



**Colorado Consumer
Health Initiative**

July 6, 2015

Commissioner Marguerite Salazar
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, Colorado 80202

Re: Comments on Humana Health Plan, Inc. (Humana) Individual Rate Filing
HUMA-130006516

Dear Commissioner Salazar:

The Colorado Consumer Health Initiative is writing to submit comments on Humana's request for a 20.9% rate increase in the individual market. Below are assumptions for which we believe Humana has provided insufficient justification to merit a rate increase, failed to account for factors that will likely decrease the cost of providing insurance in 2016, or where we believe the Colorado Division of Insurance (Division) should require that detailed calculations be submitted and justified.

Enrollment Seasonality

Humana has proposed a 7.5% increase based on "enrollment seasonality." Humana's claim is that the later start date for many enrollees, caused by the longer enrollment period in 2014 and the technical difficulties of the marketplace's launch, reduced the number of scheduled appointments and surgeries in 2014 and skewed the per member per month (PMPM) claim experience downward.

This claim is highly suspect due to expected enrollment patterns of healthy versus sicker marketplace enrollees, as well as the success of the launch of Connect for Health Colorado in 2014.

The Division should evaluate Humana's assumptions, understanding that the consumers who were most likely to schedule a high number of appointments and surgeries were very likely to have enrolled early in the open enrollment period. As these consumers were likely to schedule appointments during the plan year to receive the care they needed, a seasonality adjustment would not be necessary. Consumers who enrolled later, with effective enrollment dates in April or May, were also more likely to be younger and healthier consumers that would be less likely to schedule care even if they had more time to do so.

A study of prescription drug data indicates that the sickest enrollees had the most time to use their care. According to a report on Express Scripts data from enrollees in the

federal marketplace, “People enrolling in Marketplace plans by January were four years older and filled twice as many prescriptions in the first month of enrollment than people who enrolled in Marketplace plans in May.”¹ Thus, while Humana claims that enrollees were unable to schedule care, these data indicate that late enrollees did not have nearly as significant health care needs. Higher utilizers were both more likely to enroll early and seek care promptly. Importantly, it is highly likely that utilization will smooth across a plan year in which policyholders are enrolled for all 12 months. In other words, it does not follow from Humana’s argument that additional months will lead to higher claims warranting a 7.5% seasonality increase, when in fact many claims may be one-time appointments or surgeries. Claims may simply occur in a different month than they did in the 2014 plan year. Allowing the proposed enrollment seasonality adjustment would both double count the sickest enrollees’ costs and excessively raise premiums.

Additionally, Humana’s argument about the impact of technical difficulties is unpersuasive. Connect for Health Colorado far out-performed states using healthcare.gov in the beginning of the 2014 open enrollment, enrolling 63,407 Coloradans through January 15th.² Humana has provided no justification as to why Coloradans who significantly needed care would have delayed their enrollment when Connect for Health Colorado was one of the top early performers during the first open enrollment period.

CCHI calls for the Division to reject Humana’s 7.5% increase based on “enrollment seasonality” and to adjust the level of Humana’s proposed rate increase accordingly.

Influenza

Humana has identified the costs of influenza as part of the annual cost trend calculations. No other insurance carrier has projected a significant increase in the cost of influenza treatment. We ask that the Division request a PMPM breakdown of the projected impact of influenza costs and ask why these costs are unique to Humana’s plans.

2016 Morbidity Estimate for Post-2014 New Entrants

Humana has proposed using a -1% adjustment to reflect the average new entrant morbidity for 2016 enrollees. As a reason for this adjustment, Humana specifically cites that new enrollees motivated by the increasing tax penalty will be healthier than 2014 enrollees. CCHI believes that the -1% adjustment still overestimates the morbidity of 2016 enrollees and passes unnecessary costs onto enrollees.

¹ Donohue, Julie M. “Early Marketplace Enrollees Were Older and Used More Medication Than Later Enrollees; Marketplaces Pooled Risk.” *Health Affairs* 34, No. 6 (2015).

