

<b>SERFF Tracking #:</b>	INAC-129955625	<b>State Tracking #:</b>	INAC-129955625	<b>Company Tracking #:</b>	KHPE HMO SG 1Q16
<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	Keystone Health Plan East, Inc.		
<b>TOI/Sub-TOI:</b>	HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO				
<b>Product Name:</b>	KHPE Small Group HMO eff 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>	khpe small group cover letter.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Redacted Actuarial Memorandum
<b>Comments:</b>	See attached.
<b>Attachment(s):</b>	33871_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: Keystone Health Plan East  
Small Group HMO Rate Filing effective 1/1/2016  
INAC-129955625**

Dear Mr. Camacci:

Attached is the rating methodology for HMO plans of Keystone Health Plan East (KHPE), and Direct Point-of-Service (DPOS) plans, of which a large majority of benefit expenses is attributed to KHPE and the remainder to QCC Insurance Company (QCC), and offered to small employer groups in the Commonwealth of Pennsylvania. New and renewing plans are being filed 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 enclosed rating methodology is for rating periods effective from January 1, 2016 through December 31, 2016.

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

- INLG-130057619
- INBC-130052301



- INGL-PA16-125045292
- INBC-PA16-125044690

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,

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 Keystone Health Plan East 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:** Keystone Health Plan East ("KHPE")

**State:** Pennsylvania

**HIOS Issuer ID (5-digit):** 33871

**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 33871.

#### **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]

[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 plans are being terminated as policy years end throughout calendar year 2015:

STATE	SEGMENT	COMPANY	COMPANY LEGAL NAME	ISSUER ID	PLAN	PLAN ID	HIOS PLAN NAME
PA	Small Group	KHPE	Keystone Health Plan East	33871	HMO	33871PA002	33871PA0100017-Keystone HMO-Bronze Basic

### **WARNING ALERTS**

There are no warning alerts in URRT part 1.

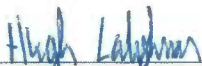
## ACTUARIAL CERTIFICATION

I, Hugh Lakshman, am Director & Actuary of Commercial Markets for the 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.



---

Hugh Lakshman, FSA, MAAA  
May 15, 2015

<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	Keystone Health Plan East, Inc.
<b>TOI/Sub-TOI:</b>	HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO		
<b>Product Name:</b>	KHPE Small Group HMO eff 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	06/22/2015	06/22/2015

#### Response Letters

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

**State:** Pennsylvania  
**TOI/Sub-TOI:** HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only  
- HMO  
**Product Name:** KHPE Small Group HMO eff 1-1-2016  
**Project Name/Number:** /

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

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	06/22/2015
Submitted Date	06/22/2015
Respond By Date	07/06/2015

Dear Hugh Lakshman,

### Introduction:

June 22, 2015

Hugh Lakshman  
Director and Actuary - Commercial Markets  
Keystone Health Plan East, Inc.  
1901 Market Street  
Philadelphia, PA 19103

RE: Keystone Health Plan East, Inc. – Small Group - HMO

Received: May 11, 2015 SERFF ID# INAC-129955625

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.

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.

2. Does Keystone East offer a Point-of-Services product? If so, please identify the Plan ID# in the Base Rate Schedule and the SERFF Tracking Number for the corresponding form filing. How is the in/out of network risk structured for the POS product?

3. 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 6.49% for a PPO Product and a 6.88% increase for the HMO product. Since HMOs are only allowed to do HMO/POS business, should the threshold product rate increase for the HMO be 6.88% 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.

4. The company rate information contained in the Rate/Rule Schedule Tab indicates that an overall rate change of 11.4% is proposed, 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.

5. 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.

**State:** Pennsylvania  
**TOI/Sub-TOI:** HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only  
- HMO  
**Product Name:** KHPE Small Group HMO eff 1-1-2016  
**Project Name/Number:** /

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

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

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

14. What is the basis for the trend selection of approximately 7%? Please provide support and a narrative that explains the trend development.

15. For the January 1, 2016, through October 1, 2016 will Keystone East 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.

16. 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.

17. The actuarial memorandum indicates that Plan ID 33871PA002 has been terminated. Does this plan have membership? What will KHPE do with these enrollees? If KHPE is mapping the 2015 enrollees to 2016 products and plans, please provide a mapping illustration that shows the development of the rate impact to these consumers.

