

State:	Pennsylvania	Filing Company:	Highmark Select Resources Inc
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	1A-DP-16-HSR		
Project Name/Number:	1A-DP-16-HSR/1A-DP-16-HSR		

Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Cherri Sanders-Jones	07/18/2016	07/18/2016
Pending Industry Response	Cherri Sanders-Jones	07/13/2016	07/13/2016
Pending Industry Response	Cherri Sanders-Jones	06/16/2016	06/16/2016

Response Letters

Responded By	Created On	Date Submitted
Aaron Syster	08/02/2016	08/02/2016
Gregory Amspacher	07/18/2016	07/18/2016
Aaron Syster	06/29/2016	06/29/2016

State: Pennsylvania
TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense
Product Name: 1A-DP-16-HSR
Project Name/Number: 1A-DP-16-HSR/1A-DP-16-HSR

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	07/18/2016
Submitted Date	07/18/2016
Respond By Date	07/25/2016

Dear Kevin Luu,

Introduction:

After a review of the actuarial memorandum filed in support of the subject rate filing, the following items and matters discussed below require additional information and/or clarification. Please respond within 7 days.

1. (i) Please provide narrative and a more detailed quantitative derivation of the 11.5% annual trend assumption than shown in the PA Q4 Response exhibit in your June 29, 2016 response. It is not clear from the information provided in the exhibit that 11.5% is an appropriate trend.
- (ii) Please provide the industry ACA data which was used to compare to the 11.5% trend, as stated in your response to Question 7(i). The 11.5% annual trend is on the high side for trend, compared to other filings we have seen in the industry.
- (iii) As requested in PA question 5 of the June 16, 2016 data call, please provide in Table 4B the 36 months of experience data from the source of the manual rate. Please include data for all members, not just those in the identified cohorts.
- 2.(i) For the PA Q7 Response, please provide the source for each item in the table, which shows the Change of Morbidity Factor of 1.297.
- (ii) The Change of Morbidity Factor of 1.297 is relatively high compared to the industry, as well as compared to the filings for First Priority Health, HGHM-130536973, and First Priority Life Insurance Company, HGHM-130536965. Please provide support for the difference in the Change of Morbidity Factor of 1.297 versus the much lower comparable factors of less than 1.00 for First Priority Health, HGHM-130536973, and First Priority Life Insurance Company, HGHM-130536965.
- 3.In the response to Federal Question 8, the Company stated that the average rate change is 25.4% for the plans being offered off-exchange. Similar to the format of the experience provided in the PA Q1 Response, please provide the January 1, 2016 through April, 2016 emerging experience for the plans being offered off-exchange subject to the 25.4% average rate change.
- 4.The derivation of the Age Calibration factor of 1.739 does not appear to use the HHS Default Standard Age Curve. Please demonstrate that the Age calibration method used in the PA Q14 and Q16 response table produces the same Age calibration factor as using the HHS Default Standard Age Curve.
- 5.Please provide a chart, comparing and justifying the difference in age 21 rates for plans in this filing, with the rates for plans in the filings for First Priority Health, HGHM-130536973, First Priority Life Insurance Company, HGHM-130536965, Highmark Inc., HGHM-130540834, HM Health Insurance Company, HGHM-130540841, and for Highmark Select Resources, HGHM-130540919.
- 6.As requested in PA Q1, please provide an Excel spreadsheet, similar to Part I that shows the development of the development of the projected index rate starting from the 2015 experience. Provide justification for all assumptions.

If you have any questions, please do not hesitate to call or e-mail. Thank you.

Cherri Sanders-Jones
(717) 787-5172

Conclusion:

Sincerely,

State:	Pennsylvania	Filing Company:	Highmark Select Resources Inc
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
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	Cherri Sanders-Jones		

State: Pennsylvania **Filing Company:** Highmark Select Resources Inc
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Product Name: 1A-DP-16-HSR
Project Name/Number: 1A-DP-16-HSR/1A-DP-16-HSR

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	07/13/2016
Submitted Date	07/13/2016
Respond By Date	07/19/2016

Dear Kevin Luu,

Introduction:

Please see the attachment below. The response is due by Tuesday, July 19, 2016.

Cherri Sanders-Jones
(717) 787-5172

Conclusion:

Sincerely,
Cherri Sanders-Jones

1. Induced Utilization

- a. Please complete the table below for all plans, and confirm that the ratio in column (8) represents the AV and Cost Sharing for each plan in your filing.¹

Plan ID (1)	Metal Level (2)	Projected Membership (3)	Projected Allowed Claims (4)	Projected Paid Claims (5)	Company Determined AV Factor (6)	Induced Utilization ² (7)	AV & Cost Sharing (6)*(7) (8)
xxxxxx							
xxxxxx							
xxxxxx							
Total							

- b. Please show quantitatively, including an Excel spreadsheet with formulas, the derivation of each, the AV and the cost sharing factors for each plan. Also, provide narrative that explains the derivation.
- c. Please provide justification for relative induced utilization assumptions in the Company's pricing that exceed the federal factors used in the risk adjustment model proving that morbidity is not reflected.³
- d. Please confirm that each plan's induced utilization factor was normalized by an aggregate factor, and that the resulting sumproduct (against projected membership) produces a factor of 1.000. Please show the steps that demonstrate this.
2. Please show quantitatively that plan premiums are in proportion to the plan AV Pricing Values.

¹ If a tobacco factor is used in the AV and Cost Sharing please add a column for that amount and modify the formula.

² The Induced Demand is the amount used by the company to reflect increased demand. This may be called by another name in the filing

³ The federal factors relative to the Bronze factors are Silver 1.03, Gold 1.08 and Platinum 1.15.

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Project Name/Number: 1A-DP-16-HSR/1A-DP-16-HSR

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	06/16/2016
Submitted Date	06/16/2016
Respond By Date	06/24/2016

Dear Kevin Luu,

Introduction:

June 16, 2016

Kevin Luu
 1800 Center Street
 Camp Hill, PA 17011

RE: Highmark Select Resources – 2017 Individual ACA Compliant Plans
 Received: May 11, 2016 SERFF Tracking# HGHM-130540919

Dear Mr. Luu:

The Pennsylvania Insurance Department has received and conducted a 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 7 days of the date of this letter. If you have any questions or difficulties in providing the information within this time frame, please call me.

General

1. Please provide all tables, exhibits, etc. supporting actuarial memorandum in Excel format with formulas for each entry.
2. Please be advised that each time the URRT is changed in SERFF, the URRT in HIOS must also be updated. Please acknowledge your understanding and certify that you are in compliance.
3. Please provide the 2015 Statutory Annual Statement Five-Year Historical Data Exhibit.
4. Please provide a copy of the Supplemental Health Care Exhibit (SHCE), and describe the reason(s) for any differences between the SHCE and Worksheet 1, Section 1 of the Uniform Rate Review Template.
5. Please discuss the impact SEP enrollees have had on Highmark's claims experience. If possible provide the 2015 loss ratio for SEP enrollees and non-SEP enrollees.

Federal

6. Please show quantitatively including an Excel spreadsheet with formulas the derivation and justification of the Paid to Allowed factor of .600 shown in Section III of the URRT. Demonstrate that the ratio is consistent with membership projections by plan included in Worksheet 2. The ratio for each plan should be relatively consistent with the metallic AV for the plan to which the actuary is attesting, however it is recognized that they may not be exactly the same due to differences between the issuer's experience and the experience underlying the AV Calculator.
7. The proposed rate increase in section II of the Part III actuarial memorandum indicates that, "The rate increase values in Row 27 of Worksheet 1 of the URRT represent an effective increase for plans being mapped into a new plan." Should the reference reflect Worksheet 2?
8. Row 27 of Worksheet 2 of the URRT reflects a cumulative rate change of 29.4%. The average rate change reflected in PA documents is 25.4%. Please review and explain this apparent discrepancy or revise as necessary.
9. The Part III memo shows the changes in EHBs due to the new 2017 Benchmark plan. Please provide the expected pmpm cost for each benefit and discuss the basis for the projected cost.
10. In Exhibit I, the CY 2017 Index Rate = \$782.71. No market-wide adjustments are referenced, but the resulting CY 2017 Market Adjusted Index Rate is \$782.92. Please review and explain or revise Exhibits I and II as necessary.

Pennsylvania

State: Pennsylvania **Filing Company:** Highmark Select Resources Inc
TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense
Product Name: 1A-DP-16-HSR
Project Name/Number: 1A-DP-16-HSR/1A-DP-16-HSR

1. Please provide the January 1, 2016 through April 30, 2016 emerging experience in an Excel worksheet formatted similar to Table 2.
 2. In the Pennsylvania Actuarial Memorandum, in Section 1 E, Credibility of Data, the statement is made that the 2017 rates are based on experience from Highmark, Inc.'s Central Pennsylvania portfolio, adjusted for the expected 2017 Highmark Select Resources population. Please provide an Excel spreadsheet, similar to Part I, that shows the development of the projected index rate starting from the 2015 experience. Provide justification for all adjustments.

3. Please justify and provide the sources of the projected membership by age, shown in Table 1.

4.(i) Please show quantitatively the derivation of the trend assumptions for each benefit category as shown in Table 3b. Please include the sources and source claims data.

(ii) Please reconcile the 9.13% annual trend shown in Table 3b, with the 11.5% annual trend shown in Credibility Manual Rate Development in the Part III Actuarial Memorandum.

5. Please complete Table 4b. Please populate with the monthly experience data from the source of the manual rate. Also provide a detailed narrative that explains the data and how it was used in developing the trend and all assumptions and adjustments. Additionally, provide the regression study and explain why this approach is appropriate. Also discuss the impact of provider contracting and leveraging on trend. Please note 36 months of data must be provided. When responding to this data call, you may redact specific provider contracting data as it will contain proprietary information.

6. Please reconcile the 2015 Total Allowed EHB Claims PMPM + EHB Capitation PMPM (net of prescription drug rebates) shown in Table 2b (\$507.81) and in Table 5 (499.40) of the Actuarial Memorandum Rate Exhibits. Please adjust the Tables accordingly

7. Please show quantitatively including an Excel spreadsheet with formulas the derivation and justification of the Change in Morbidity factor of 1.297 in Table 5 of the Actuarial Memorandum Rate Exhibits. This is a relatively large morbidity change, and is on the high side of the industry.

8. Please show quantitatively including an Excel spreadsheet with formulas the derivation and justification of each of the "Change in Demographics" (1.046), "Change in Network" (.980) and "Change in Other" (.990) Single Risk Pool Adjustment Factors, shown in Table 5 of the Actuarial Memorandum Rate Exhibits.

9. Expenses for Quality Improvement Initiatives are included in the general and claims administrative percentage and were not broken out separately. Please modify Table 6 to separately identify, as requested in the Table.

10. Provide support for all expenses that do not reflect payments made to providers under the contract for covered medical services. Describe the methodology used for developing the estimate of these non-benefit expenses expected during the projection period for the applicable market, including any allocation of corporate overhead.

11. Regarding broker commissions:

- Under what circumstances and in what geographic locations will commissions be paid?
- Are commissions paid for SEP?
- Provide a copy of the broker agreement - current and 2017.
- Show the calculation of the average commission - current and 2017.

When responding to this data call, you may redact this response as it will contain proprietary information.

12. Section 2.B. on page 4 of the PA memo indicates that the PCORI fee was factored into the administrative expense percentage of premium; however, Table 6 includes a percent of premium load of 0.04% for PCORI. Please review and correct as necessary.

13. Please explain in detail and justify the statement in the Pennsylvania Actuarial Memorandum, in Section 2 D, in reference to Tables 8 and 9 that "the trend factor is pulling from the wrong exhibit."

14. Please indicate if the Company included an adjustment to account for the regulation that prohibits charging for more than three children per family, and, if applicable, demonstrate how the adjustment was derived and where it is included in the filing.

15. Please show quantitatively the derivation of the Medical Loss Ratio.

16. Please show quantitatively the derivation of each of the factors shown in Table 7. Please also explain how the Benefit Richness/Induced Demand Factor of 1.00 reconciles with the factors shown in Table 10.

17. Please show quantitatively, including an Excel spreadsheet with formulas, the derivation of the Age, Geographic and Tobacco Calibration Factor.

18. Please show quantitatively with Excel spreadsheets the derivation of Pricing AV and the Benefit Richness (induced demand) for each plan shown in Table 10.

19. Please show quantitatively that plan premiums are in proportion to the plan AV Pricing Values.

20. Please show quantitatively with an Excel spreadsheet with formulas that the Consumer Adjusted Premium Rates match the rates shown in the Rates Table template.

State: Pennsylvania **Filing Company:** Highmark Select Resources Inc
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Product Name: 1A-DP-16-HSR
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21.Does this filing propose any changes in your pricing model? If so, please discuss. This response may be redacted since it may contain confidential information.

