

Replies to CDI objections dated June 12, 2014

Re: HNLI-129578696

State Tracking Number: HAO-2014-0163

- 1) Please provide additional rate change information in the attached file “HN rate change.xls”.

Response:

The EPO plan designs are new, so this is not technically a rate increase. But, for comparison purposes, we can calculate the average rate change for a subscriber moving from our 2014 PPO to our 2015 EPO. The average rate increases for such individuals in these plans is based on comparisons with our current Individual PPO plans and membership distribution.



HN rate change.xls

- 2) Please provide monthly premium and claims information in the attached file “HN MLR.xls”.

Response:

We have filled out this file with historical claims by month for the “Monthly Experience” tab. Projected experience for 2014 and 2015 includes reinsurance and risk adjustment in the claims.



HN MLR.xls

- 3) Please provide other ACA related items information in the attached file “HN MLR.xls”.

Response:

Please see the file attached above. Note the ACA related items are shown for historical experience and are consistent with the 2013 MLR report filed for Health Net Life Insurance Company. Projected experience for 2014 and 2015 includes reinsurance and risk adjustment in the claims.

- 4) Please provide historical allowed trend information for the individual block in the attached file “HN trend.xls”.

Response:

We do not maintain Individual pre-ACA trend information as those trends are based upon benefits and underwriting, that are not consistent with the Affordable Care Act. The historical trend information that is informative to individual is our historical Small Group information because that is also a guarantee issue market, uses the same provider contracts as Individual and had benefit designs which are much closer to those now available to Individuals under ACA. Please see the attached file which includes both our assumed 2015 Individual trends and our historical Small Group trends from 2012 and 2013.

Another point worth mentioning is that the template asks for a level of detail (claims by benefit category) that Health Net does not track at the market segment level such as Large Group, Small Group or Individual. Our provider contracting area negotiates commercial contracts at this level and monitors our trends at a rolled up commercial level so we are able to split the pricing trends into this categories but we don't have the same level of detail available for Small Group or Individual historically.

Note: we can provide historical rolled up trend information for Individual if necessary. However it would be an arduous task because it would require segmenting the business based upon duration and other factors to properly extract the true underlying trend prior to the Affordable Care Act. Also our individual claims costs for the first 4 months under the ACA are more than double what they were prior to ACA. We do not believe such information would be more relevant than the Small Group information, which is easily available.

See attached file.



HN trend.xlsx

- 5) In the Actuarial Certification, on page 3, item B says Expected Member Months in the Rating Period = 166,224. In the '2014-06-02 justification.pdf' file, it states a higher number (332,880). Also it is different from the number shown in URRT. Please clarify.

Response:

332,880 was a miscalculation (it is 166,224 multiplied by 2).

As of March 2014, we have 13,870 average members in Individual ACA PPO Plans in regions 1-14 (the specific book of business we filed with the CDI). Annualized this is 166,224 member months. We have shown this number in '2014-06-02 justification.pdf' for exhibits that we felt should display current ACA membership.

As of March 2014, we have 16,256 average members in Individual PPO Plans in regions 1-14, of these 13,870 are on ACA plans, the remainder are on pre 2014 PPO plans that will migrate to ACA. Annualized this is 195,072 member months. We have shown this estimate in the URRT.

- 6) In the Actuarial Certification, paid to allowed ratio in 2014 was calculated to be 66.7%. Is there any other adjustment to this factor for the pricing period?

Response:

There are no other adjustments.

- 7) Could you provide a mapping of Health Net 2013 regions to the ACA rating regions?

Response:

Please see attached file.



Region Mapping.xlsx

- 8) Pediatric vision assumes 32.3% of population is comprised of children. Pediatric dental assumes 23.1%. Please clarify the difference.

Response:

Pediatric vision was miscalculated. We will correct this in the final submission.

- 9) A 5.7% increase was applied to CY 2013 claims to reflect maternity benefits being part of EHB. Please show back up of this estimate.

Response:

This is the same adjustment we made for our Individual rate filing for 2014. We are just carrying forward the same estimate for 2015.

Our expectation is that the vast majority of our members did not buy their pre-ACA plans for maternity because the members who purchased prior to July 1, 2012 were not purchasing maternity coverage and those who purchased since July 1, 2012 were high deductible PPO members. So, the only impact of maternity on 2013 would be on months nine plus after July 1, 2012 (April 2013 and thereafter) and was not material pre-ACA.

The calculation made for 2014 was as follows:

Relative Costs per Milliman Health Cost Guidelines July 1, 2012

	milliman amts	Wt	Net Impact
IP Maternity	\$17.07	83.6%	\$14.27
IP Other newborn costs	\$9.04	75.2%	\$6.80
Professional Maternity	\$6.70	83.6%	\$5.60
Total Impacts			\$26.67
Total Claims costs			\$761.65
less vision			(\$5.77)
Total Costs			\$755.88
Morbidity Adjustment			1.615
Expected Base for Individual			\$468.04
Impacts of Mandates			105.70%

10) In the 2015 Metal Tier Sloping proposed step, please show development of the Normalization factor 0.8545.

