STATE OF CONNECTICUT

INSURANCE DEPARTMENT

UnitedHealthcare Insurance Company 2015 Individual HIX Rate Filing

Finding of Facts

1. United HealthCare Insurance Company (UHC) is introducing new individual on-exchange plans effective January 1, 2015, compliant with the state selected benchmark plan covering all of the essential health benefits for 2014.

2. No individual experience exists under UHC for the experience period of 1/1/13 – 12/31/2013.

3. As UHC does not have any relevant historical experience for individual medical guarantee issue products, they relied on the guarantee issue claims experience of affiliated small group carriers to develop the credibility manual rate.

4. UHC believes that the affiliated small group experience used for developing the manual rates for this product to be fully credible. They did not use a specific credibility formula for this determination, but rather informed actuarial judgment. As ASOP 25, section 3.4 states: "Informed Actuarial Judgment - Any credibility procedure requires the actuary to exercise informed judgment, using relevant information. The use of credibility procedures is not always a precise mathematical process."

5. UHC is assuming zero net payment for risk adjustments.

6. Reinsurance recoveries are expected to be 7.9% of incurred claims. This amount was derived using individual nationwide experience trended to 2015. The recoveries were calculated using the 2015 reinsurance parameters, as published in the HHS Notice of Benefit and Payment Parameters for 2015. The HHS Notice of Benefit and Payment Parameters for 2015 specifies a reinsurance premium of $3.67 PMPM.

7. The 7.9% administrative expense load includes commissions, quality improvements, and SG&A. Commissions: We assumed an average 2.5% commission rate. Quality Improvements: We assumed a 0.18% adjustment for quality improvement expenses based on data from an affiliated carrier. SG&A: We based our general and administrative expenses on affiliated individual carrier experience. For this product in the state of Connecticut, this equates to approximately 5.25% of premium for 2015.

8. The projected 2015 premiums include 1.6% of premium for risk, contingency and profit margin. This assumption was derived as: 3.6% pre-tax underwriting gain,

less income taxes payable on the underwriting gain and on the insurer fee, which is not deductible for income tax purposes.

9. The 7.3% taxes and fees include premium tax, insurer fees, PCORI fees, risk adjustment fees, and federal income tax.

10. The 7.3% Taxes and Fees in Worksheet 1 includes premium tax, insurer fees, PCORI fees, risk adjustment fees, and federal income tax. Premium Tax: This includes Premium, State, Local and Other taxes and assessments. The projected premium tax rate is 1.75% in the state of Connecticut. Exchange User Fee: Exchange fees in Connecticut are 1.35%. Insurer Fees: This is a permanent fee that applies to fully insured coverage. This fee will fund tax credits for insurance coverage purchased on the exchanges. The total fee increases from $8B in 2014 to $14.3B in 2018 (indexed to premium for subsequent years.) Each insurance carrier's assessment will be based on earned health insurance premiums in the prior year, with certain exclusions. UnitedHealthcare Life (an affiliated company of UnitedHealthCare Mid-Atlantic) estimates 2.2% of 2015 premium will be allocated for insurer fees. PCORI Fees: This product will be offered for the 2015 plan year, with a PCORI fee of $2 per member per year, or $0.17 PMPM. For this product in the state of Connecticut, this equates to approximately 0.03% (less than 0.1%) of premium. Risk Adjustment User Fee: This product will be offered for the 2015 plan year, with a Risk Adjustment User Fee of $0.08 PMPM. For this product in the state of Connecticut, this equates to approximately .01% (less than .1%) of premium. Federal Income Tax: Income tax is projected to be 2.0% of premium and is calculated as 35% x (Pre-Tax Income + Insurer Fees), since insurer fees are not tax deductible.

