

# Division of Insurance

## 2017 Rate Filing Guidance



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## NV Rate Review Process for 2017

- Rate increases of 10% or more independently examined by external consulting actuaries
- Focused on:
  - Standards within Chapter 686B of NRS
  - Requirements for effective rate review
  - Actuarially equivalent EHB substitutions
  - Plan Actuarial Value
  - Meaningful difference (for QHPs)
  - Discriminatory benefit design



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## 10% Rate Increase Threshold

- All rating factors, including rating area and tobacco use factors, should be captured in the calculation of plan rate changes
- The intent here is to measure the premium change based on an issuer's current population compared to that same population if the new rates were implemented



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## 10% Rate Increase Threshold

- This is not intended to capture demographic changes, such as a member aging up or moving to a new geographic location



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## Submission Requirements

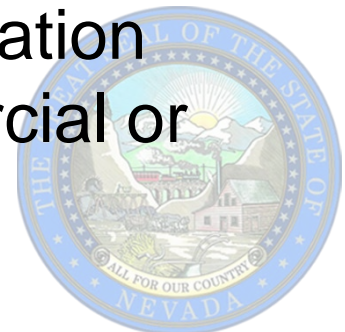
- Required Documentation
  - Unified Rate Review Template (URRT) - Part I (confidential)
  - Consumer Disclosure – Part II
  - Actuarial Memorandum - Part III (confidential)
  - Actuarial Memorandum – Part III (redacted)
  - Nevada Rate Filing Template (confidential)
  - Rate Data Template



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## Redacted Actuarial Memorandum

- Carriers must upload two versions of Part III into HIOS (1) an un-redacted version for CMS review (“CMS version”); and (2) a redacted version that will be made available to the public (“public version”)
- The CMS version should contain all the data elements and information required in the 2017 URR Instructions manual with no redactions
- The public version should redact any information that is a trade secret or confidential commercial or financial information



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## HIOS Concurrent with SERFF

Any changes in the URRT (Part I) or the Actuarial Memorandum (Part III) that are submitted through SERFF must also be uploaded to HIOS. The Division will be closely monitoring this requirement and no SERFF approvals are permitted until both SERFF and HIOS Parts I and III are in agreement



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## Rate Review Timeline

- May 2<sup>nd</sup> Rate filings due
- May 13<sup>th</sup> DOI sends first objection letter
- May 27<sup>th</sup> Carrier response due in SERFF
- June 10<sup>th</sup> DOI sends second objection letter
- June 24<sup>th</sup> Carrier response due in SERFF
- July 8<sup>th</sup> DOI sends third objection letter
- July 22<sup>nd</sup> Carrier response due in SERFF
- August 12<sup>th</sup> DOI makes final rate determinations





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## Formula for Timely Approvals

- Complete, well-documented filings
- Consistent Information
  - URRT
  - Actuarial Memorandum
  - Plan Management Templates
- Compliance with regulatory and actuarial guidance
- Communication with the DOI



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## DOI Website Rates Posting Timeline

- May 6<sup>th</sup> all rate filings simultaneously displayed
- May 20<sup>th</sup> all proposed rates simultaneously displayed
- October 2<sup>nd</sup> all approved rates simultaneously displayed



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## Rate Display Procedures

- Rates for each age are generated by applying the federal age curve factor to the 21 year old rate from the Rate Table Template
- For small group quarterly rates we use the Rate Table Template 21 y.o. rate on 1/1/2016 then apply the quarterly trend factor to generate the 21 y.o. rate for the appropriate quarter
- For mid-year small group rate changes an additional factor equal to the ratio of the revised rate to the 1/1/2016 rate is applied



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## SG Quarterly Rate Changes

- Filing due 4 months prior to change date
- Include in the rate filing:
  - New URRT – Part I
  - New Actuarial Memorandum- Part III
  - HIOS submission of Parts I and III
  - Rate Data Template



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## Elements of a Complete Filing