Response:

The 0.8545 factor is the calibration adjustment such that the weighted average of the product of actuarial values and induced demand factors expected in 2015 equals the weighted average of the actuarial values. That calculation appears below:

	<u>Platinum</u>	<u>Gold</u>	<u>Silver</u>	<u>Bronze</u>	<u>Average</u>
2014 Member Weights	902	1,305	5,543	7,183	14,933
2015 Actuarial Value (AV)	0.881	0.788	0.703	0.606	0.67452
2014 Induced Demand Adjustment (IDF)	1.420	1.333	1.267	1.000	
AV x IDF	1.251	1.051	0.890	0.606	
Index Rate Adjustment (Idx)*	0.8545	0.8545	0.8545	0.8545	
AV x IDF x Idx	1.0688	0.8978	0.7609	0.5178	0.67452
Proposed Change for 2015	-2.1%	-2.9%	-4.1%	0%	

$$0.8545 = \frac{(902 \times 0.881 + 1,305 \times 0.788 + 5,543 \times 0.703 + 7,183 \times 0.606)}{(902 \times 0.881 \times 1.420 + 1,305 \times 0.788 \times 1.333 + 5,543 \times 0.703 \times 1.267 + 7,183 \times 0.606 \times 1.00)}$$

- 11) In URRT, it says inpatient cost / admit was \$23,221. What was the ALOS or days / 1000 in that experience period?

Response:

There were 121 days/1000 in the experience period for Inpatient.

- 12) A \$45,000 attachment point is being used in the reinsurance part of the calculation. The CMS final market rule states that they intend to lower the 2015 attachment point from \$70,000 to \$45,000. However, this doesn't seem to be mentioned in the Federal Registry. We suggest you maintain the originally proposed reinsurance parameters. Also please provide information in the attached file 'HN Reinsurance.xls'

Response:

We have made this change in the July 31, 2014 submission.



HN Reinsurance.xls

- 13) In SRRT, a factor of 1.185 is used to adjust for distribution and administrative costs. Does this factor include Exchange fee? How does this tie back to the URRT retention load or the retention in the rate development in the Actuarial Memorandum?

Response:

Our answers below refer to the July 31, 2014 submission where this factor is 1.194.

*Does this factor include Exchange fee?*

It does not include the Exchange Fee which is instead an adjustment to the Market Adjusted Index Rate.

*How does this tie back to the URRT retention load or the retention in the rate development in the Actuarial Memorandum?*

This value is calculated as:

$1 + (\text{AQ Total Administrative Costs} + \text{AL Total Taxes \& Fees} - \text{AI Exchange User Fees} + \text{AR Profit}) / (\text{AP Projected Incurred Claims w/ ACA Adjustments} + \text{AI Exchange User Fees})$

$$= 1 + (\$42.45 + \$32.63 - \$6.71 + \$3.08) / (\$361.94 + \$6.71) = 1.194$$

From the rate development and Actuarial Memorandum please refer to the following table.

	<b>Admin Development</b>	<b>Total</b>	<b>PMPM</b>	<b>% of Revenue</b>
AB	Administrative Expenses	\$39,597,343	\$36.66	8.3%
AC	Commissions	\$6,250,500	\$5.79	1.3%
AD	Broker Bonus	\$0	\$0.00	0.0%
AE	<b>Total Administrative Costs</b>	\$45,847,843	\$42.45	9.6%

	<b>Taxes and Fees</b>	<b>Total</b>	<b>PMPM</b>	<b>% of Revenue</b>
AF	Premium tax	\$11,170,012	\$10.34	2.4%
AG	Income Tax	\$6,851,807	\$6.34	1.4%
AH	Payroll Tax	\$950,639	\$0.88	0.2%
AI	Exchange Fee	\$7,250,488	\$6.71	1.5%
AJ	Insurer's Fee	\$8,749,999	\$8.10	1.8%
AK	PCORI / Risk Adjustment	\$273,606	\$0.25	0.1%
AL	<b>Total Taxes and Fees</b>	\$35,246,551	\$32.63	7.4%

	<b>Premium development</b>	<b>Total</b>	<b>PMPM</b>	<b>% of Revenue</b>
AM	Experience Period Premium ( C )	\$204,335,390	\$189.20	
AN	Adjustments for Approved Rate Changes	\$248,651,990	\$230.23	
AO	Adjusted Earned Premium	\$452,987,380	\$419.42	

	<b>Proposed Base Rate Development:</b>	<b>Total</b>	<b>PMPM</b>	<b>% of Revenue</b>
AP	Projected Incurred Claims (w/ ACA Adjustments)	\$390,899,410	\$361.94	
AQ	Total Administrative Costs	\$81,094,394	\$75.09	
AR	After-tax Profit/Margin	\$3,325,837	\$3.08	0.7%
AS	Required Revenue	\$475,319,641	\$440.10	
AT	Requested Base Rate		\$440.10	
AU	Requested Renewal Increase		4.9%	
AV	Target Medical Loss Ratio			<b>82.2%</b>

For the URRT, this factor is separated into Administrative Load, Taxes and Fees and Profit, where:

Administrative Expense Load – This is the product of the following factors below.

