



**2019-2020**  
**Student Health Insurance**  
**Rate Filing Guidance**  
**Pennsylvania Insurance Department**  
January 2019

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# A. Student Health Insurance

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Student health insurance is a type of individual health insurance that is offered to students and their dependents under a written agreement between an institution of higher education and a health insurance issuer. See 45 C.F.R. §144.103 and §147.145. Accordingly, student health insurance coverage is generally subject to the Public Health Service Act (PHS Act) individual market requirements, with certain specified exemptions noted in 45 C.F.R. §147.145.

# B. General Instructions

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This document outlines the rate filing requirements for all fully insured student health insurance plans offered in Pennsylvania for the 2019-2020 school year. Together, these required filings and the accompanying Student Completeness Checklist must be filed annually for review and approval.

## 1. Timeline

Rate filings must be submitted in a two-part process. First, the insurer must submit a rate filing that includes an actuarial memorandum and a rate manual (“the rate manual filing”) by **February 1, 2019**. The Department expects to review and acknowledge rate manual filings by March 15, 2019. Insurers may enter into plan design negotiations with institutions of higher education during the Department’s review, advising the institution that some changes may be required.

The Department acknowledges that insurers may engage in a negotiation process with institutions of higher education to determine the benefit package, and therefore may not be able to submit “Specific Named Group” proposed rates until after the benefit negotiation process is completed, often in the spring.

Second, the issuer must submit a “Specific Named Group” rate filing within 7 days of quoting the rate to the institution, with the caveat, “The rates are subject to Insurance Department approval.” A separate Specific Named Group rate filing is required for each institution and risk pool, if multiple risk pools within an institution exist, with which the issuer contracts. The Department will review the filing to confirm that the quoted rates were developed in accordance with the “Acknowledged” rate manual. Upon completion of the review, the Department will change the SERFF filing status to “Acknowledged.” The final rates will be made public upon being marked as “Acknowledged” in SERFF.

Rate manual filings will be published no later than 15 days after receipt, according to the PA Bulletin schedule. Filings will be open for a 30-day public comment period. The final Rate Manual Filing will be made public upon being marked as “Acknowledged” in SERFF.

## 2. Pennsylvania Filing Requirements

### A. Required Documents

Pennsylvania requires annual rate filings for all fully insured student health insurance plans, including those with rate decreases or unchanged rates. All “Rate Manual” and “Specific Named Group” filings must be made in SERFF.

Filings will be considered incomplete and rejected if the items listed in the tables on the following page are not included. Every rate filing for student health insurance plans must include all of the required documents listed in the following table.

Consistent with guidance provided during the annual rate review cycle for calendar year ACA-compliant plans, the Department does not anticipate redactions other than the following items:

1. AV screenshots,
2. Opining actuary’s name,
3. Specific provider contracting information, and
4. Commission schedules.

If the issuer does not submit redacted documents, the Department will make public the unredacted versions.

<b>Required Documents – Rate Manual Filing</b>
PA Bulletin Summary
Cover letter
Actuarial Memorandum and Certifications (unredacted)
Rate manual and rate exhibits, including an Excel workbook that chronicles the step-by-step methodology (unredacted)
Public Rate Manual PDF (Rate Manual Filing with limited redactions)

<b>Required Documents – Specific Named Group Filing</b>
<b><i>Documents Required to be Filed with PID</i></b>
Rate Review Justification (RRJ) Template - Rate Reporting Form
RRJ - Written Explanation of the Rate Change
<b><i>Pennsylvania Documents Required to be Filed with PID</i></b>
Cover Letter
Final rates for the institution(s) (Excel with working formulas)
Final AV screenshots
Final Excel workbook that demonstrates the rate calculation and chronicles the step-by-step methodology
Certification that final rates are developed in accordance with the approved rate manual
Public Specific Named Group Filing PDF (Specific Named Group Filing with limited redactions)
Student Completeness Checklist

## B. SERFF Submission

The following Types of Insurance (TOI), Sub-Types of Insurance (Sub-TOI) and Filing Types must be used. Rate and form filings must be submitted as separate filings.

