

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

**Insurer:** United HealthCare Insurance Company of NY  
(Article 42 Insurer)

**Filing Type:** Section 3231(e)(1) Prior Approval Filing

**Effective Date:** January 1, 2012 – December 31, 2012 (four Quarterly rate tables)

**SERFF Tracking Number:** UHLC-127310632

**Lines of Business:** Small Group EPO, POS, PPO, and Indemnity Plans

**Affected Members:** 8,100 Members

**Annual Premiums Affected:** \$31.3 million

**Rating Structure:** Quarterly Rolling Rates – Regional Rates

### Summary:

	<u>Requested (Avg)</u>	<u>Approved (Avg)</u>	<u>Reduction (Avg)</u>
1Q11 - 1Q12	+24.5%	+13.6%	-10.9%
2Q11 - 2Q12	+25.0%	+13.5%	-11.5%
3Q11 - 3Q12	+23.3%	+11.4%	-11.9%
4Q11 - 4Q12	+23.9%	+11.4%	-12.5%
Overall Average	+24.2%	+12.5%	-11.7%

	<u>Requested (Range)</u>	<u>Approved (Range)</u>
1Q11 - 1Q12	+20.9% to +38.4%	+12.8% to +19.8%
2Q11 - 2Q12	+21.4% to +39.0%	+12.7% to +19.8%
3Q11 - 3Q12	+19.6% to +37.1%	+10.6% to +17.7%
4Q11 - 4Q12	+20.3% to +37.8%	+10.6% to +17.8%

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	14.7%	12.5%
2. Administrative Expense Ratio	12.4%	12.4%
3. Profit Objective (percent of premium, pre-tax)	2.6%	2.6%
4. Medical Loss Ratio (MLR)	85.0%	85.0%

### Membership by Plans:

<b>Membership</b>	<b>EPO</b>	<b>POS</b>	<b>PPO</b>	<b>Indemnity</b>	<b>Total</b>
1/2009 - 12/2009	4,545	7,314	0	0	11,859
1/2010 - 12/2010	4,252	4,185	0	0	8,437
Change	-6.4%	-42.8%	0.0%	0.0%	-28.9%

Although there are no inforce members in the PPO and Indemnity Plans, United is still requesting rate actions for such plans in order to maintain the pricing relationship of these plans with the EPO and POS plans, which have inforce members.

**History:**

In the earlier prior approval rate application for the last two quarters of 2011, United had requested a “last 12 months” rate action averaging +21.9% for 3Q11 and +20.2% for 4Q11. The Department modified the request and approved rates averaging +18.1% for 3Q11 and +16.2% for 4Q11.

**Analysis:**

The Department reviewed the material that United submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, Regulation 146 Market Stabilization Pool receivables, 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.

**Reg 146 Market Stabilization Pool Receivables:**

In its rate application, United’s assumption for its Reg 146 receivables was \$0 for the rating period 1/2012-12/2012 even though United had previously received a letter from the Department’s contractor that it would receive \$2.2M from the Reg 146 pool by July 11, 2011. United later revised its assumption for its Reg 146 receivables to \$981,076 for the rating period 1/2012-12/2012. The Department found that United should use the entire \$2.2M from the Reg 146 pool to reduce the requested rate actions for the rating period 1/2012-12/2012.

**Annual Claim Trends:**

United is using an annualized claim trend rate of +14.7%. The Department determined that an annualized claim trend rate of +12.5% is reasonable, which is consistent with available trend data and what the Department approved in the recent rate applications for other major carriers.

**Variations by Regions:**

United is requesting area factor changes that would increase the rates in the Buffalo and Rochester rating regions by +10.0% and decrease the rates in the Syracuse rating region by -1.9%. United maintains that the changes in area rating are revenue neutral. This request is identical to the one made in the prior rate application effective July 2011, which the Department rejected because United was introducing changes in its area factors more than once in a 12-month period and such changes should not be made more frequently than once in a 12-month period. Based on the financial experience submitted, the Department finds the requested changes acceptable. However, the Department limits the requested +10.0% rate changes for the Buffalo and Rochester rating regions to +6.5% and eliminating the requested -1.9% rate change for the Syracuse rating region.

**Expense Provisions:**

United assumed an expense ratio of 12.4% of premiums. The Department accepts United's 12.4% expense provision because the expense to premium ratios calculated from the experience data that United submitted in its rate application are higher than the +12.4% expense provision— at +14.4% for calendar year 2009 and at +14.1% for calendar year 2010.

**Profit Objectives:**

United assumed a pre-tax profit objective of 2.6%. The Department finds this assumption to be reasonable.

**Medical Loss Ratio (MLR):**

With the administrative expense ratio of 12.4% and a profit ratio of 2.6%, United's projected loss ratio will be 85.0%.

United is using an 85.0% projected loss ratio. As the Department accepts United's expense provision of +12.4% and United's pre-tax profit objective of +2.6%, the Department accepts United's projected loss ratio of 85.0%.

**Decision:**

Based on our review and analysis as described above, the Department finds that the requested increases are unreasonable for the reasons explained above.