

**State:** California **Filing Company:** Western Health Advantage  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

## Filing at a Glance

Company: Western Health Advantage  
Product Name: 2016 Individual Rates  
State: California  
TOI: HOrg02I Individual Health Organizations - Health Maintenance (HMO)  
Sub-TOI: HOrg02I.005D Individual - HMO  
Filing Type: Rate  
Date Submitted: 06/03/2015  
SERFF Tr Num: WNHA-130109416  
SERFF Status: Submitted to State  
State Tr Num:  
State Status:  
Co Tr Num:  
  
Implementation: 01/01/2016  
Date Requested:  
Author(s): Jamie Hershman, Seema Ichyettira  
Reviewer(s):  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:

**State:** California **Filing Company:** Western Health Advantage  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

## General Information

Project Name: Status of Filing in Domicile: Pending  
Project Number: Date Approved in Domicile:  
Requested Filing Mode: File & Use Domicile Status Comments:  
Explanation for Combination/Other: Market Type: Individual  
Submission Type: New Submission Individual Market Type: Individual, Non Employer Group - Individual  
Overall Rate Impact: 2.21% Filing Status Changed: 06/03/2015  
State Status Changed:  
Deemer Date: Created By: Jamie Hershman  
Submitted By: Jamie Hershman Corresponding Filing Tracking Number:  
PPACA: Non-Grandfathered Immed Mkt Reforms  
PPACA Notes: null  
Include Exchange Intentions: No  
Filing Description:  
2016 Individual Rates

## Company and Contact

### Filing Contact Information

Jamie Hershman, Sr. Compliance Specialist  
2349 Gateway Oaks Drive  
Suite 100  
Sacramento, CA 95833  
j.hershman@westernhealth.com  
916-563-2217 [Phone]  
916-563-3182 [FAX]

### Filing Company Information

Western Health Advantage  
2349 Gateway Oaks Drive  
Suite 100  
Sacramento, CA 95833  
(916) 563-3183 ext. [Phone]  
CoCode:  
Group Code:  
Group Name:  
FEIN Number: 68-0393304  
State of Domicile:  
CaliforniaCC  
Company Type:  
State ID Number:

## Filing Fees

Fee Required? No  
Retaliatory? No  
Fee Explanation:

## State Specific

Minimum % Change: the smallest 12-month, or annual, rate increase that any individual primary insured (individual insurance) or covered employee (group insurance) will receive, among all the insureds or covered employees renewing on the effective date of the proposed rate increase. The minimum should reflect all causes of premium increase to that insured or covered employee, including but not limited to attained age increases or geographic rate changes already built into the filed rate

---

<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

structure, as well as rate increases for new mandated benefits (e.g. PPACA changes).: 1.95

Maximum % Change: the largest 12-month, or annual, rate increase that any individual primary insured (individual insurance) or covered employee (group insurance) will receive, among all the insureds or covered employees renewing on the effective date of the proposed rate increase. The maximum should reflect all causes of premium increase to that insured or covered employee, including but not limited to attained age increases or geographic rate changes already built into the filed rate structure, as well as rate increases for new mandated benefits (e.g. PPACA changes).: 5.98

SERFF Tracking #:

WNHA-130109416

State Tracking #:

Company Tracking #:

**State:** California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

**Filing Company:** Western Health Advantage

## Correspondence Summary

### Amendments

Schedule	Schedule Item Name	Created By	Created On	Date Submitted
Supporting Document	Actuarial Memorandum and Certifications	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	Unified Rate Review Template	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	CA Plain Language Spreadsheet	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	CA Rate Filing Spreadsheet	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	Plain Language Form	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	Rate Filing Form	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	SRRT	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	Rate Template	Jamie Hershman	07/27/2015	07/28/2015
Supporting Document	Actuarial Memorandum and Certifications	Jamie Hershman	07/07/2015	07/07/2015
Supporting Document	Unified Rate Review Template	Jamie Hershman	07/07/2015	07/07/2015
Supporting Document	Redacted Part III Actuarial Memo	Jamie Hershman	07/07/2015	07/07/2015

**SERFF Tracking #:**

WNHA-130109416

**State Tracking #:**

**Company Tracking #:**

**State:**

California

**Filing Company:**

Western Health Advantage

**TOI/Sub-TOI:**

HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO

**Product Name:**

2016 Individual Rates

**Project Name/Number:**

/

## Amendment Letter

Submitted Date:

07/28/2015

Comments:

Attached are the supporting documents for this filing that were uploaded on 07/27/15.

Changed Items:

*No Form Schedule Items Changed.*

*No Rate Schedule Items Changed.*

<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Actuarial Memorandum and Certifications
<b>Comments:</b>	Attached is the Part III Actuarial Memo revised 07/27/15.
<b>Attachment(s):</b>	Part III Act Memo - WHA 2016 Individual Filing Updated.pdf
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Actuarial Memorandum and Certifications</i>
<b>Comments:</b>	<i>Attached is the Part III Actuarial Memo revised 07/07/15.</i>
<b>Attachment(s):</b>	<i>PartIIIActMemo_07-07-15.pdf</i>
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Actuarial Memorandum and Certifications</i>
<b>Comments:</b>	<i>Attached is the Part III Actuarial Memo dated 04/30/15.</i>
<b>Attachment(s):</b>	<i>PartIIIActMemo.pdf</i>

<b>Satisfied - Item:</b>	Unified Rate Review Template
<b>Comments:</b>	Attached is the URRT dated 07/27/15.
<b>Attachment(s):</b>	WHA 2016 Bronze IM - Unified_Rate_Review_Template.xlsm
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Unified Rate Review Template</i>
<b>Comments:</b>	<i>Attached is the URRT dated 07/07/15.</i>
<b>Attachment(s):</b>	<i>UnifiedRateReview_07-07-15.xlsm</i>
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Unified Rate Review Template</i>
<b>Comments:</b>	<i>Attached is the URRT dated 04/30/15.</i>
<b>Attachment(s):</b>	<i>UnifiedRateReviewSubmission_20150430135128.xml</i>

<b>Satisfied - Item:</b>	CA Plain Language Spreadsheet
<b>Comments:</b>	Attached is the CA Plain Language Spreadsheet dated 07/27/15.
<b>Attachment(s):</b>	CA plain language spreadsheet 01.2016.xls
<b>Satisfied - Item:</b>	CA Rate Filing Spreadsheet
<b>Comments:</b>	Attached is the CA Rate Filing Spreadsheet dated 07/27/15.
<b>Attachment(s):</b>	CA ratefiling spreadsheet 01.2016.xls

<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

<b>Satisfied - Item:</b>	Plain Language Form
<b>Comments:</b>	Attached is the Plain Language Form dated 07/27/15.
<b>Attachment(s):</b>	Plain Language Form.pdf
<b>Satisfied - Item:</b>	Rate Filing Form
<b>Comments:</b>	Attached is the Rate Filing Form dated 07/27/15.
<b>Attachment(s):</b>	Rate Filing Form.pdf
<b>Satisfied - Item:</b>	SRRT
<b>Comments:</b>	Attached is the SRRT dated 07/27/15.
<b>Attachment(s):</b>	SRRT - Western Health Advantage.xlsb
<b>Satisfied - Item:</b>	Rate Template
<b>Comments:</b>	Attached is the Rate Template dated 07/27/15.
<b>Attachment(s):</b>	2016 QHP Rate Template - Bronze IM.xls

<b>SERFF Tracking #:</b>	WNHA-130109416	<b>State Tracking #:</b>	<b>Company Tracking #:</b>
<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

## Amendment Letter

Submitted Date: 07/07/2015

### Comments:

Attached are copies of the revised Part III Act Memo, Part III Act Memo Redacted, URRT and SRRT that were submitted to Covered CA and CMS URRS on 07/07/15.

### Changed Items:

*No Form Schedule Items Changed.*

*No Rate Schedule Items Changed.*



<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Actuarial Memorandum and Certifications
<b>Comments:</b>	Attached is the Part III Actuarial Memo revised 07/07/15.
<b>Attachment(s):</b>	PartIIIActMemo_07-07-15.pdf
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Actuarial Memorandum and Certifications</i>
<b>Comments:</b>	<i>Attached is the Part III Actuarial Memo dated 04/30/15.</i>
<b>Attachment(s):</b>	<i>PartIIIActMemo.pdf</i>

<b>Satisfied - Item:</b>	Unified Rate Review Template
<b>Comments:</b>	Attached is the URRT dated 07/07/15.
<b>Attachment(s):</b>	UnifiedRateReview_07-07-15.xlsm
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Unified Rate Review Template</i>
<b>Comments:</b>	<i>Attached is the URRT dated 04/30/15.</i>
<b>Attachment(s):</b>	<i>UnifiedRateReviewSubmission_20150430135128.xml</i>

<b>Satisfied - Item:</b>	Redacted Part III Actuarial Memo
<b>Comments:</b>	Attached is the Redacted Part III Actuarial Memo revised 07/07/15.
<b>Attachment(s):</b>	93689-01012016_IND_RedactedAM.pdf
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Redacted Part III Actuarial Memo</i>
<b>Comments:</b>	<i>Attached is the Redacted Part III Actuarial Memo that was submitted to CMS at their request.</i>
<b>Attachment(s):</b>	<i>93689_20160101_IND_RedactedAM.pdf</i>

**State:** California **Filing Company:** Western Health Advantage  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

## Post Submission Update Request Processed On 07/29/2015

Status: Allowed  
Created By: Jamie Hershman  
Processed By: Harry Shi  
Comments:

### Company Rate Information:

Company Name:Western Health Advantage

Field Name	Requested Change	Prior Value
REQUESTED RATE CHANGE INFORMATION:		
Member Months:	123576	40958
Min:	2.000	1.950
Max:	5.000	5.98
Weighted Avg.:	4.000	2.21

---

**State:** California **Filing Company:** Western Health Advantage  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

## Post Submission Update Request Processed On 07/29/2015

Status: Allowed  
Created By: Jamie Hershman  
Processed By: Harry Shi  
Comments:

### Rate Information:

Field Name	Requested Change	Prior Value
Filing Method	File & Use	
Rate Change Type	Increase	
Overall Pct. of Last Revision	4.000%	
Effective Date of Last revision	01/01/0016	
Filing Method of Last Filing	File & Use	

**State:** California **Filing Company:** Western Health Advantage  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

**Company Rate Information:**

Company Name:Western Health Advantage

Field Name	Requested Change	Prior Value
Overall % Indicated Change	4.000%	2.210%
Overall % Rate Impact	4.000%	2.210%
Written Premium Change for this Program	\$708575	\$17579183
Number of Policy Holders Affected for this Program	7462	4223
Written Premium for this Program	\$17714378	\$17579183
Maximum %Change (where required)	5.000%	5.980%
Minimum %Change (where required)	2.000%	1.950%
Product: 2016 Individual Rates	UPDATED	
Product Name	Platinum 90 HMO, Gold 80 HMO, Silver 70 HMO, Bronze 60 HMO, Bronze 60 HSA HMO, Minimum Coverage, Advantage 3000B, Advantage 5500B	2016 Individual Rates
Number of Covered Lives	7462	4233
Trend Factors:	6.0%	
PRIOR RATE:		
Total Earned Premium::	17,714,378.000	17,579,183.000
Min:	161.360	422.430
Max:	607.000	422.430
Weighted Avg.:	432.500	422.430
REQUESTED RATE:		
Projected Earned Premium:	54,178,736.000	54,178,294.000
Projected Incurred Claims:	46,186,156.000	46,186,008.000
Min:	176.410	613.230
Max:	647.000	613.230
Weighted Avg.:	438.000	613.230

<b>SERFF Tracking #:</b>	WNHA-130109416	<b>State Tracking #:</b>	<b>Company Tracking #:</b>
<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

## Rate Information

Rate data applies to filing.

<b>Filing Method:</b>	File & Use
<b>Rate Change Type:</b>	Increase
<b>Overall Percentage of Last Rate Revision:</b>	4.000%
<b>Effective Date of Last Rate Revision:</b>	01/01/0016
<b>Filing Method of Last Filing:</b>	File & Use

## Company Rate Information

<b>Company Name:</b>	<b>Company Rate Change:</b>	<b>Overall % Indicated Change:</b>	<b>Overall % Rate Impact:</b>	<b>Written Premium Change for this Program:</b>	<b>Number of Policy Holders Affected for this Program:</b>	<b>Written Premium for this Program:</b>	<b>Maximum % Change (where req'd):</b>	<b>Minimum % Change (where req'd):</b>
Western Health Advantage	Increase	4.000%	4.000%	\$708,575	7,462	\$17,714,378	5.000%	2.000%

**State:** California **Filing Company:** Western Health Advantage  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

## Rate Review Detail

### COMPANY:

Company Name: Western Health Advantage  
HHS Issuer Id: 93689

### PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
Platinum 90 HMO, Gold 80 HMO, Silver 70 HMO, Bronze 60 HMO, Bronze 60 HSA HMO, Minimum Coverage, Advantage 3000B, Advantage 5500B			7462

Trend Factors: 6.0%

### FORMS:

New Policy Forms: Not applicable  
Affected Forms:  
Other Affected Forms:

### REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual  
Member Months: 123,576  
Benefit Change: Increase  
Percent Change Requested: Min: 2.0 Max: 5.0 Avg: 4.0

### PRIOR RATE:

Total Earned Premium: 17,714,378.00  
Total Incurred Claims: 16,502,499.00  
Annual \$: Min: 161.36 Max: 607.00 Avg: 432.50

### REQUESTED RATE:

Projected Earned Premium: 54,178,736.00  
Projected Incurred Claims: 46,186,156.00  
Annual \$: Min: 176.41 Max: 647.00 Avg: 438.00

SERFF Tracking #:

WNHA-130109416

State Tracking #:

Company Tracking #:

**State:** California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

**Filing Company:** Western Health Advantage

## Supporting Document Schedules

<b>Bypassed - Item:</b>	Independent Actuarial Certification
<b>Bypass Reason:</b>	Not required at this time
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Premium Rate Information
<b>Bypass Reason:</b>	Not required at this time
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Premium Rate Public Website Information
<b>Bypass Reason:</b>	Not required at this time
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Consumer Disclosure Form
<b>Bypass Reason:</b>	Not required at this time
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum and Certifications
<b>Comments:</b>	Attached is the Part III Actuarial Memo revised 07/27/15.
<b>Attachment(s):</b>	Part III Act Memo - WHA 2016 Individual Filing Updated.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Unified Rate Review Template
<b>Comments:</b>	Attached is the URRT dated 07/27/15.
<b>Attachment(s):</b>	WHA 2016 Bronze IM - Unified_Rate_Review_Template.xlsm
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

<b>Satisfied - Item:</b>	Redacted Part III Actuarial Memo
<b>Comments:</b>	Attached is the Redacted Part III Actuarial Memo revised 07/07/15.
<b>Attachment(s):</b>	93689-01012016_IND_RedactedAM.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	CA Plain Language Spreadsheet
<b>Comments:</b>	Attached is the CA Plain Language Spreadsheet dated 07/27/15.
<b>Attachment(s):</b>	CA plain language spreadsheet 01.2016.xls
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	CA Rate Filing Spreadsheet
<b>Comments:</b>	Attached is the CA Rate Filing Spreadsheet dated 07/27/15.
<b>Attachment(s):</b>	CA ratefiling spreadsheet 01.2016.xls
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Plain Language Form
<b>Comments:</b>	Attached is the Plain Language Form dated 07/27/15.
<b>Attachment(s):</b>	Plain Language Form.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Rate Filing Form
<b>Comments:</b>	Attached is the Rate Filing Form dated 07/27/15.
<b>Attachment(s):</b>	Rate Filing Form.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	SRRT
<b>Comments:</b>	Attached is the SRRT dated 07/27/15.
<b>Attachment(s):</b>	SRRT - Western Health Advantage.xlsb
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Rate Template
--------------------------	---------------



<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

<b>Comments:</b>	Attached is the Rate Template dated 07/27/15.
<b>Attachment(s):</b>	2016 QHP Rate Template - Bronze IM.xls
<b>Item Status:</b>	
<b>Status Date:</b>	

---

<b>State:</b>	California	<b>Filing Company:</b>	Western Health Advantage
<b>TOI/Sub-TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO		
<b>Product Name:</b>	2016 Individual Rates		
<b>Project Name/Number:</b>	/		

***Attachment WHA 2016 Bronze IM - Unified\_Rate\_Review\_Template.xlsm is not a PDF document and cannot be reproduced here.***

***Attachment CA plain language spreadsheet 01.2016.xls is not a PDF document and cannot be reproduced here.***

***Attachment CA ratefiling spreadsheet 01.2016.xls is not a PDF document and cannot be reproduced here.***

***Attachment SRRT - Western Health Advantage.xlsm is not a PDF document and cannot be reproduced here.***

***Attachment 2016 QHP Rate Template - Bronze IM.xls is not a PDF document and cannot be reproduced here.***



## Part III Actuarial Memorandum

### Western Health Advantage Individual Rate Filing Effective January 1, 2016

Prepared for:  
**Western Health Advantage**

Prepared by:  
**Milliman, Inc.**

**Kimberley K. Hiemenz, FSA, MAAA**  
Principal and Consulting Actuary

15800 Bluemound Road  
Suite 100  
Brookfield, WI 53005  
USA  
Tel +1 262 784 2250  
Fax +1 262 923 3680

[milliman.com](http://milliman.com)

## TABLE OF CONTENTS

1. GENERAL INFORMATION.....	1
2. PROPOSED RATE INCREASE(S).....	1
3. EXPERIENCE PERIOD PREMIUM AND CLAIMS.....	2
4. BENEFIT CATEGORIES .....	3
5. PROJECTION FACTORS.....	3
6. CREDIBILITY MANUAL RATE DEVELOPMENT .....	4
7. CREDIBILITY OF EXPERIENCE.....	4
8. PAID TO ALLOWED RATIO.....	4
9. RISK ADJUSTMENT AND REINSURANCE .....	4
10. NON-BENEFIT EXPENSES AND PROFIT & RISK .....	5
11. PROJECTED LOSS RATIO.....	6
12. SINGLE RISK POOL .....	6
13. INDEX RATE .....	6
14. MARKET ADJUSTED INDEX RATE .....	7
15. PLAN ADJUSTED INDEX RATES .....	7
16. CALIBRATION.....	8
17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT.....	9
18. AV METAL VALUES.....	9
19. AV PRICING VALUES .....	9
20. MEMBERSHIP PROJECTIONS .....	10
21. TERMINATED PRODUCTS.....	10
22. PLAN TYPE.....	10
23. WARNING ALERTS.....	11
24. RELIANCE .....	11
25. ACTUARIAL CERTIFICATION.....	11

## 1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Western Health Advantage's (WHA's) individual medical block of business, effective January 1, 2016. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

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

This Actuarial Memorandum is subject to the terms and conditions of the Consulting Services Agreement between WHA and Milliman, Inc. (Milliman). The information in this Actuarial Memorandum has been prepared for the use of WHA. We understand the Actuarial Memorandum will be provided to Covered California, the California Department of Managed Health Care, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of WHA's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for WHA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

### Company Identifying Information

Company Legal Name:	Western Health Advantage
State:	California
HIOS Issuer ID:	93689
Market:	Individual
Effective Date:	January 1, 2016

### Company Contact Information

Primary Contact Name:	Mary Ingram, ASA, MAAA
Primary Contact Telephone Number:	(916) 563-2231
Primary Contact Email-Address:	<a href="mailto:m.ingram@westernhealth.com">m.ingram@westernhealth.com</a>

## 2. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to WHA's existing individual medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for individuals with an effective date or renewal date of January 1, 2016 through December 31, 2016. The average proposed rate change across all plans and regions from the most recently approved rates effective January 1, 2015 is approximately 4.0%. Exhibit 1 provides a comparison of the revised base rates to the current base rates for a 21 year old.

Table 1 summarizes the proposed rate changes by region and product effective January 1, 2016.

<b>Table 1</b> <b>Western Health Advantage</b> <b>Average Rate Change Summary by Product and Region</b>				
<b>Region</b>	<b>QHP Copayment Plans</b>	<b>QHP Deductible Plans</b>	<b>HSA Compatible Plans</b>	<b>HSA Off Exchange Compatible Plans</b>
Region 2	2.0%	4.7%	5.0%	3.4%
Region 3	4.0%	3.8%	4.0%	3.8%

There are a number of 2015 to 2016 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, changes to the provider reimbursements, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan.

There are no significant changes in cost sharing except those prescribed by Covered California or to comply with the changes in the most recent 2016 Actuarial Value (AV) Calculator. There are no changes to rating factors (e.g., age, tobacco) in this rate filing other than changes to the base premium rate, area factor, and rate relativities by plan.

The reasons for the rate change are:

- Emerging claim experience,
- Expected future medical inflation and utilization changes,
- Changes in ACA taxes and fees,
- Changes in expected Federal Transitional Reinsurance Program,
- Expected changes in morbidity of the statewide insured risk pool,
- Change in the mix of business,
- Anticipated risk adjustment payments (receipts), and
- Changes in administrative fees and requested profit margin.

### 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

WHA is a provider-owned not-for-profit health plan. WHA capitates contracted providers on a percentage of revenue for the majority of its medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. WHA's contractual arrangement for capitated services and actual claims for non-capitated services for 2014 individual ACA business were directly incorporated in the development of the 2016 rates.

#### Claims Paid Through Date

As mentioned above, WHA capitates the majority of its services. The claims incurred in the experience for non-capitated services reflected payments through March 31, 2014.

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

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2014). WHA's 2014 individual ACA loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included.

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

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. The incurred claims represent the sum of three items: 1) capitation payments, 2) fee-for-service out-of-area claims, and

3) prescription drug claims. The capitation payments were calculated as percent of WHA's revenue. The out-of-area and prescription drug claims reflect the applicable values from WHA's claim payment system for claims paid on a fee-for-service basis (i.e., not capitated) during the experience period. No estimate of incurred but not reported claims was added to the capitated claims, out of area claims, or prescription drug claims.

The allowed claims were estimated by applying a paid-to-allowed ratio developed using Milliman's *Health Cost Guidelines (HCGs)* and WHA's benefit plans.

Table 2 summarizes the paid claims underlying the rate projection.

<b>Table 2</b> <b>Western Health Advantage</b> <b>2014 Incurred Claims Summary</b> <b>California Individual Market</b>	
<b>Claim Category</b>	<b>2014 Incurred Claims</b>
Capitation Payments	\$11,200,399
Out of Area Claims	\$2,706,154
Prescription Drug Claims	\$2,595,946
Total	\$16,502,499

#### 4. BENEFIT CATEGORIES

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. We categorized utilization and cost information by benefit using WHA's historical distribution.

- Other Medical (non-capitated out-of-area emergency claims)
- Capitation (all services except out-of-area emergency claims and prescription drugs)
- Prescription Drug (prescriptions not billed by a facility or professional)

#### 5. PROJECTION FACTORS

##### Changes in the Morbidity of the Population Insured

Calendar year 2014 was the first year of coverage for many members in the Individual Market. We believe many individuals delayed medical services until they received adequate coverage; this phenomenon is often referred to as "pent-up demand". We estimate the composite impact of pent-up demand for individual market members in 2014 was 7.28% of allowed claims. The true impact of pent-up demand cannot be known, but we believe this estimate is in a reasonable range. Therefore, a projection factor of .932 ( $= 1 / 1.0728$ ) is used to remove the impact of pent-up demand, which is not expected to continue into the projection period. This factor is illustrated under "Pop'l risk Morbidity" in URRT Worksheet 1 Section II.

##### Changes in Benefits

The covered benefits underlying WHA's 2014 individual ACA experience are the same as the 2016 covered benefits, with a few minor modification prescribed by Covered California or to comply with the most recent 2016 Actuarial Value Calculator. These are reflected in the pricing AV and plan design behavior factors with the exception of the Tier 4 specialty Rx cap proposed by Covered California in its benefit designs dated April 17, 2015. We reflected this as a change in covered benefits and included a 1.002 adjustment factor as part of the "Other" projection factor in URRT Worksheet 1.

## Changes in Demographics

The distribution of members by age and gender of members in the projection period (calendar year 2016) are projected to be slightly different than the distribution of members by age and gender in the experience period (calendar year 2014). Therefore, a projection factor of .987 is included in the “Other” projection factor illustrated in URRT Worksheet 1, Section II for the change in demographics.

## Other Adjustments

The “Other” projection factor in URRT Worksheet 1, Section II also includes a 1.008 adjustment for projected differences in the geographic distribution from 2014 to 2016 and a .916 adjustment factor for an anticipated reduction in provider reimbursement levels between 2014 and 2016.

## Trend Factors

The 2014 experience was trended forward to 2016 assuming an aggregate annual 6% trend. The trend assumptions were developed to reflect WHA’s expectations regarding increases in contractual reimbursements. General industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment were also considered.

## 6. CREDIBILITY MANUAL RATE DEVELOPMENT

WHA’s 2016 individual rates rely completely (i.e., 100%) on its individual ACA-compliant experience. Therefore, no manual rate was developed.

## 7. CREDIBILITY OF EXPERIENCE

WHA’s 2014 ACA individual experience represents about 41,000 member months. We considered the experience to be fully credible based on membership volume and WHA’s capitated payment arrangement which brings more stability to claims experience than in a fee-for-service environment.

## 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the average ratio of Paid (i.e., after member cost sharing) to Allowed (i.e., before member cost sharing) claims for each plan, weighted by projected member months by plan. Please refer to Appendix A for details. Appendix A uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

## 9. RISK ADJUSTMENT AND REINSURANCE

### Experience Period Risk Adjustments PMPM

The risk adjustment estimates in URRT Worksheet 2 Section III are based on a risk adjustment report provided by Wakely Consulting (Wakely). Wakely performed a risk score simulation of the California individual market using HHS’ risk score formula. We used the metal tier specific estimates from the study to form the basis of the experience period risk adjustment values in URRT Worksheet 2, Section III. Our estimates are net of the user fees, per HHS’ instructions.

### Projected Risk Adjustments PMPM

We estimate WHA’s 2016 experience will be 10% higher than the statewide 2016 individual single-risk pool based on the risk adjustment report provided by Wakely. We estimate WHA will earn \$39.57 PMPM in risk adjustment receivables net of the \$0.15 PMPM user fee. These receipts are illustrated in URRT Worksheet 1, Section III.



The estimates of relative risk and risk transfer receipts are highly dependent on the population that enrolls with WHA but also with other carriers in the state. The risk transfer receipts, net of risk adjustment fees, was applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS. The impact of risk adjustment lowers the Market Adjusted Index Rate and, therefore, lowers premiums.

