

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	KHPE Individual HMO eff 1-1-2017		
Project Name/Number:	/		

Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Additional Information Needed	Rashmi Mathur	07/19/2016	07/19/2016
Additional Information Needed	Rashmi Mathur	07/13/2016	07/13/2016
Data Request Sent	Rashmi Mathur	06/16/2016	06/16/2016

Response Letters

Responded By	Created On	Date Submitted
David Walker	07/28/2016	07/28/2016
David Walker	07/22/2016	07/22/2016
David Walker	06/29/2016	06/29/2016

State: Pennsylvania
TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense
Product Name: KHPE Individual HMO eff 1-1-2017
Project Name/Number: /

Objection Letter

Objection Letter Status	Additional Information Needed
Objection Letter Date	07/19/2016
Submitted Date	07/19/2016
Respond By Date	07/26/2016

Dear Hugh Lakshman,

Introduction:

Dear Mr. Walker:

The Pennsylvania Insurance Department has received and conducted a review of the responses received from you on the above captioned filing. Some of the responses received were incomplete while for others additional information is needed. To facilitate a timely review, we request this information be provided within 7 days of the date of this letter. If you have any questions or difficulties in providing the data within this time frame, please call me.

1.Question 1 - Please provide quantitative support, in Excel with working formulas, for the development of elements of "Change in Other" in Table 5:

a. Change in Other 1.028

2.Question 7 - Please demonstrate that the administrative expenses among plans are consistent on a PMPM basis as stated in your response.

3.Question 9 – The Exchange User Fees is a Market-wide adjustment applied to the Index Rate to calculate the MAIR. The URRT shows only the Index Rate before the application of market-wide adjustments. Hence the URRT needs to be corrected to show the same taxes and fees of 2.1% as Table 6.

4.Question 10 – The Provider Network adjustments need to be normalized since the total premium in the state should be based in the single risk pool amount. Please comment.

5.Question 11 - Your response indicates that the Pricing AVs do not reflect induced demand, but is consistent with the benefit richness factors being applied. However, benefit richness factor is another term for induced demand and needs to be normalized.

6.Question 19 - Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide the data from the pre-ACA plans

7.Question 22 - Since your experience is 100% credible, the Index Rate of the experience period in Table 5, cell C6, should be the same as the index calculated in Table 2, Cell M27 (\$404.06). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates. This is as per the Actuarial Memorandum Exhibits Guidance given by PID.

8.Question 23 - A response was not received for this.

9.Given the difference between the Company's estimated risk adjustment for 2015 and actual 2015 amount, please provide narrative and quantitatively show the development of the PMPM impact this will have on the projected 2017 risk adjustment PMPM amount and the rate impact. Do not revise your filing because of this request; just provide the information requested

Conclusion:

Upon receipt of your responses to the above requested data, the Department will continue to review your filing. Please note that there may be additional questions and/or requirements as the Department conducts a more in-depth review. Should you have any questions regarding this correspondence, please contact me at (717) 783-0675 or e-mail at rmathur@pa.gov. Sincerely,

Rashmi Mathur, ASA, MAAA
Actuary
Bureau of Life, Accident & Health Insurance

State: Pennsylvania**Filing Company:** Keystone Health Plan East, Inc.**TOI/Sub-TOI:** H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense**Product Name:** KHPE Individual HMO eff 1-1-2017**Project Name/Number:** /

Office of Insurance Product Regulation & Administration

Sincerely,

Rashmi Mathur

State: Pennsylvania
TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense
Product Name: KHPE Individual HMO eff 1-1-2017
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Objection Letter

Objection Letter Status	Additional Information Needed
Objection Letter Date	07/13/2016
Submitted Date	07/13/2016
Respond By Date	07/19/2016

Dear Hugh Lakshman,

Introduction:

Please see the attachment that has additional questions on induced Utilization and AV of the plans. Please respond to these questions by close of business on Tuesday, July 19, 2016.
Thank you.

