

State: Pennsylvania **Filing Company:** Keystone Health Plan West
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only
- HMO
Product Name: KHPW Small Group 2016 ACA Rate Filing
Project Name/Number: KHPW SG Filing 2016/1A-SG-KHPW-2015

Filing at a Glance

Company: Keystone Health Plan West
Product Name: KHPW Small Group 2016 ACA Rate Filing
State: Pennsylvania
TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)
Sub-TOI: HOrg02G.004F Small Group Only - HMO
Filing Type: Rate - Small Group Methodology Modification
Date Submitted: 05/14/2015
SERFF Tr Num: HGHM-130064437
SERFF Status: Assigned
State Tr Num: HGHM-130064437
State Status: Received Review in Progress
Co Tr Num: 1A-SG-KHPW-2015

Implementation: 01/01/2016
Date Requested:
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 Lavery (AH) (primary)
Disposition Date:
Disposition Status:
Implementation Date:

State Filing Description:

Proposed aggregate 9.4% increase on 2016 off-exchange-only small group HMO rates in Western PA.

State: Pennsylvania **Filing Company:** Keystone Health Plan West
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General Information

Project Name: KHPW SG Filing 2016
Project Number: 1A-SG-KHPW-2015
Requested Filing Mode: Review & Approval
Explanation for Combination/Other:
Submission Type: New Submission
Group Market Type: Employer
Filing Status Changed: 05/14/2015
State Status Changed: 05/14/2015
Created By: Justin DeCroo
Corresponding Filing Tracking Number: HGHM-130078666

Status of Filing in Domicile:
Date Approved in Domicile:
Domicile Status Comments:
Market Type: Group
Group Market Size: Small
Overall Rate Impact: 9.4%

Deemer Date:
Submitted By: Justin DeCroo

PPACA: Non-Grandfathered Immed Mkt Reforms

PPACA Notes: null

Include Exchange Intentions: No

Filing Description:

KHPW Small Group ACA 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

Keystone Health Plan West	CoCode: 95048	State of Domicile:
120 5th Avenue Place	Group Code: 812	Pennsylvania
Pittsburgh, PA 15222	Group Name:	Company Type:
(717) 302-3971 ext. [Phone]	FEIN Number: 25-1522457	State ID Number:

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State:	Pennsylvania	Filing Company:	Keystone Health Plan West
TOI/Sub-TOI:	HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO		
Product Name:	KHPW Small Group 2016 ACA Rate Filing		
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Supporting Document Schedules

Satisfied - Item:	Non-Confidential Documents
Comments:	Attached
Attachment(s):	Small Group Market Rate Filing KHPW Cover Letter - 14May2015.pdf 38949_01012016_SG_RedactedAM.pdf
Item Status:	
Status Date:	



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: Keystone Health Plan West Filing # 1A-SG-KHPW-2015
2016 Small Group Market ACA Rates

This constitutes Notice pursuant to Section 707 of the Pennsylvania Right-to-Know Law that the attached Keystone Health Plan West 2016 Small Group Market Rates Filing contains Trade Secret and Confidential Proprietary Information. Therefore, KHPW 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 KHPW should be redacted before release.

Dear Mr. Camacci:

This Filing includes the Keystone Health Plan West's (KHPW) 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 KHPW if disclosed to the public.

Public disclosure of any information contained in this Filing would allow KHPW 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 KHPW's business. Therefore, KHPW 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"), KHPW 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, KHPW asserts its right to release a redacted version of the Filing. In accordance with the RTKL, please contact the KHPW 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 KHPW 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Scheib", with a stylized, flowing script.

