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

Insurer: **Excellus Health Plan**
SERFF Number: EXHP - 127301522
State Tracking Number: 2011070101
Filing Type: §4308(c) Prior Approval Filing
Effective Date: January 1, 2012
Lines of Business: Direct Pay, Healthy New York, and ValuMed Products
Affected Members: Direct Pay = 813; ValuMed = 3,150; Healthy NY = 26,945
Rating structure: Non rolling rates

Summary

The proposed rates are approved as submitted.

Product	Proposed	Approved	Reduction
Standard Direct Pay	-7.5%	-7.5%	0.0%
ValuMed	-7.5%	-7.5%	0.0%
Healthy New York	+0.3%	+0.3%	0.0%
Average	**-0.7%**	**-0.7%**	**0.0%**

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

		Requested	Approved
1.	Annual Claim Trend Rates	DP: 7.2% VM: 7.8% HNY: 8.6%	DP: 7.2% VM: 7.8% HNY: 8.6%
2.	Administrative Expense Ratio	13.1%	13.1%
3.	Profit Objective (percent of premium, pre-tax)	3.0%	3.0%
4.	Medical Loss Ratio (MLR)	83.9%	83.9%

History

The prior rate filing was effective January 1, 2011. The rate increase for all three products was 5.4%.

Analysis

The Department reviewed the material that Excellus 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, as well as comparisons to similar historic 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 decision.

Annual Claim Trend

Excellus assumed effective annual claim trends as follows: Healthy New York = 8.6%, ValuMed = 7.8%, and Direct Pay = 7.2%. The Department found these trends to be reasonable.

Administrative Expense Ratio

Excellus's proposed per member per month administrative expense ratio, in the aggregates, is 13.1% of premium. The Department finds this assumption to be reasonable. This aggregate value is consistent with the value in the company's financial statement.

Profit Objective (Underwriting Margin)

The Department found Excellus's proposed 3% underwriting margin to be acceptable.

Medical Loss Ratio (MLR)

With the administrative expense ratio of 13.1% and a profit ratio of 3.00%, Excellus's projected loss ratio will be 83.9%.

Direct Pay Stop Loss

Excellus projected that the 2012 stop loss pool recovery would be $110.43. The Department considers this value too low. The 2010 actual value was $118.79. With the decrease in standard direct pay membership the Department estimates the stop loss recovery would be about $139 for calendar year 2012 assuming the 2010 experience with trend. This adjustment, however, does not impact the overall premium rate.

Decision

The proposed rate changes are reasonable and approved.

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Effective Date: January 1, 2012
SERFF Number: EXHP - 127301522
Lines of Business: Community rated large and small group
Affected Members: 233,985
Rating structure: Non rolling annual rates and quarterly rolling rates

Summary

Market Segment	Requested	Approved	Reduction
Rochester LG HMO	5.6%	4.5%	1.1%
Rochester SG	12.5%	12.5%	0.0%
CNY SG/LG	9.9%	8.2%	1.7%
Utica SG/LG	12.5%	12.5%	0.0%
Univera SG	12.5%	12.5%	0.0%
SSA	12.5%	12.5%	0.0%
Overall Average	10.6%	9.9%	0.7%

Ranges requested and approved:

Rochester SG	9.9% to 22.0%	9.9% to 19.5%
CNY SG/LG	5.0% to 19.2%	3.4% to 17.4%
Utica SG/LG	10.7% to 22.0%	10.7% to 19.5%
Univera SG	3.1% to 19.4%	3.1% to 19.4%

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

		Requested	Approved
1.	Annual Claim Trend Rates	7.4%-10.4%	7.4%-10.4%
2.	Administrative Expense Ratio	10% -13%	10% -13%
3.	Profit Objective (percent of premium, pre-tax)	0.5%	0.5%
4.	Medical Loss Ratio (MLR)	86.5%-89.5%	86.5%-89.5%

Rochester LG HMO:
Non-rolling rates.

Service area: Livingston, Monroe, Ontario, Seneca, Wayne and Yates counties.

Rochester SG:

The PPO and High Deductible products have quarterly rolling rates. The other products have non-rolling rates.

Service area: Livingston, Monroe, Ontario, Seneca, Wayne and Yates counties.

