STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ConnectiCare Benefits , Inc. Individual Exchange 2017

Finding of Facts

1. This submission is for products to be marketed through the Access Health CT Exchange for individual policies effective January 1, 2017.

2. ConnectiCare Benefits, Inc. (CBI) has been in this market since January 1, 2014 and is proposing a rate increase of 17.4% for the existing plans to be renewed in January of 2017.

3. This increase represents a weighted average of the rate changes for all existing plans, ranging from a 15.5% to 24.8%.

4. These rate changes reflect medical inflation and utilization trends, as well as changes including but not limited to member cost sharing, changes in benefit design (cost sharing levels) to ensure that plans comply with the Actuarial Value requirements, and changes in ACA fees and the Federal reinsurance program.

5. Rate changes vary by plan primarily due to the following reasons:

    - Changes in cost sharing levels to ensure that plans comply with the HHS Actuarial Value metallic requirements.

    - Fixed dollar features in certain plans, such as deductibles, copayments, and out-of-pocket maximum, lead to leveraging effects when the underlying cost structure increases with trend. For example, with a plan containing a given fixed copay for a primary care visit, if underlying costs of PCP visits increase by 6%, then the net costs to the carrier are greater.

6. Into the fourth year of ACA, the single risk pool morbidity of the Connecticut Individual market is expected to be more stable than in prior years, although we do anticipate an increase in medical service utilization. This is likely from a higher level of service usage by previously uninsured and under-insured population entering the market over the years as this population segment has become more familiar with the care systems and are able to better access the services than before. The expectation is that the morbidity of the Individual market single risk pool in Connecticut will be quite consistent with the morbidity in the 2015 baseline period.

7. Claims costs are expected to increase for anticipated medical/prescription drug inflation and increased medical/prescription drug utilization.

8. There are no material changes in benefits covered.

9. Certain plans in the individual Exchange offering have some benefit adjustments in order to meet the metal level based on the Actuarial Value Calculation, 2017 version. The benefit adjustments include changes in deductible or maximum out-of-pocket amounts, member cost shares, etc.

10. The federal transitional reinsurance program will be eliminated in 2017, both contributions and benefits will cease. The impact is a material rate increase.

11. A risk adjustment transfer payment is included in the rate development, resulting in a small rate reduction.

12. Source and Appropriateness of Experience Data Used: The source data used in the projected claims is based on the experience from CBI, which has been providing coverage to individuals on the Exchange in Connecticut. No rebate is expected for the premium of the experience period.

13. Baseline experience data from calendar year 2015 was projected to 2017, reflecting expected utilization and unit cost trends associated with the individual Exchange membership. These unit cost trends reflect the impact of negotiated provider discounts. The morbidity of this block of business in 2017 is expected to be 2.5% worse than the morbidity of the experience period individual market. A corresponding adjustment was made to the credibility manual.

14. CBI has sufficient membership in 2015 and its claims experience is considered to be fully credible.

15. The anticipated loss ratio for Federal MLR Rebate purposes is 87.5%.

16. The Index Rate for the Projection Period is equal to the Total Allowed Claims PMPM developed in Worksheet 1 Section II, reduced by 1.13% to adjust total allowed costs to allowed costs related to EHB. The Index Rate represents projected Allowed Claims in 2017. It reflects anticipated claim levels in 2017 with respect to trend, benefit and demographic differences for the single risk pool. Covered benefits related to routine adult vision care and elective abortion services are in excess of EHB, which are included in Allowed Claims but excluded from the Index Rate.

17. Plan level rates are developed from the Index Rate using the following modifiers allowed per 45 CFR 156.80(d)(2):

    - The actuarial value and cost-sharing design of the plan
    - The plan's provider network, delivery system characteristics and utilization management practices
    - Administrative costs

18. Two factors are used in the calibration of the rate to be applied uniformly to all plans: age curve calibration and geographic factors.

19. Plan factors were developed using a standard plan relativity calculator developed by ConnectiCare. The calculator reflects differences in costs and utilization under various plan designs.

20. Two 2016 plans will be terminated in 2017, and their HIOS plan ID's are 76962CT0010015 and 76962CT0010016.

21. The 2017 ACA fees are as follows:

    - Patient Centered Outcomes Research Fee: $.20 PMPM
    - Health Insurer Fee: suspended for 2017
    - Risk Adjustment Program: $0.13 pmpm

22. Below is CY 2015 claims experience from ConnectiCare Benefits, Inc. which ties to the pricing build-up for this rate filing:

    2015 Earned Premium = $200,317,225
    2015 Incurred Claims = $187,377,292
    2015 LR = 93.5%

    Based on 438,401 member months for calendar year 2015.

