

SERFF Tracking #:

HGHM-132324148

State Tracking #:

HGHM-132324148

Company Tracking #:

1A-DP-20-FPH

State:

Pennsylvania

Filing Company:

First Priority Health

TOI/Sub-TOI:

H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense

Product Name:

1A-DP-20-FPH

Project Name/Number:

1A-DP-20-FPH/1A-DP-20-FPH

## Supporting Document Schedules

|                          |                                                                          |
|--------------------------|--------------------------------------------------------------------------|
| <b>Satisfied - Item:</b> | ACA Public Rate Filing PDF                                               |
| <b>Comments:</b>         | A redacted version of the rate filing is attached for public disclosure. |
| <b>Attachment(s):</b>    | REDACTED 1A-DP-20-FPH Public Rate Filing 071620.pdf                      |
| <b>Item Status:</b>      |                                                                          |
| <b>Status Date:</b>      |                                                                          |



July 16, 2020

Ms. Tracie Gray, Director  
Bureau of Life, Accident & Health Insurance  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: First Priority Health 2021 ACA Rate Filing (Individual Market)  
Filing # 1A-DP-20-FPH (SERFF # HGHM-132324148)

**This constitutes Notice pursuant to Section 707 of the Pennsylvania Right-to-Know Law that the attached First Priority Health (FPH) 2021 Individual Market Rate Filing contains Trade Secret and Confidential Proprietary Information. Therefore, FPH must, prior to the release of any portion of this Filing, be notified of any request by a third party for access to this Filing, and the Trade Secret and/or Confidential Proprietary Information identified by FPH should be redacted before release.**

Dear Ms. Gray:

This Filing includes the First Priority Health's ("FPH", "Company") Individual Market rates and the supporting rate development for policies with effective dates on or after January 1, 2021.

As a result of the Department's review of this filing thus far, the following changes have been made to the initial version of the filing:

- Pursuant to the Department's July 10, 2020 COVID-19 Impact Guidance, the Company is adding a 2.5% morbidity load to account for anticipated increased claim expense in 2021 due to COVID-19. This factor has been added to Table 5, cells C16 and/or D16 as prescribed.
- At the Department's request, the Company added the prescribed formula for the benefit richness factors found in Table 10 column L of the PAAM Exhibits file.

The remainder of this cover letter and all of the supporting filing documents have been revised to reflect the changes described above.

**In the event the Department decides to publish this Filing in the PA Bulletin, the company information requested in the Department's 2021 ACA-Compliant Health Insurance Rate Filing Guidance, Section B, is provided below:**

### **Requested Company Information**

1. Company Name & NAIC #: **First Priority Health, NAIC # 96601**
2. Market: **Individual**
3. On or Off Exchange: **This filing reflects that the Company anticipates selling one plan on the off exchange.**
4. Effective date of coverage: **January 1, 2021**
5. Average rate change requested: **19.2% decrease**
6. Range of rate change requested: **FPH will offer only one plan in 2021. The rate change for this plan is 19.2% decrease**
7. Total additional annual revenue generated from the proposed rate change: **(\$56,486)**
8. Product(s): **HMO**
9. Rating Areas and the change from 2020: **Rating Area 3**

There are no changes in our covered Rating Areas from the 2020 rate filing.

10. Metal Levels and Catastrophic Plans: This filing reflects that the Company anticipates selling only a **Gold** plan in the indicated Market.
11. Current number of covered lives as of February 1, 2020: **31 covered lives**
12. Number of plans offered in 2021 and the change this represents from 2020: **1**

The Company offered 1 plan in 2020. For 2021, the Company is continuing 1 plan in the Market.

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

13. Corresponding contract form #, SERFF and Binder ID#s: **The corresponding SERFF binder number is HGHM-PA21-125098164 affecting the following Company products and forms:**

| <b>Product Name / Type</b>     | <b>Contract Form &amp; SERFF#</b> |
|--------------------------------|-----------------------------------|
| My Lehigh Valley Flex Blue HMO | LV/HMO/FPH/DP-2; HGHM-132364635   |

14. HIOS Issuer ID # and submission tracking number: **HIOS Issuer ID #83731, Company Filing #1A-DP-20-FPH (SERFF Filing # HGHM-132324148)**

### **Additional Filing Disclosures**

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

### **Potential for Material Unforeseen Impacts**

This rate filing also accounts for the Reinsurance Program operating in the Individual Market in 2021 pursuant to a waiver of certain provisions of the Affordable Care Act for the State of Pennsylvania, as authorized by section 1332 of that Act and expected to be approved by the Centers for Medicare and Medicaid Services and the United States Department of Treasury.

Other assumptions in the filing account for the elimination of the Individual Mandate penalty and the lack of CSR funding in 2021 by using the factors prescribed in the Department's guidance. Additional assumptions include that advance payment of premium tax credits (APTCs) will continue until the end of 2021, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and that there are no significant changes in the participation of QHP issuers that would materially change risk adjustment transfer amounts. Finally, modifications to the rate development may be necessary if significant unforeseen events occur. Examples include, but are not limited to, repeal or invalidation of the ACA or material developments in the course of the COVID-19 pandemic. As a result, FPH reserves the right to submit a revised filing.

### **Request for Confidentiality**

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

Public disclosure of any information contained in this Filing would allow FPH competitors to better understand or discover its confidential and proprietary rating, pricing and/or marketing practices, would undermine competition in the Individual market and could have negative

consequences for the operation of FPH's business. Therefore, FPH asserts that this Filing, in its entirety, constitutes Trade Secret and Confidential Proprietary Information and should not be disclosed.

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

Furthermore and pursuant to the Pennsylvania Right-to-Know Law ("RTKL"), FPH must be notified prior to release of information contained in this Filing and be given the opportunity to respond to requests for such information. Should the Department receive such request or require the release of information contained in this Filing for its own purposes, FPH asserts its right to release a redacted version of the Filing. In accordance with the RTKL, please contact the FPH RTKL representative identified below prior to release of any information contained in this Filing:

[REDACTED]  
RTKL Representative  
VP Chief Privacy Officer  
Highmark Health  
120 Fifth Avenue, Suite 2114  
Pittsburgh, PA 15222

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

Should you have any questions regarding the attached Filing, please feel free to contact me at [REDACTED] or via e-mail at: [REDACTED]

Sincerely,

[REDACTED]  
[REDACTED]  
Vice President, Actuarial Services  
Highmark Inc.

cc: [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

# Rate Change Summary

## First Priority Health – Individual Plans

Rate request filing ID # 1A-DP-20-FPH (SERFF # HGHM-132324148) - 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: | -19.2% <sup>1</sup> |
| Revised requested average rate change: | N/A <sup>1</sup>    |
| Range of requested rate change:        | -19.2%              |
| Effective date:                        | January 1, 2021     |
| People impacted:                       | 31                  |
| Available in:                          | Rating Area 3       |

### Key information

#### Jan. 2019-Dec. 2019 financial experience

|                            |                     |
|----------------------------|---------------------|
| Premiums                   | \$89,640,186        |
| Claims                     | \$60,570,653        |
| Administrative expenses    | \$8,328,973         |
| Taxes & fees               | \$2,748,535         |
| Company made (after taxes) | <b>\$17,992,025</b> |

#### How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2021:

|                 |     |
|-----------------|-----|
| Claims:         | 92% |
| Administrative: | 8%  |
| Taxes & fees:   | 0%  |
| Profit:         | 0%  |

The company expects its annual medical costs to increase **10.5%**.

### Explanation of requested rate change

The proposed average rate change is being driven by changes in the base claims experience, trend, retention, the anticipated impact of Covid-19, and the implementation of the Pennsylvania Health Insurance Individual market Stabilization Reinsurance Program ("Reinsurance Program").

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

# Actuarial Memorandum

## 1. Basic Information and Data

### A. Company Information

The appropriate company information has been provided in Table 0. General information pertaining to this rate filing is summarized below:

- Company Name: First Priority Health (“FPH”)
- NAIC #: 96601
- HIOS Issuer ID: 83731
- State: Pennsylvania
- Market: Individual
- Effective Date: 1/1/2021
- SERFF Rate Filing #: HGHM-132324148

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing included an assumption within the acceptable range of factors for the COVID-19 impact.

This rate filing also accounts for the Reinsurance Program operating in the Individual Market in 2021 pursuant to a waiver of certain provisions of the Affordable Care Act for the State of Pennsylvania, as authorized by section 1332 of that Act and expected to be approved by the Centers for Medicare and Medicaid Services and the United States Department of Treasury.

Other assumptions in the filing account for the elimination of the Individual Mandate penalty and the lack of CSR funding in 2021 by using the factors prescribed in the Department’s guidance. Additional assumptions include that advance payment of premium tax credits (APTCs) will continue until the end of 2021, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and that there are no significant changes in the participation of QHP issuers that would materially change risk adjustment transfer amounts. Finally, modifications to the rate development may be necessary if significant unforeseen events occur. Examples include, but are not limited to, repeal or invalidation of the ACA or material developments in the course of the COVID-19 pandemic. As a result, FPH reserves the right to submit a revised filing.

### B. Rate History and Proposed Variations in Rate Changes

The three most recent rate changes in Pennsylvania for First Priority Health (FPH) are as follows:

| Year | Avg. Increase | SERFF ID#        |
|------|---------------|------------------|
| 2020 | -0.7%         | HGHM - 131904476 |
| 2019 | 1.1%          | HGHM - 131475735 |
| 2018 | 13.9%         | HGHM - 131020597 |

Historical rate changes varied by plan due to updated cost sharing levels to meet federal AV requirements as well as updates to AV and other pricing factors.

### **C. Average Rate Change**

The average rate changes as presented in the filing are:

- Table 10: -19.2%
- Table 11: -19.2%

Table 10 calculates the percentage change in the member weighted average rate for 2020 and the member weighted average for 2021. Table 11 calculates the percentage increase for each plan and then member weights the percentage increases.

Worksheet 2 of the URRT also shows a submission level rate changes. This value is used in the development of the average rate change shown in the Federal Part II justification. A demonstration of this calculation is included in Attachment F.

### **D. Membership Count**

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

### **E. Benefit/Cost Sharing Changes**

FPH is offering one renewing 2021 plan with cost sharing that differs from the 2020 offering.

The screenshots from the HHS AV calculator, showing the plan benefits and the resulting actuarial values, can be found as a separate attachment within the *Supporting Documentation* section in SERFF. Also, the PA Plan Design Summary and Rate Tables along with the HIOS Plan IDs can be found within the *Rate/Rule Schedule* section in SERFF.

### **F. Experience Period Claims and Premium**

Please see Table 2 for the experience period data for the most recent calendar year. The experience period paid claims data represents the 2019 calendar year results for all policies in the single risk pool, with run out through February 2020. This data is consistent with the data reported in Section I of Worksheet I of the URRT.

Table 2 is populated with the experience period data as follows:

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



- Our best estimate of claims incurred but not paid as of the end of the run out period.  
Note that allowed claims in the URRT include capitation and are net of drug rebates. They are not included here as they are called out separately in the exhibit.
- Allowed Charges for non EHB services are included in column G. The amount of non EHB included is shown in column H.
- Prescription Drug Rebates are used to reduce the level of Incurred Claims in the experience period.
- Total EHB capitation includes amounts for medical and pediatric vision benefits, (\$6.25 PMPM).
- The Estimated Risk Adjustment for the experience period represents our best estimate of the year end risk adjustment transfer payment that FPH will incur. This amount is developed based on an analysis of FPH data (risk scores as defined in the HHS Notice of Benefit and Payment Parameters, as well as other risk transfer formula components), and an estimate as to the Market-wide risk profile. This Market-wide risk profile is developed from available Market data, including prior years' risk adjustment transfer results, publicly available data (such as MLR reports), and outside expertise from actuarial consultants. The total amount shown here includes an estimate for the impact of the High Cost Risk Pool during the experience period.

## **G. Credibility of Data**

Given the drastically different product offering between the experience period and the projection period, the experience data is not given any credibility in the rate calculation. The 2021 rates are based on 2019 experience from the current FPH geographic footprint as well as Highmark Benefits Group gold plans within the same geographic footprint adjusted for the expected 2021 FPH population. This experience was chosen because it is large and reasonably represents the anticipated 2021 FPH population.

A manual rate was developed by blending 2019 experience from multiple sources, primarily ACA and group claims for the February 1, 2020 snapshot membership, to approximate the anticipated 2021 FPH population. A demonstration of the manual rate calculation can be found in Attachment A.

Given the lack of premium and paid claims data for some of the membership sources, these items have been left blank in Table 2b. Additionally, Risk Adjustment has been left blank as it is not used in the rate calculation. All other fields represent the data and assumptions that make up the manual rate.

## **H. Trend Identification**

Table 3b identifies the annual medical and prescription drug allowed claims cost and utilization trends. The underlying annual trend is 8.4% for medical, 11.4% for pharmacy. Additionally, there is an induced utilization adjustment of 1.34% per year applied to reach the overall trend of 10.45% shown in Table 3b column G. The definitions of service categories, cost, and utilization in Table 3b are consistent with the URRT instructions.

The cost trends presented in Table 3b reflect the Company's expectations regarding increases in in-network contractual reimbursement, as well as projected out-of-network costs. The significant changes

observed in the volume, demographics and morbidity of the ACA population from 2016 to 2019 yield component trends that are generally not directly applicable for trend analysis. The trend components in Table 3b therefore represent the same blended average for all medical types of service and are applied to the aggregate medical experience for pricing. Component data was not used in the development of the trend, except Pharmacy projections data was evaluated. The Pharmacy trend takes into account factors such as projected specialty drug use, pipeline drugs coming to market, and provider contracting.

A separate regression study was developed by the Company's valuation team to analyze the ACA trend levels of enrolled cohorts of ACA members. The enrollment period covers both 2018 and 2019. The analysis took into consideration seasonality and demographics. Resulting r-squared levels were compared to determine confidence levels of the resulting regression trends to develop a reasonable range of trend assumptions.

The regression study resulted in a composite trend that was adjusted for pharmacy expectations as described above.

## **I. Historical Experience**

Table 4 presents the most recent 48 months (4 calendar years) of FPH data with run-out through February 2020. This data was not used to develop the trend in Table 3. Please see section H for further details.

## **2. Rate Development & Change**

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

The development of the Projected Index Rate, Projected Market-Adjusted Index Rate, and Projected Total Allowed Claims, shown in Table 5, closely follows the methodologies discussed in the Part III Actuarial Memorandum submitted in the Rate Filing Justification. Please refer to the Part III Memorandum for further details.

Some of the items separately identified in Table 5 include:

- Given that expected 2021 population is used to develop the manual cost, no Change in Morbidity is required.
- In accordance with the Department's guidance, there is an adjustment of -0.1% to reflect the impact of morbidity improvement due to the Reinsurance program

#### **Impact of Health Insurance Coverage Mandate Elimination**

In accordance with the Department's guidance, the morbidity factor was increased by 1.0% to reflect the market uncertainty from the elimination of the health insurance coverage mandate.

### Covid-19 Impact

For the Covid-19 adjustment, Highmark applied a 1.025 factor for Covid-19 impact which is within the acceptable range of factors specified by the Department in its COVID-19 guidance.

The elimination of the health insurance coverage mandate and the Covid-19 impact are reflected in the filing by multiplying the morbidity factor of 1.00 by 1.01 and 1.025 to arrive at a final morbidity factor of 1.035.

- Given that the population used to set the manual cost is consistent with the expected 2021 population no Change in Demographics is required.
- There is no Change in Network adjustment.
- There is no Change in Benefits adjustment.
- The Change in Other adjustment of 1.001 reflects changes in pharmacy rebates and expected changes in hospital/physician settlements.

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

The projected paid-to-allowed ratio is 0.861. The formula found in Table 5 cell C28 was overwritten because, unlike the average factors found in Table 10 cells K15 and K16, the Company's paid-to-allowed factor accounts for the projected enrollment by plan and is dampened by items such as capitation.

The quantitative development of the projected risk adjustment transfer amount for the Company is shown in Attachment B and included in the accompanying spreadsheet. The transfer amount is developed based on an analysis of the claims data underlying the rate development for this filing (risk scores as defined in the HHS Notice of Benefit and Payment Parameters, as well as other risk transfer formula components) and an estimate as to the market-wide risk profile. This market-wide risk profile is developed from available market data, including prior years' risk adjustment transfer results, publicly available data (such as MLR reports), and outside expertise from actuarial consultants. Applying the federally prescribed transfer formula at the level of granularity available in Attachment B yields a projected gross risk adjustment transfer of \$67.23 PMPM on a *billable* member month basis. This amount is then converted to a *total* member month basis of \$67.23 PMPM in order to be used in the rate development. The expected risk adjustment receivable reflects that the Company anticipates its average risk score (net of allowable rating factors) to be higher than the statewide average.

The \$65.63 PMPM value in cell C31 of Table 5 equals the \$67.23 PMPM value from Attachment B, a charge of (\$1.60) PMPM for the projected net impact of the High Cost Risk Pool program, and a further adjustment for the composite effect of catastrophic eligibility. Please note that the risk adjustment user fee is captured in the taxes and fees portion of administrative costs.

The exchange user fee in cell C32 of Table 5 is developed by taking the required user fee percentage of 3.0% and multiplying by the percentage of total members expected to be on exchange of 0%. This results in a percentage of 0%.

The projected incurred reinsurance recoveries of \$42.44 PMPM is found in cell C33 of Table 5. The reinsurance recoveries PMPM was developed by trending Highmark PA individual ACA CY2019 incurred claims by member to the CY2021 rating period, applying the parameters defined in Tab II.b, and calculating the amount of incurred claims expected to be reimbursed by the program. Highmark PA individual ACA business was considered due to its level of credibility. The modeling produced an estimated incurred claims savings of 6.1%. This percentage was converted to a PMPM and adjusted further for the composite effect of catastrophic eligibility and benefits in addition to EHB. The formula found in Table 5 cell C33 was overwritten to round the estimate calculated in Tab II.b to exactly 6.10%.

## **B. Retention Items**

Table 6 has been completed with the requested retention elements for the proposed rates for the rating period. The amounts presented separately sum to the total administrative expenses and taxes and fees presented in the rate development.

Administrative costs reflect internal costs that FPH is projected to incur in the projected experience period, and are developed from standard expense allocation methods.

The proposed rate development assumes an average broker commission of \$2.64 PMPM for 2021. The assumed broker commission schedule and the development of the average value are included in Attachment D.

Expenses for Quality Improvement initiatives are assumed to be 0.70%.

The following is a summary of the Taxes and Fees included in the rate development:

- Pennsylvania Premium Tax is not applicable to this issuer and thus is set to 0.0%.
- Federal Income Tax is set to 0.0%.
- Health Insurance Provider Fee is set to 0.0%.
- Risk Adjustment User Fee is set to \$0.25 PMPM consistent with Federal regulations.
- Patient-Centered Outcomes Research Institute (PCORI) fee is set to \$0.23 PMPM.

The Profit/Contingency for all plans is set to 0%. FPH has voluntarily refrained from adding a risk and contingency factor in this filing. By this voluntary action, FPH is not waving any right to include a risk and contingency factor which FPH believes is consistent with historical and legal interpretations of FPH and the Pennsylvania Insurance Department.

## **C. Normalized Market-Adjusted Projected Allowed Total Claims**

The normalization factors presented in Table 7 are each determined from the underlying membership demographics expected in the projected rating period. The 2020 values are pulled from the prior year's filing, while the 2021 values represent our projection for 2021 assumed in the 2021 rate development.

## **D. Components of Rate Change**

Table 8 presents the components of change in the proposed 2021 Calibrated Plan Adjusted Index Rate (PMPM). Cell C73 is populated with the base period allowed charges found in the 2020 plan year rate

filing (\$525.54). The difference between Row H (-8.5%) and Row A (-19.2%) is caused primarily by the value in cell D83 having the incorrect sign. Changing this value to a negative number would fix the difference.

Table 9 presents the data elements supporting the calculations in Table 8. The 2020 values are populated using the 2020 filed factors adjusted for the membership mix as of February 1, 2020.

### **3. Plan Rate Development**

Table 10 shows the plan rate development for 2021. This table shows the plans that the Company intends to offer in 2021, as well as all plans offered in the 2020 portfolio. The calibrated plan adjusted index rates for 2020 are calculated according to the instructions. The 2021 rating factors are consistent with the factors found on Worksheet 2 of the URRT. The pricing effect on Table 10 is further broken out into Pricing AV, Benefit Richness, and Non-Funding of CSR Adjustment. Similar to the URRT, the admin effect on Table 10 is broken out into Admin Costs, Taxes and Fees, and Profit or Contingency.

The benefit richness factors in column L are populated with the factors found in Attachment C and the corresponding supporting spreadsheet included with this rate filing. The derivation of the AV and Cost Sharing factors can also be found in Attachment C. The values in column 8 of the attachment represent the pure induced utilization for each plan. The Company's induced utilization factors are based on the following state-defined formula:  $(\text{Plan AV})^2 - (\text{Plan AV}) + 1.24$ . The "Plan AV" is the product of the "Pricing AV" and "Non-Funding of CSR Adjustment." Each plan's factor was then normalized by the average utilization factor. The average is a weighted average using projected membership as the weight. After normalization the average factor as shown in attachment C is 1.000.

