

Kentucky
Federal Part III Actuarial Memorandum
UnitedHealthcare Life Insurance Company
NAIC: 0707-97179 / FEIN: 86-0207231

Purpose

Following is a rate filing prepared by UnitedHealthcare Life 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 initial rates intended to be used for individual health benefit plans sold off the health insurance exchange in Kentucky for the 2016 plan year.

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

General Information

Company Identifying Information

Company Legal Name: UnitedHealthcare Life Insurance Company
State: Kentucky
HIOS Issuer ID: 56744
Market: Individual
Effective Date: January 1, 2016

Primary Contact Information

Name: [REDACTED]
Telephone Number: [REDACTED]
Email Address: [REDACTED]

Proposed Rate Change

This is an initial filing of rates for new products. No rate changes are being requested at this time.

Experience Period Premium and Claims

UnitedHealthcare Life Insurance Company has no existing individual market business in Kentucky, so no historical claims experience exists. Since the Unified Rate Review Template requires entry of data in this section, amounts of \$1 were entered so the spreadsheet could be validated and submitted.

Benefit Categories

UnitedHealthcare Life Insurance Company has no existing individual market business in Kentucky.

Projection Factors

Since UnitedHealthcare Life Insurance Company has no existing individual market business in Kentucky, no projection factors were developed.

Credibility Manual Rate Development

Source and Appropriateness of Data Used

These rates are intended to be used on a guarantee issue basis. As UnitedHealthcare Life Insurance Company does not have any experience for individual medical guarantee issue products, we relied on the guarantee issue claims experience and rate development of an affiliated small group carrier to develop our rates.

The experience used in the development of these rates is net of the appropriate coordination of benefit recoveries. Therefore, the rates reflect the necessary equitable reduction in premiums or costs to beneficiaries of such other insurance or contract rights.

Data Adjustments

- **Trend/Emerging Experience:**

Our manual rates were developed from affiliated small group projections for the 2015 calendar year. They were adjusted for trend factors and emerging claims experience. Annual trend is expected to be █████ in the state of Kentucky.
- **Removal of Small Group Adjustments:**

The small group experience used as the starting point of our rate development includes adjustments made for small employer market dropout and early renewal. These adjustments are not applicable to the individual market and have thus been removed from our individual rates.
- **Estimated Morbidity Differential of the Population Insured:**

Because the data used for development of the credibility rate manual are based on small group business, we need to adjust for the estimated morbidity differential between the individual and small group markets. UnitedHealthcare (parent company of UnitedHealthcare Life Insurance Company) has participated in a multi-state study done by a large actuarial consulting firm to help estimate the average expected morbidity of the individual market relative to the average expected morbidity of the small group market. Our analysis of the information provided indicates that in states that allowed transitional relief, we would anticipate the average morbidity in the individual exchange market in 2016 to be about █████ higher than the average morbidity in the small group exchange market. In addition, we have analyzed the nationwide experience for similar UnitedHealthcare off and on exchange plans through 2014, and have determined that an additional adjustment of █████ is necessary for off exchange plans due to higher than anticipated claims after taking into consideration the anticipated impact of reinsurance and risk adjustment.
- **Benefit Differential:**

Adjustments were made to reflect the benefit variations between the small group portfolio and our individual product.
- **Demographic/Geographic Differential:**

We anticipate our individual business to have both a different age/gender composition and a different geographic composition compared to that of the affiliated small group business. Therefore, adjustments were made to account for these differences.

Credibility of Experience

UnitedHealthcare Life Insurance Company has no existing individual market business in Kentucky, so zero credibility is applied to the experience period claim data. We believe the affiliated small group experience used for developing our rates to be fully credible. A specific credibility formula was not used for this determination, but rather professional actuarial judgment. As ASOP 25, section 3.4 states: "Professional Judgment - The actuary should use professional judgment when selecting, developing, or using a credibility procedure. The use of credibility procedures is not always a precise mathematical process."

