

REPORT ON

**RATING AREAS IN ARKANSAS UNDER THE
AFFORDABLE CARE ACT**

STATE OF ARKANSAS
Department of Insurance
Division of Health Benefits Exchange Partnership



Lewis and Ellis, Inc. – Actuaries & Consultants

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FEBRUARY 2013

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Chapter 1

Introduction

PURPOSE AND SCOPE

The Health Benefit Exchange Partnership Division (HBEPD) of the Arkansas Insurance Department (AID) is engaged in establishing and managing a State Partnership Exchange for the state of Arkansas. Lewis & Ellis, Inc. (L&E), was engaged to assist the HBEPD with issues of an actuarial nature.

The Affordable Care Act (ACA) was signed into law on March 23, 2010. While some of the changes enacted by the law have already taken effect as of the date of this report, most will take effect in 2014.

Section 2701(a)(1)(A) of the ACA provides that health insurance issuers may vary rates by geography; however, a state can implement rating limitations. §2701(a)(2)(A) specifies that each state can establish one or more rating areas to be used by all the health insurance issuers.

The Centers for Medicaid and Medicare Services (CMS) proposed rule CMS-9972-P proposes that a state could establish no more than seven rating areas unless an exemption is applied for and granted.

A key consideration in establishing geographic rating areas is the magnitude of premium rate changes as a result of issuers' compliance with the new rating areas.

This report examines multiple ways the AID could define geographic rating areas within Arkansas by assessing potential premium rate disruptions.

KEY ISSUES FOR ANALYSIS

The key issues L&E analyzed were:

- ❖ The geographic rating areas used by health insurance issuers currently in the Arkansas Individual and Small Group marketplaces;
- ❖ The projected premium impacts of alternative rating areas.

LIMITATIONS OF THIS STUDY

This report has been prepared for the use of the state of Arkansas with regard to the implementation and management of an Exchange. The HBEPD should use

this report to understand the actuarial implications of establishing rating areas for the Individual and Small Group insurance markets.

The authors of this report are aware that it may be distributed to third parties; however, any users of this report must possess a certain level of expertise in health insurance, healthcare, or actuarial science so as not to misinterpret the data presented. Any distribution of this report must be made in its entirety. In addition, any third party with access to this report acknowledges, as a condition of receipt, that L&E makes no representations or warranties as to the accuracy or completeness of the material. Any third party with access to these materials cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.

Reliances

In performing this study, L&E relied on data and information from many sources, including the Arkansas Insurance Department and multiple Arkansas health insurance issuers. L&E did not audit the data sources for accuracy, although they were reviewed for reasonableness. If the data or information provided was inaccurate or incomplete, then any resultant projections or guidance could also be inaccurate or incomplete.

Confidentiality

L&E recognizes that in the performance of the work, L&E acquired or had access to records and information considered confidential by the health insurance issuers and the Arkansas Insurance Department. L&E took steps to comply with confidentiality and privacy issues.

Limitations

Much uncertainty surrounds many of the projections in this report, primarily due to undecided regulatory requirements. The actuarial guidance and projections in this report should not be considered predictions of what will occur if various rating areas are established. The guidance provided in this report is based on modeling a specific set of assumptions and should be used to evaluate a range of potential outcomes. Actual experience will deviate from these projections.

The authors of this report are members of the American Academy of Actuaries and meet the qualification standards for performing this analysis. The guidance and analysis expressed in this report are those of the authors only and do not necessarily represent the opinions of other L&E consultants.

The authors of this report are not attorneys and are not qualified to give legal advice. Users of this report should consult legal counsel for interpreting legislation and administrative rules, specific Exchange features, and other issues related to implementing an Exchange.

Chapter 2

Executive Summary

Lewis & Ellis, Inc. was engaged by the Health Benefit Exchange Partnership Division of the Arkansas Insurance Department to perform actuarial analysis and prepare guidance related to establishing and managing a State Partnership Exchange.

One of the reforms enacted in the Affordable Care Act is a change to insurance rating practices which include the establishment of defined rating areas for Individual and Small Group markets. Section 2701(a)(2)(A) specifies that each State can establish one or more rating areas. A key consideration in defining allowable rating areas is the assessment of premium rate disruption caused by health insurance issuers modifying their current practices.

L&E chose to analyze five rating area alternatives. The alternatives are a representative sample of the various approaches Arkansas could choose. The first two alternatives represent the extreme cases Arkansas could consider:

1. There is only one rating area allowed within the state;
2. Rating areas are defined such that consumers would not have a premium rate disruption based on geography.

The other alternatives represent:

3. Seven areas which is the maximum allowed under CMS proposed rule CMS-9972-P;
4. Five rating areas;
5. Three rating areas.

