

State: District of Columbia **Filing Company:** Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
TOI/Sub-TOI: HOrg03 Health Organizations - Other/HOrg03.000 Health Organizations - Other
Product Name: DC Conversion Rates
Project Name/Number: /

Filing at a Glance

Company: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
 Product Name: DC Conversion Rates
 State: District of Columbia
 TOI: HOrg03 Health Organizations - Other
 Sub-TOI: HOrg03.000 Health Organizations - Other
 Filing Type: Rate
 Date Submitted: 07/16/2012
 SERFF Tr Num: KPMA-128574003
 SERFF Status: Assigned
 State Tr Num:
 State Status:
 Co Tr Num:

 Implementation: 10/01/2012
 Date Requested:
 Author(s): Gina Harrison, Catherine Reifert, Lynn Robinson, Zalika Murray, Angela Oates, Milonda Mitchell, JeanClaude Kilo
 Reviewer(s): Darniece Shirley (primary), Carolyn King
 Disposition Date:
 Disposition Status:
 Implementation Date:

 State Filing Description:

State: District of Columbia **Filing Company:** Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
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General Information

Project Name: Status of Filing in Domicile:
 Project Number: Date Approved in Domicile:
 Requested Filing Mode: Review & Approval Domicile Status Comments:
 Explanation for Combination/Other: Market Type: Individual
 Submission Type: New Submission Individual Market Type: Individual
 Overall Rate Impact: 6% Filing Status Changed: 07/20/2012
 State Status Changed:
 Deemer Date: Created By: Lynn Robinson
 Submitted By: Lynn Robinson Corresponding Filing Tracking Number:
 PPACA: Not PPACA-Related

PPACA Notes: null

Filing Description:
 DC Conversion Rates 2012-2013

Company and Contact

Filing Contact Information

Catherine Reifert, Manager catherine.l.reifert@kp.org
 2101 E. Jefferson 301-816-7346 [Phone]
 Rockville, MD 20852 301-816-7346 [FAX]

Filing Company Information

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. CoCode: 95639 State of Domicile: Maryland
 2101 E Jefferson St. Group Code: Company Type: Health
 Rockville, MD 20852 Group Name: Maintenance Organization
 (301) 816-6867 ext. [Phone] FEIN Number: 22-7777777 State ID Number:

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:
 Per Company: No

| Company | Amount | Date Processed | Transaction # |
|--|--------|----------------|---------------|
| Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. | \$0.00 | | |

SERFF Tracking #: KPMA-128574003

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Rate Information

Rate data applies to filing.

Filing Method: Electronic
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 0.000%
Effective Date of Last Rate Revision: 10/01/2012
Filing Method of Last Filing: Electronic

Company Rate Information

| Company Name: | Company Rate Change: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | # of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): |
|--|----------------------|-----------------------------|------------------------|--|--|-----------------------------------|---------------------------------|---------------------------------|
| Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. | Increase | 6.000% | 6.000% | \$47,389 | 56 | \$789,825 | 6.000% | 6.000% |

| Product Type: | HMO | PPO | EPO | POS | HSA | HDHP | FFS | Other |
|-----------------|-----|-----|-----|-----|-----|------|-----|-------|
| Covered Lives: | 64 | | | | | | | |
| Policy Holders: | 56 | | | | | | | |

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DC Conversion Rates

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Rate Review Detail

COMPANY:

Company Name: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
HHS Issuer Id: 94506
Product Names: DC Conversion
Trend Factors:

FORMS:

New Policy Forms: DC-DP-CONV-APPXA(10-13)
Affected Forms:
Other Affected Forms:

REQUESTED RATE CHANGE INFORMATION:

Change Period: Annual
Member Months: 879
Benefit Change: None
Percent Change Requested: Min: 6.0 Max: 6.0 Avg: 6.0

PRIOR RATE:

Total Earned Premium: 789,825.00
Total Incurred Claims: 1,135,344.00
Annual \$: Min: 967.00 Max: 1,000.00 Avg: 898.55

REQUESTED RATE:

Projected Earned Premium: 837,214.00
Projected Incurred Claims: 682,329.00
Annual \$: Min: 1,025.00 Max: 1,060.00 Avg: 952.46

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/

Rate/Rule Schedule

| Item No. | Schedule Item Status | Document Name | Affected Form Numbers (Separated with commas) | Rate Action* | Rate Action Information | Attachments |
|----------|----------------------|-----------------|---|--------------|-------------------------|--|
| 1 | | Filing Exhibits | DC-DP-CONV-APPXA(10-13) | New | | DC 2013 Conversion Filing Exhibits.pdf |

