

SERFF Tracking #:

UPMC-131496004

State Tracking #:

UPMC-131496004

Company Tracking #:

State:

Pennsylvania

Filing Company:

UPMC Health Coverage, Inc.

TOI/Sub-TOI:

H15I Individual Health - Hospital/Surgical/Medical Expense/H15I.001 Health - Hospital/Surgical/Medical Expense

Product Name:

2019 IND Health Coverage

Project Name/Number:

/

Supporting Document Schedules

Satisfied - Item:	ACA Public Rate Filing PDF
Comments:	
Attachment(s):	UPMC Health Coverage, Inc. Individual Public PDF UPMC-131496004.pdf
Item Status:	
Status Date:	

UPMC HEALTH PLAN

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May 21, 2018

Ms. Tracie Gray
Commonwealth of Pennsylvania Insurance Department
Insurance Product Regulation & Market Enforcement
Actuarial Review Division
Bureau of Life, Accident & Health Insurance
1311 Strawberry Square
Harrisburg, PA 17120

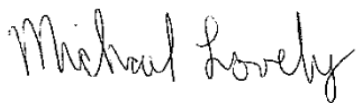
Dear Ms. Gray,

UPMC Health Coverage, Inc. respectfully requests approval of a rate filing for Individual Off Exchange HMO products. The rates are proposed for effective dates of 1/1/2019 through 12/31/2019.

Company Name/NAIC #: UPMC Health Coverage, Inc./15451
Market: Individual
On or Off Exchange: Off Exchange Only
Effective Date of Coverage: 1/1/2019
Average Rate Change Requested: 11.73% (\$24.13)
Range of Rate Change Requested: 11.73% to 11.73% (\$24.13 to \$24.13)
Total additional annual revenue generated from the proposed rate change: \$1,599
Products Offered: HMO
Rating Areas Where Plans are Offered: 1, 2, 4, 5 (no change from 2018)
Metal Levels Offered: Bronze
Currently Enrolled Lives: 3
Currently Enrolled Policyholders: 2
Number of Plans Offered in 2019: 1 (no change from 2018)
Corresponding Contract Form #: 660
Binder ID#: UPMC-PA19-125079595
HIOS Issuer ID #: 62560
Submission Tracking #: UPMC-131496004

If you have any questions or require additional information, please call me at 412-454-7849 or email me at lovelymt@upmc.edu.

Sincerely,



Michael Lovely, FSA, CERA, MAAA

Rate Change Summary

UPMC Health Coverage, Inc. – Individual Plans

Rate request filing ID # UPMC-131496004 - This document is prepared by the insurance company submitting the rate filing as a consumer tool to help explain the rate filing. It is not intended to describe or include all factors or information considered in the review process. For more information, see the filing at <http://www.insurance.pa.gov/Consumers/ACARelatedFilings/>

Overview

Initial requested average rate change:	11.73%
Revised requested average rate change:	12.12%
Range of requested rate change:	12.12% to 12.12%
Effective date:	1/1/2019
People impacted:	3
Available in:	1, 2, 4, 5

Key information

Jan. 2017-Dec. 2017 financial experience

Premiums	\$	3,923
Claims	\$	631
Administrative expenses	\$	148
Taxes & fees	\$	134
Company made (after taxes)	\$	3,010

How it plans to spend your premium

This is how the insurance company plans to spend the premium it collects in 2019:

Claims:	83.19%
Administrative:	14.39%
Taxes & fees:	0.42%
Profit:	2.00%

The company expects its annual medical costs to increase by approximately 7.2% for 2019.

Explanation of requested rate change

Additional premium is needed to account for the higher cost and utilization of medical services each year. The requested rate change listed above also accounts for uncertainty in the market in 2019 due to the repeal of the Individual Mandate as well as the larger estimated Risk Adjustment payable relative to the prior rate filing for this company.

UPMC HEALTH PLAN

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August 7, 2018

Ms. Tracie Gray
Commonwealth of Pennsylvania Insurance Department
Insurance Product Regulation & Market Enforcement
Actuarial Review Division
Bureau of Life, Accident & Health Insurance
1311 Strawberry Square
Harrisburg, PA 17120

Dear Ms. Gray,

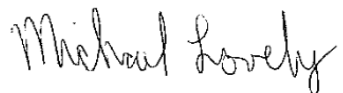
UPMC Health Coverage, Inc. respectfully requests approval of a rate filing for Individual Off Exchange HMO products. The rates are proposed for effective dates of 1/1/2019 through 12/31/2019. The revised filing includes the following changes to the PA Actuarial Memorandum Exhibits:

- 1.) *Per request from the Department, the projected profit margin used in Table 6 and 10 have been decreased from 3.0% to 2.0%.*
- 2.) *Per suggestion from the Department, the magnitude of the projected paid Risk Adjustment PMPM used in Table 5 has been increased from \$24.67 to \$29.97.*

Company Name/NAIC #: UPMC Health Coverage, Inc./15451
Market: Individual
On or Off Exchange: Off Exchange Only
Effective Date of Coverage: 1/1/2019
Average Rate Change Requested: 12.12% (\$24.95)
Range of Rate Change Requested: 12.12% to 12.12% (\$24.95 to \$24.95)
Total additional annual revenue generated from the proposed rate change: \$1,654
Products Offered: HMO
Rating Areas Where Plans are Offered: 1, 2, 4, 5 (no change from 2018)
Metal Levels Offered: Bronze
Currently Enrolled Lives: 3
Currently Enrolled Policyholders: 2
Number of Plans Offered in 2019: 1 (no change from 2018)
Corresponding Contract Form #: 660
Binder ID#: UPMC-PA19-125079595
HIOS Issuer ID #: 62560
Submission Tracking #: UPMC-131496004

If you have any questions or require additional information, please call me at 412-454-7849 or email me at lovelymt@upmc.edu.

Sincerely,



Michael Lovely, FSA, CERA, MAAA

PA Actuarial Memorandum - Redacted

Basic Information and Data

The purpose of this actuarial memorandum is to provide certain information related to a rate submission for the company identified below. The relevant index rate is developed in accordance with federal regulations, and plan specific premiums are generated using the allowable modifiers in accordance with the single risk pool rule.

Company Information

The following section provides information related to the identification of the company that is submitting this rate filing. Much of this information is also displayed in Table 0 of the PA Actuarial Memorandum Exhibits.

Company Legal Name: UPMC Health Coverage, Inc.

NAIC #: 15451

HIOS Issuer ID: 62560

Market: Individual

Exchange: Off Exchange

Products: HMO

Effective Date: 1/1/2019

Company Contact Information:

[This information redacted for publication.]

Filing Information:

Rate Filing SERFF Tracking #: UPMC-131496004

Form Filing SERFF Tracking #: UPMC-131490542

Binder SERFF Tracking #: UPMC-PA19-125079595

Rate History and Proposed Variations in Rate Changes

The proposed rate change does not vary by plan since only one plan is offered under this filing. Historical rate increases for the captioned company and market are presented in the table below.

SERFF Tracking #	Year	Rate Change
UPMC-130072609	2016	0.0%
UPMC-130536761	2017	9.3%
UPMC-131034852	2018	-8.3%

Average Rate Change

The average rate change displayed in Table 10, column AC, of the PA Actuarial Memorandum Exhibits is 12.1%. The change in 21-year-old non-tobacco premium PMPM calculated in table 11, cell AN13, of the PA Actuarial Memorandum Exhibits is 12.1%. The percent increase over Experience Period calculated in cell V45 on worksheet 1 of the URRT is 60.21%. The annualized percent increase calculated in cell V46 on worksheet 1 of the URRT is 26.58%.

Membership Count

Various breakdowns of the membership count for the captioned company and market are displayed in Table 1 of the PA Actuarial Memorandum Exhibits. Please see Exhibit 6 of the Supporting Exhibits for a breakdown of the projected member months by rating area.

Benefit Changes

A table with these changes has been included in Appendix I. No plans have actuarial values that fall in the expanded de minimis range.

Experience Period Claims and Premium

Claims and premium data for all non-grandfathered policies in the single risk pool for the captioned company and market from the experience period (January 2017 - December 2017) with three months of run-out are displayed in Table 2 of the PA Actuarial Memorandum Exhibits. This section provides a discussion of each field in the table and its relation to the corresponding fields on the URRT. Please note that no data for transitional policies is included in this table since transitional policies were not offered by this company and market in 2017.

Earned Premium:

This represents the revenue accumulated by the captioned company and market during the experience period. No adjustments were made for MLR rebates as we do not anticipate owing them. HHS cost-sharing is not included in the premium data. Please note that the earned premium listed in Table 2 does match the total premium listed in section I, worksheet 1 of the URRT because the value in the URRT does not include estimated Risk Adjustment receivables/payments per federal instructions.

Paid Claims:

This field includes uncompleted paid medical, pharmacy, pediatric dental, and pediatric vision experience period claims for the captioned company and market.

Ultimate Incurred Claims:

This field includes completed paid medical and pharmacy experience period claims for the captioned company and market. We used the standard Development/Completion Factor Method to calculate IBNR. Factors were calculated using our entire ACA-related Individual block of business and no unexpected factors were observed. Because three months run-out is available the impact of IBNR is minimal. The completion factors used are displayed in the table below. Please note that the ultimate incurred claims value shown in Table 2 matches the total incurred claims displayed in section I, worksheet 1 of the URRT.

Month	Completion Factor
1/1/2017	0.9973
2/1/2017	0.9973
3/1/2017	0.9972
4/1/2017	0.9976
5/1/2017	0.9971
6/1/2017	0.9956
7/1/2017	0.9935
8/1/2017	0.9908
9/1/2017	0.9871
10/1/2017	0.9830
11/1/2017	0.9768
12/1/2017	0.9627

Member Months:

The sum of the experience period member months shown in Table 1 is also displayed in Table 2 and matches the value shown in section I, worksheet 1 of the URRT.

Estimated Cost Sharing:

This field represents the difference between allowed claims and ultimate incurred claims in Table 2. Please note that for this field as well as the ultimate incurred claims field discussed above, the totals do not match those displayed in Table 4. In Table 4, the completion factors are applied to incurred claims to generate the ultimate incurred claims. The incurred claims consist of both medical and pharmacy claims. For our internal calculations, we do not apply completion factors to pharmacy claims, but it is not possible to do this given the way Table 4 is set up. Table 2 reflects the claims data from our internal calculations, which leads to the disparity between the observed values.

Allowed Claims:

This field includes allowed medical and pharmacy experience period claims as well as pediatric dental and vision claims from the experience period for the captioned company and market. Allowed medical claims and pediatric vision claims are pulled directly from our data warehouse. Pediatric dental claims are administered and paid by Dominion Dental. We receive a separate report from Dominion with the claim detail. Please note that the allowed claims shown in Table 2 match the total allowed claims displayed in section I, worksheet 1 of the URRT.

Non-EHB portion of Allowed Claims:

No non-EHB claims were allowed during the experience period.

Total Prescription Drug Rebates:

No prescription drug rebates were received for the captioned company and market during the experience period.

Total EHB Capitation:

No benefits were paid for via capitation during the experience period.

Total Non-EHB Capitation:

No benefits were paid for via capitation during the experience period.

Estimated Risk Adjustment:

Experience period Risk Adjustment was estimated to be a payment of \$5,886 per suggestion from the Pennsylvania Insurance Department based on data accrued through April 2018, which translates to a PMPM of \$159.08. Based on this estimate and past experience, we believe this value is a reasonable estimate until the actual values are released later this year.

Loss Ratio:

The loss ratio calculated in Table 2 is 16.07%.

Credibility of Data

The very limited experience period enrollment of 37 member months requires 0% credibility to be used for the experience period data, as was implemented in prior filings by this company. The rate manual was developed using equivalent experience period data for UPMC Health Options, Inc. Individual single risk pool product, which is displayed in tables 2b, 3b, and 4b in the PA Actuarial Memorandum Exhibits. This data represents the same risk pool as UPMC Health Coverage, Inc. and has a large member month count of over 1,643,818. Therefore, it has been deemed credible to use. Adjustments made to the rate manual are discussed in the "Index Rate" section below.

Trend Identification

The overall annual trend used in rate development is 7.21%. Historical allowed claims for our entire block of commercial business were used to develop year over year trend factors for use in the projected rates. The large enrollment count and consistent makeup of this population make it appropriate for use in trend development for this filing. Service categories were defined to be consistent with the URRT instructions. Please see Tables 3 and 3b of the PA Actuarial Memorandum Exhibits for trend development calculations. Please note that the minor changes made to benefit designs in order to keep plan actuarial values within the allowed ranges were not significant enough to warrant an adjustment for induced demand with regard to trend, so the induced demand column has been populated with zeroes in Tables 3 and 3b. Please see Exhibit 7 of the Supporting Exhibits for trend development.

Historical Experience

Historical data from the four most recent calendar years for the captioned company and market with three months of run-out are provided in Table 4. Allowed claims were developed using the same manner described above for Table 2. The historical data listed in Table 4b belongs to our entire block of ACA-related Individual business. Data for transitional policies was not included in Table 4.

Rate Development & Change

Projected Index Rate, Market-Adjusted Index Rate, & Total Allowed Claims

Table 5 of the PA Actuarial Memorandum Exhibits shows the development of the projected index rate, Market-Adjusted Index Rate, and projected total allowed claims. Detailed discussions on the development of each quantity are provided below.

Index Rate:

For this filing, the Index Rate of the Experience Period is set equal to the manual rate due to the lack of credibility. As discussed above, the manual rate is developed using fully-credible experience period EHB claims data from UPMC's entire block of ACA-related Individual business. The calculation of the manual rate is shown in Table 2b of the PA Actuarial Memorandum Exhibits. The Index Rate of the Projection Period is then calculated in Table 5 by applying two years of 7.21% annual trend to the experience period manual rate. Due to current uncertainty surrounding the market in 2019 due to the repeal of the Individual Mandate, it has been required by the Pennsylvania Insurance Department that an assumption for increased morbidity of the single risk pool be implemented for the projection period. A 6% increase in morbidity has been applied in the filing to account for this.

An adjustment factor of 1.018 to account for changes in network costs is then applied to get from the single risk pool population to the plan offerings of this specific segment. This particular factor was applied to account for increases in the provider fee schedules that have been implemented between the experience and projection periods.

No other adjustments have been applied to the index rate. The average age for our 2017 experience period Individual risk pool was 43.5 with an average premium factor of 1.81. This is comparable to our 2018 experience so far with age 44.2 and premium factor 1.84. This change in factors is small enough that the insured population is considered to be stable, and no additional adjustment for demographics was deemed necessary. In addition to this, no adjustment was applied to account for the regulation that prohibits charging for more than three children per family since this would have minimal cost impact. Please note that the Index Rate of Projection Period of \$532.75 shown in Table 5 matches the corresponding value shown in section III, worksheet 1 of the URRT.

Market-Adjusted Index Rate:

The Projected Index Rate is adjusted by adding estimates for risk adjustment and marketplace fees (with impacts and costs spread across the whole risk pool) to obtain the projected Market Adjusted Index Rate. Due to the lack of experience for this company in this market during the experience period, estimated Risk Adjustment data from Table 1 of the PA Actuarial Memorandum Exhibits is not used in the development of the projection period risk adjustment PMPM. Instead, the estimate suggested by the Pennsylvania Insurance Department for UPMC's entire ACA-compliant Individual block of business has been used since this consists of a much larger experience period population. Using this data results in an estimated payment of \$29.97 PMPM, which is displayed in section III, worksheet 1 of the URRT and Table 5. Please see Exhibit 1 of the Supporting Exhibits for the derivation of the risk adjustment PMPM amount for the projection period. \$1.80 PMPY has been subtracted as a projected amount for the Risk Adjustment Administration Fee since this was the value published by HHS. The net amount after accounting for the fee is subtracted from the Index Rate of the Projection Period as part of the

calculation of the Market Adjusted Index Rate. For the URRT and Table 5, it was entered as a negative number because the calculation subtracts this value. The effect is an increase in premium as additional revenue will be required to cover the anticipated payment. No adjustment was made for the Marketplace User Fee since the lone plan offered under this filing is only offered off exchange.

Total Allowed Claims:

The Market-Adjusted Index Rate is further modified to develop the projected total allowed claims PMPM by adding the projected allowed non-EHB claims PMPM. Benefits that were offered outside EHB include routine foot care and acupuncture. The projected allowed claims for these benefits is \$1.17 PMPM.

