

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	QCC Individual PPO effective 1-1-2017		
Project Name/Number:	/		

Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Additional Information Needed	Rashmi Mathur	07/19/2016	07/19/2016
Additional Information Needed	Rashmi Mathur	07/13/2016	07/13/2016
Data Request Sent	Rashmi Mathur	06/16/2016	06/16/2016

Response Letters

Responded By	Created On	Date Submitted
David Walker	07/28/2016	07/28/2016
David Walker	07/22/2016	07/22/2016
David Walker	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: QCC Individual PPO effective 1-1-2017
Project Name/Number: /

Objection Letter

Objection Letter Status	Additional Information Needed
Objection Letter Date	07/19/2016
Submitted Date	07/19/2016
Respond By Date	07/26/2016

Dear Hugh Lakshman,

Introduction:

Dear Mr. Walker:

The Pennsylvania Insurance Department has received and conducted a review of the responses received from you on the above captioned filing. Some of the responses received were incomplete while for others additional information is needed. 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 data within this time frame, please call me.

1.Question 1 - The projected index rate in the URRT (\$683.63) appears to be incorrect. This appears instead to be the value for the Market Adjusted Index Rate (Table 10). Please correct or provide the calculation supporting the projected index rate in the URRT. ---
-The revision is still outstanding.

2.Question 2 - For the calculation of the Market Adjusted Rate in Table 5 of the Actuarial Memorandum Rate Exhibits, please provide a discussion of the assumptions used and provide the calculation for:

a.1.028 adjustment factor for Changes in Other

3.Question 5 - Please demonstrate that the administrative expenses among plans are consistent on a PMPM basis as stated in your response.

4.Questions 6, 7, 8, 11 and 19 – A response was not received for these.

5.Question 15 - Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide the data from the pre-ACA plans.

6.Question 18 - Since your experience is 100% credible, the Index Rate of the experience period in Table 5, cell C6, should be the same as the index calculated in Table 2, Cell M27 (\$707.19). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates. This is as per the Actuarial Memorandum Exhibits Guidance given by PID.

7.Question 21 – Your response indicates that the Pricing AVs do not reflect induced demand, but is consistent with the benefit richness factors being applied. However, benefit richness factor is another term for induced demand and needs to be normalized.

8.Table 10 shows that you have four discontinued plans. However these plans have not been mapped to any existing or new plans. How would you direct the enrollment in these discontinued plans for 2017?

9.Given the difference between the Company's estimated risk adjustment for 2015 and actual 2015 amount, please provide narrative and quantitatively show the development of the PMPM impact this will have on the projected 2017 risk adjustment PMPM amount and the rate impact. Do not revise your filing because of this request; just provide the information requested.

Conclusion:

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

Should you have any questions regarding this correspondence, please contact me at (717) 783-0675 or e-mail at rmathur@pa.gov.

Sincerely,

State: Pennsylvania **Filing Company:** QCC Insurance Company
TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense
Product Name: QCC Individual PPO effective 1-1-2017
Project Name/Number: /

Rashmi Mathur, ASA, MAAA
Actuary
Bureau of Life, Accident & Health Insurance
Office of Insurance Product Regulation & Administration
Sincerely,
Rashmi Mathur

State: Pennsylvania **Filing Company:** QCC Insurance Company
TOI/Sub-TOI: H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense
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Objection Letter

Objection Letter Status	Additional Information Needed
Objection Letter Date	07/13/2016
Submitted Date	07/13/2016
Respond By Date	07/19/2016

Dear Hugh Lakshman,

Introduction:

Please see the attachment that has additional questions on induced Utilization and AV of the plans. Please respond to these questions by close of business on Tuesday, July 19, 2016.
Thank you.