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

19. 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.

20. 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.

21. 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.

Sincerely,

Cherri Sanders-Jones  
Actuarial Review Division

**State:** Pennsylvania**Filing Company:** Keystone Health Plan East, Inc.**TOI/Sub-TOI:** HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only  
- HMO**Product Name:** KHPE Small Group HMO eff 1-1-2016**Project Name/Number:** /

Bureau of Accident &amp; Health Insurance

**Conclusion:**

Sincerely,

Cherri Sanders-Jones



<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	Keystone Health Plan East, Inc.
<b>TOI/Sub-TOI:</b>	HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO		
<b>Product Name:</b>	KHPE Small Group HMO eff 1-1-2016		
<b>Project Name/Number:</b>	/		

## Supporting Document Schedules

<b>Satisfied - Item:</b>	REDACTED Response to June 22 2015 Objections
<b>Comments:</b>	Attached are redacted versions of the June 22 2015 objection responses.
<b>Attachment(s):</b>	R-khpe sg 2016 response to obj letter dated 6-22-15.pdf R-Breakdown of 2016 Small Group Increase.pdf R-DPOS Out of Network.pdf R-Comparison To URRT Instructions.pdf R-Calibration.pdf R-Trend Basis.pdf R-Exhibit A - 2016 Projected Index Rate Calculation.pdf R-Exhibit B - 2016 Market Index Rate Calculation.pdf R-Exhibit C - 2016 Plan Adjusted Index Rate Calculation.pdf R-Mapping Impact.pdf R-Rates for Act Memo KHPE SG 2016 v1-2.pdf R-33871PA010_Unique_Plan_Design_relevant_plans With AV REDACTED.pdf R-Exhibit D - 2016 Taxes, Fees, & Admin.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	



July 2, 2015

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

**SUBMITTED VIA SERFF**

**RE: Keystone Health Plan East  
Small Group HMO Rate Filing effective 1/1/2016  
INAC-129955625**

**VIA SERFF**

Dear Mr. Camacci:

The following is our response to the Objection letter received (via SERFF) June 22, 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 22, 2015".

- 1. It is my understanding that Section 1 of worksheet 1 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.*

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

- 2. Does Keystone East offer a Point-of-Services product? If so, please identify the Plan ID# in the Base Rate Schedule and the SERFF Tracking Number for the corresponding form filing. How is the in/out of network risk structured for the POS product?*



3. *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 6.49% for a PPO Product and a 6.88% increase for the HMO product. Since HMOs are only allowed to do HMO/POS business, should the threshold product rate increase for the HMO be 6.88% 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 reflects



4. *The company rate information contained in the Rate/Rule Schedule Tab indicates that an overall rate change of 11.4% is proposed, 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.*



5. *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.*



6. *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.

7. *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.*



8. *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.

9. *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.*



10. *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.*

[REDACTED]

11. 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.

This information is provided in

[REDACTED]

12. 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]

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

We have attached an excel spreadsheet

[REDACTED]

14. What is the basis for the trend selection of approximately 7%? Please provide support and a narrative that explains the trend development.

[REDACTED]

15. For the January 1, 2016, through October 1, 2016 will Keystone East 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.*



16. *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.

17. *The actuarial memorandum indicates that Plan ID 33871PA002 has been terminated. Does this plan have membership? What will KHPE do with these enrollees? If KHPE is mapping the 2015 enrollees to 2016 products and plans, please provide a mapping illustration that shows the development of the rate impact to these consumers.*



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

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

19. *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]

20. *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.

21. *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.*

[REDACTED]