- Detailed description of methods and assumptions, including changes since prior year, with supporting exhibits
- Submit all exhibits in Excel, if applicable
- URRT completed in accordance with federal guidelines
- Actuarial memorandum – Part III, completed in accordance with federal guidelines



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## Nevada's Rating Parameters

### No changes from 2016

- Age curve 3:1 federal default
- Geographic rating areas:
  1. Clark and Nye counties
  2. Washoe county
  3. Carson City, Lyon, Douglas and Storey counties
  4. All other counties
- Maximum tobacco rating factor allowed - 1.5; may vary by age
- Separate individual and small group risk pools
- Composite premiums allowed in small group market



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## 2017 Fees

- Exchange Fee of 3.15 percent of premium for QHPs and SADPs
- 2017 Moratorium on Health Insurance Provider Fee
- Risk adjustment user fee has been updated to \$1.56 per enrollee per year or \$0.13 PMPM



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## RA Interim Public Summary

- CMS will release an interim public summary report in March 2016 for those States and risk pools where the risk adjustment data that has been submitted by February 1, 2016 meets HHS's data sufficiency thresholds
- All of these interim reports will be preliminary





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## RA Interim Public Summary

- The interim summary report will include the following transfer formula elements by State and risk pool: (1) Average monthly premiums; (2) average plan liability risk score; (3) average allowable rating factor; (4) average actuarial value; (5) billable member months; and (6) geographic cost factors



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## RA Interim Public Summary

- CMS will also provide issuers with an interim report that contains their own issuer-specific information and that will not be released publicly



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## Uniform Modification of Coverage

- Plan continues to cover at least a majority of the same service area
- Plan continues to cover a majority (at least 50%) of the same provider network
- Plan has same cost-sharing structure except for:
  - Changes in cost and utilization of care
  - Changes to maintain the same metal tier level
- Changes in product benefits that cumulatively impact rate for any plan within the product by no more than 2%



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## Terminating Plans

- Carriers will not be allowed to terminate all risk pool plans while proposing to introduce new plans for an upcoming plan year
- Carriers that terminate all risk pool plans cannot write new business in that market for five years



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## Plan Mapping Guidance

- URRT Worksheet 2 has a new Plan Category field that allows issuers to identify plans as New, Renewing or Terminating
- Plan mapping instructions have been updated:
  - To show premium changes of members mapped to new plans
  - To better align with Uniform Modification Guidelines
- The following slides provide examples of sample scenarios
  - See URR instructions for more scenarios



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## New Plan With No Mapping

Example: Plan A is created and no existing members are being mapped to Plan A

Year	Plans Available
2015	
2016	
2017	A

### Section I: General Product and Plan Information

Plan Name	Plan A
Plan Category	New
Effective Date of Proposed Rates	01/01/2017
Rate Change % (over prior filing)	0
Cum'tive Rate Change % (over 12 mos prior)	0

<b>Section II: Components of Premium Increase (PMPM Dollar Amount above Current Average Rate PMPM)</b>	0
<b>Section III: Experience Period Information</b>	0
<b>Section IV: Projected (12 months following effective date)</b>	Plan A

Plan A is an entirely new plan with no existing members being mapped into the plan.

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## Terminating Plans to a New Plan

- Map largest terminating plan to the new plan
- List the other terminating plans as terminating plans

**Example: Plans A, B, and C are terminating and being mapped to new Plan D**

Year	Plans Available		
2015	A	B	C
2016	A	B	C
2017	D	D	D

### Section I: General Product and Plan Information

Plan Name	Plan D	Terminated Plan B	Terminated Plan C
Plan Category	New	Terminated	Terminated
Effective Date of Proposed Rates	01/01/2017	01/01/2017	01/01/2017
Rate Change % (over prior filing)	Plans A,B,C => Plan D	0	0
Cum'tive Rate Change % (over 12 mos prior)	Plans A,B,C => Plan D	0	0

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

Section II: Components of Premium Increase (PMPM Dollar Amount above Current Average Rate PMPM)	Plan A,B,C => Plan D	0	0
Section III: Experience Period Information	Plan A	Plan B	Plan C
Section IV: Projected (12 months following effective date)	Plan D	0	0

Plan A is shown as mapped to Plan D because Plan A has the highest enrollment of plans mapped to Plan D.

