

**State:** Pennsylvania **Filing Company:** Highmark  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO  
**Product Name:** HIGHMARK Small Group 2016 ACA Rate Filing  
**Project Name/Number:** /

## Filing at a Glance

**Company:** Highmark  
**Product Name:** HIGHMARK Small Group 2016 ACA Rate Filing  
**State:** Pennsylvania  
**TOI:** H16G Group Health - Major Medical  
**Sub-TOI:** H16G.003A Small Group Only - PPO  
**Filing Type:** Rate - Small Group Methodology Modification  
**Date Submitted:** 05/14/2015  
**SERFF Tr Num:** HGHM-130064391  
**SERFF Status:** Assigned  
**State Tr Num:** HGHM-130064391  
**State Status:** Received Review in Progress  
**Co Tr Num:** 1A-SG-HIGHMARK-2015  
  
**Implementation Date Requested:** 01/01/2016  
**Author(s):** Jeff Scheib, Scott Humpert, Justin DeCroo, Nanci Maguire, Jaclyn Cox, Eric Sepanski, David Allan, Kenneth Scott, Daniel Dininno, Ryan Slean  
**Reviewer(s):** Jim Laverty (AH) (primary)  
**Disposition Date:**  
**Disposition Status:**  
**Implementation Date:**

**State Filing Description:**

Proposed aggregate 15.5% increase on 2016 on & off exchange small group PPO rates in Western PA.  
 Binder ID#: HGHM-PA16-125046294

**State:** Pennsylvania **Filing Company:** Highmark  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO  
**Product Name:** HIGHMARK Small Group 2016 ACA Rate Filing  
**Project Name/Number:** /

## General Information

|  |                               |
|--|-------------------------------|
| Project Name:  | Status of Filing in Domicile: |
| Project Number:  | Date Approved in Domicile:    |
| Requested Filing Mode: Review & Approval   | Domicile Status Comments:     |
| Explanation for Combination/Other:   | Market Type: Group            |
| Submission Type: New Submission  | Group Market Size: Small      |
| Group Market Type: Employer  | Overall Rate Impact: 15.5%    |
| Filing Status Changed: 05/14/2015  |                               |
| State Status Changed: 05/14/2015   | Deemer Date:                  |
| Created By: Justin DeCroo  | Submitted By: Justin DeCroo   |
| Corresponding Filing Tracking Number: HGHM-130078506,<br>HGHM-130078533, HGHM-130078536, HGHM-130078539,<br>HGHM-130078597 |                               |

PPACA: Non-Grandfathered Immed Mkt Reforms

PPACA Notes: null

Exchange Intentions: This filing contains products/plans to be sold on the Pennsylvania SHOP Exchange effective 01/01/2016.

Filing Description:  
Highmark Small Group Rate Filing for 2016

## Company and Contact

### Filing Contact Information

|                      |                            |
|----------------------|----------------------------|
| Justin Decroo,       | justin.decroo@highmark.com |
| 120 Fifth Ave Place  | 412-544-5091 [Phone]       |
| Pittsburgh, PA 15222 |                            |

### Filing Company Information

|                             |                         |                    |
|-----------------------------|-------------------------|--------------------|
| Highmark                    | CoCode: 54771           | State of Domicile: |
| 120 Fifth Ave Place         | Group Code: 812         | Pennsylvania       |
| Pittsburgh, PA 15222        | Group Name:             | Company Type:      |
| (717) 302-3971 ext. [Phone] | FEIN Number: 23-1294723 | State ID Number:   |

## Filing Fees

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:

**SERFF Tracking #:**

HGHM-130064391

**State Tracking #:**

HGHM-130064391

**Company Tracking #:**

1A-SG-HIGHMARK-2015

**State:** Pennsylvania **Filing Company:** Highmark  
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## Supporting Document Schedules

|                          |   |
|--------------------------|---|
| <b>Satisfied - Item:</b> | Non-Confidential Documents  |
| <b>Comments:</b>         | Attached  |
| <b>Attachment(s):</b>    | Small Group Market Rate Filing HIGHMARK Cover Letter - 14May2015.pdf<br>Part II -- PA HIGHMARK Small Group 2016 ACA - May2015.pdf<br>33709_01012016_SG_RedactedAM.pdf |
| <b>Item Status:</b>      |   |
| <b>Status Date:</b>      |   |



