Filing at a Glance

Company:	HMO Partners, Inc. d/b/a Health Advantage
Product Name:	2023 HA Individual QHP Rates
State:	Arkansas
TOI:	HOrg02I Individual Health Organizations - Health Maintenance (HMO)
Sub-TOI:	HOrg02I.005B Individual - Point-of-Service (POS)
Filing Type:	Rate
Date Submitted:	06/14/2022
SERFF Tr Num:	HLAD-133278500
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State Status:	Under Review
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Effective Date Requested:	01/01/2023
Author(s):	Christi Kittler, Yvonne McNaughton, Sammytra Williams, Katrina Higgins, Melissa Bradshaw
Reviewer(s):	Donna Lambert (primary), David Dillon
Disposition Date:	
Disposition Status:	
Effective Date:	

Rate Filing Justification Part II (Plain Language Summary)

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

Name of Company	HMO Partners, Inc. d/b/a Health Advantage (HA)
SERFF tracking number	HLAD-133278500
Submission Date	6/14/2022
Product Name	Individual Major Medical POS
Market Type	(●) Individual ( ) Small Group
Rate Filing Type	(●) Rate Increase ( ) New Filing

Scope and Range of the Increase:

The 5.30 % increase is requested because:

HA is requesting an overall rate increase of 5.30% for the 2023 plan year. This request is primarily based on (1) changes in utilization and cost trends from the 2021 experience period to the 2023 plan year, (2) benefit adjustments HA made for the 2023 plan year, and (3) adjustments to 2021 experience period claims to account for foregone and deferred care due to COVID-19. Other adjustments include changing demographics, morbidity assumptions, expense trend, Federal cost-sharing reduction shortfall projections, risk adjustment projection, etc. The 5.30% requested increase will ensure HA's individual product is adequately and competitively priced for the 2023

This filing will impact:

# of Arkansas policyholder's 29,869 # of Arkansas covered lives 29,929

The average, minimum and maximum rate changes increases are:

- Average Rate Change: The average premium change, by percentage, across all policy holders if the filing is approved 5.30 %
- Minimum Rate Change: The smallest premium increase (or largest decrease), by percentage, that any one policy holder would experience if the filing is approved 5.30 %
- Maximum Rate Change: The largest premium increase, by percentage, that any one policy holder would experience if the filing is approved 5.42 %

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

Rate increases may vary for individuals primarily due to changes in benefits and other factors relative to their 2022 benchmarks.

Financial Experience of Product

The overall financial experience of the product includes:

The overall financial experience of this product is based on claims experience incurred in plan year 2021 and paid as of 3/31/2022, with an additional estimate for claims incurred but not paid (IBNP).

The rate increase will affect the projected financial experience of the product by:

The 2023 requested rate increase will allow HA to provide competitively priced premiums that adequately cover the financial risks associated with this type of product, as well as allowing HA to meet the federally-mandated Minimum Loss Ratio (MLR) requirement (based on HA's financial projections).

Components of Increase

The request is made up of the following components:

Trend Increases – 4.10 % of the 5.30 % total filed increase

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

   This component is 1.32 % of the 5.30 % total filed increase.

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

   This component is 2.79 % of the 5.30 % total filed increase.

Other Increases – 95.9 % of the 5.30 % total filed increase

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

   This component is 0.00 % of the 5.30 % total filed increase.

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

   This component is -104 % of the 5.30 % total filed increase.

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

   This component is -30.[illegible] % of the 5.30 % total filed increase.

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

   This component is -10.[illegible] % of the 5.30 % total filed increase.

5. Other – Defined as:

   The other category includes adjustments for IBNP claims, demographic factors, tobacco usage factors, morbidity factors, taxes, fees, net risk adjustment, and COVID-19 foregone & deferred care factor.

   This component is 241. % of the 5.30 % total filed increase.

Actuarial Memorandum
(Redacted Version)

HMO Partners, Inc. d/b/a Health Advantage

Premium Rate Filing
for
Individual Exchange and Off-Exchange Health Insurance Products

Effective January 1, 2023

Redacted, Public Version

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1. General Information

As required by 45 CFR § 154.215, this Actuarial Memorandum documents the development and justification for HMO Partners, Inc. d/b/a Health Advantage's (HA) Affordable Care Act (ACA) Individual On-Exchange and Off-Exchange health insurance premium rates effective January 1, 2023.