Conclusion:

Sincerely,
Rashmi Mathur

1. Induced Utilization

- a. Please complete the table below for all plans, and confirm that the ratio in column (8) represents the AV and Cost Sharing for each plan in your filing.¹

Plan ID (1)	Metal Level (2)	Projected Membership (3)	Projected Allowed Claims (4)	Projected Paid Claims (5)	Company Determined AV Factor (6)	Induced Utilization ² (7)	AV & Cost Sharing (6)*(7) (8)
xxxxxx							
xxxxxx							
xxxxxx							
Total							

- b. Please show quantitatively, including an Excel spreadsheet with formulas, the derivation of each, the AV and the cost sharing factors for each plan. Also, provide narrative that explains the derivation.
- c. Please provide justification for relative induced utilization assumptions in the Company's pricing that exceed the federal factors used in the risk adjustment model proving that morbidity is not reflected.³
- d. Please confirm that each plan's induced utilization factor was normalized by an aggregate factor, and that the resulting sumproduct (against projected membership) produces a factor of 1.000. Please show the steps that demonstrate this.
2. Please show quantitatively that plan premiums are in proportion to the plan AV Pricing Values.

¹ If a tobacco factor is used in the AV and Cost Sharing please add a column for that amount and modify the formula.

² The Induced Demand is the amount used by the company to reflect increased demand. This may be called by another name in the filing

³ The federal factors relative to the Bronze factors are Silver 1.03, Gold 1.08 and Platinum 1.15.

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Objection Letter

Objection Letter Status	Data Request Sent
Objection Letter Date	06/16/2016
Submitted Date	06/16/2016
Respond By Date	

Dear Hugh Lakshman,

Introduction:

Dear Mr. Walker:

The Pennsylvania Insurance Department has received and conducted a preliminary review of the above captioned filing. In order to complete the review, we are requesting the following information. To facilitate a timely review, we request this information be provided within 7 days of the date of this letter. If you have any questions or difficulties in providing the data within this time frame, please call me.

The following questions are from Dona Novak, our Consulting Actuary:

1. Please provide quantitative support, in Excel with working formulas, for the development of elements of "Change in Other" in Table 5 was developed including:

- Change in Demographics 1.011
- Change in Network 0.993
- Change in Benefits 0.989
- Change in Other 1.028

2. Please justify the 1.000 Population Risk Morbidity projection factor. Confirm that no changes in morbidity are expected.

3. Regarding Utilization and Unit Cost trends:

- Please describe the source claims data and methodology used for developing the cost and utilization projection factors.
- Please provide quantitative support, in Excel with working formulas, for the development of these factors.
- Provide a three-year history of utilization and unit cost trend by major service category.

4. Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.798. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.7295) differs so substantially from the projected Paid to Allowed of 0.798.

5. Please confirm that the PMPM Risk Adjustment User Fee used was \$0.13. Confirm that it was included in the "Projected Risk Adjustments PMPM" in Section III of Worksheet 1 and that it was not included in the "Taxes and Fees".

6. Please provide quantitative support, in Excel with working formulas, for the development of -\$17.34, the projected Risk Adjustment using the federal formula. Please provide a detailed narrative that describes the development of the estimated risk adjustment transfer payment. In demonstrating the development of the transfer payment, please show all risk transfer formula components, the estimated market-wide average risk assumptions as well as support for those assumptions. When responding to this data call, you may redact this response as it will contain proprietary information.

7. Please explain the variation in the Administrative expense adjustment applied for each plan, in the development of the Plan Adjusted Index Rates.

8. Please provide development of the federal medical loss ratio (MLR) in Excel.

9. Please explain why Table 6 shows taxes and fees of 2.1% and the URRT has 4.7%? Please reconcile.

10. Table 10 shows that Provider Network adjustments are not normalized. Please explain.

11. Table 10 shows that Benefit Richness (induced demand) adjustments are not normalized. Please explain.

12. The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$470.76 as opposed to \$404.76. Please correct.

13. Page 2 of the Pennsylvania Actuarial Memorandum states that "Benefit changes were made to the following plans to assure compliance with Actuarial Value requirements." To which plans were changes made, and what was the magnitude of the change?

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14. Please confirm transitional plans are included in the base experience and are included in the projection period to the extent they will move to the ACA market during the projection period.

15. Please explain what services are included in the "Other" service category on the URRT, including the measurements used.

16. Was the base data adjusted for unusually high or low volume of large claims? Were the trends adjusted due to fluctuations in large claim amounts?

The following are questions from PID:

17. Please list the capitated benefits included in the projection period and the PMPM amounts for each.

18. Please list the non-EHB benefits shown in Table 5.

19. Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide.

20. Please provide the January 1, 2016 through April 30, 2016 emerging experience in an Excel worksheet formatted similar to Table 2.