Retention Items

Retention items related to this filing are shown in Table 6 of the PA Actuarial Memorandum Exhibits and section III, worksheet 1 of the URRT. Detailed discussions on each item are provided below.

Administrative Expenses:

Administrative costs of 14.39% of premium have been displayed in Table 6 and the URRT. These expenses are taken from our 2017 Supplemental Health Care Exhibit (SHCE). They are broken out by lines of business and market segments matching this filing and thus are appropriate for use. Differences between the SHCE and section I, worksheet 1 of the URRT stem from the fact that the SHCE include restatements of estimates from the prior year, while the URRT only contains actual experience from 2017 (experience period). The data for Individual Health Coverage in Part 1 of the SHCE is all ACA-related.

Please note that the portion of required revenue accounting for Quality Improvement (QI) Initiatives has increased from a projection of 0.47% in 2018 to a projection of 3.24% in 2019 due to observed increases in QI costs in the Individual market. Following extensive preliminary QI evaluation activity in prior non-profitable years, during which financial resource allocation to advance additional QI programming in this product was necessarily limited, UPMCHP has now fully implemented an ongoing QI program with network providers. Given increased understanding and orientation toward both QI targets and clinical needs of the ACA population, we anticipate robust performance among our participating providers in this regard, resulting in a commensurate material increase to overall QI program expenditures in 2019.

[This information redacted for publication.]

Taxes and Fees:

Taxes and Fees decreased from 3.44% in 2018 to 0.42% in 2019 to account for the expiration of the PCORI Fee as well as the moratorium on the Health Insurance Tax for 2019. Please note that the Risk Adjustment Administration Fee was not included in the Taxes and Fees field. The value in Table 6 matches the corresponding value in the URRT since there is no Marketplace user fee applied in this filing.

Profit/Contingency:

The projected profit margin for this company will increase from 0% in 2018 to 2% in 2019. This value is listed in both Table 6 and the URRT.

Projected Loss Ratio

The projected period loss ratio, using the federally-prescribed MLR methodology without the credibility adjustment, is 86.8%, as shown in Exhibit 8 of the Supporting Exhibits.

Normalized Market-Adjusted Projected Allowed Total Claims

Normalization factors for 2018 and 2019 are provided in Table 7 of the PA Actuarial Memorandum Exhibits. 2018 factors have been taken from the prior rate filing of the captioned company and market. Detailed discussion on each of the 2019 factors are provided below.

Average Age Factor:

The average age factor was calculated using our projected Individual market population with the prescribed HHS Age Factors for 2019. We pulled them in summary alongside network and area data in order to back out age factor differences when determining network/area factors. It was assumed this represents the age distribution of the entire single risk-pool. The number of members under each age bracket was multiplied by the corresponding HHS Age Factor. These were then summed and divided by the total number of members to obtain the average age factor. The average age factor is 1.84 and average age was 43.5 during the experience period. Please see Exhibit 4 in the Supporting Exhibits for the calculation of this factor.

Average Geographic Factor:

The average geographic factor is 1.0 since all rating area factors are set to 1.0.

Average Tobacco Factor:

The average tobacco factor was calculated using projected membership. The member-weighted average of a 2.5% load applied for enrollees who qualify as tobacco users combined with a 0% load for non-tobacco users yields an average tobacco factor of 1.002. The derivation of this factor is shown below.

Tobacco Status	Feb 2018 Members	Split	Tobacco Factor	Calibration Factor
Non-User	130,935	91.7%	1.000	0.917
User	11,897	8.3%	1.025	0.085
Total	142,832	100.0%		1.002

Average Benefit Richness:

The benefit richness factor applied to the lone plan in this filing is 1.0 to ensure that normalization is not necessary.

Average Network Factor:

The network factor applied for the lone network included in this filing is 1.0.

Components of Rate Change

Data to support the calculation of the components of the rate change is presented in Tables 8 and 9 of the PA Actuarial Memorandum Exhibits. Values presented in the 2018 columns have been taken from this company's 2018 rate filing.

Plan Rate Development

Table 10 of the PA Actuarial Memorandum Exhibits has been populated as described in federal and state guidance to develop 2019 Plan Adjusted Index Rates. The allowable modifiers that make up the AV Pricing Values are described below.

Plan Actuarial Value:

The AV for the lone plan in this filing was determined by the issuer's own pricing model based on experience from UPMC's fully-insured commercial block of business.

Benefit Richness (induced demand)

Please see Exhibit 3 in the Supporting Exhibits for the induced utilization exhibit. Since there is only one plan in this filing, an induced demand factor of 1.0 was selected to ensure normalization and that the induced demand factor does not exceed the federal factors used in the risk adjustment program. Due to the low AV of this plan, a factor accounting for induced utilization would lead to lower rates. In previous years, an adjustment accounting for the broad Standard Network associated with this plan was made. This adjustment leads to an increase in rates due to the fact that the Standard Network has broad offerings relative to the mixture of broad and narrow networks associated with the manual data used in this filing. Ultimately, these two adjustments end up canceling each other out, and neither adjustment was applied in 2019 rate development.

Benefits in addition to EHBs

Benefits that will be offered outside EHB include routine foot care and acupuncture. The projected allowed claims for these benefits is \$1.17 PMPM. The adjustment factor of 1.002 included in Table 10 has been derived by adding the aforementioned PMPM to the projected index rate for 2019 and dividing this total by the same index rate, causing the adjustment to be applied uniformly to all plans. This load has not changed from the prior filing.

Provider Network

Since only one network is included in this filing, no network adjustments were deemed necessary for 2019.

Catastrophic Eligibility

Catastrophic plans will not be offered under this company and market in 2019, so no adjustment is necessary.

Non-Funding of CSR Adjustment

No On Exchange silver plans are included in this filing, so no adjustment is necessary.

Plan Premium Development for 21-Year-Old Non-Tobacco User

Table 11 of the PA Actuarial Memorandum Exhibits has been populated as described in federal and state guidance. Please see Exhibit 5 of the Supporting Exhibits for historical rate changes for this company and market for a 21-year-old non-tobacco user.

Plan Factors

Age and Tobacco Factors

As indicated in Table 12 of the PA Actuarial Memorandum Exhibits, the default federal standard age curve for 2019 is used in the development of the Consumer Adjusted Premium Rates. A tobacco load of 2.5% will be used for all age bands in the Individual market in 2019. This load has not changed from 2018.

Geographic Factors

All geographic factors for this company and market were set to 1.0 for 2018 and will remain this way for 2019 as we do not anticipate significant variations in cost by geographical location.

Network Factors

Since only one network is included in this filing, no network adjustments were deemed necessary for 2019.

Service Area Composition

Table 13 of the PA Actuarial Memorandum Exhibits shows the areas in which plans will be offered in 2019. Service area maps for 2018 and 2019 have been uploaded in the Supporting Documentation section in SERFF.

Composite Rating

No composite rating is used with these plans.

Warning Alerts


Cells A68 and A73 on worksheet 2 of the URRT each display warning alert. This alert arises from the fact that the total incurred claims calculated on worksheet 1 does not include the esimated 2017 risk adjustment transfer payment while the value calculated on worksheet 2 does include this estimate.

List of Supporting Exhibits


Supporting exhibits have been included with the rate filing to assist with the review process. Below is a list summarizing the contents of each exhibit.

- Exhibit 1: Development of Risk Adjustment PMPM for Projection Period
- Exhibit 2: Derivation of Broker Fee
- Exhibit 3: Induced Utilization Derivation
- Exhibit 4: Derivation of Age Calibration Factor
- Exhibit 5: Historical Changes in Consumer Adjusted Premium Rate for Age 21, Non-tobacco User
- Exhibit 6: Projected Enrollment by Rating Area
- Exhibit 7: Derivation of Annual Trend
- Exhibit 8: Derivation of Projection Period MLR

Actuarial Certification

I,  am a Member of the American Academy of Actuaries. I am currently a Manager in the Actuarial Services department for UPMC Health Plan. I certify that:

- All factor, benefit and other changes from the prior approved filing have been disclosed in this actuarial memorandum.
- New plans cannot be considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
- The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2019 Rate Filing Justification.
- The projected Index Rate is:
 - a. In compliance with all applicable state and Federal statutes and regulations (45 CFR 156.80 and 147.102)
 - b. Developed in compliance with the applicable Actuarial Standards of Practice
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered
 - d. Neither excessive nor deficient
- The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.
- The percent of total premium that represents EHB included in Worksheet 2, Sections III and IV, was calculated in accordance with actuarial standards of practice.
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
- The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans except those specified in the certification.


8/7/2018

Date

Appendix I

<u>SCID</u>	<u>Company</u>	<u>Market</u>	<u>Metal</u>	<u>Summary of Changes from 2018</u>
62560PA0030003	UPMC Health Coverage	IND	Essential Bronze	Increased MOOP from \$7,000 to \$7,900

PA Rate Template Part I
Data Relevant to the Rate Filing

Table 0. Identifying Information

Carrier Name:	LPMC Health Coverage, Inc.		
Product(s):	HMO		
Market Segment:	Individual		
Rate Effective Date:	1/1/2019	to	12/31/2019
Base Period Start Date:	1/1/2017	to	12/31/2017
Date of Most Recent Membership:	2/1/2018		

Table 1. Number of Members

	Member-months	Members	Member-months
	Experience Period	Current Period (as of 02-01-2018)	Projected Rating Period
Average Age	34.0	34.0	35.0
Total	37	3	36
0-8	12	1	12
10-24	0	0	0
25-29	0	0	0
30-34	0	0	0
35-39	12	1	12
40-44	0	0	0
45-49	13	1	12
50-54	0	0	0
55-59	0	0	0
60-63	0	0	0
Age	0	0	0

*Tables 1, 2 and 4 must include data for all non-grandfathered business (ACA compliant and Transitional)

Table 2. Experience Period Claims and Premiums

Earned Premium	Paid Claims	Ultimate Incurred Claims	Member Months	Estimated Cost Sharing (Member & HHS)	Allowed Claims (Non-Capitated)	Non-EHB portion of Allowed Claims	Total Prescription Drug Rebates*	Total EHB Capitation	Total Non-EHB Capitation	Estimated Risk Adjustment
\$ 9,808.68	\$ 617.55	\$ 630.56	37	\$ 337.74	\$ 968.29					\$ 15,886.00
Experience Period Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates)										\$ 26.17
Loss Ratio										36.67%

*Express Prescription Drug Rebates as a negative number

Table 3. Trend Components

Service Category	Cost*	Utilization*	Induced Demand*	Composite UREI Trend**	Weight*
Inpatient Hospital	9.07%	0.24%	0.00%	9.34%	18.35%
Outpatient Hospital	2.29%	0.52%	0.00%	3.38%	28.07%
Professional	1.97%	-1.08%	0.00%	0.87%	29.30%
Other Medical	9.27%	8.00%	0.00%	18.08%	11.03%
Capitation				0.00%	0.00%
Prescription Drugs	18.81%	0.21%	0.00%	10.08%	22.25%
Total Annual Trend				7.23%	100.00%
Months of Trend				24	
Total Applied Trend Projection Factor				1.149	

* Express Cost, Utilization, Induced Utilization and Weight as percentages
** Should be UREI Trend

Table 4. Historical Experience

Month Year	Total Annual Premium	Incurred Claims	Completion Factors*	Ultimate Incurred Claims	Members	Ultimate Incurred PMPM	Estimated Annual Cost Sharing (Member + HHS)	Prescription Drug Rebates**	Allowed Claims (Net of Prescription Drug Rebates)	Allowed PMPM
Jan-14		\$ 811,653.15	1.0000	\$ 811,653.15	557	\$ 1,457.35		\$ 872,677.93	\$ 1,566.75	
Feb-14		\$ 1,863,449.57	1.0000	\$ 1,863,449.57	678	\$ 2,748.45		\$ 1,814,872.19	\$ 2,824.44	
Mar-14		\$ 875,482.46	1.0000	\$ 875,482.46	871	\$ 1,005.15		\$ 949,309.55	\$ 1,089.91	
Apr-14		\$ 1,332,596.65	1.0000	\$ 1,332,596.65	1,000	\$ 1,332.61		\$ 1,411,287.56	\$ 1,384.76	
May-14		\$ 1,272,115.50	1.0000	\$ 1,272,115.50	1,215	\$ 1,047.01		\$ 1,350,189.74	\$ 1,111.23	
Jun-14		\$ 1,168,609.01	1.0000	\$ 1,168,609.91	1,264	\$ 924.93		\$ 1,242,550.51	\$ 983.01	
Jul-14		\$ 2,181,593.49	1.0000	\$ 2,181,593.49	1,425	\$ 1,530.94		\$ 2,251,287.06	\$ 1,579.84	
Aug-14		\$ 1,695,133.68	1.0000	\$ 1,695,133.68	1,547	\$ 1,095.76		\$ 1,764,687.17	\$ 1,160.64	
Sep-14		\$ 2,634,106.96	1.0000	\$ 2,634,106.96	1,664	\$ 1,583.00		\$ 2,718,478.04	\$ 1,633.20	
Oct-14		\$ 1,660,546.87	1.0000	\$ 1,660,546.87	1,725	\$ 962.64		\$ 1,756,314.44	\$ 1,028.13	
Nov-14		\$ 1,206,261.07	1.0000	\$ 1,206,261.07	1,795	\$ 673.01		\$ 1,287,870.65	\$ 717.48	
Dec-14	\$ 6,351,629.28	\$ 1,792,420.25	1.0000	\$ 1,792,420.25	2,017	\$ 888.66	\$ 824,782.50	\$ 1,898,537.42	\$ 941.27	
Jan-15		\$ 3,310.23	1.0000	\$ 3,310.23	17	\$ 194.72		\$ 4,050.57	\$ 238.27	
Feb-15		\$ 4.01	1.0000	\$ 4.01	16	\$ 250.62		\$ 7.43	\$ 0.46	
Mar-15		\$ 4.01	1.0000	\$ 4.01	15	\$ 267.33		\$ 9.22	\$ 0.57	
Apr-15		\$ 14.52	1.0000	\$ 14.52	14	\$ 103.71		\$ 25.08	\$ 1.79	
May-15		\$ 13.5	1.0000	\$ 13.5	13	\$ 103.77		\$ 27.69	\$ 2.13	
Jun-15		\$ 82.86	1.0000	\$ 82.86	13	\$ 63.7		\$ 134.88	\$ 10.37	
Jul-15		\$ 37.98	1.0000	\$ 37.98	13	\$ 292		\$ 52.98	\$ 4.08	
Aug-15		\$ 63.25	1.0000	\$ 63.25	12	\$ 52.65		\$ 124.11	\$ 10.34	
Sep-15		\$ 93.15	1.0000	\$ 93.15	12	\$ 7.76		\$ 115.12	\$ 11.26	
Oct-15		\$ 20.15	1.0000	\$ 20.15	13	\$ 1.55		\$ 37.53	\$ 2.89	
Nov-15		\$ 80.35	1.0000	\$ 80.35	9	\$ 89.31		\$ 137.72	\$ 14.75	
Dec-15	\$ 39,083.03	\$ 154.61	1.0000	\$ 154.61	8	\$ 19.31	\$ 1,217.80	\$ 193.41	\$ 23.93	
Jan-16		\$ 0.01	1.0000	\$ 0.01	8	\$ 0.00		\$ 187.51	\$ 23.44	
Feb-16		\$ 7.5	1.0000	\$ 7.5	7	\$ 107.14		\$ 16.83	\$ 2.40	
Mar-16		\$ 6.5	1.0000	\$ 6.5	6	\$ 107.83		\$ 45.48	\$ 7.58	
Apr-16		\$ 6.5	1.0000	\$ 6.5	6	\$ 114.68		\$ 164.88	\$ 27.48	
May-16		\$ 122.18	1.0000	\$ 122.18	6	\$ 20.36		\$ 265.10	\$ 43.52	
Jun-16		\$ 6.5	1.0000	\$ 6.5	6	\$ 107.83		\$ 29.64	\$ 13.27	
Jul-16		\$ 6.5	1.0000	\$ 6.5	6	\$ 114.68		\$ 6.5	\$ 6.5	
Aug-16		\$ 314.24	1.0000	\$ 314.24	6	\$ 52.37		\$ 314.24	\$ 52.37	
Sep-16		\$ 33.50	1.0000	\$ 33.50	6	\$ 55.8		\$ 183.84	\$ 30.64	
Oct-16		\$ 0.9977	0.9981	\$ 0.9977	6	\$ 6.5		\$ 57.84	\$ 8.64	
Nov-16		\$ 0.9977	0.9977	\$ 0.9977	6	\$ 6.5		\$ 25.35	\$ 37.50	
Dec-16	\$ 18,327.07	\$ 0.9977	0.9977	\$ 0.9977	6	\$ 6.5	\$ 4,837.11	\$ 3,200.35	\$ 548.9	
Jan-17		\$ 4.5	0.9977	\$ 4.5	4	\$ 11.25		\$ 4.5	\$ 4.5	
Feb-17		\$ 0.9977	0.9977	\$ 0.9977	3	\$ 3.29		\$ 215.89	\$ 71.96	
Mar-17		\$ 0.9977	0.9977	\$ 0.9977	3	\$ 3.29		\$ 4.5	\$ 4.5	
Apr-17		\$ 0.9976	0.9976	\$ 0.9976	3	\$ 3.29		\$ 4.00	\$ 1.33	
May-17		\$ 0.9977	0.9977	\$ 0.9977	3	\$ 3.29		\$ 4.5	\$ 4.5	
Jun-17		\$ 0.9964	0.9964	\$ 0.9964	3	\$ 3.29		\$ 4.5	\$ 4.5	
Jul-17		\$ 0.9935	0.9935	\$ 0.9935	3	\$ 3.29		\$ 4.5	\$ 4.5	
Aug-17		\$ 0.9998	0.9998	\$ 0.9998	3	\$ 3.29		\$ 4.5	\$ 4.5	
Sep-17		\$ 105.00	0.9871	\$ 106.97	3	\$ 35.44		\$ 106.37	\$ 35.44	
Oct-17		\$ 0.9830	0.9830	\$ 0.9830	3	\$ 3.29		\$ 4.5	\$ 4.5	
Nov-17		\$ 512.51	0.9768	\$ 524.75	3	\$ 174.92		\$ 642.07	\$ 214.01	
Dec-17	\$ 9,808.68	\$ 0.9621	0.9621	\$ 0.9621	3	\$ 3.29	\$ 232.21	\$ 4.5	\$ 4.5	

