



Proposed Preliminary Part II Justification Language

Company Legal Name: Quartz Health Plan Corporation

State: Iowa

HIOS Issuer ID: 27651

Market: Small Group

Products: HMO Small Group, POS Small Group, PPO Small Group

Effective Date: January 1, 2024 through December 31, 2024

Part II – Preliminary Justification

This justification is intended to comply with the requirements of Section 2794 of the Public Health Service Act as added by Section 1003 of the Patient Protection and Affordable Care Act. This justification may not be appropriate for purposes or scopes beyond those described above and, therefore, should not be used for other purposes.

Scope and Range of Rate Increase

Quartz Health Plan Corporation (Quartz) is requesting an average rate increase of 7.14%. Quartz members would receive premium increases ranging from .33% - 15.66%, depending on their plan selection. As of April 2023, there are 51 members that will be impacted by this increase. Additionally, premium rates may change for member contracts by an amount outside of the filed rates due to changes occurring at the contract level. These contract level changes may include changes in various characteristics, such as age, benefit plan, and tobacco user status.

Financial Experience of the Product

For the experience period, this product had a credibility weighted loss ratio of 91.48%. The proposed rate increase is needed to maintain a target projected loss ratio of 92.56%. Please note that this MLR calculation is purely an estimate and not meant to be a true measure for purpose of calculating the Federal or State MLR rebates. The products contained in this filing represent only a subset of Quartz's Individual business.

Changes in Medical Service Costs

The requested rate increase is impacted by both medical and pharmacy trends increasing due to utilization and service cost changes.

Utilization Changes – A portion of the rate increase is due to the changes in claim costs associated with utilization increases from the number of services, severity of services and change in mix of services.

Service Cost Changes – A portion of the rate increase is due to the changes in the plan claim costs due to increased reimbursement payments to healthcare providers.

Changes in Benefits



Quartz has made some minor cost sharing changes to current plan designs to maintain compliance within the federally mandated benefit ranges.

Administrative Costs and Anticipated Margins

Administrative Costs as a percentage of premium is decreasing. This has reduced the overall needed rate increase. Quartz's overall anticipated margin has remained constant, as a percent of premium, year over year and therefore not contributing to the requested rate increase.



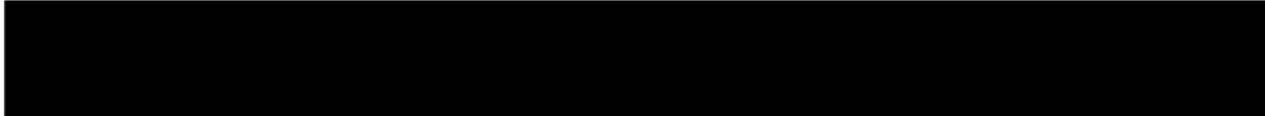
**Part III Actuarial Memorandum
Quartz Health Plan Corporation
Iowa Small Group Rates Effective January 1, 2024**

4.2. GENERAL INFORMATION

Company Identifying Information

Company Legal Name: Quartz Health Plan Corporation
State: Iowa
HIOS Issuer ID: 27651
Market: Small Group
Effective Date: January 1, 2024

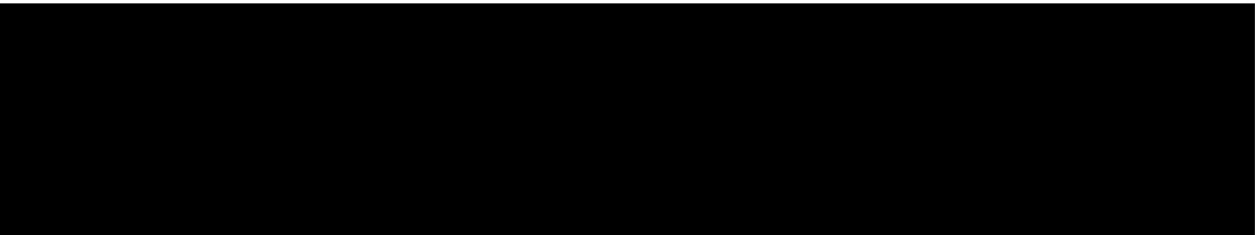
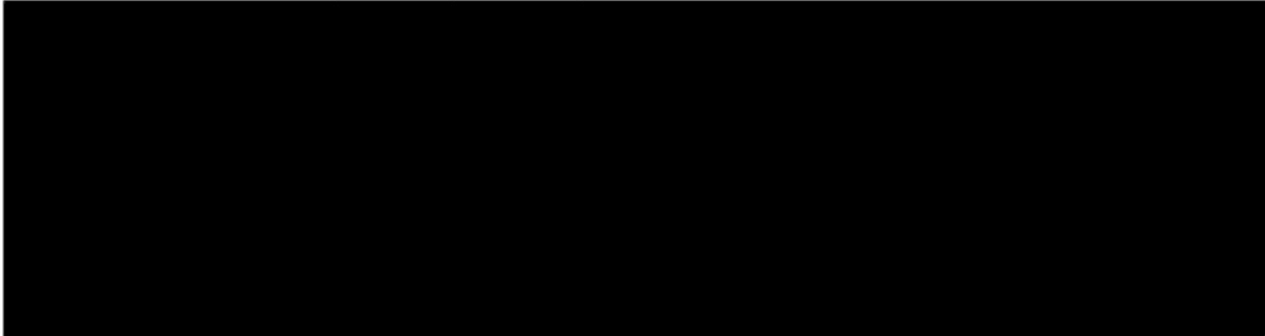
Company Contact Information



