

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

Filing at a Glance

Company: Sharp Health Plan
Product Name: INITIAL 2016 Individual Rates
State: California
TOI: HOrg02I Individual Health Organizations - Health Maintenance (HMO)
Sub-TOI: HOrg02I.005D Individual - HMO
Filing Type: Rate
Date Submitted: 05/15/2015
SERFF Tr Num: SHHP-130082183
SERFF Status: Submitted to State
State Tr Num:
State Status:
Co Tr Num:

Implementation: 01/01/2016
Date Requested:
Author(s): Stacy Baker
Reviewer(s):
Disposition Date:
Disposition Status:
Implementation Date:

State Filing Description:

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

General Information

Project Name: Status of Filing in Domicile: Authorized
 Project Number: Date Approved in Domicile:
 Requested Filing Mode: Informational Domicile Status Comments:
 Explanation for Combination/Other: Market Type: Individual
 Submission Type: New Submission Individual Market Type: Individual
 Overall Rate Impact: Filing Status Changed: 05/15/2015
 State Status Changed:
 Deemer Date: Created By: Stacy Baker
 Submitted By: Stacy Baker Corresponding Filing Tracking Number:
 PPACA: Not PPACA-Related
 PPACA Notes: null
 Include Exchange Intentions: No

Filing Description:

INITIAL 2016 Individual Rates - The rate information in this filing are based on initial draft rates and are subject to change based on finalization of the 2016 standardized benefit plan designs and rate negotiations with Covered California. Sharp Health Plan will file final rates with the DMHC in a subsequent filing.

Company and Contact

Filing Contact Information

Stacy Baker, Regulatory Affairs Officer stacy.baker@sharp.com
 8520 tech way 858-499-8237 [Phone]
 San Diego, CA 92123

Filing Company Information

Sharp Health Plan	CoCode:	State of Domicile: California
8520 Tech Way	Group Code:	Company Type: HMO
Suite 200	Group Name:	State ID Number:
San Diego, CA 92123	FEIN Number: 33-0519730	
(858) 499-8300 ext. [Phone]		

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 structure, as well as rate increases for new mandated benefits (e.g. PPACA changes).: -1.5

State: California **Filing Company:** Sharp Health Plan
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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):. 2.0

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Rate Information

Rate data applies to filing.

Filing Method: SERFF
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 4.300%
Effective Date of Last Rate Revision: 01/01/2015
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):
Sharp Health Plan	Increase	0.800%	0.800%	\$743,580	10,236	\$93,603,587	2.000%	-1.500%

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

COMPANY:

Company Name: Sharp Health Plan
 HHS Issuer Id: 92499

PRODUCTS:

Product Name	HIOS Product ID	HIOS Submission ID	Number of Covered Lives
INITIAL 2016 Individual Plans			15441

Trend Factors:

FORMS:

New Policy Forms:
 Affected Forms:
 Other Affected Forms: INITIAL 2016 Individual Plans

REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual
 Member Months: 121,172
 Benefit Change: None
 Percent Change Requested: Min: -1.5 Max: 2.0 Avg: 0.8

PRIOR RATE:

Total Earned Premium: 93,603,587.00
 Total Incurred Claims: 76,653,719.00
 Annual \$: Min: 261.79 Max: 537.94 Avg: 403.61

REQUESTED RATE:

Projected Earned Premium: 94,347,168.00
 Projected Incurred Claims: 77,262,651.00
 Annual \$: Min: 262.00 Max: 548.76 Avg: 406.82

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Supporting Document Schedules

Bypassed - Item:	Independent Actuarial Certification
Bypass Reason:	N/A for purposes of this INITIAL DRAFT rate filing.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Premium Rate Information
Bypass Reason:	N/A for purposes of this INITIAL DRAFT rate filing.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Premium Rate Public Website Information
Bypass Reason:	N/A for purposes of this INITIAL DRAFT rate filing.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Consumer Disclosure Form
Bypass Reason:	N/A for purposes of this INITIAL DRAFT rate filing.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	2015-05-01 Actuarial Memo - Individual Redacted.pdf 2015-05-01 Actuarial Memo - Individual.pdf 2016 Act Memo Cover Letter.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Unified Rate Review Template
Comments:	

SERFF Tracking #:

SHHP-130082183

State Tracking #:

Company Tracking #:

State:

California

Filing Company:

Sharp Health Plan

TOI/Sub-TOI:

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

Product Name:

INITIAL 2016 Individual Rates

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Attachment(s):	2015-05-01 Rates Table.xls 2015-05-01 SRRT.xlsb 2015-05-01 URRT.xlsx
Item Status:	
Status Date:	

SERFF Tracking #:

SHHP-130082183

State Tracking #:

Company Tracking #:

State:

California

Filing Company:

Sharp Health Plan

TOI/Sub-TOI:

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

Product Name:

INITIAL 2016 Individual Rates

Project Name/Number:

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Attachment 2015-05-01 Rates Table.xls is not a PDF document and cannot be reproduced here.

Attachment 2015-05-01 SRRT.xlsb is not a PDF document and cannot be reproduced here.

Attachment 2015-05-01 URRT.xlsm is not a PDF document and cannot be reproduced here.



Part III Actuarial Memorandum

REDACTED

**Sharp Health Plan
Individual Rate Filing
Effective January 1, 2016**

Prepared for:
Sharp Health Plan

Prepared by:
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EXHIBIT 1. GENERAL INFORMATION

Document Overview

This document contains the Part III Actuarial Memorandum for Sharp Health Plan's (SHP) individual block of business, effective January 1, 2016. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

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

This information is intended for use by the State of California Department of Managed Health Care (DMHC), Covered California, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of SHP's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

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

Company Identifying Information

Company Legal Name: Sharp Health Plan
State: The State of California has regulatory authority over these policies.
HIOS Issuer ID: 92499
Market: Individual
Effective Date: January 1, 2016

Company Contact Information

Primary Contact Name: Stacy Baker
Primary Contact Telephone Number: (858) 499-8237
Primary Contact Email Address: Stacy.Baker@sharp.com

EXHIBIT 2. PROPOSED RATE INCREASE(S)

Premium Rate Development Approach

In order to develop the 2015 rates, we analyzed Sharp Health Plan's experience for its Individual block of business for the period January 1, 2014 through December 31, 2014 and paid through February 28, 2015. We added IBNP estimates to FFS claim amounts. We projected capitation based on current and best estimate future capitation rates and member mix by primary medical group. We normalized the claims experience by the 3:1 sloped standard age factors and benefit design factors in order to calculate per-rating-unit (per-unit) claims costs. Sharp will not apply an area factor, so we did not normalize by area.

Attachment 1 documents all of the loads that were applied to the trended, normalized claims costs. Attachment 1 starts with normalized average claims costs (average age factor, benefit relativity, and network factor) that have been trended to calendar year 2016. The exhibit documents all subsequent loads, including administrative costs, taxes and fees, and expected changes in claims costs. The final average premium rate at the bottom of Attachment 1 ties to the URRT average premium rate.

Attachment 1 does not document the trending of costs from the experience time period to calendar year 2016. The trends composite to a 5.3% annual trend rate, exclusive of any loads documented on Attachment 1.

We have populated the URRT, the California Supplemental Rate Review Template (SRRT), and the Rate Data Template, as required. These provide a great deal of quantitative information. However, Attachment 1 to this memo in conjunction with the California SRRT provides the best documentation of the pure development of the proposed premium rates.

Proposed Rate Increase(s)

Attachment 2 summarizes proposed rate increases by product effective January 1, 2016. Rate increases vary by plan due to a combination of factors including shifts in benefit relativities and non-benefit expense allocation. The following are significant factors driving the proposed rate increases.

Medical and Prescription Drug Inflation & Utilization Trend

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical/prescription drug utilization. These are reported in Worksheet 1, Section II of the URRT.

Changes in Prospective Provider Payments

As the majority of Sharp's claim costs are capitated, the change in premium rates includes the change in provider payments for CY2016, as compared to those included in the CY2015 pricing.

Network Adjustment

The overall premium level has been calibrated to reflect the membership distribution by network.

New Taxes, Fees and Administrative Expenses

Changes to the overall premium level are needed because of required changes in federal/state taxes and fees. In addition, there are anticipated changes in the administrative expenses and assumed proportion of business that will be sold with a commission load.