	Administrative Expense Load	% of Revenue
AB	Administrative Expenses	8.3%
AC	Commissions	1.3%
AD	Broker Bonus	0.0%
	Total	9.6%

Profit – Profit is 0.7%.

Taxes and Fees – This is the sum of the following items below.

	Taxes and Fees	% of Revenue
AF	Premium tax	2.4%
AG	Income Tax	1.4%
AH	Payroll Tax	0.2%
AI	Exchange Fee	1.5%
AJ	Insurer's Fee	1.8%
AK	PCORI / Risk Adjustment	0.1%
	Total	7.4%

All items are discussed in further detail in the Actuarial Memorandum.

- 14) We compared the 2015 table rates to the 2014 table rates and saw increases ranging from 3.8% for Silver to 13.9% for Gold. How does that tie back to the 5.5% increase mentioned in the Actuarial Memorandum and from the rate development process?

Response:

Our answers below refer to the July 31, 2014 submission. The overall increase is 4.9%. As the EPO plan designs are new, the average rate increases for these plans are based on comparisons with our current Individual PPO plans and membership distribution.

<u>Plan</u>	<u>Exchange</u>	<u>Pediatric Dental</u>	<u>March 2014 Members</u>	<u>Average Renewal</u>
Health Net Platinum EPO	On-Exchange	Yes	358	6.1%
Health Net Gold EPO	On-Exchange	Yes	441	6.0%
Health Net Silver EPO	On-Exchange	Yes	2,742	6.0%
Health Net Bronze EPO	On-Exchange	Yes	3,626	8.7%
Health Net Catastrophic EPO	On-Exchange	Yes	656	7.0%
Health Net Platinum EPO	Off-Exchange	Yes	544	2.2%
Health Net Gold EPO	Off-Exchange	Yes	864	2.2%
Health Net Silver EPO	Off-Exchange	Yes	2,801	2.2%
Health Net Bronze EPO	Off-Exchange	Yes	3,557	4.8%
Health Net Catastrophic EPO	Off-Exchange	Yes	667	3.2%
<b>Total</b>			<b>16,256</b>	<b>4.9%</b>

To the degree that rates vary are associated with components:

- Pediatric Dental – all 2014 plans On-Exchange exclude Pediatric Dental. For 2015, all plans include Pediatric Dental. The addition of this benefit increases rates by 3.8%. Note Off-Exchange plans include Pediatric Dental in both 2014 and 2015.

- Resloping of the Metal tiers as shown below.

<b>2015 Metal Tier Sloping proposed</b>					
	<b>Platinum</b>	<b>Gold</b>	<b>Silver</b>	<b>Bronze</b>	<b>Overall</b>
2014 Member Weights	902	1,305	5,543	7,183	14,933
2015 Actuarial Value (AV)	0.881	0.788	0.703	0.606	0.675
Induced Demand Adjustment (IDF)	1.390	1.295	1.215	1.000	
AV x IDF	1.225	1.020	0.854	0.606	
Normalization (norm)	0.854	0.854	0.854	0.854	
AV x IDF x norm	1.046	0.872	0.730	0.518	0.659
Proposed Change:	-2.1%	-2.9%	-4.1%	0.0%	-2.3%



**Worksheet: Medical Loss Ratio Calculation**

**I. General Information**

Company Name:	<b>Health Net Life Insurance Co.</b>	SERFF Tracking Number:	<b>HNLI-129578696</b>
Effective Date:	<b>1/1/2015</b>	State Tracking Number:	<b>HAO-2014-0163</b>
Market Segment:	<b>Individual</b>	Review Category:	<b>Filing for Existing Plan</b>

**II. Medical Loss Ratio per PPACA**

Please provide a Medical Loss Ratio (MLR) exhibit according to the guidance issued by HHS on 11/18/2010. Provide ACA allowable adjustments to claims and premiums. The MLR exhibit shows actual experience and the prospective experience of the market segment relevant to plans being filed (i.e. all plans, including those not included in the current filing). All plans will be aggregated for the purposes of MLR calculation. For the purpose of this exhibit, the MLR will be calculated in accordance with the HHS regulation but without adjustment for credibility.

