

Exam GHDP

Date: Tuesday, May 3, 2022

INSTRUCTIONS TO CANDIDATES

General Instructions

1. This examination has 13 questions numbered 1 through 13 with a total of 100 points.

The points for each question are indicated at the beginning of the question. Questions 1 - 3 pertain to the Case Study.

2. While every attempt is made to avoid defective questions, sometimes they do occur. If you believe a question is defective, the supervisor or proctor cannot give you any guidance beyond the instructions provided in this document.

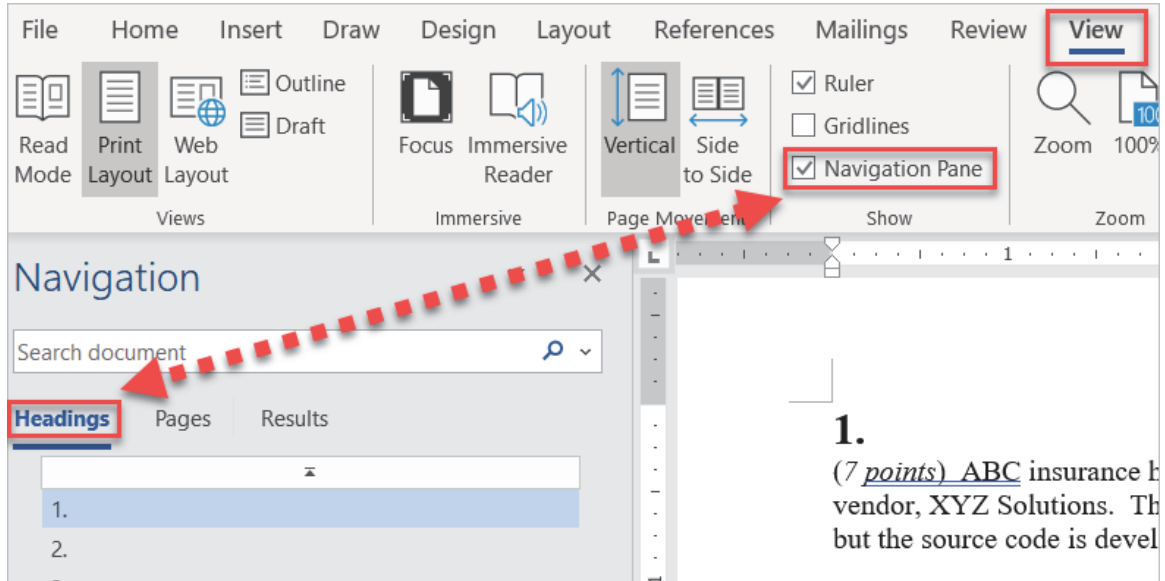
Written-Answer Instructions

1. Each question part or subpart should be answered either in the Word document or the Excel file as directed. Graders will only look at work in the indicated file.
 - a) In the Word document, answers should be entered in the box marked ANSWER. The box will expand as lines of text are added. There is no need to use special characters or subscripts (though they may be used). For example, β_1 can be typed as beta_1 (and ^ used to indicate a superscript).
 - b) In the Excel document formulas should be entered. Performing calculations on scratch paper or with a calculator and then entering the answer in the cell will not earn full credit. Formatting of cells or rounding is not required for credit, as long as your work and assumptions are clear to an individual with average Excel experience reviewing the submitted file.
 - c) Individual exams may provide additional directions that apply throughout the exam or to individual items.
2. The answer should be confined to the question as set.
3. Prior to uploading your Word and Excel files, each file should be saved and renamed with your five-digit candidate number in the filename.
4. The Word and Excel files that contain your answers must be uploaded before the five-minute upload period expires.

Navigation Instructions

Open the Navigation Pane to jump to questions.

Press Ctrl+F, or click View > Navigation Pane:



CASE STUDY INSTRUCTIONS

The case study will be used as a basis for some examination questions. Be sure to answer the question asked by referring to the case study. For example, when asked for advantages of a particular plan design to a company referenced in the case study, your response should be limited to that company. Other advantages should not be listed, as they are extraneous to the question and will result in no additional credit. Further, if they conflict with the applicable advantages, no credit will be given.

