

**Federal Rate Filing Justification Part III  
Actuarial Memorandum and Certification**

**Golden Rule Insurance Company**

**NAIC: 0707-62286**

**FEIN: 37-6028756**

**Commonwealth of Virginia Rate Review**

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## Section 1: Purpose

Following is a rate filing prepared by Golden Rule Insurance Company. This filing has been prepared to provide the necessary information required by the Department of Health and Human Services. The purpose of this memorandum is to provide information relevant to the Federal Part I Unified Rate Review Template.

This filing establishes rates intended to be used for individual health benefit plans available off the health insurance exchange in Virginia for the 2017 plan year. These plans will not be actively marketed, though they will be available for anyone who requests to purchase them. A rate increase is being filed at this time.

This memorandum is intended solely for the information of and use by the Department of Health and Human Services and the Virginia Bureau of Insurance. It will demonstrate compliance with commonwealth and federal laws and regulations and is not intended to be used for any other purpose.

## Section 2: General Information

### Company Identifying Information

Company Legal Name: Golden Rule Insurance Company  
State: Virginia  
HIOS Issuer ID: 41892  
Market: Individual  
Effective Date: January 1, 2017

### Primary Contact Information

Name: Robert S. Coleman, ASA, MAAA  
Telephone Number: (317) 715-7425  
Email Address: RColeman@UnitedHealthOne.com

## Section 3: Proposed Rate Changes

Following are the proposed rate changes for each plan included in the single risk pool. These rate change percentages represent the average change in premium rates over the rates included in the prior rate filing for each renewing plan. They measure the change in premium rate tables using the current distribution of enrollment by age, geographic area, and tobacco status. These values are consistent with the rate change percentages reported in Worksheet 2 of the Unified Rate Review Template.

Plan Name	Rate Change %
Silver Copay Select 1	0.0%
Silver Copay Select 2	0.0%
Bronze HSA 100	0.0%
Bronze Copay Select E	0.0%
Select Saver	0.0%
Bronze Copay Select P	52.6%
Bronze 100	64.6%
Average Rate Change	62.7%

### Reason for Rate Changes

All benefit plans are priced consistently with each other, with the rates differing only by the estimated value of the benefits. Significant factors driving the proposed rate change are discussed in further detail in Section 6 (*Projection Factors*) and Section 7 (*Credibility Manual Rate Development*) of this memorandum.

## Section 4: Experience Period Premium and Claims

### Paid Through Date

The experience period is January 1, 2015 to December 31, 2015, with claims paid through February 29, 2016. The experience includes all ACA compliant single risk pool business and all transitional non-single risk pool business in Virginia for the 2015 calendar year.

### Premiums (Net of MLR Rebate) in Experience Period

Earned premium for our individual market business in Virginia for the 2015 calendar year was \$19,420,448. MLR rebates are expected to be approximately 0.0% of premium based on estimates provided by our finance department. Therefore, premiums net of MLR rebates are \$19,420,448.

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

Claims Description	Allowed Claims	Incurred Claims
Claims Paid as of February 29, 2016	\$19,862,165	\$12,746,475
Claims Incurred but Not Paid as of February 29, 2016	\$697,884	\$453,006
Total Reported Claims for 2015 Experience Period	\$20,560,049	\$13,199,481

All incurred and allowed claims data were processed directly through the issuer's claim system. Unpaid incurred claim liabilities are estimated using average claims completion factors based on the company's historical pattern of paid claims. The business is split into duration and product type and a liability estimate is performed on each piece. The same completion factors are applied to both incurred and allowed claims amounts.

## Section 5: Benefit Categories

Claims were assigned to each of the benefit categories based on where services were administered and the types of medical services rendered.

### Inpatient Hospital

Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse disorder, 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 services, 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 care, 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, durable medical equipment, prosthetics, supplies, vision exams, dental services, and other services.

### Capitation

Includes all services provided under one or more capitated agreements.

### Prescription Drug

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

## Section 6: Projection Factors

### Changes in Morbidity of the Population Insured

Because the experience for the 2015 calendar year includes both transitional and ACA compliant products, we make an adjustment to the data so the projected claims, before the credibility adjustment, reflect the claims/risk level of only the ACA compliant products included in this filing.

### Changes in Benefits

An adjustment was made to account for changes in benefits from the 2015 plan year to the 2017 plan year, including the removal of out of network benefits for certain plans.

Benefit adjustments are included within the 'Other' category on Worksheet 1 of the Unified Rate Review Template.

### Changes in Demographics

Adjustments were made to account for changes in the expected average age and tobacco factors from the 2015 experience period to the 2017 projection period. Our projected member distribution by age and tobacco use is based on current enrollment for this product in the 2016 plan year. An adjustment was also made to account for differences in member distribution by geographic rating area based on the current enrollment for this product in the 2016 plan year.

