

State:	Pennsylvania	Filing Company:	National Foundation Life Insurance Company
TOI/Sub-TOI:	H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)		
Product Name:	EHB Plan		
Project Name/Number:	2017 EHB Rates/		

Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Additional Information Needed	Rashmi Mathur	07/21/2016	07/21/2016
Data Request Sent	Rashmi Mathur	06/17/2016	06/17/2016

Response Letters

Responded By	Created On	Date Submitted
Daniel Cruz	07/26/2016	07/26/2016
Daniel Cruz	06/22/2016	06/23/2016

State: Pennsylvania **Filing Company:** National Foundation Life Insurance Company
TOI/Sub-TOI: H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)
Product Name: EHB Plan
Project Name/Number: 2017 EHB Rates/

Objection Letter

Objection Letter Status	Additional Information Needed
Objection Letter Date	07/21/2016
Submitted Date	07/21/2016
Respond By Date	07/26/2016

Dear Diana Ivie,

Introduction:

The Pennsylvania Insurance Department has conducted a review of the responses received from you on the above captioned filing, and at this time additional information is needed. To facilitate a timely review, we request this information be provided by close of business on July 26, 2016. If you have any questions or difficulties in providing the data within this time frame, please call me.

1. 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.

Upon receipt of your response 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

Conclusion:

Sincerely,
Rashmi Mathur

State: Pennsylvania **Filing Company:** National Foundation Life Insurance Company
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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:

We are in receipt of your correspondence dated 07/21/2016 regarding the above referenced filing. Please see the response below for the answers to the objections.

Response 1

Comments:

We had no experience in 2015 and so the report has no effect on our projected risk adjustment assumptions.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Your continued review of our filing is appreciated.

Sincerely,
Daniel Cruz

State:	Pennsylvania	Filing Company:	National Foundation Life Insurance Company
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	06/22/2016
Submitted Date	06/23/2016

Dear Rashmi Mathur,

Introduction:

We are in receipt of your correspondence dated 06/17/2016 regarding the above referenced filing. Please see the response below for the answers to the objections.

Response 1

Comments:

Please see the attached documents for the answers to the objections.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	20170101_PA_EHB_Act_Memo_Part_III_NFL_Rev_20160603.pdf
<i>Previous Version</i>	
Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	20170101_PA_EHB_Act_Memo_Part_III_NFL_Rev_20160513.pdf
<i>Previous Version</i>	
Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	20170101_PA_EHB_Act_Memo_Part_III_NFL.pdf

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Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	20170101_PA_EHB_Act_Memo_Part_III_NFL_Rev_20160603.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Certifications</i>
Comments:	
Attachment(s):	<i>20170101_PA_EHB_Act_Memo_Part_III_NFL_Rev_20160513.pdf</i>
<i>Previous Version</i>	
Satisfied - Item:	<i>Actuarial Memorandum and Certifications</i>
Comments:	
Attachment(s):	<i>20170101_PA_EHB_Act_Memo_Part_III_NFL.pdf</i>

Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	URRT_PA_NFL_06_03_2016_11_25.xlsm URRT_PA_NFL_06_03_2016_11_25.pdf
<i>Previous Version</i>	
Satisfied - Item:	<i>Unified Rate Review Template</i>
Comments:	
Attachment(s):	<i>URRT_PA_NFL_05_11_2016_09_11.xlsm URRT_PA_NFL_05_11_2016_09_11.pdf</i>

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Product Name:	EHB Plan		
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Supporting Document Schedule Item Changes	
Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	20170101_PA_EHB_Act_Memo_Part_III_NFL_Rev_20160603.pdf
<i>Previous Version</i>	
Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	20170101_PA_EHB_Act_Memo_Part_III_NFL_Rev_20160513.pdf
<i>Previous Version</i>	
Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	
Attachment(s):	20170101_PA_EHB_Act_Memo_Part_III_NFL.pdf

Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	URRT_PA_NFL_06_03_2016_11_25.xlsm URRT_PA_NFL_06_03_2016_11_25.pdf
<i>Previous Version</i>	
Satisfied - Item:	Unified Rate Review Template
Comments:	
Attachment(s):	URRT_PA_NFL_05_11_2016_09_11.xlsm URRT_PA_NFL_05_11_2016_09_11.pdf

Satisfied - Item:	20160617 PA EHB Objection Response
Comments:	
Attachment(s):	20160617 Pennsylvania NFL Objection Response.pdf 20160617 PA EHB Objection Response Attachment NFL.pdf 20160617 PA EHB Objection Response Attachment NFL.xlsx

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Your continued review of our filing is appreciated.

