

**State:** California **Filing Company:** Molina Healthcare of California  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** Molina Marketplace 2018  
**Project Name/Number:** MHC 17-091/

### Filing at a Glance

Company: Molina Healthcare of California  
 Product Name: Molina Marketplace 2018  
 State: California  
 TOI: HOrg02I Individual Health Organizations - Health Maintenance (HMO)  
 Sub-TOI: HOrg02I.005D Individual - HMO  
 Filing Type: Rate  
 Date Submitted: 07/17/2017  
 SERFF Tr Num: MHCA-131118070  
 SERFF Status: Assigned  
 State Tr Num:  
 State Status: In Progress  
 Co Tr Num: MHC 17-091  
 Implementation: 01/01/2018  
 Date Requested:  
 Author(s): Noelia Mosqueda, Michele Marcotte, Jessica Quintero, Donna Roberts  
 Reviewer(s): Wayne Thomas (primary), Debra Maus, Harry Shi, Simon Lo, Vijon Morales, Richard Cadwell, Donna Novak, Flora Liu  
 Disposition Date:  
 Disposition Status:  
 Implementation Date:  
 State Filing Description:

**State:** California **Filing Company:** Molina Healthcare of California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Molina Marketplace 2018  
**Project Name/Number:** MHC 17-091/

## General Information

Project Name: MHC 17-091	Status of Filing in Domicile: Pending
Project Number:	Date Approved in Domicile:
Requested Filing Mode: Review & Approval	Domicile Status Comments:
Explanation for Combination/Other:	Market Type: Individual
Submission Type: New Submission	Individual Market Type: Individual
Overall Rate Impact:	Filing Status Changed: 07/17/2017
	State Status Changed: 07/17/2017
Deemer Date:	Created By: Jessica Quintero
Submitted By: Jessica Quintero	Corresponding Filing Tracking Number: MHC 17-091
	PPACA: Non-Grandfathered Immed Mkt Reforms
PPACA Notes: null	
Include Exchange Intentions:	No

**Filing Description:**  
 To: California Department of Managed Health Care  
 From: Molina Healthcare of California  
 Date: July 14, 2017  
 Re: Product Filing- California Health Benefit Exchange

Molina Healthcare of California (Plan) submits this initial rate review filing of qualified health plans for Covered CA for the individual market.

Per DMHC's checklist, QHP HBEX Filing Checklist, the following documents are included as part of the initial rate filing: Actuarial Memorandum and Certification, Rate Data Template (XNL), Rate Schedule, and Unified Rate Review Template.

## Company and Contact

### Filing Contact Information

Michele Marcotte, Director Government      Michele.Marcotte@MolinaHealthCare.Com  
 Contracts  
 200 Oceangate, Suite 100      888-562-5442 [Phone] 127520 [Ext]  
 Long Beach, CA 90802

### Filing Company Information

Molina Healthcare of California	CoCode:	State of Domicile: California
200 Oceangate, Suite 100	Group Code:	Company Type: HMO
Long Beach, CA 90802	Group Name:	State ID Number:
(888) 562-5442 ext.	FEIN Number: 33-0342719	
127004[Phone]		

## Filing Fees

Fee Required?	No
Retaliatory?	No

**State:** California **Filing Company:** Molina Healthcare of California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Molina Marketplace 2018  
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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 structure, as well as rate increases for new mandated benefits (e.g. PPACA changes):. 17.0

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):. 54.4

SERFF Tracking #:

MHCA-131118070

State Tracking #:

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MHC 17-091

State:

California

Filing Company:

Molina Healthcare of California

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Molina Marketplace 2018

Project Name/Number:

MHC 17-091/

## Correspondence Summary

### Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Molina Healthcare of California Rate Filing - CRS Funded	Note To Reviewer	Jessica Quintero	07/17/2017	07/17/2017

**State:** California **Filing Company:** Molina Healthcare of California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Molina Marketplace 2018  
**Project Name/Number:** MHC 17-091/

## Note To Reviewer

**Created By:**

Jessica Quintero on 07/17/2017 04:11 PM

**Last Edited By:**

Jessica Quintero

**Submitted On:**

07/17/2017 04:12 PM

**Subject:**

Molina Healthcare of California Rate Filing - CRS Funded

**Comments:**

The Plan submits its completed rate filling - CRS Funded for DMHC's review.

**State:** California **Filing Company:** Molina Healthcare of California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Molina Marketplace 2018  
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## Form Schedule

Lead Form Number:								
Item No.	Schedule Item Status	Form Name	Form Number	Form Type	Form Action	Action Specific Data	Readability Score	Attachments
1		Rate Filing Form		OUT	Initial			2017-07-14 Rate Filing Form CSR Funded.pdf
2		Plain Language Spreadsheet		OUT	Initial			2017-07-14 Plain Language Spreadsheet CSR Funded.xls
3		Plan Language Filing Description		OUT	Initial			2017-07-14 Plan Language Filing Description CSR Funded.pdf
4		Rate Filing Spreadsheet		OUT	Initial			2017-07-14 Rate Filing Spreadsheet CSR Funded.xls

### Form Type Legend:

<b>ADV</b>	Advertising	<b>AEF</b>	Application/Enrollment Form
<b>CER</b>	Certificate	<b>CERA</b>	Certificate Amendment, Insert Page, Endorsement or Rider
<b>DDP</b>	Data/Declaration Pages	<b>FND</b>	Funding Agreement (Annuity, Individual and Group)
<b>MTX</b>	Matrix	<b>NOC</b>	Notice of Coverage
<b>OTH</b>	Other	<b>OUT</b>	Outline of Coverage
<b>PJK</b>	Policy Jacket	<b>POL</b>	Policy/Contract/Fraternal Certificate
<b>POLA</b>	Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider	<b>SCH</b>	Schedule Pages

SERFF Tracking #:

MHCA-131118070

State Tracking #:

Company Tracking #:

MHC 17-091

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State:

California

Filing Company:

Molina Healthcare of California

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Molina Marketplace 2018

Project Name/Number:

MHC 17-091/

***Attachment 2017-07-14 Plain Language Spreadsheet CSR Funded.xls is not a PDF document and cannot be reproduced here.***

***Attachment 2017-07-14 Rate Filing Spreadsheet CSR Funded.xls is not a PDF document and cannot be reproduced here.***

**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:

Molina Healthcare of California, Inc.

- 2) Number of plan contract forms covered by the filing: 5
- 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 checked="" type="checkbox"/>	For-profit company
<input 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:

If all products listed are closed, check here:

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

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="" 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: 1/1/2018

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.

6.8%

**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	2.9%
Hospital Outpatient (including ER)	4.9%
Physician/other professional services	3.6%
Prescription Drug	10.6%
Laboratory (other than inpatient)	3.6%
Radiology (other than inpatient)	3.6%
Capitation (professional)	8.3%
Capitation (institutional)	N/A
Capitation (other)	N/A
Other (describe)	3.6%; includes: Durable Medical Equipment, Ambulance, Prosthetics, and

**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		
Laboratory (other than inpatient)		
Radiology (other than inpatient)		
Capitation (professional)		
Capitation (institutional)		
Capitation (other)		
Other (describe)		

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: 1.0%
	Trend attributable to price inflation: 1.9%
	Trend attributable to fees and risk: N/A
Hospital Outpatient (including ER)	Trend attributable to use of services: 2.5%
	Trend attributable to price inflation: 2.4%
	Trend attributable to fees and risk: N/A
Physician/other professional services	Trend attributable to use of services: 3.0%
	Trend attributable to price inflation: 0.6%
	Trend attributable to fees and risk: N/A

Prescription Drug	Trend attributable to use of services: 5.3%
	Trend attributable to price inflation: 5.0%
	Trend attributable to fees and risk: N/A
Laboratory (other than inpatient)	Trend attributable to use of services: 3.0%
	Trend attributable to price inflation: 0.6%
	Trend attributable to fees and risk: N/A
Radiology (other than inpatient)	Trend attributable to use of services: 3.0%
	Trend attributable to price inflation: 0.6%
	Trend attributable to fees and risk: N/A
Capitation (professional)	Trend attributable to use of services: 0%
	Trend attributable to price inflation: 8.3%
	Trend attributable to fees and risk: N/A

Capitation (institutional)	Trend attributable to use of services: N/A
	Trend attributable to price inflation: N/A
	Trend attributable to fees and risk: N/A
Capitation (other)	Trend attributable to use of services: N/A
	Trend attributable to price inflation: N/A
	Trend attributable to fees and risk: N/A
Other (describe)	Trend attributable to use of services: 3.6%; includes: Durable Medical Equipment, Ambulance, Prosthetics, and Glasses

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.

Please see attached "DMHC RateFilingForm Calculations.xlsx"

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.

Please see attached "DMHC RateFilingForm Calculations.xlsx"

- 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.

Please see attached "DMHC RateFilingForm Calculations.xlsx"

- 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.)

Please see attached "DMHC RateFilingForm Calculations.xlsx"

25) Comments. Place any needed comments here.

Not applicable.

**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:**

Molina Healthcare of California, Inc.

**SERFF Tracking Number:**

MHCA-131118070

**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.)

Not applicable.

