

New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: HealthNow New York Incorporated (Article 43 Insurer)
Filing Type: Section 4308(c) Prior Approval Filing(s)
Effective Date: January 1, 2012
SERFF Tracking Number: HLTH-127338302
Lines of Business: Individual Standardized & Modernized Medicare Supplement Plans A, B, C, E, F, & H
Affected Members: 4,205
Rating Structure: Annual Rates / Regional Rates

Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
All Plans – Albany Regions	3.1%	3.1%	0.0%
All Plans – Buffalo and Central NY	12.1%	9.5%	-2.6%

HealthNow’s application requested premium increases for both Pre-MIPPA and MIPPA plans, which have a total of 4,205 members. MIPPA refers to the Medicare Improvements for Patients and Providers Act of 2008, which called for increased benefits to the Medicare Supplement Standardized plans starting June 1, 2010. MIPPA plans are also referred to as “Modernized” Medicare Supplement plans. Standardized Medicare Supplement plans (inforce since the early ‘90s until May 31, 2010) are referred to as “Pre-MIPPA” or “Standardized.”

HealthNow’s Plans A, B, C, E, F, and H cover members in 5 rating regions throughout New York. HealthNow did not vary requested year over year rate changes by plan, but varied the rates by region.

Analysis:

The Department reviewed the material that HealthNow 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.

By regulation, the minimum medical loss ratio (MLR) for Individual Medicare Supplement plans offered by Article 43 insurers in New York is 80%. HealthNow's target expected loss ratio for these plans is 84.4% in the Albany regions and 83.8% in the Buffalo/CNY regions. HealthNow's previous rate adjustment was an overall rate decrease, to be implemented in 2011.

HealthNow's non-claim expenses are broken down as follows:

	Buffalo/CNY Regions	Albany Regions
Admin/Overhead	23.7%	22.1%
Premium Tax	2.1%	2.5%
Commissions	0.0%	0.0%
Profit/Risk Margin	-9.6%	-9.0%
Total Expenses & Profit	16.2%	15.6%

Albany Regions. Due to the low enrollment of Albany Region 2, the Department analyzed the combined experience of the Albany Regions. The New York experience (combined Pre-MIPPA & MIPPA) shows a 2010 MLR of 77.5%.

Claims Trend: HealthNow is requesting a rate change in order to offset the assumed claims trend and to maintain the loss ratios at or near 84.4%. HealthNow's annual claims trend assumption for these regions is 5.7%. The 2010 experience was trended for 2 years to 2012.

MLR: The projected 2012 MLR is 87.5%, considering the claims trend and the overall rate adjustment of -1.1% that HealthNow implemented for these regions in 2011. The Department has determined that a rate increase is justified based on HealthNow's target loss ratio of 84.4%.

Buffalo/CNY Regions. The New York experience (combined Pre-MIPPA & MIPPA) shows a 2010 MLR of 81.7%.

Claims Trend: HealthNow is requesting a rate change in order to offset the assumed claims trend and to maintain the loss ratios at or near 83.8%. HealthNow's annual claims trend assumption for these regions is 5.3%. The 2010 experience was trended for 2 years to 2012.

MLR: The projected 2012 MLR is 94.4%, considering the claims trend and the overall rate adjustment of -4% that HealthNow implemented for these regions in 2011. The Department has determined that a rate increase is justified based on HealthNow's target loss ratio of 83.8%. However, the Admin/Overhead expense for this region is excessive. Reducing the Admin/Overhead expense by 2.4% adjusted the target loss ratio to 86.2% and reduced the acceptable increase to 9.5%, down from the proposed 12.1%.

Decision:

Based on the analysis as described above, the Department finds the rate actions requested for the Buffalo and Central NY regions are unreasonable and modifies the rate as summarized in the chart above.