RESULTS

A few key results of L&E's analysis include:

- ❖ Table 2-1 summarizes the expected premium disruption if only one rating area is selected:

Table 2-1 One Rating Area Disruption Summary

Rate Change	Enrollment	Percent of Members
20% - 40% reduction	772	0.5%
0% - 20% reduction	48,866	30.8%
No Change	69,240	43.7%
0% - 20% increase	39,644	25.0%
20% - 40% increase	0	0.0%
Total	158,521	100%

- ❖ If current rating areas as defined by each carrier is adopted by the state:
 - There will be zero disruption premiums currently charged;
 - Over 50 different rating areas will be required;
 - It is unlikely that CMS would grant an exemption for this approach.
- ❖ Table 2-2 summarizes the expected premium disruption if seven rating areas are selected:

Table 2-2 Seven Rating Areas Disruption Summary

Rate Change	Enrollment	Percent of Members
20% - 40% reduction	249	0.2%
0% - 20% reduction	25,422	16.0%
No Change	100,484	63.4%
0% - 20% increase	30,937	19.5%
20% - 40% increase	1,429	0.9%
Total	158,521	100%

- ❖ Table 2-3 summarizes the expected premium disruption if five rating areas are selected:

Table 2-3 Five Rating Areas Disruption Summary

Rate Change	Enrollment	Percent of Members
20% - 40% reduction	372	0.2%
0% - 20% reduction	34,356	21.7%
No Change	93,535	59.0%
0% - 20% increase	28,866	18.2%
20% - 40% increase	1,393	0.9%
Total	158,521	100%

- ❖ Table 2-4 summarizes the expected premium disruption if three rating areas are selected:

Table 2-4 Three Rating Areas Disruption Summary

Rate Change	Enrollment	Percent of Members
20% - 40% reduction	547	0.3%
0% - 20% reduction	35,028	22.1%
No Change	80,832	51.0%
0% - 20% increase	40,729	25.7%
20% - 40% increase	1,385	0.9%
Total	158,521	100%

SUMMARY

The state of Arkansas must determine the number of rating areas health insurance issuers will be allowed to use to comply with the ACA reform or CMS will establish the rating areas on its behalf.

Under CMS proposed rule CMS-9972-P, Arkansas has the option of defining one to seven rating areas as long as the result adequately addresses the following factors:

- ❖ The impact to the insured on the current premium rates; and
- ❖ The complexities of defining too many or too few rating areas to the state and to the issuers;

L&E recommends that the Arkansas Insurance Department establish seven rating areas by county. The reasons for the recommendation include:

- ❖ This approach would likely cause the least disruption to current issuer administrative practices;
- ❖ This approach is expected to cause the least premium rate disruption in the marketplace;
- ❖ This approach would cause the least amount of premium subsidization among geographies;
- ❖ Approximately 80% of the population analyzed would either receive a reduction in rates or no change in rates.
- ❖ A better opportunity to create a competitive marketplace.

L&E also recommends that the area factors used by health insurance issuers in their rating approaches not be limited by the AID. L&E believes that area factors used by issuers are appropriately governed by the competitive nature of the marketplace, the AID's procedure to review proposed premiums, and the requirement that an issuer's rates be actuarially justified .

Chapter 3

Background

FEDERAL CONTEXT OF RATING AREA REFORM

The Patient Protection and Affordable Care Act, Public Law 111-148, was enacted on March 23, 2010. The Health Care and Education Reconciliation Act, Public Law 111-152, was enacted on March 30, 2010. These laws are collectively referred to as the Affordable Care Act (ACA).

PHS Act section 2701(a)(1)(A)(ii) provides that health insurance issuers may vary premium rates for health insurance coverage in the Individual and Small Group markets based on a limited set of specified factors. The factors are:

1. Whether the plan or coverage applies to an individual or family;
2. Rating area;
3. Age, limited to a variation of 3:1 for adults; and
4. Tobacco use, limited to a variation of 1.5:1.

Regarding the rating area factor, §2701(a)(2)(A) specifies that states can establish one or more rating areas and §2701(a)(2)(B) provides that CMS may establish rating areas if a state does not establish them. It is important to note that §2701 does not specify the maximum variation for a rating area factor. Rating area factors used by health insurance issuers would have to be actuarially justified.

§2792 authorizes the Centers for Medicare & Medicaid Services (CMS) to promulgate regulations that are necessary or appropriate to carry out the Affordable Care Act. In November 2012, CMS issued proposed rule CMS-9972-P, which has not been finalized at the time of this report.

The proposed rule proposes that a state could establish no more than seven rating areas. The proposed rule makes no distinction between health insurance coverage offered inside or outside an Exchange; therefore, the rating areas would apply equally to all non-grandfathered coverage in the Individual or Small Group market.