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

**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>	



# Keystone Health Plan East

## Confidential Actuarial Memorandum

### Small Group Market

#### DPOS PLANS Out of Network Coverage

<u>Plan ID</u>	<u>Plan Name</u>	<u>Deductible</u>	<u>Out-of-Pocket Maximum</u>	<u>Coinsurance</u>
33871PA0100010	Keystone DPOS Platinum Preferred \$10/\$20/\$100	\$2,000	\$5,000	50%
33871PA0100011	Keystone DPOS Platinum Preferred \$20/\$40/\$150	\$2,000	\$5,000	50%
33871PA0100012	Keystone DPOS Gold Preferred\$30/\$60/\$600	\$5,000	\$15,000	50%
33871PA0100013	Keystone DPOS Gold Classic\$1,000 \$25/\$50/90%	\$7,500	\$25,000	50%
33871PA0100014	Keystone DPOS Silver Classic\$2,000 \$25/\$50/70%	\$7,500	\$25,000	50%
33871PA0100015	Keystone DPOS Silver Classic\$2,500 \$30/\$60/50%	\$7,500	\$25,000	50%
33871PA0100016	Keystone DPOS Bronze Essential\$6,000 \$50/\$100/\$700	\$10,000	\$40,000	50%
33871PA0100018	Keystone DPOS Gold Classic\$2,000 \$40/\$80/100%	\$7,500	\$25,000	50%
33871PA0100019	Keystone DPOS Silver Classic\$4,250 \$40/\$80/100%	\$7,500	\$25,000	50%
33871PA0100027	Keystone DPOS Platinum Preferred \$10/\$20/\$100	\$2,000	\$5,000	50%
33871PA0100028	Keystone DPOS Platinum Preferred \$20/\$40/\$150	\$2,000	\$5,000	50%
33871PA0100029	Keystone DPOS Gold Preferred\$30/\$60/\$600	\$5,000	\$15,000	50%
33871PA0100030	Keystone DPOS Gold Classic\$1,000 \$25/\$50/90%	\$7,500	\$25,000	50%
33871PA0100031	Keystone DPOS Silver Classic\$2,000 \$25/\$50/70%	\$7,500	\$25,000	50%
33871PA0100032	Keystone DPOS Silver Classic\$2,500 \$30/\$60/50%	\$7,500	\$25,000	50%
33871PA0100033	Keystone DPOS Bronze Essential\$6,000 \$50/\$100/\$700	\$10,000	\$40,000	50%
33871PA0100034	Keystone DPOS Silver Secure\$3,500 \$40/\$80/\$600	\$7,500	\$25,000	50%
33871PA0100041	Keystone DPOS Gold Classic\$2,000 \$40/\$80/100%	\$7,500	\$25,000	50%
33871PA0100042	Keystone DPOS Silver Classic\$4,250 \$40/\$80/100%	\$7,500	\$25,000	50%
33871PA0100043	Keystone DPOS Silver Secure\$3,500 \$40/\$80/\$600	\$7,500	\$25,000	50%

## LOCATION:

Page Paragraph Heading

4.2 General Information			Company Identifying Information
Company Legal Name			Company Identifying Information
State			Company Identifying Information
HIOS Issuer ID			Company Identifying Information
Market			Company Identifying Information
Effective Date			Company Contact Information
Company Contact Information			Company Contact Information
4.3 Proposed Rate Increase			Proposed Rate Increase
Reason for Rate Increase (List factors)			
4.4 Market Experience			
4.4.1 Experience Period Premium and Claims			
Paid through date			Paid Through Date
Premiums net of rebate in Experience Period			Premiums (Net of MLR Rebate) in Experience Period
Amount of (expected) rebates			Premiums (Net of MLR Rebate) in Experience Period
Allowed and Incurred Claims During the Experience Period (separately)			
Amount processed through issuer's claim system			Paid-to-Date and Incurred Claims
Amount processed outside issuer's claim system			Paid-to-Date and Incurred Claims
IBNR			IBNR Development
Method for determining Allowed Claims			Allowed Claims
Support for IBNR			IBNR Development
Benefit Categories			Benefit Categories
4.4.2 Describe methodology to determine into which category claims fall			Projection Factors
4.4.3 Description of each factor used and supporting information			Changes in Population Risk Morbidity
Changes in Morbidity			Changes in Other Factors
Describe adjustment factors used			Changes in Other Factors
Describe adjustment factors used during the projection period			Changes in Other Factors
Describe adjustment factors used between average mix in experience and projection period			Changes in Other Factors
Other Adjustments			Annualized Cost Trend
Describe adjustment factors used			Credibility Manual Trend Development
Trend factors			Credibility Manual Trend Development
Describe adjustment factors used and claim sources used			Paid to Allowed Ratio
4.4.4 Credibility Manual Development			Projected Risk Adjustment PMPM
4.4.5 Credibility of Experience			Projected Risk Adjustment PMPM
4.4.6 Paid to Allowed Ratio			Projected Risk Adjustment PMPM
4.4.7 Risk Adjustment and Reinsurance			Projected ACA Reinsurance Recoveries
Explain methodology used to estimate the amounts during experience period			Projected ACA Reinsurance Recoveries
Explain development of risk adjustment revenue for the risk pool			Projected ACA Reinsurance Recoveries
Explain how risk adjustment revenue was applied the Index Rate			Projected ACA Reinsurance Recoveries
Report Reinsurance payments net of contributions			Projected ACA Reinsurance Recoveries
Explain underlying experience data and assumptions			Projected ACA Reinsurance Recoveries
Explain how liability for claims liability between attachment point and cap			Projected ACA Reinsurance Recoveries
State assumed amount of assessment as PMPM			Administrative Expense Load
4.4.8 Non-Benefit Expenses and Profit & Risk			
Provide support for Administrative Expense Load			