The required company identifying information and company contact information can be found below:

Company Identifying Information

- Company Legal Name: **HMO Partners, Inc. d/b/a Health Advantage**
- State: **Arkansas**
- HIOS Issuer ID: **13262**
- Market: **Individual**
- Effective Date: **1/1/2023**

Company Contact Information

- Primary Contact Name: [redacted]
- Primary Contact Telephone Number: [redacted]
- Primary Contact E-mail Address: [redacted]

2. Proposed Rate Changes

HA is requesting a [redacted] average rate [redacted] weighted across all renewing plans, which ranges from [redacted]. The rating impact by plan ID can be found in the Unified Rate Review Template (URRT), specifically Worksheet 2, Section 1.11.

To review the quantitative impact of significant factors driving the proposed rate change, please refer to the "Relationship of Proposed Rate Scale to Current Rate Scale" exhibit in the "Actuarial Memo Dataset." This dataset is included with the 2023 rate filing.

The reasons for the requested rating impact include the following:

- Updated benefit factors for the 2021 experience period plans and 2023 projection period plans
- Claims trend from the 2021 experience period to the 2023 projection period
- Changes in morbidity from the 2021 experience period to the 2023 projection period
- Changes in the expected risk adjustment position from the 2021 experience period to the 2023 projection period
- Continuation of the Exchange User Fee at 2.25%
- Disruption to provider reimbursement as a result of the Federal "No Surprises Act"
    - Emerging 2022 claims experience shows that this law has increased air ambulance claim costs in particular
- Expanded benefits and reduced member cost-sharing mandates due to legislative bills passed and signed into law during the 2021 Arkansas legislative session, many of which did not take effect until January 1, 2022 (which means their expected impact was not accounted for in the 2021 experience period)
- Assumption that 2023 plan Federal cost-sharing reductions (CSRs) will not be paid for the year, in which case the expense will be spread across all On-Exchange silver plans
- Assumption that the 2023 ARHOME program budget cap will not limit the amount of CSRs paid for the 2023 plan year

Given the ongoing impact of the COVID-19 pandemic on the healthcare system, HA took into consideration how claim costs for the 2021 experience period should be adjusted to appropriately reflect expected claim costs during the 2023 projection year. [redacted].

3. Market Experience

This section of the Actuarial Memorandum includes details that support the single risk pool calculations for HA's product in the Arkansas Individual market. These calculations are the basis for the 2023 plan year membership, claims, and premium projections and the requested rating action. Unless noted in the specific sections below, all calculations and assumptions were generated using HA data.

The experience period used for this Actuarial Memorandum is plan year 2021 experience for the single risk pool only.

3.1 Experience and Current Period Premium, Claims, and Enrollment

A. Paid Through Date

The experience period claims represented in the URRT are claims incurred 1/1/2021 through 12/31/2021 and paid between 1/1/2021 and 3/31/2022. Runout factors have been applied so that the experience period claims reflect an incurred view of the claims.

A summary of the allowed and paid claims can be found below. These are also included in Worksheet 1, Section 1 of the URRT.

- Allowed Claims: [redacted]
- Paid Claims: [redacted]

B. Current Date

The current date enrollment and premium information in the URRT is current as of 3/31/2022. This information is also included in Worksheet 2, Section 2 of the URRT.

- Enrollment: [redacted]
- Premiums: [redacted]

C. Allowed and Incurred Claims Incurred During the Experience Period

All medical claims were processed through HA's internal claims processing system and all pharmacy claims were processed through HA's pharmacy benefits manager (PBM), [redacted]. In order to better identify cost trends from the 2021 experience period to the 2023 projection period, claims have been broken down by claim category. The claim category designations come from [redacted].

Allowed claims are calculated as the sum of total claims paid by HA plus member cost-sharing.

The IBNP estimate is based on completion factors that were calculated from HA's ACA Individual product paid claims data. [redacted].

3.2 Benefit Categories

As noted in the previous section, [redacted] was used to classify experience period claims experience into the URRT benefit categories.

- All inpatient-related claims were mapped to the "Inpatient Hospital" category
- All outpatient-related claims were mapped to the "Outpatient Hospital" category

- PCP, specialist, therapy (OT/PT/ST) and other professional-related claims were mapped to the "Professional" category
- Home health, ambulance, DME, and prosthetics were mapped to the "Other Medical" category
- Incentive program payments and other capitation-related payments were mapped to the "Capitation" category
- Prescription drug claims (net of any Rx rebates) were mapped to the "Prescription Drug" category

3.3 Projection Factors

This section includes information about the adjustments used to convert 2021 experience period claims to the 2023 projection period.

