EXHIBIT 13b: NARRATIVE SUMMARY

Company Name: Empire HealthChoice Assurance Inc.
NAIC Code: 55093
SERFF Tracking #: AWLP-131478945
Market Segment: Individual

14 Wall Street, New York, NY 10005, Telephone (212) 476 1000

REQUEST OF:
EMPIRE BLUE CROSS AND BLUE SHIELD

TO:
THE DEPARTMENT OF FINANCIAL SERVICES of the STATE OF NEW YORK

FOR APPROVAL OF COMMUNITY RATE CHANGES

Filed May 18, 2018
NARRATIVE SUMMARY

[DFS and policyholder – for public posting]

I. OVERVIEW

Empire Blue Cross and Blue Shield (Empire) has made an application to the Superintendent of Financial Services to adjust premium rates for health insurance available to individual customers.

These individual customers and their covered dependents are combined, by long standing New York law, in what is known as a community rated pool. All members enrolled in the pool plans are guaranteed issuance of coverage and each contract holder is charged the same premium rate as any other contract holder for the health insurance product they select regardless of health status, age, sex, or other demographic factors other than the region of the State where they reside and family type.

All medical, hospital, pharmacy, and other non-specialty covered care and necessary administrative costs are combined, by law, in the pool in order to determine appropriate premium rates. These premium rates must support sufficient, sustainable reserves for both current and future coverage costs related to community pool products on a stand-alone basis. Current approved rates for Empire’s community pool products are in need of an increase to account for the rising costs incurred as provider charges continue to rise and utilization of services increases.

The products specifically impacted by rate increases at this time are individual policies sold by Empire HealthChoice Assurance, Inc., (Empire’s insurance company; NAIC code number 55093). These rate adjustments impact both on-exchange and off-exchange policies. The actual rate increases requested are provided below. Empire's proposed rates are subject to review and approval by the New York Department of Financial Services (“the Department”), with the determination by the Department supported by sound actuarial assumptions and methods. The rates currently in effect were filed with the Department on May 15, 2017 (SERFF number: AWLP-131076857) and subsequently approved by the Department for use in 2018. The 2019 rate applications will be submitted to the Department for approval on May 18, 2018 and the approved rates will be communicated to the impacted parties upon completion of the Department's review and are scheduled to be effective on January 1, 2019.

Empire is required by New York State law to develop rates that are actuarially sound, assume at least 82% of premium revenue will be spent on health care costs, cover all claim costs, and also contribute to claims reserves. The percent of premium attributable to claims is essentially how much of the premium dollar is used to pay claims and is referred to as the Medical Loss Ratio (MLR). The actual MLR may vary over time based on changes in the amounts charged by hospitals, physicians, and other providers, as well as the increase in health care trend or inflation and health care utilization by our members. With the proposed rate adjustments, Empire's overall MLR is expected to remain well above the 82% minimum allowable ratio. In the event Empire's MLR does not meet the required minimum, Empire will refund the difference to policyholders.

Empire has attempted to limit the rate increases to the lowest feasible level while preserving the financial integrity of the products. This rate action is intended to keep the rates at an adequate
level to compensate for both anticipated utilization and the annual increases in the cost of medical care (See description of health care costs below).

Periodic rate adjustments are necessary to secure the ability of Empire, like any health insurer, to produce sufficient revenue and surplus for reserves to assure continued coverage and claim payments both for current healthcare needs and potential catastrophic cost situations. Empire's reserves vary from year to year based on actual healthcare costs incurred. Failing to meet the minimum statutory reserves will result in the insurer being deemed "impaired" under the New York Insurance Law. These reserves are the "insurance" that ensures payment even when costs run higher than anticipated or emergencies or disasters occur, and should not be used as an alternative fund to temporarily reduce rate adjustments.

In filing this rate application we are sensitive to the fact that individuals struggle to afford health insurance coverage and we are seeking the appropriate premium necessary, as determined by our actuaries, to maintain a viable health plan. In our actuarial judgment it is clear that an increase in premiums is critical to ensure the viability of these products. Failure to approve these rates will likely lead to even greater rate increases and fewer product offerings in the future as claim costs will eventually exceed premiums collected.

