

Part III Actuarial Memorandum

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 1, 2016

REDACTED

Table of Contents

I.	General Information	3
II.	Description of Base Rate	3
III.	Proposed Rate Increase(s)	4
IV.	Experience Period Premium and Claims	4
V.	Benefit Categories	4
VI.	Projection Factors	4
VII.	Credibility Manual Rate Development	4
VIII.	Credibility of Experience	4
IX.	Paid to Allowed Ratio	5
X.	Risk Adjustment and Reinsurance	5
XI.	Non-Benefit Expenses and Profit & Risk	5
XII.	Projected Loss Ratio	6
XIII.	Single Risk Pool	6
XIV.	Index Rate	6
XV.	Market Adjusted Index Rate	7
XVI.	Plan Adjusted Index Rates	7
XVII.	Calibration	7
XVIII.	Consumer Adjusted Premium Rates	8
XIX.	AV Metal Values	8
XX.	AV Pricing Values	8
XXI.	Membership Projections	8
XXII.	Terminated Products	8
XXIII.	Plan Type	8
XXIV.	Warning Alerts	8
XXV.	Effective Rate Review Information	8
XXVI.	Reliance	9
XXVII.	Actuarial Certification	9

I. General Information

Scope and Purpose

This document contains the Part III Actuarial Memorandum for Bluegrass Family Health, Inc.'s (BFH's) individual block of business, effective on or after January 1, 2016. These individual rates are guaranteed for 12 months after the effective date. This actuarial memorandum is submitted in conjunction with the Part I URRT (URRT).

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

The information in this actuarial memorandum has been prepared for the use of BFH by Evolent Health. We understand that this actuarial memorandum will be provided to the Kentucky Department of Insurance and their subcontractors to assist in the review of BFH's rate filing process. We understand that the information provided may be considered public documents, and, as such, may be subject to disclosure to other third parties. Evolent makes no representations or warranties regarding the contents of this actuarial memorandum or rate filing to third parties. Likewise, third parties are to place no reliance upon this actuarial memorandum or rate filing prepared for BFH by Evolent that would create any legal duty under any theory of law by Evolent to any third party.

The results are actuarial projections. Actual experience is likely to differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

Company Identifying Information:

- Company Legal Name: Bluegrass Family Health, Inc.
- State: Kentucky
- HIOS Issuer ID: 40586
- Market: Individual
- Effective Date: January 1, 2016

Company Contact Information:

- Primary Contact Name: Nathan Baehr
- Primary Contact Telephone Number: 571-248-9249
- Primary Contact Email Address: Nbaehr@evolenthealth.com

II. Description of Base Rate

Attachment 1 of the appendix shows the development of the base rate. Further details on how the base rate is determined can be found in Section VII. Credibility Manual Rate Development and Section XI. Non-Benefit Expenses and Profit & Risk. Following is a description of the methodology used to determine the base rate:

1. The rates for the products were developed from small group experience data, adjusted to the individual market and projection period (further described in Section VII. Credibility Manual Rate Development.
2. Non-benefit expense, profit, and risk are applied to the projected claims costs to determine the required projection period premium. The non-benefit expenses are shown in Attachment 5 – Administrative Expenses.
3. The average rating factors in the projection period are applied to the projection period premium to determine the base rate. The average rating factors are shown in Attachment 6: Calibration Factors.
4. The base rate represents the average allowed amount for an age 21 non-tobacco user in BFH's service area.

Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria:

- Area (Attachment 8),
- Age (prescribed standardized factors shown in Attachment 9),
- Tobacco Use (Attachment 9), and
- Benefit plan (Attachment 11).

An example of this calculation is shown in Attachment 14 – Sample Rate Calculation.

III. Proposed Rate Increase(s)

Not applicable. The plans in this filing are all new.

IV. Experience Period Premium and Claims

Not applicable. The plans in this filing are all new.

V. Benefit Categories

The benefit categories shown in the URRT have the same meanings as specified in the URRT instructions. Other Medical does include about 50% of all Mental Health and Substance Abuse claims which are paid by an outside vendor on behalf of BFH and thus this data category includes a mixture of claims types (IP, OP, Professional, etc.). Mental Health and Substance Abuse Claims paid directly by BFH are included in the appropriate medical categories.

VI. Projection Factors

Not applicable. The plans in this filing are all new.