Demographic adjustments are included within the 'Other' category on Worksheet 1 of the Unified Rate Review Template.

### Other Adjustments

No other adjustments, outside those specifically addressed above and below, have been applied to the experience.

### Trend Factors (Cost/Utilization)

Two years of annual trend were applied to our 2015 experience to project it to the 2017 rating period. Our most recent analysis indicates annual trend in the Commonwealth of Virginia for the 2016 and 2017 calendar years will be 6.2% and 4.9%, respectively. The table below details the components of each trend factor.

Trend Component	2016 (a)	2017 (b)	Annualized for Wksh1 (c) = $\sqrt{((1+a) \times (1+b))} - 1$
Unit Cost	2.9%	3.2%	3.0%
Utilization	3.2%	1.6%	2.4%
Total	6.2%	4.9%	5.5%

## Section 7: Credibility Manual Rate Development

### Source and Appropriateness of Data Used

As Golden Rule Insurance Company does not have fully credible experience for individual medical guarantee issue products, our 2017 individual credibility manual rates are developed from the previously approved individual projections for the 2016 plan year.

### Adjustments Made to the Data

- Changes in Benefits:
  - An adjustment was made to account for changes in benefits from the 2016 plan year to the 2017 plan year, including the removal of out of network benefits for certain plans.
  
- Changes in Demographics:

Adjustments were made to account for changes in the expected average age and tobacco factors from the 2016 plan year to the 2017 projection period. Our projected member distribution by age and tobacco use is based on current enrollment for this product in the 2016 plan year. An adjustment was also made to account for differences in member distribution by geographic rating area based on the current enrollment for this product in the 2016 plan year.
  
- Trend Factors (Cost/Utilization):

Our 2016 rates have been adjusted for one year of annual trend, which is expected to be 4.9% in the Commonwealth of Virginia for the 2017 plan year. The total trend factor is comprised of 3.2% for unit cost and 1.6% for utilization, as shown in the table provided in Section 6 (*Projection Factors*) of this memorandum.

### Inclusion of Capitation Payments

No services in the projection period will be provided under a capitation arrangement.

## Section 8: Credibility of Experience

UnitedHealthcare (parent company of Golden Rule Insurance Company) has conducted a credibility study to estimate the level of credibility that should be assigned to the base period experience. Given the limited amount of UnitedHealthcare's ACA compliant individual market experience available at the time the study was completed, UnitedHealthcare's nationwide experience for groups with 1-3 members was used as a proxy for the individual market. Empirical analysis of this small group experience indicates that with 360,000 member months, the allowed claims PMPM of a group is within 5% of the population allowed claims PMPM at least 60% of the time. Therefore, 360,000 member months has been set as the standard for full credibility. Credibility is calculated using the following formula:

$$\text{Credibility} = \text{Minimum} ( 100\% , 0.0044007 \times (\text{Experience Period Member Months}) ^{0.4240924} )$$

Golden Rule Insurance Company had 686 ACA compliant single risk pool member months in the Commonwealth of Virginia over the 2015 experience period, so partial credibility of 7.0% is applied to the base period experience. The remaining 93.0% weighting is applied to the credibility manual.

Following the guidance in ASOP 25, professional actuarial judgment was used in developing the aforementioned credibility formula. The formula was tested to ensure it produced reasonable results appropriate for the weighting of our experience and was practical to implement.

## Section 9: Paid-to-Allowed Ratio

The paid-to-allowed ratios were developed using the proprietary UnitedHealthcare (parent company of Golden Rule Insurance Company) pricing model. This model uses UnitedHealthcare nationwide experience data which is fully credible. Claim data is projected to the pricing period based on national projections of utilization and unit costs. These projections are done at the service category level (inpatient, outpatient, etc.). Benefit design parameters, such as deductibles, copays, and coinsurance rates, are applied to the claim distributions of the matching service category. Cost-sharing is applied, and the values of each service category are summed to determine an overall benefit value, or paid-to-allowed ratio. In order to preserve consistency, the same claim experience and projection assumptions are applied to all plan relativity calculations.

A paid-to-allowed ratio was produced for each plan using the model described above. The weighted average is then based on the projected membership by plan. Member distribution by plan is discussed under Section 21 (*Membership Projections*) of this memorandum.

Plan Name	Projected Member Months	Paid-to-Allowed Ratio
Silver Copay Select 1	119	0.674
Silver Copay Select 2	119	0.670
Bronze HSA 100	60	0.626
Bronze Copay Select E	10	0.621
Select Saver	10	0.611
Bronze Copay Select P	10	0.613
Bronze 100	60	0.588
Total / Weighted Average	388	0.648

## Section 10: Risk Adjustment and Reinsurance

### Experience Period Risk Adjustment and Reinsurance Adjustments

Risk adjustment user fees for the 2015 plan year were \$0.96 per member per year as specified by the HHS Notice of Benefit and Payment Parameters for 2015. Our 2015 risk adjustment transfer receipt of \$432.23 PMPM was estimated based on data provided to UnitedHealthcare (parent company of Golden Rule Insurance Company) as a result of participating in a multi-state study, using 2015 experience, done by a large actuarial consulting firm. The risk adjustment user fees and transfers only apply to the ACA compliant single risk pool business in the experience period.

