

District of Columbia 2018 Individual and Small Group Filings

Independent Actuarial Review Performed for DC Health Benefit Exchange Authority

August 23, 2017

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Rate Review Process

- **Review Process Undertaken by Oliver Wyman**

- Review filings against 15 items which are required to be examined by states as part of an effective rate review program (HHS regulation 45 CFR 154.301)
- Consider additional District specific requirements (e.g., merged risk pool, District specific age curve)
- Provide DISB with questions to pose to carriers requesting additional support
- Review carrier responses to determine if additional support was needed and if so, provided DISB with additional follow-up questions
- Hold weekly calls with DC HBX to discuss outstanding issues with the filings throughout the process

Filed Increases vs. Oliver Wyman Independent Analysis

| | Initially Filed Rate Changes | | Currently Filed Rate Changes ¹ | | OW Analysis | |
|---|------------------------------|-------------|---|-------------|--------------------|-------------------|
| | Individual | Small Group | Individual | Small Group | Individual | Small Group |
| CareFirst BlueChoice | 39.6% | 9.5% | 24.1% | 7.2% | 16.4% ² | 5.3% |
| GHMSI | 19.7% | 15.3% | 24.1% | 15.5% | 16.4% ² | 13.9% |
| Aetna Health, Inc. | N/A | 9.4% | N/A | 9.4% | N/A | 9.4% ³ |
| Aetna Life Insurance Co. | N/A | 7.4% | N/A | 7.4% | N/A | 7.4% ³ |
| UnitedHealthcare Insurance Co. | N/A | 9.5% | N/A | 5.6% | N/A | 4.6% |
| Optimum Choice, Inc. | N/A | 9.5% | N/A | 5.6% | N/A | 4.6% |
| UnitedHealthcare of the Mid-Atlantic | N/A | 9.5% | N/A | 5.6% | N/A | 4.6% |
| Kaiser | 13.0% | 5.0% | 13.0% | 5.0% | 13.0% ³ | 5.0% ³ |

¹ Carriers submitted amended rate filings as a result of the rate review process, so these figures reflect the most recently filed rates. Some carriers may submit additional revisions to reflect the final impact of the 2016 risk transfers so the figures in this column could change.

² DC HBX recommendation based on public policy concerns is to deny in part and approve a substantially lower increase than is actuarially supported. A 16.4% increase is an example of a substantially lower rate. DC HBX also recommends that a phase-in be considered

³ Oliver Wyman's opinion is that the requested rate increase at these levels have been supported

Comparison of Final Key Pricing Assumptions - United

| Assumption | UHC Inc. | | | Optimum | | | UHC Mid-Atlantic | | |
|---|----------------|------------------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|
| | Current Filing | OW | Premium Impact | Current Filing | OW | Premium Impact | Current Filing | OW | Premium Impact |
| Trend | 7.1% | 7.1% | 0.0% | 7.1% | 7.1% | 0.0% | 7.1% | 7.1% | 0.0% |
| Demographic Change | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Non-EHBs | 1.1% | 0.9% | (0.3%) | 1.1% | 0.9% | (0.3%) | 1.1% | 0.9% | (0.3%) |
| Age Calibration¹ | 0.947 | 0.943 | (0.4%) | 0.947 | 0.943 | (0.4%) | 0.947 | 0.943 | (0.4%) |
| Morbidity Change | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Risk Adjustment | \$17.80 | \$16.25 | (0.3%) | \$17.64 | \$16.11 | (0.3%) | \$11.25 | \$10.27 | (0.3%) |
| Administrative Expenses Plus Commissions | \$49.05 | \$49.05 | 0.0% | \$48.63 | \$48.63 | 0.0% | \$31.00 | \$31.00 | 0.0% |
| Exchange Assessment | 1.0% | 1.0% | 0.0% | 1.0% | 1.0% | 0.0% | 1.0% | 1.0% | 0.0% |
| ACA Health Insurer Fee | 2.0% | 2.0% | 0.0% | 2.0% | 2.0% | 0.0% | 2.0% | 2.0% | 0.0% |
| Contribution to Surplus | 1.3% | N/A ² | N/A ² | 1.3% | N/A ² | N/A ² | 1.3% | N/A ² | N/A ² |

¹ Estimated based on a member month weighted average.

² A review of contribution to surplus was outside the scope of Oliver Wyman's review.