Prospective Benefit Changes

Effective January 1, 2016, Covered California has revised the Standard plan designs so that they maintain their metal tier compliance using the 2016 Actuarial Value (AV) Calculator, as well as to achieve various objectives with consumer transparency and ease of understanding in mind. No benefit designs have been made to the SHP Individual Standard plans other than those required by Covered California.

EXHIBIT 2. PROPOSED RATE INCREASE(S)

Federal Transitional Reinsurance Program Changes

Federal transitional reinsurance program contributions and benefit limits have changed from last year. Specifically, the reinsurance contribution has changed from \$44 PMPY (\$3.67 PMPM) to \$27 PMPY (\$2.25 PMPM). Further, the claims threshold upon which reinsurance recoveries are triggered has changed from \$70,000 (the 2015 pricing was based on the original guidance, which was subsequently lowered to \$45,000) to \$90,000.

Anticipated Single Risk Pool Morbidity

We assume no change in the single risk pool morbidity from CY2015 to CY2016.

Other

N/A

EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows SHP's earned premium and incurred and paid claims for the period of 1/1/2014 through 12/31/2014, with claims paid through 2/28/2015.

The claims shown on Worksheet 1, Section I of the URRT are our best estimate of the amount of claims that were incurred during the 12-month experience period. These claims were processed through Sharp's FFS or capitation payment systems, and stored in Sharp's data warehouse.

Premiums (net of MLR Rebate) in Experience Period

We summarized the premium for the 1/1/2014 through 12/31/2014 experience period based on detailed subscriber-level premium information. We tabulated this information for each enrolled contract.

No MLR rebates are anticipated to be refunded to enrollees. Therefore, we did not include an adjustment for MLR rebates in the CY2014 premium amounts.

Method for Determining Allowed Claims

Allowed claims were developed by combining the incurred FFS paid claims summarized from Sharp's detailed claim-level historical data, capitation payments, and member cost-sharing.

Method for Determining Paid Claims

All paid claims processed both in and out of the claim system were included. Of this amount, 100% was processed through the claim system. An estimate of incurred but not paid claims was added to the processed amount to arrive at a final estimate of total paid claims. No estimate of incurred but not paid claims was added to the prescription drug claims or capitated claims.

Method for Determining Incurred But Not Reported Paid Claims

Incurred but Not Paid (IBNP) was estimated using a completion factor method. The majority of claims costs are capitated, and therefore the volume of IBNP is small. The same IBNP completion factors were applied to the paid and allowed claims.

Method for Determining Paid Cost Sharing

Paid member cost sharing was determined using the patient pay amounts in Sharp's detailed claim-level historical data.

Historical Rate Increases

The historical rate increases shown on Worksheet 2, Section I of the URRT represent average premium increases in CY2013, CY2014, and CY2015. Because SHP's Individual plans were first available beginning 1/1/2014, there are no historical rate increases prior to CY2015.

EXHIBIT 4. BENEFIT CATEGORIES

We assigned the experience data utilization and cost information to benefit categories as shown in Worksheet 1, Section I of the Part 1 URRT based on place and type of service using a detailed claims mapping algorithm summarized as follows:

Inpatient Hospital

Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.

Outpatient Hospital

Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.

Professional

Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.

Other Medical

Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.

Capitation

Includes all services provided under one or more capitated arrangements.

Prescription Drug

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

EXHIBIT 5. PROJECTION FACTORS

This section includes a description of each factor used to project the experience period allowed claims to the projection period, and supporting information related to the development of those factors.

Changes in the Morbidity of the Population Insured

We are projecting no change in the morbidity of the population insured from CY2014 to CY2016. This is reflected in the Population Risk Morbidity adjustment column in URRT Worksheet 1, Section II.

Changes in Benefits

We made the following adjustments to reflect the expected differences in benefits between the experience period and projection period:

- **Benefit Relativities:** We created new benefit relativities for the 2016 Covered California Standard Plans. Benefit relativities adjust for the cost sharing on each plan design. These benefit relativities include induced utilization based on benefit richness, but do not include any adjustment based on the health status of the population expected to enroll in any given plan. The benefit relativities are used to adjust for the change in benefits between the 2014 Covered California Standard Plans in the experience period and the 2016 Covered California Standard Plans in the projection period.
- We have accounted for the addition of an embedded pediatric dental benefit between the experience period and the projection period with an adjustment to the "Other Medical" benefit category. This adjustment is included in the Other Cost Adjustment on URRT Worksheet 1, Section II.

We used Milliman's Health Cost Guidelines (HCGs), in conjunction with the historical experience of SHP's individual block of business, in order to estimate the benefit changes for each of the items listed above.

Changes in Demographics

Our rate projection is based on CY2014 experience, and reflects the average demographics and geographic mix of the CY2014 enrollees. Our development of the CY2016 Index Rate reflects the anticipated differences in the demographic and geographic mix of the population, as compared to the CY2014 experience period, which we expect to be trivial. This adjustment is shown in the Other column of Worksheet 1, Section II.

Additionally, the Other column of Worksheet 1, Section II includes a small load factor to reflect the fact that premium can only be charged to the first three dependents under age 21 in any contract, which is documented on Attachment 1.

Other Adjustments

The Other column of Worksheet 1, Section II contains additional adjustments from those described above. These adjustments have been made to recognize the additional anticipated changes in claims experience between the base period and the projected period.

- As discussed in Exhibit 2, we have included a network adjustment.
- An adjustment was included to account for the late enrollment in CY2014, and specifically the influx of membership in May 2014. This adjustment reflects the fact that CY2014 FFS claims experience will be understated, especially for deductible plans, due to members having less than a full 12 months to accumulate toward their deductibles and OOPMs.

EXHIBIT 5. PROJECTION FACTORS

Trend Factors (Cost/Utilization)

This development of the CY2016 rates reflects an annual trend rate of 5.3%, which was developed using the following data source and methodology:

FFS trend rates were based on a review of historical trend experience for similar SHP Small Group plans and consideration for future contract changes. Prescription drug trends were likewise developed based on a review of historical trend experience for similar SHP Small Group plans. Capitation trends were based on best estimates of future capitation rates and the current Individual LOB member distribution by primary medical group.

EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

Not applicable. SHP's experience in the base period is fully credible, for the purposes of the rate projection.

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

Description of the Credibility Method Used

The CMS guidelines used for Medicare Advantage/Prescription Drug Plans (MA/PD) were used to determine the credibility of the experience. These guidelines specify 24,000 member months as 100% credible for medical and specify the following formula for determination of partial credibility:

$(n / 24,000)^{1/2}$ for medical and
 $(n / 18,000)^{1/2}$ for prescription drugs,

where n = member months in the experience period.

Since prescription drug and medical coverage are both covered, and medical services make up a significantly larger portion of the costs, the above medical formula was used for the determination of partial credibility. The use of the CMS MA/PD credibility is appropriate given that both MA/PD and Commercial cover similar benefit categories.

Resulting Credibility Level Assigned to the Base Period Experience

The credibility assigned to the base period experience is 100%.

EXHIBIT 8. PAID TO ALLOWED RATIO

The Paid to Allowed Average Factor in the Projection Period for the market is shown on Worksheet 1, Section III. This ratio was developed as follows:

We determined each plan's projected paid to allowed ratio using the actual paid to allowed ratios of each respective plan in the base period experience. We feel this is a good representation of the impact of cost sharing on utilization and paid costs and is appropriate to use for the projection period. We calculated the average paid to allowed ratio for the market using our projected membership distribution by plan as weights.

EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

We do not have good information on the statewide risk score for 2014. In the absence of such information, we assume the SHP risk profile was similar to the State's, and assume a risk adjustment transfer amount of \$0.00 PMPM for CY2014.

Projected Risk Adjustments PMPM

The risk score for the plan's experience is projected to be roughly equal to the expected state average risk score in CY2016. The estimates of relative risk and risk transfer payments are highly dependent on the population that enrolls with Sharp Health Plan but also with other carriers in the state.

SHP's average risk is projected to be approximately equal to the state average risk level. As a result, premium levels have been set at the anticipated state average risk level with the expectation that no significant portion of this premium will be either received from or paid to the Risk Adjustment transfer program.