SERFF Tracking #:	USHG-130529979	State Tracking #:	USHG-130529979	Company Tracking #:	2017 PA EHB NFL RATES OFF EXCHG
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TOI/Sub-TOI:	H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)		
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Sincerely,
Daniel Cruz

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TOI/Sub-TOI:	H16I Individual Health - Major Medical/H16I.005A Individual - Preferred Provider (PPO)		
Product Name:	EHB Plan		
Project Name/Number:	2017 EHB Rates/		

Supporting Document Schedules

Satisfied - Item:	20160617 PA EHB Objection Response
Comments:	
Attachment(s):	20160617 Pennsylvania NFL Objection Response.pdf 20160617 PA EHB Objection Response Attachment NFL.pdf 20160617 PA EHB Objection Response Attachment NFL.xlsx
Item Status:	
Status Date:	

SERFF Tracking #:	USHG-130529979	State Tracking #:	USHG-130529979	Company Tracking #:	2017 PA EHB NFL RATES OFF EXCHG
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Attachment 20160617 PA EHB Objection Response Attachment NFL.xlsx is not a PDF document and cannot be reproduced here.

20160617 Pennsylvania NFL Objection Response

Objection 1

Please provide quantitative support, in Excel with working formulas, for the development of the following factors in Table 5:

a. Change in Population Risk Morbidity 1.32

b. Change in Benefits 1.103

c. Change in Other 0.603

Population Risk Morbidity:

Please see Tab Q1.1 of the attachment. This factor is unchanged from the previously approved filing. The factor has been reanalyzed and remains the same according to the following justification. For the original expected morbidity increase, we analyzed and used the data within the "Cost of the Future Newly Insured under the Affordable Care Act (ACA)" study prepared by Optum Health and commissioned by the Society of Actuaries. The average nationwide increase due to morbidity in this study is approximately 29% over the current market average. We estimated that an additional 40% load was necessary based on other issues discussed in the subsequent paragraphs. The final formula for our change in morbidity of the insured population factor is $1.29 \times 1.40 = 1.806$.

In considering the additional 40% load, we developed a risk score analysis based on our 2013 Non-Grandfathered Major Medical experience using the given CMS-HCC Risk Score Model. Our risk score was calculated by summing up the entire block's risk scores incurred in 2013 and dividing by the sum of monthly exposures. The final result was .713. It is our understanding that the Risk Adjustment program for Non-Grandfathered Major Medical plans being implemented by CMS used the Medicare Advantage HCC-Model as its basis. It is also our understanding that the Medicare Advantage HCC-Model is normalized each year to average 1 for the market. Based on this our best estimate for our risk score analysis was to compare our risk score to a market average of 1. This gave us $1 / .713 = 1.4025$.

This potential 40.25% load represents two possible issues. Either our current 2013 Non-Grandfathered Major Medical data is much healthier than the market average, in which case a load should be multiplied to the allowed claims data since we are pricing to the market average, or our ability to capture the risk scores effectively is behind our competitors, in which case we should load the premiums to prepare to pay into the risk adjustment pool. Furthermore, we would rather be conservative with our rates as in that case the policyholder will be reimbursed due to the MLR rebate requirement and we can later analyze the experience to better assess the rates at that time.

This load was developed in order to adjust the Transitional Non ACA Compliant block and is only applied to that portion of the overall Non Grandfathered experience. The 2015 claims consisted of 39.73% of Non ACA Compliant claims. The Morbidity Load used in the Credibility Manual is therefore equal to $.3973 \times 1.806 + (1-.3973) \times 1 = 1.32$

Change in Benefits:

Please see Tab Q1.2 of the attachment. This factor is unchanged from the previously approved filing. We used a Milliman Health Cost Guidelines actuarial continuance table from their 2012 models. Since we have a signed confidentiality agreement with Milliman we are not allowed to copy, use or disclose to any third parties any part of the guidelines. Therefore we cannot directly answer your question but can elaborate on the method used. The benefit costs were calculated by comparing the benefits covered in the experience period to the benefits covered in the EHB product. The following is a breakdown of those costs.