4.5	Projected Loss Ratio	Describe methodology for estimating projection period amounts Describe target underwriting gain/loss margin and change from last filing Describe each tax and fee and indicate the amount for each that may be deducted in MLR formula Do not include contributions to federal reinsurance or risk adjustment Taxes and fees are considered Administrative Expenses per 45 CFR 156.80(d)	Administrative Expense Load
4.6	Application of Market Reform Rating Rules		Administrative Expense Load
4.6.1	Single Risk Pool		
4.6.2	Provide support that it meets requirements Index Rate	Support for the development in both the experience and projection periods Explain difference between total allowed claims PMPM and the Index Rate Individual Market - should match 12 month projection in Worksheet 1 SG - should reflect weighted average of projected index rates for all four quarters SG Quarterly trend factors should be filed Market Adjusted Index Rate	Projected Loss Ratio Index Rate Index Rate Index Rate
4.6.3	Explain how the allowed variables are applied (market-wide)	Federal reinsurance Risk adjustment Marketplace user fee adjustment Should not be calibrated Plan Adjusted Index Rates Explain how allowed modifiers were applied AV and cost-sharing Provider network, delivery system, and utilization management adjustment Benefits in addition to EHBs Specific eligibility for catastrophic plans Distribution and admin costs Tobacco surcharge	Market Adjusted Index Rate Market Adjusted Index Rate Market Adjusted Index Rate
4.6.4			
4.6.5	Calibration Age Curve	Provide average age rounded to a whole number associated with the projected single risk pool Explain factors used to determine the average age Actuarial justification and description of the calculation Demonstration of how the Plan Adjusted Index Rate and age curve are used to produce rate schedule Geographic Factor List all geographic factors Provide the geographic calibration if one is necessary	Plan Adjusted Index Rate Plan Adjusted Index Rate Plan Adjusted Index Rate Plan Adjusted Index Rate Plan Adjusted Index Rate
4.6.6	Consumer Adjusted Premium Rate Development	Describe how allowable consumer level adjustments are applied to Plan Adjusted Index Rate SG - Consumer Adjusted should reflect appropriate quarter, trend	Calibration Calibration Calibration Calibration Calibration
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 Membership Projections Describe how membership projections from Worksheet 2 were developed Explain differences relative to current membership For Silver Consumer, describe distribution by CSR level	AV Pricing Values Membership Projections
4.7.3			

