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|-----------------------------|--|--------------------------|-----------------------|----------------------------|-----------------|
| <b>SERFF Tracking #:</b>    | INAC-129939280   | <b>State Tracking #:</b> | INAC-129939280        | <b>Company Tracking #:</b> | QCC SG PPO 1Q16 |
| <b>State:</b>               | Pennsylvania   | <b>Filing Company:</b>   | QCC Insurance Company |                            |                 |
| <b>TOI/Sub-TOI:</b>         | H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO |                          |                       |                            |                 |
| <b>Product Name:</b>        | QCC Small Group PPO effective 1-1-2016                             |                          |                       |                            |                 |
| <b>Project Name/Number:</b> | /  |                          |                       |                            |                 |

## Supporting Document Schedules

|                          |                                  |
|--------------------------|----------------------------------|
| <b>Satisfied - Item:</b> | Cover letter                     |
| <b>Comments:</b>         | Attached is the cover letter.    |
| <b>Attachment(s):</b>    | qcc small group cover letter.pdf |
| <b>Item Status:</b>      |                                  |
| <b>Status Date:</b>      |                                  |

|                          |                                       |
|--------------------------|---------------------------------------|
| <b>Satisfied - Item:</b> | Redacted Federal Actuarial Memorandum |
| <b>Comments:</b>         | See attached.                         |
| <b>Attachment(s):</b>    | 31609_01012016_SG_RedactedAM.pdf      |
| <b>Item Status:</b>      |                                       |
| <b>Status Date:</b>      |                                       |



May 15, 2015

Mr. Peter Camacci, Director  
Bureau of Accident and Health Insurance  
Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

**SUBMITTED VIA SERFF**

**RE: QCC Insurance Company  
Small Group PPO Rate Filing effective 1/1/2016  
INAC-129939280**

Dear Mr. Camacci:

QCC Insurance Company is introducing new and renewing PPO plans in the small employer group market of the Commonwealth of Pennsylvania to satisfy market reform requirements of the Affordable Care Act (ACA)—some plans are included in a concurrent application for certification as a Qualified Health Plan. This rate filing includes rates for these plans and specifies compliance with rating requirements of the ACA. The proposed effective date for the enclosed rates is January 1, 2016.

This rate filing is being submitted along with concurrent form filing(s) and SERFF Plan Management binder(s):

- INLG-130057532
- INLG-PA16-125045291



Please contact David Walker at (215) 640-7846 or [David.Walker@ibx.com](mailto:David.Walker@ibx.com) with any questions regarding this filing.

Sincerely,

A handwritten signature in blue ink that reads "Hugh Lakshman".

Hugh Lakshman, FSA, MAAA  
Director and Actuary, Commercial Pricing

cc: Kathryn A. Galarneau, FSA, MAAA  
Thomas Hutton  
Richard F. Levins, Esquire  
Mary Ellen McMillen  
Daniel Rachfalski, FSA, MAAA

## **GENERAL OVERVIEW**

### **PURPOSES**

This Actuarial Memorandum is provided along with the Unified Rate Review Template (URRT) to provide certain information to support the gross premium for the single risk pool for small group market health care insurance underwritten by QCC Insurance Company ("QCC") in the Commonwealth of Pennsylvania. It is provided as a component of an application for certification as a Qualified Health Plan and a state rate filing. This submission may not be appropriate for other purposes.

### **GENERAL INFORMATION**

#### **COMPANY IDENTIFYING INFORMATION**

**Company Legal Name:** QCC Insurance Company ("QCC")

**State:** Pennsylvania

**HIOS Issuer ID (5-digit):** 31609

**Market:** Small group

**Effective Date(s):** 1/1/2016-3/31/2016, 4/1/2016-6/30/2016, 7/1/2016-9/30/2016, and 10/1/2016-12/31/2016

Worksheet 1 of the accompanying URRT contains experience period data and development of the projected Single Risk Pool Gross Premium Average Rate PMPM for the small group market for the Keystone Health Plan East ("KHPE"), AmeriHealth HMO, Inc. ("AHPA"), and QCC Insurance Company ("QCC") entities. Worksheet 2 contains experience period data and projections by product for the single risk pool for the same entities. This memorandum pertains only to plans denoted in Worksheet 2 by Plan IDs starting with the sequence 31609.

#### **COMPANY CONTACT INFORMATION**

**Primary Contact Name:** David Walker

**Primary Contact Telephone Number:** 215-640-7846

**Primary Contact Email Address:** David.Walker@ibx.com

### **PROPOSED RATE INCREASE**

The changes to the single risk pool gross premium average rate per member per month (PMPM) from calendar year 2014 to calendar year 2016 were incorporated into the pricing and reflected in the Unified Rate Review Template. The changes are driven for by factors including: changes in market-wide population risk morbidity and covered services, increasing unit costs for medical services, increasing

utilization of medical services, increasing fees and taxes imposed by the federal government, anticipated costs to administer the plan, anticipated revenue or payments due to market-wide risk adjustment.

## **WORKSHEET 1: DATA COLLECTION TEMPLATE**

### **SECTION I: EXPERIENCE PERIOD DATA**

#### **PAID THROUGH DATE**

Experience period premium, claims, and member months are obtained from the company's internal data warehouse. The claims data is collected for incurred dates from January through December 2014 and paid through January 2015. Earned premiums and member months are for January through December 2014. The data are for all small group business in the Commonwealth of Pennsylvania for the following legal entities: Keystone Health Plan East ("KHPE"), AmeriHealth HMO, Inc. ("AHPA"), and QCC Insurance Company ("QCC").

#### **PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD**

Earned Premiums (net of MLR Rebate) in Experience Period are developed by summing the earned premium reported in the company's internal data warehouse and adjusting for MLR rebates, if any, for the period. Although 2014 federal MLR rebate calculations are not final as of the writing of this memorandum, no federal MLR rebates are expected for calendar year 2014, so no adjustment to earned premium for MLR rebates is needed.

The calculation for federal minimum loss ratio rebates is based on 2012, 2013, and 2014 experience of earned premium, incurred claims, quality improvement expenses, and taxes. The three years of experience is blended for all segments.

#### **ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD**

##### **Paid-to-Date and Incurred Claims, and Member Months**

Insurer fee-for-service claims expenses and member liabilities for dates of service in January 2014 through December 2014 and paid through January 2015 are sourced from the IBCFOC's internal data warehouse. The claims and member liabilities are completed with incurred but not reported (IBNR) adjustments to develop ultimate incurred insurer fee-for-service claims expenses and member liabilities for the January through December 2014 period. Capitation amounts are also sourced from the internal data warehouse for the January through December 2014 period but they are not adjusted for IBNR.

##### **IBNR Development**

Medical fee for service incurred but not reported (IBNR) claims are modeled through the use of standard claim lag methodologies. A range of results is developed, and a provision for adverse deviation is

applied. The provision for adverse deviation is dependent on many factors such as stability, size, product mix, etc.

The completion factors are developed annually in the 2Q – 3Q period. We do not believe our IBNR is unusually high or unusually low for incurred 2014 paid through January 2015.

#### **Allowed Claims**

Allowed claims are determined by separately obtaining paid-to-date fee-for-service claims and member cost-sharing amounts, applying claim lag factors to those amounts to estimate ultimate incurred fee-for-service claims and member-sharing amounts and adding them together with capitation amounts.

Allowed claims do not include ineligible claims, payments for services other than medical care provided, recovery payments related to internal large claim pooling mechanisms, or active live reserves.

#### **Experience Period Index Rate**

The Index Rate of Experience Period is estimated by removing cost and utilization trend from the first quarter Index Rate for Projection Period.

### **SECTION II: ALLOWED CLAIMS, PMPM BASIS**

#### **BENEFIT CATEGORIES**

Utilization and Unit Cost data for allowed claims in the experience period are provided in Section II. The data is provided by benefit category using a standardized indicator from the internal data warehouse that assigns each claim line to a category based on the type of provider and the location of the service. The utilization and unit cost data are provided for the following categories: Inpatient Hospital admits, Outpatient Hospital visits, Professional visits, Other Medical visits, Capitation per member per month (PMPM), and Prescription Drug scripts.

Experience Period capitation is reported as a per member per month (PMPM) value. In order to complete the URRT, the Utilization per 1,000 statistics for capitated services only is reported as 1,000 so that the appropriate capitation PMPM is reported.

#### **PROJECTION FACTORS**

The estimated incurred claims experience on an allowed basis for January 2014 through December 2014 is projected to the future rating period by several factors.

#### **Changes in Population Risk Morbidity**

Experience period allowed claims are adjusted to account for differences in the average morbidity of the single risk pool population underlying the experience and the anticipated population in the

projection period. This adjustment reflects changes in either the individual or small group market-wide morbidity due to one or more of the following: guarantee issue, the individual mandate, Medicaid and CHIP migration, take-up of insurance by the previously uninsured, health status of the newly insured, enrollment from prior high risk pools, subsidy effects, dumping of enrollment from group markets to the individual market, and market-wide impact of transitional products/plans.

#### **Changes in Other Factors**

Experience period allowed claims are adjusted to account for differences in the single risk pool population underlying the experience and the anticipated population in the projection period pertaining to several factors not due to changes in morbidity or the costs and utilization of medical care. This adjustment reflects: additional benefits required to be covered as essential health benefits; recently mandated benefits required by state law that are not reflected in the experience period data; benefits in the experience that are removed for the projection period; anticipated changes in the average utilization of services due to differences in average cost sharing requirements during the experience period and average cost sharing requirements in the projection period; changes in demographic characteristics of the single risk pool experience period population and the projection period population (including age, gender, region, and tobacco use); changes in the provider network (adding or removing a provider system or introducing a limited network option); and anticipated changes in pharmacy rebates.

#### **Annualized Cost Trend**

Annual cost trend reflects changes in costs of medical treatment due to medical inflation and changes in the distribution of services across network providers. The trend value is developed by reviewing historical medical costs for the single risk pool and adjusting them for anticipated future provider contracting reimbursement levels. The data is normalized for changes in age, benefit changes during the experience period, changes to provider contracts, and prescription drug formulary, and new drugs brought to market.

