

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only		
Product Name:	KHPE Small Group 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	07/26/2016	07/26/2016
David Walker	06/29/2016	06/29/2016

State: Pennsylvania
TOI/Sub-TOI: H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only
Product Name: KHPE Small Group 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 1.038

2.Question 3 - 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 (\$396.44). 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.

3.Question 5 - Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide the data from the pre-ACA plans.

4.Question 10 - Please demonstrate that the administrative expenses among plans are consistent on a PMPM basis as stated in your response.

5.Question 12 - Please explain why Table 6 shows taxes and fees of 4.12% and the URRT has 4.3%? Please reconcile. A response was not received for this.

6.Question 13 - 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.

7.Question 14 - 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.

8.Question 15 - The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$478.88 as opposed to \$499.10. Additionally, the Single Risk Pool Gross Premium Avg. Rate on the URRT of \$520.24 should match the Table 6 Projected Required Revenue PMPM of \$529.12. Please correct. ---- This revision is still outstanding.

9.Question 22 - Please show quantitatively the derivation of the age calibration factor of 1.472 and the Tobacco Surcharge adjustment of 0.989 shown in Table 10.---- A response was not received for this.

10.Table 10 shows that you have two discontinued plans. However these plans have not been mapped to any existing or new plans. How would you direct the enrollment in these discontinued plans for 2017?

11.As you know, on 7/15/16, the Department advised insurers that they could revise the projected risk adjustment transfer amount in

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small group filings, and that this revision is due Thursday 7/21. If you are going to or have filed a revised risk adjustment transfer estimate, you may ignore the following objection.

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
Office of Insurance Product Regulation & Administration
Sincerely,
Rashmi Mathur

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

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 1.037
- Change in Network 0.989
- Change in Benefits 0.996
- Change in Other 1.038

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

3. 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 (\$396.44). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates.

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

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

7. Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.880. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.814) differs so substantially from the projected Paid to Allowed of 0.880.

8. 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".

9. Please provide quantitative support, in Excel with working formulas, for the development of -\$16.87, 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.

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

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

12. Please explain why Table 6 shows taxes and fees of 4.12% and the URRT has 4.3%? Please reconcile.

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

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

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15. The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$478.88 as opposed to \$499.10. Additionally, the Single Risk Pool Gross Premium Avg. Rate on the URRT of \$520.24 should match the Table 6 Projected Required Revenue PMPM of \$529.12. Please correct.

16. 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.

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

18. 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?

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

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

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. Please show quantitatively the derivation of the age calibration factor of 1.472 and the Tobacco Surcharge adjustment of 0.989 shown in Table 10.

23. 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.

24. 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.

25. 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.

26. 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,

Rashmi Mathur, ASA, MAAA
Actuary
Bureau of Life, Accident & Health Insurance
Office of Insurance Product Regulation & Administration

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Sincerely,

Rashmi Mathur

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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:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	33871urrtpt1 SG 07282016.xlsm
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>33871khpeurrtpt1_SG_5172016.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.pdf 2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.pdf 2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.pdf</i>

State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.
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Supporting Document Schedule Item Changes	
Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	33871urrtpt1 SG 07282016.xlsm
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>33871khpeurrtpt1_SG_5172016.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.pdf 2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.pdf 2017 UnifiedRateReviewTemplate PSML KHPE (Entity-Specific Gross Premium) FINAL RV.pdf</i>

Satisfied - Item:	July 28 Responses
Comments:	
Attachment(s):	July 28 Exhibit.xlsx KHPE SMALL GROUP Response July 28.pdf

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	07/26/2016
Submitted Date	07/26/2016

Dear Rashmi Mathur,

Introduction:

Response 1

Comments:

We have created the exhibit requested. Please note the following regarding the use of the data:

This information is provided in response to PID's request. This does not demonstrate our rating methodology. Our July 22, 2016 response to this request for our Consumer Plans provides that explanation.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Induced Utilization Request
Comments:	
Attachment(s):	KHPE SG Induced Utilization Exhibit 07262016 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:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	KHPE Small Group Pennsylvania Actuarial Memorandum 2017.pdf 33871_khpe_unique_plan_design_april_sg.pdf 2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FIN RV (1).xlsx
<i>Previous Version</i>	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	KHPE Small Group Pennsylvania Actuarial Memorandum 2017.pdf 2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.xlsx 33871_khpe_unique_plan_design_april_sg.pdf
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Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
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Attachment(s):	KHPE Small Group Pennsylvania Actuarial Memorandum 2017.pdf 2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.xlsx 2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.pdf 33871_khpe_unique_plan_design_april_sg.pdf

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<i>Previous Version</i>	
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<i>Previous Version</i>	
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Satisfied - Item:	Non-Confidential PDF Files
Comments:	
Attachment(s):	2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.pdf KHPE PA Small Group Bulletin Information.pdf KHPE Small Group URRT_Part2.pdf 33871khpeurrtp1_SG_5172016.pdf R-KHPE cover letter SG_Redacted.pdf KHPE Small Group Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
Comments:	
Attachment(s):	<i>2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.pdf KHPE Small Group Rate Change Request Summary 2017.pdf KHPE PA Small Group Bulletin Information.pdf KHPE Small Group URRT_Part2.pdf 33871khpeurrtp1_SG_5172016.pdf R-KHPE cover letter SG_Redacted.pdf</i>