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

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



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		



## 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		Pricing AV	1Q2016 Plan Adjusted Index Rate
Plan Name	Plan ID		
Keystone HMO Platinum Preferred \$10/\$20/\$100	33871PA0100001		
Keystone HMO Platinum Preferred \$20/\$40/\$150	33871PA0100002		
Keystone HMO Gold Preferred \$30/\$60/\$600	33871PA0100003		
Keystone HMO Gold Classic \$1,000 \$25/\$50/90%	33871PA0100004		
Keystone HMO Silver Classic \$2,000 \$25/\$50/70%	33871PA0100005		
Keystone HMO Silver Classic \$2,500 \$30/\$60/50%	33871PA0100006		
Keystone HMO Bronze Essential \$6,000 \$50/\$100/\$700	33871PA0100007		
Keystone HMO Gold Proactive	33871PA0100008		
Keystone HMO Silver Proactive	33871PA0100009		
Keystone DPOS Platinum Preferred \$10/\$20/\$100	33871PA0100010		
Keystone DPOS Platinum Preferred \$20/\$40/\$150	33871PA0100011		
Keystone DPOS Gold Preferred \$30/\$60/\$600	33871PA0100012		
Keystone DPOS Gold Classic \$1,000 \$25/\$50/90%	33871PA0100013		
Keystone DPOS Silver Classic \$2,000 \$25/\$50/70%	33871PA0100014		
Keystone DPOS Silver Classic \$2,500 \$30/\$60/50%	33871PA0100015		
Keystone DPOS Bronze Essential \$6,000 \$50/\$100/\$700	33871PA0100016		
Keystone DPOS Gold Classic \$2,000 \$40/\$80/100%	33871PA0100018		
Keystone DPOS Silver Classic \$4,250 \$40/\$80/100%	33871PA0100019		
Keystone HMO Platinum Preferred \$10/\$20/\$100	33871PA0100020		
Keystone HMO Platinum Preferred \$20/\$40/\$150	33871PA0100021		
Keystone HMO Gold Preferred \$30/\$60/\$600	33871PA0100022		
Keystone HMO Gold Classic \$1,000 \$25/\$50/90%	33871PA0100023		
Keystone HMO Silver Classic \$2,000 \$25/\$50/70%	33871PA0100024		
Keystone HMO Silver Classic \$2,500 \$30/\$60/50%	33871PA0100025		
Keystone HMO Bronze Essential \$6,000 \$50/\$100/\$700	33871PA0100026		
Keystone DPOS Platinum Preferred \$10/\$20/\$100	33871PA0100027		
Keystone DPOS Platinum Preferred \$20/\$40/\$150	33871PA0100028		
Keystone DPOS Gold Preferred \$30/\$60/\$600	33871PA0100029		
Keystone DPOS Gold Classic \$1,000 \$25/\$50/90%	33871PA0100030		
Keystone DPOS Silver Classic \$2,000 \$25/\$50/70%	33871PA0100031		
Keystone DPOS Silver Classic \$2,500 \$30/\$60/50%	33871PA0100032		
Keystone DPOS Bronze Essential \$6,000 \$50/\$100/\$700	33871PA0100033		
Keystone DPOS Silver Secure \$3,500 \$40/\$80/\$600	33871PA0100034		
Keystone HMO Gold Classic \$1,000 \$25/\$50/90%	33871PA0100035		
Keystone HMO Silver Classic \$4,250 \$40/\$80/100%	33871PA0100036		
Keystone HMO Silver Secure \$3,500 \$40/\$80/\$600	33871PA0100037		
Keystone DPOS Gold Classic \$2,000 \$40/\$80/100%	33871PA0100041		
Keystone DPOS Silver Classic \$4,250 \$40/\$80/100%	33871PA0100042		
Keystone DPOS Silver Secure \$3,500 \$40/\$80/\$600	33871PA0100043		
Keystone HMO Gold Proactive	33871PA0100044		
Keystone HMO Silver Proactive	33871PA0100045		
Keystone HMO Gold Classic \$2,000 \$40/\$80/100%	33871PA0100047		
Keystone HMO Silver Classic \$4,250 \$40/\$80/100%	33871PA0100048		
Keystone HMO Silver Secure \$3,500 \$40/\$80/\$600	33871PA0100049		

