Part III Actuarial Memorandum

Piedmont Community HealthCare, Inc.
Individual Rate Filing
Effective January 1, 2017

Prepared for:
Piedmont Community HealthCare, Inc.

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The following table summarizes the exhibits included in this document. Some exhibits may span multiple pages.

EXHIBIT 1. GENERAL INFORMATION

Document Overview

This document contains the Part III Actuarial Memorandum for Piedmont Community HealthCare, Inc.'s (PCHC) individual block of business, effective January 1, 2017. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

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

This Actuarial Memorandum supports the monthly premium rates and rating variables for PCHC's Preferred Provider Organization (PPO) Accountable Care Act (ACA) individual products made effective or renewing in calendar year (CY) 2017. These plans are guaranteed renewable with no issue age limit.

The combination of this Actuarial Memorandum, Unified Rate Review Template, Forms 130A and 130B, and the Virginia rate template serves to satisfy the requirements of the Virginia Administrative Code Title 14, Agency 5, Chapter 130 (14VAC5-130), specifically Section 70 (14VAC5-130-70).

The scope of the rate revision is described briefly above and in more detail throughout this Actuarial Memorandum. The reason for this rate revision is to incorporate more recent claims and administrative costs experience, along with the most recent forecast of medical and prescription drug trend rates.

This information is intended for use by the Commonwealth of Virginia Bureau of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of PCHC's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

Company Identifying Information

Company Legal Name: Piedmont Community HealthCare, Inc.
State: The Commonwealth of Virginia has regulatory authority over these policies.
HIOS Issuer ID: 15668
Market: Individual
Effective Date: January 1, 2017

Company Contact Information

Primary Contact Name: Ashleigh Shipe
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EXHIBIT 2. PROPOSED RATE INCREASE(S)

Table 2.1 summarizes proposed rate increases by product effective January 1, 2017. The following are significant factors driving the proposed rate increases discussed below.

Table 2.1
Piedmont Community HealthCare, Inc.
Breakdown of Proposed Rate Increase

Description	Value
Average 2016 Premium PMPM	$414.99
Medical & Pharmacy Trend Change Factor	1.063
Change in Plan Mix	0.993
Benefit Leveraging	1.027
Tobacco Change Factor	0.999
Age/Gender Change Factor	1.044
Medical Management Change Factor	1.000
Administrative Costs Change Factor	0.996
Taxes & Fees Change Factor	1.025
Profit Change Factor	1.012
Risk Adjustment	0.970
Reinsurance	1.041
Other Change Factor (see "Other" section below)	1.060
Average 2017 Premium PMPM	$518.46
Overall Rate Increase	**24.9%**

Medical and Prescription Drug Inflation & Utilization Trend

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical or prescription drug utilization. Below are the percentage increases for these changes.

Table 2.2
Piedmont Community HealthCare, Inc.
Unit Cost and Utilization Trend Assumptions

Service Type	Inflation	Utilization	Total
Inpatient Hospital	4.5%	1.0%	5.5%
Outpatient Hospital	7.8%	2.0%	10.0%
Professional	0.5%	1.5%	2.0%
Other Medical	6.4%	1.5%	8.0%
Capitation	0.0%	0.0%	0.0%
Prescription Drug	9.8%	2.0%	12.0%

New Taxes, Fees and Administrative Expenses

Changes to the overall premium level are needed because of required changes in federal/state taxes and fees. In addition, there are anticipated changes in the administrative expenses and commission arrangements. The following is a list of any anticipated changes and comments regarding the adjustment:

Table 2.3
Piedmont Community HealthCare, Inc.
Anticipated Non-Benefit Expenses Changes

Item	Prior Year Value	Effective Year Value	Reason for Adjustment
Insurer Fee	$3.52	$0.00	The health insurance provider fee is no longer applicable in 2017.
Administrative Expenses	10.0%	9.3%	PCHC is responsible for 10% of net premium after taxes, fees, commissions, and reinsurance recoveries.
Target Post-Tax Profit	0.0%	1.5%	PCHC added 2.25% in target pre-tax profit for 2017, which results in 1.46% net post-tax.
Federal Income Tax	0.0%	0.8%	FIT is a consequence of imposing profit for 2017.

EXHIBIT 2. PROPOSED RATE INCREASE(S)

Prospective Benefit Changes

Effective January 1, 2017 benefits have changed based on state requirements and new Actuarial Value Calculator testing. The following are a list of the benefit changes:

Catastrophic 7150 - 15668VA0130029
Deductible changed from $6850 in 2016 to $7150 in 2017.
Out-of-Pocket Max changed from $6850 in 2016 to $7150 in 2017.

Gold Preferred 950/35/60 - 15668VA0130031
Medical deductible changed from $750 in 2016 to $950 in 2017.
Rx deductible changed from $200 in 2016 to $250 in 2017.
Out-of-Pocket Max changed from $4500 in 2016 to $5000 in 2017.
Medical coinsurance changed from 30% in 2016 to 20% in 2017.
Primary Care Physician copay changed from $40 in 2016 to $35 in 2017.
Mental Health/Substance Abuse office copay changed from $40 in 2016 to $35 in 2017.
Emergency Room coinsurance changed from 40% after deductible in 2016 to 30% after deductible in 2017.
Tier 2 Rx copay changed from $30 after deductible in 2016 to $40 after deductible in 2017.

Gold Preferred 1250/35/50 - 15668VA0130033
Medical deductible changed from $1000 in 2016 to $1250 in 2017.
Out-of-Pocket Max changed from $5500 in 2016 to $4650 in 2017.
Emergency Room coinsurance changed from 20% after deductible in 2016 to 30% after deductible in 2017.
Tier 2 Rx copay changed from $30 after deductible in 2016 to $35 after deductible in 2017.