Paid-to-Allowed Ratio

Paid-to-allowed ratios were developed for each plan using the proprietary UnitedHealthcare pricing model. This model uses nationwide UnitedHealthcare experience 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.

The average paid-to-allowed ratio is based on the paid-to-allowed ratios developed for each plan using the model discussed above and weighting them by the projected membership by plan. The member distribution is discussed under the 'Membership Projections' section later in this memorandum.

Plan Name	Member Distribution	Paid-to-Allowed Ratio
Gold Copay Select	23,133	██████
Silver HSA 100	6,485	██████
Silver Copay Select 1	2,097	██████
Silver Copay Select 2	2,097	██████
Silver Copay Select 3	2,097	██████
Bronze HSA 100	8,513	██████
Bronze Copay Select 1	1,910	██████
Bronze Copay Select 2	1,520	██████
Select Saver	1,348	██████
Weighted Average	49,200	██████

Risk Adjustment and Reinsurance

Projected Risk Adjustments Net of Risk Adjustment User Fees

We are offering a variety of plans at different metal levels that we anticipate to be similar to our competitors. Lacking sufficient information pertaining to the risk levels of our own business compared to that of our competitors, we are assuming zero risk adjustment transfers at this time. The HHS Notice of Benefit and Payment Parameters for 2016 specifies a risk adjustment user fee of \$██████ per member per year, or approximately \$██████ PMPM.

The projected risk adjustment transfers net of risk adjustment user fees are therefore -\$██████ PMPM.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

Reinsurance recoveries are expected to be about ██████ of incurred claims, as calculated below. The total incurred claims were calculated using an affiliated carrier's individual market nationwide experience trended to the 2016 benefit period. Reinsurance recoveries were then calculated using the 2016 reinsurance parameters, as published in the HHS Notice of Benefit and Payment Parameters for 2016. The reinsurance parameters include a \$90,000 attachment point, 50% coinsurance, and a \$250,000 reinsurance cap.

Claim Range	Annual Members	Incurred Claims	Claims PMPY	Reinsurance Benefit
██████████	██████████	██████████	██████████	██████████
██████████	██████████	██████████	██████████	██████████
██████████	██████████	██████████	██████████	██████████
Total Incurred Claims				\$██████████
Total Reinsurance Benefit				\$██████████
Estimated 2016 Reinsurance Recoveries as % of Claims				██████████

Incurred claims for this product in the state of Kentucky are expected to be \$██████ PMPM. Therefore, reinsurance recoveries are anticipated to be \$██████ PMPM. The HHS Notice of Benefit and Payment Parameters for 2016 specifies a reinsurance premium of \$██████ per member per year, or \$██████ PMPM.

The projected reinsurance recoveries net of reinsurance premium are therefore \$██████ PMPM.

Non-Benefit Expenses and Profit

Administrative Expense Load

The [redacted] administrative expense load includes commissions, quality improvements, and SG&A.

- Commissions: We anticipate an average commission rate of approximately [redacted] for 2016 based on our anticipated commission schedule and the expected business by distribution channel.
- Quality Improvements: We included [redacted] for quality improvements based on affiliated carrier data.
- SG&A: Our general and administrative expense assumption is \$ [redacted] PMPM based on information provided by UnitedHealthcare's finance department for the 2016 calendar year. For this product in the state of Kentucky, this amount equates to approximately [redacted] of premium for 2016.

Profit and Risk Margin

Our projected profit margin for the 2016 rating period is approximately [redacted] of premium.

Premium	[redacted]	[redacted]
Claims	[redacted]	[redacted]
GAP Assessment	[redacted]	[redacted]
Premium Tax	[redacted]	[redacted]
Reinsurance Fees	[redacted]	[redacted]
Reinsurance Recoveries	[redacted]	[redacted]
Risk Adjustment User Fees	[redacted]	[redacted]
Risk Adjustment Transfers	[redacted]	[redacted]
Net Insurer Fees	[redacted]	[redacted]
PCORI Fee	[redacted]	[redacted]
Commissions	[redacted]	[redacted]
SG&A	[redacted]	[redacted]
Quality Improvements	[redacted]	[redacted]
Pre-Tax Income	[redacted]	[redacted]
Federal Income Tax	[redacted]	[redacted]
After-Tax Income	[redacted]	[redacted]

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

Taxes and Fees

Taxes and fees are expected to be [redacted] and include premium tax, GAP assessments, exchange fees, insurer fees, PCORI fees, and federal income tax.

