

SERFF Tracking Number:

UHLC-127020453

State:

District of Columbia

Filing Company:

Optimum Choice, Inc.

State Tracking Number:

Company Tracking Number:

TOI:

H16G Group Health - Major Medical

Sub-TOI:

H16G.003G Small Group Only - Other

Product Name:

DCSG-OCI 07-11

Project Name/Number:

/

## Rate Information

Rate data applies to filing.

**Filing Method:**

**Rate Change Type:**

%

**Overall Percentage of Last Rate Revision:**

%

**Effective Date of Last Rate Revision:**

**Filing Method of Last Filing:**

## Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Optimum Choice, Inc.	Decrease	-5.400%	-5.400%	\$16,312,630	280	\$17,243,795	115.900%	-39.200%
<b>Product Type:</b>	<b>HMO</b>	<b>PPO</b>	<b>EPO</b>	<b>POS</b>	<b>HSA</b>	<b>HDHP</b>	<b>FFS</b>	<b>Other</b>
<b>Covered Lives:</b>	3,453							
<b>Policy Holders:</b>	280							

SERFF Tracking Number: UHLC-127020453 State: District of Columbia  
Filing Company: Optimum Choice, Inc. State Tracking Number:  
Company Tracking Number:  
TOI: H16G Group Health - Major Medical Sub-TOI: H16G.003G Small Group Only - Other  
Product Name: DCSG-OCI 07-11  
Project Name/Number: /

## Rate Review Details

### COMPANY:

Company Name: Optimum Choice, Inc.  
HHS Issuer Id: 75753  
Product Names: HMO and HMP  
Trend Factors:

### FORMS:

New Policy Forms:  
Affected Forms:  
Other Affected Forms: GHMO.05.DC, GHMOPOS.05.DC

### REQUESTED RATE CHANGE

#### INFORMATION:

Change Period: Annual  
Member Months: 41,434  
Benefit Change: Decrease  
Percent Change Requested: Min: -39.2 Max: 115.9 Avg: -5.4

#### PRIOR RATE:

Total Earned Premium: 17,243,795.00  
Total Incurred Claims: 12,291,598.00  
Annual \$: Min: 17,243,795.00 Max: 17,243,795.00 Avg: 17,243,795.00

#### REQUESTED RATE:

Projected Earned Premium: 18,360,000.00  
Projected Incurred Claims: 14,688,000.00  
Annual \$: Min: 18,360,009.00 Max: 18,360,009.00 Avg: 18,360,009.00

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## Rate/Rule Schedule

Schedule Item Status:	Document Name:	Affected Form Numbers: (Separated with commas)	Rate Action:	Rate Action Information:	Attachments
	Rate Filing Exhibits		New		DC-SG-OCI-2011-07-Exhibits.pdf

Rating Factors

Exhibit 1a

(1) Starting Base Rate

	<u>Medical</u>	<u>Rx</u>
OCI HMO:	\$183.88	\$40.24
OCI HMP:	\$209.30	\$40.24

(2) Trend Factors

<u>Effective Quarter</u>	<u>Factor</u>
3rd Qtr, 2011	1.997
4th Qtr, 2011	2.057
1st Qtr, 2012	2.118
2nd Qtr, 2012	2.182

(thereafter continue 3% trend per quarter)

(3) Age Factors

<u>Age</u>	<u>Factor</u>	<u>Age</u>	<u>Factor</u>
Child	0.524	45	1.127
<25	0.708	46	1.172
25	0.736	47	1.218
26	0.736	48	1.266
27	0.765	49	1.316
28	0.765	50	1.368
29	0.795	51	1.422
30	0.795	52	1.478
31	0.826	53	1.536
32	0.826	54	1.597
33	0.826	55	1.660
34	0.859	56	1.726
35	0.859	57	1.795
36	0.859	58	1.866
37	0.893	59	1.866
38	0.893	60	1.940
39	0.928	61	1.940
40	0.928	62	2.017
41	0.965	63	2.017
42	1.003	64	2.097
43	1.043	65+ Plan Primary	2.097
44	1.084	65+ Medicare	1.251

Maximum number of children assumed is 3 per family.

**(4) Benefit Plan Ratios**

OCI HMP	
Plan	Ratio
KXA	0.9484
KXB	0.9188
KXC	0.8969
KXD	0.8658
KXE	0.8924
KXF	0.8877
KXG	0.6761
KXH	0.6108
KXI	0.5830

OCI HMO	
Plan	Ratio
KVA	0.9495
KVB	0.9158
KVC	0.8908
KVD	0.8554
KVE	0.8857
KVF	0.8804
KVG	0.9504
KVH	0.9167
KVI	0.8917
KVM	0.6730
KVN	0.6180
KVO	0.5894

OCI Rx	
Plan	Ratio
0J	0.4473
0K	0.5308
0L	0.5940
0M	0.7099
0N	0.5837
0P	0.6965
0R	0.5443
0S	0.6488
0T	0.5699
0U	0.6798
0V	0.5592
0W	0.6667
0X	0.5211
0Y	0.6206
8H	0.7029
8I	0.6732

OCI Rx	
Plan	Ratio
8J	0.6145
8K	0.6601
8L	0.5537
8M	0.5160
8P	0.5644
8T	0.5882
8U	0.5780
8V	0.6896
8W	0.5389
8X	0.6424
9B	0.4429
9C	0.5256
JK	0.9728
SP1	0.7232
SP2	0.6044
SP3	0.4164

New benefit plans may be introduced periodically. These plans will be priced consistently with the current benefit plans, i.e. price differences reflecting only the actuarial value of the benefit plan differences.

(5) Group Size Factor

Group Size (# Emps)	Factor
1	1.30
2	1.15
3	1.10
4-50	1.00

(6) Risk Adjustment Factor

a) Maximum New Business Premium Discount for Medical Underwriting

Type of Application	Factor	Default Group Size
Individual Application	1.03	1-2
Individual Application	0.77	3-24
Group Level Application	0.93	25-50

b) Other Factors

Based on the underwriter's review, rates may be adjusted for:

- past experience claims
- medical underwriting and/or health status
- duration of coverage
- evidence of prior coverage
- and any other factors that the underwriter determines necessary, for example factors that impact claims or administration costs such as distribution channels, financial risk assessment, additional utilization expected from employer funded health reimbursement accounts, or known future changes such as plan closings, facility additions, or contract size changes

Based on this review, groups will be assigned an underwriting factor in the range of 0.77 to 6.00.

