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August 4, 2016

Eric Cioppa, Superintendent
Attention: Elena Crowley
Docket No. INS-16-1003
Bureau of Insurance
Maine Department of Professional and Financial Regulation
34 State House Station
Augusta, Maine 04333-0034

*Re: Harvard Pilgrim Health Care, Inc. and HPHC Insurance Co., Inc.
2017 Individual Rate Filings
Docket No. INS-16-1003*

Dear Superintendent Cioppa:

Enclosed for filing please find the following:

SUBMITTED BY: Kathleen G. Healy, Esquire
DATE: August 4, 2016
DOCUMENT TITLES: Harvard Pilgrim Closing Statement
DOCUMENT TYPE: Closing Statement
CONFIDENTIAL: No

Thank you for your attention to this matter.

Very truly yours,


Kathleen G. Healy

KGH/pp
Enclosure
cc: See attached service list

NON-CONFIDENTIAL

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:

HARVARD PILGRIM HEALTH CARE, INC.
2017 INDIVIDUAL RATE FILING

HPHC INSURANCE CO., INC.
2017 INDIVIDUAL PPO RATE FILING

Docket No. INS-16-1003
(Consolidated)

HARVARD PILGRIM'S CLOSING
STATEMENT

August 4, 2016

NON-CONFIDENTIAL

Harvard Pilgrim Health Care, Inc. (“Harvard Pilgrim”) respectfully submits the following closing statement in support of its proposed rates for 2017.

I. Harvard Pilgrim’s Proposed Rates Reflect the Market and Are Not Excessive, Inadequate or Unfairly Discriminatory.

As each of the four insurance carriers testified during the individual rate hearings, the individual health insurance market in Maine has experienced significant growth and extensive changes over the last few years. Harvard Pilgrim began offering its individual HMO products for Maine on the Exchange in 2015. During that year, the company gained approximately twelve hundred (1,200) enrolled members. By the end of open enrollment for 2016, with three (3) insurance carriers competing on the Exchange, Harvard Pilgrim had approximately eleven thousand (11,000) enrolled members. Harvard Pilgrim has continued to experience significant growth over the course of 2016, with approximately five hundred (500) new members enrolling in the company’s individual HMO products each month during the Special Enrollment Period (“SEP”), resulting in the current population of approximately thirteen thousand (13,000) enrolled members. In 2017, Maine individual consumers will have four (4) different insurance carriers to choose from in the Exchange and can easily change insurance carriers during open enrollment. The scale and competitiveness of the individual market has resulted in naturally-occurring safeguards against, and consequences for, excessive rates. A carrier that does not offer competitive rates will lose membership. In addition, the ACA’s benefit requirements safeguard against discriminatory rates. In sum, the competitive individual market in Maine in conjunction with the ACA and state benefit requirements have resulted in naturally-occurring market forces that protect against rates that are excessive, inadequate or unfairly discriminatory. Harvard Pilgrim’s proposed rate increase of 21.1% is in line with its competitors and, as more fully set forth below, is the product of a reasonable rate development methodology.

II. Harvard Pilgrim's Rate Development Methodology Results in Rates That Are Not Excessive, Inadequate or Unfairly Discriminatory.

In addition to the foregoing, the evidence submitted by Harvard Pilgrim supports each of the following aspects of its rate development.

A. Harvard Pilgrim's trend is reasonable and in line with its competitors.

Harvard Pilgrim's annual paid trend assumption in the 2017 rates is 9.5%. The trend reflects a one percentage point increase over the trend assumed in the 2016 rates. Harvard Pilgrim's estimated trend reflects the impact of changes to provider arrangements as well as increases in utilization and the cost of prescription drugs. As presented during the hearing and in pre-filed testimony, pharmacy costs are a significant driver of the increase in trend. Utilization of expensive specialty drugs is increasing both the pharmacy and outpatient components of trend. The impact of increasing pharmacy costs on trend is not unique to Harvard Pilgrim. Other carriers in the market have also cited this as a key factor driving up trend for 2017, and are reporting trends ranging from 7.2% to 9.6%. Harvard Pilgrim's trend is comparable to the trends reported by the other carriers and, therefore, is a reasonable assumption for use in developing the 2017 rates. Accordingly, Harvard Pilgrim's trend assumption is reasonable.

B. Harvard Pilgrim's morbidity calculation is reasonable and not excessive.

As described in the revised Actuarial Memorandum, in the absence of credible claims experience for a significant influx of new members in 2016, Harvard Pilgrim has developed its 2017 individual rates using the existing small group experience from 2015, adjusted to estimate the expected individual market experience. Using groups of one and two as a proxy for individual health care purchasing behavior, Harvard Pilgrim compared the experience of these members to the overall small group experience to arrive at the morbidity adjustment factor of 1.134. This factor represents the expected difference between small group morbidity and individual morbidity and is a reasonable adjustment intended to reflect the higher risk of the individual market relative to the small group market.

Harvard Pilgrim did not account for the impact of Special Enrollment members on overall morbidity and this is a concern since it has seen approximately five hundred (500) additional members enrolling as SEPs in 2016, and the experience of SEP enrollment in 2015 showed 32% higher claims per

member per month compared to members who enrolled during the open enrollment period. It is too early to determine the overall impact SEP enrollment will have on 2016 experience and its impact on risk adjustment outcomes. Given this uncertainty, the morbidity assumption is reasonable and not excessive.

C. The removal of the credit for the federal reinsurance recoveries in Harvard Pilgrim's 2017 rate development is appropriate.

Harvard Pilgrim received reinsurance recoveries from the Federal Reinsurance Program for the past two years (2014 and 2015) and will receive recoveries for the last time in 2016. As explained in Harvard Pilgrim's revised Actuarial Memorandum, Harvard Pilgrim reduced its 2016 individual rates by 5.8% for expected reinsurance recoveries. Because the Federal Reinsurance Program will no longer be in effect in 2017, Harvard Pilgrim's 2017 rates no longer reflect a credit for federal reinsurance recoveries.

D. Harvard Pilgrim's contribution to surplus is reasonable and the lowest among the carriers.

Harvard Pilgrim has added only 1% to the rates to provide for contribution to surplus. This is the same assumption used in Harvard Pilgrim's 2016 rates. Harvard Pilgrim's contribution to surplus is the lowest among the carriers and should be upheld.

III. Conclusion

For the reasons set forth above, in Harvard Pilgrim's information responses, pre-hearing testimony, testimony at the hearing, as well as its post-hearing submissions, Harvard Pilgrim submits that its proposed 2017 rates are not excessive, inadequate or unfairly discriminatory. Harvard Pilgrim's 2017 rates are reflective of the competitive individual market and are the result of a reasonable rate development methodology. Harvard Pilgrim respectfully requests that the Superintendent approve the proposed rates as filed.

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CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies that on this date I caused to be mailed by overnight mail and electronic mail, as indicated, copies of Harvard Pilgrim's Closing Statement on the persons and at the addresses indicated below.

<p>Eric A. Cioppa, Superintendent Attention: Elena I. Crowley Docket No. INS-16-1003 Bureau of Insurance Maine Department of Professional and Financial Regulation 34 State House Station Augusta, Maine 04333-0034 [FedEx]</p> <p>Elena I Crowley Elena.I.Crowley@maine.gov [e-mail]</p>	<p>Thomas C. Sturtevant, Jr. Assistant Attorney General Office of the Attorney General 6 State House Station Augusta, Maine 04333-0006 Tom.Sturtevant@maine.gov [e-mail]</p>
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Dated: August 4, 2016

/s/ Kathleen G. Healy
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