

STATE OF CONNECTICUT  
INSURANCE DEPARTMENT

\* \* \* \* \*

In the Matter of )  
) )  
) )  
GOLDEN RULE INSURANCE COMPANY )  
) July 27, 2015  
) Applicant. )  
) )  
\* \* \* \* \*

PUBLIC HEARING

Held Before:

KRISTIN CAMPANELLI, Hearing Officer  
PAUL LOMBARDO, Life & Health Division  
MARY ELLEN BREault, Life & Health Division

Reporter: Bethany A. Carrier, RMR, CRR, LSR #071

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1     APPEARANCES:

2

3     For the Applicant Golden Rule Insurance Company:

4

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. . . The following is the transcript of the Public Hearing in the Matter of Golden Rule Insurance Company, held before Kristin Campanelli, Hearing Officer, at the Insurance Department, 153 Market Street, Hartford, Connecticut, on July 27, 2015, commencing at 11:02 a.m. . .

1 (The hearing commenced at 11:02 a.m.)

2

3 (Exhibit 1: Received in  
4 evidence.)

5 (Exhibit 2: Received in  
6 evidence.)

7 (Exhibit 3: Received in  
8 evidence.)

9 (Exhibit 4: Received in  
10 evidence.)

11 (Exhibit 5: Received in  
12 evidence.)

13 (Exhibit 6: Received in  
14 evidence.)

15

16 HEARING OFFICER: Good morning.

17 I'd like to call this public hearing to  
18 order. Please make sure that all cell  
19 phones and other electronic devices have  
20 been shut off.

21 On behalf of the Connecticut  
22 Insurance Department, I would like to  
23 welcome you to this hearing. I'm Kristin  
24 Campanelli, and I've been appointed by  
25 Commissioner Wade to preside at today's

1 public hearing.

2 I want to take a moment at the  
3 start of this proceeding to explain the way  
4 the hearing works. Many of you may be  
5 familiar with hearings held by the  
6 legislature to consider proposed  
7 legislation, or agencies in your town or  
8 city to consider town affairs, but you may  
9 not be familiar with this type of  
10 administrative hearing.

11 An administrative hearing such as  
12 this is a regulatory proceeding in which a  
13 party, in this instance Golden Rule  
14 Insurance Company, is required to present  
15 documentation and arguments regarding their  
16 application.

17 Ultimately, Commissioner Wade  
18 will decide this matter based on a  
19 recommendation that I will prepare. This  
20 is not a court proceeding, but it does  
21 operate under a system of rules with the  
22 presentation of evidence and witnesses who  
23 testify under oath.

24 We will have three potential  
25 opportunities for public comment at this

1 hearing. First, in a couple of minutes,  
2 there will be a half an hour devoted to  
3 public comment, with the amount of time for  
4 each statement restricted out of respect  
5 for the time of everyone here.

6 Second, there will be a period of  
7 public comment at the end of the proceeding  
8 for those who wish to make comments.

9 And third, written comment may be  
10 submitted until 4:00 p.m. today.

11 Unlike a legislative hearing,  
12 there may be times when we need to call a  
13 recess.

14 For the record, this hearing is  
15 being held pursuant to Sections 38a-8 and  
16 38a-481 of Connecticut General Statutes and  
17 will be conducted in accordance with the  
18 Insurance Department's Rules of Practice  
19 and the Connecticut Uniform Administrative  
20 Procedure Act.

21 Golden Rule Insurance Company  
22 will be referred to as "Golden Rule" or  
23 "the applicant." For the record, docket  
24 number LH 15-95 has been assigned to this  
25 matter by the insurance department. The

1 Connecticut statute governing this rate  
2 application, Connecticut General Statute  
3 Section 38a-481, provides that rates shall  
4 not be excessive, inadequate, or unfair and  
5 discriminatory.

6 In addition, Section 38a-8 of  
7 Connecticut General Statutes provides that  
8 the insurance commissioner has all of the  
9 powers specifically granted and all powers  
10 that are reasonably necessary to protect  
11 the public interest in accordance with the  
12 duties imposed by the Connecticut Insurance  
13 Statutes.

14 This public hearing is being held  
15 to consider whether the premium rate  
16 increase application filing, the  
17 application dated April 6, 2015, by Golden  
18 Rule Insurance Company concerning premium  
19 rates for its individual off exchange  
20 plans, otherwise known as products, are  
21 excessive, inadequate, or unfairly  
22 discriminatory pursuant to Connecticut  
23 General Statutes Section 38a-481.

24 This procedure was commenced on  
25 April 6th, 2015, when the applicant filed

1 with the Connecticut Insurance Department,  
2 to be referred to as "the department," a  
3 rate application regarding applicant's  
4 individual rates for off exchange plans.

5 While there's no statutory  
6 requirement that a rate hearing be held, on  
7 July 6th, 2015, Commissioner Wade ordered  
8 that a public hearing be held on July 27th,  
9 2015, to consider granting approval of the  
10 proposed application.

11 This hearing was ordered in  
12 partnership with the Office of the  
13 Healthcare Advocate pursuant to the terms  
14 of an agreement between the commissioner  
15 and the advocate dated May 14, 2015, which  
16 permits the advocate to request up to four  
17 hearings per year for rate increase request  
18 of 10 percent or more.

