



Access Health CT
Independent Review of 2014 Rate Filings
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Agenda

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- II. Carrier Specific Information**
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I. Executive Summary

- A. Background/Scope of Work
- B. Limitations & Reliances
- C. Rate Review Process
- D. Results
- E. Summary of Recommendations

I. Executive Summary

A. Background/Scope of Work

- Retained by Access Health CT
- Review Exchange Rate Filings
- Concurrent with the Connecticut Insurance Department (CID)
- Sent Questions on Rate Filings (as time permitted)
- Met with plans (as time permitted)
- Provided Comments/Conclusions as public comment to the CID

I. Executive Summary

B. Limitations/Reliances

- All rates not yet final.
 - Wakely made some assumptions regarding future rate changes based on outstanding CID comments on assumptions.
 - Outstanding benefit changes may change rates
- Wakely did not have direct access to filing system (SERFF). Relied on SERFF documents as provided by Access Health CT.
- Wakely did not receive excel versions of all carrier rate templates due to SERFF limitation. Wakely calculated rates may not be equal to final rates due to rounding or other methodological issues.
- Wakely comments provided to CID were made based on information available at time, and were not updated based on subsequent submissions.

I. Executive Summary

C. Rate Review Process

- **Review of Actuarial Memorandum**
- **Review of Development of Index Rate**
 - Experience / Manual Rate
 - Adjustments for EHBs
 - Trends
 - Morbidity Factors
 - Induced Utilization
 - Population Adjustments
 - Administrative Expenses
 - Taxes & Fees
 - Margin Levels

I. Executive Summary

C. Rate Review Process, cont.

- **Review of Required Plan Premium Rates**
 - Actuarial Value
 - Induced Demand
 - Age Factors
 - Area Factors
- **Review of Projected Membership**
- **Development of Ranges of Assumptions and Rates**

I. Executive Summary

D. Results

- Primarily verbal responses to Wakely inquiries.
- Plans were cooperative, but timing restrictions and completeness of responses varied among plans.
- Was a fluid process, as many carriers had refilings during review period. (See summary of refilings on next slide).
- Factors used to develop rates varied across carriers, sometimes materially.
- CID comments to carriers generally resulted in reductions to rates.
- Range of rates across carriers for the lowest cost plan by metal tier (on exchange only) is relatively narrow.

Metal Tier	Ratio of Min-to-Max On Exchange Rates	
	Individual	Small Group
Bronze	1 -to- 1.105	1 -to- 1.091
Silver	1 -to- 1.189	1 -to- 1.081
Gold	1 -to- 1.059	1 -to- 1.127

I. Executive Summary

D. Results, cont.

- Premium impact for individuals and small groups will vary based on:
 - Age(s)/family size(s) of purchaser
 - Geographic region
 - Eligible of subsidies, i.e. advanced premium tax credit (“APTC”) and cost sharing reductions (“CSR”)
 - Benefit plan
- Standard/non-Standard plans not easily identifiable in rate filing
- A small of number non-Standard plans will offered on the exchange

I. Executive Summary

D. Results, cont. - Summary of Refilings

	Individual	Small Group
Aetna	Removed 8.1% durational adjustment, removed 1.5 percentage points out of annual trend, and corrected exchange assessment. Results were in an estimated 10% reduction in base rates.	n/a
Anthem	No refilings	No refilings
ConnectiCare	Reduced base rate by 1.4% due to reduction in prospective trend assumption and reduction in exchange fee assumption. Also revised geographic factors for region 1 (+7%) and region 2 (-6%).	Withdrew, no refilings
HealthyCT	Added health insurer fee and assumed more managed care savings resulting in a reduced base rate of 20%, additional reduction to plan factors of 1-2%, removed a benefit plan	Added health insurer fee and assumed more managed care savings resulting in a reduced base rate of 8%, additional reduction to plan factors of 1-2%, removed a benefit plan
United	n/a	Removed a percentage point of annual trend, resulting in a 3% reduction to base rates

I. Executive Summary

E. Summary of Topics with Rate Impacts Wakely Submitted as Public Comment to CID

Aetna	Trend Rates Morbidity assumptions Exchange fee
Anthem	Trend Rates Early migration adjustment Support of area factors Exchange fee
ConnectiCare	No specific comments. All were resolved in refiled rates prior to comments to CID
HealthyCT	Benefit Relativities Pharmacy Rebates
United	Trend Rates Development of base rate Support of benefit factors Administrative components

II. Carrier Specific Information

- Number of Plan Offerings
- Rate Development/Ranges of Assumptions
- Premium Ranges by Metal Tier

II. Carrier Specific Information

Individual Plan Offerings - On Exchange

On Exchange	Bronze	Silver	Gold	Platinum	Catastrophic	Total
Aetna	2	1	1	0	1	5
Anthem	3	2	2	0	1	8
Healthy CT	2	1	1	0	1	5
ConnectiCare	3	1	1	0	1	6
Total	10	5	5	0	4	24

II. Carrier Specific Information

Individual Plan Offerings - Off Exchange

Off Exchange	Bronze	Silver	Gold	Platinum	Catastrophic	Total
Aetna	2	1	0	0	0	3
Anthem	5	3	2	0	1	11
Healthy CT	2	3	2	0	1	9
ConnectiCare	3	1	1	0	1	6
Total	12	8	5	0	3	29

II. Carrier Specific Information

Individual Plan Offerings - Total

On & Off Exchange	Bronze	Silver	Gold	Platinum	Catastrophic	Total
Aetna	4	2	1	0	1	8
Anthem	8	5	4	0	2	19
Healthy CT	4	4	3	0	2	14
ConnectiCare	6	2	2	0	2	12
Total	22	13	10	0	7	53

II. Carrier Specific Information

Small Group Plan Offerings - On Exchange

On Exchange	Bronze	Silver	Gold	Platinum	Total
Anthem	2	1	2	0	5
Healthy CT	2	1	1	0	4
United	1	1	1	0	3
Total	5	3	4	0	12

II. Carrier Specific Information

Small Group Plan Offerings - Off Exchange

Off Exchange	Bronze	Silver	Gold	Platinum	Total
Anthem	7	5	12	4	28
Healthy CT	2	3	2	0	7
United	1	1	1	0	3
Total	11	9	15	4	39