- Premium Tax: The premium tax rate is [redacted] in the state of Kentucky.
- GAP Assessments: The Kentucky GAP assessment is currently [redacted] of premium.
- Exchange Fees: These products are only being offered off the individual exchange, so zero exchange fees apply.
- Insurer Fees: Each insurance carrier's assessment of insurer fees will be based on earned health insurance premium in the prior year, with certain exclusions. UnitedHealthcare (parent company of UnitedHealthcare Life Insurance Company) estimates that [redacted] of its 2016 premium will be allocated for insurer fees.
- PCORI Fees: This product will be offered for the 2016 plan year, with a PCORI fee of \$ [redacted] per member per year, or approximately \$ [redacted] PMPM. For this product in the state of Kentucky, this equates to approximately [redacted] of premium.
- Federal Income Tax: Federal income tax is projected to be [redacted] of premium and is calculated as 35% * (Pre-Tax Income + Insurer Fees), since insurer fees are not tax deductible.

Projected Loss Ratio

The projected loss ratio using the federally prescribed MLR methodology for calendar year 2016 is [REDACTED]. UnitedHealthcare Life 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	[REDACTED]	[REDACTED]
Reinsurance Recoveries	[REDACTED]	[REDACTED]
Risk Adjustment Transfers	[REDACTED]	[REDACTED]
Quality Improvement	[REDACTED]	[REDACTED]
Total MLR Claims	[REDACTED]	[REDACTED]
Premium	[REDACTED]	[REDACTED]
GAP Assessment	[REDACTED]	[REDACTED]
Premium Tax	[REDACTED]	[REDACTED]
Reinsurance Fees	[REDACTED]	[REDACTED]
Risk Adjustment User Fee	[REDACTED]	[REDACTED]
Net Insurer Fees	[REDACTED]	[REDACTED]
PCORI Fee	[REDACTED]	[REDACTED]
Federal Income Tax	[REDACTED]	[REDACTED]
Total MLR Premium	[REDACTED]	[REDACTED]
Federal Medical Loss Ratio	[REDACTED]	[REDACTED]

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

Single Risk Pool

The single risk pool reflects all covered lives for every individual non-grandfathered product and plan combination for UnitedHealthcare Life Insurance Company in the state of Kentucky. It is established in accordance with the requirements of 45 CFR Part 156, §156.80(d).

Index Rate

UnitedHealthcare Life Insurance Company has no existing individual market business in Kentucky, so no index rate is developed for the 2014 experience period.

The index rate for the 2016 projection period represents [REDACTED] of allowed claims for this block of business. Benefits in excess of essential health benefit (EHB) requirements include travel and lodging associated with organ transplants, which is expected to account for approximately [REDACTED] of allowed claims. These benefits are expected to have minimal effect on total claims, and the reported percentage is based on informed actuarial judgment. The projected index rate is calculated below.

Allowed Claims PMPM	Benefits in Excess of EHBs	Index Rate
[REDACTED]	[REDACTED]	\$531.48

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

Market Adjusted Index Rate

The market adjusted index rate includes market-wide adjustments for the federal reinsurance program, the risk adjustment program, and exchange user fees. These products are only being offered off the individual exchange, so zero exchange fees apply. Please refer to the 'Risk Adjustment and Reinsurance' section previously discussed in this memorandum for a brief description of the other items. Incurred values are divided by the average paid-to-allowed ratio to get to an allowed basis.

