

# 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-127306450  
**Lines of Business:** Healthy New York (HNY)  
**Affected Members:** 3,274 as of 5/31/11  
**Earned Premiums:** \$14.8 million for calendar year 2010  
**Rating Structure:** Non-rolling annual rates; increases on policy anniversaries

### Summary:

Year-over-year rate actions are:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
2012:	19.8%	19.8%	0.0%

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	12.5%	12.5%
2. Administrative Expense Ratio	12.0%	12.0%
3. Profit Objective (percent of premium, pre-tax)	-8.7%	-8.7%
4. Medical Loss Ratio (MLR)	96.7%	96.7%

Even with a 19.8% increase, HIP is taking a loss on these products, with a profit ratio of -8.7% . Membership has declined of the past three years, and claims experience has worsened.

Members affected are all HIP HNY members in all regions, including both the fully PPACA compliant and grandfathered plans, both the regular and the high deductible plans, and both with and without drugs coverage. New rates would be effective on policy anniversaries in 2012.

### Rate History:

HIP requested a 12.55% rate increase for HNY for 2011. The Department approved a rate increase of 6.50%.

The claims experience on this product deteriorated significantly between 2009 and 2010. Claims PMPM before any stop loss reimbursement increased by about 28%. Member months (MMs) decreased significantly from 59,606 in 2009 to 49,421 in 2010, a decrease of about 17%. The decline continues into 2011. MMs for the first half of 2011 are 20,258. On an annualized basis, if the decline continues at this rate to the end of 2011, there could be an additional 18% decrease

in membership by the end of the year. The 2010 loss ratio report for HIP HNY submitted to the Department in June 2011 shows a medical loss ratio (MLR) of 101.1% after stop-loss recoveries.

**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 projected contractual rates with providers for 2011 and 2012, HIP assumed a trend rate of 12.5% before any stop loss reimbursements. The Department finds this assumption to be reasonable.

**Expense Ratios:**

The Department accepts the expense ratio of 12.0% submitted by HIP in the application. It is reasonable compared to HIP's actual expense levels over the last few years.

**Profit Objective:**

The requested 19.8% increase corresponds to an MLR of 96.7%, which translates into a profit margin of -8.7% (100 less 12 for expenses less 96.7). The Department might normally recommend an after-tax profit margin of 3.0% for a non-profit entity such as HIP. As a sensitivity test, if the profit margin were changed to even a +1.0%, which would correspond to an 87% MLR (100 less 3 for profit less 12 for expenses), the indicated rate action would increase substantially to about 30%.

**Medical Loss Ratio (MLR)**

With the administrative expense ratio of 12.0% and a profit ratio of -8.7%, HIP's projected loss ratio will be 96.7%.

**Stop Loss Reimbursements:**

HIP assumed that per member per month (PMPM) reimbursements in 2012 would be unchanged from the 2010 levels of \$119.10 PMPM. This assumes that reimbursements will continue at a level of approximately 78 cents on the dollar. The Department accepts this assumption as reasonable.

**Decision:**

Based on the recommendations outlined above, and also the sensitivity tests, the Department finds that the requested rate increase of 19.8% is justified.