

**State:** District of Columbia **Filing Company:** Optimum Choice, Inc.  
**TOI/Sub-TOI:** HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only  
 - HMO  
**Product Name:** DC-SG-OCI-2014-07  
**Project Name/Number:** /

### Filing at a Glance

Company: Optimum Choice, Inc.  
 Product Name: DC-SG-OCI-2014-07  
 State: District of Columbia  
 TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)  
 Sub-TOI: HOrg02G.004F Small Group Only - HMO  
 Filing Type: Rate  
 Date Submitted: 02/27/2014  
 SERFF Tr Num: UHLC-129435839  
 SERFF Status: Closed-APPROVED  
 State Tr Num:  
 State Status:  
 Co Tr Num:  
  
 Implementation: 07/01/2014  
 Date Requested:  
 Author(s): Bonnie Barboza, Esther Drew, Nibesh Paudel, Matthew Madia, David Harris  
 Reviewer(s): Donghan Xu (primary), Alula Selassie  
 Disposition Date: 03/07/2014  
 Disposition Status: APPROVED  
 Implementation Date: 03/07/2014  
  
 State Filing Description:

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## General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Date Approved in Domicile:
Requested Filing Mode: Review & Approval	Domicile Status Comments:
Explanation for Combination/Other:	Market Type: Group
Submission Type:	Group Market Size: Small
Group Market Type:	Overall Rate Impact: -10%
Filing Status Changed: 03/07/2014	
State Status Changed:	Deemer Date:
Created By: Nibesh Paudel	Submitted By: Nibesh Paudel
Corresponding Filing Tracking Number:	

PPACA: Non-Grandfathered Immed Mkt Reforms

PPACA Notes: null

Exchange Intentions: On Exchange

Filing Description:  
DC-SG-OCI-2014-07

## Company and Contact

### Filing Contact Information

Nibesh Paudel, Associate Actuarial Analyst nibesh\_paudel1@uhc.com  
 185 ASYLUM STREET 860-702-5220 [Phone]  
 CITY PLACE I 860-702-5016 [FAX]  
 HARTFORD, CT 06103

### Filing Company Information

Optimum Choice, Inc.	CoCode: 96940	State of Domicile: Maryland
4 Taft Court	Group Code: 707	Company Type: HMO
Rockville, MD 20850	Group Name:	State ID Number: 96940
(301) 294-1578 ext. [Phone]	FEIN Number: 52-1518174	

## Filing Fees

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:

SERFF Tracking #:

UHLC-129435839

State Tracking #:

Company Tracking #:

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### Rate Information

Rate data applies to filing.

**Filing Method:** Review & Approval  
**Rate Change Type:** Decrease  
**Overall Percentage of Last Rate Revision:** 3.900%  
**Effective Date of Last Rate Revision:** 01/01/2014  
**Filing Method of Last Filing:** Review & Approval

### Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Optimum Choice, Inc.	Decrease	-10.000%	-10.000%	\$-1,062,721	192	\$10,627,209	-10.000%	-10.000%

Product Type:	HMO	PPO	EPO	POS	HSA	HDHP	FFS	Other
Covered Lives:	1,723							
Policy Holders:	192							

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 - HMO  
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**Rate Review Detail**

**COMPANY:**

Company Name: Optimum Choice, Inc.  
 HHS Issuer Id: 75753

**PRODUCTS:**

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
HMO and HMO+			1

Trend Factors: The current annual trend factor is 0.0%. The proposed 2014 annual trend factor is 10.7%.

**FORMS:**

New Policy Forms: POL.OCI.14.SB.DC, COC.OCI.14.SB.DC, PL1.SBN.OCI.POS.14.DC, PL2.SBN.OCI.POS.14.DC, PL3.SBN.OCI.POS.14.DC, PL4.SBN.OCI.POS.14.DC, PL5.SBN.OCI.POS.14.DC, PL6.SBN.OCI.POS.14.DC, GO1.SBN.OCI.POS.14.DC, GO2.SBN.OCI.POS.14.DC, GO3.SBN.OCI.POS.14.DC, GO4.SBN.OCI.POS.14.DC, GO5.SBN.OCI.POS.14.DC, GO6.SBN.OCI.POS.14.DC, GO7.SBN.OCI.POS.14.DC, GO8.SBN.OCI.POS.14.DC, GO9.SBN.OCI.POS.14.DC, GO10.SBN.OCI.POS.14.DC, SL2.SBN.OCI.POS.14.DC, SL3.SBN.OCI.POS.14.DC, SL4.SBN.OCI.POS.14.DC, SL5.SBN.OCI.POS.14.DC, SL7.SBN.OCI.POS.14.DC, SL8.SBN.OCI.POS.14.DC, SL9.SBN.OCI.POS.14.DC, SL10.SBN.OCI.POS.14.DC, PL1.SBN.OCI.NET.14.DC, PL2.SBN.OCI.NET.14.DC, PL3.SBN.OCI.NET.14.DC, PL4.SBN.OCI.NET.14.DC, PL5.SBN.OCI.NET.14.DC, PL6.SBN.OCI.NET.14.DC, GO1.SBN.OCI.NET.14.DC, GO2.SBN.OCI.NET.14.DC, GO3.SBN.OCI.NET.14.DC, GO4.SBN.OCI.NET.14.DC, GO5.SBN.OCI.NET.14.DC, GO6.SBN.OCI.NET.14.DC, GO7.SBN.OCI.NET.14.DC, GO8.SBN.OCI.NET.14.DC, GO9.SBN.OCI.NET.14.DC, GO10.SBN.OCI.NET.14.DC, SL1.SBN.OCI.NET.14.DC, SL2.SBN.OCI.NET.14.DC, SL3.SBN.OCI.NET.14.DC, SL4.SBN.OCI.NET.14.DC, SL5.SBN.OCI.NET.14.DC, SL7.SBN.OCI.NET.14.DC, SL8.SBN.OCI.NET.14.DC, SL9.SBN.OCI.NET.14.DC, SL10.SBN.OCI.NET.14.DC, BR1.SBN.OCI.NET.14.DC, BR2.SBN.OCI.NET.14.DC, BR3.SBN.OCI.NET.14.DC, RID.PDS.NET-NON.MD.OCI.14.DC, RID.PDS.NET-NON.DD.OCI.14.DC, MM.RID.PVC.NET.OCI.14.DC, AP.RID.PVC.NET.OCI.14.DC, AP.RID.PVCS.NET-NON.OCI.14.DC, MM.RID.PVCS.NET-NON.OCI.14.DC, RDR.OCI.14.OB.DC, RDR.RX.NET.OCI.14.DC.SB, RDR.RX.PLS.OCI.14.DC.SB, 152550.RDR.RXSBN.NET.OCI.14.DC.SB, 104075.RDR.RXSBN.NET.OCI.14.DC.SB, 104075.DD.RDR.RXSBN.NET.OCI.14.DC.SB, 153050.RDR.RXSBN.NET.OCI.14.DC.SB, 102040.RDR.RXSBN.NET.OCI.14.DC.SB, 152550.RDR.RXSBN.PLS.OCI.14.DC.SB, 104075.RDR.RXSBN.PLS.OCI.14.DC.SB, 104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB, 153050.RDR.RXSBN.PLS.OCI.14.DC.SB, 102040.RDR.RXSBN.PLS.OCI.14.DC.SB

Affected Forms:  
 Other Affected Forms:

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**Project Name/Number:** /

**REQUESTED RATE CHANGE INFORMATION:**

Change Period: Other  
Member Months: 24,034  
Benefit Change: Increase  
Percent Change Requested: Min: -32.3 Max: 181.1 Avg: 21.9

**PRIOR RATE:**

Total Earned Premium: 11,537,610.00  
Total Incurred Claims: 5,846,466.00  
Annual \$: Min: 910.31 Max: 143.91 Avg: 480.05

**REQUESTED RATE:**

Projected Earned Premium: 14,556,598.00  
Projected Incurred Claims: 10,626,317.00  
Annual \$: Min: 637.85 Max: 418.69 Avg: 605.67

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UHLC-129435839

**State Tracking #:**

**Company Tracking #:**

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HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO

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## Rate/Rule Schedule

**SERFF Tracking #:**

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Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
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1		Rate Filing Exhibits	POL.OCI.14.SB.DC, COC.OCI.14.SB.DC, PL1.SBN.OCI.POS.14.DC, PL2.SBN.OCI.POS.14.DC, PL3.SBN.OCI.POS.14.DC, PL4.SBN.OCI.POS.14.DC, PL5.SBN.OCI.POS.14.DC, PL6.SBN.OCI.POS.14.DC, GO1.SBN.OCI.POS.14.DC, GO2.SBN.OCI.POS.14.DC, GO3.SBN.OCI.POS.14.DC, GO4.SBN.OCI.POS.14.DC, GO5.SBN.OCI.POS.14.DC, GO6.SBN.OCI.POS.14.DC, GO7.SBN.OCI.POS.14.DC, GO8.SBN.OCI.POS.14.DC, GO9.SBN.OCI.POS.14.DC, GO10.SBN.OCI.POS.14.DC, SL2.SBN.OCI.POS.14.DC, SL3.SBN.OCI.POS.14.DC, SL4.SBN.OCI.POS.14.DC, SL5.SBN.OCI.POS.14.DC, SL7.SBN.OCI.POS.14.DC, SL8.SBN.OCI.POS.14.DC, SL9.SBN.OCI.POS.14.DC, SL10.SBN.OCI.POS.14.DC, PL1.SBN.OCI.NET.14.DC, PL2.SBN.OCI.NET.14.DC, PL3.SBN.OCI.NET.14.DC, PL4.SBN.OCI.NET.14.DC, PL5.SBN.OCI.NET.14.DC, PL6.SBN.OCI.NET.14.DC, GO1.SBN.OCI.NET.14.DC, GO2.SBN.OCI.NET.14.DC, GO3.SBN.OCI.NET.14.DC, GO4.SBN.OCI.NET.14.DC, GO5.SBN.OCI.NET.14.DC, GO6.SBN.OCI.NET.14.DC, GO7.SBN.OCI.NET.14.DC, GO8.SBN.OCI.NET.14.DC, GO9.SBN.OCI.NET.14.DC, GO10.SBN.OCI.NET.14.DC, SL1.SBN.OCI.NET.14.DC, SL2.SBN.OCI.NET.14.DC, SL3.SBN.OCI.NET.14.DC, SL4.SBN.OCI.NET.14.DC, SL5.SBN.OCI.NET.14.DC,	Revised	Previous State Filing Number: UHLC-129030739 Percent Rate Change Request:	DCSG-OCI-2014-07- All Exhibits 2014-02- 27.pdf,
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**Product Name:** DC-SG-OCI-2014-07  
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		SL7.SBN.OCI.NET.14.DC, SL8.SBN.OCI.NET.14.DC, SL9.SBN.OCI.NET.14.DC, SL10.SBN.OCI.NET.14.DC, BR1.SBN.OCI.NET.14.DC, BR2.SBN.OCI.NET.14.DC, BR3.SBN.OCI.NET.14.DC, RID.PDS.NET- NON.MD.OCI.14.DC, RID.PDS.NET- NON.DD.OCI.14.DC, MM.RID.PVC.NET.OCI.14.DC, AP.RID.PVC.NET.OCI.14.DC, AP.RID.PVCS.NET- NON.OCI.14.DC, MM.RID.PVCS.NET- NON.OCI.14.DC, RDR.OCI.14.OB.DC, RDR.RX.NET.OCI.14.DC.SB, RDR.RX.PLS.OCI.14.DC.SB, 152550.RDR.RXSBN.NET.OCI .14.DC.SB, 104075.RDR.RXSBN.NET.OCI .14.DC.SB, 104075.DD.RDR.RXSBN.NET. OCI.14.DC.SB, 153050.RDR.RXSBN.NET.OCI .14.DC.SB, 102040.RDR.RXSBN.NET.OCI .14.DC.SB, 152550.RDR.RXSBN.PLS.OCI .14.DC.SB, 104075.RDR.RXSBN.PLS.OCI .14.DC.SB, 104075.D.RDR.RXSBN.PLS.O CI.14.DC.SB, 153050.RDR.RXSBN.PLS.OCI .14.DC.SB, 102040.RDR.RXSBN.PLS.OCI .14.DC.SB		
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**Rate Factors**