**a) ACA-Allowable Adjustments (in dollars)**

Year		2012	2013	2014	2015	
Experience/Projection		Experience	Experience	Projection	Projection	
Member Months		652,190	1,080,024	678,175	195,072	
Incurred Claims (net of reinsurance & risk adjustment)		\$ 137,997,898	\$ 189,458,642	\$ 229,410,412	\$ 70,603,551	
Earned Premium		151,763,217	204,335,390	284,440,804	85,851,382	
<b>Unadjusted MLR</b>		<b>90.9%</b>	<b>92.7%</b>	<b>80.7%</b>	<b>82.2%</b>	
ACA-Allowable Adjustments to MLR Numerator	Improving Health Care Quality Expenses (158.150, 158.151)		\$ 2,152,898	\$ 1,147,052	\$ 348,343	
	Other 1 (Please specify)*					
	Other 2 (Please specify)*					
	Other 3 (Please specify)*					
	Total Numerator Adjustments	\$ -	\$ 2,152,898	\$ 1,147,052	\$ 348,343	
<b>ACA Adjusted Numerator</b>		<b>\$ 137,997,898</b>	<b>\$ 191,611,540</b>	<b>\$ 230,557,464</b>	<b>\$ 70,951,894</b>	
ACA-Allowable Adjustments to Denominator	Premium Tax		\$ 4,889,651	\$ 6,684,359	\$ 2,017,507	
	Federal Income Tax		\$ (2,559,195)	\$ 5,228,051	\$ 1,201,919	
	Payroll Tax		\$ 679,261	\$ 568,882	\$ 171,703	
	Premium Stabilization Contribution	Reinsurance				
		Risk Adjustment				
	Premium Stabilization Receipts	Risk Corridors				
		Reinsurance				
	Risk Adjustment	Risk Corridors				
		Risk Corridors				
	Insurer Fee			\$ 4,475,345	\$ 1,580,409	
	PCORI		\$ 169,064	\$ 115,290	\$ 33,162	
	Exchange Fees			\$ 4,550,554	\$ 1,309,570	
Other (Please specify)*						
Total Denominator Adjustments	\$ -	\$ 3,178,781	\$ 21,622,480	\$ 6,314,271		
<b>ACA Adjusted Denominator</b>		<b>\$ 151,763,217</b>	<b>\$ 201,156,609</b>	<b>\$ 262,818,324</b>	<b>\$ 79,537,111</b>	
<b>ACA Adjusted MLR</b>		<b>90.9%</b>	<b>95.3%</b>	<b>87.7%</b>	<b>89.2%</b>	

\*If "Other" categories are used above and more space is needed to describe, please use the space below to provide a description.

Adjustments to Numerator

Other 1:

Other 2:

Other 3:

Adjustments to Denominator

Other:

Worksheet: Monthly Experience

I. General Information

Company Name:	Health Net Life Insurance Co.	SERFF Tracking Number:	HNLI-129578696
Effective Date:	1/1/2015	State Tracking Number:	HAO-2014-0163
Market Segment:	Individual	Review Category:	Filing for Existing Plan

II. Monthly Enrollment, Incurred Claims and Earned Premium in the market segment for Calculating Medical Loss Ratio per PPACA

Please show actual and projected members, incurred claims (in dollars before reinsurance recoveries), and earned premiums (in dollars) on a monthly basis. The data should include breakouts by non-grandfathered block, grandfathered (open) block, grandfathered (closed) block, association business, HIPAA/conversion plans, and other plans (if applicable). Please indicate whether the data represents experience or projection.

Month (Enter date of the first month of experience period)	Experience / Projection	Open Plans											
		Non-Grandfathered			Association			HIPAA / Conversion (Individual Only)			Others		
		Members	Incurred Claims	Earned Premiums	Members	Incurred Claims	Earned Premiums	Members	Incurred Claims	Earned Premiums	Members	Incurred Claims	Earned Premiums
Jan-12	Experience												
Feb-12	Experience												
Mar-12	Experience												
Apr-12	Experience												
May-12	Experience												
Jun-12	Experience												
Jul-12	Experience												
Aug-12	Experience												
Sep-12	Experience												
Oct-12	Experience												
Nov-12	Experience												
Dec-12	Experience												
Jan-13	Experience												
Feb-13	Experience												
Mar-13	Experience												
Apr-13	Experience												
May-13	Experience												
Jun-13	Experience												
Jul-13	Experience												
Aug-13	Experience												
Sep-13	Experience												
Oct-13	Experience												
Nov-13	Experience												
Dec-13	Experience												
Jan-14	Experience												
Feb-14	Experience												
Mar-14	Experience												
Apr-14	Projection												
May-14	Projection												
Jun-14	Projection												
Jul-14	Projection												
Aug-14	Projection												
Sep-14	Projection												
Oct-14	Projection												
Nov-14	Projection												
Dec-14	Projection												
Jan-15	Projection												
Feb-15	Projection												
Mar-15	Projection												
Apr-15	Projection												
May-15	Projection												
Jun-15	Projection												
Jul-15	Projection												
Aug-15	Projection												
Sep-15	Projection												
Oct-15	Projection												
Nov-15	Projection												
Dec-15	Projection												