(7) Industry Factors

Industry SIC Code	Factor	Industry SIC Code	Factor	Industry SIC Code	Factor	Industry SIC Code	Factor	Industry SIC Code	Factor
0001-0783	1.00	4300-4811	1.05	6412-6711	1.00	7390-7399	0.95	8714-8720	0.95
0784-1010	1.05	4812-4999	1.00	6712-6799	0.95	7400-7910	1.05	8721	0.90
1011-1099	1.20	5000-5153	0.95	6800-6999	1.00	7911-7999	1.15	8722-8731	0.95
1100-1210	1.10	5154-5158	1.00	7000-7299	1.05	8000-8011	1.05	8732-8733	0.90
1211-1241	1.20	5159-5169	0.95	7300-7360	0.95	8012-8020	1.10	8734-8740	0.95
1242-1310	1.10	5170	1.00	7361-7362	1.00	8021	1.05	8741-8744	0.90
1311-1389	1.20	5171-5199	0.95	7363	1.05	8022-8042	1.10	8745-8747	0.95
1390-1410	1.10	5200-5499	1.00	7364-7370	0.95	8043	1.05	8748	0.90
1411-1499	1.20	5500-5510	1.05	7371	0.85	8044-8049	1.10	8749-8810	0.95
1500-1610	1.00	5511-5521	1.10	7372	0.90	8050	1.05	8811	1.20
1611-1710	1.05	5522-5599	1.05	7373-7375	0.85	8051-8069	1.10	8812-9110	1.00
1711-2410	1.00	5600-5799	1.00	7376-7377	0.90	8070	1.05	9111-9210	1.10
2411-2499	1.10	5800-5899	1.20	7378-7379	0.85	8071-8099	1.10	9211-9310	1.15
2500-2796	0.95	5900-5920	1.00	7380	0.95	8100-8110	1.00	9311-9510	1.10
2797-3311	1.00	5921	1.15	7381	1.00	8111-8299	0.95	9511-9610	1.05
3312-3399	1.20	5922-5991	1.00	7382	0.90	8300-8399	1.00	9611-9710	1.10
3400-4013	0.95	5992	1.10	7383	0.95	8400-8639	0.95	9711-9720	1.05
4014-4110	1.00	5993-6010	0.95	7384	0.90	8640-8699	1.00	9721-9721	1.15
4111-4200	1.05	6011-6099	0.90	7385-7388	0.95	8700-8710	0.95	9722-9999	1.10
4201-4299	1.00	6100-6411	0.95	7389	0.90	8711-8713	0.90		

(8) Channel Alliances Class of Business

Groups written into our Channel Alliances class of business receive a 3% rate discount.

**Rate Calculation Formula**

- Starting Base Rate (separately for Medical and Rx)
- x Trend Factor
- x Sum of Age/Sex Factors
- x Medical Plan Ratio or Rx Plan Ratio
- x Group Size Factor
- x Risk Adjustment Factor
- x Industry Factor
- = Total Monthly Premium

**Rating Example**

Sample Case Description

Benefit Plan: OCI HMO Plan KVG with Rx Plan 0Y  
 Effective Date: 7/1/11  
 SIC Code: 8111

Census (40 employees, 100 members):

- 10 males, age 27, single coverage --> 10 x [0.765] = 7.65
- 10 females, age 37, with spouse (each age 41) --> 10 x [0.893 + 0.965] = 18.58
- 10 males, age 32, with spouse (age 32) and 2 children --> 10 x [0.826 + 0.826 + 2(0.524)] = 27.00
- 10 females, age 43, with 2 children --> 10 x [1.043 + 2(0.524)] = 20.91

Calculation of Age/Sex Factor  
[using census and factors on Exhibit 1a (3)]

Total = 74.14

Premium Calculation

	<u>Medical</u>	<u>Rx</u>	
Starting Base Rate	\$183.88	\$40.24	Exhibit 1a (1)
x Trend Factor	1.997	1.997	Exhibit 1a (2) [for 3rd Qtr 2011]
x Sum of Age/Sex Factors for Census	74.14	74.14	Calculated Above
x Benefit Plan Ratio	0.8554	0.6206	Exhibit 1b (4) (for KVD and Rx 0Y)
x Group Size Factor	1.00	1.00	Exh 1c (5) [for group size 40]
x Risk Adjustment Factor	0.93	0.93	Exh 1c (6a) [assume NB discount]
x Industry Factor	<u>0.95</u>	<u>0.95</u>	Exhibit 1c (7) [for SIC 8111]
= Monthly Premium	<u>\$20,575.98</u>	<u>\$3,266.68</u>	
Total Monthly Premium	\$23,842.67		

Composite Rating

The total premium is re-proportioned among four different family sizes using pre-established rate relationships:

	<u># Contracts</u>		<u>Family Size Factor</u>		<u>Premium Units</u>	
Employee Only	10	x	1.0	=	10	
Employee + Spouse	10	x	2.1	=	21	
Employee + Child(ren)	10	x	1.9	=	19	
Family	<u>10</u>	x	3.0	=	<u>30</u>	
	40				80	
Premium Unit Rate =	\$23,842.67 / 80 =			\$298.03		
					<u>Composite Rates</u>	<u>Total Premium</u>
Employee Only Rate =	298.03	x	1.0	=	298.03	x 10 = \$2,980.30
Employee + Spouse Rate =	298.03	x	2.1	=	625.86	x 10 = \$6,258.60
Employee + Child(ren) Rate =	298.03	x	1.9	=	566.26	x 10 = \$5,662.60
Family Rate =	298.03	x	3.0	=	894.09	x 10 = <u>\$8,940.90</u>
						<u>\$23,842.40</u>