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
Exhibit 1 - Individual Base Rate Calculation
Effective Date: 10/1/2012
Jurisdiction: District of Columbia
Pool: Conversion
Product: HMO
Base Period: 201104 thru 201203

| | Conversion | |
|---|-------------------------------|--------------------|
| | HMO | |
| Membermonths | | 879 |
| Current Members | | 64 |
| <u>Medical Expense Categories</u> | <u>Claims Incurred</u> | <u>PMPM</u> |
| Diagnostic Services | \$74,121.03 | \$84.32 |
| Emergency/Urgent Care | \$44,769.38 | \$50.93 |
| ChangeInBNR | \$4,205.40 | \$4.78 |
| Inpatient Facility | \$449,110.41 | \$510.93 |
| Office Visits | \$184,889.17 | \$210.34 |
| Other Physician | \$119,295.16 | \$135.72 |
| Other Services | \$55,368.00 | \$62.99 |
| Outpatient Facility | \$56,485.13 | \$64.26 |
| <u>Pharmacy</u> | <u>\$147,100.72</u> | <u>\$167.35</u> |
| Total | \$1,135,344.40 | \$1,291.63 |
| Incurred Total Medical Costs | | \$1,291.63 |
| Cost Share and other non-dues revenue credits | | \$80.29 |
| Net Incurred Medical Costs | | \$1,211.34 |
| 6% Trend (October 2011 - Apr 2012) | | 1.0913 |
| Expected 2012 Medical Cost | | \$1,321.98 |
| Retention | | 20.0% |
| Monthly Required Revenue | | \$1,652.48 |
| Current Premium PMPM | \$ | 924.55 |
| Required Rate Increase | | 78.7% |
| Requested Rate Increase | | 6.0% |

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
Exhibit 2 - Loss Ratio Information

| Month | Conversion | | Loss Ratio |
|-----------------------|------------|-----------|------------|
| | Claims | Premium | |
| Apr-2009 | 65,107 | 117,355 | 55.5% |
| May-2009 | 62,505 | 113,876 | 54.9% |
| Jun-2009 | 80,173 | 109,953 | 72.9% |
| Jul-2009 | 54,258 | 105,772 | 51.3% |
| Aug-2009 | 58,763 | 107,416 | 54.7% |
| Sep-2009 | 86,943 | 100,817 | 86.2% |
| Oct-2009 | 48,162 | 100,785 | 47.8% |
| Nov-2009 | 37,228 | 100,469 | 37.1% |
| Dec-2009 | 54,061 | 100,018 | 54.1% |
| Jan-2010 | 50,411 | 97,427 | 51.7% |
| Feb-2010 | 74,062 | 94,469 | 78.4% |
| Mar-2010 | 120,820 | 95,930 | 125.9% |
| Apr-2010 | 77,041 | 92,058 | 83.7% |
| May-2010 | 80,592 | 94,877 | 84.9% |
| Jun-2010 | 60,515 | 95,454 | 63.4% |
| Jul-2010 | 82,373 | 92,498 | 89.1% |
| Aug-2010 | 49,369 | 89,454 | 55.2% |
| Sep-2010 | 65,608 | 90,643 | 72.4% |
| Oct-2010 | 46,870 | 89,742 | 52.2% |
| Nov-2010 | 78,043 | 89,477 | 87.2% |
| Dec-2010 | 62,257 | 87,620 | 71.1% |
| Jan-2011 | 81,960 | 81,038 | 101.1% |
| Feb-2011 | 81,771 | 78,294 | 104.4% |
| Mar-2011 | 88,612 | 79,553 | 111.4% |
| Apr-2011 | 109,886 | 77,071 | 142.6% |
| May-2011 | 287,162 | 76,824 | 373.8% |
| Jun-2011 | 98,065 | 71,808 | 136.6% |
| Jul-2011 | 100,621 | 69,429 | 144.9% |
| Aug-2011 | 78,375 | 68,776 | 114.0% |
| Sep-2011 | 80,023 | 67,691 | 118.2% |
| Oct-2011 | 41,825 | 65,618 | 63.7% |
| Nov-2011 | 39,625 | 61,982 | 63.9% |
| Dec-2011 | 75,302 | 59,219 | 127.2% |
| Jan-2012 | 32,285 | 58,644 | 55.1% |
| Feb-2012 | 36,700 | 56,178 | 65.3% |
| Mar-2012 | 84,900 | 56,585 | 150.0% |
| 2010 Claims | 847,963 | 1,109,648 | 76.4% |
| 2011 Claims | 1,163,228 | 857,301 | 135.7% |
| Most Recent 12 Months | 1,064,769 | 789,825 | 134.8% |

