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TO: Klete Geren, ASA MAAA Actuary
Iowa Insurance Division (IID)

FROM: Joseph Brennan, FSA, MAAA
INS Consultants, Inc.

DATE: August 18, 2016

SUBJECT: Gundersen Health Plan, Inc.
Individual Medical Rate Filing – POS
SERFF Tracking Number: GULU-130553710

INS Consultants, Inc. (INS) has reviewed the Individual Major Medical (POS) filing of Gundersen Health Plan, Inc. (GHPI).

The Company is requesting an average rate increase of 19.8% for 2017. The table below provides an approximate breakdown of the increase by its component factors.

Factor	% Change
Medical Trend	7.0%
Change in Admin Expenses	3.2%
Change in Risk Adjustment Payable	5.0%
Change in Reinsurance Program	7.0%
Change in Allowed Claims	-3.4%
Total	19.8%

The filing was initially submitted on May 10, 2016, and will be subject to the requirements of the Iowa Insurance Division and the Affordable Care Act (ACA). The proposed premium rates are to be effective from January 1, 2017 through December 31, 2017. The maximum rate change is 36.7% and the minimum rate change is 8.7%. There are 2 products included in the filing, GundersenOne (27651IA005) and GundersenOneHSA (27651IA006). While the overall requested rate change is

19.8%, the overall requested rate changes for GundersenOne and GundersenOneHSA are 18.4% and 20.6%, respectively. The proposed rate change does not vary by region, but does vary by plan. There are no changes to the rating factors, e.g., age, tobacco. The Company intends to market its products both On and Off Exchange, and anticipates that 84.44% of its sales will be On Exchange.

After a review of the Actuarial Memorandum and Unified Rate Review Template (URRT) filed in support of the subject rate filing, INS identified on May 23, 2016, June 21, 2016 and also on August 8, 2016, several matters that required additional clarification. On June 6, 2016, June 28, 2016, and on August 11, 2016, GHPI provided clarification that responded to the questions raised by INS.

In support of their request, GHPI has provided premium rates, the Part 1 Unified Rate Review Template and a Part III Actuarial Memorandum. The Actuarial Memorandum included, inter alia, actuarial assumptions, anticipated loss ratios, other information required by the ACA and appropriate actuarial certifications.

INS has reviewed the submission in its entirety. However, INS has given special consideration in its review to the details of the Company's Part III Actuarial Memorandum, the Part 1 Unified Rate Review Template and the characteristics of the rating elements subject to the Federal regulations prescribed in 45CFR Part 147 paragraph **§**147.102. Based on that review, INS has come to the following key conclusions:

URRT Section 1 Experience Period Data

- Earned premiums, incurred claims, allowed claims and index rate PMPM for the experience period, January 2015 through December 2015, appear reasonable;
- The completion method used to determine estimated incurred claims and allowed claims is consistent with accepted actuarial methods;
- The 2015 Incurred Loss Ratio of 215.02% is on the very high side, although the experience is not credible;
- Based on its 2015 experience, GHPI does not anticipate paying any MLR rebates;
- The ratio of incurred claims to allowed claims for the experience period (87.8%) is much higher than the ratio for the projection period (68.6%). However, with only 686 member months of experience, the Experience Period data is not credible;
- Member months for the Experience Period, 686, are expected to increase to 1,020 for the Projection Period.

URRT Section II Allowed Claims, PMPM Basis

- Benefit Category descriptions closely follow the preferred descriptions of the URRT instructions;
- The utilization per 1,000 and the average cost/service factors by benefit category appear to be reasonable for the Individual market;
- The total allowed PMPM claim cost of $1,382.5 (Section II) nearly matches the index rate of $1,380.00 (Section I) for the Experience Period, which is reasonable.

URRT Section II Credibility Manual

- The basis of GHPI's Credibility Manual is the Company's Individual experience in Iowa, Minnesota and Wisconsin;
- GHPI adjusted the combined experience to be consistent with the projection of the Iowa individual market;
- GHPI applied a 7.0% trend factor to its Credibility Manual data, which falls in the average range used by other issuers;
- Based on the narrative provided by the Company, the overall development of the Credibility Manual appears to be reasonable.