21. In Tables 2 and 4, does the premium include HHS cost sharing, estimated risk adjustment or revenue generated from transitional business? If so, please provide the dollar amount of HHS cost sharing and estimated risk adjustment and the number of transitional members.

22. Since your experience is 100% credible, the Index Rate of the experience period in Table 5, cell C6, should be the same as the index calculated in Table 2, Cell M27 (\$404.06). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates.

23. Please show quantitatively the derivation of the age calibration factor of 1.572 and the Tobacco Surcharge adjustment of 0.987 shown in Table 10.

24. Please indicate if the Company included an adjustment to account for the regulation that prohibits charging for more than three children per family, and, if applicable, demonstrate how the adjustment was derived and where it is included in the filing.

25. Please provide the actual and projected (according to the approved rate filing) general administrative expense, claims expense, agent/broker fees and commissions, and Quality Improvement Initiatives for calendar years 2014 and 2015 and the year to date 2016. If aggregate numbers were provided and approved in prior year filings, show the allocated amount of each.

26. Regarding broker commissions:

a) Under what circumstances and in what geographic locations will commissions be paid?

b) Are commissions paid for Special Enrollment Periods?

c) Provide a copy of the broker agreement – current and 2017.

d) Show the calculation of the average commission – current and 2017.

When responding to this question, you may provide a redacted version of the response as it contains proprietary information.

27. Please be advised that each time the URRT is changed in SERFF, the URRT in HIOS must also be updated. Please acknowledge your understanding and certify that you are in compliance

Conclusion:

Upon receipt of your responses to the above requested data, the Department will continue to review your filing. Please note that there may be additional questions and/or requirements as the Department conducts a more in-depth review. Should you have any questions regarding this correspondence, please contact me at (717) 783-0675 or e-mail at rmathur@pa.gov. Sincerely,

State: Pennsylvania **Filing Company:** Keystone Health Plan East, Inc.

TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense

Product Name: KHPE Individual HMO eff 1-1-2017

Project Name/Number: /

Rashmi Mathur, ASA, MAAA

Actuary

Bureau of Life, Accident & Health Insurance

Office of Insurance Product Regulation & Administration

Sincerely,

Rashmi Mathur

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/28/2016
Submitted Date	07/28/2016

Dear Rashmi Mathur,

Introduction:

Response 1

Comments:

Please see the attached responses. Thank you.

Changed Items:

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	KHPE Individual HMO eff 1-1-2017		
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Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV 07282016.xlsx
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV 06302106.xlsx</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) 06272016 RV.xlsx</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
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Supporting Document Schedule Item Changes	
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<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV 06302106.xlsx</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
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<i>Previous Version</i>	
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Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>

Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	33871khpeurtpt1 Ind (Obj 07192016) RV.xlsm

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	KHPE Individual HMO eff 1-1-2017		
Project Name/Number:	/		

<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>33871khpeurrpt1_Ind_5172017.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PAC KHPE FINAL (Entity-Specific Gross Premium)_RV_v2.xlsm</i> <i>2017 UnifiedRateReviewTemplate PAC KHPE FINAL (Entity-Specific Gross Premium)_RV_v2.pdf</i>

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	KHPE Individual HMO eff 1-1-2017		
Project Name/Number:	/		

Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV 07282016.xlsx
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV 06302106.xlsx</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) 06272016 RV.xlsx</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
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Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>Exhibit - 33871_khpe_unique_plan_design_april_ind.pdf 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>

Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	33871khpeurtpt1 Ind (Obj 07192016) RV.xlsm

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
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<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>33871khpeurrpt1_Ind_5172017.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PAC KHPE FINAL (Entity-Specific Gross Premium)_RV_v2.xlsm 2017 UnifiedRateReviewTemplate PAC KHPE FINAL (Entity-Specific Gross Premium)_RV_v2.pdf</i>

Satisfied - Item:	July 28 Response
Comments:	
Attachment(s):	KHPE INDIVIDUAL July 28 response.pdf July 28 Exhibit.xlsx

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
David Walker

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/22/2016
Submitted Date	07/22/2016

Dear Rashmi Mathur,

Introduction:

Response 1

Comments:

The attached exhibit shows our induced utilization calculation. We have deviated slightly from the format requested to demonstrate our calculations.

