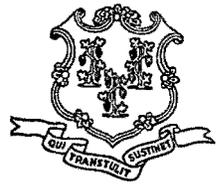


STATE OF CONNECTICUT

INSURANCE DEPARTMENT



-----X
In The Matter or :
UNITED HEALTHCARE : Docket No. LH 16-70
INSURANCE COMPANY :
Medicare Supplement Insurance :
----- X

ORDER

I, Katharine L Wade, Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter and issue the following order, to wit:

United Healthcare Insurance Company's 2017 calendar year rate filings for its group Pre-Standardized and Standardized Medicare supplement insurance plans (Pre-MIPPA Plans sold before June 1, 2010 and MIPPA Plans sold on or after June 1, 2010) were reviewed. The following rate increases are approved.

Group Pre-Standardized Medicare Supplement Insurance Plans

| <u>PLANS</u> | <u>Rate Increase</u> |
|----------------------------|----------------------|
| M1/J1/P1 | 1.9% |
| M2/J2/P2/MC/MH/MM/MS/DA/DB | 2.0% |
| M3/J3/P3 (w/drugs) | 2.0% |
| M3/J3/P3 (w/o drugs) | 2.0% |
| M4 (w/drugs) | 2.0% |
| M4 (w/o drugs) | 2.0% |
| M5/J5/P5 | 2.0% |
| M6/J6/P6/DC/DE/DF | 2.0% |
| M7/P7 (w/drugs) | 2.0% |
| M7/P7 (w/o drugs) | 2.0% |

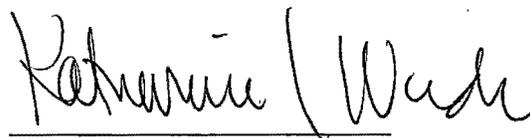
| | |
|---------------|------|
| AD/DP | 0.0% |
| AG | 2.3% |
| W (w/ drugs) | 2.0% |
| W (w/o drugs) | 2.0% |
| X | 2.0% |
| Y | 2.0% |

Group Standardized Medicare Supplement Insurance Plans

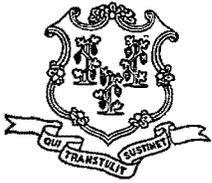
| <u>PLANS</u> | <u>Rate Increase</u> |
|---------------------|-----------------------------|
| A | 3.1% |
| B | 3.1% |
| C | 3.4% |
| D | 3.0% |
| E | 3.0% |
| F | 3.0% |
| G | 3.0% |
| H (w/drugs) | 3.0% |
| H (w/o drugs) | 3.1% |
| I (w/ drugs) | 3.0% |
| I (w/o drugs) | 3.0% |
| J (w/ drugs) | 3.0% |
| J (w/o drugs) | 3.0% |
| K | -10.0% |
| L | 0.0% |
| N | 0.0% |

The rate changes approved herein for United Healthcare Insurance Company's group Pre-Standardized and Standardized Pre-MIPPA and MIPPA (Medicare Improvements for Patients and Providers Act of 2008) Medicare supplement insurance plans are reasonable in relation to the benefits, estimated claim costs and anticipated loss ratios the company can reasonably expect to realize on its Medicare supplement business.

Dated at Hartford, Connecticut, this 14th day of September, 2016.

A handwritten signature in cursive script that reads "Katharine L Wade". The signature is written in black ink and is positioned above a horizontal line.

Katharine L Wade
Commissioner



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

-----X
In The Matter or :
UNITED HEALTHCARE : **Docket No. LH 16-70**
INSURANCE COMPANY :
Medicare Supplement Insurance :
 -----X

PROPOSED FINAL DECISION

1. INTRODUCTION

The Insurance Commissioner of the State of Connecticut is empowered to review rates charged for individual and group Medicare supplement policies sold to any resident of this State who is eligible for Medicare. The source for this regulatory authority is contained in Chapter 700c and Section 38a-495a of the Connecticut General Statutes.

After due notice, a hearing was held at the Insurance Department in Hartford on Tuesday, August 30, 2016 to consider whether or not the rate increase requested by United Healthcare Insurance Company on its group Pre-Standardized and Standardized Medicare supplement business should be approved.

No members from the general public or public officials attended the hearing.

One local newspaper reporter attended the hearing.

The Insurance Department's Communications Director attended the hearing.

An actuary representing United Healthcare Insurance Company participated in the hearing via speaker phone.