II. Carrier Specific Information

Small Group Plan Offerings - Total

On & Off Exchange	Bronze	Silver	Gold	Platinum	Total
Anthem	9	6	14	4	33
Healthy CT	4	4	3	0	11
United	2	2	2	0	6
Total	16	12	19	4	51

II. Carrier Specific Information

Rate Development Assumptions

Individual

Description	Aetna	Anthem	ConnectiCare	HealthyCT Milliman Health Care Cost Guidelines
Source Data	Individual Experience	Individual Experience	Individual Experience	
Annual Trend	was 10%, now 8.5%	8.57%	5.21%	7.50%
Morbidity Impact	44.70%	4.52%	19.80%	Not supplied
Pent-Up Demand	4.40%	0.00%	0.00%	Not supplied
Admin & Commissions (Not including Quality Initiatives)	14.30%	8.64%	16.17%	9.44%
Quality Initiatives	0.60%	0.72%	Not Supplied	1.87%
Taxes & Fees: PCORI	0.17 PMPM	0.17 PMPM	0.17 PMPM	0.17 PMPM
Taxes & Fees: Risk Assessment	0.08 PMPM	0.08 PMPM	0.08 PMPM	0.08 PMPM
Taxes & Fees: Exchange Fee	1.35%	1.48%	1.64%	1.35%
Taxes & Fees: Insurer Fee (New ACA Prem Tax)	2.60%	2.46%	2.85%	0.00%
Taxes & Fees: State Premium Tax	2.06%	1.75%	1.75%	1.50%
Taxes & Fees: State/Federal Income Tax on Profit	1.62%	1.75%	1.75%	0.00%
Target Profits/Contingency Margin (Post Tax)	3.00%	3.25%	3.25%	1.00%
Target Loss Ratio (Conventional)	73.39%	79.60%	71.30%	80.48%
Target Loss Ratio (Federally Defined)	81.50%	86.61%	78.80%	85.40%
Regional Factors				
Area 1: Fairfield	1.15	1.1	1.1107	1.101
Area 2: Hartford	1	0.8589	0.9174	0.916
Area 3: Litchfield	1	0.8589	0.985	0.901
Area 4: Middlesex	1	0.9361	0.98	0.993
Area 5: New Haven	1.075	0.9361	1.027	1
Area 6: New London	1.15	0.8589	1.027	1.071
Area 7: Tolland	1	0.8589	1.011	0.886
Area 8: Windham	1	0.8589	1.011	1

II. Carrier Specific Information

Rate Development Assumptions

Small Group

Description	Anthem	HealthyCT	United
Source Data	Small Group Experience	Milliman Health Care Cost Guidelines	Oxford Experience
Annual Trend	8.57%	7.50%	Was 11.10%, now 10.1%
Morbidity Impact	3.52%	Not supplied	0.0%
Pent-Up Demand	0.00%	Not supplied	0.0%
Admin & Commissions (Not including Quality Initiatives)	7.89%	13.53%	5.30%
Quality Initiatives	0.50%	1.80%	0.70%
Taxes & Fees: PCORI	0.17 PMPM	0.17 PMPM	0 PMPM
Taxes & Fees: Risk Assessment	0.08 PMPM	0.08 PMPM	0 PMPM
Taxes & Fees: Exchange Fee	1.48%	1.35%	1.35%
Taxes & Fees: Insurer Fee (New ACA Prem Tax)	2.55%	0.00%	2.10%
Taxes & Fees: State Premium Tax	1.75%	1.50%	1.75%
Taxes & Fees: State/Federal Income Tax on Profit	2.20%	0.00%	2.80%
Target Profits/Contingency Margin (Post Tax)	4.10%	1.00%	5.20%
Target Loss Ratio (Conventional)	79.60%	77.24%	84.10%
Target Loss Ratio (Federally Defined)	86.59%	85.40%	86.10%
Regional Factors			
Area 1: Fairfield	1.08	1.101	1.06
Area 2: Hartford	0.95	0.916	0.97
Area 3: Litchfield	0.95	0.901	0.89
Area 4: Middlesex	1	0.993	1
Area 5: New Haven	1	1	0.95
Area 6: New London	0.95	1.071	1
Area 7: Tolland	0.95	0.886	0.95
Area 8: Windham	0.95	1	0.96

II. Carrier Specific Information

Individual Premium Ranges by Metal Tier On Exchange - Bronze

Region	Family Size	Age(s)	Aetna	Anthem	ConnectiCare	Healthy CT
Fairfield	Single	21	\$ 222.24	\$ 242.78	\$ 245.51	\$ 231.73
Fairfield	Single	35	\$ 271.57	\$ 296.67	\$ 300.01	\$ 283.17
Fairfield	Family of 4	45, 43, 16, 14	\$ 904.72	\$ 988.35	\$ 999.45	\$ 943.36
Fairfield	Single with 2 Children	32, 7, 5	\$ 545.14	\$ 595.53	\$ 602.22	\$ 568.43
Fairfield	Couple	55, 50	\$ 892.50	\$ 975.00	\$ 985.95	\$ 930.62

II. Carrier Specific Information

Individual Premium Ranges by Metal Tier On Exchange - Silver

Family Size	Age(s)	Aetna	Anthem	ConnectiCare	Healthy CT
Single	21	\$ 288.95	\$ 343.69	\$ 318.73	\$ 341.33
Single	35	\$ 353.10	\$ 419.98	\$ 389.48	\$ 417.11
Family of 4	45, 43, 16, 14	\$ 1,176.34	\$ 1,399.14	\$ 1,297.53	\$ 1,389.57
Single with 2 Children	32, 7, 5	\$ 708.81	\$ 843.06	\$ 781.83	\$ 837.29
Couple	55, 50	\$ 1,160.44	\$ 1,380.24	\$ 1,280.00	\$ 1,370.80