Reinsurance fees for the 2015 plan year were \$44.00 per member per year as specified by the 2015 HHS Notice of Benefit and Payment Parameters for 2015. Reinsurance recovery estimates for the experience period were based on the current reinsurance parameters for the 2015 benefit year along with our current estimate of 2015 total claims, based on experience paid through February 29, 2016. Reinsurance user fees apply to both the ACA compliant single risk pool business and transitional non-single risk pool in the experience period, but the reinsurance recoveries only apply to the ACA compliant single risk pool business in the experience period.

Projected Risk Adjustments Based on 2015 Experience

Based on 2015 risk adjustment experience in Virginia, Golden Rule Insurance Company would anticipate receiving an average of \$497.92 PMPM for risk adjustment transfers in the Commonwealth of Virginia for the 2017 plan year. Here, we assume the risk level of our business relative to that of our competitors for the 2017 plan year will be similar to what it was in the 2015 experience period. Since risk adjustment transfer payments are a function of the market level premium, our projected risk adjustment transfers PMPM based on 2015 experience are calculated by adjusting our estimated 2015 risk adjustment transfers PMPM for market level trend and the termination of the reinsurance program.

Projected Risk Adjustments Based on Transitional Non-Single Risk Pool Business

Based on issuer and market characteristics of transitional non-single risk pool business in Virginia, Golden Rule Insurance Company would anticipate paying an average of \$249.74 PMPM for risk adjustment transfers in the Commonwealth of Virginia for the 2017 plan year. The following formula was used to estimate our risk adjustment transfers for this business.

$$\begin{aligned}
 \text{Transfer} &= \left( \text{Market Premium} \right) \left( \frac{\text{Risk Score}_{\text{issuer}} \times \text{Demand}_{\text{issuer}}}{\text{Risk Score}_{\text{market}} \times \text{Demand}_{\text{market}}} - \frac{\text{AV}_{\text{issuer}} \times \text{Age}_{\text{issuer}} \times \text{Demand}_{\text{issuer}}}{\text{AV}_{\text{market}} \times \text{Age}_{\text{market}} \times \text{Demand}_{\text{market}}} \right) \\
 &= \left( \$399.72 \right) \left( \frac{0.562 \times 1.019}{1.352 \times 1.027} - \frac{0.657 \times 1.668 \times 1.019}{0.684 \times 1.534 \times 1.027} \right) \\
 &= -\$249.74
 \end{aligned}$$

where:

Market Premium = average expected premium PMPM for the individual market in Virginia based on data provided to UnitedHealthcare (parent company of Golden Rule Insurance Company) as a result of participating in a multi-state study, using 2015 experience, done by a large actuarial consulting firm. The provided 2015 average market premiums were adjusted for market level trend and the termination of the reinsurance program to develop an estimate for 2017 average market premiums.

Risk Score<sub>issuer</sub> = average expected risk score for Golden Rule Insurance Company based on running our 2015 claims experience for our transitional block of business through the government-approved HCC Risk Adjustment Model. Since most of the membership on the transitional plans was originally underwritten, the risk scores for these members are lower than the market average.

Risk Score<sub>market</sub> = average expected risk score for the individual market in Virginia based on data provided to UnitedHealthcare (parent company of Golden Rule Insurance Company) as a result of participating in a multi-state study, using 2015 experience, done by a large actuarial consulting firm.

Demand<sub>issuer</sub> = average expected induced demand for Golden Rule Insurance Company based on the anticipated member distribution by metal level as discussed in Section 21 (*Membership Projections*) of this memorandum.

Demand<sub>market</sub> = average expected induced demand for the individual market in Virginia based on market enrollment by metal level as reported in HHS' Health Insurance Marketplaces 2016 Open Enrollment Period: Final Enrollment Report dated March 11, 2016.

AV<sub>issuer</sub> = average expected AV for Golden Rule Insurance Company based on the anticipated member distribution by plan as discussed in Section 21 (*Membership Projections*) of this memorandum.

AV<sub>market</sub> = average expected AV for the individual market in Virginia based on market enrollment by metal level as reported in HHS' Health Insurance Marketplaces 2016 Open Enrollment Period: Final Enrollment Report dated March 11, 2016.



$Age_{\text{issuer}}$  = average expected age factor for Golden Rule Insurance Company as discussed in Section 17 (*Calibration*) of this memorandum and detailed in Appendix A.

$Age_{\text{market}}$  = average expected age factor for the individual market in Virginia based on data provided to UnitedHealthcare (parent company of Golden Rule Insurance Company) as a result of participating in a multi-state study, using 2015 experience, done by a large actuarial consulting firm.