Rate Changes

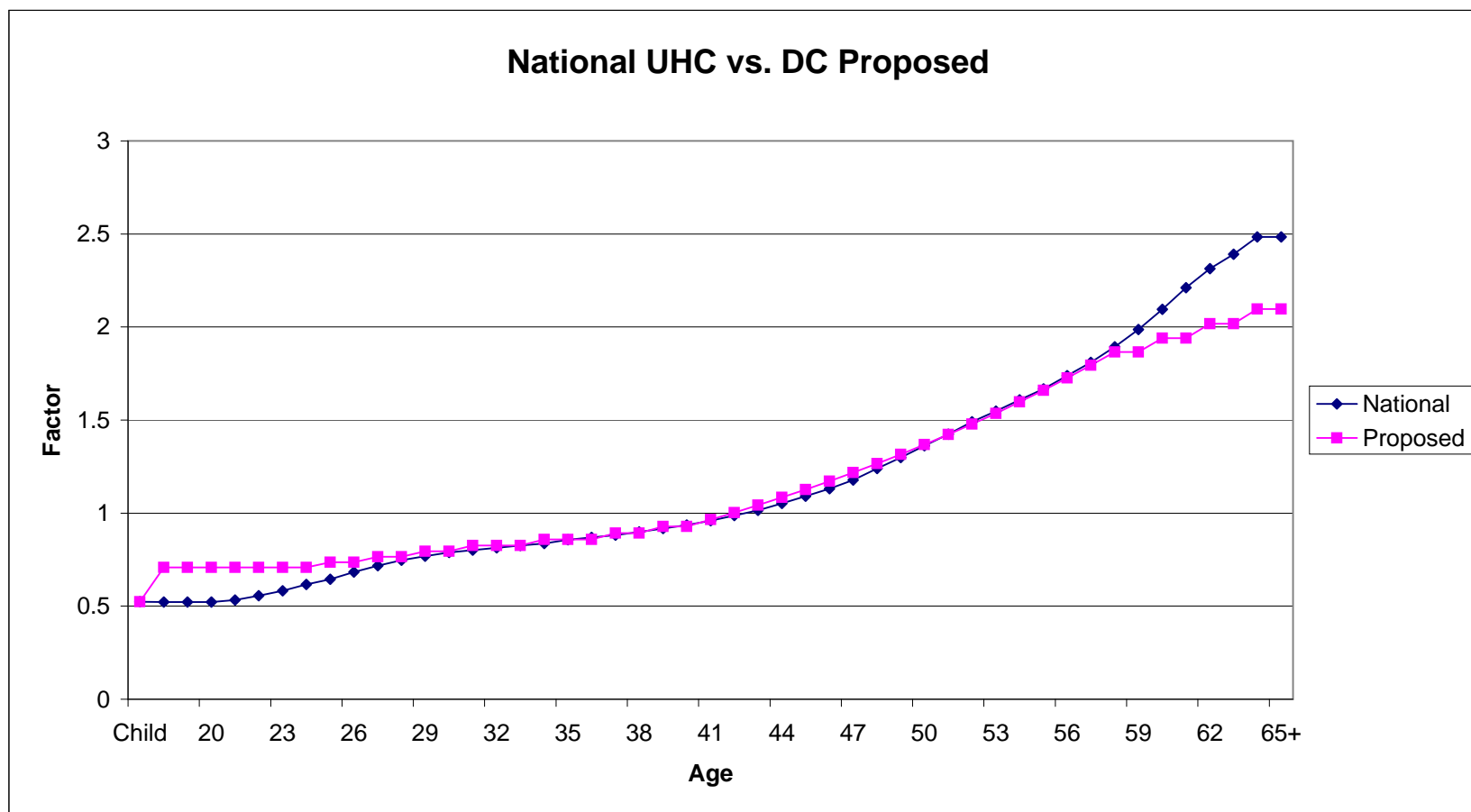
## Age/Gender Factors

Age	Current		Proposed Unisex % Chg * from		% Change Current to Proposed	
	Male	Female	Factor	Age - 1	Male	Female
Child	0.524	0.524	0.524	n/a	0.0%	0.0%
<25	0.328	0.752	0.708	n/a	115.9%	-5.9%
25	0.409	0.983	0.736	4.0%	80.0%	-25.1%
26	0.409	0.983	0.736	0.0%	80.0%	-25.1%
27	0.409	0.983	0.765	3.9%	87.0%	-22.2%
28	0.409	0.983	0.765	0.0%	87.0%	-22.2%
29	0.409	0.983	0.795	3.9%	94.4%	-19.1%
30	0.521	1.143	0.795	0.0%	52.6%	-30.4%
31	0.521	1.143	0.826	3.9%	58.5%	-27.7%
32	0.521	1.143	0.826	0.0%	58.5%	-27.7%
33	0.521	1.143	0.826	0.0%	58.5%	-27.7%
34	0.521	1.143	0.859	4.0%	64.9%	-24.8%
35	0.668	1.139	0.859	0.0%	28.6%	-24.6%
36	0.668	1.139	0.859	0.0%	28.6%	-24.6%
37	0.668	1.139	0.893	4.0%	33.7%	-21.6%
38	0.668	1.139	0.893	0.0%	33.7%	-21.6%
39	0.668	1.139	0.928	3.9%	38.9%	-18.5%
40	0.828	1.170	0.928	0.0%	12.1%	-20.7%
41	0.828	1.170	0.965	4.0%	16.5%	-17.5%
42	0.828	1.170	1.003	3.9%	21.1%	-14.3%
43	0.828	1.170	1.043	4.0%	26.0%	-10.9%
44	0.828	1.170	1.084	3.9%	30.9%	-7.4%
45	1.059	1.378	1.127	4.0%	6.4%	-18.2%
46	1.059	1.378	1.172	4.0%	10.7%	-14.9%
47	1.059	1.378	1.218	3.9%	15.0%	-11.6%
48	1.059	1.378	1.266	3.9%	19.5%	-8.1%
49	1.059	1.378	1.316	3.9%	24.3%	-4.5%
50	1.452	1.665	1.368	4.0%	-5.8%	-17.8%
51	1.452	1.665	1.422	3.9%	-2.1%	-14.6%
52	1.452	1.665	1.478	3.9%	1.8%	-11.2%
53	1.452	1.665	1.536	3.9%	5.8%	-7.7%
54	1.452	1.665	1.597	4.0%	10.0%	-4.1%
55	1.890	1.966	1.660	3.9%	-12.2%	-15.6%
56	1.890	1.966	1.726	4.0%	-8.7%	-12.2%
57	1.890	1.966	1.795	4.0%	-5.0%	-8.7%
58	1.890	1.966	1.866	4.0%	-1.3%	-5.1%
59	1.890	1.966	1.866	0.0%	-1.3%	-5.1%
60	2.559	2.335	1.940	4.0%	-24.2%	-16.9%
61	2.559	2.335	1.940	0.0%	-24.2%	-16.9%
62	2.559	2.335	2.017	4.0%	-21.2%	-13.6%
63	2.559	2.335	2.017	0.0%	-21.2%	-13.6%
64	2.559	2.335	2.097	4.0%	-18.1%	-10.2%
65+ Plan Primary	3.451	2.784	2.097	0.0%	-39.2%	-24.7%
65+ Medicare	1.251	1.251	1.251	n/a	0.0%	0.0%

\* Percent increase from one age to the next does not exceed the required 4% maximum.

Total highest to lowest adult age factor = 2.097 / 0.708 = 2.96 to 1 (within allowed 3-to-1).