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

6.5%

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

Hospital Inpatient	Dollar Cost: \$55.26 PMPM
	Cost as Percentage of Medicare: 148% to 199%
Hospital Outpatient (including ER)	Dollar Cost: \$15.17 PMPM
	Cost as Percentage of Medicare: 137% to 180%
Physician/other professional services	Dollar Cost: \$11.93 PMPM
	Cost as Percentage of Medicare: 99% to 110%
Prescription Drug	Dollar Cost: \$19.11 PMPM
	Cost as Percentage of Medicare: N/A
Laboratory (other than inpatient)	Dollar Cost: Included in Physician
	Cost as Percentage of Medicare: Included in Physician

Radiology (other than inpatient)	Dollar Cost: Included in Physician
	Cost as Percentage of Medicare: Included in Physician
Capitation (professional)	Dollar Cost and Description: \$114.12 PMPM
Capitation (institutional)	Dollar Cost and Description: N/A
Capitation (other)	Dollar Cost and Description: N/A
Other (describe)	Dollar Cost and Description: \$2.42 PMPM; includes: Durable Medical Equipment, Ambulance, Prosthetics, and Glasses

**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: 1.0%
	Trend attributable to price inflation: 1.9%
	Trend attributable to fees and risk: N/A
Hospital Outpatient (including ER)	Trend attributable to use of services: 2.5%
	Trend attributable to price inflation: 2.4%
	Trend attributable to fees and risk: N/A

Physician/other professional services	Trend attributable to use of services: 3.0%
	Trend attributable to price inflation: 0.6%
	Trend attributable to fees and risk: N/A
Prescription Drug	Trend attributable to use of services: 5.3%
	Trend attributable to price inflation: 5.0%
	Trend attributable to fees and risk: N/A
Laboratory (other than inpatient)	Trend attributable to use of services: 3.0%
	Trend attributable to price inflation: 0.6%
	Trend attributable to fees and risk: N/A
Radiology (other than inpatient)	Trend attributable to use of services: 3.0%
	Trend attributable to price inflation: 0.6%
	Trend attributable to fees and risk: N/A

Capitation (professional)	Trend attributable to use of services: 0%
	Trend attributable to price inflation: 8.3%
	Trend attributable to fees and risk: N/A
Capitation (institutional)	Trend attributable to use of services: N/A
	Trend attributable to price inflation: N/A
	Trend attributable to fees and risk: N/A
Capitation (other)	Trend attributable to use of services: N/A
	Trend attributable to price inflation: N/A
	Trend attributable to fees and risk: N/A
Other (describe)	Trend attributable to use of services: 3.0%
	Trend attributable to price inflation: 0.6%
	Trend attributable to fees and risk: N/A

**5) Other Information**

Complete and submit the CA Plain Language Spreadsheet.

Please see attached CA Plain Language Spreadsheet.

SERFF Tracking #:

MHCA-131118070

State Tracking #:

Company Tracking #:

MHC 17-091

**State:** California **Filing Company:** Molina Healthcare of California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Molina Marketplace 2018  
**Project Name/Number:** MHC 17-091/

### Rate Information

Rate data applies to filing.

**Filing Method:** SERFF Filing for Existing Product  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 5.700%  
**Effective Date of Last Rate Revision:** 01/01/2017  
**Filing Method of Last Filing:** SERFF

### Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Molina Healthcare of California	Increase	28.600%	28.600%	\$119,036,795	150,102	\$416,006,210	54.400%	17.000%

State: California Filing Company: Molina Healthcare of California  
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 Product Name: Molina Marketplace 2018  
 Project Name/Number: MHC 17-091/

## Rate Review Detail

### COMPANY:

Company Name: Molina Healthcare of California  
 HHS Issuer Id: 18126

### PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
Molina Marketplace Bronze	18126CA0010004	18126	52992
Molina Marketplace Catastrophic	18126CA0010005	18126	1098
Molina Marketplace Gold	18126CA0010002	18126	5679
Molina Marketplace Platinum	18126CA0010001	18126	2435
Molina Marketplace Silver	18126CA0010003	18126	87898

Trend Factors: Molina trended the experience period claims forward 24 months from the midpoint of the base period, July 2016, to the midpoint of the projection period, July 2018 at a 6.5% annualized trend rate.

### FORMS:

New Policy Forms: Molina Marketplace 20170791  
 Affected Forms:  
 Other Affected Forms:

### REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual  
 Member Months: 792,114  
 Benefit Change: Increase  
 Percent Change Requested: Min: 17.0 Max: 54.4 Avg: 28.6

### PRIOR RATE:

Total Earned Premium: 599,912,661.00  
 Total Incurred Claims: 222,749,035.00  
 Annual \$: Min: 94.82 Max: 942.85 Avg: 333.06

### REQUESTED RATE:

Projected Earned Premium: 416,006,210.00  
 Projected Incurred Claims: 154,464,121.00  
 Annual \$: Min: 94.82 Max: 942.84 Avg: 428.36

**SERFF Tracking #:**

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**State Tracking #:****Company Tracking #:**

MHC 17-091

**State:**

California

**Filing Company:**

Molina Healthcare of California

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HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

**Product Name:**

Molina Marketplace 2018

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MHC 17-091/

## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Unified Rate Review (URRT)		New		2017-07-14 URRT CSR Funded.xlsm,

SERFF Tracking #:

MHCA-131118070

State Tracking #:

Company Tracking #:

MHC 17-091

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State:

California

Filing Company:

Molina Healthcare of California

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Molina Marketplace 2018

Project Name/Number:

MHC 17-091/

**Attachment 2017-07-14 URRT CSR Funded.xlsm is not a PDF document and cannot be reproduced here.**

**State:** California **Filing Company:** Molina Healthcare of California  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Molina Marketplace 2018  
**Project Name/Number:** MHC 17-091/

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Independent Actuarial Certification
<b>Comments:</b>	
<b>Attachment(s):</b>	2017-07-14 Actuarial Certification Molina Healthcare.PDF
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Satisfied - Item:</b>	Premium Rate Information
<b>Comments:</b>	
<b>Attachment(s):</b>	2018 Rate Table v 7.1 - CSR Funded.xml
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Satisfied - Item:</b>	Premium Rate Public Website Information
<b>Comments:</b>	
<b>Attachment(s):</b>	2017-07-14 Plain Language Spreadsheet CSR Funded.xls
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Bypassed - Item:</b>	Consumer Disclosure Form
<b>Bypass Reason:</b>	Consumer Disclosure Form is not required for this filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Satisfied - Item:</b>	Actuarial Memorandum and Certifications
<b>Comments:</b>	
<b>Attachment(s):</b>	2017-07-14 Actuarial Certification Molina Healthcare.PDF 2017-07-14 Actuarial Memorandum-CSR Funded.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Satisfied - Item:</b>	Unified Rate Review Template
<b>Comments:</b>	
<b>Attachment(s):</b>	2017-07-14 CA URRT CSR Funded.xlsm 2017-07-14 CA SRRT CSR Funded.xlsm

SERFF Tracking #:

MHCA-131118070

State Tracking #:

Company Tracking #:

MHC 17-091

State: California

Filing Company: Molina Healthcare of California

TOI/Sub-TOI: HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name: Molina Marketplace 2018

Project Name/Number: MHC 17-091/

<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Federal Part 2 Consumer Justification
<b>Comments:</b>	
<b>Attachment(s):</b>	2017-07-14 CA Part II Justification-CSR Funded.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Rate Filing Form Calculations
<b>Comments:</b>	
<b>Attachment(s):</b>	2017-07-14 Rate Filing Form Calculations CSR Funded.xlsx
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Medical Rates Table Crosswalk
<b>Comments:</b>	
<b>Attachment(s):</b>	CA Medical Rates Table Crosswalk.xlsx
<b>Item Status:</b>	
<b>Status Date:</b>	

State:

California

Filing Company:

Molina Healthcare of California

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Molina Marketplace 2018

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***Attachment 2018 Rate Table v 7.1 - CSR Funded.xml is not a PDF document and cannot be reproduced here.***

***Attachment 2017-07-14 Plain Language Spreadsheet CSR Funded.xls is not a PDF document and cannot be reproduced here.***

***Attachment 2017-07-14 CA URRT CSR Funded.xlsm is not a PDF document and cannot be reproduced here.***

***Attachment 2017-07-14 CA SRRT CSR Funded.xlsb is not a PDF document and cannot be reproduced here.***

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## **Independent Actuarial Certification**

### **Molina Healthcare of California Individual Rates Effective January 1, 2018 with and without Cost Sharing Reduction (CSR) Funding Qualified Health Plan Products: Platinum, Gold, Silver, Bronze and Catastrophic**

#### **Qualifications**

I, Jinn-Feng Lin, Consulting Actuary, am associated with the firm of PricewaterhouseCoopers LLP. I am a member of the American Academy of Actuaries and meet the Academy qualification standards for rendering statements of actuarial opinion in the United States. This actuarial certification is prepared on behalf of Molina Healthcare (the "Company") to comply with Health and Safety Section 1385.06(b) of the California Code of Regulations. I meet the independence requirements specified under Health and Safety Code section 1385.06 (b)(3).

#### **Scope**

At the request of the Company, I have prepared this actuarial certification to opine on the reasonableness of the proposed rate changes for Molina's California individual marketplace ACA filings. The rate filing described herein, assuming the continuation of CSR funding, proposes an average rate change of 28.6% for the ACA individual products effective January 1, 2018.

On May 31, 2017, Covered California directed Qualified Health Plan (QHP) issuers to also submit an alternative set of rates reflecting the additional load that would be charged in the event that the Cost Sharing Reduction (CSR) program is not funded, as well as a non-mirrored Silver off-Exchange plan that is nearly identical to Covered California's standard plan designs. We reviewed Molina's alternative set of rates (hereafter referred to as "rates without CSR funding") and the resulting rate increases, which average 44.7%.

The alternative set of rates do not include a non-mirrored Silver plan due to an exemption granted by Covered California in relation to the extremely limited enrollment in the Company's off-Exchange plans.

This actuarial certification complies with Actuarial Standards of Practices No. 8 (Regulatory Filings for Health Plan Entities) and 41 (Actuarial Communications), promulgated by the Actuarial Standards Board.

