics of the single risk pool from 2016 to 2019.

The average ARF for PHW is projected by applying the proposed 2019 HHS age rating factors to PHW's projected population. An equal distribution across ages within each age band was assumed.

GCF: The average GCF for PHW relative to the statewide average was modeled based on historical GCFs by rating area, any anticipated changes in these GCFs over time, and PHW's projected enrollment by rating area.

Based on the 2019 Notice of Benefit and Payment Parameters (NBPP), we have also modeled a net risk adjustment transfer for 2019 attributable to the high cost risk pooling program. We modeled this as the combination of a receivable, based on the attachment point and coinsurance (as outlined in the 2019 NBPP), and an assessment, based as a percentage of premium.

Outliers were reflected in our calculations to the extent that outliers are reflected in historical risk scores used as the starting point of the 2019 risk transfer projection and via the calculation of the net High Risk Pool receivable or payment. Otherwise, there were no "potential outlier assumptions" that would have an impact on transfers.

The risk adjustment transfer amounts [REDACTED] shown on Worksheet 1 of the URRT are the actual PMPM amounts expected in the projection period. The risk adjustment transfer amount applied to the Index Rate in the development of the Market Adjusted Index Rate is on an allowed claims basis, as the Index Rate is on an allowed claims basis.

The demographic, plan mix, and morbidity assumptions supporting the risk transfer projection are consistent with the demographic, plan mix, and morbidity assumptions used to project claims costs.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market and Combined Markets Only):

The Federal Transitional Reinsurance Program ended with the 2016 benefit year. This field has been populated with "0" in the URRT for the 2019 plan year.

10. Non-Benefit Expenses and Profit & Risk

The non-benefit expense values (\$120.04) can be found in Appendix 10.1.

Administrative Expense Load:

The administrative expense load (\$49.66; 7.75% of Premium) was provided by PHW. This allowance is based on the projected enrollment and is estimated to appropriately cover expenses for overhead, operations, sales, and marketing expenses.

There is an additional amount to cover approved quality improvement expenses (\$3.58) and provider incentive payments (\$2.00).

The administrative expenses are allocated proportionally by plan on a constant percentage of premium basis.

Profit (or Contribution to Surplus) & Risk Margin:

This load (\$25.03; 3.91% of Premium) was applied proportionally to all products and plans and can be found in Appendix 10.1.

Taxes and Fees:

The taxes and fees (\$39.62) which may be subtracted from premiums for purposes of calculating the MLR are listed in Appendix 10.1.

The Risk Adjustment User Fee (\$0.15) is netted out of the risk adjustment transfer amount. This value is not included as part of Taxes and Fees on Worksheet 1, Section III of the URRT.

See Section 14, "Market Adjusted Index Rate", for discussion on how the Exchange user fee is calculated and applied to the Market Adjusted Index Rate.

11. Projected Loss Ratio

The projected medical loss ratio (MLR) as prescribed by 45 CFR 158 is 87.6%. The projected MLR reflects the projection year single risk pool experience, rather than the three-year combined period that is used for determining MLR rebates. There was no credibility adjustment applied to the projected MLR. Including a credibility adjustment would only increase the projected MLR, which already satisfies the MLR requirement. See Appendix 11.1 for the calculation for the projected federal medical loss ratio.

12. Single Risk Pool

The Index Rate (\$464.95) is based on the single risk pool set by the State of Pennsylvania, which was established according to the requirements in 45 CFR Part 156.80. The single risk pool is defined as the non-grandfathered individual business in Pennsylvania.

Neither the single risk pool for the experience period nor the projection period include members who are eligible to remain enrolled in transitional plans.

13. Index Rate

PHW did not offer products in 2017, so the Index Rate for the Experience Period does not apply.

The Index Rate for the Projection Period (\$464.95) (calendar year 2019) is reflected in Worksheet 1, Section III of the URRT. It was developed following the specifications of 45 CFR part 156.80(d)(1). The Index Rate for the Projection Period represents the estimated total combined projected allowed claims PMPM for Essential Health Benefits (EHB) for calendar year 2019 and has not been adjusted for payments and charges under the risk adjustment program or for Exchange user fees. There is no difference between the total allowed claims PMPM and the Index Rate, as the benefits are 100% EHB. Pediatric dental is excluded in the benefit package since this will be offered through a stand-alone plan on the Exchange. The Index Rate for the Projection Period was calculated based on the methodology discussed in Section 6, "Credibility Manual Rate Development", above and does not include benefits in excess of the EHBs. The Index Rate for the Projection Period will remain unchanged until a renewal filing effective January 1, 2020.

The development of the Index Rate for the Projection Period is shown in Worksheet 1, Section II. This reflects:

- The 12-month projection period shown in Worksheet 1, Section II
- The anticipated claim level of the projection period with respect to trend, benefits, and demographics
- The experience of all policies expected to be in the single risk pool (with necessary adjustments)

Appendix 13.1 demonstrates the calculation of the Projected Index Rate by blending the Experience Period Index Rate with the Credibility Manual Index Rate, as applicable. The next three sections further describe the steps taken to develop the Market Adjusted Index Rate and Plan Adjusted Index Rate.

14. Market Adjusted Index Rate

The Index Rate for the Projection Period is adjusted to arrive at the Market Adjusted Index Rate (\$646.75) based on the following, as outlined in 45 CFR 156.80(d):

- Adjustment for the Risk Adjustment Program
- Exchange user fee adjustment

The risk adjustment estimation process is described in Section 9, “Risk Adjustment and Reinsurance”. Since the Index Rate is on an allowed claims basis, the market-level adjustments are done on an allowed basis.

The net Exchange user fee adjustment applied to premium rates is 3.50% of premium. This is based on weighting the expected distribution of issuer enrollment sold through the Exchange and sold outside of the Exchange. Per the 2019 final benefit and payment parameters, the Exchange user fee is 3.50% of premium for members purchasing coverage via the Exchange, and there is no Exchange fee for members enrolling in coverage outside of the Exchange. We assumed 100% of members would enroll through the Exchange and 0% would enroll outside of the Exchange. On Appendix 14.1, the user fee is shown on an allowed basis as a multiplicative factor, and this factor is 1.043.

No adjustment was made for reinsurance. The Federal Transitional Reinsurance Program ended in 2016 and will not be in effect during 2019.

Similar to the Index Rate, the Market Adjusted Index Rate reflects the area and demographic characteristics of the single risk pool. The Market Adjusted Index Rate is not calibrated.

Appendix 14.1 shows the development of the Market Adjusted Index Rate. Appendix 14.2 provides additional support for the development of the net risk adjustment transfer and exchange user fee factors shown on Appendix 14.1.

15. Plan Adjusted Index Rate

The Plan Adjusted Index Rate (\$640.54) is included in Worksheet 2, Section IV of the URRT. The Plan Adjusted Index Rate is the Market Adjusted Index Rate adjusted for only the following allowable adjustments, where applicable, as outlined in 45 CFR 156.80(d):

- The actuarial value and cost-sharing design of the plan
 - The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
 - The actuarial value and cost-sharing pricing adjustment was developed using the Milliman Managed Care Rating Model (MCRM), calibrated to the expected population as described in Section 6, “Credibility Manual Rate Development.” Relativities between plans are based on the differences in cost and utilization for varying levels of cost-sharing. This adjustment does not reflect differences due to health status. When projecting plan rating factors, the pricing model assumes the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.
 - The actuarial and cost-sharing pricing adjustment reflects full plan liability for CSR subsidies. CSR costs are reflected as a uniform percentage load applied to each silver ACA-compliant plan (both those sold through the Exchange and those sold outside of the Exchange). Based on guidance from the state of Pennsylvania, this load was set to 1.20.
- The plan’s provider network, delivery system characteristics, and utilization management adjustment practices.
 - Not applicable. All plans have the same provider network.
- Benefits provided under the plan that are in addition to the EHBs.
 - There are no non-EHBs for this rate filing.
- Administrative costs, excluding the Exchange user fees (which are already accounted for in the Market Adjusted Index Rate).
 - The administrative costs (\$55.24) are discussed in Section 10, “Non-Benefit Expenses and Profit & Risk”.
 - The development of the administrative costs excluding exchange user fees factor is shown in Appendix 15.2.

There are no catastrophic plans being offered, so there is no eligibility adjustment made for catastrophic plan enrollment.

Administrative costs and other benefits (non-EHB) common to all plans are added to the Market Adjusted Index Rate. Then, factors for actuarial value and cost-sharing and non-EHBs by plan are applied to reach the Plan Adjusted Index Rate for each plan.

The development and values of the Plan Adjusted Index Rates are shown in Appendix 15.1.

The Plan Adjusted Index Rate reflects the average demographic characteristics of the single risk pool and is not calibrated.

On Worksheet 2, Section III, the Plan Adjusted Index Rate of the Experience Period is set to zero as there is no reported experience.

16. Calibration

The Plan Adjusted Index Rate is calibrated for plans within the single risk pool to correspond to an age rating factor of 1.0, a geographic rating factor of 1.0, and a tobacco use rating factor of 1.0. The intent of the calibration factors is to reset the Plan Adjusted Index Rate so that applying the age factor, geographic rating area factor, and tobacco use factor will result in the appropriate consumer adjusted premium rate. The calibration factors for each of the age, geographic, and tobacco use factors are shown in Appendix 16.1. Note that each of the calibration factors has one value that is applied uniformly and does not vary by plan.

Age Curve Calibration:

The age curve calibration factor (1.731) is applied in Appendix 16.1. The age curve calibration factor is calculated by weighting the prescribed age rating factors with the single risk pool membership distribution. This age curve calibration calculation is based on page 9 of the Final 2019 Unified Rate Review Instructions. The age factor for each age band is the simple average of the factors in that band. The rounded weighted average age corresponding to this age calibration factor is 49 years. The development of the average age curve calibration factor may be found in Appendix 16.2.