CMS's choice of a maximum of seven areas in the proposed rule was based on their assessment on the number of rating areas that states currently have established in the Individual and Small Group markets. CMS believes that setting an upper limit on the number of rating areas provides states with the flexibility needed to define rating areas that are adequately sized and accommodate local market conditions, while avoiding an excessive number of rating areas that could be confusing to consumers while not appropriately reflecting significant market differences.

Proposed rule CMS-9972-P includes three standards to assess the adequacy of a state's defined rating areas:

1. One rating area for the entire state;
2. Rating areas based on counties or three-digit zip codes (but not both); or
3. Rating areas based on metropolitan statistical areas (MSAs) and non-MSAs.

It is important to note that the proposed rule would not require that all the sections of a rating area be geographically adjacent.

There are several outstanding issues addressed in the proposed rule. Issues for which CMS has requested comments on include:

- ❖ Other options for standards for geographic divisions;
- ❖ Whether the final rule should establish minimum geographic size;
- ❖ Whether minimum population requirements should be established;
- ❖ The process of possibly modifying rating areas after 2014 in light of local utilization and cost patterns, and issuer service areas.

For the purposes of this report, L&E has assumed that proposed rule will be implemented without significant changes.

MARKETPLACE CHARACTERISTICS

ARKANSAS INDIVIDUAL AND SMALL GROUP INSURANCE MARKETS

In 2012, the Center of Insurance Studies (CIS) at the University of Central Arkansas produced the report *Arkansas Marketplace Research (AMR)*¹. In this study, the CIS determined that three insurance carriers provide approximately 90% of the Individual and Small Group Coverage in the state of Arkansas.

Table 3-1 demonstrates the market share of health insurance issuers based on the data reported in the AMR.

Table 3-1 2011 Health insurance market share by market

Arkansas Insurers	Individual Insurers		Small Group Insurers	
	Premium	Covered Lives	Premium	Covered Lives
USable Mutual Ins. Co. (dba Arkansas Blue Cross and Blue Shield) (includes all affiliates)	77.5%	78.9%	52.9%	56.0%
UnitedHealthCare (includes all affiliates)	8.6%	8.0%	21.7%	20.9%
QCA Health Plan, Inc.	3.3%	5.3%	19.9%	19.7%
Time Ins. Co.	2.2%	1.1%	0.1%	0.1%
Humana Ins. Co.	1.5%	2.0%	0.5%	0.2%
United Security Life & Health Ins. Co.	0.8%	0.3%		
Coventry Health & Life Ins. Co.	0.6%	0.1%	2.3%	1.9%
World Ins. Co.	0.3%	0.1%		
Freedom Life Ins. Co. of America	0.3%	0.2%		
All Other	4.9%	4.0%	2.6%	1.2%
Total	100.0%	100.0%	100.0%	100.0%

CURRENT RATING AREA PRACTICE IN ARKANSAS

Arkansas Regulation of Rating Areas

Currently, there are no Arkansas insurance codes or Arkansas regulations pertaining to the Individual or Small Group markets which limit how health insurance issuers utilize geography in pricing health insurance coverage.

In 2011, the AID issued Bulletins which relate to the review or approval of premiums for health insurance issued in Arkansas. Bulletin 6A-2011 governs the Individual market while Bulletin 7-2011 and 7A-2011² govern the Small Group market.

For the Individual market, all premium rates must be approved by the Commissioner of Insurance prior to those rates being implemented. Although Bulletin 6A-2011 does not specifically address area factors, a proposed rating area factor should be actuarially justified to ensure that issuers do not discriminate unfairly between policyholders.

For the Small Group market, all premium rates must be filed annually. No schedule of rates may be used until either a copy of the schedule of rates or the methodology for determining rates has been filed and approved by the Commissioner. The specific schedule of rates or the methodology for determining rates must be

established in accordance with actuarial principles and the rates shall not be excessive, inadequate, unreasonable, or unfairly discriminatory. Although Bulletins 7-2011 and 7A-2011 do not specifically address area factors, rating area factors must be reviewed to ensure that issuers do not discriminate unfairly between policyholders and that all other requirements are met.

Health Insurance Issuer Current Rating Area Methodologies

In performing this study, L&E interviewed health insurance carriers who issue business in Arkansas about their geographic rating practices. As a follow-up to those discussions, L&E made a data request to assist in the analysis.

The analysis is based on the largest health insurance carriers in the state: Blue Cross Blue Shield (BCBS), UnitedHealthCare (UHC), and QualChoice Health Plan (QCA). These three issuers comprise over 90% of the covered populations in both the Individual and Small Group markets.

Based on the information provided, there appears to be no consistent approach taken with regards to premium adjustments as a result of area:

- ❖ In the Individual market:
 - Two issuers do not use area factors while the other issuer modifies rates based on the first three numbers of the zip code (3-zip) and the provider network used.
- ❖ In the Small Group market:
 - All three issuers modify premiums based on the county of residence. The number of distinct rating areas varies from five to sixteen.