Note that the HHS Actuarial Value Calculator was unable to accommodate FPH's benefit design. Plans needing certification are marked in column I of Table 10. Screen shots of all of the AV calculations and the appropriate certifications are included as a separate attachment within the *Supporting Documentation* section in SERFF.

Columns AG through AP are populated with the February 1, 2020 enrollment by 2021 plan and rating area.

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

Table 11 presents FPH's 21-year-old non-tobacco premium in the Individual Market. As mentioned in Section 1.C above, the change in 21-year-old non-tobacco premium PMPM calculated in this table is -19.2%.

### **5. Plan Factors**

#### **A. Age and Tobacco Factors**

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

## **B. Geographic Factors**

Please see Table 13 for FPH's geographic factors. FPH's factors for the rating period are unchanged from the currently approved factors.

## **C. Network Factors**

Please see Table 14 for Highmark's network rating factors. The current factors represent the medical network adjustment factors from the prior approved rate filing. The projected factors are shown in Table 14.

## **D. Service Area Composition**

The Plan Design Summary exhibit uploaded as a separate document contains the service areas related to this filing. As requested, service area maps are included.

## **6. Actuarial Certifications**

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This filing is prepared on behalf of FPH to accompany its rate filing (for calendar year 2021) for the Individual Market on and off the Pennsylvania Exchange.

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

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

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

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

I certify that all factors, benefit and other changes from the prior approved filing have been disclosed in the 2021 PA Actuarial Memorandum Rate Exhibits.

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

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

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

I certify that the information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2021 Rate Filing Justification.

[Redacted signature block]

[Redacted line]

[Redacted line]

Date: 07/16/2020

**First Priority Health**  
**Individual Market Product Portfolio**  
**Supplemental Exhibits**

|              |                             |
|--------------|-----------------------------|
| Attachment A | Manual Cost Development     |
| Attachment B | Risk Adjustment Calculation |
| Attachment C | Induced Demand Calculations |
| Attachment D | Broker Commission Schedule  |
| Attachment E | Demographics Calculation    |
| Attachment F | URRT Average Increase       |



**First Priority Health**

**Individual Market**

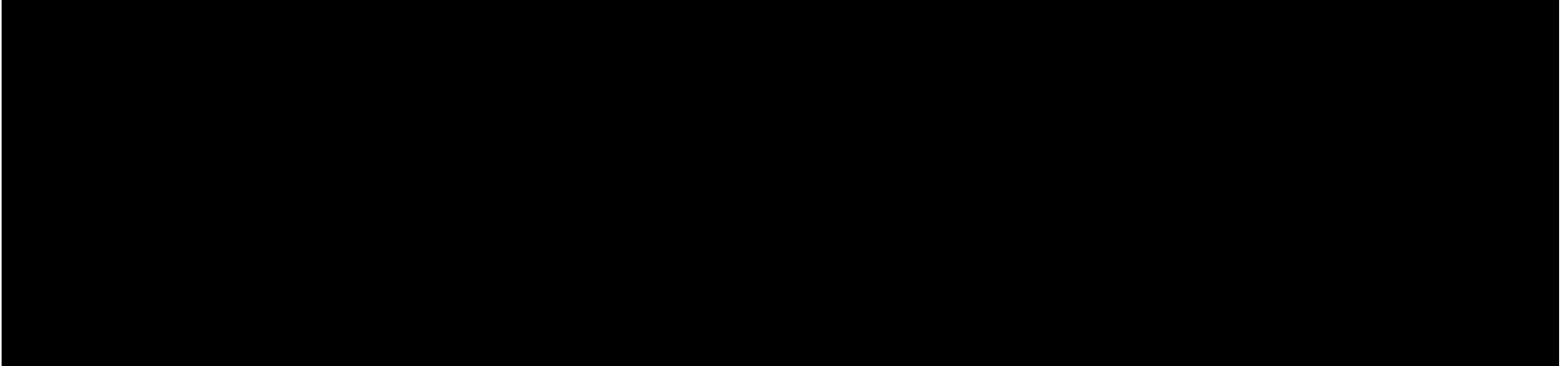
**Attachment A - Manual Cost Development**

| Manual Cost Development                 |           |
|-----------------------------------------|-----------|
| Projected Member Months                 | 372       |
| Manual Allowed Claims                   | \$248,033 |
| Medical Allowed PMPM                    | \$666.75  |
| Rx Rebates PMPM                         | (\$39.01) |
| Hosp/Phys. Settlement PMPM              | \$4.67    |
| Dental Claims PMPM                      | \$0.51    |
| Capitation PMPM                         | \$6.25    |
| Adjusted Manual Cost PMPM - PID Table 5 | \$639.19  |

First Priority Health

Individual Market

Attachment B - Risk Adjustment Calculation



**First Priority Health**

**Individual Market**

**Attachment C - Induced Demand Calculations**

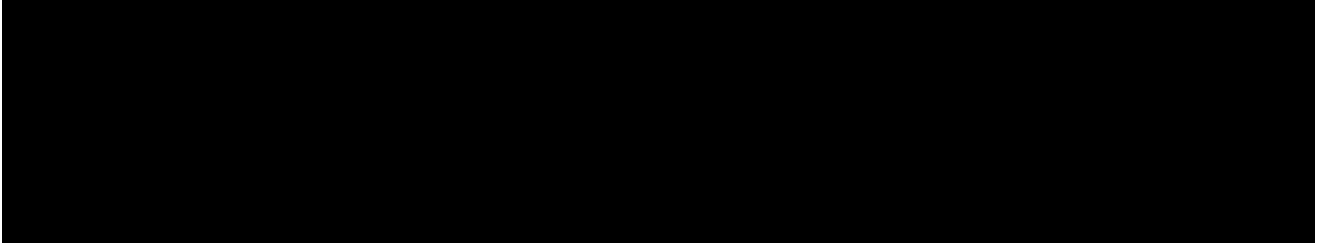
| Induced Utilization Exhibit |                    |                             |                                 |                              |                               |                                 |                |
|-----------------------------|--------------------|-----------------------------|---------------------------------|------------------------------|-------------------------------|---------------------------------|----------------|
| Plan ID<br>(1)              | Metal Level<br>(2) | Projected Membership<br>(3) | Projected Allowed Claims<br>(4) | Projected Paid Claims<br>(5) | Paid to Allowed Factor<br>(6) | AV & Cost Sharing Factor<br>(7) | (7)/(6)<br>(8) |
| 83731PA0070002              | Gold               | 372                         | \$300,414                       | \$258,802                    | 0.861                         | 0.861                           | 1.000          |
| Total                       |                    | 372                         | \$300,414                       | \$258,802                    | 0.861                         | 0.861                           | 1.000          |

| Components of AV & Cost Sharing Factor |             |                       |                            |                       |                          |
|----------------------------------------|-------------|-----------------------|----------------------------|-----------------------|--------------------------|
| HIOS Plan ID                           | Metal Level | Paid-to-Allowed Ratio | Induced Utilization Factor | Avg. Benefit Richness | AV & Cost Sharing Factor |
| 83731PA0070002                         | Gold        | 0.861                 | 1.121                      | 1.121                 | 0.861                    |

**First Priority Health**

**Individual Market**

**Attachment D - Broker Commission Schedule**





**First Priority Health**

**Individual Market**

**Attachment F - URRT Average Increase**

| HIOS Plan ID   | URRT Plan Category | URRT Current Enrollment | Current Enrollment in Renewing Plans | Current Avg Rate | Projected Avg Rate | Cumulative Rate Change % |
|----------------|--------------------|-------------------------|--------------------------------------|------------------|--------------------|--------------------------|
| 83731PA0060001 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0060002 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0060004 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0060010 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0060011 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0060012 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0060013 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0070001 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0070002 | Renewing           | 31                      | 31                                   | \$ 796.91        | \$ 644.06          | -19.18%                  |
| 83731PA0080001 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| 83731PA0090001 | Terminated         | 0                       | 0                                    | \$ -             | \$ -               | 0.00%                    |
| <b>Total</b>   |                    | <b>31</b>               | <b>31</b>                            | <b>\$ 796.91</b> | <b>\$ 644.06</b>   | <b>-19.18%</b>           |

**PA Rate Template Part I**  
**Data Relevant to the Rate Filing**

**Table 0. Identifying Information**

|                                 |            |    |            |
|---------------------------------|------------|----|------------|
| Carrier Name:                   | FPHCO      |    |            |
| Product(s):                     | HMO        |    |            |
| Market Segment:                 | Individual |    |            |
| Rate Effective Date:            | 01/01/2021 | to | 12/31/2021 |
| Base Period Start Date:         | 01/01/2019 | to | 12/31/2019 |
| Date of Most Recent Membership: | 02/01/2020 |    |            |

**Table 1. Number of Members**

|             | Member-months     | Members                              | Member-months           |
|-------------|-------------------|--------------------------------------|-------------------------|
|             | Experience Period | Current Period<br>(as of 02-01-2020) | Projected Rating Period |
| Average Age | 46.4              | 45.6                                 | 45.2                    |
| Total       | 134,594           | 31                                   | 372                     |
| <18         | 8,496             | 4                                    | 24                      |
| 18-24       | 7,598             | 0                                    | 30                      |
| 25-29       | 8,107             | 1                                    | 25                      |
| 30-34       | 8,108             | 0                                    | 25                      |
| 35-39       | 7,568             | 5                                    | 19                      |
| 40-44       | 8,906             | 2                                    | 17                      |
| 45-49       | 12,006            | 5                                    | 34                      |
| 50-54       | 16,868            | 1                                    | 50                      |
| 55-59       | 23,779            | 5                                    | 63                      |
| 60-63       | 27,845            | 5                                    | 67                      |
| 64+         | 5,313             | 3                                    | 18                      |

**Table 2. Experience Period Claims and Premiums**

| Earned Premium                                                                                             | Paid Claims      | Ultimate Incurred Claims | Member Months | Estimated Cost Sharing<br>(Member & HHS) | Allowed Claims (Non-Capitated) | Non-EHB portion of Allowed<br>Claims | Total Prescription Drug Rebates* | Total EHB Capitation | Total Non-EHB Capitation | Estimated Risk Adjustment | Estimated Reinsurance<br>Recoveries |
|------------------------------------------------------------------------------------------------------------|------------------|--------------------------|---------------|------------------------------------------|--------------------------------|--------------------------------------|----------------------------------|----------------------|--------------------------|---------------------------|-------------------------------------|
| \$ 95,212,942.33                                                                                           | \$ 61,590,840.00 | \$ 63,399,922.54         | 134,594       | \$ 15,266,281.83                         | \$ 78,666,204.36               | \$ -                                 | \$ (3,670,482.48)                | \$ 841,212.50        | \$ -                     | \$ (5,572,756.04)         | \$ -                                |
| <b>Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)</b> |                  |                          |               |                                          |                                |                                      |                                  |                      |                          |                           | \$ 563.45                           |
| <b>Loss Ratio</b>                                                                                          |                  |                          |               |                                          |                                |                                      |                                  |                      |                          |                           | <b>67.57%</b>                       |

\*Express Prescription Drug Rebates as a negative number

**Table 3. Trend Components**

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

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

\*\* Should equal URRR 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-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Feb-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Mar-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Apr-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| May-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jun-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jul-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Aug-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Sep-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Oct-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Nov-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Dec-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jan-17     |                      | \$ 5,861,156.11 | 1.0000              | \$ 5,861,173.32          | 20,483  | \$ 286.15              |                                              | \$ (252,553.47)             | \$ 8,478,986.60                                   | \$ 413.95    |
| Feb-17     |                      | \$ 6,571,851.79 | 1.0000              | \$ 6,571,867.14          | 21,807  | \$ 301.37              |                                              | \$ (250,281.78)             | \$ 8,988,208.23                                   | \$ 412.17    |
| Mar-17     |                      | \$ 7,842,853.02 | 1.0000              | \$ 7,842,872.09          | 22,401  | \$ 350.11              |                                              | \$ (338,713.84)             | \$ 10,308,203.59                                  | \$ 460.17    |
| Apr-17     |                      | \$ 8,100,735.34 | 1.0000              | \$ 8,100,766.85          | 22,139  | \$ 365.90              |                                              | \$ (310,882.53)             | \$ 10,116,534.37                                  | \$ 456.96    |
| May-17     |                      | \$ 9,170,455.28 | 1.0000              | \$ 9,170,476.49          | 21,702  | \$ 422.56              |                                              | \$ (337,382.97)             | \$ 11,294,850.79                                  | \$ 520.45    |
| Jun-17     |                      | \$ 8,682,802.82 | 1.0000              | \$ 8,683,068.88          | 21,366  | \$ 406.40              |                                              | \$ (333,480.41)             | \$ 10,545,267.31                                  | \$ 493.55    |
| Jul-17     |                      | \$ 7,072,332.68 | 0.9999              | \$ 7,073,119.65          | 21,015  | \$ 336.57              |                                              | \$ (324,583.41)             | \$ 8,660,630.61                                   | \$ 412.12    |
| Aug-17     |                      | \$ 8,005,549.37 | 0.9999              | \$ 8,006,575.55          | 20,734  | \$ 386.16              |                                              | \$ (339,448.29)             | \$ 9,596,046.20                                   | \$ 462.82    |
| Sep-17     |                      | \$ 8,250,505.50 | 0.9999              | \$ 8,251,581.11          | 20,411  | \$ 404.27              |                                              | \$ (323,054.64)             | \$ 9,841,752.46                                   | \$ 482.18    |
| Oct-17     |                      | \$ 7,835,717.07 | 0.9998              | \$ 7,837,675.33          | 20,105  | \$ 389.84              |                                              | \$ (344,068.35)             | \$ 9,390,239.67                                   | \$ 467.06    |
| Nov-17     |                      | \$ 7,819,780.08 | 0.9997              | \$ 7,821,742.28          | 19,662  | \$ 397.81              |                                              | \$ (326,480.27)             | \$ 9,193,415.18                                   | \$ 467.57    |
| Dec-17     |                      | \$ 7,071,344.77 | 0.9992              | \$ 7,077,353.45          | 19,063  | \$ 371.26              | \$ 17,275,390.83                             | \$ (353,923.30)             | \$ 8,533,284.75                                   | \$ 417.64    |
| Jan-18     | \$ 141,615,105.14    | \$ 4,535,504.22 | 0.9992              | \$ 4,539,331.92          | 14,470  | \$ 313.71              |                                              | \$ (271,975.36)             | \$ 6,323,244.99                                   | \$ 436.99    |
| Feb-18     |                      | \$ 4,842,587.41 | 0.9992              | \$ 4,846,478.61          | 13,977  | \$ 346.75              |                                              | \$ (281,767.22)             | \$ 6,211,580.41                                   | \$ 444.41    |
| Mar-18     |                      | \$ 5,392,097.24 | 0.9991              | \$ 5,397,035.60          | 13,775  | \$ 391.80              |                                              | \$ (298,391.32)             | \$ 6,767,688.26                                   | \$ 491.30    |
| Apr-18     |                      | \$ 5,540,575.24 | 0.9990              | \$ 5,545,983.35          | 13,612  | \$ 407.43              |                                              | \$ (302,932.81)             | \$ 6,765,555.18                                   | \$ 497.03    |
| May-18     |                      | \$ 6,033,211.83 | 0.9990              | \$ 6,039,455.30          | 13,302  | \$ 454.03              |                                              | \$ (319,325.11)             | \$ 7,210,606.39                                   | \$ 542.07    |
| Jun-18     |                      | \$ 5,253,815.67 | 0.9988              | \$ 5,259,884.09          | 13,156  | \$ 399.81              |                                              | \$ (301,753.13)             | \$ 6,140,687.22                                   | \$ 466.76    |
| Jul-18     |                      | \$ 6,302,092.95 | 0.9989              | \$ 6,309,170.67          | 12,996  | \$ 485.47              |                                              | \$ (296,169.72)             | \$ 7,086,479.68                                   | \$ 545.28    |
| Aug-18     |                      | \$ 5,945,014.32 | 0.9987              | \$ 5,952,634.45          | 12,769  | \$ 465.18              |                                              | \$ (303,979.89)             | \$ 6,797,745.52                                   | \$ 532.36    |
| Sep-18     |                      | \$ 5,641,469.18 | 0.9985              | \$ 5,649,798.74          | 12,626  | \$ 447.47              |                                              | \$ (278,255.48)             | \$ 6,432,043.34                                   | \$ 509.43    |
| Oct-18     |                      | \$ 6,873,039.68 | 0.9982              | \$ 6,885,448.63          | 12,469  | \$ 552.21              |                                              | \$ (300,904.22)             | \$ 7,755,949.74                                   | \$ 622.02    |
| Nov-18     |                      | \$ 5,960,449.57 | 0.9979              | \$ 5,973,050.86          | 12,286  | \$ 486.17              |                                              | \$ (315,808.65)             | \$ 6,627,160.93                                   | \$ 539.41    |
| Dec-18     | \$ 114,695,858.23    | \$ 5,792,783.43 | 0.9970              | \$ 5,810,460.96          | 12,086  | \$ 480.76              | \$ 15,875,943.74                             | \$ (323,358.16)             | \$ 6,371,314.16                                   | \$ 527.16    |
| Jan-19     |                      | \$ 4,450,289.56 | 0.9967              | \$ 4,464,956.29          | 12,140  | \$ 367.79              |                                              | \$ (288,033.15)             | \$ 6,051,441.59                                   | \$ 498.47    |
| Feb-19     |                      | \$ 5,007,325.00 | 0.9968              | \$ 5,023,511.41          | 11,893  | \$ 422.39              |                                              | \$ (263,511.80)             | \$ 6,299,633.75                                   | \$ 529.69    |
| Mar-19     |                      | \$ 4,264,055.72 | 0.9959              | \$ 4,281,724.17          | 11,691  | \$ 366.24              |                                              | \$ (299,641.14)             | \$ 5,423,487.80                                   | \$ 463.90    |
| Apr-19     |                      | \$ 4,895,094.24 | 0.9950              | \$ 4,919,677.09          | 11,607  | \$ 423.85              |                                              | \$ (306,626.14)             | \$ 6,091,006.34                                   | \$ 524.77    |
| May-19     |                      | \$ 5,799,899.52 | 0.9949              | \$ 5,829,818.73          | 11,422  | \$ 510.40              |                                              | \$ (321,687.83)             | \$ 6,916,165.60                                   | \$ 605.51    |
| Jun-19     |                      | \$ 4,664,241.56 | 0.9932              | \$ 4,696,360.06          | 11,239  | \$ 417.86              |                                              | \$ (291,529.89)             | \$ 5,565,072.15                                   | \$ 495.16    |
| Jul-19     |                      | \$ 5,156,390.83 | 0.9792              | \$ 5,265,678.81          | 11,005  | \$ 478.48              |                                              | \$ (319,272.85)             | \$ 6,141,574.22                                   | \$ 558.07    |
| Aug-19     |                      | \$ 5,814,200.49 | 0.9785              | \$ 5,942,154.51          | 10,908  | \$ 544.75              |                                              | \$ (305,730.87)             | \$ 6,722,695.98                                   | \$ 616.31    |
| Sep-19     |                      | \$ 4,994,897.92 | 0.9619              | \$ 5,192,542.08          | 10,821  | \$ 479.86              |                                              | \$ (287,981.91)             | \$ 5,837,273.53                                   | \$ 539.44    |
| Oct-19     |                      | \$ 5,418,437.40 | 0.9553              | \$ 5,672,070.61          | 10,737  | \$ 523.27              |                                              | \$ (333,508.90)             | \$ 6,435,050.95                                   | \$ 599.33    |
| Nov-19     |                      | \$ 6,084,206.56 | 0.9517              | \$ 6,392,996.69          | 10,664  | \$ 599.40              |                                              | \$ (312,860.36)             | \$ 7,122,597.89                                   | \$ 667.91    |
| Dec-19     | \$ 95,212,942.11     | \$ 5,041,891.21 | 0.8817              | \$ 5,718,195.02          | 10,467  | \$ 546.31              | \$ 15,266,433.19                             | \$ (340,097.65)             | \$ 6,389,636.41                                   | \$ 610.46    |

\* Express Completion Factor as a percentage

\*\* Express Prescription Drug Rebates as a negative number



Carrier Name: FPHCO  
 Product(s): HMO  
 Market Segment: Individual  
 Rate Effective Date: 01/01/2021

Table 2b. Manual Experience Period Claims and Premiums

| Earned Premium                                                                                      | Paid Claims | Ultimate Incurred Claims | Member Months | Estimated Cost Sharing (Member & HHS) | Allowed Claims (Non-Capitated) | Non-EHB portion of Allowed Claims | Total Prescription Drug Rebates* | Total EHB Capitation | Total Non-EHB Capitation | Estimated Risk Adjustment | Estimated Reinsurance Recoveries |
|-----------------------------------------------------------------------------------------------------|-------------|--------------------------|---------------|---------------------------------------|--------------------------------|-----------------------------------|----------------------------------|----------------------|--------------------------|---------------------------|----------------------------------|
|                                                                                                     |             |                          | 372           |                                       | \$ 249,963.02                  | \$ -                              | \$ (14,510.62)                   | \$ 2,325.00          | \$ -                     |                           | \$ 639.19                        |
| Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates) |             |                          |               |                                       |                                |                                   |                                  |                      |                          |                           | \$ 0.00%                         |
| Less Ratio                                                                                          |             |                          |               |                                       |                                |                                   |                                  |                      |                          |                           | \$ 639.19                        |
| *Express Prescription Drug Rebates as a negative number                                             |             |                          |               |                                       |                                |                                   |                                  |                      |                          |                           | 0.00%                            |