Index Rate	Net Reinsurance Adjustment (allowed basis)	Net Risk Adjustment (allowed basis)	Market Adjusted Index Rate
\$531.48	[REDACTED]	[REDACTED]	[REDACTED]

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

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
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████
██████████	██████	██████	██████	██████	██████	██████

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The actuarial value and cost sharing adjustment accounts for benefit differences, utilization differences due to differences in cost sharing, 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 █████ of premium as calculated below. The total member distribution by age is based on nationwide individual market off exchange enrollment for similar UnitedHealthcare (parent company of UnitedHealthcare Life Insurance Company) products in the 2015 plan year. The individual tobacco user percentages are based on an affiliated carrier’s individual block of business.

Age Group	Member Distribution			Tobacco Surcharge Factors		
	Tobacco User	Non-Tobacco	Total	Tobacco User	Non-Tobacco	Average
██████	██████	██████	██████	██████	██████	██████
██████	██████	██████	██████	██████	██████	██████
██████	██████	██████	██████	██████	██████	██████
██████	██████	██████	██████	██████	██████	██████
██████	██████	██████	██████	██████	██████	██████

As previously discussed, benefits in excess of EHBs are expected to be █████ 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	██████
Morbidity Adjustment	██████
Total Catastrophic Adjustment Factor	██████

Distribution and Administrative Costs include premium tax, GAP assessments, insurer fees, PCORI fees, commissions, SG&A, quality improvements, federal income tax, and after-tax income. These items were previously discussed in the ‘Non-Benefit Expenses and Profit’ section of this memorandum. Reinsurance recoveries and fees, risk adjustment transfers and user fees, and exchange user fees have already been adjusted out of the market adjusted index rate prior to the plan adjusted index rate calculation.

Calibration

The calculated age curve calibration, equal to the average age factor of the expected member distribution by age, is [REDACTED]. As UnitedHealthcare Life Insurance Company has no individual market business in Kentucky, the average age curve calibration was based on nationwide individual market off exchange enrollment for similar UnitedHealthcare (parent company of UnitedHealthcare Life Insurance Company) products in the 2015 plan year. Weighting the age integers by the expected member distribution yields an average age of [REDACTED]. However, weighting the HHS 3:1 age curve by the expected member distribution yields an average age factor of [REDACTED].

The geographic area factor calibration is [REDACTED] which is based on our expected distribution of covered individuals. Our geographic rating factors and expected member distribution for each rating region are provided below. Expected member distribution is based on 2010 Census data by county. Geographic area rating factors were developed based on small group area factors for an affiliated carrier and were reviewed versus UnitedHealthcare claims data that reflects unit cost differences by county. Where the analysis indicated that there were credible, material differences indicated by the comparison of currently approved area factors and the expected unit cost differences, we have adjusted the area factors accordingly.

Rating Region	Member Distribution	Area Factors
Area 1	[REDACTED]	[REDACTED]
Area 2	[REDACTED]	[REDACTED]
Area 3	[REDACTED]	[REDACTED]
Area 4	[REDACTED]	[REDACTED]
Area 5	[REDACTED]	[REDACTED]
Area 6	[REDACTED]	[REDACTED]
Area 7	[REDACTED]	[REDACTED]
Area 8	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

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*c)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

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*b*c*d
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

AV Metal Values

Copays Paid in Conjunction with Coinsurance

The Bronze Copay Select 2 plan includes copays that are paid in conjunction with coinsurance in the cost-sharing range for Inpatient Hospital Services. 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, the following formula was used to estimate the insurer’s cost share.

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

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 bronze level continuance table. All enrollees within a continuance table were included in the calculation

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 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.

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 were previously discussed in the 'Plan Adjusted Index Rates' section of this memorandum.