22.In Table 14, please explain why there are no "current" network factors shown on the table.

23.Does this filing propose Service Area changes relative to the last approved filing? If so, please discuss.

Please be advised that there may be additional questions based on the responses to the above.

Response to this request should be provided via SERFF in Microsoft Excel spreadsheets (version 2010 or less). Please retain all formulas.

Should you have any questions regarding this correspondence, please contact me at (717) 787-5172.

Sincerely,

Cherri Sanders-Jones
Actuarial Review Division
Bureau of Accident & Health Insurance

Conclusion:

Sincerely,
Cherri Sanders-Jones

State:	Pennsylvania	Filing Company:	Highmark Select Resources Inc
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	1A-DP-16-HSR		
Project Name/Number:	1A-DP-16-HSR/1A-DP-16-HSR		

Supporting Document Schedules

Satisfied - Item:	PA Actuarial Memorandum - Redacted
Comments:	A revised redacted version of the PA Actuarial Memo is attached for public disclosure.
Attachment(s):	1A-DP-16-HSR Cover Letter & PA Actuarial Memorandum - Redactedv3.pdf 1A-DP-16-HSR Actuarial Memorandum Rate Exhibits v2.xlsx 1A-DP-16-HSR Actuarial Memorandum Rate Exhibits v2.pdf
Item Status:	
Status Date:	
Satisfied - Item:	Objection #1 Response - Redacted
Comments:	
Attachment(s):	HSR Individual 2017 - Objection 1 Responses REDACTED.pdf Q3 Response.pdf
Item Status:	
Status Date:	
Satisfied - Item:	Objection #2 Response
Comments:	Attached are responses to the Objection Letter dated 07/13/16.
Attachment(s):	HSR Individual 2017 - Objection 2 Responses.pdf HSR Objection 2 Responses Exhibits.xlsx
Item Status:	
Status Date:	
Satisfied - Item:	Objection #3 Response
Comments:	Attached are responses to the Objection Letter dated 07/18/16.
Attachment(s):	HSR Individual 2017 - Objection 3 Responses.pdf HSR Objection 3 Responses.xlsx
Item Status:	
Status Date:	

SERFF Tracking #:	HGHM-130540919	State Tracking #:	HGHM-130540919	Company Tracking #:	1A-DP-16-HSR
State:	Pennsylvania			Filing Company:	Highmark Select Resources Inc
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense				
Product Name:	1A-DP-16-HSR				
Project Name/Number:	1A-DP-16-HSR/1A-DP-16-HSR				

Attachment 1A-DP-16-HSR Actuarial Memorandum Rate Exhibits v2.xlsx is not a PDF document and cannot be reproduced here.

Attachment HSR Objection 2 Responses Exhibits.xlsx is not a PDF document and cannot be reproduced here.

Attachment HSR Objection 3 Responses.xlsx is not a PDF document and cannot be reproduced here.



May 11, 2016

Ms. Johanna Fabian-Marks, Special Deputy & Acting Director
Bureau of Life, Accident & Health Insurance
Office of Insurance Product Regulation and Market Enforcement
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

Re: Highmark Select Resources, Inc. Filing # 1A-DP-16-HSR (SERFF # HGHM-130540919)
2017 Individual Market Rates

This constitutes Notice pursuant to Section 707 of the Pennsylvania Right-to-Know Law that the attached Highmark Select Resources, Inc. (HSR) 2017 Individual Market Rates contains Trade Secret and Confidential Proprietary Information. Therefore, HSR must, prior to the release of any portion of this Filing, be notified of any request by a third party for access to this Filing, and the Trade Secret and/or Confidential Proprietary Information identified by HSR should be redacted before release.

Dear Ms. Fabian-Marks:

This Filing includes the Highmark Select Resources Individual Market rates and the supporting rate development for policies with effective dates on or after January 2017.

Company Name & NAIC #: Highmark Select Resources, Inc, NAIC #10131 ("HSR")

Market (Individual or Small Group): Individual

On or Off Exchange: HSR will sell plans off of the exchange.

Effective date of coverage: January 1, 2017

Average rate change requested: 25.4%

Range of rate change requested: 13.9% - 35.0%

Product(s) (Indemnity, HMO, POS (HMOs only), PPO, or EPO): PPO

Rating Areas: HSR will offer products in rating area 9

Metal Levels and Catastrophic Plans: HSR Bronze and Catastrophic plans in the Individual Market.

Current number of covered lives and of policyholders: 1,298 lives, 763 policy holders

Number of plans offered in 2017: 2

Corresponding contract form #, SERFF and Binder ID#s:

The corresponding SERFF binder number is HGHM-PA17-125059916 affecting the following HSR products and forms:

Product Name / Type	Contract Form & SERFF#
Alliance Flex Blue PPO	FL/PPO/HSR/DP-1; HGHM-130518148
Major Events Blue PPO	CAT/HSR/DP; HGHM-130518171

HIOS Issuer ID # and submission tracking #: HIOS Issuer ID #36247, HSR Filing #1A-DP-16-HSR (SERFF Filing # HGHM-130540919)

Request for Confidentiality

Please note that the rates and the supporting rate development contained in this Filing are competitively sensitive, are not in the public domain, and constitute business confidential proprietary/trade secret information that would cause harm to the competitive position of HSR if disclosed to the public.

Public disclosure of any information contained in this Filing would allow HSR competitors to better understand or discover its confidential and proprietary rating, pricing and/or marketing practices, would undermine competition in the Individual market and could have negative consequences for the operation of HSR' business. Therefore, HSR asserts that this Filing, in its entirety, constitutes Trade Secret and Confidential Proprietary Information and should not be disclosed.

It is our understanding that the Department does not intend to publish the confidential & proprietary information contained in this Filing or to otherwise permit this Filing and its confidential information, other than the redacted information and final approved rates, to be disclosed or released.

Furthermore and pursuant to the Pennsylvania Right-to-Know Law ("RTKL"), HSR must be notified prior to release of information contained in this Filing and be given the opportunity to respond to requests for such information. Should the Department receive such request or require the release of information contained in this Filing for its own purposes, HSR asserts its right to release a redacted version of the Filing. In accordance with the RTKL, please contact the HSR

RTKL representative identified below prior to release of any information contained in this Filing:

Lisa Martinelli, Esq.
HSR RTKL Representative
Chief Privacy Officer
Highmark Health
120 Fifth Avenue, Suite 1814
Pittsburgh, PA 15222

Furthermore, it should be noted that HSR is equally concerned that even if this information is released in aggregate form, it still may be easy to identify the carrier that submitted it.

U.S. House of Representatives v. Burwell

Please note that the rate development in this filing is contingent upon the continued availability of federal cost-sharing subsidies under the ACA in 2017. If federal cost-sharing subsidies in their current form are not available, substantial changes to this filing may be required.

Should you have any questions regarding the attached Filing, please feel free to contact me at (717) 302-2143 or via e-mail at: jeffrey.scheib@highmark.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Scheib", with a stylized, cursive script.

Jeffrey Scheib, ASA, MAAA
Vice President, Actuarial Services
Highmark Inc.

cc: William Sarniak
Frank Haver
Greg Devine, Esq.
Tija Hilton-Phillips, Esq.

Actuarial Memorandum

1. Basic Information and Data

A. Company Information

Company Name & NAIC #: Highmark Select Resources Inc., NAIC #10131 ("HSR")

Market (Individual or Small Group): Individual

On or Off Exchange: HSR will sell plans off of the exchange.

Effective date of coverage: January 1, 2017

Average rate change requested: 25.4%

Range of rate change requested: 13.9% - 35.0%

Product(s) (Indemnity, HMO, POS (HMOs only), PPO, or EPO): PPO

Rating Areas: HSR will offer products in rating area 9

Metal Levels and Catastrophic Plans: HSR will sell Bronze and Catastrophic plans in the Individual Market.

Current number of covered lives and of policyholders: 1,298 covered lives, 763 policy holders

Number of plans offered in 2017: 2

Corresponding contract form #, SERFF and Binder ID#s:

The corresponding SERFF binder number is HGHM-PA17-125059916 affecting the following HSR products and forms:

Product Name / Type	Contract Form & SERFF#
Alliance Flex Blue PPO	FL/PPO/HSR/DP-1; HGHM-130518148
Major Events Blue PPO	CAT/HSR/DP; HGHM-130518171

HIOS Issuer ID # and submission tracking #: HIOS Issuer ID #36247, HSR Filing #1A-DP-16-HSR (SERFF Filing # HGHM-130540919)

Rate History and Proposed Variations in Rate Changes

The three most recent rate changes in Pennsylvania for Highmark are as follows:

Year	Avg. Increase	SERFF ID#
2016	NA – Initial ACA Filing	HGHM-130063170

Average Rate Change

The SERFF Rate Review Detail Screen presents the “percent rate change requested” as 25.4%. This value is consistent with Table 10, cell AC13. Table 11, Cell AZ13 calculates an increase in the 21-year-old non-smoker rate of 26.3%. Table 10 calculates the member weighted average rate for 2016 and the member requested weighted average rate for 2017 and calculates the difference in those values. Table 11 calculates the increase for each plan and then member weights the increases. HSR feels the methodology on Table 10 is more accurate and is using this value in its communications.

B. Membership Count

Please see Table 1 for the age breakdown and total number of members for the periods shown.

C. Benefit/Cost Sharing Changes

The plans being offered are new plans.

The screenshots from the HHS AV calculator, showing the plan benefits and the resulting actuarial value, are in Attachment B. Also, the PA Plan Design Summary and Rate Tables with the HIOS Plan IDs are submitted in SERFF Rate/Rule Schedule Tab.

D. Experience Period Claims and Premium

There is no data in Table 2 as HSR was not offered in 2015.

E. Credibility of Data

HSR did not offer any products in 2015. The 2017 rates are based on experience from Highmark, Inc.’s Central Pennsylvania portfolio adjusted for the expected 2017 HSR population. This experience was chosen as it is large and reasonably represents the population expected to buy HSR products.

Table 2b. is populated with the corresponding Highmark data as follows:

- The Earned Premium represents actual revenues earned in the experience period.
- Incurred Claims represent claims paid by Highmark net of expected CSR recoveries.
- The Allowed Claims represent our best estimate of the total claims prior to member cost sharing incurred during the experience period. The Allowed Claims include:
 - One month of run out from the end of the experience period,
 - Claims processed outside of the Company’s claims system (e.g., claim settlement costs), and
 - Our best estimate of claims incurred but not paid as of the end of the run out period.

- There are no non-EHB benefits represented in the allowed charges in Table 2.
- Prescription Drug Rebates are used to reduce the level of Incurred Claims in the experience period.
- Total EHB capitation includes amounts for the pediatric vision benefit.
- Total Non-EHB capitation includes amounts for our adult vision benefit.
- Estimated Risk Adjustment was left blank as it was not utilized in the development of rates.
- Estimated Reinsurance Recoveries were left blank as it was not utilized in development of the rates.

F. Trend Identification

Table 3b identifies the proposed annual medical and prescription drug allowed claims cost and utilization trends. The definitions of service categories, cost, and utilization in Table 3b are consistent with the URRT instructions. The URRT was populated with values of 1.0 as a manual rate was used.

The cost trends presented in Table 3b reflect Highmark's expectations regarding increases in in-network contractual reimbursement, as well as projected out-of-network costs. These estimates measure and normalize for benefit leverage, population aging, and historical changes for fee schedules, as well as company-wide utilization management programs, and external trend drivers.

The trend components represent a blended average for all types of service and are applied to the aggregate experience for pricing, and as such Table 3b shows the same trend components for each service category. A separate regression study was developed by the Highmark valuation team that analyzed the ACA trend levels of cohorts of ACA members that were continuously enrolled in a significant portion of 2014 and thru 2015 in the same metal level. The analysis took into consideration seasonality and removed outlier months. The resulting trend was compared to the group business and any industry available ACA data.

To be consistent with URRT methodologies anticipated changes in the average utilization of services due to differences in average cost sharing requirements from the experience period to the projection period are reflected in the Utilization trend component shown in Worksheet I, Section 2. Table 3b is populated consistent with this requirement.

G. Historical Experience

As this product was new in 2016, it has no historical experience.

2. Rate Development & Change

A. Development of Projected Index Rate, Market-Adjusted Index Rate, & Total Allowed Claims

The development of the Projected Index Rate, Projected Market-Adjusted Index Rate, and Projected Total Allowed Claims, shown in Table 5, closely follows that utilized the development presented in

Worksheet 1 of the URRT, a discussion of which can be found in the Part III Actuarial Memorandum submitted in the Rate Filing Justification. Some of the items separately identified in Table 5 include:

- The Change in Demographics adjustment reflects the change in age and geography factors we expect from the experience period to the projection period.
- The Change in Network adjustment reflects the change in the allowed claims we anticipate due to network contracting changes between the experience period and the projection period.
- There is no explicit Change in Benefits adjustment.
- The Change in Other adjustment reflects improved contracting with our pharmacy benefits provider.

