



May 22, 2017

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

**SUBMITTED VIA SERFF**

**RE: Keystone Health Plan East  
Individual HMO Rate Filing effective 1/1/2018  
INAC-131005820**

Dear Ms. Fabian-Marks:

Attached is the 2018 annual rate filing for HMO plans of Keystone Health Plan East (KHPE) in the Individual (non-group) marketplace in the Commonwealth of Pennsylvania. Rates for new and renewing plans are being filed and satisfy market reform requirements of the Affordable Care Act (ACA).

This rate filing includes rates for these plans and specifies compliance with rating requirements of the ACA. The enclosed is for rating periods effective from January 1, 2018 through December 31, 2018.

The proposed rates represent a 4.71% increase over the previously approved 2017 rates.

**Information for the Pennsylvania Bulletin:**

- |    |                               |                                    |
|----|-------------------------------|------------------------------------|
| 1. | Company Name and NAIC Number: | Keystone Health Plan East<br>95056 |
| 2. | Market                        | Individual                         |
| 3. | On or Off Exchange            | On and Off                         |



|     |   |  |
|-----|---|--|
| 4.  | Effective Date of Coverage  | January 1, 2018  |
| 5.  | Average Rate Change Requested                                     | 4.71%  |
| 6.  | Range of Rate Changes Requested                                   | 2.8% - 12.3%   |
| 7.  | Products  | HMO  |
| 8.  | Rating Areas and Change from 2017                                 | Rating Area 8<br>No Change from 2017                         |
| 9.  | Metal Levels and Catastrophic Plans                               | Platinum, Gold, Silver, Bronze                               |
| 10. | Current covered lives and policyholders<br>as of February 1, 2017 | 151,360 lives<br>100,172 policyholders                       |
| 11. | Number of plans offered in 2018 and<br>change from 2017           | 11 plans in 2018; 14 plans in 2017                           |
| 12. | Corresponding contract form number,<br>SERFF, and binder numbers  | SERFF # INBC-130996377<br>See appendix for form numbers      |
| 13. | HIOS Issuer ID # and submission tracking<br>Number                | HIOS Issuer ID # 33871; Filing #<br>33871-963513410203478027 |

Please contact [REDACTED] with any questions regarding this filing.

Sincerely,

[REDACTED]

cc:

[REDACTED]



## APPENDIX

### Form Numbers

KE 650 IND FC EXC-ON Rev. 1.18, KE 650 IND FTC EXC-ON Rev. 1.18, KE 650 IND FTDED EXC-ON Rev. 1.18, KE 650 IND FC EXC-OFF Rev. 1.18, KE 650 IND FDED EXC-OFF Rev. 1.18, KE 650 IND FTC EXC-OFF Rev. 1.18, KE 650 IND FTDED EXC-OFF Rev. 1.18, KE 680 IND FC EXC.OC-ON Rev. 1.18, KE 680 IND FTC EXC.OC-ON Rev. 1.18, KE 680 IND FTDED EXC.OC-ON Rev. 1.18, KE 680 IND FC EXC.OC-OFF Rev. 1.18, KE 680 IND FDED EXC.OC-OFF Rev. 1.18, KE 680 IND FTC EXC.OC-OFF Rev. 1.18, KE 680 IND FTDED EXC.OC-OFF Rev. 1.18, PREV/SCH-II Rev. 1.18

## Keystone Health Plan East – Individual Plans

Rate request filing ID # INAC-131005820 - This document is prepared by the insurance company submitting the rate filing as a consumer tool to help explain the rate filing. It is not intended to describe or include all factors or information considered in the review process. For more information, see the filing at <http://www.insurance.pa.gov/Consumers/ACARelatedFilings/>

### Overview

|  |                    |
|--|--------------------|
| Initial requested average rate change: | 4.71% <sup>1</sup> |
| Revised requested average rate change: | N/A <sup>1</sup>   |
| Range of requested rate change:        | 2.8% - 12.3%       |
| Effective date:                        | January 1, 2018    |
| People impacted:                       | 151,360            |
| Available in:                          | Rating Area 8      |

### Key information

#### Jan. 2016-Dec. 2016 financial experience

|                            |                       |
|----------------------------|-----------------------|
| Premiums                   | \$588,096,093         |
| Claims                     | \$512,075,016         |
| Administrative expenses    | \$70,130,512          |
| Taxes & fees               | \$21,700,745          |
| Company made (after taxes) | <b>(\$15,810,180)</b> |

#### How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2018:

|                 |     |
|-----------------|-----|
| Claims:         | 82% |
| Administrative: | 12% |
| Taxes & fees:   | 4%  |
| Profit:         | 2%  |

The company expects its annual medical costs to increase **6.8%**.

### Explanation of requested rate change

Scope and Range of the Rate Increase:

Keystone Health Plan East ("KHPE") is revising premium rates for the Pennsylvania Small Group ACA compliant products, effective from January 1, 2018. The actual impact for a specific customer may be different.

About 151,000 members will be affected.

Financial Experience of the Product:

KHPE is required by federal law to pay out a minimum of 80% percent of premium dollars for medical claims—this is referred to as the minimum Medical Loss Ratio (MLR). The rate action proposed in this filing is expected to achieve a Medical Loss Ratio of greater than 80%.

Changes in Medical Service Costs:

Premium rates for health care insurance are increasing as the cost of health care service rise. Health

<sup>1</sup> Note that insurers will have the opportunity to revise their rate change request in July, after they are scheduled to receive updated information about the impact of a federal program called risk adjustment. This document will be updated accordingly at that time.

care service costs increase as health care providers increase their fees, members use more health care services and supplies, and the types of health care services and supplies change, among other factors.

We are projecting that claims will increase by 6.8% in 2018. Nearly half of the change in health care service costs is driven by changes to health care provider fees.

#### Changes in Benefits:

Some plan benefits are mandated by federal and state law. Benefit changes for some plans were also made. All changes in benefits are in compliance with the uniform modifications rules stipulated by the Federal government.

#### Administrative Costs:

The premium rates presented in this filing include a 2% contribution to reserves. Furthermore, the Affordable Care Act (ACA) imposes taxes and other levies.

|    |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
|----|--|--|--|--|------------------------------|--|--|--|--|--|--|--|----------------------|--|--|--|--|--|--|--|----------------------|--|--|--|---|--|--|-------|-------------------|--|-------|--|-------------------------|-----------------------|--|--|----------------------|--|--|-------------|---------------|--|-----------------------|--|--|----------------------|--|--|--------|--|--|
| 1  | Unified Rate Review v4.2   |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 2  |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 3  | Company Legal Name:  |  |  |  | KHPE                         |  |  |  | State:   |  |  |  | PA                   |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 4  | HIOS Issuer ID:  |  |  |  | 33871                        |  |  |  | Market:  |  |  |  | Individual           |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 5  | Effective Date of Rate Change(s):  |  |  |  | 1/1/2018                     |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 6  |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 7  |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 8  | Market Level Calculations (Same for all Plans)   |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 9  |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 10 |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 11 | Section I: Experience period data  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 12 | Experience Period:   |  |  |  | 1/1/2016                     |  |  |  | to   |  |  |  | 12/31/2016           |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 13 |  |  |  |  | Experience Period            |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 14 |  |  |  |  | Aggregate Amount             |  |  |  | PMPM   |  |  |  | % of Prem            |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 15 | Premiums (net of MLR Rebate) in Experience Period:   |  |  |  | \$588,096,093                |  |  |  | \$373.42   |  |  |  | 100.00%              |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 16 | Incurred Claims in Experience Period   |  |  |  | \$512,075,016                |  |  |  | 325.15   |  |  |  | 87.07%               |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 17 | Allowed Claims:  |  |  |  | \$596,831,699                |  |  |  | 378.96   |  |  |  | 101.49%              |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 18 | Index Rate of Experience Period  |  |  |  | \$                           |  |  |  | 378.96   |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 19 | Experience Period Member Months  |  |  |  | 1,574,901                    |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 20 | Section II: Allowed Claims, PMPM basis   |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 21 |  |  |  |  | Experience Period            |  |  |  | Projection Period:   |  |  |  | 1/1/2018             |  |  |  | to   |  |  |  | 12/31/2018           |  |  |  | Mid-point to Mid-point, Experience to Projection: |  |  |       | 24 months         |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 22 |  |  |  |  | on Actual Experience Allowed |  |  |  | Adj't. from Experience to  |  |  |  | Annualized Trend     |  |  |  | Projections, before credibility Adjustment |  |  |  | Credibility Manual   |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 23 | Benefit Category   |  |  |  | Utilization Description      |  |  |  | Utilization per 1,000  |  |  |  | Average Cost/Service |  |  |  | PMPM                                       |  |  |  | Pop'l risk Morbidity |  |  |  | Other   |  |  | Cost  |                   |  | Util  |  |                         | Utilization per 1,000 |  |  | Average Cost/Service |  |  | PMPM        |               |  | Utilization per 1,000 |  |  | Average Cost/Service |  |  | PMPM   |  |  |
| 24 | Inpatient Hospital   |  |  |  | Admits                       |  |  |  | 68.93  |  |  |  | \$17,881.41          |  |  |  | \$102.72                                   |  |  |  | 1.045                |  |  |  | 1.042   |  |  | 1.039 |                   |  | 1.032 |  |                         | 76.73                 |  |  | \$20,104.85          |  |  | \$128.56    |               |  | 0.00                  |  |  | \$0.00               |  |  | \$0.00 |  |  |
| 25 | Outpatient Hospital  |  |  |  | Services                     |  |  |  | 2,186.50   |  |  |  | 459.54               |  |  |  | 83.73                                      |  |  |  | 1.045                |  |  |  | 1.042   |  |  | 1.033 |                   |  | 1.032 |  |                         | 2,432.59              |  |  | 510.73               |  |  | 103.53      |               |  | 0.00                  |  |  | 0.00                 |  |  | 0.00   |  |  |
| 26 | Professional   |  |  |  | Services                     |  |  |  | 8,315.53   |  |  |  | 133.66               |  |  |  | 92.62                                      |  |  |  | 1.045                |  |  |  | 1.042   |  |  | 1.020 |                   |  | 1.032 |  |                         | 9,258.67              |  |  | 144.83               |  |  | 111.75      |               |  | 0.00                  |  |  | 0.00                 |  |  | 0.00   |  |  |
| 27 | Other Medical  |  |  |  | Services                     |  |  |  | 0.18   |  |  |  | 78.20                |  |  |  | 0.00                                       |  |  |  | 1.045                |  |  |  | 1.042   |  |  | 1.020 |                   |  | 1.032 |  |                         | 0.20                  |  |  | 84.74                |  |  | 0.00        |               |  | 0.00                  |  |  | 0.00                 |  |  | 0.00   |  |  |
| 28 | Capitation   |  |  |  | Services                     |  |  |  | 12,000.00  |  |  |  | 18.23                |  |  |  | 18.23                                      |  |  |  | 1.045                |  |  |  | 1.042   |  |  | 1.025 |                   |  | 1.000 |  |                         | 12,545.27             |  |  | 19.95                |  |  | 20.86       |               |  | 0.00                  |  |  | 0.00                 |  |  | 0.00   |  |  |
| 29 | Prescription Drug  |  |  |  | Prescriptions                |  |  |  | 12,126.59  |  |  |  | 80.80                |  |  |  | 81.66                                      |  |  |  | 1.045                |  |  |  | 1.042   |  |  | 1.045 |                   |  | 1.045 |  |                         | 13,844.27             |  |  | 91.90                |  |  | 106.03      |               |  | 0.00                  |  |  | 0.00                 |  |  | 0.00   |  |  |
| 30 | Total  |  |  |  |                              |  |  |  |  |  |  |  | \$378.96             |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 31 |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 32 | Section III: Projected Experience:   |  |  |  |                              |  |  |  | Projected Allowed Claims PMPM (w/applied credibility if applicable)              |  |  |  |                      |  |  |  | 100.00%                                    |  |  |  |                      |  |  |  | 0.00%   |  |  |       | After Credibility |  |       |  | Projected Period Totals |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 33 |  |  |  |  |                              |  |  |  | Paid to Allowed Average Factor in Projection Period                              |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | 0.754                   |                       |  |  | \$854,999,491        |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 34 |  |  |  |  |                              |  |  |  | Projected Incurred Claims, before ACA rein & Risk Adj't, PMPM                    |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | \$354.93                |                       |  |  | \$644,669,616        |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 35 |  |  |  |  |                              |  |  |  | Projected Risk Adjustments PMPM  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | -55.07                  |                       |  |  | (100,024,742)        |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 36 |  |  |  |  |                              |  |  |  | Projected Incurred Claims, before reinsurance recoveries, net of rein prem, PMPM |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | \$410.00                |                       |  |  | \$744,694,359        |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 37 |  |  |  |  |                              |  |  |  | Projected ACA reinsurance recoveries, net of rein prem, PMPM                     |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | 0.00                    |                       |  |  | 0                    |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 38 |  |  |  |  |                              |  |  |  | Projected Incurred Claims  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | \$410.00                |                       |  |  | \$744,694,359        |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 39 |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 40 |  |  |  |  |                              |  |  |  | Administrative Expense Load  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | 11.93%                  |                       |  |  | 59.35                |  |  | 107,792,534 |               |  |                       |  |  |                      |  |  |        |  |  |
| 41 |  |  |  |  |                              |  |  |  | Profit & Risk Load   |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | 2.00%                   |                       |  |  | 9.95                 |  |  | 18,078,399  |               |  |                       |  |  |                      |  |  |        |  |  |
| 42 |  |  |  |  |                              |  |  |  | Taxes & Fees   |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | 3.69%                   |                       |  |  | 18.36                |  |  | 33,354,646  |               |  |                       |  |  |                      |  |  |        |  |  |
| 43 |  |  |  |  |                              |  |  |  | Single Risk Pool Gross Premium Avg. Rate, PMPM                                   |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  | \$497.67             |  |  |             | \$903,919,938 |  |                       |  |  |                      |  |  |        |  |  |
| 44 |  |  |  |  |                              |  |  |  | Index Rate for Projection Period   |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  | \$                      |                       |  |  | 470.73               |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 45 |  |  |  |  |                              |  |  |  | % increase over Experience Period  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  | 33.27%               |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 46 |  |  |  |  |                              |  |  |  | % Increase, annualized:  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  | 15.44%               |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 47 |  |  |  |  |                              |  |  |  | Projected Member Months  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             | 1,816,320     |  |                       |  |  |                      |  |  |        |  |  |
| 48 |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 49 | Information Not Releasable to the Public Unless Authorized by Law: This information has not been publically disclosed and may be privileged and confidential. It is for internal government use only and must not be disseminated, distributed, or copied to persons not authorized to receive the information. Unauthorized disclosure may result in prosecution to the full extent of the law. |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |
| 50 |  |  |  |  |                              |  |  |  |  |  |  |  |                      |  |  |  |  |  |  |  |                      |  |  |  |   |  |  |       |                   |  |       |  |                         |                       |  |  |                      |  |  |             |               |  |                       |  |  |                      |  |  |        |  |  |



Product-Plan Data Collection

Company Legal Name:  
HIOS Issuer ID:  
Effective Date of Rate Change(s):

KHPE  
33871  
1/1/2018

State: PA  
Market: Individual

Product/Plan Level Calculations

Section I: General Product and Plan Information

|   |                                |                   |                     |                             |                               |                     |                                     |                       |                                 |                     |                     |                             |                               |                                     |  |  |
|---|--------------------------------|-------------------|---------------------|-----------------------------|-------------------------------|---------------------|-------------------------------------|-----------------------|---------------------------------|---------------------|---------------------|-----------------------------|-------------------------------|-------------------------------------|--|--|
| Product                                       | Keystone HMO ON Exchange Indiv |                   |                     |                             |                               |                     |                                     |                       | Keystone HMO OFF Exchange Indiv |                     |                     |                             |                               |                                     |  |  |
| Product ID:                                   | 33871PA004                     |                   |                     |                             |                               |                     |                                     |                       | 33871PA012                      |                     |                     |                             |                               |                                     |  |  |
| Metal:  | Platinum                       | Gold              | Silver              | Gold                        | Silver                        | Bronze              | Silver                              | Platinum              | Gold                            | Silver              | Bronze              | Gold                        | Silver                        | Silver                              |  |  |
| AV Metal Value                                | 0.902                          | 0.814             | 0.710               | 0.763                       | 0.717                         | 0.620               | 0.688                               | 0.902                 | 0.814                           | 0.710               | 0.623               | 0.763                       | 0.717                         | 0.708                               |  |  |
| AV Pricing Value                              | 0.927                          | 0.911             | 0.757               | 0.911                       | 0.757                         | 0.440               | 0.625                               | 0.927                 | 0.911                           | 0.757               | 0.563               | 0.911                       | 0.757                         | 0.701                               |  |  |
| Plan Category                                 | Renewing                       | Renewing          | Terminated          | Renewing                    | Renewing                      | Terminated          | Terminated                          | Renewing              | Renewing                        | Renewing            | Renewing            | Renewing                    | Renewing                      | Renewing                            |  |  |
| Plan Type:                                    | HMO                            | HMO               | HMO                 | HMO                         | HMO                           | HMO                 | HMO                                 | HMO                   | HMO                             | HMO                 | HMO                 | HMO                         | HMO                           | HMO                                 |  |  |
| Plan Name                                     | Keystone HMO Platinum          | Keystone HMO Gold | Keystone HMO Silver | Keystone HMO Gold Proactive | Keystone HMO Silver Proactive | Keystone HMO Bronze | Keystone HMO Silver Proactive Value | Keystone HMO Platinum | Keystone HMO Gold               | Keystone HMO Silver | Keystone HMO Bronze | Keystone HMO Gold Proactive | Keystone HMO Silver Proactive | Keystone HMO Silver Proactive Value |  |  |
| Plan ID (Standard Component ID):              | 33871PA0040001                 | 33871PA0040002    | 33871PA0040003      | 33871PA0040005              | 33871PA0040006                | 33871PA0040004      | 33871PA0040007                      | 33871PA0120001        | 33871PA0120002                  | 33871PA0120003      | 33871PA0120004      | 33871PA0120005              | 33871PA0120006                | 33871PA0120007                      |  |  |
| Exchange Plan?                                | Yes                            | Yes               | Yes                 | Yes                         | Yes                           | Yes                 | Yes                                 | No                    | No                              | No                  | No                  | No                          | No                            | No                                  |  |  |
| Historical Rate Increase - Calendar Year - 2  |                                |                   |                     | 0.00%                       |                               |                     |                                     |                       |                                 |                     | 0.00%               |                             |                               |                                     |  |  |
| Historical Rate Increase - Calendar Year - 1  |                                |                   |                     | 1.91%                       |                               |                     |                                     |                       |                                 |                     | 1.91%               |                             |                               |                                     |  |  |
| Historical Rate Increase - Calendar Year 0    |                                |                   |                     | 4.71%                       |                               |                     |                                     |                       |                                 |                     | 4.71%               |                             |                               |                                     |  |  |
| Effective Date of Proposed Rates              | 1/1/2018                       | 1/1/2018          | 1/1/2018            | 1/1/2018                    | 1/1/2018                      | 1/1/2018            | 1/1/2018                            | 1/1/2018              | 1/1/2018                        | 1/1/2018            | 1/1/2018            | 1/1/2018                    | 1/1/2018                      | 1/1/2018                            |  |  |
| Rate Change % (over prior filing)             | 12.27%                         | 12.17%            | 11.80%              | 7.36%                       | 3.15%                         | 0.00%               | 0.00%                               | 12.27%                | 12.17%                          | 11.80%              | 11.87%              | 7.36%                       | 3.15%                         | 2.82%                               |  |  |
| Cum'tive Rate Change % (over 12 mos prior)    | 12.27%                         | 12.17%            | 11.80%              | 7.36%                       | 3.15%                         | 0.00%               | 0.00%                               | 12.27%                | 12.17%                          | 11.80%              | 11.87%              | 7.36%                       | 3.15%                         | 2.82%                               |  |  |
| Proj'd Per Rate Change % (over Exper. Period) | 59.60%                         | 48.52%            | 22.87%              | 48.53%                      | 27.58%                        | -100.00%            | -100.00%                            | 95.97%                | 79.29%                          | 47.99%              | 31.14%              | 76.13%                      | 44.68%                        | 29.02%                              |  |  |
| Product Rate Increase %                       |                                |                   |                     | 3.53%                       |                               |                     |                                     |                       |                                 |                     | 6.52%               |                             |                               |                                     |  |  |