Annual		Open Plans											
		Non-Grandfathered			Association			HIPAA / Conversion (Individual Only)			Others		
		Member Months	Incurred Claims	Earned Premiums	Member Months	Incurred Claims	Earned Premiums	Member Months	Incurred Claims	Earned Premiums	Member Months	Incurred Claims	Earned Premiums
Jan-2012 - Dec-2012	Experience	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -
Jan-2013 - Dec-2013	Experience	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -
Jan-2014 - Dec-2014	Exp & Proj	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -
Jan-2015 - Dec-2015	Projection	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -



Worksheet: Rate Changes

I. General Information

Company Name:	Health Net Life Insurance Co.	SERFF Tracking Number:	HNL-129578696
Effective Date:	1/1/2015	State Tracking Number:	HAO-2014-0163
Market Segment:	Individual	Review Category:	Filing for Existing Plan

II. Annual Rate Increase Distribution by Members

Indicate the number of members in each annual rate increase band.

Band	Individual	
	Recent Membership	Distribution of Members
x < 0%		0%
0% <= x < 5%	8,433	52%
5% <= x < 10%	7,823	48%
10% <= x < 15%		0%
15% <= x < 20%		0%
20% <= x < 25%		0%
25% <= x < 30%		0%
x >= 30%		0%
Total	16,256	100%

III. Filed Rate Changes

For each plan family, provide the average, minimum and maximum tabular rate changes proposed:

- 1) based on changes in the rate tables between the current submission and the prior rate filing;
- 2) for all filings (including the current submission) cumulatively during the 12-month period and 24-month period ending with the first renewal date affected by the current filing.

Weighting by:

Membership

Plan Name	Standard Plan or Alternate Plan	Recent Membership Ending	Earned Premium Ending	Change in Table Rates				Rate Change (including rate caps)							
				New vs. Prior Rate Filing				12-Month Period			24-Month period				
				Excluding Benefit Changes	Including Benefit Changes			Excluding Benefit Changes	Including Benefit Changes			Excluding Benefit Changes	Including Benefit Changes		
				as of 04/01/2014	Average	Average	Minimum	Maximum	Average	Average	Minimum	Maximum	Average	Average	Minimum
Health Net Platinum 90 EPO - On Exchange	Standard Plan	358	\$ 162,134	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	N/A	N/A	N/A	
Health Net Gold 80 EPO - On Exchange	Standard Plan	441	\$ 167,313	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	N/A	N/A	N/A	
Health Net Silver 70 EPO - On Exchange	Standard Plan	2,742	\$ 870,597	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	N/A	N/A	N/A	
Health Net Bronze 60 EPO - On Exchange	Standard Plan	3,626	\$ 795,541	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	N/A	N/A	N/A	
Health Net Minimum Coverage EPO - On Exchange	Standard Plan	656	\$ 111,433	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	N/A	N/A	N/A	
Health Net Platinum 90 EPO - Off Exchange	Standard Plan	544	\$ 255,595	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	N/A	N/A	N/A	
Health Net Gold 80 EPO - Off Exchange	Standard Plan	864	\$ 340,070	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	N/A	N/A	N/A	
Health Net Silver 70 EPO - Off Exchange	Standard Plan	2,801	\$ 922,620	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	N/A	N/A	N/A	
Health Net Bronze 60 EPO - Off Exchange	Standard Plan	3,557	\$ 809,618	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	N/A	N/A	N/A	
Health Net Minimum Coverage EPO - Off Exchange	Standard Plan	667	\$ 117,542	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	N/A	N/A	N/A	
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Overall		16,256	\$ 4,552,462	5.3%	5.3%			5.3%	5.3%			0.0%	0.0%		

**Worksheet: Reinsurance****I. General Information**

Company Name:	<b>Health Net Life Insurance Co.</b>	SERFF Tracking Number:	<b>HNLI-129578696</b>
Effective Date:	<b>1/1/2015</b>	State Tracking Number:	<b>HAO-2014-0163</b>
Market Segment:	<b>Individual</b>	Review Category:	<b>Filing for Existing Plan</b>

**II. Reinsurance Development**

*Per Part III Actuarial Memorandum and Certification Instructions (February 4, 2014), "The Part I Unified Rate Review template requires issuers to report reinsurance payments net of reinsurance contributions. Issuers must describe the underlying experience data and assumptions that they used to develop their estimates of both reinsurance contributions and payments. In particular, issuers should provide an explanation of how they developed an estimate of their claims liability between the reinsurance attachment point and cap. Issuers should describe any key aspects of their enrolled population that significantly impacted their claims assumptions."*

Please enter data into the table below supporting your company's anticipated reinsurance recoveries for 2015.