Note that the URRT develops the Index Rate and the Plan Adjusted Index Rate using the projected distribution of members by plan, whereas Table 5 uses a recent distribution of members by plan. Any comparison between the URRT values and the Table 5 values will show variances to the extent that there are variances in the assumed underlying membership distributions.

B. Retention Items

Table 6 has been completed with the requested retention elements for the proposed rates for the rating period. The amounts presented separately sum to the total administrative expenses and taxes and fees presented in the rate development. Administrative costs reflect internal costs that HSR is projected to incur in the projected experience period, and are developed from standard expense allocation methods. Agent/broker fees and commissions reflect our anticipated costs for these items in the experience period.

Note the following regarding plan level retention items:

- The Profit/Contingency for all plans is set to 3%.
- The Health Insurer Provider Fee does not apply to the Individual Market for 2017.
- The administrative expenses do not vary by plan
- 2% Pennsylvania Premium Tax was included
- The \$0.20 PMPM PCORI fee was factored into the administrative expense percentage of premium.
- Expenses for Quality Improvement Initiatives are included in the general and claims admin percentage and were not broken out separately.

C. Normalized Market-Adjusted Projected Allowed Total Claims

The normalization factors presented in Table 7 are each determined from the underlying membership demographics expected in the projected rating period. The 2016 values are pulled from the prior year's filing, while the 2017 values represent our projection for 2017 assumed in the 2017 rate development.

D. Components of Rate Change

Table 8 presents the components of change in the proposed 2017 Calibrated Plan Adjusted Index Rate (PMPM). The 2016 base period allowed claims as developed from the 2016 rate filing are in cell C62.

The large variance between rows A and H is mostly caused by the template using the 2 year trend factor from the data tab, while this filing is completely built off of the data in the manual data tab.

Table 9 presents the data elements supporting the calculations in Table 8. Note the following differences between the Table 9 values presented for 2016 and the values from the 2016 URRT:

- The trend factor is pulling from the wrong exhibit.
- Taxes and Fees shown in Table 9 differ from the Taxes and Fees from the URRT as the Table 9 separates out the Exchange User Fee into a separate line item. In the URRT the Exchange User Fee is included in the Taxes and Fees line item.

The 2016 values are populated using the 2016 filed factors adjusted for the membership mix as of February 1, 2016.

3. Plan Rate Development

Table 10 shows the plan rate development for 2017. This table shows the plans that HSR intends to offer in 2017, as well as plans from the 2016 portfolio that will be discontinued. The calibrated plan adjusted index rates for 2016 are calculated according to the instructions. The 2017 rating factors are consistent with the factors found in Attachment I of the Part III URRT memorandum with the pricing effect further broken out into pricing AV, benefit richness, and tobacco surcharge adjustment. Admin effect is also broken into admin costs, taxes and fees, and profit or contingency.

Note that the HHS Actuarial Value Calculator was unable to accommodate all of HSR's benefit designs. Plans needing certification are marked in column I of Table 10. Screen shots of all of the AV calculations and the appropriate certifications are included in Attachment B.

For discontinuing plans where members are being mapped into a new plan, an effective rate increase is calculated by comparing the 2016 rate of the discontinuing plan to the 2017 rate of the plan the members are being mapped to. Some discontinuing plans are being listed multiple times since these plans have different mappings based on the exchange status as well as the county in which the members live. Note that many members are being mapped to HHIC, which is another company within the Highmark family. For these scenarios, rates and membership are not shown as it would cause inaccuracies in the increase calculations.

4. Plan Premium Development for 21-Year-Old Non-Tobacco User

As mentioned in Section 1.A above, the change in 21-year-old non-tobacco premium PMPM calculated in this table is 26.3% which is not consistent with the SERFF Rate Review Detail Screen "percent rate change requested" for the reasons cited above.

Please note that HSR is offering new plans that have no enrollment on February 1, 2016. Due to the nature of the template, rates are not populated for these plans. A full listing of rates by age, area, and tobacco status can be found in the Rate Pages exhibit submitted as a separate document.

5. Plan Factors

A. Age and Tobacco Factors

Please see Table 12 for HSR's age and tobacco factors.

B. Geographic Factors

Please see Table 13 for HSR's geographic factors. HSR's factors for the rating period are unchanged from the currently approved factors. Note that rating areas 1 through 8 are left blank as HSR does not offer plans in these regions.

C. Network Factors

Please see Table 14 for HSR's network rating factors.

D. Service Area Composition

HSR offers plans in a single service area. The Plan Design Summary exhibit uploaded as a separate document contains the service area details.

6. Actuarial Certifications

I, [REDACTED], am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This filing is prepared on behalf of HSR to accompany its rate filing (for calendar year 2017) for the Individual Market on and off the Pennsylvania Exchange.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient.

I certify that 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 allowable modifiers used to generate plan-level rates were:

- The actuarial value and cost-sharing design of the plan.
- The plan's provider network, delivery system characteristics, and utilization management practices.
- The benefits provided under the plan that are in addition to the essential health benefits. These estimated benefits were pooled with similar benefits within the single risk pool and the claims experience from those benefits was utilized to determine rate variations.
- Administrative costs, excluding Exchange user fees.

I certify that all factor, benefit and other changes from the prior approved filing have been disclosed in the 2017 PA Actuarial Memorandum Rate Exhibits.

I certify that the benefits included in Highmark's plans are substantially equivalent to the Essential Health Benefits (EHBs) in the State of Pennsylvania's benchmark plans. I certify that any benefit substitutions are:

- Actuarially equivalent to the benefits being replaced,
- Are made within only the same essential health benefit category,
- Are based on a standardized plan population,
- Are determined regardless of cost-sharing,
- Are not prescription drug benefits, and
- Are based on an analysis performed in accordance with generally accepted actuarial principles and methodologies.

I certify that new plans are not considered modifications of existing plans (per the uniform modification standards in 45 CFR 147.106).

I certify that the AV Metal Values included in Table 10 were based entirely on the Federal AV Calculator or one of the approved alternative approaches.

I certify that the geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

I certify that the information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2017 Part II Rate Filing Justification.

[REDACTED]

[REDACTED]

Title: Manager, Actuarial Services

Date: 5/11/2016

Highmark Select Resources Inc.
Individual Market Product Portfolio

Supplemental Exhibits

Attachment A	Milliman Certification
Attachment B	Screenshots of HHS AV calculator and Actuarial Certification for Approach 1 AVs [Redacted]



ACTUARIAL MEMORANDUM

Highmark Select Resources

Individual Rate Filing - January 1, 2017

I, [REDACTED] am a member of the American Academy of Actuaries and meet its qualification standards for preparing individual rate filings. As a consulting actuary, I was requested by Highmark Select Resources ("HSR") to review the development of the market-wide base rate for the individual market off the Pennsylvania Exchange. The confidential material presented in this filing was prepared for the specific purpose of submitting the rating formula for the Pennsylvania Insurance Department and may not be appropriate for other purposes. This filing represents premium rates for individuals sold or renewed effective January 1, 2017. The rates are guaranteed until December 31, 2017.

To the best of my knowledge and judgment, the following are true with respect to this filing:

1. Premium rates are established in accordance with generally accepted actuarial principles and the applicable Actuarial Standards of Practice. They are not excessive, inadequate, or unfairly discriminatory. Rates are reasonable in relationship to the benefits provided. However, it is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent that actual experience is different from the assumptions used in developing the rates, the actual results will also deviate from the projected amounts.
2. In compliance with all applicable Pennsylvania and Federal Statutes and Regulations (45 CFR 156.80(d)(1)).
3. The rating factors and rating methodology are reasonable and consistent with HSR's business plan at the time of the filing.

[REDACTED]
[REDACTED]
Fellow, Society of Actuaries
Member, American Academy of Actuaries
May 10, 2016

PA Rate Template Part I

Data Relevant to the Rate Filing

Table 1. Number of Members

	Member-months	Members	Member-months
	Experience Period	Current Period (as of Feb. 1, 2016)	Projected Rating Period
Total	-	14,666	7,807
<18		1,851	992
18-24		976	475
25-29		834	436
30-34		1,039	598
35-39		998	534
40-44		1,025	513
45-49		1,265	704
50-54		1,649	857
55-59		1,995	1101
60-63		2,422	1265
64+		612	332

Table 2. Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
2015 Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											#DIV/0!
Loss Ratio											#DIV/0!

*Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

Service Category	Cost*	Utilization*	Composite	Weight*
Inpatient Hospital			0.00%	
Outpatient Hospital			0.00%	
Professional			0.00%	
Other Medical			0.00%	
Capitation				
Prescription Drugs			0.00%	
Total Annual Trend			0.00%	0.00%
2 Year Trend Projection Factor			1.000	

* Express Cost, Utilization, and Weight as percentages

<- Annualized Trend Factors on URRT

Table 4. Historical Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
Jan-13				#DIV/0!		#DIV/0!				#DIV/0!
Feb-13				#DIV/0!		#DIV/0!				#DIV/0!
Mar-13				#DIV/0!		#DIV/0!				#DIV/0!
Apr-13				#DIV/0!		#DIV/0!				#DIV/0!
May-13				#DIV/0!		#DIV/0!				#DIV/0!
Jun-13				#DIV/0!		#DIV/0!				#DIV/0!
Jul-13				#DIV/0!		#DIV/0!				#DIV/0!
Aug-13				#DIV/0!		#DIV/0!				#DIV/0!
Sep-13				#DIV/0!		#DIV/0!				#DIV/0!
Oct-13				#DIV/0!		#DIV/0!				#DIV/0!
Nov-13				#DIV/0!		#DIV/0!				#DIV/0!
Dec-13				#DIV/0!		#DIV/0!				#DIV/0!
Jan-14				#DIV/0!		#DIV/0!				#DIV/0!
Feb-14				#DIV/0!		#DIV/0!				#DIV/0!
Mar-14				#DIV/0!		#DIV/0!				#DIV/0!
Apr-14				#DIV/0!		#DIV/0!				#DIV/0!
May-14				#DIV/0!		#DIV/0!				#DIV/0!
Jun-14				#DIV/0!		#DIV/0!				#DIV/0!
Jul-14				#DIV/0!		#DIV/0!				#DIV/0!
Aug-14				#DIV/0!		#DIV/0!				#DIV/0!
Sep-14				#DIV/0!		#DIV/0!				#DIV/0!
Oct-14				#DIV/0!		#DIV/0!				#DIV/0!
Nov-14				#DIV/0!		#DIV/0!				#DIV/0!
Dec-14				#DIV/0!		#DIV/0!				#DIV/0!
Jan-15				#DIV/0!		#DIV/0!				#DIV/0!
Feb-15				#DIV/0!		#DIV/0!				#DIV/0!
Mar-15				#DIV/0!		#DIV/0!				#DIV/0!
Apr-15				#DIV/0!		#DIV/0!				#DIV/0!
May-15				#DIV/0!		#DIV/0!				#DIV/0!
Jun-15				#DIV/0!		#DIV/0!				#DIV/0!
Jul-15				#DIV/0!		#DIV/0!				#DIV/0!
Aug-15				#DIV/0!		#DIV/0!				#DIV/0!
Sep-15				#DIV/0!		#DIV/0!				#DIV/0!
Oct-15				#DIV/0!		#DIV/0!				#DIV/0!
Nov-15				#DIV/0!		#DIV/0!				#DIV/0!
Dec-15				#DIV/0!		#DIV/0!				#DIV/0!

* Express Completion Factor as a percentage
**Express Prescription Drug Rebates as a negative number

Table 2b. Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
#####	#####	#####	159,060	\$ 3,482,850.53	#####	\$ -	#####	\$ 200,415.60	\$ 79,530.00		
2015 Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											\$ 507.81
Loss Ratio											158.04%

*Express Prescription Drug Rebates as a negative number

Table 3b. Trend Components

Service Category	Cost*	Utilization*	Composite	Weight*
Inpatient Hospital	4.99%	4.05%	9.24%	24.00%
Outpatient Hospital	4.99%	4.05%	9.24%	35.72%
Professional	4.99%	4.05%	9.24%	21.55%
Other Medical	4.99%	4.05%	9.24%	1.79%
Capitation			-36.02%	0.25%
Prescription Drugs	4.99%	4.05%	9.24%	16.66%
Total Annual Trend			9.13%	100.00%
2 Year Trend Projection			1.191	

* Express Cost, Utilization, and Weight as percentages

← Annualized Trend Factors on URRT

Table 2c. Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
2015 Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											#DIV/0!
Loss Ratio											#DIV/0!