The anticipated risk transfer payments, net of risk adjustment fees assumed to be \$0.15 for CY2016, are applied to the Index Rate as a market level adjustment. The overall impact of projected net risk adjustment transfers is a premium increase of \$0.15 PMPM, which is applied at the market level as an additive adjustment of \$0.15.

Experience Period ACA Reinsurance Recoveries Net of Reinsurance Premium

The following methodology was used to estimate final reinsurance receivables for CY2014:

CY2014 reinsurance recoveries were calculated at the member level. Members for whom the carrier's total paid claims obligation, including IBNR, were identified as being greater than the CY2014 federal reinsurance attachment point of \$45,000 were identified. As specified in the HHS federal reinsurance calculation formula for CY2014, 80% coinsurance was then applied to the member claims between this attachment point and the CY2014 reinsurance limit of \$250,000. This resulted in a reinsurance recovery estimate of \$67.15 PMPM. The CY2014 reinsurance contribution of \$5.25 PMPM was netted against this amount for a total net receivable of \$61.90 PMPM.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

We assumed that individual membership both sold through and outside the Marketplace will be assessed \$2.25 PMPM in reinsurance contributions in CY2016.

Reinsurance recoveries were estimated for SHP's Individual block in total. The Milliman Health Cost Guidelines, combined with the projected allowed charges by member, were used to estimate a claims probability distribution. A coinsurance rate of 50% was applied to the member claims between the attachment point of \$90,000 and the CY2016 reinsurance limit of \$250,000 to estimate the expected annual reinsurance recovery. This amount was divided by 12 to obtain an expected monthly reinsurance recovery of \$22.11 PMPM.

The transitional reinsurance recoveries, net of contributions, are applied to the Index Rate as a market level adjustment. The overall impact of projected net reinsurance recoveries is a premium decrease of \$19.86 PMPM (which is net of the \$2.25 fee), which is applied at the market level as an additive adjustment of -\$19.86 PMPM.

EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

The following table summarizes retention components included in rate development.

Administrative Expense Load: The proposed rates reflect 10.4% for the administrative load.

This load was developed taking into consideration Sharp's overhead and business costs specific to the individual block of business. We apply part of this as a flat PMPM which is the same for all benefit plans, and part as a percentage of premium, as shown above.

Broker Commission Load: The rates include provision for 2.25% commission.

Profit (or Contribution to Surplus) & Risk Margin: The proposed rates reflect 2.00% as a risk/profit margin. This load was applied to all plans.

Taxes and Fees: The following taxes and fees are included in the non-benefit expenses:

- \$2.25 PMPM for contributions to the Federal Transitional Reinsurance Program. Note this amount is reported in the 'projected ACA reinsurance recoveries, net of rein prem, PMPM' amount in Worksheet 1 of the URRT as an offset to recoveries.
- \$2.12 Per Member Per Year for the Patient Centered Outcomes Research Fee, which equates to \$0.18 PMPM.
- \$1.75 Per Member Per Year for the Risk Adjustment User Fee. Note this amount is reported in the 'Projected Risk Adjustments PMPM' amount in Worksheet 1 of the URRT as an offset to risk adjustment payments.
- 0.70% for the ACA Health Insurance Industry Fee.
- \$13.95 PMPM for the State of California Exchange Fee (assessed on QHPs on Exchange only).
The total applied to rates is \$11.19, which represents our projection that 80% of business will be on the Exchange.

EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio, excluding any premium taxes and fees, can be seen on Attachment 1.

EXHIBIT 12. SINGLE RISK POOL

SHP rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the State of California individual health insurance market.

EXHIBIT 13. INDEX RATE

The Index Rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period Index Rate reflects the actual mixture of catastrophic/non-catastrophic enrollment and risk morbidity that SHP received in the Single Risk Pool during the experience period. Note that there were additional benefits offered beyond the EHB benefits. The experience period Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs, or for 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 the EHB benefits.

We used Milliman's Health Cost Guidelines (HCGs) to categorize the historical claims into the benefit categories in Worksheet 1, Section II. By comparing the categorized historical claims against the summary of covered benefits for the California Essential Health Benefits benchmark plan, we were able to identify any service categories that are not considered an Essential Health Benefit (EHB). There were no such services, and, therefore, the experience period Index Rate is equal to the experience period total allowed claims PMPM.

The Index Rate represents 100.000% of the total allowed claim costs for the experience period.

The Index Rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected Index Rate reflects the projected CY2016 mixture of catastrophic/non-catastrophic enrollment and risk morbidity that SHP expects to receive in the Single Risk Pool. To arrive at this value, the experience period Index Rate was adjusted for expected changes in population morbidity, changes in covered benefits, and cost and utilization trends. Note that there are no additional benefits being offered beyond the EHB benefits. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHB benefits.

The Index Rate development, and likewise the plans included on Worksheet 2 of the URRT, reflects all plans SHP intends to sell in 2016 that mirror the Standard Exchange plans, both on and off the Exchange.

Attachment 1 documents the process that we used to develop the premium rates. The URRT and supplemental California templates have been populated, as required, but were not used to develop the rates.

The catastrophic plan adjustment primarily represents the removal of the need for young ages to subsidize older ages that is imposed on the non-catastrophic block by the standard 3:1 age factors.

EXHIBIT 14. MARKET ADJUSTED INDEX RATES

The Market Adjusted Index Rate is calculated by adjusting the Index Rate by the following adjustments:

- Net Risk Adjustment
- Net Transitional Reinsurance
- Marketplace User Fee adjustment

The Market Adjusted Index Rate is not calibrated. This means that this rate reflects the average demographic characteristics of the single risk pool. The California Rating Factor Exhibit within the California SRRT shows the development of the Market Adjusted Index Rate. The values of the adjustment are consistent with those included on Worksheet 1 of the URRT.

Each of the above modifiers were developed as follows:

- Net Risk Adjustment
This factor includes the impact of the estimated risk adjustment transfer payment as addressed in Exhibit 9 plus the Risk Adjustment User Fee of \$0.15.
- Net Transitional Reinsurance
This factor includes the impact of the estimated Transitional Reinsurance PMPM recovery as addressed in Exhibit 9 plus the Transitional Reinsurance Contribution of \$2.25 PMPM.
- Marketplace User Fee adjustment
The Marketplace User Fee adjustment was determined as the average of no fee and the Marketplace user fee, weighted using the expected distribution of issuer enrollment sold through versus outside the Marketplace.

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

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 CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
 - The AV and cost sharing pricing adjustment was developed utilizing Milliman's Health Cost Guidelines (HCGs). Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.
- Provider network, delivery system and utilization management adjustment
 - There are expected differences in claims costs due to differences in provider networks and/or utilization management, as described in Exhibit 19.
- Adjustment for benefits in addition to the EHBs
 - No additional EHBs were added. However, we reflect abortion services as non-EHBs for QHPs offered on the Marketplace on Worksheet 2 of the URRT.
- Adjustment for distribution and administrative costs
 - This adjustment is developed to indicate the impact of non benefit expenses. This adjustment differs by plan due to the relative impact of administrative costs that are developed as a PMPM rather than as a percent of premium. SHP's plan-level administrative load includes both a fixed and variable component.
- Impact of specific eligibility categories for the catastrophic plan
 - This adjustment was developed to illustrate the impact of the restricted age requirements in the Catastrophic risk pool and the expected risk score specific to that population.

The adjustments listed above, as well as the calculation of the Plan Adjusted Index Rates, are shown on the California Rating Factor Exhibit within the California SRRT. The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

Experience Period Plan Adjusted Index Rates

Although Plan Adjusted Index Rates were not required for the CY2014 filing, the methodology for their development would have been identical.

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

The average experience period Plan Adjusted Index Rate PMPM in section III of Worksheet 2 differs from the experience period Premium PMPM on Worksheet 1 for several reasons, as described on Exhibit 23.

EXHIBIT 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Exhibit 15 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

Age Curve Calibration

The weighted average age factor is 1.613. The age closest to this factor, rounded to a whole number, for the single risk pool is 48, with an age factor of 1.635. The Age Curve Calibration factor is the weighted average age factor of 1.613.

In order to determine the calibration factor for age, the projected distribution of members by age was determined. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor.

In order to calculate premium rates for all ages, one must multiply the Calibrated Plan Adjusted Index Rate by the age factor for the desired age.

