

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

Insurer: United Healthcare Insurance Company of New York (Article 42 Insurer)
Filing Type: Section 3231(e)(1) Prior Approval Filing
Effective Dates: 1/1/12 – 12/31/12
SERFF Tracking Number: UHLC-127318689
Line of Business: Healthy New York EPO Upstate Pilot
Affected Members: 2,300 Members
Annual Premiums Affected: \$4.8 million
Rate Structure: Rolling Rates

Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Calendar Year 2011 to Calendar Year 2012	+34.3%	+19.5%	-14.8%

Membership by Plans:

Membership	5/2009 - 1/2010	2/2010 - 1/2011	Change
Healthy New York	322	1,626	+404.2%

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	15.1%	10.0%
2. Administrative Expense Ratio	10.4%	10.0%
3. Profit Objective (percent of premium, pre-tax)	-0.4%	0.0%
4. Medical Loss Ratio (MLR)	90%	90%

History:

In the earlier prior approval rate application for calendar year 2011, United had requested a rate increase of +10.0%. The Department approved the requested rate action because it determined that such a rate action was a reasonable trend-like increase.

Analysis:

The Department reviewed the material that United submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, Stop Loss recoveries, 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 Trends:

United assumed an annual claims trend of 15.1%. Average annualized claim trend that upstate Healthy New York plans are experiencing is approximately 8.0%. The Department finds that a 10.0% annual claim trend rate is reasonable.

Administrative Expense Ratio:

United assumed a 10.4% expense provision. The Department determined that a 10.0% expense ratio is reasonable. Average expense ratios for all upstate Healthy New York carriers was approximately 16.0% for 2010, and partial administrative expense subsidy is provided to the Pilot Project through the HNY stop loss pool funding.

Profit Objective:

United's pre-tax profit objective is -0.4% of premiums. The Department approved a 0.00 or break even on this sensitive program.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 10.0% and profit objective of 0.00%, United's projected loss ratio will be 90.0%.

Standardized Premiums:

In order to accurately reflect past premium increases that have not yet gone into effect, the Department "standardizes" the premiums requested. Actual premiums earned during the previous calendar year are adjusted to include premium increases that were subsequently approved but are not reflected as actual premiums earned.

An objection letter was sent to United that addressed the inconsistencies in the standardized premium scales that United was using in its exhibits as well as the incorrect standardized premium adjustments that were being used. United responded by submitting revised exhibits that consistently used the December 2011 standardized premium scale and that used the correct standardized premium adjustments. The Department accepts the corrected standardized premium calculations that were submitted in the revised exhibits. The impact to United's requested rate actions as a result of the corrected standardized premium calculations is approximately -2.0%.

Stop Loss Recoveries:

United is projecting a decrease in the overall funding of the Stop Loss Pool. As a result, United is projecting Stop Loss Recoveries of \$906,929 for the rating period of calendar year 2012, which is identical to the Stop Loss Recoveries that were applicable to calendar year 2010. The Department accepts this assumption as reasonable.

Decision:

Based on the review and analysis as described above, the Department finds that the requested increases are unreasonable for the reasons explained above. Therefore the requested increase of 34.3% is modified to 19.5%