

**State:** Arkansas **Filing Company:** USable HMO, Inc.  
**TOI/Sub-TOI:** H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)  
**Product Name:** 2024 Octave Rates  
**Project Name/Number:** 2024 Octave Rates/51-01, 51-02, 51-03 51-04, 51-05

### Filing at a Glance

Company: USable HMO, Inc.  
 Product Name: 2024 Octave Rates  
 State: Arkansas  
 TOI: H16I Individual Health - Major Medical  
 Sub-TOI: H16I.005A Individual - Preferred Provider (PPO)  
 Filing Type: Rate  
 Date Submitted: 06/13/2023  
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 Author(s): Christi Kittler, Yvonne McNaughton, Sammytra Williams, Katrina Higgins, Melissa Jowers, Tocarra Hampton  
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## Rate Filing Justification Part II (Plain Language Summary)

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

Name of Company      USAbLe HMO, Inc. d/b/a Octave

SERFF tracking number      ARBB-133698412

Submission Date      6/8/2023

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      % increase is requested because:

This is a new filing for Octave

This filing will impact:

# of Arkansas policyholder's      # of Arkansas covered lives

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

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

N/A

### Financial Experience of Product

The overall financial experience of the product includes:

N/A

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

N/A

### Components of Increase

The request is made up of the following components:

*Trend Increases* –           % of the           % 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           % of the           % 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           % of the           % total filed increase.

*Other Increases* –           % of the           % 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           % of the           % 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           % of the           % 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           % of the           % 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           % of the           % total filed increase.

5. Other – Defined as:

This component is           % of the           % total filed increase.

# **Actuarial Memorandum (Redacted Version)**

USABLE HMO, Inc. d/b/a Octave

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

Effective January 1, 2024

Redacted, Public Version

## Contents

1. General Information .....	4
2. Proposed Rate Changes .....	5
3. Market Experience .....	7
3.1 Experience and Current Period Premium, Claims, and Enrollment .....	7
A. Paid Through Date .....	7
B. Current Date .....	7
C. Allowed and Incurred Claims Incurred During the Experience Period .....	7
3.2 Benefit Categories .....	7
3.3 Projection Factors .....	7
A. Trend Factors (Cost/Utilization) .....	7
B. Morbidity Adjustment .....	7
C. Demographic Shift .....	7
D. Plan Design Changes .....	7
E. Manual Rate Adjustments .....	7
F. Credibility of Experience .....	8
G. Establishing the Index Rate .....	8
H. Development of the Market-Wide Adjusted Index Rate (MAIR) .....	8
3.4 Plan Adjusted Index Rate .....	10
A. Actuarial Value (AV) and Cost-Sharing Design Adjustment .....	10
B. Changes to Network, Delivery System, and Utilization Management Practices .....	11
C. Benefits in Addition to EHB Benefits .....	11
D. Administrative Costs .....	11
E. Development of Plan Adjusted Index Rate .....	12
3.5 Calibration .....	12
A. Age Curve Calibration .....	12
B. Geographic Factor Calibration .....	12
C. Tobacco Use Rating Factor Calibration .....	12
D. Combined Calibration Factors .....	12
3.6 Consumer Adjusted Premium Rate Development .....	13
4. Projected Loss Ratio .....	14
5. Plan Product Information .....	15
5.1 AV Metal Value .....	15

5.2 Membership Projections..... 15

5.3 Terminated Plans and Products..... 15

5.4 Plan Type..... 15

6. Miscellaneous ..... 16

    6.1 Effective Rate Review Information ..... 16

    6.2 Actuarial Certification ..... 17

Appendix A..... 19

## 1. General Information

As required by 45 CFR § 154.215, this Actuarial Memorandum documents the development and justification of the Affordable Care Act (ACA) Individual On-Exchange and Off-Exchange health benefit premium rates for USAbLe HMO, Inc. d/b/a Octave, effective January 1, 2024.

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

### Company Identifying Information

- Company Legal Name: **USAbLe HMO, Inc. d/b/a Octave**
- State: **Arkansas**
- HIOS Issuer ID: **48772**
- Market: **Individual**
- Effective Date: **1/1/2024**

### Company Contact Information

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

## 2. Proposed Rate Changes

Plan year 2024 will be the first year that Octave offers plans in the ACA Individual On-Exchange and Off-Exchange markets. As a result, there is no proposed rate change to report.

