

State:	Pennsylvania	Filing Company:	QCC Insurance Company
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only		
Product Name:	QCC Small Group 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	07/20/2016	07/20/2016
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	07/26/2016	07/26/2016
David Walker	06/29/2016	06/29/2016

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## Objection Letter

Objection Letter Status	Additional Information Needed
Objection Letter Date	07/20/2016
Submitted Date	07/20/2016
Respond By Date	07/27/2016

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 - Please provide quantitative support, in Excel with working formulas, for the development of elements of "Change in Other" in Table 5:

a. Change in Other 1.02

2.Question 3 - 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 (\$521.92). 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.

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

4.Question 10 - Please demonstrate that the administrative expenses among plans are consistent on a PMPM basis as stated in your response.

5.Question 12 - Please explain why Table 6 shows taxes and fees of 5.34% and the URRT has 5.53%? Please reconcile. A response was not received for this.

6.Question 13 - The Provider Network adjustments need to be normalized since the total premium in the state should be based in the single risk pool amount. Please comment.

7.Question 14 - 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.Question 15 - The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$578.00 as opposed to \$557.86. Additionally, the Single Risk Pool Gross Premium Avg. Rate on the URRT of \$598.48 should match the Table 6 Projected Required Revenue PMPM of \$601.49. Please correct. ---- This revision is still outstanding.

9.Question 22 - Please show quantitatively the derivation of the age calibration factor of 1.492 and the Tobacco Surcharge adjustment of 0.989 shown in Table 10.---- A response was not received for this.

10.Table 10 shows that you have eight 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?

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11.As you know, on 7/15/16, the Department advised insurers that they could revise the projected risk adjustment transfer amount in small group filings, and that this revision is due Thursday 7/21. If you are going to or have filed a revised risk adjustment transfer estimate, you may ignore the following objection.

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](mailto:rmathur@pa.gov). Sincerely,

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

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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

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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.<sup>1</sup>

Plan ID (1)	Metal Level (2)	Projected Membership (3)	Projected Allowed Claims (4)	Projected Paid Claims (5)	Company Determined AV Factor (6)	Induced Utilization <sup>2</sup> (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.<sup>3</sup>
- 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.

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

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

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

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## 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.

1. 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 Demographics 1.043
- Change in Benefits 0.996
- Change in Other 1.02

2. Please justify the 1.000 Population Risk Morbidity projection factor. Confirm that no changes in morbidity are expected.

3. 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 (\$521.92). Please note that the Index rate is calculated from the EHB portion of Allowed Claims net of prescription drug rebates.

4. Regarding Utilization and Unit Cost trends:

- Please describe the source claims data and methodology used for developing the cost and utilization projection factors.
  - Please provide quantitative support, in Excel with working formulas, for the development of these factors.
  - Provide a three-year history of utilization and unit cost trend by major service category.
5. Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide.

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

7. Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.880. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.805) differs so substantially from the projected Paid to Allowed of 0.880.

8. Please confirm that the PMPM Risk Adjustment User Fee used was \$0.13. Confirm that it was included in the "Projected Risk Adjustments PMPM" in Section III of Worksheet 1 and that it was not included in the "Taxes and Fees".

9. Please provide quantitative support, in Excel with working formulas, for the development of \$79.04, the projected Risk Adjustment using the federal formula. 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.

10. Please explain the variation in the Administrative expense adjustment applied for each plan, in the development of the Plan Adjusted Index Rates.

11. Please provide development of the federal medical loss ratio (MLR) in Excel.

12. Please explain why Table 6 shows taxes and fees of 5.34% and the URRT has 5.53%? Please reconcile.

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

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

15. The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$578.00 as

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opposed to \$557.86. Additionally, the Single Risk Pool Gross Premium Avg. Rate on the URRT of \$598.48 should match the Table 6 Projected Required Revenue PMPM of \$601.49. Please correct.

16. Please confirm transitional plans are included in the base experience and are included in the projection period to the extent they will move to the ACA market during the projection period.

17. Please explain what services are included in the "Other" service category on the URRT, including the measurements used.

18. Was the base data adjusted for unusually high or low volume of large claims? Were the trends adjusted due to fluctuations in large claim amounts?

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

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

21. 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.

22. Please show quantitatively the derivation of the age calibration factor of 1.472 and the Tobacco Surcharge adjustment of 0.989 shown in Table 10.

23. 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.