#### **Annualized Utilization Trend**

Annual utilization trend reflects the change in the number of units per 1,000 members for a fixed level of illness burden and includes changes due to the mix and intensity of services provided and changes related to shifts in product mix. It also includes effects of selection, if any, since this cannot be reflected in the relative cost of the various products and plans offered.

#### **CREDIBILITY MANUAL RATE DEVELOPMENT**

The experience period claims for the single risk pool are determined to be fully credible, therefore no credibility adjustment is required.

## **SECTION III: PROJECTED EXPERIENCE**

### **PAID TO ALLOWED RATIO**

The Projected Allowed Experience Claims PMPM shown in Worksheet 1 represents projected allowed claims experience PMPM for the projected portfolio of plans. The Paid to Allowed Average Factor in Projection Period adjusts the allowed down to Projected Incurred Claims before ACA reinsurance and risk adjustment for the population anticipated to be covered in the projection period. The Projected Incurred Claims before ACA reinsurance and risk adjustment represents the net amount of incurred insurer claim liability expected in the projection period, net of member cost sharing and cost sharing paid by HHS on behalf of low-income members. It reflects the average benefit level anticipated during the projection period.

### **RISK ADJUSTMENT AND REINSURANCE**

#### **Projected Risk Adjustment PMPM**

Projected Risk Adjustment is accounted for in Projected Incurred Claims before ACA Reinsurance and Risk Adjustment to reflect anticipated risk adjustment transfer amounts for the projection period. The amount reflects the projected morbidity for the single risk pool for IBCFOC in the projection period.

The estimated risk adjustment revenue for all of the plans in the risk pool is developed using the following methodology. We recognize that the HHS payment transfer formula implies that the projected incurred claims based solely on the experience period single risk pool claims need to be adjusted by the ratio of the current statewide market's risk relative to allowable rating factor (ARF) for age compared to the single risk pool's risk relative to ARF presented during the experience period. This adjustment, together with the assumed future changes in population risk morbidity, results in the issuer's pricing being consistent with the anticipated morbidity level of the future statewide market.

Estimating the current statewide market's risk and ARF is difficult, because we do not have access to the relevant data from other carriers operating in this market. In order to gain insight, we participated in the Wakely Consulting Group's risk adjustment reporting project for this market. Our assumptions are the result of a combination of measurements based on Wakely's reports and our own actuarial judgment.

The anticipated risk adjustment transfer revenue is allocated proportionally based on plan premium. The Projected Risk Adjustment is subtracted from Projected Incurred Claims before ACA Reinsurance and Risk Adjustment to reflect anticipated receipt of risk adjustment transfer amounts for the projection period.



### **Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market Only)**

A Projected ACA Reinsurance Recoveries Net of Reinsurance Premium adjustment is not applicable in the small group market. However, the Reinsurance Program Funding fee is included and applied equally across all plans in the single risk pool.

### **NON-BENEFIT EXPENSES AND PROFIT & RISK**

#### **Administrative Expense Load**

An Administrative Expense Load is applied to Projected Incurred Claims to reflect expenses related to quality improvement and fraud detection/recovery and other expenses of operating a business, broker commissions, and premium payment processing fees.

#### **Profit & Risk Load/Contribution to Surplus**

A Profit & Risk Load/Contribution to Surplus for the single risk pool is applied to Projected Incurred Claims for the projection period, if applicable.

#### **Taxes and Fees**

A Taxes & Fees load is applied to Projected Incurred Claims to pass through the following fees and taxes levied by the federal and state governments:

- *Risk Adjustment Fee & PCORT (Comparative Clinical Effectiveness Research Tax)*: applied equally across all plans in the single risk pool.
- *Exchange User Fee*: applied to all plans as an adjustment to the index rate at the market level, as per regulation.
- *State Premium Tax*: not applicable to plans under the KHPE and AHPA Entities; applied to plans under the QCC entity.
- *Health Insurer Fee*: applied equally across all plans in the single risk pool

### **PROJECTED LOSS RATIO**

The projected loss ratio for the single risk pool is estimated to exceed 80%, [REDACTED] reflecting premium adjustments permitted by the federal MLR calculation.

### **INDEX RATE**

The Index Rate is defined as the EHB portion of projected allowed claims divided by all projected single risk pool lives. The Index Rate is the same value for all non-grandfathered plans for an issuer in a state and market.

We reserve the right to make subsequent filings to replace rates listed above with effective dates 4/1/2016 and beyond to reflect any changes which would affect the adequacy of the rates presented with this memorandum.

### **MARKET ADJUSTED INDEX RATE**

The Market Adjusted Index rate is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules: federal reinsurance program adjustment, risk adjustment and exchange user fees. The Market Adjusted Index Rate reflects the average demographic characteristics of the single risk pool.

Note that the on-exchange premiums presented in the Unified Rate Review Template do not include coverage of pediatric dental that is expected to be available elsewhere on the exchange. Premiums for the same QHP plans offered off-exchange may differ to reflect costs due to the possible inclusion or exclusion of pediatric dental coverage.

### **PLAN ADJUSTED INDEX RATE**

The Plan Adjusted Index Rate is calculated as the issuer Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rule. These include actuarial value and cost sharing adjustment, provider network, delivery system and utilization management adjustment, adjustment for benefits in addition to the EHBs, impact of specific eligibility categories for the catastrophic plan and administrative costs.

### **CALIBRATION**

The plan adjusted index rate is projected for all products using the same anticipated age distribution and the mandated age curve. Therefore the consumer adjusted premium rate is the plan adjusted index rate divided by the average age and geographic factor for the expected distribution. [REDACTED]

Note that the on-exchange premiums presented in the Unified Rate Review Template do not include coverage of pediatric dental that is expected to be available elsewhere on the exchange. Premiums for the same QHP plans offered off-exchange may differ to reflect costs due to the possible inclusion or exclusion of pediatric dental coverage.

There is only one geographic rating area for this filing. The geographic rating area factor for this filing is 1.0.

## **WORKSHEET 2: PRODUCT-PLAN DATA COLLECTION**

### **AV METAL VALUES**

The AV Metal Values included in Worksheet 2 of the URRT were valued using the AV Calculator, where possible, otherwise the AV Metal Values were developed under an alternate methodology. Actuarial certifications required by 45 CFR Part 156, §156.135 are provided in a separate document.

### **AV PRICING VALUES**

The AV Pricing Value represents the cumulative effect of adjustments made by plan to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

### **MEMBERSHIP PROJECTIONS**

Enrollment is projected based on current and anticipated enrollment by plan. Items impacting these projections include changes in the size of the market due to introduction of guarantee issue requirements, the individual mandate, and the introduction of a Basic Health Program.

### **TERMINATED PLANS**

The following products are being terminated as policy years end throughout calendar year 2015:

| STATE | SEGMENT        | COMPANY | COMPANY<br>LEGAL NAME        | ISSUER<br>ID | PLAN | PLAN ID | HIOS PLAN NAME                              |
|-------|----------------|---------|------------------------------|--------------|------|---------|---|
| PA    | Small<br>Group | KHPE    | Keystone Health<br>Plan East | 33871        | HMO  | 33871   | 33871PA0100017-Keystone<br>HMO-Bronze Basic |

### **WARNING ALERTS**

There are no warning alerts in URRT part 1.

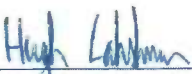
## ACTUARIAL CERTIFICATION

I, Hugh Lakshman, am Director & Actuary of Commercial Markets for Independence Blue Cross Family of Companies. I am a member of the Society of Actuaries and the American Academy of Actuaries with the education and experience necessary to perform the work necessary and meet the Qualification Standards of the American Academy of Actuaries to render the qualified actuarial opinion contained herein. The developed rates and memorandum have been prepared in conformity with appropriate Actuarial Standards of Practice and the Academy's Code of Professional Conduct.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the premium rates and allowable rating factors. Rather, it represents information required by Federal regulation to be provided in support of the review of gross premium 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.

I hereby certify that, to the best of my knowledge and judgment, the following:

- The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.08(d)(1));
  - Developed in compliance with applicable Actuarial Standards of Practice;
  - Reasonable in relation to the benefits provided and the population anticipated to be covered; and
  - Neither excessive nor deficient.
- 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 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.
- The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans, unless an alternate methodology was required. If an alternate methodology was used to calculate the AV Metal Value for at least one plan offered, a copy of the actuarial certification required by 45 CFR Part 156, §156.135 will be included.



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Hugh Lakshman, FSA, MAAA  
May 15, 2015

|                             |  |                        |                       |
|-----------------------------|--|------------------------|-----------------------|
| <b>State:</b>               | Pennsylvania   | <b>Filing Company:</b> | QCC Insurance Company |
| <b>TOI/Sub-TOI:</b>         | H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO |                        |                       |
| <b>Product Name:</b>        | QCC Small Group PPO effective 1-1-2016                             |                        |                       |
| <b>Project Name/Number:</b> | /  |                        |                       |

## Correspondence Summary

### Objection Letters and Response Letters

#### Objection Letters

| Status                    | Created By           | Created On | Date Submitted |
|---------------------------|----------------------|------------|----------------|
| Pending Industry Response | Cherri Sanders-Jones | 06/23/2015 | 06/23/2015     |

#### Response Letters

| Responded By | Created On | Date Submitted |
|--------------|------------|----------------|
|--------------|------------|----------------|

**State:** Pennsylvania  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO  
**Product Name:** QCC Small Group PPO effective 1-1-2016  
**Project Name/Number:** /

## Objection Letter

|                         |                           |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date   | 06/23/2015                |
| Submitted Date          | 06/23/2015                |
| Respond By Date         | 07/07/2015                |

Dear Hugh Lakshman,

**Introduction:**

June 23, 2015

Hugh Lakshman  
Director and Actuary - Commercial Markets  
QCC Insurance Company  
1901 Market Street  
Philadelphia, PA 19103

RE: QCC Insurance Company – Small Group - PPO  
Received: May 11, 2015 SERFF ID# INAC-129939280

Dear Mr. Lakshman:

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.