Table 3b. Manual Trend Components

| Service Category                      | Cost* | Utilization* | Induced Demand* | Composite Trend | Weight* |
|---------------------------------------|-------|--------------|-----------------|-----------------|---------|
| Inpatient Hospital                    | 4.25% | 3.98%        | 1.34%           | 9.85%           | 9.84%   |
| Outpatient Hospital                   | 4.25% | 3.98%        | 1.34%           | 9.85%           | 41.98%  |
| Professional                          | 4.25% | 3.98%        | 1.34%           | 9.85%           | 22.05%  |
| Other Medical                         | 4.25% | 3.98%        | 1.34%           | 9.85%           | 2.86%   |
| Capitation                            |       |              |                 | -1.67%          | 0.98%   |
| Prescription Drugs                    | 7.10% | 4.01%        | 1.34%           | 12.89%          | 23.10%  |
| Total Annual Trend                    |       |              |                 | 10.45%          | 100.00% |
| Months of Trend                       |       |              |                 | 24              |         |
| Total Applied Trend Projection Factor |       |              |                 | 1.220           |         |

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

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-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Feb-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Mar-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Apr-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| May-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jun-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jul-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Aug-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Sep-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Oct-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Nov-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Dec-16     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jan-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Feb-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Mar-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Apr-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| May-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jun-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jul-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Aug-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Sep-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Oct-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Nov-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Dec-17     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jan-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Feb-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Mar-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Apr-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| May-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jun-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jul-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Aug-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Sep-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Oct-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Nov-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Dec-18     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jan-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Feb-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Mar-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Apr-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| May-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jun-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Jul-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Aug-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Sep-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Oct-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Nov-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |
| Dec-19     |                      |                 |                     | #DIV/0!                  |         | #DIV/0!                |                                              |                             |                                                   | #DIV/0!      |

\* Express Completion Factor as a percentage  
 \*\* Express Prescription Drug Rebates as a negative number

**Continuance Table for Calculating Reinsurance Impact - Individual Market Only, Experience Period Information**

Carrier Name: **FPHCO**  
 Product(s): **HMO**  
 Market Segment: **Individual**  
 Rate Effective Date: **01/01/2021**  
 Incurred Dates: **1/1/2019 to 12/31/2019**

Attachment Point: **\$60,000**  
 Reinsurance Cap: **\$100,000**  
 Coinsurance Rate: **60%**  
 Proj. Incurred Claim Impact: **-5.2%**

| Individual ACA Compliant Policies Only: Incurred Dates 1/1/2019 to 12/31/2019 |           |                |                |                       |                                        |
|-------------------------------------------------------------------------------|-----------|----------------|----------------|-----------------------|----------------------------------------|
| Annual Incurred Claims Range                                                  |           | Unique Members | Member Months  | Total Incurred Claims | Total Incurred Claims with Reinsurance |
| \$0                                                                           | \$29,999  |                |                |                       | \$24,755,485                           |
| \$30,000                                                                      | \$34,999  |                |                |                       | \$2,400,826                            |
| \$35,000                                                                      | \$39,999  |                |                |                       | \$2,332,547                            |
| \$40,000                                                                      | \$44,999  |                |                |                       | \$942,073                              |
| \$45,000                                                                      | \$49,999  |                |                |                       | \$1,430,503                            |
| \$50,000                                                                      | \$54,999  |                |                |                       | \$1,783,029                            |
| \$55,000                                                                      | \$59,999  |                |                |                       | \$1,547,960                            |
| \$60,000                                                                      | \$64,999  |                |                |                       | \$1,342,977                            |
| \$65,000                                                                      | \$69,999  |                |                |                       | \$943,044                              |
| \$70,000                                                                      | \$74,999  |                |                |                       | \$776,293                              |
| \$75,000                                                                      | \$79,999  |                |                |                       | \$537,057                              |
| \$80,000                                                                      | \$84,999  |                |                |                       | \$897,585                              |
| \$85,000                                                                      | \$89,999  |                |                |                       | \$997,106                              |
| \$90,000                                                                      | \$94,999  |                |                |                       | \$656,592                              |
| \$95,000                                                                      | \$99,999  |                |                |                       | \$752,554                              |
| \$100,000                                                                     | \$109,999 |                |                |                       | \$809,828                              |
| \$110,000                                                                     | \$119,999 |                |                |                       | \$814,763                              |
| \$120,000                                                                     | \$129,999 |                |                |                       | \$504,924                              |
| \$130,000                                                                     | \$139,999 |                |                |                       | \$334,443                              |
| \$140,000                                                                     | \$149,999 |                |                |                       | \$487,791                              |
| \$150,000                                                                     | \$159,999 |                |                |                       | \$395,798                              |
| \$160,000                                                                     | \$169,999 |                |                |                       | \$707,278                              |
| \$170,000                                                                     | \$179,999 |                |                |                       | \$892,080                              |
| \$180,000                                                                     | \$189,999 |                |                |                       | \$638,566                              |
| \$190,000                                                                     | \$199,999 |                |                |                       | \$683,081                              |
| \$200,000                                                                     | \$209,999 |                |                |                       | \$352,269                              |
| \$210,000                                                                     | \$219,999 |                |                |                       | \$1,127,918                            |
| \$220,000                                                                     | \$229,999 |                |                |                       | \$608,930                              |
| \$230,000                                                                     | \$239,999 |                |                |                       | \$421,728                              |
| \$240,000                                                                     | \$249,999 |                |                |                       | \$662,874                              |
| \$250,000                                                                     | \$259,999 |                |                |                       | \$1,160,852                            |
| \$260,000                                                                     | \$269,999 |                |                |                       | \$244,320                              |
| \$270,000                                                                     | \$279,999 |                |                |                       | \$249,363                              |
| \$280,000                                                                     | \$289,999 |                |                |                       | \$256,962                              |
| \$290,000                                                                     | \$299,999 |                |                |                       | \$0                                    |
| \$300,000                                                                     | \$324,999 |                |                |                       | \$2,620,089                            |
| \$325,000                                                                     | \$349,999 |                |                |                       | \$0                                    |
| \$350,000                                                                     | \$374,999 |                |                |                       | \$0                                    |
| \$375,000                                                                     | \$399,999 |                |                |                       | \$0                                    |
| \$400,000                                                                     | \$424,999 |                |                |                       | \$0                                    |
| \$425,000                                                                     | \$449,999 |                |                |                       | \$0                                    |
| \$450,000                                                                     | \$474,999 |                |                |                       | \$436,145                              |
| \$475,000                                                                     | \$499,999 |                |                |                       | \$0                                    |
| \$500,000                                                                     | \$599,999 |                |                |                       | \$526,881                              |
| \$600,000                                                                     | \$699,999 |                |                |                       | \$0                                    |
| \$700,000                                                                     | \$799,999 |                |                |                       | \$770,201                              |
| \$800,000                                                                     | \$899,999 |                |                |                       | \$1,660,478                            |
| \$900,000                                                                     | \$999,999 |                |                |                       | \$0                                    |
| \$1,000,000+                                                                  |           |                |                |                       | \$0                                    |
| <b>Total</b>                                                                  |           | <b>14,088</b>  | <b>134,594</b> | <b>\$62,732,008</b>   | <b>\$59,463,196</b>                    |

**Continuance Table for Calculating Reinsurance Impact - Individual Market Only, Projection Period Information**

Carrier Name: **FPHCO**  
 Product(s): **HMO**  
 Market Segment: **Individual**  
 Rate Effective Date: **01/01/2021**

Attachment Point: **\$60,000**  
 Reinsurance Cap: **\$100,000**  
 Coinsurance Rate: **60%**  
 Proj. Incurred Claim Impact: **-6.1%**  
 Proj. Morbidity Impact: **-0.1%**

**Reinsurance Program Impact Continuance Table Development - Plan Year 2021**

| Annual Incurred Claims Range |           | Unique Members | Member Months  | Total Incurred Claims | Total Incurred Claims with Reinsurance |
|------------------------------|-----------|----------------|----------------|-----------------------|----------------------------------------|
| \$0                          | \$29,999  |                |                |                       | \$62,905,318                           |
| \$30,000                     | \$34,999  |                |                |                       | \$6,154,206                            |
| \$35,000                     | \$39,999  |                |                |                       | \$5,659,321                            |
| \$40,000                     | \$44,999  |                |                |                       | \$6,196,327                            |
| \$45,000                     | \$49,999  |                |                |                       | \$3,781,994                            |
| \$50,000                     | \$54,999  |                |                |                       | \$3,194,768                            |
| \$55,000                     | \$59,999  |                |                |                       | \$4,121,488                            |
| \$60,000                     | \$64,999  |                |                |                       | \$3,658,621                            |
| \$65,000                     | \$69,999  |                |                |                       | \$4,161,322                            |
| \$70,000                     | \$74,999  |                |                |                       | \$3,443,126                            |
| \$75,000                     | \$79,999  |                |                |                       | \$2,953,506                            |
| \$80,000                     | \$84,999  |                |                |                       | \$2,273,293                            |
| \$85,000                     | \$89,999  |                |                |                       | \$1,914,985                            |
| \$90,000                     | \$94,999  |                |                |                       | \$2,190,717                            |
| \$95,000                     | \$99,999  |                |                |                       | \$1,798,776                            |
| \$100,000                    | \$109,999 |                |                |                       | \$3,907,617                            |
| \$110,000                    | \$119,999 |                |                |                       | \$4,175,356                            |
| \$120,000                    | \$129,999 |                |                |                       | \$2,739,841                            |
| \$130,000                    | \$139,999 |                |                |                       | \$2,429,230                            |
| \$140,000                    | \$149,999 |                |                |                       | \$2,927,314                            |
| \$150,000                    | \$159,999 |                |                |                       | \$1,567,696                            |
| \$160,000                    | \$169,999 |                |                |                       | \$1,554,019                            |
| \$170,000                    | \$179,999 |                |                |                       | \$2,267,710                            |
| \$180,000                    | \$189,999 |                |                |                       | \$2,589,113                            |
| \$190,000                    | \$199,999 |                |                |                       | \$1,018,342                            |
| \$200,000                    | \$209,999 |                |                |                       | \$2,900,297                            |
| \$210,000                    | \$219,999 |                |                |                       | \$765,093                              |
| \$220,000                    | \$229,999 |                |                |                       | \$798,527                              |
| \$230,000                    | \$239,999 |                |                |                       | \$1,481,833                            |
| \$240,000                    | \$249,999 |                |                |                       | \$1,336,603                            |
| \$250,000                    | \$259,999 |                |                |                       | \$1,603,613                            |
| \$260,000                    | \$269,999 |                |                |                       | \$719,181                              |
| \$270,000                    | \$279,999 |                |                |                       | \$2,007,635                            |
| \$280,000                    | \$289,999 |                |                |                       | \$1,306,211                            |
| \$290,000                    | \$299,999 |                |                |                       | \$1,362,364                            |
| \$300,000                    | \$324,999 |                |                |                       | \$2,862,703                            |
| \$325,000                    | \$349,999 |                |                |                       | \$3,112,847                            |
| \$350,000                    | \$374,999 |                |                |                       | \$4,070,985                            |
| \$375,000                    | \$399,999 |                |                |                       | \$3,944,554                            |
| \$400,000                    | \$424,999 |                |                |                       | \$768,345                              |
| \$425,000                    | \$449,999 |                |                |                       | \$1,653,406                            |
| \$450,000                    | \$474,999 |                |                |                       | \$885,017                              |
| \$475,000                    | \$499,999 |                |                |                       | \$1,379,061                            |
| \$500,000                    | \$599,999 |                |                |                       | \$3,183,256                            |
| \$600,000                    | \$699,999 |                |                |                       | \$1,298,346                            |
| \$700,000                    | \$799,999 |                |                |                       | \$700,666                              |
| \$800,000                    | \$899,999 |                |                |                       | \$1,662,064                            |
| \$900,000                    | \$999,999 |                |                |                       | \$923,923                              |
| \$1,000,000+                 |           |                |                |                       | \$3,063,626                            |
| <b>Total</b>                 |           | <b>34,863</b>  | <b>325,670</b> | <b>\$195,299,684</b>  | <b>\$183,374,165</b>                   |

**PA Rate Template Part II**  
**Rate Development and Change**

Carrier Name: **FPHCO**  
 Product(s): **HMO**  
 Market Segment: **Individual**  
 Rate Effective Date: **01/01/2021**

**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 | \$ 563.45              | \$ 639.19   | <- Actual Experience PMPM should be consistent with the Index Rate for Experien |
| Two year trend projection Factor                                                       | 1.000                  | 1.220       |                                                                                 |
| Unadjusted Projected Allowed EHB Claims PMPM                                           | \$ 563.45              | \$ 779.78   |                                                                                 |
| <b>Single Risk Pool Adjustment Factors</b>                                             |                        |             |                                                                                 |
| Change in Morbidity - Impact of Reinsurance Program                                    | 0.999                  | 0.999       |                                                                                 |
| Change in Morbidity - All Other                                                        |                        | 1.035       | <- See URRT Instructions                                                        |
| Total Non-Morbidity Changes                                                            | 0.000                  | 1.001       |                                                                                 |
| Change in Demographics                                                                 |                        | 1.000       | <- See URRT Instructions                                                        |
| Change in Network                                                                      |                        | 1.000       |                                                                                 |
| Change in Benefits                                                                     |                        | 1.000       | <- See URRT Instructions                                                        |
| Change in Other                                                                        |                        | 1.001       | <- See URRT Instructions                                                        |
| Total Adjusted Projected Allowed EHB Claims PMPM                                       | \$ -                   | \$ 807.57   |                                                                                 |
| Credibility Factors                                                                    | 0%                     | 100%        | <- See Instructions                                                             |
| Blended Projected EHB Claims PMPM                                                      |                        | \$ 807.57   | <- Projected Index Rate                                                         |
| <b>Development of the Market-Adjusted Index Rate and Total Allowed Claims</b>          |                        |             |                                                                                 |
| Adjusted Projected Allowed EHB Claims PMPM                                             | \$ 807.57              |             | <- Index Rate for Projection Period on URRT                                     |
| Projected Paid to Allowed Ratio                                                        | 0.861                  |             |                                                                                 |
| Projected Incurred EHB Claims PMPM                                                     | \$ 695.70              |             |                                                                                 |
| <b>Market-wide Adjustments</b>                                                         |                        |             |                                                                                 |
| Projected Incurred Risk Adjustment PMPM                                                | \$ 565.63              |             |                                                                                 |
| Projected Incurred Exchange User Fees PMPM                                             | \$ 50.00               |             |                                                                                 |
| Projected Incurred Reinsurance Recoveries PMPM                                         | \$ 42.44               |             |                                                                                 |
| Market-Adjusted Projected Incurred EHB Claims PMPM                                     | \$ 587.63              |             |                                                                                 |
| Market-Adjusted Projected Allowed EHB Claims PMPM                                      | \$ 682.12              |             | <- Market-Adjusted Index Rate                                                   |
| Projected Allowed Non-EHB Claims PMPM                                                  | \$ -                   |             |                                                                                 |
| Market-Adjusted Projected Incurred Total Claims PMPM                                   | \$ 587.63              |             |                                                                                 |
| Market-Adjusted Projected Allowed Total Claims PMPM                                    | \$ 682.12              |             |                                                                                 |

**Table 6. Retention**

| Retention Items - Express in percentages                        | Percentages | PMPM Amounts |
|-----------------------------------------------------------------|-------------|--------------|
| Administrative Expenses                                         | 8.11%       | \$51.91      |
| General and Claims                                              | 7.00%       | \$44.79      |
| Agent/Broker Fees and Commissions                               | 0.41%       | \$2.64       |
| Quality Improvement Initiatives                                 | 0.70%       | \$4.48       |
| Taxes and Fees                                                  | 0.08%       | \$0.48       |
| Risk Adjustment User Fee                                        | 0.04%       | \$0.25       |
| PCORI Fee                                                       | 0.04%       | \$0.23       |
| PA Premium & Other Taxes (if applicable)                        | 0.00%       | \$0.00       |
| Federal Income Tax                                              | 0.00%       | \$0.00       |
| Health Insurance Providers Fee (Prorated for Small Groups only) | 0.00%       | \$0.00       |
| Profit/Contingency (after tax)                                  | 0.00%       | \$0.00       |
| Total Retention                                                 | 8.19%       | \$52.39      |
| Projected Required Revenue PMPM                                 |             | \$ 640.03    |

**Table 8. Components of Rate Change**

| Rate Components                                                                     | 2020        | 2021        | Difference  | Percent Change |
|-------------------------------------------------------------------------------------|-------------|-------------|-------------|----------------|
| A. Calibrated Plan Adjusted Index Rate (PMPM)                                       | \$ 419.46   | \$ 339.03   | \$ (80.43)  | -19.2%         |
| B. Base period allowed claims before normalization                                  | \$ 525.54   | \$ 639.19   | \$ 113.65   | 27.1%          |
| C. Normalization factor component of change                                         | \$ (271.44) | \$ (337.06) | \$ (65.62)  | -15.6%         |
| D. Change in Normalized Allowed Claims Adjustment Components                        |             |             |             |                |
| D1. Base period allowed claims after normalization                                  | \$ 254.10   | \$ 302.13   | \$ 48.03    | 11.5%          |
| D2. URRT Trend                                                                      | \$ 50.71    | \$ 66.46    | \$ 15.75    | 3.8%           |
| D3. URRT Morbidity                                                                  | \$ 224.23   | \$ 12.61    | \$ (211.62) | -50.4%         |
| D4. URRT Other                                                                      | \$ (5.74)   | \$ 0.52     | \$ 6.26     | 1.5%           |
| D5. Normalized URRT Risk Adjustment on an allowed basis                             | \$ (145.63) | \$ (36.01)  | \$ 109.62   | 26.1%          |
| D6. Normalized Exchange User Fee on an allowed basis                                | \$ -        | \$ -        | \$ -        | 0.0%           |
| D7. Normalized Reinsurance Recoveries on an allowed basis                           | \$ -        | \$ 23.28    | \$ 23.28    | 5.6%           |
| D8. Subtotal - Sum(D1:D7)                                                           | \$ 377.67   | \$ 368.99   | \$ (8.68)   | -2.1%          |
| E. Change in Allowable Plan Adjusted Level Components                               |             |             |             |                |
| E1. Network                                                                         | \$ -        | \$ -        | \$ -        | 0.0%           |
| E2. Pricing AV                                                                      | \$ (28.04)  | \$ (51.11)  | \$ (23.08)  | -5.5%          |
| E3. Benefit Richness                                                                | \$ 27.97    | \$ 38.36    | \$ 10.39    | 2.5%           |
| E4. Catastrophic Eligibility                                                        | \$ -        | \$ -        | \$ -        | 0.0%           |
| E5. Subtotal - Sum(E1:E4)                                                           | \$ (0.07)   | \$ (12.75)  | \$ (12.69)  | -3.0%          |
| F. Change in Retention Components                                                   |             |             |             |                |
| F1. Administrative Expenses                                                         | \$ 29.66    | \$ 27.50    | \$ (2.16)   | -0.5%          |
| F2. Taxes and Fees                                                                  | \$ 11.84    | \$ 0.26     | \$ (11.58)  | -2.8%          |
| F3. Profit and/or Contingency                                                       | \$ -        | \$ -        | \$ -        | 0.0%           |
| F4. Subtotal - Sum(F1:F3)                                                           | \$ 41.50    | \$ 27.75    | \$ (13.74)  | -3.3%          |
| G. Change in Miscellaneous Items                                                    | \$ 0.36     | \$ -        | \$ (0.36)   | -0.1%          |
| H. Sum of Components of Rate Change (should approximate the change shown in line A) | \$ 419.46   | \$ 383.99   | \$ (35.47)  | -8.5%          |

1ce Period on URR1

For Informational Purposes only - No input required.

|                                                            |    |        |                                            |
|------------------------------------------------------------|----|--------|--------------------------------------------|
| Blended Base Period Unadjusted Claims before Normalization | \$ | 639.19 | <- Index Rate of Experience Period on URR1 |
| Blended Earned Premium                                     | \$ | -      |                                            |
| Blended Loss Ratio                                         |    | 0.00%  |                                            |

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

| Effective Date                             | 01/01/2021 | 04/01/2021 | 07/01/2021 | 10/01/2021 | Total Single Risk Pool |
|--------------------------------------------|------------|------------|------------|------------|------------------------|
| # of Member Months Renewing in Quarter     |            |            |            |            | -                      |
| Adjusted Projected Allowed EHB Claims PMPM | \$ 807.57  | \$ 807.57  | \$ 807.57  | \$ 807.57  | \$ 807.57              |
| Months of Trend                            | -          | 3          | 6          | 9          |                        |
| Annual Trend                               | 10.45%     | 10.45%     | 10.45%     | 10.45%     |                        |
| Single Risk Pool Projected Allowed Claims  | \$ 807.57  | \$ 827.89  | \$ 848.72  | \$ 870.08  | \$ -                   |
| Quarterly Trend Factor                     | 1.000      | 1.025      | 1.051      | 1.077      | 0.000                  |