### Experience Period Reinsurance PMPM

Estimates for Federal reinsurance received for each plan in the experience period were provided by WHA and are illustrated in URRT Worksheet 2 Section III. WHA developed this estimate based on a review of its large claims in 2014 for its individual ACA-compliant plans.

### Projected Reinsurance Recoveries PMPM

We estimated Federal reinsurance recoveries in the projection period will be \$24.88 PMPM, as illustrated in URRT Worksheet 1, Section III. This amount is net of the 2016 reinsurance premiums of \$2.25 PMPM. These receipts are also illustrated in URRT Worksheet 2 Section IV net of reinsurance premiums, per HHS's instructions. The recoveries assume WHA will receive 50% of all WHA's individual members' per member per year incurred claims between \$90,000 and \$250,000, which is consistent with the 2016 Final Notice of Benefit and Payment Parameters released on February 20, 2015.

We estimated the recoveries using Milliman's *HCGs* claim probability distributions (CPDs) calibrated to WHA's projected experience. CPDs are a frequency distribution of claim amounts that can be used to estimate PMPM claims between deductibles and stop-loss amounts. Exhibit 2 displays the calculations. The net recoveries were applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

## 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Exhibit 3 summarizes the net expense development.

### Administrative Expense Load

We estimate WHA's administrative expenses to be \$42.12 PMPM. This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by WHA based on a projection of 2016 expenses using 2015 budgeted expenses and anticipated changes from 2015 to 2016. This amount does not include any profit, risk load, taxes, or assessments described below. Table 3 below summarizes WHA's administrative expenses.

Table 3 Western Health Advantage Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin	\$35.07	8.00%
Commission	\$6.58	1.50%
Commercial Reinsurance Recoveries	-\$1.08	-0.25%
Commercial Reinsurance Premiums	\$1.55	0.35%
Subtotal: Administrative Expense Load	<b>\$42.12</b>	<b>9.61%</b>

## Profit and Risk Margin

We built in a composite premium for a target pre-tax contribution to surplus. The profit and risk market varies slightly by plan to achieve WHA's target rate position for each plan. The aggregate composite margin is 0.16%. We considered WHA's desired rate level and company profit targets in setting this assumption. The pre-tax contribution to surplus decreased since the prior filing mainly to meet WHA's desired rate level.

## Taxes and Fees

Table 4 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URR, as a PMPM and percent of premium.

<b>Table 4</b> <b>Western Health Advantage</b> <b>Projected Taxes and Fees</b>	
<b>Item</b>	<b>PMPM</b>
Comparative Effectiveness Research Fee	\$0.19
Health Insurer Fee	\$7.00
Exchange User Fee	\$10.51
Federal Income Tax	\$4.14
<b>Total</b>	<b>\$21.83</b>

The exchange user fee was applied as an adjustment to the index rate at the market level. Specifically, the \$13.95 PMPM exchange user fee was allocated across all projected individual enrollment both on and off exchange.

## 11. PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology, excluding adjustments for credibility, is about 90.0 %. Exhibit 4 displays the development of the MLR in more detail.

## 12. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). WHA does not have any individual transitional plans or individual grandfathered plans.

## 13. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

The index rate for projection period is a measurement of average allowed claims PMPM for EHBs. Section V (Projection Factors) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2016 mixture of area factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that WHA expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.

Section 3 (Experience Period Premium and Claim) describes the development of the experience index rate. The projected index rate covers a 12-month period for individuals effective January 1, 2016 through December 31, 2016. As described in Section V of this Memorandum, the projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors.

The projected index rate for January 1, 2016 through December 31, 2016 is in Worksheet 1, Section III of the URRT, and in Table 5.

<b>Table 5</b> <b>Western Health Advantage</b> <b>Projected Index Rate Development</b>	
	<b>2014</b>
Rate Manual Experience Member Months	40,958
Rate Manual Experience Allowed Claims	\$26,082,333
Rate Manual Experience Allowed Claims PMPM	\$636.81
Morbidity Adjustment	0.932
2 Year Claim Trend	1.124
Other Factors (Demographic, Plan Mix, etc.)	0.872
<b>Projected Index Rate</b>	<b>\$581.79</b>

#### 14. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 6 shows the development of the market-adjusted index rate. (All components in the calculation were derived elsewhere in this memorandum.) The adjustments in Table 6 are applied to the Index Rate on an allowed basis as required by CMS.

<b>Table 6</b> <b>Western Health Advantage</b> <b>Market Adjusted Index Rate Development</b>		
	<b>Amount PMPM</b>	<b>Annotation</b>
<b>Index Rate</b>	\$581.79	(1)
<b>Net Risk Adjustment</b>	-\$39.57	(2)
<b>Net Transitional Reinsurance</b>	-\$24.88	(3)
<b>Exchange Fee</b>	\$10.51	(4)
<b>Paid to Allowed Average Factor</b>	75.3%	(5)
<b>Market Adjustments (Allowed Basis)</b>	-\$71.62	(6) = [(2)+(3)+4] ÷ (5)
<b>Market Adjusted Index Rate</b>	\$510.17	(7) = (1) + (6)

#### 15. PLAN-ADJUSTED INDEX RATE

##### Experience Period Plan-Adjusted Index Rates

The experience period Plan-Adjusted Index Rates shown in URRT Worksheet 2, Section III are calculated for each plan as the plan's age-21 rate in 2014 times the composite age and geographic factors developed as part of 2014 pricing. Consistent with HHS's instructions to show mapped experience in the mapped plan's column, the experience period plan-adjusted index rates for terminated plans have been averaged with the plan-adjusted index rates for the mapped plans in the mapped plan's column.

## Projection Period Plan-Adjusted Index Rates

The development of the plan-adjusted index rates are shown in Appendix B and URRT Worksheet 2, Section IV. The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

### Actuarial Value and Cost Sharing Adjustment

- The Actuarial Value and Plan Design Behavior Change factors were developed in an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines* (HCGs), with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to WHA's experience. Health status was not used to establish benefit plan relativities.
- The 2016 CMS Actuarial Value Calculator was used to determine the actuarial value for each plan. We assumed the standard Covered California plans dated April 17, 2015.

### Provider Network, Delivery System and Utilization Management Adjustment

- The value of each provider network was determined based on the experience of WHA and any anticipated differences in the network of a given plan as compared to the current network.

### Adjustment for Benefits in Addition to the EHB

WHA does not offer any non-EHB benefits.

### Adjustment for Distribution and Administrative Costs

Distribution and administrative costs were developed and applied to each plan as a mix of "percent of premium", "percent of claim", and PMPM bases.

### Catastrophic Adjustment

With respect to the catastrophic plan, a 10% morbidity improvement was used to reflect the specific eligibility requirements at any given age for catastrophic plans. In addition, the catastrophic adjustment factor reflects the projected average demographics of individuals enrolled in a catastrophic plan relative to the other metal tiers. That is, the catastrophic plans are likely to attract a young, healthy population seeking minimal coverage yet still meeting the individual mandate. The morbidity improvement assumption was based on actuarial judgment after reviewing the relative cost among various ages in Milliman's HCGs and projected risk scores developed from the HHS risk model.

## 16. CALIBRATION

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

The approximate weighted average age of the projected single risk pool is 48 years. We calculated the risk pool weighted average age by projecting membership on a 5-year age group. The age curve calibration is applied to all plans. The weighted average age curve calibration factor is 0.611. The age curve calibration factor also includes an adjustment to account for the fact that WHA cannot rate for more than 3 children per family; this adjustment is approximately 0.3%. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

WHA applies geographic rating factors to its plans as shown in Table 7. The geographic area factors changed slightly from WHA's 2015 filing due to changes in WHA's provider reimbursement in each area. Health status is not reflected in the geographic factors, and it is not WHA's intent to use area factors to rate for morbidity.

<b>Table 7</b> <b>Western Health Advantage</b> <b>Geographic Factors</b>	
<b>Rating Area</b>	<b>Factor</b>
Rating Area 2	0.964
Rating Area 3	1.071

California does not allow a tobacco surcharge.

The development of the plan-adjusted calibrated index rates are shown in Appendix C.

## 17. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the plan-adjusted index rate, the geographic rating factor, and the age rating factor. WHA does not use tobacco rating factors.

The plan-adjusted index rates and the geographic factors are shown in Appendix B and Table 6, respectively. WHA uses the Federal age curve. WHA does not use tobacco rating factors.

The development of the consumer-adjusted premium rates are shown in Appendix D.

## 18. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator AVC. WHA intends to offer the standardized plans promulgated by Covered California: Standard Copay (Platinum, Gold, and Silver), Standard Coinsurance (Bronze and Catastrophic), and Standard Bronze HSA. Our results confirm the work of Covered California for complying with the Federal AV Metal Values. Further, we tested WHA's off-exchange only individual products using the CMS Actuarial Value calculator.

## 19. AV PRICING VALUES

Appendix E provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), to arrive at the plan level rate.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman's *HCGs* to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

## 20. MEMBERSHIP PROJECTIONS

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT were developed based on consideration for the following:

- Historical sales for WHA's individual products,
- Sales distribution and provider networks,
- Anticipated activity in the California individual health insurance market due to various health care reform provisions.

WHA used its early 2015 enrollment to project the enrollment distribution by plan.

Table 8 includes our assumed CSR distribution based on WHA's 2014 individual experience.

Table 8 Western Health Advantage Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 73%	15.2%
Silver 87%	36.6%
Silver 94%	16.8%
Standard Silver	31.4%
<b>Total</b>	<b>100.0%</b>

## 21. TERMINATED PRODUCTS

All 2014 plans were terminated prior to January 1, 2015. All of the plans were cross-walked to a 2015 plan. WHA did not terminate any of its individual products offered in 2015.

In 2014 WHA offered the same HIOS IDs in both of its regions. In 2015 WHA created a set of HIOS IDs for each region. We cross-walked the terminated plans in 2014 to the corresponding HIOS IDs in Region 2 for presentation purpose in URRT Worksheet 2. However, the actual membership for these plans crosswalk to plans in both Region 2 and Region 3.

Table 9 2014 Terminated Plan Crosswalk	
2014 HIOS ID	2016 HIOS ID
93689CA0040003	93689CA0110001
93689CA0040004	93689CA0110002
93689CA0140001	93689CA0120001
93689CA0140002	93689CA0120004
93689CA0140003	93689CA0120005
93689CA0050002	93689CA0130002

## 22. PLAN TYPE

All of WHA's plans are HMO plans as noted in Worksheet 2, Section I of the URRT.

## 23. WARNING ALERTS

The URRT shows the following warning:

- There are warnings generated by the Validate macro for Worksheet 2 cells I65, K65, L65, N65, O65, Q65, R65, and T65. These warnings say “(Section III - Portion of above payable by HHS’s funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015.” Based on verbal guidance from CCIO, we recognize these warnings are an error in the URRT’s programming, and consistent with CCIO’s guidance, we are ignoring these warnings.

## 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by the WHA. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

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

A data reliance letter is attached to this rate submission.

## 25. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. Further, I meet the independence requirements stated in California’s Health and Safety Code section 1385.06 (b) (3). This filing is prepared on behalf of Western Health Advantage.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(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, and
  - Neither excessive nor deficient based on my best estimates of the 2016 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.

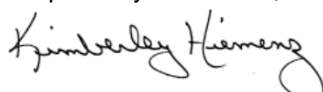
5. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
6. The proposed premium rates in this filing are actuarially sound in aggregate.
7. In my opinion, the proposed premium rate increase is reasonable. I based my opinion of reasonable rate increase on the factors below.
  - The expected individual loss ratio for the twelve month period beginning January 1, 2016 is expected to be about 90%. The projected loss ratio is greater than the 80% PPACA minimum MLR standard promulgated by the Department of Health and Human Services.
  - The assumptions used are reasonable and within the range of reasonableness.
  - The proposed rates result in rates between insured members within similar risk categories that are permissible under applicable California law and the premium differences correspond to differences in expected claims costs between allowable risk classes.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

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

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain 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.

Respectfully Submitted,



Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary, Milliman  
July 6, 2015



## EXHIBITS

**Exhibit 1**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Rate Increase by Plan and Region**  
**21 Year Old Rates**

<b>Plan Name</b>	<b>Region</b>	<b>Plan ID</b>	<b>2016 Rate</b>	<b>2015 Rate</b>	<b>Rate Increase</b>
Platinum90 HMO	Region 2	93689CA0110001	\$375.72	\$368.50	2.0%
Gold80 HMO	Region 2	93689CA0110002	\$346.44	\$339.81	2.0%
Silver70 HMO	Region 2	93689CA0120001	\$288.99	\$283.25	2.0%
Bronze60 HMO	Region 2	93689CA0120004	\$221.54	\$209.03	6.0%
Bronze60 HSA HMO	Region 2	93689CA0130002	\$226.83	\$216.00	5.0%
Minimum Coverage HMO	Region 2	93689CA0120005	\$180.47	\$170.33	6.0%
Advantage Silver 3000B HSA	Region 2	93689CA0050003	\$267.14	\$261.86	2.0%
Advantage Bronze 5500B HSA	Region 2	93689CA0050004	\$238.80	\$227.51	5.0%
Platinum90 HMO	Region 3	93689CA0150001	\$399.95	\$384.64	4.0%
Gold80 HMO	Region 3	93689CA0150002	\$364.89	\$350.86	4.0%
Silver70 HMO	Region 3	93689CA0160001	\$308.81	\$298.39	3.5%
Bronze60 HMO	Region 3	93689CA0160002	\$238.77	\$229.63	4.0%
Bronze60 HSA HMO	Region 3	93689CA0170001	\$246.85	\$237.43	4.0%
Minimum Coverage HMO	Region 3	93689CA0160003	\$194.69	\$187.24	4.0%
Advantage Silver 3000B HSA	Region 3	93689CA0180001	\$285.38	\$275.72	3.5%
Advantage Bronze 5500B HSA	Region 3	93689CA0180002	\$260.07	\$249.96	4.0%

**Exhibit 2**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Estimated Impact of the Federal Transitional Reinsurance Program**

	Amount	Annotation
Percentage of annual claims in excess of \$90,000	0.96%	(1)
Percentage of annual claims in excess of \$250,000	0.17%	(2)
Average annual claim size in excess of \$90,000	\$105,319.99	(3)
Average annual claim size in excess of \$250,000	217,499.87	(4)
Annual reinsurance payments requested per member	325.58	(5) = 50% of (1) x (3) - (2) x (4)
Annual reinsurance payments requested PMPM	27.13	(6) = (5)/12
Annual reinsurance payments received PMPM	27.13	(7) = 100% of (6)
Less Reinsurance Premiums Paid	2.25	(8)
<b>Reinsurance Recoveries Net of Reinsurance Premium PMPM</b>	<b>\$24.88</b>	<b>(7) - (8)</b>

**Exhibit 3**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Net Expense Factor Development**

<b>Expense Item</b>	<b>Amount</b>	<b>Per Member Per Month</b>
Administrative Expenses	9.61%	\$42.12
Expected Profit and Risk Load	0.16%	\$0.70
Taxes and Fees	4.98%	\$21.83
Total Expenses	14.75%	\$64.65
Average Premium		\$438.29
Exchange Fee Expenses	2.40%	\$10.51
Expenses Net of Exchange Fees	12.35%	\$54.14
Paid Claims PMPM		\$438.09
<b>Load to Claims for Expenses Net of Exchange Fees</b>		<b>12.4%</b>

**Exhibit 4**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**2016 Projected Medical Loss Ratio**

	Amount PMPM	Annotation
Claims	\$438.09	(1)
Adjustments to Claims <sup>1</sup>	\$0.00	(2)
Transitional Recoveries (Received)	(\$27.13)	(3)
Risk Adjustment Paid (Received)	(\$39.71)	(4)
<b>MLR Numerator</b>	<b>\$371.25</b>	<b>(5) = (1) + (2) + (3) + (4)</b>
Premiums	\$438.29	(6)
Taxes and Fees <sup>2</sup>	\$21.83	(7)
Income Tax	\$4.14	(8)
<b>MLR Denominator</b>	<b>\$412.32</b>	<b>(9) = (6) - (7) - (8)</b>
<b>Projected MLR <sup>3</sup></b>	<b>90.0%</b>	<b>(10) = (5) / (9)</b>

<sup>1</sup> Quality Improvement / Health IT.

<sup>2</sup> Taxes and fees include all ACA taxes and fees.

<sup>3</sup> The projected MLR does not take the Credibility Adjustment nor the Cost Share Adjustment Factor into account.

## APPENDICES

**Appendix A**  
**Western Health Advantage**  
**Development of Paid to Allowed**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	URRT Wksht 2 Membership	Plan Membership	Allowed Claims	Paid Claims <sup>1</sup>	Actuarial Value
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	8229	6.7%	\$686.08	\$645.34	0.941
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4977	4.0%	\$664.75	\$600.42	0.903
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	19847	16.1%	\$616.64	\$496.58	0.805
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	35393	28.6%	\$576.68	\$382.54	0.663
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3720	3.0%	\$267.52	\$165.39	0.618
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	5329	4.3%	\$563.82	\$390.12	0.692
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	2123	1.7%	\$585.49	\$463.63	0.792
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1846	1.5%	\$598.98	\$408.67	0.682
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	4254	3.4%	\$655.71	\$616.78	0.941
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2573	2.1%	\$627.97	\$567.21	0.903
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	10260	8.3%	\$595.50	\$479.58	0.805
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	18296	14.8%	\$559.11	\$370.92	0.663
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1923	1.6%	\$258.70	\$159.98	0.618
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2755	2.2%	\$550.61	\$381.00	0.692
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	1097	0.9%	\$565.17	\$447.56	0.792
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	954	0.8%	\$592.44	\$404.22	0.682
<b>Total</b>				<b>123,576</b>	<b>100.0%</b>	<b>\$581.79</b>	<b>\$438.09</b>	<b>0.753</b>

<sup>1</sup>Total paid claims are slightly different than URRT, Worksheet 1 due to rounding

Appendix B  
Western Health Advantage  
Development of Plan Adjusted Index Rate

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Catastrophic Adjustment	Administrative Costs Excl. Exchange Fee	Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$510.17	1.039	1.040	1.000	1.000	1.000	1.158	\$638.21
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$510.17	0.968	1.040	1.000	1.000	1.000	1.146	\$588.48
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$510.17	0.828	1.005	1.000	1.000	1.000	1.157	\$490.89
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$510.17	0.637	1.006	1.000	1.000	1.000	1.151	\$376.31
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$510.17	0.582	1.042	1.000	1.000	0.850	1.166	\$306.55
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$510.17	0.666	0.982	1.000	1.000	1.000	1.156	\$385.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$510.17	0.792	0.981	1.000	1.000	1.000	1.144	\$453.78
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$510.17	0.659	1.037	1.000	1.000	1.000	1.163	\$405.64
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$510.17	1.039	0.994	1.000	1.000	1.000	1.161	\$611.50
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$510.17	0.967	0.983	1.000	1.000	1.000	1.151	\$557.89
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$510.17	0.854	0.941	1.000	1.000	1.000	1.152	\$472.15
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$510.17	0.638	0.974	1.000	1.000	1.000	1.151	\$365.07
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$510.17	0.584	1.004	1.000	1.000	0.850	1.171	\$297.67
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$510.17	0.666	0.958	1.000	1.000	1.000	1.160	\$377.43
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$510.17	0.793	0.947	1.000	1.000	1.000	1.139	\$436.33
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$510.17	0.645	1.050	1.000	1.000	1.000	1.151	\$397.63
<b>Total</b>				<b>100.0%</b>	<b>\$510.17</b>	<b>0.753</b>	<b>0.997</b>	<b>1.000</b>	<b>1.000</b>	<b>0.993</b>	<b>1.154</b>	<b>\$438.42</b>



**Appendix C**  
**Western Health Advantage**  
**Plan Adjusted Index Rate Calibration**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$638.21	0.611	1.000	0.611	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$588.48	0.611	1.000	0.611	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$490.89	0.611	1.000	0.611	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$376.31	0.611	1.000	0.611	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$306.55	0.611	1.000	0.611	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$385.30	0.611	1.000	0.611	\$235.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$453.78	0.611	1.000	0.611	\$277.12
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$405.64	0.611	1.000	0.611	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$611.50	0.611	1.000	0.611	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$557.89	0.611	1.000	0.611	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$472.15	0.611	1.000	0.611	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$365.07	0.611	1.000	0.611	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$297.67	0.611	1.000	0.611	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$377.43	0.611	1.000	0.611	\$230.49
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$436.33	0.611	1.000	0.611	\$266.46
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$397.63	0.611	1.000	0.611	\$242.83
<b>Total</b>				<b>100.0%</b>	<b>\$438.42</b>	<b>0.611</b>	<b>1.000</b>	<b>0.611</b>	<b>\$267.74</b>

**Appendix D**  
**Western Health Advantage**  
**Index Rate to Consumer Adjusted Index Rate**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Index Rate	Market Adjusted Index Rate	Plan Adjusted Index Rate	Consumer Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	\$581.79	\$510.17	\$638.21	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	\$581.79	\$510.17	\$588.48	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	\$581.79	\$510.17	\$490.89	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	\$581.79	\$510.17	\$376.31	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	\$581.79	\$510.17	\$306.55	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	\$581.79	\$510.17	\$385.30	\$235.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	\$581.79	\$510.17	\$453.78	\$277.12
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	\$581.79	\$510.17	\$405.64	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	\$581.79	\$510.17	\$611.50	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	\$581.79	\$510.17	\$557.89	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	\$581.79	\$510.17	\$472.15	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	\$581.79	\$510.17	\$365.07	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	\$581.79	\$510.17	\$297.67	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	\$581.79	\$510.17	\$377.43	\$230.49
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	\$581.79	\$510.17	\$436.33	\$266.46
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	\$581.79	\$510.17	\$397.63	\$242.83

Consumer Adjusted Index Rate is the base rate for a given plan.

The premium for a consumer is calculated as:

Consumer Adjusted Index Rate  
x Age Factor  
x Geography Factor  
x Trend Factor

**Premium Rate Example:**

Platinum90 HMO (Plan ID 93689CA01101)

Age: 21 Years Old

Rating Area: 2

Effective Date: January 1, 2016

$$= \$389.75 \times 1.000 \times .964 \times 1.000 = \$375.72$$

**Appendix E**  
**Western Health Advantage**  
**Development of AV Pricing Value**

Plan Name	Plan ID	Rating Area	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Administrative Costs Excl. Exchange Fee	Specific Catastrophic Eligibility	AV Pricing Value <sup>1</sup>
Platinum90 HMO	93689CA0110001	Rating Area 2	1.039	1.040	1.000	1.000	1.158	1.000	1.251
Gold80 HMO	93689CA0110002	Rating Area 2	0.968	1.040	1.000	1.000	1.146	1.000	1.153
Silver70 HMO	93689CA0120001	Rating Area 2	0.828	1.005	1.000	1.000	1.157	1.000	0.962
Bronze60 HMO	93689CA0120004	Rating Area 2	0.637	1.006	1.000	1.000	1.151	1.000	0.738
Minimum Coverage HMO	93689CA0120005	Rating Area 2	0.582	1.042	1.000	1.000	1.166	0.850	0.601
Bronze60 HSA HMO	93689CA0130002	Rating Area 2	0.666	0.982	1.000	1.000	1.156	1.000	0.755
Advantage Silver 3000B HSA	93689CA0050003	Rating Area 2	0.792	0.981	1.000	1.000	1.144	1.000	0.889
Advantage Bronze 5500B HSA	93689CA0050004	Rating Area 2	0.659	1.037	1.000	1.000	1.163	1.000	0.795
Platinum90 HMO	93689CA0150001	Rating Area 3	1.039	0.994	1.000	1.000	1.161	1.000	1.199
Gold80 HMO	93689CA0150002	Rating Area 3	0.967	0.983	1.000	1.000	1.151	1.000	1.094
Silver70 HMO	93689CA0160001	Rating Area 3	0.854	0.941	1.000	1.000	1.152	1.000	0.925
Bronze60 HMO	93689CA0160002	Rating Area 3	0.638	0.974	1.000	1.000	1.151	1.000	0.716
Minimum Coverage HMO	93689CA0160003	Rating Area 3	0.584	1.004	1.000	1.000	1.171	0.850	0.583
Bronze60 HSA HMO	93689CA0170001	Rating Area 3	0.666	0.958	1.000	1.000	1.160	1.000	0.740
Advantage Silver 3000B HSA	93689CA0180001	Rating Area 3	0.793	0.947	1.000	1.000	1.139	1.000	0.855
Advantage Bronze 5500B HSA	93689CA0180002	Rating Area 3	0.645	1.050	1.000	1.000	1.151	1.000	0.779

<sup>1</sup> Reflects actual AV pricing value. This may be slightly different than the product of the columns due to rounding used in the chart.

## RELIANCE LETTER

April 28, 2015

Mrs. Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary  
Milliman, Inc.  
15800 Bluemound Road - Suite 100  
Brookfield, WI 53005-6069

**Re: Western Health Advantage's 2016 Individual Pricing**

Dear Kim:

I, Mary Ingram, ASA, MAAA Actuarial Services Director at Western Health Advantage (WHA), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the 2016 individual premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

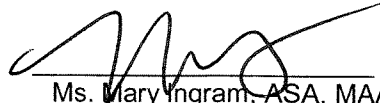
1. Benefit plans for the individual products WHA intends to offer in 2016,
2. Product name, product ID, and plan name as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
3. Product IDs and plan IDs are compliant with Federal regulations,
4. Projected administrative expenses (including Health Insurer Fee tax) and target profit,
5. Projected 2016 capitation rates for pediatric dental, pediatric vision, and acupuncture,
6. Projected 2016 enrollment,
7. 2014 claim, premium and membership experience for WHA's individual ACA plans,
8. The rating regions (as defined by California) in which WHA intends to offer individual products in 2016 and membership distribution by region,
9. Information regarding the premium stabilization programs, i.e. risk adjustment, risk corridors and reinsurance,
10. Guidance on appropriate medical trend factors for WHA,
11. Expected provider reimbursement rates,
12. Expected utilization rates for certain service categories,
13. Assurance WHA has accurately entered plan designs into the PBT and other Federal forms and found no meaningful discrepancies in the Actuarial Value calculations, and

14. Other information provided by WHA in various meetings, phone calls, emails, and other correspondence.

April 28, 2015

---

Date

A handwritten signature in black ink, appearing to read 'Mary Ingram', is written over a horizontal line.