*Express Prescription Drug Rebates as a negative number

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Table 4b. Historical Experience

Month-Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
Jan-13				#DIV/0!		#DIV/0!				#DIV/0!
Feb-13				#DIV/0!		#DIV/0!				#DIV/0!
Mar-13				#DIV/0!		#DIV/0!				#DIV/0!
Apr-13				#DIV/0!		#DIV/0!				#DIV/0!
May-13				#DIV/0!		#DIV/0!				#DIV/0!
Jun-13				#DIV/0!		#DIV/0!				#DIV/0!
Jul-13				#DIV/0!		#DIV/0!				#DIV/0!
Aug-13				#DIV/0!		#DIV/0!				#DIV/0!
Sep-13				#DIV/0!		#DIV/0!				#DIV/0!
Oct-13				#DIV/0!		#DIV/0!				#DIV/0!
Nov-13				#DIV/0!		#DIV/0!				#DIV/0!
Dec-13				#DIV/0!		#DIV/0!				#DIV/0!
Jan-14				#DIV/0!		#DIV/0!				#DIV/0!
Feb-14				#DIV/0!		#DIV/0!				#DIV/0!
Mar-14				#DIV/0!		#DIV/0!				#DIV/0!
Apr-14				#DIV/0!		#DIV/0!				#DIV/0!
May-14				#DIV/0!		#DIV/0!				#DIV/0!
Jun-14				#DIV/0!		#DIV/0!				#DIV/0!
Jul-14				#DIV/0!		#DIV/0!				#DIV/0!
Aug-14				#DIV/0!		#DIV/0!				#DIV/0!
Sep-14				#DIV/0!		#DIV/0!				#DIV/0!
Oct-14				#DIV/0!		#DIV/0!				#DIV/0!
Nov-14				#DIV/0!		#DIV/0!				#DIV/0!
Dec-14				#DIV/0!		#DIV/0!				#DIV/0!
Jan-15				#DIV/0!		#DIV/0!				#DIV/0!
Feb-15				#DIV/0!		#DIV/0!				#DIV/0!
Mar-15				#DIV/0!		#DIV/0!				#DIV/0!
Apr-15				#DIV/0!		#DIV/0!				#DIV/0!
May-15				#DIV/0!		#DIV/0!				#DIV/0!
Jun-15				#DIV/0!		#DIV/0!				#DIV/0!
Jul-15				#DIV/0!		#DIV/0!				#DIV/0!
Aug-15				#DIV/0!		#DIV/0!				#DIV/0!
Sep-15				#DIV/0!		#DIV/0!				#DIV/0!
Oct-15				#DIV/0!		#DIV/0!				#DIV/0!
Nov-15				#DIV/0!		#DIV/0!				#DIV/0!
Dec-15				#DIV/0!		#DIV/0!				#DIV/0!

* Express Completion Factor as a percentage

**Express Prescription Drug Rebates as a negative number

PA Rate Template Part II

Rate Development and Change

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

2015 Total Allowed EHB Claims PMPM + EHB Capitation PMPM (net of prescription drug rebates)	\$ 499.40	<- Index Rate of Experience Period on URRT
2 Year Trend Projection Factor	1.191	
Unadjusted Projected Allowed EHB Claims PMPM	\$ 594.76	
<u>Single Risk Pool Adjustment Factors</u>		
Change in Morbidity	1.297	<- Adj't. from Experience to Projection Period - Pop'l risk Morbidity on URRT
Change in Other	1.014	<- Adj't. from Experience to Projection Period - Other on URRT
Change in Demographics	1.046	
Change in Network	0.980	
Change in Benefits	1.000	
Change in Other	0.990	
Adjusted Projected Allowed EHB Claims PMPM	\$ 782.71	<- Index Rate for Projection Period on URRT - Individual (Small Group 1st Qtr)
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	0.600173756	<- Paid to Allowed Average Factor in Projection Period on URRT
Projected Paid EHB Claims PMPM	469.7594498	
<u>Market-wide Adjustments</u>		
Projected Paid Net Risk Adjustment PMPM	\$ 0.13	
Projected Paid Exchange User Fees PMPM	\$ -	
Market-Adjusted Projected Paid EHB Claims PMPM	\$ 469.89	
Market-Adjusted Projected Allowed EHB Claims PMPM	\$ 782.92	<- Market-Adjusted Index Rate
Projected Allowed Non-EHB Claims PMPM	\$ -	
Market-Adjusted Projected Paid Total Claims PMPM	\$ 469.89	
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 782.92	

Table 6. Retention

<u>Retention Items - Express in percentages</u>		
Administrative Expenses	9%	
General and Claims	8.92%	
Agent/Broker Fees and Commissions	0.39%	
Quality Improvement Initiatives	0.00%	
Taxes and Fees	2.04%	
PCORI Fees (Enter \$ amount here: \$)	0.04%	
Pa Premium Tax (if applicable)	2.00%	
Federal Income Tax	0.00%	
Health Insurance Providers Fee (only for small group market, prorated for coverage in 2018)	0.00%	
Profit/Contingency	3%	
Total Retention	14%	
Projected Required Revenue PMPM	\$ 548.57	<- Single Pool Gross Premium Avg. Rate, PMPM on URRT

Table 8. Components of Rate Change

Rate Components	2016	2017	Difference	Percent Change
A. Calibrated Plan Adjusted Index Rate (PMPM)	244.8988136	307.0970716	\$62.20	25.4%
B. Base period allowed claims before normalization	\$ 457.71	\$ 499.40	\$41.69	17%
C. Normalization factor component of change	\$ (200.39)	-209.6932748	-\$9.30	-\$0.04
D. Change in Normalized Allowed Claims Adjustment Components				
D1. Base period allowed claims after normalization	\$ 257.32	\$ 289.71	\$ 32.39	13%
D2. URRT Trend	\$ 34.61	\$ -	\$ (34.61)	-14%
D3. URRT Morbidity	\$ (11.61)	\$ 86.11	\$ 97.72	40%
D4. URRT Other	\$ 8.53	\$ 5.44	\$ (3.09)	-1%
D5. Normalized URRT RA/RI on an allowed basis	\$ (9.00)	\$ 0.13	\$ 9.13	4%
D6. Normalized Exchange User Fee on an allowed basis	\$ 8.55	\$ -	\$ (8.55)	-3%
D7. Subtotal - Sum(D1:D6)	\$ 288.40	\$ 381.38	\$ 92.98	38%
E. Change in Allowable Plan Adjusted Level Components				
E1. Network	\$ (24.01)	-13.34844868	\$ 10.66	4%
E2. Pricing AV	\$ (72.08)	\$ (147.15)	\$ (75.07)	-31%
E3. Benefit Richness	\$ 9.76	\$ -	\$ (9.76)	-4%
E4. Catastrophic Eligibility	\$ -	\$ -	\$ -	0%
E5. Subtotal - Sum(E1:E4)	\$ (86.33)	\$ (160.50)	\$ (74.17)	-30%
F. Change in Retention Components				
F1. Administrative Expenses	\$ 23.37	\$ 28.58	\$ 5.21	2%
F2. Taxes and Fees	\$ 12.71	\$ 6.25	\$ (6.46)	-3%
F3. Profit and/or Contingency	\$ 6.12	\$ 9.21	\$ 3.09	1%
F4. Subtotal - Sum(F1:F3)	\$ 42.20	\$ 44.05	\$ 1.84	1%
G. Change in Miscellaneous Items			\$ -	0%
H. Sum of Components of Rate Change (should approximate the change shown in line A)	\$ 244.28	\$ 264.93	\$ 20.65	8%

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

	January	April	July	October	Total Single Risk Pool
# of Member Months Renewing in Quarter					-
Percent of Members Months Renewing in Quarter	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Base Allowed Claims	\$ 782.71	\$ 782.71	\$ 782.71	\$ 782.71	\$ 782.71
Months of Trend	-	3	6	9	#DIV/0!
Annual Trend	0.00%	0.00%	0.00%	0.00%	0.00%
Single Risk Pool Projected Allowed Claims	\$ 782.71	\$ 782.71	\$ 782.71	\$ 782.71	\$ -

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

<u>Normalization Factors</u>	2016	2017
Average Age Factor	1.667	1.733
Average Geographic Factor	1.035	1.020
Average Tobacco Factor	1.013	1.011
Average Benefit Richness (induced demand)	1.040	1.000
Average Network Factor	0.978	0.965
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 513.00	\$ 782.92
Normalized Market-Adjusted Projected Allowed Total Claims PMPM	\$ 288.41	\$ 454.18

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

	2016	2017	
Paid-to-Allowed	0.700950296	0.600173756	
URRT Trend (2-Year Trend Factor)	1.13451227	1.00	<- URRT W1, S2
URRT Morbidity	0.960228174	1.297	<- URRT W1, S2
URRT "Other"	1.030428084	1.014	<- URRT W1, S2
Risk Adjustment	\$ 4.52	\$ 0.13	<- URRT W1, S3
Reinsurance	\$ (15.75)	\$ -	<- URRT W1, S3
Exchange User Fee	\$ 10.66	\$ -	<- URRT W1, S3
Capitation	\$ 0.84	\$ 0.34	<- URRT W1, S2
Network	0.917	0.965	
Pricing AV	0.727	0.600173756	
Benefit Richness	1.051	1	
Catastrophic Eligibility	1.000	1	
Administrative Expenses	9.54%	9.31%	
Taxes and Fees	5.19%	2.04%	
Profit and/or Contingency	2.50%	3.00%	

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PA Rate Template Part III

Table 10. Plan Rates

Carrier Name: Highmark Select Resources Inc.
 Plan Type(s): PPO
 Market Segment: Individual ACA
 Rate Effective Date: 01/01/2017
 Market Adjusted Index Rate \$ 782.92

Plan Number	HIOS Plan ID (Standard Component)	Plan Type (HMO, POS, PPO, EPO, Indemnity, Other)	1/1/16 Plan Marketing Name	Discontinued, New, Modified, Existing (D,N,M,E) for 2017	1/1/17 Plan Marketing Name (If 1/1/16 Plan Discontinued)	Metallic Tier	Metallic Tier Actuarial Value	Standard AV, Approach (1), Approach (2)	Exchange On/Off or Off
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Totals

0.610

Plan 1	36247PA0060003	PPO		N	Alliance Flex Blue PPO 6800	Bronze	0.6096	Approach (1)	Off
Plan 2	36247PA0090003	PPO		N	Major Events Blue PPO 7150	Catastrophic	0.575	Approach (1)	Off
Plan 3	36247PA0060002	PPO	Alliance Flex Blue PPO 1000	D	Alliance Flex Blue PPO 6800	Bronze	0.6096	Approach (1)	Off
Plan 4	36247PA0060001	PPO	Alliance Flex Blue PPO 2100	D	Alliance Flex Blue PPO 6800	Bronze	0.6096	Approach (1)	Off
Plan 5	36247PA0060002	PPO	Alliance Flex Blue PPO 1000	D	HHIC Alliance PPO 1000				
Plan 6	36247PA0060001	PPO	Alliance Flex Blue PPO 2100	D	HHIC Alliance PPO 2300				

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PA Rate Table
Table 10. Plan

Carrier Name:
Plan Type(s):
Market Segment:
Rate Effective Date:
Market Adjusted Rate:

Calibration	
Age Calibration Factor	1.732781022
Geographic Calibration Factor	1.020
Aggregate Calibration Factor	1.767

45 CFR Part 156.8 (d) (2) Allowable Factors										
Plan Number	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
Totals	0.600	1.000	1.000	1.000	1.000	0.989	\$ 464.92	9.3%	2.0%	3.0%
Plan 1	0.600	1.000	1.000	1.000	1.000	0.989	\$464.92	9.3%	2.0%	3.0%
Plan 2	0.575	1.000	1.000	1.036	0.920	0.989	\$424.77	9.3%	2.0%	3.0%
Plan 3	0.600	1.000	1.000	1.000	1.000	0.989	\$464.92	9.3%	2.0%	3.0%
Plan 4	0.600	1.000	1.000	1.000	1.000	0.989	\$464.92	9.3%	2.0%	3.0%
Plan 5							\$0.00			
Plan 6							\$0.00			

PA Rate Table
Table 10. Plan

Carrier Name:
Plan Type(s):
Market Segment:
Rate Effective Date:
Market Adjusted Index:

Plan Number	Total Covered Lives @ 2/1/2016	Total Policyholders @ 2/1/2016	2016 Calibrated Plan Adjusted Index Rate PMPM	2017 Calibrated Plan Adjusted Index Rate PMPM	Change Compared to Prior 12 months	% of Total Covered Lives
Totals	1,298	763	\$ 244.90	\$ 307.10	25.40%	
Plan 1	-	-	\$ -	\$307.10	#DIV/0!	0.0%
Plan 2	-	-	\$ -	\$280.58	#DIV/0!	0.0%
Plan 3	539	290	\$ 269.54	\$307.10	13.9%	41.5%
Plan 4	759	473	\$ 227.40	\$307.10	35.0%	58.5%
Plan 5	-	-	\$ -	\$0.00	#DIV/0!	0.0%
Plan 6	-	-	\$ -	\$0.00	#DIV/0!	0.0%

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PA Rate Template Part IV

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

Carrier Name: Highmark Select Resources Inc.
 Plan Type(s): PPO
 Market Segment: Individual ACA
 Rate Effective Date: 01/01/2017

Plan Number	HIOS Plan ID (Standard Component)	1/1/16 Plan Marketing Name	Discontinued, New, Modified, Existing (D,N,M,E) for 2017	1/1/17 Plan Marketing Name (If 1/1/16 Plan Discontinued)	Metallic Tier	Exchange On/Off or Off
-------------	-----------------------------------	----------------------------	--	--	---------------	------------------------

Totals

These cells auto-fill using the data entered in Table 9.