Please note, many of the items identified below should have been identified and detailed narrative provided in the actuarial memorandum.

1. It is my understanding that Section I of worksheet I of the URRT is to contain the single risk pool data for a given issuer, state and market. Your actuarial memorandum indicates that the experience period data provided represents KHPE, AmeriHealth and QCC. Please revise to reflect data solely for the named issuer for stated experience period. If you believe there are special circumstances that allow for the aggregation of the 3 companies please provide a detailed discussion. Please note, to the extent that QCC supports the HMO POS, it is only those claims data that should be included in the HMO URRT. Only the pure PPO data should be reported in this filing.

2. The filing indicates the weighted average increase across products/plans is 6.7%. Worksheet 2 of the URRT (row 28) shows a rate increase of 9.11% for a PPO Product and a 6.89% increase for the HMO product. Should the threshold product rate increase for the PPO be 9.11% and not 6.7%? Please review the URRT, company rate information contained in the Rate/Rule Schedule tab and any other items that may be impacted and revise as necessary.

3. The company rate information contained in the Rate/Rule Schedule Tab indicates that an overall rate change of 11.4%, with a maximum of 14.5% and a minimum of -6.5% with an overall % impact of 6.7%. Please explain these adjustments and show how they were developed.

4. The filing indicates the weighted average increase across plans based on current ACA-compliant membership is 6.7% (or the revised average per question #2 above). Please show how this average breaks down by the following and discuss the basis for the proposed changes:

- Impact of medical claim trend;
- Revisions to assumptions about population morbidity and the projected population distribution;
- Changes to the reinsurance program;
- Changes in cost sharing to ensure that plans comply with Actuarial Value requirements;
- Changes in pricing models used to determine the impact of cost sharing design;
- Changes in benefits and plan design;

**State:** Pennsylvania **Filing Company:** QCC Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO  
**Product Name:** QCC Small Group PPO effective 1-1-2016  
**Project Name/Number:** /

- Changes in fees, taxes and administrative expenses.

5. Please provide the Federal Rate Template in the Rate/Rule Schedule tab.

6. The actuarial memorandum does not meet the standard as prescribed by CMS in the 2016 Unified Rate Review Instructions (Rate Filing Justification: Parts I (v2.0.4, II, and III) version 2/21/15. Please provide an actuarial memorandum that reflects company specific data and assumptions, not simply a generic template.

7. The actuarial memorandum indicates that member cost sharing is included in calculating allowed claims, but does not speak to the cost sharing payments by HHS from the federal government. Please discuss why.

8. Please provide further discussion of the rates in the Base Rate Schedule and show their development. Also, show the rate change for each plan identified in the Base Rate Schedule.

9. Please provide an Excel exhibit that shows the development of the Index Rate for the 2016 Projection Period, starting from the 2014 experience data. Also, provide narrative that explains the development and all adjustments.

10. Please provide an Excel exhibit that shows the development of the Plan adjusted Index Rate for each plan design offered in 2016, starting from the Index Rate.

11. Please identify the specific taxes and fees and the corresponding percent of premium or the pmpm amounts. Additionally, show the components of the administrative expense load of 9.9% and their corresponding costs.

12. Please provide Excel exhibits that show the development of all calibration adjustments.

13. What is the basis for the trend selection of approximately 7.4%? Please provide support and a narrative that explains the trend development.

14. For the January 1, 2016, through October 1, 2016 will QCC allow current enrolled groups of size 51-100 transitional relief? That is, will you allow a particular enrolled group to continue under the large group rating process? What is your current (2015) definition of small group? Please be advised that the experience period data should only include groups that meet the 2-50 group size. However, in the projection period, expected claims experience should reflect group policies for employers with 100 or fewer employees that the issuer expects to be enrolled in single risk pool compliant plans during the projection period. This may be done through the projection factors, use of a manual rate, or combination of the two. Please acknowledge your company's understanding and compliance.

15. The Department notes that the Dental field in the Department Rate Exhibit is not populated. Please review and ensure that every field is appropriately populated.

16. The actuarial memorandum indicates that Plan ID 33871PA0100017 has been terminated. 33871 is the issuer number for KHPE. Please review and revise. If QCC is terminating a plan please revise the actuarial memorandum to include. Does the terminating plan have membership? What will QCC do with these enrollees? If mapping the 2015 enrollees, in that plan, to 2016 products and plans, please provide a mapping illustration that shows the development of the rate impact to these consumers.

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

18. Does your company offer transitional policies in Pennsylvania? If so, what markets (individual and/or small group). Please provide the SERFF # for the approved transitional rate filing(s) and the number of transitional members enrolled in each market as of April 1, 2015.

19. Under what pricing assumptions regarding the King v. Burwell Supreme Court Case has your filing been made? Please provide an actuarial narrative and justification regarding the rate impact for the alternate decision.

20. The Department notes that several of the screenshots of the AV Output for CSR plans reflect errors indicating that the desired metal level was unsuccessful. Please provide a discussion of the methodology used to achieve the desired metal level for these plans as well as the appropriate actuarial certification.

Response to this request should be provided via SERFF in Microsoft Excel spreadsheets (version 2010 or less). Please retain all formulas.

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 csandersjo@pa.gov or by telephone at (717) 787-5172.

**State:** Pennsylvania**Filing Company:** QCC Insurance Company**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO**Product Name:** QCC Small Group PPO effective 1-1-2016**Project Name/Number:** /

Sincerely,

Cherri Sanders-Jones

Actuarial Review Division

Bureau of Accident & Health Insurance

**Conclusion:**

Sincerely,

Cherri Sanders-Jones



|                             |  |                          |                       |                            |                 |
|-----------------------------|--|--------------------------|-----------------------|----------------------------|-----------------|
| <b>SERFF Tracking #:</b>    | INAC-129939280   | <b>State Tracking #:</b> | INAC-129939280        | <b>Company Tracking #:</b> | QCC SG PPO 1Q16 |
| <b>State:</b>               | Pennsylvania   | <b>Filing Company:</b>   | QCC Insurance Company |                            |                 |
| <b>TOI/Sub-TOI:</b>         | H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO |                          |                       |                            |                 |
| <b>Product Name:</b>        | QCC Small Group PPO effective 1-1-2016                             |                          |                       |                            |                 |
| <b>Project Name/Number:</b> | /  |                          |                       |                            |                 |

## Supporting Document Schedules

|                          |   |
|--------------------------|---|
| <b>Satisfied - Item:</b> | REDACTED Response to June 23 2015 Objection Letter  |
| <b>Comments:</b>         | Attached are the redacted responses to the June 23, 2015 objection letter.  |
| <b>Attachment(s):</b>    | R-Breakdown of 2016 Small Group Increase.pdf<br>R-Calibration.pdf<br>R-Trend Basis.pdf<br>R-Comparison To URRT Instructions.pdf<br>R-Exhibit A - 2016 Projected Index Rate Calculation.pdf<br>R-response to qcc sg 2016 obj letter dated 6-23-15.pdf<br>R-Exhibit B - 2016 Market Index Rate Calculation.pdf<br>R-Exhibit C - 2016 Plan Adjusted Index Rate Calculation.pdf<br>R-Exhibit D - 2016 Taxes, Fees, & Admin.pdf<br>R-Rates for Act Memo QCC SG 2016 v1-2.pdf<br>R-Mapping Impact.pdf<br>R-31609PA015_Unique_Plan_Design_relevant_plans.pdf |
| <b>Item Status:</b>      |   |
| <b>Status Date:</b>      |   |

**Breakdown of 2016 Small Group Base Premium Increase**

|   |  |
|---|--|
| Medical Claim Trend                         |  |
| Population Distribution & Morbidity Changes |  |
| Reinsurance Fee Change                      |  |
| Benefit Changes                             |  |
| Actual vs. Expected Experience              |  |
| <u>Retention Changes</u>                    |  |
| <b>Total</b>                                |  |

**2016 Small Group Gross Premium**

|                           |  |
|---------------------------|--|
| 2015 Premium              |  |
| <u>Rate Increase</u>      |  |
| <b>2016 Gross Premium</b> |  |

| KHPE |              |        |
|------|--------------|--------|
| Age  | % of Members | Factor |
| <21  |              | 0.656  |
| 22   |              | 1.000  |
| 23   |              | 1.000  |
| 24   |              | 1.000  |
| 25   |              | 1.004  |
| 26   |              | 1.024  |
| 27   |              | 1.048  |
| 28   |              | 1.087  |
| 29   |              | 1.119  |
| 30   |              | 1.135  |
| 31   |              | 1.159  |
| 32   |              | 1.183  |
| 33   |              | 1.198  |
| 34   |              | 1.214  |
| 35   |              | 1.222  |
| 36   |              | 1.230  |
| 37   |              | 1.238  |
| 38   |              | 1.246  |
| 39   |              | 1.262  |
| 40   |              | 1.278  |
| 41   |              | 1.302  |
| 42   |              | 1.325  |
| 43   |              | 1.357  |
| 44   |              | 1.397  |
| 45   |              | 1.444  |
| 46   |              | 1.500  |
| 47   |              | 1.563  |
| 48   |              | 1.635  |
| 49   |              | 1.706  |
| 50   |              | 1.786  |
| 51   |              | 1.865  |
| 52   |              | 1.952  |
| 53   |              | 2.040  |
| 54   |              | 2.135  |
| 55   |              | 2.230  |
| 56   |              | 2.333  |
| 57   |              | 2.437  |
| 58   |              | 2.548  |
| 59   |              | 2.603  |
| 60   |              | 2.714  |
| 61   |              | 2.810  |
| 62   |              | 2.873  |
| 63   |              | 2.952  |
| 64   |              | 3.000  |
| 65+  |              | 3.000  |