Question 1 pertains to the Case Study.

1.

(6 points)

- (a) (2 points) List and describe the steps in the product development cycle for a long term care (LTC) product.

ANSWER:

- (b) (2 points) Explain how the following contribute to a LTC rate increase:

- (i) Age-rating structure

ANSWER:

- (ii) Renewal provisions

ANSWER:

- (iii) Low loss ratios in early durations

ANSWER:

- (iv) Assumption updates between original pricing and current experience

ANSWER:

1. Continued

You are an actuary for Thunderball. You are given:

- Email 1

(c) (2 points)

- (i) Propose two product design changes assuming product design regulations are loosened.

ANSWER:

- (ii) Explain how the changes will support the regulator's objectives.

ANSWER:

Question 2 pertains to the Case Study.

2.

(7 points)

- (a) *(1 point)* List characteristics of a high deductible health plan (HDHP).

ANSWER:

- (b) *(2 points)* Describe examples of consumer behaviors demonstrated by individuals enrolled in HDHPs.

ANSWER:

- (c) *(1 point)* Recommend actions to make the HDHP more attractive to employees.

ANSWER:

2. Continued

You are given:

- Moonraker offers the benefit designs in Exhibit 6.
- Moonraker pays the entire premium for both plans.
- The annual claims history for a family of two:

Claimant	Month of Service	Service Category	Allowed Cost
Employee	January	Office Visit	\$300
Employee	January	Preventive Care	\$100
Spouse	January	Chiropractic	\$150
Spouse	February	Office Visit	\$200
Spouse	March	Chiropractic	\$150
Spouse	April	Preventive Care	\$100
Spouse	May	Chiropractic	\$150
Spouse	June	Emergency Care	\$2,350
Spouse	July	Chiropractic	\$150
Spouse	September	Chiropractic	\$150
Employee	October	Preventive Dental	\$150
Spouse	November	Chiropractic	\$150

- All claims are in-network.
- (d) (3 points) Calculate the family's total out-of-pocket cost for each of the following Moonraker plan types:
- (i) PPO
 - (ii) HDHP

Show your work.

The response for this part is to be provided in the Excel spreadsheet.

Question 3 pertains to the Case Study.

3.

(7 points)

- (a) (1 point) Describe Medicare Supplement pricing methods.

ANSWER:

- (b) (1 point) Compare and contrast plan design restrictions for:

- (i) Affordable Care Act (ACA) individual major medical
- (ii) Medicare Supplement

ANSWER:

You are an actuarial consultant assigned to develop manual rates for Goldfinger Medicare Supplement filings.

You are given:

- Exhibits 1 - 3

- (c) (2 points) Calculate the annualized claims trend for the Medicare Supplement experience from Year 2 to Year 4. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (d) (1 point) Describe considerations other than historical experience when developing prospective pricing trends.

ANSWER:

3. Continued

You are given:

- Goldfinger targets expenses and profit to be 25% of gross premiums
 - Premiums did not change from Year 4 to Year 5
- (e) (2 points) Calculate the Year 6 rate increase. State your assumptions. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

4.

(7 points)

(a) (1 point) Describe:

(i) Retention accounting

ANSWER:

(ii) Deficit recovery arrangement

ANSWER:

(iii) Unilateral arrangement

ANSWER:

(iv) Bilateral arrangement

ANSWER:

You are a pricing actuary for Insurer J, and are reviewing the following claims experience for Company L:

	July 1, 2015 - June 30, 2016	July 1, 2016 - June 30, 2017	July 1, 2017 - June 30, 2018
Paid Premium (PMPM)	\$260	\$180	\$310
Average Number of Insured Members	4,160	4,100	4,312
Paid Claims (in \$'000s)	10,110	10,505	14,011
IBNR Balance at end of period (in \$'000s)	112	541	1,232
Pooled Premium (in \$'000s)	875	910	1,080
Pooled Claims (in \$'000s)	370	460	680
Credibility Weight	1/14	4/14	9/14