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<i>Previous Version</i>	
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<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
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<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
Comments:	
Attachment(s):	<i>2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.pdf KHPE Small Group Rate Change Request Summary 2017.pdf KHPE PA Small Group Bulletin Information.pdf KHPE Small Group URRT_Part2.pdf 33871khpeurrtp1_SG_5172016.pdf R-KHPE cover letter SG_Redacted.pdf</i>

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Product Name:	KHPE Small Group HMO eff 1-1-2017		
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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 Small Group (KHPE Entity Risk Pool) RV.xlsx Exhibit C – Factor Exhibits KHPE Small Group.xlsx Exhibit D - Capitated Benefits Redacted.xlsx KHPE SG Objections June 29.pdf

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<i>Previous Version</i>	
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<i>Previous Version</i>	
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Comments:	
Attachment(s):	<i>KHPE Small Group Pennsylvania Actuarial Memorandum 2017.pdf 2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.xlsx 2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.pdf 33871_khpe_unique_plan_design_april_sg.pdf</i>

Satisfied - Item:	Non-Confidential PDF Files
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Attachment(s):	2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.pdf KHPE PA Small Group Bulletin Information.pdf KHPE Small Group URRT_Part2.pdf 33871khpeurrpt1_SG_5172016.pdf R-KHPE cover letter SG_Redacted.pdf KHPE Small Group Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
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Attachment(s):	<i>2017 PA SG Actuarial Memorandum Rate Exhibits KHPE (Entity-Specific Gross Premium) FINAL RV.pdf KHPE Small Group Rate Change Request Summary 2017.pdf KHPE PA Small Group Bulletin Information.pdf KHPE Small Group URRT_Part2.pdf 33871khpeurrpt1_SG_5172016.pdf R-KHPE cover letter SG_Redacted.pdf</i>

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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 Small Group (KHPE Entity Risk Pool) RV.xlsx Exhibit C – Factor Exhibits KHPE Small Group.xlsx Exhibit D - Capitated Benefits Redacted.xlsx KHPE SG Objections June 29.pdf

Satisfied - Item:	Unredacted Responses to June 16 Objection Letter
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*

SERFF Tracking #:	INAC-130539718	State Tracking #:	INAC-130539718	Company Tracking #:	KHPE SG 1-1-2017
State:	Pennsylvania	Filing Company:	Keystone Health Plan East, Inc.		
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only				
Product Name:	KHPE Small Group HMO eff 1-1-2017				
Project Name/Number:	/				

Supporting Document Schedules

Satisfied - Item:	July 28 Responses
Comments:	
Attachment(s):	July 28 Exhibit.xlsx KHPE SMALL GROUP Response July 28.pdf
Item Status:	
Status Date:	

SERFF Tracking #:	INAC-130539718	State Tracking #:	INAC-130539718	Company Tracking #:	KHPE SG 1-1-2017
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State:	Pennsylvania		Filing Company:	Keystone Health Plan East, Inc.	
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only				
Product Name:	KHPE Small Group HMO eff 1-1-2017				
Project Name/Number:	/				

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

KHPE SMALL GROUP
JULY 28, 2016

1. Question I - 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 1.038

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 3.8% represents utilization of more severe services.

2. Question 3 - 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 (\$396.44). 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.
3. Question 5 - 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.

4. Question 10 - 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 \$41.00 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.

5. Question 12 - Please explain why Table 6 shows taxes and fees of 4.12% and the URRT has 4.3%? Please reconcile. A response was not received for this.

We updated the URRT to be consistent.

6. Question 13 - 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.

7. Question 14 - 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 for Individual plans, which shows how our pricing incorporated induced demand in our rates on a consistent basis with our risk-adjusted projected claims.

8. Question 15 - The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$478.88 as opposed to \$499.10. Additionally, the Single Risk Pool Gross Premium Avg. Rate on the URRT of \$520.24 should match the Table 6 Projected Required Revenue PMPM of \$529.12. Please correct. ---- This revision is still outstanding.

We agree that the gross premium should be \$529.12 and have updated the URRT to produce this result.

9. Question 22 - Please show quantitatively the derivation of the age calibration factor of 1.472 and the Tobacco Surcharge adjustment of 0.989 shown in Table 10.---- 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 increased the value by about 1.7% to reflect changes in 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 7.5% of enrollees would be subject to the factor. $7.5\% \times 15\% = 1.11\%$. $1/1.0111 = 0.989$.

10. Table 10 shows that you have two discontinued plans. However these plans have not been mapped to any existing or new plans. How would you direct the enrollment in these discontinued plans for 2017?

For On exchange plans, a mapping does not exist as SHOP terminates at and requires re-enrollment.

HMO Bronze Basic was directed to Keystone HMO Bronze Essential \$6,000 \$50/\$100/\$700

11. As you know, on 7/15/16, the Department advised insurers that they could revise the projected risk adjustment transfer amount in small group filings, and that this revision is due Thursday 7/21. If you are going to or have filed a revised risk adjustment transfer estimate, you may ignore the following objection.

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 decreased the projected payable amount which would result in premium rates decreasing by 1% when we entered the revised amounts in Table 5.