

SERFF Tracking #:

UPMC-130072609

State Tracking #:

UPMC-130072609

Company Tracking #:

State:

Pennsylvania

Filing Company:

UPMC Health Coverage, Inc.

TOI/Sub-TOI:

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

Product Name:

UPMC HC 2016 Individual

Project Name/Number:

/

Supporting Document Schedules

Satisfied - Item:	Transmittal Letter (A&H)
Comments:	
Attachment(s):	UPMC-130072609_UPMC HC_Indiv HMO_trans ltr_2015-05-15.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memo - redacted version
Comments:	Redacted version of the Actuarial Memo is attached.
Attachment(s):	62560_Actuarial Memo_UPMC HC_Individual_2015-05-13_redacted.pdf
Item Status:	
Status Date:	

May 15, 2015

Commonwealth of Pennsylvania Insurance Department
Insurance Product Regulation & Market Enforcement
Actuarial Review Division
Bureau of Accident & Health Insurance
1311 Strawberry Square
Harrisburg, PA 17120

To Whom It May Concern:

Individual Exchange HMO Rate Filing for January 1, 2016 Effective Date

UPMC Health Plan, d/b/a UPMC Health Coverage, respectfully requests approval of a rate filing for Individual Exchange HMO products. The rates are proposed for effective dates of January 1, 2016 through December 1, 2016, for plan offerings as implemented under the Patient Protection and Affordable Care Act (PPACA). This filing is submitted in the interest of compliance with PA Act 134 of 2011.

The Commissioner has discretion regarding the publication of rate filings in the *Pennsylvania Bulletin*. If the Department decides to publish notice of this filing, we suggest the following notice language:

UPMC Health Plan

Individual Exchange HMO Rate Filing

On May 15, 2015, UPMC Health Plan, d/b/a/ UPMC Health Coverage, submitted for approval a rate filing for use with Individual Exchange HMO customers.

Unless formal administrative action is taken before June 29, 2015, the submitted filing may be deemed approved under Act 134 of 2011.

An Actuarial Memorandum, Rate Template, and Unified Rate Review Template (URRT) are included in this rate filing. If you have any questions or require additional information, please call me at 412.454.5739 or email me at NewellC@upmc.edu.

Sincerely,



Chad Newell, ASA, MAAA

Actuarial Memorandum

General Info

The purpose of this actuarial memorandum is to provide certain information related to a rate submission for the company identified below. The relevant index rate is developed in accordance with federal regulations, and plan specific premiums are generated using the allowable modifiers in accordance with the single risk pool rule.

Company Identifying Information:

Company Legal Name: UPMC Health Coverage, Inc.

State: PA

HIOS Issuer ID: 62560

Market: Individual

Effective Date: 1/1/2016

Company Contact Information:

Primary Contact Name: Chad Newell, ASA, MAAA

Primary Contact Telephone Number: 412.454.5739

Primary Contact Email Address: newellc@upmc.edu

Proposed Rate Increase(s)

Reasons for Rate Increase(s):

Rate increases for these two HMO plans are 0%.

Experience Period Premium and Claims

Paid Through Date:

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, *[This section redacted for publication.]*

Premiums (net of MLR Rebate) in Experience Period:

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016.

Allowed and Incurred Claims Incurred During the Experience Period:

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016.

Benefit Categories

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016. If there was an experience period, then claims would be categorized using the financial closing categories used in financial reporting, which are stored with our data warehouse.

Projection Factors

Changes in the Morbidity of the Population Insured:

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016.

Changes in Benefits:

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016.

Changes in Demographics:

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016.

Other Adjustments:

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016.

Trend Factors (cost/utilization):

No experience period is used because our ACA Individual market enrollment was approximately 4,000 members in 2014, increasing dramatically to approximately 58,000 for 2015, and we further expect

another increase to roughly 92,000 total in the Individual market. This renders the experience of the 2014 plan year irrelevant for projecting to 2016.

Credibility Manual Rate Development

Source and Appropriateness of Manual Rate Used:

[This section redacted for publication.]

Adjustments Made to the Data:

Data for each segment was normalized for risk load (to remove the effects of medical underwriting in some segments) and fee schedule.

Inclusion of Capitation Payments:

There no capitated medical providers. A pass-through amount for the individual market is used where UPMC is contracting with Dominion Dental to provide pediatric dental benefits.

Credibility of Experience

Because there is no experience period being used, 0% credibility is employed. I.e. the manual is relied upon 100%.

Paid to Allowed Ratio

[This section redacted for publication.]

Risk Adjustment and Reinsurance

Projected Risk Adjustments PMPM:

[This section redacted for publication.]

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium (Individual Market and Combined Markets Only):

[This section redacted for publication.]

Non-Benefit Expenses and Profit & Risk

Administrative Expense Load:

[This section redacted for publication.]

Profit & Risk Margin:

[This section redacted for publication.]

Taxes and Fees:

[This section redacted for publication.]

Projected Loss Ratio

All projected loss ratios are above 85%, prior to the inclusion of credibility adjustments, tax adjustments, and inclusion of permitted expenses such as quality improvement items in the numerator.

Index Rate

Most individual market plans include a podiatry benefit that is in excess of EHBs. Some small group market plans include acupuncture, bariatric surgery, podiatry, and private duty nursing benefits that exceed EHBs. All plans include an adult vision exam benefit that is in excess of EHBs.

AV Metal Values

All metal values were determined using the HHS calculator.

AV Pricing Values

[This section redacted for publication.]

Membership Projections

[This section redacted for publication.]

