

**CHECKLIST FOR NEW HEALTH CARE SERVICE PLAN  
LICENSE APPLICANTS FINANCIAL PROJECTIONS  
DATA SOURCE CHECKLIST**



**Name of Health Care Service Plan:** \_\_\_\_\_

**Date:** \_\_\_\_\_

This checklist is to be filed by new license applicants (preferably to be completed by an Actuary), in addition to actuarial certification, when filing Exhibit HH projections. Some specialized health plan applicants may not be required to obtain an Actuary, please consult with Division of Financial Oversight.

Target Market (Please check all that apply):

Commercial:

Large Group  
Small Group  
Individual

Medi-Cal:

Family  
Disabled  
Dual Eligible

Medicare:

Medicare Advantage  
Prescription Drug Plan

Specialty HMO:

Dental  
Vision  
Other \_\_\_\_\_

1. Note anything unique about target market that would affect the primary cost data used by the applicant's actuary to calculate projections (e.g., frail elderly, Native American, etc.):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Benefits to be Provided (Please check all that apply):

Medical  
Prescription Drugs  
Mental Health

Vision  
Dental  
Other \_\_\_\_\_

3. Geographic area to be covered: \_\_\_\_\_

Source Data and Adjustments

4. Describe data sources used in developing claims PMPM:

a. Underlying population \_\_\_\_\_  
\_\_\_\_\_

**CHECKLIST FOR NEW HEALTH CARE SERVICE PLAN  
LICENSE APPLICANTS FINANCIAL PROJECTIONS  
DATA SOURCE CHECKLIST**

- b. Underlying benefits \_\_\_\_\_  
\_\_\_\_\_
- c. Area \_\_\_\_\_  
\_\_\_\_\_
- d. Time period \_\_\_\_\_  
\_\_\_\_\_
- e. Other \_\_\_\_\_  
\_\_\_\_\_

5. Is data source specific to target population?

Yes  
No

6. If no, describe how data was adjusted for target population and benefits:

- a. Demographic adjustment \_\_\_\_\_  
\_\_\_\_\_
- b. Morbidity adjustment \_\_\_\_\_  
\_\_\_\_\_
- c. Area adjustment \_\_\_\_\_  
\_\_\_\_\_
- d. Adjustment for benefits \_\_\_\_\_  
\_\_\_\_\_
- e. Adjustments for provider contracts \_\_\_\_\_  
\_\_\_\_\_
- f. Other adjustments \_\_\_\_\_  
\_\_\_\_\_

7. Do projections include adjustments for items a. through f. above?

Yes  
No (if no, please indicate why)

8. Please summarize all adjustments to demonstrate reasonability: \_\_\_\_\_  
\_\_\_\_\_

**CHECKLIST FOR NEW HEALTH CARE SERVICE PLAN  
 LICENSE APPLICANTS FINANCIAL PROJECTIONS  
 DATA SOURCE CHECKLIST**

9. Resulting claims PMPM from experience (i.e., after applicable adjustments): \_\_\_\_\_

Trending

10. Center point of source data: \_\_\_\_\_ (e.g., if experience period is January 1, 2003 through December 31, 2003, the center point is July 1, 2003.)

11. Center point of projection period: \_\_\_\_\_ (e.g., if experience period is January 1, 2005 through December 31, 2005, the center point is July 1, 2005.)

12. Number of months between projection period and experience period: \_\_\_\_\_

13. Trend rates by benefit:

Benefit Description	Cost Trend	Utilization Trend	Supported*	
a. _____	_____	_____	yes	no
b. _____	_____	_____	yes	no
c. _____	_____	_____	yes	no
d. _____	_____	_____	yes	no
e. _____	_____	_____	yes	no
f. _____	_____	_____	yes	no

\* Please provide documentation supporting trends.

Provider Reimbursement

14. Describe the anticipated method of reimbursement for the following service categories:

a. Inpatient hospital \_\_\_\_\_  
 \_\_\_\_\_

b. Outpatient hospital \_\_\_\_\_  
 \_\_\_\_\_

c. Physician \_\_\_\_\_  
 \_\_\_\_\_

d. Prescription Drug \_\_\_\_\_

**CHECKLIST FOR NEW HEALTH CARE SERVICE PLAN  
LICENSE APPLICANTS FINANCIAL PROJECTIONS  
DATA SOURCE CHECKLIST**

\_\_\_\_\_

e. Ancillary Services \_\_\_\_\_

\_\_\_\_\_

15. Describe the method of reimbursement underlying the source data for the following categories:

a. Inpatient hospital \_\_\_\_\_

\_\_\_\_\_

b. Outpatient hospital \_\_\_\_\_

\_\_\_\_\_

c. Physician \_\_\_\_\_

\_\_\_\_\_

d. Prescription Drug \_\_\_\_\_

\_\_\_\_\_

e. Ancillary Services \_\_\_\_\_

\_\_\_\_\_

16. How does the anticipated provider reimbursement compare to provider reimbursement in underlying claims data? \_\_\_\_\_

\_\_\_\_\_

17. Will providers share claims risk?

Yes  
No

18. Have adjustments been made to reflect differences between the provider risk sharing in the source data and the anticipated contracts?