* Express Completion Factor as a percentage

** Express Prescription Drug Rebates as a negative number

PA Rate Template Part II
Rate Development and Change

Carrier Name: UPMC Health Coverage, Inc.
 Product(s): HMO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019

Table 5. Development of the Projected Index Rate, Market-Adjusted Index Rate, and Total Allowed Claims

Development of the Projected Index Rate	Actual Experience Data	Manual Data	
Total Allowed EHB Claims + EHB Capitation PMPM (net of prescription drug rebates) PMPM	\$ 26.17	\$ 429.37	<- Actual Experience PMPM should be consistent with the Index Rate for Experience Period on URRT
Two year trend projection factor	1.149	1.149	
Unadjusted Projected Allowed EHB Claims PMPM	\$ 30.08	\$ 493.47	
Single Risk Pool Adjustment Factors			
Change in Morbidity	1.060	1.060	<- See URRT Instructions
Change in Other	1.018	1.018	
Change in Demographics	1.000	1.000	<- See URRT Instructions
Change in Network	1.018	1.018	<- See URRT Instructions
Change in Benefits	1.000	1.000	<- See URRT Instructions
Change in Other	1.000	1.000	<- See URRT Instructions
Total Adjusted Projected Allowed EHB Claims PMPM	\$ 32.47	\$ 532.75	
Credibility Factors	0%	100%	<- See Instructions
Blended Projected EHB Claims PMPM		\$ 532.75	<- Projected Index Rate
Development of the Market-Adjusted Index Rate and Total Allowed Claims			
Adjusted Projected Allowed EHB Claims PMPM	\$ 532.75		<- Index Rate for Projection Period on URRT - Individual or First Quarter Small Group
Adjusted Projected Allowed EHB Claims PMPM (will only populate for small group filings)	\$ 0.608		<- Paid to Allowed Average Factor in Projection Period on URRT
Projected Paid to Allowed Ratio			
Projected Paid EHB Claims PMPM	\$ 322.66		
Market-wide Adjustments			
Projected Risk Adjustment PMPM	\$ (29.97)		
Projected Paid Exchange User Fees PMPM	\$ -		
Market-Adjusted Projected Paid EHB Claims PMPM	\$ 352.63		
Market-Adjusted Projected Allowed EHB Claims PMPM	\$ 582.24		<- Market-Adjusted Index Rate
Projected Allowed Non-EHB Claims PMPM	\$ 1.17		
Market-Adjusted Projected Paid Total Claims PMPM	\$ 353.34		
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 583.41		

For Informational Purposes only - No input required.

Blended Base Period Unadjusted Claims before Normalization	\$ 429.37	<- Index Rate of Experience Period on URRT
Blended Earned Premium	\$ 620,896,879.67	
Blended Loss Ratio	94.07%	

Table 5A. Small Group Projected Index Rate with Quarterly Trend

Effective Date	1/1/2019	4/1/2019	7/1/2019	10/1/2019	Total Single Risk Pool
# of Member Months Renewing in Quarter					
Adjusted Projected Allowed EHB Claims PMPM Q1	\$ 532.75	\$ 532.75	\$ 532.75	\$ 532.75	\$ 532.75
Months of Trend	-	3	6	9	
Annual Trend	7.21%	7.21%	7.21%	7.21%	
Single Risk Pool Projected Allowed Claims	\$ 532.75	\$ 542.10	\$ 551.61	\$ 561.29	\$ -
Quarterly Trend Factor	100.0%	101.8%	103.5%	105.4%	0.0%
2019 Trend Factors by Quarter	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	

Table 6. Retention

Retention Items - Express in percentages	Percentages	PMPM Amounts	
Administrative Expenses	14.39%	\$61.11	
General and Claims	10.71%	\$45.51	
Agent/Broker Fees and Commissions	0.44%	\$1.85	
Quality Improvement Initiatives	3.24%	\$13.75	
Taxes and Fees	0.42%	\$1.78	
PCORI Fees	0.00%	\$0.00	
PA Premium Tax (if applicable)	0.00%	\$0.00	
Federal Income Tax	0.42%	\$1.78	
Health Insurance Providers Fee (Prorated for Small Groups only)	0.00%	\$0.00	
Profit/Contingency (after tax)	2.00%	\$8.49	
Total Retention	16.81%	\$71.39	
Projected Required Revenue PMPM		\$ 424.73	<- Single Pool Gross Premium Avg. Rate, PMPM on URRT

Table 7. Normalized Market-Adjusted Projected Allowed Total Claims

Normalization Factors	2018	2019
Average Age Factor	1.771	1.937
Average Geographic Factor	1.000	1.000
Average Tobacco Factor	1.002	1.002
Average Benefit Richness (induced demand)	1.000	1.000
Average Network Factor	1.000	1.000
Market-Adjusted Projected Allowed Total Claims PMPM	\$ 519.63	\$ 583.41
Normalized Market-Adjusted Projected Allowed Total Claims PMPM	\$ 292.84	\$ 316.88

Table 8. Components of Rate Change

Rate Components	2018	2019	Difference	Percent Change
A. Calibrated Plan Adjusted Index Rate (PMPM)	\$ 205.78	\$ 230.73	\$24.95	12.1%
B. Base period allowed claims before normalization	\$ 422.17	\$ 429.37	\$7.20	3.5%
C. Normalization factor component of change	\$ (184.25)	\$ (196.16)	-\$11.91	-5.8%
D. Change in Normalized Allowed Claims Adjustment Components				
D1. Base period allowed claims after normalization	\$ 237.92	\$ 233.21	-\$4.71	-2.3%
D2. URRT Trend	\$ 34.55	\$ 34.82	\$0.27	0.1%
D3. URRT Morbidity	\$ 16.35	\$ 16.08	-\$0.27	-0.1%
D4. URRT Other	\$ 0.00	\$ 5.25	\$5.25	2.6%
D5. Normalized URRT RA/RI on an allowed basis	\$ (3.31)	\$ 26.88	\$30.19	14.7%
D6. Normalized Exchange User Fee on an allowed basis	\$ -	\$ -	\$ -	0.0%
D7. Subtotal - Sum(D1-D6)	\$ 285.51	\$ 316.24	\$30.73	14.9%
E. Change in Allowable Plan Adjusted Level Components				
E1. Network	\$ -	\$ -	\$ -	0.0%
E2. Pricing AV	\$ (111.92)	\$ (124.71)	-\$12.79	-6.2%
E3. Benefit Richness	\$ -	\$ -	\$ -	0.0%
E4. Catastrophic Eligibility	\$ -	\$ -	\$ -	0.0%
E5. Subtotal - Sum(E1-E4)	\$ (111.92)	\$ (124.71)	-\$12.79	-6.2%
F. Change in Retention Components				
F1. Administrative Expenses	\$ 20.65	\$ 33.20	\$12.54	6.1%
F2. Taxes and Fees	\$ 7.08	\$ 0.97	-\$6.11	-3.0%
F3. Profit and/or Contingency	\$ -	\$ 4.61	\$4.61	2.2%
F4. Subtotal - Sum(F1-F3)	\$ 27.73	\$ 38.78	\$11.05	5.4%
G. Change in Miscellaneous Items	\$ -	\$ -	\$ -	0.0%
H. Sum of Components of Rate Change (should approximate the change shown in line A)	\$ 201.32	\$ 230.31	\$28.99	14.3%

Table 9. Year-over-Year Data to Support Table 8

	2018	2019	
Paid-to-Allowed	0.608	0.606	
URRT Trend (Total Applied Trend Factor)	1.145	1.149	<- URRT W1, S2
URRT Morbidity	1.060	1.060	<- URRT W1, S2
URRT "Other"	1.000	1.018	<- URRT W1, S2
Risk Adjustment	\$ (3.57)	\$ 29.97	<- URRT W1, S3
Exchange User Fee	\$ -	\$ -	<- URRT W1, S3
Capitation	\$ -	\$ -	<- URRT W1, S2
Network	1.000	1.000	
Pricing AV	0.608	0.606	
Benefit Richness	1.000	1.000	
Catastrophic Eligibility	1.000	1.000	
Administrative Expenses	10.04%	14.30%	
Taxes and Fees	3.44%	0.42%	
Profit and/or Contingency	0.00%	2.00%	

PA Rate Template Part III

Table 10. Plan Rates

Carrier Name: UPMC Health Coverage, Inc.
 Product(s): HMO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019
 Base Period Start Date: 1/1/2017
 Date of Most Recent Membership: 2/1/2018
 Market Adjusted Index Rate: \$ 582.24

Plan Number	HIOS Plan ID (Standard Component)	Plan Type (HMO, POS, PPO, EPO, Indemnity, Other)	1/1/2018 Plan Marketing Name	Existing, Modified, New, Discontinued & Mapped, Discontinued & Not Mapped (E,M,N,DM, DNM) for 2019	1/1/2019 Plan HIOS Plan ID (if 1/1/2018 Plan Discontinued & Mapped)	Metallic Tier	Metallic Tier Actuarial Value	Standard AV, Approach (1), Approach (2)	Exchange On/Off or Off	Pricing AV (company-determined AV)	Benefit Richness (induced demand)
							0.611			0.606	1.000
Transitional Plans	TRANSITIONAL	N/A	TRANSITIONAL	DNM	TRANSITIONAL	N/A	N/A	N/A	N/A	N/A	N/A
Plan 1	62560PA0030003	HMO	Essential UPMC Advantage Essential Bronze	M		Bronze	0.6109	Standard AV	Off	0.606	1.000

PA Rate Template Part III

Table 10. Plan Rates

Carrier Name: UPMC Health Coverage, Inc.
 Product(s): HMO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019
 Base Period Start Date: 1/1/2017
 Date of Most Recent Membership: 2/1/2018
 Market Adjusted Index Rate: \$ 582.24

Calibration	
Age Calibration Factor	1.837
Geographic Calibration Factor	1.000
Tobacco Calibration Factor	1.002
Aggregate Calibration Factor	1.841

45 CFR Part 156.8 (d) (2) Allowable Factors

Plan Number	HIOS Plan ID (Standard Component)	Plan Type (HMO, POS, PPO, EPO, Indemnity, Other)	1/1/2018 Plan Marketing Name	Benefits in addition to EHB	Provider Network	Catastrophic Eligibility	Non-Funding of CSR Adjustment	Pure Premium	Admin Costs	Taxes & Fees (not including Exchange fees)	Profit or Contingency
Totals				1.002	1.000	1.000	1.000	\$ 353.41	14.4%	0.4%	2.0%
Transitional Plans	TRANSITIONAL	N/A	TRANSITIONAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan 1	62560PA0030003	HMO	Essential UPMC Advantage Essential Bronze	1.002	1.000	1.000	1.000	353.4085817	14.4%	0.4%	2.0%

PA Rate Template Part III

Table 10. Plan Rates

Carrier Name: UPMC Health Coverage, Inc.
 Product(s): HMO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019
 Base Period Start Date: 1/1/2017
 Date of Most Recent Membership: 2/1/2018
 Market Adjusted Index Rate: \$ 582.24

Total Covered Lives @ 02-01-2018
3

Plan Number	HIOS Plan ID (Standard Component)	Plan Type (HMO, POS, PPO, EPO, Indemnity, Other)	1/1/2018 Plan Marketing Name
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Total Covered Lives Mapped into 2019 Plans @ 02-01-2018	Total Policyholders @ 02-01-2018
---	----------------------------------

2018 Calibrated Plan Adjusted Index Rate PMPM	2019 Calibrated Plan Adjusted Index Rate PMPM
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Proposed Rate Change Compared to Prior 12 months
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% of Total Covered Lives

Totals

3	2
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\$ 205.78	\$ 230.73
-----------	-----------

12.1%

N/A

Transitional Plans	TRANSITIONAL	N/A	TRANSITIONAL
Plan 1	62560PA0030003	HMO	Essential UPMC Advantage Essential Bronze

-	-
3	2

N/A	N/A
\$ 205.78	\$ 230.73

N/A
12.1%

N/A
1

PA Rate Template Part IV A - Individual

Table 11. Plan Premium Development for 21-Year-Old Non-Tobacco User

Carrier Name: UPMC Health Coverage, Inc.
 Product(s): HMO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019

Plan Number	HIOS Plan ID (Standard Component)	1/1/2018 Plan Marketing Name	Discontinued, New, Modified, Existing (D,N,M,E) for 2019	1/1/2019 Plan HIOS Plan ID (if 1/1/2018 Plan Discontinued & Mapped)	Metallic Tier	Exchange On/Off or Off
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Totals These cells auto-fill using the data entered in Table 10.

