Speed to Market Tools for Individual and Small Group Non-Pediatric Dental Only and Vision Only Plan Rate Filings

**Purpose:** Speed to Market (STM) Tools provide guidance for preparing a filing. Although using the information in this document does not guarantee that your filing will be approved, it will expedite the review of your filing.

# Who should use this document?

**Applicable Licenses:** HCSCs, HMOs and Disability Issuers.

**Applicable TOIs:** H10G, H10I, H20G, and H20I.

**Other Information:** Dental coverage that does not include Stand Alone Pediatric Dental (SAPD) coverage.

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# Speed to Market Information

## Not-for-public and for-public information

### The company may, at its option, submit either one public filing or two separate filings with one for-public and one not-for-public.

### If the company submits two filings, it should include in the not-for-public filing a request for the filing to be confidential in accordance with RCW 48.02.120(3).

#### Include a separate document in both the public and proprietary filings, listing all the data withheld. This list needs to identify each piece of information withheld by description and location in the filing.

#### In the not-for-public rate filing, include all information from the public rate filing plus all not-for-public information. The not-for-public rate filing is a complete rate filing.

## Excel documents in your rate filing

### Excel files may be submitted in support of the rate filing if the following conditions are met:

#### External file links must be broken.

#### Internal formulas must be maintained and support all the calculated amounts. Ensure that data and assumptions flow through the workbook to the final rates to facilitate review.

#### Password protection must not be used on the workbook or any of its content.

### A PDF copy of the Excel file must also be submitted in the rate filing.

#### The contents must match exactly between the Excel and PDF files.

#### The PDF file must fully display the contents of the workbook, including all cells on all spreadsheets. You must unhide all rows, columns, and tabs (i.e., sheets).

#### The PDF and Excel files must be named identically, except the name of the Excel file must end with “duplicate.xlsx.”

#### Ensure that your PDF version is complete and readable. For example, column headings and row descriptions should be repeated on each page for tables that continue across pages. Additionally, there must not be any values that are cut off, displaying as “####”, or otherwise unreadable.

### When a proprietary rate filing is submitted along with a for-public rate filing, unless the Excel file includes public information, the Excel files should only be included in the proprietary filing.

## Rate Schedule and Rate Manual

### In the top section of the Rate/Rule Schedule tab, populate, as appropriate, information such as details related to the prior rate filing.

### Submit the documents referenced in this section on the Rate/Rule Schedule tab in SERFF.

All information needed to complete to determine the premium charged must be submitted on the Rate/Rule Schedule tab in SERFF. Support for the rates used in the premium calculations should be submitted on the Supporting Documents tab, separate from the rate schedule and rate manual.

## Provide the rate schedule and rate manual.

#### Include a rate schedule that lists all new and renewing plans and their corresponding base rates. See WAC 284-43-6100(1) and WAC 284-43-6020(4) and (37). Base rates are plan rates that do not account for any premium adjustments for allowable policyholder or member rating variables (e.g., service area, premium tiering).

#### Include all base rate adjustment factors needed to calculate the final premium in this document. The adjustment factors are premium adjustments based on allowable policyholder and member rating information (e.g., service area, premium tiering structure).

#### Include a premium calculation algorithm that includes all information needed to calculate the final premium charged based on the plan base rates and base rate adjustment factors. [WAC 284-43-6100(5) and WAC 284-43-6020(31)]

#### Provide a comprehensive sample premium rate calculation in your rate manual. The sample calculation should demonstrate the use of each set of plan base rate adjustment factors (rating variables). You may include multiple samples if needed; however, fewer is preferred.

## Plan Information Documentation

### Submit this as a separate document on the Supporting Documentation tab in SERFF.

### Provide a list of all the company’s plans (individual or small group). For each plan in the list:

##### Identify the plan name.

###### If the plan name is changing, identify the previous and new plan names.

##### Identify the plan status (New, Renewing, or Terminated)

###### New plans can be filed in a rate change filing for the pool or in a separate rate filing.

##### Identify the form number corresponding to the plan.

##### Identify the SERFF tracking number of the form’s most recent form filing in SERFF.

##### (2) Provide a summary of the plans offered. Highlight plan design details that drive differences in premiums between plans. Ensure your summary includes applicable waiting periods and any applicable riders.

#### (3) Provide a list of all renewal plans and their structural changes. You should include all renewal plans in the list, even if there are no structural changes to some plans. For plans without changes, confirm that in the list.

##### (A) Address benefit and cost-sharing changes.

##### (B) Address other significant changes such as changes to service area or provider network.

#### Note that consideration of structural changes to plans, in your rate development, should be documented in the Actuarial Memo and material rate impacts should be supported in your rate development.