Appendix 16.1 of the Actuarial Memorandum demonstrates the calibration of the Plan Adjusted Index Rate for age. The distribution of members by age is in Appendix 1.2 and the age factors are in Appendix 1.3.

Geographic Factor Calibration:

The geographic rating factors are displayed in Appendix 1.3. The development of the average geographic rating factor (1.000) may be found in Appendix 16.3.

Tobacco Use Rating Factor Calibration:

The tobacco use calibration factor (1.004) is applied in Appendix 16.1. The tobacco use calibration factor removes the portion of the cost expected to be recouped through the tobacco surcharge. This factor is calculated by weighting the tobacco factors with the single risk pool membership distribution of tobacco and non-tobacco users. The tobacco factors are listed in Appendix 1.3. The development of the average tobacco use calibration factor may be found in Appendix 16.4.

Calibration adjustments are applied uniformly to all plans

The calibration adjustment (1.739) does not vary by plan and is evident in Appendix 16.1. The member-level adjustments as described in 45 CFR 147.102 are applied uniformly to all plans in the single risk pool, and these adjustments do not vary by plan.

On Appendix 16.1, the Plan Adjusted Index Rate is calibrated for age, tobacco, and geography to determine the Calibrated Plan Adjusted Index Rate (\$368.39). The Calibrated Plan Adjusted Index Rate can then be converted to the Base Rate (\$381.40) by dividing by the average plan rate factor. Multiplying the Base Rate by the plan, age, tobacco, and area factors produces the Consumer Adjusted Premium Rate. The distribution of members by rating area is in Appendix 1.2. Appendix 1.4 lists the steps to calculate final premium rates and shows the calculation for an example policy with family coverage.

17. Consumer Adjusted Premium Rate Development

Each Plan Adjusted Index Rate is divided by the overall calibration factor to determine the Calibrated Plan Adjusted Index Rate.

The following allowable rating factors, as specified by 45 CFR Part 147.102, are applied to the Calibrated Plan Adjusted Index Rate to determine the rate that is charged to the health insurance purchaser:

- Age
 - The prescribed standard age factors were used.
- Rating Area
 - The area factors are listed in Appendix 1.3. The methodology for developing geographic factors is included in Section 16, “Calibration”.
- Tobacco status
 - The tobacco factor for 2019 is set to 1.15 for all ages 18+. In lieu of credible data, the factor was selected from a reasonable range of cost impacts based on tobacco cost literature. Specifically, the report “The Business Case for Coverage of Tobacco Cessation, 2012 Update” by Leif Associates, Inc. was considered which suggests that healthcare costs for smokers are greater than those of non-smokers and may be as much as 34% higher than costs for non-smokers.
- For family coverage, rates for children are charged to no more than the three oldest covered children under age 21

Appendix 1.3 lists the allowable rating factors and Appendix 1.4 has an example calculation of a family’s rates.

18. AV Metal Values

The AV Metal Values included in Worksheet 2 of the Part I URRT were calculated using the final 2019 Federal AV Calculator released on December 28, 2017. Please refer to Appendix 18.1 for screenshots documenting the outcomes of the AV Calculator for each plan.

19. AV Pricing Values

For each plan, we have indicated the portion of the AV Pricing Value that is attributable to each of the allowable modifiers to the Index Rate as described in 45 CFR Part 156, §156.80(d)(2). See Appendix 19.1 for this development.

Each plan's AV Pricing Value represents the cumulative effect of adjustments made by the issuer to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate. The AV Pricing Values reflect the relative impact of the following items:

- The plan's provider network, delivery system characteristics, and utilization management
- The actuarial value and cost-sharing design of the plan, including full plan liability for CSR subsidies. CSR costs are reflected as a uniform percentage load applied to each silver ACA-compliant plan (both those sold through the Exchange and those sold outside of the Exchange).
- The additional expected cost of non-essential health benefits provided under each plan
- Administrative costs, excluding Exchange user fees

Plan benefit relativities were developed using the Milliman Managed Care Rating Model (MCRM), calibrated to the expected population as described in Section 6, "Credibility Manual Rate Development." Demographic and risk characteristics were held constant for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

20. Membership Projections

Market share for Pennsylvania was projected at the county level using our standard market share model, which is based on our experience in other markets and our assumed competitive positions. The resulting market share projection was then applied to the 2019 estimated market. An aggregated, proportional demographic profile based on our current membership in other markets was then applied to this top line membership projection to derive projected enrollment by demographic.

For Silver plan membership, the membership projections break out enrollment separately for each cost-sharing reduction subsidy level. The detail of the projected membership by subsidy level is shown in Appendix 20.1.

21. Terminated Plans and Products

There are no terminated plans for the 2019 plan year.

22. Plan Type

The Plan types listed in Worksheet 2, Section I of the Part I URRT describe PHW's plans exactly.

23. Warning Alerts

There are no warning alerts in the URRT.

24. Effective Rate Review Information

The following Pennsylvania state-specific requirements have been included elsewhere in this filing package:

- 2019_PA_Health_and_Wellness_Inc_State_Actuarial_Memo_20180713.pdf
- 2019_PA_Health_and_Wellness_Inc_Part_II_Justification_20180713.pdf
- 2019_PA_Health_and_Wellness_Inc_Actuarial_Memorandum_Rate_Exhibits_20180713.xlsm
- 2019_PA_Health_and_Wellness_Inc_Plan_Design_Summary_and_Rate_Tables_20180713.xlsb
- 2019_PA_Health_and_Wellness_Inc_State_Completeness_and_Redaction_Checklist_20180713.xlsm
- 2019_PA_Health_and_Wellness_Inc_Pennsylvania_Counties_Map_20180713.ppt
- 2019_PA_Health_and_Wellness_Inc_State_Required_Cover_Letter_20180713.docx
- 2019_PA_Health_and_Wellness_Inc_Rate_Change_Request_Summary_20180713.pdf
- 2019_PA_Health_and_Wellness_Inc_Redaction_Justification_20180713.docx
- 2019_PA_Health_and_Wellness_Inc_Public_Rate_Filing_PDF_20180713.pdf

25. Reliance

In the preparation of this filing, I relied upon data provided under the direction of [REDACTED], Pennsylvania Health & Wellness, Inc. I performed general reasonableness checks, but I have not audited the data and have relied upon its accuracy. To the extent that the underlying data is inaccurate, this filing may also be inaccurate. Actual results will vary from those projected in the filing. This is due to random fluctuations, unexpected large claims, changes in population, and other such factors.

See Appendix 25.1 for a listing of items received for the rate development.

26. Actuarial Certification

I, [REDACTED], am a member of the American Academy of Actuaries in good standing and meet its qualification standards for actuaries issuing statements of actuarial opinion in the United States promulgated by the American Academy of Actuaries, and have the education and experience necessary to perform the work. This filing is prepared on behalf of Pennsylvania Health & Wellness, Inc. (the "Company") to comply with applicable State and Federal Statutes for individual rate filings.

I am affiliated with Milliman, Inc. ("Milliman"), an independent actuarial consulting firm that is not affiliated with, nor a subsidiary of, nor in any way owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers.

I certify the rates were developed in accordance with the appropriate Actuarial Standards of Practice (ASOPs) and the profession's Code of Professional Conduct. While other ASOPs apply, particular emphasis was placed on the following:

- ASOP No. 5, Incurred Health and Disability Claims
- ASOP No. 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
- ASOP No. 12, Risk Classification
- ASOP No. 23, Data Quality
- ASOP No. 25, Credibility Procedures
- 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. 42, Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims
- ASOP No. 45, The Use of Health Status Based Risk Adjustment Methodologies
- ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act

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

1. The Index Rate for the Projection Period is:
 - a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
 - b. Developed in compliance with the applicable Actuarial Standards of Practice
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered

- d. Neither excessive nor deficient based on my best estimates of the 2019 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 was calculated in accordance with actuarial standards of practice. The EHB portion of premium is appropriate as the basis of determining APTCs.
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 URRT for all plans.
6. This is a new filing. Therefore, there are no factor, benefit, or other changes from a prior approved filing to be disclosed.
7. No new plan is a modification of an existing plan.
8. The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2019 Rate Filing Justification.

The 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 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 2019 plan year premium rates in this actuarial memorandum are contingent upon the status of the ACA statutes and regulations including any regulatory guidance, court decisions, or otherwise. Changes have the potential to greatly impact the 2019 plan year premium rates provided in this Actuarial Memorandum and the alignment of these premium rates with incurred costs. Changes include, but are not limited to, any legislative or regulatory amendment, court decision, 1332 waivers bringing reinsurance or other such programs to a state; or a decision by Congress, the Health and Human Services Secretary, or the Centers for Medicare and Medicaid Services director to fund cost-sharing reduction subsidies, alter advance premium tax credits, or further modify the individual mandate requirement and penalty. In the event that a material provision is impacted, a revision to the rates will be needed. In particular, rates were developed assuming steady funding of Advanced Premium Tax Credits (APTCs) and no funding of cost-sharing reduction (CSR) subsidy payments. The

continuity of this funding approach will impact whether rates are sufficient and not excessive. Milliman expresses no opinion with regard to the future funding of CSR payments.