Section II: Components of Premium Increase (PMPM Dollar Amount above Current Average Rate PMPM)

|                                  |         |                |                |                |                |                |                |                |                |                |                |                |                |                |                |
|----------------------------------|---------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Plan ID (Standard Component ID): | Total   | 33871PA0040001 | 33871PA0040002 | 33871PA0040003 | 33871PA0040005 | 33871PA0040006 | 33871PA0040004 | 33871PA0040007 | 33871PA0120001 | 33871PA0120002 | 33871PA0120003 | 33871PA0120004 | 33871PA0120005 | 33871PA0120006 | 33871PA0120007 |
| Inpatient                        | \$3.89  | \$24.98        | \$20.27        | \$15.37        | \$10.07        | \$3.55         | \$0.00         | \$0.00         | \$20.91        | \$16.70        | \$13.04        | \$8.81         | \$8.39         | \$2.97         | \$2.60         |
| Outpatient                       | \$3.13  | \$20.12        | \$16.32        | \$12.38        | \$8.11         | \$2.86         | \$0.00         | \$0.00         | \$16.84        | \$13.45        | \$10.50        | \$7.09         | \$6.76         | \$2.39         | \$2.10         |
| Professional                     | \$3.38  | \$21.72        | \$17.62        | \$13.36        | \$8.76         | \$3.09         | \$0.00         | \$0.00         | \$18.17        | \$14.52        | \$11.33        | \$7.65         | \$7.30         | \$2.58         | \$2.26         |
| Prescription Drug                | \$3.21  | \$20.60        | \$16.72        | \$12.67        | \$8.31         | \$2.93         | \$0.00         | \$0.00         | \$17.24        | \$13.78        | \$10.75        | \$7.26         | \$6.92         | \$2.45         | \$2.15         |
| Other                            | \$0.00  | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         | \$0.00         |
| Capitalation                     | \$0.63  | \$4.05         | \$3.29         | \$2.49         | \$1.63         | \$0.58         | \$0.00         | \$0.00         | \$3.39         | \$2.71         | \$2.12         | \$1.43         | \$1.36         | \$0.48         | \$0.42         |
| Administration                   | \$2.06  | \$13.24        | \$10.74        | \$8.14         | \$5.34         | \$1.88         | \$0.00         | \$0.00         | \$11.08        | \$8.85         | \$6.91         | \$4.67         | \$4.45         | \$1.58         | \$1.38         |
| Taxes & Fees                     | \$0.35  | \$2.22         | \$1.80         | \$1.37         | \$0.90         | \$0.32         | \$0.00         | \$0.00         | \$1.86         | \$1.48         | \$1.16         | \$0.78         | \$0.75         | \$0.26         | \$0.23         |
| Risk & Profit Charge             | \$0.64  | \$4.10         | \$3.32         | \$2.52         | \$1.65         | \$0.58         | \$0.00         | \$0.00         | \$3.43         | \$2.74         | \$2.14         | \$1.44         | \$1.38         | \$0.49         | \$0.43         |
| Total Rate Increase              | \$17.28 | \$111.04       | \$90.08        | \$68.29        | \$44.77        | \$15.79        | \$0.00         | \$0.00         | \$92.93        | \$74.24        | \$57.95        | \$39.13        | \$37.31        | \$13.21        | \$11.57        |
| Member Cost Share Increase       | \$7.62  | \$17.06        | \$8.93         | \$1.31         | \$0.00         | \$15.14        | \$0.00         | \$0.00         | \$14.28        | \$7.36         | \$1.11         | \$0.50         | \$0.00         | \$12.67        | \$13.01        |

|                           |           |          |          |          |          |           |        |        |          |          |          |          |          |          |          |
|---------------------------|-----------|----------|----------|----------|----------|-----------|--------|--------|----------|----------|----------|----------|----------|----------|----------|
| Average Current Rate PMPM | \$488.49  | \$904.92 | \$740.46 | \$578.95 | \$607.92 | \$502.02  | \$0.00 | \$0.00 | \$757.33 | \$610.28 | \$491.25 | \$329.64 | \$506.55 | \$420.05 | \$410.85 |
| Projected Member Months   | 1,816,320 | 6,924    | 14,580   | 0        | 42,804   | 1,274,064 | 0      | 0      | 11,664   | 28,704   | 17,196   | 104,832  | 44,700   | 140,484  | 130,368  |

Section III: Experience Period Information

|   |                  |                |                |                |                |                 |                |                 |                |                |                |                |                 |                 |                |
|---|------------------|----------------|----------------|----------------|----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|
| Plan ID (Standard Component ID):  | Total            | 33871PA0040001 | 33871PA0040002 | 33871PA0040003 | 33871PA0040005 | 33871PA0040006  | 33871PA0040004 | 33871PA0040007  | 33871PA0120001 | 33871PA0120002 | 33871PA0120003 | 33871PA0120004 | 33871PA0120005  | 33871PA0120006  | 33871PA0120007 |
| Plan Adjusted Index Rate  | \$373.42         | \$653.19       | \$522.99       | \$485.98       | \$442.06       | \$386.31        | \$288.77       | \$363.53        | \$531.95       | \$433.25       | \$403.48       | \$277.22       | \$372.80        | \$340.65        | \$336.10       |
| Member Months   | 1,574,901        | 13,562         | 15,729         | 23,659         | 42,346         | 538,013         | 106,618        | 437,077         | 23,763         | 32,056         | 14,988         | 40,594         | 63,396          | 182,099         | 41,001         |
| Total Premium (TP)  | \$588,096,093    | \$8,858,533    | \$8,226,042    | \$11,497,842   | \$18,719,485   | \$207,837,615   | \$30,787,925   | \$158,892,604   | \$12,640,749   | \$13,888,321   | \$6,047,306    | \$11,253,447   | \$23,634,222    | \$62,031,488    | \$13,780,514   |
| EHB Percent of TP, [see instructions]   | 99.86%           | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%         | 100.00%        | 100.00%         | 99.43%         | 99.43%         | 99.43%         | 99.43%         | 99.43%          | 99.43%          | 99.43%         |
| state mandated benefits portion of TP that are other than EHB                   | 0.00%            | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%           | 0.00%          | 0.00%           | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%           | 0.00%           | 0.00%          |
| Other benefits portion of TP  | 0.14%            | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%           | 0.00%          | 0.00%           | 0.57%          | 0.57%          | 0.57%          | 0.57%          | 0.57%           | 0.57%           | 0.57%          |
| Total Allowed Claims (TAC)  | \$590,226,331    | \$16,269,306   | \$9,186,283    | \$13,017,808   | \$21,217,634   | \$214,801,166   | \$14,835,030   | \$167,736,069   | \$17,072,850   | \$16,069,865   | \$5,102,592    | \$8,070,477    | \$22,544,713    | \$53,011,764    | \$11,290,824   |
| EHB Percent of TAC, [see instructions]  | 99.87%           | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%         | 100.00%        | 100.00%         | 99.43%         | 99.43%         | 99.43%         | 99.43%         | 99.43%          | 99.43%          | 99.43%         |
| state mandated benefits portion of TAC that are other than EHB                  | 0.00%            | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%           | 0.00%          | 0.00%           | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%           | 0.00%           | 0.00%          |
| Other benefits portion of TAC   | 0.13%            | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%           | 0.00%          | 0.00%           | 0.57%          | 0.57%          | 0.57%          | 0.57%          | 0.57%           | 0.57%           | 0.57%          |
| Allowed Claims which are not the issuer's obligation:                           | \$78,151,365     | \$956,837      | \$1,197,717    | \$1,338,732    | \$2,967,893    | \$24,757,536    | \$4,131,181    | \$20,802,880    | \$1,153,400    | \$2,039,216    | \$1,149,658    | \$1,945,274    | \$3,299,894     | \$9,809,944     | \$2,601,205    |
| Portion of above payable by HHS's funds on behalf of insured person, in dollars | \$0              |                |                |                |                |                 |                |                 |                |                |                |                |                 |                 |                |
| Portion of above payable by HHS on behalf of insured person, as %               | 0.00%            | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%           | 0.00%          | 0.00%           |                |                |                |                |                 |                 |                |
| Total Incurred Claims, payable with issuer funds                                | \$512,075,016    | \$15,312,469   | \$7,988,566    | \$11,679,076   | \$18,249,741   | \$190,043,630   | \$10,703,849   | \$146,933,190   | \$15,919,450   | \$14,030,649   | \$3,952,934    | \$6,125,202    | \$19,244,820    | \$43,201,820    | \$8,689,620    |
| Net Amt of Rein   | \$19,571,636.30  | \$842,731.45   | \$368,583.69   | \$694,304.56   | \$595,249.65   | \$7,620,657.95  | \$409,621.42   | \$5,469,368.01  | \$570,213.50   | \$635,201.56   | \$43,447.82    | \$407,773.23   | \$671,391.84    | \$988,489.60    | \$254,602.02   |
| Net Amt of Risk Adj   | -\$10,914,063.92 | \$1,741,381.84 | \$537,090.08   | \$261,739.73   | \$550,405.42   | -\$1,749,485.12 | \$235,050.92   | -\$5,892,810.94 | \$1,128,670.05 | \$184,011.41   | -\$477,351.21  | -\$390,247.13  | -\$1,034,232.98 | -\$5,058,495.76 | -\$949,790.23  |

|                                     |          |            |          |          |          |          |          |          |          |          |          |          |          |          |          |
|-------------------------------------|----------|------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Incurred Claims PMPM                | \$325.15 | \$1,129.07 | \$507.89 | \$493.64 | \$430.97 | \$353.23 | \$100.39 | \$336.17 | \$669.93 | \$437.69 | \$263.74 | \$150.89 | \$303.57 | \$237.24 | \$211.94 |
| Allowed Claims PMPM                 | \$374.77 | \$1,199.62 | \$584.03 | \$550.23 | \$501.05 | \$399.25 | \$139.14 | \$383.77 | \$718.46 | \$501.31 | \$340.45 | \$355.62 | \$291.12 | \$275.38 |          |
| EHB portion of Allowed Claims, PMPM | \$374.29 | \$1,199.62 | \$584.03 | \$550.23 | \$501.05 | \$399.25 | \$139.14 | \$383.77 | \$714.37 | \$498.45 | \$338.50 | \$197.68 | \$353.59 | \$289.46 | \$273.81 |

Section IV: Projected (12 months following effective date)

|   |               |                |                |                |                |                |                |                |                |                |                |                |                |                |                |
|---|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Plan ID (Standard Component ID):  | Total         | 33871PA0040001 | 33871PA0040002 | 33871PA0040003 | 33871PA0040005 | 33871PA0040006 | 33871PA0040004 | 33871PA0040007 | 33871PA0120001 | 33871PA0120002 | 33871PA0120003 | 33871PA0120004 | 33871PA0120005 | 33871PA0120006 | 33871PA0120007 |
| Plan Adjusted Index Rate  | \$502.40      | \$1,042.46     | \$776.77       | \$597.10       | \$656.60       | \$492.85       | \$0.00         | \$0.00         | \$1,042.46     | \$776.77       | \$597.10       | \$363.54       | \$656.60       | \$492.85       | \$433.64       |
| Member Months   | 1,816,320     | 6,924          | 14,580         | -              | 42,804         | 1,274,064      | -              | -              | 11,664         | 28,704         | 17,196         | 104,832        | 44,700         | 140,484        | 130,368        |
| Total Premium (TP)  | \$912,525,204 | \$7,217,993    | \$11,325,307   | \$0            | \$28,105,106   | \$627,922,442  | \$0            | \$0            | \$12,159,253   | \$22,296,406   | \$10,267,732   | \$38,110,625   | \$29,350,020   | \$69,237,539   | \$56,532,780   |
| EHB Percent of TP, [see instructions]   | 99.97%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 99.90%         | 99.90%         | 99.90%         | 99.90%         | 99.90%         | 99.90%         | 99.90%         |
| state mandated benefits portion of TP that are other than EHB                   | 0.00%         | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Other benefits portion of TP  | 0.03%         | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          |
| Total Allowed Claims (TAC)  | \$858,784,696 | \$5,550,616    | \$8,862,049    | \$0            | \$21,992,336   | \$591,914,056  | \$0            | \$0            | \$9,350,432    | \$17,446,932   | \$9,678,928    | \$48,274,447   | \$22,966,485   | \$65,267,094   | \$57,481,321   |
| EHB Percent of TAC, [see instructions]  | 99.97%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 100.00%        | 99.90%         | 99.90%         | 99.90%         | 99.90%         | 99.90%         | 99.90%         | 99.90%         |
| state mandated benefits portion of TAC that are other than EHB                  | 0.00%         | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Other benefits portion of TAC   | 0.03%         | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          | 0.10%          |
| Allowed Claims which are not the issuer's obligation                            | \$131,781,259 | \$112,344      | \$173,276      | \$0            | \$152,222      | \$90,635,880   | \$0            | \$0            | \$189,251      | \$341,133      | \$1,634,658    | \$16,696,382   | \$158,965      | \$9,993,918    | \$11,693,231   |
| Portion of above payable by HHS's funds on behalf of insured person, in dollars | \$0           |                |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Portion of above payable by HHS on behalf of insured person, as %               | 0.00%         | 0.00%          | 0.00%          | #DIV/0!        | 0.00%          | 0.00%          | #DIV/0!        | #DIV/0!        |                |                |                |                |                |                |                |
| Total Incurred claims, payable with issuer funds                                | \$727,003,437 | \$5,438,273    | \$8,688,773    | \$0            | \$21,840,114   | \$501,278,177  | \$0            | \$0            | \$9,161,181    | \$17,105,799   | \$8,044,269    | \$31,578,065   | \$22,807,520   | \$55,273,176   | \$45,788,091   |
| Net Amt of Rein   | \$0           | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |
| Net Amt of Risk Adj   | -\$76,194,624 | \$6,338,009    | \$3,549,189    | \$0            | \$3,966,251    | -\$29,534,815  | \$0            | \$0            | \$3,949,470    | \$1,174,636    | -\$3,904,337   | -\$7,184,512   | -\$5,198,638   | -\$27,820,583  | -\$21,529,294  |

|                                     |          |          |          |         |          |          |         |         |          |          |          |          |          |          |          |
|-------------------------------------|----------|----------|----------|---------|----------|----------|---------|---------|----------|----------|----------|----------|----------|----------|----------|
| Incurred Claims PMPM                | \$400.26 | \$785.42 | \$595.94 | #DIV/0! | \$510.24 | \$393.45 | #DIV/0! | #DIV/0! | \$785.42 | \$595.94 | \$467.80 | \$301.23 | \$510.24 | \$393.45 | \$351.22 |
| Allowed Claims PMPM                 | \$472.82 | \$801.65 | \$607.82 | #DIV/0! | \$513.79 | \$464.59 | #DIV/0! | #DIV/0! | \$801.65 | \$607.82 | \$562.86 | \$460.49 | \$513.79 | \$464.59 | \$440.92 |
| EHB portion of Allowed Claims, PMPM | \$472.69 | \$801.65 | \$607.82 | #DIV/0! | \$513.79 | \$464.59 | #DIV/0! | #DIV/0! | \$800.85 | \$607.21 | \$562.30 | \$460.03 | \$513.28 | \$464.12 | \$440.47 |

## **URRT Part II – Consumer Friendly Justification**

### **Scope and Range of the Rate Increase:**

Keystone Health Plan East ("KHPE") is revising premium rates for the Pennsylvania Consumer ACA compliant products, effective from January 1, 2018. The proposed revisions to each plan are shown on the second page of this exhibit.

About 151,000 members will be affected.

### **Financial Experience of the Product:**

KHPE is required by federal law to pay out a minimum of 80% percent of premium dollars for medical claims—this is referred to as the minimum Medical Loss Ratio (MLR). The rate action proposed in this filing is expected to achieve a Medical Loss Ratio of greater than 80%.

### **Changes in Medical Service Costs:**

Premium rates for health care insurance are increasing as the cost of health care service rise. Health care service costs increase as health care providers increase their fees, members use more health care services and supplies, and the types of health care services and supplies change, among other factors.

We are projecting that claims will increase by 6.8% in 2018. Nearly half of the change in health care service costs is driven by changes to health care provider fees.

### **Changes in Benefits:**

Some plan benefits are mandated by federal and state law. Benefit changes for some plans were also made. All changes in benefits are in compliance with the uniform modifications rules stipulated by the Federal government.

### **Administrative Costs:**

The premium rates presented in this filing include a 2% contribution to reserves. Furthermore, the Affordable Care Act (ACA) imposes taxes and other levies.



## URRT Part II – Consumer Friendly Justification

| HIOS Plan ID   | Plan Name                           | 2018 % Change |
|----------------|-------------------------------------|---------------|
| 33871PA0040001 | Keystone HMO Platinum               | 12.3%         |
| 33871PA0040002 | Keystone HMO Gold                   | 12.2%         |
| 33871PA0040005 | Keystone HMO Gold Proactive         | 7.4%          |
| 33871PA0040006 | Keystone HMO Silver Proactive       | 3.1%          |
| 33871PA0120001 | Keystone HMO Platinum               | 12.3%         |
| 33871PA0120002 | Keystone HMO Gold                   | 12.2%         |
| 33871PA0120003 | Keystone HMO Silver                 | 11.8%         |
| 33871PA0120004 | Keystone HMO Bronze                 | 11.9%         |
| 33871PA0120005 | Keystone HMO Gold Proactive         | 7.4%          |
| 33871PA0120006 | Keystone HMO Silver Proactive       | 3.1%          |
| 33871PA0120007 | Keystone HMO Silver Proactive Value | 2.8%          |
| 33871PA0040003 | Keystone HMO Silver                 | Terminated    |

## **GENERAL OVERVIEW**

### **PURPOSES**

This Actuarial Memorandum is provided along with the Unified Rate Review Template (URRT) to provide certain information to support the gross premium for the single risk pool for individual market health care insurance underwritten by Keystone Health Plan East in the Commonwealth of Pennsylvania. It is provided as a component of an application for certification as a Qualified Health Plan and a state rate filing. This submission may not be appropriate for other purposes.

### **GENERAL INFORMATION**

#### **COMPANY IDENTIFYING INFORMATION**

**Company Legal Name:** Keystone Health Plan East ("KHPE")

**State:** Pennsylvania

**HIOS Issuer ID (5-digit):** 33871

**Market:** Individual

**Effective Date(s):** 1/1/2018

Worksheet 1 of the accompanying URRT contains experience period data and development of the projected Single Risk Pool Gross Premium Average Rate PMPM for the individual market for KHPE. Worksheet 2 contains experience period data and projections by product for the single risk pool for the same entities.

#### **COMPANY CONTACT INFORMATION**

**Primary Contact Name:**

**Primary Contact Telephone Number:**

**Primary Contact Email Address:**

### **PROPOSED RATE INCREASE**

The changes to the single risk pool gross premium average rate per member per month (PMPM) from calendar year 2016 to calendar year 2018 were incorporated into the pricing and reflected in the Unified Rate Review Template. The changes are driven by factors including: changes in market-wide population risk morbidity and covered services, increasing unit costs for medical services, increasing utilization of medical services, increasing fees and taxes imposed by the federal government, anticipated costs to administer the plan, anticipated revenue or payments due to market-wide risk adjustment, and the discontinuance of net reinsurance payments from the Federal Transitional Reinsurance Program.

The weighted average increase across KHPE plans based on projected membership, inclusive of the impact of benefit and cost sharing changes, is 4.71%. The minimum increase is 2.8% and the maximum increase is 12.3%.

## **WORKSHEET 1: DATA COLLECTION TEMPLATE**

### **SECTION I: EXPERIENCE PERIOD PREMIUM AND CLAIMS**

#### **PAID THROUGH DATE**

Experience period premium, claims, and member months are obtained from the company's internal data warehouse. The claims data is collected for incurred dates from January through December 2016 and paid through January 2017. Earned premiums and member months are for January through December 2016. The data are for all direct-written individual business of KHPE in the Commonwealth of Pennsylvania, including out-of-network claims written by KHPE but paid by QCC for POS plans.

#### **PREMIUMS (NET OF MLR REBATE) IN EXPERIENCE PERIOD**

Earned Premiums (net of MLR Rebate) in Experience Period are developed by summing the earned premium reported in the company's internal data warehouse and adjusting for MLR rebates, if any, for the period. Although 2016 federal MLR rebate calculations are not final as of the writing of this memorandum, no federal MLR rebates are expected for calendar year 2016, so no adjustment to earned premium for MLR rebates is needed.

The calculation for federal minimum loss ratio rebates is based on 2014, 2015, and 2016 experience of earned premium, incurred claims, quality improvement expenses, and taxes. The three years of experience is blended for all segments.

#### **ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD**

##### **Paid-to-Date and Incurred Claims, and Member Months**

Insurer fee-for-service claims expenses and member liabilities for dates of service in January 2016 through December 2016 and paid through January 2017 are sourced from the IBCFOC's internal data warehouse. The claims and member liabilities are completed with incurred but not reported (IBNR) adjustments to develop ultimate incurred insurer fee-for-service claims expenses and member liabilities for the January through December 2016 period. Capitation amounts are also sourced from the internal data warehouse for the January through December 2016 period but they are not adjusted for IBNR.

##### **Allowed Claims**

Allowed claims are determined by separately obtaining paid-to-date fee-for-service claims and member cost-sharing amounts, applying claim lag factors to those amounts to estimate ultimate incurred fee-for-service claims and member-sharing amounts and adding them together with capitation amounts.