Geographic Factor Calibration

Since SHP only sells Individual plans in the San Diego rating region, no area factors are used. Therefore, no geographic factor calibration is necessary.

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is 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, the age rating factor and the tobacco status rating factor. All rating factors are described below.

1. Age Factors - SHP premium rates are developed using the 3:1 age curve prescribed by CMS.
2. Geographic Rating Factors - SHP only sells Individual plans in the San Diego rating region, therefore no area factors are used.
3. Tobacco Status Rating Factors - California does not allow for rating by tobacco status, thus these factors are not used.

The Calibrated Plan Adjusted Index Rates shown on the California Rating Factor Exhibit represent the premium charged to a 21-year-old for each specific plan. Because the 21-year-old age factor is 1.000, rates for other ages are determined by multiplying the respective age factor by the Calibrated Plan Adjusted Index Rates.

The premium for family coverage is determined by summing the consumer adjusted premium rates for each individual family member, provided at most three child dependents under age 21 are taken into account.

EXHIBIT 18. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. SHP only offers the Standard Covered California plans in the Individual market. We have relied on Covered California's AV determinations, which were based solely on the 2016 AV Calculator.

EXHIBIT 19. AV PRICING VALUES

For each plan, we have indicated the portion of the AV Pricing Value that is attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). This breakout is shown on the California Rating Factor Exhibit within the California SRRT.

Each plan's AV Pricing Value represents the cumulative effect of adjustments made to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate. The AV Pricing Values reflect the relative impact of the following items:

- Each plan's actuarial value and cost-sharing amounts,
- Each plan's provider network, delivery system characteristics, and utilization management practices,
 - SHP will offer two networks, Premier and Performance, with Premier being the narrower of the two.
- Adjustment for benefits in addition to the EHBs (N/A),
- Administrative costs, excluding Exchange user fees, and
- The expected impact of specific eligibility categories for catastrophic plans.

The adjustment for plan cost sharing includes expected differences in utilization due to differences in cost sharing. These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

EXHIBIT 20. MEMBERSHIP PROJECTIONS

The projected membership (as displayed in Worksheet 2, Section IV of the URRT) was determined in conjunction with SHP's staff. These projections reflect projected market-share targets.

There are no differences between the distribution of projected member months relative to the current membership distribution.

We used the current membership distribution by cost subsidy eligibility to project the portion of the Silver plan enrollment that will be eligible for subsidies in 2016. The projected enrollment by plan and subsidy level is as follows:

These member distributions were used to determine the portion of allowed claims payable by HHS's fund on behalf of the insured, Row 91 on Worksheet 2 of the URRT. The methodology used to determine the cost-sharing reduction payment estimates is consistent with the HHS Notice of Benefit and Payment Parameters for 2016.

We estimated cost sharing subsidy advance payment amounts in the projection period as follows, for each Standard Silver Plan:

= Monthly Premium for Standard Silver Plan x Factor to Remove Administrative Costs x Factor to Convert to Allowed Claims Cost x Induced Utilization Factor x (Plan Variation AV – Standard Plan AV), where

- Factor to Remove Administrative Costs = 0.8 for all plan variations, based on the Individual market MLR of 80 percent;
- Factor to Convert to Allowed Claims Costs = the quotient of 1 and the AV for the standard plan, not accounting for any de Minimis variation;
- Induced Utilization Factor = one of the following factors, depending on the plan variation:

Cost Sharing Reduction Plan Variation	Induced Utilization Factor
100-150 percent of FPL	1.12
150-200 percent of FPL	1.12
200-250 percent of FPL	1.00

The PMPMs calculated were then multiplied by the member months from above to develop the total anticipated annual payments for each of the Standard Silver plans.

EXHIBIT 21. TERMINATED PRODUCTS

No products will be terminated prior to the effective date.

EXHIBIT 22. PLAN TYPE

SHP will offer HMO plans. There are no differences between SHP's plans and the plan type selected in the drop-down box in Worksheet 2, Section I of the Part I Unified Rate Review Template.

EXHIBIT 23. WARNING ALERTS

The following warning alert(s) occurred in Worksheet 2:

There is a warning on the Plan Adjusted Index Rate line of Worksheet 2, Section III. The difference is due to the fact that the overall Experience Period Plan Adjusted Index Rate PMPM shown on Worksheet 2 is being compared to the Experience Period Premium Rate PMPM in Section I on Worksheet 1. The Plan Adjusted Index Rate on Worksheet 2 represents that which was filed (projected) for CY2014, while the Experience Period Premium Rate PMPM on Worksheet 1 represents actual earned premium in CY2014. CMS anticipates that these values may not be similar due to differences in the distribution of ages, geography, and benefits that was projected when the issuer was developing rates versus what actually emerged. These values differ for SHP due to differences in projected membership distribution by age and plan versus membership that actually enrolled in 2014.

EXHIBIT 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

Not applicable.

EXHIBIT 25. RELIANCE

In performing this analysis, I relied on data and other information provided by Sharp Health Plan, under the supervision of Rita Datko, CFO. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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

We also relied upon pediatric dental rates provided by Premier Access, Sharps' dental plan partner, in order to incorporate the cost of the pediatric dental benefit into the composite medical plan premium rates.

Lastly, we relied upon Covered California's Actuarial Value determinations for each of the Individual Exchange Standard plans.

A data reliance letter is attached to this rate submission.

EXHIBIT 26. ACTUARIAL CERTIFICATION

I am a Principal & Consulting Actuary with the firm of Milliman, Inc. Sharp Health Plan engaged me to provide the opinion

I am employed by Milliman, Inc., an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

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
 - 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 geographic rating factors used reflect only differences in the cost of delivery, and do not include differences for population morbidity by geographic area.
5. 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. We relied on the AV determinations released by Covered California, as SHP is only offering the Individual Exchange Standard plans.

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 and/or State regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated marketplaces and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The 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 that 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 that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Signed: _____



Name: John Pickering, FSA, MAAA

Title: Principal & Consulting Actuary

Date: April 27, 2015

DATA RELIANCE

Sharp Health Plan

**Data and Information Relating to the Development of Individual Rates
Effective 1/1/2016**

I, Rita Datko, VP and CFO, Sharp Health Plan, hereby affirm that the data and information prepared for and submitted to John Pickering of Milliman, Inc., were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete. I hereby affirm that the following items are accurately stated, to the best of my knowledge and belief.

- Claims information including incurred dates, paid dates, and amounts paid
- Historical and projected capitation rates
- Membership information including age, gender, tier, benefit plan and selected primary medical group
- Group information including risk adjustment factors and selected provider network
- Medical and pharmacy benefits available to small groups
- Reinsurance contract information, including attachment points and reinsurance levels
- Incurred But Not Paid (IBNP) estimates
- Projected medical fee-for-service and pharmacy trends
- Commission rates, administrative rates and margin
- Other items provided by Sharp Health Plan and pertinent to the Individual rate development



Rita Datko
Vice President, Chief Financial Officer
Sharp Health Plan
8520 Tech Way, Suite 200
San Diego, CA 92123

4/15/15

Date



Part III Actuarial Memorandum

Sharp Health Plan Individual Rate Filing Effective January 1, 2016

Prepared for:
Sharp Health Plan

Prepared by:
John Pickering, FSA, MAAA
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EXHIBIT 1. GENERAL INFORMATION

Document Overview

This document contains the Part III Actuarial Memorandum for Sharp Health Plan's (SHP) individual block of business, effective January 1, 2016. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

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

This information is intended for use by the State of California Department of Managed Health Care (DMHC), Covered California, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of SHP's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

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

Company Identifying Information

Company Legal Name: Sharp Health Plan
State: The State of California has regulatory authority over these policies.
HIOS Issuer ID: 92499
Market: Individual
Effective Date: January 1, 2016

Company Contact Information

Primary Contact Name: Stacy Baker
Primary Contact Telephone Number: (858) 499-8237
Primary Contact Email Address: Stacy.Baker@sharp.com

EXHIBIT 2. PROPOSED RATE INCREASE(S)

Premium Rate Development Approach

In order to develop the 2015 rates, we analyzed Sharp Health Plan's experience for its Individual block of business for the period January 1, 2014 through December 31, 2014 and paid through February 28, 2015. We added IBNP estimates to FFS claim amounts. We projected capitation based on current and best estimate future capitation rates and member mix by primary medical group. We normalized the claims experience by the 3:1 sloped standard age factors and benefit design factors in order to calculate per-rating-unit (per-unit) claims costs. Sharp will not apply an area factor, so we did not normalize by area.