Silver Preferred 2900/40/60 - 15668VA0130035
Medical deductible changed from $2500 in 2016 to $2900 in 2017.
Out-of-Pocket Max changed from $6350 in 2016 to $7150 in 2017.
Primary Care Physician copay changed from $35 in 2016 to $40 in 2017.
Mental Health/Substance Abuse office copay changed from $35 in 2016 to $40 in 2017.
Emergency Room coinsurance changed from 20% after deductible in 2016 to 30% after deductible in

Silver Preferred 3800/40/60 - 15668VA0130037
Medical deductible changed from $3400 in 2016 to $3800 in 2017.
Out-of-Pocket Max changed from $5400 in 2016 to $6000 in 2017.
Primary Care Physician copay changed from $35 in 2016 to $40 in 2017.
Mental Health/Substance Abuse office copay changed from $35 in 2016 to $40 in 2017.
Emergency Room coinsurance changed from 20% after deductible in 2016 to 30% after deductible in 2017.

Bronze 5250 - 15668VA0130039
Combined Medical/Rx deductible changed from $4850 in 2016 to $5250 in 2017.
Out-of-Pocket Max changed from $6850 in 2016 to $7150 in 2017.
Primary Care Physician copay for visits 1-3 changed from $ in 2016 to $45 in 2017.
Mental Health/Substance Abuse office copay for visits 1-3 changed from $ in 2016 to $45 in 2017.
Medical coinsurance for all services other than DME/Prosthetics changed from 35% in 2016 to 40% in 2017.
Rx coinsurance changed from 35% in 2016 to 40% in 2017.

Bronze 6200 - 15668VA0130041
Combined Medical/Rx deductible changed from $5800 in 2016 to $6200 in 2017.
Out-of-Pocket Max changed from $6850 in 2016 to $7150 in 2017.
Primary Care Physician copay for visits 1-3 changed from $40 in 2016 to $45 in 2017.
Mental Health/Substance Abuse office copay for visits 1-3 changed from $40 in 2016 to $45 in 2017.
Medical coinsurance changed from 25% in 2016 to 30% in 2017.
Rx coinsurance changed from 25% in 2016 to 30% in 2017.

Bronze HSA 5000 - 15668VA0130043
Combined Medical/Rx deductible changed from $4750 in 2016 to $5000 in 2017.
Out-of-Pocket Max changed from $6450 in 2016 to $6650 in 2017.
Medical coinsurance changed from 25% in 2016 to 30% in 2017.
Rx coinsurance changed from 25% in 2016 to 30% in 2017.

EXHIBIT 2. PROPOSED RATE INCREASE(S)

Prospective Benefit Changes (Continued)

Bronze HSA 6000 - 15668VA0130045
Combined Medical/Rx deductible changed from $5500 in 2016 to $6000 in 2017.
Out-of-Pocket Max changed from $6450 in 2016 to $6650 in 2017.
Medical coinsurance changed from 15% in 2016 to 20% in 2017.
Rx coinsurance changed from 15% in 2016 to 20% in 2017.

Silver Basic 2450 - 15668VA0130047
Medical deductible changed from $2250 in 2016 to $2450 in 2017.
Out-of-Pocket Max changed from $6850 in 2016 to $7150 in 2017.
Primary Care Physician copay for visits 1-3 changed from $35 in 2016 to $40 in 2017.
Mental Health/Substance Abuse office copay for visits 1-3 changed from $35 in 2016 to $40 in 2017.

Note that the benefit adjustment was calculated on a PMPM basis; therefore, the premium adjustment varies by plan.

Federal Transitional Reinsurance Program Changes

The federal transitional reinsurance program is a temporary program that ends in 2016. Since this program is not expected to continue in 2017, we assume that reinsurance contributions and reinsurance recoveries will be zero. Changes in the benefit levels of the reinsurance recoveries will only impact the individual market, while the changes in the reinsurance contribution levels will impact both the individual and small group markets.

Elimination of the reinsurance contribution results in a decrease to premium rates. Elimination of the reinsurance benefit results in an increase in premium rates for the Individual market. Overall, PCHC expects the elimination of the reinsurance benefit to be more impactful.

Other

The main driver is the adverse claims experience and morbidity between the projected 2016 claims and the actual 2015 experience. The 2016 projected claims were based on a manual rate using PCHC's small group transitional and small group 50-100 claims. The actual 2015 individual PPO claims are showing a higher than expected morbidity than the underlying manual rate.

Rate Increases by Plan

The following table summarizes proposed rates increase(s) by plan:

Table 2.4
Piedmont Community HealthCare, Inc.
Summary of Age 21 Non-Smoker Proposed Rate Increases

Product	2016 Rate	2017 Rate	Rate Increase
Catastrophic 7150	$193.51	$203.52	5.2%
Gold Preferred 950/35/60	$326.35	$381.07	16.8%
Gold Preferred 1250/35/50	$326.89	$380.26	16.3%
Silver Preferred 2900/40/60	$272.37	$321.16	17.9%
Silver Preferred 3800/40/60	$267.40	$317.48	18.7%
Bronze 5250	$212.78	$258.62	21.5%
Bronze 6200	$207.90	$251.29	20.9%
Bronze HSA 5000	$214.10	$261.03	21.9%
Bronze HSA 6000	$213.58	$260.55	22.0%
Silver Basic 2450	$258.26	$311.46	20.6%
Silver Standard 3500/30/65	N/A	$319.68	N/A
Bronze Standard 6650	N/A	$244.97	N/A

Rate increases vary by plan due to a combination of factors including shifts in benefit relativities, benefit richness, and non-benefit expense allocation.

EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows PCHC's earned premium and incurred and paid claims for the period of 1/1/2015 through 12/31/2015, with claims paid through 2/29/2016.

Premiums (net of MLR Rebate) in Experience Period

The premiums earned during the experience and as reported on Worksheet 1, Section I of the URRT are from PCHC's audited financial statements for CY2015.

Method for Determining Paid Claims

Claims Incurred during the 12-month experience period: Worksheet 1, Section I shows our best estimate of the amount of claims that were incurred during the 12-month experience period. This section separately indicates:
• Paid Claims incurred in 2015 and paid through February 2016, and
• Our best estimate of claims incurred but not paid as of the Paid Through Date stated above.