Allowed claims do not include ineligible claims, payments for services other than medical care provided, recovery payments related to internal large claim pooling mechanisms, or active live reserves.

### **IBNR Development**

Medical fee for service incurred but not reported (IBNR) claims are modeled through the use of standard claim lag methodologies. A range of results is developed, and a provision for adverse deviation is applied. The provision for adverse deviation is dependent on many factors such as stability, size, product mix, etc.

The completion factors are developed annually in the 2Q – 3Q period. We do not believe our IBNR is unusually high or unusually low for incurred 2016 paid through January 2017.

### **Experience Period Index Rate**

The Index Rate of Experience Period is estimated by removing cost and utilization trend from the Index Rate for Projection Period.

## **SECTION II: ALLOWED CLAIMS, PMPM BASIS**

### **BENEFIT CATEGORIES**

Utilization and Unit Cost data for allowed claims in the experience period are provided in Section II. The data is provided by benefit category using a standardized indicator from the internal data warehouse that assigns each claim line to a category based on the type of provider and the location of the service. The utilization and unit cost data are provided for the following categories: Inpatient Hospital admits, Outpatient Hospital visits, Professional visits, Other Medical visits, Capitation per member per month (PMPM), and Prescription Drug scripts.

Experience Period capitation is reported as a per member per month (PMPM) value. In order to complete the URRT, the Utilization per 1,000 statistics for capitated services only is reported as 1,000 so that the appropriate capitation PMPM is reported.

### **PROJECTION FACTORS**

The estimated incurred claims experience on an allowed basis for January 2016 through December 2016 is projected to the future rating period by several factors. Factors were calculated from the combined experience of QCC and KHPE.

### **Changes in Population Risk Morbidity**

Experience period allowed claims are adjusted to account for differences in the average morbidity of the single risk pool population underlying the experience and the anticipated population in the projection period. This adjustment reflects changes in the individual market-wide morbidity.

### **Changes in Other Factors**

Experience period allowed claims are adjusted to account for differences in the single risk pool population underlying the experience and the anticipated population in the projection period pertaining to several factors not due to changes in morbidity or the costs and utilization of medical care. This adjustment reflects: additional benefits required to be covered as essential health benefits; recently mandated benefits required by state law that are not reflected in the experience period data; benefits in the experience that are removed for the projection period; anticipated changes in the average utilization of services due to differences in average cost sharing requirements during the experience period and average cost sharing requirements in the projection period; changes in demographic characteristics of the single risk pool experience period population and the projection period population (including age, gender, region, and tobacco use); changes in the provider network (adding or removing a provider system or introducing a limited network option); and anticipated changes in pharmacy rebates.

### **Trend Factors**

#### **a. Annualized Cost Trend**

Annual cost trend reflects changes in costs of medical treatment due to medical inflation and changes in the distribution of services across network providers. The trend value is developed by reviewing historical medical costs for the single risk pool and adjusting them for anticipated future provider contracting reimbursement levels. The data is normalized for changes in age, benefit changes during the experience period, changes to provider contracts, and prescription drug formulary, and new drugs brought to market.

#### **b. Annualized Utilization Trend**

Annual utilization trend reflects the change in the number of units per 1,000 members for a fixed level of illness burden and includes changes due to the mix and intensity of services provided and changes related to shifts in product mix. It also includes effects of selection, if any, since this cannot be reflected in the relative cost of the various products and plans offered.

### **CREDIBILITY MANUAL RATE DEVELOPMENT**

The experience period claims for the single risk pool are determined to be fully credible; therefore no credibility adjustment is required.

## **SECTION III: PROJECTED EXPERIENCE**

### **PAID TO ALLOWED RATIO**

The Projected Allowed Experience Claims PMPM shown in Worksheet 1 represents projected allowed claims experience PMPM for the projected portfolio of plans. The Paid to Allowed Average Factor in Projection Period adjusts the allowed down to Projected Incurred Claims before ACA reinsurance and risk adjustment for the population anticipated to be covered in the projection period. The Projected Incurred Claims before ACA reinsurance and risk adjustment represents the net amount of incurred insurer claim liability expected in the projection period, net of member cost sharing and cost sharing paid by HHS on behalf of low-income members. It reflects the average benefit level anticipated during the projection period. The ratio was calculated using incurred (before ACA reinsurance and risk adjustment) and allowed PMPMs from worksheet two of the URRT.

## **RISK ADJUSTMENT AND REINSURANCE**

### **Projected Risk Adjustment PMPM**

Projected Risk Adjustment is accounted for in Projected Incurred Claims before ACA Reinsurance and Risk Adjustment to reflect anticipated risk adjustment transfer amounts for the projection period. The amount reflects the projected morbidity for the single risk pool for IBCFOC in the projection period.

The estimated risk adjustment revenue for all of the plans in the risk pool is developed using the following methodology. We recognize that the HHS payment transfer formula implies that the projected incurred claims based solely on the experience period single risk pool claims need to be adjusted by the ratio of the current statewide market's risk relative to allowable rating factor (ARF) for age compared to the single risk pool's risk relative to ARF presented during the experience period. This adjustment, together with the assumed future changes in population risk morbidity, results in the issuer's pricing being consistent with the anticipated morbidity level of the future statewide market.

The anticipated risk adjustment transfer revenue is allocated proportionally based on plan premium. The Projected Risk Adjustment is subtracted from Projected Incurred Claims before ACA Risk Adjustment to reflect anticipated receipt of risk adjustment transfer amounts for the projection period.

When the projected risk adjustment amounts for KHPE and QCC are combined, the result is consistent with the projection made in our submission. We also considered preliminary 2016 risk transfer results.

### **Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market Only)**

With the expiration of the reinsurance program at the end of the 2016 benefit year, there are no projected reinsurance recoveries or reinsurance premium assumed in the rates.

## **NON-BENEFIT EXPENSES AND PROFIT & RISK**

### **Administrative Expense Load**

An Administrative Expense Load is applied to Projected Incurred Claims to reflect expenses related to quality improvement and fraud detection/recovery and other expenses of operating a business, broker commissions, and premium payment processing fees.

**Profit & Risk Load/Contribution to Surplus**

A Profit & Risk Load/Contribution to Surplus for the single risk pool is applied to Projected Incurred Claims for the projection period, if applicable.

**Taxes and Fees**

A Taxes & Fees load is applied to Projected Incurred Claims to pass through fees and taxes levied by the federal and state governments.

**PROJECTED LOSS RATIO**

The projected loss ratio for the single risk pool is estimated to exceed 80% reflecting premium adjustments permitted by the federal MLR calculation.

**SINGLE RISK POOL**

The single risk pool reflects all covered lives for every individual non-grandfathered product and plan combination for KHPE in the state of Pennsylvania. It is established according to the Single Risk Pool requirements in 45 CFR § 156.80(d).

**INDEX RATE**

The Index Rate is defined as the EHB portion of projected allowed claims divided by all projected single risk pool lives. The Index Rate is the same value for all non-grandfathered plans for KHPE Individual Plans in Pennsylvania. The Index Rate reflects the twelve month projection for calendar year 2018. It has been developed following the specifications of 45 CFR § 156.80(d)(1).

**MARKET ADJUSTED INDEX RATE**

The Market Adjusted Index rate is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules: federal reinsurance program adjustment, risk adjustment and exchange user fees. The Market Adjusted Index Rate reflects the average demographic characteristics of the single risk pool.

**PLAN ADJUSTED INDEX RATE**

The Plan Adjusted Index Rate is calculated as the issuer Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rule. These include actuarial value and cost sharing adjustment, provider network, delivery system and utilization management adjustment, adjustment for benefits in addition to the EHBs, impact of specific eligibility categories for the catastrophic plan and administrative costs.



## **CALIBRATION**

The plan adjusted index rate is projected for all products using the same anticipated age distribution and the mandated age curve. Therefore the consumer adjusted premium rate is the plan adjusted index rate divided by the average age, geographic and tobacco factors for the expected distribution. The average age of the combined individual risk pool population is 41.

The Average Age factor is the weighted average age factor based on the projected membership. The Tobacco Factor is calculated as the projected average factor for tobacco users multiplied by the projected tobacco use prevalence.

There is only one geographic rating area for this filing. The geographic rating area factor for this filing is 1.0.

## **WORKSHEET 2: PRODUCT-PLAN DATA COLLECTION**

### **AV METAL VALUES**

The AV Metal Values included in Worksheet 2 of the URRT were valued using the AV Calculator, where possible, otherwise the AV Metal Values were developed under an alternate methodology. Actuarial certifications required by 45 CFR Part 156, §156.135 are provided in a separate document.

### **AV PRICING VALUES**

The AV Pricing Value represents the cumulative effect of adjustments made by plan to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate.

### **MEMBERSHIP PROJECTIONS**

Enrollment is projected based on current and anticipated enrollment by plan. Items impacting these projections include changes in the size of the market due to introduction of guarantee issue requirements, the individual mandate, and the introduction of a Basic Health Program.

### **TERMINATED PLANS**

The following plan is being terminated (removed from the exchange, the Off-exchange variant has been kept).

|                |                     |
|----------------|---------------------|
| HIOS ID        | Plan Name           |
| 33817PA0040003 | Keystone HMO Silver |

## **HIOS ID CHANGES**

HIOS ID numbers are changed for Off-Exchange Plans to distinguish them from On-Exchange Plans effective January 1, 2018. They are shown in the Experience Period section of the URRT Worksheet 2 using the 2018 HIOS ID numbers.

| 2017 HIOS ID   | 2018 HIOS ID   | Plan Name                           |
|----------------|----------------|-------------------------------------|
| 33871PA0040020 | 33871PA0120001 | Keystone HMO Platinum               |
| 33871PA0040021 | 33871PA0120002 | Keystone HMO Gold                   |
| 33871PA0040022 | 33871PA0120003 | Keystone HMO Silver                 |
| 33871PA0040023 | 33871PA0120004 | Keystone HMO Bronze                 |
| 33871PA0040024 | 33871PA0120005 | Keystone HMO Gold Proactive         |
| 33871PA0040025 | 33871PA0120006 | Keystone HMO Silver Proactive       |
| 33871PA0040026 | 33871PA0120007 | Keystone HMO Silver Proactive Value |

## **WARNING ALERTS**

There are no warning alerts in URRT part 1.

## **ACTUARIAL CERTIFICATION**

I, [REDACTED], am Director & Actuary of Commercial Markets for the Independence Blue Cross Family of Companies. I am a member of the Society of Actuaries and the American Academy of Actuaries with the education and experience necessary to perform the work necessary and meet the Qualification Standards of the American Academy of Actuaries to render the qualified actuarial opinion contained herein. The developed rates and memorandum have been prepared in conformity with appropriate Actuarial Standards of Practice and the Academy's Code of Professional Conduct.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the premium rates and allowable rating factors. Rather, it represents information required by Federal regulation to be provided in support of the review of gross premium rate increases, for certification of qualified health plans for Federally facilitated exchanges, and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

I hereby certify that, to the best of my knowledge and judgment, the following:

- The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.08(d)(1) and 147.102);
  - Developed in compliance with applicable Actuarial Standards of Practice;
  - Reasonable in relation to the benefits provided and the population anticipated to be covered; and
  - Neither excessive nor deficient.
- The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
- The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
- Geographic rating factors reflect only differences in the costs of delivery of and do not include differences for population morbidity by geographic area.
- The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans, unless an alternate methodology was required. If an alternate methodology was used to calculate the AV Metal Value for at least one plan offered, a copy of the actuarial certification required by 45 CFR Part 156, §156.135 will be included.

---

[REDACTED]  
May 22, 2017

# PENNSYLVANIA ACTUARIAL MEMORANDUM

## PURPOSES

This Actuarial Memorandum is provided along with the Unified Rate Review Template (URRT) and PA Actuarial Memorandum Rate Exhibits to provide certain information to support the gross premium for the single risk pool for individual market health care insurance underwritten by Keystone Health Plan East in the Commonwealth of Pennsylvania. It is provided as a component of a state rate filing. This submission may not be appropriate for other purposes.

## 1. BASIC INFORMATION AND DATA

### A. COMPANY INFORMATION

|                                  |                                    |
|----------------------------------|------------------------------------|
| <b>Company Legal Name:</b>       | Keystone Health Plan East ("KHPE") |
| <b>State:</b>                    | Pennsylvania                       |
| <b>NAIC #:</b>                   | 95056                              |
| <b>Market:</b>                   | Individual                         |
| <b>Marketplace:</b>              | On and Off Exchange                |
| <b>Effective Date(s):</b>        | 1/1/2018 – 12/31/2018              |
| <b>Average Rate Change:</b>      | 4.71%                              |
| <b>Range of Rate Changes:</b>    | 2.8% - 12.3%                       |
| <b>Products:</b>                 | HMO                                |
| <b>Rating Areas:</b>             | Rating Area 8                      |
| <b>Metal Levels:</b>             | Platinum, Gold, Silver, Bronze     |
| <b>Current Members:</b>          | 151,360                            |
| <b>Current Policyholders:</b>    | 100,172                            |
| <b>Number of 2018 Plans:</b>     | 11                                 |
| <b>HIOS Issuer ID (5-digit):</b> | 33871                              |

Worksheet 1 of the accompanying URRT contains experience period data and development of the projected Single Risk Pool Gross Premium Average Rate PMPM for the individual market for KHPE. Worksheet 2 contains experience period data and projections by product for the single risk pool for the same entities. This memorandum pertains only to plans denoted in Worksheet 2 by Plan IDs starting with the sequence 33871.

### COMPANY CONTACT INFORMATION

|  |  |
|--|--|
| <b>Primary Contact Name:</b>             |  |
| <b>Primary Contact Telephone Number:</b> |  |
| <b>Primary Contact Email Address:</b>    |  |

## **B. RATE HISTORY AND PROPOSED VARIATIONS IN RATE CHANGES**

|                 |        |                 |
|-----------------|--------|-----------------|
| January 1, 2015 | 14.90% | INAC- 129626130 |
| January 1, 2016 | 1.91%  | INAC- 129936718 |
| January 1, 2017 | 27.97% | INAC- 130539671 |

The historical rate changes varied by metallic tier based on plan benefits as illustrated via the Pricing AV.

Proposed rate changes may vary by metallic tier and plan based on plan benefit changes.

## **C. AVERAGE RATE CHANGE**

The average proposed rate change shown in Cell AC15 of Table 10 is 4.71%. The changes to the single risk pool gross premium average rate per member per month (PMPM) from calendar year 2016 to calendar year 2018 are incorporated into the pricing and reflected in the Unified Rate Review Template.

The change in 21-year-old Non-Tobacco Premium PMPM calculated in Table 11, Cell AN13 is 7.2%. The change shown in Cell V45 of Worksheet 1 of URRT Part I is 33.27%. The change shown in Cell V46 of Worksheet 1 of URRT Part I is 15.44%.

## **D. MEMBERSHIP COUNT**

Table 1 illustrates the Experience Period member-months, Current Period members as of February 1, 2017, and Projected Rating Period Member-months by ages.

## **E. BENEFIT CHANGES**

Benefit changes were made to the following plans to assure compliance with Actuarial Value Requirements, including differences that resulted from changes to the AV Calculator. The basis for pricing changes was our internal pricing model.

## **F. EXPERIENCE PERIOD CLAIMS AND PREMIUMS**

Table 2 illustrates the experience period claims and premiums using calendar year data. The data is consistent with the data reported in Section 1 of Worksheet I of the URRT.

Experience period premium, claims, and member months are obtained from the company's internal data warehouse. The claims data is collected for incurred dates from January through December 2016 and paid through January 2017. Earned premiums and member months are for January through December 2016. The data are for all direct-written individual business of KHPE in the Commonwealth of

Pennsylvania, including out-of-network claims written by KHPE but paid by QCC for POS plans. No private reinsurance was applicable.

### **Projected Risk Adjustment PMPM**

Non-EHB benefits are illustrated separately in cell H36 of Table 2. Capitation is uniform by age for the experience period. Net pharmacy rebates are illustrated in cell I36 of Table 2.

Projected Risk Adjustment is accounted for in Projected Incurred Claims before ACA Reinsurance and Risk Adjustment to reflect anticipated risk adjustment transfer amounts for the projection period. The amount reflects the projected morbidity for the single risk pool for IBCFOC in the projection period.

The estimated risk adjustment revenue for all of the plans in the risk pool is developed using the following methodology. We recognize that the HHS payment transfer formula implies that the projected incurred claims based solely on the experience period single risk pool claims need to be adjusted by the ratio of the current statewide market's risk relative to allowable rating factor (ARF) for age compared to the single risk pool's risk relative to ARF presented during the experience period. This adjustment, together with the assumed future changes in population risk morbidity, results in the issuer's pricing being consistent with the anticipated morbidity level of the future statewide market.

The anticipated risk adjustment transfer revenue is allocated proportionally based on plan premium. The Projected Risk Adjustment is subtracted from Projected Incurred Claims before ACA Risk Adjustment to reflect anticipated receipt of risk adjustment transfer amounts for the projection period.

When the projected risk adjustment amounts for KHPE and Independence Blue Cross (QCC) are combined, the result is consistent with the projection made in our submission. We also considered preliminary 2016 risk transfer results.

## **G. CREDIBILITY OF DATA**

The experience period data is considered 100% credible.

## **H. TREND IDENTIFICATION**

Table 3 identifies the proposed annual medical and prescription drug allowed claims cost and utilization trends. These data match the data illustrated in Section 2 of Worksheet I of the URRT. Additional discussion is provided in Section I, Historical Experience.

## **I. HISTORICAL EXPERIENCE**

Table 4 illustrates historical experience from 2014 through 2016 for the product line.

**a. Annualized Cost Trend**

Annual cost trend reflects changes in costs of medical treatment due to medical inflation and changes in the distribution of services across network providers. The trend value is developed by reviewing historical medical costs for the single risk pool and adjusting them for anticipated future provider contracting reimbursement levels. The data is normalized for changes in age, benefit changes during the experience period, changes to provider contracts, and prescription drug formulary, and new drugs brought to market.

**b. Annualized Utilization Trend**

Annual utilization trend reflects the change in the number of units per 1,000 members for a fixed level of illness burden and includes changes due to the mix and intensity of services provided and changes related to shifts in product mix. It also includes effects of selection, if any, since this cannot be reflected in the relative cost of the various products and plans offered.

**J. TERMINATED PLANS**

The following plans are being terminated during 2018:

| HIOS ID        | Plan Name                         |
|----------------|-----------------------------------|
| 33871PA0040003 | Keystone HMO Silver (On-Exchange) |

**K. HIOS ID CHANGES**

HIOS ID numbers are changed for Off-Exchange Plans to distinguish them from On-Exchange Plans effective January 1, 2018. They are shown in the Experience Period section of the URRT Worksheet 2 using the 2018 HIOS ID numbers.

| 2017 HIOS ID   | 2018 HIOS ID   | Plan Name                           |
|----------------|----------------|-------------------------------------|
| 33871PA0040020 | 33871PA0120001 | Keystone HMO Platinum               |
| 33871PA0040021 | 33871PA0120002 | Keystone HMO Gold                   |
| 33871PA0040022 | 33871PA0120003 | Keystone HMO Silver                 |
| 33871PA0040023 | 33871PA0120004 | Keystone HMO Bronze                 |
| 33871PA0040024 | 33871PA0120005 | Keystone HMO Gold Proactive         |
| 33871PA0040025 | 33871PA0120006 | Keystone HMO Silver Proactive       |
| 33871PA0040026 | 33871PA0120007 | Keystone HMO Silver Proactive Value |

**2. RATE DEVELOPMENT AND CHANGE****A. DEVELOPMENT OF PROJECTED INDEX RATE, MARKET-ADJUSTED INDEX RATE, & TOTAL ALLOWED CLAIMS**



Table 5 illustrates the development of the Projected Index Rate and Market-Adjusted Index Rate beginning with the Experience Period Index Rate.

### **Changes in Population Risk Morbidity**

Experience period allowed claims are adjusted to account for differences in the average morbidity of the single risk pool population underlying the experience and the anticipated population in the projection period. This adjustment reflects changes in the individual market-wide morbidity.

### **Changes in Other Factors**

Experience period allowed claims are adjusted to account for differences in the single risk pool population underlying the experience and the anticipated population in the projection period pertaining to several factors not due to changes in morbidity or the costs and utilization of medical care. This adjustment reflects: additional benefits required to be covered as essential health benefits; recently mandated benefits required by state law that are not reflected in the experience period data; benefits in the experience that are removed for the projection period; anticipated changes in the average utilization of services due to differences in average cost sharing requirements during the experience period and average cost sharing requirements in the projection period; changes in demographic characteristics of the single risk pool experience period population and the projection period population (including age, gender, region, and tobacco use); changes in the provider network (adding or removing a provider system or introducing a limited network option); and anticipated changes in pharmacy rebates.