Ms. Mary Ingram, ASA, MAAA  
Actuarial Services Director  
Western Health Advantage



## Part III Actuarial Memorandum

### Western Health Advantage Individual Rate Filing Effective January 1, 2016

Prepared for:  
**Western Health Advantage**

Prepared by:  
**Milliman, Inc.**

**Kimberley K. Hiemenz, FSA, MAAA**  
Principal and Consulting Actuary

15800 Bluemound Road  
Suite 100  
Brookfield, WI 53005  
USA  
Tel +1 262 784 2250  
Fax +1 262 923 3680

[milliman.com](http://milliman.com)

## TABLE OF CONTENTS

1. GENERAL INFORMATION.....	1
2. PROPOSED RATE INCREASE(S).....	1
3. EXPERIENCE PERIOD PREMIUM AND CLAIMS.....	2
4. BENEFIT CATEGORIES .....	3
5. PROJECTION FACTORS.....	3
6. CREDIBILITY MANUAL RATE DEVELOPMENT .....	4
7. CREDIBILITY OF EXPERIENCE.....	4
8. PAID TO ALLOWED RATIO.....	4
9. RISK ADJUSTMENT AND REINSURANCE .....	4
10. NON-BENEFIT EXPENSES AND PROFIT & RISK .....	5
11. PROJECTED LOSS RATIO.....	6
12. SINGLE RISK POOL .....	6
13. INDEX RATE .....	6
14. MARKET ADJUSTED INDEX RATE .....	7
15. PLAN ADJUSTED INDEX RATES .....	7
16. CALIBRATION.....	8
17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT.....	9
18. AV METAL VALUES.....	9
19. AV PRICING VALUES .....	9
20. MEMBERSHIP PROJECTIONS .....	10
21. TERMINATED PRODUCTS.....	10
22. PLAN TYPE.....	10
23. WARNING ALERTS.....	11
24. RELIANCE .....	11
25. ACTUARIAL CERTIFICATION.....	11



## 1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Western Health Advantage's (WHA's) individual medical block of business, effective January 1, 2016. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

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

This Actuarial Memorandum is subject to the terms and conditions of the Consulting Services Agreement between WHA and Milliman, Inc. (Milliman). The information in this Actuarial Memorandum has been prepared for the use of WHA. We understand the Actuarial Memorandum will be provided to Covered California, the California Department of Managed Health Care, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of WHA's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for WHA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

### Company Identifying Information

Company Legal Name:	Western Health Advantage
State:	California
HIOS Issuer ID:	93689
Market:	Individual
Effective Date:	January 1, 2016

### Company Contact Information

Primary Contact Name:	Mary Ingram, ASA, MAAA
Primary Contact Telephone Number:	(916) 563-2231
Primary Contact Email-Address:	<a href="mailto:m.ingram@westernhealth.com">m.ingram@westernhealth.com</a>

## 2. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to WHA's existing individual medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for individuals with an effective date or renewal date of January 1, 2016 through December 31, 2016. The average proposed rate change across all plans and regions from the most recently approved rates effective January 1, 2015 is approximately 4.0%. Exhibit 1 provides a comparison of the revised base rates to the current base rates for a 21 year old.

Table 1 summarizes the proposed rate changes by region and product effective January 1, 2016.

<b>Table 1</b> <b>Western Health Advantage</b> <b>Average Rate Change Summary by Product and Region</b>				
<b>Region</b>	<b>QHP Copayment Plans</b>	<b>QHP Deductible Plans</b>	<b>HSA Compatible Plans</b>	<b>HSA Off Exchange Compatible Plans</b>
Region 2	2.0%	4.7%	5.0%	3.4%
Region 3	4.0%	3.8%	4.0%	3.8%

There are a number of 2015 to 2016 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, changes to the provider reimbursements, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan.

There are no significant changes in cost sharing except those prescribed by Covered California or to comply with the changes in the most recent 2016 Actuarial Value (AV) Calculator. There are no changes to rating factors (e.g., age, tobacco) in this rate filing other than changes to the base premium rate, area factor, and rate relativities by plan.

The reasons for the rate change are:

- Emerging claim experience,
- Expected future medical inflation and utilization changes,
- Changes in ACA taxes and fees,
- Changes in expected Federal Transitional Reinsurance Program,
- Expected changes in morbidity of the statewide insured risk pool,
- Change in the mix of business,
- Anticipated risk adjustment payments (receipts), and
- Changes in administrative fees and requested profit margin.

### 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

WHA is a provider-owned not-for-profit health plan. WHA capitates contracted providers on a percentage of revenue for the majority of its medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. WHA's contractual arrangement for capitated services and actual claims for non-capitated services for 2014 individual ACA business were directly incorporated in the development of the 2016 rates.

#### Claims Paid Through Date

As mentioned above, WHA capitates the majority of its services. The claims incurred in the experience for non-capitated services reflected payments through March 31, 2014.

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

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2014). WHA's 2014 individual ACA loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included.

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

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. The incurred claims represent the sum of three items: 1) capitation payments, 2) fee-for-service out-of-area claims, and

3) prescription drug claims. The capitation payments were calculated as percent of WHA's revenue. The out-of-area and prescription drug claims reflect the applicable values from WHA's claim payment system for claims paid on a fee-for-service basis (i.e., not capitated) during the experience period. No estimate of incurred but not reported claims was added to the capitated claims, out of area claims, or prescription drug claims.

The allowed claims were estimated by applying a paid-to-allowed ratio developed using Milliman's *Health Cost Guidelines (HCGs)* and WHA's benefit plans.

Table 2 summarizes the paid claims underlying the rate projection.

<b>Table 2</b> <b>Western Health Advantage</b> <b>2014 Incurred Claims Summary</b> <b>California Individual Market</b>	
<b>Claim Category</b>	<b>2014 Incurred Claims</b>
Capitation Payments	
Out of Area Claims	
Prescription Drug Claims	
Total	

#### 4. BENEFIT CATEGORIES

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. We categorized utilization and cost information by benefit using WHA's historical distribution.

- Other Medical (non-capitated out-of-area emergency claims)
- Capitation (all services except out-of-area emergency claims and prescription drugs)
- Prescription Drug (prescriptions not billed by a facility or professional)

#### 5. PROJECTION FACTORS

##### Changes in the Morbidity of the Population Insured

Calendar year 2014 was the first year of coverage for many members in the Individual Market. We believe many individuals delayed medical services until they received adequate coverage; this phenomenon is often referred to as "pent-up demand". We estimate the composite impact of pent-up demand for individual market members in 2014 was [REDACTED] of allowed claims. The true impact of pent-up demand cannot be known, but we believe this estimate is in a reasonable range. Therefore, a projection factor of [REDACTED] is used to remove the impact of pent-up demand, which is not expected to continue into the projection period. This factor is illustrated under "Pop'l risk Morbidity" in URRT Worksheet 1 Section II.

##### Changes in Benefits

The covered benefits underlying WHA's 2014 individual ACA experience are the same as the 2016 covered benefits, with a few minor modification prescribed by Covered California or to comply with the most recent 2016 Actuarial Value Calculator. These are reflected in the pricing AV and plan design behavior factors with the exception of the Tier 4 specialty Rx cap proposed by Covered California in its benefit designs dated April 17, 2015. We reflected this as a change in covered benefits and included a [REDACTED] adjustment factor as part of the "Other" projection factor in URRT Worksheet 1.

## Changes in Demographics

The distribution of members by age and gender of members in the projection period (calendar year 2016) are projected to be slightly different than the distribution of members by age and gender in the experience period (calendar year 2014). Therefore, a projection factor of [REDACTED] is included in the "Other" projection factor illustrated in URRT Worksheet 1, Section II for the change in demographics.

## Other Adjustments

The "Other" projection factor in URRT Worksheet 1, Section II also includes a [REDACTED] adjustment for projected differences in the geographic distribution from 2014 to 2016 and a [REDACTED] adjustment factor for an anticipated reduction in provider reimbursement levels between 2014 and 2016.

## Trend Factors

The 2014 experience was trended forward to 2016 assuming an aggregate annual 6% trend. The trend assumptions were developed to reflect WHA's expectations regarding increases in contractual reimbursements. General industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment were also considered.

## 6. CREDIBILITY MANUAL RATE DEVELOPMENT

WHA's 2016 individual rates rely completely (i.e., 100%) on its individual ACA-compliant experience. Therefore, no manual rate was developed.

## 7. CREDIBILITY OF EXPERIENCE

WHA's 2014 ACA individual experience represents about 41,000 member months. We considered the experience to be fully credible based on membership volume and WHA's capitated payment arrangement which brings more stability to claims experience than in a fee-for-service environment.

## 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the average ratio of Paid (i.e., after member cost sharing) to Allowed (i.e., before member cost sharing) claims for each plan, weighted by projected member months by plan. Please refer to Appendix A for details. Appendix A uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

## 9. RISK ADJUSTMENT AND REINSURANCE

### Experience Period Risk Adjustments PMPM

The risk adjustment estimates in URRT Worksheet 2 Section III are based on a risk adjustment report provided by Wakely Consulting (Wakely). Wakely performed a risk score simulation of the California individual market using HHS' risk score formula. We used the metal tier specific estimates from the study to form the basis of the experience period risk adjustment values in URRT Worksheet 2, Section III. Our estimates are net of the user fees, per HHS' instructions.

### Projected Risk Adjustments PMPM

We estimate WHA's 2016 experience will be [REDACTED] higher than the statewide 2016 individual single-risk pool based on the risk adjustment report provided by Wakely. We estimate WHA will earn \$39.57 PMPM in risk adjustment receivables net of the \$0.15 PMPM user fee. These receipts are illustrated in URRT Worksheet 1, Section III.

The estimates of relative risk and risk transfer receipts are highly dependent on the population that enrolls with WHA but also with other carriers in the state. The risk transfer receipts, net of risk adjustment fees, was applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS. The impact of risk adjustment lowers the Market Adjusted Index Rate and, therefore, lowers premiums.

### Experience Period Reinsurance PMPM

Estimates for Federal reinsurance received for each plan in the experience period were provided by WHA and are illustrated in URRT Worksheet 2 Section III. WHA developed this estimate based on a review of its large claims in 2014 for its individual ACA-compliant plans.

### Projected Reinsurance Recoveries PMPM

We estimated Federal reinsurance recoveries in the projection period will be \$24.88 PMPM, as illustrated in URRT Worksheet 1, Section III. This amount is net of the 2016 reinsurance premiums of \$2.25 PMPM. These receipts are also illustrated in URRT Worksheet 2 Section IV net of reinsurance premiums, per HHS's instructions. The recoveries assume WHA will receive 50% of all WHA's individual members' per member per year incurred claims between \$90,000 and \$250,000, which is consistent with the 2016 Final Notice of Benefit and Payment Parameters released on February 20, 2015.

We estimated the recoveries using Milliman's *HCGs* claim probability distributions (CPDs) calibrated to WHA's projected experience. CPDs are a frequency distribution of claim amounts that can be used to estimate PMPM claims between deductibles and stop-loss amounts. Exhibit 2 displays the calculations. The net recoveries were applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

## 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Exhibit 3 summarizes the net expense development.

### Administrative Expense Load

We estimate WHA's administrative expenses to be \$42.12 PMPM. This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by WHA based on a projection of 2016 expenses using 2015 budgeted expenses and anticipated changes from 2015 to 2016. This amount does not include any profit, risk load, taxes, or assessments described below. Table 3 below summarizes WHA's administrative expenses.

Table 3 Western Health Advantage Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin		
Commission		
Commercial Reinsurance Recoveries		
Commercial Reinsurance Premiums		
Subtotal: Administrative Expense Load	\$42.12	9.61%

## Profit and Risk Margin

We built in a composite premium for a target pre-tax contribution to surplus. The profit and risk market varies slightly by plan to achieve WHA's target rate position for each plan. The aggregate composite margin is 0.16%. We considered WHA's desired rate level and company profit targets in setting this assumption. The pre-tax contribution to surplus decreased since the prior filing mainly to meet WHA's desired rate level.

## Taxes and Fees

Table 4 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URR, as a PMPM and percent of premium.

Table 4 Western Health Advantage Projected Taxes and Fees	
Item	PMPM
Comparative Effectiveness Research Fee	\$0.19
Health Insurer Fee	
Exchange User Fee	
Federal Income Tax	
Total	<b>\$21.83</b>

The exchange user fee was applied as an adjustment to the index rate at the market level. Specifically, the \$13.95 PMPM exchange user fee was allocated across all projected individual enrollment both on and off exchange.

## 11. PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology, excluding adjustments for credibility, is about [REDACTED]

## 12. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). WHA does not have any individual transitional plans or individual grandfathered plans.

## 13. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

The index rate for projection period is a measurement of average allowed claims PMPM for EHBs. Section V (Projection Factors) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2016 mixture of area factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that WHA expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.

Section 3 (Experience Period Premium and Claim) describes the development of the experience index rate. The projected index rate covers a 12-month period for individuals effective January 1, 2016 through December 31, 2016. As described in Section V of this Memorandum, the projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors.

The projected index rate for January 1, 2016 through December 31, 2016 is in Worksheet 1, Section III of the URRT, and in Table 5.

<b>Table 5</b> <b>Western Health Advantage</b> <b>Projected Index Rate Development</b>	
	<b>2014</b>
Rate Manual Experience Member Months	40,958
Rate Manual Experience Allowed Claims	\$26,082,333
Rate Manual Experience Allowed Claims PMPM	\$636.81
Morbidity Adjustment	0.932
2 Year Claim Trend	1.124
Other Factors (Demographic, Plan Mix, etc.)	0.872
<b>Projected Index Rate</b>	<b>\$581.79</b>

#### 14. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 6 shows the development of the market-adjusted index rate. (All components in the calculation were derived elsewhere in this memorandum.) The adjustments in Table 6 are applied to the Index Rate on an allowed basis as required by CMS.

<b>Table 6</b> <b>Western Health Advantage</b> <b>Market Adjusted Index Rate Development</b>		
	<b>Amount PMPM</b>	<b>Annotation</b>
<b>Index Rate</b>	\$581.79	(1)
<b>Net Risk Adjustment</b>	-\$39.57	(2)
<b>Net Transitional Reinsurance</b>	-\$24.88	(3)
<b>Exchange Fee</b>	\$10.51	(4)
<b>Paid to Allowed Average Factor</b>	75.3%	(5)
<b>Market Adjustments (Allowed Basis)</b>	-\$71.62	(6) = [(2)+(3)+4] ÷ (5)
<b>Market Adjusted Index Rate</b>	\$510.17	(7) = (1) + (6)

#### 15. PLAN-ADJUSTED INDEX RATE

##### Experience Period Plan-Adjusted Index Rates

The experience period Plan-Adjusted Index Rates shown in URRT Worksheet 2, Section III are calculated for each plan as the plan's age-21 rate in 2014 times the composite age and geographic factors developed as part of 2014 pricing. Consistent with HHS's instructions to show mapped experience in the mapped plan's column, the experience period plan-adjusted index rates for terminated plans have been averaged with the plan-adjusted index rates for the mapped plans in the mapped plan's column.



## Projection Period Plan-Adjusted Index Rates

The development of the plan-adjusted index rates are shown in Appendix B and URRT Worksheet 2, Section IV. The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

### Actuarial Value and Cost Sharing Adjustment

- The Actuarial Value and Plan Design Behavior Change factors were developed in an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines* (HCGs), with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to WHA's experience. Health status was not used to establish benefit plan relativities.
- The 2016 CMS Actuarial Value Calculator was used to determine the actuarial value for each plan. We assumed the standard Covered California plans dated April 17, 2015.

### Provider Network, Delivery System and Utilization Management Adjustment

- The value of each provider network was determined based on the experience of WHA and any anticipated differences in the network of a given plan as compared to the current network.

### Adjustment for Benefits in Addition to the EHB

WHA does not offer any non-EHB benefits.

### Adjustment for Distribution and Administrative Costs

Distribution and administrative costs were developed and applied to each plan as a mix of "percent of premium", "percent of claim", and PMPM bases.

### Catastrophic Adjustment

With respect to the catastrophic plan, a [REDACTED] morbidity improvement was used to reflect the specific eligibility requirements at any given age for catastrophic plans. In addition, the catastrophic adjustment factor reflects the projected average demographics of individuals enrolled in a catastrophic plan relative to the other metal tiers. That is, the catastrophic plans are likely to attract a young, healthy population seeking minimal coverage yet still meeting the individual mandate. The morbidity improvement assumption was based on actuarial judgment after reviewing the relative cost among various ages in Milliman's HCGs and projected risk scores developed from the HHS risk model.

## 16. CALIBRATION

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

The approximate weighted average age of the projected single risk pool is [REDACTED] years. We calculated the risk pool weighted average age by projecting membership on a 5-year age group. The age curve calibration is applied to all plans. The weighted average age curve calibration factor is [REDACTED]. The age curve calibration factor also includes an adjustment to account for the fact that WHA cannot rate for more than 3 children per family; this adjustment is approximately [REDACTED]. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.



WHA applies geographic rating factors to its plans as shown in Table 7. The geographic area factors changed slightly from WHA's 2015 filing due to changes in WHA's provider reimbursement in each area. Health status is not reflected in the geographic factors, and it is not WHA's intent to use area factors to rate for morbidity.

Table 7 Western Health Advantage Geographic Factors	
Rating Area	Factor
Rating Area 2	
Rating Area 3	

California does not allow a tobacco surcharge.

The development of the plan-adjusted calibrated index rates are shown in Appendix C.

## 17. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the plan-adjusted index rate, the geographic rating factor, and the age rating factor. WHA does not use tobacco rating factors.

The plan-adjusted index rates and the geographic factors are shown in Appendix B and Table 6, respectively. WHA uses the Federal age curve. WHA does not use tobacco rating factors.

The development of the consumer-adjusted premium rates are shown in Appendix D.

## 18. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator AVC. WHA intends to offer the standardized plans promulgated by Covered California: Standard Copay (Platinum, Gold, and Silver), Standard Coinsurance (Bronze and Catastrophic), and Standard Bronze HSA. Our results confirm the work of Covered California for complying with the Federal AV Metal Values. Further, we tested WHA's off-exchange only individual products using the CMS Actuarial Value calculator.

## 19. AV PRICING VALUES

Appendix E provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), to arrive at the plan level rate.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman's HCGs to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

## 20. MEMBERSHIP PROJECTIONS

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT were developed based on consideration for the following:

- Historical sales for WHA's individual products,
- Sales distribution and provider networks,
- Anticipated activity in the California individual health insurance market due to various health care reform provisions.

WHA used its early 2015 enrollment to project the enrollment distribution by plan.

Table 8 includes our assumed CSR distribution based on WHA's 2014 individual experience.

Table 8 Western Health Advantage Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 73%	
Silver 87%	
Silver 94%	
Standard Silver	
<b>Total</b>	<b>100.0%</b>

## 21. TERMINATED PRODUCTS

All 2014 plans were terminated prior to January 1, 2015. All of the plans were cross-walked to a 2015 plan. WHA did not terminate any of its individual products offered in 2015.

In 2014 WHA offered the same HIOS IDs in both of its regions. In 2015 WHA created a set of HIOS IDs for each region. We cross-walked the terminated plans in 2014 to the corresponding HIOS IDs in Region 2 for presentation purpose in URRT Worksheet 2. However, the actual membership for these plans crosswalk to plans in both Region 2 and Region 3.

Table 9 2014 Terminated Plan Crosswalk	
2014 HIOS ID	2016 HIOS ID
93689CA0040003	93689CA0110001
93689CA0040004	93689CA0110002
93689CA0140001	93689CA0120001
93689CA0140002	93689CA0120004
93689CA0140003	93689CA0120005
93689CA0050002	93689CA0130002

## 22. PLAN TYPE

All of WHA's plans are HMO plans as noted in Worksheet 2, Section I of the URRT.

## 23. WARNING ALERTS

The URRT shows the following warning:

- There are warnings generated by the Validate macro for Worksheet 2 cells I65, K65, L65, N65, O65, Q65, R65, and T65. These warnings say “(Section III - Portion of above payable by HHS’s funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015.” Based on verbal guidance from CCIO, we recognize these warnings are an error in the URRT’s programming, and consistent with CCIO’s guidance, we are ignoring these warnings.

## 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by the WHA. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

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

A data reliance letter is attached to this rate submission.

## 25. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. Further, I meet the independence requirements stated in California’s Health and Safety Code section 1385.06 (b) (3). This filing is prepared on behalf of Western Health Advantage.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(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, and
  - Neither excessive nor deficient based on my best estimates of the 2016 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.

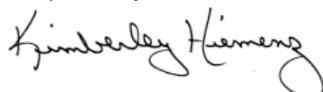
5. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
6. The proposed premium rates in this filing are actuarially sound in aggregate.
7. In my opinion, the proposed premium rate increase is reasonable. I based my opinion of reasonable rate increase on the factors below.
  - The expected individual loss ratio for the twelve month period beginning January 1, 2016 is expected to be about 90%. The projected loss ratio is greater than the 80% PPACA minimum MLR standard promulgated by the Department of Health and Human Services.
  - The assumptions used are reasonable and within the range of reasonableness.
  - The proposed rates result in rates between insured members within similar risk categories that are permissible under applicable California law and the premium differences correspond to differences in expected claims costs between allowable risk classes.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

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

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain 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.

Respectfully Submitted,



Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary, Milliman  
July 6, 2015

## EXHIBITS

**Exhibit 1**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Rate Increase by Plan and Region**  
**21 Year Old Rates**

<b>Plan Name</b>	<b>Region</b>	<b>Plan ID</b>	<b>2016 Rate</b>	<b>2015 Rate</b>	<b>Rate Increase</b>
Platinum90 HMO	Region 2	93689CA0110001	\$375.72	\$368.50	2.0%
Gold80 HMO	Region 2	93689CA0110002	\$346.44	\$339.81	2.0%
Silver70 HMO	Region 2	93689CA0120001	\$288.99	\$283.25	2.0%
Bronze60 HMO	Region 2	93689CA0120004	\$221.54	\$209.03	6.0%
Bronze60 HSA HMO	Region 2	93689CA0130002	\$226.83	\$216.00	5.0%
Minimum Coverage HMO	Region 2	93689CA0120005	\$180.47	\$170.33	6.0%
Advantage Silver 3000B HSA	Region 2	93689CA0050003	\$267.14	\$261.86	2.0%
Advantage Bronze 5500B HSA	Region 2	93689CA0050004	\$238.80	\$227.51	5.0%
Platinum90 HMO	Region 3	93689CA0150001	\$399.95	\$384.64	4.0%
Gold80 HMO	Region 3	93689CA0150002	\$364.89	\$350.86	4.0%
Silver70 HMO	Region 3	93689CA0160001	\$308.81	\$298.39	3.5%
Bronze60 HMO	Region 3	93689CA0160002	\$238.77	\$229.63	4.0%
Bronze60 HSA HMO	Region 3	93689CA0170001	\$246.85	\$237.43	4.0%
Minimum Coverage HMO	Region 3	93689CA0160003	\$194.69	\$187.24	4.0%
Advantage Silver 3000B HSA	Region 3	93689CA0180001	\$285.38	\$275.72	3.5%
Advantage Bronze 5500B HSA	Region 3	93689CA0180002	\$260.07	\$249.96	4.0%

**Exhibit 2**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Estimated Impact of the Federal Transitional Reinsurance Program**

	Amount	Annotation
Percentage of annual claims in excess of \$90,000	0.96%	(1)
Percentage of annual claims in excess of \$250,000	0.17%	(2)
Average annual claim size in excess of \$90,000	\$105,319.99	(3)
Average annual claim size in excess of \$250,000	217,499.87	(4)
Annual reinsurance payments requested per member	325.58	(5) = 50% of (1) x (3) - (2) x (4)
Annual reinsurance payments requested PMPM	27.13	(6) = (5)/12
Annual reinsurance payments received PMPM	27.13	(7) = 100% of (6)
Less Reinsurance Premiums Paid	2.25	(8)
<b>Reinsurance Recoveries Net of Reinsurance Premium PMPM</b>	<b>\$24.88</b>	<b>(7) - (8)</b>

**Exhibit 3**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Net Expense Factor Development**

<b>Expense Item</b>	<b>Amount</b>	<b>Per Member Per Month</b>
Administrative Expenses	9.61%	\$42.12
Expected Profit and Risk Load	0.16%	\$0.70
Taxes and Fees	4.98%	\$21.83
Total Expenses	14.75%	\$64.65
Average Premium		\$438.29
Exchange Fee Expenses	2.40%	\$10.51
Expenses Net of Exchange Fees	12.35%	\$54.14
Paid Claims PMPM		\$438.09
<b>Load to Claims for Expenses Net of Exchange Fees</b>		<b>12.4%</b>



**Exhibit 4**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**2016 Projected Medical Loss Ratio**

	Amount PMPM	Annotation
Claims	\$438.09	(1)
Adjustments to Claims <sup>1</sup>	\$0.00	(2)
Transitional Recoveries (Received)	(\$27.13)	(3)
Risk Adjustment Paid (Received)	(\$39.71)	(4)
<b>MLR Numerator</b>	<b>\$371.25</b>	<b>(5) = (1) + (2) + (3) + (4)</b>
Premiums	\$438.29	(6)
Taxes and Fees <sup>2</sup>	\$21.83	(7)
Income Tax	\$4.14	(8)
<b>MLR Denominator</b>	<b>\$412.32</b>	<b>(9) = (6) - (7) - (8)</b>
<b>Projected MLR <sup>3</sup></b>	<b>90.0%</b>	<b>(10) = (5) / (9)</b>

<sup>1</sup> Quality Improvement / Health IT.

<sup>2</sup> Taxes and fees include all ACA taxes and fees.

<sup>3</sup> The projected MLR does not take the Credibility Adjustment nor the Cost Share Adjustment Factor into account.