(1) Index Rate: \$458.28

(2) Benefit Plan Ratios

HMO Plans						
Product	Plan Name			Metal Level	Actuarial Value	Plan Ratio
	Medical		Rx			
	Exchange					
	Off	On				
HMO	C4N	VM9	ZV	Platinum	88.2%	0.86024
HMO	EY3	V75	ZU	Platinum	90.7%	0.90780
HMO	E45	V87	YM	Platinum	88.5%	0.87573
HMO	E49	V89	ZR	Platinum	88.5%	0.87076
HMO	E5P	V9E	ZU	Platinum	91.9%	0.92684
HMO	EYY	V73	ZV	Platinum	89.0%	0.87301
HMO-HSA	DW8	VZW	A0	Gold	78.5%	0.65142
HMO-HSA	DW8	VZW	YM	Gold	78.4%	0.64845
HMO-HSA	DW6	VZY	A0	Gold	78.1%	0.72637
HMO-HSA	DW6	VZY	YM	Gold	78.0%	0.72340
HMO	EZO	V79	A0	Gold	79.5%	0.74832
HMO	EZO	V79	YM	Gold	78.8%	0.74033
HMO	EZ5	V8N	C0	Gold	79.1%	0.73126
HMO	EZ5	V8N	ZT	Gold	78.9%	0.73630
HMO	E0T	V8T	A0	Gold	78.9%	0.73263
HMO	E0T	V8T	YM	Gold	78.3%	0.72463
HMO	EY9	V77	A0	Gold	81.4%	0.76753
HMO	EY9	V77	YM	Gold	80.9%	0.75954
HMO	EZY	V8L	B0	Gold	78.1%	0.72936
HMO	EZY	V8L	ZS	Gold	78.7%	0.72326
HMO	E02	V8V	A0	Gold	81.6%	0.77988
HMO	E02	V8V	YM	Gold	81.1%	0.77188
HMO	E0L	V8R	A0	Gold	79.7%	0.76710
HMO	E0L	V8R	ZR	Gold	79.1%	0.75208
HMO	E0E	V8P	A0	Gold	79.9%	0.76564
HMO	E0E	V8P	ZS	Gold	78.5%	0.74470
HMO-HSA	DX1	VZR	YM	Silver	70.2%	0.56457
HMO-HSA	DX1	VZR	ZX	Silver	69.7%	0.56107
HMO-HSA	DX8	VZ1	YM	Silver	70.4%	0.57246
HMO-HSA	DX8	VZ1	ZX	Silver	69.3%	0.56896
HMO-HSA	DYG	VZ2	YM	Silver	71.0%	0.57555
HMO-HSA	DYG	VZ2	ZX	Silver	70.1%	0.57205
HMO-HSA	DYR	VZ5	YM	Silver	69.1%	0.55591
HMO-HSA	DYR	VZ5	ZX	Silver	68.3%	0.55241
HMO	E08	V8X	ZT	Silver	70.8%	0.64489
HMO	E08	V8X	ZY	Silver	69.9%	0.62774
HMO	E2Q	V81	D0	Silver	71.5%	0.63639
HMO	E2Y	V83	ZT	Silver	70.0%	0.64069
HMO	E2Y	V83	ZY	Silver	70.0%	0.62354
HMO	E3Y	V85	ZT	Silver	70.5%	0.64704
HMO	E3Y	V85	ZY	Silver	69.0%	0.62989
HMO	E2I	V8Y	ZT	Silver	70.5%	0.64910
HMO	E2I	V8Y	ZY	Silver	68.4%	0.63194
HMO	E2Q	V81	ZZ	Silver	69.2%	0.61993
HMO-HSA	DW1	VZT	ZX	Bronze	60.6%	0.47326
HMO-HSA	DW3	VZU	ZX	Bronze	61.2%	0.47712
HMO-HSA	DW5	VZV	ZX	Bronze	59.0%	0.53277

HMP Plans						
Product	Plan Name			Metal Level	Actuarial Value	Plan Ratio
	Medical		Rx			
	Exchange					
	Off	On				
HMP	C4M	VM8	ZV	Platinum	88.2%	0.87928
HMP	EYZ	V74	ZU	Platinum	89.0%	0.89200
HMP	EY4	V76	ZU	Platinum	90.7%	0.92699
HMP	E46	V88	YM	Platinum	88.5%	0.89289
HMP	E5M	V9D	ZR	Platinum	88.5%	0.88648
HMP	E5Q	V9F	ZU	Platinum	91.9%	0.94589
HMP-HSA	DW9	VZX	A0	Gold	78.5%	0.67185
HMP-HSA	DW9	VZX	YM	Gold	78.4%	0.66888
HMP-HSA	DXQ	VZZ	A0	Gold	78.1%	0.74860
HMP-HSA	DXQ	VZZ	YM	Gold	78.0%	0.74563
HMP	EZQ	V8K	YM	Gold	78.8%	0.75731
HMP	EZ7	V8O	C0	Gold	79.1%	0.74876
HMP	EZ7	V8O	ZT	Gold	78.9%	0.75380
HMP	E0V	V8U	A0	Gold	78.9%	0.75002
HMP	E0V	V8U	YM	Gold	78.3%	0.74203
HMP	EZF	V78	YM	Gold	80.9%	0.77692
HMP	EZF	V78	A0	Gold	81.4%	0.78491
HMP	EZQ	V8K	A0	Gold	79.5%	0.76530
HMP	EZZ	V8M	B0	Gold	78.1%	0.74657
HMP	EZZ	V8M	ZS	Gold	78.7%	0.74048
HMP	E04	V8W	A0	Gold	81.6%	0.79728
HMP	E04	V8W	YM	Gold	81.1%	0.78929
HMP	E0N	V8S	A0	Gold	79.7%	0.78465
HMP	E0N	V8S	ZR	Gold	79.1%	0.76963
HMP	E0G	V8Q	A0	Gold	79.9%	0.78297
HMP	E0G	V8Q	ZS	Gold	78.5%	0.76203
HMP-HSA	DXZ	VZS	YM	Silver	70.2%	0.58114
HMP-HSA	DXZ	VZS	ZX	Silver	69.7%	0.57764
HMP-HSA	DYH	VZ3	YM	Silver	71.0%	0.59271
HMP-HSA	DYH	VZ3	ZX	Silver	70.1%	0.58921
HMP-HSA	DX6	VZ4	YM	Silver	70.4%	0.59032
HMP-HSA	DX6	VZ4	ZX	Silver	69.3%	0.58682
HMP-HSA	DYO	VZ6	YM	Silver	69.1%	0.57292
HMP-HSA	DYO	VZ6	ZX	Silver	68.3%	0.56942
HMP	E2S	V82	D0	Silver	71.5%	0.65064
HMP	E25	V84	ZT	Silver	70.0%	0.65488
HMP	E2K	V8Z	ZT	Silver	70.5%	0.66424
HMP	E2K	V8Z	ZY	Silver	68.4%	0.64709
HMP	E41	V86	ZT	Silver	70.5%	0.66168
HMP	E41	V86	ZY	Silver	69.0%	0.64453
HMP	E2S	V82	ZZ	Silver	69.2%	0.63419

(3) Trend Factors

Effective Quarter	Factor
3rd Quarter, 2014	1.052
4th Quarter, 2014	1.079

(4) Age Factors

Age	Factor	Age	Factor	Age	Factor
0-20	0.654	32	0.817	44	1.137
21	0.727	33	0.836	45	1.181
22	0.727	34	0.856	46	1.227
23	0.727	35	0.876	47	1.275
24	0.727	36	0.896	48	1.325
25	0.727	37	0.916	49	1.377
26	0.727	38	0.927	50	1.431
27	0.727	39	0.938	51	1.487
28	0.744	40	0.975	52	1.545
29	0.760	41	1.013	53	1.605
30	0.779	42	1.053	54	1.668
31	0.799	43	1.094	55	1.733
				64 & older	2.181



Product	Plan Name		Metal Level	Medical Schedule of Benefits Form #	Rx Schedule of Benefits Form #	Act'l Value	In-Network					Out-of-Network					Copayments					Medical Deduct. Type	Rx													
	Medical Exchange						Deductible	Coins	OOP Maximum		Deductible	Coins	OOP Maximum		PCP	SCP	UC	ER	OP Surgery		IP		Deduct. Type	Deduct.	Tier 1	Tier 2	Tier 2 Spec.	Tier 3	Tier 3 Spec.							
	Off	On							Indiv.	Family			Indiv.	Family					Indiv.	Family										Indiv.	Family	Free-St.	Hospital			
HMP	EZZ	V8M	B0	Gold 3-A	GO3.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	78.1%	\$1,000	\$2,000	80%	\$4,000	\$8,000	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$250								Emb	Sep	\$100	\$10	20% to \$100	40% to \$300		
HMP	EZZ	V8M	ZS	Gold 3	GO3.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	78.7%	\$1,000	\$2,000	80%	\$4,000	\$8,000	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$250								Emb	Sep	\$100	\$10	\$40	\$100	\$75	\$300
HMP	E04	V8W	A0	Gold 9-A	GO9.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	81.6%	\$1,000	\$2,000	90%	\$3,000	\$6,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$20	\$40										Emb	Sep	\$10	20% to \$100	40% to \$300			
HMP	E04	V8W	YM	Gold 9	GO9.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	81.1%	\$1,000	\$2,000	90%	\$3,000	\$6,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$20	\$40										Emb	Sep	\$10	\$40	\$100	\$75	\$300	
HMP	E0N	V8S	A0	Gold 6-A	GO6.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	79.7%	\$1,500	\$3,000	90%	\$4,000	\$8,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$15	\$30	\$75	\$150								Emb	Sep	\$10	20% to \$100	40% to \$300			
HMP	E0N	V8S	ZR	Gold 6	GO6.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	79.1%	\$1,500	\$3,000	90%	\$4,000	\$8,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$15	\$30	\$75	\$150								Emb	Sep	\$50	\$10	\$40	\$100	\$75	\$300
HMP	E0G	V8Q	A0	Gold 5-A	GO5.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	79.9%	\$1,300	\$2,600	90%	\$3,250	\$6,500	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$150								Emb	Sep	\$10	20% to \$100	40% to \$300			
HMP	E0G	V8Q	ZS	Gold 5	GO5.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	78.5%	\$1,300	\$2,600	90%	\$3,250	\$6,500	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$150								Emb	Sep	\$100	\$10	\$40	\$100	\$75	\$300
HMP-HSA	DXZ	VZS	YM	Silver 2	SL2.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	70.2%	\$2,000	\$4,000	70%	\$4,000	\$8,000	\$3,000	\$6,000	50%	\$10,000	\$20,000												NonEmb	Comb	\$10	\$40	\$100	\$75	\$300	
HMP-HSA	DXZ	VZS	ZX	Silver 2-A	SL2.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.7%	\$2,000	\$4,000	70%	\$4,000	\$8,000	\$3,000	\$6,000	50%	\$10,000	\$20,000												NonEmb	Comb	\$15	30% to \$100	50% to \$300			
HMP-HSA	DYH	VZ3	YM	Silver 4	SL4.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	71.0%	\$1,500	\$3,000	80%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000												NonEmb	Comb	\$10	\$40	\$100	\$75	\$300	
HMP-HSA	DYH	VZ3	ZX	Silver 4-A	SL4.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	70.1%	\$1,500	\$3,000	80%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000											NonEmb	Comb	\$15	30% to \$100	50% to \$300				
HMP-HSA	DX6	VZ4	YM	Silver 3	SL3.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	70.4%	\$2,000	\$4,000	90%	\$6,000	\$12,000	\$3,000	\$6,000	70%	\$10,000	\$20,000											NonEmb	Comb	\$10	\$40	\$100	\$75	\$300		
HMP-HSA	DX6	VZ4	ZX	Silver 3-A	SL3.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.3%	\$2,000	\$4,000	90%	\$6,000	\$12,000	\$3,000	\$6,000	70%	\$10,000	\$20,000											NonEmb	Comb	\$15	30% to \$100	50% to \$300				
HMP-HSA	DYO	VZ6	YM	Silver 5	SL5.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	69.1%	\$1,500	\$3,000	70%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000											NonEmb	Comb	\$10	\$40	\$100	\$75	\$300		
HMP-HSA	DYO	VZ6	ZX	Silver 5-A	SL5.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	68.3%	\$1,500	\$3,000	70%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000											NonEmb	Comb	\$15	30% to \$100	50% to \$300				
HMP	E2S	V82	D0	Silver 7	SL7.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	71.5%	\$1,500	\$3,000	70%	\$6,250	\$12,500	\$4,000	\$8,000	50%	\$10,000	\$20,000	\$40	\$80	\$100	\$300								Emb	Sep	\$500	\$10	\$40	\$100	\$75	\$300
HMP	E2S	V84	ZT	Silver 8	SL8.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	70.0%	\$2,000	\$4,000	70%	\$6,250	\$12,500	\$4,000	\$8,000	50%	\$10,000	\$20,000	\$40	\$80	\$100	\$300								Emb	Sep	\$250	\$10	\$40	\$100	\$75	\$300
HMP	E2K	V8Z	ZT	Silver 10	SL10.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	70.5%	\$3,000	\$6,000	90%	\$6,250	\$12,500	\$4,000	\$8,000	70%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$10	\$40	\$100	\$75	\$300
HMP	E2K	V8Z	ZY	Silver 10-A	SL10.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	68.4%	\$3,000	\$6,000	90%	\$6,250	\$12,500	\$4,000	\$8,000	70%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$15	30% to \$100	50% to \$300		
HMP	E41	V86	ZT	Silver 9	SL9.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	70.5%	\$2,500	\$5,000	80%	\$6,250	\$12,500	\$4,000	\$8,000	60%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$10	\$40	\$100	\$75	\$300
HMP	E41	V86	ZY	Silver 9-A	SL9.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.0%	\$2,500	\$5,000	80%	\$6,250	\$12,500	\$4,000	\$8,000	60%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$15	30% to \$100	50% to \$300		
HMP	E2S	V82	ZZ	Silver 7-A	SL7.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.2%	\$1,500	\$3,000	70%	\$6,250	\$12,500	\$4,000	\$8,000	50%	\$10,000	\$20,000	\$40	\$80	\$100	\$300								Emb	Sep	\$500	\$15	30% to \$100	50% to \$300		