VII. Credibility Manual Rate Development

We started with non-grandfathered small group (2-99 employees) experience as the basis for developing manual rates for the individual market. Following is a description of the experience used, as well as adjustment factors used to arrive at the projected individual market rates.

Paid Through Date: March 31, 2015

Allowed and Incurred Claims Incurred During the Experience Period: The general methodology was to analyze the non-grandfathered 2-99 Small Group experience incurred for the 12 month period January 1, 2014 through December 31, 2014 with claims payments through March 2015. This experience was treated as fully credible except for the pooling of claims over \$100,000 for which all BFH insured business was utilized.

Paid claims during this period were adjusted to account for incurred but not paid claims using standard actuarial methods, including completion factors and least squares projections of the latest three months of unit costs, utilization and PMPM costs that are reconciled through a recursive algorithm. This reconciliation also includes total allowed amounts and member paid amounts for fee-for-service claims. For capitated services, the allowed amount is assumed equal to the capitation amount. For drugs, the total allowed is determined as the sum of the plan paid plus the member paid amounts. Attachment 2 show the monthly IBNR dollar amounts included in the incurred claims estimates that generated the incurred claims shown in Attachment 1.

Provider Contracts: The provider contracts for these products are not based on discounted charges. The contracts use capitation rates, fee schedules, per diem rates and a limited number of percentage of charge arrangements with inflationary limits (primarily for some outpatient hospital services).

A number of adjustments were necessary to appropriately project claims costs for the individual market. These adjustments are also summarized in Attachment 1 and briefly discussed below.

- Medical utilization and unit cost increases as reflected in Attachment 7 – Trend Development
- The individual market morbidity is assumed to be marginally better than the morbidity of the non-grandfathered, 2-99 groups, due to the individual products being tobacco rated.
- A clinical savings adjustments was used to reflect population improvement programs that will be implemented in 2016.
- The individual products will only be available on BFH’s narrow network. The provider contract changes adjustment reflects the expected utilization and unit cost level of the narrow network compared to the broad network.
- The change in benefit richness reflects the expectation that individuals will, on average, purchase plans with lower AVs than reflected in the current small group experience.
- No changes to covered benefits are anticipated.
- No changes to average demographics (age, gender, or area) are expected.

VIII. Credibility of Experience

Not applicable. The plans in this filing are all new and have no experience.

IX. Paid to Allowed Ratio

The Paid to Allowed Average Factor in the Projection Period for the market is shown on Worksheet 1, Section III. We developed the paid to allowed ratio by calculating the net paid amount divided by the gross allowed amount, where amounts are summed across all plans and all projected enrollees.

X. Risk Adjustment and Reinsurance

This section includes information related to the experience and methodology used to estimate risk transfer payments and charges, and reinsurance amounts that are incorporated in Worksheet 1, Section III and Worksheet 2, Section IV.

Projected Risk Adjustments:

The risk adjustment fee is shown in Attachment 4 – Risk Adjustment and Reinsurance – Contributions and Payments.

In aggregate, we expect BFH to recover approximately 0% of premium through the risk adjuster mechanism, meaning BFH is assuming that the risk for the plans in this filing are no better or worse than other plans in the market. The risk adjustment transfer adjustment factor was applied as a constant multiplicative factor across all plans, shown in the URRT in Wksh 1 – Market Experience, row 35, “Projected Risk Adjustments PMPM”.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and redistributes them to high cost claimants in the non-grandfathered individual market. The reinsurance fee is equal to the national per capita reinsurance contribution rate as shown in Attachment 4 – Risk Adjustment and Reinsurance – Contributions and Payments.

The reinsurance payment is developed using projected paid claims, claim probability distributions, and reinsurance payment guidelines. The claim probability distribution is based on the *Milliman 2014 Health Cost Guidelines*, with adjustments to reflect the effective date, geographic area, demographic distribution, and unit costs of the individual market products.

Expected paid claims are calculated for an assumed average individual plan design. Reinsurance payments are allocated proportionally by plan premiums to all plans in the risk pool. A summary of the reinsurance payment calculation is shown on Attachment 4 – Risk Adjustment and Reinsurance – Contributions and Payments.

XI. Non-Benefit Expenses and Profit & Risk

Administrative Expense Load:

The proposed rates reflect the administrative load detailed in Attachment 5 – Administrative Expenses. Administrative expenses were developed based on an analysis of historical administrative expenses, as well as anticipated changes in fees to third-party vendors.