Conclusion:

Sincerely,
Rashmi Mathur

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: /

Objection Letter

Objection Letter Status	Data Request Sent
Objection Letter Date	06/16/2016
Submitted Date	06/16/2016
Respond By Date	

Dear Hugh Lakshman,

Introduction:

Dear Mr. Walker:

The Pennsylvania Insurance Department has received and conducted a preliminary review of the above captioned filing. In order to complete the review, we are requesting the following information. To facilitate a timely review, we request this information be provided within 7 days of the date of this letter. If you have any questions or difficulties in providing the data within this time frame, please call me.

The following questions are from Dona Novak, our Consulting Actuary:

1. The projected index rate in the URRT (\$683.63) appears to be incorrect. This appears instead to be the value for the Market Adjusted Index Rate (Table 10). Please correct or provide the calculation supporting the projected index rate in the URRT.
2. For the calculation of the Market Adjusted Rate in Table 5 of the Actuarial Memorandum Rate Exhibits, please provide a discussion of the assumptions used and provide the calculation for:
 - a. 0.980 adjustment factor for Changes in Benefits
 - b. 1.000 adjustment factor for Changes in Morbidity
 - c. 1.028 adjustment factor for Changes in Other
 - d. 0.997 adjustment factor for Changes in Demographics
3. Please provide quantitative support for the \$115.51 risk adjustment amount receivable using the federal formula and specify the amount applied for the risk adjustment user fee. Please provide a detailed narrative that describes the development of the estimated risk adjustment transfer payment. In demonstrating the development of the transfer payment, please show all risk transfer formula components, the estimated market-wide average risk assumptions as well as support for those assumptions. When responding to this data call, you may redact this response as it will contain proprietary information.
4. Please provide the calculation for the projected loss ratios in Excel, including all amounts.
5. Please explain the differences among plans for the administrative cost percentage.
6. Regarding the development of the Plan Adjusted Index Rates in Table 10 of the Actuarial Memorandum Rate Exhibits,
 - a. Please discuss and provide support for why the range in pricing AVs (Bronze 0.445 – Platinum 1.173) is so much greater than for metal AVs, since pricing AV does not include induced utilization.
 - b. Please explain why the induced utilization was not normalized?
 - c. Please discuss and provide support for the tobacco surcharge adjustment.
7. Please provide the calculation of the weighted average age factor of 1.598, showing the federally prescribed age curve and projected membership.
8. Please provide the calculation of one of the age 21 rates starting with the Market Adjusted Index Rate.
9. Please state whether experience from transitional plans was included in the experience period and adjusted to the extent that the transitional policies were not expected to move to the ACA plans. If included in the experience period, please explain how it was adjusted.
10. The Federal Actuarial Memorandum references Exhibits B, F, and H which do not appear to have been included in your original

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submission. Please provide these and other lettered exhibits in Excel with working formulas.

11. The Federal Actuarial Memorandum (pg. 3) states that projection factors "were calculated from the combined experience of QCC and KHPE". Please explain the source of the KHPE experience and why it was combined with that of QCC.

12. Explain the relationship of the 0.99% after-tax margin to the FIT (2.91%).

The following are questions from PID:

13. Please list the capitated benefits included in the projection period and the PMPM amounts for each.

14. Please list the non-EHB benefits shown in Table 5.

15. Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide.

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

17. In Tables 2 and 4, does the premium include HHS cost sharing, estimated risk adjustment or revenue generated from transitional business? If so, please provide the dollar amount of HHS cost sharing and estimated risk adjustment and the number of transitional members.

18. Since your experience is 100% credible, the Index Rate of the experience period in Table 5, cell C6, should be the same as the index calculated in Table 2, Cell M27 (\$707.19). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates.

19. Please show quantitatively the derivation of the Tobacco Surcharge adjustment of 0.987 shown in Table 10.

20. Table 10 shows that Provider Network adjustments are not normalized. Please explain.

21. Table 10 shows that Benefit Richness (induced demand) adjustments are not normalized. Please explain.

22. 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.

23. Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.798. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.738) differs substantially from the projected Paid to Allowed of 0.798.

