American Cancer Society ☙ Children's Defense Fund/New York ☙ Community Service Society of New York ☙
Make The Road New York ☙Metro New York Health Care for All Campaign
New Yorkers for Accessible Health Coverage ☙ New York Immigration Coalition
Public Policy and Education Fund of New York/Citizen Action of New York ☙ Raising Women's Voices ☙
Schuyler Center for Analysis and Advocacy

August 10, 2012

RECEIVED
AUG 14 2012
HEALTH BUREAU
N.Y.C. OFFICE

Benjamin M. Lawsky
Superintendent of Financial Services
One State Street
New York, NY 10004

Mr. Charles Lovejoy
Health Bureau
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Re: **Requested Rate Changes – Independent Health Association**
Independent Health Benefits Corporation

Dear Superintendent Lawsky and Mr. Lovejoy,

Health Care for All New York ("HCFANY") respectfully seeks to file its objection to the proposed rate increases of up to 17% posted for 2013 for the following insurance products:

- Independent Health Association (Ind – Encompass I2; Ind – Encompass Plus I2; Ind – Basic Plan, Silver Conversion, Gold Conversion; HNY; SG – Encompass A, B, C, D; SG – FlexFit Select; SG – Encompass Essential; LG – Encompass A, B, C, D, NYSHIP, FEHB; LG – FlexFit, FlexFit(New); LG – FlexFit Select, FlexFit Select(New); LG – Encompass Essential); and
- Independent Health Benefits Corporation (SG Easy Access (EPO), Passport Plan Select (PPO), Encompass, FlexFit Select, Passport Select (POS), SG – iDirect, 1Series, 2Series, 3Series, 4Series, 5Series, Evolve (HDHP), iDirect 1 Series, 2 Series, Evolve (Non HAS HDHP))

(together "Independent Health") currently pending before the New York State Department of Financial Services.[1]

[1] These rate increase applications correspond to SERFF file numbers: NDPD-128526753 and NDPD-128526753 (hereafter "Rate Applications").

Health Care For All New York
c/o Elisabeth Ryden Benjamin, Community Service Society of New York
105 E. 22nd Street, New York, New York 10010
(212) 614-5461

HCFANY is a coalition of more than 130 consumer and small business health advocacy organizations dedicated to achieving affordable, comprehensive, and high-quality health care for all New York residents. Before turning to our concerns about these specific rate applications, HCFANY first would like to commend the Department on its effort to restore the process to approve health insurance rate increases prior to their adoption. HCFANY believes that a robust prior approval process is a vital protection against staggering health insurance rate increases—which routinely outpace inflation and wage growth in New York—endured by the sole proprietors, small businesses and their employees, whose interests we represent. We are particularly gratified by the Department's most recent efforts to increase transparency and public disclosure in the rate filing process. As evidenced by our comments below, the posting of actuarial memoranda and other carrier materials affords New York's individuals and small businesses an enhanced understanding of the basis for the proposed rate increase in question and improves our capacity to provide meaningful commentary upon them.

HCFANY's Objection to Independent Health's Proposed Rate Increase

HCFANY objects to Independent Health's Rate Applications based upon its review of National Association of Insurance Commissioners ("NAIC") filings, Independent Health's IRS 990, and the additional actuarial memoranda and supporting documentation posted on the Department's website.

As described in greater detail below, there are two grounds for HCFANY's objection. First, Independent Health's Rate Applications appear to be based on apparently unsupported medical trend assumptions. Second, the actuarial memoranda contain unexplained contradictions with data and methods used in other parts of the Applications. The remainder of this letter addresses these two concerns in turn.

Medical Trend Assumptions

HCFANY urges the Department to reject Independent Health's proposed rate increase because it appears to be based on medical trend assumptions that are unsupported by the historic medical cost data Independent Health submitted with its Rate Applications. The medical trend assumptions for two product segments – individual and large group HMO – are of particular concern.