4. Continued

Administration	4% of premium
Claim Adjudication	5% of premium
Premium Taxes	3% of premium
Risk & Profit	2% of premium
Claims Trend	5% per year
Interest Rate	0% per year
Paid Premium PMPM from July 1, 2018 to June 30, 2019	\$325.00
Pooled Premium PMPM from July 1, 2018 to June 30, 2019	\$24.75
Pooled Premium PMPM from July 1, 2019 to June 30, 2020	\$27.50
Expected number of insured members for the period July 1, 2019 to June 30, 2020	4,400

Insurer J uses the deficit recovery arrangement method.

- (b) (2 points) Calculate the accumulated surplus or deficit as of June 30, 2018 from the client perspective. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (c) (1 point) Calculate the accumulated surplus or deficit as of June 30, 2018 from the insurer perspective. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (d) (3 points) Calculate the total premium rates for the period July 1, 2019 to June 30, 2020. State your assumptions. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

5.

(6 points)

- (a) (1 point) Describe how Value Based Care (VBC) addresses each component of the Triple Aim of Healthcare.

ANSWER:

- (b) (1 point) Compare and contrast VBC and Tiered Network Health Plans (TNHP).

ANSWER:

Insurer ABC is evaluating new provider payment arrangements to pursue for their network of Primary Care Physicians (PCPs).

- (c) (2 points) Recommend a VBC or TNHP in each of the following scenarios. Justify your response.

- (i) Market with limited PCP competition

ANSWER:

- (ii) New market for ABC with unknown costs

ANSWER:

- (iii) Mature market where PCPs are efficient with costs

ANSWER:

5. Continued

ABC chooses to pursue a TNHP with two tiers. You are given:

- Shift is 25%
- PCP cost sharing is currently 20% coinsurance

	Total Allowed Claims	Members Assigned
Tier 1: Preferred Providers	\$2,500,000	300
Tier 2: Non-Preferred Providers	\$4,900,000	500

- (d) (2 points) Calculate Tier 1 and 2 coinsurance amounts that generate 5% savings through the TNHP. State your assumptions. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

6.*(9 points)*

- (a) *(1 point)* Describe the allowable rating factors for small groups under the Affordable Care Act (ACA).

ANSWER:

You are the pricing actuary for an insurer that operates in States A, B, and C. You are pricing the 2022 small group line of business in State A.

You are given for State A:

- The regulator requires the use of claim cost factors based on 2019 allowed PMPM due to claim suppression in 2020.
- The following 2019 and 2020 claims experience:

Gender	Age Band	Area	2019 Member Months	2019 Allowed Claims	2020 Member Months	2020 Allowed Claims	2022 Projected Member Months
Child	0-9	1	480	\$154,513	400	\$148,179	320
Child	10-19	1	480	69,077	600	93,464	400
Male	20-39	1	960	178,145	1,000	186,065	800
Male	40+	1	960	727,121	800	566,135	720
Female	20-39	1	960	399,917	1,100	511,679	800
Female	40+	1	960	563,519	1,100	625,359	960
Child	0-9	2	800	223,544	880	285,783	880
Child	10-19	2	800	99,937	1,320	174,733	1,100
Male	20-39	2	1,600	257,733	2,200	359,371	2,200
Male	40+	2	1,600	1,051,969	1,760	1,160,270	1,980
Female	20-39	2	1,600	578,583	2,420	997,107	2,200
Female	40+	2	1,600	815,276	2,420	1,264,513	2,640
Child	0-9	3	320	118,338	320	138,880	400
Child	10-19	3	320	52,904	480	89,515	500
Male	20-39	3	640	136,436	800	171,003	1,000
Male	40+	3	640	556,883	640	520,305	900
Female	20-39	3	640	306,285	880	460,660	1,000
Female	40+	3	640	431,584	880	567,973	1,200

6. Continued

(b) (2 points) Calculate the:

- (i) Claim cost factors for rating areas 1, 2, and 3 using 2019 experience.
- (ii) Composite geographic area factors for 2019, 2020, and 2022 projection.