## APPENDICES

**Appendix A**  
**Western Health Advantage**  
**Development of Paid to Allowed**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	URRT Wksht 2 Membership	Plan Membership	Allowed Claims	Paid Claims <sup>1</sup>	Actuarial Value
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	8229	6.7%	\$686.08	\$645.34	0.941
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4977	4.0%	\$664.75	\$600.42	0.903
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	19847	16.1%	\$616.64	\$496.58	0.805
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	35393	28.6%	\$576.68	\$382.54	0.663
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3720	3.0%	\$267.52	\$165.39	0.618
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	5329	4.3%	\$563.82	\$390.12	0.692
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	2123	1.7%	\$585.49	\$463.63	0.792
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1846	1.5%	\$598.98	\$408.67	0.682
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	4254	3.4%	\$655.71	\$616.78	0.941
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2573	2.1%	\$627.97	\$567.21	0.903
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	10260	8.3%	\$595.50	\$479.58	0.805
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	18296	14.8%	\$559.11	\$370.92	0.663
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1923	1.6%	\$258.70	\$159.98	0.618
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2755	2.2%	\$550.61	\$381.00	0.692
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	1097	0.9%	\$565.17	\$447.56	0.792
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	954	0.8%	\$592.44	\$404.22	0.682
<b>Total</b>				<b>123,576</b>	<b>100.0%</b>	<b>\$581.79</b>	<b>\$438.09</b>	<b>0.753</b>

<sup>1</sup>Total paid claims are slightly different than URRT, Worksheet 1 due to rounding

Appendix B  
Western Health Advantage  
Development of Plan Adjusted Index Rate

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Catastrophic Adjustment	Administrative Costs Excl. Exchange Fee	Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$510.17	1.039	1.040	1.000	1.000	1.000	1.158	\$598.21
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$510.17	0.988	1.040	1.000	1.000	1.000	1.146	\$588.48
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$510.17	0.925	1.005	1.000	1.000	1.000	1.157	\$490.89
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$510.17	0.837	1.006	1.000	1.000	1.000	1.151	\$376.31
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$510.17	0.882	1.042	1.000	1.000	0.850	1.166	\$308.55
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$510.17	0.885	0.982	1.000	1.000	1.000	1.156	\$385.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$510.17	0.792	0.981	1.000	1.000	1.000	1.144	\$453.78
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$510.17	0.859	1.037	1.000	1.000	1.000	1.163	\$405.64
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$510.17	1.039	0.994	1.000	1.000	1.000	1.181	\$611.50
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$510.17	0.987	0.983	1.000	1.000	1.000	1.151	\$557.89
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$510.17	0.854	0.941	1.000	1.000	1.000	1.152	\$472.15
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$510.17	0.638	0.974	1.000	1.000	1.000	1.151	\$365.07
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$510.17	0.584	1.004	1.000	1.000	0.850	1.171	\$297.67
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$510.17	0.585	0.958	1.000	1.000	1.000	1.160	\$377.43
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$510.17	0.793	0.947	1.000	1.000	1.000	1.139	\$430.33
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$510.17	0.645	1.050	1.000	1.000	1.000	1.151	\$397.69
<b>Total</b>				<b>100.0%</b>	<b>\$510.17</b>	<b>0.753</b>	<b>0.997</b>	<b>1.000</b>	<b>1.000</b>	<b>0.993</b>	<b>1.154</b>	<b>\$438.42</b>

**Appendix C**  
**Western Health Advantage**  
**Plan Adjusted Index Rate Calibration**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$638.21	0.611	1.000	0.611	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$588.48	0.611	1.000	0.611	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$490.89	0.611	1.000	0.611	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$376.31	0.611	1.000	0.611	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$306.55	0.611	1.000	0.611	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$385.30	0.611	1.000	0.611	\$235.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$453.78	0.611	1.000	0.611	\$277.12
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$405.64	0.611	1.000	0.611	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$611.50	0.611	1.000	0.611	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$557.89	0.611	1.000	0.611	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$472.15	0.611	1.000	0.611	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$365.07	0.611	1.000	0.611	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$297.67	0.611	1.000	0.611	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$377.43	0.611	1.000	0.611	\$230.49
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$436.33	0.611	1.000	0.611	\$266.46
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$397.63	0.611	1.000	0.611	\$242.83
<b>Total</b>				<b>100.0%</b>	<b>\$438.42</b>	<b>0.611</b>	<b>1.000</b>	<b>0.611</b>	<b>\$267.74</b>

**Appendix D**  
**Western Health Advantage**  
**Index Rate to Consumer Adjusted Index Rate**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Index Rate	Market Adjusted Index Rate	Plan Adjusted Index Rate	Consumer Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	\$581.79	\$510.17	\$638.21	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	\$581.79	\$510.17	\$588.48	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	\$581.79	\$510.17	\$490.89	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	\$581.79	\$510.17	\$376.31	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	\$581.79	\$510.17	\$306.55	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	\$581.79	\$510.17	\$385.30	\$235.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	\$581.79	\$510.17	\$453.78	\$277.12
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	\$581.79	\$510.17	\$405.64	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	\$581.79	\$510.17	\$611.50	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	\$581.79	\$510.17	\$557.89	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	\$581.79	\$510.17	\$472.15	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	\$581.79	\$510.17	\$365.07	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	\$581.79	\$510.17	\$297.67	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	\$581.79	\$510.17	\$377.43	\$230.49
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	\$581.79	\$510.17	\$436.33	\$266.46
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	\$581.79	\$510.17	\$397.63	\$242.83

Consumer Adjusted Index Rate is the base rate for a given plan.

The premium for a consumer is calculated as:

Consumer Adjusted Index Rate  
x Age Factor  
x Geography Factor  
x Trend Factor

**Premium Rate Example:**

Platinum90 HMO (Plan ID 93689CA01101)

Age: 21 Years Old

Rating Area: 2

Effective Date: January 1, 2016

$$\$389.75 \times 1.000 \times .964 \times 1.000 = \$375.72$$

**Appendix E**  
**Western Health Advantage**  
**Development of AV Pricing Value**

Plan Name	Plan ID	Rating Area	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Administrative Costs Excl. Exchange Fee	Specific Catastrophic Eligibility	AV Pricing Value <sup>1</sup>
Platinum90 HMO	93689CA0110001	Rating Area 2	1.039	1.040	1.000	1.000	1.158	1.000	1.251
Gold80 HMO	93689CA0110002	Rating Area 2	0.968	1.040	1.000	1.000	1.146	1.000	1.153
Silver70 HMO	93689CA0120001	Rating Area 2	0.828	1.005	1.000	1.000	1.157	1.000	0.962
Bronze60 HMO	93689CA0120004	Rating Area 2	0.637	1.006	1.000	1.000	1.151	1.000	0.738
Minimum Coverage HMO	93689CA0120005	Rating Area 2	0.582	1.042	1.000	1.000	1.166	0.850	0.601
Bronze60 HSA HMO	93689CA0130002	Rating Area 2	0.666	0.982	1.000	1.000	1.156	1.000	0.755
Advantage Silver 3000B HSA	93689CA0050003	Rating Area 2	0.792	0.981	1.000	1.000	1.144	1.000	0.889
Advantage Bronze 5500B HSA	93689CA0050004	Rating Area 2	0.659	1.037	1.000	1.000	1.163	1.000	0.795
Platinum90 HMO	93689CA0150001	Rating Area 3	1.039	0.994	1.000	1.000	1.161	1.000	1.199
Gold80 HMO	93689CA0150002	Rating Area 3	0.967	0.983	1.000	1.000	1.151	1.000	1.094
Silver70 HMO	93689CA0160001	Rating Area 3	0.854	0.941	1.000	1.000	1.152	1.000	0.925
Bronze60 HMO	93689CA0160002	Rating Area 3	0.638	0.974	1.000	1.000	1.151	1.000	0.716
Minimum Coverage HMO	93689CA0160003	Rating Area 3	0.584	1.004	1.000	1.000	1.171	0.850	0.583
Bronze60 HSA HMO	93689CA0170001	Rating Area 3	0.666	0.958	1.000	1.000	1.160	1.000	0.740
Advantage Silver 3000B HSA	93689CA0180001	Rating Area 3	0.793	0.947	1.000	1.000	1.139	1.000	0.855
Advantage Bronze 5500B HSA	93689CA0180002	Rating Area 3	0.645	1.050	1.000	1.000	1.151	1.000	0.779

<sup>1</sup> Reflects actual AV pricing value. This may be slightly different than the product of the columns due to rounding used in the chart.

## RELIANCE LETTER



April 28, 2015

Mrs. Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary  
Milliman, Inc.  
15800 Bluemound Road - Suite 100  
Brookfield, WI 53005-6069

**Re: Western Health Advantage's 2016 Individual Pricing**

Dear Kim:

I, Mary Ingram, ASA, MAAA Actuarial Services Director at Western Health Advantage (WHA), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the 2016 individual premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

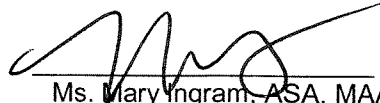
1. Benefit plans for the individual products WHA intends to offer in 2016,
2. Product name, product ID, and plan name as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
3. Product IDs and plan IDs are compliant with Federal regulations,
4. Projected administrative expenses (including Health Insurer Fee tax) and target profit,
5. Projected 2016 capitation rates for pediatric dental, pediatric vision, and acupuncture,
6. Projected 2016 enrollment,
7. 2014 claim, premium and membership experience for WHA's individual ACA plans,
8. The rating regions (as defined by California) in which WHA intends to offer individual products in 2016 and membership distribution by region,
9. Information regarding the premium stabilization programs, i.e. risk adjustment, risk corridors and reinsurance,
10. Guidance on appropriate medical trend factors for WHA,
11. Expected provider reimbursement rates,
12. Expected utilization rates for certain service categories,
13. Assurance WHA has accurately entered plan designs into the PBT and other Federal forms and found no meaningful discrepancies in the Actuarial Value calculations, and

14. Other information provided by WHA in various meetings, phone calls, emails, and other correspondence.

April 28, 2015

---

Date

A handwritten signature in black ink, appearing to read 'Mary Ingram', is written over a horizontal line.

Ms. Mary Ingram, ASA, MAAA  
Actuarial Services Director  
Western Health Advantage

**DEPARTMENT OF MANAGED HEALTH CARE**

Shelley Rouillard, Director  
980 9<sup>th</sup> Street, Suite 500  
Sacramento, CA 95814



**California Plain-Language  
Rate Filing Description**  
[for Web site posting, Health & Safety  
Code 1385.07(d), Insurance Code 10181.7(d)]

**Company Name:**

Western Health Advantage

**SERFF Tracking Number:**

**Department File Number:** (will be completed by Department)

**1) Justification for any unreasonable rate increases.**

(Include all information as to why the rate increase is justified. Attach supporting documentation to this PDF file.)

Nor Applicable

**2) Overall annual medical trend factor assumptions for all benefits**

6%
----

**3) Actual Costs by Aggregate Benefit Category**

Hospital Inpatient	Dollar Cost:
	Cost as Percentage of Medicare:
Hospital Outpatient (including ER)	Dollar Cost:
	Cost as Percentage of Medicare:
Physician/other professional services	Dollar Cost:
	Cost as Percentage of Medicare:
Prescription Drug	Dollar Cost: 4,102,762.86
	Cost as Percentage of Medicare:
Laboratory (other than inpatient)	Dollar Cost:
	Cost as Percentage of Medicare:

Radiology (other than inpatient)	Dollar Cost:
	Cost as Percentage of Medicare:
Capitation (professional)	Dollar Cost and Description:
Capitation (institutional)	Dollar Cost and Description:
Capitation (other)	Dollar Cost and Description: 17,702,457.18
Other (describe)	Dollar Cost and Description: 4,277,243.94

**4) Amount of Projected Trend, by Aggregate Benefit Category, Attributable to Use of Services, Price Inflation, Fees and Risk**

Hospital Inpatient	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:
Hospital Outpatient (including ER)	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:

Physician/other professional services	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:
Prescription Drug	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:
Laboratory (other than inpatient)	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:
Radiology (other than inpatient)	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:

Capitation (professional)	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:
Capitation (institutional)	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:
Capitation (other)	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:
Other (describe)	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:



**5) Other Information**

Complete and submit the CA Plain Language Spreadsheet.

**DEPARTMENT OF MANAGED HEALTH CARE**

Shelley Rouillard, Director  
 980 Ninth Street, Suite 500  
 Sacramento, CA 95814

**California Rate Filing Form**

**For Individual and Small Group Health Insurance  
 Rate Filings for Existing Products, Version 2**

(do not use this form for initial filings for new product rates)

The rate filing submission should include:

- 1) This form
- 2) A California Rate Filing Spreadsheet
- 3) An actuarial certification
- 4) A spreadsheet with rate information responsive to Questions 10 & 15, below
- 5) A California Plain-Language Filing Form
- 6) A California Plain-Language Spreadsheet

1) Company Name:

Western Health Advantage

2) Number of plan contract forms covered by the filing: 3

3) Health plan contract form numbers covered by the filing:

List all of the plan contract form numbers covered by this filing in column "A" of the "California Rate Filing Spreadsheet". List all product names associated with each health plan contract form number in column "B."

4) Product types covered by the filing. Select from the following:

<input checked="" type="checkbox"/>	HMO (Health Maintenance Organization)
<input type="checkbox"/>	PPO (Preferred Provider Organization)
<input type="checkbox"/>	EPO (Exclusive Provider Organization)
<input type="checkbox"/>	POS (Point of Service)
<input type="checkbox"/>	Other (describe):

- 5) Segment type. One of the following:

<input type="checkbox"/>	Small Group (2-50 employee)
<input checked="" type="checkbox"/>	Individual

Note: Small Group and Individual filings should not be combined within a single filing.

- 6) Plan type. One of the following: for-profit company, not-for-profit company

<input type="checkbox"/>	For-profit company
<input checked="" type="checkbox"/>	Not-for –profit company

- 7) Whether the products are open or closed. List each open or closed product by policy form number.

For each policy form number, indicate in column “C” of the California Rate Filing Spreadsheet whether the products are open or closed.

If all policy forms listed are open, check here:

<input checked="" type="checkbox"/>
-------------------------------------

If all products listed are closed, check here:

<input type="checkbox"/>
--------------------------

If only some policy forms listed are closed, check here:

<input type="checkbox"/>
--------------------------

- 8) Enrollment:

In column “D” of the California Rate Filing Spreadsheet, state the number of enrollees (i.e. members), covered by each product as of the end of the latest month for which the data has been compiled.

- 9) Insured months in each policy form

In column “E” of the California Rate Filing Spreadsheet, state the number of enrollee months for the experience period on which the rates were based.

- 10) Annual Rate

In a separate spreadsheet, for each product included in the filing, show the current and proposed annual premium rates for each rating cell.

- 11) Total earned premium

For each policy form list:

In column “F” of the California Rate Filing Spreadsheet, state the experience period on which rates are based,

In column “G” of the California Rate Filing Spreadsheet, state the period for which rates are to be effective,

In column “H” of the California Rate Filing Spreadsheet, state the total premium earned for the experience period on which the rates are based.

- 12) In column "I" of the California Rate Filing Spreadsheet, state the total dollar amount of incurred claims in each plan contract form for the experience period on which the rates are based.

If helpful to understanding the basis for the filed rate increases, the health plan may, but is not required to, disaggregate incurred claim data into the aggregate benefit categories listed in item 18 below.

- 13) In column "J" of the CA Rate Filing Spreadsheet, state the average rate increase initially requested, weighted based on number of covered lives, and in column "K" weighted based on the total of premium earned. The weighted average of the proposed rate increases included in the filing, weighting the increases by the number of covered lives for each product (per item 8, above), and weighted based on total premium earned (per item 11, above).

- 14) Review category: One of the following:

<input checked="checked" type="checkbox"/>	Filing for Existing Product
<input type="checkbox"/>	Resubmission

Resubmissions should be submitted through SERFF under the same state filing number and SERFF tracking number assigned to the original submission of this filing. Do not submit resubmissions as a new filing.

- 15) Average rate of increase

In those instances in which there is a revision to the rates requested after initial submission, the revision should be submitted as an amendment to the original submission of this filing under the rate/rule form tab. Submit a revised California Rate Filing Form, a revised spreadsheet responsive to Question 10, and a revised California Rate Filing Spreadsheet, completing columns A, B, J, and K. Also, in the case of a resubmission, update the information under the "company rate information" field under the "Rate/Rule Schedule" tab in SERFF. The average rate of increase is a weighted average, calculated as in item 13, above.

- 16) Effective date of rate increase: 1/1/2016

The earliest anticipated date that the proposed rate increase, or new product rate, will take effect for a subscriber.

- 17) Number of enrollees affected by each plan contract form

This information was provided in item 8, above, and need not be repeated.

18) Overall medical trend factor and trend factors by aggregate benefit category:

**Overall Medical Trend Factor**

“Overall” means the weighted average of trend factors used to determine rate increases included in the filing, weighting the factor for each aggregate benefit category by the amount of projected medical costs attributable to that category.

6%
----

**Medical Trend Factor by Aggregate Benefit Category**

The aggregate benefit categories are each of the following – hospital inpatient, hospital outpatient (including emergency room), physician and other professional services, prescription drugs from pharmacies, laboratory services (other than hospital inpatient), radiology services (other than hospital inpatient), other (describe).

Hospital Inpatient	
Hospital Outpatient (including ER)	
Physician/other professional services	
Prescription Drug	6%
Laboratory (other than inpatient)	
Radiology (other than inpatient)	
Capitation (professional)	6%
Capitation (institutional)	6%
Capitation (other)	6%
Other (describe)	6%

**Optional Medical Trend Factor by Aggregate Benefit Category by Geographic Region**

The health plan may, but is not required to, aggregate additional data in major geographic regions of the state. If the health plan chooses to so aggregate, the major geographic regions of the state are: Northern California (consisting of Monterey, Kings, Tulare, and Inyo counties, and all counties to the north), and Southern California (consisting of San Luis Obispo, Kern, and San Bernardino counties, and all counties to the south).

	North	South
Hospital Inpatient		
Hospital Outpatient (including ER)		
Physician/other professional services		
Prescription Drug	6%	
Laboratory (other than inpatient)		
Radiology (other than inpatient)		
Capitation (professional)	6%	
Capitation (institutional)	6%	
Capitation (other)	6%	
Other (describe)	6%	

# 19) Projected medical trend

Use the same aggregate benefit categories used in item 18 –hospital inpatient, hospital outpatient (including emergency room), physician and other professional services, prescription drugs from pharmacies, laboratory services (other than hospital inpatient), radiology services (other than Hospital inpatient), other (describe). Furthermore, within each aggregate category quantify the sources of trend, i.e. use of services, price inflation, and fees and risk.

## **Projected Medical Trend by Aggregate Benefit Category**

Hospital Inpatient	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:
Hospital Outpatient (including ER)	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:
Physician/other professional services	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:

Prescription Drug	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:
Laboratory (other than inpatient)	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:
Radiology (other than inpatient)	Trend attributable to use of services:
	Trend attributable to price inflation:
	Trend attributable to fees and risk:
Capitation (professional)	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:



Capitation (institutional)	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:
Capitation (other)	Trend attributable to use of services: 0.9%
	Trend attributable to price inflation: 5.1%
	Trend attributable to fees and risk:
Other (describe)	Trend attributable to use of services:

20) Comparison of claims cost and rate of changes over time

For each proposed rate increase, provide the projected annualized incurred claims cost per enrollee for the period covered by the proposed rate, the historical incurred claims cost per enrollee for the most recent 12 months of the experience period on which the rates were based, and the historical incurred claims cost per enrollee for the next two most recent 12 month periods. Also, compare the rate of change of claims costs over all of the projected and historical periods for which information is provided. Show all claim costs according to aggregate benefit category.

		2016	2014
	Members	Incurred	Incurred
Advantage Silver 3350B HSA 93689CA0050003	2,123	396.87	514.60
Advantage Bronze 6000B HSA 93689CA0050004	1,846	341.73	41.91
Platinum90 HMO 93689CA0110001	8,229	570.65	1,692.50
Gold80 HMO 93689CA0110002	4,977	528.47	1,022.32
Silver70 HMO 93689CA0120001	19,847	426.25	565.37
Bronze60 HMO 93689CA0120004	35,393	317.42	34.74
Minimum Coverage HMO 93689CA0120005	3,720	161.37	23.62
Bronze60 HSA HMO 93689CA0130002	5,329	326.08	30.53
Platinum90 HMO 93689CA0150001	4,254	544.72	new as of 2015
Gold80 HMO 93689CA0150002	2,573	498.13	new as of 2015
Silver70 HMO 93689CA0160001	10,260	410.97	new as of 2015
Bronze60 HMO 93689CA0160002	18,296	307.22	new as of 2015
Minimum Coverage HMO 93689CA0160003	1,923	156.37	new as of 2015
Bronze60 HSA HMO 93689CA0170001	2,755	317.90	new as of 2015
Advantage Silver 3350B HSA 93689CA0180001	1,097	382.39	new as of 2015
Advantage Bronze 6000B HSA 93689CA0180002	954	337.78	new as of 2015
	123,576	373.75	402.91

- 21) Describe any changes in enrollee cost-sharing, compared to the prior year, associated with the submitted rate filing, including both the absolute amount of the change, and the percentage change, and quantify the impact of each change on each of the rates included in the filing. Also describe any changes in benefits exempted from cost-sharing, as well as any newly-imposed cost-sharing.

There were no significant changes to the cost sharing and plan designs for 2016.

- 22) Describe any changes in enrollee benefits, including but not limited to hospital inpatient, hospital outpatient (including emergency services), physician and other professional services, laboratory services, radiology services, and other benefits (describe), compared to the prior year, associated with the submitted rate filing, and and quantify the impact of each change on each of the rates included in the filing.

There were no significant changes to enrollee benefits for 2016.

- 23) Submit the required actuarial certification, under the “Supporting Documentation” tab in SERFF.

☐ Submitted

24) Changes in administrative costs

Administrative costs are the costs defined in Sections 158.150, 158.151, 158.160, and 158.161 of 45 Code of Federal Regulations Subtitle A, Subchapter B, in the interim final rule issued by the Department of Health and Human Services on December 1, 2010 at 75 Federal Register 74924-74926. Using those definitions, describe the administrative costs for the plan contract forms included in this filing for the year prior to the requested rate increase, then also describe any changes in administrative costs, compared to the prior year, associated with the submitted rate filing, and quantify the impact of each change on each of the rates included in the filing. Changes should be shown separately for the costs defined by each of the sections of Code of Federal Regulations listed above in this item. (Does not apply to rates for new products.)

There were no significant changes to administrative costs for 2016.

25) Comments. Place any needed comments here.

**State:** California  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** 2016 Individual Rates  
**Project Name/Number:** /

**Filing Company:**

Western Health Advantage

## Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date	Schedule Item Status	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
07/07/2015		Supporting Document	Actuarial Memorandum and Certifications	07/27/2015	PartIIActMemo_07-07-15.pdf (Superceded)
07/07/2015		Supporting Document	Unified Rate Review Template	07/27/2015	UnifiedRateReview_07-07-15.xlsm (Superceded)
06/03/2015		Supporting Document	Redacted Part III Actuarial Memo	07/07/2015	93689_20160101_IND_RedactedAM.pdf (Superceded)
06/03/2015		Supporting Document	Actuarial Memorandum and Certifications	07/07/2015	PartIIActMemo.pdf (Superceded)
06/03/2015		Supporting Document	Unified Rate Review Template	07/07/2015	UnifiedRateReviewSubmission_20150430135128.xml (Superceded)

**SERFF Tracking #:**

WNHA-130109416

**State Tracking #:**

**Company Tracking #:**

**State:**

California

**Filing Company:**

Western Health Advantage

**TOI/Sub-TOI:**

HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO

**Product Name:**

2016 Individual Rates

**Project Name/Number:**

/

***Attachment UnifiedRateReview\_07-07-15.xlsm is not a PDF document and cannot be reproduced here.***

***Attachment UnifiedRateReviewSubmission\_20150430135128.xml is not a PDF document and cannot be reproduced here.***





## Part III Actuarial Memorandum

### Western Health Advantage Individual Rate Filing Effective January 1, 2016

Prepared for:  
**Western Health Advantage**

Prepared by:  
**Milliman, Inc.**

**Kimberley K. Hiemenz, FSA, MAAA**  
Principal and Consulting Actuary

15800 Bluemound Road  
Suite 100  
Brookfield, WI 53005  
USA  
Tel +1 262 784 2250  
Fax +1 262 923 3680

[milliman.com](http://milliman.com)

## TABLE OF CONTENTS

1. GENERAL INFORMATION.....	1
2. PROPOSED RATE INCREASE(S).....	1
3. EXPERIENCE PERIOD PREMIUM AND CLAIMS.....	2
4. BENEFIT CATEGORIES .....	3
5. PROJECTION FACTORS.....	3
6. CREDIBILITY MANUAL RATE DEVELOPMENT .....	4
7. CREDIBILITY OF EXPERIENCE.....	4
8. PAID TO ALLOWED RATIO.....	4
9. RISK ADJUSTMENT AND REINSURANCE .....	4
10. NON-BENEFIT EXPENSES AND PROFIT & RISK .....	5
11. PROJECTED LOSS RATIO.....	6
12. SINGLE RISK POOL .....	6
13. INDEX RATE .....	6
14. MARKET ADJUSTED INDEX RATE .....	7
15. PLAN ADJUSTED INDEX RATES .....	7
16. CALIBRATION.....	8
17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT.....	9
18. AV METAL VALUES.....	9
19. AV PRICING VALUES .....	9
20. MEMBERSHIP PROJECTIONS .....	10
21. TERMINATED PRODUCTS.....	10
22. PLAN TYPE.....	10
23. WARNING ALERTS.....	11
24. RELIANCE .....	11
25. ACTUARIAL CERTIFICATION.....	11

## 1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Western Health Advantage's (WHA's) individual medical block of business, effective January 1, 2016. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

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

This Actuarial Memorandum is subject to the terms and conditions of the Consulting Services Agreement between WHA and Milliman, Inc. (Milliman). The information in this Actuarial Memorandum has been prepared for the use of WHA. We understand the Actuarial Memorandum will be provided to Covered California, the California Department of Managed Health Care, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of WHA's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for WHA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

### Company Identifying Information

Company Legal Name:	Western Health Advantage
State:	California
HIOS Issuer ID:	93689
Market:	Individual
Effective Date:	January 1, 2016

### Company Contact Information

Primary Contact Name:	Mary Ingram, ASA, MAAA
Primary Contact Telephone Number:	(916) 563-2231
Primary Contact Email-Address:	<a href="mailto:m.ingram@westernhealth.com">m.ingram@westernhealth.com</a>

## 2. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to WHA's existing individual medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for individuals with an effective date or renewal date of January 1, 2016 through December 31, 2016. The average proposed rate change across all plans and regions from the most recently approved rates effective January 1, 2015 is approximately 4.0%. Exhibit 1 provides a comparison of the revised base rates to the current base rates for a 21 year old.

Table 1 summarizes the proposed rate changes by region and product effective January 1, 2016.

<b>Table 1</b> <b>Western Health Advantage</b> <b>Average Rate Change Summary by Product and Region</b>				
<b>Region</b>	<b>QHP Copayment Plans</b>	<b>QHP Deductible Plans</b>	<b>HSA Compatible Plans</b>	<b>HSA Off Exchange Compatible Plans</b>
Region 2	2.0%	4.7%	5.0%	3.4%
Region 3	4.0%	3.8%	4.0%	3.8%

There are a number of 2015 to 2016 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, changes to the provider reimbursements, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan.