May 14, 2015

Mr. Peter Camacci, Director  
Bureau of Life, Accident & Health Insurance  
Office of Insurance Product Regulation and Market Enforcement  
Commonwealth of Pennsylvania  
Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: Highmark Inc. Filing # 1A-SG-HIGHMARK-2015  
**2016** Small Group Market ACA Rates

**This constitutes Notice pursuant to Section 707 of the Pennsylvania Right-to-Know Law that the attached Highmark Inc. 2016 Small Group Market Rates Filing contains Trade Secret and Confidential Proprietary Information. Therefore, Highmark Inc. must, prior to the release of any portion of this Filing, be notified of any request by a third party for access to this Filing, and the Trade Secret and/or Confidential Proprietary Information identified by Highmark Inc. should be redacted before release.**

Dear Mr. Camacci:

This Filing includes the Highmark Inc. Small Group Market ACA rates and the supporting rate development for policies with effective dates on or after **January 1, 2016**.

**Request for Confidentiality**

Please note that the rates and the supporting rate development contained in this Filing are competitively sensitive, are not in the public domain, and constitute business confidential proprietary/trade secret information that would cause harm to the competitive position of Highmark if disclosed to the public.

Public disclosure of any information contained in this Filing would allow Highmark competitors to better understand or discover its confidential and proprietary rating, pricing and/or marketing practices, would undermine competition in the Small Group market, and could have negative consequences for the operation of Highmark's business. Therefore, Highmark asserts that this Filing, in its entirety, constitutes Trade Secret and Confidential Proprietary Information and should not be disclosed.

It is our understanding that the Department does not intend to publish the confidential & proprietary information contained in this Filing or to otherwise permit this Filing and its information, other than final approved rates, to be disclosed or released.

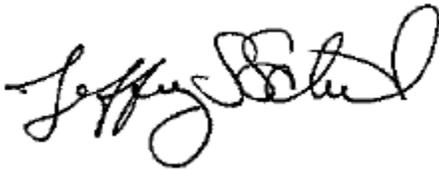
Furthermore and pursuant to the Pennsylvania Right-to-Know Law (“RTKL”), Highmark Inc. must be notified prior to release of information contained in this Filing and be given the opportunity to respond to requests for such information. Should the Department receive such request or require the release of information contained in this Filing for its own purposes, Highmark Inc. asserts its right to release a redacted version of the Filing. In accordance with the RTKL, please contact the Highmark Inc. RTKL representative identified below prior to release of any information contained in this Filing:

Lisa Martinelli, Esq.  
RTKL Representative  
VP Chief Privacy Officer  
120 Fifth Avenue, FAP Suite 2114  
Pittsburgh, PA 15222

Furthermore, it should be noted that Highmark Inc. is equally concerned that even if this information is released in aggregate form, it still may be easy to identify the carrier that submitted it.

Should you have any questions regarding the attached Filing, please feel free to contact me at (717) 302-2143 or via e-mail at: [jeffrey.scheib@highmark.com](mailto:jeffrey.scheib@highmark.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Scheib". The signature is fluid and cursive, with a large, stylized initial "J".

Jeffrey S. Scheib, ASA, MAAA  
Vice President, Actuarial Services  
Highmark Inc.

cc: Justin L. DeCroo  
Tija Hilton-Phillips, Esq.  
William R. Sarniak

## **Part II of the Preliminary Justification**

### **Highmark Inc. – Small Group Market**

#### **Scope and Range:**

Highmark Inc. is requesting an average rate increase of 15.5% ranging from 15.0% to 21.9% for its 2016 ACA qualifying small group products with effective dates from January 1, 2016 to December 31, 2016.

The extension of pre ACA transitional policies, as announced by HHS on March 5, 2014, allows most small groups to keep their existing non-ACA compliant plans through October 1, 2016 effective dates. Lower cost small groups are expected to remain outside the ACA single-risk pool in 2016 due to more favorable premium rates afforded to them in the pre ACA rating formula. The remaining population expected to enroll in the ACA qualifying products represents a small portion of the pool, and those groups generally have unfavorable demographics and higher than average claim costs.