Show your work.

The response for this part is to be provided in the Excel spreadsheet.

State A 2019 and 2020 experience is not fully credible. You are given the 2019 manual experience from State B and State C combined:

Gender	Age Band	Member Months	Allowed Claims
Child	0-9	17,600	\$6,088,319
Child	10-19	22,000	\$3,402,296
Male	20-39	55,000	\$10,967,927
Male	40+	35,200	\$28,650,911
Female	20-39	55,000	\$24,621,876
Female	40+	35,200	\$22,204,456

(c) (2 points) Calculate the:

- (i) Claim cost factors for each age and gender combination from the combined States B and C data.
- (ii) Composite age and gender factors for:
 - 2019 claims experience
 - 2020 claims experience
 - Manual experience from States B and C
 - 2022 projection

Show your work.

The response for this part is to be provided in the Excel spreadsheet.

6. Continued

You are given:

- The composite area factor underlying the manual rate is 0.963
- Provider discounts in States B and C are 4.5% lower than in State A
- 5% annual trend

Distribution	Composite Induced Utilization Factor	Credibility Weighting
2019	1.069	20%
2020	1.067	20%
Manual	1.079	60%
2022	1.062	n/a

- (d) (3 points) Calculate the credibility blended allowed PMPM claim cost for 2022 using the 2019 and 2020 experience and manual rates. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

An actuarial student is reviewing the rate development and is concerned:

- (i) The claim cost factors by age are not the same as the allowable rating factors.
- (ii) The claim cost factor varies by gender.
- (e) (1 point) Assess each statement. Justify your response.

ANSWER:

7.

(7 points)

- (a) (2 points) Compare and contrast types of dental plans by completing the table below.

Plan Type	Relative Premium	Patient Access	Quality Assurance	Cost Management
Indemnity				
HMO				
PPO				

- (b) (1 point) Describe financial risks and benefits employers address by offering group dental insurance.

ANSWER:

7. Continued

You are given the following for a group dental policy:

- Deductible for in-network and out-of-network services: \$0
- Profit target: 5% of gross premiums
- Expense target: 20% of net premiums
- Premium taxes: 2% of gross premiums
- Annual policy fee: \$10 per member
- Membership: 1,500
- Dental policy assumptions and benefits:

Class	Utilization per 1,000	Allowed Cost per Service	In Network Discount	In Network Penetration	Payer In Network Coinsurance	Payer Out of Network Coinsurance
Class I: Preventive	2,200	\$50	15%	80%	100%	100%
Class II: Basic	900	\$250	30%	60%	80%	60%
Class III: Major	200	\$600	30%	60%	50%	40%

(c) (3 points) Calculate:

- (i) The expected per member per month (PMPM) claim costs.
- (ii) The gross monthly premium.

Show your work.

The response for this part is to be provided in the Excel spreadsheet.

(d) (1 point) Describe methods an insurer can use to lower expected dental claim costs without changing the cost sharing provisions.

ANSWER:

8.

(7 points) You are an actuary for Lucky 7 Insurance and are responsible for pricing individual medical plans. You are evaluating antiselection models.

(a) (1 point) Define:

(i) Antiselection acuity

ANSWER:

(ii) Involuntary lapse rate

ANSWER:

(iii) Lapse elasticity

ANSWER:

(iv) Partition models

ANSWER:

(b) (1 point) Compare and contrast deterministic and stochastic antiselection models.

ANSWER:

(c) (1 point) State the formula for defining lapses in the Cumulative Antiselection Theory (CAST) model.