Plan 1	62560PA0030003	UPMC Advantage Essenti	M	0	Bronze	Off
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2018 21-year-old, Non-Tobacco Premium PMPM

1	2	3	4	5	6	7	8	9	Average (weighted by enrollment by rating area)
---	---	---	---	---	---	---	---	---	---

\$ 205.78 \$ - \$ - \$ 205.78 \$ - \$ - \$ - \$ - \$ - \$ 205.78

\$ 205.78 \$ 205.78 \$ - \$ 205.78 \$ 205.78 \$ - \$ - \$ - \$ - \$ 205.78

PA Rate Template Part IV A - Individual
Table 11. Plan Premium Development for 21-Year-Old

Carrier Name: UPMC Health Coverage, I
 Product(s): HMO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019

Plan Number	HIOS Plan ID (Standard Component)	1/1/2018 Plan Marketing Name	2019 21-year-old, Non-Tobacco Premium PMPM									Change in 21-year-old Non						
			1	2	3	4	5	6	7	8	9	Average (weighted by enrollment by rating area)	1	2	3	4	5	
Totals	These cells auto-fill		\$ 230.73	\$ -	\$ -	\$ 230.73	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230.73	12.1%	0.0%	0.0%	12.1%	0.0%
Plan 1	62560PA0030003	UPMC Advantage Essenti	\$ 230.73	\$ 230.73	\$ -	\$ 230.73	\$ 230.73	\$ -	\$ -	\$ -	\$ -	\$ 230.73	12.1%	12.1%		12.1%	12.1%	

PA Rate Template Part IV A - Individual

Table 11. Plan Premium Development for 21-Year-Old

Carrier Name: UPMC Health Coverage, Inc.
 Product(s): HMO
 Market Segment: Individual
 Rate Effective Date: 1/1/2019

Tobacco Premium PMPM

Plan Number	HIOS Plan ID (Standard Component)	1/1/2018 Plan Marketing Name	6	7	8	9	Average (weighted by enrollment by rating area)
Totals	These cells auto-fill		0.0%	0.0%	0.0%	0.0%	12.1%
Plan 1	62560PA0030003	UPMC Advantage Essenti					12.1%

Company Name: UPMC Health Coverage, Inc.
 Market: Individual
 Product: HMO
 Effective Date of Rates: January 1, 2019

Ending date of Rates: December 31, 2019

HIOS Plan ID (On Exchange)=>								
HIOS Plan ID (Off Exchange)=>	62560PA0030003		62560PA0030003		62560PA0030003		62560PA0030003	
Plan Marketing Name =>	PMC Advantage Essential Bronze		PMC Advantage Essential Bronze		PMC Advantage Essential Bronze		PMC Advantage Essential Bronze	
Form # =>	660		660		660		660	
Rating Area =>	1		2		4		5	
Network =>	Standard Referral w/Dominion		Standard Referral w/Dominion		Standard Referral w/Dominion		Standard Referral w/Dominion	
Metal =>	Bronze		Bronze		Bronze		Bronze	
Deductible =>	\$6250/ \$12500		\$6250/ \$12500		\$6250/ \$12500		\$6250/ \$12500	
Coinsurance =>	80%		80%		80%		80%	
Copays =>	20% / 20%		20% / 20%		20% / 20%		20% / 20%	
OOP Maximum =>	\$7900/ \$15800		\$7900/ \$15800		\$7900/ \$15800		\$7900/ \$15800	
Pediatric Dental (Yes/No) =>	Yes		Yes		Yes		Yes	
Age Band	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco
0 - 14	\$176.51	\$176.51	\$176.51	\$176.51	\$176.51	\$176.51	\$176.51	\$176.51
15	\$192.20	\$192.20	\$192.20	\$192.20	\$192.20	\$192.20	\$192.20	\$192.20
16	\$198.20	\$198.20	\$198.20	\$198.20	\$198.20	\$198.20	\$198.20	\$198.20
17	\$204.20	\$204.20	\$204.20	\$204.20	\$204.20	\$204.20	\$204.20	\$204.20
18	\$210.66	\$215.92	\$210.66	\$215.92	\$210.66	\$215.92	\$210.66	\$215.92
19	\$217.12	\$222.54	\$217.12	\$222.54	\$217.12	\$222.54	\$217.12	\$222.54
20	\$223.81	\$229.40	\$223.81	\$229.40	\$223.81	\$229.40	\$223.81	\$229.40
21	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50
22	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50
23	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50
24	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50	\$230.73	\$236.50
25	\$231.65	\$237.44	\$231.65	\$237.44	\$231.65	\$237.44	\$231.65	\$237.44
26	\$236.27	\$242.17	\$236.27	\$242.17	\$236.27	\$242.17	\$236.27	\$242.17
27	\$241.81	\$247.85	\$241.81	\$247.85	\$241.81	\$247.85	\$241.81	\$247.85
28	\$250.80	\$257.07	\$250.80	\$257.07	\$250.80	\$257.07	\$250.80	\$257.07
29	\$258.19	\$264.64	\$258.19	\$264.64	\$258.19	\$264.64	\$258.19	\$264.64
30	\$261.88	\$268.43	\$261.88	\$268.43	\$261.88	\$268.43	\$261.88	\$268.43
31	\$267.42	\$274.10	\$267.42	\$274.10	\$267.42	\$274.10	\$267.42	\$274.10
32	\$272.95	\$279.78	\$272.95	\$279.78	\$272.95	\$279.78	\$272.95	\$279.78
33	\$276.41	\$283.32	\$276.41	\$283.32	\$276.41	\$283.32	\$276.41	\$283.32
34	\$280.11	\$287.11	\$280.11	\$287.11	\$280.11	\$287.11	\$280.11	\$287.11
35	\$281.95	\$289.00	\$281.95	\$289.00	\$281.95	\$289.00	\$281.95	\$289.00
36	\$283.80	\$290.89	\$283.80	\$290.89	\$283.80	\$290.89	\$283.80	\$290.89
37	\$285.64	\$292.78	\$285.64	\$292.78	\$285.64	\$292.78	\$285.64	\$292.78
38	\$287.49	\$294.68	\$287.49	\$294.68	\$287.49	\$294.68	\$287.49	\$294.68
39	\$291.18	\$298.46	\$291.18	\$298.46	\$291.18	\$298.46	\$291.18	\$298.46
40	\$294.87	\$302.24	\$294.87	\$302.24	\$294.87	\$302.24	\$294.87	\$302.24
41	\$300.41	\$307.92	\$300.41	\$307.92	\$300.41	\$307.92	\$300.41	\$307.92
42	\$305.72	\$313.36	\$305.72	\$313.36	\$305.72	\$313.36	\$305.72	\$313.36
43	\$313.10	\$320.93	\$313.10	\$320.93	\$313.10	\$320.93	\$313.10	\$320.93
44	\$322.33	\$330.39	\$322.33	\$330.39	\$322.33	\$330.39	\$322.33	\$330.39
45	\$333.17	\$341.50	\$333.17	\$341.50	\$333.17	\$341.50	\$333.17	\$341.50
46	\$346.10	\$354.75	\$346.10	\$354.75	\$346.10	\$354.75	\$346.10	\$354.75
47	\$360.63	\$369.65	\$360.63	\$369.65	\$360.63	\$369.65	\$360.63	\$369.65
48	\$377.24	\$386.67	\$377.24	\$386.67	\$377.24	\$386.67	\$377.24	\$386.67
49	\$393.63	\$403.47	\$393.63	\$403.47	\$393.63	\$403.47	\$393.63	\$403.47
50	\$412.08	\$422.39	\$412.08	\$422.39	\$412.08	\$422.39	\$412.08	\$422.39
51	\$430.31	\$441.07	\$430.31	\$441.07	\$430.31	\$441.07	\$430.31	\$441.07
52	\$450.38	\$461.64	\$450.38	\$461.64	\$450.38	\$461.64	\$450.38	\$461.64
53	\$470.69	\$482.46	\$470.69	\$482.46	\$470.69	\$482.46	\$470.69	\$482.46
54	\$492.61	\$504.92	\$492.61	\$504.92	\$492.61	\$504.92	\$492.61	\$504.92
55	\$514.53	\$527.39	\$514.53	\$527.39	\$514.53	\$527.39	\$514.53	\$527.39
56	\$538.29	\$551.75	\$538.29	\$551.75	\$538.29	\$551.75	\$538.29	\$551.75
57	\$562.29	\$576.35	\$562.29	\$576.35	\$562.29	\$576.35	\$562.29	\$576.35
58	\$587.90	\$602.60	\$587.90	\$602.60	\$587.90	\$602.60	\$587.90	\$602.60
59	\$600.59	\$615.60	\$600.59	\$615.60	\$600.59	\$615.60	\$600.59	\$615.60
60	\$626.20	\$641.86	\$626.20	\$641.86	\$626.20	\$641.86	\$626.20	\$641.86
61	\$648.35	\$664.56	\$648.35	\$664.56	\$648.35	\$664.56	\$648.35	\$664.56
62	\$662.89	\$679.46	\$662.89	\$679.46	\$662.89	\$679.46	\$662.89	\$679.46
63	\$681.11	\$698.14	\$681.11	\$698.14	\$681.11	\$698.14	\$681.11	\$698.14
64+	\$692.19	\$709.49	\$692.19	\$709.49	\$692.19	\$709.49	\$692.19	\$709.49

**UPMC Health Coverage, Inc.
Individual
Plan Design Summary**

HIOS Plan ID	Plan Marketing Name	Product	Metal	On/Off Exchange	Network	Rating Area	Counties Covered
62560PA0030003	UPMC Advantage Essential Bronze	HMO	Bronze	Off	IND HMO Standard Referral w/Dominion PEDS PPO	1, 2, 4, 5	Allegheny, Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Forest, Greene, Huntingdon, Indiana, Jefferson, Lawrence, McKean, Mercer, Potter, Somerset, Venango, Warren, Washington, Westmoreland

Company Name UPMC Health Coverage, Inc.

Market Individual

RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND I

		02-01-2018 Number of Covers	
		0	0
HIOS Plan ID	Plan Marketing Name	Jefferson	Somerset
62560PA0030003	UPMC Advantage Essential Bronze	\$230.73	\$230.73

RATING AREA 6

0	0	0	0	0	0	0	0	0	0
Centre	Columbia	Lehigh	Mifflin	Montour	Northampton	Northumberland	Schuylkill	Snyder	Union

RATING AREA 7

0	0
Adams	Berks

Company Name UPMC Health Coverage, Inc.

Market Individual

RATES FOR AGE 21, NON-TOBACCO USER, BY RATING AREA AND I

02-01-2018 Number of Covers		0
HIOS Plan ID	Plan Marketing Name	Perry
62560PA0030003	UPMC Advantage Essential Bronze	

Unified Rate Review v4.3

Company Legal Name: **UPMC HEALTH COVERAGE INC** State: **PA**
 HIOS Issuer ID: **62560** Market: **Individual**
 Effective Date of Rate Change(s): **1/1/2019**

Market Level Calculations (Same for all Plans)

Section I: Experience period data

Experience Period:	1/1/2017	to	12/31/2017
	<u>Experience Period</u>		
	<u>Aggregate Amount</u>	<u>PMPM</u>	<u>% of Prem</u>
Premiums (net of MLR Rebate) in Experience Period:	\$9,809	\$265.10	100.00%
Incurred Claims in Experience Period	\$631	17.04	6.43%
Allowed Claims:	\$968	26.17	9.87%
Index Rate of Experience Period	\$26.17		
Experience Period Member Months	37		

Section II: Allowed Claims, PMPM basis

Benefit Category	Experience Period			Projection Period: 1/1/2019 to 12/31/2019				Mid-point to Mid-point, Experience to Projection: 24 months							
	on Actual Experience Allowed			Adj't. from Experience to Projection Period				Annualized Trend Factors			Projections, before credibility Adjustment			Credibility Manual	
	Utilization Description	Utilization per 1,000	Average Cost/Service	PMPM	Pop1 risk Morbidity	Other	Cost	Util	Utilization per 1,000	Average Cost/Service	PMPM	Utilization per 1,000	Average Cost/Service	PMPM	
Inpatient Hospital	Admits	0.00	\$0.00	\$0.00	1.060	1.018	1.091	1.002	0.00	\$0.00	\$0.00	72.66	\$16,832.19	\$101.92	
Outpatient Hospital	Visits	972.97	155.02	12.57	1.060	1.018	1.028	1.006	1,043.20	166.82	14.50	4182.31	399.80	139.34	
Professional	Visits	2,270.27	65.79	12.45	1.060	1.018	1.020	0.989	2,354.71	69.68	13.67	12728.82	90.45	95.94	
Other Medical	Visits	0.00	0.00	0.00	1.060	1.018	1.093	1.081	0.00	0.00	0.00	461.36	1,858.85	71.47	
Capitation	Other	0.00	0.00	0.00	1.060	1.018	1.000	1.000	0.00	0.00	0.00	0.00	0.00	0.00	
Prescription Drug	Prescriptions	648.65	21.35	1.15	1.060	1.018	1.103	0.998	684.62	26.46	1.51	13003.84	115.59	125.26	
Total				\$26.17							\$29.68			\$533.92	

Section III: Projected Experience:

	Projected Allowed Claims PMPM (w/applied credibility if applicable)	0.00%	100.00%	After Credibility	Projected Period Totals
	Paid to Allowed Average Factor in Projection Period			\$533.92	\$19,221
	Projected Incurred Claims, before ACA rein & Risk Adj't, PMPM			0.606	
	Projected Risk Adjustments PMPM			\$323.37	\$11,641
	Projected Incurred Claims, before reinsurance recoveries, net of rein prem, PMPM			-29.97	(1,079)
	Projected ACA reinsurance recoveries, net of rein prem, PMPM			\$353.34	\$12,720
	Projected Incurred Claims			0.00	0
	Administrative Expense Load			\$353.34	\$12,720
	Profit & Risk Load		14.39%	61.11	2,200
	Taxes & Fees		2.00%	8.49	306
	Single Risk Pool Gross Premium Avg. Rate, PMPM		0.42%	1.78	64
	Index Rate for Projection Period			\$424.73	\$15,290
	% increase over Experience Period			\$532.75	
	% Increase, annualized:			60.21%	
	Projected Member Months			26.58%	36

Information Not Releasable to the Public Unless Authorized by Law: This information has not been publicly disclosed and may be privileged and confidential. It is for internal government use only and must not be disseminated, distributed, or copied to persons not authorized to receive the information. Unauthorized disclosure may result in prosecution to the full extent of the law.

Product-Plan Data Collection

Company Legal Name:
HIOS Issuer ID:
Effective Date of Rate Change(s):

UPMC HEALTH COVERAGE INC.
62560
1/1/2019

State: PA
Market: Individual

Product/Plan Level Calculations

Section I: General Product and Plan Information		
Product:		Individual/HMO
Product ID:		62560PA03
Metal:		Bronze
AV Metal Value:		0.611
AV Pricing Value:		0.730
Plan Category:		Renewing
Plan Type:		HMO
Plan Name:		Essential UPMC Advantage Essential Bronze
Plan ID (Standard Component ID):		62560PA030003
Exchange Plan?		No
Historical Rate Increase - Calendar Year - 2:		0.00%
Historical Rate Increase - Calendar Year - 1:		8.39%
Historical Rate Increase - Calendar Year 0:		-4.96%
Effective Date of Proposed Rates:		1/1/2019
Rate Change % (lower prior filing):		12.13%
Claim Year Rate Change % (lower 12 mos prior):		12.13%
Prod Per Rate Change % (lower Expir. Period):		11.44%
Product Rate Increase %:		12.12%

Section II: Components of Premium Increase (PMPM Dollar Amount above Current Average Rate PMPM)

Plan ID (Standard Component ID):	Total	62560PA030003
Inpatient	\$0.00	\$0.00
Outpatient	\$0.00	\$0.00
Professional	\$0.00	\$0.00
Prescription Drug	\$0.00	\$0.00
Other	\$0.00	\$0.00
Capitation	\$0.00	\$0.00
Administration	\$0.00	\$0.00
Taxes & Fees	\$0.00	\$0.00
Risk & Profit Charge	\$0.00	\$0.00
Total Rate Increase	\$0.00	\$0.00
Member Cost Share Increase	\$0.00	\$0.00

Average Current Rate PMPM	\$255.38	\$255.38
Projected Member Months	36	36

Section III: Experience Period Information

Warning Alert		Wght 3 Total	Plan ID (Standard Component ID):	Total	62560PA030003
OK		37	Plan Adjusted Index Rate	\$374.45	\$374.45
OK		\$9,809	Member Months	37	37
			Total Premium (TP)	\$9,809	\$9,809
			EHB Percent of TP, [see instructions]	100.00%	100.00%
			state mandated benefits portion of TP that are other than EHB	0.00%	0.00%
OK		\$968	Other benefits portion of TP	0.00%	0.00%
			Total Allowed Claims (TAC)	\$968	\$968
			EHB Percent of TAC, [see instructions]	100.00%	100.00%
			state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%
			Other benefits portion of TAC	0.00%	0.00%
			Allowed Claims which are not the issuer's obligation:	-\$5,548	-\$5,548
			Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0	\$0
			Portion of above payable by HHS on behalf of insured person, as %	0.00%	0.00%
WARNING		\$631	Total incurred claims, payable with issuer funds	\$6,517	\$6,517
			Net Amt of Refn	\$0.00	\$0.00
			Risk Adjustment Transfer Amount	-\$5,890.81	-\$5,890.81
WARNING	\$	17.04	Incurred Claims PMPM	\$176.12	\$176.12
OK	\$	26.17	Allowed Claims PMPM	\$26.17	\$26.17
			EHB portion of Allowed Claims, PMPM	\$26.17	\$26.17

Section IV: Projected (12 months following effective date)

Warning Alert		Wght 3 Total	Plan ID (Standard Component ID):	Total	62560PA030003
OK		36	Plan Adjusted Index Rate	\$424.81	\$424.81
OK		\$15,290	Member Months	36	36
			Total Premium (TP)	\$15,293	\$15,293
			EHB Percent of TP, [see instructions]	99.79%	99.79%
			state mandated benefits portion of TP that are other than EHB	0.00%	0.00%
OK		\$9,221	Other benefits portion of TP	0.21%	0.21%
			Total Allowed Claims (TAC)	\$19,221	\$19,221
			EHB Percent of TAC, [see instructions]	99.79%	99.79%
			state mandated benefits portion of TAC that are other than EHB	0.00%	0.00%
			Other benefits portion of TAC	0.21%	0.21%
			Allowed Claims which are not the issuer's obligation:	\$6,506	\$6,506
			Portion of above payable by HHS's funds on behalf of insured person, in dollars	\$0	\$0
			Portion of above payable by HHS on behalf of insured person, as %	0.00%	0.00%
			Total incurred claims, payable with issuer funds	\$12,715	\$12,715
			Net Amt of Refn	\$0	\$0
			Risk Adjustment Transfer Amount	-\$1,079	-\$1,079
#DIV/0!			Incurred Claims PMPM	\$353.19	\$353.19
OK	\$	533.92	Allowed Claims PMPM	\$533.92	\$533.92
			EHB portion of Allowed Claims, PMPM	\$532.80	\$532.80

RFJ Part II – Consumer Friendly Justification

Individual Off Exchange HMO Rate Filing

The rate change for UPMC Health Coverage Individual plans is 12.12% for 2019. Additional premium is needed to account for the higher cost and utilization of medical services each year. The requested rate change also accounts for uncertainty in the market in 2019 due to the repeal of the Individual Mandate as well as the larger estimated Risk Adjustment payable relative to the prior rate filing for this company.