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

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

Part III Actuarial Memorandum

REDACTED Version

Keystone Health Plan West

Small Group Rate Filing

Effective January 1, 2016

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I. General Information

Document Overview

This document contains the Part III Actuarial Memorandum for Keystone Health Plan West's ("Keystone") 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 Keystone's Filing. However, we recognize that this certification may become a public document. Keystone 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 Keystone that would result in the creation of any duty or liability under any theory of law by Keystone 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: Keystone Health Plan West
- State: The State of Pennsylvania has regulatory authority over these policies.
- HIOS Issuer ID: 38949
- Market: Small Group
- Effective Date: January 1, 2016

I.2 Company Contact Information:

- Primary Contact Name: Justin DeCuro, F.S.A., M.A.A.A.
- Primary Contact Telephone Number: 412-544-5091
- Primary Contact Email Address: Justin.DeCuro@Highmark.com

II. Proposed Rate Increase(s)

For Keystone's rate increase by plan please see the 'Cum'tive Rate Change % (over 12 mos prior)' found in Worksheet 2 Row 26 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 Keystone's 2014 book-of-business.

Since the experience under Keystone in 2014 was very limited, with little credibility, the rates were developed by using 100% manual rates, as described below in the Credibility Manual section.

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 Keystone'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 Keystone's book-of-business.
- Method for Determining Allowed Claims: For non-capitated claims, the allowed charges are summarized from Keystone's detailed claim-level historical data. We only include the non-grandfathered, insured members from Keystone's 2014 book-of-business.

IV. Benefit Categories

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

V. Projection Factors

See the Credibility Manual section, just below, for a discussion of the projection factors.

VI. Credibility Manual Rate Development

VI.1 Source and Appropriateness of Experience Data Used

Historical Experience: Historical experience was pulled from internal data sources for a small group block of business that we would expect to closely represent Keystone's experience. Experience for this block of business for the period January 1, 2014 through December 31, 2014 was used as the basis for the 2016 projected small group market pricing.

VI.2 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).

VI.3 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.

VI.4 Changes in Demographics

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

VI.5 Trend Factors (cost/utilization)

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

VII. Credibility of Experience

Our results are based 100% on the manual rate, developed from the experience described above. This experience is large enough to be fully credible.

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 2014 claim diagnoses from the experience claims, 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

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 is developed 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 Keystone (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 Keystone.

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 Keystone'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 Keystone 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 Keystone's forecast for 2016. These projections reflect expected changes in market share due to market competition.

XXI. Terminated Products

All non-grandfathered products that existed during the base period (2014) will be terminated from the ACA single-risk pool 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 Keystone'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 – Per the instructions, we entered \$0 in the template for terminated non-single risk pool compliant plans. Since these had significant membership, the average is much lower than the Worksheet 1 average premiums.
- 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. See note just above regarding terminated non-single risk pool compliant plans. In addition, 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.
- 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 Keystone 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 Keystone'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 Keystone 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
Keystone Health Plan West
120 5th Avenue Place
Pittsburgh, PA 15222

RE: Proposed 9.4% increase for 2016 off exchange small group HMO rates in Western PA (1A-SG-KHPW-2015);
Pennsylvania Insurance Department ID #: HGHM-130064437

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. What is the basis for the trend selection of 10% (6.8% cost and 3% utilization)? Please provide support.
3. Please show the derivation of the 2016 paid-to-allowed ratio of 90.7%.
4. Please describe quantitatively, including an Excel spreadsheet with formulas, the derivation of the 89.2% medical loss ratio (MLR).
5. 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 or by telephone at (717) 787-2117.

Sincerely,

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

KHPW's Response to Objection Letter Dated 06/30/2015

Project Name: KHPW's 2016 Small Group Rate Filing

RE: Pennsylvania Insurance Department ID #: HGHM-130064437

Objection Letter Status: Additional Information Required

Objection Letter Date: 06/30/2015

Respond By Date: 07/14/2015

Response Date: 07/14/2015

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:

KHPW acknowledges this requirement.

2. What is the basis for the trend selection [REDACTED]? Please provide support.

Response:

[REDACTED]
[REDACTED] the overall claim trend [REDACTED] reflects our best estimate for 2015 & 2016.

[REDACTED]

3. Please show the derivation of the 2016 paid-to-allowed ratio [REDACTED]

Response:

KHPW is offering only one ACA-compliant plan in 2016. This plan has [REDACTED] actuarial value of [REDACTED] %

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

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

5. 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:

KHPW 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.