#### If this filing is proposing rate changes, provide a list of all plans, with the proposed base rate percentage changes.

## Actuarial Memorandum and Certification

### Submit this as a separate document on the Supporting Documentation tab in SERFF.

### Submit only one actuarial memorandum and actuarial certification in the rate filing.

### Include the information below in the Actuarial Memorandum. The Actuary should include additional information as appropriate.

### General Information

#### Include a description of the data used in the development of your rates. The description should address the source and how you assessed the credibility of the data. Include credibility analysis and calculations consistent with Actuarial Standard of Practice (ASOP) No. 25.

#### Include a percentage breakdown of the premium retention loads, including commissions, regulatory surcharge [RCW 48.02.190], and margin/profit, that support your expected loss ratio.

#### Identify the key assumptions in your rate development [see WAC 284-43-6100(1)-(5)].

#### Provide any cost and utilization trends or adjustment factors applied to the data.

#### Specify your rate renewal period (the time span over which the actuary expects the premium rates, whether level or increasing, to remain adequate in accordance with his or her best estimate of future experience and during which the actuary does not expect to request a rate increase [WAC 284-43-6020(35)]).

#### Identify how you assessed the reasonableness of your rate development.

### For renewal rate filings, describe how you analyzed the experience and identified sources of adverse experience. Include a description of the validation process used, any material findings, and how you addressed the findings in the rate development.

#### Washington does not charge Premium Tax for non-pediatric Individual and Small Group Dental business [RCW 48.14.020(2)(a) or 48.14.0201(6)(c)]. If you include an amount for retaliatory taxes [RCW 48.14.040], submit a summary of your most recent tax submission form as justification and show how the information was used to calculate the retaliatory tax load.

#### Include a signed actuarial certification in accordance with WAC 284-43-6100, as applicable. The contents should include, but not be limited to, the following:

##### Reliance information,

##### The applicable ASOPs, including ASOP No. 23, Data Quality, and ASOP No. 41, Actuarial Communications,

##### Identification of the certifying actuary and a statement that he or she is a member of the American Academy of Actuaries (MAAA), and

##### The date the actuary signed the certification.

### Base rate development information

#### Ensure that the base rates are defined according to WAC 284-43-6020(4).

#### “Base Rate” means the “Premium” for a specific “plan,” expressed as a monthly amount per “covered person or subscriber,” prior to any adjustments for geographic area, age, family size, wellness activities, tenure, or any other factors as may be allowed.

##### Note: For dental plans with different benefits for adults and children, primarily due to child only orthodontia, we will accept separate adult and child base rates for each plan.

#### Base Rates should not reflect the Plan’s experience per the single risk pool requirement in WAC 284-43-6100.

#### Base Rates should reflect a pool-wide average risk factor of 1.000. In other words, base rate development should normalize to the pool-wide average. Base rate adjustment factors must be on the pool-wide average basis.

#### Ensure that you explain how the company adjusted experience data for the profiles of new and renewing groups, if any. Show the adjustment in your rate development documentation.

### Adjustment Factor Preliminary Details

#### List all the base rate adjustment variables included in the filing (e.g., geographic region, age, family size). For each rating variable:

##### Indicate if the set of factors is new, changing, or remains the same as in the last rate filing.

##### For both changing and new adjustment factors, provide each corresponding rate impact. State the justification for the change or addition and how the proposed values were determined in the rate development documentation referenced below.

##### For adjustments that stay the same, explain when they were last evaluated and why it is appropriate for them to stay the same.

#### Note that regulations do not allow premium discounts for purchasing multiple coverages (e.g., dental-only and vision-only products purchased simultaneously), so ensure no such discounts are included. For example, discretionary discounts/adjustments to premiums based on producer or other criteria are not allowed.

## Rate Development Documentation

### Overview

#### For regulatory definitions applicable to this section, see WAC 284-43-6020.

##### Key terms include, but are not limited to, base rate, community rate, experience period, plan, premium and premium rate, and rate schedule.

#### For rate development and pooling related regulations, see WAC 284-43-6100.

#### The purpose of the rate development documentation is to provide detailed support for the plan base rates and plan base rate adjustment factors. Ensure your documentation includes enough detail to show that your development in appropriate and results are reasonable.

#### Pooling Information

##### Per WAC 284-43-6100, the experience of all Individual plans in the experience period must be pooled. Similarly, the experience of all Small Group Plans must be pooled.

##### Pooling applies to both claims and non-claim costs (expenses). However, the development of pooled claims and other cost elements should be done separately as described below and in WAC 284-43-6100.

