

New York State Department of Financial Services

Premium Rate Approval - Decision Summary

Insurer: GHI HMO Select, Inc.

Filing Type: Section 4308(c) Prior Approval Filing(s)

Effective Date: January 1, 2012

SERFF Tracking Number: GRPH-127320247

Lines of Business: Small Group HMO and POS

Affected Members: 216 members as of June 30, 2011 [94% on HMO Plans]

Rating Structure: Rolling Rate Structure (Scheduled Quarterly Increases)

Summary:

Rate Actions	Requested	Approved	Reduction
<u>Year Over Year:</u>			
1Q12	+12.3%	+3.0%	-9.3%
2Q12	+12.3%	+3.0%	-9.3%
3Q12	+15.6%	+6.1%	-9.5%
4Q12	+19.1%	+9.3%	-9.8%
Averages	+18.1%	+8.4%	-9.7%

The only change recommended in the rate actions is a reduction in the requested quarterly rate action from 4Q11 to 1Q12 from +9.0% to +0.0%. Requested quarterly rate actions of +3.0% after 1Q12 are accepted. Average rate actions above for total calendar year 2012 reflect the distribution of renewals by quarter.

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	19.1%	12.5%
2. Administrative Expense Ratio	18%	13.5%
3. Profit Objective (percent of premium, pre-tax)	0.0%	2.0%
4. Medical Loss Ratio (MLR)	82.0%	84.5%

History:

GHI's quarter over quarter rate actions approved in 2011 were +6.1% in 1Q11 and +3.0% in 2Q11. GHI did not submit for rate actions in 3Q11 and in 4Q11.

GHI's underwriting losses in calendar year 2010 were significant at \$-850,000, or -34% of earned premiums of \$2,500,000. However, this may not be reliable as it includes

expenses in calendar year 2010 at 38% of premiums and membership is eroding rapidly. Average number of members during calendar year 2010 was 450 members and there are only 216 members as of June 30, 2011.

Analysis:

The Department reviewed the material that GHI submitted with the rate application, which included the projected claim trend assumptions, administrative expense assumptions, profit objectives, standardization of premiums, 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.

Overall, the Department accepts the assumptions requested by GHI except: (a) administrative expense ratios to premiums, (b) annual claim trend rates and (c) profit objective.

Annual Claim Trend Rates:

GHI requested annual claim trend rates of 19.8% for calendar year 2011 and 19.1% for calendar year 2012. The Department recommends an annual claim trend rate of 12.5%, which is slightly higher than the annual claim trend rate of 11.8% requested by GHI on its Small Group EPO/PPO [non high deductible] products.

Administrative Expense Ratio:

GHI requested an administrative expense ratio of 18.0% of premiums. The Department finds that an expense ratio of 13.5% is reasonable. This is the ratio used for GHI's rate application on Small Group EPO/PPO Products.

Profit Objective:

In its rate application, GHI included a factor of 0.0% of premiums as a profit objective due to the high expense ratio of 18.0% requested and the minimum loss ratio of 82.0%. The Department finds that, with the reduction in administrative expenses, a profit objective of 2.0% of premiums is reasonable.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 13.5% and a profit ratio of 2.00%, GHI's projected loss ratio will be 84.5%.

Decision:

Based on the analysis as described above, the Department finds the rate actions requested are unjustified and the quarterly rate action is reduced from 9.0% to 0.0% for 1Q12 over the 4Q11, while quarter over quarter the rate actions of 3.0% in the subsequent quarters are approved as requested. Note that based on the Department's assumptions, the

indicated quarterly rate action in 1Q12 over 4Q11 was actually -5.8%, which was raised by the Department to +0.0%.