Maternity – our non-grandfathered plans in the experience period had either limited or no maternity coverage. If maternity was covered, the coverage was either subject to a high deductible, or added via a maternity rider. Our analysis showed that approximately 10% of maternity claims were covered in the experience period. Based on this, we utilized the M&R Health Cost Guidelines to estimate the remaining percentage to get up to full coverage, with the original full additional coverage for maternity at 3.7%, and 90% of that equals 3.3%.

Mental Health & Substance Abuse – our non-grandfathered plans in the experience period did not cover this benefit, so we utilized M&R Health Cost Guidelines to estimate the PMPM claim cost compared to the total claim cost estimate of our non-grandfathered benefits in the experience period. The PMPM claim cost for these benefits was divided by the total estimated PMPM claim cost for the non-grandfathered plans resulting in the 2.7% estimate.

Doctor's Office Visits – our non-grandfathered plans in the experience period had preventive only doctor's office visits. Our analysis showed that approximately 23% of doctor's office visits claims were covered in the experience period. Based on this, we utilized the M&R Health Cost Guidelines to estimate the remaining percentage to get up to full coverage, with the original full additional coverage for doctor's office visits at 5.7%, and 77% of that equals 4.4%.

Prescription Drug – our non-grandfathered plans in the experience period had either limited or no prescription drug coverage. If prescription drugs were covered, the coverage was either subject to a high deductible, or added via a prescription drug rider. Our analysis showed that approximately 15% of prescription drugs were covered in the experience period. Based on this, we utilized the M&R Health Cost Guidelines to estimate the remaining percentage to get up to full coverage, with the original full additional coverage for prescription drugs at 13.4%, and 85% of that equals 11.4%.

Dental – our non-grandfathered plans in the experience period did not cover this benefit, so based on other estimates we've seen in the industry, we estimated this benefit at 1.3%,

Chiropractor – our non-grandfathered plans in the experience period did not cover this benefit, so we utilized M&R Health Cost Guidelines to estimate the PMPM claim cost compared to the total claim cost estimate of our non-grandfathered benefits in the experience period. The PMPM claim cost for these benefits was divided by the total estimated PMPM claim cost for the non-grandfathered plans resulting in the 0.5% estimate.

Remaining 2.3% additional EHB benefits –

Child and Adult Vision Exams, Glasses / Contacts – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 1.0%.

Breast Reconstruction Incident due to Mastectomy – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Orthodontic Services – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Outpatient Cardiac and Pulmonary Rehabilitation – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Cancer Screenings – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Hearing Exams – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Skilled Nursing Home and Hospice Care Benefit – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Speech Therapy – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Habilitative Services – our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Autism Spectrum Disorder - our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Family Planning Services- our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Prosthetic Appliance and Medical Equipment Benefit - our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

Inherited Metabolic Disorders Benefit - our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

General Anesthesia for Dental care - our non-grandfathered plans in the experience period did not cover this benefit, so we estimated this benefit at 0.1%.

This load was developed in order to adjust the Transitional Non ACA Compliant block and is only applied to that portion of the overall Non Grandfathered experience. The 2015 claims consisted of 39.73% of Non ACA Compliant claims. The Benefit Adjustment Load used in the Credibility Manual is therefore equal to $.3973 \times 1.259 + (1-.3973) \times 1 = 1.103$. This factor was

Change in Other Factors:

$.603 = .854$ (Area Factor) $\times .712$ (Index Rate Stability Adjustment) $/ 1.009$ (Tobacco Normalization Factor).

Tobacco Normalization Factor:

Please see Tab Q1.3 of the attachment. This factor was used in order to account for the amount of expected tobacco users in the experience period.

Average Area Factor:

Please see Tab Q1.4 of the attachment for an example of the derivation of the Average Area factor. Pennsylvania data alone is given 0% credibility. Therefore, nationwide claims data was used to develop the rates. In order to adjust this data to reflect expected Pennsylvania claims, the ratio of the current average nationwide area factors to the current average Pennsylvania area factors was used as a multiplicative factor for the claims data. The average area factors were derived by applying our current area factors to the expected geographic distribution and calculating a state and nationwide average.