#### Credibility of Risk Adjustment Experience

Partial credibility of 7.0% is applied to the base period experience as determined in Section 8 (*Credibility of Experience*) of this memorandum.

#### Projected Risk Adjustments

Golden Rule Insurance Company anticipates paying an average of \$197.25 PMPM for risk adjustment transfers in the Commonwealth of Virginia for the 2017 plan year. Risk adjustment transfer payments are calculated by applying the 7.0% credibility weighting to the expected risk adjustment transfers based on Golden Rule Insurance Company's 2015 risk adjustment experience in Virginia. The remaining 93.0% weighting is applied to the expected risk adjustment transfers based on issuer and market characteristics of Golden Rule Insurance Company's transitional non-single risk pool business in Virginia. These weights result in expected risk adjustment transfers of -\$197.25 PMPM ( $7.0\% \times 497.92 + 93.0\% \times -249.74$ ). The calculations for the expected risk adjustment transfers based on 2015 experience and based on transitional non-single risk pool business are shown above. The HHS Notice of Benefit and Payment Parameters for 2017 specifies a risk adjustment user fee of \$1.56 per member per year, or \$0.13 PMPM.

Projected risk adjustment transfers net of risk adjustment user fees are therefore -\$197.38 PMPM.

#### Projected Reinsurance Adjustments

The reinsurance program will end with the 2016 benefit year, so there are zero reinsurance recoveries and user fees for 2017.

## Section 11: Non-Benefit Expenses and Profit

### Administrative Expense Load

The 6.6% administrative expense load includes commissions, quality improvements, and SG&A. There is only one product included in the single risk pool for Golden Rule Insurance Company in the Commonwealth of Virginia. Therefore, expenses do not vary by product.

- Commissions: We expect an average commission rate of approximately 3.0% for 2017 based on our anticipated commission schedule and the expected distribution of business by first year and renewal, as well as by distribution channel. No commissions will be paid for new business.
- Quality Improvements: We included 0.2% for quality improvements based on the company's annual Supplemental Health Care Exhibit.
- SG&A: Our general and administrative expense assumption of \$23.48 PMPM is based on estimates provided by our finance department for the 2017 calendar year. For this product in the Commonwealth of Virginia, this amount equates to approximately 3.4% of premium for 2017.

### Profit and Risk Margin

Our projected profit margin for the 2017 rating period is approximately 10.4% of premium. Due to uncertainty in the individual health insurance market as a result of healthcare reform, our margin for profit and contingencies has slightly increased, compared to the previous year, to account for the additional risk.

Premium	\$685.66	100.0%
Claims	-\$317.07	-46.2%
Premium Tax	-\$15.43	-2.3%
Risk Adjustment User Fees	-\$0.13	0.0%
Risk Adjustment Transfers	-\$197.25	-28.8%
PCORI Fee	-\$0.20	0.0%
Commissions	-\$20.57	-3.0%
SG&A	-\$23.48	-3.4%
Quality Improvements	-\$1.37	-0.2%
<b>Pre-Tax Income</b>	<b>\$110.17</b>	<b>16.1%</b>
Federal Income Tax	-\$38.56	-5.6%
<b>Profit Margin &amp; Risk Contingencies</b>	<b>\$71.61</b>	<b>10.4%</b>

*The figures above may not tally exactly due to rounding of the display.*

### Taxes and Fees

Taxes and fees are expected to be 7.9% and include premium tax, PCORI fees, and federal income tax.

- Premium Tax: The premium tax rate is 2.25% in the Commonwealth of Virginia.
- PCORI Fees: This product will be offered for the 2017 plan year, with a PCORI fee of \$2.40 per member per year, or \$0.20 PMPM. This equates to approximately 0.03% of premium for this product.
- Federal Income Tax: Federal income tax is projected to be 5.6% of premium and equals 35% of pre-tax income.

## Section 12: Projected Loss Ratio

The projected loss ratio using the federally prescribed MLR methodology for calendar year 2017 is 81.7%. Golden Rule Insurance Company agrees to comply with the rebate requirements of 45 CFR Part 158 should the actual market MLR fall below the 80.0% requirement.

Claims	\$317.07	46.2%
Risk Adjustment Transfers	\$197.25	28.8%
Quality Improvement	\$1.37	0.2%
<b>Total MLR Claims</b>	<b>\$515.69</b>	<b>75.2%</b>
Premium	\$685.66	100.0%
Premium Tax	-\$15.43	-2.3%
Risk Adjustment User Fee	-\$0.13	0.0%
PCORI Fee	-\$0.20	0.0%
Federal Income Tax	-\$38.56	-5.6%
<b>Total MLR Premium</b>	<b>\$631.34</b>	<b>92.1%</b>
<b>Federal Medical Loss Ratio</b>		<b>81.7%</b>

*The figures above may not tally exactly due to rounding of the display.*

We acknowledge Virginia's minimum pricing target loss ratio requirement of 75% for individual health insurance (14 VAC 5-130-65 A 8). We anticipate that the Virginia statutory medical loss ratio will be 75.0% for calendar year 2017.

