

ILLINOIS ACTUARIAL MEMORANDUM REQUIREMENTS - SMALL GROUP

ITEM	DESCRIPTION	LOCATION IN MEMORANDUM
		See Pages 11-14 for AM Format
Scope and Purpose	The scope and purpose of the filing, including all laws the filing is intended to comply with.	Act Memo Item 1a
Market	The market in which the products and plans are offered.	Act Memo Item 1b
Policy Forms	List all policy form numbers including HIOS Product Codes and Product Names	Act Memo Item 1c
Description of Benefits	A narrative description of the benefit that will be provided by the policy forms included in the filing.	Act Memo Item 1d
Marketing Method	A description of the marketing methods used to inform consumers of the availability of the policies.	Act Memo Item 1e
History of Rate Adjustments	The month, year and percentage amount of all previous rate revisions	Act Memo Item 2a
Effective Date of Requested Rate Increase	The month and year that the requested rate adjustment is scheduled to be implemented	Act Memo Item 2b
Months of Rate Guarantee	The number of months that the rate will be guaranteed to a small group policy holder	Act Memo Item 2c
Effective Through Date and Any Rate Increase Schedule Applicable	The pre-filed quarterly rate increases for small groups	Act Memo Item 2d

SERFF Number of Prior Filing		SERFF Tracking Number of the Company's last small group rate filing in Illinois.	Act Memo Item 2e
Effective Date of Prior Filing		The effective date of the Company's last small group rate filing in Illinois.	Act Memo Item 2f
Proposed Percentage Rate Change		The requested rate adjustments for each product and plan. This should include the increase from one year prior and from the current rates. For each plan include the minimum, maximum and average rate increase, if different.	Act Memo Item 2g
Reason for Rate Change		A narrative description of the significant factors driving the change in rates	Act Memo Item 2h
Average Annual Premium		The average premium for the entire single risk pool, before and after the requested rate adjustment.	Act Memo Item 2i
Number of Policyholders and Covered Lives		The number of Illinois policyholders and covered lives affected by the proposed rate increase.	Act Memo Item 2j
Projected loss ratio with and without proposed rate increase		The traditional loss ratio using the projected premiums and claims and using the current premiums and projected claims	Act Memo Item 2k
Cumulative, future and lifetime loss ratios		Historic loss ratios by year, cumulative loss ratio to date, the projected loss ratio and the loss ratio combining both the past history and the projected experience	Act Memo Item 2l
Dates of Service for the Experience Period Used to Develop Rates		The dates of service of claims representing the base period experience used to develop the index rate for the single risk pool.	Act Memo Item 3a
Date Through Which Claims Were Paid		The date through which claim payments were made on claims incurred during the experience period.	Act Memo Item 3b

Estimated Allowed Claims During the Experience Period Used to Develop Rates		The actuary's best estimate of allowed claims for the single risk pool during the experience period that were used as a basis for developing the projected index rate. Include an explanation of the treatment of large claims, pooling charges, treatment of commercial reinsurance etc.	Act Memo Item 3c
Method for Determining Allowed Claims		The method used to determine allowed claims (e.g. directly from claims system, paid claims plus required cost sharing)	Act Memo Item 3d
Incurred but Not Paid Claims		Support for the method used to develop the incurred but not paid claims on an allowed basis.	Act Memo Item 3e
Premium in Experience Period (Net of MLR Rebate)		The best estimate of premium earned during the experience period, both before and after the MLR rebates	Act Memo Item 3f
Adjustments to Allowed Claims During the Experience Period		Description and numerical support for adjustments made to the experience period allowed claims for the single risk pool that were used as a basis for developing the projected index rate to adjust for the potentially volatile nature of the experience.	Act Memo Items 4a and 4b
Changes to Benefits		A description and quantitative support of the average benefit changes (i.e. changes to covered services) between the experience period and the projection period, and a description of and support for the impact of each change on rates. Separately specify which changes were made to comply with Federal Law.	Act Memo Item 5a
Trend Factors (Cost and Utilization)		A description of how trend is developed for each major service category, and a detailed trend analysis supporting the factors used. Actual vs. expected trend for the past 36 months must also be provided. Explain any significant differences from prior filings.	Act Memo Item 5b
Quarterly Trend Factors		Trend factors applied to quarterly rate increases	Act Memo Item 5c