Claim Range	Claim Frequency	Average Annual Claim	Excess Paid by Federal Reinsurance
< \$70,000	0.989	2,268	
\$70,000 - \$249,999	0.009	120,711	\$ 25,355
\$250,000+	0.002	601,972	\$ 90,000
Projected Paid PMPY	1.000	\$ 4,741	\$ 440
Projected Paid PMPM		\$ 395	\$ <b>36.70</b>

**Worksheet: Trend**

**I. General Information**

Company Name:	<b>Health Net Life Insurance Co.</b>	SERFF Tracking Number:	<b>HNLI-129578696</b>
Effective Date:	<b>1/1/2015</b>	State Tracking Number:	<b>HAO-2014-0163</b>
Market Segment:	<b>Individual</b>	Review Category:	<b>Filing for Existing Plan</b>

**II. Trend**

Secular Trend Detail. Provide the historical annual allowed cost trend attributable to utilization and unit cost by aggregate benefit category.

1. Allowed Cost Trend

	Beginning Period		Ending Period	
Year 1 (Small Group)	1/1/2011	12/31/2011	1/1/2012	12/31/2012
Year 2 (Small Group)	1/1/2012	12/31/2012	1/1/2013	12/31/2013
Year 3 (ACA-compliant Individual)	1/1/2014	12/31/2014	1/1/2015	12/31/2015

Aggregate Benefit Category	Year 1				Year 2				Year 3			
	Utilization	Unit Cost	Total	Weighting*	Utilization	Unit Cost	Total	Weighting*	Utilization	Unit Cost	Total	Weighting*
Hospital Inpatient			0.0%						0.6%	5.7%	6.4%	20.4%
Hospital Outpatient (including ER)			0.0%						0.6%	5.8%	6.5%	18.7%
Physician/Other Professional Services			0.0%						0.6%	4.5%	5.1%	51.2%
Prescription Drug			0.0%						1.8%	5.1%	7.0%	8.0%
Laboratory (other than inpatient)			0.0%						N/A	N/A	N/A	
Radiology (other than inpatient)			0.0%						N/A	N/A	N/A	
Other (ancillary)			0.0%						0.6%	3.9%	4.5%	1.7%
Overall Medical Trend			8.3%	0.0%			4.8%	0.00	0.7%	5.0%	5.8%	\$ 1.00

\*Weighting method should be based on allowed costs

2. Leverage Component of Trend

% Percent
0.9%

3. State the degree of credibility of experience data used in estimating cost trend. If not fully credible, please substantiate.

Note, there were no ACA IFP Plans prior to 1/1/2014

Our IFP CDI filing rate development is based upon Commercial PPO budget trend expectations which are within normal levels seen in our actual experience. We do not monitor historical trends for individual prior to 2014 which would require a careful durational analysis. We do monitor Small Group historical trends as these are not materially affected by pre-ACA underwriting. We have included the Small Group historical trends in this workbook. We do not monitor the claims trend by the benefit categories in this exhibit at the line of business level so we don't have that level of detail available. The Small Group trends would be considered fully credible.

Health Net Life Insurance Company  
 Small Group PPO Exper ALL  
 Non-Grandfathered and Grandfathered