19 A copy of the notice for this  
20 public hearing was filed -- a copy of the  
21 notice for this public hearing was filed  
22 with the office of the Secretary of State.  
23 In addition, this notice was posted on the  
24 insurance department's Internet website.  
25 This notice indicated that the application

1 was available for public inspection at the  
2 insurance department, and electronically on  
3 the insurance department website, and that  
4 the department was accepting written  
5 statements concerning the application.

6 In accordance with the rules of  
7 practice of the Connecticut Insurance  
8 Department, Golden Rule has been designated  
9 as a party to this proceeding. Without  
10 being designated as an official party to  
11 this proceeding, the Connecticut Insurance  
12 Department staff will have the right to ask  
13 questions of the witnesses to this hearing.

14 Joining me are Paul Lombardo,  
15 Life and Health Actuary, and Mary Ellen  
16 Breault, Director of the Life and Health  
17 Division.

18 At this time I would like counsel  
19 for the applicant to please identify  
20 themselves.

21 MR. CALIGIURI: Good morning,  
22 Hearing Officer. My name is Sam Caligiuri.  
23 I'm a partner at Day Pitney, LLP, and we  
24 represent Golden Rule Insurance Company in  
25 the hearing this morning.

1 HEARING OFFICER: Great. Thank  
2 you. At this point I would like to enter  
3 into the record a stipulated list of  
4 exhibits. This list identifies six  
5 documents which have been stipulated as  
6 full exhibits by the parties to this  
7 proceeding. These exhibits include a copy  
8 of the rate filing application and all  
9 written public comment received on or  
10 before Wednesday, July 22, 2015.

11 Written public comment received  
12 today will be added to the record following  
13 the hearing. A copy of the list is  
14 available to members of the audience today.

15 At the prehearing conference to  
16 expedite today's hearing, on July 23rd,  
17 2015, we discussed the exhibits, witnesses,  
18 and the hearing procedure.

19 The first item of business today  
20 is public comment. Members of the public  
21 who have signed up to speak will have the  
22 first half hour of this proceeding to  
23 orally comment on the application. In this  
24 regard, there are two sign-up sheets  
25 available for persons interested in

1 presenting oral comments at this hearing:  
2 one for public officials and one for  
3 persons other than public officials.

4 So we can gauge our timing, I'm  
5 asking Ms. Medina to indicate for the  
6 record the number of people who have signed  
7 up to speak.

8 MR. MEDINA: There is two.

9 HEARING OFFICER: Two people.

10 Okay. Each person will have three minutes  
11 to comment, and we'll alternate between the  
12 general public and public officials who may  
13 also want to speak.

14 This is a comment period only,  
15 and no questions should be directed to the  
16 applicant or the department. The applicant  
17 will then provide a presentation of the  
18 application. Insurance department staff  
19 will be given an opportunity to examine the  
20 witnesses. After the examinations have  
21 been concluded, anyone from the public who  
22 did not have an opportunity to be heard in  
23 the first half hour, or who wishes to make  
24 a statement, will have the opportunity to  
25 orally comment on the application.

1                   The public may also present  
2                   written comments no later than 4:00 p.m.  
3                   today either to Ms. Medina during the  
4                   course of today's hearing, or at the  
5                   department's reception desk.

6                   The public comment portion of  
7                   this hearing will commence with comments  
8                   from public officials, and then alternate  
9                   with comments of other interested persons.

10                  I would ask that anyone  
11                  interested in participating in this portion  
12                  of the hearing comply with the following  
13                  guidelines: Each individual must identify  
14                  himself or herself for the record,  
15                  including any organization that he or she  
16                  represents. Each individual must address  
17                  all comments to me. All comments must  
18                  relate specifically to the rate application  
19                  that is the subject of today's hearing.  
20                  And each individual must reasonably limit  
21                  his or her comments to three minutes.

22                  We'll now commence the public  
23                  comment period. First person I have on  
24                  here is Lynne Ide with Universal -- I'm  
25                  sorry -- Lynne Ide at the Universal

1 Healthcare -- Universal Healthcare  
2 Foundation of Connecticut.

3 Ms. Ide.

4 MS. LYNNE IDE: Thank you. Hello  
5 again. I'm here today on behalf of the  
6 Universal Healthcare Foundation of  
7 Connecticut. I am Lynne Ide, director of  
8 program and policy. I've submitted  
9 written comments. Much of the first part  
10 of my testimony is the same as the  
11 testimony I gave in the previous  
12 ConnectiCare hearing regarding our concerns  
13 about the rate hike hearing process and its  
14 unfriendliness, really, to consumers.

15 And I won't say the same thing  
16 again, but I just want to go on record  
17 saying that we suggest that the  
18 commissioner meet with advocates and  
19 stakeholders to figure out a better process  
20 for the public weighing in in a public  
21 manner, not just online.

22 You're going to hear -- you're  
23 going to talk more about the actuarial  
24 underpinnings and the rationale for this  
25 proposed average 18.5 percent increase of

1 Golden Rule's rates for off exchange  
2 policies. Here are a few points the  
3 foundation would like to make about what we  
4 believe is an outrageous rate hike request.