Scope and Range of the Rate Increase

The number of individuals affected by this rate increase is 3. There will be no variation in the increase among affected members since only one plan is included in this filing.

Financial Experience of the Product

Premiums	\$	3,923
Claims	\$	631
Administrative expenses	\$	148
Taxes & fees	\$	134
Company made (after taxes)	\$	3,010

Changes in Medical Service Costs

Cost and utilization increases are expected to increase by approximately 7.21% for 2019.

Changes in Benefits

No changes in benefits contributed significantly to the increase.

Administrative Costs and Anticipated Profits

No major changes in administrative costs are anticipated. A profit margin of 2% is anticipated for 2019.

RFJ Part III: Actuarial Memorandum - Redacted

General Information

The purpose of this actuarial memorandum is to provide certain information related to a rate submission for the company identified below. The relevant index rate is developed in accordance with federal regulations, and plan specific premiums are generated using the allowable modifiers in accordance with the single risk pool rule.

The following section provides information related to the identification of the company that is submitting this rate filing. Much of this information is also displayed in Table O of the PA Actuarial Memorandum Exhibits.

Company Identifying Information:

Company Legal Name: UPMC Health Coverage, Inc.

NAIC #: 15451

State: PA

HIOS Issuer ID: 62560

Market: Individual

Exchange: Off Exchange

Products: HMO

Effective Date: 1/1/2019

Company Contact Information:

[This information redacted for publication.]

Filing Information:

Rate Filing SERFF Tracking #: UPMC-131496004

Form Filing SERFF Tracking #: UPMC-131490542

Binder SERFF Tracking #: UPMC-PA19-125079595

Rate History:

The proposed rate change does not vary by plan since only one plan is offered under this filing. Historical rate increases for the captioned company and market are presented in the table below.

SERFF Tracking #	Year	Rate Change
UPMC-129629050	2014	0.0%
UPMC-129640573	2015	0.0%
UPMC-130072609	2016	0.0%
UPMC-130536761	2017	9.3%
UPMC-131034852	2018	-8.3%

Proposed Rate Increase(s)

Reasons for Rate Increase(s):

The proposed rate increase for 2019 is 12.1%. The major reasons for the increase include the following:

- Increasing cost and utilization trends
- Uncertainty in the market due to the repeal of the Individual Mandate
- Large increase in estimated risk adjustment transfer payment relative to the prior filing

Market Experience

Experience Period Premium and Claims

Paid Through Date:

The reported claims during the experience period have a paid through date of March 2018.

Premiums (net of MLR Rebate) in Experience Period:

Section I, worksheet 1 of the URRT contains calendar year 2017 premium data for all non-grandfathered policies in the single risk pool for the captioned company and market. No adjustments were made for MLR rebates as we do not anticipate owing them. HHS cost-sharing is not included in the premium data. Please note that the earned premium is also listed in Table 2 of the PA Actuarial Memorandum Exhibits.

Allowed and Incurred Claims Incurred During the Experience Period:

Section I, worksheet 1 of the URRT contains calendar year 2017 claims experience for the captioned company and market, paid through March 2018. Allowed medical claims and pediatric vision claims are pulled directly from our data warehouse. Pediatric dental claims are administered and paid by Dominion Dental. We receive a separate report from Dominion with the claim detail. We used the standard Development/Completion Factor Method to calculate IBNR. Factors were calculated using our entire block of ACA-related Individual business. Because three months run-out is available the impact of IBNR is minimal.

Month	Completion Factor
1/1/2017	0.9973
2/1/2017	0.9973
3/1/2017	0.9972
4/1/2017	0.9976
5/1/2017	0.9971
6/1/2017	0.9956
7/1/2017	0.9935
8/1/2017	0.9908
9/1/2017	0.9871
10/1/2017	0.9830
11/1/2017	0.9768
12/1/2017	0.9627

Benefit Categories

Medical claims are split into nine categories in our data warehouse. They are mapped into the categories in the URRT as follows:

UPMC Benefit Category	URRT Benefit Category
Inpatient	Inpatient Hospital
Catastrophic	Inpatient Hospital
Outpatient	Outpatient Hospital
Behavioral	Outpatient Hospital
PCP	Professional
Specialist	Professional
Diagnostic	Other Medical
ER	Other Medical
Other	Other Medical
Pediatric Dental	Other Medical
Pediatric Vision	Other Medical

Drug claims are on separate tables and directly mapped into the Prescription Drugs category. The Other Medical category uses visits as units for utilization calculations.

Projection Factors

Changes in the Morbidity of the Population Insured:

Due to current uncertainty surrounding the market in 2019 due to the repeal of the Individual Mandate, it has been required by the Pennsylvania Insurance Department that an assumption for increased morbidity of the single risk pool be implemented for the projection period. A 6% increase in morbidity has been applied in the filing to account for this. No other morbidity adjustments have been applied to the index rate.

Changes in Benefits:

No changes were made to the PA EHB Benchmark plan for 2019, so no adjustments were necessary.

Changes in Demographics:

The average age for our 2017 experience period Individual risk pool was 43.5 with an average premium factor of 1.81. This is comparable to our 2018 experience so far with age 44.2 and premium factor 1.84. Due to the stability of the population, no demographic adjustment has been made to the rates. This change in factors is small enough that the insured population is considered to be stable, and no additional adjustment for demographics is deemed necessary. In addition to this, no adjustment is applied to account for the regulation that prohibits charging for more than three children per family since this would have minimal cost impact.

Other Adjustments:

An adjustment factor of 1.018 to account for changes in network costs is also applied to get from the single risk pool population to the plan offerings of this specific segment. This particular factor was applied to account for increases in the provider fee schedules that have been implemented between the experience and projection periods.

Trend Factors (cost/utilization):

The overall annual trend used in rate development is 7.21%. Historical allowed claims for our entire block of commercial business were used to develop year over year trend factors for use in the projected rates. The large enrollment count and consistent makeup of this population make it appropriate for use in trend development for this filing. Service categories were defined to be consistent with the URRT instructions. Please see Tables 3 and 3b of the PA Actuarial Memorandum Exhibits for trend development calculations. Please note that the minor changes made to benefit designs in order to keep plan actuarial values within the allowed ranges were not significant enough to warrant an adjustment for induced demand with regard to trend, so the induced demand column has been populated with zeroes in Tables 3 and 3b. Please see Exhibit 7 of the Supporting Exhibits for trend development.

Credibility Manual Rate Development

Source and Appropriateness of Manual Rate Used:

The equivalent experience period data for UPMC Health Options, Inc. Individual single risk pool product was used. It represents the same risk pool as UPMC Health Coverage, Inc. and has a large member month count of over 1,643,818. Therefore, it has been deemed credible to use.

Adjustments Made to the Data:

The same adjustments listed in the "Projection Factors" section above are also applied to the manual rate.

Inclusion of Capitation Payments:

No benefits are projected to be paid for via capitation.

Credibility of Experience

The very limited experience period enrollment of 37 member months requires 0% credibility to be used for the experience period data, as was implemented in prior filings by this company.

Paid to Allowed Ratio

The Paid to Allowed Average Factor is set equal to the company-determined Actuarial Value for the lone plan in this filing.

Risk Adjustment and Reinsurance

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM:

Experience period Risk Adjustment was estimated to be a payment of \$5,886 per suggestion from the Pennsylvania Insurance Department based on data accrued through April 2018, which translates to a PMPM of \$159.08. Based on this estimate and past experience, we believe this value is a reasonable estimate until the actual values are released later this year. No data for the Transitional Reinsurance Program under PPACA has been included as this program expired at the end of 2016.

Projected Risk Adjustments PMPM:

Due to the lack of experience for this company in this market during the experience period, estimated Risk Adjustment data from Table 1 of the PA Actuarial Memorandum Exhibits is not used in the development of the projection period risk adjustment PMPM. Instead, the estimate suggested by the Pennsylvania Insurance Department for UPMC's entire ACA-compliant Individual block of business has been used since this consists of a much larger experience period population. Using this data results in an estimated payment of \$29.97 PMPM, which is displayed in section III, worksheet 1 of the URRT and Table 5. Please see Exhibit 1 of the Supporting Exhibits for the derivation of the risk adjustment PMPM amount for the projection period. \$1.80 PMPY has been subtracted as a projected amount for the Risk Adjustment Administration Fee since this was the value published by HHS. The net amount after accounting for the fee is subtracted from the Index Rate of the Projection Period as part of the calculation of the Market Adjusted Index Rate. For the URRT and Table 5 of the PA Actuarial Memorandum Rate Exhibits, it was entered as a negative number because the calculation subtracts this value. The effect is an increase in premium as additional revenue will be required to cover the anticipated payment.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium:

The Transitional Reinsurance Program under PPACA expired at the end of 2016 so no projections were included for 2019.

Non-Benefit Expenses and Profit & Risk

Administrative Expense Load:

Administrative costs of 14.39% of premium have been displayed in Table 6 and the URRT. These expenses are taken from our 2017 Supplemental Health Care Exhibit (SHCE). They are broken out by lines of business and market segments matching this filing and thus are appropriate for use. Differences between the SHCE and section I, worksheet 1 of the URRT stem from the fact that the SHCE include restatements of estimates from the prior year, while the URRT only contains actual experience from 2017 (experience period). The data for Individual Health Coverage in Part 1 of the SHCE is all ACA-related.

Please note that the portion of required revenue accounting for Quality Improvement (QI) Initiatives has increased from a projection of 0.47% in 2018 to a projection of 3.24% in 2019 due to observed increases in QI costs in the Individual market. Following extensive preliminary QI evaluation activity in prior non-profitable years, during which financial resource allocation to advance additional QI programming in this product was necessarily limited, UPMCHP has now fully implemented an ongoing QI program with network providers. Given increased understanding and orientation toward both QI targets and clinical needs of the ACA population, we anticipate robust performance among our participating providers in this regard, resulting in a commensurate material increase to overall QI program expenditures in 2019.

[This information redacted for publication.]

Profit & Risk Margin:

The projected profit margin for this company will increase from 0% in 2018 to 2% in 2019. This value is listed in both Table 6 and the URRT.

Taxes and Fees:

Taxes and Fees decreased from 3.44% in 2018 to 0.42% in 2019 to account for the expiration of the PCORI Fee as well as the moratorium on the Health Insurance Tax for 2019. Please note that the Risk Adjustment Administration Fee was not included in the Taxes and Fees field. The value in Table 6 matches the corresponding value in the URRT since there is no Marketplace user fee applied in this filing.

Projected Loss Ratio

The projected period loss ratio, using the federally-prescribed MLR methodology without the credibility adjustment, is 86.8%, as shown in Exhibit 8 of the Supporting Exhibits.

Application of Market Reform Rating Rules

Single Risk Pool

The single risk pool consists of members enrolled in ACA-compliant policies offered under the captioned market. Transitional policies are not currently offered in the Individual market under this company. Please note that no adjustment for Marketplace user fees has been made since the lone plan in this filing is only offered off exchange.

Index Rate

For this filing, the Index Rate of the Experience Period is set equal to the manual rate due to the lack of credibility. As discussed above, the manual rate is developed using fully-credible experience period EHB claims data from UPMC's entire block of ACA-related Individual business. The calculation of the manual rate is shown in Table 2b of the PA Actuarial Memorandum Exhibits. The Index Rate of the Projection Period is then calculated in Table 5 by applying two years of 7.21% annual trend to the experience period manual rate. The adjustments described in the Projection Factors section above were then applied to the trended manual rate to generate the Index Rate of the Projection Period. Claims for routine foot care and acupuncture were not included in the calculation of the index rates despite being covered during the experience period since they are classified as non-EHBs.

Market Adjusted Index Rate

The Projected Index Rate is adjusted by adding estimates for Risk Adjustment and Marketplace Fees (with impacts and costs spread across the whole risk pool) to obtain the projected Market Adjusted Index Rate. Derivation of the PMPM values used for the Risk Adjustment and Marketplace Fees adjustments are described above in the "Projected Risk Adjustments PMPM" and "Taxes and Fees" sections, respectively. Since the Market Adjusted Index Rate is calculated on an allowed claims basis, the projected paid Risk Adjustment and Marketplace Fees were divided by the projected paid-to-allowed ratio when performing market-level adjustments.

Plan Adjusted Index Rates

Table 10 of the PA Actuarial Memorandum Exhibits has been populated as described in federal and state guidance to develop 2019 Plan Adjusted Index Rates. The allowable modifiers applied in rate development are described below.

Plan Actuarial Value:

The AV for the lone plan in this filing was determined by the issuer's own pricing model based on experience from UPMC's fully-insured commercial block of business.

Benefit Richness (induced demand)

Please see Exhibit 3 in the Supporting Exhibits for the induced utilization exhibit. Since there is only one plan in this filing, an induced demand factor of 1.0 was selected to ensure normalization and that the induced demand factor does not exceed the federal factors used in the risk adjustment program. Due to the low AV of this plan, a factor accounting for induced utilization would lead to lower rates. In previous years, an adjustment accounting for the broad Standard Network associated with this plan was made. This adjustment leads to an increase in rates due to the fact that the Standard Network has broad offerings relative to the mixture of broad and narrow networks associated with the manual data used in this filing. Ultimately, these two adjustments end up canceling each other out, and neither adjustment was applied in 2019 rate development.

Benefits in addition to EHBs

Benefits that will be offered outside EHB include routine foot care and acupuncture. The projected allowed claims for these benefits is \$1.17 PMPM. The adjustment factor of 1.002 included in Table 10 has been derived by adding the aforementioned PMPM to the projected index rate for 2019 and dividing this total by the same index rate, causing the adjustment to be applied uniformly to all plans. This load has not changed from the prior filing.

Provider Network

Since only one network is included in this filing, no network adjustments were deemed necessary for 2019.

Catastrophic Eligibility

Catastrophic plans will not be offered under this company and market in 2019, so no adjustment is necessary.

Non-Funding of CSR Adjustment

No On Exchange silver plans are included in this filing, so no adjustment is necessary.

Calibration

Age Curve Calibration:

The average age factor was calculated using our projected Individual market population with the prescribed HHS Age Factors for 2019. We pulled them in summary alongside network and area data in order to back out age factor differences when determining network/area factors. It was assumed this represents the age distribution of the entire single risk-pool. The number of members under each age bracket was multiplied by the corresponding HHS Age Factor. These were then summed and divided by the total number of members to obtain

the average age factor. The average age factor is 1.84 and average age was 43.5 during the experience period. Please see Exhibit 4 in the Supporting Exhibits for the calculation of this factor.

Geographic Factor Calibration:

Calibration for geographic factors is not necessary since all rating area factors are set to 1.0.

Tobacco Use Rating Factor Calibration:

The average tobacco factor was calculated using projected membership. The member-weighted average of a 2.5% load applied for enrollees who qualify as tobacco users combined with a 0% load for non-tobacco users yields an average tobacco factor of 1.002. The derivation of this factor is shown below.