#### **Opinion**

##### **a. Actuarially Sound in Aggregate**

In my opinion, the rate changes proposed in these filings are actuarially sound in aggregate. The proposed premium rates filed with Covered California for the period January 1, 2018 through December 31, 2018 reflect projected premium income, and expected reinsurance cash flows are adequate to provide for all expected costs, including health benefits, health benefit settlement expenses, governmental risk adjustment cash flows, taxes, and marketing and administrative expenses.



## **b. Reasonable Premium Rate Increases**

In my opinion, the rate changes proposed in these filings are reasonable based on information and data provided by the Company. My review took into account the requirements outlined by 45 CFR Part 154.205. Specifically, I determined that the proposed increase is not excessive, unjustified, or unfairly discriminatory. The following items, among others, were considered to arrive at my opinion:

1. The projected federal ACA MLR under both CSR funding scenarios is above the federal MLR rebate threshold of 80% for the Individual line of business.
2. The assumptions on which the rate change is based are supported by substantial evidence provided to me by the Company.
3. The choice of assumptions on which the rate change is based, which include trend, retention, membership, and benefit impact assumptions, are reasonable. This assessment is based on conversations with the Company's actuarial personnel and reliance on the data that has been provided to me.
4. The data, assumptions, rating factors and methods used to determine the premium rates and documentation provided in this rate filing are complete, adequate and provide sufficient clarity and detail such that a qualified health actuary can make an objective appraisal of the reasonableness of the rates.
5. The cumulative 12-month rate change for this filing is 28.6%. For rates without CSR funding, the cumulative 12-month rate change is 44.7%. The rates are only changed once every 12 months.
6. An assessment of the plan's surplus and dividend history was not relevant to rates and hence was not considered in determining rates for this actuarial review.

## **Testing Approach**

To determine the reasonableness of the rate changes and the supporting calculations and methodology, I performed the following review:

- Reasonableness checks on the underlying data for each filing as conveyed by the Company. The review did not include a detailed comparison or reconciliation to the financial statements, nor tracking to the source data.
- The worksheets used to calculate the base period claims Per-Member-Per-Month (PMPM) amounts as well as risk adjustment transfer estimates, and the methodology used to project the base period costs to the rating period defined in the rate filings.
- Adjustments for permissible rate variations by age, geographic area, any adjustments for variations in plan design, and formulas for converting the base experience rate to plan adjusted index rates.



Please refer to Appendix B for base rate calculation examples for the rates with and without CSR funding.

**Reliance**

In forming my opinion, I relied upon data prepared by the company, as identified in Appendix A. My examination included a review of the actuarial assumptions and actuarial methods used and the tests of the calculations I considered necessary. While I evaluated the data provided by the Company for reasonableness and consistency, the scope of my review did not include an audit or validation of the accuracy of the source data. Therefore, the accuracy of the results presented in this document is dependent upon the accuracy and completeness of the underlying information.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jinn-Feng Lin".

---

Jinn-Feng Lin, FSA, MAAA

July 7, 2017



## Appendix A: Summary of Data Received

<b>File name</b>	<b>Description</b>
2016 Renewals Change in RS.xlsx	Summary of average risk score in Molina states for renewal members
2017 RA Accruals 201703.xlsx	Last year's model, which projected the 2016 and 2017 risk transfer estimates
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Part III Rate Filing Documentation and Actuarial Memorandum.pdf	Actuarial memo describing pricing methodology
18126.RARSD.D20150518T100347.P.xml	RARSD file for 2014 coverage period
18126.RARSD.D20160517T084341.P.xml	RARSD file for 2015 coverage period
18126.RARSD.D20170331T082910.P.xml	RARSD file for 2016 coverage period
RARSD - 2016 - I of II.xlsx	RARSD file for 2016 coverage period
RARSD -2016 - II of II.xlsx	RARSD file for 2016 coverage period



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## Appendix B: Rate Calculation

### Rates with CSR Funding

<b>Component</b>	<b>Amount</b>
(a) Base (2016) Allowed Claims PMPM	\$184.73
(b) Demographic Adjustment	1.004
(c) Duration Adjustment	1.020
(d) Provider Network Adjustment	1.018
(e) Utilization Trend*	1.022
(f) Unit Cost Trend*	1.110
<b>(g) Experience Allowed Cost = product (a) through (f)</b>	<b>\$218.60</b>
(h) Acuity Adjustment	0.988
(i) Reinsurance	1.003
(j) Cost-Sharing Design Utilization Adjustment	1.000
<b>(k) Projected Allowed Claims for EHBs = product (g) through (j)</b>	<b>\$216.65</b>
(l) Additional Non - EHB Claims	\$1.37
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\*Two years of projected trend (from midpoint of base period to the midpoint of projection period).  
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Jinn-Feng Lin, FSA, MAAA

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**Actuarial Memorandum and Certification  
Effective January 1, 2018**

The purpose of this actuarial memorandum and certification is to provide information related to Molina Healthcare of California, Inc.'s (Molina) Part I Unified Rate Review Template submission to the California Individual Marketplace (Covered California).

The actuarial memorandum and certification describe Molina's rating methodology used to develop rates for Individual products offered on Covered California effective January 1, 2018. Molina will not market Individual products outside Covered California.

**The rate methodology and resulting premiums outlined in our actuarial memorandum assume that key provisions of the Affordable Care Act such as Advance Premium Tax Credits, Cost Sharing Reduction Subsidies and Individual Mandate enforcement continue throughout benefit year 2018.**

Molina Healthcare of California, Inc. is a managed care organization that provides healthcare services for over 680,000 individuals eligible for Medicaid, Medicare, and Marketplace throughout the state of California. Molina Healthcare of California, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 12 states across the nation and in the Commonwealth of Puerto Rico, Molina serves more than 4.2 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families in Southern California. Today, we continue his mission of providing high quality and cost-effective health care to those who need it most.

200 Oceangate ▪ Suite 100 ▪ Long Beach, CA ▪ 800.526.8196

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

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## GENERAL INFORMATION

The information below documents the company identifying and contact information entered into the general information section of Worksheet 1 of the Unified Rate Review Template (URRT).

### Company Identifying Information

Company Identifying Information	
Legal Name:	Molina Healthcare of California, Inc.
State:	California
HIOS Issuer ID:	18126
Market:	Covered California Individual Marketplace
Effective Date:	January 1, 2018

### Company Contact Information

Company Contact Information	
Contact Name:	Brian Plaskow
Telephone #:	562.528.5541
Email:	<a href="mailto:brian.plaskow@molinahealthcare.com">brian.plaskow@molinahealthcare.com</a>

## PROPOSED RATE INCREASE(S)

Molina's rate filing reflects the following rate changes by metal tier for Molina's 150,102 members enrolled effective March 1, 2017 reported as of April 2017.

The rate changes vary by metal tier due to changes in the Actuarial Value (AV) Pricing Values assigned to each metal plan that are applied to the Plan Adjusted Index Rate.

Rate Change by Plan						
Plan ID	Product Name	Metal Tier	Members	Rate Change		
				Average	Minimum	Maximum
18126CA0010001	Covered CA	Platinum	2,435	33.7%	29.6%	54.4%
18126CA0010002	Covered CA	Gold	5,679	37.7%	29.7%	53.4%
18126CA0010003	Covered CA	Silver	87,898	26.8%	17.0%	36.5%
18126CA0010004	Covered CA	Bronze	52,992	30.8%	21.5%	40.7%
18126CA0010005	<u>Covered CA</u>	<u>Catastrophic</u>	<u>1,098</u>	<u>37.7%</u>	<u>26.9%</u>	<u>45.0%</u>
		Total	150,102	28.6%	17.0%	54.4%

**Reason for Rate Increase(s):** Molina identified the following factors contributing to the overall increase in Molina's proposed rates.

- **Experience Period Morbidity:** The single risk pool claims experience emerged at a higher level than what was assumed in the rate development for the current rates.
- **Risk Transfer Payments:** The risk transfer payments are expected to emerge at a higher level than what was assumed in the rate development for the current rates.
- **Trend:** Molina trended the experience period claims at a 6.5% annualized trend rate.
- **Duration:** Molina applied a durational factor in consideration of higher utilization for members in their second year compared to their first year as fewer first year members are anticipated in the projection period compared to the experience period.
- **Risk and Contingency Margin:** A risk and contingency margin is added to our premiums to account for the increased risk and volatility associated with the line of business.
- **Health Insurer Fee:** The return of the Health Insurer Fee, after the one year moratorium expiration, increased our proposed rates.

Molina identified factors that mitigated the overall rate increase:

- **Risk Transfer Formula:** A modification to the 2018 benefit year risk adjustment transfer formula to account for administrative costs will reduce our expected risk transfer payments and resulting premiums compared to the previous year's risk transfer formula.

## MARKET EXPERIENCE

Molina's 2016 experience in Part I of the Unified Rate Review Template (URRT) is based on 792,114 member months or 66,010 average members.

### Experience Period Premium and Claims

**Paid Through Date:** The market experience reported in Worksheet 1, Section I of the URRT represents 2016 incurred claims paid through February 28, 2017. The IBNR factors applied to the 2016 claims experience were updated with data through May 30, 2017.

**Premiums (Net of MLR Rebate) in Experience Period:** The premiums reported in Worksheet 1, Section I of the URRT represent the earned premium from 2016, excluding risk adjustment transfer payments for the 2016 benefit year. Molina has not accrued any amount for MLR rebates for the 2016 benefit year. No amounts were subtracted from the earned premium for any reductions prescribed by the federal MLR formula, such as taxes and assessments.

**Allowed and Incurred Claims in Experience Period:** The following table reports the allowed and incurred claims during the 2016 experience period.

