

## EXHIBIT 13b: NARRATIVE SUMMARY

Company Name:	<b>Affinity Health Plan</b>
NAIC Code:	<b>15017</b>
SERFF Tracking #:	<b>AFHP-131011449</b>
Market Segment:	<b>Individual</b>

Affinity Health Plan, Inc. is requesting an average rate increase of 23.7% across all its individual products effective January 1, 2018. The rate changes vary by plan due to changes in cost sharing parameters (e.g. deductible, coinsurance, copays). The requested rate increase impacts 4,484 subscribers and 6,353 members.

The following are the main drivers of the premium rate increase.

1. Payments into the permanent risk adjustment program. The risk adjustment transfer was introduced with the Affordable Care Act (ACA) and was designed to equalize the amount of risk assumed by each carrier in the marketplace. In general, within each state the health status of each carrier's block of business is compared to the statewide average, and carriers with higher risk scores will receive subsidies from those with lower risk scores (and vice versa). The estimated transfer payment in 2018 is expected to be lower than 2017, which reduces the overall rate increase.
2. Anticipated changes in demographic mix.
3. Higher administrative costs in 2018 due to emerging information regarding operating costs and membership. Affinity is targeting an 83.4% loss ratio, which exceeds the New York state minimum of 82%.
4. Anticipated changes due to medical/prescription drug price inflation and increased medical/prescription drug utilization.
5. Unfavorable 2016 claims experience. The incurred claims in 2016 were higher than expected.

The table below summarizes the components of the rate increase:

Rate Increase Driver	Change <sup>1</sup>
Risk Adjustment	-9.7%
Demographics	7%
Administrative Costs	3.2%
Trend 2016 to 2017	4.5%
Unfavorable 2016 Claim Experience	18.7%
<b>Total</b>	<b>23.7%</b>

<sup>1</sup>Total is multiplicative: multiply (1 plus each change) and subtract 1

**EXHIBIT 13a: NUMERICAL SUMMARY AND RATE INDICATION CALCULATION**

**NUMERICAL SUMMARY**

Company Affinity \_\_\_\_\_  
 NAIC Code: 15017 \_\_\_\_\_  
 SERFF Tracking #: AFHP-131011449 \_\_\_\_\_  
 Market Segment: Individual \_\_\_\_\_

- 1 Please complete the Numerical Summary below as well as the Narrative Summary (a separate attachment) for each market segment for which a rate filing is being submitted.
- 2 The Narrative Summary must be in plain English and should clearly and simply explain the reasons for the requested rate adjustment (This should be included in the provided blank template "2018 Exhibit 13b - Narrative Summary.docx")
- 3 The purpose of the Narrative Summary is to provide a written explanation to the company's policyholders to help them understand the reasons why a rate increase is needed.
- 4 The purpose of the Numerical Summary is to provide a clear and simple overview of the requested rate adjustment.
- 5 These Summaries (with the exception of the Rate Indication Calculation Section) will be public documents and will be posted on DFS's website and furnished by DFS to the public upon request.
- 6 The company should submit these Summaries to DFS ten (10) days before submitting a rate adjustment filing.
- 7 A draft of these Summaries and of the Initial Notice must be included in a "Prior Approval Pre-filing" submitted to DFS via SERFF.
- 8 Once reviewed by DFS, these Summaries must be posted to a location on its website that is publicly available and accessible without the need for a user ID/password.
- 9 Links should be provided on key pages of the company's website so that the information may be easily located.
- 10 Any change(s) made to the Narrative Summary/Numerical Summary subsequent to the posting must be submitted to DFS with the specific change(s) identified.
- 11 Rate Change Adjustment calculations between Year 2017 and 2018 should be based on the DFS Membership Survey data as of 3/31/2017.
- 12 This exhibit must be submitted as an Excel file and as a PDF file.

**A. Average 2017 and 2018 Premium Rates:**

- 1 Average Premium Rates are as calculated in Row 30 of the appropriate columns in Exhibit 13c (Columns L-Q for 2017 and Columns U-Z for 2018)
- 2 Premium Rates for 2018 should be Consistent with the Premium Rates reflected in Exhibit 23.

	Average Individual Rate Platinum	Average Individual Rate Gold	Average Individual Rate Silver	Average Individual Rate Bronze	Average Individual Rate Catastrophic
2017 Weighted Average Base Premium Rates	\$ 672.41	\$ 578.89	\$ 487.42	\$ 401.88	\$ 213.61
2018 Weighted Average Base Premium Rates	\$ 833.47	\$ 704.96	\$ 601.85	\$ 502.46	\$ 222.13

**B. Weighted Average Annual Percentage Requested Adjustments:**

	2017 to 2018	2017 Weighted Average PMPM Rate All - Metals	2018 Weighted Average PMPM Rate All - Metals
Requested Rate Adjustment	23.54%	\$ 479.94	\$ 592.92

From Cells Q-72 and Z-72 of Exhibit 13c

**C. Weighted Average Annual Percentage Adjustments for each of the Past Two Years [If Applicable]\*:**

	2015 to 2016	2016 to 2017
Average Rate Adjustment Requested	6.63000%	20.70000%
Average Rate Adjustment Approved	6.63000%	22.40000%

**D. Average Medical Loss Ratios [MLR] for All Policies Impacted [Ratios of Incurred Claims to Earned Premiums] [If Applicable]\*:**

	2014	2015	2016
MLR	0.8769854	0.9067401	1.1084792

**E. Claim Trend Rates and Average Ratios to Earned Premiums [Per Exhibit 19 for 2016-2018 and Comparable Exhibits for 2016] [If Applicable]\*:**

	2016	2017	2018
Annual Claim Trend Rates	3.778%	9.136%	5.287%
Expense Ratios	0.1312594	0.1477216	0.1460884
Pre Tax Profit Ratios	0.0050000	0.0200000	0.0200000

\* If product was not offered in a particular year, indicate "N/A" in the applicable box.