STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:	)	
	)	
AETNA HEALTH, INC. 2017 "WHOLE HEALTH" INDIVIDUAL RATE FILING	))	CLOSING STATEMENT OF AETNA HEALTH, INC.
	)	
Docket No. INS-16-1001	)	

NON-CONFIDENTIAL

By and through undersigned counsel, Aetna Health, Inc. ("Aetna") submits the following closing statement in the above captioned matter.

Through Aetna's pre-filed testimony and the testimony presented at the July 22, 2016 public hearing, and through the filings that Aetna has made to this point, Aetna has demonstrated that it fulfills each of the pertinent review standards set forth in statute and regulations to justify the rate increases being proposed, along with the other changes in Plan coverage and mapping of members. For the reasons set forth below, the Superintendent should approve the requested rate increases, and permit the mapping of policyholders from the Whole Health Bronze $35 Copay and Whole Health Silver $10 Copay plans to the Leap Basic Whole Health Maine (bronze metal tier) and Leap Everyday Whole Health Maine (silver tier) plans, respectively.

This submission will focus on the primary discussion points from discovery requests and the public hearing.

I. The evidence presented supports the requested rate increases.

The average annual rate increase reflected in the revised rate filing, submitted July 15, 2016, is 15.6%, with a minimum rate change of 14.0% and a maximum rate change of 17.0%. Aetna has presented evidence regarding the primary drivers of the average increase, foremost being an allowed incurred claim trend of 8.4%. Additional significant drivers are the elimination of the federal reinsurance program and risk adjustment assumptions.

A. Aetna's paid trend of 8.4% is reasonable and supported by the record.

Aetna presented evidence both before and during the hearing about how it estimates trend for the purposes of developing rates.

Future pricing trend is developed by analyzing a variety of considerations. As Mr. Swacker indicated at the hearing and in his pre-filed testimony, these include:

- Historical trend results;
- Historical anomalies, such as extreme winter weather or a severe flu season;
- Credibility of a Market versus regional and national indicators/results;
- Anticipated changes in provider contracts and network changes;
- The introduction and use of new technology;
- Economic conditions;
- Formulary changes;
- Patent expirations;
- New pipeline drugs;
- Other general market share shifts; and
- The influence of these on member utilization

Aetna also presented evidence before and during the hearing regarding differences between actual 2015 trend and projected 2017 trend. For example, Aetna explained that the 2015 inpatient hospital utilization was -12.8%, and indicated it expects future utilization to be about 1%. Aetna indicated in its pre-filed testimony that the 2015 utilization was viewed as an anomaly, and that management of inpatient hospital use could not have been responsible for the entirety of the utilization decline. As Mr. Swacker indicated, historical anomalies can help to inform the reasonableness of the projected trend, but they should not be used to dictate it. So, too, is the expected outpatient utilization, which showed a decline in 2015 experience but is expected to rise about 1% in Maine for 2017 versus 2016. Nationally, outpatient utilization is approximately 5% annually, and so Aetna's expected trend for Maine is not excessive.

B. Aetna's morbidity and risk adjustment assumptions are reasonable and supported by the record.

Aetna presented evidence regarding the appropriateness of its risk adjustment assumptions. Aetna used the best available information to create and revise its rate filing. The morbidity basis for Aetna's revised rate filing was the actual 2015 experience results for Aetna's off-Marketplace Individual offering in Maine, blended with existing non-grandfathered Small Group PPO and Whole Health business. Aetna blended these results because its Individual membership for 2015 was only roughly 10% credible with just over 200 members. In its revised rate filing, Aetna adjusted the Small Group results by 1.039 to reflect expected morbidity differences between the existing Small Group and Individual populations. Aetna presented evidence that because of the June 30 CMS Risk Adjustment and Transitional Reinsurance results and, to a lesser extent, the entrance of Anthem's Grandfathered and Transitional membership into the ACA market as of January 1, 2017, it revised its filing to reflect an additional 2.5% deterioration to morbidity to better reflect the market average risk.