Table 3.1
Piedmont Community HealthCare, Inc.
2015 Summary of Paid Claims

Paid Claim Type	
Paid Claims (Incurred in 2015 paid through February 2016)	$10,710,373
Incurred but not Paid	$73,436
Total	$10,783,809

The total incurred claims, in Table 3.1, do not tie to Worksheet 1, Section 1 of the URRT. The difference between the two is due to estimated cost share reduction (CSR) payments estimated to be made to PCHC.

Method for Determining Allowed Claims

Allowed claims were calculated as the sum of paid claims, network access fees, member coinsurance, and member deductible. The allowed claims are then adjusted for incurred but not reported (IBNR) reserves as described later.

Method for Determining Incurred But Not Reported Paid Claims

Incurred claims were calculated by applying a completion factor to the paid claims from the experience period. The completion factors were developed using the lag development method. The completion factors for paid and allowed claims are the same.

Method for Determining Paid Cost Sharing

Paid member cost sharing was determined by subtracting paid claims from allowed claims.

EXHIBIT 4. BENEFIT CATEGORIES

PCHC provided 12 months of PPO incurred claims data from January 2015 through December 2015 and paid through February 2016, i.e., with two months of runout. We assigned the experience data utilization and cost information to benefit categories as shown in Worksheet 1, Section II of the Part 1 URRT based on the Milliman Health Cost Guidelines (HCGs) place and type of service using a detailed claims mapping algorithm summarized as follows:

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 and 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.

Other Medical

Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.

Capitation

Not applicable for PCHC.

Prescription Drug

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

EXHIBIT 5. PROJECTION FACTORS

This section includes a description of each factor used to project the experience period allowed claims to the projection period, and supporting information related to the development of those factors.

Adjustments Made to the Data

2015 Allowed Claims	$518.04
Adjustments from Experience to Projection Period	
Trend from 2015 to 2017	1.158
Rx Rebates	0.980
Demographic Mix	0.989
Tobacco Mix	0.999
Medical Management Programs	0.990
Benefit Richness Factor	0.991
Silver Benefit Richness Factor	1.001
Claims (Paid to Allowed) vs Benefit Richness (Paid to Allowed)	1.040
Remove Catastrophic Incidental Claim	0.974
Total Adjustments	1.116
2017 Projected Allowed Claims PMPM	$577.96

Trend Factors (Cost/Utilization)

This development of the CY2017 rates reflects an annual trend rate of 7.6%, which was developed using the following data source and methodology:

The trends were developed using the combination of PCHC's historical experience and the guidance from the Milliman Health Cost Guidelines unit cost and unit price trends for inpatient, outpatient, physician, other, and prescription drugs. As part of the trend development process, we reviewed 48 months of historical claims data for PCHC's block of commercial group business. The group block of business was used as a proxy since we did not have enough historical individual experience.

See Exhibit 2.2 for breakdown of trend by major service category.

Changes in Demographics

The demographics and tobacco mix were adjusted based on the emerging 2016 individual PPO enrollment through February.

Changes in the Morbidity of the Population Insured

We did not include any additional morbidity adjustments, as we believe that the underlying PCHC individual experience adequately reflects the morbidity of the population.

EXHIBIT 5. PROJECTION FACTORS

Changes in Medical Management

Below are a list of Medical Management / Utilization Management programs that have been implemented by PCHC:

- Formalized disease management programs for diabetes, Chronic Heart Failure, and Chronic Obstructive Pulmonary Disease
- Routine auditing of claims $30,000 or higher
- Additional prior authorization for prescription drugs
- Additional evidence-based medicine guidance

We do not believe that the underlying claims reflect the extent to which these programs have been implemented.

Benefit Richness Factor

The 2017 plan designs are expected to be slightly less rich than the plans in the underlying experience period. In addtion, the mix between the silver members eligible for the Cost Sharing Reduction ("CSR") plans is slightly richer than the experience period. An additional adjustment was made to reconcile the difference between the theoretical paid used in pricing compared to the actual 2015 paid claims by PCHC.

Other Adjustments

The underlying PCHC PPO individual claims had a large number of high dollar claimants (15) relative to its enrollment (2,300). We adjusted the experience period claims by $350,000 to reflect claims that occurred in the experience period are not expected to continue into the projection period.

EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

Not applicable. PCHC's experience in the base period is fully credible, for the purposes of the rate projection.

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

Description of the Credibility Method Used

PCHC had 26,606 member months enrolled in their individual block of business in CY2015. The CMS guidelines used for Medicare Advantage/Prescription Drug Plans (MA/PD) were used to determine the credibility of the experience. These guidelines specify 24,000 member months as 100% credible for medical and specify the following formula for determination of partial credibility:

(n / 24,000)^(1/2) for medical
(n / 18,000)^(1/2) for prescription drugs

where n = member months in the experience period.

Since prescription drug and medical coverage are both covered, and medical services make up a significantly larger portion of the costs, the above medical formula was used for the determination of partial credibility. The use of the CMS MA/PD credibility is appropriate given that both MA/PD and Commercial cover similar benefit categories.

Resulting Credibility Level Assigned to the Base Period Experience

The credibility assigned to the base period experience is 100%.

EXHIBIT 8. PAID TO ALLOWED RATIO

The following table provides support for the average projected paid-to-allowed ratio. The average projected allowed and incurred PMPM reflects the member month weighted average from Worksheet 2, Section IV of the URRT. The average projected paid-to-allowed ratio is consistent with Worksheet 1, Section III of the URRT.

Table 8.1
Piedmont Community HealthCare, Inc.
Paid to Allowed Average Factor Support Exhibit

	Worksheet 1, Section III	Worksheet 2, Section IV
Allowed Per Member Per Month	$577.89	$577.47
Paid Per Member Per Month	$425.33	$390.30
Average Paid to Allowed Ratio	73.6%	67.6%

The average factor from Worksheet 1 shown above was developed based on the projection of the average mix of plans sold. The Worksheet 2 factor shown above was measured using the projected Allowed PMPMs by plan from Worksheet 2 and the Actuarial Value calculated using the Federal AV Calculator model.