#### **Historical Financial Experience:**

Highmark Inc.'s Small Group Market reported a financial loss in 2014 for ACA qualifying small group products.

#### **Change in Medical Service Costs:**

While the 2014 base experience used in the 2016 rate development rose at a moderate 2.8% from the prior year, the projected population change is expected to add another 14.1% to the cost of medical care relative to the assumptions used in the 2015 rate filing. This includes the impact of the availability of the transitional policies mentioned above.

#### **Change in Benefits:**

Some plan designs required benefit changes to remain within the ACA law's metal level requirements of platinum, gold, silver, and bronze.

#### **Administrative Costs and Anticipated Operating Results:**

Relative to the 2015 rate filing, the total administrative costs are lower as a percent of premium. The anticipated operating results are not excessive or unreasonable. In accordance with regulations, the projected medical loss ratio is over 80%.

**Part III Actuarial Memorandum**

**REDACTED Version**

**Highmark Inc.**

**Small Group Rate Filing**

**Effective January 1, 2016**

## TABLE OF CONTENTS

|        |  |   |
|--------|--|---|
| I.     | GENERAL INFORMATION .....                        | 1 |
| II.    | PROPOSED RATE INCREASE(S).....                   | 2 |
| III.   | EXPERIENCE PERIOD PREMIUM AND CLAIMS .....       | 2 |
| IV.    | BENEFIT CATEGORIES.....                          | 2 |
| V.     | PROJECTION FACTORS .....                         | 3 |
| VI.    | CREDIBILITY MANUAL RATE DEVELOPMENT.....         | 3 |
| VII.   | CREDIBILITY OF EXPERIENCE .....                  | 3 |
| VIII.  | PAID TO ALLOWED RATIO .....                      | 3 |
| IX.    | RISK ADJUSTMENT AND REINSURANCE .....            | 4 |
| X.     | NON-BENEFIT EXPENSES AND PROFIT & RISK .....     | 4 |
| XI.    | PROJECTED LOSS RATIO .....                       | 4 |
| XII.   | SINGLE RISK POOL .....                           | 4 |
| XIII.  | INDEX RATE .....                                 | 4 |
| XIV.   | MARKET ADJUSTED INDEX RATE .....                 | 5 |
| XV.    | PLAN ADJUSTED INDEX RATES .....                  | 5 |
| XVI.   | CALIBRATION .....                                | 5 |
| XVII.  | CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT ..... | 5 |
| XVIII. | AV METAL VALUES.....                             | 5 |
| XIX.   | AV PRICING VALUES .....                          | 6 |
| XX.    | MEMBERSHIP PROJECTIONS .....                     | 6 |
| XXI.   | TERMINATED PRODUCTS .....                        | 6 |
| XXII.  | PLAN TYPE.....                                   | 6 |
| XXIII. | WARNING ALERTS.....                              | 6 |
| XXIV.  | ACTUARIAL CERTIFICATION.....                     | 7 |

# **I. General Information**

## **Document Overview**

This document contains the Part III Actuarial Memorandum for Highmark Inc.'s ("Highmark") small group block of business rate filing ("Filing"), for products with effective dates in calendar year 2016. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the State of Pennsylvania Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Highmark's Filing. However, we recognize that this certification may become a public document. Highmark makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this actuarial memorandum prepared by Highmark that would result in the creation of any duty or liability under any theory of law by Highmark or its employees to third parties.

The results are actuarial projections. Actual experience is likely to differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

### **I.1 Company Identifying Information:**

- Company Legal Name: Highmark Inc.
- State: The State of Pennsylvania has regulatory authority over these policies.
- HIOS Issuer ID: 33709
- Market: Small Group
- Effective Date: January 1, 2016

### **I.2 Company Contact Information:**

- Primary Contact Name: Justin DeCroo, F.S.A., M.A.A.A.
- Primary Contact Telephone Number: 412-544-5091
- Primary Contact Email Address: [Justin.DeCroo@Highmark.com](mailto:Justin.DeCroo@Highmark.com)

## **II. Proposed Rate Increase(s)**

For all rate increases by plan please see the ‘Cum'tive Rate Change % (over 12 mos prior)’ found in Worksheet 2 Row 26 of the URRT. The proposed rate increases for each plan differ due to benefit changes made in the plan designs from 2015 to 2016. Many plans required benefit changes because of the new Actuarial Value (AV) calculator released for 2016 effective dates. The plan changes were required so that the plans remained within the defined metal level AV requirements. The components of the rate increase by plan are shown in rows 33 to 41 of Worksheet 2 of the URRT.