24. Please provide the actual and projected (according to the approved rate filing) general administrative expense, claims expense, agent/broker fees and commissions, and Quality Improvement Initiatives for calendar years 2014 and 2015 and the year to date 2016. If aggregate numbers were provided and approved in prior year filings, show the allocated amount of each.

25. Regarding broker commissions:

a) Under what circumstances and in what geographic locations will commissions be paid?

b) Are commissions paid for Special Enrollment Periods?

c) Provide a copy of the broker agreement – current and 2017.

d) Show the calculation of the average commission – current and 2017.

When responding to this question, you may provide a redacted version of the response as it contains proprietary information.

26. 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

Conclusion:

Upon receipt of your responses to the above requested data, the Department will continue to review your filing. Please note that there may be additional questions and/or requirements as the Department conducts a more in-depth review. Should you have any questions regarding this correspondence, please contact me at (717) 783-0675 or e-mail at rmathur@pa.gov. Sincerely,

Rashmi Mathur, ASA, MAAA
Actuary
Bureau of Life, Accident & Health Insurance
Office of Insurance Product Regulation & Administration
Sincerely,

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	QCC Individual PPO effective 1-1-2017		
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	Rashmi Mathur		

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Product Name:	QCC Individual PPO effective 1-1-2017		
Project Name/Number:	/		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/28/2016
Submitted Date	07/28/2016

Dear Rashmi Mathur,

Introduction:

Response 1

Comments:

Please see the attached responses. Thank you.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	31609urrtp1 Ind 07282016.xlsm
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>31609qccurrtp1_Ind_5172017.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PAC QCC FINAL (Entity-Specific Gross Premium)RV.pdf 2017 UnifiedRateReviewTemplate PAC QCC FINAL (Entity-Specific Gross Premium)RV.xlsm</i>

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	QCC Individual PPO effective 1-1-2017		
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Supporting Document Schedule Item Changes	
Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	31609urrtpt1 Ind 07282016.xlsm
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>31609qccurrtpt1_Ind_5172017.xlsm</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>2017 UnifiedRateReviewTemplate PAC QCC FINAL (Entity-Specific Gross Premium)RV.pdf 2017 UnifiedRateReviewTemplate PAC QCC FINAL (Entity-Specific Gross Premium)RV.xlsm</i>

Satisfied - Item:	July 28 Responses
Comments:	
Attachment(s):	July 28 Exhibit.xlsx Age 21 Calc.xlsx QCC Individual Response July 26.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
David Walker

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/22/2016
Submitted Date	07/22/2016

Dear Rashmi Mathur,

Introduction:

Response 1

Comments:

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

Included in this file are (1) an excel spreadsheet with formulas that shows the calculation of each Pricing AV and cost sharing factors for each plan.
(2) This file also demonstrates how our factors normalize to 1.000 as well as shows quantitatively that plan premiums are proportional to Plan AVs.

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

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

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to July 13 Question
Comments:	
Attachment(s):	QCC PAC Morbidity Exhibit 07222016 No Links.xlsx

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
David Walker

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	QCC Individual PPO effective 1-1-2017		
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	06/29/2016
Submitted Date	06/29/2016

Dear Rashmi Mathur,

Introduction:

Response 1

Comments:

Attached in Supporting Documentation are responses to most of the items in the objection letter. We will follow up with the remaining items in subsequent correspondence. In addition, we included a revised version of the Consumer Rate Change Request Summary. A word was changed to be consistent with the URRT Part 2 already submitted.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium).xlsx
<i>Previous Version</i>	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf
<i>Previous Version</i>	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
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Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
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Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>

