

# New York State Department of Financial Services

## Premium Rate Approval - Decision Summary

**Insurer:** GHI HMO Select  
**Filing Type:** Section 4308(c) Prior Approval Filing(s)  
**Effective Date:** January 1, 2012  
**SERFF Tracking Number:** GRPH - 127320298  
**Lines of Business:** Healthy New York HMO Plans  
**Affected Members:** Approximately 960  
**Annual Premiums Affected:** \$3.7 million  
**Rating Structure:** Non-Rolling Rates (Effective on 1/1/12 for all plans)

### Decision Summary:

<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
19.8%	15.0%	-4.8%

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	13.9%	11.0%
2. Administrative Expense Ratio	18.0%	15.7%
3. Profit Objective (percent of premium, pre-tax)	0.0%	0.0%
4. Medical Loss Ratio (MLR)	82.0%	84.3%

### History:

Effective on January 1, 2011, GHI increased premium rates for HMO Healthy New York Plans by +10.8%. The prior rate action was effective on January 1, 2010 and increased premiums +11.7%.

### Analysis:

The Department reviewed the material that GHI submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, 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 Rate:

GHI assumed an annual claim trend rate on pre-Stop Loss incurred claims of +13.9%. The Department approves a +11.0% annual claim trend rate, which is more consistent

with the average annualized claim trend rate that downstate carriers are experiencing on Healthy New York plans.

**Administrative Expense Ratio:**

GHI assumed an administrative expense ratio of 18.0% for calendar years 2011 and 2012. The Department approves an expense ratio of 15.7%, which corresponds to the actual expense ratio for all carriers in downstate region in calendar year 2010.

**Profit Objective:**

GHI assumed a pre-tax profit objective of 0.0% of premiums, which the Department approves as reasonable.

**Medical Loss Ratio (MLR)**

With the administrative expense ratio of 15.7% and a profit ratio of 0.0%, GHI's projected loss ratio will be 84.3%.

**Stop Loss Reimbursements:**

GHI's assumption on Stop Loss reimbursements is that such reimbursements [PMPM] in calendar year 2012 would be at the same level as the actual reimbursements in calendar year 2010. The Department accepts GHI's assumption.

**Standardization of Premiums:**

In order to accurately reflect past premium increases that have not yet gone into effect, the Department "standardizes" the premiums requested. Actual premiums earned during the previous calendar year are adjusted to include premium increases that were subsequently approved but not reflected as actual premiums earned. GHI has determined a conversion ratio at 101.4%. The Department has estimated a conversion ratio at 110.8%, consistent with the +10.8% rate action effective on January 1, 2011.

**Decision:**

Based on the Department's review and analysis described above, the Department finds that the requested increases should be reduced from +19.8% to +15.0%.