

**SERFF Tracking #:**

UPMC-130071359

**State Tracking #:**

UPMC-130071359

**Company Tracking #:****State:**

Pennsylvania

**Filing Company:**

UPMC Health Coverage, Inc.

**TOI/Sub-TOI:**

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO

**Product Name:**

UPMC HC 2016 Small Group

**Project Name/Number:**

/

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Transmittal Letter (A&H)
<b>Comments:</b>	
<b>Attachment(s):</b>	UPMC-130071359_UPMC HC_SmGrp HMO_trans ltr_2015-05-15.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memo - redacted
<b>Comments:</b>	Redacted version of the Actuarial Memo is attached.
<b>Attachment(s):</b>	62560_Actuarial Memo_UPMC HC_Small Group_2015-05-13_redacted.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

May 15, 2015

Commonwealth of Pennsylvania Insurance Department  
Insurance Product Regulation & Market Enforcement  
Actuarial Review Division  
Bureau of Accident & Health Insurance  
1311 Strawberry Square  
Harrisburg, PA 17120

To Whom It May Concern:

## **Small Group Exchange HMO Rate Filing for January 1, 2016 Effective Date**

UPMC Health Plan, d/b/a UPMC Health Coverage, respectfully requests approval of a rate filing for Small Group Exchange HMO products. The rates are proposed for effective dates of January 1, 2016 through December 1, 2016, for plan offerings as implemented under the Patient Protection and Affordable Care Act (PPACA). This filing is submitted in the interest of compliance with PA Act 134 of 2011.

The Commissioner has discretion regarding the publication of rate filings in the *Pennsylvania Bulletin*. If the Department decides to publish notice of this filing, we suggest the following notice language:

### **UPMC Health Plan**

Small Group Exchange HMO Rate Filing

**On May 15, 2015, UPMC Health Plan, d/b/a/ UPMC Health Coverage, submitted for approval a rate filing for use with Small Group Exchange HMO customers.**

Unless formal administrative action is taken before June 29, 2015, the submitted filing may be deemed approved under Act 134 of 2011.

An Actuarial Memorandum, Rate Template, and Unified Rate Review Template (URRT) are included in this rate filing. If you have any questions or require additional information, please call me at 412.454.5739 or email me at [NewellC@upmc.edu](mailto:NewellC@upmc.edu).

Sincerely,



Chad Newell, ASA, MAAA

# Actuarial Memorandum

## General Info

The purpose of this actuarial memorandum is to provide certain information related to a rate submission for the company identified below. The relevant index rate is developed in accordance with federal regulations, and plan specific premiums are generated using the allowable modifiers in accordance with the single risk pool rule.

### Company Identifying Information:

Company Legal Name: UPMC Health Coverage, Inc.

State: PA

HIOS Issuer ID: 62560

Market: Small Group

Effective Date: 1/1/2016

### Company Contact Information:

Primary Contact Name: Chad Newell, ASA, MAAA

Primary Contact Telephone Number: 412.454.5739

Primary Contact Email Address: [newellc@upmc.edu](mailto:newellc@upmc.edu)

## Proposed Rate Increase(s)

### Reasons for Rate Increase(s):

There is no rate increase because these are entirely new products and plans.

## Experience Period Premium and Claims

### Paid Through Date:

There is no related experience period because these are entirely new products and plans.

### Premiums (net of MLR Rebate) in Experience Period:

There is no related experience period because these are entirely new products and plans.

### Allowed and Incurred Claims Incurred During the Experience Period:

There is no related experience period because these are entirely new products and plans.

## Benefit Categories

There is no related experience period because these are entirely new products and plans. If there was an experience period, then claims would be categorized using the financial closing categories used in financial reporting, which are stored with our data warehouse.

## **Projection Factors**

### Changes in the Morbidity of the Population Insured:

There is no related experience period because these are entirely new products and plans, therefore no projection from experience period to project period takes place.

### Changes in Benefits:

There is no related experience period because these are entirely new products and plans, therefore no projection from experience period to project period takes place.

### Changes in Demographics:

There is no related experience period because these are entirely new products and plans, therefore no projection from experience period to project period takes place.