The primary drivers of the rate increase are trend in the underlying experience, plus an increase in the projected population change (morbidity) for 2016 versus 2015 due to the availability of transitional policies in the small group market.

## **III. Experience Period Premium and Claims**

### **III.1 Paid through Date:**

Experience period claims were based on incurred calendar year 2014. We only include the non-grandfathered, insured members in Highmark’s 2014 book-of-business.

### **III.2 Premiums in Experience Period:**

The premiums shown for the experience period were based on calendar 2014 actual revenues.

### **III.3 Allowed and Incurred Claims Incurred During the Experience Period:**

- Historical Experience: To complete the URRT historical experience section we chose Highmark’s current experience for the small group block of business for the period January 1, 2014 through December 31, 2014.
- Claims Incurred During the 12-month experience period: Worksheet 1, Section I shows our best estimate of the amount of claims that were incurred during the 12-month experience period for Highmark’s book-of-business.
- Method for Determining Allowed Claims: For non-capitated claims, the allowed charges are summarized from Highmark’s detailed claim-level historical data. We only include the non-grandfathered, insured members from Highmark’s 2014 book-of-business.

## **IV. Benefit Categories**

Historical cost and utilization data were pulled from Highmark’s claims systems by the defined benefit categories included in Worksheet 1, Section II of the URRT. This data was used to allocate the Highmark’s total claims into its components on the URRT.

## **V. Projection Factors**

### **V.1 Changes in the Morbidity of the Population Insured**

The morbidity adjustment reflects the anticipated changes in the average morbidity of the covered population (beyond allowable rating factors).

### **V.2 Changes in Benefits**

We made the following adjustments to reflect the expected differences in benefits between the experience period and projection period:

- We reflected adjustments for EHBs such as Pediatric Dental and Vision, Autism, and Adult Vision benefits.
- We reflected the following newly mandated benefits required under state law, which are not reflected in the experience period claims: None.
- We made an adjustment to reflect the removal of benefits covered in the experience period claims that will not be covered in the projection period: None.

### **V.3 Changes in Demographics**

We applied an adjustment for change in rating factor (age, tobacco load and area combined).

### **V.4 Trend Factors (cost/utilization)**

The development of the CY 2016 rates reflects an assumption for trend.

## **VI. Credibility Manual Rate Development**

### **VI.1 Source and Appropriateness of Experience Data Used**

Highmark's small group experience is fully credible; no manual rate is developed or used in this projection.

## **VII. Credibility of Experience**

The experience is for Highmark's non-grandfathered plans in 2014. It is large enough to be fully credible. Our results are based 100% on the experience rate.

## **VIII. Paid to Allowed Ratio**

The paid to allowed ratio is a weighted average of the 2016 plan level paid to allowed ratios. Plan level paid to allowed factors were developed using an internal model.

## **IX. Risk Adjustment and Reinsurance**

### **IX.1 Projected Risk Adjustments PMPM:**

Using Highmark's 2014 claim diagnoses, we are able to project the average risk score and combined rating factors to estimate the risk adjustment. The actual calculation of the risk transfer followed the risk transfer methodology as prescribed.

### **IX.2 Projected ACA Reinsurance Recoveries Net of Reinsurance:**

The small group market is not eligible for reinsurance recoveries. The Reinsurance Premium has been included.

## **X. Non-Benefit Expenses and Profit & Risk**

### **X.1 Administrative Expense Load:**

The proposed rates reflect internal administrative costs. This cost was developed based on its standard expense allocation methods.

### **X.2 Profit (or Contribution to Surplus) & Risk Margin:**

The proposed rates include the risk or contribution to surplus margin.