There are no significant changes in cost sharing except those prescribed by Covered California or to comply with the changes in the most recent 2016 Actuarial Value (AV) Calculator. There are no changes to rating factors (e.g., age, tobacco) in this rate filing other than changes to the base premium rate, area factor, and rate relativities by plan.

The reasons for the rate change are:

- Emerging claim experience,
- Expected future medical inflation and utilization changes,
- Changes in ACA taxes and fees,
- Changes in expected Federal Transitional Reinsurance Program,
- Expected changes in morbidity of the statewide insured risk pool,
- Change in the mix of business,
- Anticipated risk adjustment payments (receipts), and
- Changes in administrative fees and requested profit margin.

### 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

WHA is a provider-owned not-for-profit health plan. WHA capitates contracted providers on a percentage of revenue for the majority of its medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. WHA's contractual arrangement for capitated services and actual claims for non-capitated services for 2014 individual ACA business were directly incorporated in the development of the 2016 rates.

#### Claims Paid Through Date

As mentioned above, WHA capitates the majority of its services. The claims incurred in the experience for non-capitated services reflected payments through March 31, 2014.

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

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2014). WHA's 2014 individual ACA loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included.

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

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. The incurred claims represent the sum of three items: 1) capitation payments, 2) fee-for-service out-of-area claims, and

3) prescription drug claims. The capitation payments were calculated as percent of WHA's revenue. The out-of-area and prescription drug claims reflect the applicable values from WHA's claim payment system for claims paid on a fee-for-service basis (i.e., not capitated) during the experience period. No estimate of incurred but not reported claims was added to the capitated claims, out of area claims, or prescription drug claims.

The allowed claims were estimated by applying a paid-to-allowed ratio developed using Milliman's *Health Cost Guidelines (HCGs)* and WHA's benefit plans.

Table 2 summarizes the paid claims underlying the rate projection.

<b>Table 2</b> <b>Western Health Advantage</b> <b>2014 Incurred Claims Summary</b> <b>California Individual Market</b>	
<b>Claim Category</b>	<b>2014 Incurred Claims</b>
Capitation Payments	\$11,200,399
Out of Area Claims	\$2,706,154
Prescription Drug Claims	\$2,595,946
Total	\$16,502,499

#### 4. BENEFIT CATEGORIES

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. We categorized utilization and cost information by benefit using WHA's historical distribution.

- Other Medical (non-capitated out-of-area emergency claims)
- Capitation (all services except out-of-area emergency claims and prescription drugs)
- Prescription Drug (prescriptions not billed by a facility or professional)

#### 5. PROJECTION FACTORS

##### Changes in the Morbidity of the Population Insured

Calendar year 2014 was the first year of coverage for many members in the Individual Market. We believe many individuals delayed medical services until they received adequate coverage; this phenomenon is often referred to as "pent-up demand". We estimate the composite impact of pent-up demand for individual market members in 2014 was 7.28% of allowed claims. The true impact of pent-up demand cannot be known, but we believe this estimate is in a reasonable range. Therefore, a projection factor of .932 ( $= 1 / 1.0728$ ) is used to remove the impact of pent-up demand, which is not expected to continue into the projection period. This factor is illustrated under "Pop'l risk Morbidity" in URRT Worksheet 1 Section II.

##### Changes in Benefits

The covered benefits underlying WHA's 2014 individual ACA experience are the same as the 2016 covered benefits, with a few minor modification prescribed by Covered California or to comply with the most recent 2016 Actuarial Value Calculator. These are reflected in the pricing AV and plan design behavior factors with the exception of the Tier 4 specialty Rx cap proposed by Covered California in its benefit designs dated April 17, 2015. We reflected this as a change in covered benefits and included a 1.002 adjustment factor as part of the "Other" projection factor in URRT Worksheet 1.

## Changes in Demographics

The distribution of members by age and gender of members in the projection period (calendar year 2016) are projected to be slightly different than the distribution of members by age and gender in the experience period (calendar year 2014). Therefore, a projection factor of .987 is included in the “Other” projection factor illustrated in URRT Worksheet 1, Section II for the change in demographics.

## Other Adjustments

The “Other” projection factor in URRT Worksheet 1, Section II also includes a 1.008 adjustment for projected differences in the geographic distribution from 2014 to 2016 and a .916 adjustment factor for an anticipated reduction in provider reimbursement levels between 2014 and 2016.

## Trend Factors

The 2014 experience was trended forward to 2016 assuming an aggregate annual 6% trend. The trend assumptions were developed to reflect WHA’s expectations regarding increases in contractual reimbursements. General industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment were also considered.

## 6. CREDIBILITY MANUAL RATE DEVELOPMENT

WHA’s 2016 individual rates rely completely (i.e., 100%) on its individual ACA-compliant experience. Therefore, no manual rate was developed.

## 7. CREDIBILITY OF EXPERIENCE

WHA’s 2014 ACA individual experience represents about 41,000 member months. We considered the experience to be fully credible based on membership volume and WHA’s capitated payment arrangement which brings more stability to claims experience than in a fee-for-service environment.

## 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the average ratio of Paid (i.e., after member cost sharing) to Allowed (i.e., before member cost sharing) claims for each plan, weighted by projected member months by plan. Please refer to Appendix A for details. Appendix A uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

## 9. RISK ADJUSTMENT AND REINSURANCE

### Experience Period Risk Adjustments PMPM

The risk adjustment estimates in URRT Worksheet 2 Section III are based on a risk adjustment report provided by Wakely Consulting (Wakely). Wakely performed a risk score simulation of the California individual market using HHS’ risk score formula. We used the metal tier specific estimates from the study to form the basis of the experience period risk adjustment values in URRT Worksheet 2, Section III. Our estimates are net of the user fees, per HHS’ instructions.

### Projected Risk Adjustments PMPM

We estimate WHA’s 2016 experience will be 10% higher than the statewide 2016 individual single-risk pool based on the risk adjustment report provided by Wakely. We estimate WHA will earn \$39.57 PMPM in risk adjustment receivables net of the \$0.15 PMPM user fee. These receipts are illustrated in URRT Worksheet 1, Section III.

The estimates of relative risk and risk transfer receipts are highly dependent on the population that enrolls with WHA but also with other carriers in the state. The risk transfer receipts, net of risk adjustment fees, was applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS. The impact of risk adjustment lowers the Market Adjusted Index Rate and, therefore, lowers premiums.

### Experience Period Reinsurance PMPM

Estimates for Federal reinsurance received for each plan in the experience period were provided by WHA and are illustrated in URRT Worksheet 2 Section III. WHA developed this estimate based on a review of its large claims in 2014 for its individual ACA-compliant plans.

### Projected Reinsurance Recoveries PMPM

We estimated Federal reinsurance recoveries in the projection period will be \$24.88 PMPM, as illustrated in URRT Worksheet 1, Section III. This amount is net of the 2016 reinsurance premiums of \$2.25 PMPM. These receipts are also illustrated in URRT Worksheet 2 Section IV net of reinsurance premiums, per HHS's instructions. The recoveries assume WHA will receive 50% of all WHA's individual members' per member per year incurred claims between \$90,000 and \$250,000, which is consistent with the 2016 Final Notice of Benefit and Payment Parameters released on February 20, 2015.

We estimated the recoveries using Milliman's *HCGs* claim probability distributions (CPDs) calibrated to WHA's projected experience. CPDs are a frequency distribution of claim amounts that can be used to estimate PMPM claims between deductibles and stop-loss amounts. Exhibit 2 displays the calculations. The net recoveries were applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

## 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Exhibit 3 summarizes the net expense development.

### Administrative Expense Load

We estimate WHA's administrative expenses to be \$42.12 PMPM. This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by WHA based on a projection of 2016 expenses using 2015 budgeted expenses and anticipated changes from 2015 to 2016. This amount does not include any profit, risk load, taxes, or assessments described below. Table 3 below summarizes WHA's administrative expenses.

Table 3 Western Health Advantage Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin	\$35.07	8.00%
Commission	\$6.58	1.50%
Commercial Reinsurance Recoveries	-\$1.08	-0.25%
Commercial Reinsurance Premiums	\$1.55	0.35%
Subtotal: Administrative Expense Load	<b>\$42.12</b>	<b>9.61%</b>

## Profit and Risk Margin

We built in a composite premium for a target pre-tax contribution to surplus. The profit and risk market varies slightly by plan to achieve WHA's target rate position for each plan. The aggregate composite margin is 0.16%. We considered WHA's desired rate level and company profit targets in setting this assumption. The pre-tax contribution to surplus decreased since the prior filing mainly to meet WHA's desired rate level.

## Taxes and Fees

Table 4 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URR, as a PMPM and percent of premium.

<b>Table 4</b> <b>Western Health Advantage</b> <b>Projected Taxes and Fees</b>	
<b>Item</b>	<b>PMPM</b>
Comparative Effectiveness Research Fee	\$0.19
Health Insurer Fee	\$7.00
Exchange User Fee	\$10.51
Federal Income Tax	\$4.14
<b>Total</b>	<b>\$21.83</b>

The exchange user fee was applied as an adjustment to the index rate at the market level. Specifically, the \$13.95 PMPM exchange user fee was allocated across all projected individual enrollment both on and off exchange.

## 11. PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology, excluding adjustments for credibility, is about 90.0 %. Exhibit 4 displays the development of the MLR in more detail.

## 12. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). WHA does not have any individual transitional plans or individual grandfathered plans.

## 13. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

The index rate for projection period is a measurement of average allowed claims PMPM for EHBs. Section V (Projection Factors) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2016 mixture of area factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that WHA expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.



Section 3 (Experience Period Premium and Claim) describes the development of the experience index rate. The projected index rate covers a 12-month period for individuals effective January 1, 2016 through December 31, 2016. As described in Section V of this Memorandum, the projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors.

The projected index rate for January 1, 2016 through December 31, 2016 is in Worksheet 1, Section III of the URRT, and in Table 5.

<b>Table 5</b> <b>Western Health Advantage</b> <b>Projected Index Rate Development</b>	
	<b>2014</b>
Rate Manual Experience Member Months	40,958
Rate Manual Experience Allowed Claims	\$26,082,333
Rate Manual Experience Allowed Claims PMPM	\$636.81
Morbidity Adjustment	0.932
2 Year Claim Trend	1.124
Other Factors (Demographic, Plan Mix, etc.)	0.872
<b>Projected Index Rate</b>	<b>\$581.79</b>

#### 14. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 6 shows the development of the market-adjusted index rate. (All components in the calculation were derived elsewhere in this memorandum.) The adjustments in Table 6 are applied to the Index Rate on an allowed basis as required by CMS.

<b>Table 6</b> <b>Western Health Advantage</b> <b>Market Adjusted Index Rate Development</b>		
	<b>Amount PMPM</b>	<b>Annotation</b>
<b>Index Rate</b>	\$581.79	(1)
<b>Net Risk Adjustment</b>	-\$39.57	(2)
<b>Net Transitional Reinsurance</b>	-\$24.88	(3)
<b>Exchange Fee</b>	\$10.51	(4)
<b><u>Paid to Allowed Average Factor</u></b>	<u>75.3%</u>	<u>(5)</u>
<b>Market Adjustments (Allowed Basis)</b>	-\$71.62	(6) = [(2)+(3)+4] ÷ (5)
<b>Market Adjusted Index Rate</b>	\$510.17	(7) = (1) + (6)

#### 15. PLAN-ADJUSTED INDEX RATE

##### Experience Period Plan-Adjusted Index Rates

The experience period Plan-Adjusted Index Rates shown in URRT Worksheet 2, Section III are calculated for each plan as the plan's age-21 rate in 2014 times the composite age and geographic factors developed as part of 2014 pricing. Consistent with HHS's instructions to show mapped experience in the mapped plan's column, the experience period plan-adjusted index rates for terminated plans have been averaged with the plan-adjusted index rates for the mapped plans in the mapped plan's column.

## Projection Period Plan-Adjusted Index Rates

The development of the plan-adjusted index rates are shown in Appendix B and URRT Worksheet 2, Section IV. The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

### Actuarial Value and Cost Sharing Adjustment

- The Actuarial Value and Plan Design Behavior Change factors were developed in an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines* (HCGs), with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to WHA's experience. Health status was not used to establish benefit plan relativities.
- The 2016 CMS Actuarial Value Calculator was used to determine the actuarial value for each plan. We assumed the standard Covered California plans dated April 17, 2015.

### Provider Network, Delivery System and Utilization Management Adjustment

- The value of each provider network was determined based on the experience of WHA and any anticipated differences in the network of a given plan as compared to the current network.

### Adjustment for Benefits in Addition to the EHB

WHA does not offer any non-EHB benefits.

### Adjustment for Distribution and Administrative Costs

Distribution and administrative costs were developed and applied to each plan as a mix of "percent of premium", "percent of claim", and PMPM bases.

### Catastrophic Adjustment

With respect to the catastrophic plan, a 10% morbidity improvement was used to reflect the specific eligibility requirements at any given age for catastrophic plans. In addition, the catastrophic adjustment factor reflects the projected average demographics of individuals enrolled in a catastrophic plan relative to the other metal tiers. That is, the catastrophic plans are likely to attract a young, healthy population seeking minimal coverage yet still meeting the individual mandate. The morbidity improvement assumption was based on actuarial judgment after reviewing the relative cost among various ages in Milliman's HCGs and projected risk scores developed from the HHS risk model.

## 16. CALIBRATION

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

The approximate weighted average age of the projected single risk pool is 48 years. We calculated the risk pool weighted average age by projecting membership on a 5-year age group. The age curve calibration is applied to all plans. The weighted average age curve calibration factor is 0.611. The age curve calibration factor also includes an adjustment to account for the fact that WHA cannot rate for more than 3 children per family; this adjustment is approximately 0.3%. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

WHA applies geographic rating factors to its plans as shown in Table 7. The geographic area factors changed slightly from WHA's 2015 filing due to changes in WHA's provider reimbursement in each area. Health status is not reflected in the geographic factors, and it is not WHA's intent to use area factors to rate for morbidity.

<b>Table 7</b> <b>Western Health Advantage</b> <b>Geographic Factors</b>	
<b>Rating Area</b>	<b>Factor</b>
Rating Area 2	0.964
Rating Area 3	1.071

California does not allow a tobacco surcharge.

The development of the plan-adjusted calibrated index rates are shown in Appendix C.

## 17. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the plan-adjusted index rate, the geographic rating factor, and the age rating factor. WHA does not use tobacco rating factors.

The plan-adjusted index rates and the geographic factors are shown in Appendix B and Table 6, respectively. WHA uses the Federal age curve. WHA does not use tobacco rating factors.

The development of the consumer-adjusted premium rates are shown in Appendix D.

## 18. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator AVC. WHA intends to offer the standardized plans promulgated by Covered California: Standard Copay (Platinum, Gold, and Silver), Standard Coinsurance (Bronze and Catastrophic), and Standard Bronze HSA. Our results confirm the work of Covered California for complying with the Federal AV Metal Values. Further, we tested WHA's off-exchange only individual products using the CMS Actuarial Value calculator.

## 19. AV PRICING VALUES

Appendix E provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), to arrive at the plan level rate.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman's *HCGs* to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

## 20. MEMBERSHIP PROJECTIONS

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT were developed based on consideration for the following:

- Historical sales for WHA's individual products,
- Sales distribution and provider networks,
- Anticipated activity in the California individual health insurance market due to various health care reform provisions.

WHA used its early 2015 enrollment to project the enrollment distribution by plan.

Table 8 includes our assumed CSR distribution based on WHA's 2014 individual experience.

Table 8 Western Health Advantage Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 73%	15.2%
Silver 87%	36.6%
Silver 94%	16.8%
Standard Silver	31.4%
<b>Total</b>	<b>100.0%</b>

## 21. TERMINATED PRODUCTS

All 2014 plans were terminated prior to January 1, 2015. All of the plans were cross-walked to a 2015 plan. WHA did not terminate any of its individual products offered in 2015.

In 2014 WHA offered the same HIOS IDs in both of its regions. In 2015 WHA created a set of HIOS IDs for each region. We cross-walked the terminated plans in 2014 to the corresponding HIOS IDs in Region 2 for presentation purpose in URRT Worksheet 2. However, the actual membership for these plans crosswalk to plans in both Region 2 and Region 3.

Table 9 2014 Terminated Plan Crosswalk	
2014 HIOS ID	2016 HIOS ID
93689CA0040003	93689CA0110001
93689CA0040004	93689CA0110002
93689CA0140001	93689CA0120001
93689CA0140002	93689CA0120004
93689CA0140003	93689CA0120005
93689CA0050002	93689CA0130002

## 22. PLAN TYPE

All of WHA's plans are HMO plans as noted in Worksheet 2, Section I of the URRT.

## 23. WARNING ALERTS

The URRT shows the following warning:

- There are warnings generated by the Validate macro for Worksheet 2 cells I65, K65, L65, N65, O65, Q65, R65, and T65. These warnings say “(Section III - Portion of above payable by HHS’s funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015.” Based on verbal guidance from CCIO, we recognize these warnings are an error in the URRT’s programming, and consistent with CCIO’s guidance, we are ignoring these warnings.

## 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by the WHA. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

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

A data reliance letter is attached to this rate submission.

## 25. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. Further, I meet the independence requirements stated in California’s Health and Safety Code section 1385.06 (b) (3). This filing is prepared on behalf of Western Health Advantage.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(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, and
  - Neither excessive nor deficient based on my best estimates of the 2016 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.

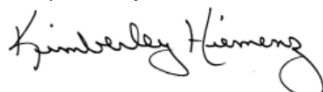
5. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
6. The proposed premium rates in this filing are actuarially sound in aggregate.
7. In my opinion, the proposed premium rate increase is reasonable. I based my opinion of reasonable rate increase on the factors below.
  - The expected individual loss ratio for the twelve month period beginning January 1, 2016 is expected to be about 90%. The projected loss ratio is greater than the 80% PPACA minimum MLR standard promulgated by the Department of Health and Human Services.
  - The assumptions used are reasonable and within the range of reasonableness.
  - The proposed rates result in rates between insured members within similar risk categories that are permissible under applicable California law and the premium differences correspond to differences in expected claims costs between allowable risk classes.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

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

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain 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.

Respectfully Submitted,



Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary, Milliman  
July 6, 2015

## EXHIBITS

**Exhibit 1**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Rate Increase by Plan and Region**  
**21 Year Old Rates**

<b>Plan Name</b>	<b>Region</b>	<b>Plan ID</b>	<b>2016 Rate</b>	<b>2015 Rate</b>	<b>Rate Increase</b>
Platinum90 HMO	Region 2	93689CA0110001	\$375.72	\$368.50	2.0%
Gold80 HMO	Region 2	93689CA0110002	\$346.44	\$339.81	2.0%
Silver70 HMO	Region 2	93689CA0120001	\$288.99	\$283.25	2.0%
Bronze60 HMO	Region 2	93689CA0120004	\$221.54	\$209.03	6.0%
Bronze60 HSA HMO	Region 2	93689CA0130002	\$226.83	\$216.00	5.0%
Minimum Coverage HMO	Region 2	93689CA0120005	\$180.47	\$170.33	6.0%
Advantage Silver 3000B HSA	Region 2	93689CA0050003	\$267.14	\$261.86	2.0%
Advantage Bronze 5500B HSA	Region 2	93689CA0050004	\$238.80	\$227.51	5.0%
Platinum90 HMO	Region 3	93689CA0150001	\$399.95	\$384.64	4.0%
Gold80 HMO	Region 3	93689CA0150002	\$364.89	\$350.86	4.0%
Silver70 HMO	Region 3	93689CA0160001	\$308.81	\$298.39	3.5%
Bronze60 HMO	Region 3	93689CA0160002	\$238.77	\$229.63	4.0%
Bronze60 HSA HMO	Region 3	93689CA0170001	\$246.85	\$237.43	4.0%
Minimum Coverage HMO	Region 3	93689CA0160003	\$194.69	\$187.24	4.0%
Advantage Silver 3000B HSA	Region 3	93689CA0180001	\$285.38	\$275.72	3.5%
Advantage Bronze 5500B HSA	Region 3	93689CA0180002	\$260.07	\$249.96	4.0%



**Exhibit 2**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Estimated Impact of the Federal Transitional Reinsurance Program**

	Amount	Annotation
Percentage of annual claims in excess of \$90,000	0.96%	(1)
Percentage of annual claims in excess of \$250,000	0.17%	(2)
Average annual claim size in excess of \$90,000	\$105,319.99	(3)
Average annual claim size in excess of \$250,000	217,499.87	(4)
Annual reinsurance payments requested per member	325.58	(5) = 50% of (1) x (3) - (2) x (4)
Annual reinsurance payments requested PMPM	27.13	(6) = (5)/12
Annual reinsurance payments received PMPM	27.13	(7) = 100% of (6)
Less Reinsurance Premiums Paid	2.25	(8)
<b>Reinsurance Recoveries Net of Reinsurance Premium PMPM</b>	<b>\$24.88</b>	(7) - (8)

**Exhibit 3**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Net Expense Factor Development**

<b>Expense Item</b>	<b>Amount</b>	<b>Per Member Per Month</b>
Administrative Expenses	9.61%	\$42.12
Expected Profit and Risk Load	0.16%	\$0.70
Taxes and Fees	4.98%	\$21.83
Total Expenses	14.75%	\$64.65
Average Premium		\$438.29
Exchange Fee Expenses	2.40%	\$10.51
Expenses Net of Exchange Fees	12.35%	\$54.14
Paid Claims PMPM		\$438.09
<b>Load to Claims for Expenses Net of Exchange Fees</b>		<b>12.4%</b>

**Exhibit 4**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**2016 Projected Medical Loss Ratio**

	Amount PMPM	Annotation
Claims	\$438.09	(1)
Adjustments to Claims <sup>1</sup>	\$0.00	(2)
Transitional Recoveries (Received)	(\$27.13)	(3)
Risk Adjustment Paid (Received)	(\$39.71)	(4)
<b>MLR Numerator</b>	<b>\$371.25</b>	<b>(5) = (1) + (2) + (3) + (4)</b>
Premiums	\$438.29	(6)
Taxes and Fees <sup>2</sup>	\$21.83	(7)
Income Tax	\$4.14	(8)
<b>MLR Denominator</b>	<b>\$412.32</b>	<b>(9) = (6) - (7) - (8)</b>
<b>Projected MLR <sup>3</sup></b>	<b>90.0%</b>	<b>(10) = (5) / (9)</b>

<sup>1</sup> Quality Improvement / Health IT.

<sup>2</sup> Taxes and fees include all ACA taxes and fees.

<sup>3</sup> The projected MLR does not take the Credibility Adjustment nor the Cost Share Adjustment Factor into account.

## APPENDICES

**Appendix A**  
**Western Health Advantage**  
**Development of Paid to Allowed**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	URRT Wksht 2 Membership	Plan Membership	Allowed Claims	Paid Claims <sup>1</sup>	Actuarial Value
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	8229	6.7%	\$686.08	\$645.34	0.941
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4977	4.0%	\$664.75	\$600.42	0.903
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	19847	16.1%	\$616.64	\$496.58	0.805
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	35393	28.6%	\$576.68	\$382.54	0.663
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3720	3.0%	\$267.52	\$165.39	0.618
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	5329	4.3%	\$563.82	\$390.12	0.692
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	2123	1.7%	\$585.49	\$463.63	0.792
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1846	1.5%	\$598.98	\$408.67	0.682
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	4254	3.4%	\$655.71	\$616.78	0.941
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2573	2.1%	\$627.97	\$567.21	0.903
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	10260	8.3%	\$595.50	\$479.58	0.805
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	18296	14.8%	\$559.11	\$370.92	0.663
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1923	1.6%	\$258.70	\$159.98	0.618
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2755	2.2%	\$550.61	\$381.00	0.692
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	1097	0.9%	\$565.17	\$447.56	0.792
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	954	0.8%	\$592.44	\$404.22	0.682
<b>Total</b>				<b>123,576</b>	<b>100.0%</b>	<b>\$581.79</b>	<b>\$438.09</b>	<b>0.753</b>

<sup>1</sup>Total paid claims are slightly different than URRT, Worksheet 1 due to rounding

**Appendix B**  
**Western Health Advantage**  
**Development of Plan Adjusted Index Rate**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Catastrophic Adjustment	Administrative Costs Excl. Exchange Fee	Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$510.17	1.039	1.040	1.000	1.000	1.000	1.158	\$638.21
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$510.17	0.968	1.040	1.000	1.000	1.000	1.146	\$588.48
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$510.17	0.828	1.005	1.000	1.000	1.000	1.157	\$490.89
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$510.17	0.637	1.006	1.000	1.000	1.000	1.151	\$376.31
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$510.17	0.582	1.042	1.000	1.000	0.850	1.166	\$306.55
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$510.17	0.666	0.982	1.000	1.000	1.000	1.156	\$385.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$510.17	0.792	0.981	1.000	1.000	1.000	1.144	\$453.78
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$510.17	0.659	1.037	1.000	1.000	1.000	1.163	\$405.64
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$510.17	1.039	0.994	1.000	1.000	1.000	1.161	\$611.50
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$510.17	0.967	0.983	1.000	1.000	1.000	1.151	\$557.89
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$510.17	0.854	0.941	1.000	1.000	1.000	1.152	\$472.15
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$510.17	0.638	0.974	1.000	1.000	1.000	1.151	\$365.07
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$510.17	0.584	1.004	1.000	1.000	0.850	1.171	\$297.67
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$510.17	0.666	0.958	1.000	1.000	1.000	1.160	\$377.43
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$510.17	0.793	0.947	1.000	1.000	1.000	1.139	\$436.33
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$510.17	0.645	1.050	1.000	1.000	1.000	1.151	\$397.63
<b>Total</b>				<b>100.0%</b>	<b>\$510.17</b>	<b>0.753</b>	<b>0.997</b>	<b>1.000</b>	<b>1.000</b>	<b>0.993</b>	<b>1.154</b>	<b>\$438.42</b>

**Appendix C**  
**Western Health Advantage**  
**Plan Adjusted Index Rate Calibration**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$638.21	0.611	1.000	0.611	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$588.48	0.611	1.000	0.611	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$490.89	0.611	1.000	0.611	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$376.31	0.611	1.000	0.611	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$306.55	0.611	1.000	0.611	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$385.30	0.611	1.000	0.611	\$235.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$453.78	0.611	1.000	0.611	\$277.12
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$405.64	0.611	1.000	0.611	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$611.50	0.611	1.000	0.611	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$557.89	0.611	1.000	0.611	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$472.15	0.611	1.000	0.611	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$365.07	0.611	1.000	0.611	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$297.67	0.611	1.000	0.611	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$377.43	0.611	1.000	0.611	\$230.49
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$436.33	0.611	1.000	0.611	\$266.46
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$397.63	0.611	1.000	0.611	\$242.83
<b>Total</b>				<b>100.0%</b>	<b>\$438.42</b>	<b>0.611</b>	<b>1.000</b>	<b>0.611</b>	<b>\$267.74</b>

**Appendix D**  
**Western Health Advantage**  
**Index Rate to Consumer Adjusted Index Rate**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Index Rate	Market Adjusted Index Rate	Plan Adjusted Index Rate	Consumer Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	\$581.79	\$510.17	\$638.21	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	\$581.79	\$510.17	\$588.48	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	\$581.79	\$510.17	\$490.89	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	\$581.79	\$510.17	\$376.31	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	\$581.79	\$510.17	\$306.55	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	\$581.79	\$510.17	\$385.30	\$235.30
Advantage Silver 3000B HSA	93689CA0050003	Silver	Rating Area 2	\$581.79	\$510.17	\$453.78	\$277.12
Advantage Bronze 5500B HSA	93689CA0050004	Bronze	Rating Area 2	\$581.79	\$510.17	\$405.64	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	\$581.79	\$510.17	\$611.50	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	\$581.79	\$510.17	\$557.89	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	\$581.79	\$510.17	\$472.15	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	\$581.79	\$510.17	\$365.07	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	\$581.79	\$510.17	\$297.67	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	\$581.79	\$510.17	\$377.43	\$230.49
Advantage Silver 3000B HSA	93689CA0180001	Silver	Rating Area 3	\$581.79	\$510.17	\$436.33	\$266.46
Advantage Bronze 5500B HSA	93689CA0180002	Bronze	Rating Area 3	\$581.79	\$510.17	\$397.63	\$242.83

Consumer Adjusted Index Rate is the base rate for a given plan.