There is a significant difference between the pricing actuarial values shown on worksheet 1 section III compared to the average Actuarial Value Calculator ("AVC") paid to allowed ratio as demonstrated in table 8.1. The pricing actuarial values are based on PCHC's area, membership, and allowed claims estimate, while the AVC is based on national average area, memberhsip, and allowed claims.

EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

The following methodology was used to estimate final risk adjustment transfers for CY2015:

		2015 Risk
	$364.32	Statewide Average Premium PMPM[1]
Adjustments without Risk Selection	**Plan - 2015[a]**	**Statewide - 2015[b]**
Metallic Level Actuarial Value[2]	0.675	0.685
Allowable Rating Factor[3]	1.656	1.545
Induced Demand Factor[4]	1.023	1.027
Geographic Cost Factor[5]	0.766	0.882
Adjustment Factor without Risk Selection	0.876	0.959
Expected Plan Premium PMPM without Risk Selection	$332.65	
Adjustments with Risk Selection	**Plan - 2015[a]**	**Statewide - 2015[b]**
Risk Score[6]	1.695	1.539
Induced Demand Factor	1.023	1.027
Geographic Cost Factor	0.766	0.882
Adjustment Factor with Risk Selection	1.328	1.394
Expected Plan Premium PMPM with Risk Selection	$347.16	
Transfer Payment from (to) Plan		
PMPM	$14.51	
MemberMonths[7]	27,116	
Single Risk Pool Composite Risk Adjustment		
Transfer Payment from (to) Plan	$393,502	

Caveats

[1]https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/RI-RA-Report-Draft-6-30-15.pdf. We assumed an average premium increase of 7% over the 2014 rates.

[2a]Piedmont's Actuarial Value was calculated as the average of the AV Metal Value from the 2015 URRT weighted by the enrollment from the Edge Server Data.

[2b] The enrollment for each metal tier is weighted by the following Actuarial Values: Platinum = 90%, Gold = 80%, Silver = 70%, Bronze= 60%, Catastrophic = 57%. The source of 2015 ACA Enrollment by Metal Level can be found here: http://data.healthcare.gov.

[3a]Piedmont's Allowable Rating Factor was taken from the Edge Server Data.

[3b] The Statewide Allowable Rating Factors were calculated as a weighted average of the CMS Age Rating Factors and the 2015 Enrollment by Age Band. The source of 2015 ACA Enrollment by Age Band can be found here: http://data.healthcare.gov.

[4a]Piedmont's Induced Demand Factor was developed as a weighted average of the CMS Induced Demand factors for each metal tier and the 2015 Enrollment from the Edge Server Data.

[4b] The Statewide Induced Demand Factor was developed as a weighted average of the CMS Induced Demand factors for each metal tier and the total 2015 Enrollment for the state of Virginia. The source of 2015 ACA Enrollment by Metal Level can be found here: http://data.healthcare.gov

[5a]Piedmont's Geographic Cost Factor was developed as a weighted average of the Virginia specific Area Factors from the Milliman Health Cost Guidelines and the Piedmont 2015 Membership in the Edge Server data.

[5b] The Statewide Geographic Cost Factors were developed as a weighted average of the Virginia specific Area Factors from the Milliman Health Cost Guidelines and the total 2015 Membership for Virginia. The source of 2015 ACA Enrollment by Area Factors

[6a]Piedmont's Average Risk Score was calculated as the average risk score from the Edge Server data grossed up for completion.

[6b]The statewide Average risk score began with the overall risk score from 2014 applying a membership change factor based on 2014 vs. 2015 membership mix and 2014 HHS risk scores by age from the Milliman Health Cost Guidelines.

[7] Piedmont's 2015 ACA Membership was taken from the Edge Server data

Projected Risk Adjustments PMPM

We have based our projected risk adjustment on our CY2015 experience. We believe this gives us the best estimate for CY2017 given the limited amount of data available to project both PCHC's 2017 risk score and the Virginia statewide average risk score.

The anticipated risk transfer payments, net of risk adjustment fees assumed to be $0.13 PMPM for CY2017, are applied to the Index Rate as a market level adjustment. The overall impact of projected net risk adjustment transfers is a premium decrease of $14.38 PMPM, which is applied as a market level adjustment of -$19.55 PMPM.

PCHC's average risk is projected to be over the state average risk level. As a result, premium levels have been set at the anticipated state average risk level with the expectation that a portion of this premium will be received from those carriers with lower risk levels.

Experience Period ACA Reinsurance Recoveries Net of Reinsurance Premium

The following methodology was used to estimate final reinsurance receivables for CY2015:

CY2015 reinsurance recoveries were calculated at the member level. Members for whom the carrier's total paid claims obligation, including IBNR, were identified as being greater than the CY2015 federal reinsurance attachment point of $45,000 were identified. As specified in the HHS federal reinsurance calculation formula for CY2015, 50% coinsurance was then applied to the member claims between this attachment point and the CY2015 reinsurance limit of $250,000. This resulted in a reinsurance recovery estimate of $28.59 PMPM. The CY2015 reinsurance contribution of $3.67 PMPM was netted against this amount for a total net receivable of $24.92 PMPM.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The federal transitional reinsurance program is a temporary program that ends in 2016. Since this program is not expected to continue in 2017, we assume that reinsurance contributions and reinsurance recoveries will be zero. As a result, we did not project any federal transitional reinsurance contributions or recoveries for 2017.

EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

The following table summarizes retention components included in rate development.