| QCC |              |        |
|-----|--------------|--------|
| Age | % of Members | Factor |
| <21 |              | 0.657  |
| 22  |              | 1.000  |
| 23  |              | 1.000  |
| 24  |              | 1.000  |
| 25  |              | 1.004  |
| 26  |              | 1.024  |
| 27  |              | 1.048  |
| 28  |              | 1.087  |
| 29  |              | 1.119  |
| 30  |              | 1.135  |
| 31  |              | 1.159  |
| 32  |              | 1.183  |
| 33  |              | 1.198  |
| 34  |              | 1.214  |
| 35  |              | 1.222  |
| 36  |              | 1.230  |
| 37  |              | 1.238  |
| 38  |              | 1.246  |
| 39  |              | 1.262  |
| 40  |              | 1.278  |
| 41  |              | 1.302  |
| 42  |              | 1.325  |
| 43  |              | 1.357  |
| 44  |              | 1.397  |
| 45  |              | 1.444  |
| 46  |              | 1.500  |
| 47  |              | 1.563  |
| 48  |              | 1.635  |
| 49  |              | 1.706  |
| 50  |              | 1.786  |
| 51  |              | 1.865  |
| 52  |              | 1.952  |
| 53  |              | 2.040  |
| 54  |              | 2.135  |
| 55  |              | 2.230  |
| 56  |              | 2.333  |
| 57  |              | 2.437  |
| 58  |              | 2.548  |
| 59  |              | 2.603  |
| 60  |              | 2.714  |
| 61  |              | 2.810  |
| 62  |              | 2.873  |
| 63  |              | 2.952  |
| 64  |              | 3.000  |
| 65+ |              | 3.000  |

| Total |              |        |
|-------|--------------|--------|
| Age   | % of Members | Factor |
| <21   |              | 0.656  |
| 22    |              | 1.000  |
| 23    |              | 1.000  |
| 24    |              | 1.000  |
| 25    |              | 1.004  |
| 26    |              | 1.024  |
| 27    |              | 1.048  |
| 28    |              | 1.087  |
| 29    |              | 1.119  |
| 30    |              | 1.135  |
| 31    |              | 1.159  |
| 32    |              | 1.183  |
| 33    |              | 1.198  |
| 34    |              | 1.214  |
| 35    |              | 1.222  |
| 36    |              | 1.230  |
| 37    |              | 1.238  |
| 38    |              | 1.246  |
| 39    |              | 1.262  |
| 40    |              | 1.278  |
| 41    |              | 1.302  |
| 42    |              | 1.325  |
| 43    |              | 1.357  |
| 44    |              | 1.397  |
| 45    |              | 1.444  |
| 46    |              | 1.500  |
| 47    |              | 1.563  |
| 48    |              | 1.635  |
| 49    |              | 1.706  |
| 50    |              | 1.786  |
| 51    |              | 1.865  |
| 52    |              | 1.952  |
| 53    |              | 2.040  |
| 54    |              | 2.135  |
| 55    |              | 2.230  |
| 56    |              | 2.333  |
| 57    |              | 2.437  |
| 58    |              | 2.548  |
| 59    |              | 2.603  |
| 60    |              | 2.714  |
| 61    |              | 2.810  |
| 62    |              | 2.873  |
| 63    |              | 2.952  |
| 64    |              | 3.000  |
| 65+   |              | 3.000  |

Projected Average Factor for Tobacco Users  
Projected Tobacco Use Prevalence



Tobacco Use Calibration Factor



Unit Cost

Facility - Inpatient (non-capitated)  
Admits  
Days  
Facility - Outpatient (non-capitated)  
Facility - Capitated Services  
Professional - Non-Capitated  
Professional - Capitated  
    PCP  
    Mental health  
    Physical Therapy  
    Podiatry  
    Lab  
Other Medical (non-capitated)  
Other Medical (capitated)  
    Vision (Embedded)  
    Dental (Embedded)  
Total Medical Claims



Projected Utilization



Projected Trend



## LOCATION:

Page

Paragraph

Heading

## 4.2 General Information

Company Legal Name  
State  
HIOS Issuer ID  
Market  
Effective Date  
Company Contact Information

Company Identifying Information  
Company Identifying Information  
Company Identifying Information  
Company Identifying Information  
Company Contact Information

## 4.3 Proposed Rate Increase

Reason for Rate Increase (List factors)

Proposed Rate Increase

## 4.4 Market Experience

## 4.4.1 Experience Period Premium and Claims

Paid through date

Premiums net of rebate in Experience Period

Amount of (expected) rebates

Allowed and Incurred Claims During the Experience Period (separately)

Amount processed through issuer's claim system

Amount processed outside issuer's claim system

IBNR

Method for determining Allowed Claims

Support for IBNR

Benefit Categories

Describe methodology to determine into which category claims fall

## 4.4.2

Projection Factors

Description of each factor used and supporting information

Changes in Morbidity

Describe adjustment factors used

Changes in Benefits

Describe adjustment factors used during the projection period

Changes in Demographics

Describe adjustment factors used between average mix in experience and projection period

Other Adjustments

Describe adjustment factors used

Trend factors

Describe adjustment factors used and claim sources used

4.4.4 Credibility Manual Development

4.4.5 Credibility of Experience

4.4.6 Paid to Allowed Ratio

Provide support for factor shown in Worksheet 1, Section III

4.4.7 Risk Adjustment and Reinsurance

Explain methodology used to estimate the amounts during experience period

Explain development of risk adjustment revenue for the risk pool

Explain how risk adjustment revenue was applied the Index Rate

Report Reinsurance payments net of contributions

Explain underlying experience data and assumptions

Explain how liability for claims liability between attachment point and cap

State assumed amount of assessment as PMPM

4.4.8 Non-Benefit Expenses and Profit &amp; Risk

Provide support for Administrative Expense Load

Administrative Expense Load

|       |  |   |  |
|-------|--|---|--|
| 4.5   | Projected Loss Ratio                       | Describe methodology for estimating projection period amounts<br>Describe target underwriting gain/loss margin and change from last filing<br>Describe each tax and fee and indicate the amount for each that may be deducted in MLR formula<br>Do not include contributions to federal reinsurance or risk adjustment<br>Taxes and fees are considered Administrative Expenses per 45 CFR 156.80(d)  | Administrative Expense Load  |
| 4.6   | Application of Market Reform Rating Rules  | Indicate the projected MLR  | Administrative Expense Load  |
| 4.6.1 | Single Risk Pool                           | Provide support that it meets requirements  | Projected Loss Ratio   |
| 4.6.2 | Index Rate                                 | Support for the development in both the experience and projection periods<br>Explain difference between total allowed claims PMPM and the Index Rate<br>Individual Market - should match 12 month projection in Worksheet 1<br>SG - should reflect weighted average of projected index rates for all four quarters<br>SG Quarterly trend factors should be filed<br>Market Adjusted Index Rate<br>Explain how the allowed variables are applied (market-wide) | Index Rate<br>Index Rate<br>Index Rate<br>Index Rate   |
| 4.6.3 | Market Adjusted Index Rate                 | Federal reinsurance<br>Risk adjustment<br>Marketplace user fee adjustment<br>Should not be calibrated<br>Plan Adjusted Index Rates<br>Explain how allowed modifiers were applied<br>AV and cost-sharing<br>Provider network, delivery system, and utilization management adjustment<br>Benefits in addition to EHBs<br>Specific eligibility for catastrophic plans<br>Distribution and admin costs<br>Tobacco surcharge                                       | Market Adjusted Index Rate<br>Market Adjusted Index Rate<br>Market Adjusted Index Rate                       |
| 4.6.4 | Plan Adjusted Index Rates                  |   | Plan Adjusted Index Rate<br>Plan Adjusted Index Rate<br>Plan Adjusted Index Rate<br>Plan Adjusted Index Rate |
| 4.6.5 | Calibration<br>Age Curve                   | Provide average age rounded to a whole number associated with the projected single risk pool<br>Explain factors used to determine the average age<br>Actuarial justification and description of the calculation<br>Demonstration of how the Plan Adjusted Index Rate and age curve are used to produce rate schedule<br>Geographic Factor<br>List all geographic factors<br>Provide the geographic calibration if one is necessary                            | Calibration<br>Calibration<br>Calibration<br>Calibration<br>Calibration<br>Calibration                       |
| 4.6.6 | Consumer Adjusted Premium Rate Development | Describe how allowable consumer level adjustments are applied to Plan Adjusted Index Rate<br>SG - Consumer Adjusted should reflect appropriate quarter, trend   |  |
| 4.7   | AV Pricing Values                          |   |  |
| 4.7.1 | AV Metal Values                            | Describe the methodology used to determine AV Metal Values  | AV Metal Values  |
| 4.7.2 | AV Pricing Values                          | Indicate the portion of the AV Pricing Value that is attributable to each of the allowable modifiers<br>Membership Projections<br>Describe how membership projections from Worksheet 2 were developed<br>Explain differences relative to current membership<br>For Silver Consumer, describe distribution by CSR level  | AV Pricing Values<br>Membership Projections  |

|       |  |                         |
|-------|--|-------------------------|
| 4.7.5 | Terminated Plans and Products  |                         |
|       | List terminated plans, products not in experience period but available later |                         |
|       | Provide cross-walks for terminated plans mapped to new plans                 |                         |
| 4.7.6 | Warning Alerts   | Terminated Plans        |
|       | Explain  | Warning Alerts          |
| 4.8   | Miscellaneous Instructions   |                         |
| 4.8.1 | Effective Rate Review Information  |                         |
|       | Optional   |                         |
| 4.8.2 | Reliance   |                         |
|       | Disclose reliance on other individuals (names)                               |                         |
| 4.8.3 | Actuarial Certification  |                         |
|       | List of Elements   | Actuarial Certification |



PASML  
Confidential Actuarial Memorandum - Addendum  
Exhibit A  
2016 PASML Pricing

| Experience Period Allowed Claims            |  | PMPM |
|---|--|------|
| KHPE  |  |      |
| QCC   |  |      |
| Total                                       |  |      |
| Trend                                       |  |      |
| Population Distribution & Morbidity Changes |  |      |
| Other                                       |  |      |
| Projected to 2016                           |  |      |
| Value of Non-EHB Benefits                   |  |      |
| 2016 Projected Index Rate                   |  |      |



July 6, 2015

Mr. Peter Camacci, Director  
Bureau of Accident and Health Insurance  
Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

**SUBMITTED VIA SERFF**

RE: **QCC Insurance Company**  
**Small Group PPO Rate Filing effective 1/1/2016**  
**INAC-129939280**

**VIA SERFF**

Dear Mr. Camacci:

The following is our response to the Objection letter received (via SERFF) June 23, 2015 regarding the above referenced filing. For ease of review, we have included the original questions along with our replies. Attachments in Supporting Documentation can be found under "Response to Objection Letter Dated June 23, 2015".

