

## **CHECKLIST FOR SMALL GROUP MEDICAL BASE RATE FILINGS**

The following applies to all small group premium base rate filings filed with the Insurance Department, whether the proposed rate adjustment meets /exceeds the threshold or is lower than the threshold. Issuers proposing a rate increase of 10% or more must include a Rate Summary Worksheet (downloaded from HIOS) in addition to the information outlined below.

### **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 Required**

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 (i.e. employers) 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 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 adjustment and must clearly describe the rate making methodology, underlying data, assumptions, and analysis used in developing the rate adjustment. 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 shown below which contribute to the average rate increase/(decrease) including a discussion of why the components are changing:
  - % Medical utilization changes,
  - % Medical cost changes,

- % Medical benefit changes required by law,
- % Medical benefit changes not required by law,
- % Changes to administration costs,
- % Changes 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 (major medical with \$250 and \$500 deductible options),
  - 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 according to the identified medical service category. Please refer to the Small Group Standard Medical Rating Exhibit on the Department’s website

- Inpatient hospital
- Outpatient hospital
- Professional
- Capitations
- Pharmacy – outpatient (if required for all small groups otherwise refer to the pharmacy rider checklist) and
- Others

Pennsylvania experience period data, for a 12-month period with 3 months runout

- Number of days/visits
- Net incurred claims
- Completion factors
- Estimated cost sharing
- Ultimate allowed claims
- Member months
- Capitations
- Average age/gender factor, if applicable
- Average SIC factor, if applicable
- Average benefit factor, if applicable
- Average other factor (specify), if applicable

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

- Net incurred claims
- Completion factor
- Estimated cost sharing
- Allowed claims
- Member months
- Capitations

- Actual and current rate level earned premium<sup>1</sup>
- 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 (including general, fixed, variable, and claims processing)
- Agents or brokers fees and commissions
- Quality improvement programs and associated savings
- Underwriting Gain/Loss

Projected rating period data, on a gross basis

- Utilization/1,000 members
- Unit cost
- Capitations
- Activities that improve health care quality
- Retention Items
  - Administration
  - Agents or brokers fees and commissions
  - Reinsurance expense
  - Reinsurance recovery
  - Profit/Contingency/Reserves
  - Taxes/Licensing or regulatory fees
  - Coordination of benefits
- Required revenue pmpm
- 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.

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<sup>1</sup> Earned premiums should exclude federal and state taxes and licensing or regulatory fees.