New York State Department of Financial Services

Premium Rate Approval - Decision Summary

Insurer:	Health Insurance Plan of Greater New York (HIP)
Filing Type:	Section 4308(c)
Effective Date:	January 1, 2012 through December 31, 2012
SERFF Number:	HPHP-127318811
Lines of Business:	Direct Pay HMO and POS plans
Affected Members:	3,668 (as of 5/31/11); including 2,982 standardized HMO, 631 pre-standardized HMO, and 55 Standardized POS
Earned Premiums:	$36.9 million, calendar year 2010 ($35.9 million for HMO and $1.0 million for POS**)**
Rating Structure:	Non-rolling annual rates; all increases on January 1st

Summary:

Year-over-year rate actions are:

	Requested	Approved	Reduction
2012:	12.55%	6.25%	-6.30%

The new rates would be effective on January 1, 2012 for all members and affect all Direct Pay HMO and POS plans in all regions covered by HIP.

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

		Requested	Approved
1.	Annual Claim Trend Rates	12.6%	12.6%
2.	Administrative Expense Ratio	10%	10%
3.	Profit Objective (percent of premium, pre-tax)	4.5%	3.0%
4.	Medical Loss Ratio (MLR)	85.5%	87.0%

Rate History:

HIP requested and received approval for a 12.55% rate increase on all of the HMO plans effective January 1, 2011. The POS plans did not receive any rate increases in 2011. Neither the HMO nor POS received any rate increases in 2010 except for some relatively small increases at the end of 2010 for the PPACA "6 Months" changes.

The combined Direct Pay HMO and POS enrollment declined by about 18% from 2009 to 2010. Enrollment continues to decline into 2011. At the current pace, enrollment could decline by an additional 12% by the end of 2011.

The 2010 loss ratio reports submitted to the Department in June 2011 measured calendar year underwriting results for the HMO and POS plans during 2010. The reports indicated medical loss ratios (MLR) of 86.2% for the HMO plan and 42.4% for the POS plans. The POS ratio is not credible, as there are currently only 55 members.

Analysis:

The Department reviewed the material that HIP submitted within the rate application, which included the changes in the ratings by regions, the projected trend assumptions, administrative expense assumptions, projected claims, 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 Rates:
Based on experience data and on projected contractual rates with providers for 2011 and 2012, HIP assumed a trend rate of 12.6% before any stop loss reimbursements and before any Regulation 146 reimbursements. The Department found this assumption to be reasonable.

Administrative Expense Ratio:
HIP's expense ratio in its application was 10% of premiums. The Department found this ratio to be acceptable based on HIP's actual expense levels over past years.

Profit Objective:
HIP's application contains a profit objective of 4.50% and a target loss ratio of 85.5%. The Department finds that a profit margin of 3.0% is reasonable. This corresponds to a return on equity of 13%, which the Department believes is reasonable for a non-profit entity such as HIP.

Medical Loss Ratio (MLR)
With the administrative expense ratio of 10% and a profit ratio of 3.0%, HIP's projected loss ratio will be 87%.

Stop Loss Reimbursements:
HIP assumed that per member per month (PMPM) reimbursements in 2012 would be unchanged from the 2010 levels. The Department has projected that the total dollar amount of stop loss funding will remain constant through 2012, but reimbursements PMPM will increase due to projected declines in enrollment from 2010 to 2012. The Department therefore increased the PMPM stop loss reimbursements from $72.80 to $116.51.

Decision:
Based on the changes to the profit objective and to the stop loss reimbursements described above, the Department finds the rate increase requested is not justified and has reduced the increase to 6.25% for 2012.