The premium for a consumer is calculated as:

Consumer Adjusted Index Rate  
x Age Factor  
x Geography Factor  
x Trend Factor

**Premium Rate Example:**

Platinum90 HMO (Plan ID 93689CA01101)

Age: 21 Years Old

Rating Area: 2

Effective Date: January 1, 2016

$$= \$389.75 \times 1.000 \times .964 \times 1.000 = \$375.72$$



**Appendix E**  
**Western Health Advantage**  
**Development of AV Pricing Value**

Plan Name	Plan ID	Rating Area	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Administrative Costs Excl. Exchange Fee	Specific Catastrophic Eligibility	AV Pricing Value <sup>1</sup>
Platinum90 HMO	93689CA0110001	Rating Area 2	1.039	1.040	1.000	1.000	1.158	1.000	1.251
Gold80 HMO	93689CA0110002	Rating Area 2	0.968	1.040	1.000	1.000	1.146	1.000	1.153
Silver70 HMO	93689CA0120001	Rating Area 2	0.828	1.005	1.000	1.000	1.157	1.000	0.962
Bronze60 HMO	93689CA0120004	Rating Area 2	0.637	1.006	1.000	1.000	1.151	1.000	0.738
Minimum Coverage HMO	93689CA0120005	Rating Area 2	0.582	1.042	1.000	1.000	1.166	0.850	0.601
Bronze60 HSA HMO	93689CA0130002	Rating Area 2	0.666	0.982	1.000	1.000	1.156	1.000	0.755
Advantage Silver 3000B HSA	93689CA0050003	Rating Area 2	0.792	0.981	1.000	1.000	1.144	1.000	0.889
Advantage Bronze 5500B HSA	93689CA0050004	Rating Area 2	0.659	1.037	1.000	1.000	1.163	1.000	0.795
Platinum90 HMO	93689CA0150001	Rating Area 3	1.039	0.994	1.000	1.000	1.161	1.000	1.199
Gold80 HMO	93689CA0150002	Rating Area 3	0.967	0.983	1.000	1.000	1.151	1.000	1.094
Silver70 HMO	93689CA0160001	Rating Area 3	0.854	0.941	1.000	1.000	1.152	1.000	0.925
Bronze60 HMO	93689CA0160002	Rating Area 3	0.638	0.974	1.000	1.000	1.151	1.000	0.716
Minimum Coverage HMO	93689CA0160003	Rating Area 3	0.584	1.004	1.000	1.000	1.171	0.850	0.583
Bronze60 HSA HMO	93689CA0170001	Rating Area 3	0.666	0.958	1.000	1.000	1.160	1.000	0.740
Advantage Silver 3000B HSA	93689CA0180001	Rating Area 3	0.793	0.947	1.000	1.000	1.139	1.000	0.855
Advantage Bronze 5500B HSA	93689CA0180002	Rating Area 3	0.645	1.050	1.000	1.000	1.151	1.000	0.779

<sup>1</sup> Reflects actual AV pricing value. This may be slightly different than the product of the columns due to rounding used in the chart.

## RELIANCE LETTER

April 28, 2015

Mrs. Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary  
Milliman, Inc.  
15800 Bluemound Road - Suite 100  
Brookfield, WI 53005-6069

**Re: Western Health Advantage's 2016 Individual Pricing**

Dear Kim:

I, Mary Ingram, ASA, MAAA Actuarial Services Director at Western Health Advantage (WHA), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the 2016 individual premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

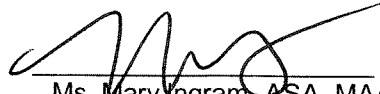
1. Benefit plans for the individual products WHA intends to offer in 2016,
2. Product name, product ID, and plan name as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
3. Product IDs and plan IDs are compliant with Federal regulations,
4. Projected administrative expenses (including Health Insurer Fee tax) and target profit,
5. Projected 2016 capitation rates for pediatric dental, pediatric vision, and acupuncture,
6. Projected 2016 enrollment,
7. 2014 claim, premium and membership experience for WHA's individual ACA plans,
8. The rating regions (as defined by California) in which WHA intends to offer individual products in 2016 and membership distribution by region,
9. Information regarding the premium stabilization programs, i.e. risk adjustment, risk corridors and reinsurance,
10. Guidance on appropriate medical trend factors for WHA,
11. Expected provider reimbursement rates,
12. Expected utilization rates for certain service categories,
13. Assurance WHA has accurately entered plan designs into the PBT and other Federal forms and found no meaningful discrepancies in the Actuarial Value calculations, and

14. Other information provided by WHA in various meetings, phone calls, emails, and other correspondence.

April 28, 2015

---

Date

A handwritten signature in black ink, appearing to read 'Mary Ingram', written over a horizontal line.

Ms. Mary Ingram, ASA, MAAA  
Actuarial Services Director  
Western Health Advantage



## Part III Actuarial Memorandum

### Western Health Advantage Individual Rate Filing Effective January 1, 2016

Prepared for:  
**Western Health Advantage**

Prepared by:  
**Milliman, Inc.**

**Kimberley K. Hiemenz, FSA, MAAA**  
Principal and Consulting Actuary

15800 Bluemound Road  
Suite 100  
Brookfield, WI 53005  
USA  
Tel +1 262 784 2250  
Fax +1 262 923 3680

[milliman.com](http://milliman.com)

## TABLE OF CONTENTS

1. GENERAL INFORMATION.....	1
2. PROPOSED RATE INCREASE(S).....	1
3. EXPERIENCE PERIOD PREMIUM AND CLAIMS.....	2
4. BENEFIT CATEGORIES .....	3
5. PROJECTION FACTORS.....	3
6. CREDIBILITY MANUAL RATE DEVELOPMENT .....	4
7. CREDIBILITY OF EXPERIENCE.....	4
8. PAID TO ALLOWED RATIO.....	4
9. RISK ADJUSTMENT AND REINSURANCE .....	4
10. NON-BENEFIT EXPENSES AND PROFIT & RISK .....	5
11. PROJECTED LOSS RATIO.....	6
12. SINGLE RISK POOL .....	6
13. INDEX RATE .....	6
14. MARKET ADJUSTED INDEX RATE .....	7
15. PLAN ADJUSTED INDEX RATES .....	7
16. CALIBRATION.....	8
17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT.....	9
18. AV METAL VALUES.....	9
19. AV PRICING VALUES .....	9
20. MEMBERSHIP PROJECTIONS .....	10
21. TERMINATED PRODUCTS.....	10
22. PLAN TYPE.....	10
23. WARNING ALERTS.....	11
24. RELIANCE .....	11
25. ACTUARIAL CERTIFICATION.....	11

## 1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Western Health Advantage's (WHA's) individual medical block of business, effective January 1, 2016. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

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

This Actuarial Memorandum is subject to the terms and conditions of the Consulting Services Agreement between WHA and Milliman, Inc. (Milliman). The information in this Actuarial Memorandum has been prepared for the use of WHA. We understand the Actuarial Memorandum will be provided to Covered California, the California Department of Managed Health Care, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of WHA's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for WHA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

### Company Identifying Information

Company Legal Name:	Western Health Advantage
State:	California
HIOS Issuer ID:	93689
Market:	Individual
Effective Date:	January 1, 2016

### Company Contact Information

Primary Contact Name:	Mary Ingram, ASA, MAAA
Primary Contact Telephone Number:	(916) 563-2231
Primary Contact Email-Address:	<a href="mailto:m.ingram@westernhealth.com">m.ingram@westernhealth.com</a>

## 2. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to WHA's existing individual medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for individuals with an effective date or renewal date of January 1, 2016 through December 31, 2016. The average proposed rate change across all plans and regions from the most recently approved rates effective January 1, 2015 is approximately 4.0%. Exhibit 1 provides a comparison of the revised base rates to the current base rates for a 21 year old.

Table 1 summarizes the proposed rate changes by region and product effective January 1, 2016.

<b>Table 1</b> <b>Western Health Advantage</b> <b>Average Rate Change Summary by Product and Region</b>				
<b>Region</b>	<b>QHP Copayment Plans</b>	<b>QHP Deductible Plans</b>	<b>HSA Compatible Plans</b>	<b>HSA Off Exchange Compatible Plans</b>
Region 2	2.0%	4.7%	5.0%	3.4%
Region 3	4.0%	3.8%	4.0%	3.8%

There are a number of 2015 to 2016 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, changes to the provider reimbursements, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan.

There are no significant changes in cost sharing except those prescribed by Covered California or to comply with the changes in the most recent 2016 Actuarial Value (AV) Calculator. There are no changes to rating factors (e.g., age, tobacco) in this rate filing other than changes to the base premium rate, area factor, and rate relativities by plan.

The reasons for the rate change are:

- Emerging claim experience,
- Expected future medical inflation and utilization changes,
- Changes in ACA taxes and fees,
- Changes in expected Federal Transitional Reinsurance Program,
- Expected changes in morbidity of the statewide insured risk pool,
- Change in the mix of business,
- Anticipated risk adjustment payments (receipts), and
- Changes in administrative fees and requested profit margin.

### 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

WHA is a provider-owned not-for-profit health plan. WHA capitates contracted providers on a percentage of revenue for the majority of its medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. WHA's contractual arrangement for capitated services and actual claims for non-capitated services for 2014 individual ACA business were directly incorporated in the development of the 2016 rates.

#### Claims Paid Through Date

As mentioned above, WHA capitates the majority of its services. The claims incurred in the experience for non-capitated services reflected payments through March 31, 2014.

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

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2014). WHA's 2014 individual ACA loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included.

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

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. The incurred claims represent the sum of three items: 1) capitation payments, 2) fee-for-service out-of-area claims, and



3) prescription drug claims. The capitation payments were calculated as percent of WHA's revenue. The out-of-area and prescription drug claims reflect the applicable values from WHA's claim payment system for claims paid on a fee-for-service basis (i.e., not capitated) during the experience period. No estimate of incurred but not reported claims was added to the capitated claims, out of area claims, or prescription drug claims.

The allowed claims were estimated by applying a paid-to-allowed ratio developed using Milliman's *Health Cost Guidelines (HCGs)* and WHA's benefit plans.

Table 2 summarizes the paid claims underlying the rate projection.

<b>Table 2</b> <b>Western Health Advantage</b> <b>2014 Incurred Claims Summary</b> <b>California Individual Market</b>	
<b>Claim Category</b>	<b>2014 Incurred Claims</b>
Capitation Payments	
Out of Area Claims	
Prescription Drug Claims	
Total	\$16,502,499

#### 4. BENEFIT CATEGORIES

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. We categorized utilization and cost information by benefit using WHA's historical distribution.

- Other Medical (non-capitated out-of-area emergency claims)
- Capitation (all services except out-of-area emergency claims and prescription drugs)
- Prescription Drug (prescriptions not billed by a facility or professional)

#### 5. PROJECTION FACTORS

##### Changes in the Morbidity of the Population Insured

Calendar year 2014 was the first year of coverage for many members in the Individual Market. We believe many individuals delayed medical services until they received adequate coverage; this phenomenon is often referred to as "pent-up demand". We estimate the composite impact of pent-up demand for WHA's Individual members in 2014 was 6.5% of allowed claims. The true impact of pent-up demand cannot be known, but we believe this estimate is in a reasonable range. Therefore, a projection factor of .939 ( $= 1 / 1.065$ ) is used to remove the impact of pent-up demand, which is not expected to continue into the projection period. This factor is illustrated under "Pop'l risk Morbidity" in URRT Worksheet 1 Section II.

##### Changes in Benefits

The covered benefits underlying WHA's 2014 individual ACA experience are the same as the 2016 covered benefits, with a few minor modification prescribed by Covered California or to comply with the most recent 2016 Actuarial Value Calculator. These are reflected in the pricing AV and plan design behavior factors with the exception of the Tier 4 specialty Rx cap proposed by Covered California in its benefit designs dated April 17, 2015. We reflected this as a change in covered benefits and included a [REDACTED] adjustment factor as part of the "Other" projection factor in URRT Worksheet 1.

## Changes in Demographics

The distribution of members by age and gender of members in the projection period (calendar year 2016) are projected to be slightly different than the distribution of members by age and gender in the experience period (calendar year 2014). Therefore, a projection factor of [REDACTED] is included in the "Other" projection factor illustrated in URRT Worksheet 1, Section II for the change in demographics.

## Other Adjustments

The "Other" projection factor in URRT Worksheet 1, Section II also includes a [REDACTED] adjustment for projected differences in the geographic distribution from 2014 to 2016 and a [REDACTED] adjustment factor for an anticipated reduction in provider reimbursement levels between 2014 and 2016.

## Trend Factors

The 2014 experience was trended forward to 2016 assuming an aggregate annual 6% trend. The trend assumptions were developed to reflect WHA's expectations regarding increases in contractual reimbursements. General industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment were also considered.

## 6. CREDIBILITY MANUAL RATE DEVELOPMENT

WHA's 2016 individual rates rely completely (i.e., 100%) on its individual ACA-compliant experience. Therefore, no manual rate was developed.

## 7. CREDIBILITY OF EXPERIENCE

WHA's 2014 ACA individual experience represents about 41,000 member months. We considered the experience to be fully credible based on membership volume and WHA's capitated payment arrangement which brings more stability to claims experience than in a fee-for-service environment.

## 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the average ratio of Paid (i.e., after member cost sharing) to Allowed (i.e., before member cost sharing) claims for each plan, weighted by projected member months by plan. Please refer to Appendix A for details. Appendix A uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

## 9. RISK ADJUSTMENT AND REINSURANCE

### Experience Period Risk Adjustments PMPM

The risk adjustment estimates in URRT Worksheet 2 Section III are based on a risk adjustment report provided by Wakely Consulting (Wakely). Wakely performed a risk score simulation of the California individual market using HHS' risk score formula. We used the metal tier specific estimates from the study to form the basis of the experience period risk adjustment values in URRT Worksheet 2, Section III. Our estimates are net of the user fees, per HHS' instructions.

### Projected Risk Adjustments PMPM

We estimate WHA's 2016 experience will be [REDACTED] higher than the statewide 2016 individual single-risk pool based on the risk adjustment report provided by Wakely. We estimate WHA will earn \$39.57 PMPM in risk adjustment receivables net of the \$0.15 PMPM user fee. These receipts are illustrated in URRT Worksheet 1, Section III.

The estimates of relative risk and risk transfer receipts are highly dependent on the population that enrolls with WHA but also with other carriers in the state. The risk transfer receipts, net of risk adjustment fees, was applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS. The impact of risk adjustment lowers the Market Adjusted Index Rate and, therefore, lowers premiums.

### Experience Period Reinsurance PMPM

Estimates for Federal reinsurance received for each plan in the experience period were provided by WHA and are illustrated in URRT Worksheet 2 Section III. WHA developed this estimate based on a review of its large claims in 2014 for its individual ACA-compliant plans.

### Projected Reinsurance Recoveries PMPM

We estimated Federal reinsurance recoveries in the projection period will be \$27.30 PMPM, as illustrated in URRT Worksheet 1, Section III. This amount is net of the 2016 reinsurance premiums of \$2.25 PMPM. These receipts are also illustrated in URRT Worksheet 2 Section IV net of reinsurance premiums, per HHS's instructions. The recoveries assume WHA will receive 50% of all WHA's individual members' per member per year incurred claims between \$90,000 and \$250,000, which is consistent with the 2016 Final Notice of Benefit and Payment Parameters released on February 20, 2015.

We estimated the recoveries using Milliman's *HCGs* claim probability distributions (CPDs) calibrated to WHA's projected experience. CPDs are a frequency distribution of claim amounts that can be used to estimate PMPM claims between deductibles and stop-loss amounts. Exhibit 2 displays the calculations. The net recoveries were applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

## 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Exhibit 3 summarizes the net expense development.

### Administrative Expense Load

We estimate WHA's administrative expenses to be \$42.12 PMPM. This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by WHA based on a projection of 2016 expenses using 2015 budgeted expenses and anticipated changes from 2015 to 2016. This amount does not include any profit, risk load, taxes, or assessments described below. Table 3 below summarizes WHA's administrative expenses.

Table 3 Western Health Advantage Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin		
Commission		
Commercial Reinsurance Recoveries		
Commercial Reinsurance Premiums		
Subtotal: Administrative Expense Load	\$42.12	9.60%

## Profit and Risk Margin

We built in a composite premium for a target pre-tax contribution to surplus. The profit and risk market varies slightly by plan to achieve WHA's target rate position for each plan. The aggregate composite margin is 0.16%. We considered WHA's desired rate level and company profit targets in setting this assumption. The pre-tax contribution to surplus decreased since the prior filing mainly to meet WHA's desired rate level.

## Taxes and Fees

Table 4 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URRT, as a PMPM and percent of premium.

Table 4 Western Health Advantage Projected Taxes and Fees	
Item	PMPM
Comparative Effectiveness Research Fee	\$0.19
Health Insurer Fee	
Exchange User Fee	
Federal Income Tax	
Total	\$21.85

The exchange user fee was applied as an adjustment to the index rate at the market level. Specifically, the \$13.95 PMPM exchange user fee was allocated across all projected individual enrollment both on and off exchange.

## 11. PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology, excluding adjustments for credibility, is about [REDACTED].

## 12. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). WHA does not have any individual transitional plans or individual grandfathered plans.

## 13. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

The index rate for projection period is a measurement of average allowed claims PMPM for EHBs. Section V (Projection Factors) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2016 mixture of area factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that WHA expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.

Section 3 (Experience Period Premium and Claim) describes the development of the experience index rate. The projected index rate covers a 12-month period for individuals effective January 1, 2016 through December 31, 2016. As described in Section V of this Memorandum, the projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors.

The projected index rate for January 1, 2016 through December 31, 2016 is in Worksheet 1, Section III of the URRT, and in Table 5.

<b>Table 5</b> <b>Western Health Advantage</b> <b>Projected Index Rate Development</b>	
	<b>2014</b>
Rate Manual Experience Member Months	40,958
Rate Manual Experience Allowed Claims	\$26,082,333
Rate Manual Experience Allowed Claims PMPM	\$636.81
Morbidity Adjustment	0.939
2 Year Claim Trend	1.124
Other Factors (Demographic, Plan Mix, etc.)	0.913
<b>Projected Index Rate</b>	<b>\$613.23</b>

#### 14. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 6 shows the development of the market-adjusted index rate. (All components in the calculation were derived elsewhere in this memorandum.) The adjustments in Table 6 are applied to the Index Rate on an allowed basis as required by CMS.

<b>Table 6</b> <b>Western Health Advantage</b> <b>Market Adjusted Index Rate Development</b>		
	<b>Amount PMPM</b>	<b>Annotation</b>
<b>Index Rate</b>	\$613.23	(1)
<b>Net Risk Adjustment</b>	-\$39.57	(2)
<b>Net Transitional Reinsurance</b>	-\$27.30	(3)
<b>Exchange Fee</b>	\$10.51	(4)
<b><u>Paid to Allowed Average Factor</u></b>	<u>71.9%</u>	<u>(5)</u>
<b>Market Adjustments (Allowed Basis)</b>	-\$78.44	(6) = [(2)+(3)+4] ÷ (5)
<b>Market Adjusted Index Rate</b>	<b>\$534.78</b>	<b>(7) = (1) + (6)</b>

#### 15. PLAN-ADJUSTED INDEX RATE

##### Experience Period Plan-Adjusted Index Rates

The experience period Plan-Adjusted Index Rates shown in URRT Worksheet 2, Section III are calculated for each plan as the plan's age-21 rate in 2014 times the composite age and geographic factors developed as part of 2014 pricing. Consistent with HHS's instructions to show mapped experience in the mapped plan's column, the experience period plan-adjusted index rates for terminated plans have been averaged with the plan-adjusted index rates for the mapped plans in the mapped plan's column.

## Projection Period Plan-Adjusted Index Rates

The development of the plan-adjusted index rates are shown in Appendix B and URRT Worksheet 2, Section IV. The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

### Actuarial Value and Cost Sharing Adjustment

- The Actuarial Value and Plan Design Behavior Change factors were developed in an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines (HCGs)*, with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to WHA's experience. Health status was not used to establish benefit plan relativities.
- The 2016 CMS Actuarial Value Calculator was used to determine the actuarial value for each plan. We assumed the standard Covered California plans dated April 17, 2015.

### Provider Network, Delivery System and Utilization Management Adjustment

- The value of each provider network was determined based on the experience of WHA and any anticipated differences in the network of a given plan as compared to the current network.

### Adjustment for Benefits in Addition to the EHB

WHA does not offer any non-EHB benefits.

### Adjustment for Distribution and Administrative Costs

Distribution and administrative costs were developed and applied to each plan as a mix of "percent of premium", "percent of claim", and PMPM bases.

### Catastrophic Adjustment

With respect to the catastrophic plan, a [REDACTED] morbidity improvement was used to reflect the specific eligibility requirements at any given age for catastrophic plans. In addition, the catastrophic adjustment factor reflects the projected average demographics of individuals enrolled in a catastrophic plan relative to the other metal tiers. That is, the catastrophic plans are likely to attract a young, healthy population seeking minimal coverage yet still meeting the individual mandate. The morbidity improvement assumption was based on actuarial judgment after reviewing the relative cost among various ages in Milliman's *HCGs* and projected risk scores developed from the HHS risk model.

## 16. CALIBRATION

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

The approximate weighted average age of the projected single risk pool is [REDACTED] years. We calculated the risk pool weighted average age by projecting membership on a 5-year age group. The age curve calibration is applied to all plans. The weighted average age curve calibration factor is [REDACTED]. The age curve calibration factor also includes an adjustment to account for the fact that WHA cannot rate for more than 3 children per family; this adjustment is approximately [REDACTED]. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

WHA applies geographic rating factors to its plans as shown in Table 7. The geographic area factors changed slightly from WHA's 2015 filing due to changes in WHA's provider reimbursement in each area. Health status is not reflected in the geographic factors, and it is not WHA's intent to use area factors to rate for morbidity.

Table 7 Western Health Advantage Geographic Factors	
Rating Area	Factor
Rating Area 2	
Rating Area 3	

California does not allow a tobacco surcharge.

The development of the plan-adjusted calibrated index rates are shown in Appendix C.

## 17. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the plan-adjusted index rate, the geographic rating factor, and the age rating factor. WHA does not use tobacco rating factors.

The plan-adjusted index rates and the geographic factors are shown in Appendix B and Table 6, respectively. WHA uses the Federal age curve. WHA does not use tobacco rating factors.

The development of the consumer-adjusted premium rates are shown in Appendix D.

## 18. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator AVC. WHA intends to offer the standardized plans promulgated by Covered California: Standard Copay (Platinum, Gold, and Silver), Standard Coinsurance (Bronze and Catastrophic), and Standard Bronze HSA. Our results confirm the work of Covered California for complying with the Federal AV Metal Values. Further, we tested WHA's off-exchange only individual products using the CMS Actuarial Value calculator.

## 19. AV PRICING VALUES

Appendix E provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), to arrive at the plan level rate.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman's HCGs to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.



## 20. MEMBERSHIP PROJECTIONS

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT were developed based on consideration for the following:

- Historical sales for WHA's individual products,
- Sales distribution and provider networks,
- Anticipated activity in the California individual health insurance market due to various health care reform provisions.

WHA used its early 2015 enrollment to project the enrollment distribution by plan.

Table 8 includes our assumed CSR distribution based on WHA's 2014 individual experience.

Table 8 Western Health Advantage Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 73%	
Silver 87%	
Silver 94%	
Standard Silver	
<b>Total</b>	<b>100.0%</b>

## 21. TERMINATED PRODUCTS

All 2014 plans were terminated prior to January 1, 2015. All of the plans were cross-walked to a 2015 plan. WHA did not terminate any of its individual products offered in 2015.

In 2014 WHA offered the same HIOS IDs in both of its regions. In 2015 WHA created a set of HIOS IDs for each region. We cross-walked the terminated plans in 2014 to the corresponding HIOS IDs in Region 2 for presentation purpose in URRT Worksheet 2. However, the actual membership for these plans crosswalk to plans in both Region 2 and Region 3.

Table 9 2014 Terminated Plan Crosswalk	
2014 HIOS ID	2016 HIOS ID
93689CA0040003	93689CA0110001
93689CA0040004	93689CA0110002
93689CA0140001	93689CA0120001
93689CA0140002	93689CA0120004
93689CA0140003	93689CA0120005
93689CA0050002	93689CA0130002

## 22. PLAN TYPE

All of WHA's plans are HMO plans as noted in Worksheet 2, Section I of the URRT.



