

## New York State Department of Financial Services

### Premium Rate Approval - Decision Summary

**Insurer:** HealthNow New York, Inc. (Article 43 Corporation), including Community Blue, the insurer's Public Health Law Article 44 line-of-business HMO

**Filing Type:** Section 4308(c) Prior Approval Filing

**Effective Date:** January 1, 2012 through December 31, 2011

**SERFF Tracking Number:** HLTH-127287623

**Lines of Business:** Large Group and Small Group Indemnity and HMO Plans

**Rating Structure:** Quarterly Rolling Rates, Regional Rates Albany & Buffalo Divisions

**Affected Members:** Albany: 31,000. Buffalo: 78,000

**Annual Premiums:** Albany: \$130 million. Buffalo: \$313 million

#### Summary:

The Department approves the rates as submitted in Healthnow's rate application, as summarized in the table below:

	Albany (avg)	Buffalo (avg)	Total (avg)
<b>HMO Plans</b>			
<b>1Q11 to 1Q12</b>	7.74 %	6.97 %	7.12 %
<b>2Q11 to 2Q12</b>	6.69 %	4.93 %	5.27 %
<b>3Q11 to 3Q12</b>	1.71 %	-0.87 %	-0.37 %
<b>4Q11 to 4Q12</b>	2.87 %	-1.12 %	-0.34 %
<b>Overall</b>	<b>4.75 %</b>	<b>2.48 %</b>	<b>2.92 %</b>
<b>Indemnity Plans</b>			
<b>1Q11 to 1Q12</b>	8.87 %	14.02 %	12.22 %
<b>2Q11 to 2Q12</b>	7.42 %	11.65 %	10.17 %
<b>3Q11 to 3Q12</b>	2.94 %	9.01 %	6.88 %
<b>4Q11 to 4Q12</b>	3.44 %	8.44 %	6.69 %
<b>Overall</b>	<b>5.67 %</b>	<b>10.78 %</b>	<b>8.99 %</b>
<b>All Plans Comb.</b>			
<b>1Q11 to 1Q12</b>	8.53 %	10.64 %	10.04 %
<b>2Q11 to 2Q12</b>	7.20 %	8.42 %	8.08 %
<b>3Q11 to 3Q12</b>	2.58 %	4.26 %	3.78 %
<b>4Q11 to 4Q12</b>	3.27 %	3.85 %	3.68 %
<b>Overall</b>	<b>5.40 %</b>	<b>6.79 %</b>	<b>6.40 %</b>

The distributions of members by size of rate actions (year over year), are as follows:

<b>Rate Actions</b>	<b>Albany</b>	<b>Buffalo</b>	<b>Subtotal</b>
Reductions	8.1%	11.0%	10.2%
0% to 10% Increase	72.8%	49.9%	56.4%
10% to 15% Increase	18.3%	27.2%	24.6%
15% to 17.5% Increase	0.4%	11.1%	8.2%
17.5% to 19.5% Incr.	0.4%	0.8%	0.6%
Subtotal	100.0%	100.0%	100.0%

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	10.79%	10.79%
2. Administrative Expense Ratio	11.2%	11.2%
3. Profit Objective (% of premium, pre-tax)	1.7%	1.7%
4. Medical Loss Ratio (MLR)	87.1%	87.1%

HealthNow consists of two major rating regions, Albany and Buffalo, which are treated separately.

The Buffalo area includes the following counties in Western and Central New York: Allegany, Cattaraugus, Cayuga, Chautauqua, Chemung, Cortland, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Onondaga, Orleans, Oswego, Schuyler, Tomkins, Wayne and Wyoming Counties.

The Albany area includes the following counties: Albany, Clinton, Columbia, Dutchess, Essex, Fulton, Greene, Montgomery, Orange, Putnam, Rensselaer, Saratoga, Schnectady, Schoharie, Sullivan, Ulster, Warren and Washington Counties.

HealthNow has very small membership in a third region (Central), accounting for only 25 members and the rate actions for this Central region are similar to the rate actions in the other two regions.

**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 objective 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:**

HeathNow used +10.79 % annual claim trend for all regions and products combined, which is reasonable. (The annual claim trend varies by region and product from a low of +9.59 % to high of +11.47 %.) The Department accepts the claims trend assumptions as reasonable.

**Administrative Expense Ratio:**

HealthNow's administrative expense ratio is running at 11.3% for calendar year 2010 on indemnity products for large and small groups combined. HeathNow's projected expense ratio assumptions in this application is 11.2% for all regions and products combined. The Department finds this assumption to be reasonable. (The expense ratio varies by region and product from a low of +9.2 % to high of +12.8 %.)

**Profit Objective / Target MLR:**

HealthNow used +1.7% profit objective assumption. The Department accepts the profit objective assumptions as reasonable.

**Medical Loss Ratio (MLR):**

With the administrative expense ratio of 11.2% and a profit ratio of 1.7%, Healthnow's projected loss ratio will be 87.1%.

**Decision:**

Based on the Department's review and analysis described above, the Department finds that the requested increases are reasonable and therefore approved as submitted.

## New York State Department of Financial Services

### Premium Rate Approval - Decision Summary

**Insurer:** HealthNow New York, Inc. (Article 43 Corporation), including Community Blue, the insurer's Public Health Law Article 44 line-of-business HMO

**Filing Type:** Section 4308(c) Prior Approval Filing

**Effective Date:** January 1, 2012 through December 31, 2012

**SERFF Tracking #:** HLTH-127287623

**Lines of Business:** Standardized Direct Pay HMO/POS Plans and Direct Pay Indemnity Plans

**Rating Structure:** Non-Rolling Rates [All members will renew on January 1, 2012]

**Affected Members:** 138 members under Direct Pay HMO/POS plans and 1,752 members under Direct Pay Indemnity plans

**Annual Premiums:** Overall \$5 million for all plans combined.

#### Summary:

Types of Plans	Membership	Requested (Year over Year )	Approved (Year over Year)
HMO/POS Plans in Albany Region	41	-22.7%	-22.7%
HMO/POS Plans in Buffalo Region	97	+19.5%	0.00%
Indemnity Plans in Buffalo Region	1,752	+19.5%	+19.5%

#### 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. The analysis included the following requests and recommendations for the various components of the application.