4.3. PROPOSED RATE CHANGE

This submission is for rate revisions to Quartz Health Plan Corporation (Quartz)'s existing Small Group medical ACA-compliant products:

- GundersenSmallGroup (27651IA007)
- GundersenSmallGroupHSA (27651IA008)
- GundersenSmallGroupPOS (27651IA009)
- GundersenSmallGroupPOSHA (27651IA010)
- GundersenSmallGroupPPO (27651IA011)
- GundersenSmallGroupPPOHSA (27651IA012)





The significant reasons for the rate change are:



See Appendix A for the manual rate development.



4.4. MARKET EXPERIENCE

4.4.1 EXPERIENCE PERIOD PREMIUM AND CLAIMS

Paid Through Date

The incurred claims include an estimate of 2022 incurred but not paid (IBNP) claims through March 31, 2023.

Current Date

The current enrollment and premium are reported as of April 2023.

Experience Period Premium

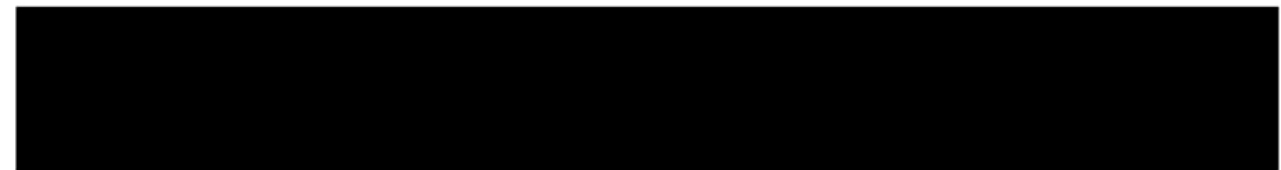
The experience reported on Worksheet 1, Section I of the URRT shows the earned premium and incurred claims for Quartz during the period of January 1, 2022, through December 31, 2022, paid through March 2023.



Allowed and Incurred Claims Incurred During the Experience Period

The following table summarizes the allowed and incurred claims experience as listed in Worksheet 1, Section I of the Part I URRT.

Experience Period Claims Summary



Quartz processes all medical claims internally. Pharmacy claims are processed by a separate external vendor. Both allowed claims and incurred claims were provided directly from Quartz’s claim records.

IBNP estimates are based on completion factors which are developed by measuring and monitoring the historic claims run-out patterns of Quartz’s commercial group block. These completion factors are then used to estimate unpaid claims. The same completion factors were used for both paid and allowed claims. Quartz uses commercial group experience to determine the lag factors since it represents a larger, more credible basis for the factor development. The amount of IBNP claims is in line with what is expected for this experience period.

4.4.2 BENEFIT CATEGORIES

We assigned the experience data utilization and cost information to benefit categories, as shown in Worksheet 1, Section II 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.

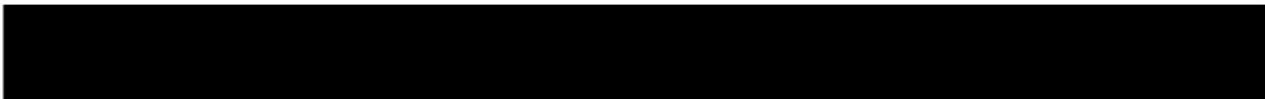
Capitation

Includes all services provided under one or more capitated arrangements.

Prescription Drug

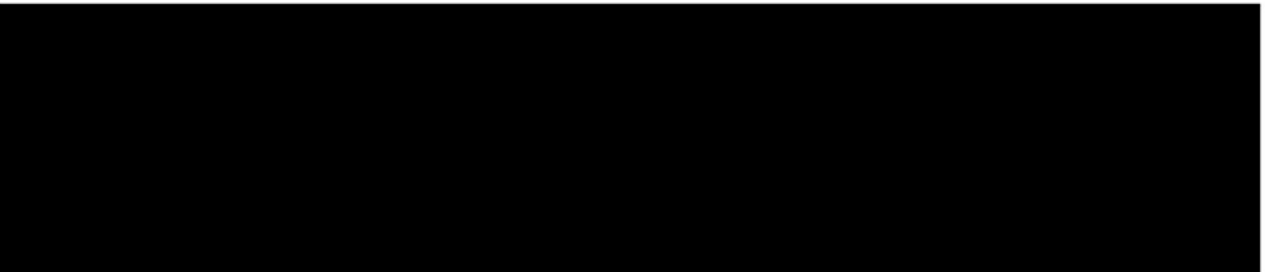
Includes drugs dispensed by a pharmacy. This amount is net of rebates received from drug manufacturers.