Contribution to Surplus & Risk Margin:

The proposed rates reflect 2% as a Contribution to Surplus and Risk Margin.

Taxes and Fees:

The following taxes and fees are included in the non-benefit expenses, displayed in Attachment 5 – Administrative Expenses.

- Patient-Centered Outcomes Research Institute (PCORI) Fee: The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund.
- Insurer Tax: The health insurance industry will be assessed a permanent fee, based on the market share of net premium which is not tax deductible. The Insurer Tax was developed based on BFH's current share of the market.
- GAP Fee: The GAP fee applies to all business, both on and off exchange.

XII. Projected Loss Ratio

Projected Federal MLR - The projected Federal MLR for the products in this filing is estimated in Attachment 15 – Federal MLR Projections. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes.

XIII. Single Risk Pool

A single risk pool was used in developing the manual rates. All adjustments to the data described in Section VII. Credibility Manual Rate Development were applied at the market level.

XIV. Index Rate

The index rate for the projection period is shown on Attachment 1 – Base Rate Development and calculated by taking the projected incurred claims (development described in Section VII. Credibility Manual Rate Development) and dividing by the average pricing AV, which is described in Section XVI. Plan Adjusted Index Rates. No benefits in excess of essential health benefits are included in the projection period allowed claims. No adjustments were required for Essential Health Benefits.

All state mandated benefits are also assumed to be covered in the index rate, including:

- Coverage for amino acid modified preparations and low-protein modified food products for the treatment of inherited metabolic disorders in accordance with KRS 304.17A-139(4);
- Hearing aids and related services in accordance with KRS 304.17A-132;
- Anesthesia and hospital or ambulatory surgical facility services in connection with dental procedures in accordance with KRS 304.17A-149; and
- Medical and surgical benefits with respect to mastectomies pursuant to KRS 304.17A-134.

Since our claims experience period begins after these mandates were originally required, the cost of these mandated benefits is already reflected in the data.

XV. Market Adjusted Index Rate

The Market Adjusted Index Rate development is shown in Attachment 12 –Market Adjusted Index Rate Development. The following market-wide adjustments to the Index Rate were applied:

- Net federal reinsurance program adjustment (Attachment 4)
- Net risk adjustment (Attachment 4)
- GAP fee (% of premium shown in Attachment 5 applied to composite premium shown in Attachment 1)

XVI. Plan Adjusted Index Rates

The Plan Adjusted Index Rates are included in Worksheet 2, Section IV of the URRT and shown in Attachment 13 – Plan Adjusted Index Rates and Consumer Adjusted Premiums. The following adjustments were applied to the Market Adjusted Index Rate to derive the Plan Adjusted Index Rates:

- Actuarial value and cost sharing adjustment (plan adjustment)
 - Cost sharing adjustments were based on plan design, with estimates of the impact of various cost sharing features, including utilization differences, based on the *Milliman 2014 Health Cost Guidelines (HCGs)*. The HCG AVs were further adjusted to reflect employer contributions to HSAs/HRAs and lower expected utilization in HSA/HRA plans. Differences due to health status were not used. The final pricing AVs are shown in Attachment 11. The cost sharing adjustment also includes a calibration for the average tobacco factor shown in Attachment 6.
 - Plan level adjustments to the HMO plans were used to reflect the provider contracts in the narrow network.
 - No adjustments for benefits in addition to the EHBs were used.
 - Adjustments for distribution and administrative costs were applied to derive the Plan Adjusted Index Rates. See Attachment 5 for the average administrative costs used. (The GAP fee shown on Attachment 5 was applied at the Market Level.)

The cost sharing adjustment as displayed on Attachment 13 is the cost sharing adjustment for each plan, applied to an allowed cost that already includes market-wide adjustments for the Federal reinsurance program, risk adjustment, and GAP fee. The cost sharing adjustment on Attachment 13 will not correspond to the pricing AV values in Attachment 11 and on the URRT, because the pricing AV values on the URRT are applied to a pure allowed cost number.

XVII. Calibration

The Plan Adjusted Index Rates must be calibrated to calculate Consumer Adjusted Premium Rates. The calibration value used is described below.

- Age Curve Calibration – The average age is based on actual BFH small group (2-99) member months for calendar year 2014. The standard age curve (Attachment 9 – Age and Tobacco Factors) was weighted with the enrollment by age to determine the age curve calibration shown in Attachment 6 – Calibration Factors.
- Geographic Factor Calibration – The single risk pool was based on actual distribution of enrollees across Kentucky's rating areas. The proposed area factors (Attachment 8 – Area Factors) were weighted with enrollment by ACA rating area to determine the area calibration shown in Attachment 6 – Calibration Factors.