Satisfied - Item:	Non-Confidential PDF Files
Comments:	
Attachment(s):	QCC Consumer URRT_Part2.pdf QCC PA Consumer Bulletin Information.pdf R-QCC cover letter indiv_Redacted.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 31609qccurrpt1_Ind_5172017.pdf QCC Consumer Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
Comments:	
Attachment(s):	<i>QCC Consumer URRT_Part2.pdf QCC Consumer Rate Change Request Summary 2017.pdf QCC PA Consumer Bulletin Information.pdf R-QCC cover letter indiv_Redacted.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 31609qccurrpt1_Ind_5172017.pdf</i>

State:	Pennsylvania	Filing Company:	QCC Insurance Company
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<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
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<i>Previous Version</i>	
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Comments:	
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Satisfied - Item:	Non-Confidential PDF Files
Comments:	
Attachment(s):	QCC Consumer URRT_Part2.pdf QCC PA Consumer Bulletin Information.pdf R-QCC cover letter indiv_Redacted.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 31609qccurrpt1_Ind_5172017.pdf QCC Consumer Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
Comments:	
Attachment(s):	<i>QCC Consumer URRT_Part2.pdf QCC Consumer Rate Change Request Summary 2017.pdf QCC PA Consumer Bulletin Information.pdf R-QCC cover letter indiv_Redacted.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 31609qccurrpt1_Ind_5172017.pdf</i>

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TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	QCC Individual PPO effective 1-1-2017		
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Satisfied - Item:	Response to June 16 Objection Letter
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR (QCC) RV.xlsx Exhibit C – Factor Exhibits QCC Individual.xlsx Exhibit D - Capitated Benefits Redacted.xlsx QCC Individual Objections June 29.pdf

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	QCC Individual PPO effective 1-1-2017		
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Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium).xlsx
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Explanatory Information (A&H)</i>
Comments:	
Attachment(s):	<i>2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.xlsx 31609_qcc_unique_plan_design_april_ind.pdf QCC Consumer Pennsylvania Actuarial Memorandum 2017.pdf</i>

Satisfied - Item:	Non-Confidential PDF Files
Comments:	
Attachment(s):	QCC Consumer URRT_Part2.pdf QCC PA Consumer Bulletin Information.pdf R-QCC cover letter indiv_Redacted.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 31609qccurrpt1_Ind_5172017.pdf QCC Consumer Rate Change Request Summary 2017 Revised.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Non-Confidential PDF Files</i>
Comments:	
Attachment(s):	<i>QCC Consumer URRT_Part2.pdf QCC Consumer Rate Change Request Summary 2017.pdf QCC PA Consumer Bulletin Information.pdf R-QCC cover letter indiv_Redacted.pdf 2017 PAC QCC Actuarial Memorandum Rate Exhibits (Entity-Specific Gross Premium) RV.pdf 31609qccurrpt1_Ind_5172017.pdf</i>

State:	Pennsylvania	Filing Company:	QCC Insurance Company
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Product Name:	QCC Individual PPO effective 1-1-2017		
Project Name/Number:	/		

Satisfied - Item:	Response to June 16 Objection Letter
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR (QCC) RV.xlsx Exhibit C – Factor Exhibits QCC Individual.xlsx Exhibit D - Capitated Benefits Redacted.xlsx QCC Individual Objections June 29.pdf
Satisfied - Item:	Unredacted June 16 Response Items
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV.xlsx Exhibit D - Capitated Benefits.xlsx

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

*Sincerely,
David Walker*

SERFF Tracking #:	INAC-130539917	State Tracking #:	INAC-130539917	Company Tracking #:	QCC INDIV 1-1-2017
State:	Pennsylvania	Filing Company:	QCC Insurance Company		
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense				
Product Name:	QCC Individual PPO effective 1-1-2017				
Project Name/Number:	/				

Supporting Document Schedules

Satisfied - Item:	Response to June 16 Objection Letter
Comments:	
Attachment(s):	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR (QCC) RV.xlsx Exhibit C – Factor Exhibits QCC Individual.xlsx Exhibit D - Capitated Benefits Redacted.xlsx QCC Individual Objections June 29.pdf
Item Status:	
Status Date:	

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense		
Product Name:	QCC Individual PPO effective 1-1-2017		
Project Name/Number:	/		

Attachment Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx is not a PDF document and cannot be reproduced here.