The final formula = Pennsylvania Average Area Factor (.544) $/$ Nationwide Average Area Factor (.637) = .854

Index Rate Stability Adjustment:

Please see Tab Q1.5 of the attachment. The Pennsylvania rates were originally priced for plan year 2015 using 2013 Non-Grandfathered data. The adjusted 2013 Non-Grandfathered data represented our best estimate of the average risk of the ACA compliant EHB marketplace for plan year 2015. Non-Grandfathered experience for years 2014-2015 are now available. However, we have chosen not to use this specific data for rating purposes because of the difficulty in deciphering the selection caused by the opening of the ACA compliant EHB marketplace in 2014. Consumer behavior is difficult to predict in this unprecedented market and so in order to maintain appropriate application of our original assumptions as well as maintain some stability in our rates we have based our plan year 2017 rates primarily on estimated trends and known changes to the Federal Reinsurance Program until further experience develops.

The plan year 2017 Index Rate is therefore derived from 2013 Non-Grandfathered experience adjusted for expected changes due to the ACA, trended to the appropriate projection period and altered for the expected demographic distribution for 2017. This Index Rate development is shown in Exhibit Q1.5. Since the plans will potentially be offered to our current Non-Grandfathered business, we decided to base the expected demographics on the most current

distributions along with the benefit category splits shown in the URRT. The Index Rate Stability Adjustment of .712 was developed in order to adjust the credibility manual which reflects our 2015 nationwide experience of our Non-Grandfathered major medical plans for all of our affiliate companies adjusted to the 2017 Index Rate.

Objection 2

Please provide a quantitative development of the manual rate resulting in the projected allowed claims of \$606.06 PMPM. This should include any adjustments made to the manual data to bring it in line with National Foundation Life's projected population and should include at least the adjustments on Worksheet 1 of the URRT. As part of this answer please explain how you adjusted for morbidity differences between the data used for the manual rate and the projected population.

Please see tab Q2 of the attached Excel spreadsheet. This exhibit shows the unadjusted experience period data, the adjustments applied to the experience and the resulting Credibility Manual as shown in the URRT. Differences are due to rounding. The adjustments and development of them are detailed in the answer to Objection 2 above including the explanation of how we adjusted for the morbidity differences between the data used for the manual rate and the projected population.

Objection 3

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

Please see attachment Q3.

Objection 4

Please describe the data and methodology used to develop the projected Paid to Allowed ratio of 0.658. Additionally, please explain why the weighted average actuarial value from the AV calculator as shown on Worksheet 2 (0.594) differs so substantially from the projected Paid to Allowed of 0.658.

Through cost sharing changes in these products, we have attempted to maintain the same actuarial value from the previous year and so no change has been made to the AV Pricing Value. The following is a description on how the Pricing AV was originally developed. The AV pricing value relies on a projection of future continuance curves and is dependent upon the effects of various ACA mandates (i.e. guarantee issue and EHB benefits). In developing rates, we have estimated assumptions for these effects and have adjusted our experience accordingly. We therefore felt it reasonable to also adjust the Actuarial Value calculated by the HHS prescribed AV Calculator in order to reflect our pricing assumptions. Our approach was to take a 50/50 blend of our internally calculated AV and the AV from the HHS Calculator. The AV based on our experience was calculated by adjusting our 2013 Non-Grandfathered Allowed Claims for trend, increased benefits and the guarantee issue mandate. We then applied the cost sharing for each plan design to the adjusted Allowed Claims on a policyholder basis to arrive at a projected Incurred Claim amount. The calculated AV is equal to the projected Incurred Claims divided by projected Allowed Claims. Our estimated AV value is:

Bronze: $.583 \times .5 + .733 \times .5 = .658$.

The .583 was the 2015 Actuarial Value as calculated by the 2015 AV calculator and the .733 was the Actuarial Value computed by our experience in 2015. Since we have increased the deductibles to produce an approximately equivalent Actuarial Value on the new AV calculator, we have kept the .658 AV Pricing Value unchanged.

The .594 is the new Actuarial Value as calculated by the new HHS prescribed AV calculator. The .594, as shown in this response, is not equivalent to our Pricing AV which represents our projection estimate of our paid to allowed ratio.

Objection 5

The correct Risk Adjustment Fee for 2017 is \$0.13 PMPM (not \$0.15) per the final Notice of Benefit and Payment Parameters for 2017. Please correct all materials and calculations.

Please see the corrected documents. We have deemed the Risk Adjustment Fee to be negligible and have not included it in our pricing determination and therefore this change has no effect on the rates.

Objection 6

Your Actuarial Memorandum indicates that you have assumed the Projected Risk Adjustment transfer payment for 2017 to be zero and the Department acknowledges the rationale for this assumption. However, did you conduct any analysis to support your rationale? If so, 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.