**Rate Changes - Plan Ratios (from Exhibit 1)**

Product	Plan Name		Plan Ratio		% Chg
	Off	On	Current	Proposed	
HMO	C4N	VM9	0.95581	0.86024	-10.0%
HMO	EY3	V75	1.00866	0.90780	-10.0%
HMO	E45	V87	0.97303	0.87573	-10.0%
HMO	E49	V89	0.96749	0.87076	-10.0%
HMO	E5P	V9E	1.02981	0.92684	-10.0%
HMO	EYY	V73	0.97000	0.87301	-10.0%
HMO-HSA	DW8	VZW	0.72379	0.65142	-10.0%
HMO-HSA	DW8	VZW	0.72050	0.64845	-10.0%
HMO-HSA	DW6	VZY	0.80706	0.72637	-10.0%
HMO-HSA	DW6	VZY	0.80377	0.72340	-10.0%
HMO	EZO	V79	0.83146	0.74832	-10.0%
HMO	EZO	V79	0.82258	0.74033	-10.0%
HMO	EZ5	V8N	0.81249	0.73126	-10.0%
HMO	EZ5	V8N	0.81810	0.73630	-10.0%
HMO	E0T	V8T	0.81402	0.73263	-10.0%
HMO	E0T	V8T	0.80514	0.72463	-10.0%
HMO	EY9	V77	0.85280	0.76753	-10.0%
HMO	EY9	V77	0.84392	0.75954	-10.0%
HMO	EZY	V8L	0.81038	0.72936	-10.0%
HMO	EZY	V8L	0.80361	0.72326	-10.0%
HMO	E02	V8V	0.86652	0.77988	-10.0%
HMO	E02	V8V	0.85764	0.77188	-10.0%
HMO	E0L	V8R	0.85232	0.76710	-10.0%
HMO	E0L	V8R	0.83562	0.75208	-10.0%
HMO	E0E	V8P	0.85070	0.76564	-10.0%
HMO	E0E	V8P	0.82744	0.74470	-10.0%
HMO-HSA	DX1	VZR	0.62730	0.56457	-10.0%
HMO-HSA	DX1	VZR	0.62340	0.56107	-10.0%
HMO-HSA	DX8	VZ1	0.63605	0.57246	-10.0%
HMO-HSA	DX8	VZ1	0.63217	0.56896	-10.0%
HMO-HSA	DYG	VZ2	0.63948	0.57555	-10.0%
HMO-HSA	DYG	VZ2	0.63559	0.57205	-10.0%
HMO-HSA	DYR	VZ5	0.61768	0.55591	-10.0%
HMO-HSA	DYR	VZ5	0.61377	0.55241	-10.0%
HMO	E08	V8X	0.71655	0.64489	-10.0%
HMO	E08	V8X	0.69748	0.62774	-10.0%
HMO	E2Q	V81	0.70708	0.63639	-10.0%
HMO	E2Y	V83	0.71188	0.64069	-10.0%
HMO	E2Y	V83	0.69281	0.62354	-10.0%
HMO	E3Y	V85	0.71893	0.64704	-10.0%
HMO	E3Y	V85	0.69986	0.62989	-10.0%
HMO	E2I	V8Y	0.72122	0.64910	-10.0%
HMO	E2I	V8Y	0.70215	0.63194	-10.0%
HMO	E2Q	V81	0.68881	0.61993	-10.0%
HMO-HSA	DW1	VZT	0.52584	0.47326	-10.0%
HMO-HSA	DW3	VZU	0.53013	0.47712	-10.0%
HMO-HSA	DW5	VZV	0.59195	0.53277	-10.0%

Product	Plan Name		Plan Ratio		% Chg
	Off	On	Current	Proposed	
HMP	C4M	VM8	0.97696	0.87928	-10.0%
HMP	EYZ	V74	0.99110	0.89200	-10.0%
HMP	EY4	V76	1.02998	0.92699	-10.0%
HMP	E46	V88	0.99208	0.89289	-10.0%
HMP	E5M	V9D	0.98497	0.88648	-10.0%
HMP	E5Q	V9F	1.05097	0.94589	-10.0%
HMP-HSA	DW9	VZX	0.74649	0.67185	-10.0%
HMP-HSA	DW9	VZX	0.74319	0.66888	-10.0%
HMP-HSA	DXQ	VZZ	0.83178	0.74860	-10.0%
HMP-HSA	DXQ	VZZ	0.82847	0.74563	-10.0%
HMP	EZQ	V8K	0.84145	0.75731	-10.0%
HMP	EZ7	V8O	0.83194	0.74876	-10.0%
HMP	EZ7	V8O	0.83754	0.75380	-10.0%
HMP	E0V	V8U	0.83336	0.75002	-10.0%
HMP	E0V	V8U	0.82447	0.74203	-10.0%
HMP	EZF	V78	0.86323	0.77692	-10.0%
HMP	EZF	V78	0.87211	0.78491	-10.0%
HMP	EZQ	V8K	0.85033	0.76530	-10.0%
HMP	EZZ	V8M	0.82951	0.74657	-10.0%
HMP	EZZ	V8M	0.82275	0.74048	-10.0%
HMP	E04	V8W	0.88586	0.79728	-10.0%
HMP	E04	V8W	0.87697	0.78929	-10.0%
HMP	E0N	V8S	0.87183	0.78465	-10.0%
HMP	E0N	V8S	0.85513	0.76963	-10.0%
HMP	E0G	V8Q	0.86995	0.78297	-10.0%
HMP	E0G	V8Q	0.84669	0.76203	-10.0%
HMP-HSA	DXZ	VZS	0.64570	0.58114	-10.0%
HMP-HSA	DXZ	VZS	0.64181	0.57764	-10.0%
HMP-HSA	DYH	VZ3	0.65855	0.59271	-10.0%
HMP-HSA	DYH	VZ3	0.65467	0.58921	-10.0%
HMP-HSA	DX6	VZ4	0.65591	0.59032	-10.0%
HMP-HSA	DX6	VZ4	0.65202	0.58682	-10.0%
HMP-HSA	DYO	VZ6	0.63658	0.57292	-10.0%
HMP-HSA	DYO	VZ6	0.63269	0.56942	-10.0%
HMP	E2S	V82	0.72292	0.65064	-10.0%
HMP	E25	V84	0.72763	0.65488	-10.0%
HMP	E2K	V8Z	0.73804	0.66424	-10.0%
HMP	E2K	V8Z	0.71899	0.64709	-10.0%
HMP	E41	V86	0.73518	0.66168	-10.0%
HMP	E41	V86	0.71613	0.64453	-10.0%
HMP	E2S	V82	0.70466	0.63419	-10.0%

**Formula & Example**

Exhibit 4

**Rate Calculation Formula**

Monthly premium =

- Index Rate
- x Plan Ratio
- x Trend factor for plan effective or renewal date
- x Sum of member age factors for the group

**Rating Example**

Benefit Plan: EPO plan EZ5 with Rx C0

Effective Date: 7/1/14

Census:

	<u>Member Ages</u>				<u>Age Factors</u>			
	<u>EE Age</u>	<u>Spouse Age</u>	<u>Child #1</u>	<u>Child #2</u>	<u>EE</u>	<u>Spouse</u>	<u>Child #1</u>	<u>Child #2</u>
EE #1	43	41	10	15	1.094	1.013	0.654	0.654
EE #2	35	36	5	9	0.876	0.896	0.654	0.654
EE #3	53	55	19		1.605	1.733	0.654	

Total Members: 11

Sum of Age Factors: 10.487

**Rate Calculation**

	<u>Rating Factor</u>	<u>Exhibit 1 Location</u>
\$458.28	Index Rate	(1)
0.73126	Plan Ratio (EZ5)	(2)
1.052	Trend Factor (3Q14)	(3)
10.487	Group Age Factor	(4)
<u>\$3,697.17</u>		
Total Monthly Premium		

**Member Months, Earned Premium & Incurred Claim Experience - OCI**

Month	<u>Members</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Claim PMPM</u>	<u>Loss Ratio</u>
Jan-12	2,097	1,001,289	676,230	322.47	67.5%
Feb-12	2,092	1,008,153	490,703	234.56	48.7%
Mar-12	2,087	1,004,079	429,754	205.92	42.8%
Apr-12	2,048	983,024	542,506	264.90	55.2%
May-12	2,021	968,813	519,526	257.06	53.6%
Jun-12	1,964	958,002	448,492	228.36	46.8%
Jul-12	2,013	967,548	416,466	206.89	43.0%
Aug-12	1,979	950,252	489,288	247.24	51.5%
Sep-12	1,958	924,100	405,175	206.93	43.8%
Oct-12	1,936	919,699	561,423	289.99	61.0%
Nov-12	1,936	929,625	477,799	246.80	51.4%
Dec-12	1,903	923,026	389,104	204.47	42.2%
<b>Total</b>	<b>24,034</b>	<b>11,537,610</b>	<b>5,846,466</b>	<b>243.26</b>	<b>50.7%</b>

## Explanation, Support & Development of PPACA Fee Increases

The Patient Protection and Affordable Care Act (PPACA) includes several new taxes and fees which will increase health insurance costs and need to be reflected in premium. The two largest cost impacts both take effect with calendar year 2014 earned premiums.

Insurer Fee. This is a permanent fee that applies to fully insured coverage. This fee will fund tax credits for insurance coverage purchased on the exchanges. The total fee increases from \$8B in 2014 to \$14.3B in 2018 (indexed to premium for subsequent years.) Each insurance carrier's assessment will be based on net written health insurance premiums in the prior year, with certain exclusions. The Oliver Wyman report "Simulation of the Impact of the Annual Fees on Insurers Using 2011 Data", dated June 27, 2012, estimates that the denominator premiums to which this fee will be applied will be \$527.085 billion. The fee must then be grossed up for federal income tax, since the member fee is not a tax deductible expense. As a % of premium, the needed fee is  $\$8B \text{ Insurer Fee} / \$527.085 \text{ Net Industry Premiums} / 65\% \text{ FIT} = 2.3\%$ .

Reinsurance Assessment. This is a temporary fee that applies to all commercial groups (both fully insured and self-funded) from 2014 to 2016 for the purpose of funding the reinsurance pool for high cost claimants in the individual market during this three year transitional period. The total baseline amounts to be collected to fund this pool are \$12B in 2014, \$8B in 2015, and \$5B in 2016, and individual states can add to this baseline. Each insurance carrier will be assessed on a per capita basis. HHS has proposed a \$5.25 ppm assessment for 2014, or an estimated 1.2% of DC small group premiums.

The total needed PPACA fee increase is 3.5% (2.3% for Insurer Fee, plus 1.2% for Reinsurance Assessment).

The below details the calculation of the Insurer Fee and Reinsurance Assessment.