2016 Experience Period Claims (paid through: February 2017)					
Item	Description	Medical	Pharmacy	Capitation	Total
a	Allowed	\$56,812,831	\$12,185,945	\$70,353,640	\$139,352,416
b	Member Cost Share	(\$11,397,674)	(\$1,897,743)	(\$24,593,209)	(\$37,888,626)
c = a + b	Subtotal	\$45,415,157	\$10,288,202	\$45,760,431	\$101,463,790
d	IBNR	1.121	1.000	1.000	1.054
e = c x d	Subtotal	\$50,900,549	\$10,288,202	\$45,760,431	\$106,949,182
f	Cost Share Reduction				(\$6,773,277)
g = e + f	Incurred Claims				\$100,175,906

Allowed claims for the experience period were calculated by dividing plan incurred paid claims by the Actuarial Value (AV) from the CMS 2016 AV Calculator for each plan according to its metal and cost-sharing reduction (CSR) variation. The allowed claims calculation applied to both fee-for-service claims and capitation costs.

Molina applied completion factors to both the allowed and incurred medical claim amounts. The completion factors were developed separately for inpatient and non-inpatient medical claims based on Molina’s Covered California Marketplace data. The IBNR factors applied to the 2016 claims experience were updated with data through March 2017. The IBNR factor applied to the allowed and incurred claims is 1.054. Molina does not apply IBNR factors to capitation and pharmacy claims.

Molina did not consider ACA related risk adjustment, reinsurance, and risk corridor payments/receivables in the experience data entered in Worksheet 1, Section I and Section II of the URRT.

All medical claims are paid through Molina’s claims system. Pharmacy claims are processed through Molina’s pharmacy benefit manager.

### Benefit Categories

Molina assigned all experience claims to benefit categories utilizing Milliman’s MedInsight Health Cost Guidelines (HCG) grouper. The following table displays the measurement units related to each benefit category.

Benefit Categories	
Benefit Category	Description
Inpatient Hospital	Days
Outpatient Hospital	Services
Professional	Services
Other Medical	Services
Capitation	Benefit Period
Prescription Drug	Prescription

### Projection Factors

**Changes in the Morbidity of Population:** The morbidity of Molina's covered population is expected to decrease between the experience period and the projection period. The relative risk score in the projection period was compared to the relative risk score from the experience period to derive a population morbidity adjustment.

Molina used the results from the CMS Summary Report on Risk Adjustment for the 2016 Benefit Year released on June 30, 2017 to derive the relative risk of Molina’s members for the 2016 experience period. For the 2018 projection period, Molina estimated the relative risk of its anticipated membership by assuming that the relative risk scores would remain consistent with the 2017 relative risk scores within each metal tier. The development of Molina’s 2018 relative risk score estimate was

normalized to remove expected changes to the statewide risk score. The resulting relative risk score for the 2018 projection period is 0.647, which results in an acuity factor of 0.975 as shown in the table below. The acuity factor was not applied to capitation costs.

Population Morbidity Adjustment			
Policy Year	Cohort	Member Mix	Relative Risk
2016	New Members		
	Renewal Members		
	Total	100%	0.664
2017	New Members	59%	0.690
	Renewal Members	41%	0.625
	Total	100%	0.663
2018	New Members		
	Renewal Members		
	Total	100%	0.647

a	2016 Relative Risk	0.664
b	2018 Relative Risk	0.647
$c = b / a$	Acuity Factor	0.975

### Other Adjustments:

**Changes in Demographics:** Molina applied a factor to the experience period claims to reflect the anticipated change in the demographic mix from the 2016 experience data to the 2018 projection period. The anticipated demographic mix is based largely on a review of enrollment through March 2017 compared to the experience period. Molina anticipates that its 2018 demographics will be consistent with its 2017 demographics. The demographic adjustments were developed for the major categories of service for fee-for-service claims as shown in the table below. Demographic adjustments were not made to capitation costs. The total demographic adjustment made to the 2016 experience period data was 1.004.

Population Demographic Adjustment							
		Member Mix		Claim Costs PMPM			
Age	Gender	Experience Period	Projection Period	IP	OP	Prof	Rx
0-14	M	0.6%	1.0%	52.56	16.59	54.70	8.41
0-14	F	0.7%	1.0%	36.64	13.78	48.89	6.41
15-19	M	1.0%	0.8%	23.03	25.39	32.88	11.49
15-19	F	1.0%	0.8%	18.48	29.56	46.25	12.67
20-29	M	9.8%	9.7%	35.46	28.83	30.74	21.97
20-29	F	8.5%	9.1%	44.27	46.75	68.73	16.82
30-39	M	7.6%	7.5%	43.82	38.57	43.05	34.99
30-39	F	6.7%	6.9%	53.70	68.74	87.02	22.95
40-49	M	10.1%	9.2%	63.31	52.28	54.00	41.64
40-49	F	10.4%	9.5%	61.93	82.57	92.12	31.13
50-59	M	15.3%	15.3%	127.92	84.63	83.22	54.35
50-59	F	15.2%	15.2%	91.93	110.64	112.66	46.53
60+	M	6.7%	7.0%	210.39	127.67	124.47	56.51
60+	F	6.4%	7.0%	146.31	135.33	141.60	59.18
<b>Total</b>		<b>100%</b>	<b>100%</b>				
		<b>a</b>	<b>2016</b>	<b>85.00</b>	<b>75.90</b>	<b>81.69</b>	<b>38.52</b>
		<b>b</b>	<b>2018</b>	<b>85.88</b>	<b>76.29</b>	<b>82.35</b>	<b>38.50</b>
		<b>c = b / a</b>	<b>Adjustment</b>	<b>1.010</b>	<b>1.005</b>	<b>1.008</b>	<b>1.000</b>

The claim costs to determine the estimated impact of demographic mix changes from 2016 to 2018 are calculated based on Molina's nationwide 2016 claims experience from 9 states representing over 543,000 members.

**Network Adjustment:** A network adjustment factor was developed to account for the change in member mix and provider risk structure between the base period and projection period. More of our membership will be serviced by full risk capitation arrangements compared to fee for service in the projection period than what occurred in the experience period. The shift in provider risk structure is reflected as reductions to Inpatient, Outpatient, Professional, and Other and an increase to capitation in the URRT. The overall network adjustment is 1.018.

Network Adjustment Factor	
IP	0.950
OP	0.894
Prof	0.994
Other	0.906
Rx	1.000
Cap	1.091

**Duration Adjustment:**

Molina conducted a study of member costs by duration and observed higher utilization for members in their second year of duration compared to their first year of duration. A durational factor is applied to Molina’s 2018 pricing in consideration of this phenomenon. A duration factor is applied to the experience period claims to reflect the change in claims due to the average duration mix from the 2016 experience data to the 2018 projection period.

Since the experience period associated with each member’s durational claims experience varies according to their first enrollment year with Molina, all claims in the durational study were trended to the midpoint of the experience period. Because of the limited data available for membership with enrollment of more than two years, it has been assumed that costs stabilize after two years.

The table below shows the adjustment factors that represent the average costs for each duration relative to the costs observed during duration 1. The duration impact on the 2018 projection period is primarily due to fewer new members anticipated for the projection period compared to the 2016 experience period. Duration 1 membership mix is 82% in the experience period compared to only 11% for the projection period. The overall duration adjustment is 1.039 for fee for service claims. The durational adjustment is not applied to capitation costs, resulting in a net durational impact of 1.020.

Duration Adjustment						
	Member Mix		Adjustment Factor			
Duration	Experience Period	Projection Period	IP	OP	Prof	Rx
1	82%	11%	1.000	1.000	1.000	1.000
2	14%	56%	1.056	1.056	1.056	1.056
3+	4%	33%	1.056	1.056	1.056	1.056
<b>Total</b>	<b>100%</b>	<b>100%</b>				
	<b>a</b>	<b>2016</b>	<b>1.010</b>	<b>1.010</b>	<b>1.010</b>	<b>1.010</b>
	<b>b</b>	<b>2018</b>	<b>1.049</b>	<b>1.050</b>	<b>1.050</b>	<b>1.050</b>
	<b>c = b / a</b>	<b>Adjustment</b>	<b>1.039</b>	<b>1.039</b>	<b>1.039</b>	<b>1.039</b>

**Cost Sharing Design:** Members will utilize services less frequently when their responsibility of cost-sharing increases. Molina calculated the cost sharing design utilization factor by estimating the members by metal tier and cost-sharing subsidy. Molina assigned each metal tier and cost-sharing subsidy tier a cost sharing design utilization factor and calculated the change in the cost sharing design factor between the experience period and the projection period. Molina applied the difference in the factors as an adjustment to the experience period.

Cost sharing design utilization factors were developed by comparing allowed claims costs in the experience period by metal tier and cost-sharing plan variation after normalizing for differences in age and estimated risk transfer payments to ensure that differences due to health status are not included in the adjustment.

Cost Share Design (CSD) Adjustment						
Product Name	Metal	FPL	2016		2018	
			MMs	CSD	MMs	CSD
Covered CA	Platinum	Base	15,691	1.061	15,837	1.061
Covered CA	Gold	Base	34,231	1.016	36,884	1.016
Covered CA	Silver	Base	39,178	0.937	67,177	0.937
Covered CA	Silver	CSR 200-250	57,986	0.912	77,823	0.912
Covered CA	Silver	CSR 150-200	217,854	0.799	259,407	0.799
Covered CA	Silver	CSR 100-150	125,493	0.809	165,133	0.809
Covered CA	Bronze	Base	297,083	0.865	342,554	0.865
Covered CA	Catastrophic	Base	4,598	0.855	7,062	0.855
			792,114	0.855	971,877	0.855

2016 CSD	0.855
2018 CSD	0.855
CSD Factor Adjustment	1.000

**Internal Reinsurance:** Molina applied a factor in consideration of premiums related to catastrophic reinsurance coverage.