Aetna presented evidence that nationally its Individual Whole Health policyholder profile tends to be healthier than average nationally. This also holds true for policyholders in the Leap plans, which currently are offered in 5 states. Consequently, Aetna projects a risk adjustment payable of $19.13 PMPM, or approximately 5% of projected premium. Again, this is based on an analysis of the risk profile of business that Aetna Whole Health has attracted in other states relative to the market average risk pool. Aetna's projection of risk assessment and morbidity reflect the evidence presented in the record.

II. The Whole Health Bronze $35 Copay plan policyholders should be transitioned to the Aetna Leap Basic Whole Health plan.

Aetna intends to transition members from the Aetna Whole Health Bronze $35 Copay plan, which does not meet actuarial value for 2017, to the Aetna Leap Basic Whole Health plan, which was designed with an actuarial value of 61.94%. This transition technically is a "renewal" of the existing bronze plan in that it complies with guaranteed renewability standards under both 45 CFR 147.106(e)(3) and 24-A M.R.S. § 2850-B(3)(I).

The changes between the existing $35 Copay Bronze plan and the new Leap plan are within the scope of allowable changes contemplated by CMS/CCIIO as uniform benefit modifications. They are offered by the same legal entity; use the same HMO network type; cover the same service area; use the same cost sharing structure; and the premium impact of pure benefit changes between them is within an allowable variation of plus or minus 2 percentage points.

Pursuant to 24-A M.R.S. § 2850-B(3)(I), the changes between these two plans are minor modifications that apply uniformly to all policyholders. First, the new Leap plan includes changes that are necessary to meet actuarial value requirements, which are deemed by § 2850-B(3)(I)(3) to be minor modifications. Second, the total of any increases in benefit changes are not more than 5%, and the decreases are not more than 5%. Third, there are no changes to eligibility requirements under the new bronze plan—no one covered by the existing $35 Copay Bronze plan will be excluded from the new Leap plan. Finally, Aetna has provided notification of changes to the bronze plan offering through the June 23, 2016 policy holder notification and will do so again 60 or 90 days prior to renewal as the Bureau of Insurance directs.

Consequently, Aetna's renewal of its bronze plan offering, through the transition from the $35 Copay Bronze plan to the Leap Basic Whole Health plan, should be approved by the Superintendent as it meets all the pertinent state and federal guaranteed renewability requirements, and the 2016 bronze plan structure failed to meet actuarial value for 2017.

III. The Whole Health Silver $10 Copay plan should be discontinued, and replaced by the Leap Everyday Whole Health Maine plan.

Aetna has filed rates for its Whole Health Silver $10 Copay plan, but requests to discontinue the plan and replace it with a new plan, Leap Everyday Whole Health Maine. Both of these plans are silver metal tier plans.

The changes between the existing Whole Health Silver $10 plan and the new Leap Everyday Whole Health Maine silver plan are within the scope of allowable changes contemplated by CMS/CCIIO as uniform benefit modifications under 45 CFR 147.106(e)(3). They are offered by the same legal entity; use the same HMO network type; cover the same service area; use the same cost sharing structure (are in the same metal tier); and the premium impact of pure benefit changes between them is within an allowable variation of plus or minus 2 percentage points.

Although the mapping of policyholders from the $10 Copay Silver plan to the Aetna Leap Everyday Whole Health Maine silver plan would meet guaranteed renewability requirements under federal law, it would not meet them under state law because the total of any decreases in benefits decreases the actuarial value of the total benefit package by more than 5%. However, under 24-A M.R.S.A. § 2850-B(3)(G)(3), a carrier may discontinue a plan and replace it with another if, in pertinent part, the replacement is in the best interests of the policyholders. In the present instance, the best interests of the policyholders would be served by discontinuing the

$10 Silver Copay plan and transitioning the members to the Aetna Leap Everyday Whole Health Maine plan.

Aetna's original purpose in mapping the $10 Silver Copay plan to the Everyday plan was to offset the higher deductible with richer benefits used more frequently by members, with the goal of maintaining overall plan value. While the Everyday Plus plan, the other new silver metal tier offering from Aetna, has a closer deductible to the $10 Silver Copay plan, the lower deductible does not offset the changes to the other benefits. This results in a greater impact to overall price. Aetna's goal is to transition the $10 Silver Copay plan members to the more affordable of the two new silver plans, and strongly believes it is in the best interests of policyholders to do so.