5 Golden Rule cited a number of  
6 factors contributing to the proposed  
7 double-digit rate increase, including cost  
8 shifting from the public to private sector  
9 as rates for Medicare and Medicaid decline;  
10 impact of new technology; fees and taxes  
11 associated with the Affordable Care Act;  
12 and more of premiums needed to cover  
13 healthcare costs as deductibles and copays  
14 remain the same.

15 The foundation questions the  
16 legitimacy of these factors in coming to an  
17 18.5 percent rate increase as all insurers,  
18 such as the two others being scrutinized in  
19 today's public hearings, are dealing with  
20 the same factors.

21 How is Golden Rule's experience  
22 of these factors so different that an 18.5  
23 percent rate increase can be substantiated?

24 Secondly, Golden Rule  
25 policyholders are at a possible

1           disadvantage as they are in a health plan  
2           that operates outside of the state's health  
3           insurance exchange; and therefore,  
4           ineligible for federal subsidies to help  
5           them afford their premiums. The CID must  
6           be vigilant in order to prevent price  
7           gouging of this small group of 2,000 Golden  
8           Rule customers.

9                               Finally, in evidence of my  
10           testimony to the inadequacy of this public  
11           hearing process and its consumer unfriendly  
12           nature, there was only one public comment  
13           on Golden Rule's rate hike request on the  
14           CID website as of mid last week. Maybe  
15           that has changed since then, but we believe  
16           that is woefully inadequate. I urge you to  
17           put the policyholder first in your decision  
18           regarding Golden Rule's rate request.  
19           Something has got to give, and it shouldn't  
20           always be hard-working people's wallets.

21                               Thank you very much.

22                               HEARING OFFICER: Thank you very  
23           much. Next we have Albert May.

24                               MR. ALBERT MAY: Good morning.  
25           My name is Albert May, and I'm one of the

1 co-chairs of the Healthcare Team for  
2 CONECT, Congregations Organized for a New  
3 Connecticut, which is a multi-faith,  
4 multi-issue, nonpartisan organization  
5 representing 15,000 people in 27  
6 congregations in Fairfield and New Haven  
7 counties.

8 Before we comment -- or I comment  
9 on the Golden Rule application request, I'd  
10 like to, as my colleagues did earlier  
11 today, compliment Insurance Commissioner  
12 Wade and State Healthcare Advocate Veltri  
13 for the agreement that they reached that  
14 allows for hearings like today's to be  
15 held.

16 Turning now to the Golden Rule  
17 request. We note that the product in  
18 question was first introduced in 2014 for  
19 coverage in 2015, and that there are now  
20 only about 2,000 policies in force in  
21 Connecticut.

22 The company acknowledges in its  
23 filing that it has no existing financial  
24 experience for this product because of its  
25 newness. It has thus based its rate

1 request on, quote, the best information we  
2 have about the expected cost of these  
3 plans, unquote.

4 The company says in its  
5 calculation, it says its calculations  
6 assume a 3 percent annual trend for  
7 utilization and an annual cost trend of 4.9  
8 percent from 2014 to 2015 and cost trend of  
9 3.8 percent from 2015 until next year. It  
10 cites other factors as contributing to the  
11 rate increase it is seeking. It is hard to  
12 see how those factors, plus its trend data,  
13 can lead up to what can only be called an  
14 outrageous request for 18.5 percent  
15 increase. The request would seem to  
16 definitely qualify for your definition of  
17 excessive, which is one of the criteria  
18 that you use in determining what  
19 appropriate rates should be.

20 Although we believe approval of  
21 this rate request will probably only lead  
22 to a flight of customers from Golden Rule  
23 to other insurers; we nevertheless strongly  
24 recommend that the department reject this  
25 request and require the company to refile a

1 request that's more reasonable.

2 We thank you for the opportunity  
3 to address you today directly, and we look  
4 forward to working with you in the future  
5 to ensure that both the rates of insurers  
6 -- that insurers seek are adequate for the  
7 benefits offered, and that at the same time  
8 the needs of consumers for affordability  
9 are protected. Thank you.

10 HEARING OFFICER: Thank you very  
11 much.

12 I'd now like counsel for the  
13 applicant to identify the individuals who  
14 are present and available to testify. And  
15 we'll have those individuals sworn in by  
16 the court reporter.

17 Mr. Caligiuri.

18 MR. CALIGIURI: Thank you,  
19 Hearing Officer Campanelli. Our witness  
20 today is Mr. Scott Westphal. He's a  
21 regional vice president with United  
22 HealthCare. And during his opening  
23 statement he will be elaborating on his  
24 background and credentials, in addition  
25 to providing an overview of today's

1 filing.

2 HEARING OFFICER: Okay. Thank  
3 you.

4 Would you please swear in the  
5 witnesses.

6  
7 SCOTT WESTPHAL, called as a  
8 witness by the Applicant, being first duly  
9 sworn by the Notary Public, was examined,  
10 and testified on his oath as follows:

11  
12 HEARING OFFICER: Mr. Caligiuri,  
13 please proceed with you applicant's  
14 presentation of the application.

15 MR. CALIGIURI: Thank you.

16 MR. WESTPHAL: Good morning. My  
17 name is Scott Westphal, and I'm the  
18 regional vice president with United  
19 HealthCare. My team and I are responsible  
20 for evaluating proposed rates for Golden  
21 Rule Insurance Company that we are  
22 discussing today. I have reviewed and am  
23 familiar with the filing.