Rate Change is based on weighted average of Plans A,B,C to Plan D; but will not trigger a product threshold increase review because Plan D is new.

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## Terminating Plans to Renewing Plan

**Example: Terminating Plans A & B are mapped to Renewing Plan C**

Year	Plans Available		
2015	A	B	C
2016	A	B	C
2017	C	C	C

### Section I: General Product and Plan Information

Plan Name	Terminated Plan A	Terminated Plan B	Plan C
Plan Category	Terminated	Terminated	Renewing
Effective Date of Proposed Rates	01/01/2017	01/01/2017	01/01/2017
Rate Change % (over prior filing)	0	0	C => C
Cum'tive Rate Change % (over 12 mos prior)	0	0	C => C

Section II: Components of Premium Increase (PMPM Dollar Amount above Current Average Rate PMPM)	0	0	C => C
Section III: Experience Period Information	Plan A	Plan B	Plan C
Section IV: Projected (12 months following effective date)	0	0	Plan C*

Plan C\* projection information would include mapped members from Plans A and B.



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## Index Rate Development

Base period allowed claims for the single risk pool

- Includes experience for all non-grandfathered plans in existence during base period
- Prior to adjustments
- Allowed claims should include claims incurred but not paid
  - Describe methodology, including completion factors and adjustments
- Nevada experience only



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## Index Rate Development

- Projected claims adjustments:
  - Commercial reinsurance
  - Large claim pooling
- Projection factors:
  - Trend by service category (Excel Exhibit)
    - Medical and Rx separately
  - Change in morbidity
  - Demographic changes
  - Benefit changes



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## Credibility

- If base period experience is not fully credible, external experience may be used to develop manual rate
- Describe methodology, data, adjustments, assumptions used
- Provide support for the credibility % applied to the projected experience of the single risk pool
- Consider ASOP #25
  - Not sufficient to use “informed actuarial judgment” rationale



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## Projected Index Rate

Defined as the EHB portion of an issuer's estimated total projected allowed claims experience PMPM of the non-grandfathered plans within a market

- Demonstrate development of projected index rate from credibility adjusted claims



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## Market Adjusted Index Rate

Allowed market-wide adjustments:

- Risk adjustment
  - Provide support for estimated risk transfer payments
- Exchange fees
  - Based on 3.15% fee and projected Exchange enrollment



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## Plan Level Rate Adjustment

Demonstrate plan level adjustments to the market adjusted index rate:

- Cost sharing design
- Provider networks, utilization management
- Induced demand
- Benefits in excess of EHBs
- Catastrophic plan adjustment
- Non-benefit expenses



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## Consumer Adjusted Premium Rate

- Calibration of Plan Adjusted Index Rate for age and geography
  - Provide demonstration of calibration
- Rating factors Applied:
  - Age
    - Variation by age is allowed, must be supported
  - Tobacco
  - Geography
    - Should be based on differences in unit cost



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## Actuarial Certifications

- Metal AV
- Appropriateness of the EHB portion of premium (provided on 2<sup>nd</sup> tab of URRT and Plan Attributes section of the Plans and Benefits Template)
- Projected Index rate
- Plan adjusted index rate
- EHB Substitutions
- Geographic factors
- Compliance with state and federal laws and regulations
- Compliance with ASOPs





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## ASOP Certification

The actuary must certify that each rate filing has been prepared in accordance with the relevant ASOPs. At a minimum, the following need to be referenced:

- ASOP No. 5, Incurred Health and Disability Claims
- ASOP No. 8, Regulatory Filings for Rates and Financial Projections for Health Plans
- ASOP No. 12, Risk Classification
- ASOP No. 23, Data Quality
- ASOP No. 25, Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages
- ASOP No. 26, Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans
- Actuarial Standard of Practice No. 41, Actuarial Communications