Calibration was applied uniformly to all plans.

XVIII. Consumer Adjusted Premium Rates

Consumer adjusted premium rates are calculated using the formula and example shown in Attachment 14 - Sample Rate Calculation.

A development of the minimum and maximum premiums are shown in Attachment 16 – Minimum and Maximum Premiums.

XIX. AV Metal Values

The AV Metal Values included in Worksheet 2 of the Part I URRT were based on the Federal AV Calculator.

All benefits that are being offered by BFH translated directly into the AV Calculator, so no additional analysis was required for testing.

XX. AV Pricing Values

The fixed reference plan, 40586KY582001, was selected as the basis for the AV Pricing Values.

For each plan, we have indicated the portion of the AV Pricing Value that is attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), in Attachment 13 – Plan Adjusted Index Rates and Consumer Adjusted Premiums. There were no adjustments for benefits in addition to the EHBs or catastrophic plan adjustments, so those allowable modifiers are not shown.

Each plan's AV Pricing Value represents the plan's expected cost relative to the expected cost of the Reference Plan. The AV Pricing Values reflect the relative impact of each plan's cost-sharing amounts and expected impact of each plan's cost-sharing amounts on the member's utilization of services.

XXI. Membership Projections

Membership projections were developed in conjunction with BFH's staff. The projected enrollment by plan can be found in Worksheet 2, Section II of the URRT.

XXII. Terminated Products

Not applicable.

XXIII. Plan Type

The Plan types listed in Worksheet 2, Section I of the Part I URRT describe the issuer's plans.

XXIV. Warning Alerts

The following differences between the plan-level projections in Worksheet 2 and the total projected amounts found in Worksheet 1 were noted. Explanations regarding these differences are as follows:

- Since the plans in this filing are all new, there is no experience to enter into Section I and II on Worksheet 1 on the URRT. We have bypassed validation errors by entering 1's into these sections.
- There are Warning alerts in rows 80 and 82 of Section IV on Worksheet 2 of the URRT. This is due to the plan adjusted index rate being adjusted to remove the portion of the cost that is expected to be recouped through the tobacco surcharge, while the data entered on Worksheet 1 does not make this adjustment.

XXV. Effective Rate Review Information

Not applicable.

XXVI. Reliance

In the preparation of this filing, I relied on data and other information provided by BFH, including:

- Experience data, including:
 - Membership
 - Allowed claims
 - Paid Claims
 - Estimated Incurred Claims
 - Shock Claims
 - Rx Paid Claims
 - Capitations
- Provider fee schedules for their contracted facilities
- Anticipated rebates
- Anticipated changes to capitation rates
- Administrative expenses and fees

Additionally, I relied on data supplied by Milliman to develop the pricing AVs, including benchmark costs, utilization, geographic rating factors, and utilization adjustment factors. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of the 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.

XXVII. Actuarial Certification

I, Nathan Baehr, am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This filing is prepared on behalf of Bluegrass Family Health, Inc. (BFH) to comply with requirements promulgated by CCIIO and Kentucky statute.

I am affiliated with Evolent Health, Inc. (“Evolent”), an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers. BFH engaged me to provide the opinion herein.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- 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 the population anticipated to be covered.
- Neither excessive nor deficient

Differences between projections in this analysis 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.

I certify that the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

I certify that the percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.

I certify that the geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

I certify that the AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans.

The information prepared in this filing is prepared in accordance with American Academy of Actuaries Actuarial Standard of Practice No. 26, Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans, applicable to the following markets:

- a. Individual;
- b. Association; and
- c. Small group; and

I certify that the proposed rates meet the requirements of KRS 304.17A-0952 or 304.17A-0954, as applicable.

The Part I URRT does not demonstrate the process used by the issuer to develop the rates. Rather, they represent 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 analysis in this memorandum is based on my current understanding of federal and state rules and regulations. To the extent that these rules and regulations continue to evolve, my work may be subject to change.