Plan 1	36247PA0060003	0	N	Alliance Flex Blue PPO 6800	Bronze	Off
Plan 2	36247PA0090003	0	N	Major Events Blue PPO 7150	Catastrophic	Off
Plan 3	36247PA0060002	Alliance Flex Blue PPO 10	D	Alliance Flex Blue PPO 6800	Bronze	Off
Plan 4	36247PA0060001	Alliance Flex Blue PPO 21	D	Alliance Flex Blue PPO 6800	Bronze	Off
Plan 5	36247PA0060002	Alliance Flex Blue PPO 10	D	HHIC Alliance PPO 1000	0	0
Plan 6	36247PA0060001	Alliance Flex Blue PPO 21	D	HHIC Alliance PPO 2300	0	0

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PA Rate Te
Table 11. Pla

Carrier Name:
Plan Type(s):
Market Segment:
Rate Effective Da

Plan Number

Totals

Plan 1
Plan 2
Plan 3
Plan 4
Plan 5
Plan 6

2/1/16 Number of Covered Lives									
1	2	3	4	5	6	7	8	9	Total
-	-	-	-	-	-	-	-	1,298	1,298
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	539	539
-	-	-	-	-	-	-	-	759	759
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

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Table 11. Pla

Carrier Name:
 Plan Type(s):
 Market Segment:
 Rate Effective Da

2016 21-year-old Non-Tobacco Premium PMPM (in small group market, average monthly premium weighted for quarterly trend)										
Plan Number	1	2	3	4	5	6	7	8	9	Average (weighted by enrollment by rating area)
Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249.80	\$ 249.80
Plan 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 274.93	\$ 274.93
Plan 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231.95	\$ 231.95
Plan 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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PA Rate Te
Table 11. Pla

Carrier Name:
 Plan Type(s):
 Market Segment:
 Rate Effective Da

Plan Number

Totals

Plan 1
 Plan 2
 Plan 3
 Plan 4
 Plan 5
 Plan 6

2017 21-year-old Non-Tobacco Premium PMPM (in small group market, average monthly premium weighted for quarterly trend)									
1	2	3	4	5	6	7	8	9	Average (weighted by enrollment by rating area)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313.24	\$ 313.24
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313.24	\$ 313.24
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313.24	\$ 313.24
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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PA Rate Te
Table 11. Pla

Carrier Name:
Plan Type(s):
Market Segment:
Rate Effective Da

Change in 21-year-old Non-Tobacco Premium PMPM										
Plan Number	1	2	3	4	5	6	7	8	9	Average (weighted by enrollment by rating area)
Totals	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	26.3%	26.3%
Plan 1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan 3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.9%	13.9%
Plan 4	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%
Plan 5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan 6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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PA Rate Template Part V Consumer Factors

Table 12. Age and Tobacco Factors

2017 Age and Tobacco Factors						
Age Band	Age Factor	Tobacco Factor		Age Band	Age Factor	Tobacco Factor
0-20	0.635			43	1.357	1.121
21	1.000	1.025		44	1.397	1.132
22	1.000	1.025		45	1.444	1.145
23	1.000	1.025		46	1.500	1.16
24	1.000	1.025		47	1.563	1.177
25	1.004	1.025		48	1.635	1.196
26	1.024	1.025		49	1.706	1.217
27	1.048	1.025		50	1.786	1.225
28	1.087	1.025		51	1.865	1.225
29	1.119	1.025		52	1.952	1.225
30	1.135	1.025		53	2.040	1.225
31	1.159	1.025		54	2.135	1.225
32	1.183	1.025		55	2.230	1.225
33	1.198	1.025		56	2.333	1.225
34	1.214	1.025		57	2.437	1.225
35	1.222	1.025		58	2.548	1.225
36	1.230	1.025		59	2.603	1.225
37	1.238	1.025		60	2.714	1.225
38	1.246	1.025		61	2.810	1.225
39	1.262	1.025		62	2.873	1.225
40	1.278	1.1		63	2.952	1.225
41	1.302	1.105		64+	3.000	1.225
42	1.325	1.112				

*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			
Rating Area 9	Cumberland, Dauphin, Franklin, Fulton, Juniata, Lebanon, Perry	1.020	1.020

Table 14. Network Factors

[illegible]

TO: Ms. Cherri Sanders-Jones, Actuary
Bureau of Life, Accident & Health Insurance
Pennsylvania Insurance Department

FROM: [REDACTED]
Highmark Inc.

DATE: June 29, 2016

SUBJECT: Highmark Select Resources Inc. (HSR) 2017 Individual Market Rates
Response to June 16, 2016 Objection Letter
Filing Number: 1A-DP-16-HSR
SERFF Tracking Number: HGHM-130540919

Below are HSR's responses to your objection letter dated June 16, 2016. We have included the questions along with the responses for your convenience.

General

1. Please provide all tables, exhibits, etc. supporting actuarial memorandum in Excel format with formulas for each entry.

Response:

Please see the worksheets labeled 'Gen Q1a Response' and 'Gen Q1b Response' in the attached Excel file. These worksheets show Exhibit I and Exhibit II from the Federal Part III Actuarial Memorandum in Excel format. All other quantitative tables and exhibits were already provided in Excel format as part of the initial filing submission.

2. Please be advised that each time the URRT is changed in SERFF, the URRT in HIOS must also be updated. Please acknowledge your understanding and certify that you are in compliance.

Response:

HSR acknowledges and certifies compliance with this requirement.

3. Please provide the 2015 Statutory Annual Statement Five-Year Historical Data Exhibit.

Response:

Please see the attachment labeled 'Gen Q3 Response'.

4. Please provide a copy of the Supplemental Health Care Exhibit (SHCE), and describe the reason(s) for any differences between the SHCE and Worksheet 1, Section 1 of the Uniform Rate Review Template.

Response:

HSR was not required to submit a Supplemental Health Care Exhibit (SHCE) for 2015 because it did not write any business in 2015.

5. Please discuss the impact SEP enrollees have had on Highmark's claims experience. If possible provide the 2015 loss ratio for SEP enrollees and non-SEP enrollees.

Response:

Highmark's data supports other industry studies that have shown higher-than-average claims experience for SEP enrollees compared to OEP enrollees. For example, in Western & Central PA (across all entities), the estimated post-risk adjustment 2015 MLR for SEP enrollees is roughly 158% compared to the MLR for OEP enrollees which is closer to 119%. The impact of SEP enrollees is included in the base claims experience used to develop this rate filing.

Federal

6. Please show quantitatively including an Excel spreadsheet with formulas the derivation and justification of the Paid to Allowed factor of .600 shown in Section III of the URRT. Demonstrate that the ratio is consistent with membership projections by plan included in Worksheet 2. The ratio for each plan should be relatively consistent with the metallic AV for the plan to which the actuary is attesting, however it is recognized that they may not be exactly the same due to differences between the issuer's experience and the experience underlying the AV Calculator.

Response:

Please see the worksheet labeled 'Fed Q6 Response' in the attached Excel file. This exhibit shows the derivation of the 0.600 Paid to Allowed factor found in Worksheet 1, Section III of the URRT. The ratio is developed using enrollment by plan that is consistent with the membership projections found in Worksheet 2 of the URRT. Since there is only one plan per applicable metal level, the metal level ratios shown in the response correspond directly to the plans being offered. These ratios are relatively consistent with the metallic AV for the plans.

7. The proposed rate increase in section II of the Part III actuarial memorandum indicates that, "The rate increase values in Row 27 of Worksheet 1 of the URRT represent an effective increase for plans being mapped into a new plan." Should the reference reflect Worksheet 2?

Response:

The language quoted above incorrectly references Worksheet 1 of the URRT. As the Department notes, it should reference Worksheet 2 of the URRT.

8. Row 27 of Worksheet 2 of the URRT reflects a cumulative rate change of 29.4%. The average rate change reflected in PA documents is 25.4%. Please review and explain this apparent discrepancy or revise as necessary.

Response:

The cumulative rate change shown on Row 27 of Worksheet 2 of the URRT reflects a weighting using all members in the 3 counties (Dauphin, Lebanon, and Perry) where HSR plans will be offered in 2017. The average rate change shown in the PA documents reflects a weighting using only the off-exchange members in the 3 counties (Dauphin, Lebanon, and Perry) where HSR plans will be offered in 2017.

The disconnect arose as a result of the Department's request that HSR demonstrate and communicate 'effective' rate increases for members being mapped from discontinuing 2016 plans to new 2017 plans even when mappings vary by county and exchange status (on vs. off). Since HSR intends to map only its off-exchange members in the 3 counties into a 2017 plan, the PA documents were updated to include only the off-exchange members in the composite rate increase calculation.

Relative to the total (on & off) cohort, the off-exchange only cohort has a higher percentage of members in the discontinuing Alliance Flex Blue PPO 1000 plan. Weighting on a mix of members that is more skewed toward this plan reduces the composite increase since this plan has a lower ‘effective’ increase (13.9% as shown in Table 10 of the PA exhibits).

The URRT mapping instructions did not specify how to address mapping nuances at this level of granularity, and so no updates have been made to the URRT at this time.

9. The Part III memo shows the changes in EHBs due to the new 2017 Benchmark plan. Please provide the expected pmpm cost for each benefit and discuss the basis for the projected cost.

Response:

HSR determined the cost associated with these benefits to be negligible. Thus, no adjustments were included in the rate development.

10. In Exhibit I, the CY 2017 Index Rate = \$782.71. No market-wide adjustments are referenced, but the resulting CY 2017 Market Adjusted Index Rate is \$782.92. Please review and explain or revise Exhibits I and II as necessary.

Response:

The values shown on Exhibit I are correct but the formatting of the exhibit does not display the unrounded values. For example, the unrounded CY 2017 Index Rate is \$782.706. Also, the market-wide adjustment factor for Risk Adjustment is 1.000277 (due to the impact of the Risk Adjustment User Fee). Thus, the CY 2017 Market Adjusted Index Rate is $\$782.92 = \$782.706 * 1.000277$. Exhibit I is being provided in Excel format as part of HSR’s response to General Question 1.

Pennsylvania

1. Please provide the January 1, 2016 through April 30, 2016 emerging experience in an Excel worksheet formatted similar to Table 2.

Response:

Please see the worksheet labeled ‘PA Q1 Response’ in the attached Excel file.

2. In the Pennsylvania Actuarial Memorandum, in Section 1 E, Credibility of Data, the statement is made that the 2017 rates are based on experience from Highmark, Inc.’s Central Pennsylvania portfolio, adjusted for the expected 2017 Highmark Select Resources population. Please provide an Excel spreadsheet, similar to Part I, that shows the development of the projected index rate starting from the 2015 experience. Provide justification for all adjustments.

Response:

This calculation is demonstrated through tables 2b, 3b, and 5 in the Pennsylvania Memorandum Rate Exhibits.

3. Please justify and provide the sources of the projected membership by age, shown in Table 1.

Response:

The projected membership by age is based on HSR’s forecasted enrollment for 2017. This forecast is not done at the age level. Therefore, HSR has assumed that the membership distribution in 2017 will be the same as the current distribution in the counties that HSR will be offering plans in 2017.

4. (i) Please show quantitatively the derivation of the trend assumptions for each benefit category as shown in Table 3b. Please include the sources and source claims data.
(ii) Please reconcile the 9.13% annual trend shown in Table 3b, with the 11.5% annual trend shown in Credibility Manual Rate Development in the Part III Actuarial Memorandum.