Warning Alerts

Some warnings appear on worksheet 2 of the URRR due to the formula comparing one value that includes reinsurance effects with a value that does not.

Effective Rate Review Information

The Pennsylvania Insurance Department is responsible for conductive effective rate review for all submitted rates.

Actuarial Certification

No additional actuarial certification documents are being submitted at this time.

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UPMC Health Coverage, Inc.

TOI/Sub-TOI:

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

Product Name:

UPMC HC 2016 Individual

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Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Cherri Sanders-Jones (AH)	06/15/2015	06/15/2015

Response Letters

Responded By	Created On	Date Submitted
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State: Pennsylvania Filing Company: UPMC Health Coverage, Inc.
TOI/Sub-TOI: HOrg02I Individual Health Organizations - Health Maintenance (HMO)/HOrg02I.005D Individual - HMO
Product Name: UPMC HC 2016 Individual
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Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	06/15/2015
Submitted Date	06/15/2015
Respond By Date	06/29/2015

Dear John Wisniewski,

Introduction:

June 15, 2015

John Wisniewski, Director, Actuary
1 Chatham Center
112 Washington Place
Pittsburgh, PA 15219

RE: UPMC Health Coverage, Inc. – Individual – HMO

Received: May 15, 2015 SERFF Tracking# UPMC-130072609

Dear Mr. Wisniewski:

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 information within this time frame, please call me.

1. Your cover letter indicates that the proposed effective date is January 1, 2016 through December 1, 2016. Why are the rates only effective through December 1, 2016 and not December 31, 2016?

2. The actuarial memorandum indicates a 0% rate change is requested. Please show how the proposal breaks down by the following and how it is supported by experience:

- Impact of medical claim trend;
- Revisions to assumptions about population morbidity and the projected population distribution;
- Changes to the reinsurance program;
- Changes in cost sharing to ensure that plans comply with Actuarial Value requirements;
- Changes in pricing models used to determine the impact of cost sharing design;
- Changes in provider networks and contracts.

3. Please provide an Excel worksheet that demonstrates that the proposed rates in the 2016 Federal Template are exactly the same as the approved rates reflected in the 2015 Federal Template.

4. Your URRT and narrative do not meet the standard as prescribed by CMS in the 2016 Unified Rate Review Instructions (Rate Filing Justification: Parts I (v2.0.4, II, and III) version 2/21/15. Please provide a URRT (Worksheet 1 and 2) and narrative that meet the level of detail required.

5. It is my understanding that Section I of worksheet I of the URRT must contain experience period data for calendar year 2014. The submitted URRT contains experience period data from 10/1/2011 through 9/30/2012. Please review and provide the required data. Also discuss how the 2014 experience was adjusted to remove the pent up demand inherent in the 2014 claims data?

6. Section II of worksheet I is not populated. Utilizing the 2014 experience period data please populate the experience period, projection period before the credibility adjustment. Additionally the credibility manual sections must also be populated, if the projected experience is less than 100% credible.

7. The narrative for the Credibility Manual Rate Development indicates 5 segments of incurred claims data was used in the development of the manual rate. Please discuss why it is appropriate to include incurred Medicaid data. Also, show the development of and provide a discussion as to how the data from each segment was adjusted to reflect the projected rate for the individual

State: Pennsylvania **Filing Company:** UPMC Health Coverage, Inc.
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commercial market.

8. Your actuarial memorandum does not meet the standard as prescribed by CMS in the 2016 Unified Rate Review Instructions (Rate Filing Justification: Parts I (v2.0.4, II, and III) version 2/21/15). Please provide an actuarial memorandum that contains the detailed narrative and explains the basis for the assumptions used in developing the Index rate in the URRT, per the URRT and the Actuarial Memorandum Instructions. Also, if the URRT is not the basis for premium rate development, please provide an actuarial memorandum that describes the rate development process. Please note the actuarial certifications required.

9. Please ensure that your revised actuarial memorandum includes a discussion of the development of the proposed trend. Also, provide support for the trend.

10. Please identify the specific taxes and fees and the corresponding percent of premium or the pmpm amounts.

11. Please provide an exhibit that shows the development of the calibrated Plan Adjusted Index Rate for each plan starting from the Experience Period Index Rate.

12. Please provide all rating exhibits in Excel. Please retain all formulas.

13. Please ensure that the following templates are included in the binder: service area template, rates template and the business rules template. The federal rates template, as well as the Department's Rating Template, should be included in the Rate/Rule Schedule Tab. The current rating template, in the Rate Rule Schedule tab, is populated with Stand Alone Dental rates. Please review and correct.

14. Please provide the schedule of benefits for each offered plan as well as the corresponding AV screenshots. Please include the contract form number on the schedule of benefits.

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.

16. The Department notes that the premium rates, included in the Supporting documentation tab, for rating areas 1 and 2 are the same and the premium rates for rating areas 5 and 6 are the same, where your affiliate company sets premium rates for rating areas 1 and 4 as equivalent and areas 2 and 5 as equivalent. Please review and revise as necessary. If correct, please explain.

17. Does your company offer transitional policies in Pennsylvania? If so, what markets (individual and/or small group). Please provide the SERFF # for the approved transitional rate filing(s) and the number of transitional members enrolled in each market as of April 1, 2015.

18. Under what pricing assumptions regarding the King v. Burwell Supreme Court Case has your filing been made? Please provide a preliminary actuarial narrative and justification regarding the rate impact for the alternate decision. Please be advised that there may be additional questions based on the responses to the above.

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

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

Sincerely,

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

Conclusion:

Sincerely,
Cherri Sanders-Jones (AH)