4.4.3 PROJECTION FACTORS



4.4.3.1 Trend Factors (Cost / Utilization)

Trends used in the premium rate development vary by projection period and type of claim (medical fee-for-service, capitation, and prescription drug). The trends used in the Unified Rate Review Template (URRT) are based on the observed historical trends using Quartz’s Small Group experience and future trend projections. Adjustments to the observed historical trends and future trends were made to account for differences in demographics, benefits, and provider reimbursement between source data and the single risk pool, as well as changes anticipated between the experience period and the projection period.



4.4.3.2 Adjustment to Trended EHB Allowed Claims PMPM



Morbidity Adjustment

[Redacted]

Demographic Shift

[Redacted]

Plan Design Changes

[Redacted]

Other Adjustments

[Redacted]

4.4.3.3 Manual Rate Adjustments

Source and Appropriateness of Experience Data Used

[Redacted]

Adjustments Made to the Data

The following projection factors have been applied to the development of the manual rate. Please see Appendix A for additional detail.

Trend

[Redacted]

Morbidity Adjustment

[Redacted]

Plan Design Changes

[Redacted]

Demographic Shift

[Redacted]

COVID-19

[REDACTED]

Other

[REDACTED]

Inclusion of Capitation Payments

Some of the services in the Projection Period will be provided under a capitation arrangement. The manual experience includes capitation for the same services that are expected to be capitated in Iowa in 2024, thus no adjustment was necessary.

4.4.3.4. CREDIBILITY OF EXPERIENCE

[REDACTED]

4.4.3.5 ESTABLISHING THE INDEX RATE

[REDACTED]

4.4.3.6 DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

The market-adjusted index rate represents the index rate adjusted for all allowable market-wide modifiers

Risk Adjustments

Quartz made a market-wide adjustment to the pooled market level Index Rate to account for Federal risk adjustment transfers. This adjustment is allocated proportionally based on plan premiums for all plans within the risk pool by applying the risk adjustment transfer factor as a market level adjustment.

Quartz estimated the risk adjustment transfer amounts by analyzing historical transfer amounts and trends and used these numbers to project the 2024 transfer amount.

This is applied to the Index Rate as a market level adjustment.

Exchange User Fees

Quartz does not offer its plans on the SHOP, therefore there are no Exchange User Fees.

4.4.4. PLAN ADJUSTED INDEX RATE

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.
 - Relativities between plans were based on the differences in cost and utilization for varying levels of cost sharing.
- Administrative costs, including: Administrative Expense, Taxes and Fees, and Profit and Risk Load.
- Provider network, delivery system, and utilization management adjustment.
 - Expected differences in claims costs due to differences in provider networks and / or utilization management was determined based on Quartz’s contractually negotiated reimbursement arrangements
- Adjustment for benefits in addition to the EHBs.
 - An adjustment was made for non-EHBs due to Quartz plans including adult vision, nutritional counseling, and acupuncture program as non-EHB.

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



The adjustments for plan cost-sharing include expected differences in utilization due to differences in cost sharing. The adjustments for plan cost sharing are derived from Quartz’s benefit model methodologies and data. These adjustment factors only contain expected differences in utilization due to differences in cost sharing and not due to health status.

The development of the Plan Adjusted Index Rate for each plan in the projection period can be found in Appendix B.