- 1. It is my understanding that Section I of worksheet I of the URRT is to contain the single risk pool data for a given issuer, state and market. Your actuarial memorandum indicates that the experience period data provided represents KHPE, AmeriHealth and QCC. Please revise to reflect data solely for the named issuer for stated experience period. If you believe there are special circumstances that allow for the aggregation of the 3 companies please provide a detailed discussion. Please note, to the extent that QCC supports the HMO POS, it is only those claims data that should be included in the HMO URRT. Only the pure PPO data should be reported in this filing.*

We have replaced the Experience Data in Section 1 of Worksheet 1 to contain only the data for QCC. The URRT has been updated in the Supporting Documentation tab.

- 2. The filing indicates the weighted average increase across products/plans is 6.7%. Worksheet 2 of the URRT (row 28) shows a rate increase of 9.11% for a PPO Product and a 6.89% increase for the HMO product. Should the threshold*

*product rate increase for the PPO be 9.11% and not 6.7%? Please review the URRT, company rate information contained in the Rate/Rule Schedule tab and any other items that may be impacted and revise as necessary.*

The revised URRT in the Supporting Documentation tab [REDACTED]

3. *The company rate information contained in the Rate/Rule Schedule Tab indicates that an overall rate change of 11.4%, with a maximum of 14.5% and a minimum of -6.5% with an overall % impact of 6.7%. Please explain these adjustments and show how they were developed.*

- [REDACTED]
4. *The filing indicates the weighted average increase across plans based on current ACA-compliant membership is 6.7% (or the revised average per question #2 above). Please show how this average breaks down by the following and discuss the basis for the proposed changes:*
- *Impact of medical claim trend;*
  - *Revisions to assumptions about population morbidity and the projected population distribution;*
  - *Changes to the reinsurance program;*
  - *Changes in cost sharing to ensure that plans comply with Actuarial Value requirements;*
  - *Changes in pricing models used to determine the impact of cost sharing design;*
  - *Changes in benefits and plan design;*
  - *Changes in fees, taxes and administrative expenses.*
- [REDACTED]

5. *Please provide the Federal Rate Template in the Rate/Rule Schedule tab.*

We have uploaded the Federal Rate Template into the Rate/Rule Schedule tab.

6. *The actuarial memorandum does not meet the standard as prescribed by CMS in the 2016 Unified Rate Review Instructions (Rate Filing Justification: Parts I (v2.0.4, II, and III) version 2/21/15. Please provide an actuarial memorandum that reflects company specific data and assumptions, not simply a generic template.*




7. *The actuarial memorandum indicates that member cost sharing is included in calculating allowed claims, but does not speak to the cost sharing payments by HHS from the federal government. Please discuss why.*

Cost sharing payments by HHS from the federal government apply to the Individual market and are not available in the small group market.

8. *Please provide further discussion of the rates in the Base Rate Schedule and show their development. Also, show the rate change for each plan identified in the Base Rate Schedule.*



9. *Please provide an Excel exhibit that shows the development of the Index Rate for the 2016 Projection Period, starting from the 2014 experience data. Also, provide narrative that explains the development and all adjustments.*

This information is provided on  this response.

10. *Please provide an Excel exhibit that shows the development of the Plan adjusted Index Rate for each plan design offered in 2016, starting from the Index Rate.*

- [REDACTED]
11. Please identify the specific taxes and fees and the corresponding percent of premium or the pmpm amounts. Additionally, show the components of the administrative expense load of 9.9% and their corresponding costs.

- [REDACTED]
12. Please provide Excel exhibits that show the development of all calibration adjustments.

We have attached an excel spreadsheet showing the development of the calibration adjustments [REDACTED]

- [REDACTED]
13. What is the basis for the trend selection of approximately 7.4%? Please provide support and a narrative that explains the trend development.

- [REDACTED]
14. For the January 1, 2016, through October 1, 2016 will QCC allow current enrolled groups of size 51-100 transitional relief? That is, will you allow a particular enrolled group to continue under the large group rating process? What is your current (2015) definition of small group? Please be advised that the experience period data should only include groups that meet the 2-50 group size. However, in the projection period, expected claims experience should reflect group policies for employers with 100 or fewer employees that the issuer expects to be enrolled in single risk pool compliant plans during the projection period. This may be done through the projection factors, use of a manual rate, or combination of the two. Please acknowledge your company's understanding and compliance.
- [REDACTED]

- [REDACTED]
15. *The Department notes that the Dental field in the Department Rate Exhibit is not populated. Please review and ensure that every field is appropriately populated.*

Thank you for your explanation of this item. We have reviewed the exhibit and completed the Dental field for all plans.

16. *The actuarial memorandum indicates that Plan ID 33871PA0100017 has been terminated. 33871 is the issuer number for KHPE. Please review and revise. If QCC is terminating a plan please revise the actuarial memorandum to include. Does the terminating plan have membership? What will QCC do with these enrollees? If mapping the 2015 enrollees, in that plan, to 2016 products and plans, please provide a mapping illustration that shows the development of the rate impact to these consumers.*
- [REDACTED]
- [REDACTED]

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

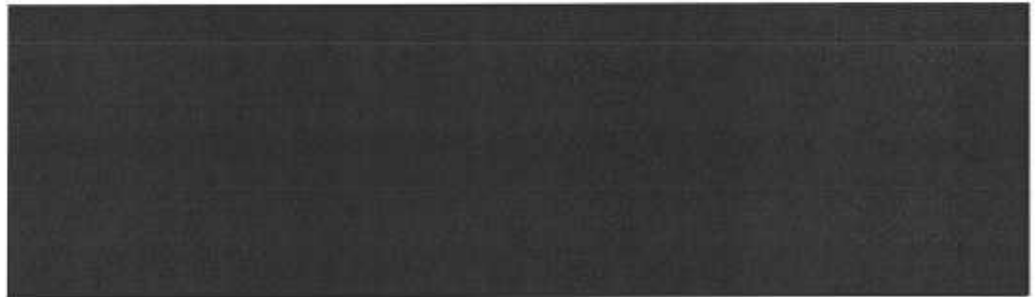
We acknowledge that the URRT in HIOS must be updated with changes made herein and will submit them concurrent with this response.

18. *Does your company offer transitional policies in Pennsylvania? If so, what markets (individual and/or small group). Please provide the SERFF # for the approved transitional rate filing(s) and the number of transitional members enrolled in each market as of April 1, 2015.*
- [REDACTED]

*19. Under what pricing assumptions regarding the King v. Burwell Supreme Court Case has your filing been made? Please provide an actuarial narrative and justification regarding the rate impact for the alternate decision.*

The pricing assumptions in this filing assumed that premium subsidies would continue.

*20. The Department notes that several of the screenshots of the AV Output for CSR plans reflect errors indicating that the desired metal level was unsuccessful. Please provide a discussion of the methodology used to achieve the desired metal level for these plans as well as the appropriate actuarial certification.*



With the department's decision to post objection and response letters, we request that the information in this letter and attachments be considered the unredacted version. We will submit redacted versions once guidelines have been released.

Please contact [REDACTED] with any questions regarding this filing.

Sincerely,

[REDACTED]

[REDACTED]

Director and Actuary, Commercial Pricing

## PA Small Group

Confidential Actuarial Memorandum - Addendum

Exhibit B

2016 PA Small Group Pricing

Single Risk Pool

Experience Period: 01/01/2014 thru 12/31/2014 paid thru 01/01/2015 with IBNR

Projection Period: 01/01/2016 thru 12/31/2016 incurred

Calculation of the Market Adjusted Index rate, beginning from the Index Rate

|                                   |  |
|-----------------------------------|--|
| Index Rate 1Q2016                 |  |
| Non-EHB                           |  |
| Non-EHB                           |  |
| Total EHB and Non-EHB             |  |
| Projected Allowed PMPM Total      |  |
| EHB                               |  |
| Non-EHB                           |  |
| Projected Allowed PMPM (EHB)      |  |
| Reinsurance Assessment            |  |
| Risk Adj Prog User Fee            |  |
| Exchange User Fees                |  |
| Market Adjusted Index Rate 1Q2016 |  |



# PA Small Group

Confidential Actuarial Memorandum - Addendum  
Exhibit C

## 2016 PA Small Group Pricing Single Risk Pool

Calculation of the Plan Adjusted Index rate, beginning from the Market Adjusted Index Rate

