

SERFF Tracking #:

AETN-130565231

State Tracking #:**Company Tracking #:****State:**

Pennsylvania

Filing Company:

Aetna HealthAssurance Pennsylvania, Inc.

TOI/Sub-TOI:

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

Product Name:

4Q 2016 PA SG Aetna HASPA filing

Project Name/Number:

4Q 2016 PA SG Aetna HASPA filing/

Supporting Document Schedules

Satisfied - Item:	Transmittal Letter (A&H)
Comments:	
Attachment(s):	4Q16 AHASPA SG PA Cover Letter.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Redacted Part III Act Memo
Comments:	x
Attachment(s):	4Q16 PA SG AHASPA Memo and Cert Redacted.pdf
Item Status:	
Status Date:	



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May 26, 2016

Ms. Rashmi Mathur
A&H Actuarial
Bureau of Accident & Health Insurance
Office of Insurance Product Regulation and Market Enforcement
1311 Strawberry Square
Harrisburg, PA 17120

Re: Aetna Health Assurance of PA - Small Group Rate Manual – 10/01/2016

Dear Ms. Mathur:

The purpose of this filing revision is to provide details of the premium rate development and resulting proposed monthly premium rates for Small Group policies which will be offered off-Exchange in the State of PA for effective dates of October 1, 2016 and later. This filing is being provided to comply with regulatory rate filing requirements, and is not intended to be used for other purposes.

The health benefit plans proposed in this filing are new benefit plans and are in compliance with all state-specific benefit requirements and rating regulations, as well as the benefit plan requirements of the Patient Protection and Affordability Act (P.L. 111-148). Additionally, these health benefit plans conform to each respective tier of coverage, defined as Bronze, Silver, Gold, and Platinum. All plans within a tier are expected to achieve an actuarial value consistent with the thresholds established for each tier – 60%, 70%, 80%, and 90%, respectively – approximated within the allowable range of deviation defined as 2 percentage points.

This rate filing is intended for new business issued through the State of PA off-Exchange marketplace effective October 1, 2016.

All products and associated proposed monthly premium rates contained within this rate filing will be available to existing business upon their request. Existing business that is not considered grandfathered under PPACA regulation will be converted to the plans and rates in this filing upon renewal.

We have tried to present this information in a manner that will facilitate your Department's review. If there are changes we can make to improve the process or you would like us to present the information differently in the future, please let us know.



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Please feel free to contact me at the above listed telephone number and/or e-mail address if you have any additional questions.

Since AHI, AHIC, ALIC, and AHASPA consider this submission to contain proprietary information, we ask that it be kept confidential to the extent possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Adams", is written over a light blue horizontal line.

Andrew Adams, F.S.A., M.A.A.A.
Mgr, Actuarial
Aetna

Enclosures

Actuarial Memorandum and Certification

General Information

Company Identifying Information:

Company Legal Name: Aetna HealthAssurance of Pennsylvania, Inc.
State: Pennsylvania
HIOS Issuer ID: 18939
Market: Small Group
Effective Date: 10/01/2016
Rate Filing Tracking Number: AETN-130565231
Form Filing Tracking Number: AETN-130211067

Company Contact Information:

Name:
Telephone Number:
Email Address:



1. Purpose, Scope, and Effective Date

The purpose of this filing is to:

- 1) Provide support for the development of the Part I Unified Rate Review Template;
- 2) Provide support for the assumptions and rate development applicable to the products supported by the policy forms referenced above;
- 3) Request approval of the resulting monthly premium rates for the products supported by the policy forms referenced above; and
- 4) Provide summaries of the benefit details for the products/plan designs referenced by this filing.

The development of the rates reflects the impact of the market forces and rating requirements associated with the Patient Protection and Affordable Care Act (PPACA) and subsequent regulation.

These rates are for plans issued in Pennsylvania beginning October 1, 2016. The rates comply with all rating guidelines under federal and state regulations. The filing covers plans that will be offered outside the public Marketplace in Pennsylvania.

2. Proposed Rate Increase

Monthly premium rates for all Small Group Market products in Pennsylvania are being revised for effective dates October 1, 2016 through December 31, 2016.

A. Reason for Rate Change(s):

Revised rates for these products were developed using calendar year 2015 experience, as explained in detail in the sections that follow. The resulting proposed rates are 7.4% higher than our previously approved 4th quarter 2016 rates, consistent across all plan designs.

3. Experience Period Premium and Claims

A. Paid Through Date:

AHASPA did not offer coverage in 2015 so there is no base period experience for Worksheet 1.

B. Premiums (Net of MLR Rebate) in Experience Period:

[REDACTED]

C. Allowed and Incurred Claims Incurred During the Experience Period:

[REDACTED]

4. Benefit Categories

Claim tagging is used to fit all fee-for-service medical claims into four categories: Hospital Inpatient, Hospital Outpatient, Physician Services, and Other Medical. Other medical services are an estimated portion of Hospital Outpatient claims including ambulance services, durable medical equipment, and prosthetics. The utilization for these services are counted by service type and rolled up into one utilization number for the total category. Inpatient utilization is counted as days; outpatient and other medical utilization is counted as services; and physician utilization is counted as visits. Capitated services are paid on a per member per month (PMPM) basis and have no utilization values attached. Although pharmacy is also capitated, the experience utilization by prescriptions is also included.

5. Projection Factors

A. Changes in the Morbidity of the Population Insured:

[REDACTED]

[REDACTED]

B. Changes in Benefits:

The products included in this filing include benefits necessary to comply with the Essential Health Benefit requirements. The credibility manual data includes experience for both Single Risk Pool products that have essentially identical benefits and coverage issued outside the Single Risk Pool which does not cover all EHBs. The projection factor reflects the pro-rated impact of these additional benefits.