ANSWER:

8. Continued

You are given:

- Target loss ratio: 70%
- Product duration: 7 years
- Involuntary lapse rate: 5% per year
- k_1 : 0.1
- Claims trend assumption for healthy individuals: 2% per year
- Claims trend assumption for unhealthy individuals: 7% per year
- The following table:

Duration	# of Healthy Lives	# of Unhealthy Lives	Average Cost for Healthy Lives	Actual Claims	Actual	Actual	Projected	Projected	Average Cost for Unhealthy Lives	i_q_t
					$q^{(ai)}_t$	aq_t	$q^{(ai)}_t$	aq_t		
0	10,000	0	95.00	900,000	0.100	0.20				
1	7,000	1,000	95.50	1,200,000	0.090	0.15				
2	5,320	1,630	96.30	1,300,000			0.03	0.15		
3							0.03	0.10		
4							0.03	0.09		
5							0.03	0.09		
6										

- (d) (3 points) Calculate the gross premium per member per year (PMPY) by applying the CAST model. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (e) (1 point) Critique Lucky 7's CAST model assumptions and propose revisions to the assumptions. Justify your response.

ANSWER:

9.

(9 points)

- (a) (1 point) Describe the purpose of cost sharing in a medical benefit plan.

ANSWER:

ABC Consulting provides a self-insured health plan for 500 employees. You are given the following 2021 PPO benefit design and claims probability distribution per employee per year (PEPY):

Employee contribution (PEPY)	\$1,200
Out-of-pocket max (OOPM)	\$1,600
Deductible	\$200
Member coinsurance	20%

Claims PEPY	Percent of Policies	Average Claims
\$0	10%	\$0
\$1 to \$50	20%	\$25
\$51 to \$200	15%	\$100
\$201 to \$1,000	20%	\$300
\$,1001 to \$2,000	15%	\$1,600
\$3,001 to \$6,000	10%	\$4,000
\$9,001 to \$15,000	5%	\$11,000
\$20,001 to \$35,000	3%	\$25,000
\$50,001 to \$100,000	2%	\$60,000

- (b) (1 point) Calculate the minimum claims in 2021 required to reach the OOPM. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (c) (2 points) Calculate the 2021 PEPY claim liability for:

- (i) Employees
- (ii) ABC Consulting

Show your work.

The response for this part is to be provided in the Excel spreadsheet.

9. Continued

ABC Consulting decides to offer an additional plan in 2022 to help lower costs. You are given:

- Annual claims trend is 0%
- No changes to the PPO plan
- The following benefit designs for the new high deductible health plan (HDHP) with a Health Savings Account (HSA):

Employee contribution (PEPY)	\$900
ABC Consulting's annual HSA contribution	\$100
Out-of-pocket max (OOPM)	\$14,000
Deductible	\$3,000
Member coinsurance	25%

- No change in the claims probability distribution for ABC Consulting's employees
- The following employee distribution for the two plans:

Claims PEPY	PPO	HDHP
\$0	20%	80%
\$1 to \$50	20%	80%
\$51 to \$200	60%	40%
\$201 to \$1,000	60%	40%
\$1,001 to \$2,000	80%	20%
\$3,001 to \$6,000	80%	20%
\$9,001 to \$15,000	80%	20%
\$20,001 to \$35,000	80%	20%
\$50,001 to \$100,000	100%	0%

(d) (3 points) Calculate the estimated 2022 PEPY claims liability for:

- Employees in the PPO plan
- Employees in the HDHP plan
- ABC Consulting

Show your work.

The response for this part is to be provided in the Excel spreadsheet.

9. Continued

(e) (2 points)

- (i) Calculate ABC Consulting's savings or cost from adding the HDHP. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (ii) Interpret the results. Justify your response.

ANSWER:

10.

(8 points) You are an actuary developing factors for long-term disability (LTD) and short-term disability (STD) pricing.

(a) (2 points) Describe:

(i) Factors used to analyze LTD experience.

ANSWER:

(ii) Ways to estimate the credibility of experience used to develop LTD manual rates.

ANSWER:

For the LTD block of business, you are given:

- LTD experience is considered fully credible for ratemaking if observed claims are within 5% of expected claims 95% of the time.
- Expected claims: \$100,000
- Standard deviation: \$40,000
- Expected number of claims: 1,000

(b) (1 point) Calculate the credibility weight. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

10. Continued

You are evaluating 2020 experience from the STD block of business to develop rating factors for 2022 pricing. You plan to credibility weight 2020 experience 50% with current factors.

