

Please respond the following request at your early convenience:

1. According to the guidance SB 1163:2, please comment, for individual policies, whether the proposed rates comply with California Code of Regulation Title 10, section 2222.12.
2. Please show the derivation of the average ACA age factor (BJ) 1.480 of prospective business in the actuarial memorandum (Page 17).
3. We have observed that the projected claim experience was developed using calendar year 2013 experience, based on both grandfathered and non-grandfathered plans. According to the requirements in 45 CFR part 156, 156.80(d), the single risk pool reflects all covered lives for every non-grandfathered product/plan combination for an issuer in a state and market. Please explain why the index rate is not developed based on the non-grandfathered experience in this filing.
4. Maternity Benefit. We have reviewed all Health Net's individual rate filings back to 2012 and found that all plans with rate revision since July 2012 were added maternity mandate coverage (SB 222). Therefore, maternity benefits would be included in the 2013 claim experience. Please explain why a load of 5.7% is necessary to be added to the experience.
5. Aging Trend Adjustment. Please provide documentation to support this aging adjustment.

#1) The proposed rates comply with California Code of Regulation Title 10, section 2222.12. The projected statutory loss ratio for 2015 is 82.2% which exceeds the 70% lifetime threshold. The lifetime loss ratio is expected to continue at the same 82.2% assuming future rate increases match claims trend. The Federal ACA adjusted medical loss ratio is 89.2% which exceeds the minimum requirement of 80.0%.

#2) This estimate was calculated by pulling a census of our ACA IFP membership in PPO plans in regions 1-14 as of March 2014. The ACA age factor is based on the member's age in years (rounded down) as of January 1, 2014. The 3 child limit was applied so that dependent children age 0-20 were not counted if they were the 4th or more child in a family contract. The result of this analysis demonstrated that the average age factor for this block as of March 2014 is 1.480. We assumed that prospective business would have the same age factor as current business. The actual calculation is a seriatim calculation for each member. We have not included this calculation because it contains personal information for each member and family. We can provide this information in a de-identified manner if requested.

#3) We did not maintain grandfathered business into 2014 unless we were legally required to maintain it such as with HIPAA portability and AB 1401 Conversion policies. As a result, we anticipate that we will have no grandfathered policies in 2015. It is important to note that as of June 2014, we only had 0.1% of PPO membership in grandfathered policies. Because these policyholders have less expensive options available to them under ACA, we expect they will migrate to ACA-compliant plans and not stay grandfathered.

#4) Though individual plans had maternity benefits in 2013, they did not have a material amount of maternity claims. The 5.7% is a projected increase in claims costs due to maternity.

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

It is important to note maternity benefits were not added until July 1, 2012. 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%

#5) This estimate was calculated by pulling a census of our ACA IFP membership in PPO plans in regions 1-14 as of March 2014. The ACA age factor is based on the member's age in years (rounded down) as of January 1, 2014 and January 1, 2015 respectively. The 3 child limit was applied so that dependent children age 0-20 were not counted if they were the 4th or more child in a family contract. The result of this analysis demonstrated that the average age factor for this block is 1.480 using age as of 1/1/2014 and 1.524 using age as of 1/1/2015. This represents a 3% increase in age in one year. Half a year's aging is then 1.5%.

	1/1/2015	1/1/2014	Change
Average Age Factor with 3 Child limit	1.524	1.480	3.0%
Half a Year of Aging:			1.5%