Included in this file are (1) an excel spreadsheet with formulas that shows the calculation of each Pricing AV and cost sharing factors for each plan.
(2) This file also demonstrates how our factors normalize to 1.000 as well as shows quantitatively that plan premiums are proportional to Plan AVs.

Note that this is based on information that was known at the time of the filing and does not reflect the updated risk transfer information that was received on June 30, 2016.

Our methodology incorporates the induced demand utilization factors from the risk adjustment model in the expected risk adjustment transfer payments.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to July 13 Question
Comments:	
Attachment(s):	KHPE PAC Morbidity Exhibit 07222016 No Links.xlsx

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
David Walker

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	06/29/2016
Submitted Date	06/29/2016

Dear Rashmi Mathur,

Introduction:

Response 1

Comments:

Attached in Supporting Documentation are responses to most of the items in the objection letter. We will follow up with the remaining items in subsequent correspondence. In addition, we included a revised version of the Consumer Rate Change Request Summary. A word was changed to be consistent with the URRT Part 2 already submitted.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Non-Confidential PDF Files
Comments:	
Attachment(s):	2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE PA Consumer Bulletin Information.pdf KHPE Consumer URRT_Part2.pdf R-PA-KHPE cover letter indiv.pdf 33871khpeurrpt1_Ind_5172017.pdf KHPE Consumer Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	Non-Confidential PDF Files
Comments:	
Attachment(s):	2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE Consumer Rate Change Request Summary 2017.pdf KHPE PA Consumer Bulletin Information.pdf KHPE Consumer URRT_Part2.pdf R-PA-KHPE cover letter indiv.pdf 33871khpeurrpt1_Ind_5172017.pdf

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Supporting Document Schedule Item Changes	
Satisfied - Item:	Non-Confidential PDF Files
Comments:	
Attachment(s):	2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE PA Consumer Bulletin Information.pdf KHPE Consumer URRT_Part2.pdf R-PA-KHPE cover letter indiv.pdf 33871khpeurrpt1_Ind_5172017.pdf KHPE Consumer Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
Comments:	
Attachment(s):	<i>2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf</i> <i>KHPE Consumer Rate Change Request Summary 2017.pdf</i> <i>KHPE PA Consumer Bulletin Information.pdf</i> <i>KHPE Consumer URRT_Part2.pdf</i> <i>R-PA-KHPE cover letter indiv.pdf</i> <i>33871khpeurrpt1_Ind_5172017.pdf</i>
Satisfied - Item:	Response to June 16 Objection Letter
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR (KHPE) RV.xlsx Exhibit C – Factor Exhibits KHPE Individual.xlsx Exhibit D - Capitated Benefits Redacted.xlsx KHPE Individual Objections June 29.pdf

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
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Satisfied - Item:	Non-Confidential PDF Files
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Attachment(s):	2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE PA Consumer Bulletin Information.pdf KHPE Consumer URRT_Part2.pdf R-PA-KHPE cover letter indiv.pdf 33871khpeurrpt1_Ind_5172017.pdf KHPE Consumer Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
Comments:	
Attachment(s):	<i>2017 PAC KHPE Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf KHPE Consumer Rate Change Request Summary 2017.pdf KHPE PA Consumer Bulletin Information.pdf KHPE Consumer URRT_Part2.pdf R-PA-KHPE cover letter indiv.pdf 33871khpeurrpt1_Ind_5172017.pdf</i>
Satisfied - Item:	Response to June 16 Objection Letter
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR (KHPE) RV.xlsx Exhibit C – Factor Exhibits KHPE Individual.xlsx Exhibit D - Capitated Benefits Redacted.xlsx KHPE Individual Objections June 29.pdf
Satisfied - Item:	Unredacted June 16 Response Items
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV.xlsx Exhibit D - Capitated Benefits.xlsx

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
David Walker

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	KHPE Individual HMO eff 1-1-2017		
Project Name/Number:	/		

Supporting Document Schedules

Satisfied - Item:	Response to June 16 Objection Letter
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR (KHPE) RV.xlsx Exhibit C – Factor Exhibits KHPE Individual.xlsx Exhibit D - Capitated Benefits Redacted.xlsx KHPE Individual Objections June 29.pdf
Item Status:	
Status Date:	
Satisfied - Item:	July 28 Response
Comments:	
Attachment(s):	KHPE INDIVIDUAL July 28 response.pdf July 28 Exhibit.xlsx
Item Status:	
Status Date:	

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Attachment Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx is not a PDF document and cannot be reproduced here.