**NOTES:**

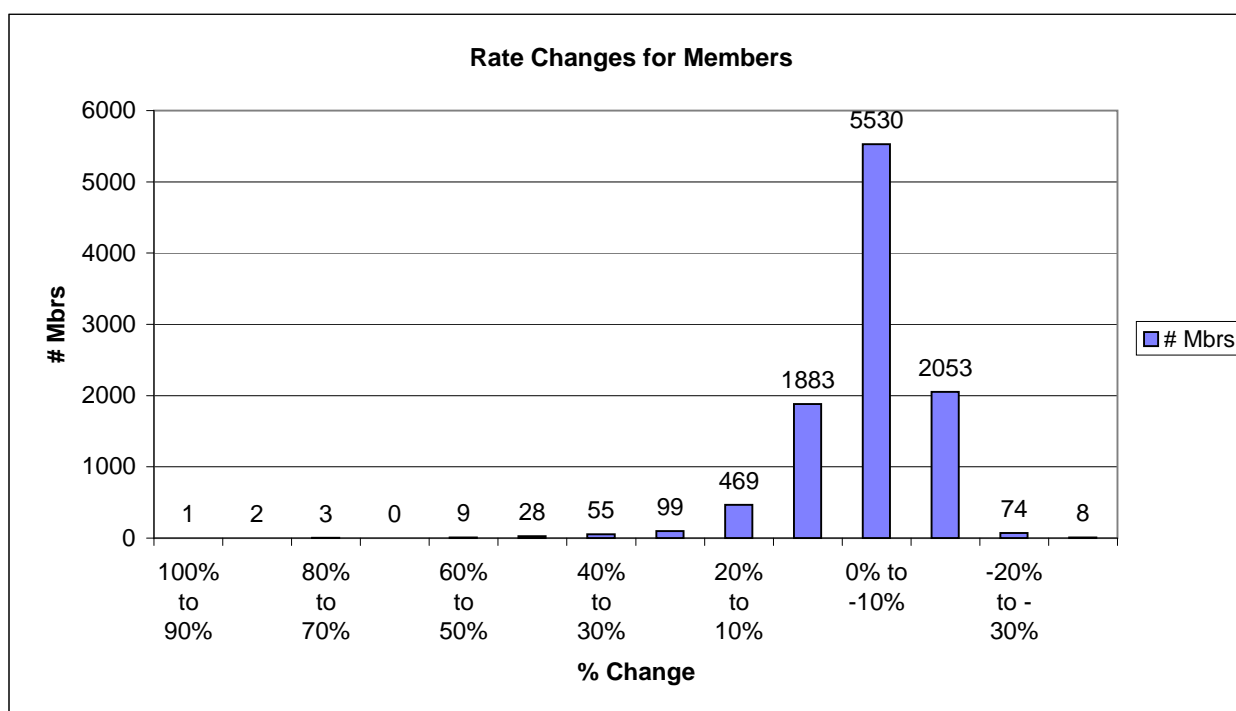
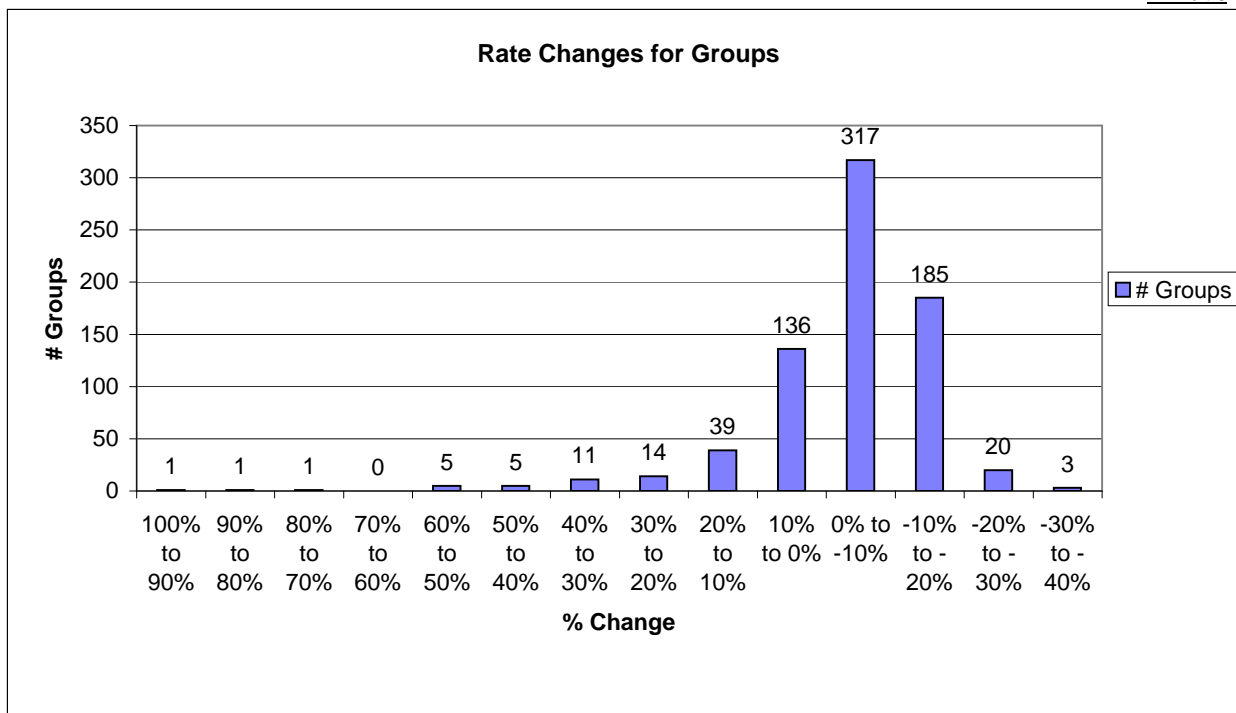
Both the national and DC scales are unisex.

Both national and DC proposed scales normalized using national demographics to produce 1.000 average age factor.

The DC proposed scale is designed to follow the national scale, but with overall 3-to-1, and maximum +4% from any age to the next. 30 total age bands are used in the DC scale.

Propose to use the current national child (0.524) and Medicare Primary (1.251) factors for DC.

The DC revenue change, using actual DC October, 2010 PRIME demographics, with the new age scale is -5.4% .



**NOTES:**

If only change made is proposed unisex age scale (before use of medical underwriting to temper rate changes).  
 Produces a -5.4% decrease in revenue.  
 Maximum Group Increase = + 94.4%.  
 Maximum Group Decrease = - 39.2%.

Rate Change	# Grps	% Grps	# Mbrs	% Mbrs
100% to 90%	1	0.1%	1	0.0%
90% to 80%	1	0.1%	2	0.0%
80% to 70%	1	0.1%	3	0.0%
70% to 60%	0	0.0%	0	0.0%
60% to 50%	5	0.7%	9	0.1%
50% to 40%	5	0.7%	28	0.3%
40% to 30%	11	1.5%	55	0.5%
30% to 20%	14	1.9%	99	1.0%
20% to 10%	39	5.3%	469	4.6%
10% to 0%	136	18.4%	1,883	18.4%
0% to -10%	317	43.0%	5,530	54.1%
-10% to -20%	185	25.1%	2,053	20.1%
-20% to -30%	20	2.7%	74	0.7%
-30% to -40%	3	0.4%	8	0.1%
<b>TOTAL</b>	<b>738</b>		<b>10,214</b>	

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## Supporting Document Schedules

**Item Status:**

**Status**

**Date:**

**Satisfied - Item:** Actuarial Justification

**Comments:**

Actuarial memorandum

**Attachment:**

DC-SG-OCI-2011-07-ActMemo.pdf

**Item Status:**

**Status**

**Date:**

**Satisfied - Item:** Rate Filing Exhibits

**Comments:**

**Attachment:**

DC-SG-OCI-2011-07-Exhibits.pdf

**Item Status:**

**Status**

**Date:**

**Satisfied - Item:** Cover Letter

**Comments:**

**Attachment:**

DC-SG-OCI-2011-07-Cover.pdf

**Actuarial Memorandum**  
**Optimum Choice, Inc.**  
**DC Small Group (2-50) Rate Filing**

February 7, 2011

This rating manual presents proposed premium rates effective July 1, 2011 for HMO and HMP (HMO-Plus) benefit plans.

Overall this rate filing represents a rate reduction of 5.4% in total for our UnitedHealthcare of the Mid-Atlantic, UnitedHealthcare Insurance Company, and Optimum Choice, Inc licenses.

The expected loss ratio for this filing is 80%.

Exhibit 1: Rates and rate factors.

Exhibit 2: Rate calculation formula and example.

Exhibit 3: Rate changes.