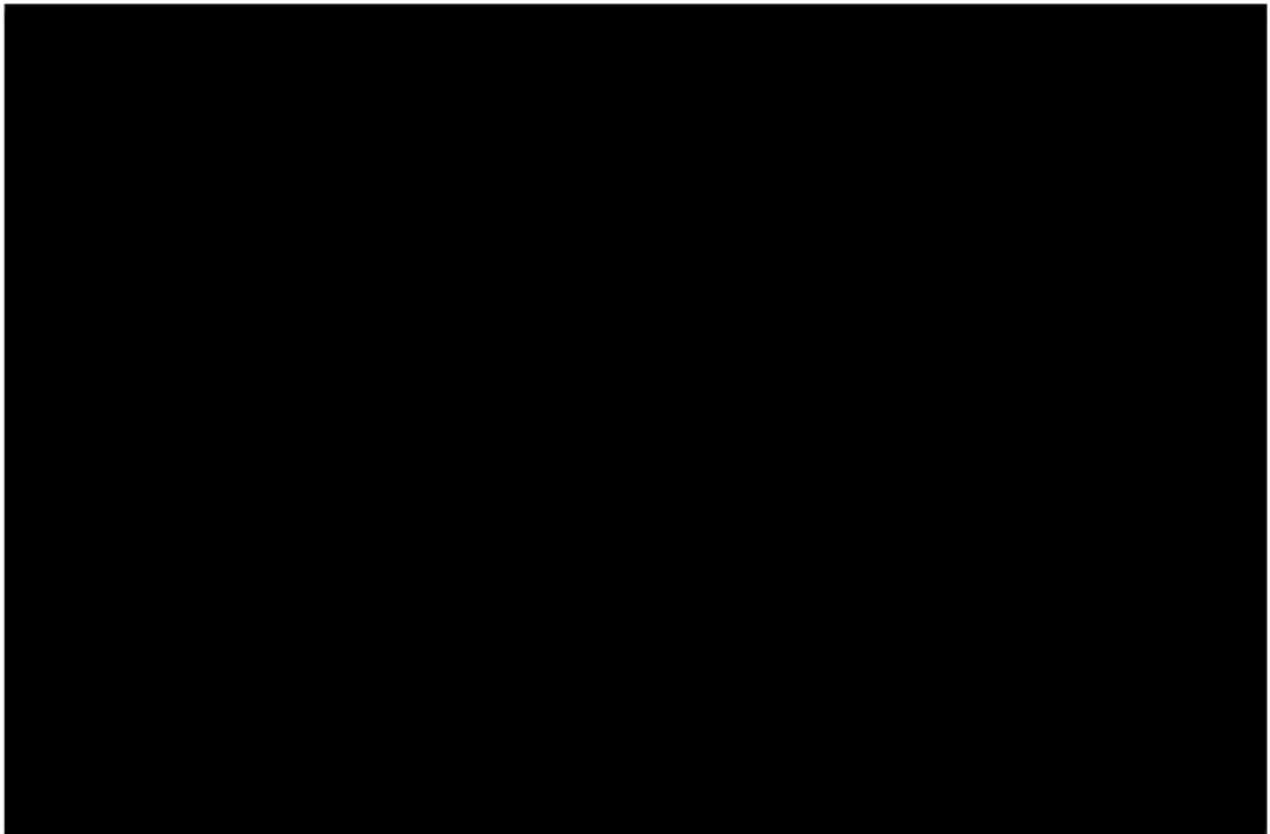
4.4.5 CALIBRATION

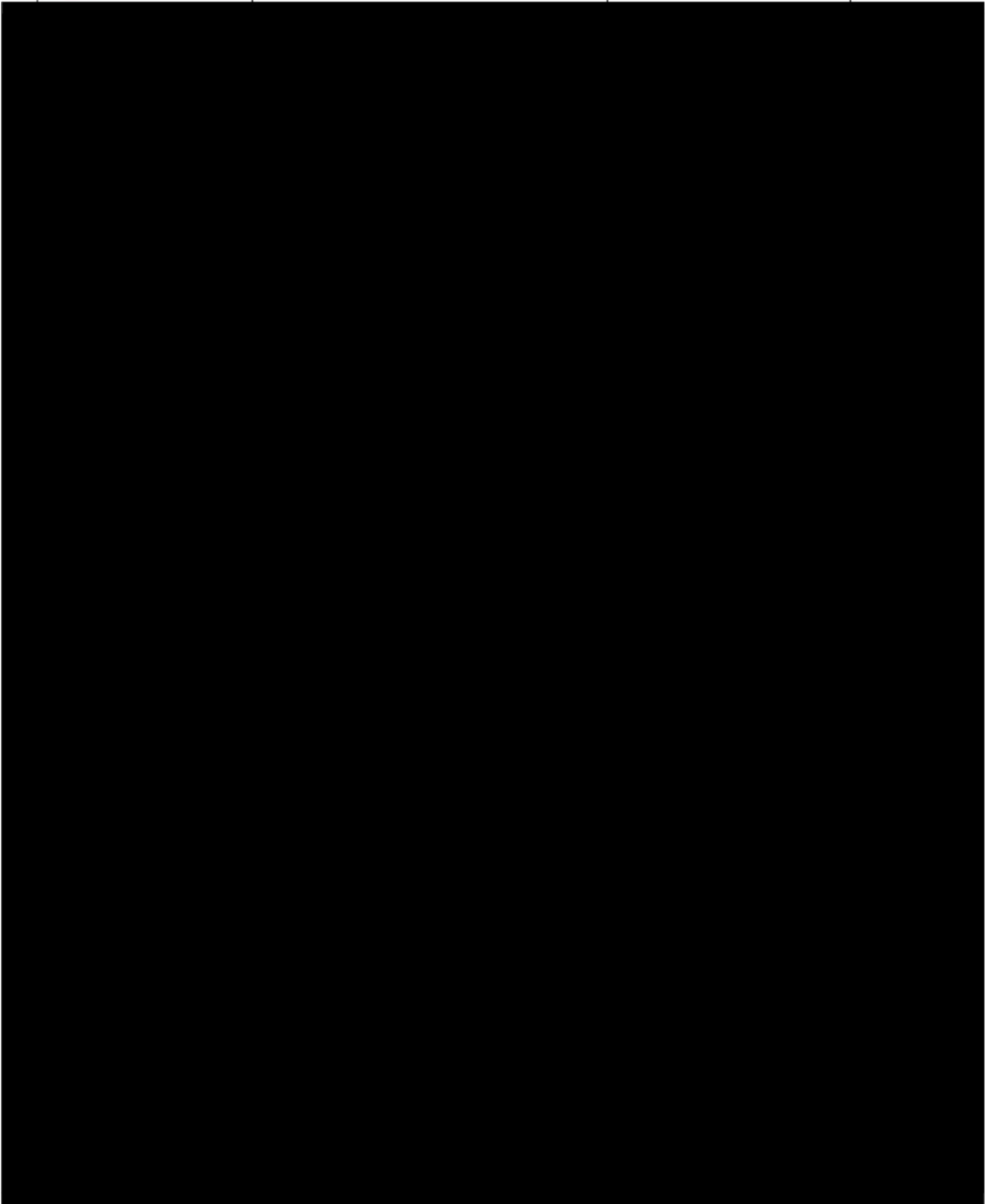


Age Curve Calibration



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. Prior to applying the allowed rating factors for age, geography, and tobacco, the plan adjusted index rates need to be multiplied by the age curve calibration factor. A development of the age curve calibration factor is given below.