Projected Incurred Claims	\$317.07	46.2%
Projected Risk Adjustment Payment (Transfers + User Fees)	\$197.38	28.8%
Risk Adjustment User Fees	-\$0.13	0.0%
<b>Projected Incurred Claims</b>	<b>\$514.32</b>	<b>75.0%</b>
Administrative Expense Load	\$45.42	6.6%
Profit and Risk Load	\$71.61	10.4%
Taxes and Fees	\$54.19	7.9%
Risk Adjustment User Fees	\$0.13	0.0%
<b>Projected Revenue</b>	<b>\$685.66</b>	<b>100.0%</b>
<b>Virginia Statutory Medical Loss Ratio</b>		<b>75.0%</b>

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## Section 13: Single Risk Pool

The single risk pool reflects all covered lives for every individual non-grandfathered product and plan combination for Golden Rule Insurance Company in the Commonwealth of Virginia. It is established in accordance with the requirements of 45 CFR §156.80.

## Section 14: Index Rate

The experience for the 2015 calendar year includes both ACA and non-ACA compliant products. For the ACA compliant products, approximately 100% of allowed claims were sustained for EHB requirements. For the non-ACA compliant transitional products, we assume the percentage of allowed claims sustained for EHB requirements is also 100%. The index rate of the experience period has been reported as a weighted average of the ACA and non-ACA compliant EHB claims, rounded to the nearest whole dollar value as required by the Unified Rate Review Template.

The index rate for the 2017 projection period represents 99.9% of allowed claims for this block of business. Benefits in excess of EHBs for 2017 include travel and lodging associated with organ transplants, which is expected to account for approximately 0.1% of allowed claims. These benefits are expected to have a minimal effect on total claims, and the reported percentage amount is based on informed actuarial judgment.

The projected index rate is calculated below.

Allowed Claims PMPM	Benefits in Excess of EHBs	Index Rate
\$488.90	-\$0.49	\$488.41

*The figures above may not tally exactly due to rounding of the display.*

## Section 15: Market Adjusted Index Rate

The market adjusted index rate includes an adjustment for the risk adjustment program, which is described in Section 10 (*Risk Adjustment and Reinsurance*) of this memorandum. Incurred values were divided by the average paid-to-allowed ratio, discussed in Section 9 (*Paid-to-Allowed Ratio*) of this memorandum, to reflect an allowed basis. The reinsurance program will end with the 2016 benefit year, and these products will only be available outside of the individual exchange, so no adjustments are made for those market-wide modifiers.

Index Rate	Net Risk Adjustment (allowed basis)	Market Adjusted Index Rate
\$488.41	\$304.34	\$792.75

*The figures above may not tally exactly due to rounding of the display.*

## Section 16: Plan Adjusted Index Rates

Plan adjusted index rates include adjustments for all allowable plan level modifiers as defined in the market rating rules. The calculations are shown below, and the allowable adjustments are subsequently discussed in further detail.

Plan Name	Market Adjusted Index Rate	AV & Cost Sharing Adjustment	Benefits in Excess of EHBs	Catastrophic Eligibility Adjustment	Distribution & Admin. Costs	Plan Adjusted Index Rate
Silver Copay Select 1	\$792.75	-\$271.14	\$0.49	\$0.00	\$185.61	\$707.71
Silver Copay Select 2	\$792.75	-\$273.06	\$0.49	\$0.00	\$183.33	\$703.51
Bronze HSA 100	\$792.75	-\$294.26	\$0.49	\$0.00	\$158.33	\$657.31
Bronze Copay Select E	\$792.75	-\$296.67	\$0.49	\$0.00	\$155.49	\$652.06
Select Saver	\$792.75	-\$300.84	\$0.49	-\$50.76	\$90.71	\$532.36
Bronze Copay Select P	\$792.75	-\$291.85	\$0.49	\$0.00	\$161.17	\$662.56
Bronze 100	\$792.75	-\$301.97	\$0.49	\$0.00	\$149.24	\$640.51

*The figures above may not tally exactly due to rounding of the display.*

The actuarial value and cost sharing adjustment accounts for benefit differences (e.g. a paid-to-allowed adjustment) and an adjustment for non-tobacco user status. Since we will be applying tobacco user rating factors, an adjustment must be made to remove the portion of costs that is expected to be recouped through the tobacco surcharge. The total average tobacco surcharge is expected to be about 0.7% of premium, as detailed in Appendix A. Member distribution by age and tobacco use is based on current enrollment for this product in the 2016 plan year.