You are given:

Administration	10% of premium
Claims Adjudication	3% of premium
Commissions	2% of premium
Premium Taxes	2% of premium
Risk & Profit	3% of premium

Area	Current Rating Factors	2020 Experience Loss Ratio
East	1.10	0.75
Central	1.00	0.80
West	0.90	0.70

Industry	Current Rating Factors	2020 Experience Loss Ratio
Hospitals	1.10	0.85
Retail	1.00	0.65
Finance	0.90	0.70

Age/Gender	Current Rating Factors	2020 Experience Loss Ratio
Males <25	0.50	0.77
Males 25-40	0.75	0.77
Males 40+	1.50	0.77
Females <25	0.50	0.77
Females 25-40	1.75	0.77
Females 40+	1.25	0.77

- (c) (3 points) Calculate the 2022 area rating factors. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

10. Continued

Your experience review of the block of business demonstrates that 90% of the Finance industry is male under 40, and in the West region.

(d) (2 points)

(i) Describe rating factor discrimination concerns.

ANSWER:

(ii) Recommend an action to reduce discrimination concerns.

ANSWER:

11.

(13 points)

- (a) (1 point) List the elements required of a health plan to manage a provider network.

ANSWER:

- (b) (2 points) Describe the goals for the provider network from the perspective of:

- (i) Health plans

ANSWER:

- (ii) Employers

ANSWER:

- (iii) Consumers

ANSWER:

- (iv) Providers

ANSWER:

11. Continued

You are a retiree group health benefits consulting actuary. You are developing an example to illustrate balance billing and network cost implications for your company's summer interns.

You are given for a health plan member's claim:

- The billed charge is \$2,000.
- In-network providers are paid 70% of billed charges.
- Out-of-network providers are paid 90% of billed charges.
- Member cost sharing is:
 - 20% for in-network services
 - 40% for out-of-network services

(c) (2 points) Complete the following table for the member's claim:

	In-Network	Out-of-Network
Health Plan Liability		
Member Cost Sharing		
Provider Reimbursement		

Show your work.

The response for this part is to be provided in the Excel spreadsheet.

An intern heard on the news that the COVID-19 pandemic was disruptive to provider networks and their administrators.

(d) (1 point) Identify these disruptions.

ANSWER:

11. Continued

You are assigned to the account of ABC Retiree Benefit Trust (ARBT), a self-insured union retiree medical benefits trust fund. ARBT contracts with Dynasty Health (DH) to provide network and administrative services under a Medicare Advantage (MA) employer group health plan. Starting in 2021, ARBT and DH entered into a gain sharing arrangement.

It is the beginning of 2022 and ARBT is initiating negotiations for 2023 terms. In preparation, ARBT desires to understand projected 2022 financials.

The contract has the following terms:

- Administrative Fee: \$70 PMPM
- Gain sharing amount: 50% of gains, to a maximum of \$15,000,000
- The arrangement is priced to be break-even
- All premium revenue comes in the form of a capitated per member per month (PMPM) payment from the Centers for Medicare and Medicaid Services (CMS). Thus, retirees pay no premium.
- The risk score is 1.0

You are given:

Calendar Year 2021 Experience	
Average Members	100,000
Total Revenue (\$M)	\$1,248
Total Claims (\$M)	\$1,158

Projected Trends (per Year)	
Revenue	4.0%
Claims	3.0%
Membership	5.0%

- (e) (3 points) Calculate the projected 2022 gain sharing amount. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

11. Continued

(f) (2 points) Recommend actions that can be taken to improve gain sharing performance by:

(i) DH

(ii) ARBT

Justify your response.

ANSWER:

DH proposes a suite of care management programs to the ARBT which would:

- Increase the Administrative Fee by \$5 PMPM over the entire year; and
- Decrease ARBT's projected claims trend by 1.0% per year

(g) (2 points) Assess whether or not ARBT should accept DH's offer. Show your work. Justify your response.

