

New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: UnitedHealthcare Insurance Company of NY (Article 42 Insurer)
Filing Type: Section 3231(e)(1) Prior Approval Filing(s)
Effective Date: April 1, 2012
SERFF Tracking Number: UHLC-127380725
Lines of Business: Group Pre-Standardized Medicare Supplement Plans
Affected Members: 10,547
Rating Structure: Annual Rates / Regional Rates

Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Pre-Std. Plans	2.2% to 3.5%	0.0%	-2.2% to -3.5%

Discussion:

The Department reviewed the material that UnitedHealthcare (UHC) 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. The Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decision.

UHC's rate application pertains to their "Pre-Standardized" Medicare Supplement policies. These types of policies were issued in the early 1990s. (The other categories of Medicare Supplement policies are "Standardized" policies, issued from the early 1990s to May 31, 2010, and "Modernized" policies, issued after May 31, 2010. UHC's Pre-Standardized plans are a closed block of business with 10,547 members.

UHC's Pre-Standardized products cover members throughout NY with no distinction for rating regions. Several plans provide coverage for varying amounts of hospital, medical, skilled nursing, and other expenses. Some plans are offered with or without coverage for prescription drugs.

Analysis:

By regulation, the minimum medical loss ratio (MLR) for Group Medicare Supplement plans offered by Article 42 Insurers in New York is 75%. UHC's Target Expected Loss Ratio is 85%.

Claims Trend:

UHC assumed a claims trend of 3.8%. The Department finds this assumption to be reasonable.

Administrative Expense Ratio:

UHC's 2012 Non-Claim Expenses are broken down as follows:

Operating Expenses: 2.81%
Marketing Expenses: 3.18%
Investment Income Credit: -0.55%
Royalty: 4.95%
Premium Taxes: 2.79%
Total Expenses: 13.18%

The Department finds this assumption to be reasonable.

Profit Objective:

UHC assumed a profit objective of 1.85% of premium. The Department finds this assumption to be reasonable.

Medical Loss Ratio

The 2010 Actual MLR was 80.2%. The projected 2012 MLR is 83.7%, considering the claims trend and the overall rate adjustment of +4.2% that UHC implemented in 2011. The Department finds that UHC can achieve this target MLR without any rate increases.

Decision:

The Department finds that, using UHC's assumptions, it will achieve the target MLR of 83.7% without any rate increase. Accordingly, the requested rate increases are disapproved.