The hearing was conducted in accordance with the requirements of Section 38a-474, Connecticut General Statutes, the Uniform Administrative Procedures Act, Chapter 54 of Section 38a-8-1 et seq. of the Regulations of Connecticut State Agencies.

A Medicare supplement policy is a private health insurance policy sold on an individual or group basis, which provides benefits that are additional to the benefits provided by Medicare. For many years Medicare supplement policies have been highly regulated under both state and federal law to protect the interests of persons eligible for Medicare who depend on these policies to provide additional coverage for the costs of health care.

Effective December 1, 2005, Connecticut amended its program of standardized Medicare supplement policies in accordance with Section 38a-495a of the Connecticut General Statutes, and Sections 38a-495a-1 through 38a-495a-21 of the Regulations of Connecticut Agencies. This program, which conforms to federal requirements, provides a "core" package of benefits known as Plan A. Insurers may also offer any one or more of eleven other plans (Plans B through N).

Effective January 1, 2006, in accordance with Section 38a-495c of the Connecticut General Statutes (as amended by Public Act 05-20) premiums for all Medicare supplement policies in the state must use community rating. Rates for Plans A through N must be computed without regard to age, gender,

previous claims history or the medical condition of any person covered by a Medicare supplement policy or certificate.

The statute provides that coverage under Plans A through N may not be denied on the basis of age, gender, previous claims history or the medical condition of any covered person. Insurers may exclude benefits for losses incurred within six months from the effective date of coverage based on a pre-existing condition.

Effective October 1, 1998, carriers that offer Plan B or Plan C must make these plans as well as Plan A, available to all persons eligible for Medicare by reason of disability.

Insurers must also make the necessary arrangements to receive notice of all claims paid by Medicare for their insureds so that supplement benefits can be computed and paid without requiring insureds to file claim forms for such benefits. This process of direct notice and automatic claims payment is commonly referred to as "piggybacking" or "crossover".

Sections 38a-495 and 38a-522 of the Connecticut General Statutes, and Section 38a-495a-10 of the Regulations of Connecticut Agencies, state that individual and group Medicare supplement policies must have anticipated loss ratios of 65% and 75%, respectively. Under Sections 38a-495-7 and 38a-495a-10 of the Regulations of Connecticut Agencies, filings for rate increases must demonstrate that actual and expected losses in relation to premiums meet these standards, and anticipated loss ratios for the entire future period for which the requested premiums are calculated to provide coverage must be expected to equal or exceed the appropriate loss ratio standard.

Section 38a-473 of the Connecticut General Statutes provides that no insurer may incorporate in its rates for Medicare supplement policies factors for expenses that exceed 150% of the average expense ratio for that insurer's entire written premium for all lines of health insurance for the previous calendar year.

II. FINDING OF FACT

After reviewing the exhibits entered into the record of this proceeding, the testimony of the witnesses, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

General

United HealthCare is requesting the following rate increases on its Connecticut Medicare Supplement Group Pre-Standardized AARP block of business for 2017:

| <u>Plan</u> | <u>Proposed</u> <u>2017 Monthly</u> <u>Rate</u> | <u>2016 Monthly</u> <u>Rate</u> | <u>Diff.</u> <u>(%)</u> |
|----------------------|---|------------------------------------|----------------------------|
| M1/J1/P1 | \$120.50 | \$118.25 | 1.9% |
| M2/J2/P2 | \$205.50 | \$201.50 | 2.0% |
| M3/J3/P3 (w/ drugs) | \$356.25 | \$349.25 | 2.0% |
| M3/J3/P3 (w/o drugs) | \$316.00 | \$309.75 | 2.0% |
| M4 (w/ drugs) | \$344.75 | \$338.00 | 2.0% |
| M4 (w/o drugs) | \$302.75 | \$296.75 | 2.0% |
| M5/J5/P5 | \$151.75 | \$148.75 | 2.0% |
| M6/J6/P6 | \$260.75 | \$255.75 | 2.0% |

| | | | |
|-------------------|----------|----------|------|
| M7/P7 (w/ drugs) | \$354.50 | \$347.50 | 2.0% |
| M7/P7 (w/o drugs) | \$313.50 | \$307.25 | 2.0% |
| AG | \$45.25 | \$44.25 | 2.3% |
| W (w/ drugs) | \$289.00 | \$283.25 | 2.0% |
| W (w/o drugs) | \$266.50 | \$261.25 | 2.0% |
| X | \$168.00 | \$164.75 | 2.0% |
| Y | \$102.00 | \$100.00 | 2.0% |

No increase requested for pre-standardized Plan AD/DP.