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](mailto:rmathur@pa.gov). Sincerely,

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

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Rashmi Mathur



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## 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	
<b>Satisfied - Item:</b>	Unified Rate Review Template
<b>Comments:</b>	
<b>Attachment(s):</b>	33871urrtpt1 SG 07282016.xlsm
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Unified Rate Review Template</i>
<b>Comments:</b>	
<b>Attachment(s):</b>	<i>31609qccurrtpt1_SG_5172017.xlsm</i>
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Unified Rate Review Template</i>
<b>Comments:</b>	
<b>Attachment(s):</b>	<i>2017 UnifiedRateReviewTemplate PSML QCC (Entity-Specific Gross Premium) FINAL RV.pdf 2017 UnifiedRateReviewTemplate PSML QCC (Entity-Specific Gross Premium) FINAL RV.xlsm</i>

<b>SERFF Tracking #:</b>	INAC-130539936	<b>State Tracking #:</b>	INAC-130539936	<b>Company Tracking #:</b>	QCC SMALL GROUP 1-1-2017
<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	QCC Insurance Company		
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Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Unified Rate Review Template
<b>Comments:</b>	
<b>Attachment(s):</b>	33871urrtpt1 SG 07282016.xlsm
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Unified Rate Review Template</i>
<b>Comments:</b>	
<b>Attachment(s):</b>	<i>31609qccurrtpt1_SG_5172017.xlsm</i>
<i>Previous Version</i>	
<b>Satisfied - Item:</b>	<i>Unified Rate Review Template</i>
<b>Comments:</b>	
<b>Attachment(s):</b>	<i>2017 UnifiedRateReviewTemplate PSML QCC (Entity-Specific Gross Premium) FINAL RV.pdf 2017 UnifiedRateReviewTemplate PSML QCC (Entity-Specific Gross Premium) FINAL RV.xlsm</i>

<b>Satisfied - Item:</b>	July 28 Responses
<b>Comments:</b>	
<b>Attachment(s):</b>	July 28 Exhibit.xlsx QCC Small Group Response July 28.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:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only		
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## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/26/2016
Submitted Date	07/26/2016

Dear Rashmi Mathur,

### Introduction:

### Response 1

#### Comments:

We have created the exhibit requested. Please note the following regarding the use of the data:

This information is provided in response to PID's request. This does not demonstrate our rating methodology. Our July 22, 2016 response to this request for our Consumer Plans provides that explanation.

### Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Induced Utilization Request
Comments:	
Attachment(s):	QCC SG Induced Utilization Exhibit 07262016 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:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only		
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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):	QCC Small Group Pennsylvania Actuarial Memorandum 2017.pdf 31609_qcc_unique_plan_design_april_sg.pdf 2017 PA SG Actuarial Memorandum Rate Exhibits QCC (Entity-Specific Gross Premium) FIN RV (1).xlsx
Previous Version	
Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
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Previous Version	
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Supporting Document Schedule Item Changes	
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<b>Satisfied - Item:</b>	Non-Confidential PDF Files
<b>Comments:</b>	
<b>Attachment(s):</b>	R-QCC cover letter sm grp_Redacted.pdf QCC Small Group URRT_Part2.pdf QCC PA Small Group Bulletin Information.pdf 2017 PA SG Actuarial Memorandum Rate Exhibits QCC (Entity-Specific Gross Premium) FINAL RV.pdf 31609qccurrpt1_SG_5172017.pdf QCC Small Group Rate Change Request Summary 2017 Revised.pdf
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<b>Comments:</b>	
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<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	QCC Insurance Company		
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Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Actuarial Memorandum and Explanatory Information (A&H)
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<b>Satisfied - Item:</b>	Response to June 16 Objection Letter
<b>Comments:</b>	
<b>Attachment(s):</b>	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR Small Group (QCC Entity Risk Pool) RV.xlsx Exhibit C – Factor Exhibits QCC Small Group.xlsx Exhibit D - Capitated Benefits Redacted.xlsx QCC SG Objections June 29.pdf

<b>SERFF Tracking #:</b>	INAC-130539936	<b>State Tracking #:</b>	INAC-130539936	<b>Company Tracking #:</b>	QCC SMALL GROUP 1-1-2017
<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	QCC Insurance Company		
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<i>Previous Version</i>	
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<b>Comments:</b>	
<b>Attachment(s):</b>	R-QCC cover letter sm grp_Redacted.pdf QCC Small Group URRT_Part2.pdf QCC PA Small Group Bulletin Information.pdf QCC Small Group Rate Change Request Summary 2017.pdf 2017 PA SG Actuarial Memorandum Rate Exhibits QCC (Entity-Specific Gross Premium) FINAL RV.pdf 31609qccurrtp1_SG_5172017.pdf



<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	QCC Insurance Company
<b>TOI/Sub-TOI:</b>	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only		
<b>Product Name:</b>	QCC Small Group PPO effective 1-1-2017		
<b>Project Name/Number:</b>	/		