Year/Month	Members	Subscribers	Allowed PMPM	Allowed Trend	Paid PMPM	Paid Trend	Milliman Age Factor per member	Member Area Factor	Plan Factor per member	Norm. Paid PMPM	Norm Paid Trend
2011/01	70,073	35,935	\$468.28		\$305.19		1.013	1.015	0.652	\$455.66	
2011/02	69,484	35,557	\$390.22		\$259.67		1.013	1.015	0.665	\$379.79	
2011/03	69,120	35,267	\$480.78		\$342.22		1.013	1.015	0.712	\$467.84	
2011/04	68,784	35,051	\$448.17		\$334.04		1.013	1.015	0.745	\$436.08	
2011/05	67,733	34,408	\$452.21		\$344.29		1.013	1.015	0.761	\$439.63	
2011/06	66,447	33,562	\$455.87		\$348.74		1.013	1.016	0.765	\$442.84	
2011/07	65,345	32,814	\$469.44		\$364.09		1.014	1.016	0.776	\$455.71	
2011/08	64,472	32,346	\$479.02		\$379.02		1.015	1.016	0.791	\$464.27	
2011/09	63,637	31,831	\$469.89		\$373.59		1.016	1.016	0.795	\$454.99	
2011/10	63,063	31,509	\$457.00		\$365.16		1.017	1.016	0.799	\$442.04	
2011/11	62,104	31,041	\$469.18		\$381.92		1.019	1.016	0.814	\$453.22	
2011/12	61,341	30,657	\$517.91		\$426.88		1.019	1.016	0.824	\$500.34	
2012/01	56,137	28,104	\$521.24	11.3%	\$348.76	14.3%	1.022	1.011	0.669	\$504.30	10.7%
2012/02	55,756	27,989	\$469.06	20.2%	\$318.76	22.8%	1.024	1.011	0.680	\$452.85	19.2%
2012/03	55,444	27,870	\$522.59	8.7%	\$363.27	6.2%	1.025	1.010	0.695	\$504.60	7.9%
2012/04	55,061	27,615	\$490.45	9.4%	\$369.62	10.6%	1.025	1.009	0.754	\$474.45	8.8%
2012/05	54,727	27,430	\$483.38	6.9%	\$355.61	3.3%	1.024	1.009	0.736	\$467.72	6.4%
2012/06	54,598	27,317	\$513.39	12.6%	\$394.38	13.1%	1.025	1.008	0.768	\$496.69	12.2%
2012/07	54,162	27,139	\$486.79	3.7%	\$380.07	4.4%	1.026	1.008	0.781	\$470.62	3.3%
2012/08	54,123	27,151	\$503.68	5.1%	\$391.79	3.4%	1.026	1.008	0.778	\$487.02	4.9%
2012/09	53,807	26,959	\$480.19	2.2%	\$376.54	0.8%	1.025	1.007	0.784	\$465.15	2.2%
2012/10	53,620	26,921	\$519.01	13.6%	\$412.32	12.9%	1.027	1.007	0.794	\$501.94	13.5%
2012/11	53,381	26,756	\$495.44	5.6%	\$400.46	4.9%	1.027	1.007	0.808	\$478.84	5.7%
2012/12	52,850	26,466	\$523.68	1.1%	\$425.73	-0.3%	1.028	1.007	0.813	\$505.70	1.1%
2013/01	48,162	24,185	\$520.26	-0.2%	\$340.08	-2.5%	1.028	1.002	0.654	\$505.11	0.2%
2013/02	47,194	23,712	\$486.61	3.7%	\$337.18	5.8%	1.030	1.001	0.693	\$472.04	4.2%
2013/03	46,699	23,480	\$499.21	-4.5%	\$353.76	-2.6%	1.030	1.001	0.709	\$484.23	-4.0%
2013/04	45,945	23,082	\$521.88	6.4%	\$383.41	3.7%	1.031	1.001	0.735	\$505.42	6.5%
2013/05	45,099	22,651	\$504.29	4.3%	\$375.94	5.7%	1.032	1.001	0.745	\$488.20	4.4%
2013/06	44,206	22,254	\$522.97	1.9%	\$402.12	2.0%	1.033	1.001	0.769	\$505.70	1.8%
2013/07	43,550	21,895	\$553.68	13.7%	\$428.44	12.7%	1.034	1.000	0.774	\$535.05	13.7%
2013/08	43,192	21,654	\$539.10	7.0%	\$425.28	8.5%	1.035	1.000	0.789	\$520.81	6.9%
2013/09	42,958	21,513	\$514.76	7.2%	\$391.29	3.9%	1.036	1.000	0.760	\$497.03	6.9%
2013/10	42,576	21,300	\$543.44	4.7%	\$428.92	4.0%	1.037	1.000	0.789	\$523.97	4.4%
2013/11	41,929	20,926	\$524.17	5.8%	\$412.79	3.1%	1.039	1.000	0.788	\$504.70	5.4%
2013/12	40,841	20,432	\$573.67	9.5%	\$459.11	7.8%	1.038	0.998	0.800	\$554.06	9.6%
2014/01	42,208	21,355	\$531.67	2.2%	\$361.76	6.4%	1.033	0.999	0.680	\$515.56	2.1%
2014/02	43,708	22,301	\$559.04	14.9%	\$412.39	22.3%	1.029	0.999	0.738	\$543.55	15.1%
2014/03	46,908	24,220	\$495.19	-0.8%	\$366.30	3.5%	1.022	1.001	0.740	\$483.92	-0.1%
2014/04	50,881	26,626	\$500.60	-4.1%	\$381.40	-0.5%	1.014	1.002	0.762	\$492.47	-2.6%
2014/05	55,392	29,208	\$486.82	-3.5%	\$360.97	-4.0%	1.009	1.003	0.741	\$480.74	-1.5%
2011/01 - 2011/12	791,603	399,978	462.47		350.54		1.015	1.016	0.756	\$325.52	
2012/01 - 2012/12	653,666	327,717	500.70	8.3%	377.68		1.025	1.009	0.754	\$351.07	7.8%
2013/01 - 2013/12	532,351	267,084	524.52	4.8%	393.19		1.033	1.000	0.748	\$366.95	4.5%