Exhibit 4: Comparison of UHC National to DC Proposed Age Scale.

Exhibit 5: Distribution of age scale rate changes by group (before tempering or moderating of renewal rate changes with medical underwriting).

Description of Revisions Made to Rating Factors

The purpose of this rate filing is to present proposed rate changes to bring our rates into compliance with the "Reasonable Health Insurance Ratemaking and Health Care Reform Act of 2010". We are changing our current gender based age scale to a unisex scale that has both: 1) a maximum high to low adult age factor less than 3-to-1; and 2) a percent increase from one age to the next that does not exceed 4%.

Please see Exhibit 3 for both the proposed new age scale, and a comparison to our current age scale.

Development of the proposed age scale. The current age scale, which is gender based and is in 5 year age brackets, is the UnitedHealthcare (UHC) national age scale, based on national UHC experience. The new proposed scale is also based on the national experience of UHC, but on a unisex basis, and adjusted to meet the DC requirements of a maximum +4% from one age to the next, and a maximum 3-to-1 from highest to lowest adult age factor. Please see Exhibit 4 for a graphical comparison of the UHC national to the proposed DC scale. Using national UHC demographics (members by gender and age), the age scales are revenue neutral. Using just DC demographics (October, 2010 DC membership on our PRIME system by age and gender), the new proposed scale produces 5.4% less revenue.

From Exhibit 3, for any individual member, the largest increase from our current to the new age scale is +115.9% for males <25, the largest decrease is -39.2% for males age 65+. Based on UHC's national claim cost experience by age and gender, moving to a unisex scale increases pricing for younger males, and decreases pricing for younger females and older males. Moving to a "flatter" (than UHC's national experience indicates) 3-to-1 maximum-to-minimum scale increases pricing at the younger ages, and decreases pricing at the older ages.

More meaningful than individual member rate changes, are the rate changes at the group level, using all the members on each group. This is presented in Exhibit 5. The largest increase (this is on a group consisting of only 1 member) is +94.4%, the largest decrease is -39.2%. The distribution of the percent rate change, in 10% rate change increments, is presented in this exhibit, both by group and by member.

### Medical Underwriting

Our understanding is that the new law, which limits age factors to a 3-to-1 maximum-to-minimum band, does not prohibit nor limit the use of medical underwriting, nor prohibit the use of industry and group size factors. These rating factors are indicated in the rate filing exhibit, and the use of these factors, outside of the 3-to-1 age band, is illustrated in the rating example on Exhibit 2.

Our intent is to use these factors to temper or moderate the renewal rate increases and decreases indicated by just the age factor changes.

Without the continued use of medical underwriting, and the industry and group size factors, the renewal rate changes by group would be much greater (both the increases and the decreases) than the age scale only changes indicated in Exhibit 5.

### Policy Forms

The policy forms for which these rates apply are: GHMO.05.DC, GHMOPOS.05.DC.

### Certification

I certify that these rates were developed according to accepted actuarial principles, are based on reasonable assumptions, and that the rates are not excessive, inadequate, or unfairly discriminatory. To the best of my knowledge and judgment, the filed rates are in compliance with the applicable laws and regulations of the District of Columbia.



Boris P. Gerber, FSA, MAAA  
Actuary  
UnitedHealthcare

Rating Factors

Exhibit 1a

(1) Starting Base Rate

	<u>Medical</u>	<u>Rx</u>
OCI HMO:	\$183.88	\$40.24
OCI HMP:	\$209.30	\$40.24

(2) Trend Factors

<u>Effective Quarter</u>	<u>Factor</u>
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(thereafter continue 3% trend per quarter)

(3) Age Factors

<u>Age</u>	<u>Factor</u>	<u>Age</u>	<u>Factor</u>
Child	0.524	45	1.127
<25	0.708	46	1.172
25	0.736	47	1.218
26	0.736	48	1.266
27	0.765	49	1.316
28	0.765	50	1.368
29	0.795	51	1.422
30	0.795	52	1.478
31	0.826	53	1.536
32	0.826	54	1.597
33	0.826	55	1.660
34	0.859	56	1.726
35	0.859	57	1.795
36	0.859	58	1.866
37	0.893	59	1.866
38	0.893	60	1.940
39	0.928	61	1.940
40	0.928	62	2.017
41	0.965	63	2.017
42	1.003	64	2.097
43	1.043	65+ Plan Primary	2.097
44	1.084	65+ Medicare	1.251

Maximum number of children assumed is 3 per family.

(4) Benefit Plan Ratios

OCI HMP	
Plan	Ratio
KXA	0.9484
KXB	0.9188
KXC	0.8969
KXD	0.8658
KXE	0.8924
KXF	0.8877
KXG	0.6761
KXH	0.6108
KXI	0.5830

OCI HMO	
Plan	Ratio
KVA	0.9495
KVB	0.9158
KVC	0.8908
KVD	0.8554
KVE	0.8857
KVF	0.8804
KVG	0.9504
KVH	0.9167
KVI	0.8917
KVM	0.6730
KVN	0.6180
KVO	0.5894

OCI Rx	
Plan	Ratio
0J	0.4473
0K	0.5308
0L	0.5940
0M	0.7099
0N	0.5837
0P	0.6965
0R	0.5443
0S	0.6488
0T	0.5699
0U	0.6798
0V	0.5592
0W	0.6667
0X	0.5211
0Y	0.6206
8H	0.7029
8I	0.6732

OCI Rx	
Plan	Ratio
8J	0.6145
8K	0.6601
8L	0.5537
8M	0.5160
8P	0.5644
8T	0.5882
8U	0.5780
8V	0.6896
8W	0.5389
8X	0.6424
9B	0.4429
9C	0.5256
JK	0.9728
SP1	0.7232
SP2	0.6044
SP3	0.4164

New benefit plans may be introduced periodically. These plans will be priced consistently with the current benefit plans, i.e. price differences reflecting only the actuarial value of the benefit plan differences.

(5) Group Size Factor

Group Size (# Emps)	Factor
1	1.30
2	1.15
3	1.10
4-50	1.00

(6) Risk Adjustment Factor

a) Maximum New Business Premium Discount for Medical Underwriting

Type of Application	Factor	Default Group Size
Individual Application	1.03	1-2
Individual Application	0.77	3-24
Group Level Application	0.93	25-50

b) Other Factors

Based on the underwriter's review, rates may be adjusted for:

- past experience claims
- medical underwriting and/or health status
- duration of coverage
- evidence of prior coverage
- and any other factors that the underwriter determines necessary, for example factors that impact claims or administration costs such as distribution channels, financial risk assessment, additional utilization expected from employer funded health reimbursement accounts, or known future changes such as plan closings, facility additions, or contract size changes

Based on this review, groups will be assigned an underwriting factor in the range of 0.77 to 6.00.