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

| Normalization Factors                                          | 2020      | 2021      |
|----------------------------------------------------------------|-----------|-----------|
| Average Age Factor                                             | 1.906     | 1.879     |
| Average Geographic Factor                                      | 1.000     | 1.000     |
| Average Tobacco Factor                                         | 1.005     | 1.005     |
| Average Benefit Richness (induced demand)                      | 1.080     | 1.121     |
| Average Network Factor                                         | 1.000     | 1.000     |
| Market-Adjusted Projected Allowed Total Claims PMPM            | \$ 781.12 | \$ 682.12 |
| Normalized Market-Adjusted Projected Allowed Total Claims PMPM | \$ 377.67 | \$ 322.42 |

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

|                                         | 2020        | 2021       |                                                                                                                                 |
|-----------------------------------------|-------------|------------|---------------------------------------------------------------------------------------------------------------------------------|
| Paid-to-Allowed                         | 0.927       | 0.861      |                                                                                                                                 |
| URRT Trend (Total Applied Trend Factor) | 1.200       | 1.220      | <- URRT W1, S2                                                                                                                  |
| URRT Morbidity                          | 1.736       | 1.034      | <- URRT W1, S2                                                                                                                  |
| URRT "Other"                            | 0.989       | 1.001      | <- URRT W1, S2                                                                                                                  |
| Risk Adjustment                         | \$ (279.10) | \$ (65.63) | <- URRT W1, S3                                                                                                                  |
| Exchange User Fee                       | \$ -        | \$ -       | <- URRT W1, S3                                                                                                                  |
| Reinsurance Recoveries                  | \$ -        | \$ 42.44   | <- URRT W1, S3                                                                                                                  |
| Capitation                              | \$ 6.20     | \$ 6.25    | <- URRT W1, S2                                                                                                                  |
| Network                                 | 1.000       | 1.000      |                                                                                                                                 |
| Pricing AV                              | 0.926       | 0.861      | <- For 2020 in cell J81, please include a factor equal to the product of the average Pricing AV and the Non-Funding of CSR Adju |
| Benefit Richness                        | 1.080       | 1.121      |                                                                                                                                 |
| Catastrophic Eligibility                | 1.000       | 1.000      |                                                                                                                                 |
| Administrative Expenses                 | 7.07%       | 8.11%      |                                                                                                                                 |
| Taxes and Fees                          | 2.82%       | 0.08%      |                                                                                                                                 |
| Profit and/or Contingency               | 0.00%       | 0.00%      |                                                                                                                                 |



| Calibration                   |       |
|-------------------------------|-------|
| Age Calibration Factor        | 1.879 |
| Geographic Calibration Factor | 1.000 |
| Tobacco Calibration Factor    | 1.005 |
| Aggregate Calibration Factor  | 1.888 |

| Total Covered Lives @ 02-01-2020 |
|----------------------------------|
| 31                               |

| Admin Costs | Taxes & Fees (not including Exchange fees) | Profit or Contingency |
|-------------|--------------------------------------------|-----------------------|
| 8.1%        | 0.1%                                       | 0.0%                  |
| 8.1%        | 0.1%                                       | 0.0%                  |
| N/A         | N/A                                        | N/A                   |
| 8.1%        | 0.1%                                       | 0.0%                  |

| Total Covered Lives Mapped into 2021 Plans @ 02-01-2020 | Total Projected Lives |
|---------------------------------------------------------|-----------------------|
| 31                                                      | 31                    |
| -                                                       | -                     |
| 31                                                      | 31                    |

| 2020 Calibrated Plan Adjusted Index Rate PMPM | 2021 Calibrated Plan Adjusted Index Rate PMPM |
|-----------------------------------------------|-----------------------------------------------|
| \$ 419.46                                     | \$ 339.03                                     |
| N/A                                           | N/A                                           |
| \$ 419.46                                     | \$ 339.03                                     |

| Proposed Rate Change Compared to Prior 12 months |
|--------------------------------------------------|
| -19.2%                                           |
| N/A                                              |
| -19.2%                                           |

| % of Total Covered Lives |
|--------------------------|
| N/A                      |
| 100.0%                   |

| 02-01-2020 Number of Covered Lives by Rating Area |   |    |   |   |   |   |   |   |       |    | 2021 Continued/Discontinued Plans Indicator |   |
|---------------------------------------------------|---|----|---|---|---|---|---|---|-------|----|---------------------------------------------|---|
| 1                                                 | 2 | 3  | 4 | 5 | 6 | 7 | 8 | 9 | Total |    |                                             |   |
| -                                                 | - | 31 | - | - | - | - | - | - | -     | 31 | -                                           | 0 |
| -                                                 | - | 31 | - | - | - | - | - | - | -     | 31 | -                                           | 1 |









|                          |                       |
|--------------------------|-----------------------|
| Company Name:            | First Priority Health |
| Market:                  | Individual            |
| Product:                 | HMO                   |
| Effective Date of Rates: | January 1, 2021       |

Ending date of Rates: December 31, 2021

|                               |                                         |            |
|-------------------------------|-----------------------------------------|------------|
| HIOS Plan ID (On Exchange)=>  | N/A                                     |            |
| HIOS Plan ID (Off Exchange)=> | 83731PA0070002                          |            |
| Plan Marketing Name =>        | my Lehigh Valley Flex Blue HMO Gold 800 |            |
| Form # =>                     | LV/HMO/FPH/DP-2                         |            |
| Rating Area =>                | Area 3                                  |            |
| Network =>                    | Q                                       |            |
| Metal =>                      | Gold                                    |            |
| Deductible =>                 | 800                                     |            |
| Coinsurance =>                | 0.8                                     |            |
| Copays =>                     | \$15 PCP                                |            |
| OOP Maximum =>                | 6000                                    |            |
| Pediatric Dental (Yes/No) =>  | Yes                                     |            |
| Age Band                      | Non-Tobacco                             | Tobacco    |
| 0 - 14                        | \$259.36                                | \$259.36   |
| 15                            | \$282.41                                | \$282.41   |
| 16                            | \$291.23                                | \$291.23   |
| 17                            | \$300.04                                | \$300.04   |
| 18                            | \$309.53                                | \$309.53   |
| 19                            | \$319.03                                | \$319.03   |
| 20                            | \$328.86                                | \$328.86   |
| 21                            | \$339.03                                | \$347.51   |
| 22                            | \$339.03                                | \$347.51   |
| 23                            | \$339.03                                | \$347.51   |
| 24                            | \$339.03                                | \$347.51   |
| 25                            | \$340.39                                | \$348.90   |
| 26                            | \$347.17                                | \$355.85   |
| 27                            | \$355.30                                | \$364.18   |
| 28                            | \$368.53                                | \$377.74   |
| 29                            | \$379.37                                | \$388.85   |
| 30                            | \$384.80                                | \$394.42   |
| 31                            | \$392.94                                | \$402.76   |
| 32                            | \$401.07                                | \$411.10   |
| 33                            | \$406.16                                | \$416.31   |
| 34                            | \$411.58                                | \$421.87   |
| 35                            | \$414.29                                | \$424.65   |
| 36                            | \$417.01                                | \$427.44   |
| 37                            | \$419.72                                | \$430.21   |
| 38                            | \$422.43                                | \$432.99   |
| 39                            | \$427.86                                | \$438.56   |
| 40                            | \$433.28                                | \$476.61   |
| 41                            | \$441.42                                | \$487.77   |
| 42                            | \$449.21                                | \$499.52   |
| 43                            | \$460.06                                | \$515.73   |
| 44                            | \$473.62                                | \$536.14   |
| 45                            | \$489.56                                | \$560.55   |
| 46                            | \$508.55                                | \$589.92   |
| 47                            | \$529.90                                | \$623.69   |
| 48                            | \$554.31                                | \$662.95   |
| 49                            | \$578.39                                | \$703.90   |
| 50                            | \$605.51                                | \$741.75   |
| 51                            | \$632.29                                | \$774.56   |
| 52                            | \$661.79                                | \$810.69   |
| 53                            | \$691.62                                | \$847.23   |
| 54                            | \$723.83                                | \$886.69   |
| 55                            | \$756.04                                | \$926.15   |
| 56                            | \$790.96                                | \$968.93   |
| 57                            | \$826.22                                | \$1,012.12 |
| 58                            | \$863.85                                | \$1,058.22 |
| 59                            | \$882.50                                | \$1,081.06 |
| 60                            | \$920.13                                | \$1,127.16 |
| 61                            | \$952.67                                | \$1,167.02 |
| 62                            | \$974.03                                | \$1,193.19 |
| 63                            | \$1,000.82                              | \$1,226.00 |
| 64+                           | \$1,017.09                              | \$1,245.94 |

**First Priority Health  
Individual  
Plan Design Summary**

| HIOS Plan ID   | Plan Marketing Name                     | Product | Metal | On/Off<br>Exchange | Network | Rating Area | Counties Covered |
|----------------|-----------------------------------------|---------|-------|--------------------|---------|-------------|------------------|
| 83731PA0070002 | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off                | Q       | 3           | Monroe           |

Company Name First Priority Health  
 Market Individual  
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

| 02-01-2020 Number of Covered Lives by Rating County |                                         |         |       |                 | RATING AREA 1 |         |      |        |        |        |         |        | RATING AREA 2 |         |        |   |
|-----------------------------------------------------|-----------------------------------------|---------|-------|-----------------|---------------|---------|------|--------|--------|--------|---------|--------|---------------|---------|--------|---|
| HIOS Plan ID                                        | Plan Marketing Name                     | Product | Metal | On/Off Exchange | 0             | 0       | 0    | 0      | 0      | 0      | 0       | 0      | 0             | 0       | 0      | 0 |
| 83731PA0070002                                      | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off             | Crawford      | Clarion | Erie | Forest | Mckean | Mercer | Venango | Warren | Elk           | Cameron | Potter |   |

Company Name First Priority Health  
 Market Individual  
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

| 02-01-2020 Number of Covered Lives by Rating County |                                         |         |       |                 |
|-----------------------------------------------------|-----------------------------------------|---------|-------|-----------------|
| HIOS Plan ID                                        | Plan Marketing Name                     | Product | Metal | On/Off Exchange |
| 83731PA0070002                                      | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off             |

RATING AREA 3

| 0        | 0      | 0       | 0          | 0       | 0        | 31       | 0    | 0        | 0           | 0     | 0     | 0       |
|----------|--------|---------|------------|---------|----------|----------|------|----------|-------------|-------|-------|---------|
| Bradford | Carbon | Clinton | Lackawanna | Luzerne | Lycoming | Monroe   | Pike | Sullivan | Susquehanna | Tioga | Wayne | Wyoming |
|          |        |         |            |         |          | \$339.03 |      |          |             |       |       |         |

Company Name First Priority Health  
 Market Individual  
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

| 02-01-2020 Number of Covered Lives by Rating County |                                         |         |       |                 |
|-----------------------------------------------------|-----------------------------------------|---------|-------|-----------------|
| HIOS Plan ID                                        | Plan Marketing Name                     | Product | Metal | On/Off Exchange |
| 83731PA0070002                                      | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off             |

RATING AREA 4

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

Company Name First Priority Health  
 Market Individual  
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

| 02-01-2020 Number of Covered Lives by Rating County |                                         |         |       |                 |
|-----------------------------------------------------|-----------------------------------------|---------|-------|-----------------|
| HIOS Plan ID                                        | Plan Marketing Name                     | Product | Metal | On/Off Exchange |
| 83731PA0070002                                      | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off             |

| RATING AREA 5 |       |            |         |            |           |          |
|---------------|-------|------------|---------|------------|-----------|----------|
| 0             | 0     | 0          | 0       | 0          | 0         | 0        |
| Bedford       | Blair | Clearfield | Cambria | Huntingdon | Jefferson | Somerset |
|               |       |            |         |            |           |          |



Company Name First Priority Health  
 Market Individual  
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

| 02-01-2020 Number of Covered Lives by Rating County |                                         |         |       |                 |
|-----------------------------------------------------|-----------------------------------------|---------|-------|-----------------|
| HIOS Plan ID                                        | Plan Marketing Name                     | Product | Metal | On/Off Exchange |
| 83731PA0070002                                      | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off             |

RATING AREA 6

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

Company Name First Priority Health  
 Market Individual  
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

| 02-01-2020 Number of Covered Lives by Rating County |                                         |         |       |                 | RATING AREA 7 |       |           |      | RATING AREA 8 |         |          |            |              |
|-----------------------------------------------------|-----------------------------------------|---------|-------|-----------------|---------------|-------|-----------|------|---------------|---------|----------|------------|--------------|
| HIOS Plan ID                                        | Plan Marketing Name                     | Product | Metal | On/Off Exchange | 0             | 0     | 0         | 0    | 0             | 0       | 0        | 0          | 0            |
| 83731PA0070002                                      | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off             | Adams         | Berks | Lancaster | York | Bucks         | Chester | Delaware | Montgomery | Philadelphia |

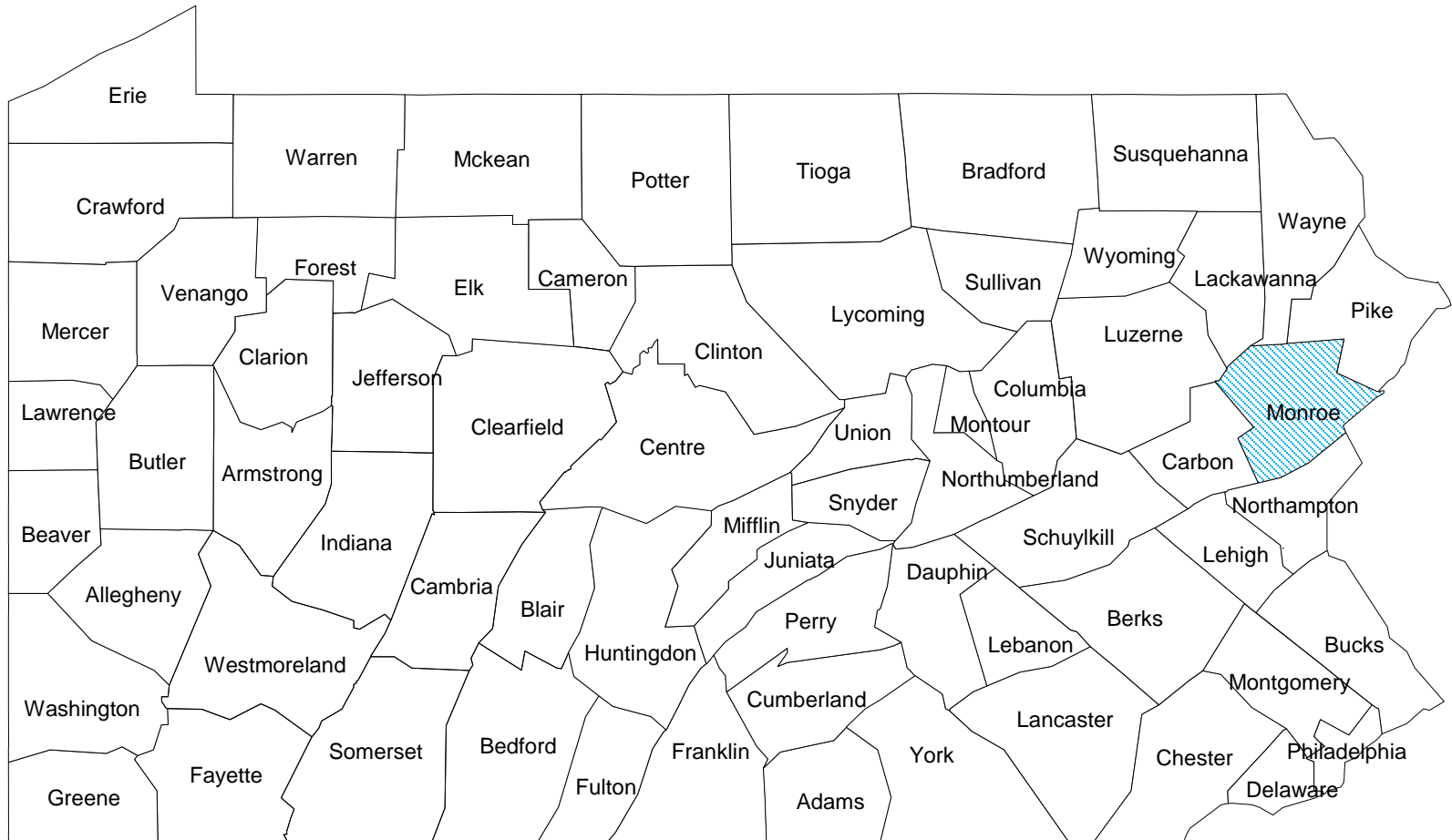
Company Name First Priority Health  
 Market Individual  
 RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

| 02-01-2020 Number of Covered Lives by Rating County |                                         |         |       |                 | RATING AREA 9 |         |          |        |         |         |       |
|-----------------------------------------------------|-----------------------------------------|---------|-------|-----------------|---------------|---------|----------|--------|---------|---------|-------|
| HIOS Plan ID                                        | Plan Marketing Name                     | Product | Metal | On/Off Exchange | 0             | 0       | 0        | 0      | 0       | 0       | 0     |
|                                                     |                                         |         |       |                 | Cumberland    | Dauphin | Franklin | Fulton | Juniata | Lebanon | Perry |
| 83731PA0070002                                      | my Lehigh Valley Flex Blue HMO Gold 800 | HMO     | Gold  | Off             |               |         |          |        |         |         |       |



# 2020 Service Area

Issuer: First Priority Health (FPH)

Market: Individual



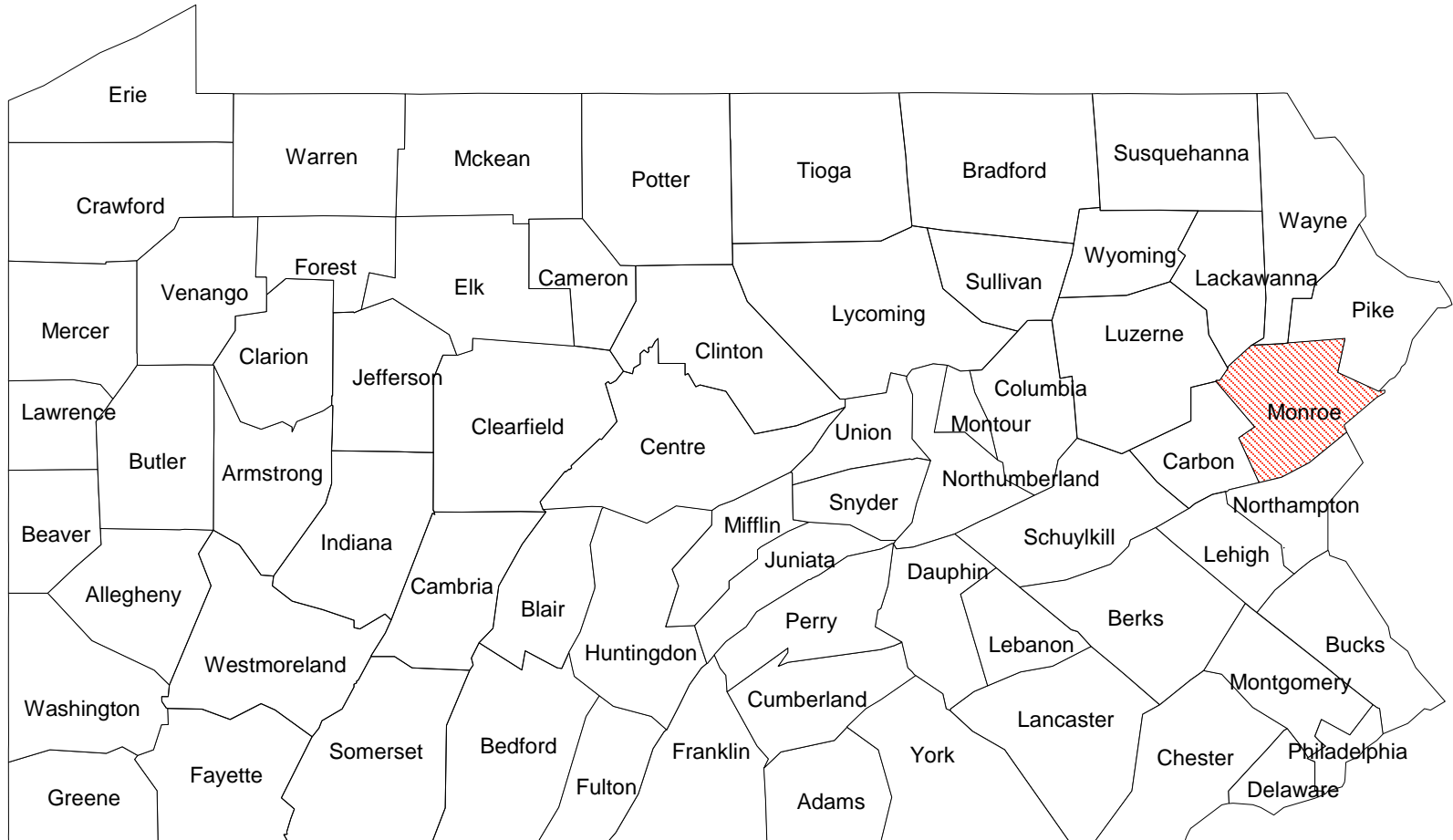
**Key** (*modify as needed*)

-  : 2020 on-exchange service area
-  : 2020 off-exchange only service area



# 2021 Service Area

Issuer: First Priority Health (FPH)

Market: Individual



**Key** (*modify as needed*)

-  : 2021 on-exchange service area
-  : 2021 off-exchange only service area



**BlueCross  
BlueShield**  
First Priority Health

June 23, 2020

Mr. James Laverty, Actuary  
Bureau of Life, Accident & Health Insurance  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: First Priority Health 2021 ACA Rate Filing (Individual Market)  
Filing # 1A-DP-20-FPH (SERFF # HGHM-132324148)

Dear Mr. Laverty:

Enclosed are responses to your June 16, 2020 questions regarding SERFF Filing # HGHM-132324148. We have included your questions along with our responses for your convenience. In conjunction with these responses, we are also submitting revisions to the following documents in SERFF:

- PAAM Exhibits – This file is being revised in response to PID Questions 3 and 4.