Nathan Baehr, FSA, MAAA
April 29, 2015

NBaehr@evolenthealth.com
Direct 571-248-9249

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 1: Base Rate Development

Experience period data (CY 2014 paid through March 2015):

Member Months	Non-Grandfathered	
	Groups 2-99	
	150,927	
	Total \$s	PMPM
Fee For Service Incurred Claims	\$40,975,801	\$271.49 Att 2
+ Prescription Drug Paid Claims	\$8,363,918	\$55.42 Att 2
+ Capitations	\$408,525	\$2.71 Att 2
Total Incurred Claims	\$49,748,244	\$329.62
x Pooled Claims Large vs Small Group (100K)		0.92
x Drug Rebates		0.98 based on \$5.42 PMPM Rx Rebates
Net Incurred Claims		\$297.91

Adjustments

x Trend factor for 24 months	1.163 Att 7
x Morbidity Adjustment	0.992
x Clinical savings from quality improvement programs	0.991
x Provider Contract Changes	0.862
x Change in benefit richness	0.879
Projected Incurred Claims	\$258.07
+ Risk Adjustment and Reinsurance - Contributions and payments	-\$16.36 Att 4
+ \$ Admin	\$36.83 Att 5
÷ (1-% Retention)	6.50% Att 5
Required premium in projection period	\$297.90
÷ Calibration factor	1.50 Att 6
÷ Average Tobacco Rating Factor	1.17 Att 6
Required base rate (average plan level - age 21 - non-smoker)	\$170.08
Traditional Loss Ratio	80%
Projected Incurred Claims (reflects only EHBs)	\$258.07
÷ Average Pricing AV	0.700
Index Rate (Projected Allowed Claims reflecting only EHBs)	\$368.80

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 3: Normalized Benefit Adjustment - Non Grandfathered 2-99

Incurred January 1, 2014 through December 31, 2014, paid through March 31, 2015

Month	Net Paid (Estimated Incurred)	Total Allowed	Net Paid/Total Allowed	Index	Least Squares Increment	Benefit Adjustment (Normalized)
Jan-12	\$3,883,886	\$5,334,189	0.728	1	0.7680	0.9406
Feb-12	\$3,841,173	\$5,191,663	0.740	2	0.7694	0.9423
Mar-12	\$3,793,044	\$5,026,003	0.755	3	0.7708	0.9440
Apr-12	\$3,810,391	\$5,025,678	0.758	4	0.7722	0.9457
May-12	\$3,480,580	\$4,640,680	0.750	5	0.7736	0.9474
Jun-12	\$4,641,299	\$5,702,846	0.814	6	0.7750	0.9491
Jul-12	\$3,751,352	\$4,851,855	0.773	7	0.7764	0.9508
Aug-12	\$4,506,869	\$5,665,101	0.796	8	0.7777	0.9525
Sep-12	\$3,649,503	\$4,606,100	0.792	9	0.7791	0.9542
Oct-12	\$4,039,396	\$5,092,624	0.793	10	0.7805	0.9559
Nov-12	\$3,559,486	\$4,484,113	0.794	11	0.7819	0.9576
Dec-12	\$3,550,126	\$4,389,824	0.809	12	0.7833	0.9593
Jan-13	\$3,766,245	\$5,235,596	0.719	13	0.7847	0.9610
Feb-13	\$3,779,629	\$5,027,927	0.752	14	0.7861	0.9627
Mar-13	\$3,701,838	\$4,918,784	0.753	15	0.7874	0.9644
Apr-13	\$3,447,015	\$4,505,465	0.765	16	0.7888	0.9661
May-13	\$4,262,172	\$5,374,819	0.793	17	0.7902	0.9678
Jun-13	\$3,175,072	\$4,150,479	0.765	18	0.7916	0.9695
Jul-13	\$3,650,698	\$4,562,853	0.800	19	0.7930	0.9711
Aug-13	\$3,427,393	\$4,378,867	0.783	20	0.7944	0.9728
Sep-13	\$3,402,950	\$4,259,233	0.799	21	0.7958	0.9745
Oct-13	\$3,283,363	\$4,219,356	0.778	22	0.7971	0.9762
Nov-13	\$3,951,121	\$4,976,163	0.794	23	0.7985	0.9779
Dec-13	\$3,726,164	\$4,568,805	0.816	24	0.7999	0.9796
Jan-14	\$3,722,549	\$5,086,390	0.732	25	0.8013	0.9813
Feb-14	\$3,217,403	\$4,350,248	0.740	26	0.8027	0.9830
Mar-14	\$3,638,689	\$4,776,899	0.762	27	0.8041	0.9847
Apr-14	\$4,089,649	\$5,297,091	0.772	28	0.8055	0.9864
May-14	\$3,679,029	\$4,641,873	0.793	29	0.8068	0.9881
Jun-14	\$3,558,393	\$4,490,302	0.792	30	0.8082	0.9898
Jul-14	\$5,971,581	\$6,997,418	0.853	31	0.8096	0.9915
Aug-14	\$4,829,935	\$5,866,200	0.823	32	0.8110	0.9932
Sep-14	\$4,039,284	\$5,102,959	0.792	33	0.8124	0.9949
Oct-14	\$4,384,283	\$5,463,474	0.802	34	0.8138	0.9966
Nov-14	\$4,081,242	\$4,946,048	0.825	35	0.8152	0.9983
Dec-14	\$4,536,207	\$5,555,406	0.817	36	0.8165	1.0000
trended			0.807	37		
trended			0.808	38		
2012	\$46,507,106	\$60,010,674	0.775			
2013	\$43,573,661	\$56,178,347	0.776			
2014	\$49,748,244	\$62,574,308	0.795			