II. FACTORS CONTRIBUTING TO THE PROPOSED RATE INCREASE

Escalating Health Care Costs

The cost of health care services and equipment continues to be the primary reason for rate increases. Nationally, the growth in the cost of medical care continues to significantly outpace consumer inflation. Health care spending growth is projected to grow faster than gross domestic product (GDP) over the next decade. A report by Price Waterhouse Coopers (PwC) projects health care costs to grow 6.5% in 2018.¹ This has been the approximate rate of growth over the last several years.

Health care cost and spending trends reflect underlying changes in the demographics and health status of America’s population. The aging population is driving some of the increase – as people age they typically utilize more health services. Between 2010 and 2050, the population aged 65 and older is expected to double, as the “baby boomer” population ages and life expectancy continues to rise². Indeed the first baby boomers have now turned seventy and the percentage of workers over 65 is greater than at any period in history. As this population ages it will correspond to a further escalation of costs. Moreover, the country’s general declining health and the increase in obesity and other health concerns, even at younger ages, forces average costs upward.

¹ Price Waterhouse Coopers (PwC) Health Research Institute, “Medical cost trend: Behind the numbers 2018”, June 2017
² Center for Medicare & Medicaid Services, THE NEXT FOUR DECADES The Older Population in the United States: 2010 to 2050
Hospital
Hospitals (inpatient and outpatient care) account for the largest share of the health care premium dollar in New York; a percentage that continues to grow. Factors driving this growth include increasing demand for care, rising costs to hospitals of the goods and services needed to provide care, growing intensity of care needs, and the shifting of costs of Medicaid and Medicare hospital reimbursement reductions to commercial insurers. As hospitals see higher and higher costs, and payments from Medicaid and Medicare do not keep pace, hospitals have demanded disproportionately higher and higher reimbursement from private insurers.

The increase in cost for hospital inpatient care in Empire's operating area continues to surpass the rate for the rest of the country. The increase in costs is exacerbated by the aggressive vertical and horizontal consolidation of hospital and other provider systems which has rarely resulted in increased efficiencies, but instead only increased the bargaining power of these institutions to demand higher reimbursement rates.

Prescription Drugs
Specialty drug spending continues to rise astronomically and while only a small subset of the population use specialty drugs, they currently account for 39% of total US drug spending, with that number expected to grow to 48% by 2020.

Market Contraction
The filing demonstrates the need for a rate adjustment in 2019 to align rates with emerging experience in this block of business. Claims trends remain high in this segment driven by selective lapsation and market contraction. The overall NY Individual market has contracted over the past 2 years through selective lapsation. Overall market membership is down 5.7% and 8.6% for 2018 and 2017 respectively (using membership as of 3/31 for all years). We are forecasting a continuation of selective lapse into 2019, assuming that individuals with greater healthcare needs will be more likely to retain coverage in a guaranteed issue market in which expected premium levels continue to exceed those in prior years.

III. ADMINISTRATIVE SAVINGS

Recognizing the impact that rate increases will have on our customers, Empire attempts to mitigate their impact by controlling and, if possible, reducing selected administrative costs to offset increases that are necessary or beyond our control. Our corporate culture emphasizes continuous improvements in all areas of the company with a focus on administrative savings and improving member and customer services. While we continue to strive to judiciously reduce administrative costs further, we want to avoid sacrificing customer service, which we believe would be at risk by further cost reductions.

