

**State:** Pennsylvania **Filing Company:** UnitedHealthcare of Pennsylvania, Inc.  
**TOI/Sub-TOI:** HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO  
**Product Name:** Individual Exchange  
**Project Name/Number:** /

### Filing at a Glance

Company: UnitedHealthcare of Pennsylvania, Inc.  
 Product Name: Individual Exchange  
 State: Pennsylvania  
 TOI: HOrg02I Individual Health Organizations - Health Maintenance (HMO)  
 Sub-TOI: HOrg02I.005D Individual - HMO  
 Filing Type: Rate - G.I. (Guaranteed Issue)  
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 State Status: Received Review in Progress  
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 Implementation: 01/01/2016  
 Date Requested:  
 Author(s): Kristine Santovasi, Lauren Regnery, Kurt Fetzer, Hussain Hussain, Nate Johnson, Patricia Lofton, Scott Westphal, Kate Alexander  
 Reviewer(s): Rashmi Mathur (AH) (primary)  
 Disposition Date:  
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**State:** Pennsylvania **Filing Company:** UnitedHealthcare of Pennsylvania, Inc.  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Individual Exchange  
**Project Name/Number:** /

## General Information

Project Name:	Status of Filing in Domicile: Not Filed
Project Number:	Date Approved in Domicile:
Requested Filing Mode: Review & Approval	Domicile Status Comments:
Explanation for Combination/Other:	Market Type: Individual
Submission Type: New Submission	Individual Market Type: Individual
Overall Rate Impact: 5.6%	Filing Status Changed: 04/24/2015
	State Status Changed: 04/27/2015
Deemer Date:	Created By: Kurt Fetzer
Submitted By: Patricia Lofton	Corresponding Filing Tracking Number: UHLC-130042152
	PPACA: Non-Grandfathered Immed Mkt Reforms

PPACA Notes: null

Exchange Intentions: Individual Exchange filing

### Filing Description:

On behalf of UnitedHealth of Pennsylvania, I am submitting the enclosed Individual Exchange Product for your Department's review and approval. These rates incorporate the requirements for essential health benefits as required under the Patient Protection and Affordable Care Act (PPACA).

Please see the Cover Letter under the Supporting Documentation tab for more detail.

These corresponding policy forms filing is UHLC-130042152.

## Company and Contact

### Filing Contact Information

Joe Polley, Associate Director, Actuarial Services      jpolley@unitedhealthone.com  
 7440 Woodland Drive      317-715-7579 [Phone]  
 Indianapolis, IN 46278

### Filing Company Information

UnitedHealthcare of Pennsylvania, Inc.	CoCode: 95220	State of Domicile: Pennsylvania
1001 Brinton Rd.	Group Code:	Company Type: HMO
Pittsburgh, PA 15221	Group Name:	State ID Number: 95220
(800) 414-9025 ext. [Phone]	FEIN Number: 25-1756858	

## Filing Fees

Fee Required?	Yes
Fee Amount:	\$35.00
Retaliatory?	Yes
Fee Explanation:	Our domicile state filing fee is \$35.00 per filing.

**State:** Pennsylvania **Filing Company:** UnitedHealthcare of Pennsylvania, Inc.  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Individual Exchange  
**Project Name/Number:** /

Per Company: Yes

Company	Amount	Date Processed	Transaction #
UnitedHealthcare of Pennsylvania, Inc.	\$35.00	04/23/2015	94882505

SERFF Tracking #:

UHLC-129897516

State Tracking #:

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PA UHCPA ON EXCHANGE

State:

Pennsylvania

Filing Company:

UnitedHealthcare of Pennsylvania, Inc.

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Individual Exchange

Project Name/Number:

/

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Actuarial Memorandum and Certifications Redacted
<b>Comments:</b>	
<b>Attachment(s):</b>	24872_01012016_RedactedAM.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Transmittal Letter Redacted
<b>Comments:</b>	
<b>Attachment(s):</b>	PA On-Exchange Cover Letter - Redacted.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

**Pennsylvania**  
**Federal Part III Actuarial Memorandum**  
**UnitedHealthcare of Pennsylvania, Inc.**  
**NAIC: 0707-95220 / FEIN: 25-1756858**

**Purpose**

Following is a rate filing prepared by UnitedHealthcare of Pennsylvania, Inc. This filing has been prepared to provide the necessary information required by the Department of Health and Human Services. The purpose of this memorandum is to provide information relevant to the Federal Part I Unified Rate Review Template.

This filing establishes rates intended to be used for individual health benefit plans sold on the health insurance exchange in Pennsylvania for the 2016 plan year.

This memorandum is intended solely for the information of and use by the Department of Health and Human Services and the Pennsylvania Insurance Department. It will demonstrate compliance with state and federal laws and regulations and is not intended to be used for any other purpose.

**General Information**

Company Identifying Information

Company Legal Name: UnitedHealthcare of Pennsylvania, Inc.  
State: Pennsylvania  
HIOS Issuer ID: 24872  
Market: Individual  
Effective Date: January 1, 2016

Primary Contact Information

Name: [REDACTED], FSA, MAAA  
Telephone Number: [REDACTED]  
Email Address: [REDACTED]

**Proposed Rate Change**

The following are the proposed rate changes for each plan included in the single risk pool. These rate change percentages represent the average change in premium rates over the rates included in the prior rate filing for each plan. They measure the change in premium rate tables using the current distribution of enrollment by age, geographic area, and tobacco status. These values are consistent with the rate change percentages reported in Worksheet 2, Section I of the Unified Rate Review Template.