<i>The response for this part is to be provided in the Excel spreadsheet.</i>

12.

(7 points)

- (a) (1 point) Describe reasons an employer offers benefits through a cafeteria plan.

ANSWER:

- (b) (1 point) Identify which cafeteria plan benefits would be a top priority for:

- (i) Employees

ANSWER:

- (ii) Employers

ANSWER:

- (c) (2 points) Describe:

- (i) Cafeteria plan tests a plan must pass to be deemed nondiscriminatory.

ANSWER:

- (ii) The focus of the nondiscriminatory treatment of each test.

ANSWER:

You are the consulting actuary performing the Section 125 key employee concentration test. Your client is an employer with 105 employees in a cafeteria plan. The key employee compensation threshold for nondiscrimination testing is \$185,000.

- (d) (1 point) Explain consequences to participants of a cafeteria plan failing the nondiscrimination test.

ANSWER:

12. Continued

You are given:

Position	Company Officer	# of Employees	Annual Compensation per Employee	Sum of Aggregate Annual Nontaxable Benefit Value			
				Medical, Dental, Vision Premium	Term Life Premium	Healthcare FSA	Dependent Care FSA
CEO	Yes	1	\$1,000,000	\$16,800	\$120	\$2,750	\$5,250
CFO	Yes	1	\$400,000	\$16,800	\$120	\$2,750	\$5,250
CIO	Yes	1	\$350,000	\$16,800	\$120	\$2,750	\$5,250
CRO	No	1	\$200,000	\$16,800	\$120	-	\$5,250
CHRO	No	1	\$186,000	\$16,800	\$120	\$2,750	\$5,250
VP	No	1	\$80,000	\$16,800	\$120	-	\$2,500
Analyst	No	99	\$45,000	\$277,200	\$11,880	\$40,000	-
Total		105		\$378,000	\$12,600	\$51,000	\$28,750

- (e) (2 points) Evaluate whether or not the plan passes the Section 125 key employee concentration test. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

13.

(7 points) You are an actuary for GEX Company.

- (a) (1 point) Describe the advantages and disadvantages of a level-funded approach.

ANSWER:

You are given the following for a small group with a transitional medical plan:

Base net premium rate (PMPM)	\$300.00
Age factor	0.85
Industry factor	0.90
Area factor	1.00
Group-specific risk adjustment factor	0.87
Expenses (PMPM)	\$75.00

- (b) (2 points) Calculate the group's transitional premium. Show your work.

<i>The response for this part is to be provided in the Excel spreadsheet.</i>

13. Continued

You are given:

- ACA fully insured premium: \$500 PMPM
- Level funded premium equivalent: \$400 PMPM
 - Specific Stop Loss (SSL) deductible: \$25,000
 - Aggregate Stop Loss (ASL) deductible: 120%

You are choosing between a level premium quote and a fully insured quote.

You are given:

	PMPM
Fully insured premium	\$500
Level funded premium equivalent	\$400
Stop loss premium	\$100
Administrative and regulatory fees	\$55
# of employees	48
# of members covered	96

- (c) (1 point) Calculate the expected cost components of the level funded premium equivalent. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

13. Continued

You are given:

	Actual Incurred Claims
January	\$3,000
February	\$250,000
March	\$50,000
April	\$50,000
May	\$45,000
June	\$20,000
July	\$50,000
August	\$50,000
September	\$60,000
October	\$25,000
November	\$60,000
<u>December</u>	<u>\$70,000</u>
Total	\$733,000

Actual experience after 1 year Claimants with incurred claims >\$25,000	
	Incurred claims
Claimant 1	\$450,000
Claimant 2	\$75,000
Claims paid by ASL coverage	\$0

- (d) (2 points) Calculate the level funded surplus or deficit at the end of the settlement. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

You decide to move forward with a level funded approach.

- (e) (1 point) Recommend next steps for infrastructure to make sure the level funding approach is successful.

ANSWER:

****END OF EXAMINATION****