<http://content.healthaffairs.org/content/early/2015/05/21/hlthaff.2015.0016.full.pdf>

² <http://connectforhealthco.com/2014/01/connect-health-colorado-colorado-medicaid-update-4/>

Humana has acknowledged the likely increase in enrollment due to the increase in the tax penalty. However, they have not described the basis for the proposed adjustment. A New England Journal of Medicine Study of Massachusetts' health reform found that those who signed up at the beginning of health care reform when there was no penalty "were nearly 4 years older, were almost 50% more likely to be chronically ill, and had about 45% higher health care costs than those who signed up once the program was fully effective."³ As the tax penalty will be fully implemented, Massachusetts' experience suggests that Colorado insurers will see a dramatic drop in their enrollees' morbidity.

The absence of sufficient justification based on the increase in the individual mandate penalty and the newly present non-ACA compliant plan enrollees make it highly likely that -1% morbidity adjustment for 2016 enrollees is insufficient. We request that the Division further decrease Humana's morbidity adjustment for 2016 enrollees and adjust the overall rate accordingly.

Changes in the Morbidity of the Population Insured

In total, Humana has requested a 30.8% upward adjustment to capture the expected difference between the morbidity of the 2014 experience period and the 2016 risk pool. There are underdeveloped arguments for rate increases in this section that we believe the Division should reject unless additional, compelling justification is provided.

Humana has proposed a 5% upward adjustment for the "post-2014" population in order to account for the difference in morbidities between the small group and individual insurance market. We object to the 5% adjustment, as Humana's only justification provided is that "a certain level of health is necessary to retain employment." We ask that the Division request additional justification for this 5% adjustment before allowing such a significant change affecting Humana's individual market policyholders.

Dilution with Pre-2014 Issues

A 0.0% morbidity factor has been assigned to Coloradans who were insured under transitional policies and will be newly entering the market in 2016. This factor is not sufficiently justified and ignores many characteristics of the 74,811 enrollees in ACA non-compliant plans. These consumers are much more likely to have regularly received health care unlike many of the newly insured in Colorado. Additionally, all of these enrollees were able to obtain coverage while insurance companies could still deny coverage based on pre-existing conditions, meaning as a whole they are likely to have a lower morbidity than the current ACA-compliant risk pool. Finally, a very high percentage of these enrollees are expected to enter the individual market, as they were motivated to purchase health insurance in the individual market before there was an

³ The Importance of the Individual Mandate – Evidence from Massachusetts, <http://www.nejm.org/doi/pdf/10.1056/NEJMp1013067>, at 295.

individual mandate or tax credits to help them afford insurance.

By opting not to decrease its overall morbidity based on the consumers in transitional policies entering Colorado's individual ACA-compliant market, Humana is passing an unjustified rate increase onto its enrollees. We ask that the Division adjust the overall rate accordingly.

Increased Target Profit

Humana has increased its proposed profit margin from 1.2% in 2015 to 1.7% in 2016. We do not challenge the increase itself at this time. However, we do request that the Division request Humana provide an explanation as to why profit has been increased for this product line.

New Benefit Changes

This is the second year in a row that Humana has asked for an increase in its rates due to Behavioral Health Services. Humana asked for a 0.6% increase last year in the corresponding filing for this plan, HUMA-129570268. Additionally, the adjustment for other essential health and state mandated benefits more than doubled from 0.7% in 2015 to 1.5% in 2016. We ask that the Division request detailed justifications on these changes and why they are needed after adjustments were already made for 2015 plans.

Trade Secrets

Division of Insurance Amended Regulation 4-2-39 states the Colorado Actuarial Memorandum cannot be held as confidential. The Division should ensure all sections of the memorandum are publicly available and accessible online. Any Excel documents submitted to the Division should also be required to be submitted in PDF format so they are available through the System for Electronic Rate and Form Filing (SERFF). These documents are otherwise inaccessible to the public, which significantly hinders the ability of consumers to evaluate rate filings and undermines the rate review process.

Thank you for this opportunity to comment on the 2016 rate filings. If you have any questions, please feel free to contact us.

Sincerely,



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