Plan Name	Rate Change %
Gold Compass 0	NEW
Gold Compass 1000	11.9%
Silver Compass 4500	7.9%
Silver Compass HSA 2000	3.0%
Bronze Compass 6500	1.1%
Bronze Compass HSA 5500	6.0%
Average Rate Change	5.6%

We refined the medical plan price relativities to reflect the most recent pricing methodology and pricing models. The methodology is based on UnitedHealthcare nationwide experience data, which contains utilization frequencies and unit costs by service category, in addition to claim distributions and adjustment factors for a large number of plan design variables. Benefit design parameters such as deductibles, coinsurance, copays, out-of-pocket maximums, etc. were input for each plan. The expected paid-to-allowed relativities and expected utilization differences due to differences in cost sharing for each plan are then used to develop the plan factors

for each benefit plan. All benefit plans are priced consistently with each other, with the rates differing only by the estimated value of the benefits and the expected utilization differences due to differences in cost sharing. The utilization differences do not reflect differences due to health status.

As a result of this analysis, it became apparent that there would be an increase in revenue due to this refinement in pricing methodology. Therefore, we have proposed reducing the plan factors by █ to make this refinement have a neutral impact on the average plan factor. The rate impact, along with a demonstration of neutrality, is summarized below.

Plan Name	Projected Member Months	2016 Plan Factor using Prior Pricing Methodology	2016 Plan Factor using Refined Pricing Methodology	2016 Proposed Plan Factor	Rate Impact due to Refined Pricing Methodology
Gold Compass 0	█	█	█	█	█
Gold Compass 1000	█	█	█	█	█
Silver Compass 4500	█	█	█	█	█
Silver Compass HSA 2000	█	█	█	█	█
Bronze Compass 6500	█	█	█	█	█
Bronze Compass HSA 5500	█	█	█	█	█
Weighted Average	█	█	█	█	█

Other significant factors driving the proposed rate change are discussed in further detail under the ‘Credibility Manual Rate Development’ section of this memorandum.

**Experience Period Premium and Claims**

No individual experience exists under UnitedHealthcare of Pennsylvania, Inc. in the state of Pennsylvania for the experience period is January 1, 2014 to December 31, 2014.

**Benefit Categories**

Claims were assigned to each of the benefit categories based on where services were administered and the types of medical services rendered.

**Projection Factors**

UnitedHealthcare of Pennsylvania, Inc. has no individual experience in Pennsylvania during the experience period thus we did not utilize any projection factors mentioned in Worksheet I Section II of the Unified Rate Review Template.

**Credibility Manual Rate Development**

Source and Appropriateness of Data Used

These rates are intended to be used on a guarantee issue basis. As UnitedHealthcare of Pennsylvania, Inc. does not have credible experience for individual medical guarantee issue products, we relied on the guarantee issue claims experience and rate development of affiliated small group carriers to develop our rates.

The experience used in the development of these rates is net of the appropriate coordination of benefit recoveries. Therefore, the rates reflect the necessary equitable reduction in premiums or costs to beneficiaries of such other insurance or contract rights.

Data Adjustments

- Trend/Emerging Experience:

Our rates have been adjusted for annual trend and emerging claims experience of the affiliated small group carrier. Annual trend is expected to be █████ in the state of Pennsylvania. Favorable emerging claims experience has warranted a █████ reduction in rates for this product since the time of our previously approved rate filing.

- Estimated Morbidity Differential of the Population Insured:  
Because the data we are using for the credibility rate manual are for small group business, we need to adjust for the estimated morbidity differential between the individual and small group markets. UnitedHealthcare has participated in a multi-state study done by a large actuarial consulting firm to help estimate the average expected morbidity in the individual market relative to the average expected morbidity for the small group market. Our analysis of the information provided indicates that in states that allowed transitional relief, we would anticipate that the morbidity in the individual market in 2016 will be about 13% higher than the average morbidity in the small group market. This is about 2.7% higher than the previous morbidity used in 2015.

Nationwide Small Group Experience

Small Group Size	Earned Premium	Incurred Claims	Member Months	Premium PMPM	Claims PMPM	Claims vs 1-50 ees
█████	██████████	██████████	██████████	██████████	██████████	██████████

- Benefit Differential:  
Adjustments were made to reflect the benefit variations between the 2015 individual portfolio and our proposed 2016 individual product.
- Demographic/Geographic Adjustment:  
We anticipate our individual exchange business to have both a different age/gender composition and a different geographic composition compared to that of the affiliated small group business. Therefore, an adjustment was made to account for these differences.

**Credibility of Experience**

Due to the limited amount of experience available for our individual market business, we have assumed zero credibility for our base period experience. A specific credibility formula was not used for this determination, but rather professional actuarial judgment. As ASOP 25, section 3.4 states: “Professional Judgment - The actuary should use professional judgment when selecting, developing, or using a credibility procedure. The use of credibility procedures is not always a precise mathematical process.”