Market Adjusted Index Rate (Exhibit B) 1Q2016

| Plan Name   | Plan ID        | Pricing<br>AV | 1Q2016<br>Plan Adjusted<br>Index Rate |
|---|----------------|---------------|---------------------------------------|
| Personal Choice PPO Platinum Preferred \$10/\$20/\$150    | 31609PA0150001 |               |                                       |
| Personal Choice PPO Platinum Preferred \$20/\$40/\$150    | 31609PA0150002 |               |                                       |
| Personal Choice PPO Gold Preferred \$35/\$70/\$600        | 31609PA0150003 |               |                                       |
| Personal Choice PPO Gold Classic \$1,000 \$15/\$30/80%    | 31609PA0150004 |               |                                       |
| Personal Choice PPO Silver Classic \$2,500 \$30/\$60/80%  | 31609PA0150005 |               |                                       |
| Personal Choice PPO Platinum HSA-50 \$1,500/100%          | 31609PA0150006 |               |                                       |
| Personal Choice PPO Gold HSA-25 \$2,200/100%              | 31609PA0150007 |               |                                       |
| Personal Choice PPO Gold HSA-0 \$1,700/100%               | 31609PA0150008 |               |                                       |
| Personal Choice PPO Gold HSA-50 \$2,200/70%               | 31609PA0150009 |               |                                       |
| Personal Choice PPO Silver HSA-25 \$2,400/50%             | 31609PA0150010 |               |                                       |
| Personal Choice PPO Silver HSA-0 \$2,400/90%              | 31609PA0150011 |               |                                       |
| Personal Choice PPO Bronze HSA-0 \$4,000/50%              | 31609PA0150012 |               |                                       |
| Personal Choice PPO Bronze HSA-0 \$6,550/100%             | 31609PA0150013 |               |                                       |
| Personal Choice PPO Platinum HRA-50 \$1,500/100%          | 31609PA0150014 |               |                                       |
| Personal Choice PPO Gold HRA-25 \$2,200/100%              | 31609PA0150015 |               |                                       |
| Personal Choice PPO Gold HRA-50 \$2,200/70%               | 31609PA0150017 |               |                                       |
| Personal Choice PPO Silver HRA-25 \$2,400/50%             | 31609PA0150018 |               |                                       |
| Personal Choice PPO Platinum Preferred \$10/\$20/\$150    | 31609PA0150025 |               |                                       |
| Personal Choice PPO Platinum Preferred \$20/\$40/\$150    | 31609PA0150026 |               |                                       |
| Personal Choice PPO Gold Preferred \$35/\$70/\$600        | 31609PA0150027 |               |                                       |
| Personal Choice PPO Gold Classic \$1,000 \$15/\$30/80%    | 31609PA0150028 |               |                                       |
| Personal Choice PPO Silver Classic \$2,500 \$30/\$60/80%  | 31609PA0150029 |               |                                       |
| Personal Choice PPO Platinum HSA-50 \$1,500/100%          | 31609PA0150030 |               |                                       |
| Personal Choice PPO Gold HSA-25 \$2,200/100%              | 31609PA0150031 |               |                                       |
| Personal Choice PPO Gold HSA-0 \$1,700/100%               | 31609PA0150032 |               |                                       |
| Personal Choice PPO Gold HSA-50 \$2,200/70%               | 31609PA0150033 |               |                                       |
| Personal Choice PPO Silver HSA-25 \$2,400/50%             | 31609PA0150034 |               |                                       |
| Personal Choice PPO Silver HSA-0 \$2,400/90%              | 31609PA0150035 |               |                                       |
| Personal Choice PPO Bronze HSA-0 \$4,000/50%              | 31609PA0150036 |               |                                       |
| Personal Choice PPO Bronze HSA-0 \$6,550/100%             | 31609PA0150037 |               |                                       |
| Personal Choice PPO Platinum HRA-50 \$1,500/100%          | 31609PA0150038 |               |                                       |
| Personal Choice PPO Gold HRA-25 \$2,200/100%              | 31609PA0150039 |               |                                       |
| Personal Choice PPO Gold HRA-50 \$2,200/70%               | 31609PA0150041 |               |                                       |
| Personal Choice PPO Silver HRA-25 \$2,400/50%             | 31609PA0150042 |               |                                       |
| Personal Choice PPO Gold Classic \$2,000 \$40/\$80/100%   | 31609PA0150047 |               |                                       |
| Personal Choice PPO Silver Secure \$3,000 \$30/\$60/\$600 | 31609PA0150049 |               |                                       |
| Personal Choice PPO Silver Classic \$3,300 \$40/\$80/100% | 31609PA0150048 |               |                                       |
| Personal Choice PPO Silver HSA-0 \$2,700/100%             | 31609PA0150050 |               |                                       |
| Personal Choice PPO Gold Classic \$2,000 \$40/\$80/100%   | 31609PA0150022 |               |                                       |
| Personal Choice PPO Silver Secure \$3,000 \$30/\$60/\$600 | 31609PA0150024 |               |                                       |
| Personal Choice PPO Silver Classic \$3,300 \$40/\$80/100% | 31609PA0150023 |               |                                       |
| Personal Choice PPO Silver HSA-0 \$2,700/100%             | 31609PA0150046 |               |                                       |

PASML  
Confidential Actuarial Memorandum - Addendum  
Exhibit D  
2016 PASML Pricing

| Taxes & Fees             | PMPM | % of Premium |
|--------------------------|------|--------------|
| PCORT (\$2 per year)     |      |              |
| Exchange User Fees       |      |              |
| Health Insurer Fee (HIF) |      |              |
| Premium Tax              |      |              |
| Total                    |      |              |

| Administrative Expenses       | PMPM | % of Premium |
|-------------------------------|------|--------------|
| Broker Commission             |      |              |
| Administrative Fees PMPM      |      |              |
| <i>Claims Administration</i>  |      |              |
| <i>General Administration</i> |      |              |
| Total                         |      |              |

**QCC Insurance Company**  
**Confidential Actuarial Memorandum**  
**Small Group Market**

**BASE RATE SCHEDULE**

| Plan ID        | Company | Plan Name   | Exchange Availability | Base Rates |          |          |          |
|----------------|---------|---|-----------------------|------------|----------|----------|----------|
|                |         |   |                       | 1Q2016     | 2Q2016   | 3Q2016   | 4Q2016   |
| 31609PA0150001 | QCC     | Personal Choice PPO Platinum Preferred \$10/\$20/\$150  | On                    | \$462.00   | \$470.32 | \$478.79 | \$487.41 |
| 31609PA0150002 | QCC     | Personal Choice PPO Platinum Preferred \$20/\$40/\$150  | On                    | \$441.69   | \$449.65 | \$457.75 | \$465.99 |
| 31609PA0150003 | QCC     | Personal Choice PPO Gold Preferred \$35/\$70/\$600      | On                    | \$363.27   | \$369.81 | \$376.47 | \$383.25 |
| 31609PA0150004 | QCC     | Personal Choice PPO Gold Classi\$1,000 \$15/\$30/80%    | On                    | \$360.93   | \$367.43 | \$374.05 | \$380.78 |
| 31609PA0150005 | QCC     | Personal Choice PPO Silver Classi\$2,500 \$30/\$60/80%  | On                    | \$316.45   | \$322.15 | \$327.95 | \$333.86 |
| 31609PA0150006 | QCC     | Personal Choice PPO Platinum HSA-5\$1,500/100%          | On                    | \$397.51   | \$404.67 | \$411.96 | \$419.38 |
| 31609PA0150007 | QCC     | Personal Choice PPO Gold HSA-2\$2,200/100%              | On                    | \$349.63   | \$355.93 | \$362.34 | \$368.86 |
| 31609PA0150008 | QCC     | Personal Choice PPO Gold HSA-81,700/100%                | On                    | \$380.60   | \$387.45 | \$394.43 | \$401.53 |
| 31609PA0150009 | QCC     | Personal Choice PPO Gold HSA-582,200/70%                | On                    | \$290.11   | \$295.33 | \$300.65 | \$306.07 |
| 31609PA0150010 | QCC     | Personal Choice PPO Silver HSA-2\$2,400/50%             | On                    | \$260.78   | \$265.48 | \$270.26 | \$275.12 |
| 31609PA0150011 | QCC     | Personal Choice PPO Silver HSA-82,400/90%               | On                    | \$308.47   | \$314.02 | \$319.68 | \$325.43 |
| 31609PA0150012 | QCC     | Personal Choice PPO Bronze HSA-84,000/50%               | On                    | \$205.15   | \$208.85 | \$212.61 | \$216.43 |
| 31609PA0150013 | QCC     | Personal Choice PPO Bronze HSA-86,550/100%              | On                    | \$220.20   | \$224.16 | \$228.20 | \$232.31 |
| 31609PA0150014 | QCC     | Personal Choice PPO Platinum HRA-5\$1,500/100%          | On                    | \$397.51   | \$404.67 | \$411.96 | \$419.38 |
| 31609PA0150015 | QCC     | Personal Choice PPO Gold HRA-2\$2,200/100%              | On                    | \$349.63   | \$355.93 | \$362.34 | \$368.86 |
| 31609PA0150017 | QCC     | Personal Choice PPO Gold HRA-582,200/70%                | On                    | \$290.11   | \$295.33 | \$300.65 | \$306.07 |
| 31609PA0150018 | QCC     | Personal Choice PPO Silver HRA-2\$2,400/50%             | On                    | \$260.78   | \$265.48 | \$270.26 | \$275.12 |
| 31609PA0150022 | QCC     | Personal Choice PPO Gold Classi\$2,000 \$40/\$80/100%   | On                    | \$346.06   | \$352.29 | \$358.63 | \$365.09 |
| 31609PA0150023 | QCC     | Personal Choice PPO Silver Classi\$3,300 \$40/\$80/100% | On                    | \$322.22   | \$328.02 | \$333.93 | \$339.94 |
| 31609PA0150024 | QCC     | Personal Choice PPO Silver Secur\$3,000 \$30/\$60/\$600 | On                    | \$280.54   | \$285.59 | \$290.73 | \$295.97 |
| 31609PA0150025 | QCC     | Personal Choice PPO Platinum Preferred \$10/\$20/\$150  | Off                   | \$463.93   | \$472.29 | \$480.79 | \$489.45 |
| 31609PA0150026 | QCC     | Personal Choice PPO Platinum Preferred \$20/\$40/\$150  | Off                   | \$443.63   | \$451.62 | \$459.75 | \$468.03 |
| 31609PA0150027 | QCC     | Personal Choice PPO Gold Preferred \$35/\$70/\$600      | Off                   | \$365.21   | \$371.78 | \$378.48 | \$385.29 |
| 31609PA0150028 | QCC     | Personal Choice PPO Gold Classi\$1,000 \$15/\$30/80%    | Off                   | \$362.87   | \$369.40 | \$376.05 | \$382.83 |
| 31609PA0150029 | QCC     | Personal Choice PPO Silver Classi\$2,500 \$30/\$60/80%  | Off                   | \$318.39   | \$324.12 | \$329.96 | \$335.90 |
| 31609PA0150030 | QCC     | Personal Choice PPO Platinum HSA-5\$1,500/100%          | Off                   | \$398.42   | \$405.60 | \$412.90 | \$420.33 |
| 31609PA0150031 | QCC     | Personal Choice PPO Gold HSA-2\$2,200/100%              | Off                   | \$350.54   | \$356.85 | \$363.28 | \$369.82 |
| 31609PA0150032 | QCC     | Personal Choice PPO Gold HSA-81,700/100%                | Off                   | \$381.51   | \$388.38 | \$395.37 | \$402.49 |
| 31609PA0150033 | QCC     | Personal Choice PPO Gold HSA-582,200/70%                | Off                   | \$291.02   | \$296.26 | \$301.59 | \$307.02 |
| 31609PA0150034 | QCC     | Personal Choice PPO Silver HSA-2\$2,400/50%             | Off                   | \$261.69   | \$266.40 | \$271.20 | \$276.08 |
| 31609PA0150035 | QCC     | Personal Choice PPO Silver HSA-82,400/90%               | Off                   | \$309.38   | \$314.95 | \$320.62 | \$326.39 |
| 31609PA0150036 | QCC     | Personal Choice PPO Bronze HSA-84,000/50%               | Off                   | \$206.06   | \$209.77 | \$213.55 | \$217.39 |
| 31609PA0150037 | QCC     | Personal Choice PPO Bronze HSA-86,550/100%              | Off                   | \$221.11   | \$225.09 | \$229.14 | \$233.27 |
| 31609PA0150038 | QCC     | Personal Choice PPO Platinum HRA-5\$1,500/100%          | Off                   | \$398.42   | \$405.60 | \$412.90 | \$420.33 |
| 31609PA0150039 | QCC     | Personal Choice PPO Gold HRA-2\$2,200/100%              | Off                   | \$350.54   | \$356.85 | \$363.28 | \$369.82 |
| 31609PA0150041 | QCC     | Personal Choice PPO Gold HRA-582,200/70%                | Off                   | \$291.02   | \$296.26 | \$301.59 | \$307.02 |
| 31609PA0150042 | QCC     | Personal Choice PPO Silver HRA-2\$2,400/50%             | Off                   | \$261.69   | \$266.40 | \$271.20 | \$276.08 |
| 31609PA0150046 | QCC     | Personal Choice PPO Silver HSA-82,700/100%              | On                    | \$342.46   | \$348.63 | \$354.91 | \$361.30 |
| 31609PA0150047 | QCC     | Personal Choice PPO Gold Classi\$2,000 \$40/\$80/100%   | Off                   | \$347.99   | \$354.26 | \$360.64 | \$367.13 |
| 31609PA0150048 | QCC     | Personal Choice PPO Silver Classi\$3,300 \$40/\$80/100% | Off                   | \$324.16   | \$329.99 | \$335.93 | \$341.98 |
| 31609PA0150049 | QCC     | Personal Choice PPO Silver Secur\$3,000 \$30/\$60/\$600 | Off                   | \$282.47   | \$287.56 | \$292.74 | \$298.01 |
| 31609PA0150050 | QCC     | Personal Choice PPO Silver HSA-82,700/100%              | Off                   | \$343.37   | \$349.56 | \$355.85 | \$362.26 |