#### Loss Ratios for Calendar Year 2010:

Loss ratio reports submitted by HealthNow for calendar year 2010 indicate a loss ratio of 96.3% for calendar year 2010 for Direct Pay HMO/POS plans in Albany region for which HealthNow is requesting a reduction of -22.7%.

Loss ratio reports submitted by HealthNow for calendar year 2010 indicate a loss ratio of 54.1% for calendar year 2010 for Direct Pay HMO/POS plans in Buffalo region for which HealthNow is requesting an increase of +19.5%.

Lastly, loss ratio reports submitted by HealthNow for calendar year 2010 indicate a loss ratio of 150.5% for calendar year 2010 for Direct Pay Indemnity plans in Buffalo region for which HealthNow is also requesting an increase of +19.5%.

Due to inconsistencies between the loss ratios and the requested rate actions for Direct Pay HMO/POS plans, the Department is denying any rate actions on such HMO/POS plans.

As to the Direct Pay Indemnity plans in the Buffalo region, the requested rate action is fully supported by the loss ratio in calendar year 2010.

Additional assumptions in HealthNow rate application are discussed below.

**Annual Claim Trend Rates:**

HealthNow used annual claim trend rates varying from 8.0% to 9.0%, which is reasonable for these Direct Pay plans in the Upstate counties.

**Administrative Expense Ratio:**

As to the expense ratios, HealthNow is running at about 4.0% of premiums for Direct Pay HMO/POS plans, and 10.0% for Direct Pay Indemnity plans. A higher ratio for Indemnity plans is supported by the fact that average PMPM premiums are about \$170.00, as compared to about \$1,200.00 for HMO/POS plans.

**Profit Objective:**

HealthNow used +1.07% profit objective assumption. The Department accepts the profit objective assumption as reasonable.

**Decision:**

Based on the Department's review and analysis described above, the Department finds that the requested increases are unreasonable for the Direct Pay HMO/POS plans and reasonable for Direct Pay Indemnity plans and modifies the rates as reflected in the chart above.

**New York State Department of Financial Services  
Premium Rate Approval - Decision Summary**

**Insurer:** HealthNow New York, Inc. (Article 43 Corporation), including Community Blue, the insurer’s Public Health Law Article 44 line-of-business HMO

**Filing Type:** Section 4308(c) Prior Approval Filing

**Effective Date:** January 1, 2012 through December 31, 2012

**SERFF Tracking Number:** HLTH-127287623

**Lines of Business:** Healthy New York Plans

**Rating Structure:** Non-Rolling Rates (All members will renew on January 1, 2012)

**Affected Members:** 4,194 members for all regions combined

**Annual Premiums:** Overall \$12 million for all regions combined.

**Summary:**

<b>Regions</b>	<b>Membership</b>	<b>Requested (Year Over Year)</b>	<b>Approved (Year Over Year)</b>
Albany	1,254	+4.9%	+4.9%
Buffalo	2,666	+3.3%	+3.3%
Central	274	+1.1%	+1.1%
All Regions Combined	4,194	+3.6%	+3.6%

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	8-9%	8-9%
2. Administrative Expense Ratio	17.0%	12.0%
3. Profit Objective (percent of premium, pre-tax)	1.07%	1.07%
4. Medical Loss Ratio (MLR)	81.93%	86.93%

HealthNow consists of three rating regions, Albany, Buffalo and Central New York, which are treated separately.

The Buffalo region includes the following counties: Allegany, Cattaraugus, Cayuga, Chautauqua, Cortland, Erie, Genesee, Livingston, Niagara, Ontario, Orleans, Schuyler, Tompkins and Wyoming Counties.

The Albany region includes the following counties: Albany, Clinton, Columbia, Dutchess, Essex, Fulton, Greene, Montgomery, Orange, Putnam, Rensselaer, Saratoga, Schenectady, Schoharie, Sullivan, Ulster, Warren and Washington Counties.

The Central New York region includes the following counties: Chemung, Monroe, Onondaga, Oswego and Wayne Counties.

**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 objective 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.

The Department accepts HealthNow's assumptions and calculations in all the following areas:

**Annual Claim Trend Rates:**

HealthNow used annual claim trend rates varying from 8.0% to 9.0%, which is reasonable for Healthy New York plans in the Upstate counties.

**Administrative Expense Ratio:**

HealthNow assumed an administrative expense ratio of 17.0% of premiums. Based on the data reviewed, the Department finds that an expense ratio of 12.0% is reasonable.

**Profit Objective:**

HealthNow used +1.07% profit objective assumption. The Department accepts the profit objective assumption as reasonable.

**Medical Loss Ratio:**

With the administrative expense ratio of 12.0% and profit ratio of 1.07%, Healthnow's projected loss ratio will be 86.93%.

**Decision:**

Based on the Department's review and analysis described above, the Department finds that the requested rate actions are reasonable for these Healthy New York plans. Despite the reduction by the Department in the expense ratio from 17.0% to 12.0%, the Department's calculations produced rate actions in excess of the rate actions requested by HealthNow. Therefore the rate actions are recommended as requested.