United HealthCare calculated the Medicare Part A trend as follows:

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------------------------|-------------|-------------|-------------|-------------|
| Medicare Part A Deductible | \$1,216 | \$1,260 | \$1,288 | \$1,332 |
| % Change in Part A Deductible | 2.7% | 3.6% | 2.2% | 3.4% |
| Utilization Trend | 8.6% | -4.2% | 1.9% | 1.8% |
| Composite Trend | 11.6% | -0.7% | 4.2% | 5.2% |

Trend for the M-Series is based upon historical experience.

Approximately 966 Connecticut residents are covered by M-series plans.

United HealthCare certified that the expense factors, within the proposed rates, are in compliance with section 38a-473, C.G.S.

United HealthCare indicated at the hearing that, due to continued increases in medical expenses and utilization above and beyond what they are currently pricing for, the requested rate increases are justifiable as well as in compliance with the loss ratio requirements of Connecticut law.

Pre-standardized plans - National Retired Teachers Association Group Health Program
(loss ratios are specific to Connecticut)

The 2015 loss ratio for Plan AG is 0.7% while the 2016 and 2017 estimated loss ratios are 212.2% and 244.2%, respectively, with an inception-to-date loss ratio of 97.6%.

The proposed rates for these plans are intended to be approximately equivalent to the rates and claim costs in the AARP Medicare Supplement Portfolio with comparable benefits.

There is 1 covered life under these plans in 2016. The covered life is in Plan AG.

Pre-Standardized Plans M-Series

The level of claim continues to increase for these plans as the insured become older and no new insured enter the group.

The overall loss ratios for the M-series block are as follows:

| <u>Plan</u> | <u>2015</u> | <u>2016 Est.</u> | <u>2017 Est.</u> |
|-------------|-------------|------------------|------------------|
| M1 | 122.5% | 163.5% | 131.5% |
| M2 | 114.3% | 105.4% | 97.0% |
| M3 | 62.9% | 70.4% | 71.1% |
| M4 | 269.1% | 108.1% | 0.0% |
| M5 | 83.6% | 124.9% | 127.6% |
| M6 | 86.6% | 84.6% | 86.6% |
| M7 | 73.2% | 73.0% | 71.7% |
| Total | 85.4% | 83.9% | 85.6% |

Compliance with Reg. 38a-474 (submission and review of rates for Medicare supplement)

United HealthCare's 2016 Medicare supplement rate filing proposals are in compliance with the requirements of regulation 38a-474 as it applies to the contents of the rate submission as well as the actuarial memorandums.

III. RECOMMENDATION

Group Pre-Standardized M-Series

The undersigned recommends approval of the following rate increases for 2017:

| <u>Plan</u> | <u>Increase</u> |
|----------------------|-----------------|
| M1/J1/P1 | 1.9% |
| M2/J2/P2 | 2.0% |
| M3/J3/P3 (w/ drugs) | 2.0% |
| M3/J3/P3 (w/o drugs) | 2.0% |
| M4 (w/ drugs) | 2.0% |
| M4 (w/o drugs) | 2.0% |
| M5/J5/P5 | 2.0% |
| M6/J6/P6 | 2.0% |
| M7/P7 (w/ drugs) | 2.0% |
| M7/P7 (w/o drugs) | 2.0% |

For Plans M1 through M7 the rate change request is reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

Group Pre-Standardized AG, W, X, Y

The undersigned recommends that the requested increases be approved as submitted. The rate change requests are reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

IV. FINDING OF FACT

After reviewing the exhibits entered into the record of this proceeding, the testimony of the witnesses, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