KAISER FOUNDATION HEALTH PLAN OF THE MID-ATLANTIC STATES, INC

DC CONVERSION
Grandfathered

Standard Plan

| Benefits: | Copayment: |
|--|--|
| Doctor Office Visit | \$30 Primary \$40 Specialty |
| Preventive Health Care Services Visits | \$0* |
| Pharmacy | \$10 Generic; \$30 Preferred Brand \$45 Non-Pref Brand at Kaiser/ Maintenance Meds 3 copays 90 day supply, \$1,500 annual Rx maximum |
| Discounted Dental | \$30 Preventive visit; discounts thereafter |
| Outpatient Surgery | \$100 |
| Emergency Room | \$100 (Waived if admitted) |
| Hospital Inpatient | \$500 per admission |
| Skilled Nursing Facility | 100 Days; \$500 per admission |
| Ambulance Services | \$50 per encounter |
| Durable Medical Equipment (Outpatient) | 50% of AC |
| Dependent Age Limit | 26 |

KAISER FOUNDATION HEALTH PLAN OF THE MID-ATLANTIC STATES, INC

DC CONVERSION
Non-Grandfathered

Standard Plan

| Benefits: | Copayment: |
|--|---|
| Doctor Office Visit | \$30 Primary \$40 Specialty |
| Preventive Health Care Services Visits | \$0* |
| Pharmacy | \$10 Generic; \$30 Preferred Brand \$45 Non-Pref Brand at Kaiser/ Maintenance Meds 3 copays 90 day supply, No annual Rx maximum |
| Discounted Dental | \$30 Preventive visit; discounts thereafter |
| Outpatient Surgery | \$100 |
| Emergency Room | \$100 (Waived if admitted) |
| Hospital Inpatient | \$500 per admission |
| Skilled Nursing Facility | 100 Days; \$500 per admission |
| Ambulance Services | \$50 per encounter |
| Durable Medical Equipment (Outpatient) | 50% of AC |
| Dependent Age Limit | 26 |

* Apply the new PPACA-compliant preventive care services package. Includes a total of eighty services defined in the law which must be provided at no cost share. These services are drawn from the United States Preventive Service Task Force (services with A or B ratings), Health Resources Services Administration (woman and child) and the Centers for Disease Control (immunizations)."

| Grandfathered Plan Rates | | | |
|--------------------------|------------|------------|------------|
| | Individual | Two-Party | Family |
| Current 2011 Rates | \$967.00 | \$1,940.00 | \$2,812.00 |
| Proposed 2012 Rates | \$1,025.00 | \$2,056.00 | \$2,981.00 |

| Non-Grandfathered Plan Rates | | | |
|------------------------------|------------|------------|------------|
| | Individual | Two-Party | Family |
| Current 2011 Rates | \$1,000.00 | \$2,006.00 | \$2,908.00 |
| Proposed 2012 Rates | \$1,060.00 | \$2,126.00 | \$3,082.00 |

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
Kaiser Permanente Conversion Rate Filing
Exhibit 4 - Trend Calculation

2012 Trend Development

| Cost Category | Weight | Trend |
|--------------------|---------------|-------------|
| Hospital | 17.6% | 6.0% |
| Physician Internal | 56.1% | 6.0% |
| Referral | 4.0% | 6.0% |
| Rx | 14.9% | 6.0% |
| Other | 7.3% | 6.0% |
| Overall | 100.0% | 6.0% |

SERFF Tracking #:

KPMA-128574003

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Company Tracking #:

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Product Name: DC Conversion Rates

Project Name/Number: /

Supporting Document Schedules

| | | Item Status: | Status Date: |
|---|-------------------------|--------------|--------------|
| Satisfied - Item: | Actuarial Justification | | |
| Comments: | | | |
| Attachment(s): | | | |
| DC Conversion Actuarial Memorandum 2013.pdf | | | |

| | | Item Status: | Status Date: |
|------------------|------------------------|--------------|--------------|
| Bypassed - Item: | Rate Summary Worksheet | | |
| Bypass Reason: | Not subject to review. | | |
| Comments: | | | |

| | | Item Status: | Status Date: |
|------------------|--------------------------|--------------|--------------|
| Bypassed - Item: | Consumer Disclosure Form | | |
| Bypass Reason: | Not required | | |
| Comments: | | | |

| | | Item Status: | Status Date: |
|--|--------------|--------------|--------------|
| Satisfied - Item: | Cover Letter | | |
| Comments: | | | |
| Attachment(s): | | | |
| DC 2012-2013 Conversion Rate Filing Cover Letter.pdf | | | |

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.