Should you have any further questions regarding this Filing, please feel free to contact me at [REDACTED] or via e-mail at: [REDACTED]

Sincerely,

[REDACTED]

[REDACTED]  
[REDACTED]

Highmark Inc.

cc:

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**1. The following questions pertain to the manual rate:**

- a. **Section 1G of the PA Actuarial Memorandum states that a manual rate was developed from multiple data sources. Please provide an exhibit displaying the calendar year 2019 member months and allowed claims PMPM associated with each data source underlying the manual rate. In providing your response, please describe each data source and explain why the Company believes it is appropriate to use them as part of a manual rate.**
- b. **According to tab I(b) of the PA Rate Template file, it appears the manual rate is based on the experience of only 372 member months. Please explain why the Company believes it is appropriate to assign 100% credibility to 372 member months of experience underlying the manual rate. In providing your response, please describe any analysis that was performed to confirm that the Company's determination related to the credibility of 372 member months is a reasonable one.**

Response:

- a. Please see the attached exhibit labeled Q1a Response for a summary of the calendar year 2019 member months and allowed claims PMPM associated with the data sources underlying the manual rate. The manual rate is derived using the 2/1/2020 enrollment profile which is categorized into the following sources:

Renewal

- This represents our 2019 ACA members that re-enrolled in FPH and HBG gold plans. The normalized allowed PMPM was calculated by normalizing the allowed PMPM for demographic, network, and benefit richness factors.

Other Highmark

- This represents the 2019 members from other Highmark markets such as group markets that enrolled in FPH and HBG gold plans. The normalized PMPM was calculated by reviewing its allowed claims, adjusted for benefit differential if needed and then normalized for demographic, network, and benefit richness factors.

Prior ACA

- This represents our 2018 ACA members that lapsed in 2019 and now reenrolled in FPH and HBG gold plans. We reviewed its 2018 ACA claims, trended to 2019, and used this as starting point to approximate the 2019 allowed claims. The normalized allowed PMPM was then calculated by normalizing the allowed PMPM for demographic, network, and benefit richness factors.

New

- This represents the catch-all category of the remaining members that enrolled in FPH and HBG gold plans. The normalized allowed PMPM was then calculated by normalizing the allowed PMPM for demographic, network, and benefit richness factors. The adjusted allowed claims PMPM for the "New" is set such that its normalized allowed PMPM was 2% higher than the "Renewal" segment.

Since the underlying claims only reflected the claims experience of the 2/1/2020 active enrollment, we added a death load adjustment in the adjusted allowed PMPMs to capture the incremental claims of terminated members due to death as developed from historical experience.

- b. The manual rate development was based on 8,560 member months as provided in the Q1a Response exhibit. We believe that this data is credible given its member months and that the manual rate is a reasonable proxy for the projected 372 member months.

**2. The following questions relate to the trend assumption:**

- a. Please provide additional detail related to the cohorts of ACA members who were included in the Company's regression analysis. Specifically, did the cohorts include all ACA members who were enrolled with the Company's various legal entities during the time period of 2018 to 2019 and were those cohorts limited to the Individual ACA market? If not, please clarify.
- b. Per the actuarial memorandum, the regression analysis which was completed produced a range of reasonable trend assumptions. Please provide the range of reasonable trend assumptions which was produced by that analysis. Additionally, please compare the medical trend assumption which was chosen to the range of reasonable options which were produced and describe how the proposed trend assumption was ultimately chosen (i.e., rather than one of the other trend assumptions which falls within the same range).
- c. Please provide additional detail related to the development of the pharmacy trend assumption. Please include the following in your response:
  - i. Was the regression analysis that was completed to determine the medical trend also used to develop the pharmacy trend? If so, how?
  - ii. What specific sources and/or other information were utilized to develop the pharmacy trend?
- d. Please provide a detailed quantitative exhibit displaying the development of the induced utilization assumption that is included in the trend assumptions and shown in Table 3 of the Pennsylvania Rate Template file.

Response:

- a. The cohort population included in the trend development was all PA members in the Individual ACA market that were enrolled in both 2018 and 2019.
- b. The Regression analysis produced a Medical/Rx combined trend of 7.4% before adjustment for Pharmacy and Induced Demand factors with an R-squared factor of 39.9%. A range of +/- 0.5% was considered. The 6.9% trend resulted in a lower R-squared compared to 7.4%. A higher R-squared resulted at 7.9%, but the trend of 7.4% was considered reasonable.

The regression was performed on the Medical/Rx combined data. More detail regarding the adjustments to calculate the proposed trends are included in the attached exhibit labeled Q2b Response.

- c. The regression analysis was applied to medical and pharmacy claims combined. Then a pharmacy step factor adjustment was applied to account for expected higher future pharmacy trends. Please see the attached exhibit labeled Q2c Response regarding the Pharmacy adjustments. An outside consultant's pipeline drug / new generics projection tool is considered in the Pharmacy development.
- d. The induced utilization assumption in Table 3b represents the annual rate of change on the change in induced demand factor of 1.0269. It was calculated as follows:  $\sqrt{1.0269} = 1.0134$  or 1.34%.

**3. Please provide a detailed quantitative exhibit displaying the development of the "change in other" index rate adjustment that is shown in Table 5 of the PA Rate Template file.**



Response:

Please see the attached exhibit labeled Q3 Response for support of the “change in other” factor shown in Table 5 of the PA Rate Template file.

**4. The following questions relate to the risk transfer assumption:**

- a. Please provide a detailed quantitative exhibit displaying the development of the assumed statewide average PLRS, for the non-catastrophic population only, underlying the assumed risk transfer assumption.**
- b. Please provide a detailed quantitative exhibit displaying the development of the Company-specific PLRS, ARF, GCF, ID, and AV assumptions underlying the projected 2021 risk transfer. In providing your response, please include the average PLRS, ARF, GCF, ID, and AV factors underlying the RATEE file that will be used by CMS to calculate risk transfers for 2019. Please provide justification to the extent the projected 2021 factors are different than the 2019 factors.**
- c. Please provide a detailed quantitative exhibit displaying the anticipated receipt and assessment associated with the high cost risk pool component of the projected risk transfer results.**

Response:

- a. Please see the attached exhibit labeled Q4a Response for the development of the assumed statewide average PLRS for the non-catastrophic population.
- b. Please see the attached exhibit labeled Q4b Response for the development of the Company-specific assumptions underlying the projected 2021 risk transfer. The Company-specific PLRS, ARF, GCF, IDF, and AV assumptions shown in Attachment B and used to develop the projected 2021 risk transfer were developed for the population of members that comprised the manual rate development discussed in the response to Question 1 above.

The exhibit labeled Q4b Response also includes the relevant factors underlying the RATEE file that CMS will use to calculate risk transfers for 2019. Please note that the GCF value is listed as “unknown” because this factor cannot be derived without access to all of the other issuer RATEE files in the market. The 2021 factors are different from the 2019 factors because the 2021 population is anticipated to be significantly different than the 2019 population for several reasons. First, the size of the populations are much different. There were about 11,000 average members in 2019. We expect only close to 30 average members in 2021. Second, the product offerings have changed. In 2019, we offered at least one product in each of four metal levels (Gold, Silver, Bronze, and Catastrophic). In 2021, we intend to offer one Gold metal level plan. Third, the geographic footprint of the population has changed. In 2019, we offered plans in 13 northeastern Pennsylvania counties. In 2021 (like 2020), only one plan is proposed to be offered in Monroe county through this entity.

- c. Please see the attached exhibit labeled Q4c Response for the development of the high cost risk pool component of the projected risk transfer results. We relied upon estimates from an external actuarial consulting company’s study to inform our selection of an appropriate percentage of premium charge for 2021. The external study was based upon data collected by issuers across the country and included over 125 million submitted member months. Given the extremely volatile and unpredictable nature of claims in excess of the \$1 million attachment point, as a simplifying assumption we assumed there would be no anticipated reimbursements in 2021. Instead, we selected a percentage of premium charge that was lower than what could have been reasonably

supported by the external study. As a point of reference, we did not have any members reach the attachment point in 2019 in any of our Pennsylvania entities

**5. Section 2A of the PA Actuarial Memorandum states that the reinsurance recovery underlying the market adjusted index rate was calculated based on the amount of incurred claims expected to be reimbursed by the program. The estimated incurred claims savings is based on Highmark’s PA individual ACA population in total (i.e., the reinsurance program is estimated to reimburse 6.1% of incurred claims for all of Highmark’s individual ACA entities). It appears there may be a disconnect in assuming that the incurred claims savings associated with the reinsurance program will be the same for all of Highmark’s individual ACA entities when Highmark is assuming different risk transfer receipt/payment amounts for each entity (i.e., different morbidity levels underlying the membership for each entity). Please revise the rate development to calculate the reinsurance recovery amount based on the projected 2021 population (and their corresponding morbidity) specific to this entity or clarify why it is not reasonable to do so.**

Response:

For the reinsurance recovery percentage estimate, we reviewed a number of possible values for this projection (see the table below). The entity scenarios were not considered since a number of Highmark entities have changed substantially from 2019 (the underlying claims period) to 2021 (the projection period). In addition, the market size or percentage of market by entity as of 2020 has also changed materially with the addition of new members due to rate decreases in 2020.

| Option      | Unique Members | Member Months | Total Incurred Claims | Total Incurred Claims with Reins.* | Reins% Scenario |
|-------------|----------------|---------------|-----------------------|------------------------------------|-----------------|
| WPA         | ████           | ████          | ██████████            | \$44,393,331                       | -6.7%           |
| CPA         | ████           | ████          | ██████████            | \$67,578,429                       | -6.3%           |
| NEPA        | ████           | ████          | ██████████            | \$71,402,406                       | -5.6%           |
| Total - Sum | ████           | ████          | ██████████            | \$183,374,165                      | -6.1%           |
| Rate Filing | ████           | ████          | ██████████            | <b>\$183,374,165</b>               | -6.1%           |

\* Reinsurance parameters: Attachment point = \$60K, Reins. Cap = \$100K and Coins. Rate = 60%

As illustrated in the chart, the overall average of -6.1% is not significantly different from region specific percentages even though there was high variability in morbidity. That is, reinsurance recovery as a percentage of claims does not vary significantly for a given set of reinsurance parameters and credible enrollment.

Thus, as a result of the above entity changes and continuing uncertainty in the ACA market (e.g., COVID-19 and initial year of the PA reinsurance program), we believe that the use of the overall Highmark PA ACA data to estimate the reinsurance recovery percentage results in a reasonable projection.

**The following are additional questions or comments from the PID:**

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

Response:

We have tested and confirmed that the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

**2. Please provide an exhibit showing the financial gains and losses for calendar years 2014 – 2019 for the following categories: Member months, total administrative expenses, total incurred claims, total premium, total actual paid taxes and fees, profit, annual underwriting gain/loss and underwriting gain/loss pmpy.**

Response:

Please see the attached exhibit labeled PID Q2 Response for the historical reported financial results. Please note the entity was introduced into the market in 2017; therefore, calendar years 2014-2016 have been removed.

**3. Per the Department’s published guidance, the Benefit Richness factors in Table 10 Column L should be developed based upon the following formula: (Plan Pricing AV in column K \* CSR Defunding Adjustment in column P)^2 - (Plan Pricing AV in column K \* CSR Defunding Adjustment in column P) + 1.24. Further, the value developed by the quadratic formula must then be multiplied by a normalization constant such that the value in Cell L15 or L16 balances back to 1.000. Please modify the cells in Column L to explicitly show the quadratic formula and normalizing constant to demonstrate compliance with our guidance.**

Response:

We are submitting an updated version of the PAAM Exhibits file in conjunction with this response letter. This updated file includes the requested revisions above.

**4. Cells C16 and D16 of Table 5, labeled “Change in Morbidity - All Other”, require a formula input for individual filings. For example, the individual First Priority Health filing (HGHM-132324148) has a change in morbidity from the experience period to the rating period of 1.000 (i.e. no change). Then, Cells C16 and D16 should be filled out with an explicit formula as follows: “=(1.01)\*(1.000)”. Further note that this is explained in the guidance.**

Response:

We are submitting an updated version of the PAAM Exhibits file in conjunction with this response letter. This updated file includes the revision to these cells.

**5. The Department will contact the company shortly with information regarding the opportunity and parameters for the company to provide to support an updated Covid-19 impact assessment, if desired.**

Response:

We look forward to further discussions on the rate impact of Covid-19 and the opportunity to make the necessary adjustments to this rate filing.

## First Priority Health

## Individual Market

## Response to Objection 1 - Question 1a

|                                | FPH             |                 |               |               | HBG             |                 |                 |                 | Combined        |
|--------------------------------|-----------------|-----------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                | Renewal         | Other Highmark  | Prior ACA     | New           | Renewal         | Other Highmark  | Prior ACA       | New             | Total           |
| <b>2019 Member Months</b>      | 356             | 12              | 0             | 0             | 4,852           | 143             | 436             | 2,761           | 8,560           |
| <b>2021 Member Months</b>      | 15              | 0               | 0             | 0             | 210             | 8               | 19              | 120             | 372             |
| <b>2021 Member Months %</b>    | 4.0%            | 0.1%            | 0.0%          | 0.0%          | 56.5%           | 2.2%            | 5.0%            | 32.2%           | 100.0%          |
| <b>Adjusted AC PMPMs</b>       | \$348.55        | \$828.07        | \$0.00        | \$0.00        | \$712.17        | \$1,828.34      | \$259.34        | \$609.99        | \$666.75        |
| <b>Demographic Factor</b>      | 1.886           | 2.230           | 1.000         | 1.000         | 1.973           | 2.049           | 2.007           | 1.702           | 1.877           |
| <b>Network</b>                 | 1.000           | 1.000           | 1.000         | 1.000         | 1.000           | 1.000           | 1.000           | 1.000           | 1.000           |
| <b>Benefit Richness Factor</b> | 1.116           | 1.100           | 1.100         | 1.070         | 1.099           | 1.100           | 1.100           | 1.070           | 1.089           |
| <b>Normalized AC PMPMs</b>     | <b>\$165.60</b> | <b>\$337.58</b> | <b>\$0.00</b> | <b>\$0.00</b> | <b>\$328.37</b> | <b>\$811.15</b> | <b>\$117.45</b> | <b>\$334.94</b> | <b>\$324.06</b> |

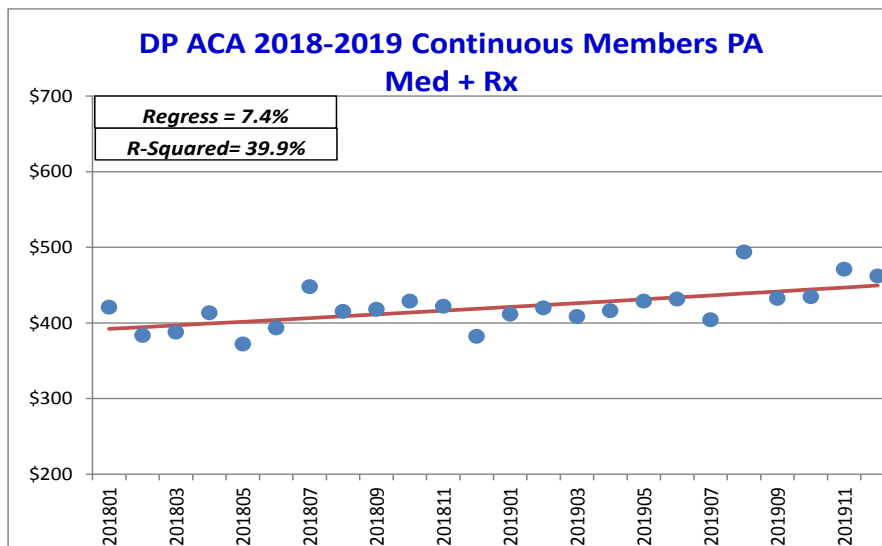
**First Priority Health**

**Individual Market**

**Response to Objection 1 - Question 2b**

DP ACA 2018-2019 Continuous Members PA Med + Rx

| Incmo  | Enrollment | Allowed      | 1 Mo PMPM | AGI   | Workdays | Seasonality | Steps | Norm PMPM |
|--------|------------|--------------|-----------|-------|----------|-------------|-------|-----------|
| 201801 | 13,806     | \$7,438,734  | \$538.80  | 1.334 | 1.036    | 0.9264      | 1.000 | \$420.73  |
| 201802 | 13,808     | \$6,387,524  | \$462.60  | 1.337 | 0.937    | 0.9626      | 1.000 | \$383.43  |
| 201803 | 13,805     | \$7,378,389  | \$534.47  | 1.341 | 1.031    | 0.9976      | 1.000 | \$387.69  |
| 201804 | 13,807     | \$7,545,733  | \$546.52  | 1.344 | 0.992    | 0.9913      | 1.000 | \$413.43  |
| 201805 | 13,805     | \$7,045,163  | \$510.33  | 1.347 | 1.029    | 0.9892      | 1.000 | \$371.96  |
| 201806 | 13,805     | \$6,813,602  | \$493.56  | 1.351 | 0.989    | 0.9390      | 1.000 | \$393.39  |
| 201807 | 13,807     | \$8,491,738  | \$615.03  | 1.355 | 1.003    | 1.0100      | 1.000 | \$447.85  |
| 201808 | 13,807     | \$7,646,864  | \$553.84  | 1.359 | 1.061    | 0.9253      | 1.000 | \$415.16  |
| 201809 | 13,805     | \$7,273,668  | \$526.89  | 1.362 | 0.924    | 1.0014      | 1.000 | \$417.81  |
| 201810 | 13,805     | \$9,114,128  | \$660.20  | 1.366 | 1.069    | 1.0551      | 1.000 | \$428.85  |
| 201811 | 13,805     | \$8,357,912  | \$605.43  | 1.369 | 0.965    | 1.0861      | 1.000 | \$421.81  |
| 201812 | 13,805     | \$7,858,206  | \$569.23  | 1.372 | 0.970    | 1.1200      | 1.000 | \$382.11  |
| 201901 | 13,806     | \$7,484,934  | \$542.15  | 1.374 | 1.035    | 0.9264      | 1.000 | \$411.49  |
| 201902 | 13,808     | \$7,202,446  | \$521.61  | 1.377 | 0.937    | 0.9626      | 1.000 | \$419.73  |
| 201903 | 13,805     | \$7,754,797  | \$561.74  | 1.381 | 0.998    | 0.9976      | 1.000 | \$408.51  |
| 201904 | 13,808     | \$8,098,065  | \$586.48  | 1.385 | 1.026    | 0.9913      | 1.000 | \$416.23  |
| 201905 | 13,805     | \$8,331,692  | \$603.53  | 1.389 | 1.025    | 0.9892      | 1.000 | \$428.59  |
| 201906 | 13,806     | \$7,468,294  | \$540.95  | 1.393 | 0.959    | 0.9390      | 1.000 | \$431.38  |
| 201907 | 13,806     | \$8,153,133  | \$590.55  | 1.396 | 1.036    | 1.0100      | 1.000 | \$404.16  |
| 201908 | 13,806     | \$9,098,434  | \$659.02  | 1.399 | 1.031    | 0.9253      | 1.000 | \$493.74  |
| 201909 | 13,809     | \$8,033,274  | \$581.74  | 1.403 | 0.958    | 1.0014      | 1.000 | \$432.52  |
| 201910 | 13,805     | \$9,480,291  | \$686.73  | 1.406 | 1.065    | 1.0551      | 1.000 | \$434.60  |
| 201911 | 13,805     | \$9,309,268  | \$674.34  | 1.409 | 0.935    | 1.0861      | 1.000 | \$471.00  |
| 201912 | 13,805     | \$10,114,718 | \$732.69  | 1.413 | 1.002    | 1.1200      | 1.000 | \$461.95  |



## First Priority Health

## Individual Market

## Response to Objection 1 - Question 2c

| Description                                                                 | Medical      | Rx            | Total        | Notes                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------|--------------|---------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normalized Allowed Trend Cohort Members                                     | N/A          | N/A           | 7.4%         | Please see supporting monthly PMPMs and trend regression graph on Regression tab                                                                                                                                                                           |
| Allowed distribution of costs                                               | 72.8%        | 27.2%         | 100%         | Medical/Rx split determined based on ACA Individual experience.                                                                                                                                                                                            |
| Pharmacy specific 2020/2021 annual trend growth                             | N/A          | 4.9%          | 1.3%         | Based on modeling projections for group experience, reflects factors such as pipeline drugs, specialty, contracting, and drug mix.                                                                                                                         |
| Pharmacy specific specialty mix impact                                      | N/A          | 1.5%          | 0.4%         | Adjusts for significantly higher specialty drug spend in ACA Individual market compared to group market.                                                                                                                                                   |
| Rounding Adjustment                                                         | N/A          | N/A           | -0.02%       | Round down to 9.25%                                                                                                                                                                                                                                        |
| <b>Required Annual Trend</b>                                                | <b>N/A</b>   | <b>N/A</b>    | <b>9.25%</b> |                                                                                                                                                                                                                                                            |
| 2019 Core Trend Assumed Split Between Medical/Rx Before Pharmacy Adjustment | 8.4%         | 4.6%          | 7.4%         | Claims trend split for ACA Individual considered here. Due to lack of component trend credibility, Pharmacy trend expectation from 2019 also evaluated from Group experience. Medical trend determined from total trend removing Pharmacy trend component. |
| <b>Required Annual Trend Split Medical/Rx</b>                               | <b>8.4%</b>  | <b>11.4%</b>  |              |                                                                                                                                                                                                                                                            |
| Induced Demand Factor                                                       | 1.34%        | 1.34%         |              | Difference in average metal AV from current benefits to 2021 benefits.                                                                                                                                                                                     |
| <b>Required Annual Trend Split Medical/Rx w/Induced Demand*</b>             | <b>9.85%</b> | <b>12.89%</b> |              |                                                                                                                                                                                                                                                            |

\* Trends are then applied to the relevant mix for the entity and adjusted for Capitation to produce the resulting 10.46% as shown in Table 3b.