Plan Name	Market Adjusted Index Rate	Plan Adjusted Index Rate	AV Pricing Value
Gold Copay Select	\$ [REDACTED]	\$503.00	1.002
Silver HSA 100	\$ [REDACTED]	\$415.94	0.829
Silver Copay Select 1	\$ [REDACTED]	\$437.93	0.872
Silver Copay Select 2	\$ [REDACTED]	\$439.69	0.876
Silver Copay Select 3	\$ [REDACTED]	\$441.88	0.880
Bronze HSA 100	\$ [REDACTED]	\$352.19	0.702
Bronze Copay Select 1	\$ [REDACTED]	\$370.65	0.738
Bronze Copay Select 2	\$ [REDACTED]	\$396.16	0.789
Select Saver	\$ [REDACTED]	\$322.73	0.643

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

Membership Projections

Total membership projections for the 2016 plan year were provided by UnitedHealthcare’s finance department. Member distribution was based on nationwide individual market off exchange enrollment for similar products within UnitedHealthcare (parent company of UnitedHealthcare Life Insurance Company) for the 2015 plan year.

Plan Name	Plan Weight	Member Distribution
Gold Copay Select	47.0%	23,133
Silver HSA 100	13.2%	6,485
Silver Copay Select 1	4.3%	2,097
Silver Copay Select 2	4.3%	2,097
Silver Copay Select 3	4.3%	2,097
Bronze HSA 100	17.3%	8,513
Bronze Copay Select 1	3.9%	1,910
Bronze Copay Select 2	3.1%	1,520
Select Saver	2.7%	1,348
Total	100.0%	49,200

Terminated Products

No products are being terminated at this time.

Plan Type

The plan types selected in the Unified Rate Review Template describe the plans exactly.

Warning Alerts

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

Reliance

Due to responsibility allocation, I have relied upon other members within the UnitedHealthcare 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
- Projected Member Months

UnitedHealthcare Actuaries Responsible for Small Group Rate Development

- Affiliated Small Group Rate Development

Actuarial Certification

I, [REDACTED] am a Senior Actuarial Consultant for UnitedHealthcare's individual line of business, which includes UnitedHealthcare Life 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 State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
 - Developed in compliance with the applicable Actuarial Standards of Practice,
 - Reasonable in relation to the benefits provided and 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 CRF 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. One of our plan designs include per-occurrence copays paid in conjunction with coinsurance in the cost-sharing range. This benefit design is not directly compatible with the AV calculator. 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). Therefore, the alternate methodology described in 45 CFR 156.135(b)(2) was used to fit 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 Part 156, §156.135 is included at the end of this memorandum.
- 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.

[REDACTED]
[REDACTED]
Senior Actuarial Consultant

06/23/2015
Date

Unique Plan Design Supporting Documentation and Justification

Please fill in the following information.

HIOS Issuer ID: 56744

HIOS Product IDs: 56744KY002

Applicable HIOS Plan IDs (Standard Component): 56744KY0020001,
56744KY0020003, 56744KY0020004, 56744KY0020005, 56744KY0020008

Reasons the plan design is unique (benefits that are not compatible with the parameters of the AV calculator and the materiality of those benefits):

One of our plan designs includes a copay that is 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.

Acceptable alternate method used per 156.135(b)(2) or 156.135(b)(3):

The alternate method described in 45 CFR 156.135(b)(2) was used for the AV calculations.

Confirmation that only in-network cost sharing, including multitier networks, was considered:

Only in-network cost sharing was considered for the alternate methodology mentioned above.

Description of the standardized plan population data used:

Claims and enrollment data enclosed in the AV calculator continuance tables were used for each metal level.

If the method described in 156.135(b)(2) was used, a description of how the benefits were modified to fit the parameters of the AV calculator:

Please refer to the 'AV Metal Values' section of the Federal Part III Actuarial Memorandum.

If the method described in 156.135(b)(3) was used, a description of the data and method used to develop the adjustments:

Not applicable. Only the method described in 45 CFR 156.135(b)(2) was used for the AV calculations.

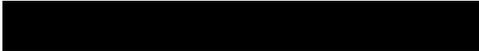
Certification Language:

The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV

The analysis was

- (i) conducted by a member of the American Academy of Actuaries;
- (ii) performed in accordance with generally accepted actuarial principles and methodologies;

Actuary signature: 

Actuary Printed Name: 

Date: 06/23/2015