A. Trend Factors (Cost/Utilization)

A trend adjustment was applied to the 2021 experience period claims to account for allowed cost and utilization changes from the experience period to the projection period. As demonstrated in Worksheet 1, Section II, the [redacted]. This is also captured in the following exhibit:

Exhibit 1: [redacted]
Exhibit Redacted

[redacted]

[redacted]

[redacted]

B. Morbidity Adjustment

[redacted]

[redacted]

Taking these into account, HA's modeling shows a morbidity factor of [redacted].

The exhibit below summarizes how the overall morbidity adjustment in the URRT was calculated. [redacted].

Exhibit 2: [redacted]
Exhibit Redacted

C. Demographic Shift

The demographic shift from the 2021 experience period to the 2023 projection period is expected to be [redacted].

[redacted].

[redacted].

The exhibit below summarizes how the overall demographic adjustment in the URRT was calculated.

Exhibit 3: [redacted]
Exhibit Redacted

D. Plan Design Changes

[redacted]. The additional coverage refers to the costs HA expects to incur in the 2023 projection period as a result of (1) the federal "No Surprises Act," and (2) new laws stemming from the 2021 Arkansas legislative session. Note that both of these items are not included in the 2021 experience period claims.

Regarding the "No Surprises Act," HA expects this to increase costs, specifically related [redacted].

Also, regarding the 2021 Arkansas legislative session, multiple bills were passed that enhance benefits and reduce member cost-sharing for certain services. The additional costs considered in the 2023 rate filing include the following:

- Senate Bill 290 / Act 553
    - Requires HA to ensure cost-sharing requirements for diagnostic examinations for breast cancer are equal to or less than the cost-sharing requirements applicable to screening examinations.
- Senate Bill 309 / Act 779
    - Requires HA to waive all cost-sharing associated with colorectal cancer screenings, as well as reclassifying high-risk individuals to include individuals over 45 with any family history of colorectal cancer.
- Senate Bill 602 / Act 955

    - Revises how craniofacial anomaly and associated reconstructive surgery are defined; also revises how such services are covered by health plans (including new requirements for mandated coverage and prior authorization requests).
- Senate Bill 639 / Act 1054
    - Requires HA to provide coverage of the off-label use of drug treatments for patients who are diagnosed with PANS or PANDAS.

Exhibit 4 summarizes how the overall plan design changes adjustment in the URRT was calculated.

Exhibit 4: [redacted]
Exhibit Redacted

E. Manual Rate Adjustments

No manual rate was necessary, as the experience period claims are fully credible.

F. Credibility of Experience

Given that the base period experience included [redacted], the credibility assigned to the base period experience for the purposes of this rate filing is 100%.

G. Establishing the Index Rate

The index rate for HA's 2023 On-Exchange and Off-Exchange Individual rate filing is [redacted]. This is demonstrated in the exhibit below.

The index rate only includes allowed EHB claims. All non-EHB claims were excluded from the experience period by filtering and removing any claims with HCPCS codes and ICD-10 codes associated with the non-EHB benefits. The non-EHB benefits include the following:

- Treatment of craniofacial anomaly
    - Coverage of craniofacial anomaly is a state mandated benefit adopted after December 31, 2011 by the State of Arkansas.[1]
- Adult vision exams
- Newborn screenings

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

Exhibit 5: [redacted]
Exhibit Redacted

H. Development of the Market-Wide Adjusted Index Rate (MAIR)

The development of the projection period MAIR can be viewed in Exhibit 6. Additional information regarding risk adjustment and exchange user fee modifiers can also be found in this section.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

[1] Ark. Code Ann. §§23-79-1501 et seq.

Exhibit 6: [redacted]
Exhibit Redacted

(1) Reinsurance

[redacted].

(2) Risk Adjustment Payment/Charge

The expected risk adjustment transfer can be found in Worksheet 1, Section II of the URRT.

[redacted].

The basis for this calculation was [redacted] risk adjustment information from the following sources:

- [redacted]
  - [redacted]
- [redacted]
  - [redacted]
  - [redacted]
- [redacted]
  - [redacted]

When estimating the risk adjustment transfer for the 2023 projection period, key variables in the risk adjustment transfer were estimated and applied against the Federal risk adjustment transfer formula. These variables include the following:

- [redacted]
  - [redacted]
  - [redacted]
- [redacted]
  - [redacted]
  - [redacted]
- [redacted]
  - [redacted]
  - [redacted]

- [redacted]
  - [redacted]
    - [redacted]
    - [redacted]

Other variables used in the risk adjustment transfer formula were carried over from 2021 into 2023 with [redacted]. These factors include the following:

- [redacted]
- [redacted]
- [redacted]

Finally, the HCRP was estimated by [redacted].