24 I am an associate of the Society  
25 of Actuaries and a member of the American

1 Academy of Actuaries. I have approximately  
2 30 years of experience pricing health  
3 insurance products. I've been with the  
4 United HealthCare for about ten years and  
5 have been involved with the pricing of  
6 individual health products for United for  
7 all ten years, which includes the pricing  
8 of Golden Rule Insurance Company individual  
9 health products.

10 We respectfully submit that the  
11 rates proposed by Golden Rule should be  
12 approved by the Connecticut Insurance  
13 Department because they are not unfairly  
14 discriminatory, inadequate, or excessive.

15 The requested rates are proposed  
16 to go into effect January 1st of 2016. The  
17 average rate increase is 18.5 percent. In  
18 preparing this rate filing, Golden Rule did  
19 not have any guaranteed issue ACA claims  
20 experience from 2014 available to use in  
21 developing these 2016 rates. As a result,  
22 we used the 2015 rates for individual  
23 products approved by the Connecticut  
24 Insurance Department as a baseline for the  
25 development of our 2016 rates. We then

1           made adjustments -- certain adjustments to  
2           those 2015 rates in order to arrive at the  
3           proposed rates that have been submitted to  
4           the department for use in 2016.

5                        Because of the timing of when  
6           rate filings are due to be made, our 2015  
7           rates are based on our 2013 experience with  
8           modifications, including morbidity and plan  
9           design differences from pre-ACA to ACA  
10          plans to calculate the 2015 expected  
11          claims.

12                      By doing this, we believe our  
13          methodology presented in this filing is  
14          based on a much more credible block of  
15          business with more credible claims  
16          experience in developing and justifying  
17          these new rates being proposed for 2016.

18                      There are three main drivers of  
19          the increase: one, a 6.9 percent increase  
20          in the claims estimate; two, a 6.5 percent  
21          increase for the change in reinsurance  
22          parameters; and three, a 3.4 percent  
23          increase for the change in benefits and  
24          pricing model.

25                      These three factors make up about

1           18 percent of the proposed increase that  
2           the remaining half a percent is  
3           attributable to the taxes, fees and  
4           expenses.

5                         Allow me to briefly explain each  
6           of these components. With respect to our  
7           claims estimate, the 6.9 percent claim  
8           trend is an estimate of the total increase  
9           in medical cost from 2015 to 2016. The  
10          claim trend is estimated by using  
11          Connecticut-specific claims data from our  
12          small group block of business. Of the  
13          16. -- or the 6.9 percent increase, about 3  
14          percent is for increased utilization and  
15          about 3.8 percent is for increased cost of  
16          services.

17                        We then applied the effect of the  
18          Federal Reinsurance and Risk Adjustment  
19          programs. The new parameters for the 2016  
20          reinsurance program would reimburse Golden  
21          Rule claims over 90,000 with a 50 percent  
22          co-insurance up to \$250,000 per person. We  
23          are estimating Golden Rule will get  
24          reimbursed about 6.2 percent of claims, or  
25          3.5 percent of premium. So the change in

1 the reinsurance program is contributing  
2 about a 6.5 percent increase in rates.

3 Finally, there was a change in  
4 the covered benefits and an update to the  
5 pricing model used to reflect this change.  
6 The change in covered benefits and the  
7 update to the pricing model contributed to  
8 about a 3.4 percent increase in the rate.

9 Based on the foregoing, we  
10 believe our 2016 proposed rates meet the  
11 actual standard required under Connecticut  
12 law to be considered reasonable; that is,  
13 they are not unfairly discriminatory,  
14 inadequate, or excessive.

15 Thank you again for your time  
16 this morning. I look forward to answering  
17 any questions that you may have about our  
18 filing.

19 HEARING OFFICER: Thank you.  
20 We'll now begin the examination of the  
21 witness by department staff.

22 Mr. Lombardo, please proceed.  
23  
24  
25

1 DIRECT EXAMINATION

2

3 BY MR. LOMBARDO:

4 Q Thank you. I was going to mention that I  
5 would ask that whoever seems to be the most appropriate  
6 party, but you are the most appropriate party here.

7 So Mr. Westphal, we ask you a few questions  
8 and anticipate responses. If you do need to get back  
9 to the department, we'll sum it up in the end and I'll  
10 make notes and we'll identify if we need to keep the  
11 record open for additional information.

12 A Thank you.

13 Q Golden Rule's a little unique, so I just want  
14 to spend a couple minutes. Golden Rule entered into  
15 the ACA market in 2014 with a rate filing for 2014, but  
16 you renewed all of your individual business at the very  
17 end of 2014, so it was non-ACA compliant. So the first  
18 full year of ACA compliant experience will be 2015. Is  
19 that correct?

20 A That is correct.

21 Q You did not pick up any new business in  
22 2014?

23 A We did not pick up any ACA compliant new  
24 business in 2014.

25 Q Okay. Thank you.

1           So the historical experience that was  
2 provided in Schedule A of the rate filing -- and I'll  
3 wait for you to access that. The question is: Is that  
4 Connecticut-specific ACA nongrandfathered?

5           A     No, that business is -- it's  
6 Connecticut-specific, but it's non-ACA,  
7 nongrandfathered business.