We did not conduct any analysis to project the zero risk adjustment transfer assumption. This could not be done because of our minimal ACA compliant data which is 0% credible. We do not expect the same risk profile in the future as was experienced in 2015, especially when the ACA compliant plans will be offered to the Transitional block of business. No meaningful analysis could have been done and so we have continued to base our rates on an estimate of the average risk population but do not have enough experience or foreknowledge to make a reliable statement on the anticipated enrollees.

Objection 7

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

Please see attachment tab Q7.

Objection 8

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.

We confirm that our experience shown in the URRT is for both ACA and Transitional products. We also confirm that transitional plans are included in the projection period to the extent they will move to the ACA market during the projection period.

Objection 9

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

The “Other” service category includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.

Objection 10

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.

The premium in tables 2 and 4 does not include HHS cost sharing or estimated risk adjustment. There is no ACA compliant business in tables 2 and 4 so what is shown is only transitional values.

Objection 11

Please show quantitatively the derivation of the age calibration factor of 1.5 shown in Table 10.

Please see attachment tab Q11.

Objection 12

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.

We did not apply a normalization factor for the Family Composition requirement that only the oldest three dependents under 21 will be charged. Based on experience, we approximated that .7% of all policyholders will qualify for a free premium due to this requirement. We decided this was immaterial.

Objection 13

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 had zero experience on these policy forms. Please see previously approved Actuarial Memorandums for the approved expense percentages.

Objection 14

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.

All geographic locations where our network provides coverage will pay commissions. Commissions are paid for special enrollment periods and do not vary between open and special enrollment. We market these products exclusively through a captive field force and therefore do not have any broker agreements. We have no experience on these policy forms but the commission is a level 5% for all years.

Objection 15

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 confirm our understanding, however we were advised by the state to not update HIOS until further along in the review process and so we are not in compliance with updating both the URRT in SERFF and the URRT in HIOS each time (See note to reviewer in SERFF sent 5/13/2016 for our request to unlock HIOS). Please advise further if the state would like us to update HIOS immediately and if so please unlock the corresponding HIOS URR Submission.

National Foundation Life Insurance Company
EHB-2017-IP-PA-NFL
Rate Filing Objection Response

Exhibit Q1.1

Changes in Morbidity

Category	Increase
SOA Study Increase	1.290
Additional Risk Load	1.400
Total	1.806

National Foundation Life Insurance Company
EHB-2017-IP-PA-NFL
Rate Filing Objection Response

Exhibit Q1.2

Benefit Grid Comparison

Additional Benefits	Experience Benefits Covered?	EHB Benefits Covered?	Extra Benefit Category	Percentage Increase
Primary Care Visit to Treat an Injury or Illness	Partial	Yes	Doctor Office Visit	4.40%
Specialist Visit	Partial	Yes	Doctor Office Visit	
Other Practioner Office Visit (Nurse, PA)	Partial	Yes	Doctor Office Visit	
Prenatal and Postnatal Care	Partial	Yes	Maternity	3.30%
Delivery and All Inpatient Services	Partial	Yes	Maternity	
Mental/Behavioral Outpatient Services	No	Yes	Mental Health and Substance Abuse	2.70%
Mental/Behavioral Inpatient Services	No	Yes	Mental Health and Substance Abuse	
Substance Abuse Outpatient Services	No	Yes	Mental Health and Substance Abuse	
Substance Abuse Inpatient Services	No	Yes	Mental Health and Substance Abuse	
Generic Drugs	Partial	Yes	Prescription Drug	11.40%
Preferred Brand Drugs	Partial	Yes	Prescription Drug	
Non-Preferred Brand Drugs	Partial	Yes	Prescription Drug	
Specialty Drugs	Partial	Yes	Prescription Drug	
Habilitation Services	No	Yes	Other	0.10%
Genral Anesthesia for Dental Care	No	Yes	Other	0.10%
Routine Eye Exam	No	Yes	Vision	1.00%
Eye Glasses fand Contacts	No	Yes	Vision	
Dental Check-Up for Children	No	Yes	Dental	1.30%
Child Dental	No	Yes	Dental	
Child Orthodontia	No	Yes	Dental	
Child Major Dental	No	Yes	Dental	
Child Basic Dental	No	Yes	Dental	
Chiropractor	No	Yes	Other	0.50%
Prosthetic Appliance and Medical Equipment Benefit	No	Yes	Other	0.10%
Breast Reconstruction Incident due to Mastectomy	No	Yes	Other	0.10%
Autism Spectrum Disorder	No	Yes	Other	0.10%
Inherited Metabolic Disorder Benefit	No	Yes	Other	0.10%
Orthodontic Services	No	Yes	Other	0.10%
Hearing Exams	No	Yes	Other	0.10%
Speech Therapy	No	Yes	Other	0.10%
Skilled Nursing Home and Hospice Care	No	Yes	Other	0.10%
Cancer Screenings	No	Yes	Other	0.10%
Outpatient Cardiac and Pulmonary Rehabilitation	No	Yes	Other	0.10%
Family Planning Services	No	Yes	Other	0.10%
Total				25.90%