The overall expected HCRP PMPM [redacted].

Exhibit 7 demonstrates how the risk adjustment, HCRP, and combined estimates (in total) were calculated. This is presented on a paid basis. Risk adjustment transfer factors for other insurers operating in the Arkansas individual market are included for calculation purposes, but their totals are not included in the risk adjustment and HCRP totals.

Exhibit 7: [redacted]
Exhibit Redacted

(3) Exchange User Fees

The exchange user fee (EUF) estimate can be found in Worksheet 1, Section II of the URRT.

The EUF is applied as an adjustment to the index rate at the market level. [redacted].

Please note that any PMPM differences between this memorandum and the URRT are due to rounding limitations in the URRT.

[redacted].

3.4 Plan Adjusted Index Rate

The plan adjusted index rate (PAIR) was calculated by applying all allowable adjustments to the MAIR as outlined in the 2023 URRT instructions. All factors outlined below can be found in Worksheet 2, Section III of the URRT.

A. Actuarial Value (AV) and Cost-Sharing Design Adjustment

The weighted average AV and cost-sharing design factor for the 2023 projection period is [redacted].

[redacted].

Plan benefits were modified in order to maintain compliance with the 2023 Federal AV Calculator and ensure plan benefits and premiums were in line with HA's perceived market expectations. Also, all plan designs were compatible with the Federal AV Calculator.

B. Changes to Network, Delivery System, and Utilization Management Practices

The weighted average factor for changes to network, delivery system, and UM practices is [redacted].

C. Benefits in Addition to EHB Benefits

The weighted average factor for benefits covered in addition to EHB benefits is [redacted].

As described in Section 3.3(D) of this memorandum, the non-EHB benefits included in the "Benefits in Addition to EHB" factor are as follows:

- Treatment of craniofacial anomaly
- Adult vision exams
- Newborn screenings

D. Administrative Costs

The following administrative costs include all expenses other than EUF and reinsurance fees, which have already been factored into the MAIR.

(1) Administrative Expense

The weighted average factor for administrative expenses is [redacted]. Administrative expense assumptions were developed using [redacted].

(2) Taxes and Fees

The weighted average factor for taxes and fees in the projection period is [redacted]. This percentage does not include EUF, but does include the following:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

(3) Profit and Risk Load

The weighted profit and risk load for the projection period is [redacted].

E. Development of Plan Adjusted Index Rate

Exhibits 8 and 9 demonstrate how the plan adjusted index rate was developed for each plan ID being offered in 2023. This includes an exhibit that ties the administrative expenses, taxes and fees, and profit and risk loads for each Plan ID to Worksheet 2, Section III of the URRT.

Please note that any PMPM differences between the exhibits below and the URRT are due to rounding limitations in the URRT.

Exhibit 8: [redacted]
Exhibit Redacted

Exhibit 9: [redacted]
Exhibit Redacted

3.5 Calibration

The following calibrations are used to make the PAIR calibrated to a 1.000 factor. All of the calibration factors can be found in Worksheet 2, Section III of the URRT.

A. Age Curve Calibration

The age calibration factor for the 2023 projection period is [redacted]. This was found using the most recent Federal age curve and applying it to the 2023 projection period enrollment by age, which resulted in an average age curve factor of [redacted].

The age curve calibration factor is used to help calibrate the PAIR to a normalized value, which can then be applied to consumer-level adjustments. The age curve is one of three factors used to normalize (see sections B and C below). Once the PAIR is normalized to the calibrated PAIR and ready to be priced at the consumer-level, HA will apply the appropriate age factor based on a consumer's age per the Federal age curve (see Appendix A).

B. Geographic Factor Calibration

[redacted].

[redacted].

C. Tobacco Use Rating Factor Calibration

The tobacco rating calibration factor is [redacted]. HA is applying a [redacted]. See Appendix A for a complete list of age ranges that have the tobacco load applied to consumers currently using tobacco products.