11. The projected loss ratio using the federally prescribed MLR methodology for calendar year 2015 is 89.9%.

12. Historical Experience – Oxford Health Insurance, Inc.

Calendar Year	Earned Premium	Incurred Claims	Loss Ratio	Members
2006	40,016,330	32,846,755	82.08%	11,311
2007	59,299,782	50,015,524	84.34%	16,874
2008	90,872,234	80,416,662	88.49%	24,930
2009	132,123,613	108,668,640	82.25%	34,497
2010	170,269,654	131,630,094	77.31%	39,153
2011	226,971,715	178,743,814	78.75%	46,907
2012	185,911,049	138,818,744	74.67%	34,313
2013	158,442,435	121,729,802	76.83%	27,451
Total	1,063,906,812	842,870,034	79.22%	

13. Historical Experience – Oxford Health Plans (CT).

Calendar Year	Earned Premium	Incurred Claims	Loss Ratio	Members
2006	172,665,141	133,534,371	77.34%	41,225
2007	140,826,750	106,514,244	75.63%	30,383
2008	117,124,180	87,998,120	75.13%	23,167
2009	93,822,240	79,048,560	84.25%	17,750
2010	85,921,104	69,921,120	81.38%	14,800
2011	148,208,060	115,857,742	78.17%	26,217
2012	131,932,720	102,669,940	77.82%	21,833
2013	100,206,099	74,845,596	74.69%	14,992
Total	990,706,294	770,389,693	77.76%	

14. Allowed Unit Cost and Unit Cost Trend

Service	CY 2011	CY 2012	CY 2013	2012/ 2011	2013/ 2012
Inpatient	$3,121	$3,340	$3,464	7.0%	3.7%
Outpatient	$194	$183	$188	-5.4%	2.4%
Ancillary/Other	$99	$90	$117	-8.8%	30.1%
Professional	$93	$93	$100	0.4%	7.6%
Retail Pharmacy	$94	$98	$104	4.3%	6.1%
Total	$136	$133	$142	-2.0%	6.9%

15. Utilization/1,000 and Utilization Trend

Service	CY 2011	CY 2012	CY 2013	2012/ 2011	2013/ 2012
Inpatient	312.4	288.0	281.7	-7.8%	-2.2%
Outpatient	5,725.4	6,528.1	6,733.5	14.0%	3.1%
Ancillary/Other	3,462.1	4,362.7	3,679.3	26.0%	-15.7%
Professional	16,738.7	17,681.3	17,867.3	5.6%	1.1%
Retail Pharmacy	9,770.9	10,014.8	10,260.1	2.5%	2.5%
Total	36,009.4	38,874.9	38,821.9	8.0%	-0.1%

16. Allowed PMPM and Allowed PMPM Trend

Service	CY 2011	CY 2012	CY 2013	2012/ 2011	2013/ 2012
Inpatient	$81.23	$80.16	$81.31	-1.3%	1.4%
Outpatient	$92.50	$99.74	$105.34	7.8%	5.6%

Ancillary/Other	$28.49	$32.73	$35.92	14.9%	9.7%
Professional	$129.08	$136.95	$148.84	6.1%	8.7%
Retail Pharmacy	$76.56	$81.86	$88.98	6.9%	8.7%
Total	$407.86	$431.44	$460.39	5.8%	6.7%

17. Net PMPM and Net PMPM Trend

Service	CY 2011	CY 2012	CY 2013	2012/ 2011	2013/ 2012
Inpatient	$74.35	$73.30	$74.06	-1.4%	1.0%
Outpatient	$75.69	$81.03	$86.12	7.1%	6.3%
Ancillary/Other	$26.51	$30.63	$33.56	15.5%	9.6%
Professional	$99.81	$106.30	$114.42	6.5%	7.6%
Retail Pharmacy	$55.61	$61.02	$67.76	9.7%	11.0%
Total	$331.98	$352.27	$375.94	6.1%	6.7%

18. Implied benefit leverage is 1.1% for medical and 1.6% for pharmacy.

19. The impact of new medical trend technology is not isolated in the baseline pricing trend development or, apart from mandated benefit changes noted elsewhere, presumed to have an explicit increasing/decreasing impact in rate projection period trends.

20. Estimated impact of benefit buy-downs is -2.2% for medical and 1.1% for pharmacy.

21. Overall annual historical trend is 9.2%, while forward pricing trend is 9.2%.

22. Impact of mandates and federal health reform on projected claims expense: Federal Health Reform, Women's Preventative is -0.20% for CY 2104. This is for both medical and Rx.