**Changes in Benefits:** No factors were applied to adjust the experience period claims for benefit changes.

**Trend Factors:** Trend factors were applied separately for unit cost and utilization and by each major benefit category shown in Worksheet 1, Section I of the URRT. Molina trended the experience period claims forward 24 months from the midpoint of the base period, July 2016, to the midpoint of the projection period, July 2018. Unit cost trends were developed by comparing anticipated changes in provider contracts between the 2016 experience period and the 2018 projection period. The contract changes were calculated for the major service categories by weighing fee schedule changes in each rating area with the 2016 membership. Utilization trends were developed through a review of the allowed claims experience from 9 states representing over 543,000 members in 2016 and 212,000 members in 2015. The utilization data was normalized using concurrent risk scores from Milliman's MARA risk model for each service category to account for differences in demographics and health status between the two comparison periods. The chart below shows each annual trend by category of service.

Annual Claims Trends			
Benefit	Utilization	Unit Cost	Total
IP	1.0%	1.9%	2.9%
OP	2.5%	2.4%	4.9%
Prof	3.0%	0.6%	3.6%
Other	3.0%	0.6%	3.6%
Rx	5.3%	5.0%	10.6%
Cap	0.0%	8.3%	8.3%
<b>Total</b>	<b>1.1%</b>	<b>5.4%</b>	<b>6.5%</b>

The following tables summarize all of the adjustments made to the data in the URRT, Worksheet 1.

Adjustments -- Experience to Projection Period (Population Risk Morbidity)								
Benefit Category	Morbidity							Total
Inpatient Hospital	0.975							0.975
Outpatient Hospital	0.975							0.975
Professional	0.975							0.975
Other Medical	0.975							0.975
Capitation	1.000							1.000
Prescription Drug	0.975							0.975

Adjustments -- Experience to Projection Period (Other)								
Benefit Category	Utilization Adjustment	Demographic Adjustment	Network Factor	Duration Factor	Cost Sharing Design	Non-EHB Benefits	Reinsurance	Total
Inpatient Hospital	1.000	1.010	0.950	1.039	1.000	1.000	1.003	1.001
Outpatient Hospital	1.000	1.005	0.894	1.039	1.000	1.000	1.003	0.937
Professional	1.000	1.008	0.994	1.039	1.000	1.000	1.003	1.044
Other Medical	1.000	1.008	0.906	1.039	1.000	2.307	1.003	2.197
Capitation	1.000	1.000	1.091	1.000	1.000	1.000	1.003	1.095
Prescription Drug	1.000	1.000	1.000	1.039	1.000	1.000	1.003	1.042

**Inclusion of Capitation Payments:** All capitated payments are included in the experience data and rate development.

## Credibility of Experience

Molina calculated the credibility percentage to apply to the experience data based on experience period member months and the credibility formula below:

Molina Credibility Table			
Member Months		Experience Period	Manual Rate
Low	High	Weight	Weight
0	11,999	0.0%	100.0%
12,000	23,999	50.0%	50.0%
24,000	+	100.0%	0.0%

Molina’s 2016 experience in Part I of the Unified Rate Review Template (URRT) is based on 792,114 member months, resulting in a credibility percentage of 100.0%. Molina believes this method is consistent with the applicable American Academy of Actuaries’ Actuarial Standards of Practice (ASOP) No. 25 Credibility Procedures.

## Paid to Allowed Ratio

The Paid to Allowed ratio reflects the estimated cost-sharing in the projection period. The actuarial value (AV) for each product was based on output from the CMS 2018 AV Calculator as described in Covered California’s plan management document on March 14, 2017. Adjustments for non-standard benefits in Covered California’s 2018 plans were incorporated according to letter from Milliman to Covered California on April 11, 2017, titled “**Actuarial Certification of Proposed 2018 Covered California Standard Plan Designs**”.

Since Molina developed the allowed claims experience by dividing the plan incurred paid claims experience by the 2016 Actuarial Values, the CMS 2018 AV Calculator results are only being used to estimate the expected change in the actuarial value of the plans between the experience period and the projection period. This approach ensures that the differences between the standard population underlying the CMS AV calculator and Molina’s Covered California population are being considered.

The results for the Silver Cost-Sharing Reduction (CSR) plan variations were developed using CSR receivables from the experience period. The table below shows the development of the 2018 Actuarial Value for the Silver plan of 0.792.

Silver Paid to Allowed Ratio						
Item	Description	Silver CSR 100-150	Silver CSR 150-200	Silver CSR 200-250	Silver Base	Silver Total
a	Allowed PMPM	\$205.95	\$195.70	\$212.07	\$249.73	
b	2016 AV	0.938	0.868	0.728	0.704	
c = a * b	Plan Paid PMPM	\$193.18	\$169.87	\$154.39	\$175.81	
d	CSR Receivable PMPM	-\$27.82	-\$15.15	\$0.00	\$0.00	
e = c + d	Net PMPM	\$165.37	\$154.72	\$154.39	\$175.81	
f = e / a	2016 Net AV	0.803	0.791	0.728	0.704	
g	2018 AV				0.719	
h = g / f	2018 AV Change				1.021	
i	2018 Member Months	13,761	21,617	6,485	5,598	47,462
j = f	2016 Net AV	0.803	0.791	0.728		
k = h	2018 AV Change	1.021	1.021	1.021		
l = j * k	2018 AV	0.820	0.807	0.744	0.719	0.792

The Paid to Allowed ratio is the average of the AVs weighted by projected members. The table below documents the Paid to Allowed ratio factor entered into the URRT, Worksheet I, Section III.

Paid to Allowed Ratio				
Plan ID	Product Name	Metal	Member %	Paid to Allowed
18126CA0010001	Covered CA	Platinum	1.6%	0.912
18126CA0010002	Covered CA	Gold	3.8%	0.818
18126CA0010003	Covered CA	Silver	58.6%	0.792
18126CA0010004	Covered CA	Bronze	35.2%	0.608
18126CA0010005	Covered CA	Catastrophic	0.7%	0.600
Total			100%	0.729

## Risk Adjustment and Reinsurance

### Experience Period Risk Adjustment PMPM:

Molina used the results from the CMS Summary Report on Risk Adjustment Transfers for the 2016 Benefit Year which was published by CMS on June 30, 2017. The statewide premium and risk scores from this report were compared with Wakely Studies and internal Molina estimates to produce an estimated risk transfer payable of \$132.14 per member per month (PMPM) or \$106,521,339 for the 2016 experience period.

**Projected Risk Adjustments PMPM:**

Molina estimated the risk transfer amount for 2018 using the 2016 experience period risk transfer amounts. The 2018 risk transfer estimates were developed by projecting 2017 relative risk scores and transfer payments, then projecting 2018 relative risk scores and transfer payments. The population was grouped into the following cohorts:

- 2017 Renewal Members – Some of Molina’s current members previously had coverage in 2016 and renewed with Molina in 2017. Molina relied on the renewal member’s 2016 experience and risk scores and assumed their relative risk score would be consistent in 2017.
- 2017 New Members – To estimate the relative risk of the 2017 new members, Molina referred to the estimated risk scores and transfer amounts from the 2016 experience period. Estimated risk scores were adjusted in consideration of the metal tier mix between the 2016 members and the 2017 new members.
- 2018 Members – Molina assumed the 2018 members would have the same relative risk scores as the 2017 members, with consideration for the metal tier mix between the two years.

The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population, changes to the statewide premium, and a modification to the 2018 benefit year risk adjustment transfer formula which reduces the total transfer payment by 14% to account for administrative costs. The following table summarizes the development of the 2018 risk transfer estimate.

Risk Transfer Estimate				
$T_i = \left[ \frac{PLRS_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot PLRS_i \cdot IDF_i \cdot GCF_i)} - \frac{AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i)} \right] \bar{P}_s \quad \times 86\%$				
Item	Term	Description	Molina	Statewide
a	$PLRS_i$	Plan Liability Risk Score	0.795	1.315
b	$IDF_i$	Induced Demand Factor	1.023	1.047
c	$GCF_i$	Geographic Cost Factor	0.842	1.000
f = c x d x e		PLRS x IDF x GCF	0.685	1.377
f(Molina) / f(Statewide)		Molina Relativity	0.498	
g	$AV_i$	Actuarial Value	0.672	0.699
h	$ARF_i$	Allowable Rating Factor	1.713	1.571
i	$IDF_i$	Induced Demand Factor	1.023	1.047
j	$GCF_i$	Geographic Cost Factor	0.842	1.000
k = g x h x i x j		AV x ARF x IDF x GCF	0.992	1.150
k(Molina) / k(Statewide)		Molina Relativity	0.863	
l = f - k			-0.365	
m	$\bar{P}_s$	Statewide Average Premium		482.97
n = m x 86%		Statewide Average Premium Adjusted		415.35
o = l x n		Molina Risk Transfer Estimate	-151.65	
p		Risk Adjustment User Fee	-0.14	
q		<u>Risk Transfer Risk &amp; Contingency</u>	<u>-5.90</u>	
r = o + p + q		Total Risk Transfer	-157.69	

Molina developed a margin for its risk transfer estimate to account for the volatility associated with estimating risk transfers in the projection period. The risk transfer margin was developed by comparing the estimated risk transfer payments as a percent of the single risk pool premium in the projection period. Higher margins were applied to metal tiers with higher risk transfer payments as a percent of premium compared to metal tiers with lower risk transfer payments as a percentage of premium reflecting the estimation risk associated with the risk transfers. The margin for risk transfer was developed separately for each metal tier and calculated in total as \$5.90 PMPM.