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 4: Risk Adjustment and Reinsurance - contributions and payments

Risk Adjustment

Summary: This program transfers funds, within a state, from lowest risk plans to highest risk plans for Non-Grandfathered Individual and Small Group plans inside and outside the Exchange.

	PMPM
Fee	\$0.15
Expected Payments	\$0.00
Net Impact	<u>\$0.15</u>

Note:

It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this state.

Reinsurance

Summary: Provides reinsurance to Non-Grandfathered Individual plans (inside and outside Exchange) that enroll highest cost individuals.

	Average Annual Payment	PMPM
% of members with annual claims <\$90k	99.32%	\$0 \$0.00
% of members with annual claims between \$90k and \$250k	0.58%	\$24,452 \$11.73
% of members with annual claims >\$250k	0.11%	\$80,000 <u>\$7.03</u>
Expected Recovery		\$18.76

	PMPM
Fee	\$2.25
Expected Payments	<u>-\$18.76</u>
Net Impact	-\$16.51

Note: Small group plans are not eligible to receive reinsurance payments.

Total of all Risk Mitigation Programs	<u>-\$16.36</u>
---------------------------------------	-----------------

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 5: Administrative Expenses

\$ Admin % Admin

REDACTED	
Fixed Admin, Risk, Profit and Fees	\$36.83
Variable Admin, Risk, Profit and Fees	6.50%

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 6: Calibration Factors

Average 2016 Rating factors for population:

Rating Factor	Average Value
Age	1.434
Area	1.044
Calibration	1.497
Tobacco	1.170
Total Average Rating Factor	1.752

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 8: Area Factors

	Area Rating Factor
Area1	1.02
Area2	1.02
Area3	1.08
Area4	1.09
Area5	1.00
Area6	N/A
Area7	1.06
Area8	1.13

Minimum 1.00

Maximum 1.13

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 9: Age and Tobacco Factors

Age Band	Age Rating Factor	Tobacco Rating Factor
0-20	0.635	1.000
21	1.000	1.169
22	1.000	1.169
23	1.000	1.169
24	1.000	1.169
25	1.004	1.169
26	1.024	1.169
27	1.048	1.169
28	1.087	1.169
29	1.119	1.169
30	1.135	1.169
31	1.159	1.169
32	1.183	1.169
33	1.198	1.169
34	1.214	1.169
35	1.222	1.186
36	1.230	1.186
37	1.238	1.186
38	1.246	1.186
39	1.262	1.186
40	1.278	1.217
41	1.302	1.217
42	1.325	1.217
43	1.357	1.217
44	1.397	1.217
45	1.444	1.203
46	1.500	1.203
47	1.563	1.203
48	1.635	1.203
49	1.706	1.203
50	1.786	1.246
51	1.865	1.246
52	1.952	1.246
53	2.040	1.246
54	2.135	1.246
55	2.230	1.256
56	2.333	1.256
57	2.437	1.256
58	2.548	1.256
59	2.603	1.256
60	2.714	1.350
61	2.810	1.350
62	2.873	1.350
63	2.952	1.350
64	3.000	1.350
65+	3.000	1.350