In the individual market, Independent Health's rate submission describes that it experienced a downward medical cost trend of -9.59% from 2010 to 2011.[2] But despite this data, Independent Health assumes that its medical costs will grow by 7.5% in 2012 and then by 9.4% in 2013.[3] The table below illustrates the data at issue:

NDPD-128526753 – Individual					
Experience Period		Adj. Incurred Claims PM/PM	Trend (% Change)	Requested Increase:	5.03%
1/1/2011	12/31/2011	$784.72	-9.59%	Assumed Trend Data	
1/1/2010	12/31/2010	$867.98	8.62%	7.50%	2012
1/1/2009	12/31/2009	$799.13		9.40%	2013

Independent Health's large group HMO filing paints a similar picture, with an essentially flat cost growth reported in the most recent year available:

NDPD-128526753 - Large Group HMO					
Experience Period		Adj. Incurred Claims PM/PM	Trend (% Change)	Requested Increase:	4.86%
1/1/2011	12/31/2011	$365.76	0.81%	Assumed Trend Data	
1/1/2010	12/31/2010	$362.81	6.92%	9.34%	2012
1/1/2009	12/31/2009	$339.33		7.60%	2013

HCFANY urges the Department to carefully review Independent Health's assertions that costs in these market segments will grow substantially despite the recent experience otherwise. From our careful review of their submissions, we can find no explanation for their projections. Independent Health's actuarial memorandum indicates that it calculates medical trends by using the "Excel least-square-based FORECAST function" on three years of utilization data for 60 types of service categories, with "manual overrides" occasionally employed when forecasts do not look "reasonable."[4] However, it provides no underlying data or accounting for their manual overrides. HCFANY urges the Department to require Independent Health to disclose the basis for its trend calculations or deny their proposed rate increases in their entirety.

Accordingly, HCFANY urges the Department to scrutinize closely Independent Health's medical trend assumptions.

[2] Rate Application of Independent Health Association (SERFF #: NDPD-128526753), Exhibit 7. The relevant actuarial memorandum includes different figures, as discussed below.

[3] Rate Application of Independent Health Association (SERFF #: NDPD-128526753), Exhibit 2. The relevant actuarial memorandum includes different figures, as discussed below.

[4] Rate Application of Independent Health Association (SERFF #: NDPD-128526753), Actuarial Memorandum, page 9.

Inconsistencies between Exhibits and Actuarial Memoranda

The Independent Health Rate Applications and actuarial memoranda contain inconsistencies that appear to undermine their rate increase justifications.

For example, Exhibits 2 and 7 of Independent Health Association's Rate Application – which include past medical spending data and future trend assumptions – break their products into four groups: Individual, Healthy NY, Small Group HMO, and Large Group HMO. The actuarial memorandum, however, breaks Independent Health Association's products into three groups: Healthy NY, Open Block, and Closed Block. Accordingly, the public is unable to verify the actuarial memorandum's assumptions against the actual data submitted in other parts of the application.

Even for Healthy NY, the one group described in both the Exhibits and the actuarial memorandum, the numbers in the two places do not correspond. Exhibit 2 shows anticipated medical trend in the Healthy NY segment as 7.5% in 2012 and 9.4% in 2013, which comes to about 8.45% per year on a compounded basis. But the actuarial memorandum describes an annualized medical trend for Healthy NY of 9% per year.

The Rate Application for Independent Health Benefits Corporation contains similar inconsistencies between the Exhibits and actuarial memorandum. For example, Exhibit 2 indicates an assumed medical trend in the high deductible market segment as 12.36% in 2012 and 8.8% in 2013, which averages to about 10.5% per year on a compounded basis. But the relevant actuarial memorandum lists the annualized medical trend for high deductible plans from 2011 to 2013 at 8%.

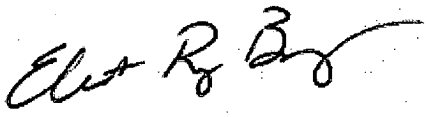
While some of these discrepancies are relatively small, the fact that there are so many raises doubts about the data and processes that Independent Health is using to develop and justify its rates. HCFANY is mindful that there may be good actuarial justifications for the inconsistencies, but these justifications should then be clearly explained to the public and regulators. The rate review process represents a considerable triumph by the Department in increasing transparency. We encourage the Department to require Independent Health to provide clear and consistent justifications in its rate filings, in order to maximize how informative they are to the public.

Conclusion

HCFANY's review of the voluminous submission of Independent Health in support of its Rate Applications does not reveal adequate evidence supporting the proposed rate increases of up to 17%. HCFANY urges the Department to closely review Independent Health's trend assumptions and actuarial justifications. We urge that any and all supplemental submissions be publically

disclosed on the Department's website to ensure a fully and fairly transparent rate review process. Absent any additional information in support of their rate increase proposal, HCFANY urges the Department to reject Independent Health's proposed rate increases in their entirety.

Very truly yours,



Elisabeth R. Benjamin, MSPH, JD
Health Care For All New York

cc: Troy Oechsner
John Powell