Benefits in excess of EHBs were previously discussed in Section 14 (*Index Rate*) of this memorandum, and are expected to be 0.1% of allowed claims.

The catastrophic adjustment reflects the differences in anticipated demographics and morbidity of the catastrophic population as compared to the rest of the single risk pool. Catastrophic plans are available only to people under age 30 or those with a mandate exception due to affordability or hardship. Due to the 3:1 HHS age band limit, age factors for ages less than 30 will be somewhat higher than the anticipated relative claims costs for these age categories, so a demographic eligibility adjustment is made. In addition, catastrophic plans will not be pooled with the metallic plans for risk adjustment purposes, so a morbidity adjustment is also made. A breakdown of our catastrophic adjustment factor, applicable to incurred claims, is provided below.

Demographic Eligibility Adjustment	0.873
Morbidity Adjustment	0.950
Total Catastrophic Adjustment Factor	0.830

Distribution and Administrative Costs include PCORI fees, commissions, SG&A, quality improvements, premium tax, federal income tax, and profit margin and risk contingencies. These items were previously discussed in Section 11 (*Non-Benefit Expenses and Profit*) of this memorandum. Risk adjustment transfers and user fees and exchange fees are excluded because they are already accounted for in the market adjusted index rate.

## Section 17: Calibration

### Age Curve Calibration

The calculated age curve calibration is 1.668, which equals the average age factor of the expected member distribution by age. This corresponds with an approximate age of 48 years. A detailed distribution of members by age is included in Appendix A and is based on current enrollment for this product in the 2016 plan year.

### Geographic Factor Calibration

The geographic factor calibration is 0.970, which equals the average expected area factor. A summary is provided below. Member distribution by area is based on current enrollment for this product in the 2016 plan year. Our geographic rating factors have not changed since our previously approved rate filing.

Rating Region	Member Distribution	Area Factors
Area 1	0.0%	1.070
Area 2	2.2%	1.070
Area 3	0.0%	1.070
Area 4	0.0%	1.070
Area 5	0.0%	1.070
Area 6	2.2%	1.091
Area 7	6.7%	0.940
Area 8	6.7%	1.091
Area 9	8.9%	1.057
Area 10	71.1%	0.940
Area 11	0.0%	0.940
Area 12	2.2%	1.070
Total Weighted Average	100.0%	0.970

### Calibrated Premium Rates

Calibrating the plan adjusted index rate to the age curve and geographic distribution results in the calibrated premium rate for each plan. The calibrated premium rate represents the preliminary premium rate charged to an individual before applying the consumer specific rating adjustments for age, area, and tobacco status. The calculations are shown below.

Plan Name	Plan Adjusted Index Rate (a)	Age Curve Calibration (b)	Geographic Factor Calibration (c)	Calibrated Premium Rate (d) = (a)/(b) x (c)
Silver Copay Select 1	\$707.71	1.668	0.970	\$437.60
Silver Copay Select 2	\$703.51	1.668	0.970	\$435.00
Bronze HSA 100	\$657.31	1.668	0.970	\$406.44
Bronze Copay Select E	\$652.06	1.668	0.970	\$403.19
Select Saver	\$532.36	1.668	0.970	\$329.17
Bronze Copay Select P	\$662.56	1.668	0.970	\$409.68
Bronze 100	\$640.51	1.668	0.970	\$396.05

*The figures above may not tally exactly due to rounding of the display.*

## Section 18: Consumer Adjusted Premium Rate Development

The consumer adjusted premium rate is the final premium rate for each plan that is charged to an individual. It is developed by calibrating the plan adjusted index rate to the average age and geographic rating factors, and applying the consumer specific age, geographic, and tobacco status rating factors. Sample calculations are shown below and represent consumer adjusted premium rates for a 25-year old consumer, residing in rating region 1, with tobacco user status.

Plan Name	Calibrated Premium Rate (a)	25-Year-Old Age Factor (b)	Region 1 Area Factor (c)	25-Year-Old Tobacco Factor (d)	Consumer Adjusted Premium Rate (e) = (a)x(b)x(c)x(d)
Silver Copay Select 1	\$437.60	1.004	1.070	1.050	\$493.61
Silver Copay Select 2	\$435.00	1.004	1.070	1.050	\$490.68
Bronze HSA 100	\$406.44	1.004	1.070	1.050	\$458.46
Bronze Copay Select E	\$403.19	1.004	1.070	1.050	\$454.80
Select Saver	\$329.17	1.004	1.070	1.050	\$371.31
Bronze Copay Select P	\$409.68	1.004	1.070	1.050	\$462.12
Bronze 100	\$396.05	1.004	1.070	1.050	\$446.74

The figures above may not tally exactly due to rounding of the display.

## Section 19: AV Metal Values

The AV calculator used to calculate the AV metal values is based on a prescribed methodology and, therefore, does not necessarily reflect a reasonable estimate of the portion of allowed costs covered by the associated plan. Please refer to Section 9 (*Paid-to-Allowed Ratio*) of this memorandum for further detail regarding our estimate of the portion of allowed costs covered by each plan.