Attachment 1 documents all of the loads that were applied to the trended, normalized claims costs. Attachment 1 starts with normalized average claims costs (average age factor, benefit relativity, and network factor) that have been trended to calendar year 2016. The exhibit documents all subsequent loads, including administrative costs, taxes and fees, and expected changes in claims costs. The final average premium rate at the bottom of Attachment 1 ties to the URRT average premium rate.

Attachment 1 does not document the trending of costs from the experience time period to calendar year 2016. The trends composite to a 5.3% annual trend rate, exclusive of any loads documented on Attachment 1.

We have populated the URRT, the California Supplemental Rate Review Template (SRRT), and the Rate Data Template, as required. These provide a great deal of quantitative information. However, Attachment 1 to this memo in conjunction with the California SRRT provides the best documentation of the pure development of the proposed premium rates.

Proposed Rate Increase(s)

Attachment 2 summarizes proposed rate increases by product effective January 1, 2016. Rate increases vary by plan due to a combination of factors including shifts in benefit relativities and non-benefit expense allocation. The following are significant factors driving the proposed rate increases.

Medical and Prescription Drug Inflation & Utilization Trend

Claims costs were increased for anticipated changes due to medical/prescription drug inflation and increased medical/prescription drug utilization. These are reported in Worksheet 1, Section II of the URRT.

Changes in Prospective Provider Payments

As the majority of Sharp's claim costs are capitated, the change in premium rates includes the change in provider payments for CY2016, as compared to those included in the CY2015 pricing.

Network Adjustment

The overall premium level has been calibrated to reflect the membership distribution by network.

New Taxes, Fees and Administrative Expenses

Changes to the overall premium level are needed because of required changes in federal/state taxes and fees. In addition, there are anticipated changes in the administrative expenses and assumed proportion of business that will be sold with a commission load.

Prospective Benefit Changes

Effective January 1, 2016, Covered California has revised the Standard plan designs so that they maintain their metal tier compliance using the 2016 Actuarial Value (AV) Calculator, as well as to achieve various objectives with consumer transparency and ease of understanding in mind. No benefit designs have been made to the SHP Individual Standard plans other than those required by Covered California.

EXHIBIT 2. PROPOSED RATE INCREASE(S)

Federal Transitional Reinsurance Program Changes

Federal transitional reinsurance program contributions and benefit limits have changed from last year. Specifically, the reinsurance contribution has changed from \$44 PMPY (\$3.67 PMPM) to \$27 PMPY (\$2.25 PMPM). Further, the claims threshold upon which reinsurance recoveries are triggered has changed from \$70,000 (the 2015 pricing was based on the original guidance, which was subsequently lowered to \$45,000) to \$90,000.

Anticipated Single Risk Pool Morbidity

We assume no change in the single risk pool morbidity from CY2015 to CY2016.

Other

N/A

EXHIBIT 3. EXPERIENCE PREMIUM AND CLAIMS

The experience reported on Worksheet 1, Section I of the URRT shows SHP's earned premium and incurred and paid claims for the period of 1/1/2014 through 12/31/2014, with claims paid through 2/28/2015.

The claims shown on Worksheet 1, Section I of the URRT are our best estimate of the amount of claims that were incurred during the 12-month experience period. These claims were processed through Sharp's FFS or capitation payment systems, and stored in Sharp's data warehouse.

Premiums (net of MLR Rebate) in Experience Period

We summarized the premium for the 1/1/2014 through 12/31/2014 experience period based on detailed subscriber-level premium information. We tabulated this information for each enrolled contract.

No MLR rebates are anticipated to be refunded to enrollees. Therefore, we did not include an adjustment for MLR rebates in the CY2014 premium amounts.

Method for Determining Allowed Claims

Allowed claims were developed by combining the incurred FFS paid claims summarized from Sharp's detailed claim-level historical data, capitation payments, and member cost-sharing.

Method for Determining Paid Claims

All paid claims processed both in and out of the claim system were included. Of this amount, 100% was processed through the claim system. An estimate of incurred but not paid claims was added to the processed amount to arrive at a final estimate of total paid claims. No estimate of incurred but not paid claims was added to the prescription drug claims or capitated claims.

Method for Determining Incurred But Not Reported Paid Claims

Incurred but Not Paid (IBNP) was estimated using a completion factor method. The majority of claims costs are capitated, and therefore the volume of IBNP is small. The same IBNP completion factors were applied to the paid and allowed claims.

Method for Determining Paid Cost Sharing

Paid member cost sharing was determined using the patient pay amounts in Sharp's detailed claim-level historical data.

Historical Rate Increases

The historical rate increases shown on Worksheet 2, Section I of the URRT represent average premium increases in CY2013, CY2014, and CY2015. Because SHP's Individual plans were first available beginning 1/1/2014, there are no historical rate increases prior to CY2015.

EXHIBIT 4. BENEFIT CATEGORIES

We assigned the experience data utilization and cost information to benefit categories as shown in Worksheet 1, Section I of the Part 1 URRT based on place and type of service using a detailed claims mapping algorithm summarized as follows:

Inpatient Hospital

Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.

Outpatient Hospital

Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.

Professional

Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.

Other Medical

Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.

Capitation

Includes all services provided under one or more capitated arrangements.

Prescription Drug

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

EXHIBIT 5. PROJECTION FACTORS

This section includes a description of each factor used to project the experience period allowed claims to the projection period, and supporting information related to the development of those factors.

Changes in the Morbidity of the Population Insured

We are projecting no change in the morbidity of the population insured from CY2014 to CY2016. This is reflected in the Population Risk Morbidity adjustment column in URRT Worksheet 1, Section II.

Changes in Benefits

We made the following adjustments to reflect the expected differences in benefits between the experience period and projection period:

- **Benefit Relativities:** We created new benefit relativities for the 2016 Covered California Standard Plans. Benefit relativities adjust for the cost sharing on each plan design. These benefit relativities include induced utilization based on benefit richness, but do not include any adjustment based on the health status of the population expected to enroll in any given plan. The benefit relativities are used to adjust for the change in benefits between the 2014 Covered California Standard Plans in the experience period and the 2016 Covered California Standard Plans in the projection period.
- We have accounted for the addition of an embedded pediatric dental benefit between the experience period and the projection period with an adjustment to the "Other Medical" benefit category. This adjustment is included in the Other Cost Adjustment on URRT Worksheet 1, Section II.

We used Milliman's Health Cost Guidelines (HCGs), in conjunction with the historical experience of SHP's individual block of business, in order to estimate the benefit changes for each of the items listed above.

Changes in Demographics

Our rate projection is based on CY2014 experience, and reflects the average demographics and geographic mix of the CY2014 enrollees. Our development of the CY2016 Index Rate reflects the anticipated differences in the demographic and geographic mix of the population, as compared to the CY2014 experience period, which we expect to be trivial. This adjustment is shown in the Other column of Worksheet 1, Section II.

Additionally, the Other column of Worksheet 1, Section II includes a small load factor to reflect the fact that premium can only be charged to the first three dependents under age 21 in any contract, which is documented on Attachment 1.

Other Adjustments

The Other column of Worksheet 1, Section II contains additional adjustments from those described above. These adjustments have been made to recognize the additional anticipated changes in claims experience between the base period and the projected period.

- As discussed in Exhibit 2, we have included a network adjustment.
- An adjustment was included to account for the late enrollment in CY2014, and specifically the influx of membership in May 2014. This adjustment reflects the fact that CY2014 FFS claims experience will be understated, especially for deductible plans, due to members having less than a full 12 months to accumulate toward their deductibles and OOPMs.

EXHIBIT 5. PROJECTION FACTORS

Trend Factors (Cost/Utilization)

This development of the CY2016 rates reflects an annual trend rate of 5.3%, which was developed using the following data source and methodology:

FFS trend rates were based on a review of historical trend experience for similar SHP Small Group plans and consideration for future contract changes. Prescription drug trends were likewise developed based on a review of historical trend experience for similar SHP Small Group plans. Capitation trends were based on best estimates of future capitation rates and the current Individual LOB member distribution by primary medical group.