**Paid-to-Allowed Ratio**

The paid-to-allowed ratios were developed using the proprietary UnitedHealthcare pricing model. This model uses UnitedHealthcare nationwide experience data which is fully credible. Claim data is projected to the pricing period based on national projections of utilization and unit costs. These projections are done at the service category level (inpatient, outpatient, etc.). Benefit design parameters such as deductibles, copays, and coinsurance rates are applied to the claim distributions of the matching service category. Cost-sharing is applied, and the values of each service category are summed to determine an overall benefit value, or paid-to-allowed ratio. In order to preserve consistency, the same claim experience and projection assumptions are applied to all plan relativity calculations. A paid-to-allowed ratio was produced for each plan using the model described above. The weighted average is then based on the projected membership by plan. The member distribution is discussed under the ‘Membership Projections’ section later in this memorandum.

Plan Name	Plan Weight	Paid-to-Allowed Ratio
Gold Compass 0	7.1%	█
Gold Compass 1000	7.1%	█
Silver Compass 4500	32.1%	█
Silver Compass HSA 2000	32.1%	█
Bronze Compass 6500	10.8%	█
Bronze Compass HSA 5500	10.8%	█
Weighted Average	100.0%	█

**Risk Adjustment and Reinsurance**

Projected Risk Adjustments Net of Risk Adjustment User Fees

We are offering a variety of plans at different metal levels and using a provider network that we anticipate to be similar in size to our competitors. Without any credible information or modeling of the market level risk, and lacking any other information pertaining to the risk levels of our own business compared to that of our competitors, we are assuming zero risk adjustment transfers. The HHS Notice of Benefit and Payment Parameters for 2016 specifies a risk adjustment user fee of █ per member per year, or approximately █ PMPM.

The projected risk adjustment transfers net of risk adjustment user fees are therefore █ PMPM.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

Reinsurance recoveries are expected to be about █ of incurred claims, as calculated below. The total incurred claims were calculated using an affiliated carrier’s individual market nationwide experience for 2013 trended to the 2016 benefit period. Reinsurance recoveries were then calculated using the 2016 reinsurance parameters, as published in the HHS Notice of Benefit and Payment Parameters for 2016. The reinsurance parameters include a 90,000 attachment point, 50% coinsurance, and a \$250,000 reinsurance cap.

Claim Range	Annual Members	Incurred Claims	Claims PMPY	Reinsurance Benefit
(-Infinite,90k] (90k,250k] (250k,Infinite)	█	█	█	█
Total Incurred Claims				█
Total Reinsurance Benefit				█
Estimated 2016 Reinsurance Recoveries as % of Claims				█

Incurred claims for this product in the state of Pennsylvania are expected to be █ PMPM. Therefore, reinsurance recoveries are anticipated to be █ PMPM. The HHS Notice of Benefit and Payment Parameters for 2016 specifies a reinsurance premium of █ per member per year, or █ PMPM.

The projected reinsurance recoveries net of reinsurance premium are therefore \$15.82 PMPM.

**Non-Benefit Expenses and Profit**

Administrative Expense Load

The █ administrative expense load includes commissions, quality improvements, and SG&A.

- Commissions: We anticipate an average commission rate of approximately █ for 2016.

- Quality Improvements: We included █ for quality improvements based on an affiliated carrier’s individual market data.
- SG&A: Our general and administrative expense assumption is based on PMPM estimates provided by UnitedHealthcare’s finance department for the 2016 calendar year. For this product in the state of Pennsylvania, this amount equates to approximately █ of premium for 2016.

Profit and Risk Margin

Our projected profit margin for the 2016 rating period is approximately █ of premium.

Premium	█	█
Claims	█	█
Exchange Fee	█	█
Reinsurance Fees	█	█
Reinsurance Recoveries	█	█
Risk Adjustment User Fees	█	█
Net Insurer Fees	█	█
PCORI Fee	█	█
Commissions	█	█
SG&A	█	█
Quality Improvements	█	█
<b>Pre-Tax Income</b>	█	█
Income Tax	█	█
<b>After-Tax Income</b>	█	█

*The figures above may not tally exactly due to rounding of the display.*

Taxes and Fees

Taxes and fees are expected to be █ and include premium tax, claim assessments, insurer fees, exchange fees, PCORI fees, and federal income tax.

- Exchange Fees: Exchange fees for the Federally-facilitated Marketplace exchange are █ We anticipate nearly all of our premium to come from exchange enrollees.
- Insurer Fees: Each insurance carrier's assessment of insurer fees will be based on earned health insurance premium in the prior year, with certain exclusions. UnitedHealthcare (parent company of UnitedHealthcare of Pennsylvania, Inc.) estimates that █ of its 2016 premium will be allocated for insurer fees.
- PCORI Fees: This product will be offered for the 2016 plan year, with a PCORI fee of █ per member per year, or approximately █ PMPM. For this product in the state of Pennsylvania, this equates to approximately █ of premium.
- Federal Income Tax: Federal income tax is projected to be █ of premium and is calculated as 35% \* (Pre-Tax Income + Insurer Fees), since insurer fees are not tax deductible.