Due to confidentiality agreements, the specific rating areas and the corresponding area rating factor for each company interviewed cannot be disclosed in this report; however, these results were used in the analysis.

Chapter 4

Potential Impact of ACA Rating Area Definition

Across states, there have been a myriad of ways to establish rating areas. This report will present the advantages and disadvantages for the following rating area proposals:

- ❖ One rating area;
- ❖ Current rating areas as defined by each carrier unchanged;
- ❖ Seven rating areas;
- ❖ Five rating areas;
- ❖ Three rating areas;

For this analysis, L&E combined the Individual and Small Group markets to assess the impact of a rating area definition.

ALTERNATIVE 1 - ONE RATING AREA

Defining one rating area for the whole state basically means that rating by area is not allowed within that state. It also means that issuers which do rate by area will have to adjust their area factors and change the current premiums to produce a cost neutral result. Table 4-1 shows the results of premium disruption if using only one rating area:

Table 4-1 One Rating Area Disruption Summary

Rate Change	Enrollment	Percent of Members
30% - 40% reduction	195	0.1%
20% - 30% reduction	577	0.4%
10% - 20% reduction	3,883	2.4%
0% - 10% reduction	44,983	28.4%
No Change	69,240	43.7%
0% - 10% increase	30,500	19.2%
10% - 20% increase	9,145	5.8%
20% - 30% increase	0	0.0%
30% - 40% increase	0	0.0%
Total	158,521	100%

Defining only one rating area is the simplest approach, however, approximately 25% of the population would be expected to receive a rate increase as a result of

the rating area change. In tandem, with the impact of other ACA reforms, this could lead to a portion of effected individuals to dropping insurance coverage. Therefore, this approach would likely negatively disrupt a significant number of policies. Please see Appendix A for a rate change summary by issuer

ALTERNATIVE 2 - CURRENT RATING AREAS AS DEFINED BY EACH CARRIER

In order to achieve zero disruption, each issuer must be allowed to use their current rating areas. Due to different rating methodologies used by each issuer (i.e. county vs. zip code vs. regions), the total number of rating areas required will be a combination of all the rating area definitions.

Based on the provided data, Alternative 2 requires the state to adopt more than 50 rating areas. Even though minimum disruption may be preferred, this method exceeds the maximum number of rating areas recommended by proposed rule CMS-9972-P and would be subject to CMS review for approval. In addition, having over 50 rating areas will increase the difficulty in regulating the Individual and Small Group markets.

Note that in order to have absolute zero disruption in premium rates, all companies have to be analyzed. The current analysis only considers the three major health insurance issuers in Arkansas. An analysis of all companies together would likely conclude that even more rating areas would have to be defined.

ALTERNATIVE 3 - SEVEN RATING AREAS

Alternative 3 defines seven rating areas. This is the maximum allowed under proposed rule CMS-9972-P. This alternative provides the most flexibility under the current reforms and should encourage competition between health insurance issuers. The regions in Alternative 3 are grouped together based on adjacent counties. This provides a simple approach in identifying the regions. Figure 4-1 displays the seven regions selected for this alternative:

