

# New York State Department of Financial Services

## Premium Rate Approval - Decision Summary

**Insurer:** Group Health Incorporated  
**Filing Type:** Section 4308(c) Prior Approval Filing(s)  
**Effective Date:** January 1, 2012  
**SERFF Tracking Number:** GRPH - 127168464  
**Lines of Business:** Healthy New York EPO Plans  
**Affected Members:** Approximately 13,000  
**Annual Premiums Affected:** \$51 million  
**Rating Structure:** Annual Rates (Effective at renewal date in 2012)

### Decision Summary:

| <u>Requested</u> | <u>Approved</u> | <u>Reduction</u> |
|------------------|-----------------|------------------|
| 19.8%            | 10.0%           | -9.8%            |

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                       | 11.7%            | 11.0%           |
| 2. Administrative Expense Ratio                   | 13.6%            | 10.0%           |
| 3. Profit Objective (percent of premium, pre-tax) | 4.0%             | 2.0%            |
| 4. Medical Loss Ratio (MLR)                       | 82.4%            | 88.0%           |

### History:

Effective on January 1, 2011, GHI increased premium rates for EPO Healthy New York plans by +12.6%. The prior rate action was effective on January 1, 2010 and increased premiums +4.0%.

### 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 +11.7%. 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 is using expense ratios of 13.6% for calendar year 2011 and 13.5% for calendar year 2012. The Department approves an expense ratio of 10.0%, which corresponds to a ratio of 15.7% (the actual expense ratio for all carriers in downstate region in calendar year 2010), reduced to account for expense reimbursements provided by legislation to Brooklyn HealthWorks and GHI in calendar year 2010.

**Profit Objective:**

GHI assumed a pre-tax profit objective of 4.0% of premiums. The Department approves a 2.0% pre-tax profit objective, which is reasonable for this line of business.

**Medical Loss Ratio (MLR)**

With the administrative expense ratio of 10.0% and a profit ratio of 2.0%, GHI's projected loss ratio will be 88%.

**Stop Loss Reimbursements:**

GHI's assumption on Stop Loss reimbursements (PMPM) is that such reimbursements in calendar year 2012 would be at 101.2% of the actual reimbursements in calendar year 2010. The Department's assumption is that such reimbursements in calendar year 2012 would be at the same level as in calendar year 2010. The difference, however, is minimal, and the Department accepts GHI's assumption.

**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 +10.0%.