Projected Changes in the Demographics of the Population Insurance		A description and quantitative support for the development of factors used to adjust the experience period claims to reflect differences in the average demographics of the population covered in the experience period and the population anticipated to be covered in the projection period.	Act Memo Item 5d
Projected Changes in the Morbidity of the Insured Population		A description and quantitative support for the development of factors used to adjust the experience period claims to reflect differences in the average morbidity of the population covered in the experience period and the population anticipated to be covered in the projection period.	Act Memo Item 5e
Other Projected Changes		A description and quantitative support for the development of any other factors used to adjust the experience period claims to reflect differences between the experience period and the projection period.	Act Memo Item 5f
Methodology Used to Develop the Credibility Manual Rate		Description of the methodology and base data used to develop the credibility manual index rate, if applicable.	Act Memo Item 6a
Source and Appropriateness of the Experience Used to Develop the Credibility Manual Rate		Description of the source data used to develop the credibility manual index rate and support that the data is appropriate.	Act Memo Item 6b
Adjustments Made to Data Used to Develop the Credibility Manual Rate		Description and support for each adjustment made to the experience used to develop the credibility manual index rate, if applicable.	Act Memo Item 6c
Inclusion of Capitation Payments in Developing the Credibility Manual Rate		Description of how capitated services were accounted for in developing the credibility manual index rate, if applicable.	Act Memo Item 6d
Credibility Methodology		Description of the methodology used to determine the credibility of the base period experience.	Act Memo Item 7a

Credibility Level(s)		The credibility level assigned to the base period experience	Act Memo Item 7b
Covered Services - Essential Health Benefits		Description and percent of claims represented by benefits which are Essential Health Benefits added between the experience period and the projection period	Act Memo Item 8a
Covered Services- State Mandated Benefits Which Are Not Essential Health Benefits		Description and percent of claims represented by benefits which are Illinois State mandated benefits but are NOT Essential Health Benefits	Act Memo Item 8b
Covered Services - Eliminated Benefits		Description and percent of claims represented by benefits which were covered in the experience period but will not be covered in the projection period.	Act Memo Item 8c
Covered Services- Additional Mandated Supplementary Benefits		Listing of benefits that will be covered on a mandatory basis in the projection period but are NOT Essential Health Benefits or State Mandated Benefits	Act Memo Item 8d
Covered Services - Changes in the Level of Covered Services		Description of benefits which were covered in the experience period but will be covered at a different level in the projection period (e.g. change in the number of visits covered)	Act Memo Item 8e
Covered Services - EHB Substitutions		Description and support for any benefits substituted for Essential Health Benefits	Act Memo Item 8f
Credibility Adjusted Projected Claims		Estimated claims for the projection period, after adjusting for credibility, including appropriate support	Act Memo Item 9
Projected Index Rate		Description of the development of the index rate for the projection period, representing the Essential Health Benefit portion of the credibility adjusted projected claims	Act Memo Item 10

Risk Transfer Payments		Demonstration of the calculation of the estimate of the risk transfer payments during the projection period	Act Memo Item 11
Development of Market Adjusted Index Rate		Demonstration of the calculation of the estimate of the net reinsurance receipt during the projection period. Demonstration of the development of the market adjusted index rate, showing adjustments for: a. Risk Adjustment b. Reinsurance c. Exchange Fees	Act Memo Item 12
Plan Level Adjusted Index Rate		Demonstration of the development of the plan-adjusted index rate, including adjustments for the allowable plan level adjustments outlined in 45 CFR 154.80(d)(2). This should include: a. Addition of non-EHBs; b. Benefit adjustments based on the differences in actuarial value relative to the market average; c. Benefit richness adjustment impact on utilization relative to the average for the market; d. Non-benefit expenses; e. Network differences; and f. Care management differences. g. Calibration for smoker enrollment; h. Adjustment for catastrophic plan eligibility	Act Memo Item 13
AV Metal Values		Description of how the AV Metal Values for each of the plans was calculated, and support for use of alternate methodologies other than the AV calculator	Act Memo Item 14a
AV Pricing Values		Description of how the AV Pricing Values for each of the plans was calculated, and how they relate to the factors used in the development of the Plan Level Adjusted Index Rate	Act Memo Item 14b