## Projected Loss Ratio

The projected loss ratio using the federally prescribed MLR methodology for calendar year 2016 is [REDACTED]

Claims	[REDACTED]	[REDACTED]
Reinsurance Recoveries	[REDACTED]	[REDACTED]
Risk Adjustment Transfers	[REDACTED]	[REDACTED]
Quality Improvement	[REDACTED]	[REDACTED]
<b>Total MLR Claims</b>	[REDACTED]	[REDACTED]
Premium	[REDACTED]	[REDACTED]
Exchange Fee	[REDACTED]	[REDACTED]
Reinsurance Fees	[REDACTED]	[REDACTED]
Risk Adjustment User Fee	[REDACTED]	[REDACTED]
Net Insurer Fees	[REDACTED]	[REDACTED]
PCORI Fee	[REDACTED]	[REDACTED]
Income Tax	[REDACTED]	[REDACTED]
<b>Total MLR Premium</b>	[REDACTED]	[REDACTED]
<b>Federal MLR</b>	[REDACTED]	[REDACTED]

The figures above may not tally exactly due to rounding of the display.

## Single Risk Pool

The single risk pool reflects all covered lives for every individual non-grandfathered product and plan combination for UnitedHealthcare of Pennsylvania, Inc. in the state of Pennsylvania. It is established in accordance with the requirements of 45 CFR Part 156, §156.80(d).

## Index Rate

The index rate for the 2016 projection period represents [REDACTED] of allowed claims for this block of business. Benefits in excess of EHBs hospice respite care and bereavement counseling, and routine foot care for diabetics, which are expected to account for [REDACTED] of allowed claims, based on professional actuarial judgment. The projected index rate is calculated below.

Allowed Claims PMPM	Benefits in Excess of EHBs	Index Rate
[REDACTED]	[REDACTED]	\$411.69

The figures above may not tally exactly due to rounding of the display.

## Market Adjusted Index Rate

The market adjusted index rate includes market-wide adjustments for the federal reinsurance program, the risk adjustment program, and exchange user fees. Please refer to the 'Risk Adjustment and Reinsurance' and the 'Taxes and Fees' sections previously discussed in this memorandum for a brief description of each of these items. The market adjusted index rate is calculated below.

Index Rate	Net Reinsurance Adjustment	Net Risk Adjustment	Exchange User Fee Adjustment	Market Adjusted Index Rate
\$411.69	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The figures above may not tally exactly due to rounding of the display.

## Plan Adjusted Index Rates

The plan adjusted index rates include adjustments for all allowable plan level modifiers as defined in the market rating rules. The calculations are shown below, and the allowable adjustments are subsequently discussed in further detail. The weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Market Adjusted Index Rate	Actuarial Value & Cost-Sharing Adjustment	Benefits in Excess of EHBs	Catastrophic Eligibility Adjustment	Distribution & Admin. Cost Adjustment	Plan Adjusted Index Rate
Gold Compass 0	█	█	█	█	█	\$397.74
Gold Compass 1000	█	█	█	█	█	\$404.14
Silver Compass 4500	█	█	█	█	█	\$362.79
Silver Compass HSA 2000	█	█	█	█	█	\$347.04
Bronze Compass 6500	█	█	█	█	█	\$307.66
Bronze Compass HSA 5500	█	█	█	█	█	\$291.91
Weighted Average	█	█	█	█	█	\$349.55

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An adjustment for provider network, delivery system, and utilization management is not included.

The actuarial value and cost sharing adjustment accounts for benefit differences, utilization differences due to differences in cost sharing, and an adjustment for non-tobacco user status. Since we will be applying tobacco user rating factors, an adjustment must be made to remove the portion of costs that is expected to be recouped through the tobacco surcharge. The total average tobacco surcharge is expected to be about █ of premium as calculated below. The total member distribution is based on the same survey results used for the age calibration discussed in the 'Calibration' section of this memorandum. The individual tobacco user percentages are based on an affiliated carrier's individual block of business.

Age Group	Member Distribution			Tobacco Surcharge Factors		
	Tobacco Users	Non-Tobacco Users	Total Members	Tobacco User Factor	Non-Tobacco Factor	Average Surcharge
0-20	█	█	█	█	█	█
21-34	█	█	█	█	█	█
35-49	█	█	█	█	█	█
50+	█	█	█	█	█	█
Total	█	█	█	█	█	█

Benefits in excess of EHBs were previously discussed under the 'Index Rate' section of this memorandum, and are expected to be █ of allowed claims.

Distribution and Administrative Costs include claim assessments, premium tax, insurer fees, PCORI fees, commissions, SG&A, quality improvements, federal income tax, and after-tax income. These items were previously discussed in the 'Non-Benefit Expenses and Profit' section of this memorandum. Reinsurance recoveries and fees, risk adjustment transfers and user fees, and exchange fees have already been adjusted out of the market adjusted index rate prior to the plan adjusted index rate calculation.

### Calibration

Total membership projections for the 2016 plan year were provided by UnitedHealthcare's finance department. Membership distribution by Age Group was estimated based on paid membership in Pennsylvania as of February 2015. The current state member distribution was applied to the HHS unisex age curve to calculate our expected average age factor of █. The weighted average age factor of 1.649 is closest to an average age factor of █. The age curve calibration of █ is based on the weighted average age of 48. A summary of the survey results is provided below.