EXHIBIT 6. CREDIBILITY MANUAL RATE DEVELOPMENT

Not applicable. SHP's experience in the base period is fully credible, for the purposes of the rate projection.

EXHIBIT 7. CREDIBILITY OF EXPERIENCE

Description of the Credibility Method Used

The CMS guidelines used for Medicare Advantage/Prescription Drug Plans (MA/PD) were used to determine the credibility of the experience. These guidelines specify 24,000 member months as 100% credible for medical and specify the following formula for determination of partial credibility:

$(n / 24,000)^{1/2}$ for medical and
 $(n / 18,000)^{1/2}$ for prescription drugs,

where n = member months in the experience period.

Since prescription drug and medical coverage are both covered, and medical services make up a significantly larger portion of the costs, the above medical formula was used for the determination of partial credibility. The use of the CMS MA/PD credibility is appropriate given that both MA/PD and Commercial cover similar benefit categories.

Resulting Credibility Level Assigned to the Base Period Experience

The credibility assigned to the base period experience is 100%.

EXHIBIT 8. PAID TO ALLOWED RATIO

The Paid to Allowed Average Factor in the Projection Period for the market is shown on Worksheet 1, Section III. This ratio was developed as follows:

We determined each plan's projected paid to allowed ratio using the actual paid to allowed ratios of each respective plan in the base period experience. We feel this is a good representation of the impact of cost sharing on utilization and paid costs and is appropriate to use for the projection period. We calculated the average paid to allowed ratio for the market using our projected membership distribution by plan as weights.

EXHIBIT 9. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

We do not have good information on the statewide risk score for 2014. In the absence of such information, we assume the SHP risk profile was similar to the State's, and assume a risk adjustment transfer amount of \$0.00 PMPM for CY2014.

Projected Risk Adjustments PMPM

The risk score for the plan's experience is projected to be roughly equal to the expected state average risk score in CY2016. The estimates of relative risk and risk transfer payments are highly dependent on the population that enrolls with Sharp Health Plan but also with other carriers in the state.

SHP's average risk is projected to be approximately equal to the state average risk level. As a result, premium levels have been set at the anticipated state average risk level with the expectation that no significant portion of this premium will be either received from or paid to the Risk Adjustment transfer program.

The anticipated risk transfer payments, net of risk adjustment fees assumed to be \$0.15 for CY2016, are applied to the Index Rate as a market level adjustment. The overall impact of projected net risk adjustment transfers is a premium increase of \$0.15 PMPM, which is applied at the market level as an additive adjustment of \$0.15.

Experience Period ACA Reinsurance Recoveries Net of Reinsurance Premium

The following methodology was used to estimate final reinsurance receivables for CY2014:

CY2014 reinsurance recoveries were calculated at the member level. Members for whom the carrier's total paid claims obligation, including IBNR, were identified as being greater than the CY2014 federal reinsurance attachment point of \$45,000 were identified. As specified in the HHS federal reinsurance calculation formula for CY2014, 80% coinsurance was then applied to the member claims between this attachment point and the CY2014 reinsurance limit of \$250,000. This resulted in a reinsurance recovery estimate of \$67.15 PMPM. The CY2014 reinsurance contribution of \$5.25 PMPM was netted against this amount for a total net receivable of \$61.90 PMPM.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

We assumed that individual membership both sold through and outside the Marketplace will be assessed \$2.25 PMPM in reinsurance contributions in CY2016.

Reinsurance recoveries were estimated for SHP's Individual block in total. The Milliman Health Cost Guidelines, combined with the projected allowed charges by member, were used to estimate a claims probability distribution. A coinsurance rate of 50% was applied to the member claims between the attachment point of \$90,000 and the CY2016 reinsurance limit of \$250,000 to estimate the expected annual reinsurance recovery. This amount was divided by 12 to obtain an expected monthly reinsurance recovery of \$22.11 PMPM.

The transitional reinsurance recoveries, net of contributions, are applied to the Index Rate as a market level adjustment. The overall impact of projected net reinsurance recoveries is a premium decrease of \$19.86 PMPM (which is net of the \$2.25 fee), which is applied at the market level as an additive adjustment of -\$19.86 PMPM.

EXHIBIT 10. NON-BENEFIT EXPENSES AND PROFIT & RISK

The following table summarizes retention components included in rate development.

Table 10.1 Sharp Health Plan Illustration of Administrative Expenses by URRT Worksheet 1 Category				
Retention Description	PMPM	% Premium	Basis	Annotation
<u>Administrative Expense Load</u>				
General Administrative Expense Load	\$35.85	1.55%		(1)
+ <u>Broker Commission Load</u>		2.25%		(2)
Subtotal: Administrative Expense Load	\$35.85	3.80%		(3) = (1) + (2)
<u>Profit and Risk Load</u>				
Target Gain/Loss		2.00%		(4)
+ <u>Additional Risk Margin</u>				(5)
Subtotal: Profit and Risk Load	\$0.00	2.00%		(6) = (4) + (5)
+ <u>Taxes and Fees</u>	\$13.77	0.70%		
Subtotal: Taxes and Fees	\$13.77	0.70%		(7)
Total Retention	\$49.61	6.50%		(8) = (3) + (6) + (7)

Administrative Expense Load: The proposed rates reflect 10.4% for the administrative load.

This load was developed taking into consideration Sharp's overhead and business costs specific to the individual block of business. We apply part of this as a flat PMPM which is the same for all benefit plans, and part as a percentage of premium, as shown above.

Broker Commission Load: The rates include provision for 2.25% commission.

Profit (or Contribution to Surplus) & Risk Margin: The proposed rates reflect 2.00% as a risk/profit margin. This load was applied to all plans.

Taxes and Fees: The following taxes and fees are included in the non-benefit expenses:

- \$2.25 PMPM for contributions to the Federal Transitional Reinsurance Program. Note this amount is reported in the 'projected ACA reinsurance recoveries, net of rein prem, PMPM' amount in Worksheet 1 of the URRT as an offset to recoveries.
- \$2.12 Per Member Per Year for the Patient Centered Outcomes Research Fee, which equates to \$0.18 PMPM.
- \$1.75 Per Member Per Year for the Risk Adjustment User Fee. Note this amount is reported in the 'Projected Risk Adjustments PMPM' amount in Worksheet 1 of the URRT as an offset to risk adjustment payments.
- 0.70% for the ACA Health Insurance Industry Fee.
- \$13.95 PMPM for the State of California Exchange Fee (assessed on QHPs on Exchange only).
The total applied to rates is \$11.19, which represents our projection that 80% of business will be on the Exchange.

EXHIBIT 11. PROJECTED LOSS RATIO

The projected loss ratio, excluding any premium taxes and fees, can be seen on Attachment 1.

EXHIBIT 12. SINGLE RISK POOL

SHP rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the State of California individual health insurance market.

EXHIBIT 13. INDEX RATE

The Index Rate for the experience period is a measurement of the average allowed claims PMPM for EHB benefits. The experience period Index Rate reflects the actual mixture of catastrophic/non-catastrophic enrollment and risk morbidity that SHP received in the Single Risk Pool during the experience period. Note that there were additional benefits offered beyond the EHB benefits. The experience period Index Rate has not been adjusted for payments and charges under the risk adjustment and reinsurance programs, or for 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 the EHB benefits.

We used Milliman's Health Cost Guidelines (HCGs) to categorize the historical claims into the benefit categories in Worksheet 1, Section II. By comparing the categorized historical claims against the summary of covered benefits for the California Essential Health Benefits benchmark plan, we were able to identify any service categories that are not considered an Essential Health Benefit (EHB). There were no such services, and, therefore, the experience period Index Rate is equal to the experience period total allowed claims PMPM.

The Index Rate represents 100.000% of the total allowed claim costs for the experience period.

The Index Rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected Index Rate reflects the projected CY2016 mixture of catastrophic/non-catastrophic enrollment and risk morbidity that SHP expects to receive in the Single Risk Pool. To arrive at this value, the experience period Index Rate was adjusted for expected changes in population morbidity, changes in covered benefits, and cost and utilization trends. Note that there are no additional benefits being offered beyond the EHB benefits. The projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment and reinsurance programs, or for Marketplace user fees.