II. Carrier Specific Information

Individual Premium Ranges by Metal Tier On Exchange - Gold

Region	Family Size	Age(s)	Aetna	Anthem	ConnectiCare	Healthy CT
Fairfield	Single	21	\$ 352.90	\$ 373.82	\$ 353.27	\$ 353.73
Fairfield	Single	35	\$ 431.24	\$ 456.81	\$ 431.70	\$ 432.26
Fairfield	Family of 4	45, 43, 16, 14	\$ 1,436.66	\$ 1,521.82	\$ 1,438.16	\$ 1,440.04
Fairfield	Single with 2 Children	32, 7, 5	\$ 865.67	\$ 916.98	\$ 866.57	\$ 867.70
Fairfield	Couple	55, 50	\$ 1,417.25	\$ 1,071.00	\$ 1,418.73	\$ 1,420.59

II. Carrier Specific Information

Small Group Premium Ranges by Metal Tier On Exchange - Bronze

Region	Family Size	Age(s)	Anthem	Healthy CT	United
Fairfield	Single	21	\$ 300.82	\$ 328.12	\$ 301.88
Fairfield	Single	35	\$ 367.60	\$ 400.96	\$ 368.89
Fairfield	Family of 4	45, 43, 16, 14	\$ 1,224.65	\$ 1,335.78	\$ 1,228.94
Fairfield	Single with 2 Children	32, 7, 5	\$ 737.92	\$ 804.88	\$ 740.50
Fairfield	Couple	55, 50	\$ 1,208.10	\$ 1,317.73	\$ 1,212.33

II. Carrier Specific Information

Small Group Premium Ranges by Metal Tier On Exchange - Silver

Region	Family Size	Age(s)	Anthem	Healthy CT	United
Fairfield	Single	21	\$ 405.66	\$ 375.39	\$ 401.10
Fairfield	Single	35	\$ 495.71	\$ 458.73	\$ 490.14
Fairfield	Family of 4	45, 43, 16, 14	\$ 1,651.44	\$ 1,528.22	\$ 1,632.86
Fairfield	Single with 2 Children	32, 7, 5	\$ 995.08	\$ 920.84	\$ 983.89
Fairfield	Couple	55, 50	\$ 1,629.12	\$ 1,507.58	\$ 1,610.80

II. Carrier Specific Information

Small Group Premium Ranges by Metal Tier On Exchange - Gold

Region	Family Size	Age(s)	Anthem	Healthy CT	United
Fairfield	Single	21	\$ 444.15	\$ 429.45	\$ 484.20
Fairfield	Single	35	\$ 542.75	\$ 524.78	\$ 591.69
Fairfield	Family of 4	45, 43, 16, 14	\$ 1,808.14	\$ 1,748.27	\$ 1,971.17
Fairfield	Single with 2 Children	32, 7, 5	\$ 1,089.51	\$ 1,053.43	\$ 1,187.74
Fairfield	Couple	55, 50	\$ 1,783.72	\$ 1,724.66	\$ 1,944.54

III. Consumer Examples

- Rates (and rate changes) vary based on
 - Age(s)/family size(s) of purchaser
 - Geographic region
 - Eligible of subsidies, i.e. advanced premium tax credit (“APTC”) and cost sharing reductions (“CSR”)
 - Benefit plan
- Following examples:
 - Compare 2013 low benefit option premiums to purchasing the Bronze plan in 2014
 - Various levels of income (as a percent of FPL) which drive APTC (premium subsidies) >400%, 350%, 250%, 150% (Individual only)
 - Various ages/family size sizes
 - All examples are based on Area 1 - Fairfield
 - Do not incorporate any CSR subsidies

III. Consumer Examples

Small Group Premium Change Example (no premium subsidies)

Small Group Example

Region	Family Size	Gender/Age(s)	Anthem 2013	United 2013	Average 2013	Anthem Bronze Plan 2014 (full premium)	Full Premium Change over 2013 Average
Fairfield	Single	M/21	\$ 183.61	\$ 290.82	\$ 237.22	\$ 300.82	26.8%
Fairfield	Single	F/35	\$ 394.27	\$ 675.32	\$ 534.80	\$ 367.60	-31.3%
Fairfield	Family of 4	M/45, F/43, M/16, F/14	\$1,168.07	\$2,357.42	\$ 1,762.74	\$ 1,224.65	-30.5%
Fairfield	Single with 2 Children	F/32, F/7, M/5	\$1,050.85	\$1,890.92	\$ 1,470.89	\$ 737.92	-49.8%
Fairfield	Couple	M/55, F/50	\$1,214.38	\$2,727.48	\$ 1,970.93	\$ 1,208.10	-38.7%

Anthem 2013 Plan = BASIC 5000 30/45 - POE

United 2013 Plan = HMO 25/40 OV Copay/250 to 2k IP/2x Fam

Anthem 2014 Plan = 86545CT1270002 (Bronze)

III. Consumer Examples

Distribution of Uninsured population by FPL

Income	
FPL	CT # Uninsured
Under 139%	159,299
139% - 250%	95,400
251% - 399%	55,400
400%+	67,900
Total	377,900

http://ct.gov/hix/lib/hix/CTHIX_ConsumerResearch_2012_08_09.pdf

III. Consumer Examples

Individual Premium Change Example #1

Example 1: Monthly Premium for Incomes Equal to or greater than 400% of the Federal Poverty Limit
Approximately \$45,960 for a single, \$94,200 for a family of four

Region	Family Size	Gender/Age(s)	Family Income	Aetna 2013	Anthem 2013	ConnectiCare 2013	Average 2013	HealthyCT Bronze Plan 2014 (full premium)	Full Premium Change over 2013 Average
Fairfield	Single	M/21	\$45,960	\$ 96.00	\$ 129.54	\$ 90.78	\$ 105.44	\$ 231.73	119.8%
Fairfield	Single	F/35	\$45,960	\$ 152.00	\$ 211.37	\$ 182.58	\$ 181.98	\$ 283.17	55.6%
Fairfield	Family of 4	M/45, F/43, M/16, F/14	\$94,200	\$ 530.00	\$ 724.13	\$ 562.78	\$ 605.64	\$ 943.36	55.8%
Fairfield	Single with 2 Children	F/32, F/7, M/5	\$78,120	\$ 298.00	\$ 646.41	\$ 341.39	\$ 428.60	\$ 568.43	32.6%
Fairfield	Couple	M/55, F/50	\$62,040	\$ 462.00	\$ 804.67	\$ 564.77	\$ 610.48	\$ 930.62	52.4%