General

UnitedHealthcare was granted rate increases on its Connecticut Group Medicare Supplement AARP Standardized block of business for 2016. The current filing for 2017 rates request the following increases:

| <u>Plan</u> | <u>Proposed 2016 Monthly Rate</u> | <u>2015 Monthly Rate</u> | <u>Diff. (%)</u> |
|----------------|---|------------------------------|----------------------|
| A | \$153.25 | \$144.50 | 6.1% |
| B | \$202.00 | \$196.00 | 3.1% |
| C | \$313.50 | \$303.25 | 3.4% |
| D | \$223.25 | \$216.75 | 3.0% |
| E | \$224.00 | \$217.50 | 3.0% |
| F | \$241.50 | \$234.50 | 3.0% |
| G | \$224.25 | \$217.75 | 3.0% |
| H (with Rx) | \$316.50 | \$307.25 | 3.0% |
| H (without Rx) | \$219.00 | \$212.50 | 3.1% |
| I (with Rx) | \$320.00 | \$310.75 | 3.0% |
| I (without Rx) | \$221.75 | \$215.25 | 3.0% |
| J (with Rx) | \$384.50 | \$373.25 | 3.0% |
| J (without Rx) | \$242.75 | \$235.75 | 3.0% |
| K | \$65.50 | \$72.75 | -10.0% |
| L | \$127.75 | \$121.75 | 4.9% |

No rate change requested for Plan N.

UnitedHealthcare calculated the Medicare Part A trend as follows:

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------------------------|-------------|-------------|-------------|-------------|
| Medicare Part A Deductible | \$1,216 | \$1,260 | \$1,288 | \$1,332 |
| % Change in Part A Deductible | 2.7% | 3.6% | 2.2% | 3.4% |
| Utilization Trend | -1.0% | -1.4% | 0.6% | 0.5% |
| Composite Trend | 1.6% | 2.1% | 2.8% | 3.9% |

UnitedHealthcare's standardized plans prior to June 1, 2010 cover approximately 42,868, with an additional 53,706 covered under the new MIPPA plan. The standardized MIPPA plans are available on a group basis under a group policy issued to the American Association of Retired Persons (AARP).

UnitedHealthcare certified that the expense factors, within the proposed rates, are in compliance with section 38a-473, C.G.S.

The Connecticut loss ratios for the standardized block of business are as follows:

| Plan | 2013 | 2014 | 2015 |
|-------|-------|--------|--------|
| A | 86.5% | 82.8% | 81.3% |
| B | 87.3% | 89.8% | 88.7% |
| C | 84.7% | 84.4% | 83.6% |
| D | 91.2% | 94.4% | 86.7% |
| E | 82.3% | 78.7% | 88.8% |
| F | 78.1% | 81.6% | 82.0% |
| G | 87.3% | 85.7% | 95.7% |
| H | 99.9% | 103.9% | 101.3% |
| I | 83.3% | 81.2% | 85.4% |
| J | 75.6% | 77.0% | 78.2% |
| K | 60.6% | 64.9% | 72.6% |
| L | 70.1% | 78.5% | 72.7% |
| N | 71.1% | 77.3% | 76.1% |
| Total | 78.8% | 80.9% | 81.2% |

Compliance with Reg. 38a-474 (submission and review of rates for Medicare supplement)

UnitedHealthcare's 2016 Medicare supplement rate filing proposals are in compliance with the requirements of regulation 38a-474 as it applies to the contents of the rate submission as well as the actuarial memorandums.

It has been confirmed that UnitedHealthcare makes standardized Plans A, B and C available to persons eligible for Medicare by reason of a disability only if they are members of AARP, and that UnitedHealthcare is in compliance with the automatic claim processing system (i.e., piggybacking).

V. RECOMMENDATION

Group Standardized Plans Sold Prior to June 1, 2010 and MIPPA Plans Sold after June 1, 2010

The undersigned recommends approval of the following rate changes:

| Plan | Increase |
|----------------|----------|
| A | 3.1% |
| B | 3.1% |
| C | 3.4% |
| D | 3.0% |
| E | 3.0% |
| F | 3.0% |
| G | 3.0% |
| H (with Rx) | 3.0% |
| H (without Rx) | 3.1% |

| | |
|-------------------|--------|
| I (w/ and w/o Rx) | 3.0% |
| J (w/ and w/o Rx) | 3.0% |
| K | -10.0% |
| L | 0.0% |

The undersigned also recommends that no rate change be approved as requested for Plan N.

For Plans B through K, the rate change request is reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

For Plan A, the reduction from 6.1% to 3.1% is based on the fact that the experience is very consistent with Plan B and the projected trend for 2017 is also consistent with Plan B. For Plan L, the inception-to-date loss ratio experience has not yet met the Connecticut statutory loss ratio requirement of 75% and any increase at this time would be considered excessive.

Dated at Hartford, Connecticut, this 14th day of September, 2016.



Danny K. Albert
Hearing Officer