23. Unit Cost ($)

Service	2014	2015	Trend
Inpatient	3,792	3,871	2.1%
Outpatient	664	712	7.1%
Professional	87	92	6.6%
Subtotal Medical	213	221	3.7%
Retail Rx	67	67	0.0%
Total	161	162	0.6%

24. Utilization/1,000

Service	2014	2015	Trend
Inpatient	354.6	328.2	-7.4%
Outpatient	2,657.9	2,341.3	-11.9%
Professional	19,502.8	18,215.3	-6.6%
Subtotal Medical	22,515.4	20,884.8	-7.2%
Retail Rx	12,530.3	13,071.2	4.3%
Total	35,045.7	33,956.0	-3.1%

25. Allowed PMPM ($)

Service	2014	2015	Trend
Inpatient	111.33	105.40	-5.3%
Outpatient	147.14	138.67	-5.8%
Professional	140.59	140.10	-0.3%
Subtotal Medical	399.06	384.18	-3.7%
Retail Rx	69.97	92.64	32.4%
Total	469.04	476.82	1.7%

26. Net PMPM ($)

Service	2014	2015	Trend
Inpatient	103.11	97.58	-5.4%
Outpatient	131.23	119.77	-8.7%
Professional	119.31	113.11	-5.2%
Subtotal Medical	353.66	330.45	-6.6%
Retail Rx	59.30	83.36	40.6%
Total	412.96	413.81	0.2%

27. Annual trend assumed from experience period to rating period:

Service	Utilization per 1,000	Gross Unit Cost	Gross PMPM	Leveraging Impact	Pricing Trend
Inpatient	1.1%	5.9%	7.2%	0.4%	7.6%
Outpatient	2.8%	6.9%	9.9%	1.6%	11.6%
Physician	4.2%	2.5%	6.8%	0.1%	6.9%
Rx	4.3%	8.1%	12.7%	3.7%	16.9%

28. Retention charge used in rate filing is 17.0%. This is comprised of 7.52% for administrative expenses, 1.19% for sales cost, 3.20% for profit and risk load and 5.10% for taxes and fees.

29. The expected medical loss ratio for this filing is 83.0%. For federal rebate purposes, the credibility adjusted federal MLR is 87.5%.

30. The capital and surplus, as of December 31, 2015 is $42,352,727.

31. The Department received 57 public comments recommending that the rate increase be disapproved.

Supplement to Filing

On August 23, 2016, CBI filed an amended rate filing requesting that the average rate increase of 17.4%, be revised to an average increase of 27.1%. The result of two changes being made:

- An updated morbidity factor due to three market influences

    1. The market exit of HealthyCT and certain United companies;
    2. The likely deterioration of the risk pool as healthy individuals, faced with significant rate increases, leave the market;
    3. CBI's analysis of experience paid through July 31, 2016 indicates that 2016 claims continue to emerge higher than we anticipated and show very few signs of mitigating

- Certain plan designs which were included in the earlier filings have been removed from this filing. This plan removal has no impact on rates charged to plans remaining in the portfolio.

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, 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.

The Department reviewed the 10.5% annual trend assumption used in the rate filing and believes that based upon the experience data submitted this assumption is appropriate.

The Department reviewed the June 30, 2016 CCIIO Reinsurance and Risk Adjustment report for Connecticut. Based on this report CBI, Inc. received $4,456,584.71 in risk adjustment payments for the individual market. This amounts to $10.15 pmpm. The Department believes the risk adjustment of $4.00 pmpm is an appropriate estimate for 2017.

Based upon the federal MLR for this filing of 87.6% the Department believes that the proposed pricing supports the federally required 80% loss ratio for individual business.

On March 7, 2016, the Connecticut Insurance Department issued a Notice entitled "Filing Requirements for Individual and Small Employer Group Health Insurance Policies Subject to the Affordable Care Act" (attached to SERFF filing). It clearly states under the Rate Filings section the following in part: "…Rate filings should be submitted no later

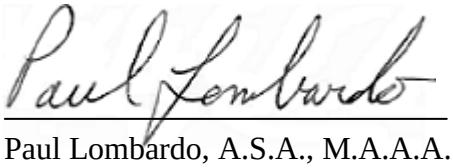
than June 1, 2016 for all individual or small group plans to be offered beginning January 1, 2017. This includes filings for plans offered on or off of the exchange. Late Filing submissions cannot be guaranteed to be reviewed prior to open enrollment thereby subjecting the carrier to continuous open enrollment in 2017. **No changes will be accepted after June 15, 2016, unless specifically requested by the Insurance Department…" (bold for emphasis).** As the Department did not request the changes submitted by CBI, on August 23, 2016, the Department is rejecting the amended rate request in its entirety, but will allow the removal of certain plan designs as that does not have an impact on the rates previously submitted.

Department Disposition

Based upon the finding of fact, and the summary information described above, the revised proposed average rate increase of 27.1% is rejected and limited to the previous request of 17.4%.

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

Dated September 2, 2016.



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