

Information About 2012 Small Group Rates for Your HIP Prime® PPO, HIP Prime® EPO, HIP Select® PPO or HIP Select® EPO Plan

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. HIPIC covers about 90,000 members, of which approximately 20,750 are members of small groups, located mostly in the greater New York metropolitan area.

The Components of Your Premium Rate

Your premium rate consists of two components: the costs of providing medical care and administrative expenses. By far, the largest component is the cost of medical care. Medical costs are represented in the minimum loss ratio (MLR), which is the percentage of the premium used to pay for medical care. New York State law requires that the MLR must be at least 82 percent of the premium charged.

Administrative expenses include: costs for processing claims and appeals; maintenance and upgrading of systems needed to comply with HIPAA, federal health reform mandates and other legal requirements; costs for consumer education, wellness programs and programs for managing chronic and complex medical conditions; costs of maintaining our provider network; costs to operate Web-based information and services for members, brokers and providers; costs associated with conducting medical reviews; taxes and other fees.

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

The Components of Our 2012 Rate Increase

HIPIC is requesting a premium rate increase for its small group business, effective for the first, second, third and fourth quarters of 2012. The reason for the requested rate increase is that health care costs have risen dramatically during the past year. The major factors driving rising health care costs are: the increased use of health care services; the growing needs of an aging population that is to a larger extent living with chronic conditions; and the development of costly new medical technologies and prescription drugs.

If these premium rate increases are approved, they will be added to your final 2011 renewal premium rates. These increases will apply to all groups renewing in the first, second, third and fourth quarters of 2012.

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:**

Plan	% increase
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, 2012 through June 30, 2012, by rate tier:**

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, 2012 through September 30, 2012:**

Plan	% increase
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, 2012 through December 31, 2012:**

Plan	% increase
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 them. We will notify you of your final, approved rates approximately 60 days before your renewal date. This will give you an opportunity to discuss with your broker a variety of EmblemHealth plan options that might 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.