Aetna's evidence demonstrates that it made significant efforts to confirm that its new plan designs were in accordance with what consumers want. In late 2014, Aetna performed a survey of likely individual marketplace consumers to learn which health insurance plan provisions they value most. Aetna gathered input from more than 4,000 consumers across 10 geographies. As was discussed at the hearing, the survey included a "conjoint analysis," in which consumers choose between different benefit feature configurations, as well as a "maximum/difference analysis," during which consumers identify the most and least desirable plan attributes, as well as a health risk assessment.

Aetna observed that health risk profiles and desirable plan features vary only slightly by market. As Mr. St. Hilaire testified, premium, followed by cost share (deductible, out-of-pocket maximum, copayments and coinsurance, etc.) are the most important factors driving decision-making. Coinsurance, he noted, was the type of cost sharing that consumers understand least and dislike most. Indeed, CAHC, in its written comments in the Maine Community Health Option filing, noted that coinsurance can lead "to more consumer confusion and lower utilization of necessary medical care." Rate Review, INS-16-1002, Maine Community Health Options 2017 Individual Rate Filing, July 26, 2016 comments of Consumer for Affordable Health Care @ 4-5. Access to primary care providers (PCPs), and generic and brand name drugs are also primary drivers of utility. Mr. St. Hilaire also testified that Aetna's consumers have indicated they do not want too many plan choices because the comparison shopping becomes overwhelming, not to mention the unnecessary administrative cost and burden associated with maintaining so many plans.

Aetna designed its Leap product portfolio, of which both new silver plans are a part, to deliver the precise value consumers want. Aetna's primary goal is to achieve the lowest possible premium by maximizing the deductible and out-of-pocket limits ("MOOP") within the permissible actuarial value ranges by metal tier. This is because deductible and MOOP have significant impact on premium. Aetna also focused on providing access to provisions that consumers want most, such as copayments on PCPs and generic drugs, and by eliminating elements that consumers want least, like coinsurance. Many consumers will embrace higher deductibles so long as they have copayment access to convenient, everyday care, as Mr. St. Hilaire discussed at the hearing. This helps consumers understand their potential liabilities for both nominal, everyday care, as well as more serious care should something go wrong.

The Leap portfolio, and therefore, both new silver plan offerings, strikes the right balance of premium and plan utility, and provides consumers with the proper number of plan choices to make an informed decision. Aetna respectfully suggests that the Leap Everyday Whole Health Maine plan is the more appropriate choice to which to map the existing policyholders. The proposed mapping of the current off-exchange membership of the $10 Silver Copay plan (approximately 220 members) to the Aetna Leap Everyday Whole Health Maine plan is in the best interest of consumers, especially considering that extensive consumer data drove this plan development.

I. Conclusion

For the reasons set forth above, Aetna respectfully submits that it has met its burden to show that the filed rates are not discriminatory, inadequate, or excessive and that the Superintendent should approve the rates and rate increases to the individual plans as set forth in Aetna's July 15, 2016 revised rate filing. Aetna also has demonstrated it meets the federal and state standards for renewing the Whole Health Bronze $35 Copay plan as the Leap Basic Whole Health Maine plan, and transitioning those policyholders accordingly. Furthermore, Aetna has provided sufficient evidence to support the discontinuance of the Whole Health Silver $10 Copay plan and the transition of those policyholders to the Leap Everyday Whole Health Maine plan.

Dated: July 29, 2016

<u>/s/ Bruce C. Gerrity</u>

Bruce C. Gerrity, Esq., Bar No. 2047
John P. Doyle, Esq., Bar No. 1251
Holly E. Lusk, Esq., Bar No. 9868

PRETI FLAHERTY, LLP
45 Memorial Circle
P.O. Box 1058
Augusta, ME 04332-1058
(207) 623-5300

Attorneys for Aetna Health, Inc.