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:

[REDACTED]

Title: Principal & Consulting Actuary

Date: July 13, 2018

Appendix 1.1
Pennsylvania Health & Wellness, Inc.
Description of Benefits

Plan Design	Plan ID	Plan Type	Medical Deductible	Member Coinsurance	Rx Deductible	OOP Max	PCP Visit	Specialist Visit	Rx Member Cost-Sharing				Includes adult vision coverage?	Includes adult dental coverage?
									Generic	Preferred Brand	Non-Preferred Brand	Specialty		
Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	86199PA0010001	HMO	\$1,000	20%	\$500	\$6,350	D&C	D&C	\$10 NSD	\$25 SD	\$75 SD	30% SD (Max \$350)	N	N
Ambetter Balanced Care 3 (2019)	86199PA0010003	HMO	\$3000 INT	30%	INT	\$6,750	\$30 NSD	\$60 NSD	\$25 NSD	\$50 NSD	D&C	30% SD	N	N
Ambetter Balanced Care 5 (2019)	86199PA0010005	HMO	\$7350 INT	0%	INT	\$7,350	\$40 NSD	\$80 NSD	\$20 NSD	\$60 NSD	D&C	\$0 SD	N	N
Ambetter Balanced Care 11 (2019)	86199PA0010004	HMO	\$6000 INT	40%	INT	\$7,900	\$30 NSD	\$60 NSD	\$20 NSD	\$50 NSD	D&C	40% SD	N	N
Ambetter Essential Care 1 (2019)	86199PA0010002	HMO	\$7900 INT	0%	INT	\$7,900	D&C	D&C	\$20 NSD	D&C	D&C	\$0 SD	N	N
D&C – Deductible and Coinsurance INT – Integrated Medical and Rx Deductible NSD – Not subject to deductible SD – Subject to deductible Rx Copay – Generic / Preferred Brand / Non-Preferred Brand / Specialty														

Appendix 1.2
Pennsylvania Health & Wellness, Inc.
Age and Rating Area Distributions

Age Band	Percent Distribution
0-14	7.14%
15	0.48%
16	0.48%
17	0.48%
18	0.48%
19	1.17%
20	1.17%
21	1.17%
22	1.17%
23	1.17%
24	1.17%
25	1.72%
26	1.72%
27	1.72%
28	1.72%
29	1.72%
30	1.64%
31	1.64%
32	1.64%
33	1.64%
34	1.64%
35	1.59%
36	1.59%
37	1.59%
38	1.59%
39	1.59%
40	1.61%
41	1.61%
42	1.61%
43	1.61%
44	1.61%
45	1.80%
46	1.80%
47	1.80%
48	1.80%
49	1.80%
50	2.14%
51	2.14%
52	2.14%
53	2.14%
54	2.14%
55	2.62%
56	2.62%
57	2.62%
58	2.62%
59	2.62%
60	3.47%
61	3.47%
62	3.47%
63	3.47%
64 and Over	4.52%

Rating Area	Percent Distribution
Rating Area 8	100.0%

Appendix 1.3
Pennsylvania Health & Wellness, Inc.
Rate Table

Base Rate: \$381.40

Plan	Rate Factor
Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	1.112
Ambetter Balanced Care 3 (2019)	1.127
Ambetter Balanced Care 5 (2019)	1.000
Ambetter Balanced Care 11 (2019)	0.985
Ambetter Essential Care 1 (2019)	0.793

Age Band	Age Factor	Tobacco Factors	
		Smoker	Non-Smoker
0-14	0.765	1.000	1.000
15	0.833	1.000	1.000
16	0.859	1.000	1.000
17	0.885	1.000	1.000
18	0.913	1.150	1.000
19	0.941	1.150	1.000
20	0.970	1.150	1.000
21	1.000	1.150	1.000
22	1.000	1.150	1.000
23	1.000	1.150	1.000
24	1.000	1.150	1.000
25	1.004	1.150	1.000
26	1.024	1.150	1.000
27	1.048	1.150	1.000
28	1.087	1.150	1.000
29	1.119	1.150	1.000
30	1.135	1.150	1.000
31	1.159	1.150	1.000
32	1.183	1.150	1.000
33	1.198	1.150	1.000
34	1.214	1.150	1.000
35	1.222	1.150	1.000
36	1.230	1.150	1.000
37	1.238	1.150	1.000
38	1.246	1.150	1.000
39	1.262	1.150	1.000
40	1.278	1.150	1.000
41	1.302	1.150	1.000
42	1.325	1.150	1.000
43	1.357	1.150	1.000
44	1.397	1.150	1.000
45	1.444	1.150	1.000
46	1.500	1.150	1.000
47	1.563	1.150	1.000
48	1.635	1.150	1.000
49	1.706	1.150	1.000
50	1.786	1.150	1.000
51	1.865	1.150	1.000
52	1.952	1.150	1.000
53	2.040	1.150	1.000
54	2.135	1.150	1.000
55	2.230	1.150	1.000
56	2.333	1.150	1.000
57	2.437	1.150	1.000
58	2.548	1.150	1.000
59	2.603	1.150	1.000
60	2.714	1.150	1.000
61	2.810	1.150	1.000
62	2.873	1.150	1.000
63	2.952	1.150	1.000
64 and Over	3.000	1.150	1.000

Geographic Factors	
Area	Rate Factor
Rating Area 8	1.000

Appendix 1.4
Pennsylvania Health & Wellness, Inc.
Rating Example

Family Rating Example

Plan Design:	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits
Product:	86199PA001

				(a)	(b)	(c)	(d) = ((a) + (b)) x (c)	(e)	(f)	(g)	(h) = (d) x (e) x (f) x (g)
Member	Age	Smoking Status	Rating Area	Base	Prod. Adj.	Plan Rate Factor	(Base + Prod. Adj.) * Plan Factor	Age Factor	Tobacco	Area	Final Premium
Subscriber	40	Non-Smoker	Rating Area 8	\$381.40	\$0.00	1.112	\$424.12	1.278	1.000	1.000	\$542.02
Spouse	38	Non-Smoker	Rating Area 8	\$381.40	\$0.00	1.112	\$424.12	1.246	1.000	1.000	\$528.45
Child 1	18	Non-Smoker	Rating Area 8	\$381.40	\$0.00	1.112	\$424.12	0.913	1.000	1.000	\$387.22
Child 2	16	Non-Smoker	Rating Area 8	\$381.40	\$0.00	1.112	\$424.12	0.859	1.000	1.000	\$364.32
Child 3	14	Non-Smoker	Rating Area 8	\$381.40	\$0.00	1.112	\$424.12	0.765	1.000	1.000	\$324.45
Child 4	11	Non-Smoker	Rating Area 8	\$381.40	\$0.00	1.112	\$424.12	0.000	1.000	1.000	\$0.00
Total											\$2,146.46

Steps to Calculate Final Premium:

- (1) Look up the plan's Base Rate factor (a) and Product Adjustment factor (b). Add together.
- (2) Look up the Plan Rate factor based on the plan design (c).
- (3) Multiply the sum of (a) and (b) by the Plan Rate factor as shown in column (d).
- (4) Look up the age factors for each member based on age (e).

Note that premiums can only be charged for the first 3 children, so the age factor for all subsequent children will be 0.

- (5) Look up the tobacco factor for each member according to smoking status and age (f).
- (6) Look up the area factor based on the rating area (g).
- (7) Multiply column (d) by the age, tobacco and area factors for each member individually.
- (8) Sum the results from (7) for the final premium for the family.

Appendix 4.1
Pennsylvania Health & Wellness, Inc.
Benefit Category Mapping

MCRM Benefit Category	URRT Benefit Category
<i>Inpatient Facility - Non-Maternity</i>	
Medical	Inpatient Hospital
Medical - Other Newborn	Inpatient Hospital
Surgical	Inpatient Hospital
Psychiatric - Hospital	Inpatient Hospital
Psychiatric - Residential	Inpatient Hospital
Alcohol & Drug Abuse - Hospital	Inpatient Hospital
Alcohol & Drug Abuse - Residential	Inpatient Hospital
<i>Inpatient Facility - Maternity</i>	
Normal Deliveries	Inpatient Hospital
Cesarean Deliveries	Inpatient Hospital
Non-Deliveries	Inpatient Hospital
<i>Skilled Nursing Facility</i>	Inpatient Hospital
<i>Outpatient Facility</i>	
Observation	Outpatient Hospital
Emergency Room	Outpatient Hospital
Surgery	Outpatient Hospital
Radiology	
Radiology - Therapeutic	Outpatient Hospital
Radiology - Diagnostic	Outpatient Hospital
Radiology - CT / MRI / PET	Outpatient Hospital
Pathology/Lab	Outpatient Hospital
Pharmacy	Outpatient Hospital
Cardiovascular	Outpatient Hospital
PT/OT/ST	Outpatient Hospital
Psychiatric	Outpatient Hospital
Alcohol & Drug Abuse	Outpatient Hospital
Preventive	Outpatient Hospital
Other Outpatient Facility	Outpatient Hospital
<i>Professional</i>	
Inpatient Surgery - Non-Maternity	
Surgeon	Professional
Anesthesia	Professional
Maternity	
Professional	Professional
Anesthesia	Professional
Outpatient Surgery	
Outpatient Facility	Professional
Office	Professional
Anesthesia	Professional
Inpatient Visits	
Medical	Professional
Psychiatric	Professional
Alcohol & Drug Abuse	Professional
Office Visits & Miscellaneous Services	
Office/Home Visits - PCP	Professional
Office/Home Visits - Specialist	Professional
Urgent Care Visits	Professional
Office Administered Drugs	Professional