Response:

Due to the significant change in the make-up of the ACA population in the first two years, alternative approaches were necessary to develop the trend. A separate regression study was developed that analyzed the ACA trend levels of cohorts of ACA members that were continuously enrolled in 2014 and thru 2015 in the same metal level. The analysis took into consideration seasonality and removed outlier months in order to determine a regression trend. Resulting r-squared levels were compared to determine confidence levels of the resulting regression trends to develop a reasonable range of trend assumptions. The assumed pricing trend of 11.5% fell within the range of the regression study. This assumed trend was further compared to the group business and any industry available ACA data for reasonability. Please see the worksheet labeled 'PA Q4 Response' in the attached Excel file for the data supporting the trend assumption.

The 11.5% annual trend represents the traditional cost and utilization components of trend. The 9.13% annual trend shown in Table 3b also includes a factor (applied to the utilization component) to account for the expected change in benefit richness (induced demand). This approach aligns with the URRT instructions and is discussed in section VI.5 of the Part III Actuarial Memorandum. For example, the annual trend shown in Table 3b for the Inpatient Hospital service category is $9.24\% = (1+4.99\%) * (1+6.2\%) * [(1 - 4.0\%) ^ 0.5]$. The trend for each service category is weighted together to derive the composite annual trend of 9.13%.

5. Please complete Table 4b. Please populate with the monthly experience data from the source of the manual rate. Also provide a detailed narrative that explains the data and how it was used in developing the trend and all assumptions and adjustments. Additionally, provide the regression study and explain why this approach is appropriate. Also discuss the impact of provider contracting and leveraging on trend. Please note 36 months of data must be provided. When responding to this data call, you may redact specific provider contracting data as it will contain proprietary information.

Response:

Please see the response to PA Question 4 for a detailed explanation of the regression study. Please see the worksheet labeled 'PA Q4 Response' in the attached Excel file for the data supporting the trend assumption.

6. Please reconcile the 2015 Total Allowed EHB Claims PMPM + EHB Capitation PMPM (net of prescription drug rebates) shown in Table 2b (\$507.81) and in Table 5 (499.40) of the Actuarial Memorandum Rate Exhibits. Please adjust the Tables accordingly.

Response:

The member months in Table 2b were incorrect as originally submitted. Please see the worksheet labeled 'PA Q6 Response' in the attached Excel file for a corrected version of Table 2b. The values on this table are not used in any other formulas throughout the template, therefore no other updates are required.

7. Please show quantitatively including an Excel spreadsheet with formulas the derivation and justification of the Change in Morbidity factor of 1.297 in Table 5 of the Actuarial Memorandum Rate Exhibits. This is a relatively large morbidity change, and is on the high side of the industry.

Response:

Please see the worksheet labeled 'Q7 Response' in the attached Excel file. The magnitude of the factor is due to the expected migration of higher cost HHIC members into HSR products.

8. Please show quantitatively including an Excel spreadsheet with formulas the derivation and justification of each of the "Change in Demographics" (1.046), "Change in Network" (.980) and "Change in Other" (.990) Single Risk Pool Adjustment Factors, shown in Table 5 of the Actuarial Memorandum Rate Exhibits.

Response:

Please see the worksheet labeled 'PA Q8 Response' in the attached Excel file.

9. Expenses for Quality Improvement Initiatives are included in the general and claims administrative percentage and were not broken out separately. Please modify Table 6 to separately identify, as requested in the Table.

Response:

Please see the worksheet labeled 'PA Q9 Response' in the attached Excel file.

10. Provide support for all expenses that do not reflect payments made to providers under the contract for covered medical services. Describe the methodology used for developing the estimate of these non-benefit expenses expected during the projection period for the applicable market, including any allocation of corporate overhead.

Response:

HSR's allocation method uses measureable statistics such as claims worked, inquiries worked, contracts, members, etc. to allocate the majority of expenses. When possible, expenses are direct charged if they can be identified by product instead of going thru an allocation method. For corporate allocations, HSR generally use a TCI (total costs incurred) methodology to allocate by product.

11. Regarding broker commissions:

- Under what circumstances and in what geographic locations will commissions be paid?
- Are commissions paid for SEP?
- Provide a copy of the broker agreement - current and 2017.
- Show the calculation of the average commission - current and 2017.

When responding to this data call, you may redact this response as it will contain proprietary information.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12. Section 2.B. on page 4 of the PA memo indicates that the PCORI fee was factored into the administrative expense percentage of premium; however, Table 6 includes a percent of premium load of 0.04% for PCORI. Please review and correct as necessary.

Response:

HSR recognizes that the PCORI language in Section 2.B on page 4 of the PA memo is unclear. The language was intended to acknowledge that the PCORI fee is included in the rate development as a retention item. As the Department notes, the fee is itemized separately in the “Taxes and Fees” section of Table 6. Thus, it is not included in the “Administrative Expenses” section of Table 6.

13. Please explain in detail and justify the statement in the Pennsylvania Actuarial Memorandum, in Section 2 D, in reference to Tables 8 and 9 that “the trend factor is pulling from the wrong exhibit.”

Response:

The trend factor in cell J62 of Table 9 references cell F43 of Table 3. Table 3 is blank because HSR did not have experience in CY 2015. As stated in Section 2 D of the memorandum, this filing is completely built off of the data in the ‘Manual Data’ tab. Thus, the trend factor in cell J62 of Table 9 should reference cell F22 of Table 3b. HSR could not alter the formula to point to the correct cell because the Department prevented editing in this section of the template.

14. Please indicate if the Company included an adjustment to account for the regulation that prohibits charging for more than three children per family, and, if applicable, demonstrate how the adjustment was derived and where it is included in the filing.

Response:

Please see the worksheet labeled ‘PA Q14 and Q16 Response’ in the attached Excel file. The three children per family adjustment is accounted for in the billable member count.

15. Please show quantitatively the derivation of the Medical Loss Ratio.

Response:

Please see the worksheet labeled ‘PA Q15’ in the attached Excel file.

16. Please show quantitatively the derivation of each of the factors shown in Table 7. Please also explain how the Benefit Richness/Induced Demand Factor of 1.00 reconciles with the factors shown in Table 10.

Response:

The 2016 factors shown in Table 7 are pulled directly from the approved 2016 rate filing for HSR.

The derivation of the average age factor and average tobacco factor can be found in the worksheet labeled ‘PA Q14 and Q16 Response’ in the attached Excel file.

HSR will only offer plans in rating region 9 in 2017. The factor for this region can be found in Table 13.

HSR has two valid network factors for 2017. However, none of HSR’s current plans are mapping into the comprehensive formulary network. Therefore, the average network factor is equal to the closed formulary network factor which can be found in Table 14.

HSR uses the HHS Risk Adjustment induced demand factors. HSR will be offering Bronze and Catastrophic plans which both have an induced demand factor of 1.0. The factor of 1.0 matches each of the factors shown in Table 10.

17. Please show quantitatively, including an Excel spreadsheet with formulas, the derivation of the Age, Geographic and Tobacco Calibration Factor.

Response:

Please see the worksheet labeled ‘PA Q14 and Q16 Response’ in the attached Excel file for the Age and Tobacco calibration. The Geographic calibration is equal to the Rating Region 9 factor found in Table 13 as this is the only rating area in which HSR is offering plans.

18. Please show quantitatively with Excel spreadsheets the derivation of Pricing AV and the Benefit Richness (induced demand) for each plan shown in Table 10.

Response:

HSR is offering two plans in 2017. The factors in Table 10 reflect HSR’s best estimate of the paid to allowed factor for each plan design. Additionally, HSR is using the HHS Risk Adjustment induced demand factors. For Bronze and Catastrophic this factor is 1.0.

19. Please show quantitatively that plan premiums are in proportion to the plan AV Pricing Values.

Response:

Please see the worksheet labeled ‘PA Q19 Response’ in the attached Excel file.

20. Please show quantitatively with an Excel spreadsheet with formulas that the Consumer Adjusted Premium Rates match the rates shown in the Rates Table template.

Response:

Please see the worksheet labeled ‘PA Q20 Response’ in the attached Excel file.

21. Does this filing propose any changes in your pricing model? If so, please discuss. This response may be redacted since it may contain confidential information.

Response:

The pricing model and methodology are consistent with those used in previous rate developments for the Individual ACA market. The data and assumptions have been updated to reflect a wide array of current and anticipated factors.

22. In Table 14, please explain why there are no “current” network factors shown on the table.

Response:

The network factors used are a blend of a medical network factor and a pharmacy formulary factor. Due to a change in the formulary being used, the networks as defined in table 14 (Premier Blue Shield Preferred(Professional) / Highmark Blue Shield(Facility) with Closed Formulary and Premier Blue Shield Preferred(Professional) / Highmark Blue Shield(Facility) with Comprehensive Formulary) were not utilized in 2016 and thus there is no 2016 factor associated with them.

23. Does this filing propose Service Area changes relative to the last approved filing? If so, please discuss.

Response:

The proposed service area for 2017 includes Dauphin, Lebanon, and Perry counties. This represents a slight change from the 2016 service area which included Berks, Cumberland, Dauphin, Lebanon, and Perry counties.

Exhibit I
Highmark Select Resources Inc.

Individual Market Adjusted Index Rate (effective January 1, 2017)

CY2017 Projected Period Average Members	651
CY2017 Projected Allowed Claims	\$782.71
Non-EHB - Adult Vision	\$0.00
CY2017 Index Rate (Allowed Claims for EHB Only)	\$782.71
Market-Wide Adjustment	
Risk Adjustment (Net of Risk Adjuster Fee)	1.000
Transitional Reinsurance Program (Net of Reinsurance Premium)	1.000
Exchange User Fee	1.000
CY2017 Market Adjusted Index Rate	\$782.92
Calibration	
Calibration from Plan Adjusted Index Rate to Age 49, 1.0 Area, Non-Smoker	
(a) Average Age Factor	1.733
(b) Age 49 (Nearest Age on HHS Age Curve) Age Factor	1.706
(c) Average Geographic Factor	1.020
Combined Calibration Factor $1/[(a/b)*c]$	0.965

Exhibit II
Highmark Select Resources Inc.

Unified Rate Review Template (URRT) AV Pricing Value Development
Market Adjusted Index Rate PMPM = \$782.92

HIOS Plan ID	Metal Level	Plan Design Marketing Name	Plan Premium PMPM	URRT AV Pricing Value	Portion of URRT AV Pricing Value Attributable to each Allowable Modifier ^[1]				
					(i)	(ii)	(iii)	(iv)	(v)
36247PA0060003	Bronze	Alliance Flex Blue PPO 6800	\$542.77	0.693	0.594	1.000	1.000	1.167	1.000
36247PA0090003	Catastrophic	Major Events Blue PPO 7150	\$495.90	0.633	0.569	1.036	1.000	1.167	0.920

^[1] Permitted Plan-Level Adjustments to the Index Rate as prescribed in 45 CFR Part 156, §156.80(d)(2):

- (i) The actuarial value and cost-sharing design of the plan.
- (ii) The plan's provider network, delivery system characteristics, and utilization management practices.
- (iii) The benefits provided under the plan that are in addition to the essential health benefits.
- (iv) Administrative costs, excluding Exchange user fees.
- (v) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans.