Tobacco Status	Feb 2018 Members	Split	Tobacco Factor	Calibration Factor
Non-User	130,935	91.7%	1.000	0.917
User	11,897	8.3%	1.025	0.085
Total	142,832	100.0%		1.002

Consumer Adjusted Premium Rate Development

The Plan Adjusted Index Rates are divided by the age calibration factor then multiplied by the specific age, geographic, and tobacco factors shown in Tables 12, 13, and 14 of the PA Actuarial Memorandum Exhibits, respectively, to develop the Consumer Adjusted Premium Rates. Please see Exhibit 5 of the Supporting Exhibits for historical Consumer Adjusted Premium Rate changes for this company and market for a 21-year-old non-tobacco user.

Plan Product Info

AV Metal Values

Metal values were determined using the final 2019 HHS AV Calculator.

AV Pricing Values

Table 10 of the PA Actuarial Memorandum Exhibits has been populated as described in federal and state guidance to develop 2019 Plan Adjusted Index Rates. The allowable modifiers that make up the AV Pricing Values are described in the "Plan Adjusted Index Rates" section above. The AV Pricing Values displayed in the URRT are the ratio of the Plan Adjusted Index Rates to the Market Adjusted Index Rate.

Membership Projections

Membership projections were developed based on our anticipated competitive positioning in the market combined with our current enrollment distribution by plan. Please see Exhibit 6 of the Supporting Exhibits for a breakdown of the projected member months by rating area.

Terminated Plans and Products

No plans were terminated for 2019.

Warning Alerts

Cells A68 and A73 on worksheet 2 of the URRT each display warning alert. This alert arises from the fact that the total incurred claims calculated on worksheet 1 does not include the estimated 2017 risk adjustment transfer payment while the value calculated on worksheet 2 does include this estimate.

Effective Rate Review Information

The Pennsylvania Insurance Department is responsible for conducting effective rate review for all submitted rates.

List of Supporting Exhibits

Supporting exhibits have been included with the rate filing to assist with the review process. Below is a list summarizing the contents of each exhibit.

- Exhibit 1: Development of Risk Adjustment PMPM for Projection Period
- Exhibit 2: Derivation of Broker Fee
- Exhibit 3: Induced Utilization Derivation
- Exhibit 4: Derivation of Age Calibration Factor
- Exhibit 5: Historical Changes in Consumer Adjusted Premium Rate for Age 21, Non-tobacco User
- Exhibit 6: Projected Enrollment by Rating Area
- Exhibit 7: Derivation of Annual Trend
- Exhibit 8: Derivation of Projection Period MLR

Actuarial Certification

I, [REDACTED] am a Member of the American Academy of Actuaries. I am currently a Manager in the Actuarial Services department for UPMC Health Plan. I certify that:

- All factor, benefit and other changes from the prior approved filing have been disclosed in this actuarial memorandum.
- New plans cannot be considered modifications of existing plans under the uniform modification standards in 45 CFR 147.106.
- The information presented in the PA Actuarial Memorandum and PA Actuarial Memorandum Rate Exhibits is consistent with the information presented in the 2019 Rate Filing Justification.
- The projected Index Rate is:
 - a. In compliance with all applicable state and Federal statutes and regulations (45 CFR 156.80 and 147.102)
 - b. Developed in compliance with the applicable Actuarial Standards of Practice
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered
 - d. Neither excessive nor deficient
- The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.
- The percent of total premium that represents EHB included in Worksheet 2, Sections III and IV, was calculated in accordance with actuarial standards of practice.
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
- The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans except those specified in the certification.

8/7/2018

Date

Appendix I

<u>SCID</u>	<u>Company</u>	<u>Market</u>	<u>Metal</u>	<u>Summary of Changes from 2018</u>
62560PA0030003	UPMC Health Coverage	IND	Essential Bronze	Increased MOOP from \$7,000 to \$7,900

2019 Rates Table Template v8.1

All fields with an asterisk (*) are required. To validate press Validate button or Ctrl + Shift + I. To finalize, press Finalize button or Ctrl + Shift + F. If you are in a community rating state, select Family-Tier Rates under Rating Method and fill in all columns. If you are not in a community rating state, select Age-Based Rates under Rating Method and provide an Individual Rate for every age band. If Tobacco is Tobacco User/Non-Tobacco User, you must give a rate for Tobacco Use and Non-Tobacco Use. To add a new sheet, press the Add Sheet button, or Ctrl + Shift + H. All plans must have the same dates on a sheet.

HIOS Issuer ID*	62560
Federal TIN*	46-2824537
Rate Effective Date*	1/1/2019
Rate Expiration Date*	12/31/2019
Rating Method*	Age-Based Rates

Plan ID*	Rating Area ID*	Tobacco*	Age*	Individual Rate*	Individual Tobacco Rate*
Required: Enter the 14-character Plan ID	Required: Select the Rating Area ID	Required: Select if Tobacco use of subscriber is used to determine if a person is eligible for a rate from a plan.	Required: Select the age of a subscriber eligible for the rate	Required: Enter the rate of an Individual Non-Tobacco or No Preference enrollee on a plan	Required: Enter the rate of an individual tobacco enrollee on a plan
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	0-14	176.51	176.51
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	15	192.20	192.20
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	16	198.20	198.20
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	17	204.20	204.20
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	18	210.66	215.92
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	19	217.12	222.54
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	20	223.81	229.40
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	21	230.73	236.50
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	22	230.73	236.50
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	23	230.73	236.50
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	24	230.73	236.50
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	25	231.65	237.44
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	26	236.27	242.17
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	27	241.81	247.85
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	28	250.80	257.07
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	29	258.19	264.64
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	30	261.88	268.43
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	31	267.42	274.10
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	32	272.95	279.78
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	33	276.41	283.32
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	34	280.11	287.11
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	35	281.95	289.00
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	36	283.80	290.89
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	37	285.64	292.78
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	38	287.49	294.68
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	39	291.18	298.46
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	40	294.87	302.24
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	41	300.41	307.92
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	42	305.72	313.36
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	43	313.10	320.93
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	44	322.33	330.39
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	45	333.17	341.50
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	46	346.10	354.75
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	47	360.63	369.65
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	48	377.24	386.67
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	49	393.63	403.47
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	50	412.08	423.39
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	51	430.31	441.07
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	52	450.38	461.64
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	53	470.69	482.46
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	54	492.61	504.92
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	55	514.53	527.39
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	56	538.29	551.75
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	57	562.29	576.35
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	58	587.90	602.60
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	59	600.59	615.60
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	60	626.20	641.86
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	61	648.35	664.56
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	62	662.89	679.46
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	63	681.11	698.14
62560PA0030003	Rating Area 1	Tobacco User/Non-Tobacco User	64 and over	692.19	709.49
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	0-14	176.51	176.51
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	15	192.20	192.20
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	16	198.20	198.20
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	17	204.20	204.20
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	18	210.66	215.92
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	19	217.12	222.54
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62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	21	230.73	236.50
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62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	26	236.27	242.17
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	27	241.81	247.85
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	28	250.80	257.07
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62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	32	272.95	279.78
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	33	276.41	283.32
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	34	280.11	287.11
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	35	281.95	289.00
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62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	37	285.64	292.78
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	38	287.49	294.68
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	39	291.18	298.46
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	40	294.87	302.24
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	41	300.41	307.92
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	42	305.72	313.36
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	43	313.10	320.93
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	44	322.33	330.39
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	45	333.17	341.50
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	46	346.10	354.75
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	47	360.63	369.65
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	48	377.24	386.67
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	49	393.63	403.47
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	50	412.08	423.39
62560PA0030003	Rating Area 2	Tobacco User/Non-Tobacco User	51	430.31	441.07

62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	55	514.53	527.39
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	56	538.29	551.75
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	57	562.29	576.35
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	58	587.90	602.60
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	59	600.59	615.60
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	60	626.20	641.86
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	61	648.35	664.56
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	62	662.89	679.46
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	63	681.11	698.14
62560PA0030003	Rating Area 5	Tobacco User/Non-Tobacco User	64 and over	692.19	709.49

Exhibit 1: Development of Risk Adjustment PMPM for Projection Period

2017 Total Received Risk Adjustment Estimate	2017 ACA Individual Member Months	Estimated 2017/2019 Received Risk Adjustment PMPM	2019 Risk Adjustment Admin Fee PMPM	2019 Projected Received Net Risk Adjustment PMPM
\$ (40,301,652.00)	1,643,855	\$ (24.52)	\$ 0.15	\$ (24.67)

**please note that the final value used for the "2019 Projected Received Net Risk Adjustment PMPM" was \$(29.82), per suggestion from the Department*

Exhibit 2: Derivation of Broker Fee

This information is redacted.

Exhibit 3: Induced Utilization Derivation

Plan ID (1)	Metal Level (2)	Projected Membership (3)	Projected Allowed EHB Claims (4)	Projected Paid EHB Claims (5)	Paid to Allowed Factor (6)	Average Tobacco Factor (7)	AV & Cost Sharing Factor (8)	(8)/(6*7)
62560PA0030003	Bronze	36	\$ 19,221	\$ 11,641	0.606	1.000	0.606	1.000

Exhibit 4: Derivation of Age Calibration Factor

*Claims Data Range 01/01/2017 - 12/31/2017, Paid Through 03/31/2018

Age Band	Age Factor	Member Months
0-14	0.765	9,257
15	0.833	746
16	0.859	788
17	0.885	887
18	0.913	890
19	0.941	1,279
20	0.970	1,409
21	1.000	1,549
22	1.000	1,510
23	1.000	1,361
24	1.000	1,288
25	1.004	1,260
26	1.024	2,497
27	1.048	2,742
28	1.087	2,527
29	1.119	2,376
30	1.135	2,231
31	1.159	2,013
32	1.183	2,079
33	1.198	2,037
34	1.214	1,919
35	1.222	1,969
36	1.23	1,959
37	1.238	1,889
38	1.246	1,924
39	1.262	1,923
40	1.278	1,925
41	1.302	1,794
42	1.325	1,872
43	1.357	1,915
44	1.397	1,874
45	1.444	2,079
46	1.5	2,159
47	1.563	2,541
48	1.635	2,488
49	1.706	2,530
50	1.786	2,637
51	1.865	2,765
52	1.952	3,074
53	2.04	3,338
54	2.135	3,461
55	2.23	3,587
56	2.333	3,930
57	2.437	4,216
58	2.548	4,322
59	2.603	4,835
60	2.714	5,191
61	2.81	5,630
62	2.873	6,496
63	2.952	7,566
64+	3	8,298

Final Age Factor used: **1.837**

Exhibit 5: Historical Changes in Consumer Adjusted Premium Rate for Age 21, Non-tobacco User

Geographic Area 1					2014	2015	2015	2016	2016	2017	2017	2018	2018	2019	2019
Plan ID	Metal Level	Product Name	Plan Name	Exchange Plan (Y/N)	Age 21, NT Prem	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change
62560PA0030003	Bronze	Individual HMO	UPMC Advantage Essential Bronze	N	\$ 210.48	\$ 210.48	0.0%	\$ 210.48	0.0%	\$ 224.29	6.6%	\$ 205.78	-8.3%	\$ 230.73	12.1%

Geographic Area 2					2014	2015	2015	2016	2016	2017	2017	2018	2018	2019	2019
Plan ID	Metal Level	Product Name	Plan Name	Exchange Plan (Y/N)	Age 21, NT Prem	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change
62560PA0030003	Bronze	Individual HMO	UPMC Advantage Essential Bronze	N	\$ 210.48	\$ 210.48	0.0%	\$ 210.48	0.0%	\$ 224.29	6.6%	\$ 205.78	-8.3%	\$ 230.73	12.1%

Geographic Area 4					2014	2015	2015	2016	2016	2017	2017	2018	2018	2019	2019
Plan ID	Metal Level	Product Name	Plan Name	Exchange Plan (Y/N)	Age 21, NT Prem	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change
62560PA0030003	Bronze	Individual HMO	UPMC Advantage Essential Bronze	N	\$ 205.20	\$ 205.20	0.0%	\$ 205.20	0.0%	\$ 224.29	9.3%	\$ 205.78	-8.3%	\$ 230.73	12.1%

Geographic Area 5					2014	2015	2015	2016	2016	2017	2017	2018	2018	2019	2019
Plan ID	Metal Level	Product Name	Plan Name	Exchange Plan (Y/N)	Age 21, NT Prem	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change	Age 21, NT Prem	% Change
62560PA0030003	Bronze	Individual HMO	UPMC Advantage Essential Bronze	N	\$ 211.64	\$ 211.64	0.0%	\$ 211.64	0.0%	\$ 224.29	6.0%	\$ 205.78	-8.3%	\$ 230.73	12.1%

Exhibit 6: Projected Enrollment by Rating Area

2019 Individual Health Coverage SCID	Total Projected Member Months	Rating Areas Covered	Projected Member Months for Rating Area 1	Projected Member Months for Rating Area 2	Projected Member Months for Rating Area 4	Projected Member Months for Rating Area 5
62560PA0030003	36	1, 2, 4, 5	12	0	24	0

Exhibit 7: Derivation of Annual Trend

Entire Fully Insured Block

Base Data

Inpatient Hospital

YEAR	ALLOWED AMT	ADMIT CNT	ENROLLMENT	Unit Cost	UTILIZATION PTPM
2016	\$211,225,400	15,964	3,135,102	\$13,231.36	61.1
2017	\$247,133,090	17,384	3,407,249	\$14,216.12	61.2

Outpatient Hospital

YEAR	ALLOWED AMT	SERVICE CNT	ENROLLMENT	Unit Cost	UTILIZATION PTPM
2016	\$397,104,676	991,599	3,135,102	\$400.47	3,795.5
2017	\$443,527,177	1,082,739	3,407,249	\$409.63	3,813.3

Professional

YEAR	ALLOWED AMT	SERVICE CNT	ENROLLMENT	Unit Cost	UTILIZATION ADMIT PTPM
2016	\$277,361,249	3,324,528	3,135,102	\$83.43	12,725.1
2017	\$303,594,056	3,581,067	3,407,249	\$84.78	12,612.2

Other Medical

YEAR	ALLOWED AMT	SERVICE CNT	ENROLLMENT	Unit Cost	UTILIZATION PTPM
2016	\$119,774,806	72,156	3,135,102	\$1,659.94	276.2
2017	\$149,327,660	83,603	3,407,249	\$1,786.15	294.4

Prescription Drugs

YEAR	ALLOWED AMT	Prescriptions	ENROLLMENT	Unit Cost	UTILIZATION PTPM
2016	\$289,944,004	2,755,880	3,135,102	\$105.21	10,548.5
2017	\$341,169,952	2,989,831	3,407,249	\$114.11	10,529.9

Trend Output to go into PID tables/URRT

Service Category	Weight	Cost	Utilization	Overall	Adj Cost	Adj Util	Overall
Inpatient Hospital	18.4%	7.44%	0.20%	7.65%	9.08%	0.24%	9.34%
Outpatient Hospital	28.1%	2.29%	0.47%	2.77%	2.79%	0.57%	3.38%
Professional	20.3%	1.62%	-0.89%	0.72%	1.97%	-1.08%	0.87%
Other Medical	11.0%	7.60%	6.61%	14.72%	9.27%	8.06%	18.08%
Prescription Drugs	22.3%	8.46%	-0.18%	8.27%	10.32%	-0.21%	10.08%

OVERALL TREND 5.88% OVERALL TREND 7.21%

FACTOR USED TO ADJUST COST/UTIL TRENDS 1.2197

Exhibit 8: Derivation of Projection Period MLR

Projected Paid Claims	Projected Net Amount of Risk Adjustment	Projected Quality Improvement Initiatives	Projected Taxes & Fees	Projected Premium	Loss Ratio
\$ 11,641.42	\$ (1,078.92)	\$ 495.00	\$ 64.22	\$ 15,293.05	86.8%

