



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Aetna Life Insurance Company Individual September 2011 Rate Filing

#### Finding of Facts

##### 1. Connecticut experience:

DOS	Earned Premium	Incurred Claims	Loss Ratio	Expected Loss Ratio	Actual/Expected
CY 2007	6,829,519	4,218,868	61.8%	57.9%	0.874
CY 2008	12,218,411	6,396,948	52.4%	59.9%	0.942
CY 2009	22,825,347	12,117,775	53.1%	60.0%	0.885
CY 2010	32,600,966	17,706,392	54.3%	63.5%	0.855
Total	74,474,243	40,439,983	54.3%	61.3%	0.885

##### 2. Unit Cost and Unit Cost Trend

Service	2008	2009	2010	1Q2011	Trend
Inpatient Facility	\$3,280.66	\$3,563.82	\$3,826.99	\$6,461.84	7.4%
Ambulatory Facility	\$266.64	\$336.13	\$339.27	\$470.09	0.9%
Emergency	\$37.92	\$46.81	\$59.61	\$73.61	27.3%
Specialist Physician	\$63.60	\$67.57	\$81.10	\$88.69	20.0%
Primary Physician	\$69.65	\$65.41	\$66.02	\$68.27	0.9%
Radiology	\$86.36	\$72.19	\$78.67	\$85.85	9.0%
Lab	\$8.81	\$9.91	\$11.66	\$13.09	17.6%
Pharmacy Rider (per script)	n/a	\$25.09	\$26.15	\$20.21	4.2%
Other Medical	\$58.78	\$56.59	\$90.78	\$158.58	60.4%
Total Medical	\$63.02	\$69.56	\$84.56	\$110.60	21.6%

##### 3. Utilization (per 1,000 members) and Utilization Trend

Service	2008	2009	2010	1Q2011	Trend
Inpatient Facility	61.2	72.9	88.7	75.4	21.7%
Ambulatory Facility	344.6	398.3	426.4	333.7	7.1%
Emergency	1,001.7	965.8	930.9	668.2	-3.6%
Specialist Physician	3,804.4	3,887.1	3,652.1	3,428.6	-6.0%
Primary Physician	2,192.1	2,177.8	1,978.2	1,926.7	-9.2%
Radiology	1,128.7	1,150.4	1,230.7	1,094.3	7.0%
Lab	5,117.9	5,112.5	5,087.1	4,608.5	-0.5%
Pharmacy Rider (per rx mem)	n/a	5.0	5.1	5.3	n/a
Other Medical	1,775.5	1,557.1	1,640.3	1,233.9	5.3%

Total Medical	15,426.0	15,321.9	15,034.4	13,369.3	-1.9%
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4. Experience PMPM by Service Category

Service	2008	2009	2010	1Q2011	Trend
Inpatient Facility	\$16.72	\$21.64	\$28.27	\$40.58	30.6%
Ambulatory Facility	\$7.66	\$11.16	\$12.06	\$13.07	8.1%
Emergency	\$3.17	\$3.77	\$4.62	\$4.10	22.7%
Specialist Physician	\$20.16	\$21.89	\$24.68	\$25.34	12.8%
Primary Physician	\$12.72	\$11.87	\$10.88	\$10.96	-8.3%
Radiology	\$8.12	\$6.92	\$8.07	\$7.83	16.6%
Lab	\$3.76	\$4.22	\$4.94	\$5.03	17.1%
Pharmacy Rider (per rx mem)	\$8.19	\$8.91	\$9.66	\$7.79	8.5%
Other Medical	\$8.70	\$7.36	\$12.48	\$16.31	69.5%
Total Medical	\$89.28	\$97.74	\$115.68	\$131.01	18.4%

5. Normalized trend is approximately 8.5% and was used in the claim projections.

6. Aetna does not separately measure the impact of cost share leveraging or medical technology.

7. The average individual benefit plan relativity (medical and pharmacy combined) is:

2008	0.980
2009	0.907
2010	0.873

8. The proposed retention charge used in projecting claims is 21.3%. This does not include profit. The “Supplemental Health Care Exhibit – Part 1” for calendar year 2010 (page 215.1.CT) shows a retention amount of 23.7%. Aetna anticipates an improvement in operating expenses over time.

9. At this time, there are no new mandates effective during the rating period. This filing conforms with the benefit plan provisions required by the Patient Protection and Affordability Act of 2010.

10. Aetna is requesting a rate decrease, that will be effective for all policies on September 1, 2011. It is anticipated that a rebate will be paid for these plans for calendar year 2011 consistent with the federal minimum loss ratio requirements. Aetna is trying to bring these plans to a reasonable rate level over a period of years, in order to avoid a rate decrease followed by a material rate increase in the next year while at the same time members are receiving a rebate. Therefore, at

this time, Aetna does not expect a significant rate increase for these policies in 2012.

11. The filing proposes rate decreases which vary by plan design from approximately 5% to 19.5%, and reflect an aggregate reduction of about 10%. This rate filing affects policy forms: GR-11741-HCRng 01, GR-11741-SOC (12/08) and GR-96400.

### Department Summary

The actual historical loss ratios have ranged from 52.4% to 61.8% and inception-to-date loss ratio is 54.3%, with the most recent incurred loss ratio of 54.3% in 2010. The actual results have been consistently below the expected pricing loss ratios and have produced an actual-to-expected ratio of 0.885 from inception-to-date. In analyzing the historical experience provided and the fact that adjustments will be allowed, for purposes of the MLR rebate calculation, in accordance with HHS issued regulations, the Department believes that the proposed pricing may support the required 80% loss ratio for individual business.

The Department reviewed the 8.5% overall trend assumption in the filing by calculating annual trend for 2010 using the data provided in the rate filing. The result of this analysis was an overall trend calculation of 13.5% from 2009 to 2010. The net overall trend of 8.5% was found to be adequate for purposes of pricing.

Claim lag triangles were analyzed to confirm the most recent estimates of incurred claims and the difference between incurred and paid.

### Department Disposition

Based upon the finding of fact, and the summary information described above, the average rate decrease request of 10%, that ranges from a decrease of 5% to 19.5% depending on the product, is approved as submitted.

The approved ranges, described above, are reasonable in relationship to the benefits being offered, they are also, neither excessive, inadequate or unfairly discriminatory.

Dated May 19, 2011



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