Table 10.1
Piedmont Community HealthCare, Inc.
Illustration of Administrative Expenses by URRT, Worksheet 1 Category

Retention Description	PMPM	% Premium	Basis	Annotation
Administrative Expense Load				
General Admin	$48.43	9.34%	% of Premium	(1)
Commission	$15.08	2.91%	PMPM	(2)
Commercial Reinsurance Recoveries	($7.13)	-1.37%	PMPM	(3)
Commercial Reinsurance Premiums	$9.50	1.83%	PMPM	(4)
Subtotal: Administrative Expense Load	$65.88	12.71%		(5) = (1) + (2) + (3) + (4)
Profit and Risk Load				
Target Post-Tax Profit	$7.58	1.46%	PMPM	(6)
Subtotal: Profit and Risk Load	$7.58	1.46%		(7) = (6)
Taxes and Fees				
Premium Tax	$11.67	2.25%	% Premium	(8)
Comparative Effectiveness Research Fee	$0.19	0.04%	PMPM	(9)
Virginia Maintenance Assessment Fee	$0.13	0.03%	% Premium	(10)
Exchange Fee	$18.15	3.50%	% Premium	(11)
Federal Income Tax	$4.08	0.79%	% Premium	(12)
Subtotal: Taxes and Fees	$34.21	6.60%		(13) = (8) + (9) + (10) +
Total Retention	**$107.68**	**20.77%**		**(14) = (5) + (7) + (13)**

General administrative expenses were developed based on actual expenses for CY2015 and budgeted expenses for CY2017. 2017 commissions rates are $9 per member per month (PMPM) for renewing contracts and $18 PMPM for new contracts for an average of $15.08 PMPM.

The 2.25% pre-tax profit and risk charge was applied to all products and plans.

EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio is 84.8%. This loss ratio is calculated consistently with the MLR methodology according to the National Association of Insurance Commissioners as prescribed by 211 CMR 147.00. The following table demonstrates PCHC's premium development and MLR calculation using rounded values.

The following table summarizes the calculation for the projected federal medical loss ratio:

Table 11.1
Piedmont Community HealthCare, Inc.
Projected Federal Medical Loss Ratio

	2017
Member Months	30,492
MLR Numerator Calculations	
Paid Claims PMPM	$425.16
Claim-Related Retention (QI/Health IT) PMPM	$0.00
Prior Rebate	$0.00
Change in Reserve	$0.00
Risk Adjustment Paid (Received) PMPM	-$14.51
Transitional Reinsurance Recoveries (Received) PMPM	$0.00
Risk Corridors Paid (Received)	$0.00
MLR Numerator Calculations	**$410.65**
MLR Denominator Calculations	
Premium PMPM	$518.46
Premium-Related Retention (Taxes & Fees) PMPM	$34.34
MLR Denominator	**$484.12**
Medical Loss Ratio	**84.8%**
Credibility Adjustment	**0.0%**
Cost Share Adjustment Factor	**100.0%**
Adjusted Medical Loss Ratio	**84.8%**

This exceeds the minimum loss ratio required by 14VAC5-130-65 (A)(8) of 75% for all health insurance coverage issued in the individual market.

EXHIBIT 12. SINGLE RISK POOL

PCHC rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the Commonwealth of Virginia individual health insurance market.

EXHIBIT 13. INDEX RATE

The index rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period index rate reflects the actual mixture of smoker/non-smoker population, area factors, catastrophic/non-catastrophic enrollment, and the actual mixture of risk morbidity that PCHC received in the Single Risk Pool during the experience period. Note that there were additional benefits offered beyond the EHB benefits. The experience Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The experience period Index Rate is equal to the experience period total allowed claims PMPM minus the total non-EHB allowed claims PMPM.

Time Period	Index Rate[1]
Experience Period (CY 2015)	$507.10
Projection Period (CY 2017)	$577.96

[1] Reflects allowed claims for EHB benefits only.

The index rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected index rate reflects the projected CY2017 mixture of smoker/non-smoker population, area factors, catastrophic/non-catastrophic enrollment, and the projected mixture of risk morbidity that PCHC expects to receive in the Single Risk Pool. Note that there were additional benefits offered beyond the EHB benefits. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment program or for Marketplace user fees.

The projected Index Rate is equal to the projected total allowed claims PMPM minus the total non-EHB allowed claims PMPM.

The projected index rate shown in Section III of Worksheet 1 of the URRT is $577.96.

Table 13.1
Piedmont Community HealthCare, Inc.
Projection Period Index Rate Development

Description	Experience
2015 Allowed Claims PMPM	$518.04
Single Risk Pool Adjustments	
Trend from 2015 to 2017	1.158
Rx Rebates	0.980
Demographic Mix	0.989
Tobacco Mix	0.999
Medical Management Programs	0.990
Benefit Richness Factor	0.991
Silver Benefit Richness Factor	1.001
Claims (Paid to Allowed) vs Benefit Richness (Paid to Allowed)	1.040
Remove Catastrophic Incidental Claim	0.974
Adjusted Allowed Claims PMPM	$577.96
Credibility	100.00%
Projection Period Allowed Claims PMPM	$577.96
Non-EHB Allowed Claims	$0.47
Projection Period Index Rate PMPM	**$577.49**

EXHIBIT 14. MARKET ADJUSTED INDEX RATES

The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate.

Table 14.1
Piedmont Community HealthCare, Inc.
Market Adjusted Index Rate Development

2017 Index Rate PMPM	$577.49
Market Adjustments (paid basis)	
Net Risk Adjustment	-$14.38
Net Federal Transitional Reinsurance	$0.00
Marketplace User Fees	$18.15
Paid-to-Allowed Ratio	0.736
Market Adjustments (allowed basis)	
Net Risk Adjustment	-$19.55
Net Federal Transitional Reinsurance	$0.00
Marketplace User Fees	$24.67
Market Adjusted Index Rate PMPM	**$582.61**

The Market Adjusted Index Rate is not calibrated. This means that this rate reflects the average demographic characteristics of the single risk pool.

Each of the above modifiers were developed as follows:

- Net Risk Adjustment
  This factor includes the impact of the estimated risk adjustment transfer payment as addressed in Exhibit 9 plus the Risk Adjustment User Fee of $0.13.

- Net Transitional Reinsurance
  This factor is $0, since the Transitional Reinsurance program has ended for 2017.

- Marketplace User Fee adjustment
  The Marketplace User Fee adjustment was determined as the average of no fee and the Marketplace user fee, weighted using the expected distribution of issuer enrollment sold through versus outside the Marketplace.

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

The Market Adjusted Index Rate is adjusted to compute the Plan Adjusted Index Rates using the following allowable adjustments:

- Actuarial value and cost sharing adjustment
- The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
- The AV and cost sharing pricing adjustment was developed utilizing the HCGs. Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.
- PCP will charge a tobacco surcharge for smokers. An adjustment has been developed and included here so that the resulting Plan Adjusted Index Rate excludes the cost expected to be recouped through the tobacco surcharge.

