

New York State Department of Financial Services

Premium Rate Approval - Decision Summary

Insurer: Capital District Physicians' Health Plan – Universal Benefits, Inc.
Filing Type: Section 3231(e)(1)
Effective Date: January 1, 2012 through December 31, 2012
SERFF Tracking #: CAPD-127320659
Lines of Business: Small Group EPO/PPO Plans
Affected Members: 23,650 Members
Annual Premiums: \$96 million
Rating Structure: Quarterly rolling rates

Summary:

Year over year average requested and approved rate actions are:

	<u>Requested (avg)</u>	<u>Approved (avg)</u>
1Q11 to 1Q12	+2.3%	+2.3%
2Q11 to 2Q12	+1.6%	+1.6%
3Q11 to 3Q12	+8.8%	+8.8%
4Q11 to 4Q12	+8.2%	+8.2%
Average for 2012	+4.5%	+4.5%

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

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	6.09%	6.09%
2. Administrative Expense Ratio	14.2%	14.2%
3. Profit Objective (percent of premium, pre-tax)	2.0%	2.0%
4. Medical Loss Ratio (MLR)	83.8%	83.8%

History:

CDPHP-UBI requested and received approval for increases averaging +4.8% for calendar year 2011.

Analysis:

The Department reviewed the material that CDPHP-UBI submitted with the rate applications, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, applicable stop loss reimbursements, applicable 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:

Medical: +5.98%
Pharmacy: +8.95%

These annual trend rates are composite for the impact of utilization and inflation, and average +6.09% per year. The Department finds the annual claim trend rates used by CDPHP-UBI to be reasonable.

Administrative Expense Ratio:

CDPHP-UBI assumed an administrative expense ratio at 14.2%, which is consistent with expense ratios in their financial statements in the last few years. The Department finds this assumption to be reasonable.

Profit Objective:

CDPHP-UBI assumed a pre-tax profit objective of 2.0% of premiums. The Department finds this assumption to be reasonable.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 14.2% and profit ratio of 2.0%, CDPHP-UBI's projected loss ratio will be 83.8%.

Regulation 146 Market Stabilization Pool Payments:

CDPHP-UBI reflected pool payments at 4.4% of incurred claims in their projected claims for 2012. This percentage is the same as experienced in calendar year 2010. The Department finds this assumption to be reasonable.

Decision:

Based on the analysis as described above, the Department finds the rate actions requested are reasonable in all aspects.