Appendix 4.1
Pennsylvania Health & Wellness, Inc.
Benefit Category Mapping

MCRM Benefit Category	URRT Benefit Category
Allergy Testing	Professional
Allergy Immunotherapy	Professional
Miscellaneous Medical	Professional
Preventive Services	
Immunizations	Professional
Well Baby Exams	Professional
Physical Exams	Professional
Other Preventive	Professional
Other Professional Services	
ER Visits and Observation Care	Professional
Vision Exams	Professional
Hearing and Speech Exams	Professional
Physical Therapy	Professional
Cardiovascular	Professional
Radiology	
Inpatient	Professional
Outpatient	
Outpatient - Therapeutic	Professional
Outpatient - Diagnostic	Professional
Outpatient - CT / MRI / PET	Professional
Office	
Office - Therapeutic	Professional
Office - Diagnostic	Professional
Office - CT / MRI / PET	Professional
Pathology/Lab	
Inpatient & Outpatient	Professional
Office	Professional
Chiropractor	Professional
Outpatient Psychiatric	Professional
Outpatient Alcohol & Drug Abuse	Professional
<i>Other</i>	
Prescription Drugs	Prescription Drug
Private Duty Nursing/Home Health	Other Medical
Ambulance	Other Medical
DME and Supplies	Other Medical
Prosthetics	Other Medical
Autism - ABA	Other Medical
IUD Contraceptive	Other Medical
Implantable Rod Contraceptive	Other Medical
Infertility	Other Medical
Envolve Vision - Child - Exam / Hardware	Capitation
Envolve Vision - Child - Med / Surg	Capitation
Envolve Vision - Adult - Med / Surg	Capitation
Envolve PeopleCare - Health Coaching	Capitation
Envolve PeopleCare - Nurseline	Capitation
Start Smart	Capitation
Teledoc - Telehealth	Capitation

Appendix 8.1 Pennsylvania Health & Wellness, Inc. Development of Paid to Allowed Ratio						
			(a)	(b)	(c)	(d) = (c) / (b)
Product	Plan Name	Plan ID	Projected Member Months	Allowed Claims PMPM	Paid Claims PMPM	Paid to Allowed Ratio
		Aggregate	68,370	\$464.95	\$390.41	0.840
Ambetter	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	86199PA0010001	1,575	\$485.65	\$426.10	0.877
Ambetter	Ambetter Balanced Care 3 (2019)	86199PA0010003	2,832	485.17	438.12	0.903
Ambetter	Ambetter Balanced Care 5 (2019)	86199PA0010005	2,832	472.22	423.19	0.896
Ambetter	Ambetter Balanced Care 11 (2019)	86199PA0010004	50,974	474.98	405.01	0.853
Ambetter	Ambetter Essential Care 1 (2019)	86199PA0010002	10,157	403.74	289.16	0.716

Appendix 9.1
Pennsylvania Health & Wellness, Inc.
Projected Risk Adjustment Transfers for 2019

Appendix 9.1 has been redacted.

Appendix 10.1
Pennsylvania Health & Wellness, Inc.
Summary of Non-Benefit Expenses

Expense Component	PMPM	% of Net Revenue	% of Aggregate Premium
Aggregate Premium	\$640.54		100.00%
Net Revenue	\$510.45	100.00%	
<u>Administrative Expense Load</u>			
General Administrative Expense			
Core CNC Admin	\$37.95		5.92%
Sales Compensation	\$7.40		1.15%
Marketing - Lead Generation	\$2.33		0.36%
Commercial Stop Loss	\$1.03		0.16%
Marketing - Post Enrollment Marketing Costs	\$0.00		0.00%
Risk Adjustment Optimization	\$0.00		0.00%
Premium Billings	\$0.00		0.00%
Connecture Front-End	\$0.00		0.00%
Non-Benefit Portion of Capitation Arrangements	\$0.95		0.15%
Quality Improvement Expense	\$3.58		0.56%
Provider Incentive Payments	\$2.00		0.31%
Total	\$55.24		8.62%
Post-Tax Profit and Contribution to Surplus	\$25.03		3.91%
<u>Taxes and Fees - % of Premium</u>			
State Income Tax	\$0.27		0.04%
Federal Income Tax	\$6.73		1.05%
Federal Transitional Reinsurance Program Fee	\$0.00		0.00%
Patient Centered Outcomes Research Fee	\$0.00		0.00%
Pennsylvania Exchange Fee	\$22.42		3.50%
Total	\$29.41		4.59%
<u>Taxes and Fees - % of Net Revenue</u>			
Health Insurance Provider Fee	\$0.00	0.00%	
Assessments	\$0.00	0.00%	
Misc. Taxes and Fees	\$0.00	0.00%	
Pennsylvania Premium Tax Assessments	\$10.21	2.00%	
Total	\$10.21	2.00%	
<u>URRT WS 1 Non-Benefit Expenses, Risk and Profit</u>	\$119.89	23.49%	18.72%
Risk Adjustment User Fee	\$0.15		
<u>Total Non-Benefit Expenses, Risk and Profit</u>	\$120.04	23.52%	18.74%

<p align="center">Appendix 11.1 Pennsylvania Health & Wellness, Inc. Projected MLR Table</p>

a)	Incurred Claims	\$395.99
b)	Risk Adjustment Transfer	\$130.09
c)	Projected Claims for MLR (a+b)	\$526.08
d)	Administrative Expenses	\$49.66
e)	Post-Tax Profit and Contribution to Surplus	\$25.03
f)	Taxes and Fees	\$32.78
g)	Federal Income Tax	\$6.73
h)	State Income Tax	\$0.27
i)	Premium (c+d+e+f+g+h)	\$640.54
j)	Medical Loss Ratio (c/(i-f-g-h))	87.6%

This projected MLR is calculated according to 45 CFR 158. The projected MLR is the projected 2019 calendar year single risk pool experience rather than the three-year period used for determining rebates. No credibility adjustment based on projected enrollment and average deductible was estimated; including a credibility adjustment would increase the projected MLR.

Appendix 13.1
Pennsylvania Health & Wellness, Inc.
Index Rate to Projected Index Rate

		(1)	(2)	(3)	(4)	(5) = (2) * (4) + (3) * [1 - (4)]
Plan ID	Plan Name	Projected Member Months	Experience Period Index Rate (Projected)	Credibility Manual Index Rate (Projected)	Credibility Factor	Projected Index Rate
86199PA0010001	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	1,575	N/A	\$464.95	0%	\$464.95
86199PA0010003	Ambetter Balanced Care 3 (2019)	2,832	N/A	464.95	0%	464.95
86199PA0010005	Ambetter Balanced Care 5 (2019)	2,832	N/A	464.95	0%	464.95
86199PA0010004	Ambetter Balanced Care 11 (2019)	50,974	N/A	464.95	0%	464.95
86199PA0010002	Ambetter Essential Care 1 (2019)	10,157	N/A	464.95	0%	464.95
Total		68,370	N/A	\$464.95	0%	\$464.95

Appendix 14.1
Pennsylvania Health & Wellness, Inc.
Projected Index Rate to Market Adjusted Index Rate

		(5)	(6)	(7)	(8) = (5) * (6) * (7)
Plan ID	Plan Name	Projected Index Rate	Net Risk Adjustment Transfer Factor	Exchange User Fee Factor	Market Adjusted Index Rate
86199PA0010001	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	\$464.95	1.334	1.043	\$646.75
86199PA0010003	Ambetter Balanced Care 3 (2019)	464.95	1.334	1.043	646.75
86199PA0010005	Ambetter Balanced Care 5 (2019)	464.95	1.334	1.043	646.75
86199PA0010004	Ambetter Balanced Care 11 (2019)	464.95	1.334	1.043	646.75
86199PA0010002	Ambetter Essential Care 1 (2019)	464.95	1.334	1.043	646.75
Total		\$464.95	1.334	1.043	\$646.75

<p align="center">Appendix 14.2 Pennsylvania Health & Wellness, Inc. Development of Appendix 14.1 Values</p>

1+(a+b)/(c*d)	Net Risk Adjustment Transfer Factor	1.334
(a)	Risk Adjustment Transfer (App 11.1)	\$130.09
(b)	Risk Adjustment User Fee (App 10.1)	\$0.15
(c)	Projected Index Rate (App 13.1)	\$464.95
(d)	Paid to Allowed Ratio (App 8.1)	0.840

1+(a)/(b+c+d*e)	Exchange User Fee Factor	1.043
(a)	Pennsylvania Exchange Fee (App 10.1)	\$22.42
(b)	Risk Adjustment Transfer (App 11.1)	\$130.09
(c)	Risk Adjustment User Fee (App 10.1)	\$0.15
(d)	Projected Index Rate (App 13.1)	\$464.95
(e)	Paid to Allowed Ratio (App 8.1)	0.840

Appendix 15.1
Pennsylvania Health & Wellness, Inc.
Market Adjusted Index Rate to Plan Adjusted Index Rate

		(8)	(9)	(10)	(11)	(12)	(13)	(14) = (9) * ... * (13)	(15) = (8) * (14)
Plan ID	Plan Name	Market Adjusted Index Rate	Actuarial Value and Cost-Sharing Design of the Plan	Provider Network, Delivery System and Utilization Management	Benefits in Addition to the EHBs	Administrative Costs Excluding Exchange User Fees	Impact of Specific Eligibility Categories for Catastrophic Plans	AV Pricing Value ¹	Plan Adjusted Index Rate
86199PA0010001	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	\$646.75	0.967	1.000	1.000	1.179	1.000	1.141	\$737.63
86199PA0010003	Ambetter Balanced Care 3 (2019)	646.75	0.980	1.000	1.000	1.179	1.000	1.155	747.22
86199PA0010005	Ambetter Balanced Care 5 (2019)	646.75	0.869	1.000	1.000	1.179	1.000	1.025	663.16
86199PA0010004	Ambetter Balanced Care 11 (2019)	646.75	0.856	1.000	1.000	1.179	1.000	1.010	653.14
86199PA0010002	Ambetter Essential Care 1 (2019)	646.75	0.690	1.000	1.000	1.179	1.000	0.814	526.20
Total		\$646.75	0.840	1.000	1.000	1.179	1.000	0.990	\$640.54

Notes:

1) The AV Pricing Value is found on Worksheet 2 of URRT.