# Rate Comparison for Plan Mapping Rate for 21 Year Old Non-Tobacco User

|              | 1Q2015                    | 1Q2016                        | % Change |
|--------------|---------------------------|-------------------------------|----------|
| On-Exchange  |                           |                               |          |
| Off-Exchange |                           |                               |          |
|              | Keystone HMO Bronze Basic | Keystone HMO Bronze Essential |          |

# Unique Plan Design Supporting Documentation and Justification

**HIOS Issuer ID:** 31609

**HIOS Product IDs:** 31609PA015

**Applicable HIOS Plan IDs (Standard Component):** 31609PA0150004, 31609PA0150005

**Purpose of document:**

The purpose of this document is to provide CMS with a justification of the methods used in calculating the actuarial value for unique plan designs offered in the individual or small group market for the plan year beginning 1/1/2016. As prescribed by law, the AV calculation was based on the AV calculator to the full extent possible. The AV is meant to represent the average percent of costs paid by the insurer for a standard population, and may vary from actual member experience. The AV was determined based on the plan's benefits and coverage data, the standard population, and utilization and continuance tables published by HHS for purposes of the valuation of AV. This actuarial analysis is not appropriate for any other purposes.

**Reasons the plan design is unique (benefits that are not compatible with the parameters of the AV calculator and the materiality of those benefits):**

[REDACTED]

**Acceptable alternate method used per 156.135(b)(2) or 156.135(b)(3):**

[REDACTED]

**Confirmation that only in-network cost sharing, including multitier networks, was considered:**

I confirm that only in-network cost sharing was considered.

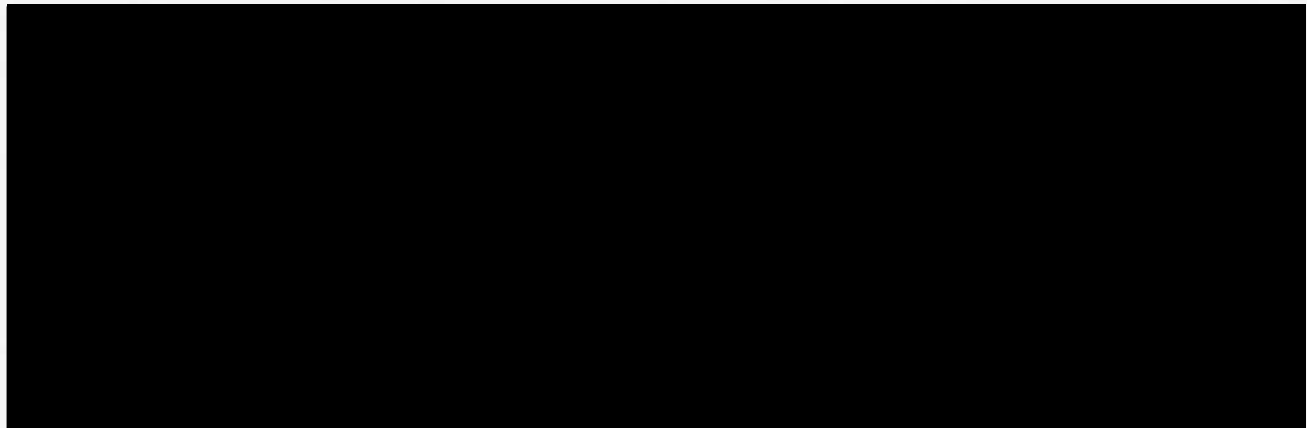
**Description of the standardized plan population data used:**

[REDACTED]

**If the method described in 156.135(b)(2) was used, a description of how the benefits were modified to fit the parameters of the AV calculator:**

Not Applicable.

**If the method described in 156.135(b)(3) was used, a description of the data and method used to develop the adjustments:**



|                   |    |                 |
|-------------------|----|-----------------|
| 31609PA0150004    | AV | Lab Utilization |
| Free Standing Lab |    |                 |
| Hospital Lab      |    |                 |
| Final Weighted AV |    |                 |

|                   |    |                 |
|-------------------|----|-----------------|
| 31609PA0150005    | AV | Lab Utilization |
| Free Standing Lab |    |                 |
| Hospital Lab      |    |                 |
| Final Weighted AV |    |                 |

**Certification Language:**

The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV.

The analysis was

- (i) conducted by a member of the American Academy of Actuaries; and
- (ii) performed in accordance with generally accepted actuarial principles and methodologies.

I am an employee of the issuer, I meet the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* promulgated by the American Academy of Actuaries, and I have the education and experience necessary to perform this work.

Actuary signature: \_\_\_\_\_

Actuary Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

5/4/2015

**REDACTED**



**REDACTED**

**REDACTED**

**REDACTED**

# Unique Plan Design Supporting Documentation and Justification

**HIOS Issuer ID:** 31609

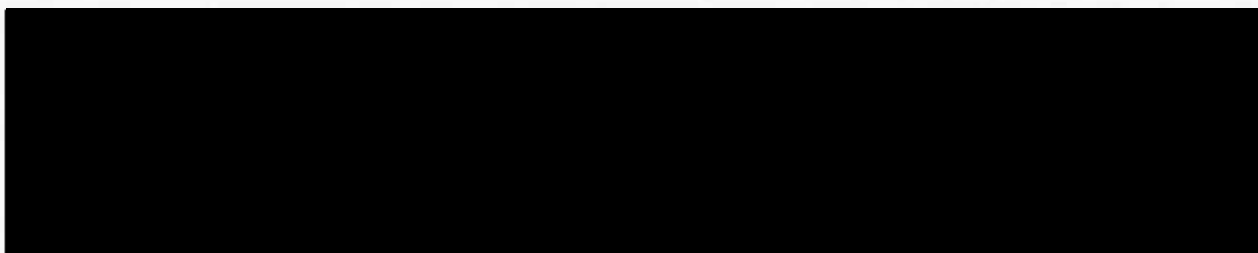
**HIOS Product IDs:** 31609PA015

**Applicable HIOS Plan IDs (Standard Component):** 31609PA0150022, 31609PA0150023, 31609PA0150024

**Purpose of document:**

The purpose of this document is to provide CMS with a justification of the methods used in calculating the actuarial value for unique plan designs offered in the individual or small group market for the plan year beginning 1/1/2016. As prescribed by law, the AV calculation was based on the AV calculator to the full extent possible. The AV is meant to represent the average percent of costs paid by the insurer for a standard population, and may vary from actual member experience. The AV was determined based on the plan's benefits and coverage data, the standard population, and utilization and continuance tables published by HHS for purposes of the valuation of AV. This actuarial analysis is not appropriate for any other purposes.