Question	Comment/Request	Response
1	Table 12. Age and Tobacco Factors show no factor for age 18, however the rate data template shows different rates for age 18 between non-tobacco and tobacco rates. Please address the discrepancy or update supporting rate documents with the correct rates.	The tobacco factor was accidentally omitted from the age 18 band in Table 12. This has been corrected in the documents that have been re-uploaded in SERFF.
2	<p>This question is in reference to file: "UPMC Health Coverage, Inc. Individual Supporting Exhibits UPMC-131496004.xlsx", tab [Exhibit 7]. This shows the derivation of the annual trend which applies a "FACTOR USED TO ADJUST COST/UTIL TRENDS" equal to 1.2197.</p> <p>a) Please explain what this factor is adjusting for and how it was developed.</p> <p>b) Please provide a numerical development of the factor 1.2197.</p> <p>c) Please include the trends based on historical experience for each benefit category for years 2015, 2016, 2017, and 2018 (year to date). We realize 2018 trends will be partially based on estimated claim costs.</p>	<p>a. This factor is used to adjust observed trends based on historical data to the actual trend that is used in 2019 rate development.</p> <p>b. This factor has been developed to account for the effect of pent-up demand in recent years. Due to the elimination of pent-up demand in the Individual market, the observed trend calculated for this year's filing (5.71%) is significantly less than the prior filing's observed trend (8.33%). The 1.2197 factor counteracts this effect by bringing the implemented trend for this year's filing closer to the trend implemented in the prior filing (approximately 7%). Please note that the 1.2197 factor was developed from qualitative estimates rather than a specific numerical calculation.</p> <p>c. Data pertaining to historical trends is displayed on the "Exhibit 2C" tab of this file.</p>
3	<p>The following questions are regarding the Administrative Expenses:</p> <p>a) Please provide actual historical Administrative Expenses (for each component in a similar format to Table 6 of the PA Actuarial Memorandum Exhibits) for historical years 2015, 2016, 2017, and 2018. We realize 2018 values will be partially based on estimated costs.</p> <p>b) The Quality Improvement Initiatives costs increased significantly from 2018 (0.47% of premium) to projected 2019 (3.25% of premium). Please provide a numerical development of the projected Quality Improvement Initiatives costs equal to 3.25% of premium and support any assumptions.</p>	<p>a. Historical administrative expenses have been provided on the "Exhibit 3A" tab of this file.</p> <p>b. Please see the PDF named "Question 3b" for a detailed description of the projected 2019 Quality Improvement Initiatives costs. The numerical development of the 2.58% is shown on the "Exhibit 3B" tab of this file.</p>
4	<p>The following questions are related to the Credibility Manual Rate:</p> <p>a) Per Table 2b, it appears that the average paid-to-allowed ratio of the benefit plans underlying the Manual Rate was approximately 78.1% (i.e. "Ultimate Incurred Claims" / "Allowed Claims (Non-Capitated)"). Given the benefit plan associated with this filing is a Bronze plan with an AV Metal Value of 0.611 and Pricing AV of 0.606, please describe and demonstrate quantitatively how the Index Rate equal to \$429.37 PMPM was adjusted to reflect the impact of lower induced utilization. If it was not, please provide justification for not applying this adjustment.</p> <p>b) Please provide all factors applied to the credibility manual rate to adjust the experience to apply to this specific rate filing exposure.</p> <p>c) Please explain the methodology used and show numerical support for the adjustment factor of 1.019 which accounts for differences in network costs between the single risk pool population and the plan offering of this specific segment, as explained in the Actuarial Memorandum.</p>	<p>a. No additional adjustment has been made to account for lower induced utilization as a result of the difference between the paid-to-allowed ratio calculated from Table 2b and the AV Metal Value/Pricing AV. Decreasing the Manual Base Period Allowed EHB claims PMPM to account for this effect would also require an adjustment to account for less favorable risk adjustment. All of this would have an offsetting effect, making such an adjustment unnecessary.</p> <p>b. All factors applied to the credibility manual rate are displayed in Table 5 (and the URRT) and discussed in the actuarial memoranda.</p> <p>c. This factor is used to account for an increase in provider fee schedules between the experience and projection periods. UPMC's Reimbursement department has estimated that costs will rise by approximately 1.9% as a result of this increase.</p>
5	Please confirm whether changes in the statewide average premium between 2017 and 2019 as well as the 0.86 adjustment factor were accounted for in the development of the Projected Risk Adjustment PMPM amount equal to \$24.66. If so, please demonstrate quantitatively how these adjustments were taken into account. If not, please describe why it is reasonable not to do so.	The Projected Risk Adjustment PMPM value of \$24.66 was set equal to the Experience Period Risk Adjustment PMPM, which was calculated based on the transfer payment estimate received from PID based on data from RATEE files accrued as of May 1, 2018. Since the estimate received from PID was labeled as an "estimated risk adjustment transfer amount," this value was assumed to account for all factors that contribute to a given transfer amount, and no additional adjustments were made to account for changes in statewide average premium or the 0.86 factor. Enrollment changes between the experience and projection periods are assumed to involve members of average risk. Thus, these membership fluctuations were estimated to have no impact on the transfer payment PMPM. No additional adjustment was made to account for the change in statewide average premium since we anticipate minimal change in the rates for 2019 as well as member buy-downs, which will lead to a negligible effect for this particular field.

6	<p>Please explain the discrepancy between the following:</p> <p>a) The projected index rate of \$530.76 in Table 5 and the projected allowed claims PMPM of \$534.20 on the URRT</p> <p>b) 'Change in Other' of 1.019 in Table 5 and 1.025 in URRT</p>	<p>a. This disparity arises from the fact that the explicit weights used for trend development in Table 3b are different from the implicit weights implemented in worksheet 1, section II of the URRT.</p> <p>b. As mentioned in the response to question 4C above, the 1.019 factor is used to account for changes in provider fee schedules between the experience and projection periods. This increase applies only to medical claims and not pharmacy claims. In Table 5, the "change in other" factor is applied to all EHB claims, while in the URRT, claims are broken out by service category. Since the increase in provider fee schedules only applies to medical claims, the 1.025 factor was developed from the 1.019 factor so that the former could be applied only to medical claims in the URRT and produce the same effect that the 1.019 factor does in Table 5 (which is being applied to both medical and pharmacy claims).</p>
7	Please load the revised RFJ Part II - Consumer Friendly Justification (emailed to PID) on SERFF.	The revised RFJ Part II - Consumer Friendly Justification has been uploaded in the Supporting Documentation section in SERFF.
8	On page 7 of the PA Actuarial Memorandum, you have indicated that the disparity between the Projected Required Revenue PMPM value of \$423.24 shown in Table 6 and \$424.98 shown in Section III, worksheet 1 of the URRT arises from differences in the way trend is calculated in each template. However, the formula to calculate the annual trend in Tables 3 and 3b in the PAAM Exhibits for 2019 rating year has been modified to calculate in the same manner as the URRT. Please explain why you have the discrepancy between the two numbers.	This discussion has been removed from the actuarial memoranda. As mentioned in the response to question 6a above, this disparity arises from the fact that the explicit weights used for trend development in Table 3b are different from the implicit weights implemented in worksheet 1, section II of the URRT.
9	Table 6: Please document the calculation of the Federal Income Tax of 0.63% and discuss if the change in Federal Tax law was considered.	This value was derived by multiplying the anticipated profit margin for 2019 (3.0%) by revised federal income tax rate (21%).
10	In the 2019 Guidance published on the Department's website, the Department required that all issuers file uniform factors for the Individual Adjustment of 1.06 and the CSR Defunding Adjustment of 1.28. In addition, the Department indicated that as the rate review process moves forward and federal healthcare reform efforts are clarified, the Department would consider issuer specific requests. We can now advise that the aforementioned factors of 1.06 for the Individual Adjustment and 1.28 for CSR Defunding Adjustment constitute ceilings. If your company desires lower adjustments than those stated in the Department's 2019 Guidance, you may provide updated materials (PA Actuarial Memorandum and Exhibits, Part III Actuarial Memorandum, Part I URRT and corresponding rate tables – State and Federal) with your first round response due June 20, 2018, or alternatively no later than July 13, 2018. The Department will not consider adjustment factors greater than those stated in the 2019 Guidance.	The Individual adjustment will remain at 1.06. Since only one bronze plan will be offered by this company in the Individual market, the CSR Defunding Adjustment not relevant to this filing.
11	Please confirm that you have tested to ensure that the rates in Table 11 of the Actuarial Memorandum Exhibits, PA Plan Design Summary and Rate Tables, Federal Rates Template and the binder are identical.	We can confirm that the rates in Table 11 of the Actuarial Memorandum Exhibits, the PA Plan Design Summary and Rate Tables, the Federal Rates Template, and in the binder are identical.

Exhibit 2c: Historical Data for Trend Development

***2018 data has been extrapolated to cover 12 months*

Service Category	Year	Member_Months	Allowed Amt	Service Cnt	Unit Cost	Utilization PTPM	Cost	Utilization	Overall
Inpatient Hospital	2015	3,144,583	\$ 217,496,691	16,417	\$ 13,248.26	62.65			
Inpatient Hospital	2016	3,135,102	\$ 211,225,400	15,964	\$ 13,231.36	61.10	-0.13%	-2.47%	-2.59%
Inpatient Hospital	2017	3,407,249	\$ 247,133,090	17,384	\$ 14,216.12	61.22	7.44%	0.20%	7.65%
Inpatient Hospital	2018	3,550,044	\$ 276,406,653	18,179	\$ 15,204.65	61.45	6.95%	0.37%	7.35%
Outpatient Hospital	2015	3,144,583	\$ 385,952,180	1,004,552	\$ 384.20	3833.46			
Outpatient Hospital	2016	3,135,102	\$ 397,104,676	991,599	\$ 400.47	3795.47	4.23%	-0.99%	3.20%
Outpatient Hospital	2017	3,407,249	\$ 443,527,177	1,082,739	\$ 409.63	3813.30	2.29%	0.47%	2.77%
Outpatient Hospital	2018	3,550,044	\$ 484,771,947	1,170,384	\$ 414.20	3956.18	1.11%	3.75%	4.90%
Professional	2015	3,144,583	\$ 278,513,267	3,330,918	\$ 83.61	12711.07			
Professional	2016	3,135,102	\$ 277,361,249	3,324,528	\$ 83.43	12725.05	-0.22%	0.11%	-0.11%
Professional	2017	3,407,249	\$ 303,594,056	3,581,067	\$ 84.78	12612.17	1.62%	-0.89%	0.72%
Professional	2018	3,550,044	\$ 316,272,354	3,729,530	\$ 84.80	12606.70	0.03%	-0.04%	-0.01%
Other Medical	2015	3,144,583	\$ 108,695,346	73,398	\$ 1,480.90	280.09			
Other Medical	2016	3,135,102	\$ 119,774,806	72,156	\$ 1,659.94	276.19	12.09%	-1.39%	10.53%
Other Medical	2017	3,407,249	\$ 149,327,660	83,603	\$ 1,786.15	294.44	7.60%	6.61%	14.72%
Other Medical	2018	3,550,044	\$ 163,525,713	86,515	\$ 1,890.15	292.44	5.82%	-0.68%	5.10%
Prescription Drugs	2015	3,144,583	\$ 264,864,699	2,772,618	\$ 95.53	10580.55			
Prescription Drugs	2016	3,135,102	\$ 289,944,004	2,755,880	\$ 105.21	10548.48	10.13%	-0.30%	9.80%
Prescription Drugs	2017	3,407,249	\$ 341,169,952	2,989,831	\$ 114.11	10529.89	8.46%	-0.18%	8.27%
Prescription Drugs	2018	3,550,044	\$ 364,151,900	3,043,668	\$ 119.64	10288.33	4.85%	-2.29%	2.44%

Exhibit 3a: Historical Administrative Expenses

**note that values in the 2018 & 2019 rows are PROJECTED values

Year	Actual General and Claims	Actual Agent/Broker Fees and Commissions	Actual Quality Improvement Initiatives	Member Months
2015	\$4,434	\$1,175	\$302	155
2016	\$2,475	\$865	\$201	75
2017	\$1,283	\$195	\$225	37
2018	\$1,315	\$200	\$495	36
2019	\$1,638	\$67	\$495	36

Exhibit 3b: Development of 2019 QI Estimate

QI Category	% of Total	Dollars
Comprehensive Data Assembly and Information Sharing	20%	\$5,570,537
Clinical Case Management	60%	\$20,889,515
Access	20%	\$1,392,634
Total	100%	\$27,852,686

Projected Member Months for Individual Market	Projected Total QI PMPM	Projected Required Revenue PMPM	Projected Quality Improvement Initiatives in Table 6
2,025,650	\$13.75	\$423.25	3.25%

Question 3b

Incentive Program Overview

UPMC Health Plan, in collaboration with its participating provider network, has spearheaded multifaceted efforts to maintain premium costs and improve quality for consumers in western Pennsylvania and throughout the Commonwealth. These efforts have included innovative value-based payment arrangements, shared saving and quality initiatives. The Individual ACA Market has presented unique challenges for UPMC Health Plan including, among other things, the pent-up demand of unmet medical needs and lack of familiarity with the appropriate use of insurance by ACA-enrollees, as well as the Health Plan's lack of visibility into the acuity of these enrollees' medical conditions.

Until now, due to significant premium compression and our previously stated position to the Department to pursue a glidepath approach to rate increases, UPMC Health Plan has been limited in its ability to adequately reward network providers for the critical roles they have played in controlling the level and growth of our Individual market premium costs. In 2019, with increased market stabilization and the potential for a modest margin on ACA products, the Health Plan is now able to reasonably project its ability to provide shared-savings and quality payments to network providers and to fully implement other value-based payment methodologies. The Health Plan's value-based, quality program is specifically designed to reward participating providers for achieving specific comprehensive data-assembly and information-sharing, clinical and increased access goals.

Participating Providers

Network hospitals and providers that maintain participation in UPMC Health Plan ACA products for all of 2019 and meet certain quality targets are eligible for the shared-savings and quality bonus payments.

Program Description

Program measures fall into three categories:

Comprehensive Data Assembly and Information Sharing:

Participating providers will assemble, organize and provide to UPMC Health Plan a robust and comprehensive dataset containing all available clinical information regarding new ACA-enrollees. By implementing and administering this comprehensive data-assembly and -sharing, providers can earn up to 20% of the available bonus payment.

Clinical Case Management

The clinical information provided via the data abstract will be analyzed and stratified. The members identified as high risk will be assigned a case manager who is responsible for outreach, completion of a Health Risk Assessment (HRA) and determination of a PCP. Readmission rates will be monitored with the expectation that those rates, in aggregate, will be below the otherwise projected rate. Providers can earn up to 60% of bonus payments by achieving these below average readmission rates.

Access

Participating providers shall offer enhanced access for all ACA members. The achievement of these access goals accounts for 20% of the bonus payment.

The percentages and estimated dollars associated with each of the three categories is set forth in the table below.

