

Information About Your 2012 GHI Small Group Rates

Includes EmblemHealth PPO, EPO, InBalance EPO, ConsumerDirect PPO, and Consumer Direct EPO Plans, and GHI Small Business Advantage Program, HealthPass PPO, HealthPass EPO, and Health Care Tax Credit EPO Plans

GHI is part of the EmblemHealth group of companies. It is a not-for-profit health service corporation organized under Article 43 of the New York Insurance Law to provide coverage for the costs of health care. EmblemHealth serves over 1.8 million individuals, of whom approximately 146,000 are members of small groups, located mostly in the New York metropolitan area. Its income is used to serve those members, either as payments for medical services the members use, or to pay for the administrative services and expenses needed to operate the company.

The Components of Your Premium Rate

The cost you pay for health insurance has two components:

- **Costs for medical care.** By far the largest part of your rate is the cost we pay for medical claims submitted by members. In fact, New York State law requires that a minimum of 82 percent of the premium you pay must be a direct result of the amount we pay for member medical costs.
- **Our administrative costs.** The remaining amount of your premium is for administrative expenses. This component includes costs we pay for a wide variety of services and functions, including processing claims; upgrading of systems needed to comply with state, federal and other legal requirements; costs for consumer education, including managing chronic and complex medical conditions; costs of maintaining our provider network; costs associated with conducting medical reviews and costs to operate Web-based information services. Our administrative costs also include taxes and other fees.

Before we apply for a rate increase, we thoroughly review claims data and administrative expenses to determine future costs and expenses.

The Components of Your Proposed 2012 Rate Increase

GHI is requesting premium rate increases for the small group plans it underwrites. The New York State Insurance Department (NYSID) is reviewing our rates and will determine if they feel the increases are appropriate.

The major reason for our requested increase is the rise in the amount we are paying for the cost of medical care. That increased amount varies depending upon your plan type, but it falls into three categories:

- **Higher costs for physician and hospital services.** Approximately 57 percent of the proposed increase comes from the rising costs we pay to hospitals and doctors to provide our members' care. That includes both the recent increases to the negotiated rates we pay our providers, as well as the higher costs of the new technology and sophisticated treatment we pay for to insure your members get the highest level of care.

- **More and costlier services used by our members.** Approximately 31 percent of the proposed increase is due to the fact that many of our members are aging or have serious illnesses, and for that reason require more services and new technology to receive the highest level of care. Their treatment in many cases includes the most costly medical procedures and services.
- **Higher costs for prescription drugs.** Approximately 12 percent of the proposed increase is due to higher costs for new and more sophisticated prescription drugs and the increased use of those drugs by our members.

If our proposed rate increases are approved by the State, they will be take effect on your annual renewal date and be added to your final 2011 renewal premium rates. The chart included at the end of this document, broken out by first, second, third and fourth quarter of 2012, shows the proposed rate increase for your type of plan as of your renewal date. Please note that even with these new increases, our plans are priced competitively with similar plans offered by other insurers.

In addition, we want to assure you that we are doing our best to control our administrative costs, to work with our providers and to seek all other means to keep the cost you pay for our coverage as low as possible, while still maintaining the high quality of care your members deserve.

The premium rate increases we are requesting are summarized below, by product.

Average Community-Rated Percent Increase from First Quarter 2011 to First Quarter 2012 for Plans Renewing January 1, 2012, through March 30, 2012:

EmblemHealth PPO 23.8%
 EmblemHealth EPO 23.8%
 EmblemHealth InBalance EPO 23.8%
 EmblemHealth ConsumerDirect PPO 23.8%
 EmblemHealth ConsumerDirect EPO 23.8%
 GHI Small Business Advantage Program 23.8%
 GHI HealthPass PPO 23.8%
 GHI HealthPass EPO 23.8%
 GHI Health Care Tax Credit (HCTC) EPO23.8%

Average Community-Rated Percent Increase from Second Quarter 2011 to Second Quarter 2012 for Plans Renewing April 1, 2012, through June 30, 2012:

EmblemHealth PPO 17.0%
EmblemHealth EPO 17.0%
EmblemHealth InBalance EPO 17.0%
EmblemHealth ConsumerDirect PPO 17.0%
EmblemHealth ConsumerDirect EPO 17.0%
GHI Small Business Advantage Program 17.0%
GHI HealthPass PPO 17.0%
GHI HealthPass EPO 17.0%
GHI Health Care Tax Credit (HCTC) EPO17.0%

Average Community-Rated Percent Increase from Third Quarter of 2011 to Third Quarter 2012 for Plans Renewing July 1, 2012, through September 30, 2012:

EmblemHealth PPO 15.9%
EmblemHealth EPO 15.9%
EmblemHealth InBalance EPO 15.9%
EmblemHealth ConsumerDirect PPO 15.9%
EmblemHealth ConsumerDirect EPO 15.9%
GHI Small Business Advantage Program 15.9%
GHI HealthPass PPO 15.9%
GHI HealthPass EPO 15.9%
GHI Health Care Tax Credit (HCTC) EPO15.9%

Average Community-Rated Percent Increase from Fourth Quarter 2011 to Fourth Quarter 2012 for Plans Renewing October 1, 2012, through December 31, 2012:

EmblemHealth PPO 14.7%
EmblemHealth EPO 14.7%
EmblemHealth InBalance EPO 14.7%
EmblemHealth ConsumerDirect PPO 14.7%
EmblemHealth ConsumerDirect EPO 14.7%
GHI Small Business Advantage Program 14.7%
GHI HealthPass PPO 14.7%
GHI HealthPass EPO 14.7%
GHI Health Care Tax Credit (HCTC) EPO14.7%

Final Rate Increase

Your group's final renewal rate may be different from the proposed increases shown above. NYSID may approve, modify or deny these adjustments. We will notify you of your final, approved rates approximately 60 days before your renewal date. This will give you the opportunity to discuss with your broker a variety of EmblemHealth plan options that may enable you to reduce your premiums.

At this time, we have not filed any benefit changes to these plans with the New York State Insurance Department (NYSID). In the event that we file benefit changes to these plans – for example due to new benefits mandated by New York State law – those benefit changes may also impact your final premium rates.