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

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

# Keystone Health Plan East

## Confidential Actuarial Memorandum

### Small Group Market

## BASE RATE SCHEDULE

Plan ID	Company	Plan Name	Exchange Availability	Base Rates			
				1Q2016	2Q2016	3Q2016	4Q2016
33871PA0100001	KHPE	Keystone HMO Platinum Preferred \$10/\$20/\$100	On	\$417.32	\$424.84	\$432.49	\$440.28
33871PA0100002	KHPE	Keystone HMO Platinum Preferred \$20/\$40/\$150	On	\$398.92	\$406.10	\$413.41	\$420.86
33871PA0100003	KHPE	Keystone HMO Gold Preferred \$30/\$60/\$600	On	\$331.47	\$337.44	\$343.52	\$349.70
33871PA0100004	KHPE	Keystone HMO Gold Class \$1,000 \$25/\$50/90%	On	\$338.99	\$345.10	\$351.31	\$357.64
33871PA0100005	KHPE	Keystone HMO Silver Class \$2,000 \$25/\$50/70%	On	\$298.10	\$303.47	\$308.94	\$314.50
33871PA0100006	KHPE	Keystone HMO Silver Class \$2,500 \$30/\$60/50%	On	\$275.72	\$280.69	\$285.74	\$290.89
33871PA0100007	KHPE	Keystone HMO Bronze Essential \$6,000 \$50/\$100/\$700	On	\$204.48	\$208.17	\$211.91	\$215.73
33871PA0100008	KHPE	Keystone HMO Gold Proactive	On	\$290.45	\$295.68	\$301.01	\$306.43
33871PA0100009	KHPE	Keystone HMO Silver Proactive	On	\$233.48	\$237.68	\$241.96	\$246.32
33871PA0100010	KHPE	Keystone DPOS Platinum Preferred \$10/\$20/\$100	On	\$436.62	\$444.48	\$452.48	\$460.63
33871PA0100011	KHPE	Keystone DPOS Platinum Preferred \$20/\$40/\$150	On	\$417.35	\$424.87	\$432.52	\$440.30
33871PA0100012	KHPE	Keystone DPOS Gold Preferred \$30/\$60/\$600	On	\$346.27	\$352.51	\$358.85	\$365.32
33871PA0100013	KHPE	Keystone DPOS Gold Class \$1,000 \$25/\$50/90%	On	\$353.34	\$359.70	\$366.18	\$372.77
33871PA0100014	KHPE	Keystone DPOS Silver Class \$2,000 \$25/\$50/70%	On	\$311.30	\$316.91	\$322.62	\$328.43
33871PA0100015	KHPE	Keystone DPOS Silver Class \$2,500 \$30/\$60/50%	On	\$287.95	\$293.13	\$298.41	\$303.78
33871PA0100016	KHPE	Keystone DPOS Bronze Essential \$6,000 \$50/\$100/\$700	On	\$213.47	\$217.32	\$221.23	\$225.21
33871PA0100018	KHPE	Keystone DPOS Gold Class \$4,250 \$40/\$80/100%	On	\$344.19	\$350.39	\$356.70	\$363.12
33871PA0100019	KHPE	Keystone DPOS Silver Class \$4,250 \$40/\$80/100%	On	\$293.73	\$299.02	\$304.40	\$309.88
33871PA0100020	KHPE	Keystone HMO Platinum Preferred \$10/\$20/\$100	Off	\$419.09	\$426.63	\$434.32	\$442.14
33871PA0100021	KHPE	Keystone HMO Platinum Preferred \$20/\$40/\$150	Off	\$400.68	\$407.89	\$415.24	\$422.72
33871PA0100022	KHPE	Keystone HMO Gold Preferred \$30/\$60/\$600	Off	\$333.23	\$339.23	\$345.34	\$351.56
33871PA0100023	KHPE	Keystone HMO Gold Class \$1,000 \$25/\$50/90%	Off	\$340.75	\$346.89	\$353.14	\$359.50
33871PA0100024	KHPE	Keystone HMO Silver Class \$2,000 \$25/\$50/70%	Off	\$299.87	\$305.27	\$310.77	\$316.36
33871PA0100025	KHPE	Keystone HMO Silver Class \$2,500 \$30/\$60/50%	Off	\$277.49	\$282.48	\$287.57	\$292.75
33871PA0100026	KHPE	Keystone HMO Bronze Essential \$6,000 \$50/\$100/\$700	Off	\$206.25	\$209.96	\$213.74	\$217.59
33871PA0100027	KHPE	Keystone DPOS Platinum Preferred \$10/\$20/\$100	Off	\$438.38	\$446.27	\$454.31	\$462.49

