

**STATE OF CONNECTICUT**  
*INSURANCE DEPARTMENT*

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**In The Matter Of:** :  
**FIRST HEALTH LIFE & HEALTH** : **Docket No. LH 15-106**  
**INSURANCE COMPANY** :  
**Medicare Supplement Insurance** :  
-----X

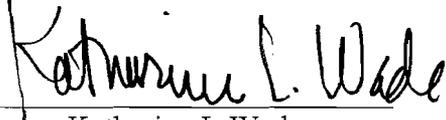
**ORDER**

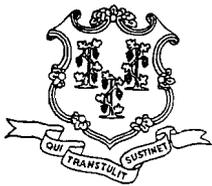
I, Katharine L Wade, Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter and issue the following order, to wit:

First Health Life & Health Insurance Company's rate increase request for its individual standardized Medicare supplement insurance policy forms FHLEXCMS14A, FHLEXCMS14B, FHLEXCMS14F, FLLEXCMS14G and FHLEXCMS14N is disapproved as submitted.

The rate filing is deficient with respect to the rate filing requirements of the Connecticut Submission and Review of Rates for Medicare Supplement Insurance Regulations 38a-474-1 et al.

Dated at Hartford, Connecticut, this 23<sup>rd</sup> day of September, 2015.

  
Katharine L Wade  
Commissioner



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### PROPOSED FINAL DECISION

#### 1. INTRODUCTION

The Insurance Commissioner of the State of Connecticut is empowered to review rates charged for individual and group Medicare supplement policies sold to any resident of this State who is eligible for Medicare. The source for this regulatory authority is contained in Chapter 700c and Section 38a-495a of the Connecticut General Statutes.

After due notice a hearing was held at the Insurance Department in Hartford on Tuesday, September 15, 2015 to consider whether or not the rate increase requested by First Health Life & Health Insurance Company on its individual standardized Medicare supplement business should be approved.

No members from the general public attended the hearing.

No representatives from First Health Life & Health Insurance Company attended the hearing.

The hearing was conducted in accordance with the requirements of Section 38a-474, Connecticut General Statutes, the Uniform Administrative Procedures Act, Chapter 54 of the Connecticut General Statutes, and the Insurance Department Rules of Practice, Section 38a-8-1 et seq. of the Regulations of Connecticut State Agencies.

A Medicare supplement (or Medigap) policy is a private health insurance policy sold on an individual or group basis which provides benefits that are additional to the benefits provided by Medicare. For many years Medicare supplement policies have been highly regulated under both state and federal law to protect the interests of persons eligible for Medicare who depend on these policies to provide additional coverage for the costs of health care.

Effective December 1, 2005, Connecticut amended its program of standardized Medicare supplement policies in accordance with Section 38a-495a of the Connecticut General Statutes, and Sections 38a-495a-1 through 38a-495a-21 of the Regulations of Connecticut Agencies. This program, which conforms to federal requirements, provides that all insurers offering Medicare supplement policies for sale in the state must offer the basic "core" package of benefits known as Plan A. Insurers may also offer any one or more of eleven other plans (Plans B through N) [www.ct.gov/cid](http://www.ct.gov/cid)

Effective January 1, 2006, in accordance with Section 38a-495c of the Connecticut General Statutes (as amended by Public Act 05-20) premiums for all Medicare supplement policies in the state must use community rating. Rates for Plans A through N must be computed without regard to age, gender, previous claims history or the medical condition of any person covered by a Medicare supplement policy or certificate.

The statute provides that coverage under Plan A through N may not be denied on the basis of age, gender, previous claims history or the medical condition of any covered person. Insurers may exclude benefits for losses incurred within six months from the effective date of coverage based on a pre-existing condition.

Effective October 1, 1998, carriers that offer Plan B or Plan C must make these plans as well as Plan A, available to all persons eligible for Medicare by reason of disability.