(7) Industry Factors

Industry SIC Code	Factor	Industry SIC Code	Factor	Industry SIC Code	Factor	Industry SIC Code	Factor	Industry SIC Code	Factor
0001-0783	1.00	4300-4811	1.05	6412-6711	1.00	7390-7399	0.95	8714-8720	0.95
0784-1010	1.05	4812-4999	1.00	6712-6799	0.95	7400-7910	1.05	8721	0.90
1011-1099	1.20	5000-5153	0.95	6800-6999	1.00	7911-7999	1.15	8722-8731	0.95
1100-1210	1.10	5154-5158	1.00	7000-7299	1.05	8000-8011	1.05	8732-8733	0.90
1211-1241	1.20	5159-5169	0.95	7300-7360	0.95	8012-8020	1.10	8734-8740	0.95
1242-1310	1.10	5170	1.00	7361-7362	1.00	8021	1.05	8741-8744	0.90
1311-1389	1.20	5171-5199	0.95	7363	1.05	8022-8042	1.10	8745-8747	0.95
1390-1410	1.10	5200-5499	1.00	7364-7370	0.95	8043	1.05	8748	0.90
1411-1499	1.20	5500-5510	1.05	7371	0.85	8044-8049	1.10	8749-8810	0.95
1500-1610	1.00	5511-5521	1.10	7372	0.90	8050	1.05	8811	1.20
1611-1710	1.05	5522-5599	1.05	7373-7375	0.85	8051-8069	1.10	8812-9110	1.00
1711-2410	1.00	5600-5799	1.00	7376-7377	0.90	8070	1.05	9111-9210	1.10
2411-2499	1.10	5800-5899	1.20	7378-7379	0.85	8071-8099	1.10	9211-9310	1.15
2500-2796	0.95	5900-5920	1.00	7380	0.95	8100-8110	1.00	9311-9510	1.10
2797-3311	1.00	5921	1.15	7381	1.00	8111-8299	0.95	9511-9610	1.05
3312-3399	1.20	5922-5991	1.00	7382	0.90	8300-8399	1.00	9611-9710	1.10
3400-4013	0.95	5992	1.10	7383	0.95	8400-8639	0.95	9711-9720	1.05
4014-4110	1.00	5993-6010	0.95	7384	0.90	8640-8699	1.00	9721-9721	1.15
4111-4200	1.05	6011-6099	0.90	7385-7388	0.95	8700-8710	0.95	9722-9999	1.10
4201-4299	1.00	6100-6411	0.95	7389	0.90	8711-8713	0.90		

(8) Channel Alliances Class of Business

Groups written into our Channel Alliances class of business receive a 3% rate discount.



**Rate Calculation Formula**

- Starting Base Rate (separately for Medical and Rx)
- x Trend Factor
- x Sum of Age/Sex Factors
- x Medical Plan Ratio or Rx Plan Ratio
- x Group Size Factor
- x Risk Adjustment Factor
- x Industry Factor
- = Total Monthly Premium

**Rating Example**

Sample Case Description

Benefit Plan: OCI HMO Plan KVG with Rx Plan 0Y  
 Effective Date: 7/1/11  
 SIC Code: 8111

Census (40 employees, 100 members):

- 10 males, age 27, single coverage --> 10 x [0.765] = 7.65
  - 10 females, age 37, with spouse (each age 41) --> 10 x [0.893 + 0.965] = 18.58
  - 10 males, age 32, with spouse (age 32) and 2 children --> 10 x [0.826 + 0.826 + 2(0.524)] = 27.00
  - 10 females, age 43, with 2 children --> 10 x [1.043 + 2(0.524)] = 20.91
- Total = 74.14

Calculation of Age/Sex Factor  
[using census and factors on Exhibit 1a (3)]

Premium Calculation

	<u>Medical</u>	<u>Rx</u>	
Starting Base Rate	\$183.88	\$40.24	Exhibit 1a (1)
x Trend Factor	1.997	1.997	Exhibit 1a (2) [for 3rd Qtr 2011]
x Sum of Age/Sex Factors for Census	74.14	74.14	Calculated Above
x Benefit Plan Ratio	0.8554	0.6206	Exhibit 1b (4) (for KVD and Rx 0Y)
x Group Size Factor	1.00	1.00	Exh 1c (5) [for group size 40]
x Risk Adjustment Factor	0.93	0.93	Exh 1c (6a) [assume NB discount]
x Industry Factor	<u>0.95</u>	<u>0.95</u>	Exhibit 1c (7) [for SIC 8111]
= Monthly Premium	<u>\$20,575.98</u>	<u>\$3,266.68</u>	
Total Monthly Premium	\$23,842.67		

Composite Rating

The total premium is re-proportioned among four different family sizes using pre-established rate relationships:

	<u># Contracts</u>		<u>Family Size Factor</u>		<u>Premium Units</u>	
Employee Only	10	x	1.0	=	10	
Employee + Spouse	10	x	2.1	=	21	
Employee + Child(ren)	10	x	1.9	=	19	
Family	<u>10</u>	x	3.0	=	<u>30</u>	
	40				80	
Premium Unit Rate =	\$23,842.67 / 80 = \$298.03				<u>Composite Rates</u>	<u>Total Premium</u>
Employee Only Rate =	298.03	x	1.0	=	298.03	x 10 = \$2,980.30
Employee + Spouse Rate =	298.03	x	2.1	=	625.86	x 10 = \$6,258.60
Employee + Child(ren) Rate =	298.03	x	1.9	=	566.26	x 10 = \$5,662.60
Family Rate =	298.03	x	3.0	=	894.09	x 10 = <u>\$8,940.90</u>
						<u>\$23,842.40</u>

