Minimum Actuarial Value Certification

State of Tennessee
2018 Plan Year

Preparation of This Actuarial Report

State of Tennessee

This report has been prepared to present our analysis of the Minimum Value of State of Tennessee medical benefits. The purpose of this analysis is to demonstrate that State of Tennessee's programs satisfy the Minimum Value requirements of the Affordable Care Act (ACA) as required by 45 CFR Section 156.145 for the plan year beginning January 1, 2018. This analysis was determined based on your plan benefits and coverage data. Unless otherwise noted in the methodology, the analysis uses the standard population, utilization and continuance tables published by HHS for the purpose of Minimum Value valuation. The use of this report for purposes other than those expressed here may not be appropriate.

In conducting the analysis, we have relied on plan design information supplied by State of Tennessee. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the requirements of the Affordable Care Act, and related regulations and guidance.

The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

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Background

Under the Affordable Care Act, penalties are assessed on applicable large employer members starting in 2015 if (1) the applicable large employer member fails to offer to its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage or the applicable large employer member offers coverage that does not meet minimum value or is unaffordable; and (2) the full-time employee receives a premium tax credit to purchase coverage through an Affordable Insurance Exchange (also known as the Health Insurance Marketplace or Exchange). Employers need to report a plan's Minimum Value status on a plan's Summary of Benefits and Coverage (SBC).

Minimum Value

Final regulations issued by the Department of Health and Human Services (HHS) in February 2013 regarding Essential Health Benefits established the methods that employer-sponsored plans may use to determine Minimum Value (MV): the MV Calculator, a safe harbor plan design, and an actuarial certification.

At the same time, HHS also released the MV calculator. The most recent version of the MV calculator was released in April 2017. Plan sponsors must use the MV Calculator to measure standard plan features (unless a safe harbor applies), but the percentage may be adjusted based on an actuarial analysis of plan features that are outside the parameters of the calculator.

Proposed regulations issued by the Internal Revenue Service (IRS) in May 2013 state that certain safe harbor plan designs satisfy MV. As of 2014, the following safe harbor plan designs have been identified:

- A plan with a $3,500 integrated medical and drug deductible, 80% plan cost-sharing, and a $6,000 maximum out-of-pocket limit for employee cost-sharing;

- A plan with a $4,500 integrated medical and drug deductible, 70% plan cost-sharing, a $6,400 maximum out-of-pocket limit, and a $500 employer contribution to an HSA; and

- A plan with a $3,500 medical deductible, $0 drug deductible, 60% plan medical expense cost-sharing, 75% plan drug expense cost-sharing, a $6,400 maximum out-of-pocket limit, and drug co-pays of $10/$20/$50 for the first, second and third prescription drug tiers, with 75% coinsurance for specialty drugs.

A plan that covers all core benefits included in the MV calculator (including physician and inpatient hospital services) and has a benefit plan design at least as generous as these safe harbor plans will be considered as meeting the MV requirements.

The HHS final regulations require plans with non-standard features that cannot determine MV using the MV Calculator or a safe harbor to use the actuarial certification method. The actuary must be a member of the American Academy of Actuaries and must perform the analysis in accordance with generally accepted actuarial principles and methodologies and any additional standards that subsequent guidance requires.

Minimum Value Determination

In 2018, State of Tennessee will sponsor 5 medical benefit options (the State of Tennessee options). The provisions of these options are described in the Plan Provisions section of this document. As shown below, each of the State of Tennessee options satisfies the minimum value requirements based on Aon Hewitt's understanding of the published guidance.

Testing Option	Test Method	Result
Premier PPO	MV Calculator	Pass
Standard PPO	MV Calculator	Pass
State CDHP/HSA	MV Calculator	Pass
Limited PPO	MV Calculator	Pass
Local Education & Local Government CDHP/HSA	MV Calculator	Pass

Premier PPO: The Minimum Value for this option was calculated using the MV Calculator. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Standard PPO: The Minimum Value for this option was calculated using the MV Calculator. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

State CDHP/HSA: The Minimum Value for this option was calculated using the MV Calculator. The option has an aggregate deductible for family coverage, which could not be modeled directly in the MV Calculator. Even so, adjusting the MV Calculator output for this provision will not materially change whether the option meets the MV threshold. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Limited PPO: The Minimum Value for this option was calculated using the MV Calculator. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Local Education & Local Government CDHP/HSA: The Minimum Value for this option was calculated using the MV Calculator. The option has an aggregate deductible for family coverage, which could not be modeled directly in the MV Calculator. Even so, adjusting the MV Calculator output for this provision will not materially change whether the option meets the MV threshold. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Plan Provisions

	Premier PPO		Standard PPO		State CDHP/HSA		Limited PPO		Local Ed & Local Gov CDHP/HSA	
	In-Network	Out of Network	In-Network	Out of Network	In-Network	Out of Network	In-Network	Out of Network	In-Network	Out of Network
Health Saving Account (Ind/Fam)	N/A		N/A		$250 / $500		N/A		$0	
Deductible (Individual/Family)	$500 / $1,250	$1,000 / $2,500	$1,000 / $2,500	$2,000 / $5,000	$1,500 / $3,000	$3,000 / $6,000	$1,600 / $3,200	$3,000 / $6,000	$2,000 / $4,000	$4,000 / $8,000
Out of Pocket Maximum (Ind/Fam)	$3,600 / $9,000	$4,000 / $10,000	$4,000 / $10,000	$4,500 / $11,250	$2,500 / $5,000	$4,500 / $9,000	$6,600 / $13,200	$10,000 / $20,000	$5,000 / $10,000	$8,000 / $16,000
Co-insurance	10%	40%	20%	40%	20%	40%	30%	50%	30%	50%
Primary Care Physician	$25	$45	$30	$50	20%	40%	$35	$55	30%	50%
Specialist Office Visit	$45	$70	$50	$75	20%	40%	$55	$80	30%	50%
Urgent Care	$45	$70	$50	$75	20%	40%	$55	$80	30%	50%
Emergency Room	$150	$150	$175	$175	20%	20%	$200	$200	30%	30%
Prescription Drug Benefits										
Prescription Drug Deductible (Ind/Fam)	N/A	N/A	N/A	N/A	N/A	N/A	$100 Deductible Per Member		N/A	N/A
Retail Drug Network										
Generic	$7	Copay plus amount exceeding MAC	$14	Copay plus amount exceeding MAC	20%	40%	$14	Copay plus amount exceeding MAC	30%	50%
Brand	$40		$50		20%	40%	$60		30%	50%
Non-Preferred Brand	$90		$100		20%	40%	$110		30%	50%
Mail Order Prescription (90 day supply)										
Generic	$14	N/A - no network	$28	N/A - no network	20%	N/A - no network	$28	N/A - no network	30%	N/A - no network
Brand	$80		$100		20%		$120		30%	
Non-Preferred Brand	$180		$200		20%		$220		30%	
Maintenance Drug										
Generic	$7	N/A - no network	$14	N/A - no network	10%	N/A - no network	$14	N/A - no network	20%	N/A - no network
Brand	$40		$50		10%		$60		20%	
Non-Preferred Brand	$160		$180		10%		$200		20%	

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