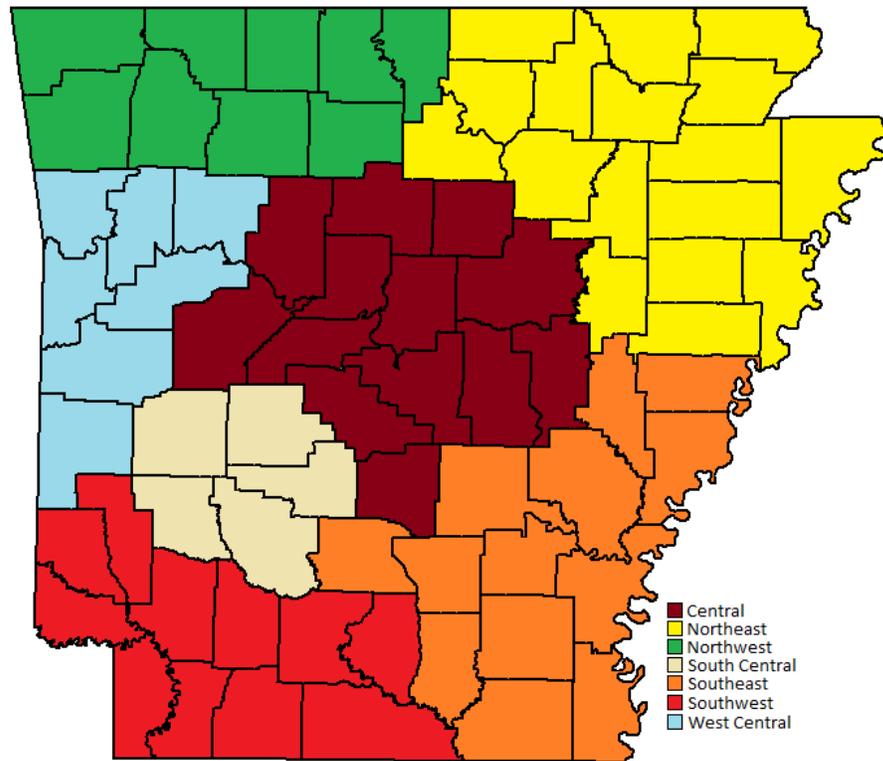


Figure 4-1 Regional Map based on Seven Rating Areas

In term of percentage of members impacted, Alternative 3 produces significantly less disruption than Alternative 1. The premium will not change for about 63.4% of current enrollment, compared to only 43.7% for Alternative 1. However, about 1% of the enrollment will receive a rate increase that's greater than 20%; the highest rate increase for Alternative 1 is 19%. Table 4-2 shows the results of premium disruption for Alternative 3:

Table 4-2 Seven Rating Areas Disruption Summary

Rate Change	Enrollment	Percent of Members
30% - 40% reduction	5	0.0%
20% - 30% reduction	245	0.2%
10% - 20% reduction	755	0.5%
0% - 10% reduction	24,666	15.6%
No Change	100,484	63.4%
0% - 10% increase	29,611	18.7%
10% - 20% increase	1,326	0.8%
20% - 30% increase	1,385	0.9%
30% - 40% increase	44	0.0%
Total	158,521	100%

Even though Alternative 3 causes fewer premium changes, some of the changes are more severe. This is due to the fact that one typically low cost county would be grouped with multiple high cost counties. This would increase the rating factor for that county up to the average of the region, and that rating factor is greater than the average rating factor for the whole state.

In this alternative, approximately 2% of the population will receive a rate increase that is greater than 10% compared to 6% for Alternative 1. Approximately 80% of enrollment is expected to experience either no rate change or a rate reduction under Alternative 3 versus to 75.0% under Alternative 1.

As a result, L&E considers this a better alternative in regards to premium disruption. Please see Appendix A for the list of counties in each region for Alternative 3 as well as rate change summary by issuer.

ALTERNATIVE 4 - FIVE RATING AREAS

Alternative 4 defines five rating areas. The regions in Alternative 4 expand the central region from Alternative 3. The rest of the regions were separated to fit within a five region structure. Figure 4-2 displays the five regions selected for this alternative:

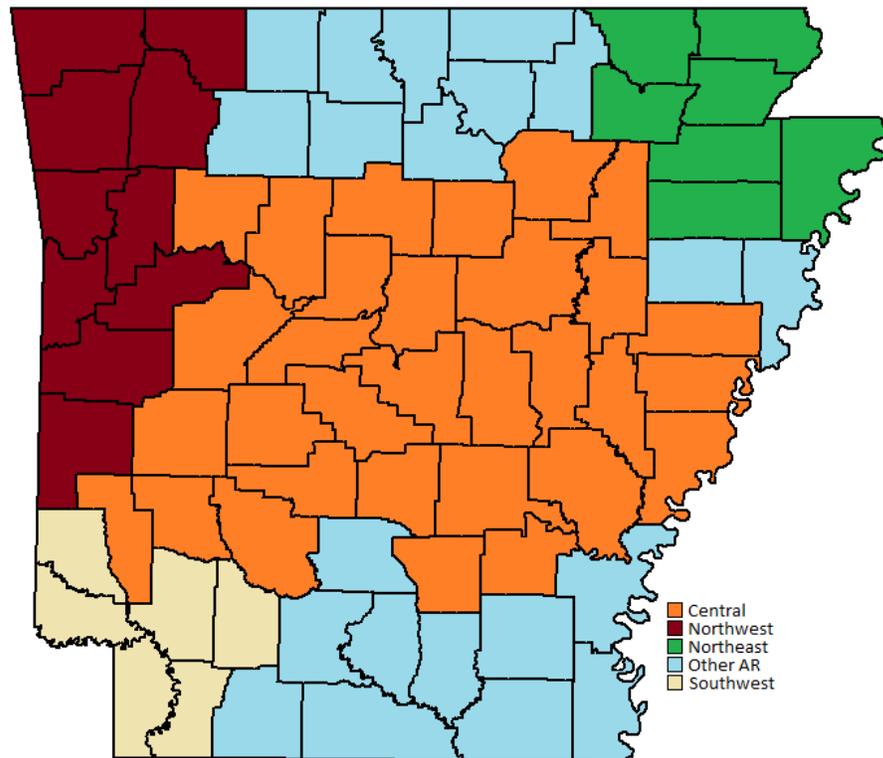


Figure 4-2 Regional Map based on Five Rating Areas

The percentage of members with no premium change is reduced in Alternative 4 to 59.0% compared to 63.4% for Alternative 3; however, the total percentage of

favorable rate changes (no change or premium reduction) for Alternative 4 (80.9%) is slightly better than Alternative 3 (79.6%). This is due to the higher percentage of members receiving a rate increase over 20% under Alternative 4.