<p align="center">Appendix 15.2 Pennsylvania Health & Wellness, Inc. Development of Administrative Costs Excluding Exchange User Fees Factor</p>

(c)/(c-a+b)	Administrative Costs Excluding Exchange User Fees	1.179
(a)	URRT WS 1 Non-Benefit Expenses, Risk and Profit (App 10.1)	\$119.89
(b)	Pennsylvania Exchange Fee (App 10.1)	\$22.42
(c)	Premium (App 11.1)	\$640.54

Appendix 16.1

Pennsylvania Health & Wellness, Inc.

Plan Adjusted Index Rate to Calibrated Plan-Adjusted Index Rate

		(15)	(16)	(17)	(18)	(19) = (16) * (17) * (18)	(20) = (15) / (19)	(21)	(22) = (20) / (21)
Plan ID	Plan Name	Plan Adjusted Index Rate	Geographic Calibration Factor	Age Calibration Factor ¹	Tobacco Use Calibration Factor	Calibration ²	Calibrated Plan-Adjusted Index Rate ³	Plan Rate Factor	Base Rate ⁴
86199PA0010001	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	\$737.63	1.000	1.731	1.004	1.739	\$424.23	1.112	\$381.40
86199PA0010003	Ambetter Balanced Care 3 (2019)	747.22	1.000	1.731	1.004	1.739	429.74	1.127	381.40
86199PA0010005	Ambetter Balanced Care 5 (2019)	663.16	1.000	1.731	1.004	1.739	381.40	1.000	381.40
86199PA0010004	Ambetter Balanced Care 11 (2019)	653.14	1.000	1.731	1.004	1.739	375.64	0.985	381.40
86199PA0010002	Ambetter Essential Care 1 (2019)	526.20	1.000	1.731	1.004	1.739	302.63	0.793	381.40
Total		\$640.54	1.000	1.731	1.004	1.739	\$368.39	0.966	\$381.40

Notes:

1) This is the adjustment to go from the true composite average age factor to an age factor 1.0 basis. The rounded weighted average age is 49.

2) The calibration value is the product of the rating area calibration factor (1.000), the age calibration factor (1.731), and the tobacco use calibration factor (1.004).

3) This is calibrated to an age factor of 1.0, a geographic factor of 1.0, and a tobacco use factor of 1.0. It can be multiplied by the appropriate area, age and tobacco use factors from Appendix 1.3 to closely mirror the Consumer Adjusted Premium Rate.

4) Matches Appendix 1.3 Base Rate.

Appendix 16.2
Pennsylvania Health & Wellness, Inc.
Age Factor Development

Age Band	Projected Member Months	Composite CMS Proposed Relativity
Under 19	6,183	0.788
19-24	4,790	0.985
25-29	5,865	1.056
30-34	5,599	1.178
35-39	5,446	1.240
40-44	5,489	1.332
45-49	6,142	1.570
50-54	7,316	1.956
55-59	8,972	2.430
60-64	11,845	2.870
Over 65	723	3.000
Total	68,370	1.731

The rounded weighted average age is 49.

Appendix 16.3
Pennsylvania Health & Wellness, Inc.
Area Factor Development

Regions	Projected Member Months	EHB Paid PMPM	Area Factor
Pennsylvania Rating Area 8	68,370	\$390.41	1.000
Total	68,370	\$390.41	1.000

Appendix 16.4
Pennsylvania Health & Wellness, Inc.
Smoker Factor Development

Premium Rate	Projected Member Months	Adjustment Factor
Tobacco User	2,019	1.150
Non-Tobacco User	66,351	1.000
Total	68,370	1.004

Appendix 18.1
Pennsylvania Health & Wellness, Inc.
AV Calculator Results

The AV Calculator Screenshots have been redacted.

Appendix 19.1
Pennsylvania Health & Wellness, Inc.
AV Pricing Value Allocation

Product	Plan Name	PlanID	Pricing AV	Provider Network, Delivery System and Utilization Management	Actuarial Value and Cost-Sharing Adjustment	Non-EHB Benefits	Administrative Cost
Ambetter	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	86199PA0010001	1.141	1.000	0.967	1.000	1.179
Ambetter	Ambetter Balanced Care 3 (2019)	86199PA0010003	1.155	1.000	0.980	1.000	1.179
Ambetter	Ambetter Balanced Care 5 (2019)	86199PA0010005	1.025	1.000	0.869	1.000	1.179
Ambetter	Ambetter Balanced Care 11 (2019)	86199PA0010004	1.010	1.000	0.856	1.000	1.179
Ambetter	Ambetter Essential Care 1 (2019)	86199PA0010002	0.814	1.000	0.690	1.000	1.179

Appendix 20.1
Pennsylvania Health & Wellness, Inc.
Membership Projections

			Projected Member Months						
Product	Plan Name	Plan ID	Gold	Silver Plan				Bronze	Total
				70%	73%	87%	94%		
		Aggregate	1,575	9,307	9,840	22,419	15,072	10,157	68,370
Ambetter	Ambetter Secure Care 1 (2019) with 3 Free PCP Visits	86199PA0010001	1,575	-	-	-	-	-	1,575
Ambetter	Ambetter Balanced Care 3 (2019)	86199PA0010003	-	465	492	1,121	754	-	2,832
Ambetter	Ambetter Balanced Care 5 (2019)	86199PA0010005	-	465	492	1,121	754	-	2,832
Ambetter	Ambetter Balanced Care 11 (2019)	86199PA0010004	-	8,377	8,856	20,177	13,564	-	50,974
Ambetter	Ambetter Essential Care 1 (2019)	86199PA0010002	-	-	-	-	-	10,157	10,157

Appendix 24.1
Pennsylvania Health & Wellness, Inc.
Development of Single Risk Pool Projection Factors

	Trend Adjustments				Morbidity Adjustments								Demo Adjustments				Network Adjustments				Other Adjustments						
	Starting		Util		Impact of Trend Adjustment	Change in Morbidity - Cost		Change in Morbidity - Util		Impact of Morbidity Adjustments	Change in Demographics - Cost		Change in Demographics - Util		Impact of Initial Demo Adjustments	Change in Network - Cost		Change in Network - Util		Impact of Network Adjustments	Change in Other - Cost		Change in Other - Util		Impact of Other Adjustments		
	Manual Data	Cost Adj	Adjustments	After Initial Adj		Adjustment	Claims Margin	Cost	Morbidity - Util		Indiv Mandate	After Morbidity	After Demographics	After Demo		After Network	Adjustments	Other - Cost	Other - Util		After Network	Adjustments	Other - Cost	Other - Util		After Other	Adjustments
Inpatient Hospital	87.73	1.01	0.99	87.61	0.999	1.007	1.000	0.884	1.056	82.38	0.940	1.008	1.206	100.15	1.216	1.000	0.910	91.09	0.910	1.000	1.000	81.59	1.000	1.000	81.59	1.000	
Outpatient Hospital	142.98	0.62	0.93	82.61	0.578	1.007	1.000	0.884	1.056	77.67	0.940	1.033	1.220	97.85	1.260	1.000	0.891	87.15	0.891	1.000	1.000	87.15	1.000	1.000	87.15	1.000	
Professional	130.70	1.04	1.00	136.29	1.043	1.007	1.000	0.884	1.056	128.15	0.940	1.011	1.162	150.54	1.175	1.000	0.923	138.95	0.923	1.000	1.000	138.95	1.000	1.000	138.95	1.000	
Other Medical	9.94	0.82	0.86	6.99	0.704	1.007	1.000	0.884	1.056	6.58	0.940	0.984	1.202	7.78	1.183	1.000	0.910	7.08	0.910	1.132	1.000	8.02	1.132	1.132	8.02	1.132	
Capitation	2.44	1.00	1.00	2.44	1.000	1.007	1.000	1.000	1.000	2.46	1.007	1.000	1.000	2.46	1.000	1.000	1.000	2.46	1.000	1.000	1.000	2.46	1.000	1.000	2.46	1.000	
Prescription Drug	106.97	1.26	0.83	111.42	1.042	1.007	1.000	0.883	1.071	106.22	0.953	1.005	1.286	137.29	1.292	1.000	1.000	137.29	1.000	1.000	1.000	137.29	1.000	1.000	137.29	1.000	
Total	480.75			427.35	0.889					403.45	0.944			496.06	1.230			464.02	0.935			464.95	1.002				

<p>Appendix 24.2 Pennsylvania Health & Wellness, Inc. Sample Producer Agreement</p>
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Appendix 24.2 has been redacted.