### Calculation of 2014 Fees Impact

#### Insurer Fee Impact Calculation

Insurer Fee in 2014 (Billions)	\$8
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Projected 2013 Health Insurance Premiums (Billions)*	\$527.085
<hr/>	
Insurer Fee as % of Health Insurance Premiums	1.5%
Gross Up by Federal Income Tax (35%)	2.3%

\*from Oliver Wyman Study published on June 27, 2012

#### Reinsurance Assessment Impact Calculation

Reinsurance Assessment Per Member Per Month - HHS Proposed	\$5.25
Reinsurance Fee as a Percent of Premium	1.2%

**DC Small Group Rate Review - Development of Experience Adjustment**

	OCI	UHIC	Total
<b>1. Experience 10/1/12-13</b>			
1a. Member Months	21,901	106,419	128,320
1b. Average Mbrs (1a/12)	1,825	8,868	10,693
1c. Incurred Claims	\$5,348,744	\$31,804,630	\$37,153,374
1d. Claim PMPM (1c/1a)	\$244.22	\$298.86	\$289.54
1e. Earned Premium	\$10,627,196	\$47,277,649	\$57,904,845
1f. Premium PMPM (1e/1a)	\$485.24	\$444.26	\$451.25
1g. Loss Ratio (1c/1e)	50.3%	67.3%	64.2%
<b>2. Needed Revenue for 7/1/14 Effective Date</b>			
2a. Claim trend	1.195	1.195	1.195
From center of experience period: 4/1/13 to center of 07/1/14 pricing period: 1/1/15 (21 months at 10.7% annual rate)			
2b. Claim cost subtotal (1d x 2a)	\$291.77	\$357.05	\$345.91
2c. Target loss ratio	80.0%	80.0%	80.0%
2d. Needed revenue PMPM (2b/2c)	\$364.62	\$446.20	\$432.27
2e. PPACA Fees	1.035	1.035	1.035
2f. Market Dropout, Early Term / Renewal	1.013	1.013	1.013
2g. Risk Adjustment	1.068	1.068	1.068
2h. Needed Revenue PMPM 7/1/14 eff (2d x 2e x 2f x 2g)	\$408.28	\$499.63	\$484.04
<b>3. Current Manual Rate 7/1/14</b>			
3a. Medical base rate 7/1/2014	\$439.15	\$478.53	\$471.81
3b. Average medical plan relativity	0.8653	0.8465	0.8497
3c. Medical pricing trend factor	1.052	1.052	1.052
<u>3d. Subtotal: Medical (3a x 3b x 3c)</u>	<u>\$399.76</u>	<u>\$426.15</u>	<u>\$421.65</u>
3e. Pharmacy base rate 7/1/2014	\$148.52	\$148.52	\$148.52
3f. Average Rx plan relativity	0.5670	0.4908	0.5038
3g. Rx pricing trend factor	1.052	1.052	1.052
<u>3h. Subtotal: Pharmacy (3e x 3f x 3g)</u>	<u>\$88.58</u>	<u>\$76.68</u>	<u>\$78.71</u>
<u>3i. Subtotal: Medical+Pharmacy (3d + 3h)</u>	<u>\$488.34</u>	<u>\$502.84</u>	<u>\$500.36</u>
3j. Age Factors	1.1809	1.0599	1.0805
3k. Number of Children Limit Adjustment	0.9930	0.9930	0.9930
3l. Current premium PMPM for 7/1/14 effective date (3i x 3j x 3k)	\$572.66	\$529.22	\$536.63
<b>4. Supportable Pricing Adjustment (2h / 3l -1)</b> (rate adjustment required to achieve 80.0% loss ratio)	<b>-28.7%</b>	<b>-5.6%</b>	<b>-9.8%</b>

DISTRICT OF COLUMBIA PRICING TREND DEVELOPMENT  
APRIL 2013 RATE FILING SUPPORT

SG PRICING TREND BY COMPONENT

<b>SMALL GROUP PRICING TREND BY COMPONENT</b>									
	Notes:	<u>Inpatient</u>	<u>Outpatient</u>	<u>Professional</u>	<u>Other</u>	<u>Capitation</u>	<u>Total Medical</u>	<u>Retail Pharmacy</u>	<u>Weighted Aggregate</u>
Total Proposed Pricing Trend	[6]	7.5%	12.7%	10.7%	11.0%	3.6%	10.4%	12.3%	10.7%
Utilization / Service Mix	[1] , [2]	0.1%	5.1%	4.4%	4.0%	0.0%	3.5%	4.2%	3.6%
Unit Cost	[3]	6.0%	5.4%	3.7%	4.7%	2.3%	4.8%	4.8%	4.8%
Benefit Leveraging	[4]	0.2%	0.7%	1.2%	0.9%	0.2%	0.8%	1.8%	0.9%
Margin		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<u>Demographic Change</u>	[5]	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Sub-Total Claims Trend		7.5%	12.7%	10.7%	11.0%	3.6%	10.4%	12.3%	10.7%
Management Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

- [1] Represents core utilization only, exclusive of demographic change impacts; includes expected impact of changes in business day content.
- [2] Represents expected changes in intensity of services provided.
- [3] Represents core unit pricing increases, exclusive of service mix / intenisty of services impact;
- [4] Impact of member cost-share leveraging on net claims cost trend.
- [5] Represents trend impact of age and gender changes; No provision included for Small Group business (age/gender community rating variable).
- [6] Pricing models do not distinguish between Primary and Specialty medical care; same trends shown for both.

**State:** District of Columbia **Filing Company:** Optimum Choice, Inc.  
**TOI/Sub-TOI:** HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO  
**Product Name:** DC-SG-OCI-2014-07  
**Project Name/Number:** /

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter All Filings
<b>Comments:</b>	
<b>Attachment(s):</b>	DC-SG-OCI-Cover-2014-02-27.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Certificate of Authority to File
<b>Bypass Reason:</b>	Not applicable.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	DC-SG-OCI-ActMemo-2014-02-27.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Justification
<b>Bypass Reason:</b>	See Actuarial Memorandum
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Bypass Reason:</b>	Not applicable
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Bypass Reason:</b>	Not applicable
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

**SERFF Tracking #:**

UHLC-129435839

**State Tracking #:****Company Tracking #:****State:**

District of Columbia

**Filing Company:**

Optimum Choice, Inc.

**TOI/Sub-TOI:**

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO

**Product Name:**

DC-SG-OCI-2014-07

**Project Name/Number:**

/

<b>Bypassed - Item:</b>	Consumer Disclosure Form
<b>Bypass Reason:</b>	Initial Filing
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Satisfied - Item:</b>	Actuarial Memorandum and Certifications
<b>Comments:</b>	
<b>Attachment(s):</b>	Part III-DC-OCI-2014-07 (2014-02-27).pdf
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Satisfied - Item:</b>	Unified Rate Review Template
<b>Comments:</b>	
<b>Attachment(s):</b>	DC-OCI-URRT-2014-07 (2-27-2014).xlsm
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Satisfied - Item:</b>	Rate Filing Exhibits
<b>Comments:</b>	
<b>Attachment(s):</b>	DCSG-OCI-2014-07-All Exhibits 2014-02-27.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

SERFF Tracking #:

UHLC-129435839

State Tracking #:

Company Tracking #:

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State:

District of Columbia

Filing Company:

Optimum Choice, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO

Product Name:

DC-SG-OCI-2014-07

Project Name/Number:

/

**Attachment DC-OCI-URRT-2014-07 (2-27-2014).xlsm is not a PDF document and cannot be reproduced here.**



185 Asylum Street, CT039-16B  
Hartford, CT 06103  
Phone 860-702-5540 Fax 860-702-5016  
E-Mail: boris\_gerber@uhc.com

February 27, 2014

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

Re: Optimum Choice, Inc.  
Small Group (2-50) Rate Filing

Dear Mr. Tanhehco:

This rate filing presents proposed premium rates effective July 1, 2014 through December 31, 2014 for medical and Rx benefit plans to be sold by the Optimum Choice, Inc. to small group employers. The benefit plans and rates are for non-grandfathered employers, and are for both on and off-exchange.

A. Company Name: Optimum Choice, Inc.

B. NAIC Company Code: 96940

C. Marketing Name of Products: HMO and HMP (or HMO plus, or OCI Preferred).

D. Date Filing Submitted: 2/27/2014

E. Proposed Effective Date: 7/1/2014

F. Type of Product: Medical and prescription drug HMO, offered both in-network only and in-network with out-of-network benefits.

G. Market: Small group.

H. Scope and Purpose of Filing: Filing for a 10% reduction to currently filed 2014 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter rates for small group plans meeting the requirements of the Patient Protection and Affordable Care Act (PPACA).

I. Initial Filing or Rate Change: Rate change to previously filed and approved rates.

J. Overall Premium Impact of Filing on DC Policyholders: A 10.0% rate reduction.

K. Contact Information: Boris Gerber, 860-702-5540, boris\_gerber@uhc.com.

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

Sincerely,

Boris P. Gerber, FSA, MAAA  
Actuary, UnitedHealthcare

**Actuarial Memorandum**  
**Optimum Choice, Inc., NAIC #96940**  
**DC Small Group Rate Filing**

February 27, 2014

This rate filing presents proposed premium rates effective July 1, 2014 through December 31, 2014 for medical and Rx benefit plans to be sold by Optimum Choice, Inc. to small group employers (employers with 50 or fewer eligible employees).

The benefit plans and rates are for non-grandfathered employers, and are for both on and off-exchange. The proposed rates and rate factors are in Exhibit 1. Benefit plan descriptions are in Exhibit 2, which also displays the metal level and actuarial value of each benefit plan. Rates are presented for 88 plans: 47 HMO and 41 HMP (or HMO-Plus, includes out-of-network benefits) plans.

Purpose of Filing. We are reducing our previously filed 3<sup>rd</sup> quarter 2014 and 4<sup>th</sup> quarter 2014 rates by 10.0%.

The 10% rate reduction is incorporated in each of our benefit plan price ratios. Please see Exhibit 3 for detail on the rate changes.

There are no other changes to our current approved rates.

A. Description of Benefits. Benefit plan descriptions are in Exhibit 2.

B. Issue Age Range. All ages.

C. Marketing Method. The products will be offered on the exchange, and also marketed through independent brokers and consultants.

D. Premium Basis. Member level rating.

E. Nature of Rate Change and Proposed Rate/Methodology Change. Lowering previously approved rates by 10.0%. No change to the rating methodology.

F. For Each Change, Indication if New or Modified. Lowering previously approved rates by 10.0%.

G. For Each Change, Comparison to Status Quo. Lowering previously approved rates by 10.0%.

H. Summary of How Each Proposed Modification Differs from Corresponding Current/Approved Rate/Methodology. Lowering previously approved rates by 10.0%.

I. Annual Rate Change for DC Policyholders. Lowering previously approved rates by 10.0%.

J. Base Period Experience. The base period experience represents all of UnitedHealthcare Insurance Company (UHIC) and Optimum Choice, Inc. (OCI) individual and small group business in the DC market. Note: UHIC and OCI do not market and have no Individual experience in DC. The base period claims experience is for 1/1/2012 through 12/31/2012 dates of service, for claims paid through March, 2013. The estimate included for claims incurred but not paid is \$121,252 for Optimum Choice, Inc. No adjustments have been made for large group pooling.

K. Projected Base Period Experience. All claims in the base period are believed to be for essential health benefits. The cost of additional required essential health benefits in 2014 is described in the

next section “L. Manual Rate Development”. The assumptions used to develop the requested trend increases are shown in Exhibit T. In addition to unit cost and utilization, deductible (or benefit) leveraging is utilized in the trend estimate. These factors are not utilized in the trend determination: future/new benefits and/or mandates, risk profile changes, aging of population, increased portion of pool from conversion policies, and changes in gender and other demographic characteristics. No adjustments have been made to the underlying demographics of the population expected to be insured.

L. Manual Rate Development. The base experience is shown in Exhibit A.

Based upon an evaluation of developing experience, we believe it is appropriate to reduce the current approved rates by 10%.

Trend: The assumptions used to develop the requested trend increases are shown in Exhibit T (no change from current approved filing).

PPACA Fees: The assumptions used to develop the requested PPACA fee increases are shown in Exhibit B (no change from current approved filing).

M. Credibility. The combined DC experience on our two small group licenses is assumed to be credible.

N. Projected Index Rate. There is no change to the index rate from our current approved filing. The index rate, prior to adjustment for payments and charges under the risk adjustment and transitional reinsurance programs, as defined by 45 CFR 156.80(d), is calculated and shown in the URRT. The index rate represents the average allowed claim cost per member per month for coverage of essential health benefits for the small group market. Allowed claims were used as the basis for developing the index rate.

O. Market-wide Adjustments to the Index Rate. There are no changes from our current approved filing.

P. Plan Level Adjustments to the Index Rate. Each benefit plan ratio is being reduced 10% from our current approved rate filing.

Q. Non-Benefit Expenses. The expenses assumed in the development of the proposed rates are as follows. These are the total average expenses for the two small group licenses. Except for the addition of PPACA fees, they are actual 2012 year average expenses that are expected to continue in the future.

<u>% of Premium</u>	<u>Expense Category</u>
4.5%	General administrative expenses
0.5%	Sales and marketing
3.5%	Commissions and broker fees
5.7%	Premium taxes and other taxes, licenses and fees (does not include FIT)
1.1%	Quality improvement and fraud detection
1.6%	Federal income taxes
<u>3.0%</u>	<u>Profit</u>
20.0%	Total

R. Filed Loss Ratio. The anticipated traditional loss ratio (incurred claims divided by premium) is 80.0%. The anticipated Federal MLR is 84.5%. The estimated Federal MLR adjustments are as follows:

5.6% Taxes, regulatory fees and assessments  
-1.2% GAAP Medical reclass to MLR SG&A  
1.1% QI/HIT Medical costs added  
0.1% Bad debt  
0.0% Credibility adjustment  
5.6% Total

S. Actuarial Certification.

I, Boris P. Gerber am an actuary of UnitedHealthcare and a member of the American Academy of Actuaries.