There are no expected differences in the provider network and/or utilization management between plans.

- Adjustment for benefits in addition to the EHBs
  The only benefit in addition to the EHBs is outside of the U.S. emergency care.

- Adjustment for distribution and administrative costs
  Adjustment is developed to indicate the impact of non-benefit expenses. This adjustment may differ by plan due to the relative impact of administrative costs that are developed as a PMPM rather than as a percent of premium.

- Impact of specific eligibility categories for the catastrophic plan
  This adjustment was developed to illustrate the impact of the restricted age requirements in the Catastrophic risk pool, effect of tobacco loads applied to the expected catastrophic population, and the expected risk score specific to that population.

The following table demonstrates the Plan Adjusted Index Rate development for each plan in the projection period:

Table 15.1
Piedmont Community HealthCare, Inc.
Projection Period Plan Adjusted Index Rate Development

Plan Name	HIOS ID	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Marketplace User Fee	Catastrophic Eligibility	Plan Adjusted Index Rate
Catastrophic 7150	15668VA0130029	$582.61	0.583	1.000	1.001	1.198	0.816	$332.61
Gold Preferred 950/35/60	15668VA0130031	$582.61	0.883	1.000	1.001	1.209	1.000	$622.79
Gold Preferred 1250/35/50	15668VA0130033	$582.61	0.882	1.000	1.001	1.209	1.000	$621.46
Silver Preferred 2900/40/60	15668VA0130035	$582.61	0.744	1.000	1.001	1.209	1.000	$524.88
Silver Preferred 3800/40/60	15668VA0130037	$582.61	0.736	1.000	1.001	1.209	1.000	$518.87
Bronze 5250	15668VA0130039	$582.61	0.599	1.000	1.001	1.209	1.000	$422.66
Bronze 6200	15668VA0130041	$582.61	0.582	1.000	1.001	1.209	1.000	$410.69
Bronze HSA 5000	15668VA0130043	$582.61	0.605	1.000	1.001	1.209	1.000	$426.60
Bronze HSA 6000	15668VA0130045	$582.61	0.604	1.000	1.001	1.209	1.000	$425.82
Silver Basic 2450	15668VA0130047	$582.61	0.722	1.000	1.001	1.209	1.000	$509.02
Silver Standard 3500/30/65	15668VA0130048	$582.61	0.741	1.000	1.001	1.209	1.000	$522.45
Bronze Standard 6650	15668VA0130050	$582.61	0.568	1.000	1.001	1.209	1.000	$400.36

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

Experience Period Plan Adjusted Index Rates

The following table demonstrates the Plan Adjusted Index Rate development for each plan in the experience period:

Table 15.2
Piedmont Community HealthCare, Inc.
Experience Period Plan Adjusted Index Rate Development

Plan Name	HIOS ID	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Marketplace User Fee	Catastrophic Eligibility	Plan Adjusted Index Rate
Gold Preferred 750/30/50	15668VA0130029	$428.70	0.941	1.000	1.002	0.973	1.210	$476.38
Gold Advantage 1000/30/50	15668VA0130031	$428.70	0.933	1.000	1.002	0.973	1.211	$472.47
Silver Preferred 2500/35/60	15668VA0130033	$428.70	0.740	1.000	1.003	0.973	1.223	$378.70
Silver Preferred 3400/35/60	15668VA0130035	$428.70	0.734	1.000	1.003	0.973	1.224	$375.59
Bronze 4000	15668VA0130037	$428.70	0.563	1.000	1.003	0.973	1.243	$293.08
Bronze 5000	15668VA0130039	$428.70	0.539	1.000	1.003	0.973	1.246	$281.42
Catastrophic 6600	15668VA0130041	$428.70	0.531	1.000	1.007	0.973	1.331	$296.88
Bronze HSA 4000	15668VA0130043	$428.70	0.580	1.000	1.003	0.973	1.240	$301.27
Bronze HSA 5000	15668VA0130045	$428.70	0.558	1.000	1.003	0.973	1.243	$290.36

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

EXHIBIT 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Exhibit 15 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

Age Curve Calibration

The approximate weighted average age, rounded to a whole number, for the single risk pool is 48. The weighted average age curve calibration factor is 1.634.

In order to determine the calibration factor for age, the projected distribution of members by age was determined. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor. Prior to applying the allowed rating factors for age, geography and tobacco, the plan adjusted index rates need to be divided by the age curve calibration factor.

Additional information regarding the age curve can be found on Exhibit 17.

Geographic Factor Calibration

In order to determine the calibration factor for geography, the projected distribution of members by area was determined. The weighted average of the area factors was then determined using this distribution. The area factors used are reflective of differences in delivery costs (including unit cost and provider practice pattern differences) only, and do not reflect any difference in population morbidity. Prior to applying the allowed rating factors for age, geography and tobacco, the plan adjusted index rates need to be divided by the geography calibration factor.

The following tables demonstrate the calibration performed for each plan.

Table 16.1
Piedmont Community HealthCare, Inc.
Calibrated Plan Adjusted Index Rate Development

Plan	HIOS ID	Plan Adjusted Index Rate	Age Calibration Factor	Geographic Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Catastrophic 7150	15668VA0130029	$332.61	1.634	1.000	1.634	$203.52
Gold Preferred 950/35/60	15668VA0130031	$622.79	1.634	1.000	1.634	$381.07
Gold Preferred 1250/35/50	15668VA0130033	$621.46	1.634	1.000	1.634	$380.26
Silver Preferred 2900/40/60	15668VA0130035	$524.88	1.634	1.000	1.634	$321.16
Silver Preferred 3800/40/60	15668VA0130037	$518.87	1.634	1.000	1.634	$317.48
Bronze 5250	15668VA0130039	$422.66	1.634	1.000	1.634	$258.62
Bronze 6200	15668VA0130041	$410.69	1.634	1.000	1.634	$251.29
Bronze HSA 5000	15668VA0130043	$426.60	1.634	1.000	1.634	$261.03
Bronze HSA 6000	15668VA0130045	$425.82	1.634	1.000	1.634	$260.55
Silver Basic 2450	15668VA0130047	$509.02	1.634	1.000	1.634	$311.46
Silver Standard 3500/30/65	15668VA0130048	$522.45	1.634	1.000	1.634	$319.68
Bronze Standard 6650	15668VA0130050	$400.36	1.634	1.000	1.634	$244.97

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating Rules. It is the product of the Plan Adjusted Index Rate, the geographic rating factor, the age rating factor and the tobacco status rating factor. All rating factors are described and shown below.