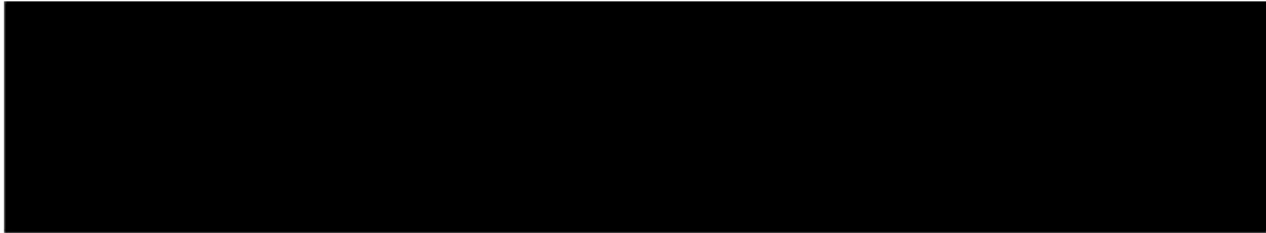


Geographic Factor Calibration





Tobacco Use Rating Factor Calibration



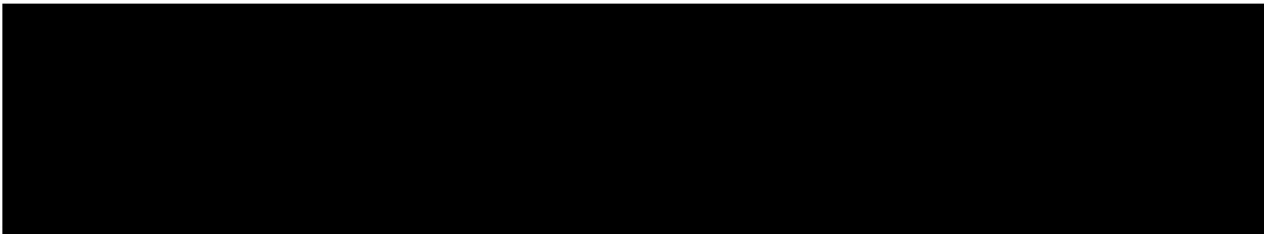
4.4.6 CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to a 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.

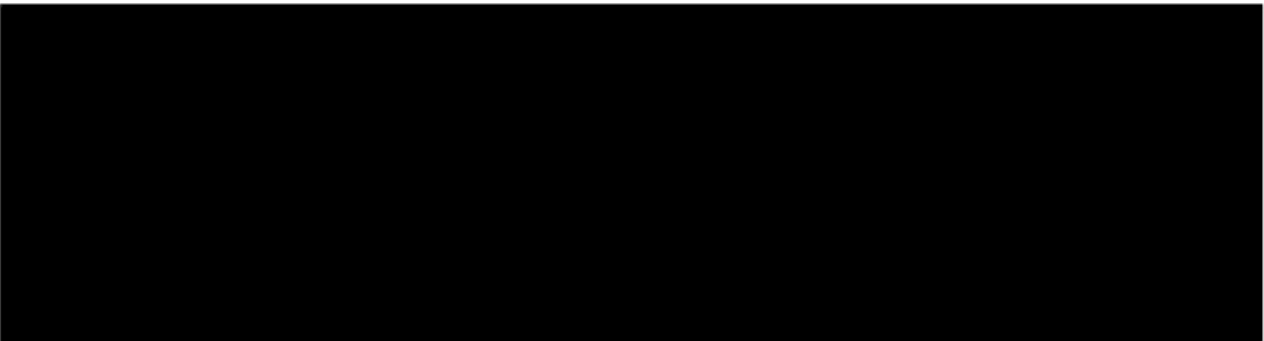
Quartz uses the Iowa age rating factors and does not apply tobacco rating factors nor use geographic rating factors.