I certify that the projected index rate is in compliance with 45 CFR 156.80(d)(1) and developed in compliance with applicable ASOPs.

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. For plans designs that did not fit into the AV Calculator, included in the Part III Actuarial Memorandum is a description of the methodology and numerical values used to develop the AV metal values, and a certification as required by 45 CFR Part 156, §156.135.

I certify that the rates comply with all applicable District of Columbia and Federal laws and regulations.

I certify that the rates are reasonable in relation to the benefits provided, and are not excessive, deficient nor unfairly discriminatory.

I qualify my opinion to state that my certification is based on confirmation received from the District of Columbia (DC) Department of Insurance and Exchange at our telephonic meeting on June 24, 2013, where the Department and Exchange advised that DC is not merging the individual and small group markets for federal law purposes, such as, risk adjustment, transitional reinsurance, risk corridor, and medical loss ratio (among other federal requirements). And, specifically, confirmation from the Department and Exchange that when HHS applies the risk adjustment calculation that it will treat DC as a non-merged market and calculate risk score separately for individual and small group market in the DC market. If this is an inaccurate summary of confirmation received on June 24<sup>th</sup>, and that DC is in fact a merged market for federal law purposes (most notably risk adjustment), then please advise as soon as possible so that we can take appropriate steps towards revising this filing and certification accordingly.

I qualify my opinion to state that the Part I Unified Rate Review Template does not demonstrate the process used by UnitedHealthcare to develop the rates. This process is described in this submitted actuarial memorandum. 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.

Sincerely,



Boris P. Gerber, FSA, MAAA  
Actuary, UnitedHealthcare

Date: February 27, 2014

T. District of Columbia Loss Ratio Analysis.

- i. Evaluation Period: 1/1/2012 – 12/31/2012
- ii. Earned Premiums: See Exhibit A.
- iii. Claims: See Exhibit A.
- iv. Number of Claims: Not available.
- v. Loss Development Factors: See Exhibit C.
- vi. Loss Ratio Demonstrations: See Exhibit C.
- vii. Permissible Loss Ratio: 80% Federal MLR.
- viii. Credibility Analysis: We believe our DC experience is credible.
- ix. Determination of Overall Annual Rate Change: See section “L. Manual Rate Development”.

U. District of Columbia and Countrywide Experience.

- i. Earned Premium: See Exhibit A.
- ii. Number of policyholders: As of March, 2013: 194 group policyholders.
- iii. History of Rate Changes: 2.6% quarterly trend increase effective 4/1/14.

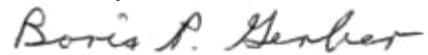
**List of exhibits included in rate filing:**

- Exhibit 1: Rates and rate factors.
- Exhibit 2: Benefit plan descriptions.
- Exhibit 3: Rate factor changes.
- Exhibit 4: Rating example.
- Exhibit A: Member months, earned premium & incurred claim experience.
- Exhibit B: Explanation, support & development of PPACA fees.
- Exhibit C: Base rate review & development of experience adjustment.
- Exhibit T: Trend assumptions and development.

Please keep these rates confidential to the extent allowed by DC law.

If you have questions, or need any further information, please do not hesitate to contact me.

Sincerely,



Boris P. Gerber, FSA, MAAA  
Actuary, UnitedHealthcare

Federal Rate Filing Justification Part III  
Actuarial Memorandum & Certification  
For Optimum Choice, Inc.

District of Columbia Rate Review

**Purpose:** The purpose of this actuarial memorandum is to provide information relevant to the Part I Health Uniform Rate Review Template (HURRT).

**Company Identifying Information:**

- **Company Legal Name:** Optimum Choice, Inc.
- **State:** District of Columbia
- **HIOS Issuer ID:** 75753
- **Market:** Small Group
- **Effective Date:** 7/1/2014

**Company Contact Information:**

- **Primary Contact Name:** Boris Gerber
- **Primary Contact Telephone Number:** 860-702-5540
- **Primary Contact Email Address:** boris\_gerber@uhc.com

**Proposed Rate Increase:** UnitedHealthcare is filing to reduce our previously filed and approved 3<sup>rd</sup> quarter 2014 and 4<sup>th</sup> quarter 2014 rates by 10.0%, based upon an evaluation of developing experience.

**Experience Period Premiums and Claims:**

- **Paid Through Date:** The experience period is 1/1/2012 to 12/31/2012 paid through 3/31/2013.
- **Premiums (net of MLR Rebate) in Experience Period:** Earned premiums for the experience period are given in Part I. The earned premiums are the sum total of the actual premiums in the experience period for each small group policy. Optimum Choice, Inc. anticipates paying \$800,000 in MLR rebates for 2012 premiums.
- **Allowed and Incurred Claims Incurred During the Experience Period:** Incurred claims were developed by first starting with actual claims paid through 3/31/13 by incurred date. To these paid claims estimates of incurred but not paid were added. Here is a description of the reserve methodology:

The UnitedHealthcare Reserving process utilizes the Reserve Production System (RPS) to record reserves into the PeopleSoft general ledger. Fee for service and paid claim data is loaded into RPS and becomes the basis for the monthly reserve calculations at the various business unit, location, and line of business levels. The assignment of the paid claims into RPS packages is based on the mapping rules maintained by the Corporate Actuarial department. RPS calculates a preliminary best estimate Incurred But Not Reported (IBNR) for each reserving model (package) primarily using standard completion factors based on historical claim experience. The Claims Reserving Team adjusts the preliminary IBNR based on specific knowledge of the entity (i.e.

catastrophic claims, pended claims, etc.) to calculate the final IBNR. In months where adjudicated claims experience is not complete enough for an estimate using completion factors, a seasonally adjusted PMPM is used to estimate incurred claims.

A description of the Sarbanes Oxley controls, audited by Deloitte & Touche, in place regarding the reserving process include:

- 1) Market Paid claim Tie-outs: To verify completeness and accuracy of financial data in RPS, paid claim data is tied out between source system (RPS) and PeopleSoft general ledger.
  - 2) Market Expense Tie-outs: RPS reserve changes on the income statement are tied to the PeopleSoft general ledger to ensure that information is accurate subsequent to computing the reserve.
- Allowed claims by benefit category were obtained from UnitedHealthcare claim paying system reports.

**Benefit Categories:**

**Inpatient Hospital**

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

**Outpatient Hospital**

- Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation, ambulance, home health care, DME, other services provided in an outpatient facility setting and billed by the facility.

**Professional**

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

**Pharmacy**

- Includes drugs dispensed by a pharmacy, not dispensed by facility (i.e. via inpatient, outpatient), and not physician administered drugs. This amount is net of rebates received from drug manufacturers.

**Capitation**

- Includes all MHCD services provided under capitated arrangement

**Other**

- Includes non-capitated, fee-for-service costs for physician procedures, inpatient stay, or and outpatient procedure related to Mental Health / Chemical Dependency (MHCD)

### **Projection Factors:**

- **Changes in the Morbidity of the Population Insured:** A 1.3% increase is included in the URRT to reflect the adjustment for overall changes to the small group marketplace in 2014.
- **Changes in Benefits:** 1.6% included in the URRT is the estimate of the cost of adding Essential Health Benefits developed using UnitedHealthcare national experience. No other benefit changes are assumed.
- **Changes in Demographics:** No changes in demographics are assumed. The HHS proposed age factors adopted by DC are used in rating.
- **Trend Factors:** United Healthcare Medical Expense Forecasting Process Overview & Considerations:

UnitedHealthcare develops forward-looking medical expense estimates based on a number of considerations. In general, recent/emerging claims experience is reviewed at the market level for several broad medical expense categories (inpatient, professional, pharmacy, etc.), with utilization, unit cost, benefit leveraging, and business mix identified for each category. Future trends are developed based on a projection of each component.

Utilization rates by category are measured and projected net of business mix (employer mix, benefit mix, demographic mix, etc.). Forward looking utilization levels are developed based on emerging market level data, supplemented by regional and/or national level utilization data. Macro-economic data is often used to develop assumptions regarding directional changes in national health care consumption rates.

Market-level unit cost projections are developed based on evaluations of current and anticipated provider contract economics, as well as consideration to both current and expected changes in non-contracted provider cost exposure. Unit cost projections also consider the estimated cost impact of new technologies, service availability/mandates, or other factors that might influence mix of procedures.

In addition, market-level healthcare affordability activities that are expected to impact forward-looking medical costs are recognized. Depending on the nature of individual initiatives, the impact may be recognized in one or more of the component cost items discussed above. Only incremental activities are recognized for this purpose in the expected trend impact for any particular period.

Business mix changes that influence medical cost trends are also reviewed and projected, with appropriate input from sales and underwriting staff. These factors include changing mix of employer groups, mix of benefits, and demographic changes. For the purposes of developing premium pricing trend projections, the component of trend attributable to business mix is excluded.

**Credibility Manual Rate Development:** The combined DC experience on our two small group licenses is assumed to be credible.

*DC Total Experience*

<b>Premiums (net of MLR Rebate) in Experience Period:</b>	\$	56,806,574
<b>Incurred Claims in Experience Period</b>	\$	37,174,516
<b>Allowed Claims:</b>	\$	44,186,505
<b>Index Rate of Experience Period</b>		329.24
<b>Experience Period Member Months</b>		134,209

**Paid to Allowed Ratio:** The paid to allowed average factor for the projection period is based on the actual paid to allowed in the experience period.

**Risk Adjustment and Reinsurance:**

- **Projected Risk Adjustments (PMPMs):** Based on an analysis done in conjunction with Wakely Consulting Group, based on an analysis of just the small employer market in DC, we estimate that we will be a 6.8% risk payer in total for our two licenses.
- **Projected ACA Reinsurance Recoveries Net of Reinsurance Premium:** This item is for the Individual and Combined Markets. Our rates are only for small groups within the combined DC market.

**Non-Benefit Expenses and Risk Margin:** The expenses assumed in the development of the proposed rates are as follows: The administrative expenses are the total average expenses for the two small group licenses. Except for the addition of PPACA fees, they are actual 2012 year average expenses that are expected to continue in the future.

% of Premium	Expense Category
9.7%	Admin Expenses
3.0%	Profit & Risk Load
<u>7.3%</u>	Taxes & Fees
20.0%	Total

**Projected Loss Ratio:** The projected loss ratio using federally prescribed MLR methodology is 84.5%.

**Index Rate:**

DC Small Group													
2014 Effective Dates	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Member Months	1,455	885	737	686	677	917	764	791	778	851	1,034	898	10,473
Allowed Claims PMPM 2012	329.24	329.24	329.24	329.24	329.24	329.24	329.24	329.24	329.24	329.24	329.24	329.24	329.24
Annual Trend Rate	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
Months of Trend	24	25	26	27	28	29	30	31	32	33	34	35	
Projected Allowed Claims	403.46	406.89	410.36	413.85	417.37	420.92	424.50	428.11	431.75	435.43	439.13	442.87	422.34
Base Index Rate	422.34												
Benefit Increase (EHB)	1.60%												
Subtotal	429.10												
Risk Adjustment	6.80%												
2014 Index Rate	<b>458.28</b>												

**AV Metal Values:** The below actuarial certification describes the methodology and the AV calculator input values used for the plan design features that do not fit into the parameters of the AV calculator.