URRT Section III Projected Experience

- Because GHPI's 2015 Experience Period data consisted of only 686 member months in ACA compliant plans, it assigned 100% credibility to its Credibility Manual;
- The method used to determine the Paid to Allowed Average Factor in the Projection Period of 68.6% is actuarially acceptable and such average factor is consistent with the Projected Paid to Allowed ratio at the plan level, given the Company's expectations regarding the sales distribution by metal plan;
- Companies are allowed to make a Risk Adjustment in developing its incurred claims on the URRT. Risk adjustment calculates a risk score for each plan participant, based upon age, sex and diagnosis. This is used to calculate the company's Plan average risk score. If the Plan average risk score is higher than the average risk score for the state, the Company will receive payment for having a higher risk population. Because GHPI anticipates its market level risk scores to be lower than the average risk score for Iowa, it expects to make a payment for having a lower risk population. Based on the narrative provided by GHPI, INS believes the Risk Adjustment of -$35.13 to be actuarially reasonable;
- The Company has no "Projected ACA Reinsurance Recoveries, net of Reinsurance Premium, PMPM" in 2017 because the Transitional Reinsurance Program has ended;
- Administrative Expense Load, Profit and Risk Load, and Taxes and Fees appear reasonable for the Individual market;
- The "Index Rate for Projection Period" of $784.39 equals the 2017 Projected Allowed Claims ($786.51) minus the total non-EHB allowed claims, which is reasonable.

Part III Actuarial Memorandum

- The Company's Actuarial Memorandum and URRT satisfy the 2017 Unified Rate Review Instructions dated January 20, 2016 and issued by the Department of Health and Human Services;
- The company's calculation of the projected medical loss ratio (MLR) of 89.4% appears to be actuarially reasonable;
- The Company's calculation of the Market Adjusted Index Rate is consistent with the definitions of 2017 Unified Rate Review Instructions (January 20, 2016);
- The Company's calculation of the Plan Adjusted Index Rates is consistent with the definitions of 2017 Unified Rate Review Instructions (January 20, 2016);

- The Company's calculation of the Consumer Adjusted Premium Rates is consistent with the definitions of 2017 Unified Rate Review Instructions (January 20, 2016);
- The Company's calibration process is consistent with the requirements of 2017 Unified Rate Review Instructions (January 20, 2016);
- The Actuarial Value metal values are based entirely on the AV Calculator. The Company's analysis and calculation of Actuarial Values complies with guidance provided in the Patient Protection and Affordable Care Act (PPACA), HHS Notice of Benefit and Payment Parameters for 2017, Final Rule 81 FR 12203 (March 8, 2016);
- The Company's explanations of the 'Warning Alerts' that appeared in Worksheet 2 of the URRT are actuarially reasonable.

Federal regulations prescribed in 45CFR Part 147 paragraph §147.102

- All premium rates vary only with respect to allowable rating factors: [1] family composition and [2] age;
- Relating to the family rating and in accordance with the subject Federal regulation, the premium calculation follows a member-level build up approach which is capped such that no more than the three oldest covered children under the age 21 can be taken into account when determining the total family premium;
- Relating to the premium age curve and in accordance with the subject Federal regulation, the premium variation between the youngest and the oldest adult individuals between the ages of 21-64 does not exceed a ratio of 3:1 (and adheres to the Health and Human Services' Default Standard Age Curve);
- A third allowable rating factor, geographic area, is not used by GHPI for its Individual product;
- A fourth allowable rating factor, tobacco usage, is also not used by GHPI for its Individual product.

Miscellaneous Items

- GHPI is offering 16 plans in total – 2 Platinum, 2 Gold, 5 Silver, 6 Bronze and 1 Catastrophic;
- Of the 16 total plans, the GundersenOne product has 2 Platinum, 2 Gold, 3 Silver, 3 Bronze and 1 Catastrophic plans, and the GundersenOneHSA product has 2 Silver and 3 Bronze plans;
- Pediatric vision benefits are automatically included in all of GHPI's Individual plans;
- An non-EHB adult vision benefit is provided;
- The URRT does not demonstrate the process used by GHPI to develop its rates. However, INS confirmed that the AV Pricing Value was used in developing each plan's proposed premium rates.

Effective Rate Review - 45CFR Part 154 paragraph §154.301

In order to maintain an Effective Rate Review Program, federal regulations require that certain criteria must be followed. INS's review was conducted so that these standards were strictly complied with. Our analysis included, inter alia, examination of the company's assumptions, the impact of medical trend changes, the impact of changes in benefits, the impact of cost sharing changes, rating limitations for age and tobacco usage, the impact of geographic factors, medical loss ratio, the company's capital and surplus, and the impact of risk adjustment payments.

Based on INS's review and on the certifying statements of GHPI's opining actuary, INS suggests that the subject filing is compliant with Iowa and PPACA regulations and suggests approval pending the Iowa Insurance Division review of the filing.

If you have any questions or would like additional information, please do not hesitate to call or e-mail.

Joseph Brennan, FSA, MAAA