### **X.3 Taxes and Fees:**

The following fees were added: Patient Centered Outcomes Research Fee, Health Insurance Provider Fee, and Exchange User Fee.

## **XI. Projected Loss Ratio**

The anticipated medical loss ratio is calculated consistently with the federally prescribed MLR methodology.

## **XII. Single Risk Pool**

As described above the base experience used includes all of Highmark's small group non-grandfathered members in accordance with the Single Risk Pool regulations. The projected membership and their corresponding premiums and claims only include those members who will be enrolled in a fully ACA-compliant plan in 2016 under Highmark (including employer groups with 51 to 100 employees who elect ACA-compliant plans).

## **XIII. Index Rate**

The index rates as shown on Worksheet 1 of the URRT are simply the average allowed claims for the Essential Health benefits for the experience and projected populations, respectively, for Highmark.

#### **XIV. Market Adjusted Index Rate**

The Market Adjusted Index Rate is the Index Rate further adjusted for risk adjustment, reinsurance, and the exchange fee.

#### **XV. Plan Adjusted Index Rates**

Plan Adjusted Index Rates are developed by taking the Market Adjusted Index Rate and adjusting for each plan's actuarial value, relative benefit richness, relative network, and retention.

#### **XVI. Calibration**

##### **XVI.1 Age Curve Calibration (to average age, non-smoker, area with 1.0 geographic factor, January 1 effective date):**

An age calibration is calculated using Highmark's average age factor of the projected population. Since no member will pay the rates at this age factor, we calibrated it by the closest age factor on the HHS age curve which also represents the nearest age for the age calibration.

##### **XVI.2 Geographic Factor Calibration:**

A geographic calibration is also calculated by dividing the Highmark geographic factor of the projected population into 1.

##### **XVI.3 Quarterly Trend Factor Calibration:**

The Plan Adjusted Index Rate represents the average rate renewing over the four quarters of 2016.

#### **XVII. Consumer Adjusted Premium Rate Development**

The plan adjusted index rate represents the rate for a non-smoker average age and average geographic member for an average quarterly renewal. Consumer adjusted premium rate is obtained by multiplying by the combined age, geographic, and quarterly renewal calibration factors for the calibrated age/non-smoker in a 1.0 geographical area. The standard HHS Age Curve along with the filed tobacco factors and geography factors can be used to calculate any rate found in the QHP rate template.

#### **XVIII. AV Metal Values**

The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based entirely on the Federal AV Calculator.

## **XIX. AV Pricing Values**

The AV Pricing Values are based on the allowable pricing modifiers. The utilization due to differences in cost sharing is based on the factors adopted by the risk adjustment methodology. No differences due to health status are in these adjustments.

## **XX. Membership Projections**

Membership projections originate from the Highmark's forecast for 2016. These projections reflect expected changes in market share due to market competition.

## **XXI. Terminated Products**

CMS issued a new Actuarial Value calculator for 2016 products, which resulted in several QHP products that were new in 2014 and 2015 to be valued outside of the regulated metal level bands. These products were thus terminated for 2016 and will be mapped to a corresponding QHP product of similar metal level and plan design in the URRT. In addition, Highmark will no longer be offering products in Service Zones D and E. As such, we are terminating all products in these service zones, and will not be mapping their experience in the URRT.

All other non-grandfathered products that may have had experience in the base period (2014) will be terminated prior to the effective date of this rate filing.

## **XXII. Plan Type**

The Plan types listed in Worksheet 2, Section I of the Part I Unified Rate Review Template describe Highmark's plans adequately. No differences are needed.

## **XXIII. Warning Alerts**

The following differences between the plan-level projections in Worksheet 2 and the total projected amounts found in Worksheet 1 were noted. Explanations regarding these differences are as follows:

- Plan Adjusted Index Rate in Section III: Experience Period Information – This result does not total to the total experience premium from worksheet 1 due to differences in the distribution of ages, geography, and benefits between what is assumed in the index rate development and the actual experience.
- Total Premium in the Experience Period – The total premium in the experience period in worksheet 2 is a weighted average of the plan adjusted index rate. As above, this result does not total to the total experience premium from worksheet 1 due to differences in the distribution of ages, geography, and benefits between what is assumed in the index rate development and the actual experience.

