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October 13, 2017

To Centers for Medicare and Medicaid Services (CMS):

The California Department of Insurance (CDI) has determined that UnitedHealthcare Insurance Company Small Group Rate Filing effective January 2018 is unreasonable.

The specific concern cited by CDI is that UnitedHealthcare reflected a 1.9% adjustment to projected claims. The experience period used as the basis for our projection was calendar year 2016 with claims paid through February 2017. The claim trend assumption used in our projection was 7.6%. However, prior to filing submission, we observed deterioration in our claim experience which suggested our initial claim trend assumption was too low. But, at the time of our filing, we did not have an updated trend analysis to reflect in our projection. We believe the 1.9% adjustment was necessary and appropriate given our developing experience.

We do not agree with CDI that it is inappropriate to respond to developing experience in our projection. We believe it is entirely appropriate to develop our best estimate of future health care costs, using all available information and data at our disposal. Failure to do so would inhibit my ability as a Member of the American Academy of Actuaries to sign an actuarial opinion of rate adequacy. In our discussions with CDI, we pointed out that the 1.9% claim adjustment was compensating for an inadequate initial trend assumption. We pointed out to CDI that removing the 1.9% assumption and adjusting our trend assumption to 8.5% yielded the same recommended rate action.

The following table illustrates the claim experience and corresponding annual trend observed through April 2017. The observed trend below illustrates our concern with our initial trend assumption of 7.6%, and the reasonableness of the 8.5% adjusted trend.

California 1-100 Historical Experience

Rolling 12 Months View			
Month	Member Months	Claims PMPM	Annual Trend
Dec 2015	810,053	\$ 323.63	
Jan 2016	816,472	\$ 323.40	
Feb 2016	822,360	\$ 328.54	
Mar 2016	827,393	\$ 332.40	
Apr 2016	831,774	\$ 335.01	
May 2016	835,164	\$ 335.88	
Jun 2016	839,102	\$ 336.35	
Jul 2016	842,428	\$ 334.74	
Aug 2016	844,335	\$ 338.61	
Sep 2016	845,926	\$ 344.62	
Oct 2016	848,893	\$ 348.85	
Nov 2016	853,342	\$ 351.26	
Dec 2016	861,605	\$ 350.54	8.3%
Jan 2017	879,324	\$ 356.20	10.1%
Feb 2017	899,152	\$ 359.49	9.4%
Mar 2017	921,455	\$ 363.29	9.3%
Apr 2017	944,975	\$ 365.90	9.2%

We also believe that our next rate filing, with updated experience, will validate the appropriateness of the assumptions used in this rate filing.

For these reasons, UnitedHealthcare is implementing the original filed rates.