

Responses to Objections

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Objection 1

Comment:

We noticed that the Vermont Rx area factor in this year's filing has not changed from that in the prior approved filing. As such, what is driving the -12.3% pricing impact due to pharmacy area factor change?

Response:

We set most of the assumptions around Rx at the national level. About 2/3 of the pricing decrement is pharmacy claim experience running better than we originally forecasted. The other one-third is related to improved pharmacy discounts passed back to the clients/customers.

Objection 2

Comments:

Similarly, the Vermont medical area factors in the current filing are 2.7% lower than those in the prior approved filing for NWK and OAP, and it is 3.9% lower for PPO. How is the -1.6% pricing impact, due to medical area factor change, derived/related to the above comparison?

Response:

The medical area factors for VT were reduced by the above amounts for each product related primarily to the underlying claims from members located in the state running slightly better than the pure manual rate.

This will not tie to the previously submitted Medical Methodology changes for the accounts with a SITUS in VT because they only have about 2/3 of their members residing in the state. The overall methodology change is a weighted blend of the accounts' in and out of state residents' medical trend and area factor changes. As you can see below for the VT SITUSed cases, VT residents had a more favorable change than the membership located outside the state.

Medical Methodology Changes 2018 – 2019 VT SITUS cases	
Med Trend Changes	-2.0%
Med Area Factor Change	-1.6%
Total Methodology Change	-3.6%

Medical Methodology factor changes for VT SITUS cases	% Change	Weight
Total Med Change	-3.6%	100.0%
Resident Med Change	-4.6%	65.7%
Non Resident Med Change	-1.7%	34.3%

Objection 3

Comment:

In the past years, we had been provided with some rough estimation about the profit/gain for the prior year's large group business. Can we get the estimated profit for 2018, using the same methodology that was utilized for prior years' filings?

Response:

In our Objection Response #5 submitted on 3.12.19 we provided the estimated claims and premiums for 2018 leading to preliminary estimated MLR of 84.5%. Would continue to expect expenses to be ~10% of premium, leading to a pre-tax profit of 5.5% (94.5% combined ratio).

For 2016 and 2017, the SHCE for VT has shown 1.3% profit and ~20% loss respectively. The 2017 final number is quite different from our expectation when we submitted our estimated profit at the time of the objections last year, indicating the high degree of volatility that exists with the run out of claims and the final expense allocation process that occurs to develop the SHCE.

We expect to submit our final 2018 SHCE within the next 2 weeks.