D. Combined Calibration Factors

The combined calibration factors used in the 2023 rate filing is [redacted]. It is used uniformly for all plans in the single risk pool. The exhibit below demonstrates how the calibrated plan adjusted index rate is calculated, using the plan adjusted index rate and calibration factors.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

Exhibit 10: [redacted]
Exhibit Redacted

3.6 Consumer Adjusted Premium Rate Development

The exhibit on the next page shows how to calculate the premium rate for a non-smoking 35 year-old on the 13262AR0230003 plan (HA Gold Plan 2). The exhibit starts with the PAIR, applies the calibration factors from Section 3.5 of this memorandum, and then applies the appropriate consumer-level adjustments based on the consumer's age, rating area, and tobacco status.

Please note that any PMPM differences between the exhibit below and the URRT are due to rounding limitations in the URRT.

Exhibit 11: [redacted]
Exhibit Redacted

4. Projected Loss Ratio

The projected loss ratio for the 2023 projection period was calculated based on the federally prescribed MLR methodology. In addition to the 2023 projection period, 2021 and 2022 MLR projections have been provided in order to calculate the three-year average MLR for the 2023 projection period. This can be found in the exhibit below.

Exhibit 12: [redacted]
Exhibit Redacted

5. Plan Product Information

5.1 AV Metal Value

All plan AV metal values were based on the Federal AV Calculator methodology and tool. These values by plan can be found in Worksheet 2, Section I of the URRT.

5.2 Membership Projections

The membership projections used for the 2023 projection period [redacted]:

- [redacted]
- [redacted]
- [redacted]

Similar to the overall membership projections, membership for plan variants with CSR subsidies were projected by [redacted]. The exhibit below provides the CSR variant membership projections by silver plan.

Exhibit 13: [redacted]
Exhibit Redacted

5.3 Terminated Plans and Products

The exhibit below includes a list of terminated plans for plan years 2021 through 2023.

Exhibit 14: [redacted]
Exhibit Redacted

5.4 Plan Type

All plans in Worksheet 2, Section 1 of the URRT were described accurately by the available drop-down box in this section of the URRT.

6. Miscellaneous

6.1 Effective Rate Review Information

HA has elected to provide additional information in order to better assist regulators with their Rate Review activities. Most of the information contained in this section was requested during prior Rate Review requests. HA hopes that by including this information, it will allow for a more transparent, expedient review of their filing.

A. [redacted].

Exhibit 15: [redacted]
Exhibit Redacted

B. [redacted].

[redacted].

Exhibit 16: [redacted]
Exhibit Redacted

C. [redacted].

Exhibit 17: [redacted]
Exhibit Redacted

D. [redacted].

[redacted].

[redacted].

Exhibit 18: [redacted]
Exhibit Redacted

E. [redacted].

[redacted].

(1) [redacted].

(2) [redacted].

(3) [redacted].

a. [redacted].

b. [redacted].

c. [redacted].

Exhibit 19: [redacted]
Exhibit Redacted

F. [redacted].

Exhibit 20: [redacted]
Exhibit Redacted

G. [redacted].

[redacted].

Exhibit 21: [redacted]
Exhibit Redacted

H. [redacted].

Exhibit 22: [redacted]
Exhibit Redacted

I. [redacted].

Exhibit 23: [redacted]
Exhibit Redacted

6.2 Actuarial Certification

I, [redacted], am a Fellow in the Society of Actuaries (FSA) and a member of the American Academy of Actuaries. I meet the Qualification Standards of Actuarial Opinions as adopted by the American Academy of Actuaries, and have the education and experience necessary to complete this rate filing for HMO Partners, Inc. d/b/a Health Advantage (HA). [redacted].

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

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*
- ASOP No. 12, *Risk Classification*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 42, *Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*
- ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*
- ASOP No. 56, *Modeling*

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

1. The projected Index Rate is:
    - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 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
2. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan-level rates.
3. The 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.
4. The AV Calculator was used to determine the AV Metal Values shown in Part I of Worksheet 2 in the URRT for all plans.

The URRT does not demonstrate the process used by the issuer 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.

The 2023 plan year premium rates in this Actuarial Memorandum are contingent upon the status of the ACA statutes and regulations, including any regulatory guidance, court decisions, or otherwise at the Federal and State levels. Changes have the potential to greatly impact the 2023 plan year premium rates provided in this Actuarial Memorandum. Changes include, but are not limited to, any legislative or regulatory amendments, court decisions, or decisions by Congress, the Health and Human Services Secretary or the Centers for Medicare and Medicaid Services director.

Appendix A

[redacted]

Exhibit Redacted