**First Priority Health****Individual Market****Response to Objection 1 - Question 3**

| <b>Description</b>                       | <b>Factor</b> |
|------------------------------------------|---------------|
| Change in Rx Rebates                     | 1.002         |
| Change in Hospital/Physician Settlements | 0.999         |
| <b>Total "Change in Other"</b>           | <b>1.002</b>  |

**First Priority Health**

**Individual Market**

**Response to Objection 1 - Question 4a**

| <b>Description</b>                   | <b>Risk Adjustment Population</b> |   |
|--------------------------------------|-----------------------------------|---|
|                                      | <b>Non-Catastrophic</b>           |   |
| 2018 Actual Statewide PLRS           |                                   | ■ |
| 2019 Model Change                    |                                   | ■ |
| 2019 Risk Pool Deterioration         |                                   | ■ |
| 2020 & 2021 Risk Pool Deterioration  |                                   | ■ |
| <b>2021 Projected Statewide PLRS</b> |                                   | ■ |



**First Priority Health**

**Individual Market**

**Response to Objection 1 - Question 4b**

|                                      | First Priority Health |                |           |      | Highmark Benefits Group |                |           |       | Combined |
|--------------------------------------|-----------------------|----------------|-----------|------|-------------------------|----------------|-----------|-------|----------|
|                                      | Renewal               | Other Highmark | Prior ACA | New  | Renewal                 | Other Highmark | Prior ACA | New   | Total    |
| <b>2021 Member Months</b>            | 15                    | 0              | 0         | 0    | 210                     | 8              | 19        | 120   | 372      |
| <b>2021 Member Months %</b>          | 4.0%                  | 0.1%           | 0.0%      | 0.0% | 56.5%                   | 2.2%           | 5.0%      | 32.2% | 100.0%   |
| <b>2021 Company-specific Factors</b> |                       |                |           |      |                         |                |           |       |          |
| PLRS                                 | █                     | █              | █         | █    | █                       | █              | █         | █     | █        |
| ARF                                  | █                     | █              | █         | █    | █                       | █              | █         | █     | █        |
| GCF                                  | █                     | █              | █         | █    | █                       | █              | █         | █     | █        |
| IDF                                  | █                     | █              | █         | █    | █                       | █              | █         | █     | █        |
| AV                                   | █                     | █              | █         | █    | █                       | █              | █         | █     | █        |
| <b>2019 RATEE Factors</b>            |                       |                |           |      |                         |                |           |       |          |
| PLRS                                 |                       |                |           |      |                         |                |           |       | █        |
| ARF                                  |                       |                |           |      |                         |                |           |       | █        |
| GCF                                  |                       |                |           |      |                         |                |           |       | █        |
| IDF                                  |                       |                |           |      |                         |                |           |       | █        |
| AV                                   |                       |                |           |      |                         |                |           |       | █        |

**First Priority Health****Individual Market****Response to Objection 1 - Question 4c**

| <b>Description</b>                | <b>Value</b>    |
|-----------------------------------|-----------------|
| Assumed HCRP % of Premium Charge  | 0.25%           |
| Projected Required Revenue PMPM   | \$624.30        |
| <b>Projected HCRP Charge PMPM</b> | <b>(\$1.56)</b> |

## First Priority Health

## Individual Market

## Response to Objection 1 - PID Question 2

| Description             | Financial Reporting Year |              |              |
|-------------------------|--------------------------|--------------|--------------|
|                         | 2017                     | 2018         | 2019         |
| Member Months           | 252,062                  | 158,072      | 134,935      |
| Premium                 | \$123,576,970            | \$82,065,347 | \$82,965,044 |
| Incurred Claims         | \$95,691,033             | \$60,415,370 | \$57,925,594 |
| Administrative Expenses | \$13,163,743             | \$9,932,536  | \$8,755,653  |
| Taxes and Fees          | \$4,209,962              | \$5,626,506  | \$2,748,535  |
| Gain/(Loss)             | \$10,512,232             | \$6,090,935  | \$13,535,263 |
| Gain/(Loss) PMPY        | \$500                    | \$462        | \$1,204      |



**BlueCross  
BlueShield**  
First Priority Health

July 16, 2020

Mr. James Laverty, Actuary  
Bureau of Life, Accident & Health Insurance  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: First Priority Health 2021 ACA Rate Filing (Individual Market)  
Filing # 1A-DP-20-FPH (SERFF # HGHM-132324148)

Dear Mr. Laverty:

Enclosed are responses to your July 7, 2020 questions regarding SERFF Filing # HGHM-132324148. We have included your questions along with our responses for your convenience. In conjunction with these responses, we are also submitting revisions to relevant filing documents to reflect the following change:

- Pursuant to the Department's July 10, 2020 COVID-19 Impact Guidance, the Company is adding a 2.5% morbidity load to account for anticipated increased claim expense in 2021 due to COVID-19.

Should you have any further questions regarding this Filing, please feel free to contact me at [REDACTED] or via e-mail at: [REDACTED].

Sincerely,

[REDACTED]

[REDACTED]

[REDACTED]

Highmark Inc.

cc:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**1. The following questions relate to the response to question 1 from the objection responses dated 6/23/2020:**

- a. Please revise the exhibit provided in the response to question 1 to quantitatively demonstrate the development of Filing at a Glance the “Adjusted AC PMPMs” (e.g., show the calendar year 2018 or 2019 allowed claims PMPM along with each specific adjustment used to calculate the adjusted allowed claims PMPM amount) for each data source underlying the manual rate. In providing your response, please provide a detailed quantitative exhibit displaying the development or, and providing justification for, the following items specifically mentioned in the response:**
  - i. The 2% adjustment applied to the “New” allowed claims PMPM**
  - ii. The death load adjustment**
- b. Please provide support for the assertion that the 8,560 member months underlying the development of the manual rate is a reasonable proxy for the projected population.**
- c. Please confirm that Actuarial Standard of Practice #25, “Credibility Procedures,” was considered when determining the credibility of the manual rate.**

Response:

- a. Please see the attached exhibit labeled Q1a Response for a revised table showing the quantitative development of the adjusted allowed charge PMPMs for each source underlying the manual rate. Please note that, in the course of reviewing this exhibit, we realized the formulas in the “Total” column for the average demographic, network, and benefit richness factors were incorrect in the original Objection 1 response. Although this has no impact on the rest of the exhibit, we have fixed the formulas for your reference in this response.
  - i. The 2% adjustment to the “New” cohort was intended to reflect higher than expected claim costs for members that have recently entered the ACA block. Given the extreme uncertainty of this cohort’s historical claims and potential selection issues that could occur with this cohort of new purchasers of coverage through the Company, we felt it was necessary and prudent to adjust the manual claims developed from a renewing block in which historical Company-specific ACA claims were available.

In consultation with our external consultants, we considered the various cohorts and assumptions around each of the projected cost levels and agreed they were reasonable especially given the uncertainty and common churn experienced in the ACA individual market.
  - ii. Please see the attached exhibit labeled Q1aii Response for the development of the death load claim adjustment. This exhibit shows the additional claim expense (and risk score) associated with members who lapsed due to death. In conjunction with the claim adjustment, we also adjusted the risk scores as discussed further in the response to Question 2a below. These adjustments are necessary to account for the fact that the underlying claim projection is based on the active enrollment snapshot as of 2/1/2020. Absent this adjustment, the claim projection and risk scores would be artificially low because they would exclude the experience associated with members who lapse due to death each year.
- b. The 8,560 member months represent the profile of Gold only members from the NEPA region which enrolled in FPH and HBG. Since Monroe county is in the NEPA region and members have access to similar providers as FBH and HBG, the manual rate development from the 8,560

Gold member months is a reasonable proxy for the prospective and renewal Gold members in FPH.

- c. ASOP #25 and the credibility of the data was considered in the filing. In general the size of the enrollment in the experience period for the data underlying the manual rate is above what we would consider to be fully credible. In addition, since the health plan has multiple entities, the experience for this entity was compared to the experience of other entities to assess the reasonableness of the data after accounting for known differences. For example, final rates of the different entities can be compared and expected to differ for things like network or benefit design. Since the FPH experience alone did not appear reasonable and had particularly low enrollment as of the 2020 snapshot date, it was supplemented with relevant experience from members enrolled in the HBG entity. Based on professional judgement a rigorous mathematical credibility model seemed unlikely to result in materially different rates and did not seem warranted for this entity.

**2. The following questions relate to the response to question 4 from the objection responses dated 6/23/2020:**

- a. **Please provide additional clarification regarding how the 2021 Company-specific PLRS factors were estimated. Specifically, please explain what model the risk scores were run on (e.g., 2019) and how members were assumed to be distributed by metal level. Additionally, if any explicit adjustments were applied to develop the estimated 2021 risk scores (e.g., model change impact, morbidity change), please explain each adjustment and provide a detailed quantitative exhibit displaying the development of the adjustments.**
- b. **Please reconcile the difference between the projected 2021 average age factor shown in Attachment E and the assumed 2021 ARF.**

Response:

- a. The Company-specific PLRS factors were developed using the 2019 HHS-HCC risk adjustment model. The distribution of members by metal level was based off of the current snapshot. The risk scores were increased by 2.5% in conjunction with death load claim adjustment discussed in the response to Question 1a<sup>iii</sup> above. We selected a 2.5% risk score load based on a review of the data which produced a 2.4% load. Support for the assumed risk score load can be found in the attached exhibit labeled Q1a<sup>iii</sup> Response.
- b. The projected 2021 average age factor shown in Attachment E is based on members' ages as of 2020. The 2021 allowable rating factor (ARF) used in the risk adjustment development is based on members' ages as of 2019 in order to ensure consistency with the ages used in the Company-specific risk scores and the statewide average ARF.

**3. The following questions relate to the response to question 2 from the objection responses dated 6/23/2020:**

- a. **Please provide a detailed exhibit displaying the development of the "Pharmacy specific 2020/2021 annual trend growth" and "Pharmacy specific specialty mix impact" adjustments. In providing your response, please clarify whether these adjustments were provided directly by an outside consultant or if potential adjustments were provided by an outside consultant and those were modified/adjusted for the development of the assumed trend rate. Additionally, please specifically provide support for the following items:**



So the applicable benefit component trends are applied to the mix for the entity. Because the trend development is cohort based and then applied to the applicable entity weightings, changing the distribution of costs would create an inconsistency with the regression trend development methodology.

- c. Please see the attached exhibit labeled Q3c Response for the development of the change in induced demand factor. The plan level buildup of the 2021 induced demand factor is shown in this exhibit as well as the distribution of members by metal level for 2021. The development of the 2019 induced demand factor can be found in the attached exhibit labeled Q1a Response. Since the 2019 experience used in the manual rate includes non-ACA sources, a distribution of members by metal level is not available.

The change in induced demand factor is, in fact, the difference in the expected induced utilization as a result of differences in metal AV. The note next to the induced demand factor in the Objection 1, Question 2c exhibit was intended to simply imply that the Department's new induced demand factor formula is *a function of* the pricing AV's.

**The following are additional questions or comments from the PID:**

**1. On July 13th, the Department will communicate our guidance based upon updated survey information from the issuers on their best estimate of the Covid 19 impact on 2021 rates. Responses to the round two questions are due on July 16th. Please be sure that all documents in SERFF after that date reflect the impact of Covid 19 and are consistent with Department's July 13 guidance.**

Response:

All of the relevant rate filing documents have been updated to reflect the impact of a 2.5% COVID-19 load which is within the acceptable range of factors specified by the Department in its COVID-19 guidance. The revised filing documents are being submitted in SERFF in conjunction with these responses.

**2. 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 and Federal Rates Template are identical.**

Response:

We have tested and confirmed that the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

**3. Please ensure that the 7/16/20 versions of the following items are posted in SERFF with your July 16th response to this data call:**

- **Cover letter identifying all changes made and the reason for the change. Also show the revised rate change.**
- **PA Actuarial Memorandum**
- **PA Actuarial Memorandum Exhibits**
- **Departments Plan Design Summary and Rate Template Exhibits (please ensure that the rate template by county is populated with only numeric values – no “NA”)**
- **URRT**



- **Federal rates template**
- **Part III actuarial memorandum**
- **Updated Rate Change Request Summary (Attachment 1)**
- **Public filing pdf with limited redactions as previously directed in the Guidance (includes all correspondence and supporting exhibits subsequent to the initial submission, in addition to all of the above items).**

Response:

All of the relevant rate filing documents are being updated and submitted in SERFF in conjunction with these responses.

## First Priority Health

## Individual Market

## Response to Objection 2 - Question 1a

|                                   | FPH             |                 |               |               | HBG             |                 |                 |                 | Combined        |
|-----------------------------------|-----------------|-----------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                   | Renewal         | Other Highmark  | Prior ACA     | New           | Renewal         | Other Highmark  | Prior ACA       | New             | Total           |
| <b>2019 Member Months</b>         | 356             | 12              | 0             | 0             | 4,852           | 143             | 436             | 2,761           | 8,560           |
| <b>2021 Member Months</b>         | 15              | 0               | 0             | 0             | 210             | 8               | 19              | 120             | 372             |
| <b>2021 Member Months %</b>       | 4.0%            | 0.1%            | 0.0%          | 0.0%          | 56.5%           | 2.2%            | 5.0%            | 32.2%           | 100.0%          |
| <b>2019 or 2018 Allowed PMPM*</b> | \$336.76        | \$800.07        | N/A           | N/A           | \$688.09        | \$1,766.51      | \$230.94        | N/A             |                 |
| <b>Trend from 2018 to 2019</b>    | N/A             | N/A             | N/A           | N/A           | N/A             | N/A             | 1.085           | N/A             |                 |
| <b>Death Load Adjustment</b>      | 1.035           | 1.035           | N/A           | N/A           | 1.035           | 1.035           | 1.035           | N/A             |                 |
| <b>Adjusted AC PMPMs</b>          | \$348.55        | \$828.07        | \$0.00        | \$0.00        | \$712.17        | \$1,828.34      | \$259.34        | \$609.99        | \$666.75        |
| <b>Demographic Factor</b>         | 1.886           | 2.230           | 1.000         | 1.000         | 1.973           | 2.049           | 2.007           | 1.702           | 1.888           |
| <b>Network</b>                    | 1.000           | 1.000           | 1.000         | 1.000         | 1.000           | 1.000           | 1.000           | 1.000           | 1.000           |
| <b>Benefit Richness Factor</b>    | 1.116           | 1.100           | 1.100         | 1.070         | 1.099           | 1.100           | 1.100           | 1.070           | 1.090           |
| <b>Normalized AC PMPMs</b>        | <b>\$165.60</b> | <b>\$337.58</b> | <b>\$0.00</b> | <b>\$0.00</b> | <b>\$328.37</b> | <b>\$811.15</b> | <b>\$117.45</b> | <b>\$334.94</b> | <b>\$324.06</b> |

\*The 'Renewal' & 'Other Highmark' sources start with 2019 experience. The 'Prior ACA' source starts with 2018 experience.

**First Priority Health**

**Individual Market**

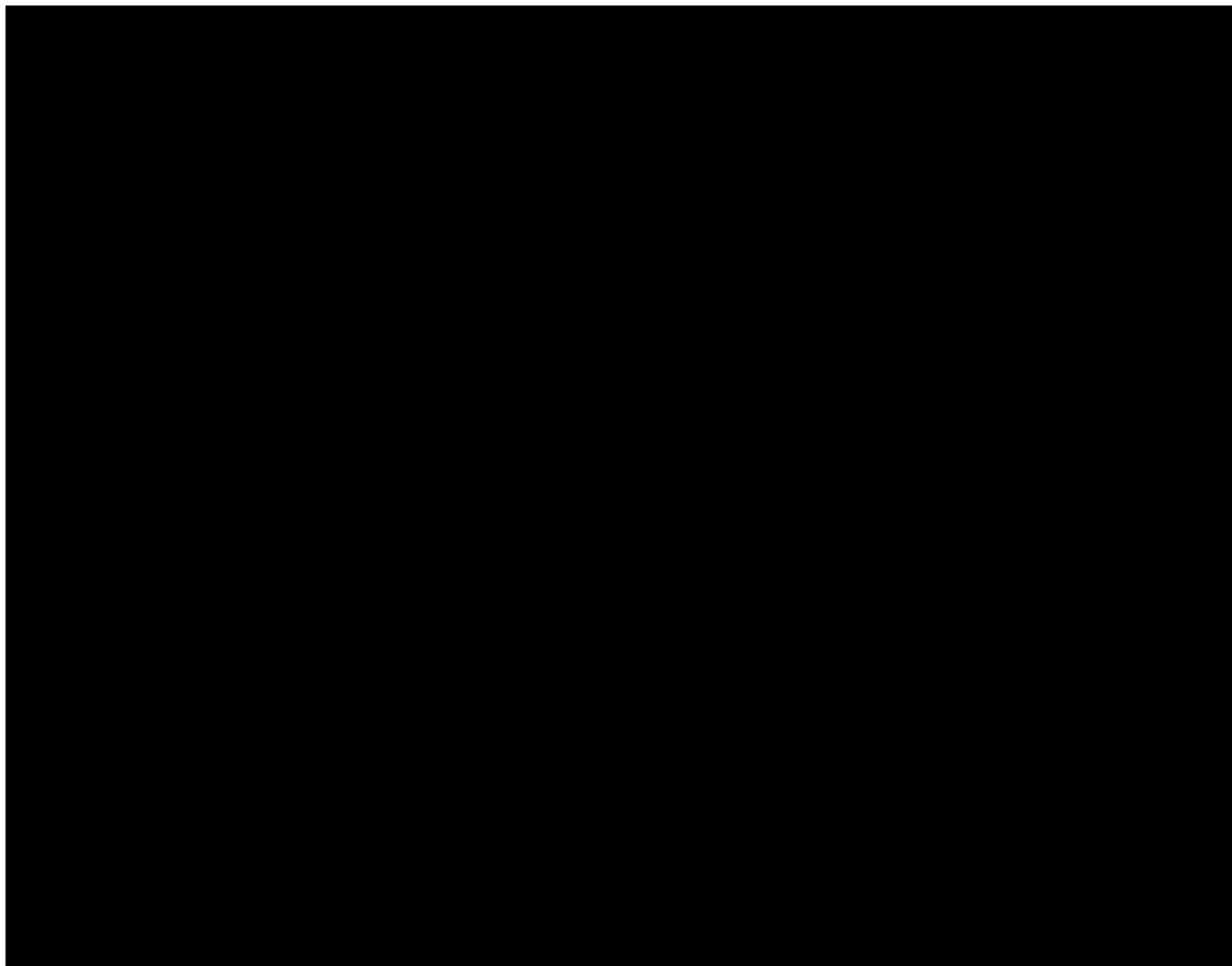
**Response to Objection 2 - Question 1aii**

| <b>Description</b>    | <b>2020 Renewal Only</b> | <b>Lapse Due to Death</b> | <b>Total</b> |
|-----------------------|--------------------------|---------------------------|--------------|
| Member Months         | 266,712                  | 305                       | 267,017      |
| Paid Claims           | \$115,034,676            | \$3,977,607               | 119,012,283  |
| Paid PMPM             | \$431.31                 | \$13,041.33               | \$445.71     |
| Death Load Adjustment |                          |                           | 1.033        |
| PLRS                  | ■                        | ■                         | ■            |
| Death Load Adjustment |                          |                           | 1.024        |