##### Experience refers not only to claims experience but also to expenses. All experience, including experience of plans that will not be offered going forward, should be part of the pool.

##### Appropriate adjustments can be made in the rate development methodology given appropriate justification.

##### The premium, claims, and expense data should be consistent with the information in WAC 284-43-6660.

#### Note that rate development details may vary by carrier and product, but all are filings are required to address the applicable components in WAC 284-43-6100. Below is a general outline of rate development based on requirements of WAC 284-43-6100. This is intended to prepare the filer for more specific rate development support guidance provided in later sections.

##### Rate development begins with documentation supporting the current and proposed pooled rates (i.e., the overall average rates for the pool or community rates).

###### The result of this step is an estimated pooled rate for the projection period that represents a common basis for developing the plan base rates, plan base rate adjustments, and the overall rate change estimate for the pool.

###### This step separately develops estimates of overall average claims, expenses, and any other cost components that impact the pool.

###### Development may be based on the pool’s experience, appropriate experience outside the pool with adjustments, or a manual rate with adjustments depending on the credibility of the pool’s experience in Washington State as addressed below.

##### The next major step develops the plan base rates using the results of the previous rate development (pooled rate).

###### The result of this step is a set of base rates that are used to make the rate schedule for the filing.

###### Base rate development should use plan factors to adjust the overall average rate for the pool to plan base rates.

###### Due to pooling requirements, plan factors cannot be based on the plan’s direct experience; they must instead reflect differences in structural elements of the plans (e.g., benefits, cost-sharing, network, and service area).

###### Plan factors do not change the overall average rate (i.e., cost) of the pool in the projection period; therefore, the plan factors should be normalized to the pool’s average rate.

##### The last major step documents any additional rating variables used to adjust the plan base rates and calculate the final premium rates.

###### The result of this step will be a rate manual that includes all the plan base rates and rate adjustments needed to calculate the final premium rates.

###### The rating variables may include industry standard rating variables like age, geographic location, and industry. Industry standard rating variables require less support that non-standard rating variables; details are provided below.

###### To not be unfairly discriminatory, the rating variable factors cannot be based on the pool’s specific experience but must relate to expected changes in cost [RCW 48.18.480].

### Pooled Rate Development

#### The sections below identify support you should provide for the current and proposed pooled rate, and the rate change for the pool.

##### The pooled rate is the overall average rate for the pool in the experience period (current) and the projection period (proposed).

#### Pool’s **Experience Data**

##### For renewal rate filings, provide an exhibit with the member months, earned premium, paid claims, incurred claims, incurred expenses, and loss ratio.

###### Include information for at least the last two years, if available.

###### Provide the monthly membership totals.

###### Provide the financial information in both dollars and per member per month (PMPM) by month.

###### Include an estimate of the adjusted earned premium, if applicable.

###### Note that experience data may include capitation, utilization data, unit costs, and staffing data.

#### Pooled **Claims** Rate Estimate Documentation (for both experience period and projection period)

##### Provide development of overall average claims PMPM for the pool (i.e., the pooled rate).

##### For renewing products (i.e., rate change rate filings), show that the pooled rate is based on appropriate experience.

###### The pooled rate should be based on the pool’s experience when credible. When partially credible, the pooled rate should be credibility-weighted with other appropriate experience or a manual rate.

###### When blending experience, identify a credibility model or standard, and estimate the credibility of the pool’s experience. Additionally, show the calculated credibility-based weights used to blend the rates.

###### For details about supporting the manual rate component, see the next section related to new products.

##### For new products (new rate filings) or use of experience from outside the pool, provide documentation supporting the development of the manual rate for the overall pool.

###### Identify the source of the manual rate, the data sources used to develop the manual rate, why it is appropriate, and the experience period represented in it.

###### Include an outline of the rate buildup calculations, including enough detail to communicate that the results are reasonable for the overall pool.

###### Identify how your manual rate development accounted for cost and utilization specific to the proposed service area of the product in Washington State.

#### Pooled **Expense** Rate Estimate Documentation (for both experience period and projection period)

##### Provide rate development for the pooled expense rate which is the overall average expense rate for the pool.

##### Provide two-year historical PMPMs for expenses, commissions, and taxes.

##### Identify the data sources used to develop the expense estimates, address why they are appropriate, and the experience period(s) represented.

##### Include a breakdown of the carrier’s expenses allocated or assigned for the experience period or the most recent annual statement.

###### The expense breakdown should be at least as detailed as the annual statement schedule "Underwriting and Investment Exhibit, Part 3, Analysis of Expenses.”

