

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

IN RE:	)	
MAINE COMMUNITY HEALTH OPTIONS	)	RESPONSE TO
2017 INDIVIDUAL RATE HEARING	)	FIRST INFORMATION REQUEST
	)	OF THE SUPERINTENDENT
Docket No. INS-16-1002	)	

Maine Community Health Options (“Community Health Options”) responds to the request of the Superintendent providing written answers and producing documents responsive to the document request.

Community Health Options will supplement the responses provided should the information change or more information become available at any time during the pendency of this proceeding.

Requests:

1. A post-submission update to the rate/rule schedule tab will be made. The current information regarding written premium will be revised.
2. The HIOS ID plan number has been added to Attachment A of the Maine Supplemental Actuarial Memorandum.
3. A draft policyholder notice of the rate increase and hearing is attached as Attachment A.
4. In evaluating the plan performance of its Maine individual products as well as designing a portfolio of plans with meaningful differences, Community Health Options has elected to terminate its Community Preferred plan (HIOS ID 33653ME0010004) effective January 1, 2017 and crosswalk those members to its Community Choice plan (HIOS ID 33653ME0010003). There are currently 2,341 members on the Community Preferred plan.

A comparison of benefits between the 2016 Community Preferred and Community Choice plans and the 2017 Community Choice plan is outlined below.

	2016 Community Preferred 33653ME0010004	2016 Community Choice 33653ME0010003	2017 Community Choice 33653ME0010003
Deductible	\$2,450	\$2,500	\$2,000
OOP Maximum	\$6,000	\$6,850	\$6,500
Member Coinsurance	30%	30%	30%
Preventive	\$0	\$0	\$0
Emergency Room	Ded/Co	Ded/Co	Ded/50% Co
Office Visit – Primary	\$25	\$30	\$30
Outpatient MH/SA	\$25	\$30	\$30
Office Visit – Specialty	\$85	\$80	Ded/Co
Urgent Care Visits	\$85	\$80	Ded/Co
Rehabilitation/Habilitation Services (PT/OT/ST)	\$25	\$30	Ded/Co
Rx Tier 1 (Preferred Generics)	\$10	\$15	\$5
Rx Tier 2 (Non-Preferred Generics)	\$10	\$15	\$30
Rx Tier 3 (Pref.)	\$40	Ded/Co	Ded/30% Co
Rx Tier 4 (Non-pref.)	Ded/Co	Ded/Co	Ded/50% Co
Rx Tier 5 (Specialty)	Ded/Co	Ded/Co	Ded/50% Co
Pediatric Dental	Excluded	Excluded	Excluded
All Else	Ded/Co	Ded/Co	Ded/Co
ACA AV Calculation	72.0%	69.0%	70.8%

In 2016 the Community Preferred plan is at the upper end of the ACA Actuarial Value spectrum for silver metal level plans (68% to 72%) with an AV of 72%. In order for the Community Preferred plan to qualify as a silver metal level plan in 2017, benefit reductions would have been required. As currently designed the Community Preferred plan ACA Actuarial Value would have a score of 73.07.

In its thoughtful approach to plan design in 2017, across its individual product portfolio, Community Health Options concentrated its member cost sharing changes on emergency room, rehabilitation/habilitation and pharmacy benefits by 1) increasing the coinsurance on emergency room services; 2) changing rehabilitation/habilitation services from a copayment to a deductible and coinsurance structure; 3) implementing a 5-tier pharmacy benefit which includes 2 tiers of generic drugs; 4) changing the preferred brand pharmacy benefit from a copayment to a deductible and coinsurance structure; and 5) increasing the coinsurance on non-preferred and specialty brand drugs. These changes would also have been made to the Community Preferred plan had the company elected to continue coverage.

In recognizing the elimination of the higher end silver metal level plan and the migration of its members to a lower Accountable Care Act (ACA) Actuarial Value plan, Community Health

Options, in designing the Community Choice plan for 2017, increased its ACA Actuarial Value from 69% in 2016 to 70.8% in 2017.

Additionally, the Community Advance plan which mirrored the Community Preferred plan in 2016 except for covering pediatric dental benefits will now mirror the Community Choice plan in 2017. There are currently 300 members on this plan.

5.

