New York State Department of Financial Services

Premium Rate Approval - Decision Summary

Insurer:	Empire HealthChoice HMO, Inc.
Filing Type:	Section 4308(c)
Effective Date:	January 1, 2012 through December 31, 2012
SERFF Tracking Number:	AWLP-127317134
Lines of Business:	Individual Direct Pay HMO and POS plans
Affected Members:	HMO: 4,800 members, POS: 2,603 members
Rating Structure:	Quarterly rolling rates

Summary:

Year over year rate actions are:

	Requested	Approved
Q1 2012:	17.9%	6.0%
Q2 2012:	17.9%	6.0%
Q3 2012:	17.9%	6.0%
Q4 2012	17.9%	6.0%

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

		Requested	Approved
1.	Annual Claim Trend Rates	17.6%	17.6%
2.	Administrative Expense Ratio	5.5%	5.5%
3.	Profit Objective (percent of premium, pre-tax)	7.0%	4.0%
4.	Medical Loss Ratio (MLR)	87.5%	90.5%

The rates affect members in HMO and POS plans in all regions covered by Empire, including New York, Mid-Hudson and Albany. New rates are effective on policy renewal date.

History:

Empire did not submit any rate increases for 2011, although the premium rates for family tiers had a PPACA rate increase of 3.3% for the HMO plans and 3.4% to 4.0% for the POS plans.

Empire made the following “file and use” rate increases during 2010:

	HMO	POS
Q1 2010	2.3%	3.6%
Q2 2010	5.0%	4.0%
Q3 2010	0.0%	0.0%
Q4 2010	5.0%	4.0%

The HMO enrollment declined by 22% in 2009 and 29% in 2010. This is similar to declines in enrollment experienced by other carriers. The POS enrollment declined by 8% and 5% during the same periods. These declines are approximately half of the enrollment declines experienced by other insurers.

The 2010 "File and Use" loss ratio reports submitted to the Department in June 2011 measured calendar year underwriting results for the HMO and POS plans during 2010. The reports indicated medical loss ratios (MLR) of 71% for the HMO plan and 64% for the POS plans. Because these MLRs were below the statutory minimum of 82%, Empire owed refunds of $7.8 million for the HMO plans and $8.2 million for the POS plans.

Analysis:

The Department reviewed the material that Empire 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.

Annual Claim Trend Rates:
Experience data indicates a substantial increase in medical claim trend during 2010 that is expected to carry into 2012. Empire's 17.6% claims trend is reasonable given the drop in enrollment which has apparently left a more adverse pool of risks with the Company.

Expense Ratios:
The Department accepts the expense ratio submitted in the application as reasonable.

Profit Objective:
Empire assumed a profit objective of 6.00%. Empire's surplus as a percentage of premium is 28.4% at 12/31/2010 and 32.0% at 6/30/2011. The Department determined that a profit objective of 4.00% is reasonable. This will achieve an after tax rate of return on equity of 20% on a more reasonable level of surplus to premium revenue.

Stop Loss Reimbursements:
Empire assumes unchanged reimbursements per member per month (PMPM) in 2012 as in 2010. The Department has projected overall stop loss funding to remain constant in

2012 as in 2010, leading to an increase of reimbursements due to declines in enrollment from 2010 to 2012.

Decision:
Based on the changes to the profit objective and the stop loss reimbursements as described above, the Department finds the rate increase requested is unjustified and has reduced the increase to 6.0% year over year.