The resulting 2018 risk transfer payable estimate is \$151.65 per member per month (PMPM). Molina added \$0.14 PMPM in projected risk adjustment user fees and \$5.90 PMPM for risk transfer margin to the \$151.65 PMPM risk transfer payable estimate and entered the total of \$157.69 PMPM in the URRT Worksheet I, Section III.

**Experience Period Reinsurance PMPM:** Molina used the results from the CMS Summary Report on Transitional Reinsurance Payments for the 2016 Benefit Year which was published by CMS on June 30, 2017.

**Projected ACA Reinsurance Recoveries Net of Reinsurance Premium:** Not applicable.

### Non-Benefit Expenses and Profit & Risk

**Administrative Expense Load:** Molina reviewed administrative costs booked to Marketplace products from 2014 to 2016 to develop administrative costs required to manage the Covered California Marketplace population. Molina used an internal administrative cost budget on a PMPM basis and converted the costs to an overall percentage of premiums to apply to the Covered California Marketplace rates. Amounts for broker commissions were added to the administrative costs. The expected administrative expense load is 12.5%. The administrative expense is higher than the 11.6% administrative expense load included in Molina's previously approved rate filing.

Administrative Expense Load		
Description	PMPM	% of Premium
Corporate and Plan Expense	\$34.66	8.1%
Bank Service Charges	\$0.95	0.2%
Quality Expenses	\$7.08	1.7%
Broker Commissions	\$10.66	2.5%
<b>Total</b>	<b>\$53.36</b>	<b>12.5%</b>

The administrative expense load varies by metal tier as shown in the table below.

Administrative Expense Load							
Product Name	Metal	Corporate & Plan Expense	Bank Service Charges	Quality Expenses	Broker Commissions	Total	% of Premium
a	b	c	d	e	f	g = sum (c:f)	
Covered CA	Platinum	\$52.71	\$0.95	\$7.08	\$10.66	\$71.40	11.0%
Covered CA	Gold	\$45.52	\$0.95	\$7.08	\$10.66	\$64.21	11.4%
Covered CA	Silver	\$36.60	\$0.95	\$7.08	\$10.66	\$55.29	12.2%
Covered CA	Bronze	\$29.56	\$0.95	\$7.08	\$10.66	\$48.25	13.2%
Covered CA	Catastrophic	\$28.87	\$0.95	\$7.08	\$10.66	\$47.57	13.3%
<b>Total</b>		<b>\$34.66</b>	<b>\$0.95</b>	<b>\$7.08</b>	<b>\$10.66</b>	<b>\$53.36</b>	<b>12.5%</b>

- **Broker Commissions:** Molina expects broker commissions of \$10.66 PMPM in 2018, based on Molina's broker-sold business in 2017 and a projection of new and renewing members sold through the broker channel.

Commission Estimate				
Policy Year	Cohort	Broker Sold %	Commission \$	Commission PMPM
2018	New Members (Open Enrollment)	60%	\$1,193,725	\$1.50
	New Members (Special Enrollment)	60%	\$182,298	\$2.28
	Renewal Members (Open Enrollment)	48%	\$6,498,641	\$10.10
	Renewal Members (Special Enrollment)	48%	\$626,092	\$0.97
	<b>Total</b>		49%	\$8,500,757

**Profit & Risk Margin:** Molina's target after-tax margin is 3.0%. The target margin is unchanged from Molina's previously approved rate filing.

**Risk and Contingency Margin:** A risk and contingency margin is added to our premiums to account for the increased risk and volatility associated with the line of business. The risk and contingency margin varies by metal tier and considers legislative/political risk, changes in competitor participation, enrollment volatility, profitability volatility, provider contracting structure risk, shifts in metal mix, risk transfer estimate volatility, and whether an opportunity to revise risk adjustment estimates is made available after the initial rate filing. The risk and contingency margin is 1.5%.

**Taxes and Fees:** Molina's 9.1% estimate of taxes and fees is higher than the previously approved rate filing estimate of 6.3%. The increased taxes and fees estimate is due to the return of the Health Insurer Fee that was not included in the prior year's rate filing. The taxes and fees estimate is comprised of the following:

- **California Marketplace Exchange Fee:** Covered California will charge a fee of 4.0% of premium for Molina's members enrolled in Covered California. The Exchange user fee is applied at the Market adjusted Index Rate.
- **Health Insurer Fee:** A Health Insurer Fee (HIF) of 3.1% is included in the taxes and fees section of the URRT. Molina's tax department provided estimates for the HIF of 2.0%, grossed up to 3.1% to account for the non-deductible nature of the HIF in determining income tax expenses.
- **PCORI Fee:** Molina expects to pay \$2.47 per member per year (PMPY) in patient centered outcome (PCORI) fees.
- **Managed Care Organization (MCO) Tax:** The estimated tax liability based on the applicable taxing tiers for the MCO tax is \$1.30 PMPM. Molina has reduced the estimated MCO tax liability estimate compared to the previously approved rate filing of \$7.50 PMPM. The growth in Molina's Covered California membership effectively lowers the MCO tax liability on a PMPM basis during the three year duration of the tax. The table below shows the calculation of the MCO tax liability and the resulting PMPM costs for the 2018 projection period.

MCO Tax Liability		
Item	Description	Value
a	Base Period <sup>1</sup> Member Months	168,712
b	Molina's MCO Tax Liability PMPM	\$7.50
c = a * b	Molina's Annualized MCO Tax Liability	\$1,265,340
d	Projected 2018 Membership	80,990
e = d * 12	2018 Member Months	971,877
f = c / e	Effective 2018 MCO Tax PMPM	\$1.30

<sup>1</sup> The MCO Tax Liability Base Period is 10/1/14 - 9/30/15

- **Federal Income Tax:** An estimated 1.6% of premiums will be paid in Federal income taxes based on an anticipated 35% federal tax rate.

Taxes and Fees		
Taxes and Fees	PMPM	% of Premium
Health Insurer Fee	\$13.22	3.1%
PCORI Fee (\$2.47 PMPY)	\$0.21	0.0%
Premium Tax & Other Fees	\$1.30	0.3%
Federal Taxes	\$6.91	1.6%
Exchange Fee	\$17.12	4.0%
<b>Total Taxes and Fees</b>	<b>\$38.75</b>	<b>9.1%</b>
Single Risk Pool Premium	\$427.91	

Taxes and Fees vary by metal tier as shown in the table below.

Taxes and Fees								
Product Name	Metal	Health Insurer Fee	PCORI Fee	Premium Tax & Other Fees	Federal Taxes	Exchange Fee	Total	% of Premium
a	b	c	d	e	e	f	g = sum (c:f)	
Covered CA	Platinum	\$20.10	\$0.21	\$1.30	\$10.51	\$26.03	\$58.15	8.9%
Covered CA	Gold	\$17.36	\$0.21	\$1.30	\$9.08	\$22.48	\$50.42	9.0%
Covered CA	Silver	\$13.95	\$0.21	\$1.30	\$7.30	\$18.07	\$40.83	9.0%
Covered CA	Bronze	\$11.27	\$0.21	\$1.30	\$5.89	\$14.60	\$33.27	9.1%
Covered CA	Catastrophic	\$11.01	\$0.21	\$1.30	\$5.76	\$14.26	\$32.53	9.1%
<b>Total</b>		<b>\$13.22</b>	<b>\$0.21</b>	<b>\$1.30</b>	<b>\$6.91</b>	<b>\$17.12</b>	<b>\$38.75</b>	<b>9.1%</b>

## PROJECTED LOSS RATIO

The projected medical loss ratio (MLR) for 2018 using the federally prescribed MLR methodology is 83.2%.

MLR Demonstration	
Federal MLR Formula	
$MLR = [(i + q - s + n - r) / \{(p + s - n + r) - t - f - (s - n + r)\}] + c$	
s = transitional reinsurance receipts	-
n = risk corridors and risk adjustment payments	157.69
r = issuer's risk corridors and risk adjustment receipts	-
= s - n + r	(157.69)
$MLR = [(i + q - 157.69) / \{(p + 157.69) - t - f - (-157.69)\}] + c$	
i = incurred claims	158.86
q = expenditures on quality improving activities	7.08
= i + q	165.94
$MLR = [(165.94 - 157.69) / \{(p + 157.69) - t - f - (-157.69)\}] + c$	
$MLR = [(323.63) / \{(p + 157.69) - t - f - (-157.69)\}] + c$	
p = earned premiums	427.91
$MLR = [(323.63) / \{(427.91 + 157.69) - t - f - (-157.69)\}] + c$	
$MLR = [(323.63) / \{(270.22) - t - f - (-157.69)\}] + c$	
t = Federal and State taxes and assessments	21.64
f = licensing and regulatory fees, incl. transitional reins	17.12
= -t - f	(38.75)
$MLR = [(323.63) / \{(270.22) - 38.75 - (-157.69)\}] + c$	
$MLR = [(323.63) / \{389.16\}] + c$	
$MLR = [83.2\%] + c$	
c = credibility adjustment, if any	0.0%
$MLR = [83.2\%] + 0.0\%$	
$MLR = 83.2\%$	

## APPLICATION OF MARKET REFORM RATING RULES

### Single Risk Pool

Molina's single risk pool is in accordance with 45 CFR part 156, §156.80. Molina has no transitional products/plans or grandfathered products that should be included in the development of the single risk pool.

### Index Rate

The index rate is developed following the specifications of 45 CFR part 156.80(d)(1). The index rate for the projection period is estimated to be \$216.65. The index rate represents the estimated total allowed claims experience for the essential health benefits within the Covered California Marketplace. The index rate does not include adjustments for the risk adjustment and reinsurance programs or an adjustment for the Covered California Marketplace user fee.

The projected allowed claims in Worksheet 1, Section III of the URRT is \$218.02, which is \$1.37 higher than the Index Rate of \$216.65 to account for the allowed cost of non-essential health benefits.