Aetna 2013 Plan = MCOA 5000

Anthem 2013 Plan = Century Preferred Direct\$5000/80% w/o Rx

ConnectiCare 2013 Plan = OAP5000

Healthy CT 2014 Plan = Healthy Partner Basic Plus

III. Consumer Examples

Individual Premium Change Example #2

Example 2: Monthly Premium for Incomes Equal to 350% of the Federal Poverty Limit
Approximately \$40,215 for a single, \$82,425 for a family of four

Region	Family Size	Gender/Age(s)	Family Income	Aetna 2013	Anthem 2013	ConnectiCare 2013	Average 2013	HealthyCT Bronze Plan 2014 (subsidized)	Subsidized Premium Change over 2013 Average
Fairfield	Single	M/21	\$40,215	\$ 96.00	\$ 129.54	\$ 90.78	\$ 105.44	\$ 231.37	119.4%
Fairfield	Single	F/35	\$40,215	\$ 152.00	\$ 211.37	\$ 182.58	\$ 181.98	\$ 212.06	16.5%
Fairfield	Family of 4	M/45, F/43, M/16, F/14	\$82,425	\$ 530.00	\$ 724.13	\$ 562.78	\$ 605.64	\$ 298.36	-50.7%
Fairfield	Single with 2 Children	F/32, F/7, M/5	\$68,355	\$ 298.00	\$ 646.41	\$ 341.39	\$ 428.60	\$ 327.74	-23.5%
Fairfield	Couple	M/55, F/50	\$54,285	\$ 462.00	\$ 804.67	\$ 564.77	\$ 610.48	\$ 80.37	-86.8%

Aetna 2013 Plan = MCOA 5000

Anthem 2013 Plan = Century Preferred Direct\$5000/80% w/o Rx

ConnectiCare 2013 Plan = OAP5000

Healthy CT 2014 Plan = Healthy Partner Basic Plus

III. Consumer Examples

Individual Premium Change Example #3

Example 3: Monthly Premium for Incomes Equal to 250% of the Federal Poverty Limit
Approximately \$28,725 for a single, \$58,875 for a family of four

Region	Family Size	Gender/Age(s)	Family Income	Aetna 2013	Anthem 2013	ConnectiCare 2013	Average 2013	HealthyCT Bronze Plan 2014 (subsidized)	Subsidized Premium Change over 2013 Average
Fairfield	Single	M/21	\$28,725	\$ 96.00	\$ 129.54	\$ 90.78	\$ 105.44	\$ 105.70	0.2%
Fairfield	Single	F/35	\$28,725	\$ 152.00	\$ 211.37	\$ 182.58	\$ 181.98	\$ 86.38	-52.5%
Fairfield	Family of 4	M/45, F/43, M/16, F/14	\$58,875	\$ 530.00	\$ 724.13	\$ 562.78	\$ 605.64	\$ 40.78	-93.3%
Fairfield	Single with 2 Children	F/32, F/7, M/5	\$48,825	\$ 298.00	\$ 646.41	\$ 341.39	\$ 428.60	\$ 114.13	-73.4%
Fairfield	Couple	M/55, F/50	\$38,775	\$ 462.00	\$ 804.67	\$ 564.77	\$ 610.48	\$ -	-100.0%

Aetna 2013 Plan = MCOA 5000

Anthem 2013 Plan = Century Preferred Direct\$5000/80% w/o Rx

ConnectiCare 2013 Plan = OAP5000

Healthy CT 2014 Plan = Healthy Partner Basic Plus

III. Consumer Examples

Individual Premium Change Example #4

Example 4: Monthly Premium for Incomes Equal to 150% of the Federal Poverty Limit
Approximately \$17,235 for a single, \$35,328 for a family of four

Region	Family Size	Gender/Age(s)	Family Income	Aetna 2013	Anthem 2013	ConnectiCare 2013	Average 2013	HealthyCT Bronze Plan 2014 (subsidized)	Subsidized Premium Change over 2013 Average
Fairfield	Single	M/21	\$17,235	\$ 96.00	\$ 129.54	\$ 90.78	\$ 105.44	\$ -	-100.0%
Fairfield	Single	F/35	\$17,232	\$ 152.00	\$ 211.37	\$ 182.58	\$ 181.98	\$ -	-100.0%
Fairfield	Family of 4	M/45, F/43, M/16, F/14	\$35,328	\$ 530.00	\$ 724.13	\$ 562.78	\$ 605.64	\$ -	-100.0%
Fairfield	Single with 2 Children	F/32, F/7, M/5	\$29,292	\$ 298.00	\$ 646.41	\$ 341.39	\$ 428.60	\$ -	-100.0%
Fairfield	Couple	M/55, F/50	\$23,268	\$ 462.00	\$ 804.67	\$ 564.77	\$ 610.48	\$ -	-100.0%

Aetna 2013 Plan = MCOA 5000

Anthem 2013 Plan = Century Preferred Direct\$5000/80% w/o Rx

ConnectiCare 2013 Plan = OAP5000

Healthy CT 2014 Plan = Healthy Partner Basic Plus

Questions?

Key Definitions

- **3 R's** – The three R's represent the three mechanisms introduced by the ACA to mitigate risk for insurers. They are comprised of risk adjustment, transitional reinsurance and risk corridors. The table below shows where each of these apply.

ACA Program	Plans that benefit from the provision					Who Administers	
	In the Exchange		Outside the Exchange			State Run Exchange	Federal Run Exchange
	IND	SG	IND Non-Grand-fathered	SG Non-Grand-fathered	Grand-fathered		
Risk Adjustment	Yes	Yes	Yes	Yes	No	State or HHS [1]	HHS
Transitional Reinsurance	Yes	No	Yes	No	No	State	State or HHS [1]
Risk Corridor	Yes	Yes	No [2]	No [2]	No	HHS	HHS

[1] State can decide to administer or allow HHS to administer. If HHS administers, all parameters will be federal.

[2] Plans outside the exchange that are substantially similar to plans inside the exchange also qualify for risk corridor protection.

Key Definitions, cont.