	Maine Individual		
	<u>Premiums</u>	<u>Claims</u>	<u>Loss Ratio</u>
2014	\$162,613,221	\$122,107,238	75.1%
2015	\$279,223,019	\$254,335,426	91.1%
2016	\$76,692,436	\$71,623,307	93.4%

Loss ratio is the raw loss ratio; not the medical loss ratio.

Premiums are net of reinsurance ceded.

Claims are net of CSR advance payments, pharmacy rebates, subrogation, and reinsurance recoveries.

6. The risk charge was increased to provide a greater contribution to surplus and to reduce the likelihood of a loss if claims experience worsens. Early signs are that 2016 individual is emerging slightly better than projections. There were no morbidity adjustments to the 2015 experience for Maine.
7. The Community Health Options 2015 experience has been trended to 2016 and is 16.7% worse than the morbidity assumed in the 2016 pricing. The 2017 pricing is based on the 2015 actual experience which reflects that 16.7% experience variance. The 2017 rates were computed using 2015 experience adjusted to 2017, not by computing an increase to the 2016 rates. The rate increase is obtained when comparing the 2017 rates that were developed from experience to the 2016 filed rates.
8. The 7.2% trend reflects the expected annual rate of growth in allowed amounts going forward from 2015 to 2017. It is the trend rate approved by the Maine Bureau of Insurance in December and reflects the growth in costs from the 2015 actual experience. The 7.2% trend is a blend of in and out of network utilization that is applied to the 2015 combined in and out of network experience in and out of state. The 7.2% annual trend rate is in line with trend rates our consulting actuary has seen in other rate filings across the country.
9. Community Health Options reviewed changes to our renewing plans for compliance with the minor modifications standard of Title 24-A M.R.S.A. Section 2850-B(3)(I). Using its 2017 Managed Care Rating Model, which is used to develop pricing relativities, Milliman, our consulting actuarial firm, input the actual 2016 cost-sharing for each of the individual plans and computed the paid to allowed percent for 2017. This serves as the Pricing Actuarial Value. Milliman compared this

Pricing Actuarial Value to the Pricing Actuarial Value developed for the actual 2017 individual plans based on the cost-sharing for the respective plans to determine the year-over-year change in the benefits. The comparison is summarized below. Any dental benefit impact is de minimis.

<u>Plan Name</u>	<u>HIOS Plan ID</u>	<u>2016 paid to allowed</u>	<u>2017 paid to allowed</u>	<u>2017/2016</u>
Community Safe Harbor	33653ME0010001	63.12%	59.28%	93.92%
Community Reliant HSA (previously named Community Option HSA)	33653ME0020001	60.11%	57.68%	95.96%
Community Focus (previously named Community Option)	33653ME0010002	60.78%	58.94%	96.97%
Community Choice	33653ME0010003	69.64%	67.70%	97.21%
Community Value	33653ME0010005	68.07%	65.01%	95.50%
Community Edge (previously named Community Advantage)	33653ME0010007	80.98%	73.72%	91.03%
2016 Community Preferred to 2017 Community Choice	Members crosswalked from 33653ME0010004 to 33653ME0010003	70.98%	67.70%	95.38%

As the grid demonstrates, the changes to the bronze and silver plans fall within the 5% statutory threshold with the exception of the Safe Harbor plan. The Safe Harbor plan is a catastrophic plan. While catastrophic plans are expected to have an Accountable Care Act (ACA) actuarial value of less than 60%, our 2017 offering has an AV of 62.01%. This is technically permitted for the catastrophic plan; however, there are required elements for this plan we cannot provide additional benefits to enhance that plan because it would become richer than our other bronze offerings.

Community Health Options proposes to discontinue the Community Preferred individual health insurance policy. The Community Advance policy, which is an identical product with the exception of the inclusion of pediatric dental benefits, will continue to be offered; however, it has been redesigned to mirror the Community Choice offering. The Community Preferred policy is currently offered both on and off of the Health Insurance Marketplace.

We believe the product discontinuance is consistent with the requirements of Title 24-A M.R.S.A Section 2850-B(3)(I) because while the policy is being discontinued, the Community Choice policy to which all policyholders will be moved, should they not choose a different policy, is similar in benefits to the Community Preferred policy. Had the Community Preferred policy not been discontinued, changes would have been required which resulted in it being very similar to the 2017 version of Community Choice. The change is within the 5% benefit threshold.