### Copays Paid in Conjunction with Coinsurance

Some of our plan designs include copays that are paid in conjunction with coinsurance in the cost-sharing range. This benefit design is not directly compatible with the AV calculator, so the alternate methodology described in 45 CFR §156.135(b)(2) was used for the AV calculation. In order to modify the AV calculator input for a copay paid in conjunction with coinsurance in the cost sharing range, the following formula was used to estimate the insurer's cost share.

$$\text{Effective Insurer Coinsurance Rate} = \left( 1 - \frac{\text{Member Copay}}{\text{Average Unit Cost}} \right) \times ( 1 - \text{Member Coinsurance Rate} )$$

The benefit was then marked as "Subject to Deductible" and "Subject to Coinsurance" with a "Coinsurance, if different" equal to the effective insurer coinsurance rate as calculated above.

The average unit cost was calculated based on the claims data included within the AV calculator continuance tables for each metal level. For example, if the plan was expected to fall within a Silver Metal Tier, the average unit cost was calculated from the Silver continuance tables. All enrollees within a continuance table whose claims exceeded the plan deductible were included in the calculation of the average unit cost for each benefit type.

The chart below outlines which benefits for the associated plans were impacted by the above methodology.

Plan Name	Benefit Categories including Copays Paid in Conjunction with Coinsurance
Silver Copay Select 1 Silver Copay Select 2	- Emergency Room Services - Imaging - Outpatient Facility Fee
Bronze Copay Select	- Emergency Room Services - Inpatient Hospital Services

#### Prescription Drug Benefits

Our prescription drug benefits are based on a drug categorization of Tier 1 to Tier 4, instead of the categories presented in the AV calculator (i.e. Generic, Preferred Brand, Non-Preferred Brand, and Specialty). In addition, our Tier 3 and Tier 4 prescription drug benefits incorporate coinsurance rates along with minimum copay amounts. Based on historical experience of affiliated individual market carriers and our expectations regarding the organization of brand and generic drugs into Tiers, the prescription drugs were re-categorized to match the parameters of the AV calculator, and the benefits were converted to equivalent member copays for each category.

#### Benefits that Vary Based on Place of Service

For certain types of services, some of our plan designs include different benefit levels based on the place of service (i.e. physician's office, free standing facility, or outpatient hospital facility). To incorporate this differentiation in benefits, the Blended Network Option was selected within the AV calculator, and utilization was assigned to each tier based on historical experience of affiliated carriers.

The chart below outlines which plans have different benefit levels based on the place of service.

Plan Names	Benefit Categories that include Different Benefit Levels Based on the Place of Service
Silver Copay Select 1 Silver Copay Select 2	- Imaging - Laboratory Services - Outpatient Facility Fee

## Section 20: AV Pricing Values

The AV pricing values represent the cumulative effect of adjustments made by the issuer to move from the market adjusted index rate to the plan adjusted index. The AV pricing values are shown below. Each of the allowable modifiers to move from the market adjusted index rate to the plan adjusted index rate was previously discussed in Section 16 (*Plan Adjusted Index Rates*) of this memorandum.

Plan Name	Market Adjusted Index Rate (a)	Plan Adjusted Index Rate (b)	AV Pricing Value (c) = b/a
Silver Copay Select 1	\$792.75	\$707.71	0.893
Silver Copay Select 2	\$792.75	\$703.51	0.887
Bronze HSA 100	\$792.75	\$657.31	0.829
Bronze Copay Select E	\$792.75	\$652.06	0.823
Select Saver	\$792.75	\$532.36	0.672
Bronze Copay Select P	\$792.75	\$662.56	0.836
Bronze 100	\$792.75	\$640.51	0.808

*The figures above may not tally exactly due to rounding of the display.*



## Section 21: Membership Projections

The total member month projection for the 2017 plan year was based on enrollment for this product in the 2016 plan year and anticipated lapse rates. These plans will not be actively marketed, though they will be available for anyone who requests to purchase them. Member distribution by plan was also based on current enrollment for this product in the 2016 plan year.

Plan Name	Member Distribution	Projected Member Months
Silver Copay Select 1	30.8%	119
Silver Copay Select 2	30.8%	119
Bronze HSA 100	15.4%	60
Bronze Copay Select E	2.5%	10
Select Saver	2.5%	10
Bronze Copay Select P	2.5%	10
Bronze 100	15.4%	60
Total	100%	388

## Section 22: Terminated Products

The following plans contain single risk pool compliant business during the 2015 and 2016 plan years and are being terminated prior to the 2017 plan year.