National Foundation Life Insurance Company
EHB-2017-IP-PA-NFL
Rate Filing Objection Response

Exhibit Q1.3

Tobacco Normalization Factor

Description	Factor
Tobacco Rating Factor	1.2
Tobacco Users (%)	4.5%
Non-Tobacco Users (%)	95.5%
Tobacco Normalization Factor	0.991

Demographic (Area) Adjustment

Pennsylvania Derivation of Average Area Factor (see below)	0.544
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County	Current Area Factor in Pennsylvania	Expected Distribution Based On Sales Projection (%)
Adams County	0.511	1.20%
Allegheny County	0.471	3.29%
Armstrong County	0.476	0.00%
Beaver County	0.471	0.52%
Bedford County	0.489	0.15%
Berks County	0.535	3.28%
Blair County	0.444	0.00%
Bradford County	0.569	0.00%
Bucks County	0.554	22.16%
Butler County	0.444	0.41%
Cambria County	0.491	0.00%
Cameron County	0.631	0.00%
Carbon County	0.503	0.00%
Centre County	0.491	0.22%
Chester County	0.621	13.40%
Clarion County	0.464	0.00%
Clearfield County	0.526	0.00%
Clinton County	0.468	0.00%
Columbia County	0.497	0.00%
Crawford County	0.534	0.28%
Cumberland County	0.466	0.84%
Dauphin County	0.466	1.00%
Delaware County	0.577	10.79%
Elk County	0.601	0.00%
Erie County	0.540	0.31%
Fayette County	0.471	0.17%
Forest County	0.510	0.00%
Franklin County	0.466	0.49%
Fulton County	0.466	0.00%
Greene County	0.471	0.09%
Huntingdon County	0.451	0.00%
Indiana County	0.530	0.00%
Jefferson County	0.579	0.00%
Juniata County	0.466	0.00%
Lackawanna County	0.511	0.16%
Lancaster County	0.480	4.00%
Lawrence County	0.466	0.00%
Lebanon County	0.466	0.10%
Lehigh County	0.466	3.87%
Luzerne County	0.511	1.46%
Lycoming County	0.466	0.00%
McKean County	0.584	0.21%
Mercer County	0.466	0.14%
Mifflin County	0.468	0.00%
Monroe County	0.466	0.11%
Montgomery County	0.524	18.67%
Montour County	0.491	0.00%
Northampton County	0.466	1.27%
Northumberland County	0.488	0.00%
Perry County	0.466	0.00%
Philadelphia County	0.646	3.21%
Pike County	0.538	0.00%
Potter County	0.554	0.00%
Schuylkill County	0.514	0.51%
Snyder County	0.491	0.07%
Somerset County	0.489	0.26%
Sullivan County	0.500	0.00%
Susquehanna County	0.584	0.29%
Tioga County	0.538	0.00%
Union County	0.491	0.00%
Venango County	0.534	0.00%
Warren County	0.534	0.00%
Washington County	0.471	0.52%
Wayne County	0.584	0.17%
Westmoreland County	0.530	1.94%
Wyoming County	0.511	0.00%
York County	0.511	4.46%