Age Group	Member Distribution	Weighted Average Age Factor
0-20		
21-29		
30-39		
40-49		
50-59		
60-64		
65+		
Total		

The geographic factor calibration is ■■■, which is based on our expected distribution of covered individuals. Our geographic rating factors and expected member distribution for each rating region are provided below. Our expected member distribution is based on 2010 Census data by county. Our geographic factors are based on rates and emerging experience from the affiliated small group carrier used as the starting point for our rate development.

Rating Region	Individual 2016 Distribution	Area Factors
Area 1		
Area 4		
Area 5		
Area 6		
Area 8		
Total		

Calibrating the plan adjusted index rate to the age curve and geographic distribution results in the calibrated premium rate for each plan. The calibrated premium rate represents the preliminary premium rate charged to an individual before applying the consumer specific rating adjustments for age, area, and tobacco status. The calculations are shown below, and the weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Plan Adjusted Index Rate (a)	Age Curve Calibration (b)	Geographic Factor Calibration (c)	Calibrated Premium Rate (d) = a/(b*c)
Gold Compass 0	\$397.74			
Gold Compass 1000	\$404.14			
Silver Compass 4500	\$362.79			
Silver Compass HSA 2000	\$347.04			
Bronze Compass 6500	\$307.66			
Bronze Compass HSA 5500	\$291.91			
Weighted Average	\$349.55			

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### Consumer Adjusted Premium Rate Development

The consumer adjusted premium rate is the final premium rate for each plan that is charged to an individual. It is developed by calibrating the plan adjusted index rate to the average age and geographic rating factors, and applying the consumer specific age, geographic, and tobacco status rating factors. Sample calculations are shown below and represent consumer adjusted premium rates for a 25-year old consumer, residing in rating region 1, with tobacco user status. The weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Calibrated Premium Rate (a)	25-Year-Old Age Factor (b)	Region 1 Area Factor (c)	25-Year-Old Tobacco Factor (d)	Consumer Adjusted Premium Rate (e) = a*b*c*d
Gold Compass 0	█	█	█	█	█
Gold Compass 1000	█	█	█	█	█
Silver Compass 4500	█	█	█	█	█
Silver Compass HSA 2000	█	█	█	█	█
Bronze Compass 6500	█	█	█	█	█
Bronze Compass HSA 5500	█	█	█	█	█
Weighted Average	█	█	█	█	█

The figures above may not tally exactly due to rounding of the display.

### AV Metal Values

Some plans within this portfolio have cost sharing features that differ between individual and family coverage (i.e. when two or more people are covered by the plan). For all plans, we have used only the cost sharing provisions applicable for individual coverage in the actuarial value (AV) calculation.

#### Copays Paid in Conjunction with Coinsurance

Some of our plan designs include copays that are paid in conjunction with coinsurance in the cost-sharing range. This benefit design is not directly compatible with the AV calculator, so the alternate methodology described in 45 CFR 156.135(b)(2) was used for the AV calculation. In order to modify the AV calculator input for a copay paid in conjunction with coinsurance, the following formula was used to estimate the insurer's cost share.

$$\text{Effective Insurer Coinsurance Rate} = \left( 1 - \frac{\text{Member Copay}}{\text{Average Unit Cost}} \right) * ( 1 - \text{Member Coinsurance Rate} )$$

The benefit was then marked as "Subject to Deductible" and "Subject to Coinsurance" with a "Coinsurance, if different" equal to the effective insurer coinsurance rate as calculated above.

The average unit cost was calculated based on the claims data included within the AV calculator continuance tables for each metal level. If the plan was expected to fall within a Silver Metal Tier, the average unit cost was calculated from the Silver continuance tables. All enrollees within a continuance table were included in the calculation of the average unit cost for each benefit type.

The chart below outlines which benefits for the associated plans were impacted by the above methodology.

Plan Name	Benefit Categories including Copays Paid in Conjunction with Coinsurance
Gold Compass 0 Gold Compass 1000 Bronze Compass 6500	- Inpatient Hospital Services
Gold Compass 0 Gold Compass 1000 Bronze Compass 6500	- Imaging (CT/PET Scans, MRIs)
Gold Compass 0 Gold Compass 1000 Silver Compass 4500 Bronze Compass 6500 Silver Compass HSA 2000	- Outpatient Facility Fee

**Prescription Drug Benefits**

Our prescription drug benefits are based on a drug categorization of Tier 1 to Tier 4, instead of the categories presented in the AV calculator (i.e. Generic, Preferred Brand, Non-Preferred Brand, and Specialty). In addition, our Tier 3 and Tier 4 prescription drug benefits incorporate coinsurance rates along with minimum copay amounts. Based on historical experience of affiliated carriers and our expectations regarding the organization of brand and generic drugs into Tiers, the prescription drugs were re-categorized to match the parameters of the AV calculator, and the benefits were converted to equivalent member copays for each category. This adjustment applies to all plans in this filing.