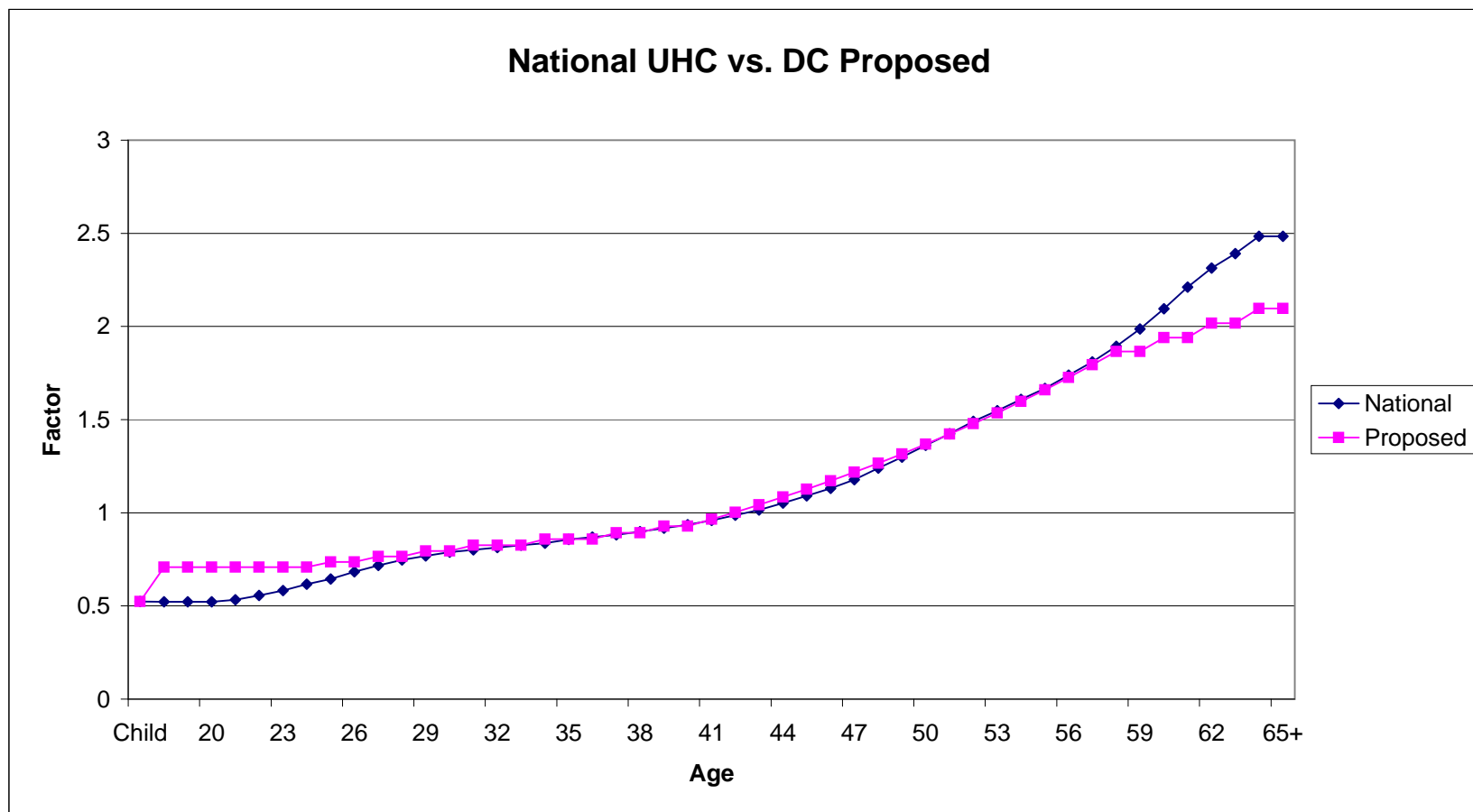
Rate Changes

## Age/Gender Factors

Age	Current		Proposed Unisex % Chg * from		% Change Current to Proposed	
	Male	Female	Factor	Age - 1	Male	Female
Child	0.524	0.524	0.524	n/a	0.0%	0.0%
<25	0.328	0.752	0.708	n/a	115.9%	-5.9%
25	0.409	0.983	0.736	4.0%	80.0%	-25.1%
26	0.409	0.983	0.736	0.0%	80.0%	-25.1%
27	0.409	0.983	0.765	3.9%	87.0%	-22.2%
28	0.409	0.983	0.765	0.0%	87.0%	-22.2%
29	0.409	0.983	0.795	3.9%	94.4%	-19.1%
30	0.521	1.143	0.795	0.0%	52.6%	-30.4%
31	0.521	1.143	0.826	3.9%	58.5%	-27.7%
32	0.521	1.143	0.826	0.0%	58.5%	-27.7%
33	0.521	1.143	0.826	0.0%	58.5%	-27.7%
34	0.521	1.143	0.859	4.0%	64.9%	-24.8%
35	0.668	1.139	0.859	0.0%	28.6%	-24.6%
36	0.668	1.139	0.859	0.0%	28.6%	-24.6%
37	0.668	1.139	0.893	4.0%	33.7%	-21.6%
38	0.668	1.139	0.893	0.0%	33.7%	-21.6%
39	0.668	1.139	0.928	3.9%	38.9%	-18.5%
40	0.828	1.170	0.928	0.0%	12.1%	-20.7%
41	0.828	1.170	0.965	4.0%	16.5%	-17.5%
42	0.828	1.170	1.003	3.9%	21.1%	-14.3%
43	0.828	1.170	1.043	4.0%	26.0%	-10.9%
44	0.828	1.170	1.084	3.9%	30.9%	-7.4%
45	1.059	1.378	1.127	4.0%	6.4%	-18.2%
46	1.059	1.378	1.172	4.0%	10.7%	-14.9%
47	1.059	1.378	1.218	3.9%	15.0%	-11.6%
48	1.059	1.378	1.266	3.9%	19.5%	-8.1%
49	1.059	1.378	1.316	3.9%	24.3%	-4.5%
50	1.452	1.665	1.368	4.0%	-5.8%	-17.8%
51	1.452	1.665	1.422	3.9%	-2.1%	-14.6%
52	1.452	1.665	1.478	3.9%	1.8%	-11.2%
53	1.452	1.665	1.536	3.9%	5.8%	-7.7%
54	1.452	1.665	1.597	4.0%	10.0%	-4.1%
55	1.890	1.966	1.660	3.9%	-12.2%	-15.6%
56	1.890	1.966	1.726	4.0%	-8.7%	-12.2%
57	1.890	1.966	1.795	4.0%	-5.0%	-8.7%
58	1.890	1.966	1.866	4.0%	-1.3%	-5.1%
59	1.890	1.966	1.866	0.0%	-1.3%	-5.1%
60	2.559	2.335	1.940	4.0%	-24.2%	-16.9%
61	2.559	2.335	1.940	0.0%	-24.2%	-16.9%
62	2.559	2.335	2.017	4.0%	-21.2%	-13.6%
63	2.559	2.335	2.017	0.0%	-21.2%	-13.6%
64	2.559	2.335	2.097	4.0%	-18.1%	-10.2%
65+ Plan Primary	3.451	2.784	2.097	0.0%	-39.2%	-24.7%
65+ Medicare	1.251	1.251	1.251	n/a	0.0%	0.0%

\* Percent increase from one age to the next does not exceed the required 4% maximum.

Total highest to lowest adult age factor = 2.097 / 0.708 = 2.96 to 1 (within allowed 3-to-1).