Metal	Member Months	Allowed Claims	Paid Claims	Paid to Allowed
Platinum	0	\$0	\$0	N/A
Gold	0	\$0	\$0	N/A
Silver	0	\$0	\$0	N/A
Bronze	7,568	\$5,932,020	\$3,564,602	60.1%
Catastrophic	240	\$179,347	\$103,279	57.6%
Total	7,808	\$6,111,366	\$3,667,882	60.0%

Emerging Experience Data: January 1, 2016 - April 30, 2016

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
\$24,213,214	\$23,535,000	\$29,401,175	57,912	\$8,616,825	\$38,018,000	\$0	(\$685,300)	\$19,690	\$27,798	(\$68,336)	\$1,379,472
YTD 2016 Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											\$ 644.99
Loss Ratio											113.41%

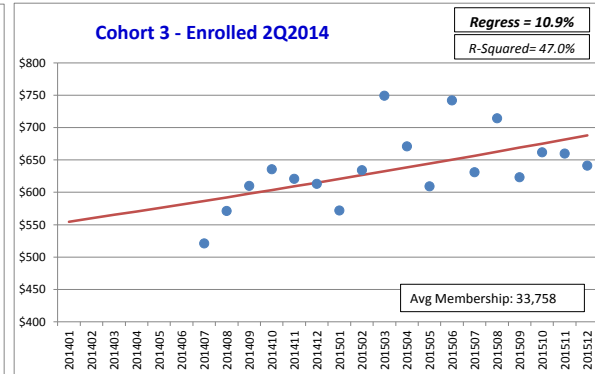
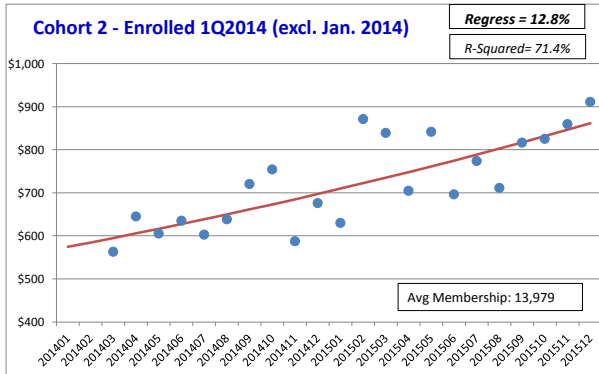
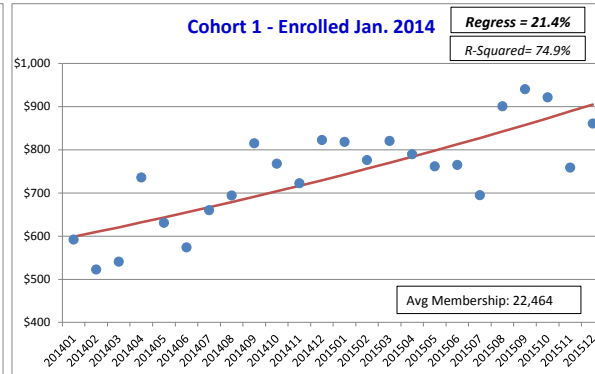
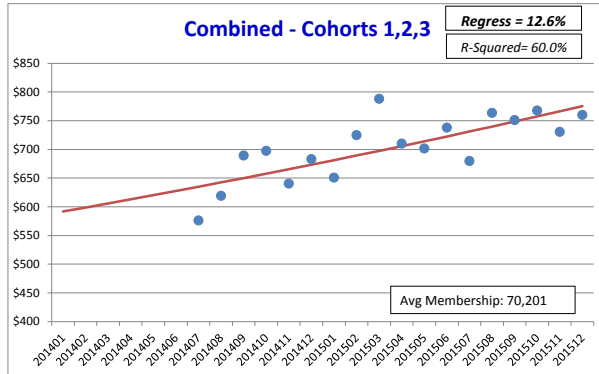
*Express Prescription Drug Rebates as a negative number

Regression Analysis - Adjusted for Seasonality

Continuous Product Members Only

Valuation Date: January 31, 2016

Total PA



Index	Incno	1 Mo PMPM Adjusted	1 Mo PMPM Adjusted	1 Mo PMPM Adjusted	1 Mo PMPM Adjusted
1	201401	\$527.90	\$533.67	\$624.85	\$503.71
2	201402	\$533.13	\$618.65	\$635.05	\$508.79
3	201403	\$538.41	\$641.58	\$645.42	\$516.84
4	201404	\$543.74	\$651.11	\$655.96	\$538.21
5	201405	\$549.13	\$682.26	\$666.66	\$499.47
6	201406	\$554.57	\$678.90	\$677.55	\$530.69
7	201407	\$559.81	\$560.06	\$719.18	\$688.61
8	201408	\$533.44	\$565.61	\$673.27	\$699.85
9	201409	\$581.87	\$571.21	\$753.50	\$711.28
10	201410	\$572.10	\$576.86	\$745.30	\$722.89
11	201411	\$550.04	\$582.58	\$742.94	\$734.69
12	201412	\$586.77	\$588.35	\$781.76	\$746.68
13	201501	\$576.44	\$594.18	\$726.33	\$758.87
14	201502	\$619.76	\$600.06	\$785.27	\$771.26
15	201503	\$660.45	\$606.00	\$920.89	\$783.85
16	201504	\$660.80	\$612.00	\$903.06	\$796.65
17	201505	\$626.55	\$618.07	\$816.31	\$809.65
18	201506	\$653.98	\$624.19	\$859.41	\$822.87
19	201507	\$636.35	\$630.37	\$814.75	\$836.31
20	201508	\$642.36	\$636.61	\$850.82	\$849.96
21	201509	\$600.09	\$642.92	\$789.37	\$863.83
22	201510	\$630.37	\$649.29	\$832.23	\$877.94
23	201511	\$650.61	\$655.72	\$831.66	\$892.27
24	201512	\$643.81	\$662.21	\$861.70	\$906.84
Slope:		1.010	1.016	1.010	1.009
Regress:		12.6%	21.4%	12.8%	10.9%
R-Square		60.0%	74.9%	71.4%	47.0%
Intercept:		\$522.72	\$614.81	\$498.68	\$432.09
Regress = 12.6%		Regress = 21.4%		Regress = 12.8%	
R-Squared= 60.0%		R-Squared= 74.9%		R-Squared= 71.4%	
Avg Membership: 70,201		Avg Membership: 22,464		Avg Membership: 13,979	
				Avg Membership: 33,758	

Table 2b. Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
\$ 48,954,424.36	\$ 75,684,723.65	\$ 78,104,499.07	161,744	\$ 3,482,850.53	\$ 81,587,349.61	\$ -	\$ (1,015,570.98)	\$ 203,797.44	\$ 80,872.00		
2015 Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											\$ 499.40
Loss Ratio											158.05%

Population Source	2015 Member Distribution	2015 Normalized Allowed PMPM	2017 Member Distribution	2017 Normalized Allowed PMPM	Morbidity Change Relative to Total
ACA	100.0%	\$369.76	88.2%	\$479.67	1.297
Employer Markets			5.9%	\$503.58	1.362
Uninsured			5.9%	\$455.76	1.233
Total	100.0%	\$369.76	100.0%	\$479.67	1.297

Components of Other	Factor
CY2015 Demographic Factor	1.714
CY2017 Demographic Factor	1.792
Change in Demographic	1.046
CY2015 Network Factor	0.985
CY2017 Network Factor	0.965
Change in Network	0.980
Change in Benefits	1.000
Table 5 Change in Other's Other	0.990
Table 5 Change in Other	1.014

<u>Retention Items - Express in percentages</u>	
Administrative Expenses	9%
General and Claims	8.34%
Agent/Broker Fees and Commissions	0.39%
Quality Improvement Initiatives	0.58%
Taxes and Fees	2.04%
PCORI Fees (Enter \$ amount here: \$ _____)	0.04%
Pa Premium Tax (if applicable)	2.00%
Federal Income Tax	0.00%
Health Insurance Providers Fee (only for small group market, prorated for coverage in 2018)	0.00%
Profit/Contingency	3%
Total Retention	14%
Projected Required Revenue PMPM	\$ 548.57

Age Factor Calculation	Non Tobacco Members	Tobacco Members	Total Members
All Members	5,147	393	5,540
Sum of Age Factors (See formula below)	8,903	730	9,633
Average Age Factor			1.739
Billable Members	5,128	393	5,521
Calibrated Age Factor			1.733
$\sum (Number\ of\ Members\ in\ Age\ Band - i) \times (HHS\ Age\ Band - i\ Factor)$			

Tobacco Factor Calculation	Non-Tobacco Members	Tobacco Members	Total Members
All Members	5,147	393	5,540
Sum of Tobacco Factors (See formula Below)	5,147	452	5,599
Average Tobacco Factor			1.011
$\sum (Number\ of\ non-Tobacco\ Members\ in\ Age\ Band-i) \times (1.000) +$ $\sum (Number\ of\ Tobacco\ Members\ in\ Age\ Band-i) \times (Age\ Band-i\ Tobacco\ Factor)$			

	PMPM
Paid Claims	\$ 469.76
Risk Adjustment	\$ -
Premium Tax	\$ 10.97
Patient Centered Outcomes Fee	\$ 0.20
Risk Adjuster Fee	\$ 0.13
Quality Improvement	\$ 3.20
Average Premium (non-smoker)	\$ 542.77
Medical Loss Ratio	89.0%

Plan Name		Alliance Flex Blue PPO 6800	Major Events Blue PPO 7150
HIOS Plan ID	Total	36247PA0060003	36247PA0090003
Member Months	7,808	7,568	240
Market Adjusted Index Rate	\$782.92	\$782.92	\$782.92
Plan Adjusted Index Rate		\$542.77	\$495.90
AV Pricing Value		0.693	0.633
Average Plan Premium	\$547.12	\$548.57	\$501.20
Plan Premium Relative to Average Premium		1.003	0.916
Ratio of AV Pricing Value to premium relativity		144.6%	144.6%

Plan Name	Alliance Flex Blue PPO 6800	Major Events Blue PPO 7150
HIOS Plan ID	36247PA0060003	36247PA0090003
Rating Area	Area 9	Area 9
2017 Plan Adjusted Index Rate	\$542.77	\$495.90
Age Calibration Factor	1.73	1.73
Area Calibration Factor	1.02	1.02
Age 21 HHS Factor	1.00	1.00
Area Factor	1.02	1.02
Smoker Factor	1.00	1.00
Age 21, Non-Smoker Premium	\$313.24	\$286.19

FIVE-YEAR HISTORICAL DATA

	1 2015	2 2014	3 2013	4 2012	5 2011
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	6,266,050	3,595,719	3,205,491	38,579,302	53,050,126
2. Total liabilities (Page 3, Line 24).....	2,191,873	2,284	3,234	11,416	16,930,523
3. Statutory minimum capital and surplus requirement.....	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
4. Total capital and surplus (Page 3, Line 33).....	4,074,177	3,593,435	3,202,257	38,567,886	36,119,603
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	0	0	0	51,376,188	85,298,477
6. Total medical and hospital expenses (Line 18).....	0	0	0	41,992,688	70,741,301
7. Claims adjustment expenses (Line 20).....	0	0	0	3,007,477	3,787,097
8. Total administrative expenses (Line 21).....	9,844	34,428	18,851	4,223,616	8,959,199
9. Net underwriting gain (loss) (Line 24).....	(9,844)	(34,428)	(18,851)	2,152,407	1,810,880
10. Net investment gain (loss) (Line 27).....	2,977	1,055	153,437	184,379	175,181
11. Total other income (Lines 28 plus 29).....	0	0	0	(36)	3,332
12. Net income or (loss) (Line 32).....	487,102	469,872	559,368	2,438,849	2,100,962
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	2,689,220	411,084	865,784	5,504,269	5,449,782
Risk-Based Capital Analysis					
14. Total adjusted capital.....	4,074,177	3,593,435	3,202,257	38,567,886	36,119,603
15. Authorized control level risk-based capital.....	18,073	5,565	5,350	1,802,169	2,680,331
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	0	0	0	0	58,168
17. Total member months (Column 6, Line 7).....	0	0	0	397,669	710,529
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	0.0	0.0	0.0	81.7	82.9
20. Cost containment expenses.....	0.0	0.0	0.0	1.1	0.6
21. Other claims adjustment expenses.....	0.0	0.0	0.0	4.7	3.8
22. Total underwriting deductions (Line 23).....	0.0	0.0	0.0	95.8	97.9
23. Total underwriting gain (loss) (Line 24).....	0.0	0.0	0.0	4.2	2.1
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	0	0	0	4,972,189	5,899,836
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	0	0	0	(1,203,603)	(4,037,104)
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....	0	0	0	0	0
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....	0	0	0	0	0
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....	0	0	0	0	0
30. Affiliated mortgage loans on real estate.....	0	0	0	0	0
31. All other affiliated.....	0	0	0	0	0
32. Total of above Lines 26 to 31.....	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above.....	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes[]No[]

If no, please explain:

TO: Ms. Cherri Sanders-Jones, Actuary
Bureau of Life, Accident & Health Insurance
Pennsylvania Insurance Department

FROM: Kevin Luu, Actuarial Manager
Highmark Inc.

DATE: July 18, 2016

SUBJECT: Highmark Select Resources Inc. (HSR) 2017 Individual Market Rates
Response to July 13, 2016 Objection Letter
Filing Number: 1A-DP-16-HSR
SERFF Tracking Number: HGHM-130540919

Below are HSR's responses to your objection letter dated July 13, 2016. We have included the questions along with the responses for your convenience.

1. Induced Utilization

- a. Please complete the table below for all plans, and confirm that the ratio in column (8) represents the AV and Cost Sharing for each plan in your filing.¹

Plan ID (1)	Metal Level (2)	Projected Membership (3)	Projected Allowed Claims (4)	Projected Paid Claims (5)	Company Determined AV Factor (6)	Induced Utilization ² (7)	AV & Cost Sharing (6)*(7) (8)
xxxxxx Total							

- b. Please show quantitatively, including an Excel spreadsheet with formulas, the derivation of each, the AV and the cost sharing factors for each plan. Also, provide narrative that explains the derivation.
- c. Please provide justification for relative induced utilization assumptions in the Company's pricing that exceed the federal factors used in the risk adjustment model proving that morbidity is not reflected.³
- d. Please confirm that each plan's induced utilization factor was normalized by an aggregate factor, and that the resulting sumproduct (against projected membership) produces a factor of 1.000. Please show the steps that demonstrate this.

Response:

1a – Please see the worksheet labeled “Q1 Response” in the attached Excel file. A column has been added to capture the tobacco factor and the AV & Cost Sharing formula has been modified accordingly.