Appendix 24.3
Pennsylvania Health & Wellness, Inc.
Induced Utilization Buildup

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (8) / (6 * 7)
Plan ID	Metal Level	Projected Membership	Projected Allowed Claims	Projected Paid Claims	Paid to Allowed Factor	Average Tobacco Factor	AV & Cost-Sharing Factor	Induced Utilization	
86199PA0010001	Gold	1,575	\$764,903.82	\$671,101.99	0.877	0.996	0.967	1.107	
86199PA0010003	Silver	2,832	1,373,994.45	1,240,756.95	0.903	0.996	0.980	1.090	
86199PA0010005	Silver	2,832	1,337,316.68	1,198,466.91	0.896	0.996	0.869	0.974	
86199PA0010004	Silver	50,974	24,211,596.42	20,645,142.44	0.853	0.996	0.856	1.009	
86199PA0010002	Bronze	10,157	4,100,778.59	2,936,994.52	0.716	0.996	0.690	0.967	
Total		68,370	\$31,788,589.96	\$26,692,462.81	0.840	0.996	0.840	1.007	

Appendix 24.4
Pennsylvania Health & Wellness, Inc.
AV & Cost Sharing Factor Buildup

	(1)	(2)	(3)	(4)	(5)	(6) = (3) * (4) / (5)
Plan ID	Projected Membership	Aggregate Paid to Allowed Ratio	Base Plan Factor	Aggregate Plan Factor	AV & Cost-Sharing Factor	
86199PA0010001	1,575	0.840	1.112	0.966	0.967	
86199PA0010004	2,832	0.840	1.127	0.966	0.980	
86199PA0010003	2,832	0.840	1.000	0.966	0.869	
86199PA0010005	50,974	0.840	0.985	0.966	0.856	
86199PA0010002	10,157	0.840	0.793	0.966	0.690	
Total	68,370	0.840	0.966	0.966	0.840	

Appendix 25.1
Pennsylvania Health & Wellness, Inc.
Data and Assumption Reliance for 2019 Individual Marketplace Premium Development

Data / Assumption	Source
Relevant 2017 Individual QHP experience from other states	Charles Kearns, Pennsylvania Health & Wellness, Inc.
2019 Population Morbidity, (excluding the impact of individual mandate repeal)	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Impact of individual mandate repeal	Pennsylvania 2019 ACA-Compliant Health Insurance Rate Filing Guidance
Impact of full plan liability for CSR Subsidies	Pennsylvania 2019 ACA-Compliant Health Insurance Rate Filing Guidance
2019 Statewide Average Premium	Charles Kearns, Pennsylvania Health & Wellness, Inc.
2019 Individual QHP Membership Projections	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Relationship between enrollee duration and paid-to-allowed ratio by metal level	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Pricing and Premium Development Models	Milliman
Basic tables of utilization, cost, claims probability distributions, pricing adjustment factors, and primary care/specialty care utilization distribution	Milliman (<i>Health Cost Guidelines</i>)
2019 Individual QHP Benefit Designs	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Utilization trends	Milliman (<i>Health Cost Guidelines</i>),
Unit Cost trends	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Administrative Costs, Taxes, and Fees	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Premium Delinquency Estimates	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Subcapitated Contracts and Pricing	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Value Added Benefits	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Smoking Relativity Factors	Charles Kearns, Pennsylvania Health & Wellness, Inc.
County Rating Areas	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Pennsylvania Health & Wellness, Inc. Service Areas	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Expected Reimbursement by Rating Area and State	Charles Kearns, Pennsylvania Health & Wellness, Inc.
OON Utilization and Reimbursement	Charles Kearns, Pennsylvania Health & Wellness, Inc.
Utilization Management	Charles Kearns, Pennsylvania Health & Wellness, Inc.
3:1 Age Band Factors	HHS
Prescription Drug Assumptions: AWP Discount, Dispensing Fee, Rebates, Retail/Mail Utilization percentages, formularies, and Rx Management Assumptions	Envolve
Funding Status of CSR Subsidies	Charles Kearns, Pennsylvania Health & Wellness, Inc.
CSR Silver Load	Pennsylvania 2019 ACA-Compliant Health Insurance Rate Filing Guidance

Milliman

86199PA0010005	Rating Area 8	Tobacco User/Non-Tobacco User	57	929.47	1068.89
	Rating Area 8	Tobacco User/Non-Tobacco User	58	971.81	1117.58
	Rating Area 8	Tobacco User/Non-Tobacco User	59	992.78	1141.70
	Rating Area 8	Tobacco User/Non-Tobacco User	60	1035.12	1190.39
	Rating Area 8	Tobacco User/Non-Tobacco User	61	1071.73	1232.49
	Rating Area 8	Tobacco User/Non-Tobacco User	62	1095.76	1260.13
86199PA0010005	Rating Area 8	Tobacco User/Non-Tobacco User	63	1125.89	1294.78
86199PA0010005	Rating Area 8	Tobacco User/Non-Tobacco User	64 and over	1144.19	1315.82
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	0-14	287.39	287.39
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	15	312.94	312.94
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	16	322.71	322.71
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	17	332.48	332.48
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	18	342.99	394.44
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	19	353.51	406.54
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	20	364.41	419.07
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	21	375.69	432.04
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	22	375.69	432.04
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	23	375.69	432.04
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	24	375.69	432.04
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	25	377.18	433.76
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	26	384.70	442.40
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	27	393.71	452.77
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	28	408.36	469.62
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	29	420.38	483.44
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	30	426.40	490.36
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	31	435.41	500.72
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	32	444.43	511.09
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	33	450.06	517.57
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	34	456.07	524.49
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	35	459.08	527.94
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	36	462.09	531.40
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	37	465.09	534.85
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	38	468.10	538.31
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	39	474.11	545.22
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	40	480.12	552.14
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	41	489.13	562.50
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	42	497.77	572.44
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	43	509.80	586.27
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	44	524.82	603.55
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	45	542.48	623.85
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	46	563.52	648.05
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	47	587.19	675.26
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	48	614.24	706.37
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	49	640.91	737.04
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	50	670.96	771.61
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	51	700.64	805.74
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	52	733.33	843.32
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	53	766.39	881.34
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	54	802.07	922.39
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	55	837.76	963.43
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	56	876.46	1007.93
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	57	915.53	1052.86
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	58	957.23	1100.81
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	59	977.89	1124.58
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	60	1019.59	1172.53
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	61	1055.66	1214.01
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	62	1079.33	1241.22
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	63	1109.00	1275.36
86199PA0010004	Rating Area 8	Tobacco User/Non-Tobacco User	64 and over	1127.03	1296.08
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	0-14	231.37	231.37
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	15	251.94	251.94
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	16	259.80	259.80
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	17	267.67	267.67
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	18	276.14	317.56
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	19	284.61	327.30
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	20	293.38	337.38
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	21	302.46	347.83
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	22	302.46	347.83
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	23	302.46	347.83
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	24	302.46	347.83
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	25	303.66	349.21
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	26	309.71	356.17
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	27	316.97	364.51
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	28	328.76	378.08
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	29	338.44	389.21
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	30	343.28	394.77
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	31	350.54	403.12
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	32	357.80	411.47
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	33	362.34	416.69
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	34	367.17	422.25
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	35	369.59	425.03
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	36	372.01	427.82
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	37	374.43	430.60
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	38	376.85	433.38
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	39	381.69	438.95
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	40	386.53	444.51
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	41	393.79	452.86
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	42	400.75	460.86
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	43	410.42	471.99
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	44	422.52	485.90
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	45	436.74	502.25
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	46	453.68	521.73
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	47	472.73	543.64
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	48	494.51	568.68
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	49	515.98	593.38
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	50	540.18	621.20
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	51	564.07	648.68
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	52	590.38	678.94
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	53	617.00	709.55
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	54	645.73	742.59
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	55	674.46	775.63
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	56	705.62	811.46
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	57	737.07	847.63
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	58	770.64	886.24
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	59	787.28	905.37
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	60	820.85	943.98
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	61	849.89	977.37
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	62	868.94	999.28
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	63	892.83	1026.76
86199PA0010002	Rating Area 8	Tobacco User/Non-Tobacco User	64 and over	907.34	1043.44

Objection Letter for Pennsylvania Health and Wellness, Inc.**State:** Pennsylvania**Filing Company:** Pennsylvania Health and Wellness, Inc.**Objection Date:** 6/15/2018**Objection 1**

Please explain why the aggregate paid to allowed ratio included in Appendix 24.4 and Appendix 8.1 (0.892) does not tie to the aggregate paid to allowed factor in Appendix 24.3 (0.889).

Response:

The calculation of the aggregate paid to allowed ratio in Appendix 24.3 has been updated. The value now matches the aggregate paid to allowed factors on Appendix 8.1 and Appendix 24.4.

Objection 2

Please explain and provide quantitative support for why the paid to allowed ratios included in Appendix 8.1 are significantly greater than the AV metal values included in Worksheet II of the URR for each plan (ranging from 16% to 42% greater than the plan AV metal values).

Response:

Please refer to the [Objections 2, 3] tab in *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb* for quantitative support for the development of plan-specific paid to allowed (AV) factors in Appendix 8.1. Note that the plan pricing factors in this exhibit differ conceptually from AV metal values for *base* (specifically silver) plans in that they aggregate across the base silver plan and all CSR variants. The paid to allowed factors in Appendix 8.1 also include a uniform load to rebalance premiums after applying the state's requested 28% silver CSR load. This rebalancing causes the AV for the 94% silver variants to be greater than 1.0.

Objection 3

Please explain and provide quantitative support for the development of the "Base Plan Factors" found in Appendix 24.4. Specifically, how are these factors so different for the three Silver plans which have the same projected distribution by CSR level?

Response:

Please refer to the [Objections 2, 3] tab in *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb* for numerical support of plan relativities for all plans, and specifically the three base silver plans in Pennsylvania. The relativities are informed by the data supporting manual rating, including AV Calibration, which adjusts for historical national experience.

The appendix features two sections, with the top section representing plan relativities as they contribute to the base rate, and the bottom section representing plan rating factors, which do not include plan-specific morbidity.

Objection 4

We have a number of questions related to trend.

- a) Please provide additional numerical support for the trend assumptions included in Table 3b of the PA Rate Template. Specifically, please explain why it is reasonable to assume

significant negative trends to “Outpatient Hospital” and “Other Medical” services, as well as an overall negative trend. Please also demonstrate the development of the induced utilization components.

Response:

Please refer to the [Objection 4a] tab in *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb* for numerical support of these calculations. The trends in table 3b represent adjustments from the 2018 Milliman Health Cost Guidelines (HCGs), trended back one year at 3% utilization and 3% unit cost trend (in order to match the requested 2017 base period). The HCGs are based on a large nationwide dataset and need to be adjusted to match the specific profile of PHW’s expected population and pricing considerations.

The [Objection 4a] tab provides detail on each of the components that contributes to the utilization, unit cost, and induced utilization values provided in the template. The major drivers of negative adjustments are reimbursement (PHW has lower reimbursement levels than the historical average assumption used with the HCGs) and the experience adjustment, which is used to calibrate the manual pricing model based on historical experience in other states.

