

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

IN RE:)
HARVARD PILGRIM HEALTHCARE, INC.) RESPONSE TO
2017 INDIVIDUAL HMO RATE FILING) FIRST INFORMATION REQUEST
) OF THE SUPERINTENDENT ON
HPHC INSURANCE CO., INC.) HPHC
2017 INDIVIDUAL PPO RATE FILING)
)
Docket no. INS-16-1003)
(Consolidated))

Harvard Pilgrim Healthcare is responding to the first information request of the Superintendent with the following written responses and supplemental documents. If more recent information necessitates a change to data in this response, updates will be provided.

1. The HIOS numbers have been added to Table 1 of our rate filing exhibits and will be resubmitted in SERFF.
2. The updated area factors for 2017 were not being reflected in the URRT supplement. This has been corrected along with the rates shown in the file and an updated URRT supplement will be submitted in SERFF.
3. Area factors are reviewed each year to determine if updates are needed. Harvard Pilgrim’s total commercial book of business is used for this analysis. The relative value of our provider contracts as well as normalized claims, and MLR (adjusted for high cost claims) within each rating area are considered. While the provider relativities have not changed significantly, looking at the MLR by rating area indicated that Area 2 experience was more favorable and Area 3 was less favorable than the overall average MLR. Based on this, the Area 2 factor was lowered by 1.5% and the Area 3 factor was increased 1.5%. Area 1 was lowered by 0.5% to align the weighted average to 1.00.

The table below shows the MLR by rating area.

Area	% Mem	ADJ MLR
1	59%	82.2%
2	13%	77.3%
3	24%	84.9%
4	4%	81.0%

4. We have included an exhibit in Attachment A which shows the development of the rates, including the index rate, the market adjusted index rate, the plan adjusted index rate, and the consumer adjusted index rate. Part 1 of this attachment shows the development of the index rate which is then used in Part 2 to derive the consumer adjusted index rate.
5. Experience for HPHC’s Individual PPO membership for 2014, 2015 and Q1 of 2016 is shown below:

	Earned Premium	Incurred Claims	MLR
January 1 2016 to March 31 2016	\$ 396,681	\$ 621,115	156.6%
January 1 2015 to December 31 2015	\$ 1,224,936	\$ 2,849,606	190.5%
January 1 2014 to December 31 2014	\$ 701,738	\$ 1,581,646	64.6%

Note: Risk adjustment is not reflected for 2015. Risk adjustment and reinsurance are not reflected in 2016.

6. The administrative expense exhibit, included as Attachment B, has been updated to include line items for General Administrative costs and selling expense on both a PMPM and % premium basis. The exhibit also reflects corrections to several other expense items which were not updated correctly for the 2017 rates. These changes do not impact the final rates.
7. The morbidity assumption for 2017 reflects the expected difference in morbidity between our actual small group experience and the individual market. Since Harvard Pilgrim does not have sufficient credible membership in 2015, the small group experience was used to develop the 2017 Individual rates. The morbidity adjustment was derived by looking at the experience of groups of 1 and groups of 1-2 within the SG experience and comparing this to the overall SG experience. This is the same approach used for developing the 2016 rates. However, in 2016, the overall individual market experience indicated a lower than anticipated morbidity. Our 2016 morbidity assumption was reduced to take this into account. With 2015 overall market experience now available, we believe the morbidity of the market was understated in our 2016 rates, so a higher factor is needed to account for morbidity in the 2017 rates. Attachment C shows the morbidity factor derivation.
8. The EHB percentage in the actuarial memorandum was incorrect. The adjustment needed to remove experience in excess of EHB is 0.9989. The URRT reflects the correct adjustment factor. The following services are in excess of EHB in both the experience period and the projection period:

Services	% of total Claims
Genetic testing - labs	0.04%
Voluntary Sterilization (male)	0.03%
Acupuncture	0.02%
Abortion	0.01%
Routine Circumcision	0.01%
Index Rate Adjustment	0.9989

9. As stated in the Actuarial memorandum, our pricing model is a Milliman based model. Since Massachusetts is Harvard Pilgrim's largest block of business, this experience provides the greatest credibility upon which to develop the claims probability distributions used to calculate the likelihood of claims exceeding a deductible threshold. The purpose of the model is to calculate the relative value of the various plan designs, and is considered appropriate for determining the benefit plan factors used for Maine.

10. All of our 2017 plans comply with the minor modification requirement in 24-A M.R.S. s2850-B. Attachments D shows the cost share changes and demonstrates compliance.
11. Attachment E provides details of the annual trend of 9.5% used in the development of the 2017 rates, along with the 2016 assumptions. The trend is 1% higher than the 2016 assumptions primarily due to an increase in inpatient utilization and to a lesser degree increased utilization of outpatient and physician services.
12. Attachment F shows the calculation of the 85.1% MLR.
13. The Quality Improvement expense PMPM of \$4.67 shown in the Table 4 Administrative Expense Load is incorrect. The correct PMPM is \$3.94. The breakdown of this PMPM appears in Table 9 of our rate filing and is also shown below:

Item	PMPM
Fraud/Abuse Detection Recovery Expenses	\$ 1.31
Health Care Quality Expenses	\$ 2.64
Total	\$ 3.94

Health Care Quality expenses include a variety of initiatives and programs aimed at improving quality of care provided to our members. Examples include activities to prevent hospital readmissions, programs to improve patient safety and reduce medical errors, wellness & health promotion programs, use of the medical homes model, evidence based medicine, and self-management education.

14. MA UCC is the Massachusetts Uncompensated Care pool which assesses carriers based on claims incurred in Massachusetts facilities. The PMPM reflects the portion of the assessment from Maine members using Massachusetts facilities. This amount has been removed from the administrative costs exhibit as it is already included in the claims PMPM in the rate development.
15. The paid to allowed ratio was incorrect in the URRT. The URRT has been updated to reflect the correct paid to allowed ratio.
16. A PPO product load of 10% was applied to reflect the higher claims costs within our PPO plan relative to the HMO book of business. Both the 2015 allowed claims PMPM (removing the impact of high cost claims) and DXCG risk scores are significantly higher for PPO membership compared to the HMO membership. This higher risk is not expected to be fully offset by the risk adjustment program. Based on this analysis a load of 10% was applied to the PPO base rate. This load is reflected in the Induced Utilization factor in deriving the plan adjusted index rate.

	Allowed Claims PMPM	DXCG risk score
PPO	\$ 782.39	2.240
HMO	\$ 612.68	1.591

17. The Part II Justification of the rate increase is included as Attachment G. This was submitted in HIOS with the rate submission.
18. The impact of the discontinuance of the federal reinsurance program increases 2017 rates by 5.8%.

June 7, 2016

Submitted by:

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