Estimation of fit of plan design into the parameters of AV calculator									
Metallic Plan (f)	Medical Copays After Deductible		OP Copay		Rx Effective Coinsurance Estimation				Methodology
	ER Copays	Imaging (CT/PET Scans, MRIs)	Free Standing Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	Hospital Setting Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	Generics	Preferred Brand Drugs	Non-Preferred Brand Drugs	Specialty Drugs (i.e. high-cost)	
Bronze 1	-	-	-	-	70.08%	74.08%	69.67%	96.64%	a, e
Bronze 1-A	-	-	-	-	67.1%	67.1%	67.1%	67.1%	b
Bronze 2	-	-	-	-	70.08%	74.08%	69.67%	96.64%	a, e
Bronze 2-A	-	-	-	-	67.1%	67.1%	67.1%	67.1%	b
Bronze 3	-	-	-	-	70.08%	74.08%	69.67%	96.64%	a, e
Bronze 3-A	-	-	-	-	67.1%	67.1%	67.1%	67.1%	b
Silver 1	-	-	54.09% (c)	-	-	74.21%	71.01%	96.59%	a, c, d, e
Silver 1-A	-	-	54.09% (c)	-	61.10%	61.10%	61.10%	61.10%	b, c, d
Silver 2	-	-	-	-	71.35%	74.21%	71.01%	96.59%	a, e
Silver 2-A	-	-	-	-	67.10%	67.10%	67.10%	67.10%	b
Silver 3	-	-	-	-	71.35%	74.21%	71.01%	96.59%	a, e
Silver 3-A	-	-	-	-	67.10%	67.10%	67.10%	67.10%	b
Silver 4	-	-	-	-	71.35%	74.21%	71.01%	96.59%	a, e
Silver 4-A	-	-	-	-	67.10%	67.10%	67.10%	67.10%	b
Silver 5	-	-	-	-	71.35%	74.21%	71.01%	96.59%	a, e
Silver 5-A	-	-	-	-	67.10%	67.10%	67.10%	67.10%	b
Silver 7	-	-	63.1% (c)	-	-	74.21%	71.01%	96.59%	a, c, d, e
Silver 7-A	-	-	63.1% (c)	-	57.01%	57.01%	57.01%	57.01%	b, c, d
Silver 8	-	-	63.1% (c)	-	-	74.21%	71.01%	96.59%	a, c, d, e
Silver 8-A	-	-	63.1% (c)	-	61.10%	61.10%	61.10%	61.10%	b, c, d
Silver 9	-	-	72.12% (c)	-	-	74.21%	71.01%	96.59%	a, c, d, e
Silver 9-A	-	-	72.12% (c)	-	61.10%	61.10%	61.10%	61.10%	b, c, d
Silver 10	-	-	81.13% (c)	-	-	74.21%	71.01%	96.59%	a, c, d, e
Silver10-A	-	-	81.13% (c)	-	61.10%	61.10%	61.10%	61.10%	b, c, d
Gold 1	-	-	-	-	71.01%	75.58%	73.62%	96.51%	a, e
Gold 1-A	-	-	-	-	75.10%	75.10%	75.10%	75.10%	b
Gold 2	-	-	64.25% (c)	-	-	-	-	96.51%	b, c, d, e
Gold 2-A	-	-	64.25% (c)	-	75.08%	75.08%	75.08%	75.08%	b, c, d
Gold 3	-	-	73.43% (c)	-	71.01%	75.58%	73.62%	96.51%	a, c, d, e
Gold 3-A	-	-	73.43% (c)	-	70.46%	70.46%	70.46%	70.46%	b, c, d
Gold 4	-	-	72.12% (c)	-	71.01%	75.58%	73.62%	96.51%	a, c, d, e
Gold 4-A	-	-	72.12% (c)	-	64.91%	64.91%	64.91%	64.91%	b, c, d
Gold 5	-	-	85.57% (c)	-	71.01%	75.58%	73.62%	96.51%	a, c, d, e
Gold 5-A	-	-	85.57% (c)	-	75.08%	75.08%	75.08%	75.08%	b, c, d
Gold 6	-	-	85.57% (c)	-	71.01%	75.58%	73.62%	96.51%	a, c, d, e
Gold 6-A	-	-	85.57% (c)	-	75.08%	75.08%	75.08%	75.08%	b, c, d
Gold 7	86.72% (a)	-	-	-	71.01%	75.58%	73.62%	96.51%	a, e
Gold 7-A	-	-	-	-	75.08%	75.08%	75.08%	75.08%	a
Gold 8	-	63.47% (a)	-	73.43% (c)	-	-	-	96.51%	a, b, c, d, e
Gold 8-A	-	63.47% (a)	-	73.43% (c)	75.08%	75.08%	75.08%	75.08%	a, b, c, d
Gold 9	-	63.47% (a)	-	82.61% (c)	-	-	-	96.51%	a, b, c, d, e
Gold 9-A	-	63.47% (a)	-	82.61% (c)	75.08%	75.08%	75.08%	75.08%	a, b, c, d
Gold 10	-	63.47% (a)	-	73.43% (c)	-	-	-	96.51%	a, b, c, d, e
Gold 10-A	-	63.47% (a)	-	73.43% (c)	75.08%	75.08%	75.08%	75.08%	a, b, c, d
Platinum 1	-	63.47% (a)	-	91.79% (c)	-	-	-	95.82%	a, b, c, d, e
Platinum 2	-	-	95.07% (c)	90.15% (c)	71.89%	77.39%	73.88%	95.82%	a, b, c, d, e
Platinum 3	-	-	-	-	57.94%	85.87%	82.58%	95.82%	a, e
Platinum 4	-	-	-	95.07% (c)	-	-	-	95.82%	b, c, d, e
Platinum 5	-	-	96.72% (c)	90.15% (c)	57.94%	85.87%	82.58%	95.82%	a, c, d, e
Platinum 6	-	-	97.54% (c)	95.07% (c)	-	-	-	95.82%	b, c, d, e

**Methodology**

- a) From Row 50 of AV Calculator's Users Guide: "If "Subject to Deductible" is checked and a copay is entered, the enrollee pays both the copay and the remainder of the cost, with the latter going towards the deductible." For the plans that have copays after deductible, the effective co-insurance is estimated using Actuarial Value Calculator's Unit Cost per Visit determined from the continuance table.
- b) Actuarial Value Calculator does not support Rx benefit with coinsurance and per script max, so company's pharmacy data was used to blend Rx tiered benefits and to estimate effective co-insurance factor.
- c) Actuarial Value Calculator does not support outpatient copay, company's data was used to estimate effective co-insurance factor.
- d) Actuarial Value is the blend of Free-Standing and Hospital setting run, where Free Standing and Hospital Setting utilization are 45% and 55%, respectively.
- e) Specialty Rx: Multiple cost sharing levels are combined into a composite level using HHS tool unit cost to different tiers.
- f) See Exhibit 2 for plan benefit description, and for tie-in to benefit plan name and schedule of benefits form number.
- g) Gold 4/A: Actuarial value is the blend of estimated 63.5% of members who will utilize premium designated provider and 36.5% of members who will utilize non-premium designated provider.

**Certification**

For plan design features that do not fit into the parameters of the AV Calculator, I certify that both the methodology and the calculated estimated values are in accordance with generally accepted actuarial principles and methodologies.

*Boris P. Gerber*

Boris P. Gerber, FSA, MAAA

**AV Pricing Values:** The fixed reference plan selected as the basis for the AV Pricing Values is medical plan E5Q/V9F with Rx plan ZU. 100% of the AV Pricing Value is attributable to the cost-sharing design of the plans.

**Membership Projections:** Membership is projected to continue at the current February, 2013 level.

**Note on Standard Component IDs (SCIDs) in URRT:** The benefit plan SCIDs indicated in the URRT submitted with our 1/1/2014 rate filing did not match the SCIDs used in the



- a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- b. Developed in compliance with the applicable Actuarial Standards of Practice,
- c. Reasonable in relation to the benefits provided and the population anticipated to be covered, and
- d. 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 percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.

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 plans designs that did not fit into the AV Calculator, included in this Part III Actuarial Memorandum is a description of the methodology and numerical values used to develop the AV metal values, and a certification as required by 45 CFR Part 156, §156.135.

I qualify my opinion to state that the Part I Unified Rate Review Template does not demonstrate the process used by UnitedHealthcare to develop the rates. This process is described in detail in my state submitted actuarial memorandum. 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.

Sincerely,



Boris P. Gerber, FSA, MAAA  
Actuary, UnitedHealthcare  
185 Asylum Street, CT039-16B  
Hartford, CT 06103  
Phone 860-702-5540 Fax 860-702-5016

Date: 2/27/2014

**Rate Factors**

(1) Index Rate: \$458.28

(2) Benefit Plan Ratios

HMO Plans						
Product	Plan Name			Metal Level	Actuarial Value	Plan Ratio
	Medical		Rx			
	Exchange					
	Off	On				
HMO	C4N	VM9	ZV	Platinum	88.2%	0.86024
HMO	EY3	V75	ZU	Platinum	90.7%	0.90780
HMO	E45	V87	YM	Platinum	88.5%	0.87573
HMO	E49	V89	ZR	Platinum	88.5%	0.87076
HMO	E5P	V9E	ZU	Platinum	91.9%	0.92684
HMO	EYY	V73	ZV	Platinum	89.0%	0.87301
HMO-HSA	DW8	VZW	A0	Gold	78.5%	0.65142
HMO-HSA	DW8	VZW	YM	Gold	78.4%	0.64845
HMO-HSA	DW6	VZY	A0	Gold	78.1%	0.72637
HMO-HSA	DW6	VZY	YM	Gold	78.0%	0.72340
HMO	EZO	V79	A0	Gold	79.5%	0.74832
HMO	EZO	V79	YM	Gold	78.8%	0.74033
HMO	EZ5	V8N	C0	Gold	79.1%	0.73126
HMO	EZ5	V8N	ZT	Gold	78.9%	0.73630
HMO	E0T	V8T	A0	Gold	78.9%	0.73263
HMO	E0T	V8T	YM	Gold	78.3%	0.72463
HMO	EY9	V77	A0	Gold	81.4%	0.76753
HMO	EY9	V77	YM	Gold	80.9%	0.75954
HMO	EZY	V8L	B0	Gold	78.1%	0.72936
HMO	EZY	V8L	ZS	Gold	78.7%	0.72326
HMO	E02	V8V	A0	Gold	81.6%	0.77988
HMO	E02	V8V	YM	Gold	81.1%	0.77188
HMO	E0L	V8R	A0	Gold	79.7%	0.76710
HMO	E0L	V8R	ZR	Gold	79.1%	0.75208
HMO	E0E	V8P	A0	Gold	79.9%	0.76564
HMO	E0E	V8P	ZS	Gold	78.5%	0.74470
HMO-HSA	DX1	VZR	YM	Silver	70.2%	0.56457
HMO-HSA	DX1	VZR	ZX	Silver	69.7%	0.56107
HMO-HSA	DX8	VZ1	YM	Silver	70.4%	0.57246
HMO-HSA	DX8	VZ1	ZX	Silver	69.3%	0.56896
HMO-HSA	DYG	VZ2	YM	Silver	71.0%	0.57555
HMO-HSA	DYG	VZ2	ZX	Silver	70.1%	0.57205
HMO-HSA	DYR	VZ5	YM	Silver	69.1%	0.55591
HMO-HSA	DYR	VZ5	ZX	Silver	68.3%	0.55241
HMO	E08	V8X	ZT	Silver	70.8%	0.64489
HMO	E08	V8X	ZY	Silver	69.9%	0.62774
HMO	E2Q	V81	D0	Silver	71.5%	0.63639
HMO	E2Y	V83	ZT	Silver	70.0%	0.64069
HMO	E2Y	V83	ZY	Silver	70.0%	0.62354
HMO	E3Y	V85	ZT	Silver	70.5%	0.64704
HMO	E3Y	V85	ZY	Silver	69.0%	0.62989
HMO	E2I	V8Y	ZT	Silver	70.5%	0.64910
HMO	E2I	V8Y	ZY	Silver	68.4%	0.63194
HMO	E2Q	V81	ZZ	Silver	69.2%	0.61993
HMO-HSA	DW1	VZT	ZX	Bronze	60.6%	0.47326
HMO-HSA	DW3	VZU	ZX	Bronze	61.2%	0.47712
HMO-HSA	DW5	VZV	ZX	Bronze	59.0%	0.53277

HMP Plans						
Product	Plan Name			Metal Level	Actuarial Value	Plan Ratio
	Medical		Rx			
	Exchange					
	Off	On				
HMP	C4M	VM8	ZV	Platinum	88.2%	0.87928
HMP	EYZ	V74	ZU	Platinum	89.0%	0.89200
HMP	EY4	V76	ZU	Platinum	90.7%	0.92699
HMP	E46	V88	YM	Platinum	88.5%	0.89289
HMP	E5M	V9D	ZR	Platinum	88.5%	0.88648
HMP	E5Q	V9F	ZU	Platinum	91.9%	0.94589
HMP-HSA	DW9	VZX	A0	Gold	78.5%	0.67185
HMP-HSA	DW9	VZX	YM	Gold	78.4%	0.66888
HMP-HSA	DXQ	VZZ	A0	Gold	78.1%	0.74860
HMP-HSA	DXQ	VZZ	YM	Gold	78.0%	0.74563
HMP	EZQ	V8K	YM	Gold	78.8%	0.75731
HMP	EZ7	V8O	C0	Gold	79.1%	0.74876
HMP	EZ7	V8O	ZT	Gold	78.9%	0.75380
HMP	E0V	V8U	A0	Gold	78.9%	0.75002
HMP	E0V	V8U	YM	Gold	78.3%	0.74203
HMP	EZF	V78	YM	Gold	80.9%	0.77692
HMP	EZF	V78	A0	Gold	81.4%	0.78491
HMP	EZQ	V8K	A0	Gold	79.5%	0.76530
HMP	EZZ	V8M	B0	Gold	78.1%	0.74657
HMP	EZZ	V8M	ZS	Gold	78.7%	0.74048
HMP	E04	V8W	A0	Gold	81.6%	0.79728
HMP	E04	V8W	YM	Gold	81.1%	0.78929
HMP	E0N	V8S	A0	Gold	79.7%	0.78465
HMP	E0N	V8S	ZR	Gold	79.1%	0.76963
HMP	E0G	V8Q	A0	Gold	79.9%	0.78297
HMP	E0G	V8Q	ZS	Gold	78.5%	0.76203
HMP-HSA	DXZ	VZS	YM	Silver	70.2%	0.58114
HMP-HSA	DXZ	VZS	ZX	Silver	69.7%	0.57764
HMP-HSA	DYH	VZ3	YM	Silver	71.0%	0.59271
HMP-HSA	DYH	VZ3	ZX	Silver	70.1%	0.58921
HMP-HSA	DX6	VZ4	YM	Silver	70.4%	0.59032
HMP-HSA	DX6	VZ4	ZX	Silver	69.3%	0.58682
HMP-HSA	DYO	VZ6	YM	Silver	69.1%	0.57292
HMP-HSA	DYO	VZ6	ZX	Silver	68.3%	0.56942
HMP	E2S	V82	D0	Silver	71.5%	0.65064
HMP	E25	V84	ZT	Silver	70.0%	0.65488
HMP	E2K	V8Z	ZT	Silver	70.5%	0.66424
HMP	E2K	V8Z	ZY	Silver	68.4%	0.64709
HMP	E41	V86	ZT	Silver	70.5%	0.66168
HMP	E41	V86	ZY	Silver	69.0%	0.64453
HMP	E2S	V82	ZZ	Silver	69.2%	0.63419