**NOTES:**

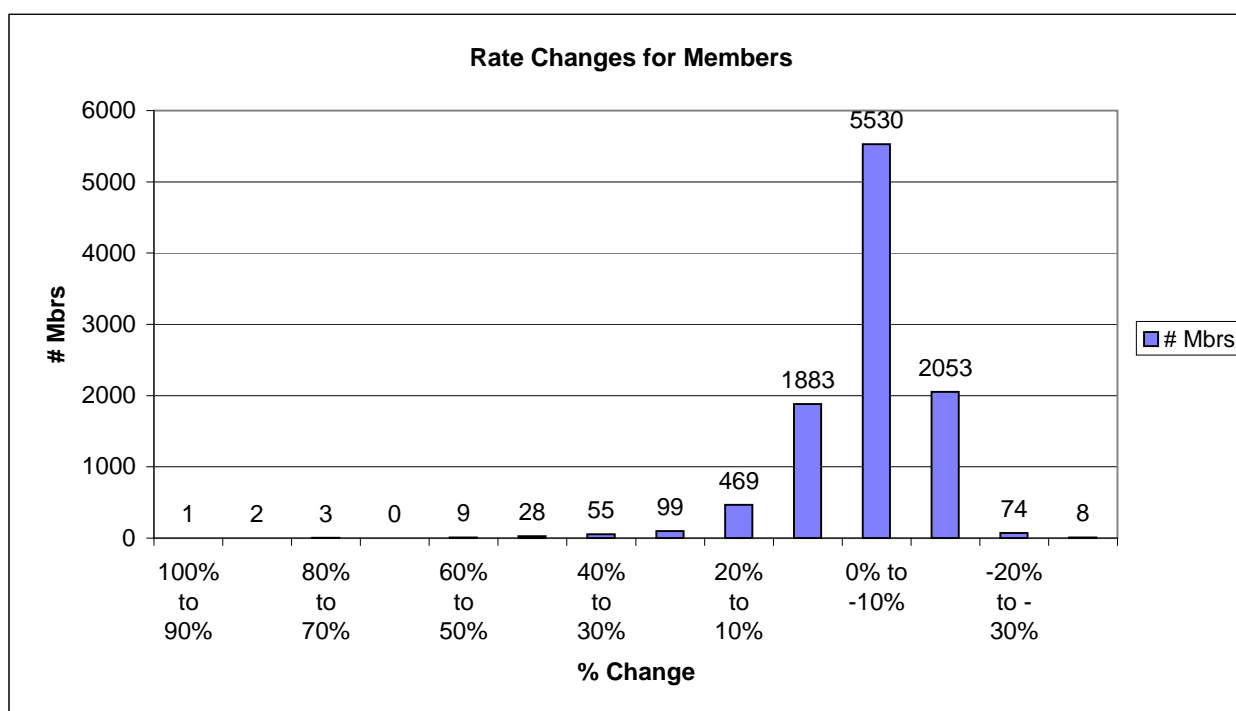
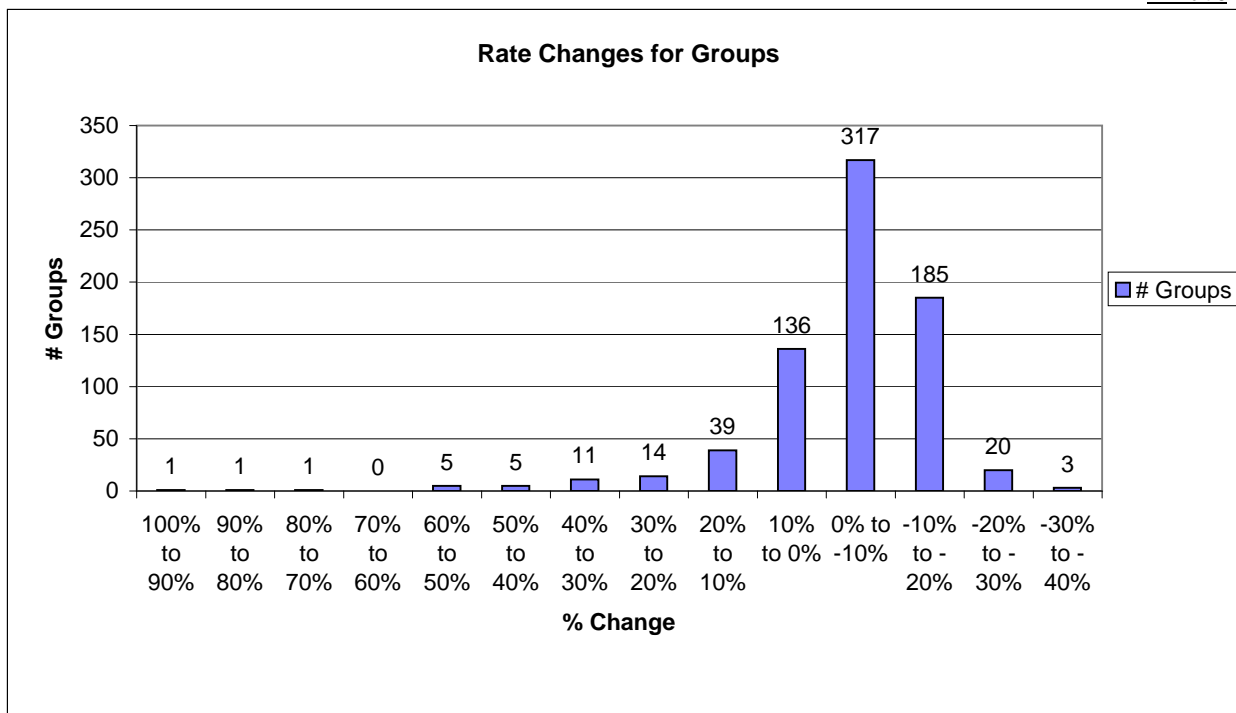
Both the national and DC scales are unisex.

Both national and DC proposed scales normalized using national demographics to produce 1.000 average age factor.

The DC proposed scale is designed to follow the national scale, but with overall 3-to-1, and maximum +4% from any age to the next. 30 total age bands are used in the DC scale.

Propose to use the current national child (0.524) and Medicare Primary (1.251) factors for DC.

The DC revenue change, using actual DC October, 2010 PRIME demographics, with the new age scale is -5.4% .



**NOTES:**

If only change made is proposed unisex age scale (before use of medical underwriting to temper rate changes).  
 Produces a -5.4% decrease in revenue.  
 Maximum Group Increase = + 94.4%.  
 Maximum Group Decrease = - 39.2%.

Rate Change	# Grps	% Grps	# Mbrs	% Mbrs
100% to 90%	1	0.1%	1	0.0%
90% to 80%	1	0.1%	2	0.0%
80% to 70%	1	0.1%	3	0.0%
70% to 60%	0	0.0%	0	0.0%
60% to 50%	5	0.7%	9	0.1%
50% to 40%	5	0.7%	28	0.3%
40% to 30%	11	1.5%	55	0.5%
30% to 20%	14	1.9%	99	1.0%
20% to 10%	39	5.3%	469	4.6%
10% to 0%	136	18.4%	1,883	18.4%
0% to -10%	317	43.0%	5,530	54.1%
-10% to -20%	185	25.1%	2,053	20.1%
-20% to -30%	20	2.7%	74	0.7%
-30% to -40%	3	0.4%	8	0.1%
<b>TOTAL</b>	<b>738</b>		<b>10,214</b>	



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February 7, 2011

Laszlo Pentek, Actuary  
DC Department of Insurance & Securities Regulation  
810 First Street, NE Suite 701  
Washington, DC 20002

Re: Optimum Choice, Incorporated (OCI)  
Small Group (2-50) Rate Filing

Dear Mr. Pentek:

Enclosed please find the group health pricing manual for products offered by Optimum Choice, Incorporated to employers in the District of Columbia with 50 or fewer eligible employees. These rates are effective July 1, 2011.

The purpose of this rate filing is to present proposed rate changes to bring our rates into compliance with the "Reasonable Health Insurance Ratemaking Reform Act of 2010".

Submitted via SERFF, in addition to the rate filing, is an actuarial memorandum.

Please keep these rates confidential to the extent allowed by District of Columbia law.

If you have any questions, please do not hesitate to call.

Sincerely,

Boris P. Gerber, FSA, MAAA  
Actuary, UnitedHealthcare