Attachment Exhibit B - Federal MLR (KHPE) RV.xlsx is not a PDF document and cannot be reproduced here.

Attachment Exhibit C Factor Exhibits KHPE Individual.xlsx is not a PDF document and cannot be reproduced here.

Attachment Exhibit D - Capitated Benefits Redacted.xlsx is not a PDF document and cannot be reproduced here.

Attachment July 28 Exhibit.xlsx is not a PDF document and cannot be reproduced here.

1. Please provide quantitative support, in Excel with working formulas, for the development of elements of “Change in Other” in Table 5 was developed including:

Change in Demographics	1.011
Change in Network	0.993
Change in Benefits	0.989
Change in Other	1.028

Change in Demographics calculates the average demographic factor using 2016 rates and projected 2016 membership. It compares that factor to the average demographic factor using 2016 rates and 2015 membership. The average demographic factor is the ratio of the premium calculated using the membership to the premium calculated using the age 21 non-tobacco rates for all members.

Change in Network is the weighted average of the network factors calculated in cell N13 of Table 10.

Change in Benefits is the weighted average of the projected changes in value for benefits available in 2017 compared to what these plans provided in 2016

The calculations for Demographics and Benefits are shown in the attached “Exhibit C – Factor Exhibits KHPE Individual.xlsx”.

The Change in Other is based on the impact of trend and benefit leverage relative to a fixed point in time (the experience period).

2. Justify the 1.000 Population Risk Morbidity projection factor. Confirm that no changes in morbidity are expected.

The 1.000 Population Risk Morbidity projection factor is our projection that the statewide average overall morbidity will be the same in 2017 as it is in 2015. Changes to the projected morbidity of our insured membership are reflected in the projected Risk Adjustment factors.

3. Regarding Utilization and Cost trends:

Please describe the source claims data and methodology used for developing the cost and utilization projection factors.

Please provide quantitative support, in Excel with working formulas, for the development of these factors.

Provide a three-year history of utilization and unit cost trend by major service category.

We are currently working on this request and will provide it in subsequent communications.

4. Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.798. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.7295) differs so substantially from the projected Paid to Allowed of 0.798.

The Actuarial Values are calculated using the Federal Actuarial Value calculator which uses nationwide costs and utilization assumptions. Insomuch as Philadelphia is a higher cost market, the percentage of cost sharing represented by a \$2,000 deductible, for example, will be less than the national average. This leads to our experienced paid to allowed values being higher than the Actuarial Value Calculator values.

5. **Please confirm that the PMPM Risk Adjustment User Fee used was \$0.13. Confirm that it was included in the “Projected Risk Adjustments PMPM” in Section III of Worksheet 1 and that it was not included in the “Taxes and Fees”.**

We agree that the Risk Adjustment Fee is \$0.13 PMPM. It is not included in “Taxes and Fees”.

6. **Please provide quantitative support, in Excel with working formulas, for the development of - 17.34, the projected Risk Adjustment using the federal formula. Please provide a detailed narrative that describes the development of the estimated risk adjustment transfer payment. In demonstrating the development of the transfer payment, please show all risk transfer formula components, the estimated market-wide average risk assumptions as well as support for those assumptions. When responding to this data call, you may redact this response as it will contain proprietary information.**

Exhibit A shows the development of the risk adjustment. Please note that for individual, we calculate them using combined KHPE and QCC data.

7. **Please explain the variation in the Administrative expense adjustment applied for each plan, in the development of the Plan Adjusted Index Rates.**

Administrative expenses are determined on a PMPM basis, where applicable. When shown as a percentage of premium, these will vary based on the size of the premium; however, they are consistent on a PMPM basis.

8. **Please provide development of the federal medical loss ratio (MLR) in Excel.**

Exhibit B shows the development of the federal MLR.

9. **Please explain why Table 6 shows taxes and fees of 2.1% and the URRT has 4.7%? Please reconcile.**

URRT Worksheet 1 Cell T42 includes Exchange User Fees.

10. **Table 10 shows that Provider Network adjustments are not normalized. Please explain.**

These adjustments should not normalize to 1.00 because the membership in Proactive Plans continues to grow relative to other plans. Please note that the pricing AVs do not reflect the network differential.

- 11. Table 10 shows that Benefit Richness (induced demand) adjustments are not normalized. Please explain.**

Our Pricing AVs do not reflect induced demand; this is consistent with the benefit richness factors being applied.

