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

Insurer:	**Independent Health Association (IHA)**
SERFF Number:	NDPD-127211331
State Tracking Number:	2011070214
Filing Type:	§4308(c) Prior Approval Filing
Effective Date:	January 1, 2012
Lines of Business:	Standard and non-standard Direct Pay HMO & POS
Affected Members:	278 with standard direct pay products and 67 with non-standard direct pay products
Rating structure:	Non rolling rates; all direct pay members will have their rates change January 1, 2012.

Summary

Product	Requested	Approved	Reduction
Encompass I2 (std DP HMO)	2.2%	0.0%	-2.2%
Encompass Plus I2 (std DP POS)	1.1%	0.0%	-1.1%
Basic (non std DP)	-8.5%	-8.5%	0.0%
Encompass A1 (non std DP, Gold Conversion)	-10.1%	-10.1%	0.0%
Encompass B1 (non std DP, Silver Conversion)	1.7%	1.7%	0.0%
TOTAL DIRECT PAY	**0.3%**	**-1.2%**	**-1.5%**

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

		Requested	Approved
1.	Annual Claim Trend Rates	7.5%	7.5%
2.	Administrative Expense Ratio	6.0%	6.0%
3.	Profit Objective (percent of premium, pre-tax)	2.0%	2.0%
4.	Medical Loss Ratio (MLR)	92.0%	92.0%

History

The January 1, 2010 file and use rate submission increased direct pay rates 11.9%, and the January 1, 2011 rate submission increased direct pay rates 9.6%,

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: stop loss recovery on the standard direct pay HMO and POS products.

Annual Claim Trend
The Department accepted IHA's annual claim trend assumption of 7.5% as reasonable.

Administrative Expense Ratio
IHA is proposing an administrative expense ratio of approximately 6% of premiums. The Department finds this assumption to be reasonable.

Profit Objective (Underwriting Margin)
IHA is proposing a profit margin of approximately 2% of premiums. The Department finds this assumption to be reasonable.

Medical Loss Ratio (MLR)
With the administrative expense ratio of 6.0% and a profit ratio of 2.0%, IHBC's projected loss ratio will be 92.0%.

Standard Direct Pay Stop Loss Recovery
IHA projected that the stop loss recovery per member per month (PMPM) on the standard direct pay HMO & POS products would increase about 1% per year from the 2010 actual value to the estimated 2012 value.

The Department has modeled the impact on the standard direct pay stop loss pools of the declining membership in these products. It is estimated that the percentage of the total claims submitted to the pool that will be reimbursed will increase as the aggregate membership continues to decline, as was the case for calendar year 2010.

The Department revised IHA's stop loss estimate of $115.80 pmpm to $140 pmpm.

Rate Reshaping of the non-Standard Direct Pay Products
IHA is proposing to reshape the relativities between the various products to better reflect the expected claim differentials between the various plan designs. IHA does this each year as part of the rate development. This reshaping is based on the concept that all the non-high deductible products belong to one community rating pool and all the high deductible products belong to another community rating pool, and that the premium differentials within a rating pool should be based on the plan design differences and not the specific experience or utilization patterns of enrollees that choose each of the available plan designs.

The Department finds IHA's reshaping to be reasonable.

Decision

Due to the revision in the standard direct pay stop loss recovery, the Department finds the requested rate increases on the standard direct pay HMO & POS products to be unreasonable. The requested increases were revised as indicated in the summary chart above.

The proposed rate changes on the non-standard direct pay products are considered reasonable and are approved as submitted.

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Effective Date:	January 1, 2012; all rolling quarters of calendar year 2012
Lines of Business:	Large and Small Group HMO
Affected Members:	62,093 large group; 3,505 small group
Rating structure:	Quarterly rolling rates

Summary

Large Group

Renewal Quarter	Requested (avg)	Approved (avg)	Reduction
1Q12	7.7%	7.7%	0.0%
2Q12	8.9%	8.9%	0.0%
3Q12	8.9%	8.9%	0.0%
4Q12	8.3%	8.3%	0.0%
Average	**7.8%**	**7.8%**	**0.0%**

Range: 5.2% - 11.1%

Small Group

Renewal Quarter	Requested	Approved	Reduction
1Q12	3.7%	3.7%	0.0%
2Q12	4.6%	4.6%	0.0%
3Q12	4.8%	4.8%	0.0%
4Q12	4.5%	4.5%	0.0%
Average	**3.9%**	**3.9%**	**0.0%**