- **Actuarial Value (AV)** - A benefit plan's actuarial value is the percentage of total average costs for benefits that a plan covers.
- **Advanced Premium Tax Credit (APTC)** – APTCs are premium subsidies that reduce member premiums for those enrolled in individual Exchange products with family incomes less than 400% FPL.
- **Cost Sharing Reduction (CSR)** – Members that qualify for reduced cost sharing (also called cost sharing subsidies) are eligible to enroll in cost sharing reduction (CSR) plans. Carriers must offer CSR plans in each exchange in which they operate.
- **Essential Health Benefits (EHB)** - Health care service categories that must be covered by certain plans, starting in 2014. These service categories include ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, behavioral health treatment, prescription drugs, rehabilitative and habilitation services and devices, laboratory services, preventive and wellness services and chronic disease management, and pediatric services, including dental and vision care. Insurance policies must cover these benefits in order to be certified and offered in the marketplace, and all Medicaid state plans must cover these services by 2014.

Key Definitions, cont.

- **Federal Poverty Level (FPL)** - A measure of income level issued annually by the Department of Health and Human Services. Federal poverty levels are used to determine your eligibility for certain programs and benefits.
- **Health Insurance Exchange (HIX)** – Also referred to as Health Insurance Marketplace. Exchanges of this type were intended to help insurers comply with consumer protections and to compete in cost-efficient ways, and to facilitate the expansion of insurance coverage to more people. Exchanges are not themselves insurers, so they do not bear risk themselves, but determine the insurance companies that are allowed to participate in them. Ideally, a well-designed exchange will promote insurance transparency and accountability, facilitate increased enrollment and the delivery of subsidies, and play roles in spreading risk to ensure that the costs associated with those with high medical needs are shared more broadly across large groups rather than spread across just a few beneficiaries.
- **Index Rate** – The index rate is the PMPM allowed claim cost for the entire risk pool. The actuarial value and other factors are then applied to the index rate to develop benefit plan specific expected claims costs.

Key Definitions, cont.

- **Induced Utilization or Induced Demand** – An adjustment intended to reflect that as an individual's cost sharing increases, the individual will utilize fewer services. Under ACA rules, this adjustment must only reflect plan design differences and may not reflect the expected health status of a population.
- **Metal Tier or Category** - Under the ACA, health insurers must offer plans that meet distinct levels of coverage in the "metal tiers": bronze, silver, gold and platinum. Each metal tier corresponds to an actuarial value. For example, a health plan with an actuarial value of 80 percent would be expected to pay an average of 80 percent of a standard population's expected medical expenses for the EHB. Individuals covered by the plan would then be expected to pay the remaining 20 percent, on average, through deductibles, co-pays, etc. The following table shows the metal tiers and the corresponding actuarial value for standard plans:

Metal Tier	AV	Allowed Variance
Platinum	0.90	+ / - 2%
Gold	0.80	+ / - 2%
Silver	0.70	+ / - 2%
Bronze	0.60	+ / - 2%

Key Definitions, cont.

- **Morbidity** – The relative health of a population. The sicker the population, the higher the morbidity levels.
- **Pent Up Demand** – An adjustment to reflect that individuals who have not had prior health insurance coverage will wait to obtain needed services until they have coverage for those services. This creates a situation where there is a higher utilization during the beginning of health plan coverage than is expected in the future.
- **On/Off Exchange** – States can choose whether or not they want to allow carriers to operate in the state by participating (offering products) in the Exchange only, or allow participating both in and out of the Exchange.
- **Premium Subsidy** – Also referred to as tax credit. One of the largest federal subsidy programs for health insurance, starting in 2014, to help consumers pay health insurance premiums. Tax credits are available exclusively for insurance purchased through the Exchange.
- **Risk Adjustment** – The idea of paying carriers based on the relative risk of their enrolled population. The healthier the population, the lower the risk score. Carriers with average risk scores below 1.0 will have to pay carriers with average risk scores that are greater than 1.0 through a risk transfer payment.

Key Definitions, cont.

- **Risk Corridor** – Risk corridors set a target loss ratio. Amounts over or under the target loss ratio plus a specified corridor are shared risk. This mechanism protects carriers against uncertainty in setting premium rates.
- **System for Electronic Rate and Form Filing (SERFF)** – The mechanism through which most states require health insurers to file their proposed rates and marketing forms.
- **Subsidy** - Starting in 2014, cost-sharing subsidies and tax credits will lower the cost of premiums and out-of-pocket expenses for individuals and families that qualify based on income. Subsidies apply to on exchange plans only.
- **Transitional Reinsurance** – A mechanism through which carriers are reimbursed for the amount of claims beyond a specified level to protect against catastrophic claim loss. All carriers in the small group and individual markets must pay the transitional reinsurance premium. Only the individual market will get reinsurance recoveries.

Appendix B: Wakely Comments made to CID

Key Observations - Aetna CT

- The rate filing appropriately reflects a moderate 1.17% savings expected through new provider contracting arrangements.
- The rate filing includes comments regarding new medical management programs intended to reduce costs over time. However, no adjustment was made to the rates to reflect any savings in 2014.
- The base data used in the development of the premium rates was based on data from November 2011-October 2012, rather than on calendar year 2012. Most carrier rate filings Wakely has reviewed in CT and other states use calendar year 2012 as the basis for rate development. When questioned about the difference between the base data used and calendar year 2012, Aetna CT stated that using calendar year 2012 would result in approximately 1-2% higher premium rates.
- Aetna indicated the base data included in the rate development included both grandfathered and non-grandfathered business. ACA provisions require that the rate development be adjusted to a non-grandfathered experience level. In response to Wakely's questions regarding whether the data had been adjusted to a non-grandfathered level, Aetna indicated that they believed all of the factors and adjustments used brought the data to a non-grandfathered level.

Appendix B: Wakely Comments made to CID

Key Observations - Aetna CT, cont.

- The rate filing included a 44.7% adjustment to reflect increased morbidity in the projected population. Increased population morbidity is consistent with the results of the SOA study on the impact of newly insured on the CT individual market. However, the adjustment included in the rate filing far exceeds the SOA study estimate of 28.8% for Connecticut, as well as the national average of 31.9% from the SOA study.
- In addition to the morbidity adjustment, the filing included an additional 4.4% increase for pent-up demand as well as a durational adjustment of 8.1%. The durational adjustment was described as an adjustment to move the experience loss ratio to the anticipated loss ratio in 2014. These adjustments can essentially be viewed as additional adjustments to reflect the increased claims cost (i.e., poorer health status) of the expected population.
- The three items together (morbidity, pent-up demand and duration adjustment) result in an increase in the index rate of more than 63%, which is significantly higher than any of the health status related adjustments of the other carriers.