33871PA0100028	KHPE	Keystone DPOS Platinum Preferred	\$20/\$40/\$150	Off	\$419.11	\$426.66	\$434.34	\$442.17
33871PA0100029	KHPE	Keystone DPOS Gold Preferred	\$30/\$60/\$600	Off	\$348.03	\$354.30	\$360.68	\$367.18
33871PA0100030	KHPE	Keystone DPOS Gold Class	\$1,000 \$25/\$50/90%	Off	\$355.10	\$361.50	\$368.01	\$374.64
33871PA0100031	KHPE	Keystone DPOS Silver Class	\$2,000 \$25/\$50/70%	Off	\$313.07	\$318.71	\$324.44	\$330.29
33871PA0100032	KHPE	Keystone DPOS Silver Class	\$2,500 \$30/\$60/50%	Off	\$289.71	\$294.93	\$300.24	\$305.64
33871PA0100033	KHPE	Keystone DPOS Bronze Essential	\$6,000 \$50/\$100/\$700	Off	\$215.24	\$219.11	\$223.06	\$227.07
33871PA0100034	KHPE	Keystone DPOS Silver Secur	\$3,500 \$40/\$80/\$600	On	\$272.43	\$277.33	\$282.33	\$287.41
33871PA0100035	KHPE	Keystone HMO Gold Class	\$1,000 \$25/\$50/90%	On	\$330.20	\$336.15	\$342.20	\$348.36
33871PA0100036	KHPE	Keystone HMO Silver Class	\$4,250 \$40/\$80/100%	On	\$281.26	\$286.33	\$291.48	\$296.73
33871PA0100037	KHPE	Keystone HMO Silver Secur	\$3,500 \$40/\$80/\$600	On	\$260.86	\$265.56	\$270.34	\$275.21
33871PA0100041	KHPE	Keystone DPOS Gold Class	\$2,000 \$40/\$80/100%	Off	\$345.96	\$352.19	\$358.53	\$364.98
33871PA0100042	KHPE	Keystone DPOS Silver Class	\$4,250 \$40/\$80/100%	Off	\$295.49	\$300.81	\$306.23	\$311.74
33871PA0100043	KHPE	Keystone DPOS Silver Secur	\$3,500 \$40/\$80/\$600	Off	\$274.19	\$279.13	\$284.15	\$289.27
33871PA0100044	KHPE	Keystone HMO Gold Proactive		Off	\$292.22	\$297.48	\$302.84	\$308.29
33871PA0100045	KHPE	Keystone HMO Silver Proactive		Off	\$235.24	\$239.48	\$243.79	\$248.18
33871PA0100047	KHPE	Keystone HMO Gold Class	\$2,000 \$40/\$80/100%	Off	\$331.97	\$337.94	\$344.03	\$350.23
33871PA0100048	KHPE	Keystone HMO Silver Class	\$4,250 \$40/\$80/100%	Off	\$283.03	\$288.12	\$293.31	\$298.59
33871PA0100049	KHPE	Keystone HMO Silver Secur	\$3,500 \$40/\$80/\$600	Off	\$262.62	\$267.35	\$272.17	\$277.07

# Unique Plan Design Supporting Documentation and Justification

**HIOS Issuer ID:** 33871

**HIOS Product IDs:** 33871PA010

**Applicable HIOS Plan IDs (Standard Component):** 33871PA0100008, 33871PA0100009

**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:**

*Copays for Outpatient Facility*



**Plan: 33871PA0100008 Tier 1**

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

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

Plan: 33871PA0100008 Tier 2

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

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

Plan: 33871PA0100008 Tier 3

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

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



Plan: 33871PA0100009 Tier 1

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

	PMPY from AVC (Silver)	Cost Share PMPY	Member Coinsurance	Insurer Coinsurance
OP Facility				
OP Professional				
<b>Total</b>				

Plan: 33871PA0100009 Tier 2

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

	PMPY from AVC (Silver)	Cost Share PMPY	Member Coinsurance	Insurer Coinsurance
OP Facility				
OP Professional				
<b>Total</b>				