Range: 3.3% - 6.3%

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

			Requested	Approved
1.	Annual Claim Trend Rates	LG:	9.3%	9.3%
		SG:	8.7%	8.7%
2.	Administrative Expense Ratio		11%	11%
3.	Profit Objective (percent of premium, pre-tax)		1.6%	1.6%
4.	Medical Loss Ratio (MLR)		87.4%	87.4%

History

The prior rate submission was effective January 1, 2011 and affected all renewals during 2011.

The rate increases on large group ranged from 7.5% to 9.3%, with an aggregate average of approximately 8.8% excluding the impact of riders (9.4% including the impact of riders). The rate increases on small group ranged from 5.6% to 9.3%, with an aggregate average of approximately 7.9% excluding the impact of riders (8.7% including the impact of riders).

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 all of the company's assumptions and calculations.

Annual Claim Trend

IHA is assuming an aggregate trend of about 9.3% for large group and 8.7% for small group. The Department found IHA's trend assumptions to be reasonable.

Administrative Expense Ratio

IHA is proposing an administrative expense ratio of approximately 11% of premiums. IHA indicates that administrative expenses will increase during 2011-2013 as they make capital improvements including conversion to a new information system and claims platform. This will increase administrative expenses to above 11% and result in an actual negative underwriting margin.

The Department finds this assumption to be reasonable.

Profit Objective (Underwriting Margin)

IHA is proposing a profit margin of approximately 1.6% of premiums. The Department finds this assumption to be reasonable.

Medical Loss Ratio (MLR)

With the administrative expense ratio of 11.0% and a profit ratio of 1.6%, IHA's projected loss ratio will be 87.4%.

Rate Reshaping of the Large Group and Small Group Plan Products

IHA is proposing to reshape the relativities between the various products to better reflect the expected claim differentials between the various plan designs. IHA does this each year as part of the rate development. This reshaping is based on the concept that all the large group products belong to one community rating pool and all the small group products belong to another community rating pool, and that the premium differentials within a rating pool should be based on the plan design differences and not the specific experience or utilization patterns of enrollees that choose each of the available plan designs. For some plan designs this reshaping increases the rate change to more than the indicated average, and for other plan designs this reshaping decreases the rate change to less than the indicated average.

The Department finds IHA’s reshaping to be reasonable.

Decision

The Department finds that the requested rate changes are reasonable and approves the rate changes as submitted.

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Effective Date:	January 1, 2012
Lines of Business:	Healthy New York
Affected Members:	5,473
Rating structure:	Non rolling rates

Summary

	Requested	Approved	Reduction
2012:	15.0%	15.0%	0.0%

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

		Requested	Approved
1.	Annual Claim Trend Rates	11.5%	10.0%
2.	Administrative Expense Ratio	15%	15%
3.	Profit Objective (percent of premium, pre-tax)	-2.0%	-2.0%
4.	Medical Loss Ratio (MLR)	87%	87%

History

The prior rate filing was effective January 1, 2011 and reduced Healthy New York rates by 2.9% (before PPACA impact).

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 in all except the claim trend.

Annual Claim Trend

IHA assumed an annual claim trend of 11.5% based on a recent rise in observed claim costs. The Department reduced this trend to 10% which is close to the historical average annual claim trend for all HMOs combined for Healthy New York, and which is higher than the historical average annual claim trend for all upstate HMOs combined for Healthy New York.

Administrative Expense Ratio

IHA is proposing an administrative expense ratio of approximately 15% of premiums. The Department finds this assumption to be reasonable.

Profit Objective (Underwriting Margin)

IHA is proposing a profit margin of approximately -2.0% of premiums. The Department finds this assumption to be reasonable.

Medical Loss Ratio (MLR)

IHA is proposing a target loss ratio of 87.0% (15% for administrative expenses plus a -2.0% of premium underwriting margin). The Department finds this assumption to be reasonable.

Decision

IHA's requested rate increase is less than what would be determined using their assumed pricing assumptions. The Department's revision to the annual claim trend assumption still produces an increase at least as great as is being requested.

The requested rate increase is reasonable and is approved as requested.