<b>Satisfied - Item:</b>	Response to June 16 Objection Letter
<b>Comments:</b>	
<b>Attachment(s):</b>	Exhibit A - Projected Risk Adjustment Development (Single Risk Pool) RV REDACTED.xlsx Exhibit B - Federal MLR Small Group (QCC Entity Risk Pool) RV.xlsx Exhibit C – Factor Exhibits QCC Small Group.xlsx Exhibit D - Capitated Benefits Redacted.xlsx QCC SG Objections June 29.pdf

<b>Satisfied - Item:</b>	Unredacted Responses to June 16 Objection Letter
<b>Comments:</b>	
<b>Attachment(s):</b>	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*

<b>State:</b>	Pennsylvania	<b>Filing Company:</b>	QCC Insurance Company
<b>TOI/Sub-TOI:</b>	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only		
<b>Product Name:</b>	QCC Small Group PPO effective 1-1-2017		
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## Supporting Document Schedules

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

  

<b>Satisfied - Item:</b>	July 28 Responses
<b>Comments:</b>	
<b>Attachment(s):</b>	July 28 Exhibit.xlsx QCC Small Group Response July 28.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

**SERFF Tracking #:**

INAC-130539936

**State Tracking #:**

INAC-130539936

**Company Tracking #:**

QCC SMALL GROUP 1-1-2017

**State:**

Pennsylvania

**Filing Company:**

QCC Insurance Company

**TOI/Sub-TOI:**

H15G Group Health - Hospital/Surgical/Medical Expense/H15G.003 Small Group Only

**Product Name:**

QCC Small Group 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 Small Group (QCC Entity Risk Pool) RV.xlsx is not a PDF document and cannot be reproduced here.***

***Attachment Exhibit C Factor Exhibits QCC Small Group.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.***

***Attachment July 28 Exhibit.xlsx is not a PDF document and cannot be reproduced here.***

**1. 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 Demographics	1.043
Change in Benefits	0.996
Change in Other	1.02

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 2016 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.

The calculations for Demographics and Benefits are shown in the attached “Exhibit C – 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).

**2. Please justify the 1.000 Population Risk Morbidity projection factor. Confirm that no changes in morbidity are expected.**

The 1.000 Population Risk Morbidity projection factor is our projection that the statewide average overall morbidity will be the same in 2017 as it is in 2015. Changes to the projected morbidity of our insured membership are reflected in the projected Risk Adjustment factors.

**3. 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 (\$521.92). 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.

**4. Regarding Utilization and Cost trends:**

**Please describe the source claims data and methodology used for developing the cost and utilization projection factors.**

**Please provide quantitative support, in Excel with working formulas, for the development of these factors.**

**Provide a three-year history of utilization and unit cost trend by major service category.**

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

**5. Table 4 requests the most recent 36 months of data, that is, 3 calendar years. Please provide.** ACA-compliant plans have only been effective from January 1, 2014. The data provided in Table 4 is the experience since inception.

**6. 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.

**7. Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.880. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.805) differs so substantially from the projected Paid to Allowed of 0.880.**

The Actuarial Values are calculated using the Federal Actuarial Value calculator which uses nationwide costs and utilization assumptions. Inasmuch 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.

**8. Please confirm that the PMPM Risk Adjustment User Fee used was \$0.13. Confirm that it was included in the "Projected Risk Adjustments PMPM" in Section III of Worksheet 1 and that it was not included in the "Taxes and Fees".**

We agree that the Risk Adjustment Fee is \$0.13 PMPM. It is not included in "Taxes and Fees".

**9. Please provide quantitative support, in Excel with working formulas, for the development of - \$79.04, the projected Risk Adjustment using the federal formula. 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. Please note that we calculate them using combined KHPE and QCC data.

**10. Please explain the variation in the Administrative expense adjustment applied for each plan, in the development of the Plan Adjusted Index Rates.**

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.

**11. Please provide development of the federal medical loss ratio (MLR) in Excel.**

Exhibit B shows the development of the federal MLR.

**12. Please explain why Table 6 shows taxes and fees of 5.34% and the URRT has 5.53%? Please reconcile.**

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

These adjustments should not normalize to 1.00 because the membership in lower cost network plans continues to grow relative to other plans. Please note that the pricing AVs do not reflect the network differential.

**14. 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.

**15. The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$578.00 as opposed to \$557.86. Additionally, the Single Risk Pool Gross Premium Avg. Rate on the URRT of \$598.48 should match the Table 6 Projected Required Revenue PMPM of \$601.49. Please correct.**

We will include this revision during the second Correction Period.