- Total Incurred Claims in the Experience Period – The incurred claims in Worksheet 2 reflect the incurred claims after adjusting for the anticipated risk adjustment for 2014. The Worksheet 1 claims do not reflect this adjustment.
- Incurred Claims PMPM in the Experience Period – As mentioned above, the Worksheet 2 claims are adjusted for anticipated risk adjustment for 2014, while the Worksheet 1 claims are not so adjusted.
- Plan Adjusted Index Rate – The Plan Adjusted Index Rate in the projection period in worksheet 2 is a weighted average of quarterly premiums. The worksheet 1 gross premium is solely based off of the 1/1/2016 premium PMPM.
- Total Premium in the Projection Period – The total premium in the projection period in worksheet 2 is a weighted average of quarterly premiums. The worksheet 1 total gross premium is solely based off of the 1/1/2016 premium PMPM.

#### **XXIV. Actuarial Certification**

I, Justin L. DeCroo, am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This filing is prepared on behalf of Highmark to accompany its rate filing (for calendar year 2016) for the small group combined market on and off the Pennsylvania Exchange.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient.

I certify that the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates. The allowable modifiers used to generate plan-level rates were:

- The actuarial value and cost-sharing design of the plan.
- The plan's provider network, delivery system characteristics, and utilization management practices.
- The benefits provided under the plan that are in addition to the essential health benefits. These estimated benefits were pooled with similar benefits within the single risk pool and the claims experience from those benefits was utilized to determine rate variations.
- Administrative costs, excluding Exchange user fees.

I certify that the percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.

I certify that the benefits included in Highmark's plans are substantially equivalent to the Essential Health Benefits (EHBs) in the State of Pennsylvania's benchmark plans. I certify that any benefit substitutions are:

- Actuarially equivalent to the benefits being replaced,
- Are made within only the same essential health benefit category,
- Are based on a standardized plan population,
- Are determined regardless of cost-sharing,
- Are not prescription drug benefits, and
- Are based on an analysis performed in accordance with generally accepted actuarial principles and methodologies.

I certify that the AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based entirely on the Federal AV Calculator.

I certify that the geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

The Part I Unified Rate Review Template does not demonstrate the process used by Highmark to develop the rates. Rather, it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

Signed: 

Title: Director, Actuarial Services

Date: 5/13/2015

June 30, 2015

Justin Decroo, FSA, MAAA  
Highmark Inc.  
120 5th Avenue Place  
Pittsburgh, PA 15222

RE: Proposed 15.5% increase for 2016 on and off exchange small group PPO rates in Western PA (1A-SG-HIGHMARK-2015);  
Pennsylvania Insurance Department ID #: HGHM-130064391

Dear Mr. Decroo:

The Pennsylvania Insurance Department has received and conducted a 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 14 days of the date of this letter. If you have any questions or difficulties in providing the information within this time frame, please call me.

1. Please be advised that any time the URRT is changed in SERFF, the URRT in HIOS must also be updated. Please acknowledge your understanding of this requirement.
2. Please describe quantitatively, including an Excel spreadsheet with formulas, the derivation of the 1.198 Population Risk Morbidity factor as found in Worksheet 1, Section II of the URRT.
3. Please describe quantitatively, including an Excel spreadsheet with formulas, the derivation of the 0.9550 'Other' factor as found in Worksheet 1, Section II of the URRT.
4. What is the basis for the trend selection of 10% (6.8% cost and 3% utilization)? Please provide support.
5. Page 4 of the Part III Actuarial Memorandum indicates that the utilization portion of the trend rate is 3.0%, but the URRT indicates that it is 2.3%. Please explain the apparent discrepancy.
6. Page 5 of the Part III Actuarial Memorandum indicates that the paid-to-allowed ratio fell from 88.0% in the experience period to 85.7% in the projection period due to anticipated employer selection and anticipated benefit buy-downs. My calculations show the paid-to-allowed ratio went up from the experience period ( $84.3\% = 310.07/367.74$ ) to the projection period (85.7%). Please explain the apparent discrepancy.