**First Priority Health**

**Individual Market**

**Response to Objection 2 - Question 3a**



**First Priority Health**

**Individual Market**

**Response to Objection 2 - Question 3c**

| <b>HIOS Plan ID<br/>(Standard<br/>Component)</b> | <b>Metallic Tier</b> | <b>Benefits in<br/>addition to<br/>EHB</b> | <b>Total Projected<br/>Lives</b> | <b>Pricing AV<br/>(company-<br/>determined<br/>AV)</b> | <b>Non-Funding of<br/>CSR<br/>Adjustment</b> | <b>Benefit<br/>Richness<br/>(induced<br/>demand)</b> |
|--------------------------------------------------|----------------------|--------------------------------------------|----------------------------------|--------------------------------------------------------|----------------------------------------------|------------------------------------------------------|
| 83731PA0070002                                   | Gold                 | 1.000                                      | 31                               | 0.862                                                  | 1.000                                        | 1.121                                                |
|                                                  |                      |                                            |                                  | 2021 Induced Demand Factor                             |                                              | 1.121                                                |
|                                                  |                      |                                            |                                  | Capitation Dampening Factor                            |                                              | 0.999                                                |
|                                                  |                      |                                            |                                  | <u>2019 Induced Demand Factor (from Q1 Response)</u>   |                                              | <u>1.090</u>                                         |
|                                                  |                      |                                            |                                  | Change in Induced Utilization                          |                                              | 1.34%                                                |

|    | A | B                                                                                                                                                                                                                                                                                                                                                                                                       | C                                        | D                   | E                  | F           | G                  | H                   | I                  | J           | K                  | L                                                                                                       | M | N | O | P | Q | R | S | T |  |
|----|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|---------------------|--------------------|-------------|--------------------|---------------------|--------------------|-------------|--------------------|---------------------------------------------------------------------------------------------------------|---|---|---|---|---|---|---|---|--|
| 1  |   | <b>Unified Rate Review v5.2</b>                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 2  |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 3  |   | Company Legal Name:                                                                                                                                                                                                                                                                                                                                                                                     | First Priority Health                    |                     |                    |             |                    |                     |                    | State:      | PA                 | To add a product to Worksheet 2 - Plan Product Info, select the Add Product button or Ctrl + Shift + P. |   |   |   |   |   |   |   |   |  |
| 4  |   | HIOS Issuer ID:                                                                                                                                                                                                                                                                                                                                                                                         | 83731                                    |                     |                    |             |                    |                     |                    | Market:     | Individual         | To add a plan to Worksheet 2 - Plan Product Info, select the Add Plan button or Ctrl + Shift + L.       |   |   |   |   |   |   |   |   |  |
| 5  |   | Effective Date of Rate Change(s):                                                                                                                                                                                                                                                                                                                                                                       | 01/01/2021                               |                     |                    |             |                    |                     |                    |             |                    | To validate, select the Validate button or Ctrl + Shift + I.                                            |   |   |   |   |   |   |   |   |  |
| 6  |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    | To finalize, select the Finalize button or Ctrl + Shift + F.                                            |   |   |   |   |   |   |   |   |  |
| 7  |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 8  |   | <b>Market Level Calculations (Same for all Plans)</b>                                                                                                                                                                                                                                                                                                                                                   |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 9  |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 10 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 11 |   | <b>Section I: Experience Period Data</b>                                                                                                                                                                                                                                                                                                                                                                |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 12 |   | Experience Period:                                                                                                                                                                                                                                                                                                                                                                                      | 01/01/2019                               |                     | to                 | 12/31/2019  |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 13 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     | Total              | PMPM        |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 14 |   | Allowed Claims                                                                                                                                                                                                                                                                                                                                                                                          |                                          |                     | \$75,836,934.39    |             |                    | \$563.45            |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 15 |   | Reinsurance                                                                                                                                                                                                                                                                                                                                                                                             |                                          |                     | \$0.00             |             |                    | \$0.00              |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 16 |   | Incurred Claims in Experience Period                                                                                                                                                                                                                                                                                                                                                                    |                                          |                     | \$60,570,652.56    |             |                    | \$450.02            |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 17 |   | Risk Adjustment                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     | -\$5,572,756.04    |             |                    | -\$41.40            |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 18 |   | Experience Period Premium                                                                                                                                                                                                                                                                                                                                                                               |                                          |                     | \$95,212,942.33    |             |                    | \$707.41            |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 19 |   | Experience Period Member Months                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     | 134,594            |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 20 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 21 |   | <b>Section II: Projections</b>                                                                                                                                                                                                                                                                                                                                                                          |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 22 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 23 |   | <b>Benefit Category</b>                                                                                                                                                                                                                                                                                                                                                                                 | <b>Experience Period Index Rate PMPM</b> | <b>Year 1 Trend</b> |                    |             |                    | <b>Year 2 Trend</b> |                    |             |                    | <b>Trended EHB Allowed Claims PMPM</b>                                                                  |   |   |   |   |   |   |   |   |  |
| 24 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          | <b>Cost</b>         | <b>Utilization</b> | <b>Cost</b> | <b>Utilization</b> | <b>Cost</b>         | <b>Utilization</b> | <b>Cost</b> | <b>Utilization</b> |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 25 |   | Inpatient Hospital                                                                                                                                                                                                                                                                                                                                                                                      | \$118.48                                 | 1.043               | 1.040              | 1.043       | 1.040              | 1.043               | 1.040              | 1.043       | 1.040              | \$139.41                                                                                                |   |   |   |   |   |   |   |   |  |
| 26 |   | Outpatient Hospital                                                                                                                                                                                                                                                                                                                                                                                     | \$205.97                                 | 1.043               | 1.040              | 1.043       | 1.040              | 1.043               | 1.040              | 1.043       | 1.040              | \$242.35                                                                                                |   |   |   |   |   |   |   |   |  |
| 27 |   | Professional                                                                                                                                                                                                                                                                                                                                                                                            | \$118.28                                 | 1.043               | 1.040              | 1.043       | 1.040              | 1.043               | 1.040              | 1.043       | 1.040              | \$139.17                                                                                                |   |   |   |   |   |   |   |   |  |
| 28 |   | Other Medical                                                                                                                                                                                                                                                                                                                                                                                           | \$11.26                                  | 1.043               | 1.040              | 1.043       | 1.040              | 1.043               | 1.040              | 1.043       | 1.040              | \$13.25                                                                                                 |   |   |   |   |   |   |   |   |  |
| 29 |   | Capitation                                                                                                                                                                                                                                                                                                                                                                                              | \$6.25                                   | 0.967               | 1.000              | 1.000       | 1.000              | 1.000               | 1.000              | 1.000       | 1.000              | \$6.04                                                                                                  |   |   |   |   |   |   |   |   |  |
| 30 |   | Prescription Drug                                                                                                                                                                                                                                                                                                                                                                                       | \$103.21                                 | 1.071               | 1.040              | 1.071       | 1.040              | 1.071               | 1.040              | 1.071       | 1.040              | \$128.05                                                                                                |   |   |   |   |   |   |   |   |  |
| 31 |   | <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                            | \$563.45                                 |                     |                    |             |                    |                     |                    |             |                    | <b>\$668.26</b>                                                                                         |   |   |   |   |   |   |   |   |  |
| 32 |   | Morbidity Adjustment                                                                                                                                                                                                                                                                                                                                                                                    |                                          |                     |                    |             |                    |                     |                    | 0.642       |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 33 |   | Demographic Shift                                                                                                                                                                                                                                                                                                                                                                                       |                                          |                     |                    |             |                    |                     |                    | 0.972       |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 34 |   | Plan Design Changes                                                                                                                                                                                                                                                                                                                                                                                     |                                          |                     |                    |             |                    |                     |                    | 1.000       |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 35 |   | Other                                                                                                                                                                                                                                                                                                                                                                                                   |                                          |                     |                    |             |                    |                     |                    | 1.043       |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 36 |   | Adjusted Trended EHB Allowed Claims PMPM for                                                                                                                                                                                                                                                                                                                                                            | 01/01/2021                               |                     |                    |             |                    |                     |                    | \$434.94    |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 37 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 38 |   | Manual EHB Allowed Claims PMPM                                                                                                                                                                                                                                                                                                                                                                          |                                          |                     |                    |             |                    |                     |                    | \$807.57    |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 39 |   | Applied Credibility %                                                                                                                                                                                                                                                                                                                                                                                   |                                          |                     |                    |             |                    |                     |                    | 0.00%       |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 40 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 41 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 42 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 43 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 44 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 45 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 46 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 47 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 48 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 49 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 50 |   | <b>Information Not Releasable to the Public Unless Authorized by Law:</b> This information has not been publically disclosed and may be privileged and confidential. It is for internal government use only and must not be disseminated, distributed, or copied to persons not authorized to receive the information. Unauthorized disclosure may result in prosecution to the full extent of the law. |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |
| 51 |   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                          |                     |                    |             |                    |                     |                    |             |                    |                                                                                                         |   |   |   |   |   |   |   |   |  |

**Product-Plan Data Collection**

Company Legal Name: First Priority Health  
 HIOS Issuer ID: 83731  
 Effective Date of Rate Change(s): 01/01/2021

State: PA  
 Market: Individual

To add a product to  
 To add a plan to Wt  
 To validate, select t  
 To finalize, select t  
 To remove a produc  
 To remove a plan, n

**Product/Plan Level Calculations**

| Field #                                           | Section I: General Product and Plan Information |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---------------------------------------------------|-------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1.1 Product Name                                  | my Priority Blue Flex HMO                       |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| 1.2 Product ID                                    | 83731PA006                                      |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| 1.3 Plan Name                                     | my Priority Blue                                | my Priority Blue | my Priority Blue | my Priority Blue | my Priority Blue | my Priority Blue | my Priority Blue | my Priority Blue | my Lehigh Valley | my Lehigh Valley | my Priority Blue | my Priority Blue |
| 1.4 Plan ID (Standard Component ID)               | 83731PA0060001                                  | 83731PA0060002   | 83731PA0060004   | 83731PA0060010   | 83731PA0060011   | 83731PA0060012   | 83731PA0060013   | 83731PA0070001   | 83731PA0070002   | 83731PA0080001   | 83731PA0090001   |                  |
| 1.5 Metal                                         | Bronze                                          | Silver           | Gold             | Bronze           | Bronze           | Silver           | Silver           | Silver           | Gold             | Catastrophic     | Silver           |                  |
| 1.6 AV Metal Value                                | 0.640                                           | 0.720            | 0.792            | 0.585            | 0.585            | 0.710            | 0.698            | 0.718            | 0.816            | 0.575            | 0.660            |                  |
| 1.7 Plan Category                                 | Terminated                                      | Terminated       | Terminated       | Terminated       | Terminated       | Terminated       | Terminated       | Terminated       | Renewing         | Terminated       | Terminated       |                  |
| 1.8 Plan Type                                     | HMO                                             | HMO              | HMO              | HMO              | HMO              | HMO              | HMO              | HMO              | HMO              | HMO              | HMO              |                  |
| 1.9 Exchange Plan?                                | No                                              | No               | No               | No               | No               | No               | No               | No               | No               | No               | No               |                  |
| 1.10 Effective Date of Proposed Rates             | 01/01/2021                                      | 01/01/2021       | 01/01/2021       | 01/01/2021       | 01/01/2021       | 01/01/2021       | 01/01/2021       | 01/01/2021       | 01/01/2021       | 01/01/2021       | 01/01/2021       |                  |
| 1.11 Cumulative Rate Change % (over 12 mos prior) | 0.00%                                           | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | -19.18%          | 0.00%            | 0.00%            |                  |
| 1.12 Product Rate Increase %                      |                                                 |                  |                  | 0.00%            |                  |                  |                  |                  | -19.18%          |                  | 0.00%            | 0.00%            |
| 1.13 Submission Level Rate Increase %             |                                                 |                  |                  |                  | -19.18%          |                  |                  |                  |                  |                  |                  |                  |

| Worksheet 1 Totals                                               |              |                |                |                |                |                |                |                |                |                |                |                |  |
|------------------------------------------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|
| Section II: Experience Period and Current Plan Level Information |              |                |                |                |                |                |                |                |                |                |                |                |  |
| 2.1 Plan ID (Standard Component ID)                              | Total        | 83731PA0060001 | 83731PA0060002 | 83731PA0060004 | 83731PA0060010 | 83731PA0060011 | 83731PA0060012 | 83731PA0060013 | 83731PA0070001 | 83731PA0070002 | 83731PA0080001 | 83731PA0090001 |  |
| 2.2 Allowed Claims                                               | \$75,836,934 | \$12,305,631   | \$14,276,501   | \$18,653,556   | \$4,278,816    | \$351,012      | \$3,717,535    | \$4,229,461    | \$669,690      | \$1,784,204    | \$51,186       | \$15,519,341   |  |
| 2.3 Reinsurance                                                  | \$0          | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |  |
| 2.4 Member Cost Sharing                                          | \$15,266,282 | \$4,184,794    | \$1,586,403    | \$3,709,978    | \$1,315,485    | \$131,914      | \$503,814      | \$932,727      | \$99,335       | \$402,180      | \$42,503       | \$2,357,149    |  |
| 2.5 Cost Sharing Reduction                                       | \$0          | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |  |
| 2.6 Incurred Claims                                              | \$60,570,653 | \$8,120,837    | \$12,690,098   | \$14,943,578   | \$2,963,331    | \$219,098      | \$3,213,721    | \$3,296,735    | \$570,355      | \$1,382,025    | \$8,683        | \$13,162,192   |  |
| 2.7 Risk Adjustment Transfer Amount                              | -\$5,572,756 | -\$5,596,338   | \$2,507,580    | \$232,965      | -\$1,537,881   | -\$266,969     | \$886,474      | -\$41,765      | -\$27,875      | \$87,711       | -\$26,154      | -\$1,790,505   |  |
| 2.8 Premium                                                      | \$95,212,942 | \$19,686,469   | \$15,234,063   | \$21,268,641   | \$6,358,902    | \$431,987      | \$3,361,852    | \$4,084,974    | \$766,739      | \$2,468,936    | \$108,649      | \$21,441,731   |  |
| 2.9 Experience Period Member Months                              | 134,594      | 33,205         | 18,367         | 25,758         | 11,883         | 825            | 4,714          | 6,507          | 1,002          | 2,998          | 417            | 28,918         |  |
| 2.10 Current Enrollment                                          | 31           | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 31             | 0              |  |
| 2.11 Current Premium PMPM                                        | \$796.91     | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$796.91       | \$0.00         | \$0.00         |  |
| 2.12 Loss Ratio                                                  | 67.57%       | 57.63%         | 71.53%         | 69.50%         | 61.47%         | 132.77%        | 75.65%         | 81.54%         | 77.19%         | 54.06%         | 10.53%         | 66.98%         |  |
| <b>Per Member Per Month</b>                                      |              |                |                |                |                |                |                |                |                |                |                |                |  |
| 2.13 Allowed Claims                                              | \$563.45     | \$370.60       | \$777.29       | \$724.18       | \$360.08       | \$425.47       | \$788.62       | \$649.99       | \$668.35       | \$595.13       | \$122.75       | \$536.67       |  |
| 2.14 Reinsurance                                                 | \$0.00       | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         |  |
| 2.15 Member Cost Sharing                                         | \$113.42     | \$126.03       | \$86.37        | \$144.03       | \$110.70       | \$159.90       | \$106.88       | \$143.34       | \$99.14        | \$134.15       | \$101.93       | \$81.51        |  |
| 2.16 Cost Sharing Reduction                                      | \$0.00       | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         |  |
| 2.17 Incurred Claims                                             | \$450.02     | \$244.57       | \$690.92       | \$580.15       | \$249.38       | \$265.57       | \$681.74       | \$506.64       | \$569.22       | \$460.98       | \$20.82        | \$455.16       |  |
| 2.18 Risk Adjustment Transfer Amount                             | -\$41.40     | -\$168.54      | \$136.53       | \$9.04         | -\$129.42      | -\$323.60      | \$188.05       | -\$6.42        | -\$27.82       | \$29.26        | -\$62.72       | -\$61.92       |  |
| 2.19 Premium                                                     | \$707.41     | \$592.88       | \$829.43       | \$825.71       | \$535.13       | \$523.62       | \$713.16       | \$627.78       | \$765.21       | \$823.53       | \$260.55       | \$741.47       |  |

| Section III: Plan Adjustment Factors   |  |                |                |                |                |                |                |                |                |                |                |                |  |
|----------------------------------------|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|
| 3.1 Plan ID (Standard Component ID)    |  | 83731PA0060001 | 83731PA0060002 | 83731PA0060004 | 83731PA0060010 | 83731PA0060011 | 83731PA0060012 | 83731PA0060013 | 83731PA0070001 | 83731PA0070002 | 83731PA0080001 | 83731PA0090001 |  |
| 3.2 Market Adjusted Index Rate         |  | \$682.13       |                |                |                |                |                |                |                |                |                |                |  |
| 3.3 AV and Cost Sharing Design of Plan |  | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.8615         | 0.0000         | 0.0000         |  |
| 3.4 Provider Network Adjustment        |  | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 1.0000         | 0.0000         | 0.0000         |  |
| 3.5 Benefits in Addition to EHB        |  | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 1.0000         | 0.0000         | 0.0000         |  |
| <b>Administrative Costs</b>            |  |                |                |                |                |                |                |                |                |                |                |                |  |
| 3.6 Administrative Expense             |  | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 8.11%          | 0.00%          | 0.00%          |  |
| 3.7 Taxes and Fees                     |  | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |  |
| 3.8 Profit & Risk Load                 |  | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |  |
| 3.9 Catastrophic Adjustment            |  | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 0.0000         | 1.0000         | 0.0000         | 0.0000         |  |
| 3.10 Plan Adjusted Index Rate          |  | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$640.08       | \$0.00         | \$0.00         |  |

|                                          |  |        |        |        |        |        |        |        |        |          |        |        |  |
|------------------------------------------|--|--------|--------|--------|--------|--------|--------|--------|--------|----------|--------|--------|--|
| 3.11 Age Calibration Factor              |  | 0.5322 |        |        |        |        |        |        |        | 0.5322   |        |        |  |
| 3.12 Geographic Calibration Factor       |  | 1.0000 |        |        |        |        |        |        |        | 1.0000   |        |        |  |
| 3.13 Tobacco Calibration Factor          |  | 0.9954 |        |        |        |        |        |        |        | 0.9954   |        |        |  |
| 3.14 Calibrated Plan Adjusted Index Rate |  | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$339.08 | \$0.00 | \$0.00 |  |

| Section IV: Projected Plan Level Information |           |                |                |                |                |                |                |                |                |                |                |                |  |
|----------------------------------------------|-----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|
| 4.1 Plan ID (Standard Component ID)          | Total     | 83731PA0060001 | 83731PA0060002 | 83731PA0060004 | 83731PA0060010 | 83731PA0060011 | 83731PA0060012 | 83731PA0060013 | 83731PA0070001 | 83731PA0070002 | 83731PA0080001 | 83731PA0090001 |  |
| 4.2 Allowed Claims                           | \$300,414 | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$300,414      | \$0            |  |
| 4.3 Reinsurance                              | \$15,787  | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$15,787       | \$0            | \$0            |  |
| 4.4 Member Cost Sharing                      | \$41,613  | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$41,613       | \$0            | \$0            |  |
| 4.5 Cost Sharing Reduction                   | \$0       | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |  |
| 4.6 Incurred Claims                          | \$243,015 | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$243,015      | \$0            | \$0            |  |
| 4.7 Risk Adjustment Transfer Amount          | \$24,415  | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$24,415       | \$0            | \$0            |  |
| 4.8 Premium                                  | \$238,109 | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$238,109      | \$0            | \$0            |  |
| 4.9 Projected Member Months                  | 372       | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 372            | 0              | 0              |  |
| 4.10 Loss Ratio                              | 92.57%    | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | 92.57%         | #DIV/0!        | #DIV/0!        |  |
| <b>Per Member Per Month</b>                  |           |                |                |                |                |                |                |                |                |                |                |                |  |
| 4.11 Allowed Claims                          | \$807.57  | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | \$807.57       | #DIV/0!        | #DIV/0!        |  |
| 4.12 Reinsurance                             | \$42.44   | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | \$42.44        | #DIV/0!        | #DIV/0!        |  |
| 4.13 Member Cost Sharing                     | \$111.86  | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | \$111.86       | #DIV/0!        | #DIV/0!        |  |
| 4.14 Cost Sharing Reduction                  | \$0.00    | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | \$0.00         | #DIV/0!        | #DIV/0!        |  |
| 4.15 Incurred Claims                         | \$653.27  | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | \$653.27       | #DIV/0!        | #DIV/0!        |  |
| 4.16 Risk Adjustment Transfer Amount         | \$65.63   | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | \$65.63        | #DIV/0!        | #DIV/0!        |  |
| 4.17 Premium                                 | \$640.08  | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | #DIV/0!        | \$640.08       | #DIV/0!        | #DIV/0!        |  |

## Rating Area Data Collection

*Specify the total number of Rating Areas in your State by selecting the Create Rating Areas button or Ctrl + Shift + R.  
Select only the Rating Areas you are offering plans within and add a factor for each area.  
To validate, select the Validate button or Ctrl + Shift + I.  
To finalize, select the Finalize button or Ctrl + Shift + F.*

| Rating Area   | Rating Factor |
|---------------|---------------|
| Rating Area 3 | 1.0000        |



## **Part II of the Preliminary Justification**

### **First Priority Health – Individual Market**

#### **Scope and Range:**

First Priority Health is requesting an average ACA individual market rate change of -19.2%. Products submitted with this filing will have effective dates from January 1, 2021 to December 31, 2021. This rate change is projected to affect 31 members, of which 31 members are in renewing plans.