### Rate Manual Filing

- TOI – Student Health Insurance
  - H22 Student Health Insurance
  - Sub-TOI - H22.000 Student Health Insurance
- Filing Type
  - Rate

### Specific Named Group Filing

- TOI – Student Health Insurance
  - H22 Student Health Insurance
  - Sub-TOI - H22.000 Student Health Insurance
- Filing Type
  - “Rate confidential” – specific named group (will be made public)

## C. SERFF Rate/Rule Schedule Tab

### Rate Manual Filing

The SERFF Rate/Rule Schedule tab should contain the proposed rate manual.

The Company Rate Information and Rate Review Detail must be accurate and completed to the extent possible. The Supporting Documentation tab should contain the Actuarial Memorandum and rate exhibits.

### Specific Named Group Filing

The SERFF Rate/Rule Schedule tab should contain the final rates for the institution(s).

The Company Rate Information and Rate Review Detail must be complete and accurate. The data presented should be product-specific and should be consistent with the data that appears in the corresponding RRJ.

The Supporting Documentation Tab should contain the product-specific Rate Review Justification (RRJ), the Part 1 Rate Change Summary Form, Part 2 Written Explanation of Rate Change, and Rate Exhibit.

## D. Pennsylvania Insurance Department Contact

Tracie Gray, Director, Bureau of Life, Accident and Health Insurance

Email: [tgray@pa.gov](mailto:tgray@pa.gov); Phone: 717-705-7257

# C. Cover Materials

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## 1. Cover Letter / PA Bulletin Information – Rate Manual Filing

All rate manual submissions will be published in the Pennsylvania Bulletin. The published PDF document must contain the following information. Ensure that the PDF is not locked and is in text rather than image format.

- A. Company name & NAIC number
- B. Corresponding contract form number and SERFF ID number(s)
- C. Estimated effective date of coverage, including policy year start and end dates
- D. Current number of covered lives and policyholders (as of November 1, 2018) by institution
- E. Rating areas
- F. Experience and rating period traditional medical loss ratio and most recent year rebate MLR for the state

## 2. Cover Letter – Specific Named Group Filing

The following are required items:

- A. Company name & NAIC number
- B. Corresponding contract form number and SERFF ID number(s)
- C. Name of the institution of higher education with which the insurer is contracting
- D. Average rate change (% and \$)
- E. Experience and rating period traditional medical loss ratio
- F. Effective date of coverage, including policy year start and end dates
- G. Current number of covered lives and policyholders (as of November 1, 2018)
- H. Policy year revenue
- I. Additional revenue from rate increase
- J. Rating areas
- K. SERFF ID# for the approved Rate Manual Filing

# D. Rate Manual Filing

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The Rate Manual Filing consists of two parts: the rate manual and the actuarial memorandum.

## 1. Rate Manual

45 C.F.R. 147.145(b)(3) states that “student health insurance rates must reflect the claims experience of individuals who comprise the risk pool, and any adjustments to rates within a risk pool must be actuarially justified.” Therefore, in accordance with federal regulation, all rating factors and adjustments must be identified and quantified in the rate filing, e.g., underwriting adjustments or underwriter discretion are not allowed.

The issuer is required to provide support that the single risk pool is established according to the requirements in 45 CFR 156.80. The single risk pool reflects all covered lives for every non-grandfathered product/plan combination in that pool. The single risk pool is specific to the issuer, legal entity, for the state and school(s) for which it is submitted. Multiple risk pools may exist within an institution (undergraduate, graduate) as described in § 146.121.