Calculated Adjustments to Filed Rate Changes - United

| | UnitedHealthcare Insurance Co. Small Group | Optimum Choice, Inc. Small Group | UnitedHealthcare of the Mid-Atlantic Small Group |
|--|---|-------------------------------------|---|
| Initially Filed Carrier Rate Change | 9.5% | 9.5% | 9.5% |
| Reduction in Trend ¹ | -3.6% | -3.6% | -3.6% |
| Most Recently Filed Carrier Rate Change² | 5.6% | 5.6% | 5.6 |
| Risk Adjustment | -0.3% | -0.3% | -0.3% |
| Non-EHBs | -0.3% | -0.3% | -0.3% |
| Age Calibration | -0.4% | -0.4% | -0.4% |
| OW Calculated Rate Change³ | 4.6% | 4.6% | 4.6% |

¹ Includes the impact of changes to the quarterly trend factors.

² Source: Filings as submitted in SERFF as of August 10, 2017; reflects reduction in trend United has already agreed to.

³ Calculated by multiplicatively applying each of the proposed adjustments; results using adjustments in the table above may differ due to rounding.

Comparison of Final Key Pricing Assumptions – CareFirst BlueChoice

| Assumption | Individual | | | Small Group | | |
|--|----------------|------------------|------------------|----------------|------------------|------------------|
| | Current Filing | OW | Premium Impact | Current Filing | OW | Premium Impact |
| Trend | 8.1% | 6.9% | (1.9%) | 8.1% | 6.9% | (1.8%) |
| Demographic Change | (4.6%) | (4.6%) | 0.0% | (4.6%) | (4.6%) | 0.0% |
| Base Period Induced Utilization | (0.4%) | (0.4%) | 0.0% | (0.4%) | (0.4%) | 0.0% |
| Morbidity Change | 0.3% | 0.3% | 0.0% | 0.3% | 0.3% | 0.0% |
| Risk Adjustment | \$80.14 | \$80.21 | 0.0% | \$27.28 | \$27.28 | 0.0% |
| HSA Adjustment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Administrative Expenses | \$65.64 | \$65.64 | 0.0% | \$53.78 | \$53.78 | 0.0% |
| Exchange Assessment | 1.0% | 1.0% | 0.0% | 1.0% | 1.0% | 0.0% |
| ACA Insurer Fee | 3.2% | 3.2% | 0.0% | 3.2% | 3.2% | 0.0% |
| Contribution to Surplus | (4.8%) | N/A ¹ | N/A ¹ | 0.0% | N/A ¹ | N/A ¹ |

¹ A review of contribution to surplus was outside the scope of Oliver Wyman's review.

Comparison of Final Key Pricing Assumptions - GHMSI

| Assumption | Individual | | | Small Group | | |
|--|----------------|------------------|------------------|----------------|------------------|------------------|
| | Current Filing | OW | Premium Impact | Current Filing | OW | Premium Impact |
| Trend | 8.3% | 7.4% | (1.3%) | 8.3% | 7.4% | (1.3%) |
| Demographic Change | (5.8%) | (5.8%) | 0.0% | (5.8%) | (5.8%) | 0.0% |
| Base Period Induced Utilization | (0.6%) | (0.6%) | 0.0% | (0.6%) | (0.6%) | 0.0% |
| Morbidity Change | (2.4%) | (2.4%) | 0.0% | (2.4%) | (2.4%) | 0.0% |
| Risk Adjustment | (\$80.26) | (\$80.17) | 0.0% | (\$50.04) | (\$50.04) | 0.0% |
| HSA Adjustment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Administrative Expenses | \$55.19 | \$55.19 | 0.0% | \$57.53 | \$57.53 | 0.0% |
| Exchange Assessment | 1.0% | 1.0% | 0.0% | 1.0% | 1.0% | 0.0% |
| ACA Insurer Fee | 2.6% | 2.6% | 0.0% | 2.6% | 2.6% | 0.0% |
| Contribution to Surplus | 4.9% | N/A ¹ | N/A ¹ | 3.2% | N/A ¹ | N/A ¹ |

¹ A review of contribution to surplus was outside the scope of Oliver Wyman's review.