Paid to Allowed Ratio		Description of the methodology used to develop the paid to allowed ratio	Act Memo Item 15
Projected Non-Benefit Expenses, Risk and Profit		Administrative costs with quality improvement and other items separated, taxes and fees and changes in risk adjustment payments and receivables assumed in the rates and reinsurance receivables assumed in the rates compared to current projections for the current year. Explain any significant changes in non-benefit costs estimates from those in prior filings.	Act Memo Item 16a
Comparison of Current and Proposed Non-Benefit Expenses, Risk and Profit		A comparison of the amounts by prescribed expense category as a percent of premium and on a PMPM basis for both the current and proposed rates. Separate out the quality improvement costs.	Act Memo Item 16b
Varying Non-Benefit Expenses By Plan		Support for non-benefit expense loads as a percent of premium that vary by plan	Act Memo Item 16c
Age Factors		Confirm the prescribed standardized factors were used.	Act Memo Item 17a
Geographic Factors		Development of proposed factors for use with the Illinois defined geographic rating regions and support for any changes.	Act Memo Item 17b
Tobacco Factors		Development of proposed tobacco status categories and corresponding factors and support for any changes.	Act Memo Item 17c
Family Composition		Proposed family composition factors/methodology and demonstration that the premium developed is consistent with the premium developed using the methodology described in 45 CFR 147.102, paragraphs (c)(1) or (c)(2)	Act Memo Item 17d

Development of Rate Tables		Description of how the plan level adjusted index rate was calibrated to the carrier's projected age and geographic distribution for use in developing age, geographic and tobacco status specific rates. Provide a sample rate calculation.	Act Memo Item 18a
Weighted Average Age		Provide the weighted average age that corresponds to the projected single risk pool and a demonstration of the calculation. Include the factors used in the determination of the weighted average age, the distribution of members by age and the description of the corresponding data source.	Act Memo Item 18b
Age Curve Calibration		Provide a demonstration of the age calibration factor used to adjust the rates of the single risk pool to an adult age 21. An actuarial justification that the methodology employed in the calculation of the weighted average age and the calibration to the age curve complies with the standard age curve methodology and conforms with rating rules specified in 45 CFR 147.102.	Act Memo Item 18c
Geographic Calibration Factor		Provide the geographic calibration factor that is applied to the single risk pool, if necessary. If the weighted average of the geographic factors does not equal 1.0, detailed documentation of the calculation of the geographic calibration factor is required.	Act Memo Item 18d

Development of All Product Base Rates	Provide a quantitative development of all product base rates based on the market base rate (The base rate is the same as the non-tobacco rate for a person age 21 before the region factor is applied.). Allowed adjustments are: a. Addition of non-EHBs; b. Differences in actuarial value; c. Benefit richness adjustment impact on utilization; d. Differences in administrative costs; e. Taxes and fees; f. Network differences; g. Care management differences; h. Catastrophic plan eligibility;	Act Memo Item 19
Risk Corridor Payments or Recoveries	Include documentation of any risk corridor payments or recoveries in the experience period	Act Memo Item 20
Company Financial Position	Description of carrier's current financial position	Act Memo Item 21
Last Five Years' RBC	Report RBC for the last five years	Act Memo Item 22
Projected Federal MLR	Demonstration of the anticipated Federal MLR during the projection period	Act Memo Item 23a
Explanation when the future loss ratio is not consistent with the federal rebate MLR	Explain why the projected federally calculated loss ratio is different from the rebate formula MLR, if applicable.	Act Memo Item 23b
Reliance	Disclosure of any information developed by other individuals that the actuary relied on in the development of rates.	Act Memo Item 24
Identification of the Certifying Actuary	The certifying actuary must identify himself/herself and indicate he/she is a member of the American Academy of Actuaries	Act Memo Item 25

Certification of the Index Rate		Certification that the index rate was calculated appropriately and in compliance with applicable laws and actuarial standards of practice.	Act Memo Item 25
Certification of the Plan Level Rates		Certification that plan level rates were developed using the index rate and only adjusting for allowable factors	Act Memo Item 25
Certification of Metal AV		Certification that the standard AV Calculator was used to determine the metal AV for each plan, or if an alternate methodology was used, certification that the alternate methodology is consistent with the AV Calculator	Act Memo Item 25
Certification of Geographic Factors		Certification that geographic factors reflect only differences in the costs of delivery (including both unit costs and provider practice patterns) and do NOT reflect differences in morbidity	Act Memo Item 25
Certification of Compliance with Applicable Federal Regulations		Certification that the proposed rates were developed in compliance with applicable Federal regulations	Act Memo Item 25