The Rate Manual must contain the complete step-by-step methodology to develop the institution rate(s) starting from the Single Risk Pool claims. The Rate Manual must disclose the entire process including all factors used in developing the rate, as well as the criteria used in determining which factors and processes are appropriate for a given institution, such that the Department can independently develop the school rate given the data and assumptions provided. The Rate Manual must minimally include criteria for the following and any other information the issuer believes is necessary to describe their entire rate process:

- Manual rate development for new business and plans with little or no credible experience,
- Experience rate development for plans with credible experience; and
- The credibility formula that generates the blended rate for schools with partially credible experience.

The rate manual must include a step-by-step development of rate determination for new business and renewal business, including an Excel exhibit that demonstrates step-by-step rate calculation examples.

To the extent that the issuer only offers set plan designs and community rates on a statewide basis, the rate manual filing should contain the proposed factors and rates for all plan designs.

Note that although the Index Rate methodology is not required in Student Health Insurance Plans, the adjusted claims from the Single Risk Pool (Base Rate) must be the basis for rate development for the institution(s). Further, the only approved factors for premium rate development in the Individual Student Market as specified in PHS Act § 2705 (42 U.S.C. § 300gg-4) are age, geography and tobacco use. (While tobacco use is a permissible adjustment under the law, it is not anticipated that a student population will be likely to demonstrate actuarially significant differences in claims due to tobacco use.)

## 2. Actuarial Memorandum

The actuarial memorandum provides narrative that supports the rate manual, including the credibility formula, factors and their application. It must document data sources and adjustments and discuss how this data is appropriate for use in the development of Pennsylvania student rates. The actuarial memorandum must discuss the entire rate development process including all factors used in developing the rate, as well as the criteria

used in determining which factors and processes are appropriate for a given institution. Consistent with ASOP No. 8, the filing actuary should satisfy the requirements of all applicable law, including 45 C.F.R. Subt. A, Subch. B, and 40 P.S. §§ 3801.101 *et seq.* Please be diligent in adhering to these requirements, as this will allow for a smoother review process. The actuarial memorandum should detail the pricing assumptions which underlie the proposed premium rate development, as shown in the Rate Manual. All exhibits and tables must be provided in Excel format and must include working formulas.

The memorandum must include the following items, as well as any other data and information necessary to justify the assumptions and factors and to demonstrate the rate development process:

1. Summary information

- a. A summary of how pricing assumptions for the proposed rate manual compare to the current approved rate manual;
- b. Identification of institutions of higher education in Pennsylvania with which the issuer has contracted to provide student health insurance for the 2018-2019 academic year;
- c. The rate change history for renewing products, by institution;
- d. Identification of other states where the issuer is issuing student health coverage.

2. Benefits

- a. Provide a benefit description, including identification of benefits in addition to EHBs
- b. The manual rate development of the claim costs and derivation of premiums for all ACA-specific benefits and provisions, including pediatric dental, pediatric vision, etc. should be justified
- c. Show benefit changes from the policy year experience period to policy year rating period, and development
- d. Describe how students may seek services covered under the policy (on and away from campus) and the benefit structure for payment for student health services in-and out-of-network

3. Risk pool identification and description

- a. Consistent with 45 C.F.R. §147.145(b)(3), a health insurance issuer that offers student health insurance coverage may establish:
  - i. A statewide risk pool that is community rated using allowable adjusting factors (age and geography) to develop school premiums;
  - ii. A school-specific risk pool(s) having fully credible experience to develop school premiums (such that the experience already accounts for any adjusting factors). This includes:
    - o One risk pool per institution; or
    - o Multiple risk pools within an institution (undergraduate, graduate).
  - iii. A school-specific risk pool having partially credible experience where a developed manual rate may be used for the non-credible claims (using allowable adjusting factors only for the manual rate portion of the experience).

4. Base Rate Development

- a. Identify the data and describe the development of all factors used in the rate manual to adjust the single risk pool to develop the base rate for each institution or for each pool within the institution.