Calculated Adjustments to Filed Rate Changes – CareFirst and GHMSI

| | BlueChoice | BlueChoice Small Group | GHMSI Individual | GHMSI Small Group |
|---|--------------|---------------------------|---------------------|----------------------|
| Initially Filed Carrier Rate Change | 39.6% | 9.5% | 19.7% | 15.3% |
| Risk Adjustment – Apply 0.86 Premium Adj. | -3.4% | -2.0% | +3.0% | +1.5% |
| Correct ACA Insurer Tax | N/A | N/A | -0.6% | -0.7% |
| Correct Morbidity Induced Demand Normalization | +0.4% | +0.3% | +0.2% | +0.5% |
| Correction to use DISB Age Curve | +0.8% | +0.5% | -0.7% | +0.2% |
| Update to Reflect Actual 2016 Risk Adjustment | -0.4% | +0.0% | +0.2% | +0.0% |
| Reconcile Demographic Adjustment and Risk Adjustment | +0.6% | -0.2% | -2.3% | -1.5% |
| Remove Broker Commissions | -0.9% | N/A | -0.7% | N/A |
| Contribution to Reserve – To meet 80% MLR | N/A | -0.6% | N/A | N/A |
| Remove Unsupported HSA Adjustment Factor | -0.9% | -0.1% | -0.4% | +0.1% |
| Most Recently Filed Carrier Rate Change (Unblended Ind.)¹ | 34.2% | 7.2% | 18.7% | 15.5% |
| Most Recently Filed Carrier Rate Change (Blended Ind.)¹ | 24.1% | 7.2% | 24.1% | 15.5% |
| Trend – Adjust to 6.9% for CareFirst and 7.4% for GHMSI | -1.9% | -1.8% | -1.3% | -1.3% |
| Actuarially Justified Rate Change (Unblended Ind.) | 31.6% | 5.3% | 17.2% | 13.9% |
| Actuarially Justified Rate Change (Blended Ind.) | 22.5% | 5.3% | 22.5% | 13.9% |
| Additional Reduction Recommended by DC HBX | -5.0% | 0.0% | -5.0% | 0.0% |
| Net Rate Change (Blended Ind.)² | 16.4% | 5.3% | 16.4% | 13.9% |

¹ Source: Filings submitted in SERFF as of August 17, 2017; unblended increases were calculated to produce same overall premium as blended increases

² DC HBX recommends a rate increase of 16.4% or lower

Calculated Adjustments to Filed Rate Changes - Aetna

| | Aetna Health Insurance Small Group | Aetna Life Insurance Company Small Group |
|--|---------------------------------------|---|
| Carrier Filed Rate Change¹ | 9.4% | 7.4% |
| OW Calculated Rate Change² | 9.4% | 7.4% |

¹ Source: Filings as submitted in SERFF as of July 10, 2017

² It is Oliver Wyman's opinion that Aetna has supported the requested rate increase

Calculated Adjustments to Filed Rate Changes - Kaiser

| | Individual | Small Group |
|--|------------|-------------|
| Carrier Filed Rate Change¹ | 13.0% | 5.0% |
| OW Calculated Rate Change² | 13.0% | 5.0% |

¹ Source: Filings as submitted in SERFF as of May 2, 2017

² It is Oliver Wyman's opinion that Kaiser has supported the requested rate increases

Carrier Proposed Key Assumptions Across Prior Filings – CareFirst

| Assumption | Individual | | | | Small Group | | | |
|--------------------------------|------------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| Trend | 7.0% | 8.0% | 8.0% | 8.1% | 7.0% | 8.0% | 8.0% | 8.1% |
| Risk Adjustment | \$0.00 | (\$14.53) | (\$26.78) | (\$80.14) | (\$19.01) | (\$14.01) | (\$28.29) | (\$27.28) |
| ACA Insurer Tax | 3.2% | 3.2% | 0.0% | 3.2% | 3.2% | 3.2% | 2.0% | 3.2% |
| Administrative Expenses | 17.6% | 14.7% | 18.4% | 17.2% | 10.3% | 8.1% | 10.7% | 12.5% |
| Risk & Profit | 0.0% | 1.9% | 0.0% | 0.0% | 1.3% | 2.3% | 1.8% | 0.0% |
| Projected MLR | 80.4% | 81.2% | 81.3% | 80.2% | 85.1% | 82.3% | 80.6% | 80.3% |
| Traditional Loss Ratio | 74.0% | 69.6% | 69.3% | 75.2% | 72.7% | 69.6% | 67.5% | 75.4% |
| Member Months | 190,814 | 84,666 | 96,483 | 79,992 | 354,972 | 499,392 | 446,292 | 409,111 |