Table 4-3 shows the results of premium disruption for Alternative 4:

Table 4-3 Five Rating Areas Disruption Summary

Rate Change	Enrollment	Percent of Members
30% - 40% reduction	1	0.0%
20% - 30% reduction	370	0.2%
10% - 20% reduction	207	0.1%
0% - 10% reduction	34,149	21.5%
No Change	93,535	59.0%
0% - 10% increase	27,048	17.1%
10% - 20% increase	1,818	1.1%
20% - 30% increase	1,391	0.9%
30% - 40% increase	2	0.0%
Total	158,521	100%

Even though Alternative 4 produces a slightly higher percentage of members with a favorable rate change, it comes at the cost of higher percentage of members with rate increases over 10%. Please see Appendix A for the list of counties in each region for Alternative 4 as well as rate change summary by issuer.

ALTERNATIVE 5 - THREE RATING AREAS

Alternative 5 defines three rating areas. The regions are a combination of Alternatives 3 and 4. The central region is slightly reduced from Alternative 4 while the northwest region is expanded. All other counties comprise the third region of this Alternative.

Figure 4-3 displays the five regions selected for this alternative:

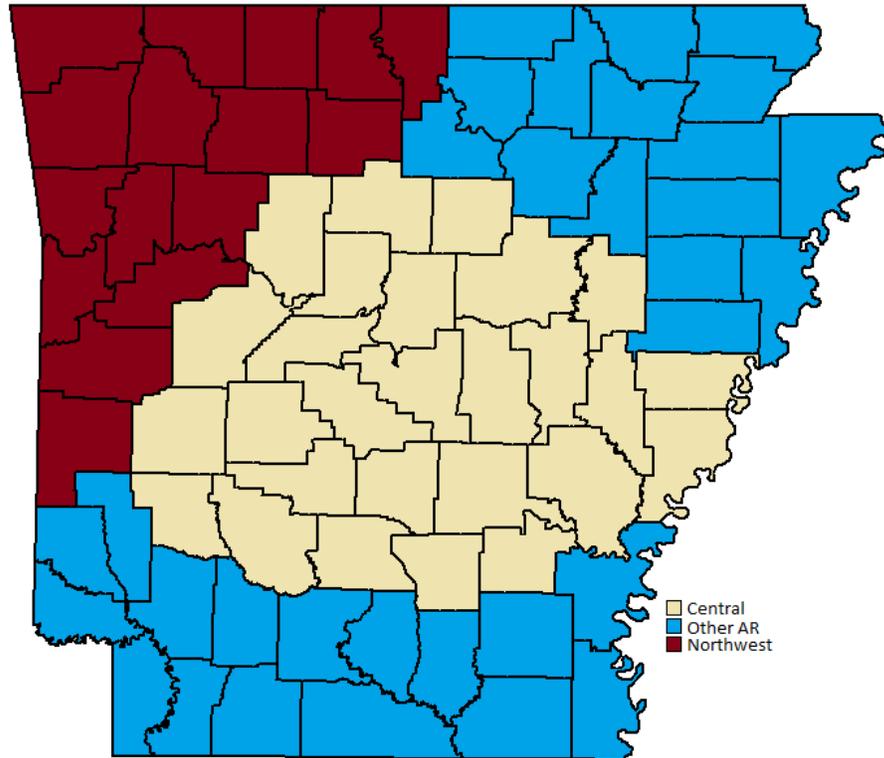


Figure 4-3 Regional Map based on Three Rating Areas

The results of Alternative 5 are similar to Alternative 1 since it produces a higher number of disruptions compared to Alternatives 3 and 4. Even though the percentage of members with no rate change is greater than Alternative 1 (51.0% vs. 43.7%), the total percentage of favorable rate changes under Alternative 5 is slightly less than Alternative 1 (73.4% vs. 75.0%). Table 4-4 shows the results of premium disruption for Alternative 5:

Table 4-4 Three Rating Areas Disruption Summary

Rate Change	Enrollment	Percent of Members
30% - 40% reduction	1	0.0%
20% - 30% reduction	546	0.3%
10% - 20% reduction	1,979	1.2%
0% - 10% reduction	33,050	20.8%
No Change	80,832	51.0%
0% - 10% increase	40,298	25.4%
10% - 20% increase	431	0.3%
20% - 30% increase	1,385	0.9%
30% - 40% increase	0	0.0%
Total	158,521	100%

Since Alternative 5 is similar to Alternative 1, it is also more disruptive than Alternatives 3 and 4. The percentage of members who would receive a small rate increase (0% - 10%) is about 40% greater than Alternatives 3 and 4. Please see Appendix A for the list of counties in each region for Alternative 5 as well as rate change summary by issuer.