## **B. RETENTION ITEMS**

Table 6 illustrates the retention items, expressed as percentages of premium. Administrative expenses are calculated and applied on a PMPM basis. When expressed as a percentage of premium, these will vary by premium size. Consistent with conversations with our State regulator, no Pricing load was applied for the Managed Care Assessment levied pursuant to Article VIII-I of the Pennsylvania Code, as it will be separately reimbursed.

|                                   |        |        |
|-----------------------------------|--------|--------|
| Administrative Expenses           |        | 11.93% |
| General and Claims                | 10.04% |        |
| Agent/Broker Fees and Commissions | 1.50%  |        |
| Quality Improvement Initiatives   | 0.39%  |        |
| Taxes and Fees                    |        | 3.69%  |
| PCORI Fees                        | 0.04%  |        |
| PA Premium Tax                    | 0.00%  |        |
| Federal Income Tax                | 1.51%  |        |
| Health Insurance Providers Fee    | 2.15%  |        |
| Profit/Contingency                |        | 2.00%  |

Total Retention

17.62%

### **C. NORMALIZED MARKET-ADJUSTED PROJECTED ALLOWED TOTAL CLAIMS**

Table 7 compares the normalization factors used in this filing to those used in the 2017 filing. The changes in the factors reflect small differences from the projected populations in 2017 and 2018.

### **D. COMPONENTS OF RATE CHANGE**

Table 8 illustrates the components of rate change, based on inputs from other sections of the Rate Exhibits. The results in Row H are similar to the values in Row A of Table 8.

Data in Table 9 was taken from the 2017 URRT with the exceptions of Risk Adjustment and Reinsurance which were revised to project company-specific values.

## **3. PLAN RATE DEVELOPMENT**

Table 10 is populated with plan information consistent with entries in the 2018 URRT. Plan mappings, where applicable, are illustrated in Column F of Table 10.

Attached to this actuarial memorandum are exhibits providing actuarial certifications for the use of alternate methods of calculating the Actuarial Value, where applicable, as well as required support for the calculations.

## **4. PLAN PREMIUM DEVELOPMENT FOR 21-YEAR OLD NON-TOBACCO USER**

Table 11 is populated from other sections of the Rate Exhibits, along with the population by age and rating area for the Projection Period.

## **5. PLAN FACTORS**

Tables 12, 13, and 14 illustrate the factors used in pricing for age, tobacco, geographic rating area, and network. The tobacco factors match the previously approved tobacco factors from the 2017 filing.

## **6. ACTUARIAL CERTIFICATION**

I, [REDACTED], am Director & Actuary of Commercial Markets for the Independence Blue Cross Family of Companies. I am a member of the Society of Actuaries and the American Academy of Actuaries with the education and experience necessary to perform the work necessary and meet the

Qualification Standards of the American Academy of Actuaries to render the qualified actuarial opinion contained herein. The developed rates and memorandum have been prepared in conformity with appropriate Actuarial Standards of Practice and the Academy's Code of Professional Conduct.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the premium rates and allowable rating factors. Rather, it represents information required by Federal regulation to be provided in support of the review of gross premium rate increases, for certification of qualified health plans for Federally facilitated exchanges, and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

I hereby certify that, to the best of my knowledge and judgment, the following:

- The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.08(d)(1) and 147.106);
  - Developed in compliance with applicable Actuarial Standards of Practice;
  - Reasonable in relation to the benefits provided and the population anticipated to be covered; and
  - Neither excessive nor deficient.
- The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
- The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
- The AV Calculator was used to determine the AV Metal Values illustrated in Worksheet 2 of the Part I Unified Rate Review Template for all plans, unless an alternate methodology was required. If an alternate methodology was used to calculate the AV Metal Value for at least one plan offered, a copy of the actuarial certification required by 45 CFR Part 156, §156.135 will be included.
- All factor, benefit, and other changes from the prior approved filing have been disclosed in the actuarial memorandum.
- New plans cannot be considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
- The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2018 Rate Filing Justification.

---

May 22, 2017

INAC-131005820

7

PA Actuarial Memorandum  
May 22, 2017



PA Rate Template Part I  
Data Relevant to the Rate Filing

Table 0. Identifying Information

|                                |                           |    |            |
|--------------------------------|---------------------------|----|------------|
| Carrier Name:                  | Keystone Health Plan East |    |            |
| Product(s):                    | HMO Individual            |    |            |
| Market Segment:                |                           |    |            |
| Rate Effective Date:           | 1/1/2018                  | to | 12/31/2018 |
| Base Period Start Date         | 1/1/2016                  | to | 12/31/2016 |
| Date of most recent membership | 2/1/2017                  |    |            |

Table 1. Number of Members

|             | Member-months     | Members                              | Member-months           |
|-------------|-------------------|--------------------------------------|-------------------------|
|             | Experience Period | Current Period<br>(as of 02-01-2017) | Projected Rating Period |
| Average Age | 39                | 41                                   | 41                      |
| Total       | 1,574,901         | 151,360                              | 1,816,320               |
| <18         | 184,754           | 15,896                               | 190,752                 |
| 18-24       | 131,052           | 11,970                               | 143,640                 |
| 25-29       | 157,392           | 14,506                               | 174,072                 |
| 30-34       | 137,108           | 13,050                               | 166600                  |
| 35-39       | 127,914           | 12,194                               | 146328                  |
| 40-44       | 127,281           | 11,759                               | 141108                  |
| 45-49       | 152,419           | 14,455                               | 173460                  |
| 50-54       | 176,799           | 17,073                               | 204876                  |
| 55-59       | 187,266           | 18,737                               | 224844                  |
| 60-63       | 164,387           | 16,489                               | 197868                  |
| 64+         | 28,529            | 5,231                                | 62772                   |

\*Tables 1, 2 and 4 must include data for all non-grandfathered business (ACA compliant and Transitional)

Table 2. Experience Period Claims and Premiums

| Earned Premium  | Paid Claims       | Ultimate Incurred Claims | Member Months | Estimated Cost Sharing<br>(Member & HHS) | Allowed Claims (Non-Capitated) | Non-EHB portion of Allowed<br>Claims | Total Prescription Drug Rebates* | Total EHB Capitation | Total Non-EHB Capitation | Estimated Risk Adjustment | Estimated Reinsurance Recoveries |
|---|-------------------|--------------------------|---------------|--|--------------------------------|--------------------------------------|----------------------------------|----------------------|--------------------------|---------------------------|----------------------------------|
| \$ 588,096,093.23   | \$ 473,099,951.66 | \$ 512,075,016.16        | 1,574,901     | \$ 117,126,429.77                        | \$ 590,226,381.43              | \$ -                                 | \$ (18,016,867.44)               | \$ 24,622,185.51     | \$ -                     |                           | \$ -                             |
| Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates) |                   |                          |               |  |                                |                                      |                                  |                      |                          |                           | \$ 378.96                        |
| Loss Ratio  |                   |                          |               |  |                                |                                      |                                  |                      |                          |                           | 88.20%                           |

\*Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

| Service Category                      | Cost* | Utilization* | Induced Demand* | Composite URRT Trend ** | Weight* |
|---------------------------------------|-------|--------------|-----------------|-------------------------|---------|
| Inpatient Hospital                    | 3.90% | 3.20%        | 0.00%           | 7.22%                   | 27.10%  |
| Outpatient Hospital                   | 3.30% | 3.20%        | 0.00%           | 6.61%                   | 22.11%  |
| Professional                          | 2.00% | 3.20%        | 0.00%           | 5.26%                   | 24.44%  |
| Other Medical                         | 2.00% | 3.20%        | 0.00%           | 5.26%                   | 0.00%   |
| Capitation                            |       |              |                 | 2.50%                   | 4.81%   |
| Prescription Drugs                    | 4.50% | 4.50%        | 0.00%           | 9.20%                   | 21.54%  |
| Total Annual Trend                    |       |              |                 | 6.81%                   | 100.00% |
| Months of Trend                       |       |              |                 | 24                      |         |
| Total Applied Trend Projection Factor |       |              |                 | 1.141                   |         |

\* Express Cost, Utilization, Induced Utilization and Weight as percentages

\*\* Should = URRT Trend

Table 4. Historical Experience

| Month-Year | Total Annual Premium | Incurred Claims  | Completion Factors* | Ultimate Incurred Claims | Members | Ultimate Incurred PMPM | Estimated Annual Cost Sharing<br>(Member + HHS) | Prescription Drug Rebates** | Allowed Claims (Net of<br>Prescription Drug Rebates) | Allowed PMPM |
|------------|----------------------|------------------|---------------------|--------------------------|---------|------------------------|---|-----------------------------|--|--------------|
| Jan-14     | \$ 452,370,845.00    | \$ 7,674,364.59  | 1.0000              | \$ 7,674,364.59          | 34,681  | \$ 221.28              | \$ 75,344,105.00                                |                             |  | \$ -         |
| Feb-14     |                      | \$ 11,683,934.28 | 1.0000              | \$ 11,683,934.28         | 49,886  | \$ 234.21              |   |                             |  | \$ -         |
| Mar-14     |                      | \$ 17,943,855.15 | 1.0000              | \$ 17,943,855.15         | 70,068  | \$ 256.09              |   |                             |  | \$ -         |
| Apr-14     |                      | \$ 23,311,352.13 | 1.0000              | \$ 23,311,352.13         | 105,384 | \$ 221.20              |   |                             |  | \$ -         |
| May-14     |                      | \$ 32,152,782.93 | 1.0000              | \$ 32,152,782.93         | 161,681 | \$ 198.87              |   |                             |  | \$ -         |
| Jun-14     |                      | \$ 35,869,118.47 | 1.0000              | \$ 35,869,118.47         | 165,382 | \$ 216.89              |   |                             |  | \$ -         |
| Jul-14     |                      | \$ 40,942,226.28 | 1.0000              | \$ 40,942,226.28         | 169,395 | \$ 241.70              |   |                             |  | \$ -         |
| Aug-14     |                      | \$ 41,287,261.56 | 1.0000              | \$ 41,287,261.56         | 172,043 | \$ 239.98              |   |                             |  | \$ -         |
| Sep-14     |                      | \$ 41,951,701.08 | 1.0000              | \$ 41,951,701.08         | 174,434 | \$ 240.50              |   |                             |  | \$ -         |
| Oct-14     |                      | \$ 45,514,937.26 | 1.0000              | \$ 45,514,937.26         | 173,502 | \$ 262.33              |   |                             |  | \$ -         |
| Nov-14     |                      | \$ 39,918,186.55 | 1.0000              | \$ 39,918,186.55         | 173,123 | \$ 230.58              |   |                             |  | \$ -         |
| Dec-14     |                      | \$ 46,715,893.72 | 1.0000              | \$ 46,715,893.72         | 173,640 | \$ 269.04              |   |                             |  | \$ -         |
| Jan-15     | \$ 467,335,043.00    | \$ 41,380,452.29 | 1.0000              | \$ 41,380,452.29         | 124,964 | \$ 331.14              | \$ 73,058,947.23                                |                             |  | \$ -         |
| Feb-15     |                      | \$ 36,961,178.95 | 1.0000              | \$ 36,961,178.95         | 112,110 | \$ 329.69              |   |                             |  | \$ -         |
| Mar-15     |                      | \$ 38,252,815.38 | 1.0000              | \$ 38,252,815.38         | 113,932 | \$ 335.75              |   |                             |  | \$ -         |
| Apr-15     |                      | \$ 40,179,975.50 | 1.0000              | \$ 40,179,975.50         | 110,038 | \$ 365.15              |   |                             |  | \$ -         |
| May-15     |                      | \$ 37,667,380.91 | 1.0000              | \$ 37,667,380.91         | 107,282 | \$ 351.11              |   |                             |  | \$ -         |
| Jun-15     |                      | \$ 40,037,804.58 | 1.0000              | \$ 40,037,804.58         | 104,521 | \$ 383.06              |   |                             |  | \$ -         |
| Jul-15     |                      | \$ 37,986,578.20 | 1.0000              | \$ 37,986,578.20         | 102,630 | \$ 370.13              |   |                             |  | \$ -         |
| Aug-15     |                      | \$ 38,001,058.15 | 1.0000              | \$ 38,001,058.15         | 101,055 | \$ 376.04              |   |                             |  | \$ -         |
| Sep-15     |                      | \$ 34,536,151.91 | 1.0000              | \$ 34,536,151.91         | 99,923  | \$ 345.63              |   |                             |  | \$ -         |
| Oct-15     |                      | \$ 37,737,683.05 | 1.0000              | \$ 37,737,683.05         | 98,377  | \$ 383.60              |   |                             |  | \$ -         |
| Nov-15     |                      | \$ 34,923,081.64 | 1.0000              | \$ 34,923,081.64         | 97,228  | \$ 359.19              |   |                             |  | \$ -         |
| Dec-15     |                      | \$ 40,878,124.10 | 1.0000              | \$ 40,878,124.10         | 96,287  | \$ 424.54              |   |                             |  | \$ -         |
| Jan-16     | \$ 588,096,093.23    | \$ 36,606,334.43 | 0.9994              | \$ 36,628,671.07         | 127,144 | \$ 288.09              | \$ 117,126,429.77                               | \$ (1,226,871.35)           | \$ 35,401,799.72                                     | \$ 278.44    |
| Feb-16     |                      | \$ 42,915,512.75 | 0.9989              | \$ 42,961,977.86         | 131,757 | \$ 326.07              |   | \$ (1,439,004.42)           | \$ 41,522,973.43                                     | \$ 315.15    |
| Mar-16     |                      | \$ 47,321,908.68 | 0.9984              | \$ 47,396,934.03         | 136,545 | \$ 347.12              |   | \$ (1,587,552.55)           | \$ 45,809,381.48                                     | \$ 335.49    |
| Apr-16     |                      | \$ 44,197,822.79 | 0.9977              | \$ 44,301,218.64         | 136,220 | \$ 325.22              |   | \$ (1,483,862.07)           | \$ 42,817,356.57                                     | \$ 314.33    |
| May-16     |                      | \$ 44,434,245.51 | 0.9961              | \$ 44,609,581.94         | 134,741 | \$ 331.08              |   | \$ (1,494,190.65)           | \$ 43,115,391.29                                     | \$ 319.99    |
| Jun-16     |                      | \$ 44,182,767.05 | 0.9941              | \$ 44,446,474.53         | 133,579 | \$ 332.74              |   | \$ (1,488,727.39)           | \$ 42,957,747.13                                     | \$ 321.59    |
| Jul-16     |                      | \$ 43,166,973.67 | 0.9905              | \$ 43,582,747.36         | 132,396 | \$ 329.18              |   | \$ (1,459,796.99)           | \$ 42,122,950.37                                     | \$ 318.16    |
| Aug-16     |                      | \$ 42,413,597.75 | 0.9830              | \$ 43,145,098.78         | 131,029 | \$ 329.28              |   | \$ (1,445,138.03)           | \$ 41,699,960.75                                     | \$ 318.25    |
| Sep-16     |                      | \$ 44,684,323.20 | 0.9737              | \$ 45,890,008.59         | 130,145 | \$ 352.61              |   | \$ (1,537,078.33)           | \$ 44,352,930.26                                     | \$ 340.80    |
| Oct-16     |                      | \$ 44,030,249.86 | 0.9523              | \$ 46,233,968.72         | 128,620 | \$ 359.46              |   | \$ (1,548,599.22)           | \$ 44,685,369.50                                     | \$ 347.42    |
| Nov-16     |                      | \$ 42,425,760.13 | 0.9308              | \$ 45,579,749.23         | 127,144 | \$ 358.49              |   | \$ (1,526,686.24)           | \$ 44,053,062.99                                     | \$ 346.48    |
| Dec-16     |                      | \$ 44,834,307.41 | 0.8440              | \$ 53,123,417.80         | 125,581 | \$ 423.02              |   | \$ (1,779,360.19)           | \$ 51,344,057.61                                     | \$ 408.85    |

\* Express Completion Factor as a percentage

PA Rate Template Part II  
Rate Development and Change

|                      |                           |
|----------------------|---------------------------|
| Carrier Name:        | Keystone Health Plan East |
| Product(s):          | HMO                       |
| Market Segment:      | Individual                |
| Rate Effective Date: | 1/1/2018                  |

Table 5. Development of the Projected Index Rate, Market-Adjusted Index Rate, and Total Allowed Claims

| Development of the Projected Index Rate   |  | Actual Experience Data | Manual Data |  |
|---|--|------------------------|-------------|--|
| Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates) PMPM  |  | \$ 378.96              | \$ -        | <- Actual Experience PMPM should be consistent with the Index Rate for Experience Period on URRT |
| Two year trend projection Factor  |  | 1.141                  | 1.000       |  |
| Unadjusted Projected Allowed EHB Claims PMPM  |  | \$ 432.32              | \$ -        |  |
| <u>Single Risk Pool Adjustment Factors</u>  |  |                        |             |  |
| Change in Morbidity   |  | 1.045                  | 1.000       | <- See URRT Instructions   |
| Change in Other   |  | 1.042                  | 1.000       |  |
| Change in Demographics  |  | 1.023                  | 1.000       | <- See URRT Instructions   |
| Change in Network   |  | 1.000                  | 1.000       |  |
| Change in Benefits  |  | 1.018                  | 1.000       | <- See URRT Instructions   |
| Change in Other   |  | 1.000                  | 1.000       |  |
| Total Adjusted Projected Allowed EHB Claims PMPM  |  | \$ 470.73              | \$ -        |  |
| Credibility Factors   |  | 100%                   | 0%          | <- See Instructions  |
| Blended Projected EHB Claims PMPM   |  |                        | \$ 470.73   | <- Projected Index Rate  |
| <b>Development of the Market-Adjusted Index Rate and Total Allowed Claims</b>           |  |                        |             |  |
| Adjusted Projected Allowed EHB Claims PMPM  |  | \$ 470.73              |             | <- Index Rate for Projection Period on URRT - Individual or First Quarter Small Group            |
| Adjusted Projected Allowed EHB Claims PMPM [will only populate for small group filings] |  | \$ -                   |             | <- Index Rate for Projection Period on URRT - Small Group  |
| Projected Paid to Allowed Ratio   |  | 0.754                  |             | <- Paid to Allowed Average Factor in Projection Period on URRT                                   |
| Projected Paid EHB Claims PMPM  |  | \$ 354.93              |             |  |
| <u>Market-wide Adjustments</u>  |  |                        |             |  |
| Projected Risk Adjustment PMPM  |  | \$ (41.95)             |             |  |
| Projected Paid Exchange User Fees PMPM  |  | \$ 13.12               |             |  |
| Market-Adjusted Projected Paid EHB Claims PMPM  |  | \$ 410.00              |             |  |
| Market-Adjusted Projected Allowed EHB Claims PMPM                                       |  | \$ 543.76              |             | <- Market-Adjusted Index Rate  |
| Projected Allowed Non-EHB Claims PMPM   |  | \$ -                   |             |  |
| Market-Adjusted Projected Paid Total Claims PMPM  |  | \$ 410.00              |             |  |
| Market-Adjusted Projected Allowed Total Claims PMPM                                     |  | \$ 543.76              |             |  |

For Information

Blended EHB Claims PMPM

Blended EHB Claims PMPM

Blended EHB Claims PMPM

Table 5

# of Members

Adjusted

Months of Experience

Annual Trend

Single Risk Pool

Quarterly Trend

2018 Trend

For Informational Purposes only - No input required.

|  |                   |  |
|--|-------------------|--|
| Blended Base Period Unadjusted Claims before Normalization | \$ 378.96         | <- Index Rate of Experience Period on URRT |
| Blended Earned Premium                                     | \$ 588,096,093.23 |  |
| Blended Loss Ratio   | 88.20%            |  |

Table 5A. Small Group Projected Index Rate with Quarterly Trend

| Effective Date                                | 1/1/2018  | 4/1/2018  | 7/1/2018  | 10/1/2018 | Total Single Risk Pool |
|---|-----------|-----------|-----------|-----------|------------------------|
| # of Member Months Renewing in Quarter        |           |           |           |           | -                      |
| Adjusted Projected Allowed EHB Claims PMPM Q1 | \$ 470.73 | \$ 470.73 | \$ 470.73 | \$ 470.73 | \$ 470.73              |
| Months of Trend                               |           | 3         | 6         | 9         |                        |
| Annual Trend                                  | 6.81%     | 6.81%     | 6.81%     | 6.81%     |                        |
| Single Risk Pool Projected Allowed Claims     | \$ 470.73 | \$ 478.54 | \$ 486.48 | \$ 494.56 | \$ -                   |
| Quarterly Trend Factor                        | 100.0%    | 101.7%    | 103.3%    | 105.1%    | 0.0%                   |
| 2018 Trend Factors by Quarter                 | #DIV/0!   | #DIV/0!   | #DIV/0!   | #DIV/0!   |                        |