While there is no rate change to compare from plan year 2023 to plan year 2024, Octave is providing a list of items that were considered in the premium rate development:

- Benefit offerings to ensure plans were in compliance with the 2024 Federal Actuarial Value (AV) Calculator
- Application of benefit factor adjustments in the development of the manual EHB allowed claims PMPM
- Application of claims trend in the development of the manual EHB allowed claims PMPM
- Application of morbidity factor adjustments in the development of the manual EHB allowed claims PMPM
- Consideration of the risk adjustment position for Octave in the 2024 plan year
- Application of the Exchange User Fee at 1.8%
- Consideration of disruption to provider reimbursement as a result of the Federal “No Surprises Act”
- Impact of additional Gene Therapies (GTs) coming to market
- Assumption that 2024 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 2024 Arkansas Works program budget cap will not limit the amount of CSRs paid for the 2024 plan year
- [REDACTED]
- Impact of the 2023 Arkansas legislative session, which included multiple bills that enhance benefits and reduce member cost-sharing for certain services. The additional costs considered in the 2024 rate filing include the following:
  - Act 333
    - Requires member deductible and coinsurance cost-sharing to be calculated based on prescription drug costs net of Rx Rebates. This will increase claims paid by Octave because Rx Rebates will be used to reduce member cost-sharing basis.
  - Act 429
    - Requires coverage for biomarker cancer screenings, which include certain types of genetic testing. This will cause Octave to broaden the types and/or frequency of screenings for which most insurance companies would generally not cover.
  - Act 480
    - Adds coverage for non-emergency ambulance encounters if certain conditions are met. These conditions include coordinating care for the individual via a 911-initiated request and telemedicine, among others. The encounter may or may not lead to transport to an alternative site of care (e.g., urgent care facility, physician office, mental healthcare facility). Reimbursement is based on lesser of contracted local government rate or Workers’ Compensation Commission schedule.
  - Act 575

- Exempts providers from being subject to prior authorization requirements if those providers received approval for at least 90% of requests for a particular service during a particular time period. Providers that meet the criteria for baseline, historical data will not be subject to future prior approval requirements.
- Acts 578 and 597
  - Act 578 sets the minimum provider reimbursement for in-network (INN) ground ambulance reimbursement at 250% of rural Medicare rates. Act 597 sets the minimum provider reimbursement for out-of-network (OON) ground ambulance at the lesser of the Worker's Compensation Commission (per the ambulance provider annual survey that's based on responding providers' billed rates) or the ambulance provider's billed rate for that service.
- Act 805
  - Requires coverage at 80% of Medicare for prosthetic devices and eliminates Octave's ability to deny such claims under certain circumstances.
- Act 876
  - Adds coverage for off-label intravenous immunoglobulin (IVIG) treatment for children that are diagnosed with pediatric acute-onset neuropsychiatric syndrome (PANS) or pediatric autoimmune neuropsychiatric disorders associated with streptococcal infection (PANDAS).

### 3. Market Experience

This section of the Actuarial Memorandum includes details that support the single risk pool calculations for Octave's product in the Arkansas Individual market.

Due to this being the first year that Octave will be offering plans in the ACA Individual On-Exchange and Off-Exchange markets, there is no current period experience to report. As such, many of the sub-sections in the Market Experience section of the memorandum will not include detailed information.

#### 3.1 Experience and Current Period Premium, Claims, and Enrollment

##### A. Paid Through Date

There is no current experience period claims information to report.

##### B. Current Date

There is no current membership or premium information to report.

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

There is no current allowed and incurred claims information to report.

#### 3.2 Benefit Categories

There is no current allowed and incurred claims information to report; therefore, no claims were categorized into different benefit categories.

#### 3.3 Projection Factors

No projection factors were needed, as there is no current allowed and incurred claims information to project.

##### A. Trend Factors (Cost/Utilization)

No trend factors were needed, as there is no current allowed and incurred claims information to project.

##### B. Morbidity Adjustment

No morbidity factor adjustments were needed, as there are no current population morbidity factors to project.

##### C. Demographic Shift

No demographic factor adjustments were needed, as there are no current population demographic factors to project.

##### D. Plan Design Changes

No plan design factor adjustments were needed, as there are no current plan design factors to project.

