

CHECKLIST FOR SMALL GROUP PHARMACY BASE RATE FILINGS

The following applies to all pharmacy base rider rate filings offered to small groups in conjunction with medical products. These pharmacy rider rates must be filed with the Insurance Department. Pharmacy products sold on a standalone basis need not be filed.

Submission Medium

All rate filings must be submitted in SERFF. Data files must be submitted in Excel 2007 version or earlier. Files exceeding the SERFF capacity may be submitted separately on CD. All formulas must be shown.

Timing of Submission

Base rate filings must be submitted at least 45 days prior to the proposed effective date; however, filings published in the Pennsylvania Bulletin require an additional 30 days for public comment, after publication in the Bulletin. Please note that the Department may extend the filing review period by up to an additional 45 days.

Pennsylvania Bulletin Information

For publication submit the following: the average rate adjustment (% and \$ amount); the minimum and maximum rate adjustment consumers will see; the additional annual revenue generated from the proposed rate adjustment; and the number of policyholders and members impacted by the rate filing proposal. Additionally, all data worksheets must also be submitted in pdf format. If confidentiality is requested for certain components of the rate filing, these components must be so marked and must contain an explanation as to why these components should be considered proprietary.

Required Components of a Pharmacy Base Rate Filing

Actuarial Memorandum

An actuarial memorandum must demonstrate that the proposed rate change is not excessive, inadequate, or unfairly discriminatory. Submissions must contain sufficient detail to allow the Department to conduct a thorough actuarial review of the rate increase and must clearly describe the rate making methodology, underlying data, assumptions, and analysis used in developing the rate increase. The following information must be included:

- A statement of purpose: To request a rate revision (range of increase/decrease and the average) and/or change in benefit(s).
- The number of contracts and members;
- Identification of the 12-month experience period;
- The proposed effective date and timing of the rate revision;
- The reason for the rate revision must be clearly described identifying the composite trend and the components contributing to the average rate increase/(decrease) including a discussion of why the components are changing:
 - Pharmacy utilization changes,
 - Pharmacy cost changes,
 - Pharmacy benefit changes required by law,

- Pharmacy benefit changes not required by law,
- Changes to administration costs,
- Other reasons for the rate request – identify and quantify, and
- Overall average rate increase/(decrease).
- A general description of the policy and benefits , including the following:
 - Form number,
 - Product name,
 - Benefit description (Open/closed formulary pharmacy rider with \$250 deductible and \$20/\$40/\$60 copayment),
 - Benefit changes showing the current benefit and the proposed benefit, and
 - A schedule of benefits.
- Identification of the last three rate increases and their SERFF tracking numbers

Supporting Data

The following Pennsylvania data shall be provided in tabular form. Please refer to the Small Group Pharmacy Rating Exhibit on the Department’s website

- Brand drugs
- Generic drugs
- Other

Pennsylvania experience period data, for a 12-month period

- Number of scripts
- Incurred claims
- Completed Claims
- Rebates
- Estimated cost sharing
- Dispensing fee
- Ultimate allowed claims
- Member months
- Average age/gender factor, if applicable
- Average SIC factor, if applicable
- Average benefit factor, if applicable
- Average other (specify), if applicable

Supporting pharmacy trend data, with at least 5 years of monthly Pennsylvania data as follows

- Number of scripts
- Incurred claims
- Completed Claims
- Rebates
- Estimated cost sharing
- Dispensing Fee
- Ultimate allowed claims
- Member months

- Actual and current rate level earned premium¹
- Average age/gender factor, if applicable
- Average SIC factor, if applicable
- Average benefit factor, if applicable
- Average other (specify), if applicable

Other supporting data, including 5 years of Pennsylvania data as follows

- Administrative Expenses
- Agents or brokers fees and commissions
- Underwriting Gain/Loss

Projected rating period data, on a gross pmpm basis

- Number of scripts
- Unit cost
- Retention Items
 - Administration
 - Agents or brokers fees and commissions
 - Profit/Contingency/Reserves
 - Taxes/Licensing or regulatory fees
- Required revenue
- Underwriting gain/(loss)

Premium Rate Development

Demonstrate how the Pennsylvania experience period data is trended to the rating period and how the rating period data is used to develop the tiered premium rate structure. This demonstration must identify by rating tier the contract distribution, the members per contract, the desired rate ratios and the developed conversion factors. The experience period loss data by contract type must be provided to support the desired rate ratios. Provide all benefit plan relativity factors for plans offered in the small group market.

Rate Pages

The premium rate pages must contain:

- Product name
- Form number
- Rate period
- Premium rates, by contract type and by tier

Pennsylvania's credibility standard is 1,000 life years.

¹ Earned premiums should exclude federal and state taxes and licensing or regulatory fees.