Appendix B: Wakely Comments made to CID

Key Observations - Aetna CT, cont.

- Aetna applied an annual trend rate of 10%. This is at the top of the range of trend assumptions Wakely observed in the individual rate filings. In addition, the trend rate exceeds the range of national projected health care expenditure increases from 2012 to 2016 (which range from 2.8% to 7.9% and include the estimated impact of the ACA), as projected in the National Health Expenditure Projections 2011-2021 released by CMS.
- The CT health exchange assessment is 1.35%. Aetna CT used 1.9% in the rate development. Aetna CT has indicated they intend to re-file the rate filing to correct this issue.
- Aetna CT included a post-tax profit margin of 3% of the required revenue. This amount is consistent with the profit margins Wakely observed among the carriers.

Appendix B: Wakely Comments made to CID

Conclusions - Aetna CT

Overall, Aetna CT rating assumptions seem to be significantly higher than the other filings in the Connecticut individual market. Our observations suggest some changes to the assumptions may be appropriate:

- Trend rates are higher significantly higher than other carriers and national averages. This suggests that it may be appropriate to reduce annual trend assumptions. Wakely noted that the most recent CID correspondence requested that Aetna reduce the annual trend rate to 8.5%.
- The adjustments for health status are extremely high as compared to other carriers in the individual market. Wakely noted in the most recent CID correspondence that Aetna was requested to remove the durational adjustment of 8.1%. In addition, it seems appropriate to suggest that the morbidity adjustment of 44.7% be reduced to be within the range of the lowest of other carriers (4.5%) to a maximum of the SOA study amount (28.8%).
- The correct CT health exchange assessment of 1.35% should be included in the rates. Aetna indicated that they will be correcting this issue in the revisions to their rate filing.

Appendix B: Wakely Comments made to CID

Key Observations - Anthem CT

- The rate filing included annual trend rates that are significantly higher than historical trend rates. Anthem CT provided historical trend exhibits showing allowed trends in the most recent 3 years in the range of 5-6% annual. In the rate development, Anthem CT applied annual paid trend rates of 8.6%. While there is some leveraging of trends between allowed and paid basis, applying of Anthem CT's stated experience period paid-to-allowed ratio, Wakely estimates that the annual paid trend rate of 8.6% is approximately 7-8% annual on an allowed basis. This estimated allowed amount exceeds historical trends by up to 2%. Applied over two years, this has an estimated impact of increasing rates by approximately 4%. Anthem CT has stated that additional trend has been included for volatility and anticipated increases in drug trend.
- The individual rate filing included a 4.5% adjustment to the individual rate development to reflect increased morbidity in the projected population. This is at the low end of the range of morbidity adjustments Wakely observed in the individual rate filings.

Appendix B: Wakely Comments made to CID

Key Observations - Anthem CT, cont.

- The small group rates include an increase to account for early renewal selection for groups choosing to renew early to avoid exchange plans as long as possible. Small groups may choose to do this if they find the exchange benefits or premium rates not as favorable as their current benefits. While the increase was small, Wakely noted that no other carriers explicitly made this adjustment. In addition, in Wakely's experience in performing rate reviews, when adjustments of this type have been made, there have also been considerations for other selection adjustments such as:
 - Adjustments for small groups moving to self-funded arrangements
 - Favorable adjustments (i.e., rate decreases) for small groups renewing early due to the exchange providing improved benefits and/or reduced rates.
 - Adjustments for small groups dropping coverage for their employees.

- The CT health exchange assessment is 1.35%. Anthem CT used 1.48% in the rate development. Anthem CT has indicated that the additional amount may be needed to cover special assessments by the exchange and they do not intend to re-file to correct to the stated exchange fee.

Appendix B: Wakely Comments made to CID

Key Observations - Anthem CT, cont.

- Anthem CT appears to have an administrative expense load that is favorable (lower as a percent of required revenue) as compared to the amounts filed by other carriers.
- Anthem CT included a post-tax profit margin of 3-4% of the required revenue. This amount is consistent with the profit margins Wakely observed among the carriers.
- The area factors filed by Anthem CT for the individual products contain the largest variation between rating areas among all carriers, with a spread of 28% from the highest to the lowest rating area. The corresponding spread on Anthem CT small group area factors was approximately 14%, which is fairly consistent with all other carrier small group adjustments. In addition, Anthem CT stated that the differences in provider networks (which is usually the primary basis for area factor adjustments) is not included in the area factors.

Appendix B: Wakely Comments made to CID

Conclusions - Anthem CT

Overall, Anthem CT rating assumptions were within a reasonable range as compared to other filings. However, our observations suggest a couple of changes to the assumptions may be appropriate:

- Trend rates are higher than multi-year historical averages but up to 2% annually. This suggests that it may be appropriate to reduce annual trend assumptions.
- When considering morbidity adjustments, it is appropriate that all types of migration / selection issues should be considered. Anthem CT only explicitly lists the adjustment for early renewal was considered for small group. Anthem CT should state whether they considered other morbidity adjustments for small group migration / selection, and if so, why it was determined that no adjustment (a factor of 1.00) was appropriate.
- The correct CT health exchange assessment of 1.35% should be included in the rates.
- Anthem CT should provide detailed support for the area factor development, particularly individual area factors, to ensure health status was not a factor in the development of the factors.

Appendix B: Wakely Comments made to CID

Key Observations - ConnectiCare

- The initial rate filing included an annual trend rate of approximately 6.1% for medical and prescription drug combined. ConnectiCare subsequently revised the filing to reflect 5.2% annual trend. ConnectiCare provided documentation that the revised rates are consistent with their historical trend rates, adjusted for expected changes. In addition, the trend rates are well within the range of national projected health care expenditure increases from 2012 to 2016 (which range from 2.8% to 7.9% and include the estimated impact of the ACA), as projected in the National Health Expenditure Projections 2011-2021 released by CMS.
- The individual rate filing included an adjustment of 19.8% to the individual rate development to reflect increased morbidity in the projected population. This adjustment was the median morbidity adjustment among the carrier individual filings, which ranged from a minimum of 4.5% to a maximum of more than 40%. In addition, this adjustment is reasonable and consistent with the results of the SOA study on the impact of newly insured on the CT individual market.
- The rate filing included a post-tax profit margin load of 3.25% which is consistent with the other individual filings.

