



**ACTUARIAL MEMORANDUM – TRADE SECRET
AMERIHEALTH CARITAS VIP NEXT, INC.
INDIVIDUAL MARKET RATES EFFECTIVE 1/1/2025
HIOS ISSUER ID 72760**

GENERAL INFORMATION SECTION

I, Kara Clark, am a Partner with Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), and have been retained by AmeriHealth Caritas VIP Next, Inc. (AHC) to assist in the review and development of their single risk pool plans to be offered for calendar year 2025 in the individual market. The plans associated with this filing will be offered both on and off the Federally Facilitated Marketplace (FFM) in Delaware. The effective date of the proposed rates is January 1, 2025.

This actuarial memorandum supports a rate filing for AHC’s individual market business. The scope of this memorandum is limited to supporting the development of the individual market rates. The rates were developed in compliance with the applicable laws and regulations of the State of Delaware as well as the Affordable Care Act and its implementing regulations. This memorandum should not be used for any purpose other than those expressly stated.

Below is a summary of the company identifying information and company contact information.

Company Identifying Information

Company Legal Name	AmeriHealth Caritas VIP Next, Inc.
State	Delaware
HIOS Issuer ID	72760
Market	Individual
Effective Date	1/1/2025

[REDACTED]	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Proposed Rate Changes

[REDACTED]
[REDACTED] A summary of the rate change is as follows:

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

REASON FOR RATE INCREASE(S)

[REDACTED]

MARKET EXPERIENCE

[REDACTED]

A. Experience and Current Period Premium, Claims, and Enrollment

Paid Through Date:

AHC's experience data is paid through [REDACTED]

Current Date:

AHC has approximately [REDACTED] covered lives in Delaware as of [REDACTED]

Experience Period Premium:

AHC received [REDACTED] for the 2023 plan year, not including risk adjustment transfers.

Allowed and Incurred Claims Incurred During the Experience Period:

AHC had [REDACTED] in allowed claims and [REDACTED] in incurred claims in the 2023 plan year, inclusive of claims incurred but not reported.

B. Benefit Categories

The Claims from the 2023 plan [REDACTED]

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

AHC experience was assigned [REDACTED]. Claims underlying the experience and manual rate were grouped into the benefit categories using claim line level characteristics such as place of service, provider type, revenue codes, procedure codes, etc. The definitions used to bucket the claims into benefit categories are consistent with the preferred definitions in the URRT instructions.

Inpatient hospital claims are claims associated with an inpatient facility stay. These include claims associated with medical, surgical, maternity, mental health, and substance abuse admissions, as well as admissions at skilled nursing facilities.

Outpatient hospital claims are claims associated with outpatient facility services. These include claims associated with emergency room visits, surgeries, lab and radiology services, therapies, etc.

Professional claims are claims associated with services rendered by primary care physicians and specialists, therapy services, the professional component of lab and radiology services, and other professional services.

Other Medical claims are claims associated with ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services, Part B drugs dispensed or administered by a provider, and other items.

Prescription drugs include all drugs dispensed by a retail pharmacy. Pharmacy costs are net of pharmacy rebates.

AHC does not have any capitation arrangements.

C. Projection Factors

The premium rates were developed using a manual rate [REDACTED].

Medical and Pharmacy Trends:

Not applicable.

Morbidity Adjustment:

Not applicable.

Demographic Shift:

Not applicable.

Plan Design Changes:

Not applicable.

Other Adjustments:

Not applicable.

MANUAL RATE ADJUSTMENTS

AHC had no credibility in 2023, so a manual rate was used to develop the projected 2025 premium rates.

A. Source and Appropriateness of Experience Data Used

[REDACTED]

B. Adjustments Made to the Data

The following adjustments were made to the manual rate to project 2025 claim costs.

Demographic Adjustment

An adjustment of [REDACTED] was applied to account for differences in the demographic mix between the projected population and the population underlying the manual rate experience.

[REDACTED]

The table below demonstrates the development of the demographic adjustment.

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Morbidity Adjustment

[REDACTED]

[Redacted Table]

HMO Adjustment

An adjustment of [Redacted] was applied to account for differences between the network mix underlying the manual rate and the projected population. [Redacted]

[Redacted]

The table below summarizes the development of the HMO adjustment.