- 12. The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$470.76 as opposed to \$404.76. Please correct.**

We will include this revision during the second Correction Period.

- 13. Page 2 of the Pennsylvania Actuarial Memorandum states that “Benefit changes were made to the following plans to assure compliance with Actuarial Value requirements.” To which plans were changes made, and what was the magnitude of the change?**

Plan	Revisions
Keystone HMO Platinum	OOPM Increased to \$4,000/\$8,000 from \$3,000/\$6,000 Rx copay Preferred Brand \$40 / Non-Preferred \$70
Keystone HMO Gold	OOPM Increased to \$5,500/\$11,000 from \$5,000/\$10,000 Specialist Copay \$65 from \$60 Mental Health/Substance Abuse Copay \$65 from \$60
Keystone HMO Silver	Deductible Increased to \$2,500/\$5,000 from \$2,000/\$4,000 OOPM Increased to \$6,500/\$13,000 from \$6,450/\$12,900 Rx/Medical subject to combined deductible
Keystone HMO Bronze	Deductible Increased to \$6,850/\$13,700 from \$6,000/\$12,000 OOPM Increased to \$7,150/\$14,300 from \$6,850/\$13,700
HMO Gold Proactive	OOPM Increased to \$7,150/\$14,300 from \$6,850/\$13,700
HMO Silver Proactive	Deductible Increased to \$5,500/\$11,000 (Tiers 2/3) from \$5,000/\$10,000 OOPM Increased to \$7,150/\$14,300 from \$6,850/\$13,700
HMO Silver Proactive Value	Deductible Increased to \$5,500/\$11,000 (Tiers 2/3) from \$5,000/\$10,000 OOPM Increased to \$7,150/\$14,300 from \$6,850/\$13,700

- 14. Please confirm transitional plans are included in the base experience and are included in the projection period to the extent they will move to the ACA market during the projection period.**

KHPE did not offer transitional policies in 2015.

- 15. Please explain what services are included in the “Other” service category on the URRT, including the measurements used.**

“Other” claims are pharmacy claims which are subject to the medical deductible rather than pharmacy copays.

- 16. Was the base data adjusted for unusually high or low volume of large claims? Were the trends adjusted due to fluctuations in large claim amounts?**

Given that the experience is large and considered fully credible, the base data was not adjusted for unusually high or low volumes of large claims.

- 17. Please list the capitated benefits included in the projection period and the PMPM amounts for each.**

Capitated benefits include the following: PCP, Diagnostic Radiology, Lab, and Short term physical/occupational therapy. Our 2015 breakdowns were reported in three categories: Facility, Professional, and Other. The PMPM amounts are shown in Exhibit D – Capitated Benefits.

- 18. Please list the non-EHB benefits shown in Table 5.**

Elective Abortion is covered for plans offered off-exchange.

- 19. Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide.**

ACA-compliant plans have only been effective from January 1, 2014. The data provided in Table 4 is the experience since inception.

- 20. Please provide the January 1, 2016 through April 30, 2016 emerging experience in an Excel worksheet formatted similar to Table 2.**

We are currently working on this request and will provide it in subsequent communications.

- 21. In Tables 2 and 4, does the premium include HHS cost sharing, estimated risk adjustment or revenue generated from transitional business? If so, please provide the dollar amount of HHS cost sharing and estimated risk adjustment and the number of transitional members.**

KHPE did not offer transitional policies in 2015.

- 22. Since your experience is 100% credible, the Index Rate of the experience period in Table 5, cell C6, should be the same as the index calculated in Table 2, Cell M27 (\$404.06). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates.**

Differences in how the exhibit treats non-EHBs causes the totals to not match the Index Rate.

- 23. Please show quantitatively the derivation of the age calibration factor of 1.572 and the Tobacco Surcharge adjustment of 0.987 shown in Table 10.**

- 24. Please indicate if the Company included an adjustment to account for the regulation that prohibits charging for more than three children per family, and, if applicable, demonstrate how the adjustment was derived and where it is included in the filing.**

It was our understanding that we could not rate for this. If we are allowed to include an adjustment, we would increase the rates by approximately 0.2%.