**AV Pricing Values**

The AV pricing values represent the cumulative effect of adjustments made by the issuer to move from the market adjusted index rate to the plan adjusted index. The AV pricing values are shown below. Each of the allowable modifiers to move from the market adjusted index rate to the plan adjusted index rate were previously discussed in the 'Plan Adjusted Index Rates' section of this memorandum. The weighted average is based on the projected membership by plan, as previously outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Plan Name	Market Adjusted Index Rate	Plan Adjusted Index Rate	AV Pricing Value
Gold Compass 0	█	\$397.74	0.974
Gold Compass 1000	█	\$404.14	0.990
Silver Compass 4500	█	\$362.79	0.888
Silver Compass HSA 2000	█	\$347.04	0.850
Bronze Compass 6500	█	\$307.66	0.753
Bronze Compass HSA 5500	█	\$291.91	0.715
Weighted Average	█	\$349.55	0.856

*The figures above may not tally exactly due to rounding of the display.*

## Membership Projections

Total membership projections for the 2016 plan year were provided by UnitedHealthcare's finance department. As UnitedHealthcare of Pennsylvania, Inc. has no credible individual market business in Pennsylvania, membership distribution by metal level was estimated based on informed actuarial judgment as outlined below. Member projections for each metal level were then split evenly between each plan included at that metal level. The projected membership by plan is outlined in the 'Paid-to-Allowed Ratio' section of this memorandum.

Metal Level	Member Distribution
Gold	
Silver	
Bronze	

## Terminated Products

There are no ACA-compliant products and plans, indicated by the HIOS product ID, on which existing non-grandfathered business will be terminated.

## Plan Type

A plan type of HMO has been selected, which describes the plans exactly.

## Warning Alerts

There are no Warning Alerts in Worksheet 2 of the Unified Rate Review Template.

## Reliance

Due to responsibility allocation, I have relied upon other members within the UnitedHealthcare organization to provide certain assumptions. Although I have reviewed the information for reasonableness and consistency, I have not reviewed the methodology in detail due to the substantial amount of additional time required. I have therefore relied upon the expertise of those individuals who have developed the assumptions. A list of reliances is included below.

### UnitedHealthcare Finance Department

- Projected SG&A Assumption
- Projected Member Months

### UnitedHealthcare Actuaries Responsible for Small Group Rate Development

- Affiliated Small Group Rate Development

## Actuarial Certification

I, [REDACTED], am a Director of Actuarial Services for UnitedHealthcare's individual line of business, which includes UnitedHealthcare of Pennsylvania, Inc.'s health insurance products marketed to individuals. I am a member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering statements of actuarial opinion with respect to the filing of rates for health insurance products.

To the best of my knowledge and judgment, I certify that:

- The projected index rate is:
  - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
  - Developed in compliance with the applicable Actuarial Standards of Practice,
  - Reasonable in relation to the benefits provided and population anticipated to be covered,
  - Neither excessive, deficient, nor unfairly discriminatory.
- The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
- The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
- The AV calculator was used to determine the AV metal values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. Some of our plan designs include post deductible copays in addition to per-occurrence copay paid in conjunction with coinsurance rates. These benefit designs are not directly compatible with the AV calculator. Therefore, the alternate methodology described in 45 CFR 156.135(b)(2) was used to fit the parameters of the AV calculator. The values were developed in accordance with generally accepted actuarial principles and methodologies. The unique plan design actuarial certification required by 45 CFR Part 156, §156.135 has been separately attached.
- Geographic factors reflect only the differences in costs of delivery and do not reflect differences in morbidity.
- The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop their rates. Rather, it represents information required by federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification that the index rate is developed in accordance with federal regulation and used consistently and only adjusted by the allowable modifiers.

[REDACTED]

04/22/2015

Date



April 22, 2015  
NAIC: 0707-95220

Michael F. Consedine, Insurance Commissioner  
Pennsylvania Insurance Department  
1326 Strawberry Square  
Harrisburg, PA 17120

**RE: UnitedHealthcare of Pennsylvania, Inc.  
New Policy Forms SBN.IEX.CMP.H.16.PA.Gold, et al.**

**Enclosures:**

- Part I - Unified Rate Review Template (URRT)
- Part III-Actuarial Memorandum related to URRT
- On Exchange Ratebook
- On Exchange Business Rules Template
- On Exchange Rate Data Template
- On Exchange Base Rate Development
- Unique Plan Design Justification

Dear Mr. Consedine:

In this filing, we are submitting the rate templates that the Department has requested for On-Exchange Individual Market filings. The templates in this filing are for rates that correspond with the comprehensive major medical plans for products provided by policy forms SBN.IEX.CMP.H.16.PA.Gold, et al. These are new policy forms, expected to be sold in Pennsylvania on the exchange for effective dates January 1, 2016 and later

If you have any questions about this filing, please call me at [REDACTED] or e-mail me at [REDACTED].

Sincerely,

[REDACTED]

SERFF Tracking #:

UHLC-129897516

State Tracking #:

UHLC-129897516

Company Tracking #:

PA UHCPA ON EXCHANGE

State:

Pennsylvania

Filing Company:

UnitedHealthcare of Pennsylvania, Inc.