5. Trend identification and justification

- a. The methodology and data used to develop the trend to project the experience period data to the rating period should be discussed.
- b. Trend factors utilized in the pricing should be sufficiently justified, including data source(s)

and all assumptions and adjustments.

- c. Include an explanation of whether trends are developed on an institution-specific basis, statewide or national basis.

#### 6. Credibility of data

- a. A credibility formula should be provided. The determination of credibility weights assigned to plan experience that is not fully credible must be provided, as well as a demonstration that the credibility formula is reasonable and yields consistent results over time.

#### 7. Manual data

- a. If manual data is used, provide the data and identify the source, show all adjustments, and explain why the data and adjustments are appropriate for the Pennsylvania student health insurance market.

#### 8. Completion factors

- a. Discuss how completion factors are developed and whether they are developed on an institution-specific, statewide, or national basis. Additionally, discuss if the number of run-out months will be the same for each institution. If different, explain why not.

#### 9. Retention, Taxes and Fees

- a. Expense assumptions – uniform percent or variable, and basis
- b. Contingency and risk/profit margins – uniform percent or variable, and basis – this should be consistent with the approved ACA-Compliant Plans for non-student markets, if applicable, or if the issuer does not have an ACA-Compliant Plan in the state then the risk/profit margin may be no greater than 2.00% (or possibly less for a Blue Plan pursuant to the 2005 Surplus Determination and Order).
- c. The Department notes the federal change in the corporate income tax. The Tax Cuts and Jobs Act of 2017 (Pub. L. No. 115-97) lowered the federal corporate tax rate from 35% to 21%, applicable to taxable years beginning after December 31, 2017. The Department expects that rate filings will, if applicable, reflect the revised federal corporate tax rate.
- d. Due to the 2019 moratorium on the Health Insurance Provider Fee (HIT), the HIT included in the rate development must be appropriately prorated. The development of the prorated fee must be shown quantitatively.

#### 10. Plan & Network Factors

- a. Provide the quantitative development and narrative of all plan and network factors.

#### 11. Guaranteed renewability

- a. Please note that according to 45 C.F.R. 147.145(b)(1)(iii), individuals in a student health plan may not be non-renewed unless the individuals are no longer students or dependents of students; otherwise, 45 C.F.R. 147.106, Guaranteed Renewability of Coverage, applies. Please include such language in the filing.

#### 12. Guaranteed availability

- a. Please note that according to 45 C.F.R. 147.145(b)(1)(ii), individuals in a student health plan may not be refused coverage unless the individuals are not students or dependents of students; otherwise, 45 C.F.R. 147.104, Guaranteed Availability of Coverage, applies. Please include such language in the filing.



13. Final Rates

- a. Identify all factors used to adjust the Base Rate to develop the premium rate. Pursuant to PHS Act § 2701 (42 U.S.C. § 300gg), only the following factors may be used to develop the premium rate charged for a plan or coverage:
  - i. Family (generally per-member build-up with 3-covered child cap under age 21; however, one-for-one per person tiering is acceptable - i.e. student = 1.00; student + spouse = 2.00; student + spouse + child = 3.00)
  - ii. Geographic rating area
  - iii. Age (3:1)
  - iv. Tobacco use (1.5:1)
- b. If the Manual Rate Filing does not include the final plan benefit designs and proposed rates, a statement must be included in the Actuarial Memorandum that the final plan benefit designs, proposed rates, and RRJ will be filed with the Pennsylvania Insurance Department within 7 days of quoting a contract with an institution.

## E. Group Specific Named Filing

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The second part of the two-part rate filing process for fully insured Student Health Insurance Plan rating is the filing of the Group Specific Named Filing. This submission must include the following items:

### 1. Cover Letter

See page 5 for required information.

### 2. Rate Review Justification

Part I of the rate review justification must be submitted by product. The form must show the claims and other information as required by the RRJ. Since this form includes data by product, the claims for multiple institutions and risk pools may be included. Please see Section G below for Pennsylvania RRJ requirements.