(3) Trend Factors

Effective Quarter	Factor
3rd Quarter, 2014	1.052
4th Quarter, 2014	1.079

(4) Age Factors

Age	Factor	Age	Factor	Age	Factor
0-20	0.654	32	0.817	44	1.137
21	0.727	33	0.836	45	1.181
22	0.727	34	0.856	46	1.227
23	0.727	35	0.876	47	1.275
24	0.727	36	0.896	48	1.325
25	0.727	37	0.916	49	1.377
26	0.727	38	0.927	50	1.431
27	0.727	39	0.938	51	1.487
28	0.744	40	0.975	52	1.545
29	0.760	41	1.013	53	1.605
30	0.779	42	1.053	54	1.668
31	0.799	43	1.094	55	1.733
				64 & older	2.181



Product	Plan Name		Metal Level	Medical Schedule of Benefits Form #	Rx Schedule of Benefits Form #	Act'l Value	In-Network					Out-of-Network					Copayments					Medical Deduct. Type	Rx													
	Medical Exchange						Deductible	Coins	OOP Maximum		Deductible	Coins	OOP Maximum		PCP	SCP	UC	ER	OP Surgery		IP		Deduct. Type	Deduct.	Tier 1	Tier 2	Tier 2 Spec.	Tier 3	Tier 3 Spec.							
	Off	On							Indiv.	Family			Indiv.	Family					Indiv.	Family										Indiv.	Family	Free-St.	Hospital			
HMP	EZZ	V8M	B0	Gold 3-A	GO3.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	78.1%	\$1,000	\$2,000	80%	\$4,000	\$8,000	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$250								Emb	Sep	\$100	\$10	20% to \$100	40% to \$300		
HMP	EZZ	V8M	ZS	Gold 3	GO3.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	78.7%	\$1,000	\$2,000	80%	\$4,000	\$8,000	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$250								Emb	Sep	\$100	\$10	\$40	\$100	\$75	\$300
HMP	E04	V8W	A0	Gold 9-A	GO9.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	81.6%	\$1,000	\$2,000	90%	\$3,000	\$6,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$20	\$40										Emb	Sep	\$10	20% to \$100	40% to \$300			
HMP	E04	V8W	YM	Gold 9	GO9.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	81.1%	\$1,000	\$2,000	90%	\$3,000	\$6,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$20	\$40										Emb	Sep	\$10	\$40	\$100	\$75	\$300	
HMP	E0N	V8S	A0	Gold 6-A	GO6.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	79.7%	\$1,500	\$3,000	90%	\$4,000	\$8,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$15	\$30	\$75	\$150								Emb	Sep	\$10	20% to \$100	40% to \$300			
HMP	E0N	V8S	ZR	Gold 6	GO6.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	79.1%	\$1,500	\$3,000	90%	\$4,000	\$8,000	\$2,000	\$4,000	70%	\$6,000	\$12,000	\$15	\$30	\$75	\$150								Emb	Sep	\$50	\$10	\$40	\$100	\$75	\$300
HMP	E0G	V8Q	A0	Gold 5-A	GO5.SBN.OCI.POS.14.DC	102040.RDR.RXSBN.PLS.OCI.14.DC.SB	79.9%	\$1,300	\$2,600	90%	\$3,250	\$6,500	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$150								Emb	Sep	\$10	20% to \$100	40% to \$300			
HMP	E0G	V8Q	ZS	Gold 5	GO5.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	78.5%	\$1,300	\$2,600	90%	\$3,250	\$6,500	\$2,000	\$4,000	60%	\$6,000	\$12,000	\$25	\$50	\$75	\$150								Emb	Sep	\$100	\$10	\$40	\$100	\$75	\$300
HMP-HSA	DXZ	VZS	YM	Silver 2	SL2.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	70.2%	\$2,000	\$4,000	70%	\$4,000	\$8,000	\$3,000	\$6,000	50%	\$10,000	\$20,000												NonEmb	Comb	\$10	\$40	\$100	\$75	\$300	
HMP-HSA	DXZ	VZS	ZX	Silver 2-A	SL2.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.7%	\$2,000	\$4,000	70%	\$4,000	\$8,000	\$3,000	\$6,000	50%	\$10,000	\$20,000												NonEmb	Comb	\$15	30% to \$100	50% to \$300			
HMP-HSA	DYH	VZ3	YM	Silver 4	SL4.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	71.0%	\$1,500	\$3,000	80%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000												NonEmb	Comb	\$10	\$40	\$100	\$75	\$300	
HMP-HSA	DYH	VZ3	ZX	Silver 4-A	SL4.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	70.1%	\$1,500	\$3,000	80%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000											NonEmb	Comb	\$15	30% to \$100	50% to \$300				
HMP-HSA	DX6	VZ4	YM	Silver 3	SL3.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	70.4%	\$2,000	\$4,000	90%	\$6,000	\$12,000	\$3,000	\$6,000	70%	\$10,000	\$20,000											NonEmb	Comb	\$10	\$40	\$100	\$75	\$300		
HMP-HSA	DX6	VZ4	ZX	Silver 3-A	SL3.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.3%	\$2,000	\$4,000	90%	\$6,000	\$12,000	\$3,000	\$6,000	70%	\$10,000	\$20,000											NonEmb	Comb	\$15	30% to \$100	50% to \$300				
HMP-HSA	DYO	VZ6	YM	Silver 5	SL5.SBN.OCI.POS.14.DC	104075.RDR.RXSBN.PLS.OCI.14.DC.SB	69.1%	\$1,500	\$3,000	70%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000											NonEmb	Comb	\$10	\$40	\$100	\$75	\$300		
HMP-HSA	DYO	VZ6	ZX	Silver 5-A	SL5.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	68.3%	\$1,500	\$3,000	70%	\$6,000	\$12,000	\$3,000	\$6,000	60%	\$10,000	\$20,000											NonEmb	Comb	\$15	30% to \$100	50% to \$300				
HMP	E2S	V82	D0	Silver 7	SL7.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	71.5%	\$1,500	\$3,000	70%	\$6,250	\$12,500	\$4,000	\$8,000	50%	\$10,000	\$20,000	\$40	\$80	\$100	\$300								Emb	Sep	\$500	\$10	\$40	\$100	\$75	\$300
HMP	E2S	V84	ZT	Silver 8	SL8.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	70.0%	\$2,000	\$4,000	70%	\$6,250	\$12,500	\$4,000	\$8,000	50%	\$10,000	\$20,000	\$40	\$80	\$100	\$300								Emb	Sep	\$250	\$10	\$40	\$100	\$75	\$300
HMP	E2K	V8Z	ZT	Silver 10	SL10.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	70.5%	\$3,000	\$6,000	90%	\$6,250	\$12,500	\$4,000	\$8,000	70%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$10	\$40	\$100	\$75	\$300
HMP	E2K	V8Z	ZY	Silver 10-A	SL10.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	68.4%	\$3,000	\$6,000	90%	\$6,250	\$12,500	\$4,000	\$8,000	70%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$15	30% to \$100	50% to \$300		
HMP	E41	V86	ZT	Silver 9	SL9.SBN.OCI.POS.14.DC	104075.D.RDR.RXSBN.PLS.OCI.14.DC.SB	70.5%	\$2,500	\$5,000	80%	\$6,250	\$12,500	\$4,000	\$8,000	60%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$10	\$40	\$100	\$75	\$300
HMP	E41	V86	ZY	Silver 9-A	SL9.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.0%	\$2,500	\$5,000	80%	\$6,250	\$12,500	\$4,000	\$8,000	60%	\$10,000	\$20,000	\$35	\$70	\$100	\$300								Emb	Sep	\$250	\$15	30% to \$100	50% to \$300		
HMP	E2S	V82	ZZ	Silver 7-A	SL7.SBN.OCI.POS.14.DC	153050.RDR.RXSBN.PLS.OCI.14.DC.SB	69.2%	\$1,500	\$3,000	70%	\$6,250	\$12,500	\$4,000	\$8,000	50%	\$10,000	\$20,000	\$40	\$80	\$100	\$300								Emb	Sep	\$500	\$15	30% to \$100	50% to \$300		

**Rate Changes - Plan Ratios (from Exhibit 1)**

Product	Plan Name		Plan Ratio		% Chg
	Off	On	Current	Proposed	
HMO	C4N	VM9	0.95581	0.86024	-10.0%
HMO	EY3	V75	1.00866	0.90780	-10.0%
HMO	E45	V87	0.97303	0.87573	-10.0%
HMO	E49	V89	0.96749	0.87076	-10.0%
HMO	E5P	V9E	1.02981	0.92684	-10.0%
HMO	EYY	V73	0.97000	0.87301	-10.0%
HMO-HSA	DW8	VZW	0.72379	0.65142	-10.0%
HMO-HSA	DW8	VZW	0.72050	0.64845	-10.0%
HMO-HSA	DW6	VZY	0.80706	0.72637	-10.0%
HMO-HSA	DW6	VZY	0.80377	0.72340	-10.0%
HMO	EZO	V79	0.83146	0.74832	-10.0%
HMO	EZO	V79	0.82258	0.74033	-10.0%
HMO	EZ5	V8N	0.81249	0.73126	-10.0%
HMO	EZ5	V8N	0.81810	0.73630	-10.0%
HMO	E0T	V8T	0.81402	0.73263	-10.0%
HMO	E0T	V8T	0.80514	0.72463	-10.0%
HMO	EY9	V77	0.85280	0.76753	-10.0%
HMO	EY9	V77	0.84392	0.75954	-10.0%
HMO	EZY	V8L	0.81038	0.72936	-10.0%
HMO	EZY	V8L	0.80361	0.72326	-10.0%
HMO	E02	V8V	0.86652	0.77988	-10.0%
HMO	E02	V8V	0.85764	0.77188	-10.0%
HMO	E0L	V8R	0.85232	0.76710	-10.0%
HMO	E0L	V8R	0.83562	0.75208	-10.0%
HMO	E0E	V8P	0.85070	0.76564	-10.0%
HMO	E0E	V8P	0.82744	0.74470	-10.0%
HMO-HSA	DX1	VZR	0.62730	0.56457	-10.0%
HMO-HSA	DX1	VZR	0.62340	0.56107	-10.0%
HMO-HSA	DX8	VZ1	0.63605	0.57246	-10.0%
HMO-HSA	DX8	VZ1	0.63217	0.56896	-10.0%
HMO-HSA	DYG	VZ2	0.63948	0.57555	-10.0%
HMO-HSA	DYG	VZ2	0.63559	0.57205	-10.0%
HMO-HSA	DYR	VZ5	0.61768	0.55591	-10.0%
HMO-HSA	DYR	VZ5	0.61377	0.55241	-10.0%
HMO	E08	V8X	0.71655	0.64489	-10.0%
HMO	E08	V8X	0.69748	0.62774	-10.0%
HMO	E2Q	V81	0.70708	0.63639	-10.0%
HMO	E2Y	V83	0.71188	0.64069	-10.0%
HMO	E2Y	V83	0.69281	0.62354	-10.0%
HMO	E3Y	V85	0.71893	0.64704	-10.0%
HMO	E3Y	V85	0.69986	0.62989	-10.0%
HMO	E2I	V8Y	0.72122	0.64910	-10.0%
HMO	E2I	V8Y	0.70215	0.63194	-10.0%
HMO	E2Q	V81	0.68881	0.61993	-10.0%
HMO-HSA	DW1	VZT	0.52584	0.47326	-10.0%
HMO-HSA	DW3	VZU	0.53013	0.47712	-10.0%
HMO-HSA	DW5	VZV	0.59195	0.53277	-10.0%