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Individual Exchange

Project Name/Number:

/

## Correspondence Summary

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Data Request Sent	Rashmi Mathur (AH)	06/01/2015	06/01/2015

#### Response Letters

Responded By	Created On	Date Submitted
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**State:** Pennsylvania **Filing Company:** UnitedHealthcare of Pennsylvania, Inc.  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Individual Exchange  
**Project Name/Number:** /

## Objection Letter

Objection Letter Status	Data Request Sent
Objection Letter Date	06/01/2015
Submitted Date	06/01/2015
Respond By Date	06/15/2015

Dear Joe Polley,

### **Introduction:**

The Pennsylvania Insurance Department has received and conducted a review of the above captioned filing. In order to complete the review, we are requesting the following information. To facilitate a timely review, we request this information be provided within 14 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. The company rate information contained in the Rate/Rule Schedule Tab indicates that an overall rate change of 5.6% is proposed, with a maximum of 12.1% and a minimum of -1.6%. Please show how these rate changes were developed.
2. Please provide Excel worksheets for all exhibits/tables included in the Part III Actuarial Memorandum and the Rate Development Exhibit. Please leave all the formulas in for the Department to review.
3. Please list all factor changes proposed in this filing relative to the approved 2015 rate filing and discuss the rationale for the changes.
4. The Actuarial Memorandum Page 3 indicates that the Morbidity adjustment is 2.7%. However, the Rate Development Exhibit shows a factor of 1.007. Please explain the discrepancy.
5. Rate Development Exhibit – Please document the calculations of the following factors:  
Narrow Network Adjustment - 1.024  
Plan Design Difference - 0.952  
Average Age Adjustment - 0.958  
Tobacco Adjustment -1.002  
Geographic Variation -1.094

### **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 after reviewing the above data.

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  
Sincerely,  
Rashmi Mathur (AH)

SERFF Tracking #:

UHLC-129897516

State Tracking #:

UHLC-129897516

Company Tracking #:

PA UHCPA ON EXCHANGE

State:

Pennsylvania

Filing Company:

UnitedHealthcare of Pennsylvania, Inc.

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Individual Exchange

Project Name/Number:

/

## Correspondence Summary

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Data Request Sent	Rashmi Mathur	06/01/2015	06/01/2015

#### Response Letters

Responded By	Created On	Date Submitted
Nate Johnson	06/15/2015	06/15/2015

**State:** Pennsylvania **Filing Company:** UnitedHealthcare of Pennsylvania, Inc.  
**TOI/Sub-TOI:** HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO  
**Product Name:** Individual Exchange  
**Project Name/Number:** /

## Objection Letter

Objection Letter Status	Data Request Sent
Objection Letter Date	06/01/2015
Submitted Date	06/01/2015
Respond By Date	06/15/2015

Dear Joe Polley,

### **Introduction:**

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2. Please provide Excel worksheets for all exhibits/tables included in the Part III Actuarial Memorandum and the Rate Development Exhibit. Please leave all the formulas in for the Department to review.
3. Please list all factor changes proposed in this filing relative to the approved 2015 rate filing and discuss the rationale for the changes.
4. The Actuarial Memorandum Page 3 indicates that the Morbidity adjustment is 2.7%. However, the Rate Development Exhibit shows a factor of 1.007. Please explain the discrepancy.
5. Rate Development Exhibit – Please document the calculations of the following factors:  
Narrow Network Adjustment - 1.024  
Plan Design Difference - 0.952  
Average Age Adjustment - 0.958  
Tobacco Adjustment -1.002  
Geographic Variation -1.094

### **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 after reviewing the above data.

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  
Sincerely,  
Rashmi Mathur

**SERFF Tracking #:**

UHLC-129897516

**State Tracking #:**

UHLC-129897516

**Company Tracking #:**

PA UHCPA ON EXCHANGE

**State:**

Pennsylvania

**Filing Company:**

UnitedHealthcare of Pennsylvania, Inc.

**TOI/Sub-TOI:**

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

**Product Name:**

Individual Exchange

**Project Name/Number:**

/

## Supporting Document Schedules

<b>Satisfied - Item:</b>	06.01.2015 Objection Response Redacted
<b>Comments:</b>	
<b>Attachment(s):</b>	PA On-Exchange Objection Response 06.01.2015.pdf PA On-Exchange Objection 06.01.2015 Supp Info - redacted.pdf PA On-Exchange Objection 06.01.2015 Response 2 - redacted.xlsx
<b>Item Status:</b>	
<b>Status Date:</b>	

SERFF Tracking #:

UHLC-129897516

State Tracking #:

UHLC-129897516

Company Tracking #:

PA UHCPA ON EXCHANGE

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State:

Pennsylvania

Filing Company:

UnitedHealthcare of Pennsylvania, Inc.

TOI/Sub-TOI:

HOrg021 Individual Health Organizations - Health Maintenance (HMO)/HOrg021.005D Individual - HMO

Product Name:

Individual Exchange

Project Name/Number:

/

**Attachment PA On-Exchange Objection 06.01.2015 Response 2 - redacted.xlsx is not a PDF document and cannot be reproduced here.**

The attached document contains confidential, proprietary information and trade secrets. This information is strictly confidential and protected from disclosure by the Pennsylvania Uniform Trade Secrets Act, 12 Pa.C.S. § 5301 et seq., and is not a public record subject to disclosure requirements under the Pennsylvania Right to Know Act, 65 P.S. § 67.101 et seq. It may not be disclosed pursuant to 40 P.S. § 65.2-A to any other state or federal regulatory agencies unless the recipient agrees in writing prior to receipt to maintain the confidentiality of the information.

## **PA On-Exchange Objection Response 06.01.2015**

### **Objection 1:**

The company rate information contained in the Rate/Rule Schedule Tab indicates that an overall rate change of 5.6% is proposed, with a maximum of 12.1% and a minimum of -1.6%. Please show how these rate changes were developed.