### 3. AV Screenshot

This must show the AV Calculator output demonstrating that the minimum of 60% is met.

### 4. Excel Based Rate Development for School

An Excel based exhibit must be provided, with working formulas, that chronicles the step-by-step rate process as approved in the filed rate manual. All factors and processes must be consistent with the approved rate manual.

### 5. Final Rates

A rate given to an institution prior to Department approval must contain language indicating that the rate is pending Department approval and that the rate may be subject to change.

- a. Consistent with section 2701 of the PHS Act, if an issuer offers a school-specific community rate, the premium rate charged may not be adjusted for any factors.
- b. If an issuer offers only statewide community-based products, the issuer must identify all factors used to adjust the Base Rate to develop the premium rate. Pursuant to PHS Act § 2701 (42 U.S.C. § 300gg), only the following factors may be used to develop the premium rates charged for a particular plan or coverage:
  - i. Family (generally per-member build-up; 3-covered child cap under age 21; however, one-for-one per person tiering is acceptable - i.e. student = 1.00; student + spouse = 2.00; student + spouse + child = 3.00)
  - ii. Geographic rating area
  - iii. Age (3:1)
  - iv. Tobacco use (1.5:1)

## F. Actuarial Memorandum Certifications

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Provide certification by a qualified actuary that to the best of the actuary's knowledge and judgment:

1. The filing meets the guidance provided herein;
2. The rate filing is in compliance with the applicable laws of the Commonwealth of Pennsylvania;
3. The rate filing is in compliance with applicable federal laws, including that:
  - Consistent with 45 C.F.R. §147.145(b)(2), all final plans will be developed to provide at least 60 percent actuarial value, as calculated in accordance with 45 C.F.R. §156.135, and
  - All final rates will be developed to meet an anticipated loss ratio, as calculated in accordance with 45 C.F.R. Subt. A, Subch. B., Pt. 158, such that it is anticipated that rebates will not be required.
4. The rate filing complies with all applicable Actuarial Standards of Practice;
5. The benefits provided are reasonable in relation to premiums; and

6. The premium schedules are not excessive, inadequate, or unfairly discriminatory.
7. The filing complies with the additional certifications listed on the checklist.

## G. Rate Review Justification (RRJ)

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### Rate Reporting Form

The RRJ Part 1 must be completed, for each product proposed and filed, in Excel for all renewing product filings, including filings with no rate changes, rate decreases or rate increases. The RRJ is a standardized Excel-based form that collects product-level summary data on the underlying medical and administrative cost drivers of the rate change. A separate RRJ must be filed for each product. As more fully defined in CFR §144.103, a product is “a discrete package of health insurance coverage benefits that a health insurance issuer offers using a particular network type within a service area”, and a plan is “the pairing of the health insurance coverage benefits under the product with a particular cost-sharing structure, provider network, and service area. The product comprises all plans offered with those characteristics”.

Issuers must use the standardized Microsoft Excel worksheet, Part 1 of the RRJ - Rate Summary Worksheet, available for download from the Department’s website. The instructions for completing the form, “Rate Review Justification Instructions for Transitional Policies and Student Health Plans (Updated April 1, 2015),” are also available via a link on the Department’s website.

When populating the RRJ Part 1, issuers should provide data for the most recent policy year experience period available, with two months run out.

Additionally, issuers should provide an accompanying Excel spreadsheet that shows the institutions included in each product-level aggregate RRJ, the number of enrolled students, the number of enrolled dependents, and the number of years the issuer has provided student health insurance to each institution.

### Written Explanation of the Rate Change

This form is required for all filings with rate increases, including filings with rate decreases and no rate change. This is a brief, non-technical consumer-oriented explanation of the rate change, intended to provide context for the quantitative information provided in the RRJ Template. Please see the “Rate Review Justification Instructions for Transitional Policies and Student Health Plans (Updated April 1, 2015)” available via a link on the Department’s website.