**16. Please confirm transitional plans are included in the base experience and are included in the projection period to the extent they will move to the ACA market during the projection period.**

KHPE did not offer transitional policies in 2015.

**17. Please explain what services are included in the "Other" service category on the URRT, including the measurements used.**

"Other" claims are pharmacy claims which are subject to the medical deductible rather than pharmacy copays.

**18. Was the base data adjusted for unusually high or low volume of large claims? Were the trends adjusted due to fluctuations in large claim amounts?**

The base data was not adjusted for unusually high or low volumes of large claims.

**19. 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. The PMPM amounts are shown in Exhibit D – Capitated Benefits.

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

Adult Vision is included in all plans. Elective abortion is covered in off-exchange plans.

**21. 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.

**22. Please show quantitatively the derivation of the age calibration factor of 1.472 and the Tobacco Surcharge adjustment of 0.989 shown in Table 10.**

**23. 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%.

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

QCC SMALL GROUP

JULY 28 2016

1. Question I - Please provide quantitative support, in Excel with working formulas, for the development of elements of "Change in Other" in Table 5:
  - a. Change in Other 1.02

This factor represented the change in severity from the experience period to the projection period. There was nowhere else to reflect this in the URRT since the unit cost section represents the change in costs for the same services and utilization represents the frequency that the same services are utilized, so the 2% represents utilization of more severe services.

2. Question 3 - 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 (\$521.92). 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.

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

I looked back at our earlier rate filings. Prior to the ACA, we filed experience combined for QCC and KHPE. I could find the 2013 experience in the Experience Period section of our 2015 ACA filing (submitted in 2014) for the calendar year as a whole. I have copied that and included it in Supporting Documentation.

4. Question 10 - Please demonstrate that the administrative expenses among plans are consistent on a PMPM basis as stated in your response.

The administrative expenses consist of general administrative expenses, which are projected to be \$41.00 PMPM, and broker commissions, which are projected to be 1.5% of premium. For each plan we calculated this cost as a percentage of the plan adjusted index rate. The different resulting percentages reflect the impact of the PMPM component on different size rates.

5. Question 12 - Please explain why Table 6 shows taxes and fees of 5.34% and the URRT has 5.53%? Please reconcile. A response was not received for this.



We updated the URRT to be consistent.

6. Question 13 - The Provider Network adjustments need to be normalized since the total premium in the state should be based in the single risk pool amount. Please comment.

We are attempting to capture the impact of the growing proportion of members in plans using the lower cost networks in 2017 compared to 2015. We think this accurately measure this.

7. Question 14 - 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.

Please refer to our response from July 22 for Individual plans, which shows how our pricing incorporated induced demand in our rates on a consistent basis with our risk-adjusted projected claims.

8. Question 15 - The index rate for the projection period should be the projected allowed claims for EHBs. Per Table 5, this should be \$578.00 as opposed to \$557.86. Additionally, the Single Risk Pool Gross Premium Avg. Rate on the URRT of \$598.48 should match the Table 6 Projected Required Revenue PMPM of \$601.49. Please correct. ---- This revision is still outstanding.

We agree that the gross premium should be \$601.49 and have updated the URRT to produce this result.

9. Question 22 - Please show quantitatively the derivation of the age calibration factor of 1.492 and the Tobacco Surcharge adjustment of 0.989 shown in Table 10.---- A response was not received for this.

In projecting the age calibration factor, we calculated an average factor using the age distribution for February 2016. We increased the value by about 1.7% to reflect changes in the insured group after February for reasons including life events and non-payment of premium. The weighted average calculation is shown in Supporting Documentation.

In projecting the tobacco use factor, we estimated that the average factor would be worth a 15% increase in premium, and that 7.5% of enrollees would be subject to the factor.  $7.5\% \times 15\% = 1.11\%$ .  $1/1.0111 = 0.989$ .

10. Table 10 shows that you have eight 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?

For On exchange plans, a mapping does not exist as SHOP terminates at and requires re-enrollment. Plans may have been discontinued beginning in 2016 but have not yet come to their renewal date in 2016.

Personal Choice PPO Gold HRA-50 \$2,200/70% is directed to Personal Choice PPO Gold HRA-25 \$2,900/100%

Personal Choice PPO Silver HRA-25 \$2,400/50% is directed to Personal Choice PPO Gold HRA-25 \$2,900/100%

11. As you know, on 7/15/16, the Department advised insurers that they could revise the projected risk adjustment transfer amount in small group filings, and that this revision is due Thursday 7/21. If you are going to or have filed a revised risk adjustment transfer estimate, you may ignore the following objection.

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.

We estimated that the impact of the risk adjustment from the June 30 CMS release results in premium rates decreasing by 1% when we entered the revised amounts in Table 5.