

# New York State Department of Financial Services

## Premium Rate Approval – Decision Summary

**Insurer:** Empire HealthChoice Assurance, Inc. (Article 42 Insurer)  
**Filing Type:** Section 3231(e)(1) Prior Approval Filing(s)  
**Effective Date:** January 1, 2012  
**SERFF Tracking Number:** AWLP-127179026  
**Lines of Business:** Individual Modernized Medicare Supplement Plans A, B, F, HDF, G, & N  
**Affected Members:** 1,172  
**Rating Structure:** Annual Rates / Regional Rates

### Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Plan A	6.2%	0.0%	-6.2%
Plan B	7.5%	0.0%	-7.5%
Plan F	5.6%	0.0%	-5.6%
Plan G, N	7.5%	5.5%	-2.0%

### Discussion:

The Department reviewed the material that Empire submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, and the development of the needed rate change. The Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decision.

Empire's rate application pertains to its "MIPPA" Medicare Supplement policies. MIPPA refers to the Medicare Improvements for Patients and Providers Act of 2008. It called for increased benefits to the Medicare Supplement Standardized plans starting June 1, 2010. MIPPA plans are also referred to as "Modernized" Medicare Supplement plans. Standardized Medicare Supplement plans (inforce since the early '90s until May 31, 2010) are referred to as "Pre-MIPPA" or "Standardized." Empire's application requested premium increases for an open block of MIPPA plans, which have a total of 1,172 members.

Empire's MIPPA products, Plans A, B, F, High Deductible (HD) F, G and N, cover members in 3 rating regions throughout NY. Empire did not vary requested year over year rate changes by region.

**Analysis:**

By regulation, the minimum medical loss ratio (MLR) for Individual Medicare Supplement plans offered by Article 42 insurers in New York is 65%. Empire's target expected loss ratio for these MIPPA plans is 75%.

Empire's application included the following assumptions as to non-claim expenses:

Administrative Expense Ratio: 12.3%

Profit/Risk Margin: 12.7%

Total Expenses: 25%

Following the Department's objections concerning Empire's high profit/risk margin, Empire reduced the increase requests by 2% for all plans.

Plans A, B, and F. For Plans A, B, and F, the New York experience (combined Pre-MIPPA & MIPPA) shows MLRs slightly above the target of 75%. Empire is requesting a rate change in order to offset the assumed claim trends and to maintain the loss ratios at or near 75%. Empire's annual claims trend assumptions are 3.7%, 3.5%, and 2.9% for Plans A, B, and F, respectively. The 2010 experience was trended for a 2 years to 2012. The projected MLRs indicate that a rate increase can be justified based on Empire's target loss ratio of 75%. However, the 75% target loss ratio is derived in part due to a 12.7% profit/risk margin. If the proposed profit/risk margin was cut to 5.0%, thus generating a more reasonable rate of return on equity, no increases would be allowed. Therefore, the Department has determined that an increase for these plans is not justified at this time.

Plans G and N. With less than one full year of experience, data for these plans is not credible. However, the 4 months of experience that is available does show MLRs well above 100% for both Plans G and N. Considering the high loss ratios and the assumed trend rate of 5.0% for these plans, the Department has determined that the revised proposed increase of 5.5% is justified.

**Decision:**

Based on the analysis as described above, the Department modifies the rates as summarized in the chart above.