Carrier Proposed Key Assumptions Across Prior Filings - GHMSI

| Assumption | Individual | | | | Small Group | | | |
|--------------------------------|------------|---------|---------|---------|-------------|---------|---------|---------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| Trend | 7.0% | 8.0% | 8.1% | 8.3% | 7.0% | 8.0% | 8.1% | 8.3% |
| Risk Adjustment | \$0.00 | \$36.22 | \$81.81 | \$80.26 | \$21.00 | \$36.37 | \$38.14 | \$50.04 |
| ACA Insurer Tax | 2.6% | 2.6% | 0.0% | 2.6% | 2.6% | 2.6% | 1.6% | 2.6% |
| Administrative Expenses | 15.9% | 13.7% | 14.4% | 12.7% | 11.2% | 8.2% | 8.7% | 9.2% |
| Risk & Profit | 0.0% | 1.6% | 0.0% | 1.6% | 1.2% | 3.2% | 2.2% | 3.2% |
| Projected MLR | 80.0% | 80.3% | 83.3% | 82.3% | 80.0% | 81.3% | 86.4% | 82.3% |
| Traditional Loss Ratio | 75.1% | 83.9% | 100.7% | 77.3% | 72.9% | 81.2% | 85.1% | 77.3% |
| Member Months | 55,746 | 39,846 | 64,320 | 103,676 | 497,064 | 468,672 | 394,776 | 319,443 |

Carrier Proposed Key Assumptions Across Prior Filings - Kaiser

| Assumption | Individual | | | | Small Group | | | |
|--------------------------------|------------|-----------|-----------|-----------|-------------|--------|-----------|---------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| Trend | 3.5% | 3.5% | 3.3% | 3.8% | 3.5% | 3.5% | 3.3% | 3.8% |
| Risk Adjustment | (\$28.84) | (\$10.09) | (\$48.91) | (\$79.42) | (\$16.27) | \$0.00 | (\$31.70) | \$0.00 |
| ACA Insurer Tax | 0.0% | 0.0% | 0.0% | 0.0% | 0.00% | 0.00% | 0.00% | 0.00% |
| Administrative Expenses | 9.6% | 15.1% | 14.0% | 14.16% | 11.1% | 12.4% | 11.4% | 11.1% |
| Risk & Profit | 1.0% | 1.3% | (3.7%) | (13.0%) | 1.0% | 0.3% | (2.6%) | (12.2%) |
| Projected MLR | 102.5% | 82.7% | 88.0% | 97.2% | 102.5% | 81.6% | 84.0% | 94.0% |
| Traditional Loss Ratio | 82.6% | 78.8% | 85.9% | 94.3% | 81.1% | 78.7% | 82.0% | 91.2% |
| Member Months | 24,933 | 31,598 | 30,238 | 43,800 | 37,260 | 68,016 | 53,104 | 42,860 |

Carrier Proposed Key Assumptions Across Prior Filings – Aetna Small Group

| Assumption | Aetna Health | | | | Aetna Life | | | |
|--------------------------------|--------------|---------|---------|---------|------------|--------|----------|---------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| Trend | 11.4% | 8.0% | 8.3% | 9.6% | 15.1% | 8.0% | 8.3% | 9.7% |
| Risk Adjustment | \$0.08 | \$29.48 | \$66.50 | \$19.76 | \$0.08 | \$0.27 | (\$3.55) | \$19.85 |
| ACA Insurer Tax | 3.0% | 3.0% | 1.3% | 3.2% | 3.0% | 3.0% | 1.3% | 3.2% |
| Administrative Expenses | 8.9% | 8.9% | 9.1% | 9.5% | 6.7% | 7.8% | 8.0% | 8.9% |
| Risk & Profit | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% |
| Projected MLR | 81.2% | 82.5% | 83.3% | 84.1% | 84.8% | 83.2% | 85.1% | 85.2% |
| Traditional Loss Ratio | 75.2% | 73.7% | 77.8% | 75.0% | 77.5% | 74.8% | 79.7% | 75.8% |
| Member Months | 6,120 | 12,912 | 3,352 | 1,567 | 6,120 | 11,071 | 4,301 | 2,350 |