PCHC's CY2017 age and tobacco rating factors are shown below. The age rating factors used by PCHC are identical to those prescribed by CMS. Industry research regarding tobacco use and differences in health costs for smokers by age was used as the basis of our adjustment factors.

Table 17.1
Piedmont Community HealthCare, Inc.
Age and Tobacco Factors

Age Band	Age Rating Factor	Tobacco Factor		Age Band	Age Rating Factor	Tobacco Factor
0-17	0.635	1.000		41	1.302	1.250
18	0.635	1.000		42	1.325	1.250
19	0.635	1.000		43	1.357	1.250
20	0.635	1.000		44	1.397	1.250
21	1.000	1.050		45	1.444	1.300
22	1.000	1.050		46	1.500	1.300
23	1.000	1.050		47	1.563	1.300
24	1.000	1.050		48	1.635	1.300
25	1.004	1.100		49	1.706	1.300
26	1.024	1.100		50	1.786	1.400
27	1.048	1.100		51	1.865	1.400
28	1.087	1.100		52	1.952	1.400
29	1.119	1.100		53	2.040	1.400
30	1.135	1.150		54	2.135	1.400
31	1.159	1.150		55	2.230	1.500
32	1.183	1.150		56	2.333	1.500
33	1.198	1.150		57	2.437	1.500
34	1.214	1.150		58	2.548	1.500
35	1.222	1.200		59	2.603	1.500
36	1.230	1.200		60	2.714	1.500
37	1.238	1.200		61	2.810	1.500
38	1.246	1.200		62	2.873	1.500
39	1.262	1.200		63	2.952	1.500
40	1.278	1.250		64+	3.000	1.500

PCHC is only selling individual plans in Virginia rating areas 2, 3, 6, 7, and 12. Each area will have a 1.000 rating factor.

Table 17.2
Piedmont Community HealthCare, Inc.
Geographic Rating Factors

Area	Area Rating Factor
Rating Area 1	N/A
Rating Area 2	1.000
Rating Area 3	1.000
Rating Area 4	N/A
Rating Area 5	N/A
Rating Area 6	1.000
Rating Area 7	1.000
Rating Area 8	N/A
Rating Area 9	N/A
Rating Area 10	N/A
Rating Area 11	N/A
Rating Area 12	1.000

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The premium for family coverage is determined by summing the consumer adjusted premium rates for each individual family member, provided at most three child dependents under age 21 are taken into account.

The following table demonstrates the premium rate development for the Consumer Adjusted Premium Rate beginning with the Calibrated Plan Adjusted Index Rate and applying the appropriate age, area, and tobacco factors.

Table 17.3
Piedmont Community HealthCare, Inc.
Sample Consumer Adjusted Premium Rate Development

Plan Adjusted Index Rate for Gold Preferred 950/35/60, Calibrated	
Calibrated Plan Adjusted Index Rate	$381.07
Age: 45	1.444
Area: 6	1.000
Tobacco Status: Tobacco User	1.300
Consumer Adjusted Premium Rate	**$715.35**

EXHIBIT 18. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. Table 18.1 below summarizes these values for each product.

Table 18.1
Piedmont Community HealthCare, Inc.
Actuarial Values

Plan	HIOS ID	Actuarial Value	Source
Catastrophic 7150	15668VA0130029	0.613	Federal AV Calculator
Gold Preferred 950/35/60	15668VA0130031	0.782	Federal AV Calculator
Gold Preferred 1250/35/50	15668VA0130033	0.781	Federal AV Calculator
Silver Preferred 2900/40/60	15668VA0130035	0.696	Federal AV Calculator
Silver Preferred 3800/40/60	15668VA0130037	0.688	Federal AV Calculator
Bronze 5250	15668VA0130039	0.619	Federal AV Calculator
Bronze 6200	15668VA0130041	0.615	Federal AV Calculator
Bronze HSA 5000	15668VA0130043	0.619	Federal AV Calculator
Bronze HSA 6000	15668VA0130045	0.611	Federal AV Calculator
Silver Basic 2450	15668VA0130047	0.688	Federal AV Calculator
Silver Standard 3500/30/65	15668VA0130048	0.710	Federal AV Calculator
Bronze Standard 6650	15668VA0130050	0.618	Federal AV Calculator

EXHIBIT 19. AV PRICING VALUES

The following table summarizes all of the adjustments included in the AV Pricing Value:

Table 19.1
Piedmont Community HealthCare, Inc.
AV Pricing Values

Plan Name	HIOS ID	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Admin Excl. Marketplace User Fee	Catastrophic Eligibility	AV Pricing Value
Catastrophic 7150	15668VA0130029	0.583	1.000	1.001	1.198	0.816	0.571
Gold Preferred 950/35/60	15668VA0130031	0.883	1.000	1.001	1.209	1.000	1.069
Gold Preferred 1250/35/50	15668VA0130033	0.882	1.000	1.001	1.209	1.000	1.067
Silver Preferred 2900/40/60	15668VA0130035	0.744	1.000	1.001	1.209	1.000	0.901
Silver Preferred 3800/40/60	15668VA0130037	0.736	1.000	1.001	1.209	1.000	0.891
Bronze 5250	15668VA0130039	0.599	1.000	1.001	1.209	1.000	0.725
Bronze 6200	15668VA0130041	0.582	1.000	1.001	1.209	1.000	0.705
Bronze HSA 5000	15668VA0130043	0.605	1.000	1.001	1.209	1.000	0.732
Bronze HSA 6000	15668VA0130045	0.604	1.000	1.001	1.209	1.000	0.731
Silver Basic 2450	15668VA0130047	0.722	1.000	1.001	1.209	1.000	0.874
Silver Standard 3500/30/65	15668VA0130048	0.741	1.000	1.001	1.209	1.000	0.897
Bronze Standard 6650	15668VA0130050	0.568	1.000	1.001	1.209	1.000	0.687

