

**Narrative Summary
Medicare Supplement Rates Filing for HealthNow New York Inc. – 2012**

On July 28, 2011 HealthNow New York Inc. submitted a prior approval rate adjustment to the New York State Department of Insurance. This rate change request will affect all Medicare Supplement subscribers. The rate change will be effective 1/1/2012 for all subscribers. The rates are applicable until a subsequent rate change is requested and implemented. The approximate total number of members affected by the rate change based on current membership is 100.

A rate adjustment is occurring to reflect actual claims costs for HealthNow and how claims are anticipated to trend into the rate period. Trend in claim costs consists of 2 primary factors:

1. Unit Cost – Annually HealthNow has to re-negotiate reimbursements with medical providers. Rates must be adjusted in response to the level of reimbursement that is agreed upon with each provider.
2. Utilization – The number of services that individuals utilize each year also changes. In addition, the types and mix of services that are utilized changes based on new technologies and developments. Rates must be adjusted to account for this change in utilization.

The following table summarizes the combined change in claims cost for 2012 attributed to change in unit cost and utilization. The trends for inpatient hospital, outpatient facility, and physician (medical) are explicitly displayed and then totaled. The pharmacy trend is also shown.

2012 Unit Cost and Utilization Projected Changes by Region and Major Service Type:

Albany 2012		Central New York 2012	
Inpatient	5.9%	Inpatient	5.6%
Outpatient	5.0%	Outpatient	4.6%
Medical	5.0%	Medical	4.6%
Total	5.7%	Total	5.3%
Pharmacy	4.8%	Pharmacy	4.8%

When setting rates, HealthNow looks at prior period claims experience relative to the premium rates at that time. Depending on the performance of the product, a rate change may be more or less than the effect of trend.

Sincerely,



Gerald Klopfer, ASA, MAAA
Chief Actuary, Actuarial Services
HealthNow New York Inc.

Medicare Supplement Plans. The following adjustments will affect all policy holders on January 1, 2012.

Albany Medicare Supplement plans are changing up to 3.1%

Central New York Medicare Supplement plans are changing up to 12.1%