

**ATTACHMENT A**

**HPHC INSURANCE COMPANY, INC.  
THE HARVARD PILGRIM Individual RATE FILING - MAINE  
EFFECTIVE January 1, 2017  
TABLE 6 - INDEX Rate Development**

<b>Total Normalized Base Claims</b>	\$	252.60	
Rx Benefit Changes		0.974	x
Trend (Cost/Util)		1.200	x
Individual Increased Morbidity Over Small Group		1.134	x
Induced Utilization (via subsidized premiums)		1.027	x
HMO/PPO Differential		0.984	x
Age Differential Over Small Group		1.088	x
Area Differential Over Small Group		0.979	x
Tobacco Normalization Factor		0.989	x
<b>Final Projected Base Claims</b>	\$	<b>356.42</b>	
Capitation Benefits	\$	13.41	+
Mandates & Other Claims Items	\$	1.74	+
<b>Projected Base Claims plus other claims items</b>	\$	<b>371.57</b>	
HCQ Expense	\$	3.94	+
Assessments	\$	1.47	+
Risk Adjustment PMPM	\$	-	+
PPO product load		1.10	x
<b>PPO Projected Claims cost</b>	\$	<b>414.68</b>	
Taxes and Fees	\$	11.36	+
Administrative Expense and Contribution to surplus	\$	72.25	+
<b>Final Required Premium</b>	\$	<b>498.30</b>	
Projected Base Claims + Other claims items	\$	371.57	
Paid to allowed ratio		0.565	
Allowed claims PMPM	\$	657.64	
EHB adjustment		0.9989	
<b>Index Rate PMPM</b>	\$	<b>656.93</b>	

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**Table 11 Market Adjusted Index Rate and Plan Adjusted Index Rate**

Plan ID (Standard Component ID):	HIOS Plan Name	(1)	(2)	(3)=(1)/(2)	(4)	(5)	(6)	(7)	(8)	(9)= (3)x(4)x(5)x(6)x(7)x(8)	(10)	(11)=(9)/(10)
		Average Index Rate	Risk Adj, Reins, Exch user fees	Market Adjusted Index Rate	AV and cost sharing	Induced Utilization	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Taxes, Administrative costs and Profit	Plan Adjusted index rate	Calibration Factor	Consumer Adjusted Premium Rate
11593ME0120003	Best Buy HSA PPO 5400 with dental	\$ 656.93	1.000	\$656.93	0.530	1.100	1.001	0.989	1.178	\$446.88	1.578	\$283.19
11593ME0120004	Best Buy HSA PPO 5400	\$ 656.93	1.000	\$656.93	0.527	1.100	1.001	0.989	1.178	\$444.27	1.578	\$281.54

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**ATTACHMENT B**

**HPHC INSURANCE COMPANY, INC.  
THE HARVARD PILGRIM Individual RATE FILING - MAINE  
EFFECTIVE January 1, 2017  
Table 4 Administrative Expense Load**

	Applied As a PMPM Cost	Applied as a % of Premium	Expressed as a % of Premium
<b>Administrative Expense</b>			
General Expense	\$62.47		
Selling Expense	\$4.80		
Quality Improvement	\$3.94		
<b>Total Administrative Expenses</b>	<b>\$71.21</b>		<b>14.29%</b>
<b>Contribution to Surplus</b>		<b>1.0%</b>	<b>1.0%</b>
<b>Taxes, Fees, Mandates</b>			
Exchange Fee		0.00%	
ACA Insurer Fee		0.00%	
State PPO Premium Tax		2.28%	
ME Vaccine Assessment	\$1.15		
Pediatric Immunization Surcharge Pa	\$0.05		
PCORI	\$0.14		
3R Risk Adj	\$0.13		
<b>Total Taxes, Fees, Mandates</b>	<b>\$1.47</b>	<b>2.28%</b>	<b>2.58%</b>
<b>Total Administrative cost</b>	<b>\$72.69</b>	<b>3.28%</b>	<b>17.87%</b>

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**ATTACHMENT C**

**HPHC INSURANCE COMPANY, INC.  
THE HARVARD PILGRIM Individual RATE FILING - MAINE  
EFFECTIVE January 1, 2017  
Morbidity Factor**

	Average Claims PMPM	Ratio to All groups
Groups of 1	\$426.40	1.124
Groups of 1-2	\$432.57	1.140
All groups	\$379.29	

Morbidity factor	1.134
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Average claims PMPM is a 60/40 blend of the normalized claims for 2015 and 2014

ATTACHMENT D

**HPHC INSURANCE COMPANY, INC.  
 THE HARVARD PILGRIM INDIVIDUAL RATE FILING - MAINE  
 EFFECTIVE January 1, 2017  
 MINOR MODIFICATIONS COMPLIANCE**

