

State: Pennsylvania Filing Company: HM Health Insurance Company- HHIC  
TOI/Sub-TOI: H16G Group Health - Major Medical/H16G.003A Small Group Only - PPO  
Product Name: HHIC 2016 Small Group Rate Filing (Grandmothering)  
Project Name/Number: 1A-PPO-2016-HHIC/1A-PPO-2016-HHIC

## Supporting Document Schedules

<b>Bypassed - Item:</b>	Transmittal Letter (A&H)
<b>Bypass Reason:</b>	N/A
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	REDACTED FILING
<b>Comments:</b>	Redacted Filing
<b>Attachment(s):</b>	HHIC Small Group Filing 2016_Cover Letter & Actuarial Memo_REDACTED (2).pdf
<b>Item Status:</b>	
<b>Status Date:</b>	



December 1, 2015

Ms. Johanna Fabian-Marks, Special Deputy & Acting Director  
Bureau of Life, Accident & Health Insurance  
Office of Insurance Product Regulation and Administration  
Commonwealth of Pennsylvania Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Re: Highmark Health Insurance Company (HHIC) Filing # 1A-PPO-2016-HHIC  
Small Group Base Rating Formula – 2016 Revisions

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

Dear Ms. Fabian-Marks:

This Filing requests approval to update the filed base rates (from SERFF Filing # HGHM - 129855584 filed on December 23, 2014 and approved on January 22, 2015) used by HHIC to determine rates for small groups with effective dates beginning **July 1, 2016** in Western and Central Pennsylvania.

The base rates shown in the attached Exhibit 1 will apply to groups currently enrolled in non-ACA compliant plans that renew their existing coverage, as described in federal guidance set forth in the March 5, 2014 CMS bulletin, "Extended Transition to Affordable Care Act-Compliant Policies," and further permitted with the consent of the Pennsylvania Insurance Department.

The request includes a 9.9% filed base rate increase over the 3<sup>rd</sup> and 4<sup>th</sup> quarter 2015 base rates for 3<sup>rd</sup> and 4<sup>th</sup> quarter 2016 renewal effective dates. This base rate increase will be used consistently with the manner described in PA Law Act 134.

**In the event the Department decides to publish this Filing in the PA Bulletin, the suggested notice is provided below:**

*By Filing No. 1A-PPO-2016-HHIC, Highmark Health Insurance Company is updating base rates applicable to small groups renewing their existing non-ACA compliant coverage with effective dates beginning 7/1/2016 as described in the federal guidance set forth in the March 5, 2014 CMS bulletin, “Extended Transition to Affordable Care Act-Compliant Policies” and further permitted with the consent of the Pennsylvania Insurance Department. The updates reflect an average annual base rate increase of 9.9% over the 3<sup>rd</sup> and 4<sup>th</sup> quarter 2015 base rates for 3<sup>rd</sup> and 4<sup>th</sup> quarter 2016. This base rate increase will be used consistently with the manner described in PA Law Act 134.*

**Request for Confidentiality**

Please note that the detail supporting the base rate development has never before been made public. The information contained in this Filing is competitively sensitive, is not in the public domain, and constitutes business confidential proprietary/trade secret information that would cause harm to the competitive position of HHIC if disclosed to the public.

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

Furthermore and pursuant to the Pennsylvania Right-to-Know Law (“RTKL”), HHIC must be notified prior to release of information contained in this Filing and be given the opportunity to respond to requests for such information. Should the Department receive such request or require the release of information contained in this Filing for its own purposes, HHIC asserts its right to release a redacted version of the Filing. A redacted version of the Filing is enclosed for your convenience.

In accordance with the RTKL, please contact the HHIC RTKL representative identified below prior to release of any information contained in this Filing:

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

Ms. Johanna Fabian-Marks, Special Deputy & Acting Director  
Highmark Health Insurance Company  
Small Group Base Rating Formula – 2016 Revisions  
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Should you have any questions regarding the attached Filing, please feel free to contact me at (412) 544-5091 or via e-mail at: [justin.decroo@highmark.com](mailto:justin.decroo@highmark.com).