The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHB benefits.

The Index Rate development, and likewise the plans included on Worksheet 2 of the URRT, reflects all plans SHP intends to sell in 2016 that mirror the Standard Exchange plans, both on and off the Exchange.

Attachment 1 documents the process that we used to develop the premium rates. The URRT and supplemental California templates have been populated, as required, but were not used to develop the rates.

The catastrophic plan adjustment primarily represents the removal of the need for young ages to subsidize older ages that is imposed on the non-catastrophic block by the standard 3:1 age factors.

EXHIBIT 14. MARKET ADJUSTED INDEX RATES

The Market Adjusted Index Rate is calculated by adjusting the Index Rate by the following adjustments:

- Net Risk Adjustment
- Net Transitional Reinsurance
- Marketplace User Fee adjustment

The Market Adjusted Index Rate is not calibrated. This means that this rate reflects the average demographic characteristics of the single risk pool. The California Rating Factor Exhibit within the California SRRT shows the development of the Market Adjusted Index Rate. The values of the adjustment are consistent with those included on Worksheet 1 of the URRT.

Each of the above modifiers were developed as follows:

- Net Risk Adjustment
This factor includes the impact of the estimated risk adjustment transfer payment as addressed in Exhibit 9 plus the Risk Adjustment User Fee of \$0.15.
- Net Transitional Reinsurance
This factor includes the impact of the estimated Transitional Reinsurance PMPM recovery as addressed in Exhibit 9 plus the Transitional Reinsurance Contribution of \$2.25 PMPM.
- Marketplace User Fee adjustment
The Marketplace User Fee adjustment was determined as the average of no fee and the Marketplace user fee, weighted using the expected distribution of issuer enrollment sold through versus outside the Marketplace.

EXHIBIT 15. PLAN ADJUSTED INDEX RATES

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 CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
 - The AV and cost sharing pricing adjustment was developed utilizing Milliman's Health Cost Guidelines (HCGs). Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.
- Provider network, delivery system and utilization management adjustment
 - There are expected differences in claims costs due to differences in provider networks and/or utilization management, as described in Exhibit 19.
- Adjustment for benefits in addition to the EHBs
 - No additional EHBs were added. However, we reflect abortion services as non-EHBs for QHPs offered on the Marketplace on Worksheet 2 of the URRT.
- Adjustment for distribution and administrative costs
 - This adjustment is developed to indicate the impact of non benefit expenses. This adjustment differs by plan due to the relative impact of administrative costs that are developed as a PMPM rather than as a percent of premium. SHP's plan-level administrative load includes both a fixed and variable component.
- Impact of specific eligibility categories for the catastrophic plan
 - This adjustment was developed to illustrate the impact of the restricted age requirements in the Catastrophic risk pool and the expected risk score specific to that population.

The adjustments listed above, as well as the calculation of the Plan Adjusted Index Rates, are shown on the California Rating Factor Exhibit within the California SRRT. The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

Experience Period Plan Adjusted Index Rates

Although Plan Adjusted Index Rates were not required for the CY2014 filing, the methodology for their development would have been identical.

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

The average experience period Plan Adjusted Index Rate PMPM in section III of Worksheet 2 differs from the experience period Premium PMPM on Worksheet 1 for several reasons, as described on Exhibit 23.

EXHIBIT 16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates from Exhibit 15 to calibrate rates for the expected age and geographic distribution expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

Age Curve Calibration

The weighted average age factor is 1.613. The age closest to this factor, rounded to a whole number, for the single risk pool is 48, with an age factor of 1.635. The Age Curve Calibration factor is the weighted average age factor of 1.613.

In order to determine the calibration factor for age, the projected distribution of members by age was determined. The weighted average of the factors in the age curve was then calculated using this distribution. The average age was then determined by finding the age of a member that would have the closest factor to the weighted average age curve calibration factor.

In order to calculate premium rates for all ages, one must multiply the Calibrated Plan Adjusted Index Rate by the age factor for the desired age.

Geographic Factor Calibration

Since SHP only sells Individual plans in the San Diego rating region, no area factors are used. Therefore, no geographic factor calibration is necessary.

EXHIBIT 17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is 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, the age rating factor and the tobacco status rating factor. All rating factors are described below.

1. Age Factors - SHP premium rates are developed using the 3:1 age curve prescribed by CMS.
2. Geographic Rating Factors - SHP only sells Individual plans in the San Diego rating region, therefore no area factors are used.
3. Tobacco Status Rating Factors - California does not allow for rating by tobacco status, thus these factors are not used.

The Calibrated Plan Adjusted Index Rates shown on the California Rating Factor Exhibit represent the premium charged to a 21-year-old for each specific plan. Because the 21-year-old age factor is 1.000, rates for other ages are determined by multiplying the respective age factor by the Calibrated Plan Adjusted Index Rates.

The premium for family coverage is determined by summing the consumer adjusted premium rates for each individual family member, provided at most three child dependents under age 21 are taken into account.

EXHIBIT 18. AV METAL VALUES

The AV metal values included in Worksheet 2 are entirely based on the AV Calculator. SHP only offers the Standard Covered California plans in the Individual market. We have relied on Covered California's AV determinations, which were based solely on the 2016 AV Calculator.

EXHIBIT 19. AV PRICING VALUES

For each plan, we have indicated the portion of the AV Pricing Value that is attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). This breakout is shown on the California Rating Factor Exhibit within the California SRRT.

Each plan's AV Pricing Value represents the cumulative effect of adjustments made to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate. The AV Pricing Values reflect the relative impact of the following items:

- Each plan's actuarial value and cost-sharing amounts,
- Each plan's provider network, delivery system characteristics, and utilization management practices,
 - SHP will offer two networks, Premier and Performance, with Premier being the narrower of the two.
- Adjustment for benefits in addition to the EHBs (N/A),
- Administrative costs, excluding Exchange user fees, and
- The expected impact of specific eligibility categories for catastrophic plans.

The adjustment for plan cost sharing includes expected differences in utilization due to differences in cost sharing. These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

EXHIBIT 20. MEMBERSHIP PROJECTIONS

The projected membership (as displayed in Worksheet 2, Section IV of the URRT) was determined in conjunction with SHP's staff. These projections reflect projected market-share targets.

There are no differences between the distribution of projected member months relative to the current membership distribution.

We used the current membership distribution by cost subsidy eligibility to project the portion of the Silver plan enrollment that will be eligible for subsidies in 2016. The projected enrollment by plan and subsidy level is as follows:

Plan Name	73%	87%	94%	Total
Sharp Silver 70 HMO Network 2	3,154	8,426	4,431	16,011
Sharp Silver 70 HMO Network 1	9,778	24,076	12,932	46,785

These member distributions were used to determine the portion of allowed claims payable by HHS's fund on behalf of the insured, Row 91 on Worksheet 2 of the URRT. The methodology used to determine the cost-sharing reduction payment estimates is consistent with the HHS Notice of Benefit and Payment Parameters for 2016.

We estimated cost sharing subsidy advance payment amounts in the projection period as follows, for each Standard Silver Plan:

= Monthly Premium for Standard Silver Plan x Factor to Remove Administrative Costs x Factor to Convert to Allowed Claims Cost x Induced Utilization Factor x (Plan Variation AV – Standard Plan AV), where

- Factor to Remove Administrative Costs = 0.8 for all plan variations, based on the Individual market MLR of 80 percent;
- Factor to Convert to Allowed Claims Costs = the quotient of 1 and the AV for the standard plan, not accounting for any de Minimis variation;
- Induced Utilization Factor = one of the following factors, depending on the plan variation:

Cost Sharing Reduction Plan Variation	Induced Utilization Factor
100-150 percent of FPL	1.12
150-200 percent of FPL	1.12
200-250 percent of FPL	1.00

The PMPMs calculated were then multiplied by the member months from above to develop the total anticipated annual payments for each of the Standard Silver plans.

EXHIBIT 21. TERMINATED PRODUCTS

No products will be terminated prior to the effective date.

EXHIBIT 22. PLAN TYPE

SHP will offer HMO plans. There are no differences between SHP's plans and the plan type selected in the drop-down box in Worksheet 2, Section I of the Part I Unified Rate Review Template.