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3 Magellan Rx Management, EMPLOYER MARKET INSIGHTS REPORT, 2018 First Edition
IV. HISTORICAL FACTORS

State and Federal Taxes
New York adds more insurance taxes and assessments than any other state in the country. These consist of both direct taxes and a number of indirect taxes amounting to an annual total of over $6.5 billion in taxes passed on to New York healthcare customers in the form of higher premiums. These taxes include:

- NYS Premium Tax – this 1.75% tax is on all HMO and insurance contracts (and there is an additional amount for customers in the Metropolitan Transit Authority service area).
- Covered Lives Assessment – this indirect tax is a charge on all fully and self-insured “covered lives”. The purpose of the Covered Lives Assessment is to raise funds for a variety of state programs and for the state budget. The Assessment is included in claims costs for purposes of calculating the MLR. This assessment is currently a charge of from $3.16 to $15.43 per individual contract per month and from $10.44 to $50.92 per family contract per month.
- HCRA Surcharge – this is a 9.63% surcharge on all hospital discharges. The purpose of the HCRA Surcharge is to raise funds for a variety of state programs and for the state budget. The Surcharge is included in claims costs for purposes of calculating the MLR.
- NYS Insurance Department “206” Assessment – while this assessment is intended to fund the cost of the Department’s regulatory activities, it constitutes an indirect tax whereby a large portion of the revenue generated by the assessment continues to be used to fund other programs not directly related to insurance regulation. This assessment is charged to insurers based on their premium volume.

Each of these current taxes and fees contribute significantly to the cost of coverage and will vary from year to year as the number of covered lives increases or decreases and the number of hospital discharges vary.

V. DETAILS OF THE PROPOSED RATE INCREASE

The proposed premium rates affect approximately:

- 10,200 on-exchange individual members
- 13,700 off-exchange individual members

Premium rates for community-rated customers are regulated by the Superintendent of Financial Services pursuant to Section 4308 or 3231 of the Insurance Law. The following tables show proposed annual rate changes for the indicated community rated products:
EXHIBIT 13a: NUMERICAL SUMMARY AND RATE INDICATION CALCULATION

NUMERICAL SUMMARY

Company: Empire Healthchoice Assurance
NAIC Code: 79503
SERFF Tracking #: 2015-1215394
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 purpose of the Narrative Summary is to provide an explanation to the company's policyholders to help them understand the reasons why a rate increase is needed.
3. The purpose of the Numerical Summary is to provide a clear and simple overview of the requested rate adjustment.
4. The company should submit these Summaries to DFS ten (10) days before submitting a rate adjustment filing.
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. 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.
7. 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.
8. Rate Change Adjustment calculations between Year 2018 and 2019 should be based on the DFS Membership Survey data as of 3/31/2018.
9. Links should be provided on key pages of the company's website so that the information may be easily located.

A. Average 2018 and 2019 Premium Rates:

<table>
<thead>
<tr>
<th>Plan</th>
<th>2018 Weighted Average Base Premium Rates</th>
<th>2019 Weighted Average Base Premium Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>$1,196.82</td>
<td>$1,571.63</td>
</tr>
<tr>
<td>Gold</td>
<td>$999.47</td>
<td>$1,276.22</td>
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<tr>
<td>Silver</td>
<td>$840.83</td>
<td>$772.75</td>
</tr>
<tr>
<td>Bronze</td>
<td>$697.70</td>
<td>$572.75</td>
</tr>
<tr>
<td>Catastrophic</td>
<td>$348.33</td>
<td>$303.48</td>
</tr>
</tbody>
</table>

B. Weighted Average Annual Percentage Requested Adjustments:

<table>
<thead>
<tr>
<th>Year</th>
<th>2018 Average Rate Adjustment</th>
<th>2019 Average Rate Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 to 2019</td>
<td>23.97434%</td>
<td>781.60%</td>
</tr>
</tbody>
</table>

C. Average Medical Loss Ratios (MLR) for All Policies Impacted (Ratio of Incurred Claims to Earned Premiums) [If Applicable]*

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLR</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

D. Claim Trend Rates and Average Ratios to Earned Premiums [For Exhibit 19 for 2017-2018 and Comparable Exhibits for 2017] [If Applicable]*

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Claim Trend Rates</td>
<td>10.1%</td>
<td>11.5%</td>
<td>11.9%</td>
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<tr>
<td>Expense Ratio</td>
<td>N/A</td>
<td>11.4%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

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