##### Provide an itemized list of expenses included in the data used.

##### Describe the allocation and assignment methodology used in the expense estimate development. Identify the portion of the company’s business accounted for by the product.

##### Identify any extraordinary experience period expenses that required adjustments.

##### Identify material assumptions and adjustments used in your expense development.

##### Identify whether your expense estimates include overhead expenses and how much of your expense estimate is attributed to overhead expenses. Explain whether it is company practice to include overhead in all premium development.

##### Note on Premium Tax: Washington does not charge Premium Tax for non-pediatric Individual and Small Group Dental business [RCW 48.14.020(2)(a) or 48.14.0201(6)(c)]. However, carriers may rate for retaliatory taxes [RCW 48.14.040] that have been charged by Washington provided that documentation is submitted for such payments made on Dental business.

#### **Capitation** (Pool-Level)

##### Include a comparison of changes in cost related to capitation in the experience period and projection period.

##### Confirm that the capitation cost component is based on a finalized capitation agreement for the projection period.

###### If the agreement is not finalized, provide detailed support for your capitation cost estimates. The information provided should identify what is known about the agreement and assumptions.

##### Identify cost components related to capitation agreements.

##### Provide quantitative support for the capitation cost that shows it is reasonable in relation to the benefits provided.

#### **Trend Estimates** (Pool-Level): Provide support for your trend estimates.

##### Provide recent historical claims PMPM outcomes from the pool.

##### Identify (1) the experience period considered in your trend estimate and (2) the projection period.

##### Identify supplementary sources of experience considered in your trend development and the degree to which the trend assumption reflects Washington State specific experience (e.g., experience from Washington State large group market or nationwide). Also, identify the source of the experience and whether it is sourced internally or externally.

##### For Dental trend projections, carriers should not exclusively rely on single-source national “all Dental business” claims trend projections from a specific consultant’s publication, especially if the results do not reflect outcomes solely for Individual/Small Group business.

##### Identify material assumptions and adjustments used in your trend development.

###### Identify the degree that your trend estimate reflects completed contracting and expected contracting in your Washington State service area. If you develop your trend estimate independent from contracting, explain whether your trend estimate is consistent with your contracting expectations.

###### If you project utilization increases, provide justification. Keep in mind that, on the surface, it would seem there is limited opportunity for such changes in the standard Dental/Vision products.

#### "**Contribution to surplus, contingency charges, or risk charges**" not associated directly with claims or expenses (see WAC 284-43-6020(13)):

##### Using WAC 284-43-6660 outcomes, provide the company’s actual outcomes (as percentage of premiums) compared to the pricing profit charge (1) separately for three years and (2) combined over the three-year period.

##### Justify your contribution to surplus (i.e., profit charge) in the context of this information: the overall limited risk in Dental/Vision business due to limitations on utilization for certain services, waiting period criteria, and limited exposure due to annual maximum benefit levels. In this regard, note the requirement in WAC 284-43-6040(2)(c).

##### For multi-state/national carriers filing in Washington, please describe how Washington’s charge compares to charges in other states.

#### **Proposed Pooled Rate** (Overall Average Rate for the Pool in the Projection Period)

##### Show the derivation of the proposed pooled rate based on the cost components referenced above.

#### Proposed Pooled **Rate Change Calculation**

##### Show development of the current and proposed community rates.

###### The development must be consistent with the definitions of community rates, current community rate, and proposed community rate in WAC 284-43-6020.

###### The community rates should tie to the rate development referenced in other sections of this document.

###### Ensure the rates are consistent with the entries in WAC 284-43-6660.

##### Show the rate change required and the rate change requested (if applicable).

###### The pooled rate change or the selected lower pool rate level should either be (a) allocated uniformly over all plans in the filing or (b) justified by each plan’s benefit-/cost-sharing relativity.

###### If the company decides to adjust the rate change based on each plan’s benefit relativity, the company must demonstrate aggregate “revenue neutrality” showing that projected revenues after benefit relativity adjustments are the same as projected revenues with a flat (i.e., uniform) rate change applied to every plan.

### Plan Base Rates Development

#### Show the buildup of your plan factors; development of the factors will vary.

##### The plan factors adjust the pooled rate (i.e., overall average rate for the pool) to the average rate for each plan in the product.

##### Your support should show that the factors are based on cost and not the experience of the pool per WAC 284-43-6100 and RCW 48.18.480.

###### Plan factors should not reflect expenses.

##### Normalize your plan adjustment factors to the pooled rate so they do not impact the overall expected costs for the pool. Your rate development should show this result.