Table 6. Retention

|  |           |
|--|-----------|
| <u>Retention Items - Express in percentages</u>      |           |
| Administrative Expenses                              | 11.93%    |
| General and Claims                                   | 10.04%    |
| Agent/Broker Fees and Commissions                    | 1.50%     |
| Quality Improvement Initiatives                      | 0.39%     |
| Taxes and Fees                                       | 3.69%     |
| PCORI Fees (Enter \$ amount here: \$ 2.36 )          | 0.04%     |
| Pa Premium Tax (if applicable)                       | 0.00%     |
| Federal Income Tax                                   | 1.51%     |
| Health Insurance Providers Fee                       | 2.15%     |
| Profit/Contingency (after tax)                       | 2.00%     |
| Total Retention                                      | 17.62%    |
| Projected Required Revenue PMPM                      | \$ 497.66 |
| <- Single Pool Gross Premium Avg. Rate, PMPM on URRT |           |

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

| Normalization Factors  | 2017      | 2018      |
|--|-----------|-----------|
| Average Age Factor   | 1.572     | 1.633     |
| Average Geographic Factor                                      | 1.000     | 1.000     |
| Average Tobacco Factor   | 1.013     | 1.013     |
| Average Benefit Richness (induced demand)                      | 1.000     | 1.000     |
| Average Network Factor   | 1.000     | 1.000     |
| Market-Adjusted Projected Allowed Total Claims PMPM            | \$ 513.32 | \$ 543.76 |
| Normalized Market-Adjusted Projected Allowed Total Claims PMPM | \$ 322.33 | \$ 328.71 |

Table 8. Components of Rate Change

| Rate Components   | 2017         | 2018         | Difference | Percent Change |
|---|--------------|--------------|------------|----------------|
| A. Calibrated Plan Adjusted Index Rate (PMPM)                                       | 296.446043   | 310.3979639  | \$13.95    | 4.7%           |
| B. Base period allowed claims before normalization                                  | \$ 406.00    | \$ 378.96    | -\$27.04   | -9%            |
| C. Normalization factor component of change   | \$ (151.06)  | -149.8762382 | \$1.18     | \$0.00         |
| D. Change in Normalized Allowed Claims Adjustment Components                        |              |              |            |                |
| D1. Base period allowed claims after normalization                                  | \$ 254.94    | \$ 229.09    | \$ (25.85) | -9%            |
| D2. URRT Trend  | \$ (250.56)  | \$ 32.25     | \$ 282.82  | 95%            |
| D3. URRT Morbidity  | \$ -         | \$ 11.88     | \$ 11.88   | 4%             |
| D4. URRT Other  | \$ 0.23      | \$ 11.34     | \$ 11.11   | 4%             |
| D5. Normalized URRT RA/RI on an allowed basis                                       | -22.90621296 | -33.63295213 | \$ (10.73) | -4%            |
| D6. Normalized Exchange User Fee on an allowed basis                                | \$ 8.18      | \$ 10.52     | \$ 2.34    | 1%             |
| D7. Subtotal - Sum(D1:D6)   | \$ (10.11)   | \$ 261.44    | \$ 271.56  | 92%            |
| E. Change in Allowable Plan Adjusted Level Components                               |              |              |            |                |
| E1. Network   | \$ -         | -0.000264671 | \$ (0.00)  | 0%             |
| E2. Pricing AV  | \$ 2.42      | \$ (64.22)   | \$ (66.64) | -22%           |
| E3. Benefit Richness  | \$ -         | \$ (0.08)    | \$ (0.08)  | 0%             |
| E4. Catastrophic Eligibility  | \$ -         | \$ -         | \$ -       | 0%             |
| E5. Subtotal - Sum(E1:E4)   | \$ 2.42      | \$ (64.31)   | \$ (66.72) | -23%           |
| F. Change in Retention Components   |              |              |            |                |
| F1. Administrative Expenses   | \$ 33.74     | \$ 37.01     | \$ 3.28    | 1%             |
| F2. Taxes and Fees  | \$ 6.23      | \$ 11.45     | \$ 5.23    | 2%             |
| F3. Profit and/or Contingency   | \$ 3.23      | \$ 6.21      | \$ 2.98    | 1%             |
| F4. Subtotal - Sum(F1:F3)   | \$ 43.19     | \$ 54.68     | \$ 11.48   | 4%             |
| G. Change in Miscellaneous Items  |              |              | \$ -       | 0%             |
| H. Sum of Components of Rate Change (should approximate the change shown in line A) | \$ 35.50     | \$ 251.82    | \$ 216.32  | 73%            |

Table 9. Year-over-Year Data to Support Table 8

|   | 2017       | 2018       |               |
|---|------------|------------|---------------|
| Paid-to-Allowed                         | 0.798      | 0.754      |               |
| URRT Trend (Total Applied Trend Factor) | 0.017      | 1.141      | < URRT W1, S2 |
| URRT Morbidity                          | 1.000      | 1.045      | < URRT W1, S2 |
| URRT "Other"                            | 1.053      | 1.042      | < URRT W1, S2 |
| Risk Adjustment                         | \$ (29.11) | \$ (41.95) | < URRT W1, S3 |
| Exchange User Fee                       | \$ 10.40   | \$ 13.12   | < URRT W1, S3 |
| Capitation                              | \$ 19.15   | \$ 20.00   | < URRT W1, S2 |
| Network                                 | 1.000      | 1.000      |               |
| Pricing AV                              | 0.761      | 0.754      |               |
| Benefit Richness                        | 1.000      | 1.000      |               |
| Catastrophic Eligibility                | 1.000      | 1.000      |               |
| Administrative Expenses                 | 11.38%     | 11.93%     |               |
| Taxes and Fees                          | 2.10%      | 3.69%      |               |
| Profit and/or Contingency               | 1.09%      | 2.00%      |               |



PA Rate Template Part III  
Table 10. Plan Rates

|                                |                           |
|--------------------------------|---------------------------|
| Carrier Name:                  | Keystone Health Plan East |
| Product(s):                    | HMO                       |
| Market Segment:                | Individual                |
| Rate Effective Date:           | 1/1/2018                  |
| Base Period Start Date         | 1/1/2016                  |
| Date of Most Recent Membership | 2/1/2017                  |
| Market Adjusted Index Rate     | \$ 543.76                 |

| Calibration                   |       |
|-------------------------------|-------|
| Age Calibration Factor        | 1.633 |
| Geographic Calibration Factor | 1.000 |
| Aggregate Calibration Factor  | 1.633 |

| Total Covered Lives @ 02-01-2017 |
|----------------------------------|
| 151,360                          |

|                                |                                   |  |                     |           |   |   |               |                               |   |                        |                                    |                                   |                             |                  |                          |                              |              |             |  |                       |
|--------------------------------|-----------------------------------|--|---------------------|-----------|---|---|---------------|-------------------------------|---|------------------------|------------------------------------|-----------------------------------|-----------------------------|------------------|--------------------------|------------------------------|--------------|-------------|--|-----------------------|
| Date of Most Recent Membership |                                   |  |                     | 2/1/2017  |   |   |               |                               |   |                        |                                    |                                   |                             |                  |                          |                              |              |             |  |                       |
| Market Adjusted Index Rate     |                                   |  |                     | \$ 543.76 | 45 CFR Part 156.8 (d) (2) Allowable Factors   |   |               |                               |   |                        |                                    |                                   |                             |                  |                          |                              |              |             |  |                       |
|                                |                                   |  |                     |           | Existing, Renewed, New, Discontinued & Mapped, Discontinued & Not Mapped (E,M,N,DM, DNM) for 2018 | 1/1/18 Plan HIOS Plan ID (If 1/1/17 Plan Discontinued & Mapped) |               |                               |   |                        |                                    |                                   |                             |                  |                          |                              |              |             |  |                       |
| Plan Number                    | HIOS Plan ID (Standard Component) | Plan Type (HMO, POS, PPO, EPO, Indemnity, Other) | Plan Marketing Name |           |   |   | Metallic Tier | Metallic Tier Actuarial Value | Standard AV, Approach (1), Approach (2) | Exchange On/Off or Off | Pricing AV (company-determined AV) | Benefit Richness (induced demand) | Benefits in addition to EHB | Provider Network | Catastrophic Eligibility | Tobacco Surcharge Adjustment | Pure Premium | Admin Costs | Taxes & Fees (not including Exchange fees) | Profit or Contingency |

|         |                |     |                                     |    |                |          |       |            |        |       |       |       |       |       |       |          |       |      |      |
|---------|----------------|-----|-------------------------------------|----|----------------|----------|-------|------------|--------|-------|-------|-------|-------|-------|-------|----------|-------|------|------|
| Plan 1  | 33871PA0040001 | HMO | Keystone HMO Platinum               | E  |                | Platinum | 0.902 | Approach 1 | ON/OFF | 0.927 | 1.550 | 1.000 | 1.084 | 1.000 | 1.013 | \$858.83 | 11.9% | 3.7% | 2.0% |
| Plan 2  | 33871PA0040002 | HMO | Keystone HMO Gold                   | E  |                | Gold     | 0.814 | Approach 1 | ON/OFF | 0.911 | 1.176 | 1.000 | 1.084 | 1.000 | 1.013 | \$639.94 | 11.9% | 3.7% | 2.0% |
| Plan 3  | 33871PA0040003 | HMO | Keystone HMO Silver                 | DM | 33871PA0120003 | Silver   | 0.71  | Approach 1 | ON/OFF | 0.757 | 1.089 | 1.000 | 1.084 | 1.000 | 1.013 | \$491.92 | 11.9% | 3.7% | 2.0% |
| Plan 4  | 33871PA0040005 | HMO | Keystone HMO Gold Proactive         | E  |                | Gold     | 0.763 | Approach 2 | ON/OFF | 0.911 | 1.093 | 1.000 | 0.986 | 1.000 | 1.013 | \$540.94 | 11.9% | 3.7% | 2.0% |
| Plan 5  | 33871PA0040006 | HMO | Keystone HMO Silver Proactive       | E  |                | Silver   | 0.717 | Approach 2 | ON/OFF | 0.757 | 0.988 | 1.000 | 0.986 | 1.000 | 1.013 | \$406.04 | 11.9% | 3.7% | 2.0% |
| Plan 6  | 33871PA0120001 | HMO | Keystone HMO Platinum               | E  |                | Platinum | 0.902 | Approach 1 | OFF    | 0.927 | 1.550 | 1.000 | 1.084 | 1.000 | 1.013 | \$858.83 | 11.9% | 3.7% | 2.0% |
| Plan 7  | 33871PA0120002 | HMO | Keystone HMO Gold                   | E  |                | Gold     | 0.814 | Approach 1 | OFF    | 0.911 | 1.176 | 1.000 | 1.084 | 1.000 | 1.013 | \$639.94 | 11.9% | 3.7% | 2.0% |
| Plan 8  | 33871PA0120003 | HMO | Keystone HMO Silver                 | E  |                | Silver   | 0.71  | Approach 1 | OFF    | 0.757 | 1.089 | 1.000 | 1.084 | 1.000 | 1.013 | \$491.92 | 11.9% | 3.7% | 2.0% |
| Plan 9  | 33871PA0120004 | HMO | Keystone HMO Bronze                 | E  |                | Bronze   | 0.623 | Approach 1 | OFF    | 0.563 | 0.891 | 1.000 | 1.084 | 1.000 | 1.013 | \$299.50 | 11.9% | 3.7% | 2.0% |
| Plan 10 | 33871PA0120005 | HMO | Keystone HMO Gold Proactive         | E  |                | Gold     | 0.763 | Approach 2 | OFF    | 0.911 | 1.093 | 1.000 | 0.986 | 1.000 | 1.013 | \$540.94 | 11.9% | 3.7% | 2.0% |
| Plan 11 | 33871PA0120006 | HMO | Keystone HMO Silver Proactive       | E  |                | Silver   | 0.717 | Approach 2 | OFF    | 0.757 | 0.988 | 1.000 | 0.986 | 1.000 | 1.013 | \$406.04 | 11.9% | 3.7% | 2.0% |
| Plan 12 | 33871PA0120007 | HMO | Keystone HMO Silver Proactive Value | E  |                | Silver   | 0.708 | Approach 2 | OFF    | 0.701 | 0.938 | 1.000 | 0.986 | 1.000 | 1.013 | \$357.26 | 11.9% | 3.7% | 2.0% |
| Plan 13 |                |     |                                     |    |                |          |       |            |        |       |       |       |       |       |       | \$0.00   |       |      |      |
| Plan 14 |                |     |                                     |    |                |          |       |            |        |       |       |       |       |       |       | \$0.00   |       |      |      |
| Plan 15 |                |     |                                     |    |                |          |       |            |        |       |       |       |       |       |       | \$0.00   |       |      |      |

| Total Covered Lives Mapped into 2018 Plans @ 02-01-2017 | Total Policyholders @ 02-01-2017 |
|---|----------------------------------|
| 151,360   | 100,172                          |

|        |        |
|--------|--------|
| 577    | 376    |
| 1,215  | 726    |
| 6,496  | 4,317  |
| 3,567  | 2,062  |
| 99,676 | 68,737 |
| 972    | 588    |
| 2,392  | 1,312  |
| 1,433  | 865    |
| 8,736  | 5,694  |
| 3,725  | 1,991  |
| 11,707 | 7,001  |
| 10,864 | 6,503  |
| -      | -      |
| -      | -      |
| -      | -      |

| 2017 Calibrated Plan Adjusted Index Rate PMPM | 2018 Calibrated Plan Adjusted Index Rate PMPM |
|---|---|
| \$ 296.45                                     | \$ 310.40                                     |

| Proposed Rate Change Compared to Prior 12 months |
|--|
| 4.71%  |

| % of Total Covered Lives |
|--------------------------|
|                          |

| 02-01-2017 Number of Covered Lives by Rating Area |   |   |   |   |   |   |         |   |         | 2018<br>Continued/<br>Discontinued<br>Plans<br>Indicator |
|---|---|---|---|---|---|---|---------|---|---------|--|
| 1   | 2 | 3 | 4 | 5 | 6 | 7 | 8       | 9 | Total   |  |
| -   | - | - | - | - | - | - | 151,360 | - | 151,360 |  |

|  |  |  |  |  |  |  |  |        |  |        |   |
|--|--|--|--|--|--|--|--|--------|--|--------|---|
|  |  |  |  |  |  |  |  | 577    |  | 577    | 1 |
|  |  |  |  |  |  |  |  | 1,215  |  | 1,215  | 1 |
|  |  |  |  |  |  |  |  | 6,496  |  | 6,496  | 1 |
|  |  |  |  |  |  |  |  | 3,567  |  | 3,567  | 1 |
|  |  |  |  |  |  |  |  | 99,676 |  | 99,676 | 1 |
|  |  |  |  |  |  |  |  | 972    |  | 972    | 1 |
|  |  |  |  |  |  |  |  | 2,392  |  | 2,392  | 1 |
|  |  |  |  |  |  |  |  | 1,433  |  | 1,433  | 1 |
|  |  |  |  |  |  |  |  | 8,736  |  | 8,736  | 1 |
|  |  |  |  |  |  |  |  | 3,725  |  | 3,725  | 1 |
|  |  |  |  |  |  |  |  | 11,707 |  | 11,707 | 1 |
|  |  |  |  |  |  |  |  | 10,864 |  | 10,864 | 1 |
|  |  |  |  |  |  |  |  | -      |  | -      | 0 |
|  |  |  |  |  |  |  |  | -      |  | -      | 0 |
|  |  |  |  |  |  |  |  | -      |  | -      | 0 |



**Table 11. Plan Premium Development for 21-Year-Old Non-Tobacco User**

|                      |                           |
|----------------------|---------------------------|
| Carrier Name:        | Keystone Health Plan East |
| Product(s):          | HMO                       |
| Market Segment:      | Individual                |
| Rate Effective Date: | 1/1/2018                  |

| Plan Number | HIOS Plan ID (Standard Component) | 1/1/17 Plan Marketing Name | Discontinued, New, Modified, Existing (D,N,M,E) for 2018 | 1/1/18 Plan HIOS PLAN ID (If 1/1/17 Plan Discontinued) | Metallic Tier | Exchange On/Off or Off |
|-------------|-----------------------------------|----------------------------|--|--|---------------|------------------------|
|-------------|-----------------------------------|----------------------------|--|--|---------------|------------------------|

| Totals  | These cells auto-fill using the data entered in Table 10. |                         |    |                |          |        |
|---------|---|-------------------------|----|----------------|----------|--------|
| Plan 1  | 33871PA0040001  | Keystone HMO Platinum   | E  | 0              | Platinum | ON/OFF |
| Plan 2  | 33871PA0040002  | Keystone HMO Gold       | E  | 0              | Gold     | ON/OFF |
| Plan 3  | 33871PA0040003  | Keystone HMO Silver     | DM | 33871PA0120003 | Silver   | ON/OFF |
| Plan 4  | 33871PA0040005  | Keystone HMO Gold Pro   | E  | 0              | Gold     | ON/OFF |
| Plan 5  | 33871PA0040006  | Keystone HMO Silver Pro | E  | 0              | Silver   | ON/OFF |
| Plan 6  | 33871PA0120001  | Keystone HMO Platinum   | E  | 0              | Platinum | OFF    |
| Plan 7  | 33871PA0120002  | Keystone HMO Gold       | E  | 0              | Gold     | OFF    |
| Plan 8  | 33871PA0120003  | Keystone HMO Silver     | E  | 0              | Silver   | OFF    |
| Plan 9  | 33871PA0120004  | Keystone HMO Bronze     | E  | 0              | Bronze   | OFF    |
| Plan 10 | 33871PA0120005  | Keystone HMO Gold Pro   | E  | 0              | Gold     | OFF    |
| Plan 11 | 33871PA0120006  | Keystone HMO Silver Pro | E  | 0              | Silver   | OFF    |
| Plan 12 | 33871PA0120007  | Keystone HMO Silver Pro | E  | 0              | Silver   | OFF    |
| Plan 13 | 0   | 0                       | 0  | 0              | 0        | 0      |
| Plan 14 | 0   | 0                       | 0  | 0              | 0        | 0      |
| Plan 15 | 0   | 0                       | 0  | 0              | 0        | 0      |
| Plan 16 | 0   | 0                       | 0  | 0              | 0        | 0      |
| Plan 17 | 0   | 0                       | 0  | 0              | 0        | 0      |
| Plan 18 | 0   | 0                       | 0  | 0              | 0        | 0      |
| Plan 19 | 0   | 0                       | 0  | 0              | 0        | 0      |
| Plan 20 | 0   | 0                       | 0  | 0              | 0        | 0      |

| 2017 21-year-old, Non-Tobacco Premium PMPM |   |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|---|
| 1  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 (weighted by enrollment by rating area) |

[illegible]

[illegible][illegible]

## PA Rate Quarterly Template Part V Consumer Factors

|                             |                           |
|-----------------------------|---------------------------|
| <b>Carrier Name:</b>        | Keystone Health Plan East |
| <b>Product(s):</b>          | HMO                       |
| <b>Market Segment:</b>      | Individual                |
| <b>Rate Effective Date:</b> | 1/1/2018                  |

### Table 12. Age and Tobacco Factors

| Projection Period Age and Tobacco Factors |            |                |  |          |            |                |
|---|------------|----------------|--|----------|------------|----------------|
| Age Band                                  | Age Factor | Tobacco Factor |  | Age Band | Age Factor | Tobacco Factor |
| 0-14                                      | 0.765      |                |  | 40       | 1.278      | 1.225          |
| 15  | 0.833      |                |  | 41       | 1.302      | 1.225          |
| 16  | 0.859      |                |  | 42       | 1.325      | 1.225          |
| 17  | 0.885      |                |  | 43       | 1.357      | 1.225          |
| 18  | 0.913      | 1.000          |  | 44       | 1.397      | 1.225          |
| 19  | 0.941      | 1.000          |  | 45       | 1.444      | 1.225          |
| 20  | 0.970      | 1.000          |  | 46       | 1.500      | 1.225          |
| 21  | 1.000      | 1.125          |  | 47       | 1.563      | 1.225          |
| 22  | 1.000      | 1.125          |  | 48       | 1.635      | 1.225          |
| 23  | 1.000      | 1.125          |  | 49       | 1.706      | 1.225          |
| 24  | 1.000      | 1.125          |  | 50       | 1.786      | 1.375          |
| 25  | 1.004      | 1.125          |  | 51       | 1.865      | 1.375          |
| 26  | 1.024      | 1.125          |  | 52       | 1.952      | 1.375          |
| 27  | 1.048      | 1.125          |  | 53       | 2.040      | 1.375          |
| 28  | 1.087      | 1.125          |  | 54       | 2.135      | 1.375          |
| 29  | 1.119      | 1.125          |  | 55       | 2.230      | 1.375          |
| 30  | 1.135      | 1.175          |  | 56       | 2.333      | 1.375          |
| 31  | 1.159      | 1.175          |  | 57       | 2.437      | 1.375          |
| 32  | 1.183      | 1.175          |  | 58       | 2.548      | 1.375          |
| 33  | 1.198      | 1.175          |  | 59       | 2.603      | 1.375          |
| 34  | 1.214      | 1.175          |  | 60       | 2.714      | 1.375          |
| 35  | 1.222      | 1.175          |  | 61       | 2.810      | 1.375          |
| 36  | 1.230      | 1.175          |  | 62       | 2.873      | 1.375          |
| 37  | 1.238      | 1.175          |  | 63       | 2.952      | 1.375          |
| 38  | 1.246      | 1.175          |  | 64+      | 3.000      | 1.375          |
| 39  | 1.262      | 1.175          |  |          |            |                |

\*PA follows the federal default age curve.