## 23. WARNING ALERTS

The URRT shows the following warnings:

- There is a warning in Worksheet 2, cell A67. This warning is created by the difference between the incurred claims in the experience period reported in Worksheet 1 and the calculated incurred claims in the experience period in Worksheet 2. The amount reported in Worksheet 1 is allowed claims net of member cost sharing and net of cost-sharing paid by HHS on behalf of low-income members, consistent with HHS's instructions; thus, it does not reflect reinsurance or risk adjustment receipts. The amount calculated in Worksheet 2 is allowed claims less "Allowed Claims which are not the issuer's obligation" (Worksheet 2 row 64), which includes Federal reinsurance and risk adjustment payments, per HHS's instructions; so the incurred claims calculated in Worksheet 2 row 67 are net of reinsurance and risk adjustment receipts.
- There is a warning in Worksheet 2, cell A72. The calculated amounts in this row are based on the PMPMs entered in row 67, and so the warning exists for the same reasons as the Warning for cell A67 as explained above.
- There are warnings generated by the Validate macro for Worksheet 2 cells I65, K65, L65, and N65. These warnings say "(Section III - Portion of above payable by HHS's funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015." Based on verbal guidance from CCIO, we recognize these warnings are an error in the URRT's programming, and consistent with CCIO's guidance, we are ignoring these warnings.

## 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by the WHA. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

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

A data reliance letter is attached to this rate submission.

## 25. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. Further, I meet the independence requirements stated in California's Health and Safety Code section 1385.06 (b) (3). This filing is prepared on behalf of Western Health Advantage.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
  - Developed in compliance with the applicable Actuarial Standards of Practice,

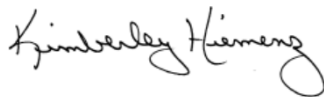
- Reasonable in relation to the benefits provided and the population anticipated to be covered, and
  - Neither excessive nor deficient based on my best estimates of the 2016 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
  3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
  4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.
  5. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
  6. The proposed premium rates in this filing are actuarially sound in aggregate.
  7. In my opinion, the proposed premium rate increase is reasonable. I based my opinion of reasonable rate increase on the factors below.
    - The expected individual loss ratio for the twelve month period beginning January 1, 2016 is expected to be about 90%. The projected loss ratio is greater than the 80% PPACA minimum MLR standard promulgated by the Department of Health and Human Services.
    - The assumptions used are reasonable and within the range of reasonableness.
    - The proposed rates result in rates between insured members within similar risk categories that are permissible under applicable California law and the premium differences correspond to differences in expected claims costs between allowable risk classes.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

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

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain 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.

Respectfully Submitted,



Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary, Milliman  
April 30, 2015

## EXHIBITS

**Exhibit 1**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Rate Increase by Plan and Region**  
**21 Year Old Rates**

<b>Plan Name</b>	<b>Region</b>	<b>Plan ID</b>	<b>2016 Rate</b>	<b>2015 Rate</b>	<b>Rate Increase</b>
Platinum90 HMO	Region 2	93689CA0110001	\$375.72	\$368.50	2.0%
Gold80 HMO	Region 2	93689CA0110002	\$346.44	\$339.81	2.0%
Silver70 HMO	Region 2	93689CA0120001	\$288.99	\$283.25	2.0%
Bronze60 HMO	Region 2	93689CA0120004	\$221.54	\$209.03	6.0%
Bronze60 HSA HMO	Region 2	93689CA0130002	\$226.83	\$216.00	5.0%
Minimum Coverage HMO	Region 2	93689CA0120005	\$180.47	\$170.33	6.0%
Advantage Silver 3350B HSA	Region 2	93689CA0050003	\$267.14	\$261.86	2.0%
Advantage Bronze 6000B HSA	Region 2	93689CA0050004	\$238.80	\$227.51	5.0%
Platinum90 HMO	Region 3	93689CA0150001	\$399.95	\$384.64	4.0%
Gold80 HMO	Region 3	93689CA0150002	\$364.89	\$350.86	4.0%
Silver70 HMO	Region 3	93689CA0160001	\$308.81	\$298.39	3.5%
Bronze60 HMO	Region 3	93689CA0160002	\$238.77	\$229.63	4.0%
Bronze60 HSA HMO	Region 3	93689CA0170001	\$246.85	\$237.43	4.0%
Minimum Coverage HMO	Region 3	93689CA0160003	\$194.69	\$187.24	4.0%
Advantage Silver 3350B HSA	Region 3	93689CA0180001	\$285.38	\$275.72	3.5%
Advantage Bronze 6000B HSA	Region 3	93689CA0180002	\$260.07	\$249.96	4.0%

**Exhibit 2**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Estimated Impact of the Federal Transitional Reinsurance Program**

	<b>Amount</b>	<b>Annotation</b>
Percentage of annual claims in excess of \$90,000		(1)
Percentage of annual claims in excess of \$250,000		(2)
Average annual claim size in excess of \$90,000		(3)
Average annual claim size in excess of \$250,000		(4)
Annual reinsurance payments requested per member		(5) = 50% of (1) x (3) - (2) x (4)
Annual reinsurance payments requested PMPM		(6) = (5)/12
Annual reinsurance payments received PMPM		(7) = 100% of (6)
Less Reinsurance Premiums Paid		(8)
<b>Reinsurance Recoveries Net of Reinsurance Premium PMPM</b>	<b>\$27.30</b>	<b>(7) - (8)</b>

**Exhibit 3**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Net Expense Factor Development**

<b>Expense Item</b>	<b>Amount</b>	<b>Per Member Per Month</b>
Administrative Expenses	9.60%	\$42.12
Expected Profit and Risk Load	0.16%	\$0.70
Taxes and Fees	4.98%	\$21.85
Total Expenses	14.74%	\$64.66
Average Premium		\$438.70
Exchange Fee Expenses		
Expenses Net of Exchange Fees		
Paid Claims PMPM		\$440.91
<b>Load to Claims for Expenses Net of Exchange Fees</b>		

**Exhibit 4**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**2016 Projected Medical Loss Ratio**

	Amount PMPM	Annotation
Claims	\$440.91	(1)
Adjustments to Claims <sup>1</sup>	[REDACTED]	(2)
Transitional Recoveries (Received)	(\$29.55)	(3)
Risk Adjustment Paid (Received)	(\$39.71)	(4)
<b>MLR Numerator</b>	[REDACTED]	(5) = (1) + (2) + (3) + (4)
Premiums	\$438.70	(6)
Taxes and Fees <sup>2</sup>	\$21.85	(7)
Income Tax	[REDACTED]	(8)
<b>MLR Denominator</b>	[REDACTED]	(9) = (6) - (7) - (8)
<b>Projected MLR <sup>3</sup></b>	[REDACTED]	(10) = (5) / (9)

<sup>1</sup> Quality Improvement / Health IT.

<sup>2</sup> Taxes and fees include all ACA taxes and fees.

<sup>3</sup> The projected MLR does not take the Credibility Adjustment nor the Cost Share Adjustment Factor into account.

## RELIANCE LETTER



April 28, 2015

Mrs. Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary  
Milliman, Inc.  
15800 Bluemound Road - Suite 100  
Brookfield, WI 53005-6069

**Re: Western Health Advantage's 2016 Individual Pricing**

Dear Kim:

I, Mary Ingram, ASA, MAAA Actuarial Services Director at Western Health Advantage (WHA), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the 2016 individual premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

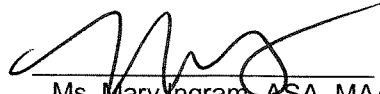
1. Benefit plans for the individual products WHA intends to offer in 2016,
2. Product name, product ID, and plan name as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
3. Product IDs and plan IDs are compliant with Federal regulations,
4. Projected administrative expenses (including Health Insurer Fee tax) and target profit,
5. Projected 2016 capitation rates for pediatric dental, pediatric vision, and acupuncture,
6. Projected 2016 enrollment,
7. 2014 claim, premium and membership experience for WHA's individual ACA plans,
8. The rating regions (as defined by California) in which WHA intends to offer individual products in 2016 and membership distribution by region,
9. Information regarding the premium stabilization programs, i.e. risk adjustment, risk corridors and reinsurance,
10. Guidance on appropriate medical trend factors for WHA,
11. Expected provider reimbursement rates,
12. Expected utilization rates for certain service categories,
13. Assurance WHA has accurately entered plan designs into the PBT and other Federal forms and found no meaningful discrepancies in the Actuarial Value calculations, and

14. Other information provided by WHA in various meetings, phone calls, emails, and other correspondence.

April 28, 2015

---

Date

A handwritten signature in black ink, appearing to read 'Mary Ingram', is written over a horizontal line.

Ms. Mary Ingram, ASA, MAAA  
Actuarial Services Director  
Western Health Advantage

## APPENDICES

**Appendix A**  
**Western Health Advantage**  
**Development of Paid to Allowed**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	URRT Wksht 2 Membership	Plan Membership	Allowed Claims	Paid Claims <sup>1</sup>	Actuarial Value
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	8,229	6.7%			
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4,977	4.0%			
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	19,847	16.1%			
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	35,393	28.6%			
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3,720	3.0%			
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	5,329	4.3%			
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	2,123	1.7%			
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	1,846	1.5%			
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	4,254	3.4%			
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2,573	2.1%			
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	10,260	8.3%			
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	18,296	14.8%			
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1,923	1.6%			
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2,755	2.2%			
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	1,097	0.9%			
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	954	0.8%			
<b>Total</b>				<b>123,576</b>	<b>100.0%</b>	<b>\$613.23</b>	<b>\$440.62</b>	<b>0.719</b>

<sup>1</sup> Paid Claims are slightly different than URRT, Worksheet 1 due to rounding.

**Appendix B**  
**Western Health Advantage**  
**Development of Plan Adjusted Index Rate**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Catastrophic Adjustment	Administrative Costs Excl. Exchange Fee	Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$534.78			1.000	1.000			
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$534.78			1.000	1.000			
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$534.78			1.000	1.000			
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$534.78			1.000	1.000			
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$534.78			1.000	1.000			
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$534.78			1.000	1.000			
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$534.78			1.000	1.000			
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$534.78			1.000	1.000			
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$534.78			1.000	1.000			
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$534.78			1.000	1.000			
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$534.78			1.000	1.000			
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$534.78			1.000	1.000			
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$534.78			1.000	1.000			
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$534.78			1.000	1.000			
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$534.78			1.000	1.000			
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$534.78			1.000	1.000			
<b>Total</b>				<b>100.0%</b>	<b>\$534.78</b>	<b>0.719</b>		<b>1.000</b>	<b>1.000</b>			

**Appendix C**  
**Western Health Advantage**  
**Plan Adjusted Index Rate Calibration**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%					
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%					
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%					
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%					
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%					
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%					
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	1.7%					
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%					
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%					
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%					
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%					
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%					
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%					
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%					
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	0.9%					
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%					
<b>Total</b>				<b>100.0%</b>					

**Appendix D**  
**Western Health Advantage**  
**Index Rate to Consumer Adjusted Index Rate**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Index Rate	Market Adjusted Index Rate	Plan Adjusted Index Rate	Consumer Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	\$613.23	\$534.78		
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	\$613.23	\$534.78		
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	\$613.23	\$534.78		
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	\$613.23	\$534.78		
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	\$613.23	\$534.78		
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	\$613.23	\$534.78		
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	\$613.23	\$534.78		
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	\$613.23	\$534.78		
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	\$613.23	\$534.78		
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	\$613.23	\$534.78		
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	\$613.23	\$534.78		
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	\$613.23	\$534.78		
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	\$613.23	\$534.78		
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	\$613.23	\$534.78		
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	\$613.23	\$534.78		
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	\$613.23	\$534.78		

Consumer Adjusted Index Rate is the base rate for a given plan.

The premium for a consumer is calculated as:

Consumer Adjusted Index Rate  
x Age Factor  
x Geography Factor  
x Trend Factor

**Premium Rate Example:**

Platinum90 HMO (Plan ID 93689CA01101)

Age: 21 Years Old

Rating Area: 2

Effective Date: January 1, 2016

**Appendix E**  
**Western Health Advantage**  
**Development of AV Pricing Value**

Plan Name	Plan ID	Rating Area	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Administrative Costs Excl. Exchange Fee	Specific Catastrophic Eligibility	AV Pricing Value <sup>1</sup>
Platinum90 HMO	93689CA0110001	Rating Area 2							1.193
Gold80 HMO	93689CA0110002	Rating Area 2							1.100
Silver70 HMO	93689CA0120001	Rating Area 2							0.918
Bronze60 HMO	93689CA0120004	Rating Area 2							0.704
Minimum Coverage HMO	93689CA0120005	Rating Area 2							0.573
Bronze60 HSA HMO	93689CA0130002	Rating Area 2							0.720
Advantage Silver 3350B HSA	93689CA0050003	Rating Area 2							0.849
Advantage Bronze 6000B HSA	93689CA0050004	Rating Area 2							0.759
Platinum90 HMO	93689CA0150001	Rating Area 3							1.143
Gold80 HMO	93689CA0150002	Rating Area 3							1.043
Silver70 HMO	93689CA0160001	Rating Area 3							0.883
Bronze60 HMO	93689CA0160002	Rating Area 3							0.683
Minimum Coverage HMO	93689CA0160003	Rating Area 3							0.557
Bronze60 HSA HMO	93689CA0170001	Rating Area 3							0.706
Advantage Silver 3350B HSA	93689CA0180001	Rating Area 3							0.816
Advantage Bronze 6000B HSA	93689CA0180002	Rating Area 3							0.744

<sup>1</sup>Reflects actual AV pricing value. This may be slightly different than the product of the columns due to rounding used in the chart.





## Part III Actuarial Memorandum

### Western Health Advantage Individual Rate Filing Effective January 1, 2016

Prepared for:  
**Western Health Advantage**

Prepared by:  
**Milliman, Inc.**

**Kimberley K. Hiemenz, FSA, MAAA**  
Principal and Consulting Actuary

15800 Bluemound Road  
Suite 100  
Brookfield, WI 53005  
USA  
Tel +1 262 784 2250  
Fax +1 262 923 3680

milliman.com

## TABLE OF CONTENTS

1. GENERAL INFORMATION.....	1
2. PROPOSED RATE INCREASE(S).....	1
3. EXPERIENCE PERIOD PREMIUM AND CLAIMS.....	2
4. BENEFIT CATEGORIES .....	3
5. PROJECTION FACTORS.....	3
6. CREDIBILITY MANUAL RATE DEVELOPMENT .....	4
7. CREDIBILITY OF EXPERIENCE.....	4
8. PAID TO ALLOWED RATIO.....	4
9. RISK ADJUSTMENT AND REINSURANCE .....	4
10. NON-BENEFIT EXPENSES AND PROFIT & RISK .....	5
11. PROJECTED LOSS RATIO.....	6
12. SINGLE RISK POOL .....	6
13. INDEX RATE .....	6
14. MARKET ADJUSTED INDEX RATE .....	7
15. PLAN ADJUSTED INDEX RATES .....	7
16. CALIBRATION.....	8
17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT.....	9
18. AV METAL VALUES.....	9
19. AV PRICING VALUES .....	9
20. MEMBERSHIP PROJECTIONS .....	10
21. TERMINATED PRODUCTS.....	10
22. PLAN TYPE.....	10
23. WARNING ALERTS.....	11
24. RELIANCE .....	11
25. ACTUARIAL CERTIFICATION.....	11

## 1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Western Health Advantage's (WHA's) individual medical block of business, effective January 1, 2016. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

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

This Actuarial Memorandum is subject to the terms and conditions of the Consulting Services Agreement between WHA and Milliman, Inc. (Milliman). The information in this Actuarial Memorandum has been prepared for the use of WHA. We understand the Actuarial Memorandum will be provided to Covered California, the California Department of Managed Health Care, the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of WHA's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for WHA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

### Company Identifying Information

Company Legal Name:	Western Health Advantage
State:	California
HIOS Issuer ID:	93689
Market:	Individual
Effective Date:	January 1, 2016

### Company Contact Information

Primary Contact Name:	Mary Ingram, ASA, MAAA
Primary Contact Telephone Number:	(916) 563-2231
Primary Contact Email-Address:	<a href="mailto:m.ingram@westernhealth.com">m.ingram@westernhealth.com</a>

## 2. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to WHA's existing individual medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for individuals with an effective date or renewal date of January 1, 2016 through December 31, 2016. The average proposed rate change across all plans and regions from the most recently approved rates effective January 1, 2015 is approximately 4.0%. Exhibit 1 provides a comparison of the revised base rates to the current base rates for a 21 year old.

Table 1 summarizes the proposed rate changes by region and product effective January 1, 2016.

<b>Table 1</b> <b>Western Health Advantage</b> <b>Average Rate Change Summary by Product and Region</b>				
<b>Region</b>	<b>QHP Copayment Plans</b>	<b>QHP Deductible Plans</b>	<b>HSA Compatible Plans</b>	<b>HSA Off Exchange Compatible Plans</b>
Region 2	2.0%	4.7%	5.0%	3.4%
Region 3	4.0%	3.8%	4.0%	3.8%

There are a number of 2015 to 2016 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, changes to the provider reimbursements, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan.

There are no significant changes in cost sharing except those prescribed by Covered California or to comply with the changes in the most recent 2016 Actuarial Value (AV) Calculator. There are no changes to rating factors (e.g., age, tobacco) in this rate filing other than changes to the base premium rate, area factor, and rate relativities by plan.

The reasons for the rate change are:

- Emerging claim experience,
- Expected future medical inflation and utilization changes,
- Changes in ACA taxes and fees,
- Changes in expected Federal Transitional Reinsurance Program,
- Expected changes in morbidity of the statewide insured risk pool,
- Change in the mix of business,
- Anticipated risk adjustment payments (receipts), and
- Changes in administrative fees and requested profit margin.

### 3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

WHA is a provider-owned not-for-profit health plan. WHA capitates contracted providers on a percentage of revenue for the majority of its medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. WHA's contractual arrangement for capitated services and actual claims for non-capitated services for 2014 individual ACA business were directly incorporated in the development of the 2016 rates.

#### Claims Paid Through Date

As mentioned above, WHA capitates the majority of its services. The claims incurred in the experience for non-capitated services reflected payments through March 31, 2014.

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

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2014). WHA's 2014 individual ACA loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included.

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

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. The incurred claims represent the sum of three items: 1) capitation payments, 2) fee-for-service out-of-area claims, and

3) prescription drug claims. The capitation payments were calculated as percent of WHA's revenue. The out-of-area and prescription drug claims reflect the applicable values from WHA's claim payment system for claims paid on a fee-for-service basis (i.e., not capitated) during the experience period. No estimate of incurred but not reported claims was added to the capitated claims, out of area claims, or prescription drug claims.

The allowed claims were estimated by applying a paid-to-allowed ratio developed using Milliman's *Health Cost Guidelines (HCGs)* and WHA's benefit plans.

Table 2 summarizes the paid claims underlying the rate projection.

<b>Table 2</b> <b>Western Health Advantage</b> <b>2014 Incurred Claims Summary</b> <b>California Individual Market</b>	
<b>Claim Category</b>	<b>2014 Incurred Claims</b>
Capitation Payments	\$11,200,399
Out of Area Claims	\$2,706,154
Prescription Drug Claims	\$2,595,946
Total	\$16,502,499

#### 4. BENEFIT CATEGORIES

WHA capitates contracted providers on a percentage of revenue for the majority of medical services. WHA maintains the risk on out-of-area emergency claims and prescription drugs. We categorized utilization and cost information by benefit using WHA's historical distribution.

- Other Medical (non-capitated out-of-area emergency claims)
- Capitation (all services except out-of-area emergency claims and prescription drugs)
- Prescription Drug (prescriptions not billed by a facility or professional)

#### 5. PROJECTION FACTORS

##### Changes in the Morbidity of the Population Insured

Calendar year 2014 was the first year of coverage for many members in the Individual Market. We believe many individuals delayed medical services until they received adequate coverage; this phenomenon is often referred to as "pent-up demand". We estimate the composite impact of pent-up demand for WHA's Individual members in 2014 was 6.5% of allowed claims. The true impact of pent-up demand cannot be known, but we believe this estimate is in a reasonable range. Therefore, a projection factor of .939 ( $= 1 / 1.065$ ) is used to remove the impact of pent-up demand, which is not expected to continue into the projection period. This factor is illustrated under "Pop'l risk Morbidity" in URRT Worksheet 1 Section II.

##### Changes in Benefits

The covered benefits underlying WHA's 2014 individual ACA experience are the same as the 2016 covered benefits, with a few minor modification prescribed by Covered California or to comply with the most recent 2016 Actuarial Value Calculator. These are reflected in the pricing AV and plan design behavior factors with the exception of the Tier 4 specialty Rx cap proposed by Covered California in its benefit designs dated April 17, 2015. We reflected this as a change in covered benefits and included a 1.002 adjustment factor as part of the "Other" projection factor in URRT Worksheet 1.

## Changes in Demographics

The distribution of members by age and gender of members in the projection period (calendar year 2016) are projected to be slightly different than the distribution of members by age and gender in the experience period (calendar year 2014). Therefore, a projection factor of .987 is included in the “Other” projection factor illustrated in URRT Worksheet 1, Section II for the change in demographics.

## Other Adjustments

The “Other” projection factor in URRT Worksheet 1, Section II also includes a 1.008 adjustment for projected differences in the geographic distribution from 2014 to 2016 and a .916 adjustment factor for an anticipated reduction in provider reimbursement levels between 2014 and 2016.

## Trend Factors

The 2014 experience was trended forward to 2016 assuming an aggregate annual 6% trend. The trend assumptions were developed to reflect WHA’s expectations regarding increases in contractual reimbursements. General industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment were also considered.

## 6. CREDIBILITY MANUAL RATE DEVELOPMENT

WHA’s 2016 individual rates rely completely (i.e., 100%) on its individual ACA-compliant experience. Therefore, no manual rate was developed.

## 7. CREDIBILITY OF EXPERIENCE

WHA’s 2014 ACA individual experience represents about 41,000 member months. We considered the experience to be fully credible based on membership volume and WHA’s capitated payment arrangement which brings more stability to claims experience than in a fee-for-service environment.

## 8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the average ratio of Paid (i.e., after member cost sharing) to Allowed (i.e., before member cost sharing) claims for each plan, weighted by projected member months by plan. Please refer to Appendix A for details. Appendix A uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

## 9. RISK ADJUSTMENT AND REINSURANCE

### Experience Period Risk Adjustments PMPM

The risk adjustment estimates in URRT Worksheet 2 Section III are based on a risk adjustment report provided by Wakely Consulting (Wakely). Wakely performed a risk score simulation of the California individual market using HHS’ risk score formula. We used the metal tier specific estimates from the study to form the basis of the experience period risk adjustment values in URRT Worksheet 2, Section III. Our estimates are net of the user fees, per HHS’ instructions.

### Projected Risk Adjustments PMPM

We estimate WHA’s 2016 experience will be 10% higher than the statewide 2016 individual single-risk pool based on the risk adjustment report provided by Wakely. We estimate WHA will earn \$39.57 PMPM in risk adjustment receivables net of the \$0.15 PMPM user fee. These receipts are illustrated in URRT Worksheet 1, Section III.

The estimates of relative risk and risk transfer receipts are highly dependent on the population that enrolls with WHA but also with other carriers in the state. The risk transfer receipts, net of risk adjustment fees, was applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS. The impact of risk adjustment lowers the Market Adjusted Index Rate and, therefore, lowers premiums.

### Experience Period Reinsurance PMPM

Estimates for Federal reinsurance received for each plan in the experience period were provided by WHA and are illustrated in URRT Worksheet 2 Section III. WHA developed this estimate based on a review of its large claims in 2014 for its individual ACA-compliant plans.

### Projected Reinsurance Recoveries PMPM

We estimated Federal reinsurance recoveries in the projection period will be \$27.30 PMPM, as illustrated in URRT Worksheet 1, Section III. This amount is net of the 2016 reinsurance premiums of \$2.25 PMPM. These receipts are also illustrated in URRT Worksheet 2 Section IV net of reinsurance premiums, per HHS's instructions. The recoveries assume WHA will receive 50% of all WHA's individual members' per member per year incurred claims between \$90,000 and \$250,000, which is consistent with the 2016 Final Notice of Benefit and Payment Parameters released on February 20, 2015.

We estimated the recoveries using Milliman's *HCGs* claim probability distributions (CPDs) calibrated to WHA's projected experience. CPDs are a frequency distribution of claim amounts that can be used to estimate PMPM claims between deductibles and stop-loss amounts. Exhibit 2 displays the calculations. The net recoveries were applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

## 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Exhibit 3 summarizes the net expense development.

### Administrative Expense Load

We estimate WHA's administrative expenses to be \$42.12 PMPM. This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by WHA based on a projection of 2016 expenses using 2015 budgeted expenses and anticipated changes from 2015 to 2016. This amount does not include any profit, risk load, taxes, or assessments described below. Table 3 below summarizes WHA's administrative expenses.

Table 3 Western Health Advantage Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin	\$35.07	7.99%
Commission	\$6.58	1.50%
Commercial Reinsurance Recoveries	-\$1.08	-0.25%
Commercial Reinsurance Premiums	\$1.55	0.35%
Subtotal: Administrative Expense Load	<b>\$42.12</b>	<b>9.60%</b>

## Profit and Risk Margin

We built in a composite premium for a target pre-tax contribution to surplus. The profit and risk market varies slightly by plan to achieve WHA's target rate position for each plan. The aggregate composite margin is 0.16%. We considered WHA's desired rate level and company profit targets in setting this assumption. The pre-tax contribution to surplus decreased since the prior filing mainly to meet WHA's desired rate level.

## Taxes and Fees

Table 4 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URR, as a PMPM and percent of premium.

<b>Table 4</b> <b>Western Health Advantage</b> <b>Projected Taxes and Fees</b>	
<b>Item</b>	<b>PMPM</b>
Comparative Effectiveness Research Fee	\$0.19
Health Insurer Fee	\$7.00
Exchange User Fee	\$10.51
Federal Income Tax	\$4.15
<b>Total</b>	<b>\$21.85</b>

The exchange user fee was applied as an adjustment to the index rate at the market level. Specifically, the \$13.95 PMPM exchange user fee was allocated across all projected individual enrollment both on and off exchange.

## 11. PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology, excluding adjustments for credibility, is about 90.0 %. Exhibit 4 displays the development of the MLR in more detail.

## 12. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). WHA does not have any individual transitional plans or individual grandfathered plans.