Attachment Exhibit B - Federal MLR (QCC) RV.xlsx is not a PDF document and cannot be reproduced here.

Attachment Exhibit C Factor Exhibits QCC Individual.xlsx is not a PDF document and cannot be reproduced here.

Attachment Exhibit D - Capitated Benefits Redacted.xlsx is not a PDF document and cannot be reproduced here.

- 1. The projected index rate in the URRT (\$683.63) appears to be incorrect. This appears instead to be the value for the Market Adjusted Index Rate (Table 10). Please correct or provide the calculation supporting the projected index rate in the URRT.**

We will include this revision during the second Correction Period.

- 2. Please provide quantitative support, in Excel with working formulas, for the development of elements of “Change in Other” in Table 5 was developed including:**

Change in Benefits	0.980
Change in Morbidity	1.000
Change in Other	1.028
Change in Demographics	0.997

Change in Demographics calculates the average demographic factor using 2016 rates and projected 2016 membership. It compares that factor to the average demographic factor using 2015 rates and 2015 membership. The average demographic factor is the ratio of the premium calculated using the membership to the premium calculated using the age 21 non-tobacco rates for all members.

Change in Network is the weighted average of the network factors calculated in cell N13 of Table 10.

Change in Benefits is the weighted average of the projected changes in value for benefits available in 2017 compared to what these plans provided in 2016. *(Formula used won't hold up, the adjustment should have been much lower, indicating that rates should be higher)*

The calculations for Demographics and Benefits are shown in the attached “Factor Exhibits KHPE Individual.xlsx”.

The Change in Other is based on the impact of trend and benefit leverage relative to a fixed point in time (the experience period).

- 3. Please provide quantitative support for the \$115.51 risk adjustment amount receivable using the federal formula and specify the amount applied for the risk adjustment user fee. Please provide a detailed narrative that describes the development of the estimated risk adjustment transfer payment. In demonstrating the development of the transfer payment, please show all risk transfer formula components, the estimated market-wide average risk assumptions as well as support for those assumptions. When responding to this data call, you may redact this response as it will contain proprietary information.**

Exhibit A shows the development of the risk adjustment amount for individual plans on a combined basis with KHPE.

- 4. Please provide the calculation for the projected loss ratios in Excel, including all amounts.**

Exhibit B shows the development of the federal MLR.

5. Please explain the differences among plans for the administrative cost percentage.

Administrative expenses are determined on a PMPM basis, where applicable. When shown as a percentage of premium, these will vary based on the size of the premium; however, they are consistent on a PMPM basis.

6. Regarding the development of the Plan Adjusted Index Rates in Table 10 of the Actuarial Memorandum Rate Exhibits,

a. Please discuss and provide support for why the range in pricing AVs (Bronze 0.445 – Platinum 1.173) is so much greater than for metal AVs, since pricing AV does not include induced utilization.

b. Please explain why the induced utilization was not normalized?

c. Please discuss and provide support for the tobacco surcharge adjustment.

We are currently working on this request and will provide it in subsequent communications.

7. Please provide the calculation of the weighted average age factor of 1.598, showing the federally prescribed age curve and projected membership.

8. Please provide the calculation of one of the age 21 rates starting with the Market Adjusted Index Rate.

9. Please state whether experience from transitional plans was included in the experience period and adjusted to the extent that the transitional policies were not expected to move to the ACA plans. If included in the experience period, please explain how it was adjusted.

KHPE did not offer transitional policies in 2015.

10. The Federal Actuarial Memorandum references Exhibits B, F, and H which do not appear to have been included in your original submission. Please provide these and other lettered exhibits in Excel with working formulas.