CONCLUSION

There are many different ways the state can define their regions to comply with ACA reforms and proposed rule CMS-9972-P. The above alternatives compare the results based on the number of assigned rating areas.

A low number of rating areas appear to create the most premium disruption. A larger number of rating areas appears to create the smallest amount of premium disruption; however, the overall disruption is slightly diminished by the proportion of persons that will receive relatively large rate increases (e.g. more than 20%).

L&E conducted several assessments to determine the number of areas necessary to limit the maximum expected rate change to 5%. This was determined to be at least 32 rating areas, which does not comply with proposed rule CMS-9972-P.

Based on the analysis performed and the requirements of CMS-9972-P, L&E recommends Alternative 3 which would define seven rating areas in the state.

The reasons for the recommendation include:

- ❖ This approach would likely cause the least disruption to current issuer administrative practices;
- ❖ This approach is expected to cause the least premium rate disruption in the marketplace;
- ❖ This approach would cause the least amount of premium subsidization among geographies;
- ❖ Approximately 80% of the population analyzed would either receive a reduction in rates or no change in rates.
- ❖ A better opportunity to create a competitive marketplace.

L&E also recommends that the area factors used by health insurance issuers in their rating approaches not be limited by the AID. L&E believes that area factors used by issuers are appropriately governed by the competitive nature of the marketplace, the AID's procedure to review proposed premiums, and the requirement that an issuer's rates be actuarially justified.

Appendix A

Arkansas Counties by Region

Table 4-5 Listing of Assumed Counties for Alternative 3

Region				
Central	Cleburne	Conway	Faulkner	Grant
	Lonoke	Perry	Pope	Prairie
	Pulaski	Saline	Van Buren	White
	Yell			
Northeast	Clay	Craighead	Crittenden	Cross
	Fulton	Greene	Independence	Izard
	Jackson	Lawrence	Mississippi	Poinsett
	Randolph	Sharp	St. Francis	Stone
	Woodruff			
Northwest	Baxter	Benton	Boone	Carroll
	Madison	Marion	Newton	Searcy
	Washington			
South Central	Clark	Garland	Hot Spring	Montgomery
	Pike			
Southeast	Arkansas	Ashley	Bradley	Chicot
	Cleveland	Dallas	Desha	Drew
	Jefferson	Lee	Lincoln	Monroe
	Phillips			
Southwest	Calhoun	Columbia	Hempstead	Howard
	Lafayette	Little River	Miller	Nevada
	Ouachita	Sevier	Union	
West Central	Crawford	Franklin	Johnson	Logan
	Polk	Scott	Sebastian	

Table 4-6 Listing of Assumed Counties for Alternative 4

Region				
Central	Arkansas	Clark	Cleburne	Cleveland
	Conway	Faulkner	Garland	Grant
	Hot Spring	Howard	Independence	Jackson
	Jefferson	Johnson	Lee	Lincoln
	Lonoke	Monroe	Montgomery	Perry
	Phillips	Pike	Pope	Prairie
	Pulaski	Saline	St. Francis	Van Buren
	White	Woodruff	Yell	
Northeast	Clay	Craighead	Greene	Lawrence
	Mississippi	Poinsett	Randolph	
Northwest	Benton	Carroll	Crawford	Franklin
	Logan	Madison	Polk	Scott
	Sebastian	Washington		
Southwest	Hempstead	Lafayette	Little River	Miller
	Nevada	Sevier		
Other AR	Ashley	Baxter	Boone	Bradley
	Calhoun	Chicot	Columbia	Crittenden
	Cross	Dallas	Desha	Drew
	Fulton	Izard	Marion	Newton
	Ouachita	Searcy	Sharp	Stone
	Union			

Table 4-7 Listing of Assumed Counties for Alternative 5

Region				
Central	Arkansas	Clark	Cleburne	Cleveland
	Conway	Dallas	Faulkner	Garland
	Grant	Hot Spring	Jefferson	Lee
	Lincoln	Lonoke	Monroe	Montgomery
	Perry	Phillips	Pike	Pope
	Prairie	Pulaski	Saline	Van Buren
	White	Woodruff	Yell	
Northwest	Baxter	Benton	Boone	Carroll
	Crawford	Franklin	Johnson	Logan
	Madison	Marion	Newton	Polk
	Scott	Searcy	Sebastian	Washington
Other AR	Ashley	Bradley	Calhoun	Chicot
	Clay	Columbia	Craighead	Crittenden
	Cross	Desha	Drew	Fulton
	Greene	Hempstead	Howard	Independence
	Izard	Jackson	Lafayette	Lawrence
	Little River	Miller	Mississippi	Nevada
	Ouachita	Poinsett	Randolph	Sevier
	Sharp	St. Francis	Stone	Union