Product	Plan Name		Plan Ratio		% Chg
	Off	On	Current	Proposed	
HMP	C4M	VM8	0.97696	0.87928	-10.0%
HMP	EYZ	V74	0.99110	0.89200	-10.0%
HMP	EY4	V76	1.02998	0.92699	-10.0%
HMP	E46	V88	0.99208	0.89289	-10.0%
HMP	E5M	V9D	0.98497	0.88648	-10.0%
HMP	E5Q	V9F	1.05097	0.94589	-10.0%
HMP-HSA	DW9	VZX	0.74649	0.67185	-10.0%
HMP-HSA	DW9	VZX	0.74319	0.66888	-10.0%
HMP-HSA	DXQ	VZZ	0.83178	0.74860	-10.0%
HMP-HSA	DXQ	VZZ	0.82847	0.74563	-10.0%
HMP	EZQ	V8K	0.84145	0.75731	-10.0%
HMP	EZ7	V8O	0.83194	0.74876	-10.0%
HMP	EZ7	V8O	0.83754	0.75380	-10.0%
HMP	E0V	V8U	0.83336	0.75002	-10.0%
HMP	E0V	V8U	0.82447	0.74203	-10.0%
HMP	EZF	V78	0.86323	0.77692	-10.0%
HMP	EZF	V78	0.87211	0.78491	-10.0%
HMP	EZQ	V8K	0.85033	0.76530	-10.0%
HMP	EZZ	V8M	0.82951	0.74657	-10.0%
HMP	EZZ	V8M	0.82275	0.74048	-10.0%
HMP	E04	V8W	0.88586	0.79728	-10.0%
HMP	E04	V8W	0.87697	0.78929	-10.0%
HMP	E0N	V8S	0.87183	0.78465	-10.0%
HMP	E0N	V8S	0.85513	0.76963	-10.0%
HMP	E0G	V8Q	0.86995	0.78297	-10.0%
HMP	E0G	V8Q	0.84669	0.76203	-10.0%
HMP-HSA	DXZ	VZS	0.64570	0.58114	-10.0%
HMP-HSA	DXZ	VZS	0.64181	0.57764	-10.0%
HMP-HSA	DYH	VZ3	0.65855	0.59271	-10.0%
HMP-HSA	DYH	VZ3	0.65467	0.58921	-10.0%
HMP-HSA	DX6	VZ4	0.65591	0.59032	-10.0%
HMP-HSA	DX6	VZ4	0.65202	0.58682	-10.0%
HMP-HSA	DYO	VZ6	0.63658	0.57292	-10.0%
HMP-HSA	DYO	VZ6	0.63269	0.56942	-10.0%
HMP	E2S	V82	0.72292	0.65064	-10.0%
HMP	E25	V84	0.72763	0.65488	-10.0%
HMP	E2K	V8Z	0.73804	0.66424	-10.0%
HMP	E2K	V8Z	0.71899	0.64709	-10.0%
HMP	E41	V86	0.73518	0.66168	-10.0%
HMP	E41	V86	0.71613	0.64453	-10.0%
HMP	E2S	V82	0.70466	0.63419	-10.0%

**Formula & Example**

Exhibit 4

**Rate Calculation Formula**

Monthly premium =

- Index Rate
- x Plan Ratio
- x Trend factor for plan effective or renewal date
- x Sum of member age factors for the group

**Rating Example**

Benefit Plan: EPO plan EZ5 with Rx C0

Effective Date: 7/1/14

Census:

	<u>Member Ages</u>				<u>Age Factors</u>			
	<u>EE Age</u>	<u>Spouse Age</u>	<u>Child #1</u>	<u>Child #2</u>	<u>EE</u>	<u>Spouse</u>	<u>Child #1</u>	<u>Child #2</u>
EE #1	43	41	10	15	1.094	1.013	0.654	0.654
EE #2	35	36	5	9	0.876	0.896	0.654	0.654
EE #3	53	55	19		1.605	1.733	0.654	

Total Members: 11

Sum of Age Factors: 10.487

**Rate Calculation**

	<u>Rating Factor</u>	<u>Exhibit 1 Location</u>
\$458.28	Index Rate	(1)
0.73126	Plan Ratio (EZ5)	(2)
1.052	Trend Factor (3Q14)	(3)
10.487	Group Age Factor	(4)
<u>\$3,697.17</u>		
Total Monthly Premium		

**Member Months, Earned Premium & Incurred Claim Experience - OCI**

Month	<u>Members</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Claim PMPM</u>	<u>Loss Ratio</u>
Jan-12	2,097	1,001,289	676,230	322.47	67.5%
Feb-12	2,092	1,008,153	490,703	234.56	48.7%
Mar-12	2,087	1,004,079	429,754	205.92	42.8%
Apr-12	2,048	983,024	542,506	264.90	55.2%
May-12	2,021	968,813	519,526	257.06	53.6%
Jun-12	1,964	958,002	448,492	228.36	46.8%
Jul-12	2,013	967,548	416,466	206.89	43.0%
Aug-12	1,979	950,252	489,288	247.24	51.5%
Sep-12	1,958	924,100	405,175	206.93	43.8%
Oct-12	1,936	919,699	561,423	289.99	61.0%
Nov-12	1,936	929,625	477,799	246.80	51.4%
Dec-12	1,903	923,026	389,104	204.47	42.2%
<b>Total</b>	<b>24,034</b>	<b>11,537,610</b>	<b>5,846,466</b>	<b>243.26</b>	<b>50.7%</b>

## Explanation, Support & Development of PPACA Fee Increases

The Patient Protection and Affordable Care Act (PPACA) includes several new taxes and fees which will increase health insurance costs and need to be reflected in premium. The two largest cost impacts both take effect with calendar year 2014 earned premiums.

Insurer Fee. This is a permanent fee that applies to fully insured coverage. This fee will fund tax credits for insurance coverage purchased on the exchanges. The total fee increases from \$8B in 2014 to \$14.3B in 2018 (indexed to premium for subsequent years.) Each insurance carrier's assessment will be based on net written health insurance premiums in the prior year, with certain exclusions. The Oliver Wyman report "Simulation of the Impact of the Annual Fees on Insurers Using 2011 Data", dated June 27, 2012, estimates that the denominator premiums to which this fee will be applied will be \$527.085 billion. The fee must then be grossed up for federal income tax, since the member fee is not a tax deductible expense. As a % of premium, the needed fee is  $\$8B \text{ Insurer Fee} / \$527.085 \text{ Net Industry Premiums} / 65\% \text{ FIT} = 2.3\%$ .

Reinsurance Assessment. This is a temporary fee that applies to all commercial groups (both fully insured and self-funded) from 2014 to 2016 for the purpose of funding the reinsurance pool for high cost claimants in the individual market during this three year transitional period. The total baseline amounts to be collected to fund this pool are \$12B in 2014, \$8B in 2015, and \$5B in 2016, and individual states can add to this baseline. Each insurance carrier will be assessed on a per capita basis. HHS has proposed a \$5.25 ppm assessment for 2014, or an estimated 1.2% of DC small group premiums.

The total needed PPACA fee increase is 3.5% (2.3% for Insurer Fee, plus 1.2% for Reinsurance Assessment).

The below details the calculation of the Insurer Fee and Reinsurance Assessment.

### Calculation of 2014 Fees Impact

#### Insurer Fee Impact Calculation

<u>Insurer Fee in 2014 (Billions)</u>	<u>\$8</u>
<u>Projected 2013 Health Insurance Premiums (Billions)*</u>	<u>\$527.085</u>
Insurer Fee as % of Health Insurance Premiums	1.5%
Gross Up by Federal Income Tax (35%)	2.3%

\*from Oliver Wyman Study published on June 27, 2012

#### Reinsurance Assessment Impact Calculation

Reinsurance Assessment Per Member Per Month - HHS Proposed	\$5.25
Reinsurance Fee as a Percent of Premium	1.2%

**DC Small Group Rate Review - Development of Experience Adjustment**

	OCI	UHIC	Total
<b>1. Experience 10/1/12-13</b>			
1a. Member Months	21,901	106,419	128,320
1b. Average Mbrs (1a/12)	1,825	8,868	10,693
1c. Incurred Claims	\$5,348,744	\$31,804,630	\$37,153,374
1d. Claim PMPM (1c/1a)	\$244.22	\$298.86	\$289.54
1e. Earned Premium	\$10,627,196	\$47,277,649	\$57,904,845
1f. Premium PMPM (1e/1a)	\$485.24	\$444.26	\$451.25
1g. Loss Ratio (1c/1e)	50.3%	67.3%	64.2%
<b>2. Needed Revenue for 7/1/14 Effective Date</b>			
2a. Claim trend	1.195	1.195	1.195
From center of experience period: 4/1/13 to center of 07/1/14 pricing period: 1/1/15 (21 months at 10.7% annual rate)			
2b. Claim cost subtotal (1d x 2a)	\$291.77	\$357.05	\$345.91
2c. Target loss ratio	80.0%	80.0%	80.0%
2d. Needed revenue PMPM (2b/2c)	\$364.62	\$446.20	\$432.27
2e. PPACA Fees	1.035	1.035	1.035
2f. Market Dropout, Early Term / Renewal	1.013	1.013	1.013
2g. Risk Adjustment	1.068	1.068	1.068
2h. Needed Revenue PMPM 7/1/14 eff (2d x 2e x 2f x 2g)	\$408.28	\$499.63	\$484.04
<b>3. Current Manual Rate 7/1/14</b>			
3a. Medical base rate 7/1/2014	\$439.15	\$478.53	\$471.81
3b. Average medical plan relativity	0.8653	0.8465	0.8497
3c. Medical pricing trend factor	1.052	1.052	1.052
<u>3d. Subtotal: Medical (3a x 3b x 3c)</u>	<u>\$399.76</u>	<u>\$426.15</u>	<u>\$421.65</u>
3e. Pharmacy base rate 7/1/2014	\$148.52	\$148.52	\$148.52
3f. Average Rx plan relativity	0.5670	0.4908	0.5038
3g. Rx pricing trend factor	1.052	1.052	1.052
<u>3h. Subtotal: Pharmacy (3e x 3f x 3g)</u>	<u>\$88.58</u>	<u>\$76.68</u>	<u>\$78.71</u>
<u>3i. Subtotal: Medical+Pharmacy (3d + 3h)</u>	<u>\$488.34</u>	<u>\$502.84</u>	<u>\$500.36</u>
3j. Age Factors	1.1809	1.0599	1.0805
3k. Number of Children Limit Adjustment	0.9930	0.9930	0.9930
3l. Current premium PMPM for 7/1/14 effective date (3i x 3j x 3k)	\$572.66	\$529.22	\$536.63
<b>4. Supportable Pricing Adjustment (2h / 3l -1)</b> (rate adjustment required to achieve 80.0% loss ratio)	<b>-28.7%</b>	<b>-5.6%</b>	<b>-9.8%</b>

DISTRICT OF COLUMBIA PRICING TREND DEVELOPMENT  
APRIL 2013 RATE FILING SUPPORT

SG PRICING TREND BY COMPONENT

<b>SMALL GROUP PRICING TREND BY COMPONENT</b>									
	Notes:	<u>Inpatient</u>	<u>Outpatient</u>	<u>Professional</u>	<u>Other</u>	<u>Capitation</u>	Total <u>Medical</u>	Retail <u>Pharmacy</u>	Weighted <u>Aggregate</u>
Total Proposed Pricing Trend	[6]	7.5%	12.7%	10.7%	11.0%	3.6%	10.4%	12.3%	10.7%
Utilization / Service Mix	[1] , [2]	0.1%	5.1%	4.4%	4.0%	0.0%	3.5%	4.2%	3.6%
Unit Cost	[3]	6.0%	5.4%	3.7%	4.7%	2.3%	4.8%	4.8%	4.8%
Benefit Leveraging	[4]	0.2%	0.7%	1.2%	0.9%	0.2%	0.8%	1.8%	0.9%
Margin		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<u>Demographic Change</u>	[5]	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Sub-Total Claims Trend		7.5%	12.7%	10.7%	11.0%	3.6%	10.4%	12.3%	10.7%
Management Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

- [1] Represents core utilization only, exclusive of demographic change impacts; includes expected impact of changes in business day content.
- [2] Represents expected changes in intensity of services provided.
- [3] Represents core unit pricing increases, exclusive of service mix / intenisty of services impact;
- [4] Impact of member cost-share leveraging on net claims cost trend.
- [5] Represents trend impact of age and gender changes; No provision included for Small Group business (age/gender community rating variable).
- [6] Pricing models do not distinguish between Primary and Specialty medical care; same trends shown for both.