# Health Net Life Insurance Company

**Pre-ACA there were 9 Rating Regions, set by the insurance carrier.**

Rating Region 1:	Los Angeles with the zip codes beginning with 906-912, 915, 917, 918, and 935.
Rating Region 2:	Los Angeles except those zip codes listed in Rating Region 1.
Rating Region 3:	Merced, Napa, Sacramento, San Joaquin, Sonoma, Stanislaus, Tulare, Western El Dorado and Western Placer.
Rating Region 4:	Riverside, San Bernardino, Santa Barbara, and Ventura.
Rating Region 5:	Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Santa Cruz, and Solano.
Rating Region 6:	Orange and San Diego.
Rating Region 7:	Fresno, Kern, and Kings.
Rating Region 8:	Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Eastern El Dorado, Eastern Placer, Glenn, Humboldt, Inyo, Lake, Lassen, Madera, Mariposa, Mendocino, Modoc, Mono, Monterey, Nevada, Plumas, San Benito, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba.
Rating Region 9:	Imperial and San Luis Obispo.

**Post-ACA there are 19 Rating Regions, set by the State.**

County mapping is provided below. Note Los Angeles is split:

Rating Region 15:	Los Angeles with the zip codes beginning with 906-912, 915, 917, 918, and 935.
Rating Region 16:	Los Angeles except those zip codes listed in Rating Region 15.

County Name	Rating Region	
	Pre-ACA	ACA
	2013	2014
ALAMEDA	Rating Area 5	Rating Area 6
ALPINE	Rating Area 8	Rating Area 1
AMADOR	Rating Area 8	Rating Area 1
BUTTE	Rating Area 8	Rating Area 1
CALAVERAS	Rating Area 8	Rating Area 1
COLUSA	Rating Area 8	Rating Area 1
CONTRA COSTA	Rating Area 5	Rating Area 5
DEL NORTE	Rating Area 8	Rating Area 1
EL DORADO	Rating Area 8	Rating Area 3
FRESNO	Rating Area 7	Rating Area 11
GLENN	Rating Area 8	Rating Area 1
HUMBOLDT	Rating Area 8	Rating Area 1
IMPERIAL	Rating Area 9	Rating Area 13
INYO	Rating Area 8	Rating Area 13
KERN	Rating Area 7	Rating Area 14
KINGS	Rating Area 7	Rating Area 11
LAKE	Rating Area 8	Rating Area 1
LASSEN	Rating Area 8	Rating Area 1
EAST LOS ANGELES	Rating Area 1	Rating Area 15
WEST LOS ANGELES	Rating Area 2	Rating Area 16
MADERA	Rating Area 8	Rating Area 11
MARIN	Rating Area 5	Rating Area 2
MARIPOSA	Rating Area 8	Rating Area 10
MENDOCINO	Rating Area 8	Rating Area 1
MERCED	Rating Area 3	Rating Area 10
MODOC	Rating Area 8	Rating Area 1
MONO	Rating Area 8	Rating Area 13
MONTEREY	Rating Area 8	Rating Area 9
NAPA	Rating Area 3	Rating Area 2
NEVADA	Rating Area 8	Rating Area 1
ORANGE	Rating Area 6	Rating Area 18
PLACER	Rating Area 3	Rating Area 3
PLUMAS	Rating Area 8	Rating Area 1
RIVERSIDE	Rating Area 4	Rating Area 17
SACRAMENTO	Rating Area 3	Rating Area 3
SAN BENITO	Rating Area 8	Rating Area 9
SAN BERNARDINO	Rating Area 4	Rating Area 17
SAN DIEGO	Rating Area 6	Rating Area 19
SAN FRANCISCO	Rating Area 5	Rating Area 4
SAN JOAQUIN	Rating Area 3	Rating Area 10
SAN LUIS OBISPO	Rating Area 9	Rating Area 12
SAN MATEO	Rating Area 5	Rating Area 8
SANTA BARBARA	Rating Area 4	Rating Area 12
SANTA CLARA	Rating Area 5	Rating Area 7
SANTA CRUZ	Rating Area 5	Rating Area 9
SHASTA	Rating Area 8	Rating Area 1
SIERRA	Rating Area 8	Rating Area 1
SISKIYOU	Rating Area 8	Rating Area 1
SOLANO	Rating Area 5	Rating Area 2
SONOMA	Rating Area 3	Rating Area 2
STANISLAUS	Rating Area 3	Rating Area 10
SUTTER	Rating Area 8	Rating Area 1
TEHAMA	Rating Area 8	Rating Area 1
TRINITY	Rating Area 8	Rating Area 1
TULARE	Rating Area 3	Rating Area 10
TUOLUMNE	Rating Area 8	Rating Area 1
VENTURA	Rating Area 4	Rating Area 12
YOLO	Rating Area 8	Rating Area 3
YUBA	Rating Area 8	Rating Area 1