There will be no change in eligibility for the Community Choice policy. The Community Choice policy will continue to be offered on and off of the Health Insurance Marketplace. Community Health Options will provide 90 days' notice of the discontinuance of the Community Preferred policy and the replacement with the Community Choice policy.

Even if the Superintendent finds that a product replacement to a similar policy is not a minor modification, the discontinuance to the Community Preferred policy is consistent with the requirements of Title 24-A M.R.S.A. Section 2850-B.3.G.(3) because the replacement of the Community Preferred policy is in the best interest of the policyholders. Community Health Options would provide 90 days' notice of the discontinuance of the policy and include notification of the policyholder's right to purchase any other product we currently offer in the individual marketplace. Any product we offer would be offered consistent with the requirements of Title 24-A M.R.S.A Section 2736-C. If we are required to continue the Community Preferred policy, we would expect to only offer the policy off of the Health Insurance Marketplace. The policyholders would no longer benefit from the advantages of the Advance Premium Tax Credit available from offerings available on the Health Insurance Marketplace.

The gold product has benefit changes in excess of 5%. We ask that the Superintendent approve these product modifications as permitted by Title 24-A M.R.S.A. Section 2850-B.3.G.(3). There is significant risk of adverse selection if we are required to continue to offer a plan at the higher end of the gold ACA Actuarial Value spectrum. With no benefit changes the 2017 offering would be at 81.37% of the ACA Actuarial Value spectrum.

Our policyholders will benefit from a simpler portfolio with greater differences between product offerings.

10. We have identified products which will have benefits subject to a deductible and included a detailed 2017 product grid.

Policy: Community Focus/Align – PCP/Other Practitioner/Urgent Care/Behavioral Health/PT/OT/ST copays.

Policy: Community Choice/Advance – Specialist/Urgent Care/PT/OT/ST copays.

Policy: Community Value/Complete – PT/OT/ST copays.

Policy: Edge – ER/Preferred Brand Drug Copay.

These changes were generally implemented to maintain the products within the metal levels of the federal Actuarial Value calculator.

The grid showing individual plan details is attached at Attachment B.

11. Non-emergency out-of-state benefits are covered as out of network.

12. The 19.8% shown in Table 10.1 of the actuarial submission includes the 4% risk charge.

13. The 86.8% in the Maine Supplemental Actuarial Memorandum is incorrect; it should be 84.0%. We will update and resubmit this document.
14. There was no change to area factors for the 2017 individual rate filing with the exception of the change to bring the area 4 factors to the same level as small group. The area 4 change was approved by the Maine Bureau of Insurance in the 2Q2016 small group rate filing; we are now filing for consistency across lines of business.
15. For the 2017 product portfolio, Community Health Options has proposed benefit adjustments that will bring the rate increase down for those plans. The Catastrophic policy did not have the same plan richness that was an element of the other policies in the portfolio and therefore there was no related adjustment to rates. We will review the morbidity adjustment used for the Catastrophic policy to see if that can be brought down, which would lower this increase.

There are currently 360 members in the Catastrophic policy.

16. No, we did not make any explicit adjustments for unusually high or low volume of large claims. We used the total claims. Volume is large enough to not need specific adjustments. Completing a very high level look at large claims experience in 2015 shows that while we may have had a few more claimants over the \$50,000 and \$100,000 thresholds than expected, the cost per claimant was a bit lower. Over that, the number of claimants was a bit lower than the standard population metrics available to our consulting actuarial firm. Overall, there was nothing that indicated Community Health Options had materially better or worse large claims experience that would warrant an adjustment to the 2015 experience.
17. The 2015 incurred claims have been determined by actual runout through February 2016 with completion for the balance. Of that amount 95% of the total was actual paid claims; 5% was the remaining reserve.
18. We have provided documentation of the embedded pediatric dental benefits which were developed by Northeast Delta Dental and accepted by Community Health Options. See Attachment C which we ask be treated confidentially.

May 26, 2016

Submitted by:

/s/Kevin Lewis

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/s/Nancy H. Johnson

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