Certification of Compliance with Actuarial Standards of Practice	Certification that the filing has been prepared in compliance with ASOPs 8, 26, 31, and 41.	Act Memo Item 25
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FORMAT FOR ACTUARIAL MEMORANDUM

ITEM NUMBER

DESCRIPTION

1. GENERAL INFORMATION

Act Memo Item 1a	Scope and Purpose
Act Memo Item 1b	Market
Act Memo Item 1c	Policy Forms
Act Memo Item 1d	Description of Benefits
Act Memo Item 1e	Marketing Method

2. PROPOSED RATES

Act Memo Item 2a	History of Rate Adjustments
Act Memo Item 2b	Effective Date of Requested Rate Increase
Act Memo Item 2c	Months of Rate Guarantee
Act Memo Item 2d	Effective Through Date and Any Rate Increase Schedule Applicable
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Act Memo Item 2f	Effective Date of Prior Filing
Act Memo Item 2g	Proposed Percentage Rate Change
Act Memo Item 2h	Reason for Rate Change
Act Memo Item 2i	Average Annual Premium
Act Memo Item 2j	Number of Policyholders and Covered Lives
Act Memo Item 2k	Projected loss ratio with and without proposed rate increase
Act Memo Item 2l	Cumulative, future and lifetime loss ratios

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Act Memo Item 3a	Dates of Service for the Experience Period Used to Develop Rates
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Act Memo Item 3b	Date Through Which Claims Were Paid
Act Memo Item 3c	Estimated Allowed Claims During the Experience Period Used to Develop Rates
Act Memo Item 3d	Method for Determining Allowed Claims
Act Memo Item 3e	Incurred but Not Paid Claims
Act Memo Item 3f	Premium in Experience Period (Net of MLR Rebate)

4. ADJUSTMENTS TO ALLOWED CLAIMS DURING THE EXPERIENCE PERIOD

Act Memo Items 4a and 4b	Adjustments to Allowed Claims During the Experience Period
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5. PROJECTION FACTORS

Act Memo Item 5a	Changes to Benefits
Act Memo Item 5b	Trend Factors (Cost and Utilization)
Act Memo Item 5c	Quarterly Trend Factors
Act Memo Item 5d	Projected Changes in the Demographics of the Population Insurance
Act Memo Item 5e	Projected Changes in the Morbidity of the Insured Population
Act Memo Item 5f	Other Projected Changes

6. CREDIBILITY MANUAL RATE ADJUSTMENT

Act Memo Item 6a	Methodology Used to Develop the Credibility Manual Rate
Act Memo Item 6b	Source and Appropriateness of the Experience Used to Develop the Credibility Manual Rate
Act Memo Item 6c	Adjustments Made to Data Used to Develop the Credibility Manual Rate
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7. CREDIBILITY

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8. COVERED SERVICES

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Act Memo Item 8b	Covered Services- State Mandated Benefits Which Are Not Essential Health Benefits
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Act Memo Item 8f	Covered Services - EHB Substitutions

9. CREDIBILITY ADJUSTED PROJECTED CLAIMS

10. PROJECTED INDEX RATE

11. RISK TRANSFER PAYMENTS

12. DEVELOPMENT OF MARKET ADJUSTED INDEX RATE

13. PLAN LEVEL ADJUSTED INDEX RATE

14. ACTUARIAL VALUES

Act Memo Item 14a	AV Metal Values
Act Memo Item 14b	AV Pricing Values

15. PAID TO ALLOWED RATIO Paid to Allowed Ratio

16. NON-BENEFIT EXPENSES INCLUDING RISK AND PROFIT MARGIN

Act Memo Item 16a	Projected Non-Benefit Expenses, Risk and Profit
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18. RATE TABLES

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19. DEVELOPMENT OF ALL PRODUCT BASE RATES

20. RISK CORRIDOR PAYMENTS OR RECOVERIES

21. COMPANY FINANCIAL POSITION

22. LAST FIVE YEARS' RBC

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Act Memo Item 25	Certification of the Plan Level Rates
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Act Memo Item 25	Certification of Geographic Factors
Act Memo Item 25	Certification of Compliance with Applicable Federal Regulations
Act Memo Item 25	Certification of Compliance with Actuarial Standards of Practice