Yes  
No (if no, please provide clarification)

19. Are provider contracts finalized and signed?

Yes  
No (if no, date anticipated: \_\_\_\_\_)

**CHECKLIST FOR NEW HEALTH CARE SERVICE PLAN  
LICENSE APPLICANTS FINANCIAL PROJECTIONS  
DATA SOURCE CHECKLIST**

Managed Care Assumptions

20. Does the Plan anticipate reductions in utilization from medical management programs that are anticipated due to different medical management programs that were in place during the experience period?

Yes (if yes, anticipated reductions should be supported in the documentation)

No (if no, please indicate why)

Revenue Projections

21. What is the anticipated source of membership? \_\_\_\_\_  
\_\_\_\_\_

22. What is the estimated number of individuals in the target market? \_\_\_\_\_

23. How many competitors are currently serving the target market? \_\_\_\_\_

24. How many individuals in the target market are currently enrolled with competitors? \_\_\_\_\_

25. Please demonstrate that enrollment forecasts are reasonable in light of potential enrollees and the competitive environment: \_\_\_\_\_  
\_\_\_\_\_

26. What are the general components of administrative cost?

	\$MPM	% of Premium
Claim processing	_____	_____
Underwriting and enrollment	_____	_____
Commissions (commercial only)	_____	_____
Reinsurance	_____	_____
Medical management	_____	_____
Network access fees	_____	_____
Total	_____	_____

Note: Please be sure to consider the following expenses in your projections: rent, salary & benefits, DMHC fees, CPA Audit Fees and G & A Expenses (provide an attachment w/breakdown of G & A expenses).

27. Are total administrative costs reasonable when compared to other HMOs in similar markets of similar size?

Yes

No (if no, please provide justification for deviation)

**CHECKLIST FOR NEW HEALTH CARE SERVICE PLAN  
LICENSE APPLICANTS FINANCIAL PROJECTIONS  
DATA SOURCE CHECKLIST**

28. What is the anticipated contribution to surplus/profit as a % of premium? \_\_\_\_\_

29. Is the contribution to surplus/profit reasonable when compared to other HMOs in similar markets of similar size?

Yes

No (if no, please provide justification)

---

---

New Applicant Startup and Projected Tangible Net Equity Position

30. a. What is the initial surplus? \_\_\_\_\_

b. How long will it take the Plan to break even? \_\_\_\_\_

c. Has the Plan provided estimates of tangible net equity (TNE) annually?

Yes

No (if no, please provide)

d. Does the Plan meet or exceed TNE requirements throughout the projection period?

Yes

No

e. Has the HMO purchased stop loss reinsurance?

Yes (if yes, what level): \_\_\_\_\_ )

No (if no, please justify)

31. Has the filing been signed by a member of the American Academy of Actuaries?

Yes

No (if no, please provide certification)

**CHECKLIST FOR NEW HEALTH CARE SERVICE PLAN  
LICENSE APPLICANTS FINANCIAL PROJECTIONS  
DATA SOURCE CHECKLIST**

Definitions:

1. Experience Period - The time for which historic incurred claims, membership and premiums are available. This is generally a twelve-month period, although there may be times when a full twelve months is not available. Some companies use two separate twelve-month periods and blend the experience. Example: Claims incurred in calendar year 2004 are the starting point for generating expected claims in 2006. Calendar year 2004 is the experience period.
  
2. Projection period/ rating period - Projection period and rating period can be used interchangeably. This is the period for which the premiums will be in effect. This period is in the future. Example: Claims incurred in calendar year 2004 are the starting point for generating expected claims in 2006. Calendar year 2004 is the experience period. Calendar year 2006 is the projection period/rating period.
  
3. AWP (average wholesale price) - This is applicable when analyzing the allowable prices and/or measuring discounts for drug claims. Generally, reimbursements for drug claims are expressed as a percentage off AWP. Example: AWP minus 10% means that the allowable price for this particular drug (or type of drug, such as generic) is 10% less than the average wholesale price.