### Table 13. Geographic Factors

| Geographic Area Factors |  |                |                 |
|-------------------------|--|----------------|-----------------|
| Area                    | Counties   | Current Factor | Proposed Factor |
| Rating Area 1           |  |                |                 |
| Rating Area 2           |  |                |                 |
| Rating Area 3           |  |                |                 |
| Rating Area 4           |  |                |                 |
| Rating Area 5           |  |                |                 |
| Rating Area 6           |  |                |                 |
| Rating Area 7           |  |                |                 |
| Rating Area 8           | Bucks, Chester, Delaware, Philadelphia, Montgomery | 1.000          | 1.000           |
| Rating Area 9           |  |                |                 |

### Table 14. Network Factors

[illegible]

# Keystone Health Plan East Individual Plan Design Summary

| HIOS Plan ID   | Plan Marketing Name                 | Product | Metal    | On/Off Exchange | Network   | Rating Area | Counties Covered                                   |
|----------------|-------------------------------------|---------|----------|-----------------|-----------|-------------|--|
| 33871PA0040001 | Keystone HMO Platinum               | HMO     | Platinum | On              | KHPE      | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0040002 | Keystone HMO Gold                   | HMO     | Gold     | On              | KHPE      | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0040005 | Keystone HMO Gold Proactive         | HMO     | Gold     | On              | Proactive | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0040006 | Keystone HMO Silver Proactive       | HMO     | Silver   | On              | Proactive | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0120001 | Keystone HMO Platinum               | HMO     | Platinum | Off             | KHPE      | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0120002 | Keystone HMO Gold                   | HMO     | Gold     | Off             | KHPE      | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0120003 | Keystone HMO Silver                 | HMO     | Silver   | Off             | KHPE      | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0120004 | Keystone HMO Bronze                 | HMO     | Bronze   | Off             | KHPE      | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0120005 | Keystone HMO Gold Proactive         | HMO     | Gold     | Off             | Proactive | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0120006 | Keystone HMO Silver Proactive       | HMO     | Silver   | Off             | Proactive | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |
| 33871PA0120007 | Keystone HMO Silver Proactive Value | HMO     | Silver   | Off             | Proactive | 8           | Bucks, Chester, Delaware, Montgomery, Philadelphia |

Company Name: Keystone Health Plan East  
Market: Individual  
Product: HMO  
Effective Date of Rates: January 1, 2018

Ending date of Rates: December 31, 2018

| HIOS Plan ID (On Exchange)=>  | 33871PA0040001                 |            | 33871PA0040002                 |            | 33871PA0040005                 |            | 33871PA0040006                            |            | 33871PA0120001                  |            | 33871PA0120002                  |            |
|-------------------------------|--------------------------------|------------|--------------------------------|------------|--------------------------------|------------|---|------------|---------------------------------|------------|---------------------------------|------------|
| HIOS Plan ID (Off Exchange)=> |                                |            |                                |            |                                |            |   |            |                                 |            |                                 |            |
| Plan Marketing Name =>        | Keystone HMO Platinum          |            | Keystone HMO Gold              |            | Keystone HMO Gold Proactive    |            | Keystone HMO Silver Proactive             |            | Keystone HMO Platinum           |            | Keystone HMO Gold               |            |
| Form # =>                     | KE 650 IND FC EXC-ON Rev. 1.18 |            | KE 650 IND FC EXC-ON Rev. 1.18 |            | KE 650 IND FC EXC-ON Rev. 1.18 |            | KE 650 IND FC EXC-ON Rev. 1.18            |            | KE 650 IND FC EXC-OFF Rev. 1.18 |            | KE 650 IND FC EXC-OFF Rev. 1.18 |            |
| Rating Area =>                | 8                              |            | 8                              |            | 8                              |            | 8   |            | 8                               |            | 8                               |            |
| Network =>                    | KHPE Network                   |            | KHPE Network                   |            | Proactive Network              |            | Proactive Network                         |            | KHPE Network                    |            | KHPE Network                    |            |
| Metal =>                      | Platinum                       |            | Gold                           |            | Gold                           |            | Silver                                    |            | Platinum                        |            | Gold                            |            |
| Deductible =>                 | \$0                            |            | \$0                            |            | \$2,500                        |            | \$0/\$5500/\$5500                         |            | \$0                             |            | \$0                             |            |
| Coinsurance =>                | 0%                             |            | 20%                            |            | 30%                            |            | 0%/5%/10%                                 |            | 0%                              |            | 20%                             |            |
| Copays =>                     | \$15/\$30                      |            | \$25/\$65                      |            | \$35/\$70 no ded               |            | \$40/80, \$50/100 no ded, \$60/120 no ded |            | \$15/\$30                       |            | \$25/\$65                       |            |
| OOP Maximum =>                | \$4,000                        |            | \$5,500                        |            | \$6,500                        |            | \$7,350                                   |            | \$4,000                         |            | \$5,500                         |            |
| Pediatric Dental (Yes/No) =>  | No                             |            | No                             |            | No                             |            | No  |            | No                              |            | No                              |            |
| Age Band                      | Non-Tobacco                    | Tobacco    | Non-Tobacco                    | Tobacco    | Non-Tobacco                    | Tobacco    | Non-Tobacco                               | Tobacco    | Non-Tobacco                     | Tobacco    | Non-Tobacco                     | Tobacco    |
| 0-14                          | \$488.35                       | \$488.35   | \$363.89                       | \$363.89   | \$307.60                       | \$307.60   | \$230.88                                  | \$230.88   | \$488.35                        | \$488.35   | \$363.89                        | \$363.89   |
| 15                            | \$531.76                       | \$531.76   | \$396.23                       | \$396.23   | \$334.94                       | \$334.94   | \$251.41                                  | \$251.41   | \$531.76                        | \$531.76   | \$396.23                        | \$396.23   |
| 16                            | \$548.36                       | \$548.36   | \$408.60                       | \$408.60   | \$345.39                       | \$345.39   | \$259.25                                  | \$259.25   | \$548.36                        | \$548.36   | \$408.60                        | \$408.60   |
| 17                            | \$564.96                       | \$564.96   | \$420.97                       | \$420.97   | \$355.85                       | \$355.85   | \$267.10                                  | \$267.10   | \$564.96                        | \$564.96   | \$420.97                        | \$420.97   |
| 18                            | \$582.83                       | \$582.83   | \$434.29                       | \$434.29   | \$367.10                       | \$367.10   | \$275.55                                  | \$275.55   | \$582.83                        | \$582.83   | \$434.29                        | \$434.29   |
| 19                            | \$600.71                       | \$600.71   | \$447.61                       | \$447.61   | \$378.36                       | \$378.36   | \$284.00                                  | \$284.00   | \$600.71                        | \$600.71   | \$447.61                        | \$447.61   |
| 20                            | \$619.22                       | \$619.22   | \$461.40                       | \$461.40   | \$390.02                       | \$390.02   | \$292.75                                  | \$292.75   | \$619.22                        | \$619.22   | \$461.40                        | \$461.40   |
| 21                            | \$638.37                       | \$718.17   | \$475.67                       | \$535.13   | \$402.09                       | \$452.35   | \$301.81                                  | \$339.53   | \$638.37                        | \$718.17   | \$475.67                        | \$535.13   |
| 22                            | \$638.37                       | \$718.17   | \$475.67                       | \$535.13   | \$402.09                       | \$452.35   | \$301.81                                  | \$339.53   | \$638.37                        | \$718.17   | \$475.67                        | \$535.13   |
| 23                            | \$638.37                       | \$718.17   | \$475.67                       | \$535.13   | \$402.09                       | \$452.35   | \$301.81                                  | \$339.53   | \$638.37                        | \$718.17   | \$475.67                        | \$535.13   |
| 24                            | \$638.37                       | \$718.17   | \$475.67                       | \$535.13   | \$402.09                       | \$452.35   | \$301.81                                  | \$339.53   | \$638.37                        | \$718.17   | \$475.67                        | \$535.13   |
| 25                            | \$640.92                       | \$721.04   | \$477.57                       | \$537.27   | \$403.69                       | \$454.16   | \$303.01                                  | \$340.89   | \$640.92                        | \$721.04   | \$477.57                        | \$537.27   |
| 26                            | \$653.69                       | \$735.40   | \$487.09                       | \$547.97   | \$411.74                       | \$463.20   | \$309.05                                  | \$347.68   | \$653.69                        | \$735.40   | \$487.09                        | \$547.97   |
| 27                            | \$669.01                       | \$752.64   | \$498.50                       | \$560.82   | \$421.39                       | \$474.06   | \$316.29                                  | \$355.83   | \$669.01                        | \$752.64   | \$498.50                        | \$560.82   |
| 28                            | \$693.91                       | \$780.65   | \$517.06                       | \$581.69   | \$437.07                       | \$491.70   | \$328.07                                  | \$369.07   | \$693.91                        | \$780.65   | \$517.06                        | \$581.69   |
| 29                            | \$714.34                       | \$803.63   | \$532.28                       | \$598.81   | \$449.93                       | \$506.17   | \$337.72                                  | \$379.94   | \$714.34                        | \$803.63   | \$532.28                        | \$598.81   |
| 30                            | \$724.55                       | \$851.35   | \$539.89                       | \$634.37   | \$456.37                       | \$536.23   | \$342.55                                  | \$402.50   | \$724.55                        | \$851.35   | \$539.89                        | \$634.37   |
| 31                            | \$739.87                       | \$869.35   | \$551.30                       | \$647.78   | \$466.02                       | \$547.57   | \$349.80                                  | \$411.01   | \$739.87                        | \$869.35   | \$551.30                        | \$647.78   |
| 32                            | \$755.19                       | \$887.35   | \$562.72                       | \$661.20   | \$475.67                       | \$558.91   | \$357.04                                  | \$419.52   | \$755.19                        | \$887.35   | \$562.72                        | \$661.20   |
| 33                            | \$764.77                       | \$898.60   | \$569.85                       | \$669.58   | \$481.70                       | \$565.99   | \$361.57                                  | \$424.84   | \$764.77                        | \$898.60   | \$569.85                        | \$669.58   |
| 34                            | \$774.98                       | \$910.60   | \$577.47                       | \$678.52   | \$488.13                       | \$573.55   | \$366.39                                  | \$430.51   | \$774.98                        | \$910.60   | \$577.47                        | \$678.52   |
| 35                            | \$780.09                       | \$916.60   | \$581.27                       | \$682.99   | \$491.35                       | \$577.33   | \$368.81                                  | \$433.35   | \$780.09                        | \$916.60   | \$581.27                        | \$682.99   |
| 36                            | \$785.20                       | \$922.61   | \$585.08                       | \$687.46   | \$494.56                       | \$581.11   | \$371.22                                  | \$436.19   | \$785.20                        | \$922.61   | \$585.08                        | \$687.46   |
| 37                            | \$790.30                       | \$928.61   | \$588.88                       | \$691.94   | \$497.78                       | \$584.89   | \$373.64                                  | \$439.02   | \$790.30                        | \$928.61   | \$588.88                        | \$691.94   |
| 38                            | \$795.41                       | \$934.61   | \$592.69                       | \$696.41   | \$501.00                       | \$588.67   | \$376.05                                  | \$441.86   | \$795.41                        | \$934.61   | \$592.69                        | \$696.41   |
| 39                            | \$805.62                       | \$946.61   | \$600.30                       | \$705.35   | \$507.43                       | \$596.23   | \$380.88                                  | \$447.54   | \$805.62                        | \$946.61   | \$600.30                        | \$705.35   |
| 40                            | \$815.84                       | \$999.40   | \$607.91                       | \$744.69   | \$513.86                       | \$629.48   | \$385.71                                  | \$472.50   | \$815.84                        | \$999.40   | \$607.91                        | \$744.69   |
| 41                            | \$831.16                       | \$1,018.17 | \$619.32                       | \$758.67   | \$523.51                       | \$641.31   | \$392.95                                  | \$481.37   | \$831.16                        | \$1,018.17 | \$619.32                        | \$758.67   |
| 42                            | \$845.84                       | \$1,036.16 | \$630.27                       | \$772.07   | \$532.76                       | \$652.63   | \$399.90                                  | \$489.87   | \$845.84                        | \$1,036.16 | \$630.27                        | \$772.07   |
| 43                            | \$866.27                       | \$1,061.18 | \$645.49                       | \$790.72   | \$545.63                       | \$668.40   | \$409.55                                  | \$501.70   | \$866.27                        | \$1,061.18 | \$645.49                        | \$790.72   |
| 44                            | \$891.80                       | \$1,092.46 | \$664.51                       | \$814.03   | \$561.71                       | \$688.10   | \$421.63                                  | \$516.49   | \$891.80                        | \$1,092.46 | \$664.51                        | \$814.03   |
| 45                            | \$921.81                       | \$1,129.21 | \$686.87                       | \$841.42   | \$580.61                       | \$711.25   | \$435.81                                  | \$533.87   | \$921.81                        | \$1,129.21 | \$686.87                        | \$841.42   |
| 46                            | \$957.56                       | \$1,173.01 | \$713.51                       | \$874.05   | \$603.13                       | \$738.83   | \$452.71                                  | \$554.57   | \$957.56                        | \$1,173.01 | \$713.51                        | \$874.05   |
| 47                            | \$997.77                       | \$1,222.27 | \$743.48                       | \$910.76   | \$628.46                       | \$769.86   | \$471.73                                  | \$577.86   | \$997.77                        | \$1,222.27 | \$743.48                        | \$910.76   |
| 48                            | \$1,043.74                     | \$1,278.58 | \$777.72                       | \$952.71   | \$657.41                       | \$805.33   | \$493.46                                  | \$604.48   | \$1,043.74                      | \$1,278.58 | \$777.72                        | \$952.71   |
| 49                            | \$1,089.06                     | \$1,334.10 | \$811.50                       | \$994.08   | \$685.96                       | \$840.30   | \$514.88                                  | \$630.73   | \$1,089.06                      | \$1,334.10 | \$811.50                        | \$994.08   |
| 50                            | \$1,140.13                     | \$1,567.68 | \$849.55                       | \$1,168.13 | \$718.12                       | \$987.42   | \$539.03                                  | \$741.16   | \$1,140.13                      | \$1,567.68 | \$849.55                        | \$1,168.13 |
| 51                            | \$1,190.56                     | \$1,637.02 | \$887.13                       | \$1,219.80 | \$749.89                       | \$1,031.10 | \$562.87                                  | \$773.95   | \$1,190.56                      | \$1,637.02 | \$887.13                        | \$1,219.80 |
| 52                            | \$1,246.10                     | \$1,713.39 | \$928.51                       | \$1,276.70 | \$784.87                       | \$1,079.20 | \$589.13                                  | \$810.05   | \$1,246.10                      | \$1,713.39 | \$928.51                        | \$1,276.70 |
| 53                            | \$1,302.28                     | \$1,790.63 | \$970.37                       | \$1,334.26 | \$820.25                       | \$1,127.85 | \$615.69                                  | \$846.57   | \$1,302.28                      | \$1,790.63 | \$970.37                        | \$1,334.26 |
| 54                            | \$1,362.92                     | \$1,874.02 | \$1,015.56                     | \$1,396.39 | \$858.45                       | \$1,180.37 | \$644.36                                  | \$885.99   | \$1,362.92                      | \$1,874.02 | \$1,015.56                      | \$1,396.39 |
| 55                            | \$1,423.57                     | \$1,957.40 | \$1,060.75                     | \$1,458.53 | \$896.65                       | \$1,232.89 | \$673.03                                  | \$925.42   | \$1,423.57                      | \$1,957.40 | \$1,060.75                      | \$1,458.53 |
| 56                            | \$1,489.32                     | \$2,047.81 | \$1,109.74                     | \$1,525.90 | \$938.06                       | \$1,289.84 | \$704.12                                  | \$968.16   | \$1,489.32                      | \$2,047.81 | \$1,109.74                      | \$1,525.90 |
| 57                            | \$1,555.71                     | \$2,139.10 | \$1,159.21                     | \$1,593.92 | \$979.88                       | \$1,347.34 | \$735.51                                  | \$1,011.32 | \$1,555.71                      | \$2,139.10 | \$1,159.21                      | \$1,593.92 |
| 58                            | \$1,626.57                     | \$2,236.53 | \$1,212.01                     | \$1,666.52 | \$1,024.51                     | \$1,408.70 | \$769.01                                  | \$1,057.38 | \$1,626.57                      | \$2,236.53 | \$1,212.01                      | \$1,666.52 |
| 59                            | \$1,661.68                     | \$2,284.81 | \$1,238.17                     | \$1,702.49 | \$1,046.63                     | \$1,439.11 | \$785.61                                  | \$1,080.21 | \$1,661.68                      | \$2,284.81 | \$1,238.17                      | \$1,702.49 |
| 60                            | \$1,732.54                     | \$2,382.24 | \$1,290.97                     | \$1,775.09 | \$1,091.26                     | \$1,500.48 | \$819.11                                  | \$1,126.27 | \$1,732.54                      | \$2,382.24 | \$1,290.97                      | \$1,775.09 |
| 61                            | \$1,793.82                     | \$2,466.50 | \$1,336.64                     | \$1,837.88 | \$1,129.86                     | \$1,553.56 | \$848.08                                  | \$1,166.11 | \$1,793.82                      | \$2,466.50 | \$1,336.64                      | \$1,837.88 |
| 62                            | \$1,834.04                     | \$2,521.80 | \$1,366.61                     | \$1,879.08 | \$1,155.19                     | \$1,588.39 | \$867.09                                  | \$1,192.25 | \$1,834.04                      | \$2,521.80 | \$1,366.61                      | \$1,879.08 |
| 63                            | \$1,884.47                     | \$2,591.15 | \$1,404.18                     | \$1,930.75 | \$1,186.95                     | \$1,632.06 | \$890.94                                  | \$1,225.04 | \$1,884.47                      | \$2,591.15 | \$1,404.18                      | \$1,930.75 |
| 64+                           | \$1,915.11                     | \$2,633.28 | \$1,427.01                     | \$1,962.15 | \$1,206.26                     | \$1,658.60 | \$905.42                                  | \$1,244.96 | \$1,915.11                      | \$2,633.28 | \$1,427.01                      | \$1,962.15 |

Company Name                      Keystone Health Plan East  
Market                                      Individual  
RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND COUNTY

[illegible]



| 2018 Rates Table Template v7.1              |  | All fields with an asterisk ( * ) are required. To validate press Validate button or Ctrl + Shift + I. To finalize, press Finalize button or Ctrl + Shift + F. |   |  |   |
|---|--|--|---|--|---|
|   |  | If you are in a community rating state, select Family-Tier Rates under Rating Method and fill in all columns.  |   |  |   |
|   |  | If you are not in a community rating state, select Age-Based Rates under Rating Method and provide an Individual Rate for every age band.                      |   |  |   |
|   |  | If Tobacco is Tobacco User/Non-Tobacco User, you must give a rate for Tobacco Use and Non-Tobacco Use.   |   |  |   |
|   |  | To add a new sheet, press the Add Sheet button, or Ctrl + Shift + H. All plans must have the same dates on a sheet.  |   |  |   |
| HIOS Issuer ID*                             | 33871                                  |  |   |  |   |
| Federal TIN*                                | 23-2405376                             |  |   |  |   |
| Rate Effective Date*                        | 1/1/2018                               |  |   |  |   |
| Rate Expiration Date*                       | 12/31/2018                             |  |   |  |   |
| Rating Method*                              | Age-Based Rates                        |  |   |  |   |
|   |  |  |   |  |   |
|   |  |  |   |  |   |
| Plan ID*                                    | Rating Area ID*                        | Tobacco*   | Age*  | Individual Rate*   | Individual Tobacco Rate*  |
| Required:<br>Enter the 14-character Plan ID | Required:<br>Select the Rating Area ID | Required:<br>Select if Tobacco use of subscriber is used to determine if a person is eligible for a rate from a plan   | Required:<br>Select the age of a subscriber eligible for the rate | Required:<br>Enter the rate of an Individual Non-Tobacco or No Preference enrollee on a plan | Required:<br>Enter the rate of an Individual tobacco enrollee on a plan |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 0-14  | 488.35   | 488.35  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 15  | 531.76   | 531.76  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 16  | 548.36   | 548.36  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 17  | 564.96   | 564.96  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 18  | 582.83   | 582.83  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 19  | 600.71   | 600.71  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 20  | 619.22   | 619.22  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 21  | 638.37   | 718.17  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 22  | 638.37   | 718.17  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 23  | 638.37   | 718.17  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 24  | 638.37   | 718.17  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 25  | 640.92   | 721.04  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 26  | 653.69   | 735.40  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 27  | 669.01   | 752.64  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 28  | 693.91   | 780.65  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 29  | 714.34   | 803.63  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 30  | 724.55   | 851.35  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 31  | 739.87   | 869.35  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 32  | 755.19   | 887.35  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 33  | 764.77   | 898.60  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 34  | 774.98   | 910.60  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 35  | 780.09   | 916.60  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 36  | 785.20   | 922.61  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 37  | 790.30   | 928.61  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 38  | 795.41   | 934.61  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 39  | 805.62   | 946.61  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 40  | 815.84   | 999.40  |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 41  | 831.16   | 1018.17   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 42  | 845.84   | 1036.16   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 43  | 866.27   | 1061.18   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 44  | 891.80   | 1092.46   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 45  | 921.81   | 1129.21   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 46  | 957.56   | 1173.01   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 47  | 997.77   | 1222.27   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 48  | 1043.74  | 1278.58   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 49  | 1089.06  | 1334.10   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 50  | 1140.13  | 1567.68   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 51  | 1190.56  | 1637.02   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 52  | 1246.10  | 1713.39   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 53  | 1302.28  | 1790.63   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 54  | 1362.92  | 1874.02   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 55  | 1423.57  | 1957.40   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 56  | 1489.32  | 2047.81   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 57  | 1555.71  | 2139.10   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 58  | 1626.57  | 2236.53   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 59  | 1661.68  | 2284.81   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 60  | 1732.54  | 2382.24   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 61  | 1793.82  | 2466.50   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 62  | 1834.04  | 2521.80   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 63  | 1884.47  | 2591.15   |
| 33871PA0040001                              | Rating Area 8                          | Tobacco User/Non-Tobacco User  | 64 and over   | 1915.11  | 2633.28   |