8           Q     Okay. So all the experience on this exhibit  
9 from 2014 is non-ACA compliant, nongrandfathered.

10           Prior to ACA, you have 2010 year, 2011, 2012.  
11 Was that also nongrandfathered business as well,  
12 non-ACA?

13           A     Yes. This entire experience is  
14 nongrandfathered, non-ACA.

15           Q     Okay. Thank you. There were changes made to  
16 the paid-to-allowed from the 2015 rate filing to the  
17 2016 rate filing. Can you explain what paid-to-allowed  
18 is, and explain why there were differences and changes  
19 from the 2015 to the 2016 filing?

20           A     Yes. So the paid-to-allowed is a ratio that  
21 we use as an estimate of the amount of benefits that we  
22 would pay under each plan.

23                     So the changes are the two components:  
24 There's one based on benefit changes, and then we made  
25 a change to the underlying data in the model that's

1 used to determine the plan relativeness.

2 Q Okay. One of the questions we will have --  
3 and I'll sum this up at the end -- is you identified  
4 about 3.4 percent of the rate change was related to  
5 benefit differences in a model change.

6 Would you be able to differentiate between  
7 the benefit change and the impact on the new model of  
8 that 3.4 percent? So as you ran the benefits through  
9 your previous model, I'm assuming there were benefit  
10 changes, and those benefit changes through your  
11 previous model would have generated a value versus  
12 running the benefit changes through the new model?  
13 What I'm trying to do is isolate the impact of the new  
14 model versus the benefit changes.

15 A Yes. We -- I do not have that data with me.  
16 But we can run that through the old model and tell you  
17 the differences.

18 Q Great. Thank you. I'm glad you understood  
19 the question.

20 Back to Appendix A. There's an  
21 identification on Appendix A of rate increase  
22 components. You identify as you -- in your testimony  
23 you identified the trend was 6.9 percent. There's also  
24 identification of a loss ratio change of 7.2 percent.

25 Again, I'm just trying to get a cross-walk

1 based upon the exhibits versus what you identified as  
2 the changes. So if you can walk me through both what  
3 that is and where the 7.2 came from.

4 A Sure. So the 7.2 is kind of a combination of  
5 the 6.5 percent reinsurance, and then the half a  
6 percent on all of the other taxes, fees, and income.  
7 So those two make up the majority of the 7.2 percent.

8 Q Thank you.

9 There was a significant change in the  
10 methodology of pricing for Golden Rule to a certain  
11 degree. In 2015, as you stated in your testimony, you  
12 based it off of 2013 experience. In 20 -- your  
13 proposed 2016 pricing, instead of using 2014 experience  
14 and updating it to 2016, you continue to use 2013  
15 experience that you had generated 2015 premium rates  
16 for, and then made adjustments to the 2015 premium  
17 rates to get to 2016.

18 Do you know what the impact would be and the  
19 request would be for rate increases if it -- if you had  
20 used 2014 experience with adjustments made to get to  
21 2016? And if you don't, we would appreciate you  
22 submitting it.

23 A Yes. I don't have that information with me  
24 today, but we can submit that.

25 Q Okay. Thank you.

1           There was a couple of things in the rate  
2 filing that were identified and were inconsistent. So  
3 what I'll ask you to do is verify what was actually  
4 used, and then if, through your response, you could  
5 update the rate filing with the correct language within  
6 the rate filing.

7           So under the source and appropriateness --  
8 source and appropriateness of data used in the Part 3  
9 actuarial memorandum, it states that Golden Rule relied  
10 on the guarantee issue claims experience and rate  
11 development of affiliated small group carriers to  
12 develop previously approved individual rates for 2015  
13 plan year.

14           In a previous section it identifies that you  
15 used individual experience for this. I'm assuming that  
16 you used individual experience for your pricing from  
17 your 2013 experience, or did you use small group  
18 affiliated experience?

19           A     No. We used the individual experience from  
20 2013. The small group -- so the small group data we  
21 used was to supplement our trend.

22           Q     Yes. So that part of the Part 3 actuarial  
23 memorandum needs to be updated and reflect that you  
24 used individual for 2013 instead of the small group  
25 affiliated.

1           A     Yes.

2           Q     Just for the record, confirming that the  
3     filing that we have here is for nongrandfathered, fully  
4     ACA compliant offering to current Golden Rule members  
5     and to open to existing new business?

6           A     Yes, it is.

7           Q     For 1/1/2016?

8           A     Yes, it is.

9           Q     One of the difficulties the department has  
10    specifically with Golden Rule is you don't have the  
11    experience of 2014 for a risk adjustment.  So we still  
12    don't know where Golden Rule fits into the risk  
13    adjustment process within Connecticut.

14                    One of the things that we have identified is  
15    that the individual experience indicates that you had  
16    about 12,000 members in 2013; based upon your  
17    experience exhibit, you had about a 9,400 covered lives  
18    in 2014; and based upon this filing as of your filing  
19    that you made for 2016 -- so it would be 2015 -- you're  
20    down to about 3,400 covered lives that have your  
21    existing business.