Alternative 1 Percentage Change Summary

<u>Change</u>	<u>Carrier 1</u>	<u>Carrier 2</u>	<u>Carrier 3</u>	<u>All</u>
30% - 39.9% reduction	0%	1%	0%	0.1%
20% - 29.9% reduction	0%	0%	2%	0.4%
10% - 19.9% reduction	1%	5%	5%	2.4%
0.1% - 9.9% reduction	20%	56%	34%	28.4%
No Change	63%	16%	0%	43.7%
0.1% - 9.9% increase	9%	23%	53%	19.2%
10% - 19.9% increase	7%	0%	7%	5.8%
20% - 29.9% increase	0%	0%	0%	0.0%
30% - 39.9% increase	0%	0%	0%	0.0%
Total	100%	100%	100%	100%

Alternative 2 Percentage Change Summary

<u>Change</u>	<u>Carrier 1</u>	<u>Carrier 2</u>	<u>Carrier 3</u>	<u>All</u>
30% - 39.9% reduction	0%	0%	0%	0.0%
20% - 29.9% reduction	0%	0%	0%	0.0%
10% - 19.9% reduction	0%	0%	0%	0.0%
0.1% - 9.9% reduction	0%	0%	0%	0.0%
No Change	100%	100%	100%	100.0%
0.1% - 9.9% increase	0%	0%	0%	0.0%
10% - 19.9% increase	0%	0%	0%	0.0%
20% - 29.9% increase	0%	0%	0%	0.0%
30% - 39.9% increase	0%	0%	0%	0.0%
Total	100%	100%	100%	100%

Alternative 3 Percentage Change Summary

<u>Change</u>	<u>Carrier 1</u>	<u>Carrier 2</u>	<u>Carrier 3</u>	<u>All</u>
30% - 39.9% reduction	0%	0%	0%	0.0%
20% - 29.9% reduction	0%	0%	1%	0.2%
10% - 19.9% reduction	0%	2%	1%	0.5%
0.1% - 9.9% reduction	16%	4%	24%	15.6%
No Change	74%	60%	29%	63.4%
0.1% - 9.9% increase	8%	34%	44%	18.7%
10% - 19.9% increase	1%	1%	1%	0.8%
20% - 29.9% increase	1%	0%	0%	0.9%
30% - 39.9% increase	0%	0%	0%	0.0%
Total	100%	100%	100%	100%

Alternative 4 Percentage Change Summary

<u>Change</u>	<u>Carrier 1</u>	<u>Carrier 2</u>	<u>Carrier 3</u>	<u>All</u>
30% - 39.9% reduction	0%	0%	0%	0.0%
20% - 29.9% reduction	0%	0%	1%	0.2%
10% - 19.9% reduction	0%	0%	1%	0.1%
0.1% - 9.9% reduction	28%	0%	17%	21.5%
No Change	60%	100%	22%	59.0%
0.1% - 9.9% increase	9%	0%	58%	17.1%
10% - 19.9% increase	1%	0%	2%	1.1%
20% - 29.9% increase	1%	0%	0%	0.9%
30% - 39.9% increase	0%	0%	0%	0.0%
Total	100%	100%	100%	100%

Alternative 5 Percentage Change Summary

<u>Change</u>	<u>Carrier 1</u>	<u>Carrier 2</u>	<u>Carrier 3</u>	<u>All</u>
30% - 39.9% reduction	0%	0%	0%	0.0%
20% - 29.9% reduction	0%	1%	1%	0.3%
10% - 19.9% reduction	1%	1%	1%	1.2%
0.1% - 9.9% reduction	26%	5%	17%	20.8%
No Change	58%	67%	13%	51.0%
0.1% - 9.9% increase	13%	27%	66%	25.4%
10% - 19.9% increase	0%	0%	1%	0.3%
20% - 29.9% increase	1%	0%	0%	0.9%
30% - 39.9% increase	0%	0%	0%	0.0%
Total	100%	100%	100%	100%

Appendix B

Endnotes

¹ Victor A. Puleo, Jr. Ph.D., CFP, John C. Bratton, Ph.D., CIC, CPCU, ASLI, ARM, and David Mitchell, Ph.D., “Arkansas Marketplace Research”, September 14, 2012.
<http://hbe.arkansas.gov/MarketplaceResearch.pdf>

² <http://www.insurance.arkansas.gov/Legal%20Dataservices/PCBulletinYR.htm>