The change in projected utilization due to changes in benefits is also considered. As cost sharing decreases (measured by increasing Actuarial Value), utilization increases. This pattern is reflected in the factors that are built into the federal risk adjustment mechanism that started in 2014. The federal risk adjustment program factors and other proprietary models were considered in the development of the utilization change. The average cost sharing in the experience period was compared with the average cost sharing in the projection period. From the average cost sharing change, an expected utilization change was derived.

C. Changes in Demographics:

Experience data was normalized for projected changes in the age/gender mix and area mix using internally-developed factors.

D. Other Adjustments:

[REDACTED]

E. Trend Factors (Cost/Utilization):

Anticipated annual trend from the experience period to the rating period for the product line is as follows:

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

6. Credibility Manual Rate Development

A. Source and Appropriateness of Experience Data Used:

[REDACTED]

B. Adjustments Made to the Data:

[REDACTED]

C. Inclusion of Capitation Payments:

[REDACTED]

7. Credibility of Experience

[REDACTED]

8. Paid-to-Allowed Ratio

We project the following distribution of membership by metallic tier, resulting in a projected paid to allowed ratio of approximately [REDACTED]:

9. Reinsurance and Risk Adjustment

A. Reinsurance – Experience Period

[REDACTED]

B. Reinsurance – Projection Period

[REDACTED]

C. Risk Adjustment – Projection Period

[REDACTED]

10. Non-Benefit Expenses and Profit & Risk

[REDACTED]

The Risk Adjustment Program User Fee and the Reinsurance Contribution have been reflected in the risk adjustment and reinsurance components of incurred claims. The Exchange User Fee is applied as an adjustment to the Index Rate at the market level.

These prospective expenses are based on historical expense levels, current-year projections, and projected changes in expenses, inflation, and membership.

11. Projected Loss Ratio

[REDACTED]

[REDACTED]

B. Distribution and Administrative Costs:

Column 3 reflects the adjustment for projected administrative costs and profit. These are discussed above in the ‘Non-Benefit Expenses and Profit & Risk’ section, and exclude the Reinsurance Contribution, Risk Adjustment User Fee, and Exchange User Fee, which are reflected elsewhere. These expense and profit assumptions do not vary by plan.

C. Provider Network, Delivery System, and Utilization Management:

The factors in Column 4 reflect the impact of differences in the network size, efficiency, and provider contract terms. We worked with our contracting area and other subject matter experts to review the impact of these differences and the expected impact on allowed claims.

D. Benefits in addition to EHBs:

[REDACTED]

E. Catastrophic Plan Eligibility:

This filing does not include catastrophic plans.

16. Calibration

A. Age Curve Calibration:

The age factors are based on the HHS Default Standard Age curve.

[REDACTED]

B. Geographic Factor Calibration:

[REDACTED]

C. Quarterly Trend Calibration:

[REDACTED]

17. Consumer-Adjusted Premium Rate Development

Rates are determined using the prescribed member build-up approach. In the event that a family includes more than three child dependents under age 21, only the three oldest child dependents will be considered in determining the family’s premium. Additional child dependents (non-billable members) will not be included in the rate calculation.

The premium for each billable member is calculated as:

Calibrated Plan Adjusted Index Rate * Age Factor * Area Factor * Trend Factor

This filing includes the following standard plans: three Bronze, 16 Silver, 13 Gold, and two Platinum.

Please refer to the corresponding policy forms for detailed benefit language. All benefit and cost sharing parameters comply with Pennsylvania benefit mandates and the requirements of PPACA, including preventive care benefits, deductible limits, and Actuarial Value requirements.

25. Marketing

Plans will be marketed through brokers and general agents.

26. Underwriting

Aetna will verify applicant eligibility for these plans based on any applicable age or geographic limitations.

27. Renewability

These policies are guaranteed renewable as required under §2703 of the Public Health Service Act.

Reliance

While I have reviewed the reasonableness of the assumptions in support of both the preparation of the Part I Unified Rate Review Template and the assumptions in support of the rate development applicable to the products discussed in this filing, I relied on the expertise of the following noted individuals, along with work products produced at their direction, for the following items:



Certification

While this memorandum discusses both our development of rates for these products and the completion of the Part I Unified Rate Review Template (URRT), the Part I URRT does not demonstrate the process used by Aetna to develop the 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 marketplaces, and for certification that the index rate is developed in accordance with Federal regulation, is used consistently, and is only adjusted by the allowable modifiers. The information provided above is intended to comply with these requirements.

I, [REDACTED], am a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and am qualified in the area of health insurance. I hereby certify that to the best of my knowledge and judgment:

1. This rate filing is in compliance with the applicable laws and regulations of Pennsylvania, the requirements under federal law and regulation, and all applicable Actuarial Standards of Practice, including but not limited to:
 - a. ASOP No. 5, Incurred Health and Disability Claims
 - b. ASOP No. 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health
 - c. ASOP No. 12, Risk Classification
 - d. ASOP No. 23, Data Quality
 - e. ASOP No. 25, Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages
 - f. ASOP No. 26, Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans
 - g. ASOP No. 41, Actuarial Communications.

2. The Projected Index Rate is:
 - a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
 - b. Developed in compliance with the applicable Actuarial Standards of Practice,
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered,
 - d. Neither excessive, deficient, nor unfairly discriminatory.

3. 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.
4. 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.
5. The geographic rating factors reflect only differences in the costs of delivery (which include unit costs and provider practice pattern differences) and do not include differences for population morbidity by geographic area.
6. 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. Adjustments made to reflect benefit features not handled by the AV Calculator are discussed in the attached certification required by 45 CFR Part 156, §156.135.

May 26, 2016


Aetna Health Assurance of PA

Date