### Other Adjustments:

There is no related experience period because these are entirely new products and plans, therefore no projection from experience period to project period takes place.

### Trend Factors (cost/utilization):

There is no related experience period because these are entirely new products and plans, therefore no projection from experience period to project period takes place.

## **Credibility Manual Rate Development**

### Source and Appropriateness of Manual Rate Used:

*[This section redacted for publication.]*

### Adjustments Made to the Data:

Data for each segment was normalized for risk load (to remove the effects of medical underwriting in some segments) and fee schedule.

### Inclusion of Capitation Payments:

There no capitated medical providers. A pass-through amount for the individual market is used where UPMC is contracting with Dominion Dental to provide pediatric dental benefits.

## **Credibility of Experience**

Because there is no experience, 0% credibility is employed. I.e. the manual is relied on 100%.

### **Paid to Allowed Ratio**

*[This section redacted for publication.]*

### **Risk Adjustment and Reinsurance**

Projected Risk Adjustments PMPM:

*[This section redacted for publication.]*

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market and Combined Markets Only):

*[This section redacted for publication.]*

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

Administrative Expense Load:

*[This section redacted for publication.]*

Profit & Risk Margin:

*[This section redacted for publication.]*

Taxes and Fees:

*[This section redacted for publication.]*

### **Projected Loss Ratio**

All projected loss ratios are above 85%, prior to the inclusion of credibility adjustments, tax adjustments, and inclusion of permitted expenses such as quality improvement items in the numerator.

### **Index Rate**

Some small group market plans include acupuncture, bariatric surgery, podiatry, and private duty nursing benefits that exceed EHBs. All plans include an adult vision exam benefit that is in excess of EHBs.

## **AV Metal Values**

All metal values were determined using the HHS calculator.

## **AV Pricing Values**

*[This section redacted for publication.]*

## **Membership Projections**

*[This section redacted for publication.]*

## **Warning Alerts**

Some warnings appear on worksheet 2 of the URRT due to the formula comparing one value that includes reinsurance effects with a value that does not.

## **Effective Rate Review Information**

The Pennsylvania Insurance Department is responsible for conductive effective rate review for all submitted rates.

## **Actuarial Certification**

One additional actuarial certification document is being submitted at this time to account for a few plans that were not accommodated by the HHS AV calculator. Specifically, these are PCMH plans that have tiered copays for Specialist office visits.

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## Correspondence Summary

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Cherri Sanders-Jones	06/18/2015	06/18/2015

#### Response Letters

Responded By	Created On	Date Submitted
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State: Pennsylvania Filing Company: UPMC Health Coverage, Inc.  
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## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	06/18/2015
Submitted Date	06/18/2015
Respond By Date	07/02/2015

Dear John Wisniewski,

### Introduction:

June 18, 2015

John Wisniewski, Director, Actuary  
 1 Chatham Center  
 112 Washington Place  
 Pittsburgh, PA 15219

RE: UPMC Health Coverage, Inc. – Small Group – HMO – On/Off SHOP

Received: May 15, 2015 SERFF Tracking# UPMC-130071359

Dear Mr. Wisniewski:

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. For the January 1, 2016, through October 1, 2016 will UPMC Health Coverage allow current enrolled groups of size 51-100 transitional relief? That is, will you allow a particular enrolled group, with between 51 – 100 employees, 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.

2. Have all of the proposed network options been approved by the Department of Health? Please provide a copy of the network approvals. Please provide an exhibit that shows the network names, areas and factors.

3. The actuarial memorandum indicates that there are no rate increases proposed because these are entirely new products and plans. Department records indicate that UPMC Health Coverage, Inc. has 2015 small group products approved in the Pennsylvania market. Are you terminating all currently offered products and plan designs? Is there enrolled membership in these products and plans? What will UPMC do with these enrollees? If UPMC is mapping the 2015 enrollees to 2016 products and plans, please provide a mapping illustration that shows the development of the rate impact to consumers.

4. Did you seek guidance from CMS to verify that the proposed product and plan designs are new products and plan designs? If so, please provide the inquiry made to CMS and their response.

5. Please provide side-by-side exhibit that shows the approved 2015 and proposed 2016 products and plans and their corresponding HIOS ID #s and premium rates.