### **Response 1:**

These rate changes were developed by taking into account base rate increases, plan factor increases, and area factor increases. Age factors and tobacco factors did not change. Please see calculations on the "PA On-Exchange Objection 06.01.2015 Response Supplemental Information" file. Note, the overall average plan factor increase and the overall area factor increase are both based on the average rate increase for existing plans/areas based on current membership.

### **Objection 2:**

Please provide Excel worksheets for all exhibits/tables included in the Part III Actuarial Memorandum. Please leave all the formulas in for the Department to review.

### **Response 2:**

See the attached "PA On-Exchange Objection 06.01.2015 Response 2.xlsx" file for all exhibits/tables included in the Part III Actuarial Memorandum.

### **Objection 3:**

Please list all factor changes proposed in this filing relative to the approved 2015 rate filing and discuss the rationale for the changes.

### **Response 3:**

- Plan factors have been calibrated to reflect actual paid to allowed ratios, then adjusted for plan sloping.
- Four area factors changed due to an adjustment being made to account for network negotiations in 2016 as compared to 2015 applicable to individual plans in all rating areas except rating area 4 that remained the same as compared to 2015.
- Age and tobacco factors have not changed.

The attached document contains confidential, proprietary information and trade secrets. This information is strictly confidential and protected from disclosure by the Pennsylvania Uniform Trade Secrets Act, 12 Pa.C.S. § 5301 et seq., and is not a public record subject to disclosure requirements under the Pennsylvania Right to Know Act, 65 P.S. § 67.101 et seq. It may not be disclosed pursuant to 40 P.S. § 65.2-A to any other state or federal regulatory agencies unless the recipient agrees in writing prior to receipt to maintain the confidentiality of the information.

**Objection 4:**

The Actuarial Memorandum Page 3 indicates that the Morbidity adjustment is 2.7%. However, the Rate Development Exhibit shows a factor of 1.007. Please explain the discrepancy.

**Response 4:**

The 2015 morbidity factor was 1.10, while in 2016 it is 1.13. This is approximately 2.7% ( $1.13/1.10$ ) higher than the previous morbidity used in 2015. The 1.007 shown in the Rate Development Exhibit is a combination of this morbidity adjustment and a demographic adjustment of 0.98 ( $1.007 = 1.027 \times 0.98$ ). This demographic adjustment is reversing a factor of 1.02 that was in the 2015 rate development to account for demographic differences that no longer are projected.

**Objection 5:**

Rate Development Exhibit – Please document the calculations of the following factors:

Narrow Network Adjustment - 1.024

Plan Design Difference - 0.952

Average Age Adjustment - 0.958

Tobacco Adjustment -1.002

Geographic Variation -1.094

**Response 5:**

Due to additional network negotiations, we have revised our rates, and the narrow network adjustment is now 1.019. Please see the attached “PA On-Exchange Objection 06.01.2015 Response Supplemental Information” file for these calculations. Note the geographic variation is the ratio of the expected average area factors, and then the narrow network adjustment is taken out in order to not be double counted.

**PA On-Exchange Objection 1 Response (06.01.2015)**

<b>Minimum Increase</b>			
	2015 Premium	Proposed 2016 Premium	Percent Change
Base Rate			
Area 1 Factor			
Bronze Compass 6500			
Plan Factor			
Calculated Premium PMPM			-1.6%

<b>Maximum Increase</b>			
	2015 Premium	Proposed 2016 Premium	Percent Change
Base Rate			
Area 8 Factor			
Gold Compass 1000			
Plan Factor			
Calculated Premium PMPM			12.1%

<b>Average Increase</b>			
	2015 Premium	Proposed 2016 Premium	Percent Change
Base Rate			
Average Area Factor			
Average Plan Factor			
Calculated Premium PMPM			5.6%

PA On-Exchange Objection Response 5, 06.01.2015

Rating Region	Individual 2016 Distribution	2015 Individual Narrow Network Decrements	2016 Individual Narrow Network Decrements
Area 1			
Area 4			
Area 5			
Area 6			
Area 8			
Total			
<b>Narrow Network Adjustment</b>		<b>1.019</b>	

2016 Plan Name	2016 Plan Weight	2016 Paid-to-Allowed Ratio
Gold Compass 0	7.1%	
Gold Compass 1000	7.1%	
Silver Compass 4500	32.1%	
Silver Compass HSA 2000	32.1%	
Bronze Compass 6500	10.8%	
Bronze Compass HSA 5500	10.8%	
Weighted Average	100.0%	
<b>Plan Design Difference</b>		<b>0.952</b>

2015 Plan Name	2015 Plan Weight	2015 Paid-to-Allowed Ratio
Gold A	12.0%	
Silver A	40.0%	
Silver	40.0%	
Bronze A	4.0%	
Bronze	4.0%	
Weighted Average	100.0%	

2015 Expected Average Age Factor	
2016 Expected Average Age Factor	
<b>Average Age Adjustment</b>	<b>0.958</b>

2015 Expected Average Tobacco Factor	
2016 Expected Average Tobacco Factor	
<b>Tobacco Adjustment</b>	<b>1.002</b>

2015 Expected Average Area Factor	
2016 Expected Average Area Factor	
<b>Geographic Variation</b>	<b>1.094</b>