22                    So it's a significant change in your  
23    membership.  We don't have the ability to identify from  
24    the CCIIO report on June 30th what your risk adjustment  
25    is, but you have a fairly significant adjustment for

1 risk adjustment in your pricing; I believe it's about  
2 \$110 to \$115 per member per month, that you anticipate  
3 paying out. Okay. So that would be -- for the record,  
4 that would be an increase to the premium, because  
5 Golden Rule expects to pay that amount out on a PMPM  
6 basis.

7           That's a significant change in membership.  
8 And yet there's no change in the estimate for the risk  
9 adjustment. So can you please talk a little about the  
10 change in your membership, and also talk about your  
11 pick for the risk adjustment for 2016?

12           A     Sure. So as you mentioned, our membership  
13 has changed significantly. Actually, it's about a 40  
14 percent decrease from the beginning of December '13 to  
15 December of 2014. So when we developed our 2015 rates,  
16 we went through a methodology to kind of estimate what  
17 our risk adjustment payment was. And this is a  
18 medically underwritten block of business. So on  
19 average, it's going to be healthier than the ACA block.  
20 So the risk adjustment is trying to move everybody  
21 towards the market average.

22           So we did the calculation in our 2015 rates  
23 to try to estimate what that was. And as you  
24 mentioned, we don't have the experience. And because  
25 of the dramatic decline in our 2014 experience, we just

1 decided -- used our judgment that we would just use the  
2 risk adjustment payment that we calculated for our 2015  
3 rates and just do the same percentage of claims in our  
4 2016 development. And we would get the actual 2015  
5 data with risk adjustment. We can then make  
6 calculations based on actual data.

7 Q Okay. Of the 3,400 or so covered lives that  
8 are on Appendix A, they're currently on your block of  
9 business for 2015. Could you provide the department  
10 with an estimate of what new business -- what  
11 percentage of new business or what portion of new  
12 business makes up that 3,400, and what existing Golden  
13 Rule business that you had from 2013 is still there?  
14 If you have it, that's great; if you don't, if you can  
15 get it to us.

16 A No. In our projections we are projecting  
17 zero new business in membership. So it's all prior,  
18 existing membership.

19 Q Okay. So the 3,400 that you're showing here,  
20 is what you're telling us is that you have not sold any  
21 new business in 2015 to date?

22 A To date, we've sold three policies.

23 Q Okay. All right. Thank you.

24 The reinsurance recoveries for 2016 you  
25 identified, and I believe it's in the filing, is

1 estimated to be 6.2 percent of incurred claims. It  
2 says, The explanation uses total incurred claims from  
3 an affiliated carrier's individual market nationwide  
4 experience for 2013 trended to 2016. Is that  
5 correct?

6 A No. We used Golden Rule nationwide  
7 experience to determine that estimate.

8 Q So it wasn't an affiliate?

9 A Correct.

10 Q And we'd ask you to update that in the filing  
11 as well.

12 A Yes.

13 Q The next question is: Would that change at  
14 all if you used 2014 data to project the 2016  
15 reinsurance recoveries? Because, as it states, it uses  
16 2013 trended to 2016. If you could provide that  
17 calculation, if you haven't already done that.

18 A Yes, we can provide that.

19 Q Okay. Thank you.

20 You alluded to in your testimony the  
21 percentage effective reinsurance. And you identified  
22 the 90 percent attachment -- excuse me -- the \$90,000  
23 attachment point and the 50 percent co-insurance.

24 Can you talk a little bit more about the  
25 change from 2015 -- you alluded to a difference from

1 2015 to 2016. Can you identify the change from 2015 to  
2 2016?

3 A Yes. So in -- you have 2015 rate  
4 development. The assumption that was built into the  
5 final rates was a \$45,000 attachment point, 70 percent  
6 co-insurance at \$250,000. And in that filing that we  
7 estimated to be about 16.3 percent of claims, about 10  
8 percent premium.

9 So in 2016, the parameters are changing. And  
10 as you mentioned, it's a 90 percent attachment point  
11 with 50 percent co-insurance up to \$250,000. So there  
12 we're estimating 6.2 percent recoveries in reinsurance,  
13 or about 3.5 percent in premium.

14 Q Okay. Thank you.

15 A couple of these questions are related to  
16 the URRT that you provided. And again, I know the  
17 answers, but for the record I want to run through  
18 these.

19 There's a population risk morbidity value of  
20 almost 17 percent. If you're using actual experience,  
21 why would you need to make that adjustment?

22 A So we were using our actual experience. As I  
23 mentioned, this is an underwritten block of business,  
24 and there is a component of underwriting wear-off that  
25 takes place.

1           So since it's a healthier block, claims  
2   increase a little bit more than what normal trend would  
3   be. And the 16.9 was our estimate that we provided in  
4   our development of our 2015 rates.

5           So in the URRT for 2016, we did not update  
6   that for this part of the URRT because we weren't using  
7   the 2014 claims experience.

8           Q    Okay. Would you be able to update that if  
9   you were to use the 2014 claims experience?

10          A    Yes, we could.

11          Q    Okay. Thank you.

12                Another question related to that. There's  
13   another adjustment of 17.7 percent. Can you explain  
14   what that is, the purpose of it?

15          A    Yes. So when -- again, this is a factor that  
16   was built into the development of 2015 rates. And  
17   since these are pre-ACA benefit plans, there's a  
18   significant benefit difference in Golden Rule products  
19   that they offered in the market pre-ACA.