The AV Pricing Value represents the cumulative effect of the adjustments made by PCHC to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

The adjustment for plan cost sharing includes expected differences in utilization due to differences in cost sharing. Adjustments in utilization due to differences in cost sharing were based on the contractual adjustments from the HCGs. These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

EXHIBIT 20. MEMBERSHIP PROJECTIONS

The membership projections were developed in conjunction with PCHC's staff. These projections reflect the current PPO membership distribution as of February 2016. The projected enrollment by metal are as follows:

Table 20.1
Piedmont Community HealthCare, Inc.
2017 Membership Projection

Metal Tier	Projected Members Months
Platinum	0
Gold	2,278
Silver	18,678
Bronze	9,486
Catastrophic	50
Total	30,492

We projected cost sharing reduction (CSR) eligible by first estimating the breakdown by income (i.e., Federal Poverty Level – FPL) of the total individual market purchasing coverage. We assumed CSR eligible will enroll in plans that provide the highest subsidy level for which they are eligible.

Table 20.2
Piedmont Community HealthCare, Inc.
Projected Enrollment (Member Months) by Subsidy Level (Silver Plans)

Plan Name	HIOS ID	70%	73%	87%	94%	Total
Silver Preferred 2500/35/60	15668VA0130035	3,443	844	549	623	5,459
Silver Preferred 3400/35/60	15668VA0130037	6,363	1,559	1,014	1,151	10,088
Silver Basic 2450	15668VA0130047	1,806	443	288	327	2,863
Silver Standard 3500/30/65	15668VA0130048	169	41	27	31	267

EXHIBIT 21. TERMINATED PRODUCTS

No products will be terminated prior to the effective date.

EXHIBIT 22. PLAN TYPE

There are no differences between the plans of PCHC and the plan type selected in the drop-down box in Worksheet 2, Section I of the URRT.

EXHIBIT 23. WARNING ALERTS

The following warning alert(s) occurred in Worksheet 2 of the Unified Rate Review Template (URRT):

URRT Worksheet 2, Cell A57

There is a warning in cell A57. The values on Worksheet 1 represent the actual 2015 age and smoker status where as, the values on Worksheet 2 represent the 2015 projected age and smoker status.

EXHIBIT 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

Not applicable.

EXHIBIT 25. RELIANCE

In performing this analysis, I relied on data and other information provided by PCHC. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

I performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

A data reliance letter is attached to this rate submission.

EXHIBIT 26. ACTUARIAL CERTIFICATION

I am a Principal & Consulting Actuary with the firm of Milliman, Inc. Piedmont Community HealthCare, Inc. engaged me to provide the opinion herein.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

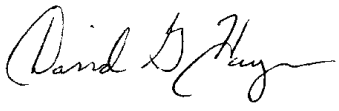
I certify to the best of my knowledge and judgment:

1. The projected index rate is
    - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
    - Developed in compliance with the applicable Actuarial Standards of Practice
    - Reasonable in relation to the benefits provided and the population anticipated to be covered
    - Neither excessive nor deficient based on my best estimates of the 2017 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV was calculated in accordance with actuarial standards of practice.
4. The geographic rating factors used reflect only differences in the cost of delivery, and do not include differences for population morbidity by geographic area.
5. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the URRT for all plans.

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The information provided in this actuarial memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.



Signed: _____

Name: David G. Hayes, FSA, MAAA

Title: Principal & Consulting Actuary

Date: April 11, 2016

Piedmont Community HealthCare, Inc.
Piedmont Community HealthCare HMO, Inc.

Statement Regarding Accuracy and Completeness of the
Underlying Data Sources
2017 Small Group and Individual Rate Filings

Data and/or Assumptions Provided:

1. 2011 – 2015 historical paid and allowed monthly Medical, Prescription drug, and Vision claim data
2. 2015 Cost Sharing Reduction ("CSR") claims for Individual PPO plans
3. 2011 – 2015 historical monthly membership
4. February 2016 membership
5. Group ID crosswalk
6. Small Group off exchange plan designs
7. Individual on exchange plan designs
8. CMS areas were Piedmont Community HealthCare will sell Individual and Small Group products in 2017
9. CY2017 commission rates
10. HIOS ID's for all 2015-2017 products
11. Out of Network (OON) utilization assumption for PPO products
12. Fixed and variable administrative costs for CY2017
13. Profit level for CY2017
14. Virginia Maintenance Assessment Fee amount
15. Individual and Small Group anticipated enrollment Projections for CY2017, including details for the following:
    a. Metal tier, and
    b. Benefit type (i.e., HMO, PPO)
16. Small Group anticipated enrollment Projections for CY2017
17. Smoker load assumption
18. Small Group off exchange enrollment assumption
19. Product/Plan termination compliance for 2015 and 2016 Small Group plans no longer being offered on or off the exchange
20. Utilization/Medical Management program descriptions
21. Reinsurance administrative expenses for 2017
22. 2015 Audited Financial Statements
    a. Prescription drug rebates
    b. Federal and Commercial Reinsurance recoveries
    c. 2015 paid claims, allowed claims, premiums, and MLR rebates
23. Part II Rate Increase Justification for all products

The sources identified above were relied upon by David G. Hayes, Principal and Consulting Actuary for Milliman, Inc. in preparing the 2017 Small Group Off-Exchange HMO and PPO Rate Filing and the 2017 Individual On-Exchange HMO and PPO Rate Filing Actuarial Memorandums.

I, Jacquelyn Mosby, Director of Finance, Piedmont Community HealthCare, Inc. (PCHC), hereby affirm:

The data sources identified above were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete and are the same as, or derived from, the records and other data which form the basis of the 2016 Small Group and Individual rate filings.

Signature

4-11-16
Date

Jacquelyn Mosby
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