## 13. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

The index rate for projection period is a measurement of average allowed claims PMPM for EHBs. Section V (Projection Factors) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2016 mixture of area factors, catastrophic / non-catastrophic enrollment, and the projected mixture of risk morbidity that WHA expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.



Section 3 (Experience Period Premium and Claim) describes the development of the experience index rate. The projected index rate covers a 12-month period for individuals effective January 1, 2016 through December 31, 2016. As described in Section V of this Memorandum, the projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors.

The projected index rate for January 1, 2016 through December 31, 2016 is in Worksheet 1, Section III of the URRT, and in Table 5.

<b>Table 5</b> <b>Western Health Advantage</b> <b>Projected Index Rate Development</b>	
	<b>2014</b>
Rate Manual Experience Member Months	40,958
Rate Manual Experience Allowed Claims	\$26,082,333
Rate Manual Experience Allowed Claims PMPM	\$636.81
Morbidity Adjustment	0.939
2 Year Claim Trend	1.124
Other Factors (Demographic, Plan Mix, etc.)	0.913
<b>Projected Index Rate</b>	<b>\$613.23</b>

#### 14. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 6 shows the development of the market-adjusted index rate. (All components in the calculation were derived elsewhere in this memorandum.) The adjustments in Table 6 are applied to the Index Rate on an allowed basis as required by CMS.

<b>Table 6</b> <b>Western Health Advantage</b> <b>Market Adjusted Index Rate Development</b>		
	<b>Amount PMPM</b>	<b>Annotation</b>
<b>Index Rate</b>	\$613.23	(1)
<b>Net Risk Adjustment</b>	-\$39.57	(2)
<b>Net Transitional Reinsurance</b>	-\$27.30	(3)
<b>Exchange Fee</b>	\$10.51	(4)
<b><u>Paid to Allowed Average Factor</u></b>	<u>71.9%</u>	<u>(5)</u>
<b>Market Adjustments (Allowed Basis)</b>	-\$78.44	(6) = [(2)+(3)+4] ÷ (5)
<b>Market Adjusted Index Rate</b>	<b>\$534.78</b>	<b>(7) = (1) + (6)</b>

#### 15. PLAN-ADJUSTED INDEX RATE

##### Experience Period Plan-Adjusted Index Rates

The experience period Plan-Adjusted Index Rates shown in URRT Worksheet 2, Section III are calculated for each plan as the plan's age-21 rate in 2014 times the composite age and geographic factors developed as part of 2014 pricing. Consistent with HHS's instructions to show mapped experience in the mapped plan's column, the experience period plan-adjusted index rates for terminated plans have been averaged with the plan-adjusted index rates for the mapped plans in the mapped plan's column.

## Projection Period Plan-Adjusted Index Rates

The development of the plan-adjusted index rates are shown in Appendix B and URRT Worksheet 2, Section IV. The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

### Actuarial Value and Cost Sharing Adjustment

- The Actuarial Value and Plan Design Behavior Change factors were developed in an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines* (HCGs), with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to WHA's experience. Health status was not used to establish benefit plan relativities.
- The 2016 CMS Actuarial Value Calculator was used to determine the actuarial value for each plan. We assumed the standard Covered California plans dated April 17, 2015.

### Provider Network, Delivery System and Utilization Management Adjustment

- The value of each provider network was determined based on the experience of WHA and any anticipated differences in the network of a given plan as compared to the current network.

### Adjustment for Benefits in Addition to the EHB

WHA does not offer any non-EHB benefits.

### Adjustment for Distribution and Administrative Costs

Distribution and administrative costs were developed and applied to each plan as a mix of "percent of premium", "percent of claim", and PMPM bases.

### Catastrophic Adjustment

With respect to the catastrophic plan, a 10% morbidity improvement was used to reflect the specific eligibility requirements at any given age for catastrophic plans. In addition, the catastrophic adjustment factor reflects the projected average demographics of individuals enrolled in a catastrophic plan relative to the other metal tiers. That is, the catastrophic plans are likely to attract a young, healthy population seeking minimal coverage yet still meeting the individual mandate. The morbidity improvement assumption was based on actuarial judgment after reviewing the relative cost among various ages in Milliman's HCGs and projected risk scores developed from the HHS risk model.

## 16. CALIBRATION

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

The approximate weighted average age of the projected single risk pool is 48 years. We calculated the risk pool weighted average age by projecting membership on a 5-year age group. The age curve calibration is applied to all plans. The weighted average age curve calibration factor is 0.611. The age curve calibration factor also includes an adjustment to account for the fact that WHA cannot rate for more than 3 children per family; this adjustment is approximately 0.3%. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

WHA applies geographic rating factors to its plans as shown in Table 7. The geographic area factors changed slightly from WHA's 2015 filing due to changes in WHA's provider reimbursement in each area. Health status is not reflected in the geographic factors, and it is not WHA's intent to use area factors to rate for morbidity.

<b>Table 7</b> <b>Western Health Advantage</b> <b>Geographic Factors</b>	
<b>Rating Area</b>	<b>Factor</b>
Rating Area 2	0.964
Rating Area 3	1.071

California does not allow a tobacco surcharge.

The development of the plan-adjusted calibrated index rates are shown in Appendix C.

## 17. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the plan-adjusted index rate, the geographic rating factor, and the age rating factor. WHA does not use tobacco rating factors.

The plan-adjusted index rates and the geographic factors are shown in Appendix B and Table 6, respectively. WHA uses the Federal age curve. WHA does not use tobacco rating factors.

The development of the consumer-adjusted premium rates are shown in Appendix D.

## 18. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator AVC. WHA intends to offer the standardized plans promulgated by Covered California: Standard Copay (Platinum, Gold, and Silver), Standard Coinsurance (Bronze and Catastrophic), and Standard Bronze HSA. Our results confirm the work of Covered California for complying with the Federal AV Metal Values. Further, we tested WHA's off-exchange only individual products using the CMS Actuarial Value calculator.

## 19. AV PRICING VALUES

Appendix E provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), to arrive at the plan level rate.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman's *HCGs* to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

## 20. MEMBERSHIP PROJECTIONS

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT were developed based on consideration for the following:

- Historical sales for WHA's individual products,
- Sales distribution and provider networks,
- Anticipated activity in the California individual health insurance market due to various health care reform provisions.

WHA used its early 2015 enrollment to project the enrollment distribution by plan.

Table 8 includes our assumed CSR distribution based on WHA's 2014 individual experience.

Table 8 Western Health Advantage Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 73%	15.2%
Silver 87%	36.6%
Silver 94%	16.8%
Standard Silver	31.4%
<b>Total</b>	<b>100.0%</b>

## 21. TERMINATED PRODUCTS

All 2014 plans were terminated prior to January 1, 2015. All of the plans were cross-walked to a 2015 plan. WHA did not terminate any of its individual products offered in 2015.

In 2014 WHA offered the same HIOS IDs in both of its regions. In 2015 WHA created a set of HIOS IDs for each region. We cross-walked the terminated plans in 2014 to the corresponding HIOS IDs in Region 2 for presentation purpose in URRT Worksheet 2. However, the actual membership for these plans crosswalk to plans in both Region 2 and Region 3.

Table 9 2014 Terminated Plan Crosswalk	
2014 HIOS ID	2016 HIOS ID
93689CA0040003	93689CA0110001
93689CA0040004	93689CA0110002
93689CA0140001	93689CA0120001
93689CA0140002	93689CA0120004
93689CA0140003	93689CA0120005
93689CA0050002	93689CA0130002

## 22. PLAN TYPE

All of WHA's plans are HMO plans as noted in Worksheet 2, Section I of the URRT.

## 23. WARNING ALERTS

The URRT shows the following warnings:

- There is a warning in Worksheet 2, cell A67. This warning is created by the difference between the incurred claims in the experience period reported in Worksheet 1 and the calculated incurred claims in the experience period in Worksheet 2. The amount reported in Worksheet 1 is allowed claims net of member cost sharing and net of cost-sharing paid by HHS on behalf of low-income members, consistent with HHS's instructions; thus, it does not reflect reinsurance or risk adjustment receipts. The amount calculated in Worksheet 2 is allowed claims less "Allowed Claims which are not the issuer's obligation" (Worksheet 2 row 64), which includes Federal reinsurance and risk adjustment payments, per HHS's instructions; so the incurred claims calculated in Worksheet 2 row 67 are net of reinsurance and risk adjustment receipts.
- There is a warning in Worksheet 2, cell A72. The calculated amounts in this row are based on the PMPMs entered in row 67, and so the warning exists for the same reasons as the Warning for cell A67 as explained above.
- There are warnings generated by the Validate macro for Worksheet 2 cells I65, K65, L65, and N65. These warnings say "(Section III - Portion of above payable by HHS's funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015." Based on verbal guidance from CCIO, we recognize these warnings are an error in the URRT's programming, and consistent with CCIO's guidance, we are ignoring these warnings.

## 24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by the WHA. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

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

A data reliance letter is attached to this rate submission.

## 25. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. Further, I meet the independence requirements stated in California's Health and Safety Code section 1385.06 (b) (3). This filing is prepared on behalf of Western Health Advantage.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
  - Developed in compliance with the applicable Actuarial Standards of Practice,

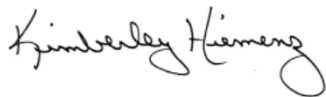
- Reasonable in relation to the benefits provided and the population anticipated to be covered, and
  - Neither excessive nor deficient based on my best estimates of the 2016 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
  3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
  4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.
  5. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
  6. The proposed premium rates in this filing are actuarially sound in aggregate.
  7. In my opinion, the proposed premium rate increase is reasonable. I based my opinion of reasonable rate increase on the factors below.
    - The expected individual loss ratio for the twelve month period beginning January 1, 2016 is expected to be about 90%. The projected loss ratio is greater than the 80% PPACA minimum MLR standard promulgated by the Department of Health and Human Services.
    - The assumptions used are reasonable and within the range of reasonableness.
    - The proposed rates result in rates between insured members within similar risk categories that are permissible under applicable California law and the premium differences correspond to differences in expected claims costs between allowable risk classes.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

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

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain 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.

Respectfully Submitted,



Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary, Milliman  
April 30, 2015

## EXHIBITS

**Exhibit 1**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Rate Increase by Plan and Region**  
**21 Year Old Rates**

<b>Plan Name</b>	<b>Region</b>	<b>Plan ID</b>	<b>2016 Rate</b>	<b>2015 Rate</b>	<b>Rate Increase</b>
Platinum90 HMO	Region 2	93689CA0110001	\$375.72	\$368.50	2.0%
Gold80 HMO	Region 2	93689CA0110002	\$346.44	\$339.81	2.0%
Silver70 HMO	Region 2	93689CA0120001	\$288.99	\$283.25	2.0%
Bronze60 HMO	Region 2	93689CA0120004	\$221.54	\$209.03	6.0%
Bronze60 HSA HMO	Region 2	93689CA0130002	\$226.83	\$216.00	5.0%
Minimum Coverage HMO	Region 2	93689CA0120005	\$180.47	\$170.33	6.0%
Advantage Silver 3350B HSA	Region 2	93689CA0050003	\$267.14	\$261.86	2.0%
Advantage Bronze 6000B HSA	Region 2	93689CA0050004	\$238.80	\$227.51	5.0%
Platinum90 HMO	Region 3	93689CA0150001	\$399.95	\$384.64	4.0%
Gold80 HMO	Region 3	93689CA0150002	\$364.89	\$350.86	4.0%
Silver70 HMO	Region 3	93689CA0160001	\$308.81	\$298.39	3.5%
Bronze60 HMO	Region 3	93689CA0160002	\$238.77	\$229.63	4.0%
Bronze60 HSA HMO	Region 3	93689CA0170001	\$246.85	\$237.43	4.0%
Minimum Coverage HMO	Region 3	93689CA0160003	\$194.69	\$187.24	4.0%
Advantage Silver 3350B HSA	Region 3	93689CA0180001	\$285.38	\$275.72	3.5%
Advantage Bronze 6000B HSA	Region 3	93689CA0180002	\$260.07	\$249.96	4.0%



**Exhibit 2**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Estimated Impact of the Federal Transitional Reinsurance Program**

	<b>Amount</b>	<b>Annotation</b>
Percentage of annual claims in excess of \$90,000	0.99%	(1)
Percentage of annual claims in excess of \$250,000	0.19%	(2)
Average annual claim size in excess of \$90,000	\$112,592.83	(3)
Average annual claim size in excess of \$250,000	211,416.20	(4)
Annual reinsurance payments requested per member	354.63	(5) = 50% of (1) x (3) - (2) x (4)
Annual reinsurance payments requested PMPM	29.55	(6) = (5)/12
Annual reinsurance payments received PMPM	29.55	(7) = 100% of (6)
Less Reinsurance Premiums Paid	2.25	(8)
<b>Reinsurance Recoveries Net of Reinsurance Premium PMPM</b>	<b>\$27.30</b>	<b>(7) - (8)</b>

**Exhibit 3**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**Net Expense Factor Development**

<b>Expense Item</b>	<b>Amount</b>	<b>Per Member Per Month</b>
Administrative Expenses	9.60%	\$42.12
Expected Profit and Risk Load	0.16%	\$0.70
Taxes and Fees	4.98%	\$21.85
Total Expenses	14.74%	\$64.66
Average Premium		\$438.70
Exchange Fee Expenses	2.40%	\$10.51
Expenses Net of Exchange Fees	12.34%	\$54.15
Paid Claims PMPM		\$440.91
<b>Load to Claims for Expenses Net of Exchange Fees</b>		<b>12.3%</b>

**Exhibit 4**  
**Western Health Advantage**  
**2016 Individual Rate Filing**  
**2016 Projected Medical Loss Ratio**

	Amount PMPM	Annotation
Claims	\$440.91	(1)
Adjustments to Claims <sup>1</sup>	\$0.00	(2)
Transitional Recoveries (Received)	(\$29.55)	(3)
Risk Adjustment Paid (Received)	(\$39.71)	(4)
<b>MLR Numerator</b>	<b>\$371.64</b>	<b>(5) = (1) + (2) + (3) + (4)</b>
Premiums	\$438.70	(6)
Taxes and Fees <sup>2</sup>	\$21.85	(7)
Income Tax	\$4.15	(8)
<b>MLR Denominator</b>	<b>\$412.71</b>	<b>(9) = (6) - (7) - (8)</b>
<b>Projected MLR <sup>3</sup></b>	<b>90.1%</b>	<b>(10) = (5) / (9)</b>

<sup>1</sup> Quality Improvement / Health IT.

<sup>2</sup> Taxes and fees include all ACA taxes and fees.

<sup>3</sup> The projected MLR does not take the Credibility Adjustment nor the Cost Share Adjustment Factor into account.

## RELIANCE LETTER

April 28, 2015

Mrs. Kimberley K. Hiemenz, FSA, MAAA  
Principal and Consulting Actuary  
Milliman, Inc.  
15800 Bluemound Road - Suite 100  
Brookfield, WI 53005-6069

**Re: Western Health Advantage's 2016 Individual Pricing**

Dear Kim:

I, Mary Ingram, ASA, MAAA Actuarial Services Director at Western Health Advantage (WHA), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the 2016 individual premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

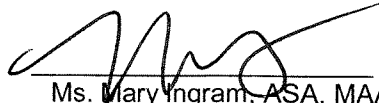
1. Benefit plans for the individual products WHA intends to offer in 2016,
2. Product name, product ID, and plan name as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
3. Product IDs and plan IDs are compliant with Federal regulations,
4. Projected administrative expenses (including Health Insurer Fee tax) and target profit,
5. Projected 2016 capitation rates for pediatric dental, pediatric vision, and acupuncture,
6. Projected 2016 enrollment,
7. 2014 claim, premium and membership experience for WHA's individual ACA plans,
8. The rating regions (as defined by California) in which WHA intends to offer individual products in 2016 and membership distribution by region,
9. Information regarding the premium stabilization programs, i.e. risk adjustment, risk corridors and reinsurance,
10. Guidance on appropriate medical trend factors for WHA,
11. Expected provider reimbursement rates,
12. Expected utilization rates for certain service categories,
13. Assurance WHA has accurately entered plan designs into the PBT and other Federal forms and found no meaningful discrepancies in the Actuarial Value calculations, and

14. Other information provided by WHA in various meetings, phone calls, emails, and other correspondence.

April 28, 2015

---

Date

A handwritten signature in black ink, appearing to read 'Mary Ingram', is written over a horizontal line.

Ms. Mary Ingram, ASA, MAAA  
Actuarial Services Director  
Western Health Advantage

## APPENDICES

**Appendix A**  
**Western Health Advantage**  
**Development of Paid to Allowed**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	URRT Wksht 2 Membership	Plan Membership	Allowed Claims	Paid Claims <sup>1</sup>	Actuarial Value
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	8229	6.7%	\$689.87	\$648.90	0.941
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4977	4.0%	\$668.38	\$603.70	0.903
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	19847	16.1%	\$620.05	\$499.32	0.805
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	35393	28.6%	\$645.46	\$384.63	0.596
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3720	3.0%	\$269.45	\$166.57	0.618
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	5329	4.3%	\$566.94	\$392.27	0.692
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	2123	1.7%	\$588.69	\$466.16	0.792
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	1846	1.5%	\$602.30	\$410.94	0.682
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	4254	3.4%	\$659.34	\$620.20	0.941
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2573	2.1%	\$631.42	\$570.33	0.903
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	10260	8.3%	\$598.77	\$482.21	0.805
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	18296	14.8%	\$625.80	\$372.95	0.596
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1923	1.6%	\$260.57	\$161.12	0.618
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2755	2.2%	\$553.65	\$383.10	0.692
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	1097	0.9%	\$568.24	\$449.98	0.792
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	954	0.8%	\$595.71	\$406.45	0.682
<b>Total</b>				<b>123,576</b>	<b>100.0%</b>	<b>\$613.23</b>	<b>\$440.62</b>	<b>0.719</b>

<sup>1</sup> Paid Claims are slightly different than URRT, Worksheet 1 due to rounding.



Appendix B  
Western Health Advantage  
Development of Plan Adjusted Index Rate

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Catastrophic Adjustment	Administrative Costs Excl. Exchange Fee	Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$534.78	1.044	0.988	1.000	1.000	1.000	1.156	\$638.21
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$534.78	0.973	0.988	1.000	1.000	1.000	1.145	\$588.48
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$534.78	0.835	0.951	1.000	1.000	1.000	1.156	\$490.89
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$534.78	0.571	1.072	1.000	1.000	1.000	1.149	\$376.31
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$534.78	0.587	0.988	1.000	1.000	0.848	1.165	\$306.55
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$534.78	0.669	0.932	1.000	1.000	1.000	1.155	\$385.30
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$534.78	0.787	0.943	1.000	1.000	1.000	1.143	\$453.78
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$534.78	0.654	0.999	1.000	1.000	1.000	1.161	\$405.65
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$534.78	1.043	0.945	1.000	1.000	1.000	1.160	\$611.51
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$534.78	0.957	0.948	1.000	1.000	1.000	1.149	\$557.89
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$534.78	0.834	0.920	1.000	1.000	1.000	1.151	\$472.15
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$534.78	0.559	1.062	1.000	1.000	1.000	1.150	\$365.06
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$534.78	0.588	0.954	1.000	1.000	0.848	1.170	\$297.67
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$534.78	0.669	0.910	1.000	1.000	1.000	1.159	\$377.42
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$534.78	0.788	0.910	1.000	1.000	1.000	1.138	\$436.32
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$534.78	0.655	0.988	1.000	1.000	1.000	1.149	\$397.64
<b>Total</b>				<b>100.0%</b>	<b>\$534.78</b>	<b>0.719</b>	<b>1.003</b>	<b>1.000</b>	<b>1.000</b>	<b>0.993</b>	<b>1.152</b>	<b>\$438.42</b>

**Appendix C**  
**Western Health Advantage**  
**Plan Adjusted Index Rate Calibration**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Plan Membership	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	6.7%	\$638.21	0.611	1.000	0.611	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	4.0%	\$588.48	0.611	1.000	0.611	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	16.1%	\$490.89	0.611	1.000	0.611	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	28.6%	\$376.31	0.611	1.000	0.611	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	3.0%	\$306.55	0.611	1.000	0.611	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	4.3%	\$385.30	0.611	1.000	0.611	\$235.30
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	1.7%	\$453.78	0.611	1.000	0.611	\$277.12
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	1.5%	\$405.65	0.611	1.000	0.611	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	3.4%	\$611.51	0.611	1.000	0.611	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	2.1%	\$557.89	0.611	1.000	0.611	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	8.3%	\$472.15	0.611	1.000	0.611	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	14.8%	\$365.06	0.611	1.000	0.611	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	1.6%	\$297.67	0.611	1.000	0.611	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	2.2%	\$377.42	0.611	1.000	0.611	\$230.49
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	0.9%	\$436.32	0.611	1.000	0.611	\$266.46
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	0.8%	\$397.64	0.611	1.000	0.611	\$242.83
<b>Total</b>				<b>100.0%</b>	<b>\$438.42</b>	<b>0.611</b>	<b>1.000</b>	<b>0.611</b>	<b>\$267.74</b>

**Appendix D**  
**Western Health Advantage**  
**Index Rate to Consumer Adjusted Index Rate**

Plan Name	HIOS Plan ID	Metal Tier	Rating Area	Index Rate	Market Adjusted Index Rate	Plan Adjusted Index Rate	Consumer Adjusted Index Rate
Platinum90 HMO	93689CA0110001	Platinum	Rating Area 2	\$613.23	\$534.78	\$638.21	\$389.75
Gold80 HMO	93689CA0110002	Gold	Rating Area 2	\$613.23	\$534.78	\$588.48	\$359.38
Silver70 HMO	93689CA0120001	Silver	Rating Area 2	\$613.23	\$534.78	\$490.89	\$299.78
Bronze60 HMO	93689CA0120004	Bronze	Rating Area 2	\$613.23	\$534.78	\$376.31	\$229.81
Minimum Coverage HMO	93689CA0120005	Catastrophic	Rating Area 2	\$613.23	\$534.78	\$306.55	\$187.21
Bronze60 HSA HMO	93689CA0130002	Bronze	Rating Area 2	\$613.23	\$534.78	\$385.30	\$235.30
Advantage Silver 3350B HSA	93689CA0050003	Silver	Rating Area 2	\$613.23	\$534.78	\$453.78	\$277.12
Advantage Bronze 6000B HSA	93689CA0050004	Bronze	Rating Area 2	\$613.23	\$534.78	\$405.65	\$247.72
Platinum90 HMO	93689CA0150001	Platinum	Rating Area 3	\$613.23	\$534.78	\$611.51	\$373.44
Gold80 HMO	93689CA0150002	Gold	Rating Area 3	\$613.23	\$534.78	\$557.89	\$340.70
Silver70 HMO	93689CA0160001	Silver	Rating Area 3	\$613.23	\$534.78	\$472.15	\$288.34
Bronze60 HMO	93689CA0160002	Bronze	Rating Area 3	\$613.23	\$534.78	\$365.06	\$222.94
Minimum Coverage HMO	93689CA0160003	Catastrophic	Rating Area 3	\$613.23	\$534.78	\$297.67	\$181.78
Bronze60 HSA HMO	93689CA0170001	Bronze	Rating Area 3	\$613.23	\$534.78	\$377.42	\$230.49
Advantage Silver 3350B HSA	93689CA0180001	Silver	Rating Area 3	\$613.23	\$534.78	\$436.32	\$266.46
Advantage Bronze 6000B HSA	93689CA0180002	Bronze	Rating Area 3	\$613.23	\$534.78	\$397.64	\$242.83

Consumer Adjusted Index Rate is the base rate for a given plan.

The premium for a consumer is calculated as:

Consumer Adjusted Index Rate  
x Age Factor  
x Geography Factor  
x Trend Factor

**Premium Rate Example:**

Platinum90 HMO (Plan ID 93689CA01101)

Age: 21 Years Old

Rating Area: 2

Effective Date: January 1, 2016

$$= \$389.75 \times 1.000 \times .964 \times 1.000 = \$375.72$$

**Appendix E**  
**Western Health Advantage**  
**Development of AV Pricing Value**

Plan Name	Plan ID	Rating Area	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Administrative Costs Excl. Exchange Fee	Specific Catastrophic Eligibility	AV Pricing Value <sup>1</sup>
Platinum90 HMO	93689CA0110001	Rating Area 2	1.044	0.988	1.000	1.000	1.156	1.000	1.193
Gold80 HMO	93689CA0110002	Rating Area 2	0.973	0.988	1.000	1.000	1.145	1.000	1.100
Silver70 HMO	93689CA0120001	Rating Area 2	0.835	0.951	1.000	1.000	1.156	1.000	0.918
Bronze60 HMO	93689CA0120004	Rating Area 2	0.571	1.072	1.000	1.000	1.149	1.000	0.704
Minimum Coverage HMO	93689CA0120005	Rating Area 2	0.587	0.988	1.000	1.000	1.165	0.848	0.573
Bronze60 HSA HMO	93689CA0130002	Rating Area 2	0.669	0.932	1.000	1.000	1.155	1.000	0.720
Advantage Silver 3350B HSA	93689CA0050003	Rating Area 2	0.787	0.943	1.000	1.000	1.143	1.000	0.849
Advantage Bronze 6000B HSA	93689CA0050004	Rating Area 2	0.654	0.999	1.000	1.000	1.161	1.000	0.759
Platinum90 HMO	93689CA0150001	Rating Area 3	1.043	0.945	1.000	1.000	1.160	1.000	1.143
Gold80 HMO	93689CA0150002	Rating Area 3	0.957	0.948	1.000	1.000	1.149	1.000	1.043
Silver70 HMO	93689CA0160001	Rating Area 3	0.834	0.920	1.000	1.000	1.151	1.000	0.883
Bronze60 HMO	93689CA0160002	Rating Area 3	0.559	1.062	1.000	1.000	1.150	1.000	0.683
Minimum Coverage HMO	93689CA0160003	Rating Area 3	0.588	0.954	1.000	1.000	1.170	0.848	0.557
Bronze60 HSA HMO	93689CA0170001	Rating Area 3	0.669	0.910	1.000	1.000	1.159	1.000	0.706
Advantage Silver 3350B HSA	93689CA0180001	Rating Area 3	0.788	0.910	1.000	1.000	1.138	1.000	0.816
Advantage Bronze 6000B HSA	93689CA0180002	Rating Area 3	0.655	0.988	1.000	1.000	1.149	1.000	0.744

<sup>1</sup> Reflects actual AV pricing value. This may be slightly different than the product of the columns due to rounding used in the chart.