#### **Historical Financial Experience:**

First Priority Health incurred an underwriting gain in its Individual ACA programs in 2019.

#### **Change in Medical Service Costs:**

The projected average cost of medical care for the projected population is expected to increase. The increase will emerge in utilization and average cost per service, and is spread across all types of services.

#### **Change in Benefits and Cost Sharing:**

Some cost sharing parameters were changed in order to maintain compliance with Federal AV requirements. Additionally, some out of pocket maximum parameters were changed to keep up with the rising cost of health care. These out of pocket maximum changes also aided in mitigating the rate increase.

#### **Administrative Costs and Anticipated Operating Results:**

The anticipated administrative costs and operating results are not excessive or unreasonable. In accordance with regulations, the projected medical loss ratio is over 80%.

**Part III Actuarial Memorandum**

**First Priority Health**

**Individual Rate Filing**

**Effective January 1, 2021**

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# **I. General Information**

## **Document Overview**

This document contains the Part III Actuarial Memorandum for First Priority Health's (FPH) individual block of business rate filing, for products with an effective date of January 1, 2021. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

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

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

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

### **I.1 Company Identifying Information:**

- Company Legal Name: First Priority Health.
- State: The Commonwealth of Pennsylvania has regulatory authority over these policies.
- HIOS Issuer ID: 83731
- Market: Individual
- Effective Date: January 1, 2021

### **I.2 Company Contact Information:**

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

## **II. Proposed Rate Change(s)**

For all rate increases by plan, see the ‘Cumulative Rate Change % (over 12 mos prior)’ found in Worksheet 2, line 1.11 of the URRT. The rate increase varies by plan due to an update in several of our pricing factors and changes in cost sharing required to meet Actuarial Value and other cost sharing restrictions under the Affordable Care Act as well as mappings between discontinued and new plans.

The proposed average rate decrease is being driven by unanticipated improvement in the base claims experience and the implementation of the Pennsylvania Health Insurance Individual market Stabilization Reinsurance Program (“Reinsurance Program”).

In accordance with the filing instructions specified by the Pennsylvania Insurance Department, the rate development in this filing includes an assumption within the acceptable range of factors for the COVID-19 impact.

This rate filing also accounts for the Reinsurance Program operating in the Individual Market in 2021 pursuant to a waiver of certain provisions of the Affordable Care Act for the State of Pennsylvania, as authorized by section 1332 of that Act and expected to be approved by the Centers for Medicare and Medicaid Services and the United States Department of Treasury.

Other assumptions in the filing account for the elimination of the Individual Mandate penalty and the lack of CSR funding in 2021 by using the factors prescribed in the Department’s guidance. Additional assumptions include that advance payment of premium tax credits (APTCs) will continue until the end of 2021, there will be no significant changes in legislation, regulations or otherwise (i.e. rules, regulatory guidance, etc.) impacting the ACA market, and that there are no significant changes in the participation of QHP issuers that would materially change risk adjustment transfer amounts. Finally, modifications to the rate development may be necessary if significant unforeseen events occur. Examples include, but are not limited to, repeal or invalidation of the ACA or material developments in the course of the COVID-19 pandemic. As a result, FPH reserves the right to submit a revised filing.

## **III. Experience and Current Period Premium, Claims, and Enrollment**

### **III.1 Paid through Date:**

Experience Period claims were based on incurred calendar year 2019, paid through February 2020. This includes 2019 experience in Affordable Care Act compliant plans. FPH did not offer any transitional plans in 2019.

### **III.2 Current Date:**

The current date shown represents a snapshot of February 1, 2020.

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

- Historical Experience: We chose FPH’s current experience for the individual block of business for the period January 1, 2019 through December 31, 2019, with

claims paid through February 1, 2020 as the basis for the 2021 projected individual market pricing.

- **Claims Incurred During the 12-month Experience Period:** Worksheet 1, Section I shows our best estimate of the amount of claims that were incurred during the 12-month experience period for FPH’s individual book-of-business. This section includes:
  - The amount of claims which were processed through Company’s claims system,
  - Claims processed outside of the Company’s claims system, and
  - Our best estimate of claims incurred but not paid as of the paid through date stated above.
- **Method for Determining Allowed Claims:** For non-capitated claims, the allowed charges are summarized from FPH’s detailed claim-level historical data. This experience includes 2019 claims for Affordable Care Act compliant business. For capitated and other off-system claims, historical capitations and experience were tabulated and added to the claims.
- **Paid Claims:** We also summarized the paid claims from detailed member records. The paid-to-allowed ratio for the experience period reflects the 2019 plan designs chosen by each member.
- **Incurred but Not Paid (IBNR) Claims Estimate:** FPH is using a completion factor of 0.9712 to include IBNR claims in allowed charges. The IBNR completion factor was developed using our corporate reserving system for FPH’s individual business. We applied it equally to both paid and allowed total claims (as a change to utilization) to complete the experience.

#### **IV. Benefit Categories**

The index rate of the experience period was summarized at the defined benefit categories included in Worksheet 1, Section II of the URRT.

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

#### **V. Projection Factors**

Given the drastically different product offering between the experience period and the projection period, the experience data is not given any credibility in the rate calculation. The

factors entered on Worksheet 1 of the URRT for Morbidity Adjustment, Demographic Shift, Plan Design Changes, and Other are simply placeholders.

Please see the Credibility Manual Rate Adjustments section below for a discussion of the projection factors.

## **VI. Manual Rate Adjustments**

### **VI.1 Source and Appropriateness of Experience Data Used**

A manual rate was developed by blending 2019 experience from multiple sources, including ACA and group claims for the February 1, 2020 snapshot membership as well as assumptions for any new members found in the snapshot, to approximate the anticipated 2021 FPH population. This experience includes members from the current FPH geographic footprint as well as Highmark Benefits Group gold plans within the same geographic footprint adjusted for the expected 2021 FPH population. This experience was chosen because it is large and reasonably represents the anticipated 2021 FPH population.

### **VI.2 Adjustments Made to the Data**

Given that the expected 2021 population is used to develop the manual cost, no change in morbidity is required aside from the adjustment pertaining to the elimination of the health insurance coverage mandate described below. A morbidity adjustment was also made to account for the reinsurance program which is described further in the Projected Reinsurance Section. In accordance with the Department's guidance, a morbidity adjustment of 0.999 was also applied to reflect the impact of morbidity improvement due to the Reinsurance program. Similarly, the change in demographics adjustment is very small.

#### **Impact of Health Insurance Coverage Mandate Elimination**

In accordance with the Department's guidance, the morbidity was increased by 1.0% to reflect the market uncertainty from the elimination of the health insurance coverage mandate.

#### **Covid-19 Impact**

For the Covid-19 adjustment, Highmark applied a 2.5% load for Covid-19 impact which is within the acceptable range of factors specified by the Department in its COVID-19 guidance.

The elimination of the health insurance coverage mandate and the Covid-19 impact are reflected in the Manual EHB Allowed Claims PMPM found on worksheet 1 of the URRT.

The underlying manual data was further adjusted to account for changes in network, pharmacy rebates, and hospital/physician settlements.

### **VI.3 Trend Factors**

This development of the CY2021 rates reflects an annual trend rate of 8.4% (4.3% cost, 4.0% utilization) for medical and 11.4% (7.1% cost, 4.0% utilization) for pharmacy. These trends reflect FPH's expectations regarding increases in in-network contractual reimbursement and out-of-network costs.

The medical trend represents a blended average for all medical types of services and is applied to the aggregate medical experience for pricing. Component data was not used in the development of the trend except pharmacy-specific projections were used to adjust the Pharmacy trend. The Pharmacy trend takes into account factors such as projected specialty drug use, pipeline drugs coming to market, and provider contracting. These trends represent assumed community-wide expectations. Claim variations due to the specific projected enrolled population in this single risk pool are reflected in the morbidity adjustment.

## **VII. Credibility of Experience**

Given the drastically different product offering between the experience period and the projection period, the experience data is not given any credibility in the rate calculation. Therefore, FPH has chosen to develop the rate on a 100% manual basis.

## **VIII. Index Rate**

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

## **IX. Market Adjusted Index Rate [MAIR]**

The Market Adjusted Index Rate is the Projected Index Rate further adjusted for risk adjustment and the exchange fee.

### **IX.1 Projected Reinsurance PMPM**

The federal government is expected to approve the State of Pennsylvania's Section 1332 State Innovation Waiver in order to implement a state-based reinsurance program. As outlined in the waiver application, the State is anticipating the Reinsurance Program will have the following parameters for 2021: an attachment point of \$60,000, a coinsurance rate of 60%, and a cap of \$100,000. FPH estimated the impact of the reinsurance program under these tentative parameters by trending Highmark PA individual ACA CY2019 incurred claims by member to the CY2021 rating period, applying the parameters, and calculating the amount of incurred claims expected to be reimbursed by the program. The modeling produced an estimated incurred claims savings of 6.1%. This percentage was converted to a PMPM and adjusted to an equivalent allowed claim basis by dividing the PMPM by the paid-



to-allowed factor and the composite effect of catastrophic eligibility. This amount is reflected in worksheet 1 of the URRT.

### **IX.2 Projected Risk Adjustments PMPM:**

The estimated average risk score for FPH's projected 2021 population was developed by using 2019 claim diagnoses and demographics underlying the manual rate development and the risk adjustment coefficients as finalized in the Notice of Benefit and Payment Parameters. Similarly, actuarial value factors and induced demand factors were estimated for FPH based upon its projected 2021 population.

We estimated the statewide average risk transfer factors based on current market assumptions. We estimated the statewide average premium using current market premium assumptions with adjustments for anticipated rate changes for 2021.

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

The analysis resulted in FPH receiving from the risk adjustment pool. The \$76.18 PMPM value shown in worksheet 1 of the URRT is developed by taking the expected risk transfer amount plus the projected High Cost Risk Pool charge and adjusting it to an equivalent allowed claims basis by dividing it by the paid-to-allowed factor and the composite effect of catastrophic eligibility.

For the purposes of this rate filing, FPH has not included an adjustment to the projected risk adjustment transfer for the Risk Adjustment Data Validation (RADV) program.

### **IX.3 The Exchange User Fee %**

FPH is offering one 2021 off-exchange plan and therefore will not have any projected members enroll through the exchange. The exchange use fee is set to 0%.

## **X. Plan Adjusted Index Rate [PAIR]**

The Plan Adjusted Index Rates can be found on line 3.10, Worksheet 2 of the URRT. The PAIR rates calculated by applying the allowable rating factors as described below to the Market Adjusted Index Rate.

### **X.1 AV and Cost Sharing Design of Plan**

The AV and cost sharing allowable rating factor is comprised of the following components:

- The utilization due to differences in cost sharing is based on the factors calculated using a methodology prescribed in the Department's guidance relative to the weighted average. No differences due to health status are in these adjustments.
- The pricing AV for the benefits and cost sharing of the plan.

### Impact of Non-Payment of Cost Sharing Reduction Subsidies

There is no impact for non-payment of cost sharing reduction subsidies since the plan is a Gold plan.

#### **X.2 Provider Network Adjustment**

The provider network adjustments are developed by dividing the plan level network factor by the overall weighted average from all plans.

#### **X.3 Benefits in Addition to EHB**

There are no benefits in addition to EHB.

#### **X.4 Administrative Expense**

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

#### **X.5 Taxes and Fees:**

The following fees were added:

- \$0.25 PMPM for Risk Transfer User Fee
- \$0.23 PMPM for Patient Centered Outcomes Research Institute (PCORI) Fee
- 0.0% for the Health Insurance Provider Fee
- 0.0% for the PA Premium Tax

#### **X.6 Profit (or Contribution to Surplus) & Risk Margin:**

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

#### **X.7 Catastrophic Adjustment**

FPH is not offering any Catastrophic plans in 2021, therefore a specific eligibility adjustment was not used.

## **XI. Calibration**

### **XI.1 Age Curve Calibration:**

The projected weighted average age factor for billable members is 1.879. This factor is calculated by dividing the all members age factor of 1.879 by the ratio of billable members to total members 1.000. The age curve calibration factor is  $1/1.879 = 0.5322$ .

## **XI.2 Geographic Calibration Factor:**

The projected weighted average geographic factor is 1.0. Each Plan Adjusted Index Rate represents the rate for an average member with a geographic factor of 1.0. The geographic calibration factor is  $1/1.0 = 1.0$ .

## **XI.3 Tobacco Calibration Factor:**

The projected weighted average tobacco factor is 1.005. Each Plan Adjusted Index Rate represents the rate for an average member with a tobacco factor of 1.005. The tobacco calibration factor is  $1/1.005 = 0.9954$ .

## **XI.4 Consumer Adjusted Premium Rate Development:**

The calibrated plan adjusted index rate represents the base rate for an age factor of 1.0, geographic rating factor of 1.0 and tobacco rating factor of 1.0. Thus, the approximate premium for a specific member can be derived by multiplying this rate by the HHS age curve factor, the rating area factor on Worksheet 3 of the URRT, and the appropriate tobacco factor. Please note that this method will only produce approximate rates due to URRT rounding constraints

## **XII. Projected Loss Ratio**

The projected loss ratio for 2021 using the federally-prescribed MLR methodology is 92.6%.

## **XIII. AV Metal Values**

The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based the Federal AV Calculator. The plan did require an adjustment to the inputs entered into the AV calculator. Screen shot and certification for the plan were submitted as part of FPH's QHP application.

## **XIV. Membership Projections**

Membership projections reflect FPH's expectations for 2021. These projections reflect expected changes in market share due to market competition, relative price levels, and changes in FPH's plan offerings, relative price levels, and changes in plan offerings (where applicable).

The projected member months on line 4.9 of the URRT Worksheet 2 is the membership projection for the one Gold plan.

## **XV. Terminated Plans and Products**

Plans in the 2019 experience period that will no longer be available in 2021 can be found in Exhibit I.

## **XVI. Plan Type**

The Plan types listed in Worksheet 2, Section I of the Part I Unified Rate Review Template describe FPH's plans adequately.

## **XVII. Actuarial Certification**

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

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

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

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

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

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

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

Signed: 

Title: 

Date: July 16, 2020

**XVIII.****Exhibit I****First Priority Health****Terminated Experience Period Plans**

| <b>HIOS ID</b> | <b>Metal</b> | <b>Plan Name</b>                                               | <b>2021 Mapping</b> |
|----------------|--------------|----------------------------------------------------------------|---------------------|
| 83731PA0060001 | Bronze       | my Priority Blue Flex HMO Bronze 4000                          | N/A                 |
| 83731PA0060002 | Silver       | my Priority Blue Flex HMO Silver 2100 - 2 Free PCP Visits      | N/A                 |
| 83731PA0060004 | Gold         | my Priority Blue Flex HMO Gold 1000 - 2 Free PCP Visits        | N/A                 |
| 83731PA0060010 | Bronze       | my Priority Blue Flex HMO Bronze 7900                          | N/A                 |
| 83731PA0060011 | Bronze       | my Priority Blue Flex HMO Bronze 7900                          | N/A                 |
| 83731PA0060012 | Silver       | my Priority Blue Flex HMO Silver 0                             | N/A                 |
| 83731PA0060013 | Silver       | my Priority Blue Flex HMO Silver 3500 - 2 Free PCP Visits      | N/A                 |
| 83731PA0070001 | Silver       | my Lehigh Valley Flex Blue HMO Silver 1900 - 2 Free PCP Visits | N/A                 |
| 83731PA0080001 | Catastrophic | my Priority Blue Major Events HMO 7900                         | N/A                 |
| 83731PA0090001 | Silver       | my Priority Blue Flex HMO Silver 4450 HSA                      | N/A                 |

| 2021 Rates Table Template v10.0                    |                                               | All fields with an asterisk (*) are required. To validate press Validate button or Ctrl + Shift + I. To finalize, press Finalize button or Ctrl + Shift + F. |                                                                          |                                                                                                     |                                                                                |
|----------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
|                                                    |                                               | If you are in a community rating state, select Family-Tier Rates under Rating Method and fill in all columns.                                                |                                                                          |                                                                                                     |                                                                                |
|                                                    |                                               | If you are not in a community rating state, select Age-Based Rates under Rating Method and provide an Individual Rate for every age band.                    |                                                                          |                                                                                                     |                                                                                |
|                                                    |                                               | If Tobacco is Tobacco User/Non-Tobacco User, you must give a rate for Tobacco Use and Non-Tobacco Use.                                                       |                                                                          |                                                                                                     |                                                                                |
|                                                    |                                               | To add a new sheet, press the Add Sheet button, or Ctrl + Shift + H. All plans must have the same dates on a sheet.                                          |                                                                          |                                                                                                     |                                                                                |
| HIOS Issuer ID*                                    | 83731                                         |                                                                                                                                                              |                                                                          |                                                                                                     |                                                                                |
| Rate Effective Date*                               | 01/01/2021                                    |                                                                                                                                                              |                                                                          |                                                                                                     |                                                                                |
| Rate Expiration Date*                              | 12/31/2021                                    |                                                                                                                                                              |                                                                          |                                                                                                     |                                                                                |
| Rating Method*                                     | Age-Based Rates                               |                                                                                                                                                              |                                                                          |                                                                                                     |                                                                                |
|                                                    |                                               |                                                                                                                                                              |                                                                          |                                                                                                     |                                                                                |
|                                                    |                                               |                                                                                                                                                              |                                                                          |                                                                                                     |                                                                                |
| Plan ID*                                           | Rating Area ID*                               | Tobacco*                                                                                                                                                     | Age*                                                                     | Individual Rate*                                                                                    | Individual Tobacco Rate*                                                       |
| <b>Required:</b><br>Enter the 14-character Plan ID | <b>Required:</b><br>Select the Rating Area ID | <b>Required:</b><br>Select if Tobacco use of subscriber is used to determine if a person is eligible for a rate from a plan                                  | <b>Required:</b><br>Select the age of a subscriber eligible for the rate | <b>Required:</b><br>Enter the rate of an Individual Non-Tobacco or No Preference enrollee on a plan | <b>Required:</b><br>Enter the rate of an Individual tobacco enrollee on a plan |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 0-14                                                                     | 259.36                                                                                              | 259.36                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 15                                                                       | 282.41                                                                                              | 282.41                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 16                                                                       | 291.23                                                                                              | 291.23                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 17                                                                       | 300.04                                                                                              | 300.04                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 18                                                                       | 309.53                                                                                              | 309.53                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 19                                                                       | 319.03                                                                                              | 319.03                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 20                                                                       | 328.86                                                                                              | 328.86                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 21                                                                       | 339.03                                                                                              | 347.51                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 22                                                                       | 339.03                                                                                              | 347.51                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 23                                                                       | 339.03                                                                                              | 347.51                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 24                                                                       | 339.03                                                                                              | 347.51                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 25                                                                       | 340.39                                                                                              | 348.90                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 26                                                                       | 347.17                                                                                              | 355.85                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 27                                                                       | 355.30                                                                                              | 364.18                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 28                                                                       | 368.53                                                                                              | 377.74                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 29                                                                       | 379.37                                                                                              | 388.85                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 30                                                                       | 384.80                                                                                              | 394.42                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 31                                                                       | 392.94                                                                                              | 402.76                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 32                                                                       | 401.07                                                                                              | 411.10                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 33                                                                       | 406.16                                                                                              | 416.31                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 34                                                                       | 411.58                                                                                              | 421.87                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 35                                                                       | 414.29                                                                                              | 424.65                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 36                                                                       | 417.01                                                                                              | 427.44                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 37                                                                       | 419.72                                                                                              | 430.21                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 38                                                                       | 422.43                                                                                              | 432.99                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 39                                                                       | 427.86                                                                                              | 438.56                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 40                                                                       | 433.28                                                                                              | 446.61                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 41                                                                       | 441.42                                                                                              | 457.77                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 42                                                                       | 449.21                                                                                              | 469.52                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 43                                                                       | 460.06                                                                                              | 483.73                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 44                                                                       | 473.62                                                                                              | 500.14                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 45                                                                       | 489.56                                                                                              | 528.55                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 46                                                                       | 508.55                                                                                              | 569.92                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 47                                                                       | 529.90                                                                                              | 623.69                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 48                                                                       | 554.31                                                                                              | 692.95                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 49                                                                       | 578.39                                                                                              | 773.90                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 50                                                                       | 605.51                                                                                              | 871.75                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 51                                                                       | 632.29                                                                                              | 991.56                                                                         |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 52                                                                       | 661.79                                                                                              | 1139.69                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 53                                                                       | 691.62                                                                                              | 1314.23                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 54                                                                       | 723.83                                                                                              | 1518.69                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 55                                                                       | 756.04                                                                                              | 1758.15                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 56                                                                       | 790.96                                                                                              | 2038.93                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 57                                                                       | 826.22                                                                                              | 2368.12                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 58                                                                       | 863.85                                                                                              | 2752.22                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 59                                                                       | 882.50                                                                                              | 3198.06                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 60                                                                       | 920.13                                                                                              | 3712.16                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 61                                                                       | 952.67                                                                                              | 4302.02                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 62                                                                       | 974.03                                                                                              | 4973.19                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 63                                                                       | 1000.82                                                                                             | 5732.00                                                                        |
| 83731PA0070002                                     | Rating Area 3                                 | Tobacco User/Non-Tobacco User                                                                                                                                | 64 and over                                                              | 1017.09                                                                                             | 6584.94                                                                        |