- b) Please demonstrate how the trends included in Table 3b of the PA Rate Template tie to the adjustments applied in Appendix 24.1.

Response:

We have updated the Starting Manual Data by service category in Appendix 24.1 and added a column to display the impact of the trend adjustment. The total impact of the trend adjustment (0.889) ties to the Total Applied Projection Factor shown in Table 3b.

Please see the [Objection 4b] tab of the attached workbook, *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb*, for an exhibit illustrating the relationship between the Appendix 24.1 values and the Composite URRT Trend on Table 3b.

Objection 5

We have a number of questions related to the risk adjustment transfer amount included in Appendix 9.1.

- a) Please provide an explanation for why the 2016 Risk Adjustment results were used as the starting point instead of the 2017 Interim Risk Adjustment results released on April 27, 2018.

Response:

In order to meet timeline milestones, the assumptions used to set the PHW rates were finalized prior to the release of the interim risk adjustment results.

- b) Please provide a quantitative and qualitative build up for the following items in the risk adjustment transfer calculation:
- Statewide Plan Liability Risk Score
 - Statewide Allowable Rating Factor

- Statewide Average Premium
- PHW Plan Liability Risk Score
- PHW Geographic Cost Factor
- Net High Risk Pool Amount

Response:

Please refer to the [Objection 5] tab in *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb* for numerical support of these calculations. Development of Statewide PLRS, Statewide Average Premium, PHW PLRS are shown in the attachment, while the other factors listed have the following sources:

- Statewide Allowable Rating Factor: Based on the 2016 actual statewide ARF.
- PHW Geographic Cost Factor: Based on the 2016 GCF for Pennsylvania Rating Area 8, adjusted for expected changes in carrier rate action.

Objection 6

We have a number of questions related to the single risk pool adjustments included in Appendix 24.1.

- a) Please provide additional information regarding the purpose and development of the adjustment for “Claims Margin” included in the development of the morbidity adjustment.

Response:

The claims margin assumption in this appendix represents provision for member payment delinquency.

- b) Please describe the 1.132 “Other” cost adjustment made to the “Other Medical” service category. Please explain what this adjustment represents and demonstrate how it was calculated. Please explain why it is reasonable to apply this adjustment when all of the “Other” cost and utilization adjustments are 1.000.

Response:

This adjustment represents the addition of benefits that are not included in the Milliman HCGs. Benefits include Autism – ABA, certain contraceptives, and infertility treatment. The benefits total \$1.12 in paid claims, in addition to \$8.51 in paid claims for “Other Medical” that are already included as part of the Milliman HCGs (for an adjustment factor of 1.132) These benefits are most appropriately categorized in the Other Medical category, and costs for all other categories are included in the Milliman HCGs (leading to a 1.0 factor for those categories).

- c) Please provide a quantitative development of the following adjustments by service category included in Appendix 24.1:
- Change in Morbidity – Utilization
 - Change in Demographics – Utilization
 - Change in Network – Utilization

Response:

- Please refer to the [Objection 6c1] tab in *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb* for numerical support for the change in morbidity.
- The “Change in Demographics – Utilization” factor is based on the projected demographics for PHW in 2019 as applied to the Milliman HCG age gender factors. Please refer to the [Objection 6c2] tab in *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb* for the distribution of membership by age. The Milliman HCG age gender factors are proprietary and cannot be provided in detail at this time.
- The “Change in Network – Utilization” factor is based on assumed levels of carrier management within the framework of the Milliman HCGs. The adjustment provided represents the difference in utilization management between a loosely managed plan and a plan managed at the level expected for PHW.

Objection 7

Table 5: Please document and support the calculations of following factors:

- a) Change in Morbidity of 0.944. Please confirm that you have considered the Department’s individual adjustment factor of 1.06 in your calculations.

Response:

The Morbidity Adjustments in Appendix 24.1 can be composited to calculate the Change in Morbidity factor. We have revised Appendix 24.1 to display the impact of the morbidity adjustments. The total impact of the morbidity adjustment (0.944) ties to the Change in Morbidity Factor shown in Table 5.

In accordance with instructions from the Pennsylvania Insurance Department, we have included a factor of 1.06 for the repeal of the individual mandate. We have updated Appendix 24.1 to show the application of this factor. Note that while the medical services have a factor less than 1.06 and prescription drugs have a factor greater than 1.06, the composite of these factors (not including capitation) is equal to 1.06.

- b) Change in Demographics of 1.23

Response:

The Demo Adjustments in Appendix 24.1 can be composited to calculate the Change in Demographics factor. We have revised Appendix 24.1 to display the impact of the demo adjustments. The total impact of the demo adjustment (1.230) ties to the Change in Demographics factor shown in Table 5.

- c) Please refer to the response in objection 6. Change in Network of 0.935

Response:

The Network Adjustments in Appendix 24.1 can be composited to calculate the Change in Network factor. We have revised Appendix 24.1 to display the impact of the network adjustments. The total impact of the network adjustment (0.935) ties to the Change in Network factor shown in Table 5.

- d) Change in Other of 1.002.

Response:

The Other Adjustments in Appendix 24.1 can be composited to calculate the Change in Other factor. We have revised Appendix 24.1 to display the impact of the other adjustments. The total impact of the other adjustment (1.002) ties to the Change in Other factor shown in Table 5.

- e) Projected Paid Exchange User Fees Rate PMPM of \$23.69. (Please input formula in Cell C32 as per Page 12 of PID Filing Guidelines).

Response:

The Projected Paid Exchange User Fees Rate PMPM of \$23.69 is calculated as 3.5% of the Single Pool Gross Premium Avg. Rate, PMPM on the URRT. This formula has been input into Cell C32. Note that the Single Risk Pool Gross Premium Avg. Rate, PMPM will differ slightly from the exact pricing amount due to the rounding of the percent of premium factors.

Objection 8

Please explain why there is a discrepancy between the following:

- Paid to Allowed Ratio of 0.892 in Table 5,
- Average Pricing Value of 0.775 in Table 10, Cell K15, and
- Average Paid to Allowed factor of 0.889 in Appendix 24.3.

Response:

The Paid to Allowed Ratio of 0.892 in Table 5 matches what is shown in Appendix 8.1, Appendix 24.4, and the revised Appendix 24.3.

The Average Pricing value of 0.775 in Table 10, Cell K15 differs from this value because it is net of both the Tobacco Surcharge and Non-Funding of CSR Adjustment.

Additionally, note that the Paid to Allowed Ratio of 0.892 is composited using projected membership, whereas the template calculates the Average Pricing Value using a raw average.

Objection 9

Appendix 14.1: Please document the calculations of Net RA Transfer factor of 1.334 and Exchange User Fee factor of 1.043.

Response:

Please see the [Objection 9] tab of the attached workbook, *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb*, for documentation of the calculation of the factors.

Objection 10

Appendix 15.1: Please document the calculations of the factors in Column (9) and (12).

Response:

Please see Appendix 24.4 for the documentation of the Actuarial Value and Cost-Sharing Design of the Plan factors, shown in Column (9) of Appendix 15.1.

Please see the [Objection 10] tab of the attached workbook, *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb*, for the documentation of the Administrative Costs Excluding Exchange User Fees factor, shown in Column (12) of Appendix 15.1.

Objection 11

In the 2019 Guidance published on the Department's website, the Department required that all issuers file uniform factors for the Individual Adjustment of 1.06 and the CSR Defunding Adjustment of 1.28. In addition, the Department indicated that as the rate review process moves forward and federal healthcare reform efforts are clarified, the Department would consider issuer specific requests. We can now advise that the aforementioned factors of 1.06 for the Individual Adjustment and 1.28 for CSR Defunding Adjustment constitute ceilings. If your company desires lower adjustments than those stated in the Department's 2019 Guidance, you may provide updated materials (PA Actuarial Memorandum and Exhibits, Part III Actuarial Memorandum, Part I URRT and corresponding rate tables – State and Federal) and justification for the lower Adjustment factor(s) with your first round response due June 22, 2018. The Department will not consider adjustment factors greater than those stated in the 2019 Guidance.

Response:

We have included documentation for a revised CSR Defunding Adjustment of 16.7%. The adjustment is broken in to two parts.

- Silver-only CSR load: This load is applied to silver plans only and is calculated based on only the theoretical CSR subsidy amount (loaded for retention) and the aggregate silver plan premium in a CSR funded scenario. See [Objection 11a] tab of the attached workbook, *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb*, response for a detailed calculation of the silver only load.
- SWAP load: This load is a secondary result related to CSR defunding causing all carriers' premiums to be higher within the state. We assume a higher SWAP in CSR unfunded scenarios and the risk transfer increases as a result. This load was not included in the initial filing submission, rather there was a straight 28% increase applied to silver plans and no increase applied to gold and bronze plans. We would include this load in our best estimate CSR load scenario. See [Objection 11b] tab of the attached workbook, *20180620 Response to 6-15-18 PHW On-HIX Objections - PA.xlsb*, for a separate estimate of the SWAP load.

We are not proposing a revised value for the Individual Mandate Adjustment.

Objection 12

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

Response:

We have confirmed that the rates provided in Table 11 of the Actuarial Memorandum Exhibits and the PA Plan Design Summary and Rate Tables are consistent with the Federal Rate Table Template.

Objection Letter for Pennsylvania Health and Wellness, Inc.

State: Pennsylvania

Filing Company: Pennsylvania Health and Wellness, Inc.

Objection Date: 7/9/2018

Objection 1

We have the following questions with regards to the exhibit provided in response to Objections 2 and 3 of the first round of questions.

