

## Information About Your 2012 HIP Direct Pay Rates

Health Insurance Plan of Greater New York (HIP) 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 and certified to operate a Health Maintenance Organization (HMO) under Article 44 of the New York Public Health Law. HIP provides benefit plans that enable its members to access 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

HIP is requesting a premium rate increase for the Direct Pay plans it underwrites. The New York State Insurance Department (NYSID) is reviewing our rates and will determine if they feel the increase is 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 51 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 30 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 19 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 increase is approved by the state, it will be added to your final 2011 renewal premium rate. This increase will apply to all HIP Direct Pay subscribers on January 1, 2012. 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 you deserve.

The premium rate increase we are requesting is shown below.

**Percent Increase from January 1, 2011 to January 1, 2012: 12.6%**

### **Final Rate Increase**

Your final renewal rate may be different from the proposed increase shown above. NYSID may approve, modify or deny the adjustment. We will notify you of your final, approved rate approximately 60 days before your renewal date.

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.