#### Calculate the plan base rates

##### Plan base rates must be based on the pooled rate and the plan factors.

##### The plan base rates must match your rate schedule.

### Additional Rating Variables and Development

#### This section relates to rating variables (base rate adjustment factors) included in the rate manual that are used to calculate the final premium rates, starting with the plan base rates in the rate schedule. [WAC 284-43-6100(5)]

#### Provide a list of rating variables included in the rate manual and identify which are widely used in the industry.

#### Note that regardless of whether the plan adjustments are widely used in the industry, the factors must be based on cost per RCW 48.18.480. However, due to pooling requirements, the factors cannot be based on the pool’s experience per WAC 284-43-6100.

#### Trend adjustments in premium calculations:

##### Quarterly trend adjustments are allowed (if desired and supported) in the small group (non-SADP) dental and vision markets, this aligns the markets with business practices and health plan markets. However, the trend must have an end date of no more than four quarters from the start of the projection period for the based rates, meaning that rates with effective dates after the fourth quarter remain the same as the fourth quarter rates until an updated rate filing is submitted.

##### Trend adjustments are not allowed in the individual (non-SADP) dental and vision markets.

#### Justification requirements for plan base rate adjustments (i.e., additional rating factors) vary depending on whether they are widely used by the industry.

##### For rating variables that are not industry standard, provide the following supporting information for each variable (i.e., set of adjustment factors).

###### Explain why the company believes that the specific adjustments are appropriate per WAC 284-43-6100(5)(b).

###### Provide information about the development of the rating variable.

Identify the data used to develop the variable factors, the data source, experience period, its credibility and its appropriateness. Ensure your data source does not violate the pooling requirements of the product.

Describe the modeling method used to develop the factors.

Identify and justify material adjustments and assumptions used in the factor development.

###### Provide cross-validation support for the rating variable

Identify the cross-validation method used to test overall rating model improvement.

Address the selection of training and testing data.

To support non-industry standard rating variables, assessing model performance can be based on the pool’s experience if credible. If not credible, other appropriate experience should be used.

Select and define appropriate performance metrics to test and compare your rating models’ performance.

Include at least one metric that measures the model’s claim projection accuracy (average performance) and one that measures precision (variance of performance).

Ensure the definitions you provide include enough detail to clarify their meaning, development, and appropriateness. Note that r-squared and adjusted r-squared are not acceptable metrics for this task.

Provide quantitative results of the rating models’ cross-validation, the results of the model without the proposed rating variable, and the model with the proposed rating variable.

Provide results at the pool and plan levels.

Compare the cross-validation results and explain why rating model improvement justifies the addition of the proposed variable.

Compare results at the pool and plan levels. The results at the pool level should show improvement. Explain any significant differences in improvement across plans.

##### For adjustments that are industry standard, identify the source of the adjustment factors, when they were developed, and the experience period represented.

###### If the factors were not sourced from the industry (i.e., they were developed in-house), provide a detailed explanation of the data used, the development methodology, and key assumptions and adjustments. Include enough detail to communicate that the methods used are appropriate and the results are reasonable.

## WAC 284-43-6660 Filing Summary.

#### Provide a completed WAC 284-43-6660 filings summary on the document on the Supporting Documentation tab in SERFF.

#### Use the “*Format - Rates - WAC 284-43-6660 Summary Duplicate”* document (provided on the [OIC website](https://www.insurance.wa.gov/filing-instructions)). Also provide the corresponding PDF file version in the rate filing submission.

#### Make sure that the information provided for “Rate Renewal Period,” “Proposed Community Rate,” “Current Community Rate,” and other terms are based on the definitions in WAC 284-43-6020.

#### Include an exhibit that shows PMPM values for the three-year period. For expenses, please provide a PMPM breakdown for the following items: (a) Administrative Expenses, (b) Taxes, (c) Commissions, and (d) Other Expenses.

## Other Rating Issues

#### For the requirements in WAC 284-43-6100(1) through (6), if the company seeks an exemption as permitted by WAC 284-43-6100(7), provide the justification for each requirement in WAC 284-43-6100(1) through (6).

#### Changes that result from objections cannot be offset by changes to other components in the rate development.

#### In this regard, please note that to keep premiums unchanged, we may allow a reduction to the contribution to surplus.

#### For small group filings, a carrier may choose to file for a period longer than twelve months by filing the trend factor it intends to apply beyond twelve months – but not beyond two years – if the trend factor is reasonable and the plan benefits remain at the current levels. Note that if subsequently the company wants to apply a different set of rates, a new filing must be submitted.

# Contact Us

### For filing related questions, contact the Rates, Forms, and Provider Networks (RFPN) Help Desk:

(360) 725-7111

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### For feedback or suggestions, email us:

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