20                So most of this -- or all of this is moving  
21   from up to the essential health benefits and all the  
22   rating components adjustments that were needed to do  
23   that.

24          Q    Okay. Thank you.

25                If you can explain it in a little more detail

1 the make up of the annual cost trend and the annual  
2 utilization trend. I think Golden Rule splits it up  
3 from 2014 to 2015 and then from 2015 to 2016. I  
4 believe utilization is the same 3 percent, but unit  
5 cost is different.

6 Can you speak to that development and why  
7 it's different?

8 A Yes. So what you're referring to is in the  
9 development of our 2015 rates. We had a unit cost  
10 there or total trend of 8 percent, and it was made up  
11 of 4.8 and 3 percent. In our claim estimate that we're  
12 using for '15 to '16, it's 6.9. So it's 3 percent for  
13 utilization and 3.8 percent for unit cost.

14 Q Okay. Next question we have is: Is the  
15 commission -- I believe it's identified as 8 percent in  
16 the rate filing. Is that still the commission level  
17 that Golden Rule pays out?

18 A So the -- we're estimating 8 percent for '16.  
19 It's the same as what we built into last year's filing.  
20 And there is no changes to the commission schedule  
21 anticipated for 2016.

22 Q Okay. This is a general question about that.  
23 It appears to be an outlier when you look at all of the  
24 other companies from a commission load. So I'm just  
25 wondering if you could speak to the pick for 8 percent

1 commission, the schedule itself, versus what most of  
2 your competition, if not all of Connecticut is using,  
3 which is significantly lower than that.

4 A Yes. I wasn't involved in the decision on  
5 the commission level. So I can get back to you with  
6 the answer, but I don't know that.

7 Q That would be great.

8 The last question I have for you is: You  
9 have 18 and a half percent average rate increase, but  
10 it varies from 10.2 to 24.2 percent. That's the range  
11 of your rate increases.

12 Can you talk a little bit about what's  
13 causing that significant fluctuation of rate change for  
14 each of your products that you're making available?

15 A Sure. Again, this gets to the  
16 paid-to-allowed or plan relativity updates that were  
17 made.

18 So there were some plan design changes that  
19 were made. And one of the more significant ones was on  
20 the HSA plan where we went from nonembedded deductible  
21 to an embedded deductible.

22 So this, again, gets to our paid-to-allowed  
23 ratio or plan relativities. We made some benefit  
24 changes. And one of the significant -- more  
25 significant changes was the going from nonembedded

1 deductible to an embedded deductible. And to give you  
2 an example, on HSA that was worth about 5 percent. So  
3 that's driving a lot of the cost variances between the  
4 plan designs.

5 Q Okay. So it's benefit differentials that's  
6 causing the changes, plus or minus benefit  
7 differentials?

8 A Right. Along with changes to underlying  
9 pricing model. So that changes some of the relative  
10 plan designs.

11 MR. LOMBARDO: Okay. That's all  
12 I have, Hearing Officer.

13 HEARING OFFICER: Great. Thank  
14 you.

15 (Witness excused.)

16 HEARING OFFICER: At this time  
17 we'll now commence with the second public  
18 comment portion of the hearing. This  
19 public comment portion will, again,  
20 commence with comments from public  
21 officials and then continue with comments  
22 of other interested persons.

23 I would ask that anyone  
24 interested in participating in this portion  
25 of the hearing will comply with the

1 following guidelines:

2 Each individual must identify  
3 himself or herself for the record,  
4 including any organization that he or she  
5 represents. Each individual must represent  
6 all -- I'm sorry -- must address all  
7 comments to me. All comments must relate  
8 specifically to the rate application of the  
9 insurers, which are under the review by the  
10 insurance department and now pending before  
11 me. I will not have the same time  
12 constraints as earlier, but I reserve the  
13 right to ask you to sum it up.

14 Would anybody be interested in  
15 providing public comments at this time?

16 Okay.

17 MS. VICTORIA VELTRI: Thank you,  
18 Hearing Officer. I'm Vicky Veltri, the  
19 healthcare advocate. Just a couple of  
20 comments.

21 After listening to Mr. Lombardo's  
22 questioning of the applicant on the rate  
23 filing, it seems like there's a lot of  
24 outstanding information that still needs to  
25 be supplemented to the record in this case

1           that isn't necessarily in the filing. It  
2           just needs a lot more flushing out.

3                         And I guess my question is: When  
4           that gets incorporated into the record, I'm  
5           sure it will be up on the website. Will  
6           there be an opportunity for anybody to sort  
7           of respond to that supplemental filing of  
8           information? Because some of the questions  
9           asked are obviously some of the same  
10          questions that I think a lot of people had  
11          about the filing.

12                        So when the record is  
13          supplemented, will there be an opportunity  
14          for comment? I'm not sure there is or not,  
15          but I just wanted to ask.

16                        HEARING OFFICER: We weren't  
17          planning on offering a second opportunity  
18          to comment. Mr. Lombardo will be able to  
19          respond to the information that's received  
20          on the filing. But that will be -- that  
21          will be pretty much all the information  
22          that we'll be getting on that.

23                        We can leave the public comment  
24          record open until the documents are posted  
25          on the website for people to provide

1 electronic public comments, if that would  
2 work.