[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

[Redacted]

Provider Contract Adjustment

An adjustment of [Redacted] was applied to account for differences in the provider contracts between the projected population and the population underlying the manual rate experience. [Redacted]

[Redacted]

Trend Adjustment

An adjustment of [REDACTED] was applied to trend the calendar year 2021 experience underlying the manual rate forward to the projected period. [REDACTED]

[REDACTED]

To develop the assumed trend rates, historical Delaware medical and pharmacy trends assumed in individual ACA pricing were analyzed. Additionally, we compared the results of our trend analysis to a comprehensive trend survey produced by Oliver Wyman as of July 2023. The survey reflects responses from carriers and HMOs insuring over 6.3 million individual members. [REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Regulatory Framework

[REDACTED]

- [REDACTED]
- [REDACTED]

Inclusion of Capitation Payments

AHC will not have any capitated arrangements in the projection period.

CREDIBILITY OF EXPERIENCE

AHC had limited ACA experience in Delaware in 2023, so the credibility assigned to the experience is 0.0%. The manual rate consists of more than [REDACTED] member months of experience. Actuarial Standard of Practice #25, "Credibility Procedures," was considered when assigning credibility to the manual rate.

ESTABLISHING THE INDEX RATE

The projected allowed cost PMPM was adjusted to reflect the population expected to be insured in 2025, including an adjustment for claims trend. With these adjustments, the projected Index Rate

large commercial dataset and was calibrated to produce paid claim costs that are consistent with those expected to be observed in 2025. The cost sharing parameters for each plan were applied to the applicable service categories to determine the paid to allowed ratio for each plan. MarVAL™ does not reflect differences in selection between populations with different morbidities. The Average Cost Sharing Factor is consistent with the ratio of projected incurred claims to projected allowed claims across all plans shown on Worksheet 2, Section IV of the URRT.

A. Reinsurance

There is no federal reinsurance program to consider; however, it is expected that Delaware will operate a state-based reinsurance program in 2025. We have utilized the previous year's reinsurance parameters consistent with the guidance provided by the Delaware Department of Insurance (i.e., \$65,000 attachment point, 78% coinsurance, and \$340,000 cap).

[REDACTED]

B. Risk Adjustment Payment/Charge

There are three components of the risk adjustment payment/charge: the risk adjustment transfer payment/charge, the high cost risk pool receipt, and the high cost risk pool assessment. AHC does not anticipate Risk Adjustment Data Validation will have any impact on the 2025 risk adjustment transfer payment/charge.

For the risk adjustment payment/charge, we have assumed that AHC will enroll a population in 2025 that has a risk level equal to the risk level of the statewide average. As a result, we have assumed AHC will not have a risk adjustment transfer payment/charge. The expense shown in the URRT reflects the cost of the high cost risk pool charge.

C. Exchange User Fees

[REDACTED]

PLAN ADJUSTED INDEX RATES

The PAIRs are developed by applying all allowable plan level modifiers to the MAIR. Two plan level adjustments are applied to the MAIR to develop the PAIRs: an actuarial value and cost sharing adjustment and an adjustment for administrative costs. Since AHC only offers one network, a plan level

adjustment for network is not applicable. AHC does not charge for any non-EHB benefits, so the EHB adjustment does not apply. AHC will not offer a catastrophic plan in 2025, so the catastrophic adjustment does not apply either. Each applicable plan level adjustment is described further in the following sub-sections.

Please note that while Worksheet 2, Section III of the URRT summarizes the calculation of each PAIR; the actual PAIR will vary slightly relative to those shown in the URRT due to differences in rounding. Appendix A summarizes the calculation of each PAIR used to calculate consumer premium rates for individuals with effective dates of coverage in 2025.

A. Actuarial Value and Cost Sharing Adjustments

The actuarial value and cost sharing adjustments were developed using Oliver Wyman’s MarVAL™ model. The model was calibrated to produce allowed claim costs PMPM that are consistent with those expected to be observed in 2025, and the cost sharing parameters for each plan were applied to the appropriate service categories to determine the paid to allowed ratio for each plan. The actuarial value and cost sharing adjustment includes an estimate of induced utilization related to cost sharing but does not reflect any difference due to the health status of the individuals expected to select a given plan. The induced utilization assumptions underlying the actuarial value and cost sharing adjustment follow the HHS induced demand assumptions underlying the risk adjustment transfer formula.