Minimum	0.635	1.000
Maximum	3.000	1.350

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 11: Benefit Plan Factors

HIOS Plan ID	Off Exchange Plan Code	On Exchange Plan Code	Metal Level	Exchange	Full Plan Name	Areas offered	Benefit Plan Factor
40586KY5820001	KI160188	KK160188	Gold	On and Off	Bluegrass Gold HMO 1500 \$10 Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	1.1539
40586KY5820002	KI160190	KK160190	Silver	On and Off	Bluegrass Silver HMO 4000 \$20 Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.9946
40586KY5820003	KI160195	KK160195	Silver	On and Off	Bluegrass Silver HMO 3000 10% Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	1.0332
40586KY5820004	KI160200	KK160200	Silver	On and Off	Bluegrass Silver HMO 4500 \$20 Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.9497
40586KY5830001	KI167155	KK167155	Silver	On and Off	Bluegrass Silver HSA 3000 20% Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.9501
40586KY5820005	KI160205	KK160205	Bronze	On and Off	Bluegrass Bronze HMO 6000 \$40 Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.9131
40586KY5820006	KI160207	KK160207	Bronze	On and Off	Bluegrass Bronze HMO 6850 0% Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.8634
40586KY5830002	KI167160	KK167160	Bronze	On and Off	Bluegrass Bronze HSA 5000 20% Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.7967
40586KY5830003	KI167162	KK167162	Bronze	On and Off	Bluegrass Bronze HSA 6500 0% Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.8128
40586KY5820007	KI160209	KK160209	Catastrophic	On and Off	Bluegrass Catastrophic HMO 6850 \$40 Embedded Baptist Health Community Care Network Individual	Rating Areas 1-5, 7-8	0.8668

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 12: Market Adjusted Index Rate Development

Index Rate	\$368.80 Att 1
+ Reinsurance Contribution	\$2.25 Att 4
+ Expected reinsurance payments	-\$18.76 Att 4
+ Risk Adjustment Fee	\$0.15 Att 4
+ Risk Adjustment Net Transfer	\$0.00
+ GAP Fee	\$2.98 Att 5
= Market Adjusted Index Rate	\$355.42

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 13: Plan Adjusted Index Rates and Consumer Adjusted Premiums

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Att 11			Att 5	Att 5	see Note	Att 6	= (6) ÷ (7)

HIOS Plan ID	Plan	Market	Provider	Plan Adjusted		Calibration	Consumer		
		Adjusted Index Rate	Cost Sharing Adjustment	Network Adjustment	\$ Admin	% Admin	Index Rate	Factor	Adjusted Premium
40586KY5820001	Bluegrass Gold HMO 1500 \$10 Embedded Baptist Health Community Care Network Individual	\$355.42	0.6693	1.00	\$36.83	7%	\$293.82	1.50	\$196.26
40586KY5820002	Bluegrass Silver HMO 4000 \$20 Embedded Baptist Health Community Care Network Individual	\$355.42	0.5626	1.00	\$36.83	7%	\$253.26	1.50	\$169.17
40586KY5820003	Bluegrass Silver HMO 3000 10% Embedded Baptist Health Community Care Network Individual	\$355.42	0.5885	1.00	\$36.83	7%	\$263.08	1.50	\$175.73
40586KY5820004	Bluegrass Silver HMO 4500 \$20 Embedded Baptist Health Community Care Network Individual	\$355.42	0.5325	1.00	\$36.83	7%	\$241.81	1.50	\$161.52
40586KY5830001	Bluegrass Silver HSA 3000 20% Embedded Baptist Health Community Care Network Individual	\$355.42	0.5328	1.00	\$36.83	7%	\$241.93	1.50	\$161.59
40586KY5820005	Bluegrass Bronze HMO 6000 \$40 Embedded Baptist Health Community Care Network Individual	\$355.42	0.5080	1.00	\$36.83	7%	\$232.49	1.50	\$155.29
40586KY5820006	Bluegrass Bronze HMO 6850 0% Embedded Baptist Health Community Care Network Individual	\$355.42	0.4747	1.00	\$36.83	7%	\$219.86	1.50	\$146.85
40586KY5830002	Bluegrass Bronze HSA 5000 20% Embedded Baptist Health Community Care Network Individual	\$355.42	0.4300	1.00	\$36.83	7%	\$202.87	1.50	\$135.50
40586KY5830003	Bluegrass Bronze HSA 6500 0% Embedded Baptist Health Community Care Network Individual	\$355.42	0.4408	1.00	\$36.83	7%	\$206.96	1.50	\$138.24
40586KY5820007	Bluegrass Catastrophic HMO 6850 \$40 Embedded Baptist Health Community Care Network Individ	\$355.42	0.4770	1.00	\$36.83	7%	\$220.71	1.50	\$147.43