3 MS. VICTORIA VELTRI: That would  
4 be great. I think people would really  
5 appreciate that. Thank you.

6 HEARING OFFICER: Great. No  
7 problem.

8 Is there anybody else interested  
9 in providing public comment? Okay.  
10 Hearing none, would the applicant like to  
11 respond to any of the public comments  
12 either generally or specifically?

13 MR. CALIGIURI: I would just note  
14 Mr. Westphal has a brief closing statement.  
15 But, you know, as we indicated in this  
16 testimony, Golden Rule faced an important  
17 methodological question based on the data  
18 that it had available to it, and it made a  
19 judgment that there was such a significant  
20 dropoff in the amount of population  
21 involved in the 2014 rate information or  
22 data, that it called into question, in the  
23 eyes of Golden Rule, whether that was going  
24 to end up being the most credible  
25 information and set of experience to use

1           when preparing this rate filing. Because  
2           ultimately Golden Rule's objective was to  
3           prepare a rate filing that was as accurate  
4           as it could possibly be.

5                        Inherent in this process is  
6           making judgments. A key judgment that we  
7           made was that using the older experience,  
8           because it was based on a broader  
9           population, could give us inherently more  
10          reliable information.

11                      Having said that, we understand  
12          the department's questions and are going to  
13          be very happy to provide the supplemental  
14          information that's been requested based on  
15          the 2014 experience. But I wanted to  
16          emphasize again that a lot of thought went  
17          into -- and we understand that the  
18          department and others may disagree with the  
19          methodology, but we wanted to make sure we  
20          emphasized again the thinking that went  
21          into choosing the data sets that we did  
22          use. And it was really attributable to the  
23          significant drop in population into '14,  
24          which, in our minds, called into question  
25          how useful that sampling or that data set

1           would be for us.

2                       So I just wanted to emphasize  
3           that, you know, it was well-thought-out,  
4           whether people agree with it or disagree  
5           with it. And I wanted to emphasize again,  
6           especially for the record, why the decision  
7           was made. Because ultimately the goal was  
8           to use data that enabled Golden Rule to  
9           make the most accurate rate filing  
10          possible.

11                      We've done what we believe is the  
12          most rate -- accurate rate filing possible,  
13          and I wanted to elaborate on what the  
14          underlying thinking was behind that.

15                      With that, I thank you, and with  
16          your permission would be happy to allow Mr.  
17          Westphal to do his closing statement when  
18          you're ready, Hearing Officer.

19                      HEARING OFFICER: Great. Thank  
20          you.

21                      Actually, now would be a good  
22          time. The applicant will now have the  
23          opportunity to make a brief closing  
24          statement. I'm just asking that it be  
25          limited to five minutes.

1 Mr. Caligiuri.

2 MR. WESTPHAL: Thank you for your  
3 time today. We respectfully request the  
4 department's approval of our proposed  
5 rates. As I've discussed during my  
6 testimony, we believe that our 2016  
7 proposed rates meet the actuarial standard  
8 required under Connecticut law to be  
9 considered reasonable; that is, they are  
10 not unfairly discriminatory, inadequate, or  
11 excessive. Thank you.

12 HEARING OFFICER: Okay. Thank  
13 you.

14 Are there any further questions  
15 from the staff of the insurance department?

16 MR. LOMBARDO: No additional  
17 questions. We'd ask that the record of the  
18 proceeding be closed at the end of today,  
19 except for public comment electronically  
20 filed with the department. Once the data  
21 is submitted that we've asked for, I'll  
22 summarize it as using 2014 experience as  
23 appropriate to update that, and just  
24 provide us with the different exhibits.

25 We want to make sure that the

1 applicant understands that asking for  
2 information doesn't necessarily mean that  
3 we're going to use that information and  
4 replace it. We just want those exhibits to  
5 be updated using the 2014 experience where  
6 you've used 2013 experience. So that would  
7 be the reinsurance recovery calculation.  
8 That would be anywhere where you've used  
9 the 2013 individual experience, you would  
10 use 2013 Golden Rule individual experience  
11 that you have.

12 Does the applicant understand  
13 that?

14 MR. WESTPHAL: Yes, I do.

15 MR. LOMBARDO: Okay. And we'd  
16 like to keep the record open for that  
17 submission until July 31st, 2015.

18 HEARING OFFICER: In accordance  
19 with Section 38a-8-40 of Regulations of  
20 Connecticut State Agencies, I'm ordering  
21 the applicant to submit the documents that  
22 Mr. Lombardo requested by July 31st, 2015.

23 The record of this hearing will  
24 be held open for further written public  
25 comment electronically until the close of

1 business, July 31, 2015.

2 Today's hearing is adjourned.

3 Thank you.

4

5 (The hearing adjourned at 11:49 am.)

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CERTIFICATE

I, Bethany A. Carrier, a court reporter within and for the State of Connecticut, do hereby certify that the foregoing 46 pages are a complete and accurate computer-aided transcription of my original stenotype notes taken in the Public Hearing in the Matter of Golden Rule Insurance Company, held before Kristin Campanelli, Hearing Officer, Insurance Department, 153 Market Street, Hartford, Connecticut, on July 27, 2015.

/s/ \_\_\_\_\_

Bethany A. Carrier, RMR, CRR, LSR #071  
Court Reporter

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