

**New York State Department of Financial Services
Premium Rate Approval - Decision Summary**

Insurer: Capital District Physicians' Health Plan (CDPHP)
Filing Type: Section 4308(c)
Effective Date: 1/1/12-12/31/12
SERFF Tracking #: CAPD-127320610
Line of Business: HMO Plans for Large Groups and Small Groups (Including Sole Proprietors)
Affected Members: 76,000 members for Large Groups, 18,000 members for Small Groups
Rating Structure: Quarterly Rolling Rates

Summary: The Department approves the rates as submitted, therefore the requested rates are the same as the approved rates in the chart below.

	Requested / Approved LG HMO		Requested / Approved SG HMO	
	<u>Year Over Year Range</u>	<u>Year Over Year Avg</u>	<u>Year Over Year Range</u>	<u>Year Over Year Avg</u>
1Q12 over 1Q11	-0.20% to 4.00%	1.89%	0.23% to 4.18%	2.98%
2Q12 over 2Q11	-0.97% to 3.18%	2.69%	-0.60% to 3.31%	2.19%
3Q12 over 3Q11	3.83% to 8.24%	5.91%	4.23% to 8.33%	7.18%
4Q12 over 4Q11	4.92% to 7.94%	7.10%	3.91% to 8.00%	7.07%
Overall Weighted Avg.		2.60%		4.09%

The analysis included the following “requested” versus “approved” assumptions for the various parts of the application:

Large group HMO:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	7.17%	7.17%
2. Administrative Expense Ratio	10.08%	10.08%
3. Profit Objective (percent of premium, pre-tax)	1.5%	1.5%
4. Medical Loss Ratio (MLR)	88.42%	88.42%

Small group HMO:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	7.13%	7.13%
2. Administrative Expense Ratio	13.98%	13.98%
3. Profit Objective (percent of premium, pre-tax)	2.0%	2.0%
4. Medical Loss Ratio (MLR)	84.02%	84.02%

History:

A prior approval application was approved for 2011 renewals which resulted in average year over year rate actions in the first half of 2011 and the second half of 2011 of 8.2% and 2.0% respectively. In the past, CDPHP combined the large group and small group in one rating pool. But for this application, it splits the pool into two, one for small groups and one for large groups to develop separate rates.

Analysis:

The Department reviewed the material that CDPHP submitted with the rate applications, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, market stabilization pool receipts or payments, and the development of the needed rate change, as well as comparisons to similar historical data in each of these areas. The

Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decisions.

Annualized Claim Trend Rates

CDPHP's annualized claim trend rate assumptions are 7.17% for large groups and 7.13% for small groups. Those assumptions are consistent with the actual trend rates experienced by CDPHP in the last few years. Such increase is lower than the upstate industry average and would yield a lower rate increase. The Department accepts the claim trend rates as reasonable.

Administrative Expense Ratios

CDPHP's administrative expense ratios are 10.08% for large groups and 13.98% for small groups. Those expense ratios are similar to the expense ratios provided in data requirements as well as the upstate industry averages. The Department accepts such administrative expense ratios as reasonable.

Profit Objective

CDPHP's pretax profit margin assumptions are 1.5% of premium for large groups and 2.0% of premiums for small groups. This would yield an after-tax return on equity of about 10%. The Department accepts such profit margin assumptions as reasonable.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 10.08% and 1.5% profit ratio, CDPHP's projected loss ratio for the large group HMO will be 88.42%. With the administrative expense ratio of 13.98% and 2.0% profit ratio, CDPHP's projected loss ratio for the small group HMO will be 84.02%.

Regulation 146 Market Stabilization Pool Payments

The Department finds CDPHP's assumptions as to payments to the market stabilization pool for small group to be reasonable.

Decision:

Based on our review and analysis described above, the Department found that the requested rate actions are reasonable and rate actions are approved as submitted.