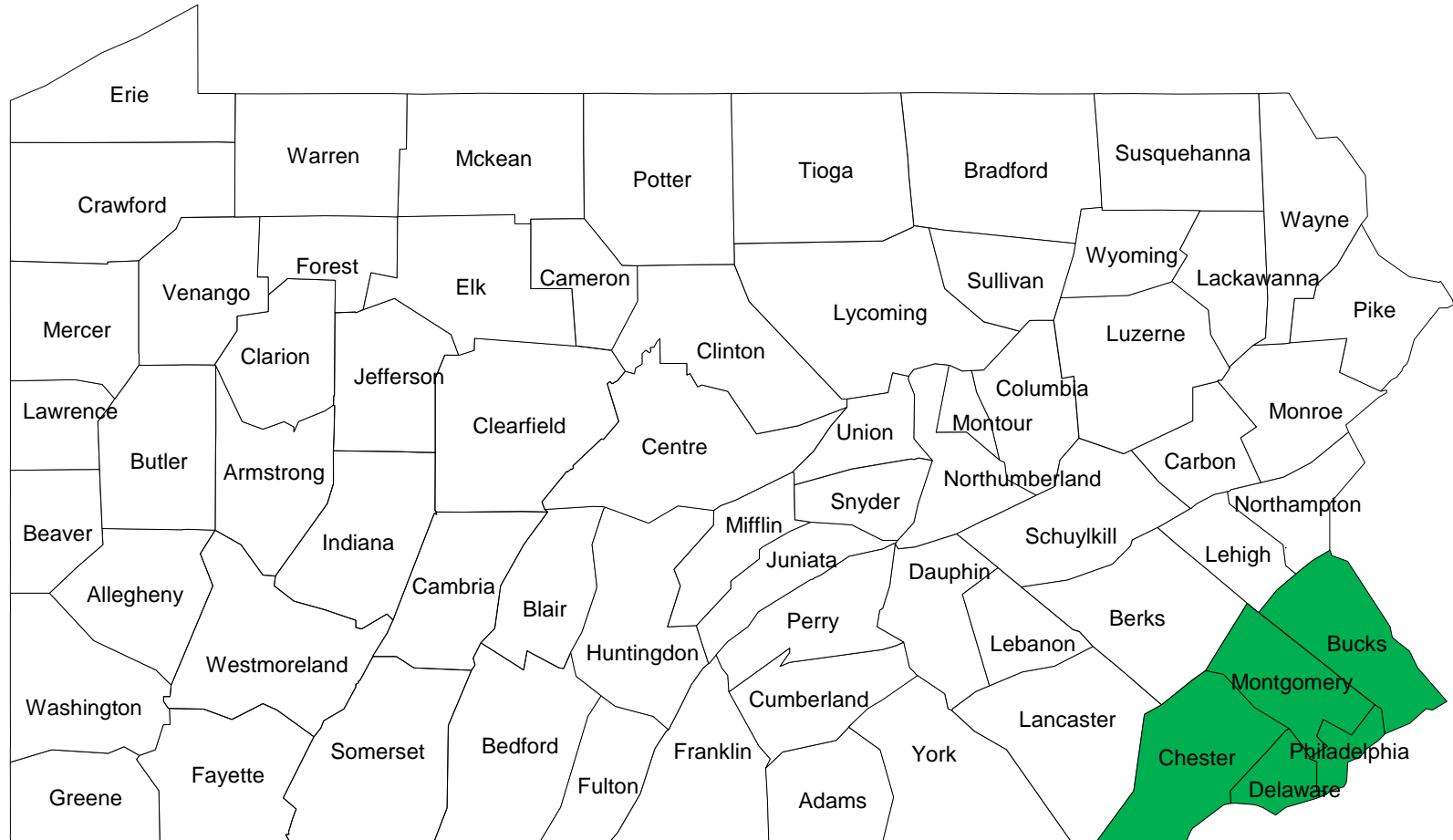
|                |               |                               |             |         |         |
|----------------|---------------|-------------------------------|-------------|---------|---------|
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 0-14        | 363.89  | 363.89  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 15          | 396.23  | 396.23  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 16          | 408.60  | 408.60  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 17          | 420.97  | 420.97  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 18          | 434.29  | 434.29  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 19          | 447.61  | 447.61  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 20          | 461.40  | 461.40  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 21          | 475.67  | 535.13  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 22          | 475.67  | 535.13  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 23          | 475.67  | 535.13  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 24          | 475.67  | 535.13  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 25          | 477.57  | 537.27  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 26          | 487.09  | 547.97  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 27          | 498.50  | 560.82  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 28          | 517.06  | 581.69  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 29          | 532.28  | 598.81  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 30          | 539.89  | 634.37  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 31          | 551.30  | 647.78  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 32          | 562.72  | 661.20  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 33          | 569.85  | 669.58  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 34          | 577.47  | 678.52  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 35          | 581.27  | 682.99  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 36          | 585.08  | 687.46  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 37          | 588.88  | 691.94  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 38          | 592.69  | 696.41  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 39          | 600.30  | 705.35  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 40          | 607.91  | 744.69  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 41          | 619.32  | 758.67  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 42          | 630.27  | 772.07  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 43          | 645.49  | 790.72  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 44          | 664.51  | 814.03  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 45          | 686.87  | 841.42  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 46          | 713.51  | 874.05  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 47          | 743.48  | 910.76  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 48          | 777.72  | 952.71  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 49          | 811.50  | 994.08  |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 50          | 849.55  | 1168.13 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 51          | 887.13  | 1219.80 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 52          | 928.51  | 1276.70 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 53          | 970.37  | 1334.26 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 54          | 1015.56 | 1396.39 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 55          | 1060.75 | 1458.53 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 56          | 1109.74 | 1525.90 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 57          | 1159.21 | 1593.92 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 58          | 1212.01 | 1666.52 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 59          | 1238.17 | 1702.49 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 60          | 1290.97 | 1775.09 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 61          | 1336.64 | 1837.88 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 62          | 1366.61 | 1879.08 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 63          | 1404.18 | 1930.75 |
| 33871PA0040002 | Rating Area 8 | Tobacco User/Non-Tobacco User | 64 and over | 1427.01 | 1962.15 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 0-14        | 307.60  | 307.60  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 15          | 334.94  | 334.94  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 16          | 345.39  | 345.39  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 17          | 355.85  | 355.85  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 18          | 367.10  | 367.10  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 19          | 378.36  | 378.36  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 20          | 390.02  | 390.02  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 21          | 402.09  | 452.35  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 22          | 402.09  | 452.35  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 23          | 402.09  | 452.35  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 24          | 402.09  | 452.35  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 25          | 403.69  | 454.16  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 26          | 411.74  | 463.20  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 27          | 421.39  | 474.06  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 28          | 437.07  | 491.70  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 29          | 449.93  | 506.17  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 30          | 456.37  | 536.23  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 31          | 466.02  | 547.57  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 32          | 475.67  | 558.91  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 33          | 481.70  | 565.99  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 34          | 488.13  | 573.55  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 35          | 491.35  | 577.33  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 36          | 494.56  | 581.11  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 37          | 497.78  | 584.89  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 38          | 501.00  | 588.67  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 39          | 507.43  | 596.23  |

|                |               |                               |             |         |         |
|----------------|---------------|-------------------------------|-------------|---------|---------|
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 40          | 513.86  | 629.48  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 41          | 523.51  | 641.31  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 42          | 532.76  | 652.63  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 43          | 545.63  | 668.40  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 44          | 561.71  | 688.10  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 45          | 580.61  | 711.25  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 46          | 603.13  | 738.83  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 47          | 628.46  | 769.86  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 48          | 657.41  | 805.33  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 49          | 685.96  | 840.30  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 50          | 718.12  | 987.42  |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 51          | 749.89  | 1031.10 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 52          | 784.87  | 1079.20 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 53          | 820.25  | 1127.85 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 54          | 858.45  | 1180.37 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 55          | 896.65  | 1232.89 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 56          | 938.06  | 1289.84 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 57          | 979.88  | 1347.34 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 58          | 1024.51 | 1408.70 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 59          | 1046.63 | 1439.11 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 60          | 1091.26 | 1500.48 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 61          | 1129.86 | 1553.56 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 62          | 1155.19 | 1588.39 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 63          | 1186.95 | 1632.06 |
| 33871PA0040005 | Rating Area 8 | Tobacco User/Non-Tobacco User | 64 and over | 1206.26 | 1658.60 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 0-14        | 230.88  | 230.88  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 15          | 251.41  | 251.41  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 16          | 259.25  | 259.25  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 17          | 267.10  | 267.10  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 18          | 275.55  | 275.55  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 19          | 284.00  | 284.00  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 20          | 292.75  | 292.75  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 21          | 301.81  | 339.53  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 22          | 301.81  | 339.53  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 23          | 301.81  | 339.53  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 24          | 301.81  | 339.53  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 25          | 303.01  | 340.89  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 26          | 309.05  | 347.68  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 27          | 316.29  | 355.83  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 28          | 328.07  | 369.07  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 29          | 337.72  | 379.94  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 30          | 342.55  | 402.50  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 31          | 349.80  | 411.01  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 32          | 357.04  | 419.52  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 33          | 361.57  | 424.84  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 34          | 366.39  | 430.51  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 35          | 368.81  | 433.35  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 36          | 371.22  | 436.19  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 37          | 373.64  | 439.02  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 38          | 376.05  | 441.86  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 39          | 380.88  | 447.54  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 40          | 385.71  | 472.50  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 41          | 392.95  | 481.37  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 42          | 399.90  | 489.87  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 43          | 409.55  | 501.70  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 44          | 421.63  | 516.49  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 45          | 435.81  | 533.87  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 46          | 452.71  | 554.57  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 47          | 471.73  | 577.86  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 48          | 493.46  | 604.48  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 49          | 514.88  | 630.73  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 50          | 539.03  | 741.16  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 51          | 562.87  | 773.95  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 52          | 589.13  | 810.05  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 53          | 615.69  | 846.57  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 54          | 644.36  | 885.99  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 55          | 673.03  | 925.42  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 56          | 704.12  | 968.16  |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 57          | 735.51  | 1011.32 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 58          | 769.01  | 1057.38 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 59          | 785.61  | 1080.21 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 60          | 819.11  | 1126.27 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 61          | 848.08  | 1166.11 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 62          | 867.09  | 1192.25 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 63          | 890.94  | 1225.04 |
| 33871PA0040006 | Rating Area 8 | Tobacco User/Non-Tobacco User | 64 and over | 905.42  | 1244.96 |


# **2017 Service Area**


**Issuer: Keystone Health Plan East**

**Market: Individual**



**Key** (*modify as needed*)

 : 2017 on-exchange service area

 : 2017 off-exchange only service area

# **2018 Service Area**


**Issuer: Keystone Health Plan East**

**Market: Individual**



**Key** *(modify as needed)*

 : 2018 on-exchange service area

 : 2018 off-exchange only service area

SERFF Tracking INAC-131005820  
Number:

State: Pennsylvania

Filing Company: Keystone Health Plan East, Inc.

State INAC-131005820  
Tracking  
Number:

Company KHPE INDIV 1-1-2018  
Tracking  
Number:

TOI: H15I Individual Health -  
Hospital/Surgical/Medical Expense

Sub-TOI: H15I.001 Health -  
Hospital/Surgical/Medical Expense

Product Name: KHPE Individual HMO eff 1-1-2018

Project Name:

Objection Letter Status:Data Request Sent

Objection Letter Date:06/15/2017

Respond By Date:

Submitted Date:06/15/2017 02:02 PM

Dear David Walker,  
Introduction: June 15, 2017

David Walker  
Keystone Health Plan East, Inc.  
1901 Market Street  
Philadelphia, PA 19103

RE: Keystone Health Plan East Individual HMO QHP Filing for 2018.  
Pennsylvania Insurance Department ID #: INAC-131005820

Dear David Walker:

The Pennsylvania Insurance Department has received and conducted a preliminary review of the above captioned filing. In order to complete the review, we are requesting the following information. To facilitate a timely review, we request this information be provided within 5 business days of the date of this letter. If you have any questions or difficulties in providing the data within this time frame, please call me.

The following questions are from Oliver Wyman, our Actuarial Consultant:

1. In Wksh 2 of the URRT, the AV Pricing Values should be equal to the total adjustment from the Market Adjusted Index Rate (MAIR) to the Plan Adjusted Index Rate (PAIR) for each plan (e.g. MAIR x AV Pricing Value = PAIR). However, this does not appear to be the case. Please explain why this is not the case or correct the issue to follow the Part III URRT Instructions Section 4.7.2.

2. The Rate Data template only appears to include renewing on-exchange plans (33871PA0040001, 33871PA0040002, 33871PA0040005, 33871PA0040006). Please submit the Rate Data Template for all of the off-exchange plans as well (33871PA0120001, 33871PA0120002, 33871PA0120003, 33871PA0120004, 33871PA0120005, 33871PA0120006, 33871PA0120007)

3. Please provide the numerical development of the Exchange User Fee of \$13.12 applied to the Market Adjusted Index Rate shown in Table 5 of the file [PA Actuarial Memo Rate Exhibits - Annual Filings - 05192017\_KHPE\_IND\_RV.xlsx].
4. For plans 33871PA0040002 and 33871PA0120002, the AV Metal Values in the URRT (0.814) do not match the AV Calculator screens shots (0.8003). Please correct the inconsistency or explain why they are different.
5. Please show a numerical development of the assumed annual trend used in projecting the experience period claims to the projected 2018 coverage year. Please include the trends based on historical experience for each benefit category for years 2014, 2015, 2016, and 2017 (year to date). We realize 2017 trends will be partially based on estimated claim costs.
6. Please provide further support for the morbidity projection factor of 1.045. Please explain in detail the methodology used to determine this factor and numerical support showing the development. Please be sure to explain why you are projecting the single risk pool to have higher morbidity than that of the experience base.
7. Please show the quantitative development of the 'Demo' factors shown in the file [Exhibit A.xlsx]. Are these values based on average age curve factors? If so, what age curve is being used (e.g. 2018 federal default age curve, internal age curve)?
8. Please provide numerical support for the age calibration factor of 1.633. In your support, please provide the projected 2018 distribution of membership by age.
9. We have the following questions regarding the benefit richness (induced demand) column in Table 10.
  - a. Please provide numerical support for the benefit richness (induced demand) factors shown in Table 10.
  - b. Please confirm and demonstrate in your support that health status was not taken into account when developing these factors.
  - c. Please explain why these values vary within a given metal level if health status is not taken into account; specifically for Silver and Gold metal plans.
10. Please describe the methodology used to determine the provider network factors used in column N of Table 10.
11. Please provide the numerical development of the tobacco surcharge of 1.013 shown in column P of Table 10.
12. Please provide the numerical development of the projected 2018 MLR that shows compliance with the 80% minimum MLR.
13. Please provide the numerical development of the average paid to allowed factor of 0.754 as entered in the URRT Wksh 1 Section III.
14. The following questions are related to the projected Risk Adjustment payment PMPM equal to \$41.95:
  - a. Please provide the quantitative development of the projected risk adjustment payment PMPM equal to \$41.95.
  - b. Please demonstrate quantitatively how the 0.86 factor which is to be applied to the statewide average premium in the 2018 risk adjustment calculation was taken into account in developing the projected risk adjustment payment PMPM of \$41.95.

The following are additional questions from the PID:

1. Please confirm that a risk adjustment user fee of \$0.14 PMPM was included in the "Projected Risk Adjustment PMPM" of -\$41.95 shown in the Department's Table 5.
2. Please show the development of the average commission and circumstances in which broker commissions will be paid and if they will vary based on geographic location, metal level, plan, open enrollment vs SEP enrollment, etc. Additionally, the current and 2018 broker agreements should be included and used to develop the percent shown in Table 6 as well as the associated PMPM amount.

3. Please confirm that you have tested to ensure that the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

Conclusion: Upon receipt of your responses to the above requested data, the Department will continue to review your filing. Please note that there may be additional questions and/or requirements as the Department conducts a more in-depth review.

Should you have any questions regarding this correspondence, please contact me at (717) 783-2117 or e-mail at [jlaverty@pa.gov](mailto:jlaverty@pa.gov).

Sincerely,

James Laverty, ASA, MAAA  
Actuary  
Bureau of Accident & Health Insurance

Conclusion:  
Sincerely,  
Jim Laverty

**KHPE INDIVIDUAL  
JUNE 15 RESPONSES**

- 1. In Wksh 2 of the URRT, the AV Pricing Values should be equal to the total adjustment from the Market Adjusted Index Rate (MAIR) to the Plan Adjusted Index Rate (PAIR) for each plan (e.g. MAIR x AV Pricing Value = PAIR). However, this does not appear to be the case. Please explain why this is not the case or correct the issue to follow the Part III URRT Instructions Section 4.7.2.**

Please see Table 10 of the PA Actuarial Memo Rate Exhibits for the numeric demonstration of the calculation of Plan Adjusted Index Rate from Market Adjusted Index Rates. The Market Adjusted Index Rate is in cell C11 on the "III- Plan rates" tab. The Plan Adjusted Index Rates are in column AA of this tab.

This also impacts our response to question 13, since we set the Pricing AV in the URRT to the expected Paid to Allowed.

- 2. The Rate Data template only appears to include renewing on-exchange plans (33871PA0040001, 33871PA0040002, 33871PA0040005, 33871PA0040006). Please submit the Rate Data Template for all of the off-exchange plans as well (33871PA0120001, 33871PA0120002, 33871PA0120003, 33871PA0120004, 33871PA0120005, 33871PA0120006, 33871PA0120007)**

We have historically only included our on exchange plans in the Federal rate template. This is done out of an abundance of caution. We are concerned that our "Off exchange" plans might accidentally show up on the exchange if we include those rates in the federal rate templates. The rates for the off exchange plans are included in the state rate templates.

- 3. Please provide the numerical development of the Exchange User Fee of \$13.12 applied to the Market Adjusted Index Rate shown in Table 5 of the file [PA Actuarial Memo Rate Exhibits - Annual Filings - 05192017\_KHPE\_IND\_RV.xlsx].**

The Exchange user fee is 3.5% of Premium for on exchange plans. From Table 10 it is evident that about 74% of the membership is On-exchange. Therefore about 2.6% of overall premium would be for exchange use fees. This is about \$13.12 PMPM. (I.e. Calibrated plan adjusted index rate in cell AA15 on table 10 x Aggregate Calibration factor in cell T6 on table 10 x 0.74 x 0.035)

- 4. For plans 33871PA0040002 and 33871PA0120002, the AV Metal Values in the URRT (0.814) do not match the AV Calculator screens shots (0.8003). Please correct the inconsistency or explain why they are different.**

We have corrected this in the URRT as well as on Table 10 of the PA Actuarial Memo Rate exhibits.

- 5. Please show a numerical development of the assumed annual trend used in projecting the experience period claims to the projected 2018 coverage year. Please include the trends based on historical experience for each benefit category for years 2014, 2015, 2016, and 2017 (year to date). We realize 2017 trends will be partially based on estimated claim costs.**



Please see below for information on the projected unit cost trends.

|      |     |               | Inpatient | Outpatient | Professional | Capitated |
|------|-----|---------------|-----------|------------|--------------|-----------|
| 2017 | HMO | PA Individual | 3.3%      | 2.2%       | 0.7%         | 2.5%      |
| 2018 | HMO | PA Individual | 2.4%      | 2.4%       | 1.4%         | 2.5%      |
| 2019 | HMO | PA Individual | 2.4%      | 2.4%       | 1.4%         | 2.5%      |

- 6. Please provide further support for the morbidity projection factor of 1.045. Please explain in detail the methodology used to determine this factor and numerical support showing the development. Please be sure to explain why you are projecting the single risk pool to have higher morbidity than that of the experience base.**

Enrollment in 2017 on exchanges has been lower overall than in years past. (Source: <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-03-15.html>)

The CMS report shows about a 4% nationwide reduction in On exchange membership between 2017 and 2016.