Insurers must also make the necessary arrangements to receive notice of all claims paid by Medicare for their insureds so that supplemental benefits can be computed and paid without requiring insureds to file claim forms for such benefits. This process of direct notice and automatic claims payment is commonly referred to as “piggybacking” or “crossover”.

Sections 38a-495 and 38a-522 of the Connecticut General Statutes, and Section 38a-495a-10 of the Regulations of Connecticut Agencies, state that individual and group Medicare supplement policies must have anticipated loss ratios of 65% and 75%, respectively. Under Sections 38a-495-7 and 38a-495a-10 of the Regulations of Connecticut Agencies, filings for rate increases must demonstrate that actual and expected losses in relation to premiums meet these standards, and anticipated loss ratios for the entire future period for which the requested premiums are calculated to provide coverage must be expected to equal or exceed the appropriate loss ratio standard.

Section 38a-473 of the Connecticut General Statutes provides that no insurer may incorporate in its rates for Medicare supplement policies factors for expenses that exceed 150% of the average expense ratio for that insurer’s entire written premium for all lines of health insurance for the previous calendar year.

**II. FINDING OF FACT**

After reviewing the exhibits entered into the record of this proceeding, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

- 1. First Health Life and Health Insurance Company has requested the following rate increase on its individual standardized Medicare supplement policies for forms FHLEXCMS14A, FHLEXCMS14B, FHLEXCMS14F, FHLEXCMS14G and FHLEXCMS15N:

<u>Plan</u>	<u>Proposed Rate Increase</u>
A	6.0%
B	6.0%
F	6.0%
G	6.0%
N	6.0%

2. No policies are in-force in Connecticut. Policy in-force counts, as of 6/30/15, on a nationwide basis, by Plan, are as follows:

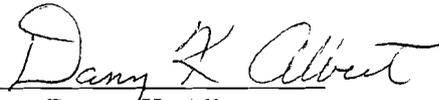
<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	0	3
B	0	2
F	0	1,363
G	0	0
N	0	0
Total	0	1,368

3. There have been no rate changes on these policy forms.
4. The company expects the 2016 overall claim cost trend to be 7.5%.
5. The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65% required of individual Medicare supplement forms.
6. Experience and projection exhibits are not provided. The earliest policy effective date for these forms is 1/1/2015.
7. First Health Life and Health Insurance Company's 2015 Medicare supplement rate filing proposal is **not** in compliance with the requirements of regulation 38a-474 as it applies to the contents of the rate submission as well as the actuarial memorandum. The following information is missing:
- Method of marketing used
  - Demonstration that the minimum loss ratio requirements for individual (65%) will be met (demonstration will exclude active life reserves)
  - Expected future loss ratio projected through the period for which rates will be effective; an expected 3-year loss ratio which is greater than or equal to the applicable loss ratio standard of 65% shall be shown for policies in-force for less than 3 years
  - Demonstrate that the expense factor is less than or equal to 150% of the average expense ratio for the entire written premium for all of First Health's lines of health insurance for the previous calendar year (actual calculation is described in the regulation)
  - For each policy, for each calendar year since inception both nationwide and statewide experience
8. On 8/13/2015, Danny Albert, Principal Examiner in the Life and Health Division sent a problem report (incomplete filing) to First Health identifying, among a number of items, that the rate filing was not in compliance with the Connecticut Medicare supplement insurance rate regulations, ref . 38a-474-1. Mr. Albert requested that the company please review the regulations and amend the subject filing to address the rate filing requirements contained in the subject regulations.
9. First Health did not provide an adequate response to the first item, discussed above, in the problem report.

III. RECOMMENDATION

Recommend that the requested rate increase of 6.0% for all plans be disapproved as submitted. The rate filing is not in compliance with the submission requirements of Connecticut Insurance regulation 38a-474.

Dated at Hartford, Connecticut, this 23<sup>rd</sup> day of September, 2015.

  
Danny K. Albert  
Hearing Officer