B. Benefits in Excess of EHBs



C. Administrative Costs

Administrative costs are applied both as a fixed percent of premium and on a PMPM basis. The risk adjustment user and PCORI fees are applied equally to each plan as a PMPM amount, which will result in slight differences for the taxes and fees assumption by plan as a percent of premium. The administrative costs are summarized below for each of the administrative cost categories shown on Worksheet 2, Section III of the URRT. While exchange user fees are reflected as a market level adjustment and not reflected as an administrative cost adjustment on Worksheet 2, Section III, they are reflected in the tables below for completeness.

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

The plan types selected in the drop-down box on Worksheet 2, Section I of the URRT are representative of the proposed plans included with this filing. All plans offered in 2025 will be HMO plans.

RELIANCE

In preparing this filing, I have relied upon AHC staff for 2023 AHC claims, membership, and interim risk transfer report details. I have also relied upon AHC staff for 2024 AHC enrollment, non-benefit expense assumptions and information related to provider contracts.

ACTUARIAL CERTIFICATION

I, Kara Clark, Partner at Oliver Wyman Actuarial Consulting, have been engaged by AmeriHealth Caritas VIP Next, Inc. (AHC) to prepare this actuarial memorandum and corresponding rates. Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), is 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.

The information included in this actuarial memorandum has been prepared for use by AHC. Oliver Wyman makes no representation or warranty to any third party regarding the content of this actuarial memorandum and no third party may rely on the information included in this actuarial memorandum that would create any legal duty by Oliver Wyman to any third party.

The analysis underlying the development of the rates included in this actuarial memorandum is based on our interpretation of current State and Federal laws and regulations. Should these laws and/or regulations be modified our results could be subject to change. It should be noted that Oliver Wyman is an actuarial consulting firm and is not engaged in the practice of law. Therefore, nothing in this actuarial memorandum should be interpreted as legal advice.

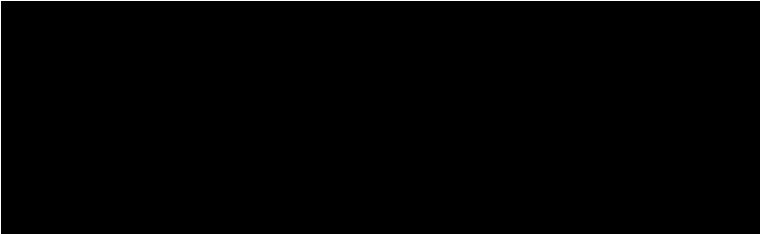
The rates developed in this filing reflect estimates of future contingent events; actual results will likely vary. The magnitude of differences between projections in this filing and actual observed experience will depend on the extent to which actual experience in the future conforms to the assumptions made in this analysis. It is certain that actual experience will not conform exactly to the assumptions made in this filing.

The URRT does not demonstrate the process used to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-facilitated 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.

I am a member of the American Academy of Actuaries (Academy), and I meet the Academy qualification standards for rendering this opinion. I certify that, to the best of my knowledge and judgment:

1. The projected Index Rate is:
 - a. In compliance with all applicable State and Federal statutes and regulations (45 CFR 156.80 and 147.102)
 - b. Developed in compliance with the applicable Actuarial Standards of Practice, including the following:
 - i. ASOP No. 5, Incurred Health and Disability Claims

- ii. ASOP No. 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
 - iii. ASOP No. 12, Risk Classification
 - iv. ASOP No. 23, Data Quality
 - v. ASOP No. 25, Credibility Procedures
 - vi. ASOP No. 26, Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans
 - vii. ASOP No. 41, Actuarial Communications
 - viii. ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act
- c. Reasonable in relation to the benefits provided and the population anticipated to be covered
 - d. Neither excessive nor deficient
2. The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.
 3. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
 4. The AV Calculator was used to determine the AV Metal Values shown in Part I of Worksheet II in the URRT for all plans.



Kara Clark, FSA, MAAA
Oliver Wyman Actuarial Consulting, Inc.

5/22/2024

Date