In PA, the reduction is about 3%. (I.e. The 2016 “Week 13” report had 439,238 open enrollment members, while the 2017 report shows 426,059 open enrollment members)

We are anticipating that the members that “opted out” in 2017 are healthier than average and will contribute to an increase in statewide average morbidity of 4.5%, which we have reflected in our single risk pool projection.

|     | Expected Avg<br>Claims per year   |  |  |  |
|-----|-----------------------------------|--|--|--|
| 60% | 7,792                             |  |  |  |
| 40% | 92                                |  |  |  |
|     | 4,712                             |  |  |  |
|     |                                   |  |  |  |
| 60% | 7,792                             |  |  |  |
| 40% | 104                               |  |  |  |
|     | 4,924                             |  |  |  |
|     | 4.5% <--Expected morbidity impact |  |  |  |

- 7. Please show the quantitative development of the ‘Demo’ factors shown in the file [Exhibit A.xlsx]. Are these values based on average age curve factors? If so, what age curve is being used (e.g. 2018 federal default age curve, internal age curve)?**

The change is based on the 2017 Federal age curve. Please see derivation below.

| 2017  | KHPE   | Demo  |
|-------|--------|-------|
| 0-20  | 20,167 | 0.635 |
| 21-29 | 22,079 | 1.033 |

|       |         |       |
|-------|---------|-------|
| 30-39 | 25,257  | 1.201 |
| 40-49 | 26,203  | 1.459 |
| 50-59 | 35,745  | 2.204 |
| 60-63 | 16,488  | 2.836 |
| 64+   | 5,421   | 3.000 |
|       |         |       |
| Total | 151,360 | 1.625 |
|       |         |       |
|       |         |       |
| 2016  | KHPE    | Demo  |
| 0-20  | 19,213  | 0.635 |
| 21-29 | 20,554  | 1.027 |
| 30-39 | 23,398  | 1.196 |
| 40-49 | 23,863  | 1.451 |
| 50-59 | 31,306  | 2.193 |
| 60-63 | 13,783  | 2.831 |
| 64+   | 4,369   | 3.000 |
|       |         |       |
| Total | 136,486 | 1.588 |

**8. Please provide numerical support for the age calibration factor of 1.633. In your support, please provide the projected 2018 distribution of membership by age.**

Please see below. Note, as is appropriate, calibration uses the 2018 Federal age curve.

|       | 2018 Expected Age distribution | 2018 Demo Factors |
|-------|--------------------------------|-------------------|
| 0-20  | 13%                            | 0.819             |
| 21-29 | 15%                            | 1.033             |
| 30-39 | 17%                            | 1.201             |
| 40-49 | 18%                            | 1.459             |
| 50-59 | 24%                            | 2.204             |
| 60-63 | 11%                            | 2.836             |
| 64+   | 2%                             | 3.000             |
| Total | 100%                           | 1.633             |

**9. We have the following questions regarding the benefit richness (induced demand) column in Table 10.**

- a. Please provide numerical support for the benefit richness (induced demand) factors shown in Table 10.**

- b. Please confirm and demonstrate in your support that health status was not taken into account when developing these factors.**
- c. Please explain why these values vary within a given metal level if health status is not taken into account; specifically for Silver and Gold metal plans.**

Our induced demand factors do not take into account health status. For 2018 we did not update the induced demand factors, rather we first solved for the induced demand factors that would generate the 2017 rates slope in 2018 before benefit changes.

We utilized this approach because we are trying to preserve the rate relationship we currently have in the market.

**10. Please describe the methodology used to determine the provider network factors used in column N of Table 10.**

The provider network factor is calculated based on the expected unit cost differences between the proactive and non-proactive networks. These differences are a combination of different contracting between the networks. (I.e. The same facilities contracted at different rates between the two networks) and facility mix. (I.e. Different facilities being utilized for the same services between the two networks.)

We expect the proactive network to be 10% less expensive than the Non-proactive network. We then normalized so that the weighted average of the factors equals 1.00.

This results in a factor of 0.986 for Proactive and 1.084 for Non-proactive. (I.e.  $1.084/0.986 = 1.10$  or a 10% difference).

**11. Please provide the numerical development of the tobacco surcharge of 1.013 shown in column P of Table 10.**

Please see table below. The calculation uses the expected age distribution and expected % tobacco use by age, as well as our previously approved tobacco factors to determine the impact of tobacco rating.

|       | 2018 Expected Age distribution | Expected % tobacco use | Approved Tobacco Factors |
|-------|--------------------------------|------------------------|--------------------------|
| 0-20  | 13%                            | 5.0%                   | -                        |
| 21-29 | 15%                            | 5.0%                   | 0.125                    |
| 30-39 | 17%                            | 5.0%                   | 0.175                    |
| 40-49 | 18%                            | 6.0%                   | 0.225                    |
| 50-59 | 24%                            | 6.0%                   | 0.375                    |
| 60-63 | 11%                            | 6.0%                   | 0.375                    |
| 64+   | 2%                             | 6.0%                   | 0.375                    |
| Total |                                |                        | 1.3%                     |

**12. Please provide the numerical development of the projected 2018 MLR that shows compliance with the 80% minimum MLR.**

Projected Premium from table 6 = \$497.66

Projected Paid claims from table = \$354.93

Projected Risk adjustment = \$41.95

QI = 0.39%; Taxes and fees = 3.69% (From table 6)

MLR =  $(354.93 + (497.66 \times 0.0039)) / (497.66 - 41.95 - (497.66 \times 0.0369)) = 81.6\% > 80\%$  minimum

**13. Please provide the numerical development of the average paid to allowed factor of 0.754 as entered in the URRT Wksh 1 Section III.**

Please see column K of table 10 for the derivation of the aggregate paid to allowed.

**14. The following questions are related to the projected Risk Adjustment payment PMPM equal to \$41.95:**

**a. Please provide the quantitative development of the projected risk adjustment payment PMPM equal to \$41.95.**

Please see below.

This is the risk adjustment calculation.

$$T_i = \left[ \frac{PLRS_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot PLRS_i \cdot IDF_i \cdot GCF_i)} - \frac{AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i)} \right] \bar{P}_s$$

Where

PS = State average premium \* 0.86; PLRSt = plan i's plan liability risk score; AVi = plan i's metal level AV; ARFi = allowable rating factor; IDFi = plan i's induced demand factor; GCFi = plan i's geographic cost factor;

|                   |            |           |        |           |        |        |        |     |  |           |          |
|-------------------|------------|-----------|--------|-----------|--------|--------|--------|-----|--|-----------|----------|
| KHPE              |            |           |        |           |        |        |        |     |  |           |          |
|                   |            |           |        | State Avg |        |        |        |     |  | Product   | Product  |
| Issuer            | Metal      | BMMO      | PLRS   | Premium   | ARF    | GCF    | IDF    | AV  |  | with Risk | w/o Risk |
| KHPE              | Plat (1)   | 385,864   | 3.2257 |           | 1.4950 | 1.1687 | 1.1500 | 90% |  | 4.3353    | 1.8084   |
| KHPE              | Gold (2)   | 910,711   | 1.9642 |           | 1.4777 | 1.1687 | 1.0800 | 80% |  | 2.4791    | 1.4921   |
| KHPE              | Silver (3) | 1,612,244 | 1.2150 |           | 1.6360 | 1.1687 | 1.0300 | 70% |  | 1.4626    | 1.3785   |
| KHPE              | Bronze (4) | 183,988   | 1.0433 |           | 1.7361 | 1.1687 | 1.0000 | 60% |  | 1.2193    | 1.2174   |
| Total             |            | 3,092,807 | 1.6762 | \$593.24  | 1.6630 | 1.1687 | 1.0579 | 73% |  | 1.6077    | 1.3766   |
|                   |            |           |        |           |        |        |        |     |  |           |          |
| Statewide Average |            |           | 1.5092 | 593.24    | 1.6537 | 1.0000 | 1.0000 | 73% |  | 1.5092    | 1.1999   |
|                   |            |           |        |           |        |        |        |     |  | (41.95)   |          |

$$(41.95) = [ [ 1.6077 / 1.5092 - 1.3766 / 1.1999 ] \times 593.24 \times 0.86 ] - 0.14$$

(Per PID guidance, the 0.14 Risk adjustment user fee is included in the risk adjustment calculation)

- b. **Please demonstrate quantitatively how the 0.86 factor which is to be applied to the statewide average premium in the 2018 risk adjustment calculation was taken into account in developing the projected risk adjustment payment PMPM of \$41.95.**

The 0.86 factor was taken into account by multiplying the expected statewide average premium by 0.86 when calculating the risk transfer amount. This is new for 2018.

$$\bar{P}_S = \left( \sum_i (s_i \cdot P_i) \right) * 0.86$$

**The following are additional questions from the PID:**

1. **Please confirm that a risk adjustment user fee of \$0.14 PMPM was included in the “Projected Risk Adjustment PMPM” of -\$41.95 shown in the Department’s Table 5.**

Confirmed, please see response to question 14 for the calculation.

2. **Please show the development of the average commission and circumstances in which broker commissions will be paid and if they will vary based on geographic location, metal level, plan, open enrollment vs SEP enrollment, etc. Additionally, the current and 2018 broker agreements should be included and used to develop the percent shown in Table 6 as well as the associated PMPM amount.**

We have reached out to our Sales department to get the current and 2018 broker agreements.

3. **Please confirm that you have tested to ensure that the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.**

Thank you for bringing this to our attention. We will update the PA Plan Design Summary and Rate Tables and the Federal Rate template for the on exchange plans (The off exchange plans are not included in the Federal Rate template).

When the rate grids were created the 45 year old rate was used as the index (i.e. the one rounded to the nearest dollar) and all rates were calculated off of that using the federal age curve. This causes the 21 year old rate to be slightly different from Table 11.

We are updating our rate grid to index off the 21 year old rate from Table 11 instead. We will submit revised rate tables after we have completed our QA processes on them.

SERFF Tracking INAC-131005820  
Number:

State: Pennsylvania

Filing Company: Keystone Health Plan East, Inc.

State INAC-131005820  
Tracking  
Number:

Company KHPE INDIV 1-1-2018  
Tracking  
Number:

TOI: H15I Individual Health -  
Hospital/Surgical/Medical Expense

Sub-TOI: H15I.001 Health -  
Hospital/Surgical/Medical Expense

Product Name: KHPE Individual HMO eff 1-1-2018

Project Name:

Objection Letter Status:Disapproved

Objection Letter Date:07/06/2017

Respond By Date:07/14/2017

Submitted Date:07/06/2017 04:12 PM

Dear David Walker,

Introduction: July 6, 2017

David Walker

Keystone Health Plan East, Inc.

1901 Market Street

Philadelphia, PA 19103

RE: Keystone Health Plan East Individual HMO QHP Filing for 2018.

Pennsylvania Insurance Department ID #: INAC-131005820

Dear David Walker:

The Pennsylvania Insurance Department has received and conducted a review of your responses to our June 15th data request letter. In order to complete the review, we are requesting the following information. To facilitate a timely review, we request this information be provided by July 14, 2017. If you have any questions or difficulties in providing the data within this time frame, please call me.

The following questions are from Oliver Wyman, our Actuarial Consultant:

1. Please provide the actual year-over-year trend rates which were observed over the time period of 2014-2016 based on the historical normalized single risk pool claims experience. To the extent the assumed annual trend rate utilized in the development of the proposed 2018 rates is significantly different than recent trend levels which have been observed provide the specific reason(s) future trend rates are expected to be different than historical levels.

2. Please provide further clarification regarding the calculation of the 1.045 morbidity adjustment shown in the table provided with your response to Question 6. In particular, please describe the following:

- a. How were the "Expected Avg Claims per year" amounts (e.g. 7,792) developed?
- b. What do the values equal to 60% and 40% represent?
- c. How were the two aggregate "Expected Avg Claims per year" amounts (i.e. 4,712 and 4,924) calculated?

3. Per your response to Question 9, it is our understanding that the induced demand factors for 2018 were solved for such that a similar pricing slope by plan would be used in 2018 as was used in 2017.

- a. Recognizing this, please describe in greater detail how the initial pricing slope filed for in 2017 was developed. In particular, please describe how the induced demand factors filed for in 2017 were developed.
- b. In original development of the induced demand factors (and corresponding slope of those factors) describe how it was ensured that health status was not taken into account.

4. The following questions are related to the Risk Adjustment payment PMPM calculation provided in response to Question 14:

- a. Please provide additional detail regarding how the assumed statewide average PLRS, ARF, and AV values were determined.
- b. Please reconcile the statewide average values used in the calculation provided to the statewide average values for these items which were recently released on 6/30/2017 by CMS in Appendix A of the Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2016 Benefit Year.
- c. If significantly different, please explain why the differences are reasonable or specify how using the actual statewide average values for 2016 would change the risk adjustment transfer assumption.
- d. Please demonstrate quantitatively how the statewide average premium amount equal to \$593.24 PMPM was developed.

The following are additional questions or comments from the PID:

1. If you wish to make adjustments to the projected RA amount included in this rate submission and the URRT, based on the June 30, 2017 Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers, then you must do so by July 14th. Provide narrative and an Excel spreadsheet demonstrating the development and assumptions.

2. Please provide a PDF file for public review (Public Rate Filing PDF) in SERFF to show the updated rate request. The following updated supporting items must be included:

- Cover Letter
- Rate Change Request Summary (Attachment 1)
- Part 1 - Unified Rate Review Template (URRT)
- Part II – Consumer Friendly Justification
- Part III – Federal Actuarial Memorandum (redacted)
- PA Actuarial Memorandum (redacted)
- PA Actuarial Memorandum Rate Exhibits
- PA Plan Design Summary and Rate Tables
- Federal Rates Templates
- Service Area Maps
- Correspondence – Q&A's

Please remain cognizant of the limited redactions as outlined on pages 3 and 4 of the 2018 Guidance. Only those specific items may be redacted. Since AV screenshots and commission schedules are proprietary, they should not be included in this public PDF. Additionally, please ensure that documents and spreadsheets are internally consistent and that the Excel exhibit with formula corrections emailed to you on June 15, 2017 is used. The deadline for the revised PDF is COB July 18, 2017.

3. Please note that all revisions must be reflected in this resubmission. The Department shall not allow any changes to the rates after this submission.

Conclusion: Upon receipt of your responses to the above requested data, the Department will continue to review your filing. Please note that there may be additional questions and/or requirements as the Department conducts a more in-depth review.

Should you have any questions regarding this correspondence, please contact me at (717) 783-2117 or e-mail at [jlaverty@pa.gov](mailto:jlaverty@pa.gov).

Sincerely,

James Laverty, ASA, MAAA

Actuary

Bureau of Accident & Health Insurance

Conclusion:

Sincerely,

Jim Laverty



## **KHPE INDIVIDUAL**

### **JULY 6 RESPONSES**

- 1. Please provide the actual year-over-year trend rates which were observed over the time period of 2014-2016 based on the historical normalized single risk pool claims experience. To the extent the assumed annual trend rate utilized in the development of the proposed 2018 rates is significantly different than recent trend levels which have been observed provide the specific reason(s) future trend rates are expected to be different than historical levels.**

Please see the tables below.

#### **Unit Cost**

|      |                   | Inpatient | Outpatient | Professional | Capitation |
|------|-------------------|-----------|------------|--------------|------------|
| 2014 | HMO PA Individual | 8.3%      | 4.7%       | 1.9%         | 0.6%       |
| 2015 | HMO PA Individual | 5.8%      | 2.8%       | 0.7%         | -2.5%      |
| 2016 | HMO PA Individual | 3.8%      | 1.8%       | 0.8%         | 1.6%       |

#### **Utilization**

|      |                   | Inpatient | Outpatient | Professional | Capitation |
|------|-------------------|-----------|------------|--------------|------------|
| 2014 | HMO PA Individual | 14.7%     | -8.9%      | -21.3%       |            |
| 2015 | HMO PA Individual | 0.4%      | 2.1%       | 13.2%        |            |
| 2016 | HMO PA Individual | 0.7%      | -0.8%      | -5.5%        |            |

- 2. Please provide further clarification regarding the calculation of the 1.045 morbidity adjustment shown in the table provided with your response to Question 6. In particular, please describe the following:**
  - a. How were the “Expected Avg Claims per year” amounts (e.g. 7,792) developed?**
  - b. What do the values equal to 60% and 40% represent?**
  - c. How were the two aggregate “Expected Avg Claims per year” amounts (i.e. 4,712 and 4,924) calculated?**

Starting with 2016 member level incurred medical claims for both KHPE and QCC combined in the Individual market (Note, excludes pharmacy claims). The members are sorted from highest to lowest claims amount per year. They were then grouped into the top 60% and the bottom 40%.

The same claims trend was then applied to both of these cohorts to come up with the 2018 expected cost.

The higher 60% of members have a projected annual claims amount of \$7,792. The lower 40% of members have a projected annual claim amount of \$97. Therefore, the blended annual claims amount is \$4,712.

We then assume that 3% of members that opt out come from the healthier cohort. Therefore, the average cost of the healthier cohort goes up to \$104 and the blended annual claims amount becomes \$4,924.

- 3. Per your response to Question 9, it is our understanding that the induced demand factors for 2018 were solved for such that a similar pricing slope by plan would be used in 2018 as was used in 2017.**
- a. Recognizing this, please describe in greater detail how the initial pricing slope filed for in 2017 was developed. In particular, please describe how the induced demand factors filed for in 2017 were developed.**
- b. In original development of the induced demand factors (and corresponding slope of those factors) describe how it was ensured that health status was not taken into account.**

This question is similar to the question we received on our 2017 filing that we responded to on July 22<sup>nd</sup> 2016 for the 2017 filing. Below is the response that we provided on July 22<sup>nd</sup> 2016.

“The attached exhibit shows our induced utilization calculation. We have deviated slightly from the format requested to demonstrate our calculations.

Included in this file are (1) an excel spreadsheet with formulas that shows the calculation of each Pricing AV and cost sharing factors for each plan.

(2) This file also demonstrates how our factors normalize to 1.000 as well as shows quantitatively that plan premiums are proportional to Plan AVs.

Note that this is based on information that was known at the time of the filing and does not reflect the updated risk transfer information that was received on June 30, 2016.

Our methodology incorporates the induced demand utilization factors from the risk adjustment model in the expected risk adjustment transfer payments. “

\*\*\* REDACTED \*\*\*

4. The following questions are related to the Risk Adjustment payment PMPM calculation provided in response to Question 14:
- Please provide additional detail regarding how the assumed statewide average PLRS, ARF, and AV values were determined.
  - Please reconcile the statewide average values used in the calculation provided to the statewide average values for these items which were recently released on 6/30/2017 by CMS in Appendix A of the Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2016 Benefit Year.
  - If significantly different, please explain why the differences are reasonable or specify how using the actual statewide average values for 2016 would change the risk adjustment transfer assumption.
  - Please demonstrate quantitatively how the statewide average premium amount equal to \$593.24 PMPM was developed.
- They were calculated using the new methodology outlined in the 2018 Notice of Benefit and payment parameters. The changes affect the PLRS primarily. The major changes include that the PLRS will now include Pharmacy data in the calculation and coefficients were updated.
  - Please see below for the statewide average factors for PA by year since 2014.  
As described in a. the PLRS is changing due to updates to the risk adjustment model in 2018. The ARF and AV are in line with historic values.

|               | <u>Consumer</u> |            |           |                               |
|---------------|-----------------|------------|-----------|-------------------------------|
|               | <u>PLRS</u>     | <u>ARF</u> | <u>AV</u> | <u>Statewide<br/>avg Prem</u> |
| 2014          | 1.900           | 1.717      | 0.734     | \$ 343.40                     |
| 2015          | 1.762           | 1.658      | 0.724     | \$ 347.47                     |
| 2016          | 1.750           | 1.685      | 0.706     | \$ 379.91                     |
| Expected 2018 | 1.509           | 1.654      | 0.726     | \$ 593.24                     |

- ARF and AV are in line with historic values. If we were to do the calculation using 2016 AV and ARF. The resulting risk transfer PMPM would be (46.78) versus the (41.95) we have calculated using our expected 2018 ARF and AV.
- $\$593.24 = \$379.91 \times \text{Average 2017 rate increase} \times \text{Average 2018 rate increase} = \$379.91 \times 1.42 \times 1.1 = \$593.$

In response to the PID's questions and comments, we will submit an updated Public Rate Filing PDF in SERFF by Tuesday, July 18.