CNY SG/LG:

The PPO and High Deductible products have quarterly rolling rates. The other products have non-rolling rates

Service area: Broome, Cayuga, Chemung, Cortland, Madison-west*, Onondaga, Schuyler, Steuben, Tioga, and Tompkins.
* Zip codes: 13030, 13035, 13037, 13052, 13082, 13122, 13151.

Utica SG/LS:

The HMO, PPO, and High Deductible products have quarterly rolling rates. The other products have non-rolling rates.

Service area: Chenango, Clinton, Delaware, Essex, Franklin, Fulton, Hamilton, Herkimer, Jefferson, Lewis, Madison-east*, Montgomery, Oneida, Oswego, Otsego, and St. Lawrence.
* Zip codes: 13310, 13032, 13043, 13061, 13072, 13134, 13151, 13163, 13314, 13332, 13334, 13346, 13355, 13364, 13402, 13408, 13409, 13418, 13421, 13432, 13465, 13484, 13485.

Univera SG:

The PPO, High Deductible and Value Plus products have quarterly rolling rates. The other products have non-rolling rates.

Service area: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagra, Orleans, and Wyoming.

SSA

Non-rolling rates.

Service area: Albany, Allegany, Broome, Cattaraugus, Cayuga, Chautauqua, Chemung, Chenango, Clinton, Columbia, Cortland, Delaware, Dutchess, Erie, Essex, Franklin, Fulton, Genesee, Greene, Hamilton, Herkimer, Jefferson, Lewis, Livingston, Madison, Monroe, Montgomery, Niagra, Oneida, Onondaga, Ontario, Orange, Orleans, Oswego, Otsego, Putnam, Renesselaer, Saratoga, Schenectady, Schoharie, Schuyler, Seneca, St. Lawrence, Steuben, Sullivan, Tioga, Tompkins, Ulster, Warren, Washington, Wayne, Wyoming, and Yates.

History

The prior rate applications were effective January 1, 2011 and July 1, 2011.

The January 2011 rate submission increased premiums by 10-12.5%, with a weighted average of 11.1%.

The July 2011 submission affected only third and fourth quarter 2011 rolling rates for the Utica and Univera regions. This filing increased rates 12.4-19.4% in the Univera region and 11.5-13.7% in the Utica region, with a weighted average of 15.9%.

Analysis

The Department reviewed the material that Excellus 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, as well as comparisons to similar historic 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 decision.

Annual Claim Trend

Excellus is assuming effective average annual claim trends of 7.4% to 10.4% depending on the rating pool. The Department considers these trend assumptions to be reasonable.

Administrative Expense Ratio

The Department accepts the proposed 10-13% administrative expense ratio. This is consistent with the company's financial statements.

Profit Objective (Underwriting Margin)

The company has assumed underwriting margins that vary by rating pool. The margins average 0.5% in aggregate. The Department considers the factors used to be reasonable.

Medical Loss Ratio (MLR)

With the administrative expense ratio of 10% - 13% and an average profit margin of 0.5%, Excellus's projected loss ratio will be 86.5% - 89.5%.

Reshaping of the PPO and High Deductible Premium Rates

Excellus is proposing to reshape the rate relativities between the various PPO and high deductible plan designs to better reflect the expected claim differentials between the various product types and by plan design within each product type. This reshaping is based on the concept that all of these products belong to one community rating pool, and that the premium differentials should be based on the plan design differences and not on the specific experience (or utilization patterns) of enrollees that choose each of the available plan designs.

The adjustments will be phased in over more than one renewal cycle. The Department finds the actuarial development of the adjustment factors to be reasonable, except the differentials in the Rochester and Utica regions. The Department therefore modified the rates in those regions.

Migration Adjustment Due to Plan Discontinuations

Excellus will be discontinuing the EPO plans and certain HMO plans. Each of the plan designs to be discontinued was mapped to a similar plan that will continue to be sold. Adjustments to the premiums and claims for this migration were incorporated into the rate development analysis.

Since these migration adjustment factors reflect estimated future results, the Department decided to accept 67% of the adjustment factor proposed. This affected the requested rate changes for the Rochester LG HMO and the CNY SG/LG market segments.

Decision

The Department concluded that the requested increases for the Rochester LG HMO and CNY SG/LG market segments were excessive and unreasonable and revised the increases as indicted in the rate summary charts above.

The Department approved the rate application for the other market segments as submitted, except for the modification to the rate relativities discussed above.