23. The capital and surplus as of 12/31/13 for United HealthCare Insurance Company is $5,039,492,066.

24. UHC stated that the attachment point is $70,000 and the coinsurance is 50% for reinsurance recoveries.

25. If the attachment point were to decrease from $70,000 to $45,000, UHC would expect premiums to decrease about 3.5% given that they would be expected to be paid at 100%. This is an approximation and further evaluation would have to be done upon legislative approval of an attachment appoint of $45,000.

26. The Morbidity Load Experience table, in the filing, illustrates a 47% increase in claims from the overall Small Group claims levels to the claims level of a Small

Group size of 1-3 employees over the Small Group size of 1-49. We expect individual experience to come out closer to group sizes of 1-3 employees, so we are charging a 5% Morbidity load to account for this difference from the overall Small group rates.

27. Based upon the expected demographic difference between health insurance exchange membership and current small group membership, the base rate should increase by approximately 3%, instead, UHC is using a 2% factor.

28. No public comments were received.

Department Summary

Since this filing reflects rates for the newly developed CT insurance exchange and incorporates all the new rating requirements of PPACA effective 1/1/2014, with some modifications due to federal regulations that impact future year's premiums, the Department used criteria spelled out in the latest HHS rate regulations as a template for review along with previously issued CT Insurance Department Bulletins that discuss the requirements for rate filings.

In evaluating the final trend assumption of 9.2%, the Department reviewed the actual allowed trend for the most recent two years, 2012 and 2013, the annualized allowed trend are 5.8% and 6.7% respectively. Even with adjustments for benefit buy-downs and leverage the Department believes that the assumed 10.2% trend is excessive and that an annualized trend of 9.0% is more appropriate.

In Federal Register/Vol. 79, No. 101/Tuesday, May 27, 2014 / Rules and Regulations it states the following, "Specifically, in the proposed 2016 Payment Notice, we intend to propose to lower the 2015 attachment point from $70,000 to $45,000. We may also propose to modify the target 2015 coinsurance rate based on estimates of roll-over of funding from 2014 and estimates of collections of payments for 2015".

In addition, the federal government has allowed states to decide whether or not to allow existing non-grandfathered, non-ACA compliant plans (grand-mothered plans for ease of explanation) to continue to renew until sometime in 2016. These grand-mothered plans are considered transitional plans and carriers will not have access to the temporary reinsurance program for these plans. A number of states have elected to allow these transitional plans while Connecticut has not. All Connecticut individual plans, as of 1/1/2015 and beyond, will be considered fully ACA compliant plans eligible for the temporary reinsurance program.

Based upon the information described in the last two paragraphs, the Department is requiring that all individual carriers use a $45,000 attachment point in their 2015 pricing as well as a coinsurance level of 70%. The Department believes that there will be excess funds available in 2015 since all transitional individual plans will not have access to the reinsurance program and were originally expected to be fully ACA compliant by 2015 when the funding parameters were originally set.

UHC submitted this rate filing assuming an attachment point of $70,000 with a coinsurance level of 50%. As described above, the Department is requiring that the pricing support an attachment point of $45,000 and a coinsurance level of 70% for 2015, rather than the $70,000 and 50%. This has an impact of lowering rates by approximately 8% based upon UHC's estimation of 3.5% from the attachment point change and an additional 4.5% from changing the coinsurance from 50% to 70%. The coinsurance differential of 4.5% is generated from averaging all the individual carrier's adjustments that were submitted for the change in coinsurance from 50% to 70%, that are participating in the exchange, and not necessarily the specific adjustment provided by UHC. in correspondence.

Department Disposition

Based upon the finding of fact, and the summary information described above, the rates must be recalculated, and the appropriate rate filing exhibits updated, to reflect the change in annual trend from 9.2% to 9.0% and the reduction in premium associated with a reinsurance attachment point of $45,000 and a coinsurance level of 70%, estimated by the Department as a reduction in premium of 8%.

The approved rates, described above, are reasonable in relationship to the benefits being offered, they are also, neither excessive, inadequate nor unfairly discriminatory.

Dated July 29, 2014.

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