The references to those exhibits were inadvertently left in when we used last year's Actuarial Memorandum to create the 2017 version. Applicable information is shown in the Actuarial Memorandum Rate Exhibits attachment. A corrected Federal Actuarial Memorandum will be included with subsequent communication.

11. The Federal Actuarial Memorandum (pg. 3) states that projection factors “were calculated from the combined experience of QCC and KHPE”. Please explain the source of the KHPE experience and why it was combined with that of QCC.

We are currently working on this request and will provide it in subsequent communications.

12. Explain the relationship of the 0.99% after-tax margin to the FIT (2.91%).

The 2.91% is an historical number that we are applying here and the 1% margin is not specifically a component of it but is our projected component for retention in the projection period.

- 13. Please list the capitated benefits included in the projection period and the PMPM amounts for each.**

Capitated benefits include the following: PCP, Diagnostic Radiology, Lab, and Short term physical/occupational therapy. Our 2015 breakdowns were reported in three categories: Facility, Professional, and Other. Below are the 2015 amounts and their 2017 projected amounts. The PMPM amounts are shown in Exhibit D – Capitated Benefits.

- 14. Please list the non-EHB benefits shown in Table 5.**

Elective abortion is covered for plans sold off-exchange.

- 15. Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide.**

ACA plans have only been effective since 2014. The data provided in Table 4 is the experience since inception.

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

We are currently working on this request and will provide it in subsequent communications.

- 17. In Tables 2 and 4, does the premium include HHS cost sharing, estimated risk adjustment or revenue generated from transitional business? If so, please provide the dollar amount of HHS cost sharing and estimated risk adjustment and the number of transitional members.**

KHPE did not offer transitional policies in 2015.

- 18. Since your experience is 100% credible, the Index Rate of the experience period in Table 5, cell C6, should be the same as the index calculated in Table 2, Cell M27 (\$707.19). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates.**

Differences in how the exhibit treats non-EHBs causes the totals to not match the Index Rate.

- 19. Please show quantitatively the derivation of the Tobacco Surcharge adjustment of 0.987 shown in Table 10.**

- 20. Table 10 shows that Provider Network adjustments are not normalized. Please explain.**

The Provider Network adjustments are all 1.000.

- 21. Table 10 shows that Benefit Richness (induced demand) adjustments are not normalized. Please explain.**

Our Pricing AVs do not reflect induced demand; this is consistent with the benefit richness factors being applied.

- 22. 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.**

It was our understanding that we could not rate for this. If we are allowed to include an adjustment, we would increase the rates by approximately 0.2%.

- 23. Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.798. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.738) differs substantially from the projected Paid to Allowed of 0.798.**

The Actuarial Values are calculated using the Federal Actuarial Value calculator which uses nationwide costs and utilization assumptions. Insomuch as Philadelphia is a higher cost market, the percentage of cost sharing represented by a \$2,000 deductible, for example, will be less than the national average. This leads to our experienced paid to allowed values being higher than the Actuarial Value Calculator values.

- 24. Please provide the actual and projected (according to the approved rate filing) general administrative expense, claims expense, agent/broker fees and commissions, and Quality Improvement Initiatives for calendar years 2014 and 2015 and the year to date 2016. If aggregate numbers were provided and approved in prior year filings, show the allocated amount of each.**

We have requested this information but it is not available to include at the time of this response. Projected information is shown in the MLR calculation included with this response, as well as in Table 6 of the Actuarial Memorandum Rate Exhibits.

- 25. Regarding broker commissions:**
- a) Under what circumstances and in what geographic locations will commissions be paid?**
 - b) Are commissions paid for Special Enrollment Periods?**
 - c) Provide a copy of the broker agreement – current and 2017.**
 - d) Show the calculation of the average commission – current and 2017.**

When responding to this question, you may provide a redacted version of the response as it contains proprietary information.

We have requested this information from our Sales area but it is not available to include at the time of this response.

- 26. 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.**

We understand that we must update the URRT in HIOS when it is updated in SERFF.