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Filing Type:	§4308(c) Prior Approval Filing
Effective Date:	January 1, 2012
Lines of Business:	Medicare Supplement and Medicare Complementary
Affected Members:	Med Supp = 17,312; Medicare Complementary = 7,210
Rating structure:	Non rolling rates

Decision

The ranges of requested and approved rates are shown below, with weighted averages in parentheses:

Product	Requested	Approved	Reduction
Medicare Complementary	2.3%	2.3%	0.0%
Medicare Supplement			
Type A	1.9% to 8.1% (6.2%)	1.9% to 5.2% (4.6%)	-1.6%
Type B	0.8% to 3.3% (2.7%)	0.8% to 3.3% (2.7%)	0.0%
Type C	1.7% to 4.5% (2.0%)	1.7% to 4.5% (2.0%)	0.0%
Type F	0.0% to 3.1% (1.7%)	0.0% to 3.1% (1.7%)	0.0%
Type F+	0.0% to 3.2% (1.9%)	0.0% to 3.2% (1.9%)	0.0%
Type H	0.5% to 3.2% (2.1%)	0.5% to 3.2% (2.1%)	0.0%
Type H, no Rx	1.3% to 4.3% (3.2%)	1.3% to 4.3% (3.2%)	0.0%
Type N	-3.0% to -4.0% (NA)	-3.0% to -4.0% (NA)	0.0%
Overall Weighted Average:	**2.1%**	**2.1%**	**0.0%**

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

		Requested	Approved
1.	Annual Claim Trend Rates	MS: 5.4%	MS: 5.4%
		MC: 6.5%	MC: 6.5%
2.	Administrative Expense Ratio	MS: 18.3%	MS: 18.3%
		MC: 16.3%	MC: 16.3%
3.	Profit Objective (percent of premium, pre-tax)	1.7%	1.7%
4.	Medical Loss Ratio (MLR)	MS: 80%	MS: 80%
		MC: 82%	MC: 82%

History

The prior rate filing was effective January 1, 2011. This filing included no change to the Medicare Supplement rates. The changes to the Medicare Complementary rates averaged a 6.0% reduction (Rochester : -4.0%; CNY: -8.5%; Utica: -6.0%).

Analysis

The Department reviewed the material that Excellus company 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, as well as comparisons to similar historic 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 decision.

The Department accepted the company's assumptions and calculations in all respects, except the reshaping of the Type A Medicare Supplement product.

Annual Claim Trend

Excellus assumed an effective annual trend of 5.4% for Medicare Supplement and 6.5% for Medicare Complementary. The Department finds these trend assumptions to be reasonable.

Administrative Expense Ratio

The Department accepts the proposed 18.3% administrative expense ratio for Medicare Supplement and 16.3% for Medicare Complementary. This is consistent with the values in the company's financial statement.

Profit Objective (Underwriting Margin)

The Department accepts the proposed 1.7% underwriting margin as reasonable since it will generate a reasonable after tax return on equity.

Medical Loss Ratio (MLR)

Medicare Supplement: With the administrative expense ratio of 18.3% and a profit margin of 1.7%, Excellus's projected loss ratio will be 80%. (By regulation, the minimum MLR for Individual Medicare Supplement plans offered by Article 43 Insurers in New York is 80%.)

Medicare Complementary: With the administrative expense ratio of 16.3% and a profit margin of 1.7%, Excellus's projected loss ratio will be 82%, which is the statutory minimum MLR for these types of plans.

Reshaping of the Medicare Supplement Rates

Excellus is proposing to reshape the rate relativities between the various Medicare Supplement products to better reflect the expected claim differentials between the various product types. This reshaping is based on the concept that all the Medicare Supplement

products represent one community rating pool and that the premium differentials should be based on the plan design differences and not on the specific experience or utilization patterns of enrollees who choose each of the available products.

The Department accepts the proposed reshaping except for the Type A product. Given that the adjustments for this product are in general higher than for the other Medicare Supplement products, and given that the experience on this product has been more favorable relative to the other Medicare Supplement products, the rate shaping adjustment should be phased in over a longer period than is being proposed.

Decision

The Department finds that the proposed rate changes are reasonable and are therefore approved, except for the rate increase for the Type A Medicare Supplement plan, which is modified as reflected in the chart above.