1b – Please see the worksheet labeled “Q1 Response” in the attached Excel file. The pricing actuarial value factors were developed using HSR's internal benefit pricing tools. The experience used for the tools was based on Highmark specific group experience as it provides a reasonable representation of a standard population for this marketplace. The induced demand factors are consistent with the factors used in the federal risk adjustment program.

1c – The induced demand factors used in this filing are consistent with the factors used in the federal risk adjustment program.

1d – HSR will have only one Bronze and one Catastrophic plan design for 2017. The induced demand factor for both of these plans is of 1.00.

2. Please show quantitatively that plan premiums are in proportion to the plan AV Pricing Values.

Response:

This question was included as question #19 in a prior objection letter from the Department. Please see HSR's response dated June 29, 2016.

Highmark Select Resources Inc.

Response to Question #1

HIOS Plan ID	Metal Level	Projected Membership	Projected Allowed	Projected Paid	Paid-to-Allowed	Induced Utilization	Average Tobacco	AV & Cost Sharing Factor
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(7)/(8)
36247PA0060003	Bronze	7,568	\$5,923,517	\$3,553,144	0.600	1.000	1.011	0.594
36247PA0090003	Catastrophic	240	\$179,090	\$102,945	0.575	1.000	1.011	0.569
Total		7,808				1.000		

TO: Ms. Cherri Sanders-Jones, Actuary
Bureau of Life, Accident & Health Insurance
Pennsylvania Insurance Department

FROM: Kevin Luu, Actuarial Manager
Highmark Inc.

DATE: August 2, 2016

SUBJECT: Highmark Select Resources Inc. (HSR) 2017 Individual Market Rates
Response to July 18, 2016 Objection Letter
Filing Number: 1A-DP-16-HSR
SERFF Tracking Number: HGHM-130540919

Below are HSR's responses to your objection letter dated July 18, 2016. We have included the questions along with the responses for your convenience.

1. (i) Please provide narrative and a more detailed quantitative derivation of the 11.5% annual trend assumption than shown in the PA Q4 Response exhibit in your June 29, 2016 response. It is not clear from the information provided in the exhibit that 11.5% is an appropriate trend.
- (ii) Please provide the industry ACA data which was used to compare to the 11.5% trend, as stated in your response to Question 7(i). The 11.5% annual trend is on the high side for trend, compared to other filings we have seen in the industry.
- (iii) As requested in PA question 5 of the June 16, 2016 data call, please provide in Table 4B the 36 months of experience data from the source of the manual rate. Please include data for all members, not just those in the identified cohorts.

Response:

1(i) – As stated in the June 29, 2016 response to PA Q4, HSR performed a regression study that analyzed the ACA trend levels of cohorts of ACA members that were continuously enrolled in 2014 and thru 2015 in the same metal level. Specifically, three distinct cohorts were defined and analyzed. Cohort 1 included all members who first enrolled in January 2014. Cohort 2 included all members who first enrolled in either February 2014 or March 2014. Cohort 3 included all members who first enrolled at any point in the 2nd Quarter of 2014. A fourth cohort (Cohort 4), representing the combination of Cohorts 1-3, was also analyzed. As mentioned previously, the analysis took into consideration seasonality and removed outlier months in order to determine a regression trend for each cohort. The Excel exhibit provided in the June 29, 2016 response showed the regression trends and corresponding r-squared values for each cohort. Cohorts 1, 2, and 4 had regression trends of 21.4%, 12.8%, and 12.6% respectively. They also all had r-squared values of 60% or higher. Cohort 3 had a regression trend of 10.9% but also produced a lower r-squared value of 47%. Although the data could support an even higher trend, the assumed pricing trend of 11.5% was chosen using actuarial judgement.

1(ii) – The underlying assumed trend was compared to available industry ACA data for reasonability. Specifically, a recent BCBSA report on individual ACA experience cited an average 12% trend for this population. The report also highlighted higher costs experienced in the individual ACA market as compared to group business. A copy of the report can be found here: http://www.bcbs.com/healthofamerica/newly_enrolled_individuals_after_aca.pdf. The specific items cited in this response can be found on page 6 of the report.

HSR is not in a position to comment on the trend development of its competitors given our limited insight into their data or methodologies. However, we believe that our large Pennsylvania market shares in 2014 and 2015 give us unique insights into the emerging trend data of the ACA market. This significant amount of actual ACA data served as the basis for the proposed 11.5% trend.

iii) HSR was a new company in 2016 and used data from Highmark's CPA book of business from 2015 to develop the 2017 rates. This rate development looked only at 2015 data for CPA and thus the source of the manual rate (12 months of 2015) does not contain 36 months of data. The 12 months of data that were used are reflected in Table 2. Trend for this product was developed as discussed above.

2. (i) For the PA Q7 Response, please provide the source for each item in the table, which shows the Change of Morbidity Factor of 1.297.

(ii) The Change of Morbidity Factor of 1.297 is relatively high compared to the industry, as well as compared to the filings for First Priority Health, HGHM-130536973, and First Priority Life Insurance Company, HGHM-130536965.

Please provide support for the difference in the Change of Morbidity Factor of 1.297 versus the much lower comparable factors of less than 1.00 for First Priority Health, HGHM-130536973, and First Priority Life Insurance Company, HGHM-130536965.

Response:

Please see the worksheet labeled 'Q2 Response' in the attached Excel file.

The 2015 normalized allowed PMPM of \$369.76 is derived by dividing the 2015 experience period from Highmark CPA ACA allowed by the respective demographic factor and trend to the 2017 projection period. This calculation is demonstrated in the attached Excel file.

The 2017 normalized allowed PMPM for ACA segment is based on 2016 ACA members from 02/01/2016 that selected the HSR plans. As it is demonstrated in the attached Excel file, the allowed PMPMs of the 2016 ACA members that migrated into the HSR from Highmark, HHIC, and Group Markets are higher than allowed PMPM from the experience period. This is the main contributing factor for the higher morbidity factors.

The 2017 normalized allowed PMPMs for Group Markets and Uninsured are based on the derived ACA PMPM by applying a load of 1.05 for the group markets and a discount of 0.95 for the uninsured.

3. In the response to Federal Question 8, the Company stated that the average rate change is 25.4% for the plans being offered off-exchange. Similar to the format of the experience provided in the PA Q1 Response, please provide the January 1, 2016 through April, 2016 emerging experience for the plans being offered off-exchange subject to the 25.4% average rate change.

Response:

Please see the worksheet labeled 'Q3 Response' in the attached Excel file.

4. The derivation of the Age Calibration factor of 1.739 does not appear to use the HHS Default Standard Age Curve. Please demonstrate that the Age calibration method used in the PA Q14 and Q16 response table produces the same Age calibration factor as using the HHS Default Standard Age Curve.

Response:

Please see the worksheet labeled ‘Q4 Response’ in the attached Excel file.

5. Please provide a chart, comparing and justifying the difference in age 21 rates for plans in this filing, with the rates for plans in the filings for First Priority Health, HGHM-130536973, First Priority Life Insurance Company, HGHM-130536965, Highmark Inc., HGHM-130540834, HM Health Insurance Company, HGHM-130540841, and for Highmark Select Resources, HGHM-130540919.

Response:

Per the Department’s July 29, 2016 instructions, a response to this question is no longer needed.

6. As requested in PA Q1, please provide an Excel spreadsheet, similar to Part I that shows the development of the projected index rate starting from the 2015 experience. Provide justification for all assumptions.

Response:

As indicated in the original response, this information is available in the PA rate filing. More precisely:

The experience period PMPM (Cell H30 of the URRT) is located in Table 2b. Please note that a corrected Table 2b was submitted in HSR’s response to PA Q6 dated June 29, 2016.

The Population/Morbidity and Other factors (Columns J and K in the URRT) can be found in Table 5 (“Change in Morbidity” and “Change in Other”).

The Cost and Utilization trends (Column L and M of the URRT) can be found in Table 3b and are applied in Table 5(“2 Year Trend Projection Factor”).

The projected PMPM (Cell Q30 of the URRT) can be found in Table 5 (“Adjusted Projected Allowed EHB Claims PMPM”).

Population Source	2015 Member Distribution	2015 Normalized Allowed PMPM	2017 Member Distribution	2017 Normalized Allowed PMPM	Morbidity Change Relative to Total
ACA	100.0%	\$369.76	88.2%	\$479.67	1.297
Employer Markets			5.9%	\$503.66	1.362
Uninsured			5.9%	\$455.69	1.232
Total	100.0%	\$369.76	100.0%	\$479.67	1.297

2015 Un-normalized allowed PMPM	\$509.76
2015 Demographic factor	1.7139
2015 Normalized allowed PMPM	\$297.42
2017 Projected trend	11.5%
2015 Normalized allowed PMPM after trend	\$369.76

	From Highmark	From HHIC	From Group	New to HSR	Total
2016 ACA HSR enrollees by sources	79.5%	9.4%	2.1%	9.1%	100.0%
2015 Un-normalized allowed PMPM	\$690.33	\$718.42	\$702.23	\$665.24	\$690.94
2016 Demographic factor	1.8199	1.7158	1.6879	1.6549	1.7925
2015 Normalized allowed PMPM	\$379.32	\$418.71	\$416.04	\$401.98	\$385.83
2017 Projected trend					11.5%
2017 Normalized allowed PMPM for ACA					\$479.67

Emerging Experience Data: January 1, 2016 - April 30, 2016 - Renewing in 2017

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment	Estimated Reinsurance Recoveries
\$1,860,243	\$1,994,626	\$2,207,176	5,105	\$718,349	\$2,925,525	\$0	(\$13,273)	\$1,736	\$2,450	(\$193,447)	\$81,884
YTD 2016 Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											\$ 570.81
Loss Ratio											126.96%

*Express Prescription Drug Rebates as a negative number

Age	Non-Tobacco Member	Tobacco Member	Total Member	HHS Age Factor	Tobacco Factor
0-20	15.67%	0.00%	15.67%	0.635	1.000
21	0.76%	0.02%	0.78%	1.000	1.025
22	0.74%	0.04%	0.78%	1.000	1.025
23	0.70%	0.05%	0.76%	1.000	1.025
24	0.70%	0.11%	0.81%	1.000	1.025
25	0.43%	0.04%	0.47%	1.004	1.025
26	1.55%	0.18%	1.73%	1.024	1.025
27	1.01%	0.22%	1.23%	1.048	1.025
28	1.12%	0.07%	1.19%	1.087	1.025
29	0.92%	0.07%	0.99%	1.119	1.025
30	1.26%	0.11%	1.37%	1.135	1.025
31	1.53%	0.11%	1.64%	1.159	1.025
32	1.37%	0.16%	1.53%	1.183	1.025
33	1.26%	0.13%	1.39%	1.198	1.025
34	1.43%	0.32%	1.75%	1.214	1.025
35	1.53%	0.11%	1.64%	1.222	1.025
36	1.16%	0.16%	1.32%	1.230	1.025
37	1.23%	0.14%	1.37%	1.238	1.025
38	1.23%	0.11%	1.34%	1.246	1.025
39	1.16%	0.04%	1.19%	1.262	1.025
40	1.14%	0.05%	1.19%	1.278	1.100
41	1.16%	0.11%	1.26%	1.302	1.105
42	1.23%	0.07%	1.30%	1.325	1.112
43	1.14%	0.14%	1.28%	1.357	1.121
44	1.44%	0.13%	1.57%	1.397	1.132
45	1.73%	0.14%	1.88%	1.444	1.145
46	1.79%	0.14%	1.93%	1.500	1.160
47	1.43%	0.14%	1.57%	1.563	1.177
48	1.62%	0.23%	1.86%	1.635	1.196
49	1.62%	0.16%	1.79%	1.706	1.217
50	1.84%	0.34%	2.18%	1.786	1.225
51	2.27%	0.29%	2.56%	1.865	1.225
52	1.93%	0.13%	2.06%	1.952	1.225
53	2.00%	0.25%	2.26%	2.040	1.225
54	1.70%	0.20%	1.90%	2.135	1.225
55	2.38%	0.23%	2.62%	2.230	1.225
56	2.65%	0.13%	2.78%	2.333	1.225
57	2.56%	0.18%	2.74%	2.437	1.225
58	2.69%	0.27%	2.96%	2.548	1.225
59	2.76%	0.22%	2.98%	2.603	1.225
60	3.39%	0.20%	3.59%	2.714	1.225
61	3.09%	0.29%	3.38%	2.810	1.225
62	4.04%	0.36%	4.40%	2.873	1.225
63	4.48%	0.31%	4.78%	2.952	1.225
64+	4.04%	0.18%	4.22%	3.000	1.225
	92.91%	7.09%	100.00%	1.739	1.011