**Modifications made to Best Buy HSA PPO 5400**

<b>Category</b>	<b>Specific Benefit Changes</b>	<b>Range of Impact</b>	<b>5% Rule</b>
Deductible	Deductible changed from \$5,000 to \$5,400	-1.7%	
Out-of-Pocket Max	Out-of-Pocket Maximum changed from \$6,450 to \$6,550	-0.2%	
Coinsurance	Coinsurance changed from 20% to 30%	-2.2%	
		<b>Overall Benefit Decrease Impact</b>	<b>-4.9%</b> ✓
		<b>Overall Benefit Increase Impact</b>	<b>0.0%</b> ✓
		<b>Overall Change</b>	<b>-4.9%</b> ✓

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ATTACHMENT E

**HPHC INSURANCE COMPANY, INC.**  
**THE HARVARD PILGRIM Individual RATE FILING - MAINE**  
**EFFECTIVE January 1, 2017**  
**Trend Exhibit**

**Trend in 2017 Rates**

Category	Cost	Utilization	Trend		Weighted PMPM
			Allowed	Net	
Inpatient Hospital	1.036	1.004	1.040	1.049	21.5%
Outpatient Hospital	1.031	1.064	1.097	1.106	20.5%
Professional	1.031	1.064	1.097	1.106	20.5%
Other Medical	1.031	1.064	1.097	1.106	20.5%
Prescription Drug	1.068	1.036	1.106	1.115	17.0%
<b>Total</b>			<b>1.086</b>	<b>1.095</b>	<b>100%</b>

**Trend used in 2016 Rates**

Category	Cost	Utilization	Trend	
			Allowed	Net
Inpatient Hospital	1.036	0.981	1.016	1.018
Outpatient Hospital	1.031	1.052	1.084	1.095
Professional	1.031	1.052	1.084	1.095
Other Medical	1.031	1.052	1.084	1.095
Prescription Drug	1.067	1.066	1.137	1.154
<b>Total</b>			<b>1.074</b>	<b>1.085</b>

**ATTACHMENT F**

**HPHC INSURANCE COMPANY, INC.  
THE HARVARD PILGRIM Individual RATE FILING - MAINE  
EFFECTIVE January 1, 2017  
Federal Medical Loss Ratio**

Projected Claims PMPM	\$ 413.06
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Projected Premium PMPM	\$ 498.30
-premium tax	2.3%
-Reinsurance contributions	\$ -
-other assessments	\$ 1.47
Adjusted Premium PMPM	\$ 485.47

Risk adjustment:	1.0
Federal MLR	85.1%

## **Attachment G**

### **HPHC Insurance Company - 1Q17 Individual Rate Filing**

5/7/16

#### **Federal Rate Review Submission –Part II Explanation of Rate Increase**

**Scope and range of the rate increase:** Harvard Pilgrim Health Care, under its HPHC Insurance Company license, is filing new rates for Individual PPO members renewing in January 2017. For existing members, annual rate increases range from 23.0% to 26.6%, before the impact of demographic changes. Our expected average rate increase for renewing members is 24.4%. There are currently 343 members that will be impacted by the filed rate increases. Actual rate increases will vary depending on the demographics of the renewing subscribers.

#### **Medical Cost Trend:**

The primary driver of the rate increase is medical trend which is comprised of inpatient, outpatient, and physician services as well as pharmacy costs. The expected medical cost trend increases include both increases in the cost of the services provided by hospitals and physician groups, and increases in the utilization of these services by our members. In particular, there is increased utilization seen in the areas of outpatient surgery, laboratory tests, medical injectables and radiology services. On the pharmacy side, the introduction of several new specialty prescription drugs is expected to have a significant impact on pharmacy trend in 2017.

For the past three years, the individual market has benefited from the Federal Reinsurance program. In 2016, HPHC individual rates were reduced by 5.8% for expected reinsurance recoveries. With this program ending in 2016, this adjustment is no longer applicable and therefore the rate increases are higher in 2017.

#### **Financial experience of the plans:**

The financial experience for the Individual plans is not credible due to small membership, but was unfavorable in 2015. In 2016, HPHC membership on Individual plans grew significantly more than expected. Given the unexpected increase in Individual membership and the anticipated higher cost claims associated with that membership, rate increases are required in 2017 to bring rates to a level consistent with the target medical loss ratio (MLR) for the 2017 rating period.

#### **Administrative costs and contribution to surplus:**

Administrative costs and contribution to surplus have not increased materially and therefore do not factor in to the overall rate increase for 2017.

Under the Affordable Care Act (ACA), health carriers are required to maintain a medical loss ratio of at least 80%. In other words, at least 80% of premium dollars must be spent on medical costs. The filed rates for 2017 have a target medical loss ratio above this threshold and are therefore in compliance with the Federal ACA medical loss ratio.

### **HPHC's Strategy to Keep Premiums Affordable**

Harvard Pilgrim is committed to improving value and quality across the health care system. Some of the ways we are working to meet our goals include:

- Establishing collaborative arrangements with providers that control costs and enhance health outcomes.
- Negotiating pharmacy contracts aligning payments with outcomes.
- Managing rare diseases through our nurse care managers
- Updating our payment policies to deter inappropriate payment for services on selected medical infusible drug claims
- Maintaining focus on fraud waste and abuse

Continuing to find ways to lower health care costs while providing enhanced value to our customers through our products and services is a keystone to Harvard Pilgrim's long-term strategy.