

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)	HEARING REQUESTS OF THE SUPERINTENDENT
)	
)	AUGUST 4, 2016
)	
Docket no. INS-16-1003)	
)	

1. *Please quantify how much of HPHC's trend is attributable to volatility?*

For the 2017 rate filing, Harvard Pilgrim is assuming a trend volatility margin of 0.5%. In general, the following factors have and can contribute to volatility in claims trend:

- Market Risk:
 - New membership whose experience is worse than expected and includes pent-up demand
 - Sun setting of ACA reinsurance program (loss of safety net for carriers who enroll new, previously uncovered, individuals)
- Claim risk:
 - Large claims can have material impacts on a block of our size
 - New high cost drugs, such as Sovaldi and Harvoni, which cost \$60,000 to \$100,000 for a course of treatment
 - Expensive specialty drugs, such as Enbrel and Humira, which recently have had higher than historical manufacturer cost increases
- Regulatory risk:
 - New mandated coverage that induces demand

2. *Please provide consumer education materials for the Maine's Choice tiered network product.*

The consumer materials are attached.

3. *Please confirm that the administrative expense numbers shown in Tables 4 and 6 are correct and provide reconciliation between the two numbers.*

The numbers shown in Tables 4 and 6 of the pre-filed testimony exhibits are correct. Table 4 shows the components of rate calculation and includes a line for administrative expense plus contribution. In Table 6, the contribution is shown as a percentage, while in Table 4 the contribution has been converted to a PMPM. We have revised Table 4 to include the breakdown of the administrative expenses shown in Table 6.

4. *Please quantify the experience with Special Enrollment membership.*

For the 2015 calendar year, Special Enrollment represented 23% of Harvard Pilgrim's total membership of 1,618. The average individual membership during 2015 was 1,156. The average Special Enrollment member stayed with Harvard Pilgrim for just 4.4 months.

The claims PMPM for the Special Enrollment population was 32% higher than the Open Enrollment population in 2015. Oliver Wyman published a study of Special Enrollment and the impact on the individual market which reported that in the first three months, Special Enrollment PMPM claims costs were 24% higher than Open Enrollment in 2014, and 41% higher in 2015¹. While our membership pool was relatively small in 2015, our result is consistent with the Oliver Wyman findings.

5. *Please provide an updated Exhibit E showing the results for the HMO business.*

Exhibit E has been revised to show the impact of the final 2015 Risk Adjustment and Reinsurance on the HMO business.

6. *Please provide information on quality improvement program outcomes.*

Harvard Pilgrim has invested heavily in nationally recognized quality improvement programs that are designed with the aims of improving the overall health of our members while simultaneously lowering costs. While we cannot provide a quantitative analysis of the effects of these efforts, we would like to note for the Bureau several key aspects of our Quality Improvement program which include:

- HEDIS measurements, with Harvard Pilgrim consistently placing in the top five plans nationally, and with 90th percentile participation in 15 measures, including colonoscopy and mammographic screening rates.
- Nationally recognized common chronic disease management programs. We are especially proud of our diabetes program which has resulted in significant decreases in average Hemoglobin A1C levels in all products.
- The Harvard Pilgrim "Quality Advance Program" with significant shared savings and risk sharing arrangements that are quality based with several large Maine physician groups. These programs have resulted in improved care, increased efficiencies of care, and in improved payor/ physician communication through quarterly meetings.
- Through the Quality Program, Harvard Pilgrim has also provided clinical quality research funding to three Maine practices for greater than \$200,000 in 2016 for projects studying improved communication between physicians and specialists, for communication between urgent care and emergency rooms.

1. Oliver Wyman, Special Enrollment Periods and the Non-Group, ACA-Compliant Market (February 24, 2016)

August 4, 2016

Submitted by:

/s/Laura S Pendergast

Laura S Pendergast, FSA, MAAA
Manager, Actuarial