7. Please show the derivation of the Projected Member Months of 277,188. Please comment on the dramatic increase from 75,379 member months in the 2014 experience period.
8. Please describe quantitatively, including an Excel spreadsheet with formulas, the derivation of the 91.6% medical loss ratio (MLR).
9. Please certify that you are in compliance with 2016 Unified Rate Review Instructions (Rate Filing Justification: Parts I, II, and III version 2/21/15).

Please be advised that there may be additional questions based on the responses to the above. Should you have any questions regarding this correspondence, please contact me at [jlaverty@pa.gov](mailto:jlaverty@pa.gov) or by telephone at (717) 787-2117.

Sincerely,

James Laverty ASA, MAAA  
Actuarial Review Division  
Bureau of Accident & Health Insurance

**Highmark Inc.'s Response to Objection Letter Dated 06/30/2015**

**Project Name: Highmark Inc.'s 2016 Small Group Rate Filing**

**RE: Pennsylvania Insurance Department ID #: HGHM-130064391**

**Objection Letter Status: Additional Information Required**

**Objection Letter Date: 06/30/2015**

**Respond By Date: 07/14/2015**

**Response Date: 07/14/2015**

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1. Please be advised that any time the URRT is changed in SERFF, the URRT in HIOS must also be updated. Please acknowledge your understanding of this requirement.

**Response:**

Highmark Inc. ("Highmark") acknowledges this requirement.

2. Please describe quantitatively, including an Excel spreadsheet with formulas, the derivation of the [REDACTED] Population Risk Morbidity factor as found in Worksheet 1, Section II of the URRT.

**Response:**

The Population Risk Morbidity reflects an adjustment to the [REDACTED] claim costs expected in the ACA Small Group market [REDACTED]

[REDACTED]

[REDACTED]

3. Please describe quantitatively, including an Excel spreadsheet with formulas, the derivation of the [REDACTED] 'Other' factor as found in Worksheet 1, Section II of the URRT.

**Response:**

The [redacted] 'Other' projection adjustment factor reflects the 1) EHB add-on cost [redacted]  
[redacted] 2) the expected change in the population's  
pricing factors, and 3) the network factor [redacted]

4. What is the basis for the trend selection [redacted]? Please provide support.

**Response:**

[redacted]  
[redacted] the claim trend [redacted] reflects our best estimate [redacted].

[redacted]

5. Page 4 of the Part III Actuarial Memorandum indicates that the utilization portion of the trend rate is [redacted] but the URRT indicates that it is [redacted]. Please explain the apparent discrepancy.

**Response:**

[redacted]  
[redacted] The URRT instructions indicate that the change in benefit richness adjustment be included in the utilization trend.

6. Page 5 of the Part III Actuarial Memorandum indicates that the paid-to-allowed ratio fell from [redacted] in the experience period to [redacted] in the projection period [redacted]. My calculations show the paid-to-allowed ratio went up from the experience period [redacted] to the projection period [redacted]. Please explain the apparent discrepancy.

**Response:**

The experience period paid-to-allowed ratio in the URRT is [REDACTED]. However, as mentioned in the Part III Actuarial Memorandum, Highmark considered [REDACTED], which would provide a better picture of the entire market in which Highmark is operating. This [REDACTED] experience had an [REDACTED] % paid-to-allowed ratio in the experience period.

7. Please show the derivation of the Projected Member Months [REDACTED]

**Response:**

[REDACTED]

[REDACTED] the projected member months for 2016 are as follows:

|            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

8. Please describe quantitatively, including an Excel spreadsheet with formulas, the derivation of the [REDACTED] medical loss ratio (MLR).

**Response:**

[REDACTED] the [REDACTED] medical loss ratio (MLR) is calculated consistent with the federally prescribed MLR methodology. [REDACTED]



9. Please certify that you are in compliance with 2016 Unified Rate Review Instructions (Rate Filing Justification: Parts I, II, and III version 2/21/15).

**Response:**

Highmark, Inc. certifies that, to the best of its knowledge and understanding, this filing is in compliance with the 2016 Unified Rate Review Instructions as of 2/21/15.