Note: Plan Adjusted Index Rate = [(1)x(2)x(3)+(4)] / [1-(5)]

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 14: Sample Rate Calculation

Effective Date 1/1/2016
 On/Off Exchange On
 Metal Level Gold
 Plan ID 40586KY5820001
 Rating Area 1

Covered Members	Age	Tobacco
		User
Subscriber	35	Yes
Spouse	32	No
Child #1	5	No
Child #2	7	No
Child #3	9	No

Base Rate \$170.08 Att 1
 x Benefit Plan Factor 1.154 Att 11
 x Area Factor 1.020 Att 8

 Plan/Area adjusted base rate \$200.18

Age/Tobacco Factors (Att 9)	Age	Tobacco
		User
Subscriber	1.222	1.186
Spouse	1.183	1.000
Child #1	0.635	1.000
Child #2	0.635	1.000
Child #3	0.635	1.000

Final Monthly Premium	PMPM
Subscriber	\$290.00
Spouse	\$236.81
Child #1	\$127.12
Child #2	\$127.12
Child #3	\$127.12
Total PMPM	<u>\$908.16</u>

Note: When computing family premiums, no more than the three oldest covered children under the age of 21 are taken into account, whereas the premiums associated with each child age 21+ are included.

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 15: Federal MLR Projections

REDACTED

Bluegrass Family Health, Inc.

Individual Rate Filing

Effective January 2016

Attachment 16: Minimum and Maximum Premiums

Member Months
 Projected Earned Premium
 Projected Incurred Claims

11,736	= (2)
\$3,496,198	= Member Months x Required Premium
\$3,028,656	= Member Months x Projected Claims

	Annual PMPM	
Min	\$86.04	= Minimum of (7)
Max	\$898.04	= Maximum of (11)
Weighted Avg	\$297.90	= Required Premium

Projected Claims
 Required Premium
 Base Rate

\$258.07 Att 1
 \$297.90 Att 1
 \$170.08 Att 1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Plan Name	Proj Member Months	Benefit Plan Factor	Minimum Area Factor	Minimum Age Factor	Minimum Tobacco Factor	Minimum Premium	Maximum Area Factor	Maximum Age Factor	Maximum Tobacco Factor	Maximum Premium
Bluegrass Gold HMO 1500 \$10 Embedded Baptist Health Community Care Network Individual	2,844	1.1539	1.000	0.635	1.000	\$124.62	1.130	3.000	1.350	\$898.04
Bluegrass Silver HMO 4000 \$20 Embedded Baptist Health Community Care Network Individual	1,704	0.9946	1.000	0.635	1.000	\$107.42	1.130	3.000	1.350	\$774.08
Bluegrass Silver HMO 3000 10% Embedded Baptist Health Community Care Network Individual	1,704	1.0332	1.000	0.635	1.000	\$111.59	1.130	3.000	1.350	\$804.09
Bluegrass Silver HMO 4500 \$20 Embedded Baptist Health Community Care Network Individual	1,704	0.9497	1.000	0.635	1.000	\$102.56	1.130	3.000	1.350	\$739.08
Bluegrass Silver HSA 3000 20% Embedded Baptist Health Community Care Network Individual	1,704	0.9501	1.000	0.635	1.000	\$102.61	1.130	3.000	1.350	\$739.43
Bluegrass Bronze HMO 6000 \$40 Embedded Baptist Health Community Care Network Individual	468	0.9131	1.000	0.635	1.000	\$98.61	1.130	3.000	1.350	\$710.59
Bluegrass Bronze HMO 6850 0% Embedded Baptist Health Community Care Network Individual	468	0.8634	1.000	0.635	1.000	\$93.25	1.130	3.000	1.350	\$671.97
Bluegrass Bronze HSA 5000 20% Embedded Baptist Health Community Care Network Individual	468	0.7967	1.000	0.635	1.000	\$86.04	1.130	3.000	1.350	\$620.04
Bluegrass Bronze HSA 6500 0% Embedded Baptist Health Community Care Network Individual	468	0.8128	1.000	0.635	1.000	\$87.78	1.130	3.000	1.350	\$632.57
Bluegrass Catastrophic HMO 6850 \$40 Embedded Baptist Health Community Care Network Individual	204	0.8668	1.000	0.635	1.000	\$93.61	1.130	3.000	1.350	\$674.60