District of Columbia Conversion Rate Filing October 2012 and February 2013

Actuarial Memorandum

I, Peter Berry, Senior Actuarial Director, for Kaiser Foundation Health Plan, Inc. (Kaiser) am a member of the American Academy of Actuaries. I meet the qualification standards for certifying Regulatory Filings for Rates and Financial Projections for Health Plans. This Actuarial Certification applies to the attached filing for a change in premium rates for the Direct Payment Conversion program. This actuarial memorandum documents the assumptions and sources of data pertaining to the development of Kaiser premium rates effective October 2012 and February 2013.

The Revenue Requirement is developed by accumulating medical and administrative expenses posted for the period 4/2011-3/2012 including change in incurred but not reported estimates. Utilization and cost data from fee for service claims, prescription drug claims and capitations paid to the Mid Atlantic Permanente Medical Group are trended to the October 2012 rating period.

The future trend numbers are based on actuarial judgment considering a mixture of expected industry trends, future fixed costs, and expected internalization of services. As an integrated health care provider, a large portion of Kaiser's expenses are the fixed costs associated with providing medical care through our centers. Therefore, the projected cost that is included in our total revenue requirement is largely based on budgeting. For traditional carriers, projected claims trends are developed to project expected costs. However, given Kaiser's fixed cost structure, Kaiser's projected claims trends fall out of the development of projected budgeted costs. A trend summary appears in Exhibit 4.

The expected loss ratios are applied to the resulting claim cost PMPMs to establish a projected revenue requirement. Exhibit 1 shows the development of the projected revenue target from the period Medical Cost Data.

Retention includes administrative expenses, capital contribution and margin. The capital contribution is an amount to maintain and expand medical center facilities where members receive the majority of health care in the Kaiser Foundation Health Plan. As a group model HMO, Kaiser owns a significant portion of the health care delivery system. In other models, capital contributions are included in fee for service payments. At Kaiser, our payments to medical groups do not cover capital expenses. These are funded by the capital contribution factor built into our premium rates. Commissions are paid to Brokers of Record.

As this book of business only has 64 members, the experience is not credible and claims experience can fluctuate significantly. This fluctuation can be seen in Exhibit 2. As a result, Kaiser is requesting a trend increase of 6% to the Conversion rates.

For compliance with National Health Care Reform, Kaiser offers two Conversion plans. A brief benefit description of each Conversion plan can be found in Exhibit 3. The "non-grandfathered" Conversion plan has a renewal rate effective date of 10/1/2012. The "grandfathered" Conversion

plan has a renewal rate effective date of 2/1/2013. As rolling renewals apply to the Conversion line of business, not every member would receive a rate change at the renewal rate effective date. Members will receive the rate change as their policy comes up for renewal.

Certification

To the best of my knowledge, the rating methodologies of Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. comply with the applicable state laws and regulations pertaining to individual health insurance. Kaiser has instituted several initiatives designed to improve utilization management and lower costs to the Health Plan through selective contracting with providers. On the basis of these actions being successfully implemented by management, the rating methodologies produce premiums that are reasonable in relation to benefits and are based on sound and commonly accepted actuarial principles.

A handwritten signature in blue ink, appearing to read "Peter Berry".

Peter Berry, FSA, MAAA
Senior Actuarial Director
Kaiser Foundation Health Plan, Inc.
7/12/2012



KAISER PERMANENTE®

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
2101 East Jefferson Street Rockville, Maryland 20852

July 12, 2012

Government of the District of Columbia
Department of Insurance, Securities and Banking
Actuarial Analysis Division
810 First Street, N.E.
Washington, DC 20002

Re: NAIC #: 95639
Conversion October 2012 and February 2013 Rate Filing

To whom it may concern:

Attached is the Conversion rate filing for Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser) for rates effective October 2012 for non-grandfathered members, and February 2013 for grandfathered members.

Below is a brief description of exhibits that found in the filing:

- Exhibit 1 – Build-up of required rate increase.
- Exhibit 2 – Loss ratio information for Conversion members in the District of Columbia.
- Exhibit 3 – Brief plan description with current and proposed rates.
- Exhibit 4 – Trend assumption used for this filing.

Please do not hesitate to contact me at 301-816-6634 if you have any questions.

Sincerely,

Brent Plemons
Senior Actuarial Analyst

CC. Peter Berry, FSA, MAAA, Senior Actuarial Director
Wendy Drum, Director of Underwriting, Mid-Atlantic Region