

Responses to Objections

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Objection 1

Comment:

The following Table was provided in your 1/24/2017 response.

- a) Please provide detailed support for the derivation of the 9.4% figure
- b) Please confirm that the following table is for an illustrative effective date of 1/1/2017.
- c) If so, what would the numbers be for a 7/1/2017 effective date (i.e., for those accounts with coverage including 6 months in the 2018 calendar year)?

Category	Change
Rating Variables	-11.0%
Med+Rx Filed Trend	9.4%
MLR Impact	-1.1%
Total Impact	-3.7%

Response:

- a) Please provide detailed support for the derivation of the 9.4% figure

The 9.4% is a weighted average of Medical and Rx filed and approved trends from the CHLIC rate filing approved on 3/29/2016. As discussed, this figure is calculated for a representative sample of situs accounts which have a blend of VT resident and non-VT resident populations. For VT residents, the filed and approved medical and pharmacy 17/16 trends are 8.9% and 12.9% respectively. As stated in previous objections, VT residents make up approximately 52% of the VT situs population.

Below is the general calculation:

$$\text{Trend} = (\% \text{ Medical}) * (\text{Medical Filed Trend}) + (\% \text{ Rx}) * (\text{Rx Filed Trend})$$

$$\text{VT Resident Trend} = (80\% * 8.9\%) + (20\% * 12.9\%) = 9.7\%$$

$$\text{Non-VT Resident Trend} = (80\% * 8.6\%) + (20\% * 12.9\%) = 9.5\%$$

$$\text{VT Sitused Trend} = (52\% * 9.7\%) + (48\% * 9.5\%) = 9.6\%$$

The 0.2% discrepancy between the 9.6% stated above and the 9.4% may be partially driven by small variance in the 20% Rx assumption.

- b) Please confirm that the following table is for an illustrative effective date of 1/1/2017.

We can confirm that the table attached is for an illustrative effective date of 1/1/2017.

- c) If so, what would the numbers be for a 7/1/2017 effective date (i.e., for those accounts with coverage including 6 months in the 2018 calendar year)?

If the rate change is a comparison between 7/1/2016 filed and approved rates and a proposed 7/1/2017 effective date, here are the impacts:

Category	Change
Rating Variables	-11.6%
Med+Rx Filed Trend	9.4%
MLR Impact	3.0%
Total Impact	-0.4%

- Rating Variables – The increase in the impact of rating variables is primarily due to differences in trend. Our proposed filing is requesting lower medical and pharmacy 2017+/2016 trends than our current filed and approved. The addition of 6 months adds approximately -0.8% impact for VT residents, which is slightly dampened when combining with the impact for non-VT residents.
- Med+Rx Filed Trend – Same impact as noted in objection a) above
- MLR Impact:

	1/1/2016	7/1/2016	1/1/2017	7/1/2017
Administrative Expenses	6.0%	6.0%	6.4%	6.4%
Optional Buy-ups	0.6%	0.6%	0.6%	0.6%
PPACA Fees	3.5%	1.75%	0.0%	1.75%
Risk Charge	0.4%	0.4%	0.2%	0.2%
Premium and Income				
Taxes	2.0%	2.0%	2.0%	2.0%
State Assessments	1.5%	1.5%	1.4%	1.4%
Commissions	0.4%	0.4%	0.3%	0.3%
Profit	1.0%	1.0%	3.5%	3.5%
Total	15.4%	13.7%	14.4%	16.2%
MLR	84.6%	86.4%	85.6%	83.9%

MLR impact = (Current MLR)/(Proposed MLR) - 1

- MLR Impact (1/1/2017 vs. 1/1/2016) = -1.1%
- MLR Impact (7/1/2017 vs. 7/1/2016) = 3.0%

As discussed, the major difference between 1/1/2017 retention and 7/1/2017 retention is the HIIF fee. PPACA fees decreased due to decrease of Reinsurance and Health Insurance Industry Fees to 0% for 1/1/2017 quotes. Accounts with coverage that includes months in the 2018 calendar year will be prorated with 2018 Health Insurance Industry Fees. The Health Insurance Industry Fee is 0% of premium for 2017 calendar months and 3.5% of premium for 2018 calendar months.