- a) Please demonstrate how the Initial Allowed PMPMs included in Row 14 were developed. Please also explain why these amounts vary so significantly between the base (non-CSR variant) silver plans.

Response:

Initial allowed PMPMs are developed from the manual rating model. The initial allowed PMPMs vary by plan based on two types of induced utilization factors:

1. Service-line induced utilization: calculated based on cost sharing by service line, depending on the cost sharing properties of that benefit.
2. Global induced utilization: calculated based on the value of the deductible and out of pocket maximum along with the implied.

While Balanced Care 11 and Balanced Care 5 are lean silver plans, Balanced Care 3 is a relatively richer silver plan (as measured by both the AV metal value in URRT Worksheet 2 and the Pricing AV in the response to Objections 2 and 3).

- b) Please demonstrate how the Uniform Load to Support the 28% Silver CSR Load (Row 27) and Spread CSR Induced Util to All Plans (Row 41) amounts were developed. Please also explain why these adjustments are applied to all base plans and why they need to be applied in addition to the CSR Defunding Adjustment factor determined by the Pennsylvania Insurance Department.

Response:

The 8.7% load is necessary to return the gold and bronze rates to the same values as a CSR funded scenario and the silver plans to premium levels 28% above the CSR funded scenario. The Uniform Load to Support the Silver CSR load is applied to all plans uniformly so that the 28% load to silver plans is a load, as opposed to a transfer between plans. Plan factors are applied on a revenue neutral basis and 28% is a larger load than is required to fund PHW's CSR subsidy, so the initial application of a 28% increase to silver plan factors brings the base rate down lower than it would be under a CSR Funded scenario.

Please refer to Objection 1b Exhibit 1 of 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for a calculation of premium rates in a CSR funded scenario, rates with a 28% silver factor shift but without the additional 8.7% load, and rates with both a

shift in the plan factors and the load. Please note that the claims impact in the prior claims exhibit is quantified differently than the premium change between the scenarios in Objection 1b. The impact on aggregate claims and risk transfer is calculated in the bottom section of the exhibit.

- c) Please explain the purpose and demonstrate the development of the Duration and AV Calibration Adjustment (Row 25).

Response:

Adjustments for duration and AV calibration are two independent adjustments that encompass the following:

1. Duration: Adjustment for the difference in base period average enrollment duration and projected average enrollment duration, specific to each metal tier.
2. AV Calibration: Used to calibrate Milliman's Managed Care Rating Model (MCRM) based on historical experience from other states. The calibration process estimates claims costs using the manual model using assumptions from historical experience and uses the differential between the two to calculate an actual to expected factor, which is then applied to components of pricing that use the manual model, such as the calculation of plan factors.

Please refer to Objection 1c Exhibit 1 of 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for a demonstration of AV Calibration.

Objection 2

We have the following questions in regards to the response to Objection 4 of the first round of questions.

- a) The response to Objection 4a of the first round of questions indicates "The trends in table 3b represent adjustments from the 2018 Milliman Health Cost Guidelines (HCGs), trended back one year at 3% utilization and 3% unit cost trend (in order to match the requested 2017 base period)." Please explain how the 3% trends for utilization and unit cost were determined and provide support for these assumptions. Please also demonstrate where these adjustments are included in the Objection 4a exhibit.

Response:

The 2019 PHW rates for Pennsylvania were calculated using a manual rating model that is based in 2018. The only purpose of the 3% back-trending assumptions was to fulfil the request made for the template (which has a 2017 base period), and it does not affect the development of rates in any way. For this purpose, we developed these assumptions by selecting general trends that are within the range of Milliman's Health Cost Guidelines trends and that were reasonably close to the projected trends for PHW in Pennsylvania. The 3% trends are present in the following sections of the Objection 4a exhibit:

1. Utilization: Trend Utilization
2. Unit Cost: Allowed trend for Rx and Reimbursement Adjustment from Base for Medical

- b) Please provide additional quantitative support for the 0.54 unit cost “Adjustment from Base” for Outpatient Hospital and the 0.70 unit cost “Adjustment from Base” for Other Medical.

Response:

Please refer to Objection 2b Exhibit 1 in 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for an additional breakout of the components of this factor. The additional breakout includes the 2017-2018 general unit cost trend, Medicare Allowed trend from the starting Medicare trend to the benefit period, and the 2018-2019 adjustment to unit cost from the base period experience (average commercial reimbursement benchmark). The adjustment to unit cost from the base period is calculated using the difference in reimbursement between the base period reimbursement assumption and projection period, measured as a percentage of the Medicare fee schedule.

- c) Please provide additional quantitative support for the 0.87 “Experience Adjustment” factor applied to utilization.

Response:

The experience adjustment is based on calibrating the Milliman Managed Care Rating model based on historical experience in other states. Similar to the AV Calibration adjustment discussed in Objection 1c, the experience adjustment represents a calibration of *allowed* claims costs based on actual to expected calculations.

Please refer to Objection 2c Exhibit 1 in 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for additional quantitative support for the experience adjustment.

- d) Please provide additional quantitative and qualitative support for the “Area Utilization” factors applied.

Response:

Area utilization factors are calculated based on the membership-weighted area factors from Milliman's Health Cost Guidelines. Please refer to Objection 2d Exhibit 1 in 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for a distribution of projected membership by (metropolitan statistical area) MSA. Area factors are blended on a member weighted basis across MSAs and then on a PMPM basis across service categories. The Milliman Health Cost Guidelines contain proprietary information and cannot be included in this objection response, however, we have included an illustrative demonstration of how the area factors are composited across areas and service categories for a single plan. Please note that the factors used in this illustration are not consistent with the factors used in the pricing development.

Objection 3

We have the following questions in regards to the exhibit provided in response to Objection 5 of the first round of questions.

- a) Please demonstrate how the 0.804 adjustment to the PLRS for relative morbidity was developed and support the reasonability of this assumption.

Response:

The adjustment to the PLRS for relative morbidity is consistent with a relative risk score of 0.8, which is consistent with Centene's experience as a new entrant in other states.

Please refer to Objection 3a Exhibit 1 in 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for a calculation of the normalized relative risk score value of 0.804.

- b) Please demonstrate how the 2016-2019 SWAP rate increase trend of 2.152 was developed and support the reasonability of this assumption.

Response:

Please refer to Objection 3b Exhibit 1 in 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for additional detail on the SWAP trend. The SWAP Rate Increase trend of 2.152 is the product of the cumulative trend to projection period (1.98) and the uniform load to support the 28% Silver CSR Load (1.087).

Objection 4

An exhibit titled "Objection 6c1" was provided in response to Objection 6c. Please demonstrate how the morbidity adjustments developed in this exhibit tie to those included in Appendix 24.1.

Response:

The 2019 absolute morbidity factor of 0.936 is consistent with the change in Morbidity – Util column in Objection 6c1. The medical factor of 0.933 and the Pharmacy factor of 0.946 are with the 0.936 factor, in aggregate, across all service categories.

Objection 5

Please provide additional information regarding the development of the "Change in Demographics – Utilization" and "Change in Network – Utilization" factors associated with Objection 6. For example, the response to Objection 6 indicated that the "Change in Demographics – Utilization" factor is based on the projected demographics for PHW in 2019 as applied to the Milliman HCG age gender factors. Please demonstrate how the difference in demographics was accounted for using these age gender factors and provide the age and gender distribution of both the manual experience and the projected experience.

Response:

1. Change in Demographics – Utilization: Please refer to Objection 5 Exhibit 1 in 20180713 Response to 7-6-18 PHW On-HIX Objections - PA.xlsx for a comparison of HCG standard demographics to the projected demographics provided in the first round of objection responses. HCG age gender factors are applied based on age band and service category; they are member weighted across age bands within each service category and then PMPM weighted across service categories to calculate the overall adjustment. The Milliman Health Cost Guidelines contain proprietary information and cannot be included in this objection response, however, we have included an illustrative demonstration of how the age gender factors are composited across areas and service categories for a single plan. Please note that the factors used in this illustration along with the distribution between male and female membership are not consistent with the factors used in the pricing development.

2. Change in Network – Management savings are calculated using interpolation between a loosely and well managed benchmark for each plan benefit design. Projected unit cost is also adjusted for expected changes in intensity as it relates to the level of management. We have assumed that PHW will have a 25% degree of healthcare management in Pennsylvania based on performance in other states, program benchmarking, and analysis of current management practices. The management savings calculation is a complex calculation that is not possible to demonstrate without displaying significant portions of Milliman's proprietary Health Cost Guidelines, however, we have included an illustrative example that demonstrates the steps in the management savings adjustment for a service category that uses simple linear interpolation (which is true of most service categories).

Objection 6

Per PID guidance, a CSR Defunding Adjustment Factor of 1.20 must be used in the 2019 rate development for the Individual Market. Please revise pricing and documentation to reflect this adjustment.

Response:

A revised rate filing package reflecting a CSR Defunding Adjustment Factor of 1.20 is being provided to the Pennsylvania Insurance Department along with these objection responses.

Objection 7

As was communicated in my email of July 3, 2018 the Department has determined that an Individual Adjustment Factor of 1.06 and a CSR Defunding Adjustment Factor of 1.20 will be used in the 2019 rate development for the Individual Market. Issuers overwhelmingly recommended standardization of these factors. As such, issuers may not deviate from these factors. Updated materials (PA Actuarial Memorandum and Exhibits and the Plan Design Summary worksheets, including the State rate tables) reflecting these factors, Risk Adjustment updates (based on the June 30th release of the Federal Risk Adjustment Report) and other Department requested changes must be provided with your second-round response due July 13, 2018. Other than these three preceding changes, no other modifications will be accepted.

Response:

A revised rate filing package reflecting a CSR Defunding Adjustment Factor of 1.20 is being provided to the Pennsylvania Insurance Department along with these objection responses.