Appendix B: Wakely Comments made to CID

Conclusions - ConnectiCare

Overall, ConnectiCare rating assumptions were within a reasonable range as compared to other filings. In addition, ConnectiCare provided sufficient supporting documentation for all rating assumptions.

Appendix B: Wakely Comments made to CID

Key Observations - Healthy CT

Wakely requested supporting documentation for many of the rating factors included in the development of the Healthy CT rates on June 28, including:

- Annual Trend
- Morbidity Adjustment
- Support for AV Values
- Induced Utilization Adjustments
- Projected Membership
- Area Factors
- Administrative Expenses

Appendix B: Wakely Comments made to CID

Key Observations - Healthy CT, cont.

We did not receive any additional information on the requested items. However, we received a resubmission of the small group rate filing on July 22 that reduced rates approximately 8% from the initial filing. We received a similar resubmission on July 28 for the individual side reduced rates approximately 21%. The original Healthy CT individual rates were about 4% less than the original Healthy CT small group rates. The revised individual rates are now almost 18% less than the small group rates.

We have the following comments about the benefit relativities:

- Most of the benefit plans are offered in both the small group and individual markets. In addition, for all plans except Healthy Partner Max, the benefit relativities are the same in both markets. The Health Partner Max benefit relativity is 1.437 for small group and 1.3341 for individual.
- The Health Partner Essential (Bronze) Plan has a higher benefit relativity (and thus a higher premium) than the Healthy Partner Select (Silver) Plan.

Appendix B: Wakely Comments made to CID

Key Observations - Healthy CT, cont.

- On the individual and small group filings, two Bronze plans were filed with the lowest Bronze plan (Health Partner Basic Plus) having a relativity of 1.0 and the highest benefit plan (Healthy Partner Essential) having a relativity of 1.1662. The highest cost bronze plan is almost 17% higher than the lowest cost bronze plan. A similar relationship occurs within the silver metallic tier, but not in the Gold tier.
- The two silver plans offered to individuals off of the exchange are more than 14% lower cost than the silver plan offered on the exchange.
- The two silver plans offered to small groups off of the exchange are more than 5% lower cost than the silver plans offered on the exchange.

Appendix B: Wakely Comments made to CID

Conclusions - Healthy CT

Overall, the Healthy CT 2014 rates are at the low end of the rate ranges. We have the following comments for the CID regarding the rate filings:

- The benefit relativities reflect some unexpected relationships which could not be verified for accuracy. Rate adjustments might be warranted for the following:
 - Off exchange rates have lower premiums than the exchange rates for the same metallic tier.
 - A bronze plan with a higher rate than a silver plan.
 - The wide range in bronze and silver plan rates.
 - Healthy Partner Max has a different benefit relativity in small group versus the individual.
- We did not see any reduction to claims cost for pharmacy rebates. A reduction to rates may be warranted if this reduction was not considered in the rate development.
- Healthy CT responded to the original Wakely request for information by indicating their intention to re-file the rates and preferred that Wakely re-issue the questions after review of the revised filing. Due to the late nature of the filings, we have not had an opportunity to have another discussion with Healthy CT regarding these comments.

Appendix B: Wakely Comments made to CID

Key Observations - United

Following are the comments and observations resulting from Wakely's review and communication with United HealthCare Insurance Company CT (UHIC-CT) small group rate filing.

- United made a 0.2% increase in rates to account for early renewal selection for groups choosing to renew early.
- The amounts included in the URRT are not consistent with the rate development in the actuarial memorandum. Wakely requested a reconciliation of the amounts in the URRT and the actuarial memorandum. United CT indicated that the amounts are difficult to reconcile and provided a “best effort” attempt to show how the base rate of \$499.52 was derived using information in the URRT. Wakely does not have a full understanding of how the base rate and the URRT reconcile.
- Per a CID request, United reduced the trend by a point a year to an annual trend rate of 10.1% per year. This resulted in a rate reduction of about 3% in a subsequent rate filing. This reduced trend rate is still at the top of the range of trend assumptions Wakely observed in the small group rate filings. In addition, the trend rate exceeds the range of national projected health care expenditure increases from 2012 to 2016 (which range from 2.8% to 7.9% and include the estimated impact of the ACA), as projected in the National Health Expenditure Projections 2011-2012 released by CMS.

Appendix B: Wakely Comments made to CID

Key Observations - United, cont.

- The ratio of the Silver benefit relativity to the Bronze benefit relativity is 1.33. The ratio of the Gold benefit relativity to the Bronze benefit relativity is 1.60. These ratios are higher than what we would expect between plans based on benefit differences and induced demand.
- The area factors ranged from a low of 0.89 to a high of 1.06, making the highest cost area 19.1% more costly than the lowest cost area.
- The after tax profit for UHIC-CT is highest of all carriers at 5.2% (before tax profit is 8.0%). The listed administration of 3.8% (3.1% after reduction of Quality Improvement), however, is the lowest of all carriers. In correspondence with UHIC-CT, the listed administration of 3.1% includes most of the health insurer provider fee and the reinsurance assessment, which would result in extremely low administration, at less than 1% based on Wakely calculations.

Appendix B: Wakely Comments made to CID

Key Observations - United, cont.

- Because the UHIC-CT historical data was not credible, UHIC-CT used Oxford data (Oxford Health Plan, Inc. and Oxford Health Insurance, Inc.) to develop the required revenue for the UHIC-CT filing, including the target loss ratio of 81.4%. We have the following questions about the development of the base rates based on the information we received:
 - We do not understand how the projected information in Attachment A reconciles with the 2014 PMPM Med and Rx of \$631.05 in Attachment C, which then is used to calculate the starting base rate in Attachment B.
 - Attachment B adjusts the starting base rate by a series of factors. Two of the factors (Total 2014 fees and SHOP assessment) should adjust the loss ratio of 81.4%. However, in the Retention Exhibit in Attachment A of the 7-12-2013 response, we do not see that the additional 2014 fees of .3% and SHOP assessment of 1.35% have been incorporated into the MLR compliance illustration included in the response to the Data Request per Bulletin HC 81-2.
 - The provider contracting differences between UHIC-CT and Oxford appear to be included in the area factors only, and not incorporated into the base rate or the index rate.