##### E. Manual Rate Adjustments

Due to current experience not being available for Octave's ACA Individual On-Exchange and Off-Exchange plans, a manual rate was developed for the purpose of establishing a Manual EHB Allowed Claims PMPM rate for the 2024 projection period.

The source data used for the development of the Manual EHB Allowed Claims PMPM was from [REDACTED]

[REDACTED]

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

[REDACTED]

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

#### F. Credibility of Experience

No consideration of the credibility of experience was needed because Octave is using a Manual EHB Allowed Claims PMPM rate, as explained in the prior section. It is worth noting, however, that the credibility of the data used for developing the Manual EHB Allowed Claims PMPM rate was [REDACTED]

#### G. Establishing the Index Rate

The index rate for Octave’s 2024 On-Exchange and Off-Exchange Individual rate filing is [REDACTED].

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

The development of the projection period MAIR can be viewed in the exhibit below. 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.

*Exhibit 1:* [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 2024 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 2022 into 2024 with [REDACTED]. These factors include the following:

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

Finally, the HCRP was estimated by [REDACTED].

The overall expected HCRP PMPM [REDACTED].

The following exhibit demonstrates how the risk adjustment, HCRP, and combined estimates (in total) were calculated. This is being 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 2:* [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 2024 projection period is [REDACTED].

Benefit factors to adjust experience period claims to the projection period were developed using [REDACTED]

Plan benefits were primarily determined in order to maintain compliance with the 2024 Federal AV Calculator and ensure plan benefits and premiums were in line with Octave’s perceived market expectations. Also, all plan designs are compatible with the 2024 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].

The non-EHB benefits included in the “Benefits in Addition to EHB” factor are as follows:

- Treatment of craniofacial anomaly
  - Coverage of craniofacial anomaly is a state mandated benefit adopted after December 31, 2011 by the State of Arkansas.<sup>1</sup>
- Adult vision exams
- Newborn screening

### 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].

#### (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].

---

<sup>1</sup> Ark. Code Ann. §§23-79-1501 et seq.

### E. Development of Plan Adjusted Index Rate

The exhibits below demonstrate how the plan adjusted index rate was developed for each plan ID being offered in 2024. 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 3:* [REDACTED]  
*Exhibit Redacted*

*Exhibit 4:* [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 2024 projection period is [REDACTED]. This was found using the most recent Federal age curve and applying it to the 2024 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, Octave 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]

#### C. Tobacco Use Rating Factor Calibration

The tobacco rating calibration factor is [REDACTED]. Octave 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 2024 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 5: Calibrated Plan Adjusted Index Rate by Plan ID*  
*Exhibit Redacted*

### 3.6 Consumer Adjusted Premium Rate Development

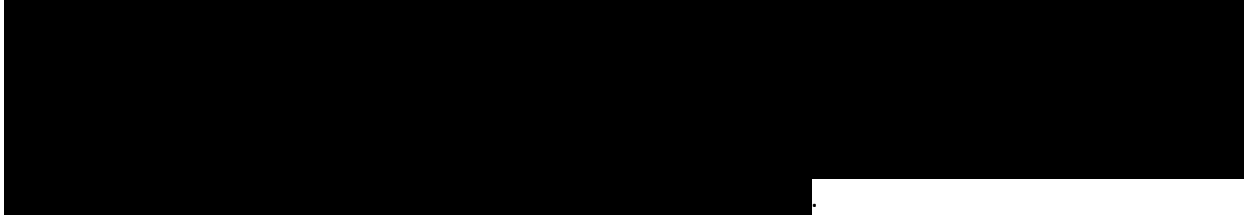
The exhibit below shows how to calculate the premium rate for a non-smoking 35 year-old on the 48772AR0010005 plan (Bronze Value). The exhibit starts with the PAIR, applies the calibration factors from Section 3.5 of this memorandum, and then applies the appropriate consumer-level adjustments based on the consumer's age, rating area, and tobacco status.

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

*Exhibit 6:*

*Exhibit Redacted*

## 4. Projected Loss Ratio



## 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

[REDACTED]

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

[REDACTED]

*Exhibit 7:* [REDACTED]

*Exhibit Redacted*

### 5.3 Terminated Plans and Products

Due to this being a new product in 2024, there are no terminating plans.

### 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

As this section is optional, Octave has elected not to provide additional information requested in this section.

## 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 USABLE HMO, Inc. d/b/a Octave. [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*

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 2024 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 2024 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.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## Appendix A



*Exhibit Redacted*