- 25. Please provide the actual and projected (according to the approved rate filing) general administrative expense, claims expense, agent/broker fees and commissions, and Quality Improvement Initiatives for calendar years 2014 and 2015 and the year to date 2016. If aggregate numbers were provided and approved in prior year filings, show the allocated amount of each.**

We are currently working on this request and will provide it in subsequent communications. Projected information is shown in the MLR calculation included with this response, as well as in Table 6 of the Actuarial Memorandum Rate Exhibits.

- 26. Regarding broker commissions:**

- a) Under what circumstances and in what geographic locations will commissions be paid?**
- b) Are commissions paid for Special Enrollment Periods?**
- c) Provide a copy of the broker agreement – current and 2017.**
- d) Show the calculation of the average commission – current and 2017.**

When responding to this question, you may provide a redacted version of the response as it contains proprietary information.

We have requested this information from our Sales area but it is not available to include at the time of this response.

- 27. Please be advised that each time the URRT is changed in SERFF, the URRT in HIOS must also be updated. Please acknowledge your understanding and certify that you are in compliance.**

We understand that we must update the URRT in HIOS when it is updated in SERFF.

KHPE INDIVIDUAL

JULY 28 RESPONSES

1. Question 1 - Please provide quantitative support, in Excel with working formulas, for the development of elements of “Change in Other” in Table 5:

This factor represented the change in severity from the experience period to the projection period. There was nowhere else to reflect this in the URRT since the unit cost section represents the change in costs for the same services and utilization represents the frequency that the same services are utilized, so the 2.8% represents utilization of more severe services.

2. Question 7 - Please demonstrate that the administrative expenses among plans are consistent on a PMPM basis as stated in your response.

The administrative expenses consist of general administrative expenses, which are projected to be \$60.00 PMPM, and broker commissions, which are projected to be 1.5% of premium. For each plan we calculated this cost as a percentage of the plan adjusted index rate. The different resulting percentages reflect the impact of the PMPM component on different size rates.

3. Question 9 – The Exchange User Fees is a Market-wide adjustment applied to the Index Rate to calculate the MAIR. The URRT shows only the Index Rate before the application of market-wide adjustments. Hence the URRT needs to be corrected to show the same taxes and fees of 2.1% as Table 6.

We have revised the URRT to only include the 2.1%.

4. Question 10 – The Provider Network adjustments need to be normalized since the total premium in the state should be based in the single risk pool amount. Please comment.

We are attempting to capture the impact of the growing proportion of members in plans using the Proactive Network in 2017 compared to 2015. We think this accurately measure this.

5. Question 11 - Your response indicates that the Pricing AVs do not reflect induced demand, but is consistent with the benefit richness factors being applied. However, benefit richness factor is another term for induced demand and needs to be normalized.

Please refer to our response from July 22, which shows how our pricing incorporated induced demand in our rates on a consistent basis with our risk-adjusted projected claims.

6. Question 19 - Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide the data from the pre-ACA plans

I looked back at our earlier rate filings. Prior to the ACA, we filed experience combined for QCC and KHPE. I could find the 2013 experience in the Experience Period section of our 2015 ACA filing

(submitted in 2014) for the calendar year as a whole. I have copied that and included it in Supporting Documentation.

7. Question 22 - Since your experience is 100% credible, the Index Rate of the experience period in Table 5, cell C6, should be the same as the index calculated in Table 2, Cell M27 (\$404.06). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates. This is as per the Actuarial Memorandum Exhibits Guidance given by PID.

We have revised Cell C6 of Table 5 to equal Cell M27 of Table 2.

8. Question 23 - A response was not received for this.

In projecting the age calibration factor, we calculated an average factor using the age distribution for February 2016. We reduced the value by 1% to reflect potential departures from the insured group after February for reasons including life events and non-payment of premium. The weighted average calculation is shown in Supporting Documentation.

In projecting the tobacco use factor, we estimated that the average factor would be worth a 15% increase in premium, and that 9% of enrollees would be subject to the factor. $9\% \times 15\% = 1.3\%$. $1/1.013 = 0.987$.

9. Given the difference between the Company's estimated risk adjustment for 2015 and actual 2015 amount, please provide narrative and quantitatively show the development of the PMPM impact this will have on the projected 2017 risk adjustment PMPM amount and the rate impact. Do not revise your filing because of this request; just provide the information requested

We estimated that the impact of the risk adjustment from the June 30 CMS release increased the projected payable amount which would result in premium rates increasing by an additional 1% when we entered the revised amount in Table 5.