Index Rate		
Item	Description	Allowed Claims
a	2016 Allowed Claims	\$184.73
b	Demographic Adjustment	1.004
c	Duration Factor	1.020
d	Network Factor	1.018
e	Utilization Trend	1.022
f	Unit Cost Trend	1.110
g	Acuity Adjustment	0.988
h	Reinsurance	1.003
i	<u>Cost Sharing Design</u>	<u>1.000</u>
j = product(a:i)	Index Rate	\$216.65
k	<u>Non-EHB</u>	<u>1.37</u>
l = j + k	Projected Allowed Claims	\$218.02

## Market Adjusted Index Rate

The market adjusted index rate is developed following the specifications of 45 CFR part 156.80(d)(1). Molina modified the index rate provided in URRT Worksheet I to a market adjusted index rate as follows:

Market Adjusted Index Rate					
Item	Description	Paid Basis	Adjustment	Allowed Basis	Comments
a	URRT Index Rate			\$216.65	URRT, Worksheet 1
b	Risk Adjustment	\$157.69	0.729	\$216.42	
c	Exchange Fee	\$17.12	0.729	\$23.49	See Taxes & Fees
d	Market Adjusted Index Rate			\$456.55	d = a + b + c

## Plan Adjusted Index Rates

The plan adjusted index rates are developed following the specifications of 45 CFR part 156.80(d)(2). The plan adjusted index rates are entered in Worksheet 2, Section IV, of the URRT Template. Molina calculated the plan adjusted index rates by applying plan specific level adjustments for actuarial value, cost sharing utilization, additional benefits, and administrative costs, excluding exchange user fees, to the market adjusted index rate.

Product Name	Metal	Market Adjusted Index Rate	Actuarial Value	Cost Sharing Adj.	Benefits in Addition to EHBs	Admin Costs	Plan Adjusted Index Rate
a	b	c	d	e	f	g	h = product (c:g)
Covered CA	Platinum	456.55	0.912	1.241	1.002	1.256	650.73
Covered CA	Gold	456.55	0.818	1.187	1.003	1.264	561.94
Covered CA	Silver	456.55	0.792	0.975	1.003	1.278	451.83
Covered CA	Bronze	456.55	0.608	1.011	1.003	1.296	364.89
Covered CA	Catastrophic	456.55	0.600	0.999	1.003	1.298	356.43

- **Benefits in Addition to EHBs:** Molina covers the voluntary termination of pregnancy benefit, which is priced at \$1.37 PMPM on an allowed basis (\$1.00 PMPM on a paid basis) according to 45 CFR §156.280(e). Worksheet 2, Section IV of the URRT shows voluntary termination of pregnancy

in the “Other benefits portion of Total Premium” and “Other benefits portion of Total Allowed Claims”.

- **AV and Cost Sharing Design:** The table below shows the details of Molina’s AVs and Cost Sharing Design Adjustment factors:

Actuarial Value and Cost Sharing Adjustment					
Plan ID	Product Name	Metal	Member	Actuarial Value	Cost Sharing Adj.
18126CA0010001	Covered CA	Platinum	1,320	0.912	1.241
18126CA0010002	Covered CA	Gold	3,074	0.818	1.187
18126CA0010003	Covered CA	Silver	47,462	0.792	0.975
18126CA0010004	Covered CA	Bronze	28,546	0.608	1.011
18126CA0010005	Covered CA	Catastrophic	588	0.600	0.999
<b>Total</b>			<b>80,990</b>	<b>0.729</b>	<b>1.000</b>

- **Provider Network, Delivery System Characteristics, and Utilization Management Practices:** Molina did not vary plan rates for variation of provider network, delivery system characteristics, and utilization management.
- **Catastrophic plans:** Molina did not consider an adjustment for the demographic composition of the Catastrophic product.
- **Administrative costs, excluding Exchange User Fees:** Molina converted all administrative costs, excluding the Covered California Marketplace Fee, to a multiplicative factor, which varies for each plan according to differences in premium. The overall multiplicative factor is shown in the table below.

Administrative Costs Excluding Exchange Fee		
Item	Description	% of Premium
a	Administrative Expense Load	12.5%
b	Profit Margin	3.0%
c	Risk & Contingency	1.5%
d	Taxes & Fees excl. Exchange Fee	5.1%
<b>e = a + b + c + d</b>	<b>Total</b>	<b>22.0%</b>
<b>f = 1 / (1 - e)</b>	<b>Administrative Factor</b>	<b>1.282</b>

The administrative factors vary by metal tier as shown in the table below.

Administrative Costs Excluding Exchange Fee							
Product Name	Metal	Admin. Expense Load	Profit Margin	Risk & Contingency	Taxes & Fees (excl. Exchange Fee)	Total	Admin. Factor
a	b	c	d	e	f	g = sum (c:f)	h = 1 / (1-g)
Covered CA	Platinum	11.0%	3.0%	1.5%	4.9%	20.4%	1.256
Covered CA	Gold	11.4%	3.0%	1.5%	5.0%	20.9%	1.264
Covered CA	Silver	12.2%	3.0%	1.5%	5.0%	21.8%	1.278
Covered CA	Bronze	13.2%	3.0%	1.5%	5.1%	22.8%	1.296
Covered CA	Catastrophic	13.3%	3.0%	1.5%	5.1%	23.0%	1.298
<b>Total</b>		<b>12.5%</b>	<b>3.0%</b>	<b>1.5%</b>	<b>5.1%</b>	<b>22.0%</b>	<b>1.282</b>

## Calibration

**Age Curve Calibration:** Molina calibrated the Plan Adjusted Index Rates to an age 21 rate. Molina estimates the average composite age factor by multiplying the expected age distribution by the age factors. The calibration factor of 0.583 equals the age factor at age 21 divided by the average age factor (1.000 / 1.714). Please note an additional adjustment was implemented in the age calibration process to account for the dependent cap where only the 3 eldest children's premiums contribute to the family premium.

Age Curve Calibration								
Age	Member %	Age Factor	Age	Member %	Age Factor	Age	Member %	Age Factor
0 -20*	0.0%	0.000	31	1.7%	1.159	49	2.6%	1.706
0 - 14	2.1%	0.765	32	1.6%	1.183	50	2.6%	1.786
15	0.2%	0.833	33	1.6%	1.198	51	2.8%	1.865
16	0.2%	0.859	34	1.6%	1.214	52	3.0%	1.952
17	0.3%	0.885	35	1.4%	1.222	53	3.1%	2.040
18	0.2%	0.913	36	1.4%	1.230	54	3.0%	2.135
19	1.0%	0.941	37	1.3%	1.238	55	3.0%	2.230
20	1.7%	0.970	38	1.3%	1.246	56	3.0%	2.333
21	1.9%	1.000	39	1.3%	1.262	57	3.0%	2.437
22	1.9%	1.000	40	1.3%	1.278	58	2.9%	2.548
23	1.9%	1.000	41	1.4%	1.302	59	2.9%	2.603
24	1.9%	1.000	42	1.5%	1.325	60	2.7%	2.714
25	1.8%	1.004	43	1.6%	1.357	61	2.6%	2.810
26	2.6%	1.024	44	1.7%	1.397	62	2.6%	2.873
27	2.3%	1.048	45	1.9%	1.444	63	2.5%	2.952
28	2.1%	1.087	46	2.1%	1.500	64+	2.7%	3.000
29	1.9%	1.119	47	2.3%	1.563	Total	100.0%	1.714
30	1.8%	1.135	48	2.4%	1.635	Adj Fx	1 / Total	0.583

*\*% of membership impacted by the 3 children under age 21 dependent cap.*

Molina estimated the average age of the single risk pool to be 43 years of age by multiplying the expected age distribution percentages by the age. Molina assumed an average age of 8 for the Age 0-14 cohort in the average age estimate. Premium rates are based on the attained age as of the coverage effective date and will not be re-rated/adjusted when a birthdate occurs during the year after the coverage starts.

**Geographic Factor Calibration:** Molina applied geographic factors to the index rate in the calculation of region specific rates. The geographic factors are based solely on the provider reimbursement expectations in each region. The calibration factor of 0.989 equals 1.000 divided by the weighted average geographic factor (1.000 / 1.011).

Geographic Factor Calculation			
Geographic Region	Members	Allowed Claims	Geographic Factor
Region 13	5,699	\$235.46	1.080
Region 15	7,934	\$222.38	1.020
Region 16	23,692	\$213.66	0.980
Region 17	20,088	\$213.66	0.980
Region 18	9,815	\$228.92	1.050
Region 19	13,761	\$228.92	1.050
<b>Total</b>	<b>80,990</b>	<b>\$218.02</b>	<b>1.011</b>
<b>Calibration</b>		<b>1 / Total</b>	<b>0.989</b>

A table summarizing Molina’s 2017 and 2018 geographic factors is provided below.

Geographic Factors		
Geographic Region	2017 Factor	2018 Factor
Region 13	1.150	1.080
Region 15	0.930	1.020
Region 16	0.950	0.980
Region 17	0.950	0.980
Region 18	1.080	1.050
Region 19	1.100	1.050

## Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rates are calibrated to an age 21 premium with an area factor of 1.00. Only the allowable rating factors will be applied to the Consumer Adjusted Premium Rates. Molina has included a document identified as “Molina Rates 2018” that demonstrates how each allowable consumer level adjustment is applied to the Consumer Adjusted Premium Rates to determine the premiums.

