

PENNSYLVANIA PUBLIC INFORMATION HEARING ON PROPOSED RATE INCREASE FOR INDIVIDUAL HEALTH PLANS

Good morning. I am Todd Lazar, an Executive Director of Consumer Business at Aetna. We are here today on behalf of Aetna to discuss our recently submitted 2017 Affordable Care Act Individual rate filing. Aetna has filed 2017 premium rates for the Individual market in the Commonwealth of Pennsylvania for plans under Aetna Health Inc.

I will provide today:

- an overview of the proposed rate increase,
- a description of the Aetna plans that will be impacted by the proposed rate increase,
- a summary of the reasons for the proposed rate increase, and
- the steps Aetna is taking to help ensure that its premiums are affordable.

Following my presentation, Aetna's actuary, Amy Ovuka, and I will be available to answer your questions.

A. Overview Of Proposed Rate Increase.

As you know, the Individual marketplace has gone through fundamental changes and continues to evolve. Our goal is to deliver competitive pricing that allows our customers and members to get the greatest value from their health benefits.

Aetna's filing proposes to raise premium rates on average by 17.2% for Individual plans. The rates will apply to policies that start or renew between January 2017 and December 2017. Approximately 47,305 individuals in Pennsylvania will be impacted.

B. The Plans Impacted By The Proposed Rate Increase.

Aetna's 2017 Pennsylvania Individual plans will be offered as part of its "Leap" suite of plan designs. The Leap plans address consumers' desire for more simply designed products that are easier to understand. Aetna designed the Leap plans to be affordable, easy to understand, and easy to use. The key features include:

- No coinsurance – customers found the coinsurance concept confusing, and it was eliminated from the Leap plans.
- Straightforward experience – all plan benefits are either free, cost a copay, or are subject to the deductible.
- Low fixed costs for everyday care. For example, there is a \$5 co-pay for primary care visits and generic pharmaceuticals.
- Convenient access to services through the use of on-demand care. For example, there is a \$5 co-pay for use of urgent care and walk-in clinics. Also, some telemedicine services are free.

The Leap plans also offer new digital engagement tools to make it easier than ever for our members to care for their health and wellness. These tools include:

- Digital ID cards. These cards may be accessed online at any time.
- Comprehensive online services. For example, through a secure website, members may obtain plan summaries and details, track deductibles, price and order prescription refills, pay premiums, and manage account profiles.
- Digital coaching and condition management tools.
- Mobile-optimized health assessment. This takes just seven minutes to

complete.

- Targeted health action plans based on member behavioral and medical data.

The Leap plans also offer new wellness incentives and reward programs designed to promote better consumer health. For example, Aetna provides a \$20 gift card for watching plan tutorial videos. Such incentives reward efforts by members to understand their health status and get the care they need at the right costs.

Aetna also continues to lead the way in healthcare innovation through our partnerships and strategic relationships with neighborhood hospital systems which are the foundation of Aetna's product offerings.

Aetna is also committed to a high focus on member satisfaction. This has led us to create a new role of Service Advocate. Aetna has recruited and hired Service Advocates who have demonstrated they can make decisions and stick up for members. It's all about their ability to serve. Service Advocates are available to all Leap plan members. The Service Advocates advocate for the member, take ownership to find a solution, educate them, help them understand their benefits and how to use the benefits. They can also take the member out of the middle by calling providers on their behalf. Service Advocates are co-located with claims and care management specialists to resolve customer inquiries the first time.

Aetna markets Leap plans directly to consumers through direct mail, telemarketing, and the internet, and indirectly through brokers and general agents.

C. The Reasons For The Proposed Rate Increase.

Why Do We Need to Increase Premiums?

Medical costs are the primary driver of the premiums people pay. Medical costs vary by region and include utilization and unit costs for hospital care, outpatient

care and doctor services. They also include reimbursement for prescription drugs, lab and X-ray fees.

Medical costs are going up, and we are changing our rates to reflect this increase. We expect medical costs to go up 9.9% in 2017, excluding the effect of benefit and/or cost-sharing changes. Medical costs go up mainly for the following two reasons - providers raise their prices and members get more medical care. Examples of increasing medical costs we have experienced over the last year in Pennsylvania include:

- Costs of pharmacy prescriptions have gone up 10.3%.
- The cost of inpatient hospital admission has increased by 6.2%.

What Else Affects Our Request to Increase Premiums?

There are several other reasons that premium rates are increasing, including the following:

- The end of 2016 is the sunset of the Federal Reinsurance Program. This program provided financial protections that were in place in 2016 to maintain a stable marketplace. In 2017, this program will have ended. The discontinuation of this program will increase premiums 5.7%.
- Based on 2015 membership, claims experience for Pennsylvania has been worse than anticipated.
- We have made revisions to our assumptions about population morbidity and the projected population distributions, factors that have increased rates.
- All of our submitted rates are inclusive of the state and federally mandated taxes and fees, which now account for 5.4% of the full

premium that consumers pay.

- Changes in the amounts we pay to providers for their services also contribute to the increased rates.

Will Premiums for All Individuals Increase 17.2%?

No, this figure is an average. Actual premiums will increase between 2.6% and 30.4 %. The exact rate change depends on the benefit plan selected, where the subscriber lives, and the ages and tobacco use of family members. Different factors affect each of these variables:

- Rating by age is regulated by the ACA, and as each member's age increases his or her rates will also increase based on the ACA Age Scale.
- With respect to tobacco use, members who use tobacco will be charged higher rates than those who do not, all else being the same.
- The rate increase may differ by rating area.
- In addition, individuals who purchase insurance through the Pennsylvania Marketplace and qualify for advanced premium tax credits may see a different rate change, as the rate they pay depends upon the determination of the applicable government subsidy.

How Does This Request Align to Minimum Loss Ratio Requirements (MLR)?

The rates are expected to produce an MLR equal to or above the 80% requirement for Individual business. Under the ACA, at least 80% of premiums collected by health plans are expected to pay for medical care and activities that improve health care quality for members. If the actual MLR turns out to be less than 80%, rebates will be issued to members in accordance with the law.

Apart from meeting the 80% requirement, Aetna makes significant investments that benefit our members that are not used in the 80% calculation. These investments include customer service, health quality activities like disease management programs, and the development of new information technologies.

D. Steps To Help Ensure That Premiums Are Affordable.

What is Aetna doing to keep premiums affordable?

Aetna strives to keep its products as affordable as possible and to address the underlying cost of health care. We are:

- Developing new agreements, arrangements, and partnerships with health care providers that base provider compensation on the quality of care, and not the quantity of services. This is consistent with Pennsylvania's goal of payment reform by increasing the number of instances of "value-oriented payments" to providers.
- Creating medical management programs that address potential health issues for members earlier, improving health outcomes and reducing the need for high-cost health care services.
- Designing benefit plans that encourage preventive services and use of cost-effective treatment locations to help our members lower their costs.

We are dedicated to increasing transparency within the health care system and helping members best utilize the plans that they have. Individual members can access myAetna, a secure member website, which allows them to research their specific plan benefits, health care providers in a given area, and the cost of certain health care services. This website is also available to allow members to take their care on-the-go. Additionally, the website aims to educate all consumers on how to take advantage of their health care benefits.

E. Conclusion

This concludes Aetna's presentation on its 2017 Affordable Care Act Individual rate filing. I hope this information helps provide an understanding of our product offerings and proposed rates. Aetna's actuary, Amy Ovuka, is with me today and available to answer your questions as well. We thank you very much for the opportunity to meet with you today.