The premium for family coverage is determined by summing the consumer adjusted premium rates for each family member, provided only the three oldest child dependents under age 21 are considered.

For Small Group plans, the result from above would further be multiplied by a quarterly trend factor. The following table shows the adjusted trend factor for each quarter.

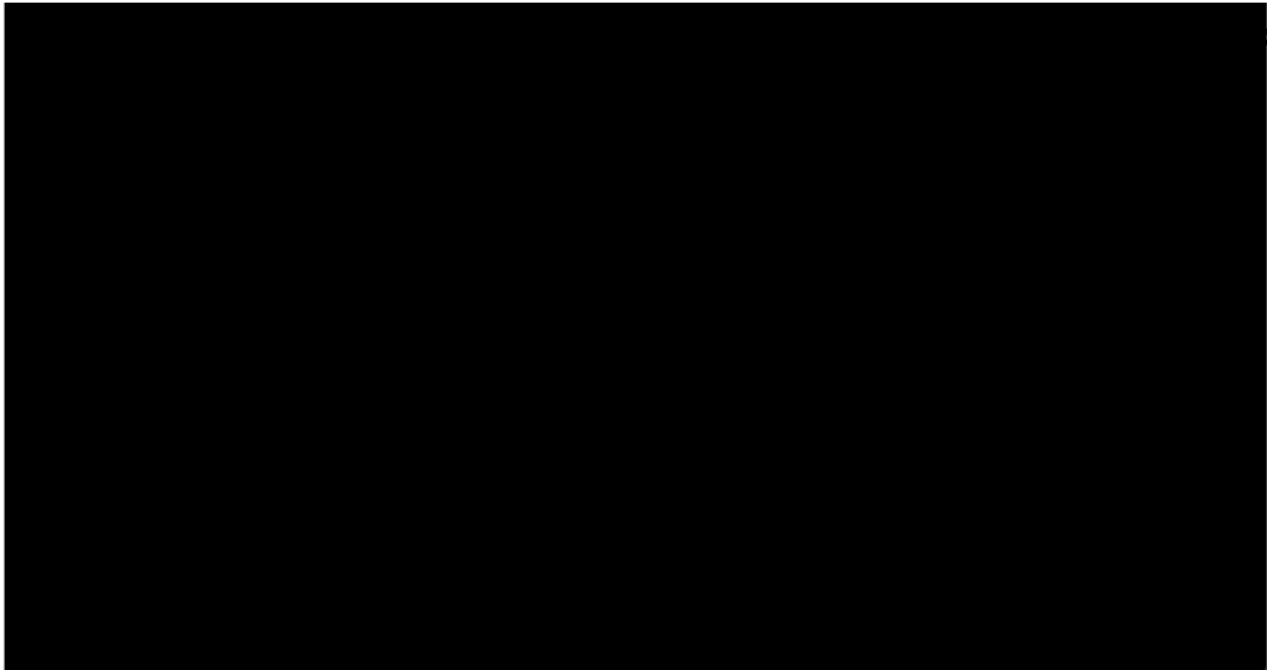


The following table demonstrates the premium rate development for the Consumer Adjusted Premium Rate beginning with the Plan Adjusted Index Rate and applying the appropriate age and quarterly trend factors.



Any differences in the above values and Part I: Unified Rate Review Template (URRT) are due to the rounding requirements in the URRT.

4.5 PROJECTED LOSS RATIO



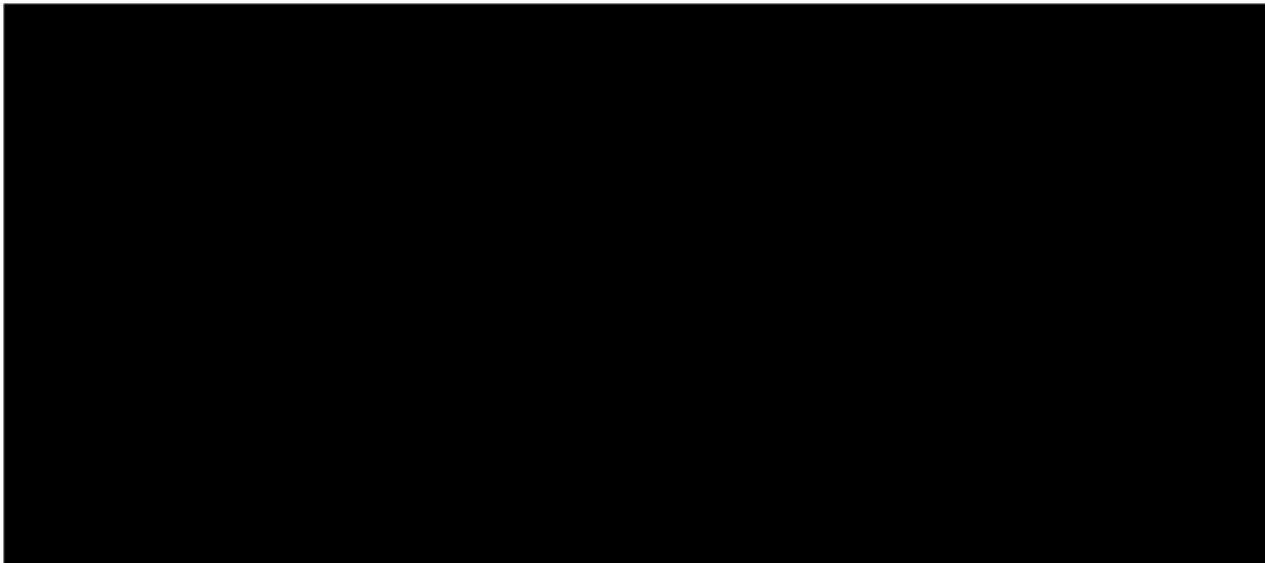
Any differences in the above values and Part I: Unified Rate Review Template (URRT) are due to the rounding requirements in the URRT.