Terminated Plan ID	Plan ID to which members will be mapped for 2017
41892VA0380001	41892VA0380004
41892VA0380002	41892VA0380005
41892VA0380003	41892VA0380005

## Section 23: Plan Type

Plan types of PPO and EPO have been selected in Worksheet 2 of the Unified Rate Review Template, which describe the plans exactly.

## Section 24: Warning Alerts

There are no Warning Alerts in Worksheet 2 of the Unified Rate Review Template.

## **Section 25: Reliance**

Due to responsibility allocation, I have relied upon other members within the UnitedHealthcare (parent company of Golden Rule Insurance Company) organization to provide certain assumptions. Although I have reviewed the information for reasonableness and consistency, I have not reviewed it in detail due to the substantial amount of additional time required. I have therefore relied upon the expertise of those individuals who have developed the assumptions. A list of reliances is included below.

### UnitedHealthcare Finance Department

- Projected SG&A Assumption
- 2015 MLR Rebate Estimates

### UnitedHealthcare Health Care Economics Department

- Medical Trend
- Risk Adjustment Transfers

## Section 26: Actuarial Certification

I, Robert S. Coleman, am an Associate Director of Actuarial Services for UnitedHealthcare's individual line of business, which includes Golden Rule Insurance Company's health insurance products marketed to individuals. I am a member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering statements of actuarial opinion with respect to the filing of rates for health insurance products.

To the best of my knowledge and judgment, I certify that:

- The projected index rate is:
  - In compliance with all applicable commonwealth 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, deficient, nor unfairly discriminatory.
- 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.
- 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.
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
- The AV calculator was used to determine the AV metal values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. Some of our plan designs include copays that are paid in conjunction with coinsurance in the cost-sharing range. Our prescription drug benefits are also based on a drug categorization of Tier 1 to Tier 4, instead of the categories presented in the AV calculator (i.e. Generic, Preferred Brand, Non-Preferred Brand, and Specialty). These benefit designs are not directly compatible with the AV calculator. Therefore, the alternate methodology described in 45 CFR §156.135(b)(2) was used to fit the plans into the parameters of the AV calculator. The values were developed in accordance with generally accepted actuarial principles and methodologies. The unique plan design actuarial certification required by 45 CFR §156.135 has been separately attached.
- The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop their rates. Rather, it represents information required by federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification that the index rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.



Robert S. Coleman, ASA, MAAA  
Associate Director, Actuarial Services

4/11/2016

Date

## Appendix A: Average Age and Tobacco Factors

Age	Tobacco Distribution	Non-Tobacco Distribution	Age Factor	Tobacco Factor
0-20	0.0%	13.3%	0.635	1.000
21	0.0%	2.2%	1.000	1.050
22	0.0%	0.0%	1.000	1.050
23	0.0%	0.0%	1.000	1.050
24	0.0%	0.0%	1.000	1.050
25	0.0%	0.0%	1.004	1.050
26	0.0%	0.0%	1.024	1.050
27	0.0%	2.2%	1.048	1.050
28	0.0%	2.2%	1.087	1.050
29	2.2%	4.4%	1.119	1.050
30	0.0%	0.0%	1.135	1.050
31	2.2%	4.4%	1.159	1.050
32	0.0%	0.0%	1.183	1.050
33	0.0%	0.0%	1.198	1.050
34	0.0%	0.0%	1.214	1.050
35	0.0%	4.4%	1.222	1.100
36	0.0%	2.2%	1.230	1.100
37	0.0%	2.2%	1.238	1.100
38	0.0%	0.0%	1.246	1.100
39	0.0%	4.4%	1.262	1.100
40	0.0%	2.2%	1.278	1.100
41	0.0%	0.0%	1.302	1.100
42	0.0%	0.0%	1.325	1.100
43	0.0%	0.0%	1.357	1.100
44	0.0%	0.0%	1.397	1.100
45	0.0%	0.0%	1.444	1.100
46	0.0%	0.0%	1.500	1.100
47	0.0%	0.0%	1.563	1.100
48	0.0%	0.0%	1.635	1.100
49	0.0%	0.0%	1.706	1.100
50	0.0%	2.2%	1.786	1.200
51	2.2%	8.9%	1.865	1.200
52	0.0%	0.0%	1.952	1.200
53	0.0%	2.2%	2.040	1.200
54	0.0%	8.9%	2.135	1.200
55	0.0%	4.4%	2.230	1.200
56	0.0%	2.2%	2.333	1.200
57	0.0%	8.9%	2.437	1.200
58	0.0%	0.0%	2.548	1.200
59	0.0%	0.0%	2.603	1.200
60	0.0%	2.2%	2.714	1.200
61	0.0%	0.0%	2.810	1.200
62	0.0%	6.7%	2.873	1.200
63	0.0%	0.0%	2.952	1.200
64+	0.0%	2.2%	3.000	1.200
<b>Total/Average</b>	<b>6.7%</b>	<b>93.3%</b>	<b>1.668</b>	<b>1.007</b>