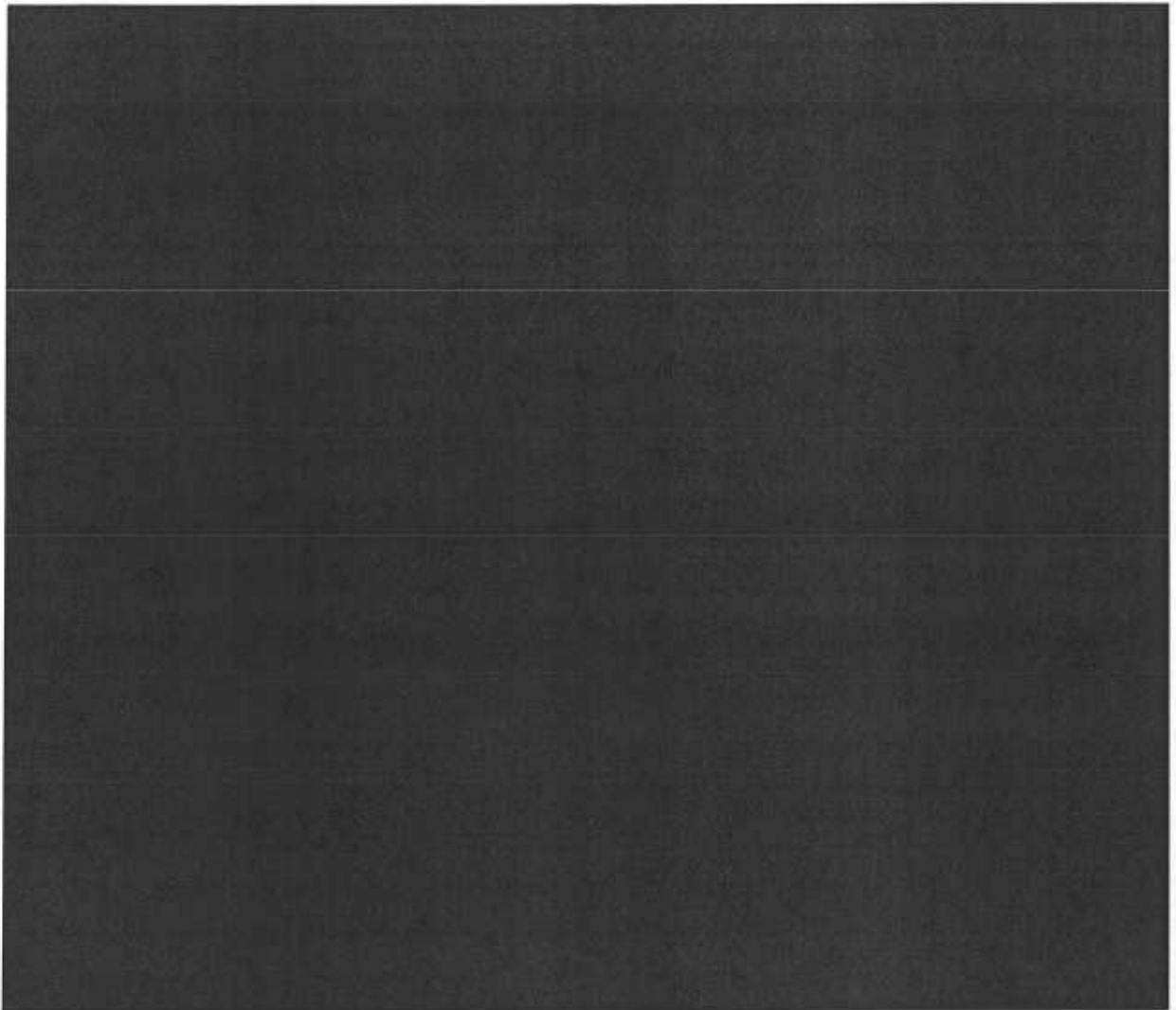
Plan: 33871PA0100009 Tier 3

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

	PMPY from AVC (Silver)	Cost Share PMPY	Member Coinsurance	Insurer Coinsurance
OP Facility				
OP Professional				
<b>Total</b>				

1 [REDACTED]  
 2 [REDACTED]  
 3 [REDACTED]

*Combination of Copays and Coinsurance for IP Hospital*



Plan	33871PA0100008		33871PA0100009	
Tier	Tier 2	Tier 3	Tier 2	Tier 3
<b>IP Cost Sharing</b>				
Facility Copay per day (max 5)				
Professional Coinsurance				

<b>AVC Continuance Table</b>	Gold	Silver
PMPY for IP		
Admit PMPY		
Claim per Admit		
Average LOS (days)		
Effective Copay Factor for 5 days		

<b>Assumption From Data</b>		
% Facility Cost		
% Professional Cost		

<b>Calculated</b>		
Professional Claim per Admit		
Professional Claim per Day		
Equiv. Copay Per Day no max		
Equiv. Copay Per Day, 5 day max		
Total IP Copay Per Day, 5 day max		

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



Utilization	Tier 1	Tier 2	Tier 3	Total
33871PA0100008				
33871PA0100009				

	Actuarial Value			
Plan	Tier 1	Tier 2	Tier 3	Average
33871PA0100008				
33871PA0100009				

**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**

PASML  
Confidential Actuarial Memorandum - Addendum  
Exhibit D  
2016 PASML Pricing

Taxes & Fees	PMPM	% of Premium
PCORT (\$2 per year)	<div></div>	
Exchange User Fees		
Health Insurer Fee (HIF)		
Premium Tax		
Total		

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