Consumer Adjusted Premium Rates					
Product Name	Metal	Plan Adjusted Index Rate	Age Calibration	Area Calibration	Consumer Adjusted Premium Rate
a	b	c	d	e	f = product (c:e)
Covered CA	Platinum	650.73	0.583	0.989	375.44
Covered CA	Gold	561.94	0.583	0.989	324.21
Covered CA	Silver	451.83	0.583	0.989	260.68
Covered CA	Bronze	364.89	0.583	0.989	210.52
Covered CA	Catastrophic	356.43	0.583	0.989	205.64

## PLAN PRODUCT INFORMATION

### AV Metal Values

All benefit plans Molina proposes to offer meet ACA essential health benefit (EHB) requirements. The actuarial value (AV) for each product was based on output from the CMS 2018 AV Calculator as described in Covered California’s plan management document on March 14, 2017. Adjustments for non-standard benefits in Covered California’s 2018 plans were incorporated from a Milliman letter to Covered California dated April 11, 2017, titled “**Actuarial Certification of Proposed 2018 Covered California Standard Plan Designs**”, as required by 45 CFR 156.135.

AV Metal Values				
Plan ID	Plan Name	Metal	FPL	AV
18126CA0010001	Covered CA	Platinum	Base	0.912
18126CA0010002	Covered CA	Gold	Base	0.818
18126CA0010003	Covered CA	Silver	Base	0.719
18126CA0010003	Covered CA	Silver	CSR 200-250	0.739
18126CA0010003	Covered CA	Silver	CSR 150-200	0.879
18126CA0010003	Covered CA	Silver	CSR 100-150	0.939
18126CA0010004	Covered CA	Bronze	Base	0.608
18126CA0010005	Covered CA	Catastrophic	Base	0.600

## AV Pricing Values

AV pricing value of each plan only includes the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). Cost-sharing adjustments ensure that differences due to health status were not included in the adjustment.

The modifiers are applied to the index rate as shown in the following table.

Actuarial Value Pricing							
Plan ID	Product Name	Metal	Actuarial Value	Cost Sharing Adj.	Benefits in Addition to EHBs	Administration Costs	AV Pricing Value
a	b	c	d	e	f	g	h = product (d:g)
18126CA0010001	Covered CA	Platinum	0.912	1.241	1.002	1.256	1.425
18126CA0010002	Covered CA	Gold	0.818	1.187	1.003	1.264	1.231
18126CA0010003	Covered CA	Silver	0.792	0.975	1.003	1.278	0.990
18126CA0010004	Covered CA	Bronze	0.608	1.011	1.003	1.296	0.799
18126CA0010005	Covered CA	Catastrophic	0.600	0.999	1.003	1.298	0.781

## Membership Projections

Molina is filing Covered California Marketplace rates in 7 counties representing 6 rating regions. The membership projection is based on anticipated renewals of existing members and new members in 2018. Molina assumed 48% of its existing members would renew coverage in 2018. New membership is based on an estimated proportion of the total number of members enrolled in Covered California by county. The source of the new members is mostly from other carriers.

Molina's enrollment projections by plan, including cost-sharing reduction eligible plans, were based on the proportion of enrollment enrolled in those plans as of May 2017.

Membership Projections by Region		
Region	Current Members	Projected Members
Region 13	8,755	5,699
Region 15	24,608	7,934
Region 16	47,533	23,692
Region 17	32,043	20,088
Region 18	15,537	9,815
Region 19	21,626	13,761
<b>Total</b>	<b>150,102</b>	<b>80,990</b>

Membership Projections by Plan				
Plan ID	Plan Name	Metal	FPL	Members
18126CA0010001	Covered CA	Platinum	Base	1,320
18126CA0010002	Covered CA	Gold	Base	3,074
18126CA0010003	Covered CA	Silver	Base	5,598
18126CA0010003	Covered CA	Silver	CSR 200-250	6,485
18126CA0010003	Covered CA	Silver	CSR 150-200	21,617
18126CA0010003	Covered CA	Silver	CSR 100-150	13,761
18126CA0010004	Covered CA	Bronze	Base	28,546
18126CA0010005	Covered CA	Catastrophic	Base	588
				<b>80,990</b>

Molina plans to offer its products in the counties listed by region below.

County List		
Geographic Region	County	County
Region 13	Imperial	
Region 15	N. Los Angeles	
Region 16	S. Los Angeles	
Region 17	Riverside	San Bernardino
Region 18	Orange	
Region 19	San Diego	

### Terminated Products

A summary of Molina’s terminated, renewing, and new products is provided in the following table:

Terminated Plans and Mapping					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Mapping ----->	New Plan ID
NA	NA	NA	NA	----->	NA

Renewing Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
18126CA0010001	Jan 2014 --	Molina Marketplace Platinum	Platinum	0.912	1.6%
18126CA0010002	Jan 2014 --	Molina Marketplace Gold	Gold	0.818	1.2%
18126CA0010003	Jan 2014 --	Molina Marketplace Silver	Silver	0.719	0.5%
18126CA0010004	Jan 2014 --	Molina Marketplace Bronze	Bronze	0.608	-1.8%
18126CA0010005	Jan 2014 --	Molina Marketplace Catastrophic	Catastrophic	0.600	-0.5%

New Plans and Mapping					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Mapping ----->	New Plan ID
NA	NA	NA	NA	----->	NA

## Plan Type

All benefit plans are comprehensive HMO individual products.

## Warning Alerts

**Warning Alert 1:** The Total Allowed Claims (TAC) in row 61 of Worksheet 2, Section III of the URRT generated a warning alert because the claims were decreased for the amount of payments into the risk adjustment program.

**Warning Alert 2:** The Allowed Claims PMPM in row 74 of Worksheet 2, Section III of the URRT generated a warning alert for the same reason as the Total Allowed Claims (TAC) in row 61 of Worksheet 2, Section III.

The table below shows the difference between the total allowed claims in Worksheets 1 and 2.

Warning - Total Allowed Claims				
Item	Location	Row #	Description	Value
<b>URRT Variance Before Risk Adjustment Consideration</b>				
<b>a</b>	<b>WS2, III</b>	<b>61</b>	<b>Total Allowed Claims</b>	<b>\$37,613,247</b>
<b>b</b>	<b>WS1, I</b>	<b>16</b>	<b>Allowed Claims</b>	<b>\$146,250,747</b>
<b>c = b / a - 1</b>			<b>Variance %</b>	<b>289%</b>
<b>URRT Variance After Risk Adjustment Consideration</b>				
<b>d</b>	<b>WS2, III</b>	<b>61</b>	<b>Total Allowed Claims</b>	<b>\$37,613,247</b>
<b>e</b>	<b>WS2, III</b>	<b>71</b>	<b>Net Amount of Risk Adjustment</b>	<b>-\$108,756,318</b>
<b>f = d - e</b>			<b>Total Allowed Claims with Risk Adjustment</b>	<b>\$146,369,565</b>
<b>g</b>	<b>WS1, I</b>	<b>16</b>	<b>Allowed Claims</b>	<b>\$146,250,747</b>
<b>h = g / f - 1</b>			<b>Variance %</b>	<b>-0.1%</b>

## MISCELLANEOUS INSTRUCTIONS

### Effective Rate Review Information

Not applicable.

### Reliance

A letter from Robert Cosway, Principal and Consulting Actuary, Milliman, Inc. dated April 11, 2017, titled “**Actuarial Certification of Proposed 2018 Covered California Standard Plan Designs**” was relied upon to certify that the 2018 Covered California plan designs meet the requirements of their stated metal designation.

## Actuarial Certification

I, Brian Plaskow, as a member in good standing with the American Academy of Actuaries, hereby certify, to the best of my knowledge and judgment, the following:

The projected index rate is:

- a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102),
- b. Developed in compliance with the applicable Actuarial Standards of Practice,
- c. Reasonable in relation to the benefits provided and the population anticipated to be covered,
- d. Neither excessive nor deficient.

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

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

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

The 2018 AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template. Adjustments were made for non-standard plan design elements according to the letter described in the reliance section above.



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Brian Plaskow, FSA, MAAA  
AVP, Actuarial Services  
Molina Healthcare

July 7, 2017

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Date

## **Molina Healthcare of California, Inc.**

### **Part II: Explanation of the Rate Increase Effective January 1, 2018**

Molina Healthcare of California, Inc. is a managed care organization that provides healthcare services for over 680,000 individuals eligible for Medicaid, Medicare, and Marketplace throughout the state of California. Molina Healthcare of California, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

**The rates included in this filing assume continued funding for the cost sharing reduction (CSR) program for plan year 2018.**

**1. Scope and range of the rate increase:** Molina's proposed rates represent an average rate increase of 28.6% for the 150,102 Molina members enrolled effective March 1, 2017. The proposed rate changes vary by metal tier. Members would receive premium increases ranging from 17.0% to 54.4% depending on their geographic location, metal tier, and age. A few members will receive premium increases near the upper end of the range due to a federally prescribed change in the age rating factors for members under the age of 21.

**2. Financial experience of the product:** Premium of \$315 per member per month was received for 2016 compared to allowed claims of \$184 per member per month and risk transfer payments of \$132 per member per month. Molina's financial experience in 2016 was worse than anticipated, resulting in a gain of 0.5 percent.

The proposed premium rates yield a medical loss ratio of 83.2 percent. The medical loss ratio represents the percentage of every premium dollar that Molina expects to spend on medical expenses and improving health care quality for our members. The projected medical loss ratio of 83.2 percent exceeds the Affordable Care Act minimum required loss ratio of 80 percent.

**3. Changes in Medical Service Costs:** Medical inflation related to the utilization and cost of covered services increased rates by 6.5 percent. Increases in the risk adjustment transfer payments related to statewide premium increases and changes in the morbidity of the population resulted in an increase to the rates.

**4. Changes in benefits:** Molina is renewing all of its plan offerings from 2017, with the standard benefits chosen by Covered California.

**5. Administrative costs and anticipated profits:** The Health Insurer Fee will return, after a one year moratorium. Targeted profit margin remained constant at 3 percent.