EXHIBIT 23. WARNING ALERTS

The following warning alert(s) occurred in Worksheet 2:

There is a warning on the Plan Adjusted Index Rate line of Worksheet 2, Section III. The difference is due to the fact that the overall Experience Period Plan Adjusted Index Rate PMPM shown on Worksheet 2 is being compared to the Experience Period Premium Rate PMPM in Section I on Worksheet 1. The Plan Adjusted Index Rate on Worksheet 2 represents that which was filed (projected) for CY2014, while the Experience Period Premium Rate PMPM on Worksheet 1 represents actual earned premium in CY2014. CMS anticipates that these values may not be similar due to differences in the distribution of ages, geography, and benefits that was projected when the issuer was developing rates versus what actually emerged. These values differ for SHP due to differences in projected membership distribution by age and plan versus membership that actually enrolled in 2014.

EXHIBIT 24. EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

Not applicable.

EXHIBIT 25. RELIANCE

In performing this analysis, I relied on data and other information provided by Sharp Health Plan, under the supervision of Rita Datko, CFO. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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

We also relied upon pediatric dental rates provided by Premier Access, Sharps' dental plan partner, in order to incorporate the cost of the pediatric dental benefit into the composite medical plan premium rates.

Lastly, we relied upon Covered California's Actuarial Value determinations for each of the Individual Exchange Standard plans.

A data reliance letter is attached to this rate submission.

EXHIBIT 26. ACTUARIAL CERTIFICATION

I am a Principal & Consulting Actuary with the firm of Milliman, Inc. Sharp Health Plan engaged me to provide the opinion

I am employed by Milliman, Inc., an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet its qualification standards to perform the analysis and render the actuarial opinion contained herein.

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
 - 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 geographic rating factors used reflect only differences in the cost of delivery, and do not include differences for population morbidity by geographic area.
5. 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. We relied on the AV determinations released by Covered California, as SHP is only offering the Individual Exchange Standard plans.

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 and/or State regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated marketplaces and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The 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 that 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 that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Signed: _____



Name: John Pickering, FSA, MAAA

Title: Principal & Consulting Actuary

Date: April 27, 2015

**Attachment 1
Average Rate Development
Sharp Health Plan Individual CY2016**

		<i>PMPMs</i>
Average projected CY claims rate prior to the following items:	\$352.68	\$352.68
<u>% of Premium load factors that do not count as premium taxes and fees</u>		
Plan admin	10.4%	\$42.17
Commissions	2.2%	\$9.13
Margin	2.0%	\$8.14
<u>Subtotal</u>	<u>14.6%</u>	<u>\$59.44</u>
<u>% of premium loads that count as premium taxes and fees</u>		
Industry fee	0.7%	\$2.86
<u>Fixed PMPM premium loads that count as premium taxes and fees</u>		
Reinsurance fee	\$2.25	\$2.25
PCORI fee	0.18	\$0.18
Risk adjustment fee	0.15	\$0.15
Exchange fee	11.19	\$11.19
<u>Subtotal</u>	<u>\$13.77</u>	<u>\$13.77</u>
<u>Multiplicative load factors</u>		
Morbidity change	1.000	\$0.00
Pent-up demand	1.000	\$0.00
Age compression	1.000	\$0.00
Reinsurance recoveries	0.937	-\$22.11
3 dependent under 21 limit	1.001	\$0.19
<u>Subtotal</u>	<u>0.938</u>	<u>-\$21.92</u>
Total Average Premium Rate	\$406.82	\$406.82
Adjusted MLR (adjusted for taxes only)	84.77%	

**Attachment 2
Sharp Health Plan
CY2016 Individual Rate Filing
Proposed Rate Increases by Plan**

Plan ID	Plan Name	Inflation / Util Trend	Changes in Provider Payments	Network Adjustment	Taxes, Fees, and Admin Expenses	Prospective Benefit Changes	Reinsurance Program Changes	Morbidity Changes	Total Premium Rate Increase (1)
0001	Sharp Platinum 90 HMO Network 2	1.04	1.02	0.99	0.98	1.00	0.99	1.00	1.020
0002	Sharp Platinum 90 HMO Network 1	1.04	1.02	0.99	0.98	1.00	0.99	1.00	1.019
0003	Sharp Gold 80 HMO Network 2	1.04	1.02	0.99	0.98	1.00	0.99	1.00	1.014
0004	Sharp Gold 80 HMO Network 1	1.04	1.02	0.99	0.98	0.99	0.99	1.00	1.012
0005	Sharp Silver 70 HMO Network 2	1.04	1.02	0.99	0.98	1.00	0.99	1.00	1.018
0006	Sharp Silver 70 HMO Network 1	1.04	1.02	0.99	0.98	0.99	0.99	1.00	1.011
0008	Sharp Bronze 60 HMO Network 2	1.05	1.02	0.99	0.99	0.96	0.99	1.00	0.985
0009	Sharp Bronze 60 HSA HMO Network 1	1.05	1.02	0.99	0.98	0.98	0.99	1.00	1.003
0010	Sharp Minimum Coverage HMO Network 2	1.04	1.02	0.99	0.98	0.99	0.99	1.00	1.001

(1) Total Premium Rate Increase ties to Rate Increase shown on URRT Worksheet 2. Refer to Actuarial Memorandum for description of each component.

DATA RELIANCE

Sharp Health Plan

**Data and Information Relating to the Development of Individual Rates
Effective 1/1/2016**

I, Rita Datko, VP and CFO, Sharp Health Plan, hereby affirm that the data and information prepared for and submitted to John Pickering of Milliman, Inc., were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete. I hereby affirm that the following items are accurately stated, to the best of my knowledge and belief.

- Claims information including incurred dates, paid dates, and amounts paid
- Historical and projected capitation rates
- Membership information including age, gender, tier, benefit plan and selected primary medical group
- Group information including risk adjustment factors and selected provider network
- Medical and pharmacy benefits available to small groups
- Reinsurance contract information, including attachment points and reinsurance levels
- Incurred But Not Paid (IBNP) estimates
- Projected medical fee-for-service and pharmacy trends
- Commission rates, administrative rates and margin
- Other items provided by Sharp Health Plan and pertinent to the Individual rate development



Rita Datko
Vice President, Chief Financial Officer
Sharp Health Plan
8520 Tech Way, Suite 200
San Diego, CA 92123

4/15/15

Date



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milliman.com

April 27, 2015

Rita Datko
Sharp Health Plan
8520 Tech Way, Suite 200
San Diego, CA 92123

Re: Actuarial Memorandum - Individual Rate Filing, Effective January 1, 2016

Dear Rita,

Thank you for requesting our support to prepare the actuarial memorandum for SHP's individual rate filing.

Overview

We have prepared two versions of SHP's actuarial memorandum:

- 1. Un-redacted ("CMS") Version - 2016 Act Memo - SHP Ind.pdf**
This version will be used for CMS review and contains all the required data elements and information with no redactions.
- 2. Redacted ("Public") Version - 2016 Act Memo - SHP Ind_Redacted.pdf**
This version will be made available to the public in the case of any FOIA requests. It redacts any information that is a trade secret or confidential commercial or financial information.

SHP must upload both versions of the actuarial memorandum with the rate filing.

Caveats and Limitations

This actuarial memorandum has been prepared for the specific purpose of providing certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes. This information is intended for use by the State of California Department of Managed Health Care (DMHC), Covered California, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of SHP's individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Milliman under any theory of law.

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 that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

In performing this analysis, we relied on data and other information provided by SHP. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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.

Milliman does not provide legal advice, and recommends that SHP consult with its legal advisors regarding legal matters.

This actuarial memorandum is subject to the terms and conditions of the Consulting Services Agreement between Sharp Health Plan (SHP) and Milliman, Inc. (Milliman) dated November 24, 2003.

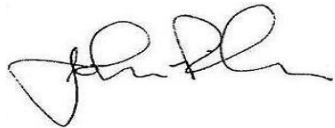
Acknowledgment of Qualification

I, John Pickering, FSA, MAAA, am a Principal & Consulting Actuary for Milliman. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Next Steps

If you have any questions about this report, please give me a call at (206) 504-5884.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Pickering', written in a cursive style.

John Pickering, FSA, MAAA
Principal & Consulting Actuary