

Information About Your 2012 HIPIC Small Group Rates **Includes HIP Prime[®] PPO, HIP Prime[®] EPO, HIP Select[®] PPO and HIP Select[®] EPO Plans**

HIP Insurance Company of New York (HIPIC) is part of the EmblemHealth group of companies. It is an accident and health insurance company organized under Article 42 of the New York Insurance Law to provide insurance to its members for the cost of covered health care services. 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, like processing claims; upgrading systems needed to comply with state, federal and other legal requirements; consumer education, which includes managing chronic and complex medical conditions; maintaining our provider network; conducting medical reviews; and operating 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

HIPIC 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 increases 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 48 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 treatments that ensure our members get the highest level of care.
- **More and costlier services used by our members.** Approximately 39 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 13 percent of the proposed increase is due to higher costs for new and more sophisticated prescription drugs and to the increased use of those drugs by our members.

If our proposed rate increases are approved by the state, they will take effect on your annual renewal date and will be added to your final 2011 renewal premium rate. The charts included below, broken down by the first, second, third and fourth quarter of 2012, show the proposed rate increase for your type of plan. 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. The rate increase we are requesting for your plan is the percentage shown for the quarter in which your plan will renew.

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

HIP Select EPO 27.2%
 HIP Select PPO 17.2-22.2%
 HIP Prime EPO 27.2%
 HIP Prime PPO 27.2%

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

Plan	Individual	2-Tier Family	4-Tier Employee + Child(ren)	4-Tier Employee + Spouse	4-Tier Family
HIP Select EPO	19.1%	29.4%	19.1%	36.1%	19.1%
HIP Select PPO	17.1-22.1%	27.4-32.4%	17.1-22.1%	34.1-39.1%	17.1-22.1%
HIP Prime EPO	19.1%	29.4%	19.1%	36.1%	19.1%
HIP Prime PPO	19.1%	29.4%	19.1%	36.1%	19.1%

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

HIP Select EPO 19.1%
 HIP Select PPO 17.1-22.1%
 HIP Prime EPO 19.1%
 HIP Prime PPO 19.1%

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

HIP Select EPO 19.1%
 HIP Select PPO 17.1-22.1%
 HIP Prime EPO 19.1%
 HIP Prime PPO 19.1%

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 rate 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 rate.