

# Responses to Objections

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# Objection 1

**Comment:**

The 2018 trend in the updated Supplemental Exhibits still doesn't match with those in Table 27 and Table 28 of the initial filing. Please confirm that the correct trend assumptions are being used in the pricing and if so, provide corrected support matching the 2018 trend.

**Response:**

The trend in the Supplemental Exhibits is correct. We updated our Best Estimate pricing trend to reflect additional data after our first SERFF was submitted and was incorporated into our revised supplemental exhibit. We have updated tables 27 and 28 in the filing with the below values.

**Table 27 – Medical Trend and Capitation**

Area Description	Rating Area	Product	% Capitated	In-Network Cost Trend	
				2018/2017	2019+/2018
VT, VERMONT	VTNWK1	NWK	3.82%	5.47%	6.04%
VT, VERMONT	VTOAP1	OAP	-	5.47%	6.04%
VT, VERMONT	VTPO1	PPO	-	5.47%	6.04%

**Table 28 – Medical Trend Summary**

State	2018/2017		2019+/2018		State	2018/2017		2019+/2018	
	Minimum	Maximum	Minimum	Maximum		Minimum	Maximum	Minimum	Maximum
AK	7.24%	7.24%	6.99%	6.99%	NC	4.92%	6.10%	5.43%	6.02%
AL	5.65%	6.37%	6.43%	6.96%	ND	9.17%	9.17%	9.02%	9.02%
AR	5.33%	5.50%	4.07%	6.04%	NE	9.22%	9.34%	9.08%	9.19%
AZ	5.56%	7.88%	5.65%	5.80%	NH	6.52%	6.52%	6.42%	6.42%
CA	5.34%	6.03%	5.46%	5.91%	NJ	4.83%	5.49%	4.71%	5.27%
CO	5.90%	6.05%	5.74%	5.89%	NM	5.95%	5.95%	5.43%	5.43%
CT	6.31%	6.31%	5.91%	5.91%	NV	5.89%	6.04%	5.78%	5.93%
DC	6.47%	6.62%	6.50%	6.65%	NY	5.62%	8.74%	5.26%	8.61%
DE	6.70%	6.70%	6.62%	6.62%	OH	5.41%	7.29%	6.10%	7.38%
FL	4.74%	7.29%	4.85%	7.09%	OK	6.01%	6.01%	6.07%	6.07%
GA	5.96%	8.14%	5.91%	7.87%	OR	5.22%	5.22%	5.41%	5.41%
HI	8.21%	8.21%	8.10%	8.10%	PA	3.80%	9.11%	4.99%	8.97%
IA	9.34%	9.34%	9.19%	9.19%	PR	8.31%	8.31%	8.16%	8.16%
ID	8.46%	8.46%	8.33%	8.33%	RI	3.38%	3.53%	3.56%	3.71%
IL	5.20%	9.48%	4.61%	9.33%	SC	6.05%	6.37%	6.23%	6.96%
IN	5.20%	6.86%	4.61%	7.43%	SD	9.34%	9.34%	9.19%	9.19%
KS	6.74%	6.89%	6.57%	6.72%	TN	5.33%	6.91%	4.07%	6.47%
KY	6.55%	9.48%	6.20%	9.33%	TX	4.62%	6.17%	5.33%	6.30%
LA	6.45%	6.45%	6.38%	6.38%	UT	6.44%	6.44%	6.40%	6.40%
MA	5.68%	6.91%	5.61%	6.21%	VA	5.32%	6.98%	6.18%	6.95%
MD	5.96%	5.96%	6.00%	6.00%	VI	8.31%	8.31%	8.16%	8.16%
ME	6.86%	6.86%	6.87%	6.87%	VT	5.47%	5.47%	6.04%	6.04%
MI	7.72%	9.35%	8.07%	9.21%	WA	4.49%	4.64%	4.96%	5.11%
MN	9.17%	9.17%	9.02%	9.02%	WI	7.23%	9.17%	7.15%	9.02%
MO	6.00%	6.89%	6.34%	6.72%	WV	6.64%	6.64%	6.97%	6.97%
MS	5.33%	6.47%	4.07%	6.77%	WY	5.64%	5.64%	5.83%	5.83%
MT	8.83%	8.83%	8.68%	8.68%					

## **Objection 2**

**Comments:**

With regards to updating rating variables on a 1/1/2019 basis, please provide a detailed derivation of the pricing impact due to the following:

- a. Updating the medical area factors;
- b. Updating the Rx area factors;

If there is further pricing impact due to neutralizing the methodology impact, or if the baseline has changed, please specify.

**Response:**

Below is a table of our methodology changes due to medical and Rx area factors:

<b>Methodology factor changes</b>	<b>% Change</b>	<b>Weight</b>
Total Med Change	-3.6%	81.4%
Total Rx Change	-14.8%	18.6%
<b>Total Methodology Change</b>	<b>-5.7%</b>	<b>100.0%</b>

Rating Variables: In this proposed filing, we are reflecting reductions to our area factors as a result of our periodic experience rate reviews, which looked at full-year 2017 experience relative to our manual rating expectation. Generally, claims were favorable as compared to the manual, which results in lowering our medical and rx area factors. Secondly, as represented in the filing, we have taken reductions to our trend assumptions relative to previous expectations. Please see the supplemental trend exhibits for more information.

By design of the rate review process, methodology changes are neutralized out at the rating area level, such that the average impact of methodology changes are 0% at the rating area level. However, at the case level methodology changes can cause a difference in manual rating between filings.

### **Objection 3**

**Comment:**

Given that the potential approval date for this filing is well past the proposed effective date of 1/1/2019, please explain how the rates are being accurately priced and quoted for accounts with coverage that includes months in the 2020 calendar year.

**Response:**

Per the state approved filing last year we continue to use the trend from 2018+ that we submitted when quoting cases in calendar year 2020.

#### **Table filed in last year's submission**

**Table 27 – Medical Trend and Capitation**

Area Description	Rating Area	Product	% Capitated	In-Network Cost Trend	
				2017/2016	2018+/2017
VT, VERMONT	VTNWK1	NWK	3.82%	6.52%	6.77%
VT, VERMONT	VTOAP1	OAP	-	6.52%	6.77%
VT, VERMONT	VTPPO1	PPO	-	6.52%	6.77%

## **Objection 4**

**Comments:**

What is the PPACA fee assumption for 2020? Has this been incorporated in the pricing for any coverage that extends to months in 2020 calendar year?

**Response:**

We are assuming the HIF returns in 2020 and will be 2.5% of premium, which is designed to cover the HIF as well as the additional taxes we incur as a result. For mid-year policy effective dates we would include pricing for the HIF for the months in 2020 where the policy year runs into 2020.

For example a case with an effective date 7/1/2019 would have six months in 2020 and would pay six months of the fee.

## **Objection 5**

**Comments:**

What is the projected 2018 profit for the block of Large Group only? Please make sure that the figure will be reasonably backed up by the 2018 annual statement.

**Response:**

In order to support MLR filings we produce SHCEs for every state and legal entity by 3/31/2019. We have not yet completed our 2018 state level SHCE. We do have an estimate of full year claims and premiums that will be a part of the profit calculation. There are expenses and taxes that will be recorded over the next two weeks to get to the final net profit. Given these are only an estimate and not the final numbers they are subject to change.

<b>VT SITUS Cases</b>	
Premium	\$ 5,409,492
Claims	\$ 4,571,168
MLR	84.5%