6. Please discuss the product and plan design changes (benefit and cost sharing) proposed in this filing and discuss why these changes have been proposed? What is the net cost change to benefits?

7. Your URRT and narrative do 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 a URRT (Worksheet 1 and 2) and narrative that meet the level of detail required.

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8. Please explain why more recent, ACA compliant, experience data was not used in Section I of worksheet I of the URRT. The submitted URRT contains experience period data from 10/1/2011 through 9/30/2012. Please review and respond.
9. Section II of worksheet I is not populated. Utilizing the 2014 experience period data please populate the experience period and the projection period before the credibility adjustment. Additionally the credibility manual sections must also be populated, if the projected experience is less than 100% credible.
10. The narrative for the Credibility Manual Rate Development indicates 5 segments of incurred claims data was used in the development of the manual rate.
- Please discuss why it is appropriate to include Medicaid data.
  - Using the experience period data from each of the appropriate segments, show the development of the Projected Allowed Experience Claims PMPM in cell V32 of worksheet 1 of the URRT.
  - Also, provide a discussion as to how the data from each segment was adjusted to reflect the projected rate for the small group commercial market.
11. The pdf of the Department Rate Exhibit is for UPMC Health Options, Inc. and not the captioned company. Additionally, the form # fields are populated with SERFF ID #s and not the contract form numbers, as requested. Please review and correct.
12. Your 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 contains the detailed narrative and explains the basis for the assumptions used in developing the Index rate in the URRT, per the URRT and the Actuarial Memorandum Instructions. Also, if the URRT is not the basis for premium rate development, please provide an actuarial memorandum that describes the rate development process and an exhibit that illustrates this process. Please note the required actuarial certifications.
13. Throughout the small group actuarial memorandum references are made to the individual market. Please review and revise as necessary.
14. Please ensure that your revised actuarial memorandum includes a discussion of the development of the proposed trend. Also, provide support for the trend. A new redacted actuarial memorandum will also be required.
15. 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% and their corresponding costs.
16. The actuarial memorandum indicates that the target profit and risk margin for all HMO products is 2%; however, the URRT shows 0%. Please review all filing documentation and exhibits to ensure consistency and revise as necessary.
17. Please provide an Excel exhibit that shows the development of the calibrated Plan Adjusted Index Rate for each plan starting from the Projected Allowed Experience Claims PMPM.
18. Please provide all rating exhibits in Excel. Please retain all formulas.
19. Please provide the header information (company name, product and effective date of rates) on each rate page of the Department Rate Exhibit. Please be advised that if you are proposing quarterly rates, rate pages must be submitted for rates effective April 1, 2016, July 1, 2016 and October 1, 2016 for each plan design and product offered. Additionally, the form # field, of the Department Rate Exhibit, is populated with SERFF ID #s and not the contract form numbers, as requested. Please review and correct.
20. Please ensure that the following templates are included in the binder: service area template, rates template and the business rules template. The federal rates template should also be included in the Rate/Rule Schedule Tab. Please remain cognizant that rates must be submitted for each quarter if you desire to offer quarterly rates.
21. Please certify that you have used the 2016 AV Calculator to determine the Metal Level for all plans submitted. If there are Unique Plan Designs, please provide the appropriate actuarial documentation and certifications.
22. It is my understanding that in 2016 riders may no longer be attached to contracts. The rider benefit must be embedded in the policy. Please review your plan offerings to ensure compliance. Also certify that the premium rates were developed in a manner consistent with the corresponding contract forms (UPMC-129926047 and UPMC-130069735) and that for every rate there is a corresponding form.
23. Please provide the schedule of benefits for each offered plan as well as the corresponding AV screenshots. Please include the contract form number on the schedule of benefits.
24. 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.
25. 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

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April 1, 2015.

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

27. Please ensure that you have resolved all outstanding "Notes to Filer" as posted in SERFF.

Please be advised that there may be additional questions based on the responses to the above.

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

Should you have any questions regarding this correspondence, please contact me at (717) 787-5172.

Sincerely,

Cherri Sanders-Jones  
Actuarial Review Division  
Bureau of Accident & Health Insurance

**Conclusion:**

Sincerely,

Cherri Sanders-Jones