# New York State Department of Financial Services

# Premium Rate Approval – Decision Summary

| | |
|---|---|
| **Insurer**: | **HIP Insurance Plan of Greater NY (HIP HMO)** |
| **SERFF Number**: | HPHP-127306461 |
| **State Tracking Number:** | 2011070118 |
| **Filing Type**: | §4308(c) Prior Approval Filing |
| **Effective Date**: | January 1, 2012; all quarters of calendar year 2012 |
| **Lines of Business**: | Small Group HMO and POS |
| **Affected Members**: | 23,987 |
| **Rating structure**: | Quarterly rolling rates |

**Summary**

This rate application pertains to the following HIP HMO products: CompreHealth, HMO Prime, POS, Classic HMO, Access 2 POS and Access 1 HMO.

**HMO CompreHealth Product:**

| Renewal Quarter | Requested (avg) | Approved | Reduction |
|---|---|---|---|
| 1Q12 | 20.4% | 16.1% | -4.3% |
| 2Q12 | 21.9% (avg)* | 14.8% | -7.1% |
| 3Q12 | 19.1% | 14.8% | -4.3% |
| 4Q12 | 19.1% | 14.8% | -4.3% |
| Overall | 20.3% | 15.3% | -5.0% |

**All Other SG HMO/POS Products:**

| Renewal Quarter | Requested | Approved | Reduction |
|---|---|---|---|
| 1Q12 | 20.4% | 10.5% | -9.9% |
| 2Q12 | 21.9% (avg)* | 9.3% | -12.6% |
| 3Q12 | 19.1% | 9.3% | -9.8% |
| 4Q12 | 19.1% | 9.3% | -9.8% |
| Overall | 20.3% | 9.9% | -10.4% |
| | | | |
| Overall Average - All products | 20.3% | 13.4% | -6.9% |

*The range for the requested second quarter 2012 rates is 19.1% to 33.3%, which reflects a tier reshaping. All the other quarters have already been reshaped pursuant to previous filings.

**History**

The prior rate filing for HIP HMO was effective April 1, 2011. The approved year over year increases for the various products were as follows:

| | | | |
|---|---|---|---|
| HMO Prime: | 7.7% to 15.6% | POS: | 4.5% to 13.0% |
| Classic HMO: | 2.6% to 13.0% | Access 2 POS: | 9.6% to 23.7% |
| CompreHealth: | 4.8% to 15.8% | | |
| Access 1 HMO: | 9.6% to 23.7% | | |

The aggregate average year over year increase was 11.1%.

**Analysis**

The Department reviewed the material that the 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, except the following: annual claim trend, administrative expenses, underwriting margin, and tier reshaping for second quarter renewals.

**Annual Claim Trend**

The company assumed average annual claim trend factors of 19.2% for the CompreHealth product, 15.3% for the HMO Classic product, and 16.1% in aggregate across all products.

The company assumed that the utilization component of trend would be much higher for the CompreHealth and Classic products. The Department considered this utilization adjustment as excessive.

The Department assumed the annual trend would be the same for all products at 12%.

**Administrative Expense Ratio**

The company proposed a 14.0% administrative expense factor. The prior rate filing assumed administrative expenses of 10.7%. Therefore, the Department found that a factor of 12.5% was reasonable.

## Tier Reshaping for Second Quarter Renewals

The company provided no information to support the requested tier reshaping, therefore the Department rejects these adjustments.

## Profit Objective (Underwriting Margin)

The company's rate development assumed an 82% target loss ratio. This is based on a 14% administrative factor and a 4% underwriting margin.

The Department concluded that a 2.0% underwriting margin is appropriate in this situation as it would produce an appropriate return on equity.

## Medical Loss Ratio (MLR)

With the administrative expense ratio of 12.5% and a profit ratio of 2.0%, HIP's projected loss ratio will be 85.5%.

## Decision

The Department did an analysis of all products other than CompreHealth on a combined basis, and a separate analysis for the CompreHealth product.

The Department concluded that the requested rate changes were excessive and unreasonable. The rate changes have been reduced as reflected in the rate summary charts above.

The Department concluded that the proposed tier reshaping for second quarter renewals was unreasonable and is not reflected in the approved rates.