Carrier Proposed Key Assumptions Across Prior Filings – United Small Group

| Assumption | UHC Inc. | | | | Optimum | | | | UHC Mid-Atlantic | | | |
|---|----------|---------|--------|---------|---------|---------|--------|---------|------------------|---------|--------|---------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| Trend | 7.9% | 7.1% | 10.3% | 7.1% | 7.9% | 7.1% | 10.3% | 7.1% | 7.9% | 7.1% | 10.3% | 7.1% |
| Risk Adjustment | \$5.34 | \$17.43 | \$8.11 | \$17.80 | \$5.34 | \$16.83 | \$5.88 | \$17.64 | \$5.34 | \$10.30 | \$3.51 | \$11.25 |
| ACA Insurer Tax | 3.0% | 2.8% | 0.3% | 2.0% | 3.0% | 2.8% | 0.3% | 2.0% | 3.0% | 2.8% | 0.3% | 2.0% |
| Administrative Expenses | 5.8% | 7.3% | 8.3% | 8.1% | 5.8% | 7.3% | 8.3% | 8.1% | 5.8% | 7.3% | 8.3% | 8.1% |
| Risk & Profit¹ | 4.0% | 2.2% | 3.2% | 1.3% | 4.0% | 2.2% | 3.2% | 1.2% | 2.0% | 2.2% | 3.2% | 1.3% |
| Projected MLR¹ | 85.8% | 87.0% | 85.0% | 87.1% | 86.0% | 87.0% | 85.0% | 87.1% | 88.1% | 87.0% | 85.0% | 87.1% |
| Traditional Loss Ratio¹ | 78.8% | 80.9% | 80.1% | 81.5% | 78.8% | 80.9% | 80.1% | 81.5% | 81.8% | 80.9% | 80.1% | 81.5% |
| Member Months | 106,140 | 124,284 | 92,407 | 97,131 | 21,200 | 17,276 | 13,137 | 10,760 | 2,800 | 600 | 234 | 1,004 |

¹ Since United does not believe the revised trend is appropriate, for purposes of calculating the projected loss ratio, both on a traditional and MLR basis, United has developed the projected claim costs using the initially filed trend assumption and reduced the profit assumption in the loss ratio calculations.

Carrier Proposed Key Assumptions Across Prior Filings – Trend Assumptions

| Assumption | Individual | | | | Small Group | | | |
|---|------------|------|------|------|-------------|------|-------|------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| CareFirst BlueChoice | 7.0% | 8.0% | 8.0% | 8.1% | 7.0% | 8.0% | 8.0% | 8.1% |
| GHMSI | 7.0% | 8.0% | 8.1% | 8.3% | 7.0% | 8.0% | 8.1% | 8.3% |
| Aetna Health, Inc. | N/A | N/A | N/A | N/A | 11.4% | 8.0% | 8.3% | 9.6% |
| Aetna Life Insurance Co. | N/A | N/A | N/A | N/A | 15.1% | 8.0% | 8.3% | 9.7% |
| UnitedHealthcare Insurance Co. | N/A | N/A | N/A | N/A | 7.9% | 7.1% | 10.3% | 7.1% |
| Optimum Choice, Inc. | N/A | N/A | N/A | N/A | 7.9% | 7.1% | 10.3% | 7.1% |
| UnitedHealthcare of the Mid-Atlantic | N/A | N/A | N/A | N/A | 7.9% | 7.1% | 10.3% | 7.1% |
| Kaiser | 3.5% | 3.5% | 3.3% | 3.8% | 3.5% | 3.5% | 3.3% | 3.8% |

Carrier Proposed Risk Adjustment Assumptions

| | Individual | | | Small Group | | |
|---|----------------|----------------------|-----------------------|----------------|----------------------|-----------------------|
| | Risk Adj. PMPM | Projected Member Mo. | Total Proj. Risk Adj. | Risk Adj. PMPM | Projected Member Mo. | Total Proj. Risk Adj. |
| CareFirst BlueChoice | (\$80.14) | 79,992 | (\$6,410,659) | (\$27.78) | 409,111 | (\$11,160,548) |
| GHMSI | \$80.26 | 103,676 | \$8,321,036 | \$50.04 | 319,443 | \$15,984,928 |
| Aetna Health, Inc. | N/A | N/A | N/A | \$19.76 | 1,567 | \$30,964 |
| Aetna Life Insurance Co. | N/A | N/A | N/A | \$19.85 | 2,350 | \$46,648 |
| UnitedHealthcare Insurance Co. | N/A | N/A | N/A | \$17.80 | 97,131 | \$1,728,932 |
| Optimum Choice, Inc. | N/A | N/A | N/A | \$17.64 | 10,760 | \$189,806 |
| UnitedHealthcare of the Mid-Atlantic | N/A | N/A | N/A | \$11.25 | 1,004 | \$11,295 |
| Kaiser | (\$79.42) | 43,800 | (3,478,813) | \$0.00 | 42,860 | \$0 |
| Marketwide Projected Payments | (\$79.89) | 123,792 | (\$9,889,371) | (\$27.28) | 409,111 | (\$11,160,548) |
| Marketwide Projected Receipts | \$80.26 | 103,676 | \$8,321,036 | \$37.87 | 475,115 | \$17,992,572 |
| Difference¹ | (\$6.89) | | (\$1,568,336) | \$7.73 | | \$6,832,024 |

¹ PMPM difference represents total difference spread across the entire individual or small group market. Does not equal the difference in payment PMPM and receipts PMPM due to different projected membership for each cohort.