Sincerely,

A handwritten signature in dark ink that reads "Justin DeCroo". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Justin L. DeCroo, FSA, MAAA  
Director, Actuarial Services

cc Greg Devine, Esq.  
Tija Hilton-Phillips, Esq.  
Jeffrey Scheib

## **Actuarial Memorandum**

### **Highmark Health Insurance Company**

#### **2016 Update to Small Group Rating Filed Base Rates**

##### **Purpose**

The purpose of the update to the filed Small Group rating formula is to request a base rate revision for the small group contracts with renewals beginning 7/1/2016. These contracts represent HHIC's small group renewals under the Federal regulation allowing for transitional renewal policies for groups renewing with pre-ACA plans. For the purpose of filling out the Pennsylvania Small Group Standard Medical Rating Exhibit, the base rate experience for these transitional policies has been projected as if they renewed with a common renewal date of 9/1/2016, which is the midpoint of the renewal dates applicable to this filing. An updated base rate exhibit has been included as Exhibit 1 showing the proposed base rates. The purpose of this document is to provide supplemental information required by the PA Insurance Department in sufficient detail to allow the Department to conduct an actuarial review of the rate adjustment. It should not be used for any other purpose.

##### **Request for Confidentiality**

**The Base Rating Formula is proprietary and public release of the formula, all factors and company specific data would put HHIC at a significant competitive disadvantage. HHIC formally requests that this be considered Confidential and protected from public exposure.**

##### **Pennsylvania Bulletin Information Required**

For 3<sup>rd</sup> and 4<sup>th</sup> quarter 2016 renewals under the Federal regulation allowing transitional renewal policies:

Formula rate adjustment: 9.9%

Minimum Rate adjustment: -50.0%

Maximum Rate adjustment: 64.0%

Number of Policyholders (Employers) impacted: 4,005

Number of Members impacted: 83,699

##### **Required Components of the Base Rate Filing**

Number of Contracts impacted: 41,323

Number of Members impacted: 83,699

Identification of 12-month base experience period: 7/1/2014 through 6/30/2015

Proposed Effective Dates and timing of the rate revision: This filing is intended for groups renewing 7/1/2016 to 10/1/2016. The base experience period data is trended to a 9/1/2016 renewal date to determine the 3<sup>rd</sup> and 4<sup>th</sup> quarter base rate. Rates will be guaranteed for 12-months from each group's renewal date. These base rates are intended to apply to renewals up to 10/1/2016, which is the last renewal date for transitional relief policies. The development of rates in this filing assumes that the transitional relief period ends on 10/1/2016, but we are filing rates for the entire fourth quarter of 2016 in the event that the end date for transitional relief is extended.

Reason for the rate revision: As shown with the accompanying data, this rate increase is needed to recover the expected claims, administrative expenses, taxes, fees, and a contribution to operating results for the projected membership for the projected time period. See Premium Rate Development section below and the PA Small Group Medical Rating Exhibit for details.

General Description of the policy and benefits: The base rating formula filing applies to all pre-ACA products issued by HHIC in the small group market which will continue to be issued under the Federal regulation allowing transitional renewal policies through and including 10/1/2016 renewal dates. A list of each product name, a description of its cost sharing features, and benefit factor is included in the SG filing on the "Benefit Adjustment Factors by Standard Plan Design" page of the HHIC's initial base rating formula filing for the Small Group market (filed May 4, 2012). In general, these are comprehensive medical plans that cover most medically necessary expenses, and vary by the type and amount of cost sharing. Further details are available in the form filings on file with the Department. The Form number is: HHIC/PPO.

Identification of the last three rates increases and their SERFF tracking numbers:

2015: HGHM-129855584 (9.8% filed base rate increase)

2014: HGHM-129602717 (0% filed base rate increase)

2013: HGHM-128707377 (9.8% filed base rate increase)

### **Premium Rate Development**

The required revenue for this rating period is developed by projecting the claims experience for all of the groups impacted by this rate change to the calendar year period 9/1/2016 to 8/31/2017, adding administrative expenses (including broker commissions), PPACA taxes and fees, and an amount to achieve the company's targeted operating results for this block of business. The base experience periods were for incurred dates of 7/1/2014 through 6/30/2015 with one-month run out and then completed to estimate incurred claims.

This rate filing covers all transitional pre-ACA policy renewals in 2016. The required revenue is shown below for all pre-ACA transitional policies renewing in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2016.

HHIC then determines the revenue at current rates. The revenue at current rates uses the rating formula in place at the prior or renewal date for these groups, combined with the customer characteristics projected at this renewal (age gender factor, industry factor, etc.).

As shown above, to the extent the current rate structure does not recover the required revenue, the base rate is increased to compensate (9.9%), which forms the basis for this increase request. For this rating period, no changes to factors are planned from the initial base rating formula filing filed on May 4, 2012 other than the base rates included in this filing.

Consistent with prior filings, we provided the Department with as much of the data requested in the Checklist for Small Group Medical Base Rate Filings as we have readily available in our records. They are included in the Pennsylvania Small Group Standard Medical Rating Exhibit, in addition to what is shown above.