4.6 PLAN PRODUCT INFORMATION

4.6.1. AV METAL VALUES

The AV metal values included in Worksheet 2 are based on the AV Calculator. The screenshots of the AV Calculator inputs for all 2024 plan offerings have been submitted in SERFF.
The AV metal values included in Worksheet 2 are based on the AV Calculator.

Several of the plan designs include alternate methodology to generate the AV Metal Value. The reason an alternate methodology was necessary is due to the following:





An actuarial certification for each of these unique plan designs is included in SERFF.

4.6.2 MEMBERSHIP PROJECTIONS



4.6.3 Terminated Plans and Products



4.6.4 PLAN TYPE

There are no differences between Quartz’s plan types and the plan type selected in the drop-down box in Worksheet 2, Section I of the URRT.

4.7 MISCELLANEOUS INSTRUCTIONS

4.7.1 EFFECTIVE RATE REVIEW INFORMATION (OPTIONAL)

Not applicable.

4.7.2. RELIANCE



4.7.3 ACTUARIAL CERTIFICATION

I, Beth Teresinski, 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. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102).
 - 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 2024 Small Group 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 EHB was 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 of the part I URRT for all plans.

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans, 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.

ADDITIONAL WORDING:

I, Beth Teresinski, am an employee of Quartz Health Solutions.

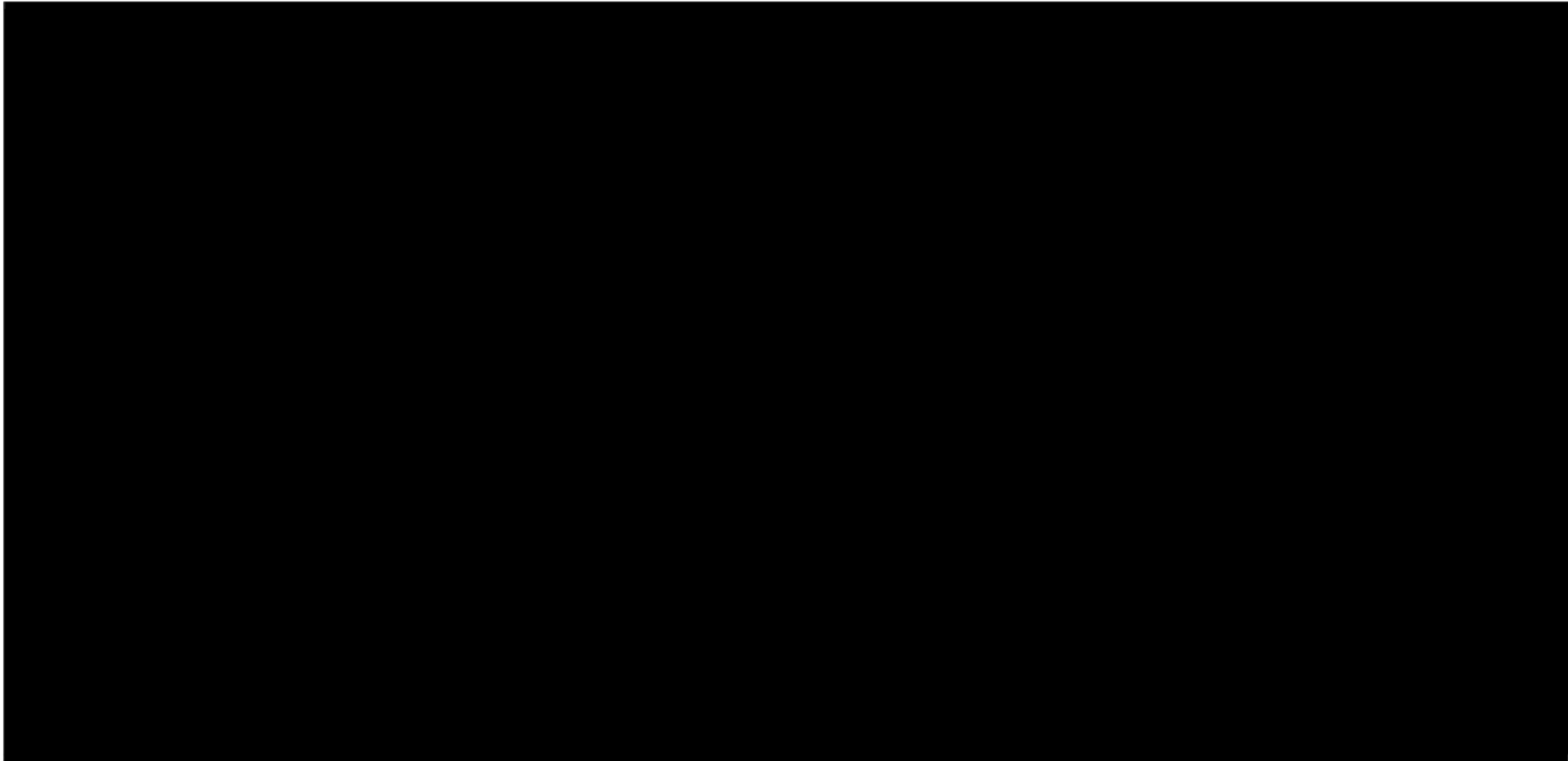
I certify that, to the best of my knowledge and judgment:

- This filing is intended to support Quartz Health Plan Corporation (Quartz)'s Small Group Single Risk Pool Rate Filing for the State of Iowa. It should not be distributed, in whole or in part, to any external party, other than the State of Iowa or the Centers for Medicare and Medicaid Services (CMS), without the prior written consent of Quartz.

Signature of Actuary	Title	Organization	Date
<i>Beth Teresinski</i>	Manager, Actuarial Services-Commercial	Quartz Health Solutions	6/12/2023

Appendix A

Quartz Health Plan Corporation, 2024 Iowa Small Group ACA Manual Rate Development





Reliance Certification

I, Ben Meleski, Senior Actuarial Analyst of Quartz Health Solutions hereby certify that the items listed below and submitted to and relied on by Beth Teresinski in support of her Part III Actuarial Memorandums and corresponding Actuarial Certifications for Quartz Health Plan Corporation, were prepared under my direction, and to the best of my knowledge and belief, are accurate, complete and reasonable.

Items Provided:

- Data included in the Unified Rate Review Template.

Ben Meleski

Signature

6/12/2023

Date

Address of Signatory

Quartz Health Solutions
2650 Novation Pkwy
Fitchburg, WI 53713

Telephone Number of Signatory

414-687-2188

Reliance Certification

I, Bradlee Wienholtz, ASA, Senior Actuarial Analyst of Quartz Health Solutions hereby certify that the items listed below and submitted to and relied on by Beth Teresinski in support of her Part III Actuarial Memorandums and corresponding Actuarial Certifications for Quartz Health Plan Corporation, were prepared under my direction, and to the best of my knowledge and belief, are accurate, complete and reasonable.

Items Provided:

- Data included in the Unified Rate Review Template.

Bradlee Wienholtz
Signature

6/8/2023

Date

Address of Signatory
Quartz Health Solutions
2650 Novation Pkwy
Fitchburg, WI 53713

Telephone Number of Signatory
608-471-4929

Reliance Certification

I, Emily Jenkins, FSA, MAAA, Supervisor, Actuarial Services of Quartz Health Solutions hereby certify that the items listed below and submitted to and relied on by Beth Teresinski in support of her Part III Actuarial Memorandums and corresponding Actuarial Certifications for Quartz Health Plan Corporation, were prepared under my direction, and to the best of my knowledge and belief, are accurate, complete and reasonable.

Items Provided:

- Data included in the Unified Rate Review Template.
- Historical and projected trend factors.

Emily Jenkins

Signature

06/08/2023

Date

Address of Signatory
Quartz Health Solutions
2650 Novation Pkwy
Fitchburg, WI 53713

Telephone Number of Signatory
608-471-4822

Reliance Certification

I, Alex Cimino, Senior Actuarial Analyst of Quartz Health Solutions hereby certify that the items listed below and submitted to and relied on by Beth Teresinski in support of her Part III Actuarial Memorandums and corresponding Actuarial Certifications for Quartz Health Plan Corporation, were prepared under my direction, and to the best of my knowledge and belief, are accurate, complete and reasonable.

Items Provided:

- Data included in the Unified Rate Review Template.

Alex Cimino

Signature

6/12/2023

Date

Address of Signatory

Quartz Health Solutions
2650 Novation Pkwy
Fitchburg, WI 53713

Telephone Number of Signatory

608-692-9224