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Exhibit Q1.5

Item	Description	Factors	
A	Pooled 2013 Per Member Per Month Allowed Claims - State	211.28	
B	Pooled 2013 Per Member Per Month Allowed Claims - Manual	234.43	
C	Credibility of State (approximately 777 life years in experience year 2013)	18.46%	
D	Credibility Adjusted Allowed Claims PMPM	230.16	$D = A \times C + (B \times (1-C))$
E	Annual Trend on Allowed Claims Basis	7.90%	
F	24 Months of Trend from Midpoint of 2013 to Midpoint of 2015	1.164	$F = (1 + E)^2$
G	Underwriting Wear Off in Experience	1.000	
H	Adjust Experience to 2015 Market Risk	1.806	
I	Cost of Essential Benefits Not covered within Experience Data	1.259	
J	Adjust Experience to Utilization Level of Bronze Plan	1.000	Note: Historical experience is at approximately a Bronze level.
K	Adjusted to 2015 Bronze Plan PMPM Allowed Claims	609.27	$K = D \times F \times G \times H \times I \times J$
L	Average Area Factor Adjustment	0.878	Adjusting Allowed Claims to Expected State Level
M	Adjusted to State Level PMPM Allowed Claims	534.94	$M = K \times L$
N	2015 projected Average Age Rating Factor	1.515	
O	Final 2015 Index Rate	534.94	$O = M$
P	Plan Year 2016 Approved Trend	1.096	
Q	2015 projected Average Age Rating Factor	1.444	
R	Final 2016 Index Rate	558.82	$R = O \times P \times Q / N$
S	Plan Year 2017 Proposed Trend	1.044	
T	2015 projected Average Age Rating Factor	1.500	
U	Final 2016 Index Rate*	606.03	$R = O \times P \times Q / N$

*Differences Due to Rounding

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Exhibit Q2

Unadjusted 2015 Non-Grandfathered Major Medical Experience				Adjustments To Experience					Adjusted 2015 Non-Grandfathered Major Medical Experience			
Utilization per 1,000	Average Cost/Service	PMPM		Pop'l risk Morbidity	Additional Benefits	Average Area Factor Adjustment	Index Rate Stability Adjustment	Cost Trend	Utilization Trend	Utilization per 1,000	Average Cost/Service	PMPM
140.12	\$17,765.95	\$207.45		1.320	1.093	0.854	0.712	1.029	1.014	190.20	12,507.62	\$198.25
967.09	\$2,667.44	214.97		1.320	1.093	0.854	0.712	1.029	1.014	1,312.76	1,877.94	205.44
7,801.61	\$281.61	183.08		1.320	1.093	0.854	0.712	1.029	1.014	10,590.16	198.26	174.97
293.63	\$497.55	12.17		1.320	1.093	0.854	0.712	1.029	1.014	398.58	350.29	11.63
0.00	\$0.00	0.00		1.320	1.093	0.854	0.712	1.029	1.014	0.00	0.00	0.00
3,496.77	\$56.65	16.51		1.320	1.093	0.854	0.712	1.029	1.014	4,746.63	39.89	15.78
			\$634.18									

Exhibit Q3

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
\$ 147,907.56	\$ 46,901.69	\$ 66,199.29	634	\$ 62,375.72	\$ 128,575.01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016 Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)											\$ 202.80
Loss Ratio											44.76%

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Exhibit Q7

Incurred Claims	83.30%
Quality Improvement	0.40%
Earned Premium	100%
Taxes and Fees	2.04%
Federal Medical Loss Ratio (MLR)	85.44%

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Exhibit Q11

Average Age		Average Rating Factor
46		1.500

Age	Rating Factor	Projected Distribution
0 - 20	0.635	26.81%
21	1.000	1.39%
22	1.000	1.54%
23	1.000	1.25%
24	1.000	1.20%
25	1.004	0.76%
26	1.024	0.68%
27	1.048	0.82%
28	1.087	0.52%
29	1.119	0.73%
30	1.135	0.67%
31	1.159	0.60%
32	1.183	0.85%
33	1.198	1.03%
34	1.214	1.33%
35	1.222	0.80%
36	1.230	1.15%
37	1.238	1.30%
38	1.246	1.12%
39	1.262	1.45%
40	1.278	1.19%
41	1.302	1.33%
42	1.325	1.49%
43	1.357	1.84%
44	1.397	1.91%
45	1.444	1.90%
46	1.500	2.15%
47	1.563	2.34%
48	1.635	1.83%
49	1.706	1.79%
50	1.786	2.62%
51	1.865	2.48%
52	1.952	2.45%
53	2.040	2.51%
54	2.135	2.87%
55	2.230	3.35%
56	2.333	2.37%
57	2.437	2.50%
58	2.548	2.39%
59	2.603	2.42%
60	2.714	2.70%
61	2.810	2.32%
62	2.873	2.38%
63	2.952	1.78%
64+	3.000	1.10%