Category	% of Total	Dollars
Comprehensive Data Assembly and Information Sharing	20%	\$5,570,537
Clinical Case Management	60%	\$20,889,515
Access	20%	\$1,392,634
Total	100%	\$27,852,686

Exhibit 6b: Derivation of URRT "Change in Other" Factor

Table 5 Adjustment Factor	Ratio of Med Allowed Claims to Total Allowed Claims	Factor to Apply in URRT
1.019	0.747	1.025

Question	Comment/Request	Response
1	<p>The following questions refer to your response to question 2 (of Round 1) regarding the "FACTOR USED TO ADJUST COST/UTIL TRENDS" equal to 1.2197.</p> <p>a. It is noted in your response that the lower observed trend rate for this year's filing (i.e., 5.71%) is due to "the elimination of pent-up demand in the Individual market." To the extent recent observed trends are lower due to the elimination of pent-up demand, and it is assumed that the impact of pent-up demand will not return to the Individual ACA market in a material way, please explain why it is reasonable to assume that future trend rates will be higher than those recently observed.</p> <p>b. The observed trends by service category provided in Exhibit 2C of the file 'HC IND Responses to Objection Letter 2018-06-21.xlsx' for 2018 are similar or less than (with the exception of outpatient hospital) the observed trends for 2017 in Exhibit 7 of the initial filing. Given this result, please explain and support why the overall trend rate for 2019 should be adjusted higher to align with last year's overall trend assumption of around 7% as stated in your response.</p>	<p>a. We drew a comparison between the pent-up demand experienced in the ACA market and the "benefit rush" that is observed when an employer informs employees of a lower benefit offering at a future time. In both cases, a spike in claims is observed due to changes in product offerings. We then looked at what is expected following a benefit rush to assist in predicting how the ACA product would trend going forward. Per the article "Timing's Everything: The Impact of Benefit Rush" published in the SOA Health Watch in May 2008, the market can expect a "benefit hush" followed by a "trend crush". The trend crush is explained in the article on page 2 as "higher than it would have been because it is coming off a lower base". For that reason, a higher claims trend than what is experienced historically would more accurately predict the claims cost in the projection period.</p> <p>Our ACA population has substantially increased in size year over year, making it difficult to use in trend development. But the most recent two years of claims trend were 8.33% followed by 2.76%. So it does seem to be experiencing the benefit hush to some extent.</p> <p>The trend crush discussed in the article is the sole reason for us adjusting the original trend calculated from base data. To clarify, we do not expect pent-up demand to return to the market in a material way and made no adjustments to projected claims under that assumption.</p> <p>The article has been added in the Supporting Documents in SERFF.</p> <p>b. The data used to calculate the observed trends shown in Exhibit 2C from Round 1 pertain to UPMC's fully-insured commercial block of business rather than the ACA Individual block, since the former is considered a more credible data source for trend development. However, this data will not reflect the effects of pent-up demand mentioned in the response to part "a" of this question, which is the reason that the trend implemented in rate development was adjusted.</p>
	<p>The following questions refer to your response to question 3 (of Round 1) regarding the Administrative Expenses:</p> <p>a. Please provide the percentage of premium values in addition to the dollar amounts provided in Exhibit 3A of the file 'HC IND Responses to Objection Letter 2018-06-21.xlsx' for the actual historical Administrative Expenses.</p>	<p>a. Percentage of premium values have been added to this exhibit, which is now displayed on the "Exhibit 2A" tab of this file. Please note that a few of the historical QI expense totals listed in Exhibit 3A (from Round 1 of correspondence) were incorrect. These values have been corrected and highlighted in yellow in Exhibit 2A for this round of correspondence.</p> <p>b. As we indicated in our 'HC IND Responses to Objection Letter' (the "Letter") prior to the upcoming plan year 2019, the volatility, regulatory uncertainty, and severe premium compression in the ACA marketplace hampered our ability to implement the quality incentive (QI) programs and/or value-based reimbursement (Value-Based) strategies that were in place for all other lines of business. In 2018, we are seeing increased stabilization in our ACA products and are for the first time able to begin extending to those participating providers serving our ACA population access to these QI/Value-Based programs. Expanding QI/Value Based to include ACA products is critical to ensuring the fundamental role these providers play in serving our ACA members, assuring the exceptional quality of our ACA products, controlling premium costs and making western Pennsylvania one of the most affordable areas in the nation in which to purchase marketplace coverage.</p> <p>To estimate an appropriate QI/Value Based target for ACA products, we relied on the blended percentage of premiums earned by providers in other product lines as part of their participation in the QI/Value Based initiatives (roughly 2.6%). For the Health Coverage legal entity only, we then calculated the equivalent PMPM using the UPMC Health Options, Inc. filing in the absence of a credible population on this filing and assumed that PMPM would be the QI expense.</p>

2	<p>b. Please describe and support numerically how the values shown in Exhibit 3B (columns B:C) of the file 'HC IND Responses to Objection Letter 2018-06-21.xlsx' were developed. If any adjustments were applied to historical values, be sure to show and support these as well.</p>	<p>We apportioned relative weights to the three QI categories set forth in our Letter as below:</p> <p>Comprehensive Data Assembly and Information Sharing 20% Clinical Case Management 60% Access 20%</p> <p>In keeping with our QI/Value Based initiatives for other lines of business, we identified for participating providers a number of factors upon which eligibility for QI incentives would be based. For your information, a sub-set of these factors are below:</p> <p><u>Comprehensive Data Assembly and Information Sharing</u> To provide insight into the needs and morbidity of members enrolled in ACA products, assemble, organize and provide to UPMC Health Plan information relative to: (1) frequent emergency room visits; (2) inpatient admissions and/or readmissions; (3) chronic and/or complex health conditions; (4) PCP and specialty care encounters; (5) access to post-acute services; (6) additional information. Collaborate with the practice-based care manager (PBCM) to collect and report data on clinical outcomes, patient satisfaction and efficiency measures and demonstrate improvement for identified measures.</p> <p><u>Clinical Case Management</u> Support PBCM population and care management, interdisciplinary care team and reporting and documentation activities. Provide PBCM access to clinical and operational meetings, scheduling mechanisms, the clinical care management tracking system, and the EMR, and participate in clinical case conferences for UPMC Health Plan members. Facilitate a team-based approach to improve quality and efficiency of care for UPMC Health Plan members, including discussing quality and utilization reports, relevant aspects of the program, developing and implementing a care plan for members with complex and/or chronic conditions, providing relevant health care education, health management, coaching, prevention and wellness programming. Monitor and reduce readmission rates. Work with the assigned PCMH, and, in particular, the UPMCHP Physician Account Executive on quality initiatives and process improvement activities related to the QI/Value Based program.</p> <p><u>Access</u> Provide sufficient office space for the PBCM to interface with UPMC Health Plan members; provide increased access to ACA members, which includes additional non-traditional office hours and non-scheduled/walk-in hours.</p>
	<p>c. Please show the historical values for each QI Category listed in Exhibit 3B for years 2015, 2016, 2017, 2018, and 2019.</p>	<p>c. Historical QI data for each category is displayed on the "Exhibit 2C" tab of this file. Please note that the breakout of QI categories was changed beginning with 2018. Because of this, the categories included in the historical data table are different than those included in the projected data table.</p>
3	<p>It is noted in your response to question 4a (of Round 1) that "no additional adjustment has been made to account for lower induced utilization" and that doing so would also require an "offsetting" adjustment to account for less favorable risk adjustment. Please clarify why it is believed that lower induced utilization would result in a less favorable risk adjustment transfer amount and provide any quantitative analysis that has been performed to justify that assertion.</p>	<p>Over the past several years, the portion of our ACA-compliant Individual membership enrolled in platinum products has steadily decreased, while the portion of membership enrolled in products corresponding to cheaper metal levels has steadily increased. Since the demographic and some diagnostic coefficients involved in the derivation of risk scores used to calculate annual risk adjustment transfer payments vary significantly between metal levels, the observed shift in enrollment mentioned above leads to a less favorable risk adjustment transfer payment. This shift in enrollment also leads to an implicit decrease in induced utilization. These two adjustments do not offset (inappropriate word choice in our Round 1 response). Further decreasing the Manual Base Period Allowed EHB claims PMPM would double-count the induced utilization adjustment, which is what we meant to convey in our response to question 4 of Round 1.</p>
4	<p>Regarding your response to question 5 (of Round 1), it should be noted that the estimate provided by the PID labeled "estimated risk adjustment transfer amount" was not adjusted to reflect either changes in the statewide average premium between 2017 and 2019 or the 0.86 adjustment factor. Given that, please provide an estimate of what the projected 2019 risk adjustment transfer amount would be if these items were taken into account.</p>	<p>Incorporating the 0.86 adjustment factor and an adjustment for the statewide average premium increases the projected risk adjustment transfer amount by 21.5%.</p>
5	<p>The following question refers to your response to question 6a) (of round 1) – Please use identical weights for trend development and URRT so that there is no discrepancy between the projected index rate in Table 5 and the projected allowed claims PMPM on the URRT.</p>	<p>The weights implemented in Table 3b have been revised to match the implicit weights in the URRT. Some of the disparity that has been observed between the projected required revenue PMPM in Table 6 and the corresponding value in the URRT in prior iterations of this filing was due to an error in the calculation of the projected non-EHB claims PMPM value. This particular value had not been adjusted to account for changes in morbidity and network between the experience and projection periods. This has been corrected in the revised filing, resulting in a projected non-EHB claims value of \$1.17 PMPM. The slight difference that now exists between the projected index rate in Table 5 and the projected allowed claims PMPM in the URRT can be attributed to the fact that the latter includes allowed non-EHB claims while the former does not.</p>

6	<p>As was communicated in my email of July 3, 2018 the Department has determined that an Individual Adjustment Factor of 1.06 and a CSR Defunding Adjustment Factor of 1.20 will be used in the 2019 rate development for the Individual Market. Issuers overwhelmingly recommended standardization of these factors. As such, issuers may not deviate from these factors. Updated materials (PA Actuarial Memorandum and Exhibits and the Plan Design Summary worksheets, including the State rate tables) reflecting these factors, Risk Adjustment updates (based on the June 30th release of the Federal Risk Adjustment Report) and other Department requested changes must be provided with your second-round response due July 13, 2018. Other than these three preceding changes, no other modifications will be accepted.</p>	<p>The Individual Adjustment Factor remains at 1.06 in the updated filing. The CSR Defunding Adjustment is not relevant to this filing. No changes were made to the projected risk adjustment transfer payment.</p>
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Exhibit 2A: Historical Administrative Expenses

**note that values in the 2018 & 2019 rows are PROJECTED values

Administrative Expenses Totals				
Year	Actual General and Claims	Actual Agent/Broker Fees and Commissions	Actual Quality Improvement Initiatives	Member Months
2015	\$4,434	\$1,175	\$302	155
2016	\$2,475	\$865	\$254	75
2017	\$1,283	\$195	\$286	37
2018	\$1,315	\$200	\$495	36
2019	\$1,638	\$67	\$495	36

Percentage of Premium			
Year	Actual General and Claims	Actual Agent/Broker Fees and Commissions	Actual Quality Improvement Initiatives
2015	11.3%	3.0%	0.8%
2016	13.5%	4.7%	1.4%
2017	13.1%	2.0%	2.9%
2018	14.0%	2.1%	5.3%
2019	10.8%	0.4%	3.2%

Exhibit 2C: Historical QI Data

Historical QI Expenses Totals				
Year	Improved Health Outcomes	Activities to Prevent Readmission	Wellness & Health Promotions	Total QI Expenses
2015	\$ 253	\$ 24	\$ 25	\$302
2016	\$ 219	\$ 13	\$ 22	\$254
2017	\$ 165	\$ 19	\$ 102	\$286

Projected QI Expenses Totals				
Year	Comprehensive Data Assembly and Information Sharing	Clinical Case Management	Access	Total QI Expenses
2018	\$99	\$296	\$99	\$494
2019	\$99	\$296	\$99	\$494

2019 Business Rules Template v8.1

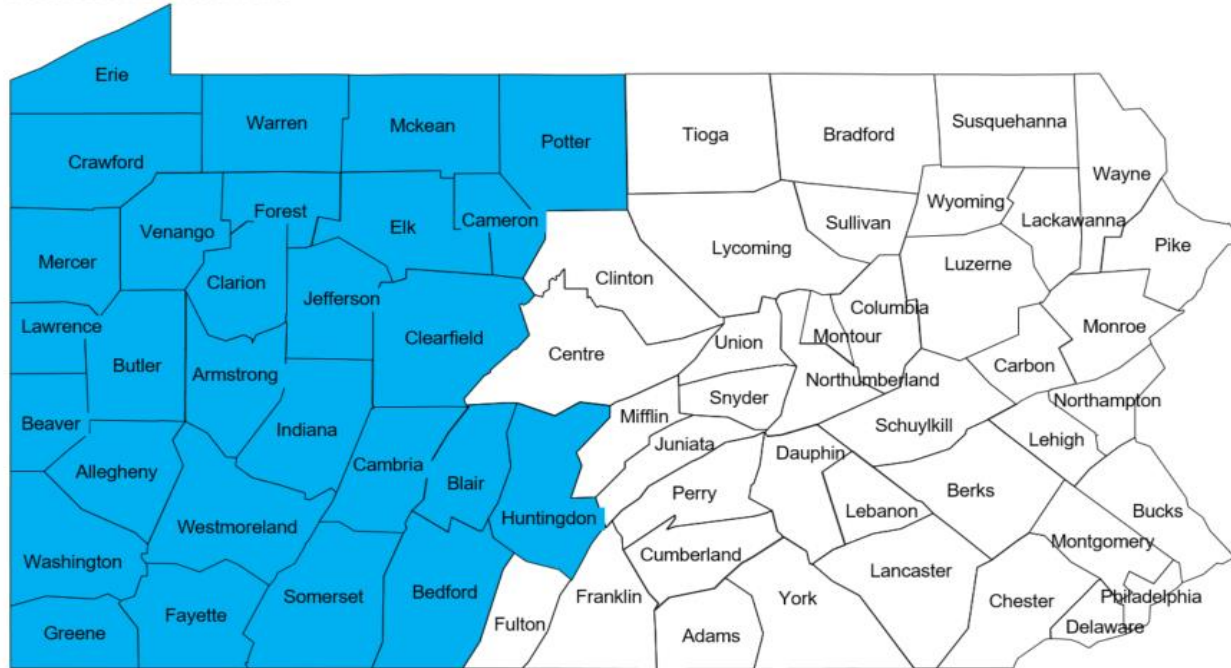
All fields with an asterisk (*) are required. To validate the template, press Validate button or Ctrl + Shift + I. To finalize the template, press Finalize button or Ctrl + Shift + F.
 Enter the Issuer Rule on the first row (no Product ID or Plan ID).
 For each Product rule, enter only the Product ID and the business rules that differ from the Issuer Rule.
 For each Plan rule, enter only the Plan ID and the business rules that differ from the Product or Issuer Rule

HIOS Issuer ID*		62560									
TIN*		46-2824537									
Product ID	Plan ID (Standard Component)	How are rates for contracts covering two or more enrollees calculated?	What are the maximum number of under age (under 21) dependents used to quote a two parent family?	What are the maximum number of under age (under 21) dependents used to quote a single parent family?	Is there a maximum age for a dependent?	What are the maximum number of children used to quote a children-only contract?	Are domestic partners treated the same as secondary subscribers?	Are same-sex partners treated the same as secondary subscribers?	How is age determined for rating and eligibility purposes?	How is tobacco status determined for subscribers and dependents?	What relationships between primary and dependent are allowed, and is the dependent required to live in the same household as the primary subscriber?
		A different rate (specifically for parties of two or more)for each enrollee is added together	3 or more	3 or more	25	1	Yes	Yes	Age on effective date	6	Spouse, No; Adopted Child, No; Ward, No; Stepson or Stepdaughter, No; Self, Yes; Child, No; Life Partner, No

2018 Service Area

Issuer: UPMC Health Coverage

Market: Individual

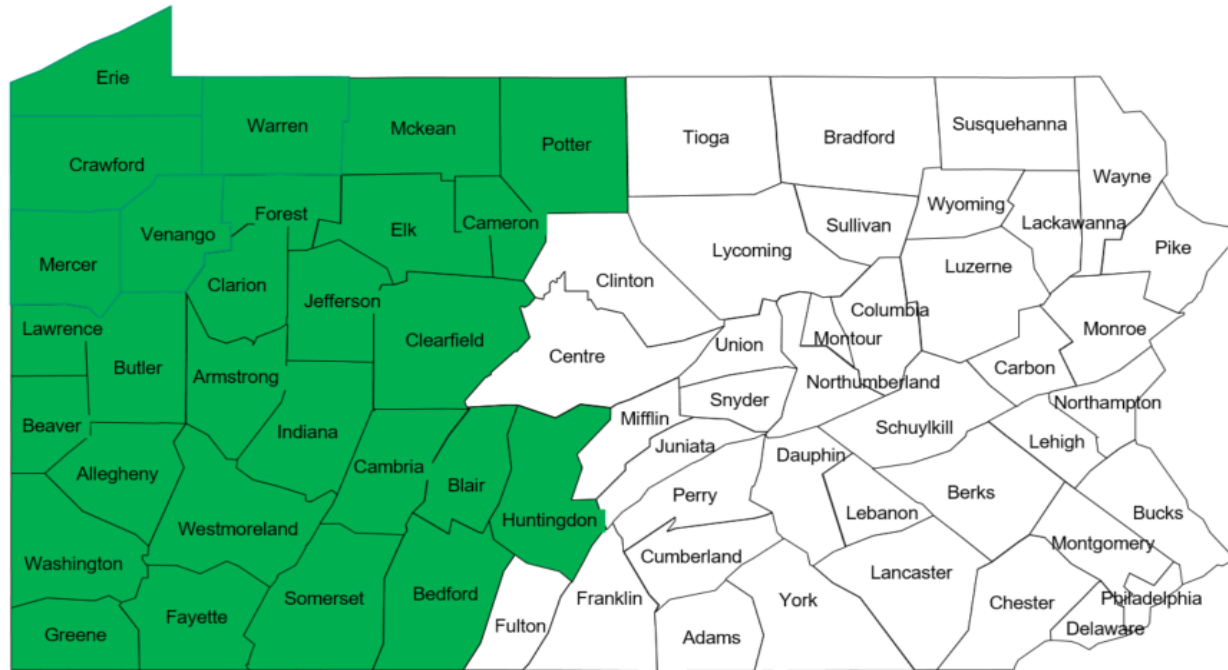


Key *(modify as needed)*
■ : 2018 on-exchange service area
■ : 2018 off-exchange only service area



2019 Service Area

Issuer: UPMC Health Coverage

Market: Individual



Key *(modify as needed)*

-  : 2019 on-exchange service area
-  : 2019 off-exchange only service area