**Reasons the plan design is unique (benefits that are not compatible with the parameters of the AV calculator and the materiality of those benefits):**



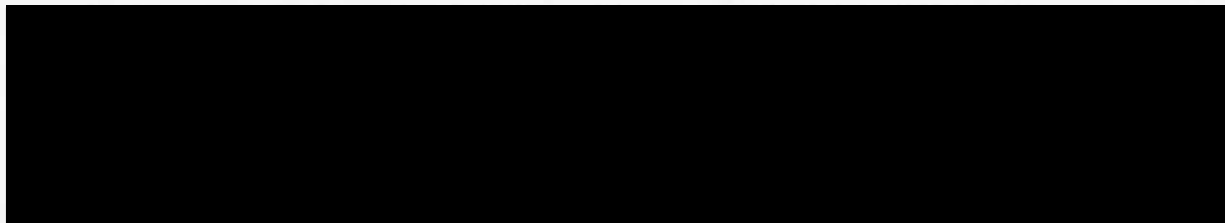
**Acceptable alternate method used per 156.135(b)(2) or 156.135(b)(3):**



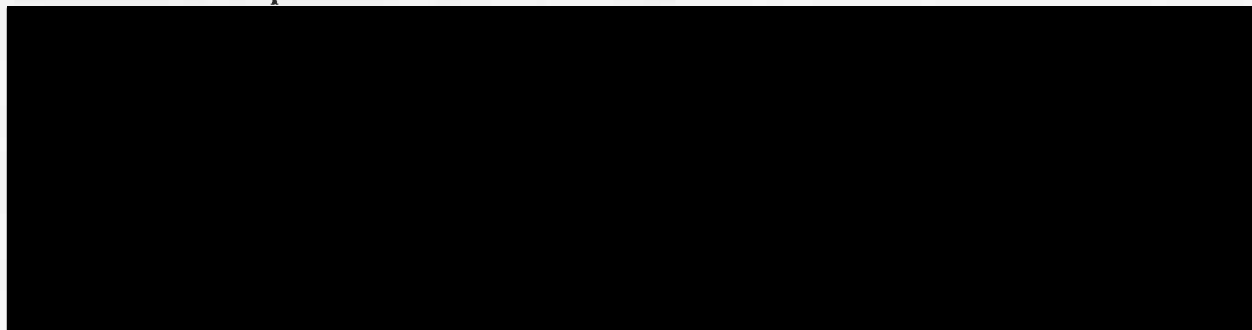
**Confirmation that only in-network cost sharing, including multitier networks, was considered:**

I confirm that only in-network cost sharing was considered.

**Description of the standardized plan population data used:**



**If the method described in 156.135(b)(2) was used, a description of how the benefits were modified to fit the parameters of the AV calculator:**



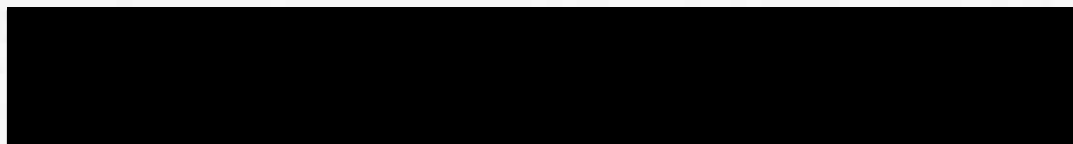
**Plan: 31609PA0150022**

|                      | Allowed<br>PMPY <sup>1</sup> | Utilization<br>PMPY <sup>2</sup> | Allowed Per<br>Service <sup>2</sup> | Copay | Cost Share<br>PMPY |
|----------------------|------------------------------|----------------------------------|-------------------------------------|-------|--------------------|
| Other Diagnostic     |                              |                                  |                                     |       |                    |
| Anesthesia           |                              |                                  |                                     |       |                    |
| Surgery <sup>3</sup> |                              |                                  |                                     |       |                    |
| Renal                |                              |                                  |                                     |       |                    |
| <b>Total</b>         |                              |                                  |                                     |       |                    |

1 -

2 -

3 -



|                 | PMPY from AVC<br>(Gold) | Cost Share<br>PMPY | Member<br>Coinsurance | Insurer<br>Coinsurance |
|-----------------|-------------------------|--------------------|-----------------------|------------------------|
| OP Facility     |                         |                    |                       |                        |
| OP Professional |                         |                    |                       |                        |
| <b>Total</b>    |                         |                    |                       |                        |

Plan: 31609PA0150023

|                      | Allowed<br>PMPY <sup>1</sup> | Utilization<br>PMPY <sup>2</sup> | Allowed Per<br>Service <sup>2</sup> | Copay | Cost Share<br>PMPY |
|----------------------|------------------------------|----------------------------------|-------------------------------------|-------|--------------------|
| Other Diagnostic     |                              |                                  |                                     |       |                    |
| Anesthesia           |                              |                                  |                                     |       |                    |
| Surgery <sup>3</sup> |                              |                                  |                                     |       |                    |
| Renal                |                              |                                  |                                     |       |                    |
| <b>Total</b>         |                              |                                  |                                     |       |                    |

1 -  
2 -  
3 -

|                 | PMPY from AVC<br>(Silver) | Cost Share<br>PMPY | Member<br>Coinsurance | Insurer<br>Coinsurance |
|-----------------|---------------------------|--------------------|-----------------------|------------------------|
| OP Facility     |                           |                    |                       |                        |
| OP Professional |                           |                    |                       |                        |
| Total           |                           |                    |                       |                        |

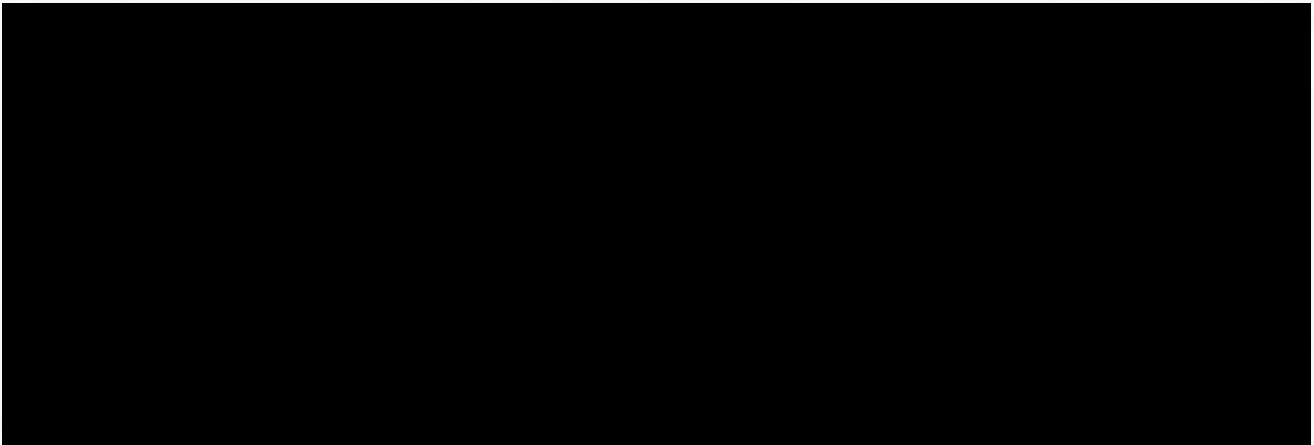
Plan: 31609PA0150024

|                      | Allowed<br>PMPY <sup>1</sup> | Utilization<br>PMPY <sup>2</sup> | Allowed Per<br>Service <sup>2</sup> | Copay | Cost Share<br>PMPY |
|----------------------|------------------------------|----------------------------------|-------------------------------------|-------|--------------------|
| Other Diagnostic     |                              |                                  |                                     |       |                    |
| Anesthesia           |                              |                                  |                                     |       |                    |
| Surgery <sup>3</sup> |                              |                                  |                                     |       |                    |
| Renal                |                              |                                  |                                     |       |                    |
| <b>Total</b>         |                              |                                  |                                     |       |                    |

1 -  
2 -  
3 -

|                 | PMPY from AVC<br>(Silver) | Cost Share<br>PMPY | Member<br>Coinsurance | Insurer<br>Coinsurance |
|-----------------|---------------------------|--------------------|-----------------------|------------------------|
| OP Facility     |                           |                    |                       |                        |
| OP Professional |                           |                    |                       |                        |
| Total           |                           |                    |                       |                        |

If the method described in 156.135(b)(3) was used, a description of the data and method used to develop the adjustments:



|                   |    |                 |
|-------------------|----|-----------------|
| 31609PA0150022    | AV | Lab Utilization |
| Free Standing Lab |    |                 |
| Hospital Lab      |    |                 |
| Final Weighted AV |    |                 |

|                   |    |                 |
|-------------------|----|-----------------|
| 31609PA0150023    | AV | Lab Utilization |
| Free Standing Lab |    |                 |
| Hospital Lab      |    |                 |
| Final Weighted AV |    |                 |

|                   |    |                 |
|-------------------|----|-----------------|
| 31609PA0150024    | AV | Lab Utilization |
| Free Standing Lab |    |                 |
| Hospital Lab      |    |                 |
| Final Weighted AV |    |                 |

**Certification Language:**

The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for those benefits that deviate substantially from the parameters of the AV Calculator and have a material impact on the AV.

The analysis was

- (i) conducted by a member of the American Academy of Actuaries; and
- (ii) performed in accordance with generally accepted actuarial principles and methodologies.

I am an employee of the issuer, I meet the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* promulgated by the American Academy of Actuaries, and I have the education and experience necessary to perform this work.

**Actuary signature:** \_\_\_\_\_

**Actuary Printed Name:** \_\_\_\_\_

**Date:** 5/4/2015



**REDACTED**

**REDACTED**

**REDACTED**

**REDACTED**

**REDACTED**

**REDACTED**