Appendix B: Wakely Comments made to CID

Conclusions - United

Overall, UHIC-CT small group rates are within a reasonable range of other carriers, but are the highest rates of the three carriers that filed small group rates. Our observations suggest a couple of changes to the assumptions may be appropriate:

- Trend rates are higher than all other carriers in the region. These trends, along with the fact that the rates are highest among all small group carriers, suggests that it may be appropriate to reduce annual trend assumptions.
- UHIC-CT should document the development of the base rate from historical data to ensure calculation accuracy.
- The administrative components included in the MLR calculations should include the additional components of administration on Attachment B.

Appendix B: Wakely Comments made to CID

Conclusions - United, cont.

- The administrative components should be reviewed for accuracy, especially the non-commissions and non-fee components.
- The benefit relativities for the Silver and Gold plans are higher than expected relative to the Bronze plan. Any selection that might be incorporated into the rates should be removed so that the benefit relativities only reflect benefit changes, induced demand, and network differences.

Appendix C: Calculation of Premium Subsidy for Healthy CT Bronze

Premium Subsidy Example 2 - 350%

Example 3: Monthly Premium for Incomes Equal to 350% of the Federal Poverty Limit

			Calculation of Federal Premium Subsidy				
Region	Family Size	Age(s)	(A) Annual Income @ 350% of FPL	(B) Max Annual Premium as a Percent of Annual Income	(C) Full Premium per Month	(D) = (A) * (B) / 12 Maximum Premium*	(E)=(C)-(D) Federal Premium Subsidy
Fairfield	Single	21	\$40,215	9.5%	\$319	\$318	\$0
Fairfield	Single	35	\$40,215	9.5%	\$389	\$318	\$71
Fairfield	Family of 4	45, 43, 16, 14	\$82,425	9.5%	\$1,298	\$653	\$645
Fairfield	Single with 2 Children	32, 7, 5	\$68,355	9.5%	\$782	\$541	\$241
Fairfield	Couple	55, 50	\$54,285	9.5%	\$1,280	\$430	\$850

HealthyCT Bronze Plan (Healthy Partner Basic Plus)

(F) Full Premium per Month	(G) = (E) Federal Premium Subsidy	(H)=max ((F)- (G),0) Premium per Month
\$232	\$0	\$231
\$283	\$71	\$212
\$943	\$645	\$298
\$568	\$241	\$328
\$931	\$850	\$80

* Assume 2nd lowest Silver Plan is ConnectiCare, assumes that Aetna will revise rates based on CID comments.

**Maximum Member Payment per Month Allowed under ACA, Based on Income

Appendix C: Calculation of Premium Subsidy for Healthy CT Bronze

Premium Subsidy Example 3 - 250%

Example 2: Monthly Premium for Incomes Equal to 250% of the Federal Poverty Limit

			Calculation of Federal Premium Subsidy				
Region	Family Size	Age(s)	(A) Annual Income @ 250% of FPL	(B) Max Annual Premium as a Percent of Annual Income	(C) Full Premium per Month	(D) = (A) * (B) / 12 Maximum Premium*	(E)=(C)-(D) Federal Premium Subsidy
Fairfield	Single	21	\$28,725	8.1%	\$319	\$193	\$126
Fairfield	Single	35	\$28,725	8.1%	\$389	\$193	\$197
Fairfield	Family of 4	45, 43, 16, 14	\$58,875	8.1%	\$1,298	\$395	\$903
Fairfield	Single with 2 Children	32, 7, 5	\$48,825	8.1%	\$782	\$328	\$454
Fairfield	Couple	55, 50	\$38,775	8.1%	\$1,280	\$260	\$1,020

HealthyCT Bronze Plan (Healthy Partner Basic Plus)

(F) Full Premium per Month	(G) = (E) Federal Premium Subsidy	(H)=max ((F)- (G),0) Premium per Month
\$232	\$126	\$106
\$283	\$197	\$86
\$943	\$903	\$41
\$568	\$454	\$114
\$931	\$1,020	\$0

* Assume 2nd lowest Silver Plan is ConnectiCare, assumes that Aetna will revise rates based on CID comments.

**Maximum Member Payment per Month Allowed under ACA, Based on Income

Appendix C: Calculation of Premium Subsidy for Healthy CT Bronze

Premium Subsidy Example 4 - 150%

Example 1: Monthly Premium for Incomes Equal to 150% of the Federal Poverty Limit

			Calculation of Federal Premium Subsidy				
Region	Family Size	Age(s)	(A) Annual Income @ 150% of FPL	(B) Max Annual Premium as a Percent of Annual Income	(C) Full Premium per Month for Silver Plan with 2nd Lowest Premium *	(D) = (A) * (B) / 12 Maximum Premium*	(E)=(C)-(D) Federal Premium Subsidy
Fairfield	Single	21	\$17,235	4.0%	\$319	\$57	\$261
Fairfield	Single	35	\$17,232	4.0%	\$389	\$57	\$332
Fairfield	Family of 4	45, 43, 16, 14	\$35,328	4.0%	\$1,298	\$118	\$1,180
Fairfield	Single with 2 Children	32, 7, 5	\$29,292	4.0%	\$782	\$98	\$684
Fairfield	Couple	55, 50	\$23,268	4.0%	\$1,280	\$78	\$1,202

HealthyCT Bronze Plan (Healthy Partner Basic Plus)

(F) Full Premium per Month	(G) = (E) Federal Premium Subsidy	(H)=max ((F)- (G),0) Premium per Month
\$232	\$261	\$0
\$283	\$332	\$0
\$943	\$1,180	\$0
\$568	\$684	\$0
\$931	\$1,202	\$0

* Assume 2nd lowest Silver Plan is ConnectiCare, assumes that Aetna will revise rates based on CID comments.

**Maximum Member Payment per Month Allowed under ACA, Based on Income