

Oxford Health Insurance, Inc.
New York Small Group Plans
Requested Rate Changes - Effective 4th Quarter 2011

Rate Component Overview

* The main components of a premium rate are medical costs and administrative expenses. A small portion of the premium rate is also projected to be profit. The cost of medical services are usually the main portion of a rate. Medical costs are accounted for in the minimum loss ratio (MLR). MLR is the percentage (%) of the premiums paid towards medical costs. Under New York state law, the MLR must be at least 82% of the premium charged. This means that at least 82 cents of each premium dollar is to be paid towards medical costs.

Administrative expenses include, among other things,

- taxes and other fees,
- maintenance and upgrading of systems to comply with legal requirements (e.g., HIPAA, federal healthcare reform mandates),
- costs for consumer education and decision support tools/processes, promotion of wellness, programs for managing chronic and complex medical conditions, maintaining the provider network as well as measuring quality and efficiency of providers, and operating costs of consumer, employer, broker and provider web portals, and
- employee costs for items such as processing requests for services, claims, correspondence and appeals, conducting medical reviews, and providing customer service.

When deciding whether to seek a premium rate increase or decrease, we review claims data and expenses to determine what the expected costs and expenses will be for a future period.

Current Rate Increase Components

We are requesting rate increases related to medical cost trends for the products that appear in Chart 1. If approved, the increases will be added to the 4th quarter 2010 premium rate. Chart 1 shows the requested increases by product. The new rates will apply to all groups that renew or enroll during the 4th quarter of 2011.

CHART 1: Impact of Rate Request

Product	Number of Impacted Subscribers	Requested Medical Trend Increase Over 2010 Medical Premium (%)	Requested Pharmacy Trend Increase Over 2010 Pharmacy Premium (%)	Trend Increase (Medical and Pharmacy) Over 2010 Premium
EPO	Redacted	14.2%	10.6%	13.5%
Metro	Redacted	18.1%	14.4%	17.4%
Direct	Redacted	20.4%	16.6%	19.6%

* The rate filing is seeking an increase related to increasing medical costs. Medical costs are the single largest component of the premium dollar and a component that has been rising significantly year over year. Reasons for rising costs include advancements in procedures, development of new pharmaceuticals and medical devices, increasing medical costs of a population that is aging and increasingly living with chronic conditions such as obesity and diabetes and increased negotiated unit cost rates with our network providers (driven in part by insufficient reimbursement to those providers for those covered under Government health insurance programs and by providing uncompensated care) as well as increased charges for services by non-network providers. The medical cost component may also be impacted by changes to the population covered under the product. A part of the medical costs include a pooling mechanism established under NY Insurance Regulation 146 which attempts to equalize risk within the New York small group and individual markets. This requires carriers with fewer high-cost claimants to pay into the pool while carriers with more high-cost claimants receive funds from the pool. We are projecting a slight change in our Regulation 146 payment for Oxford Health Insurance, Inc.'s small group products in 2011 due to a projected decrease in high cost claimants for the individuals covered under this entity relative to estimated industry averages.

Additional Benefit Changes Approved For 2011 Plans

* Your group's final renewal rate will be different than the percentages listed above because we received approval for benefit changes which will be made to your plan on renewal. Chart 2 shows estimated average premium impacts based on the current rate filing and approved rate adjustments for benefit changes. The following benefit changes will impact a group's final premium:

Federal Healthcare Reform

- Coverage for dependents to age 26. The Age 26 benefit change is required for all Family and Parent Children tiers.
- Elimination of benefit limits for essential benefits. Because this benefit change has a significant impact on plans that currently have a dollar limit on pharmacy benefits, we have separately identified these plans in Chart 2 below.
- Coverage of preventive care at 100%.

Other Benefit Changes

- Certain cost shares will change on renewal. For many groups, this will result in a lower premium. For some groups, this may result in richer benefits and a higher premium.
- We will change the out-of-network reimbursement methodology for Freedom plans from a UCR based methodology to a Medicare based methodology.

CHART 2: Impact of Rate Request and Benefit Changes to 2010 Premium

Product	Estimated Renewal Increase Over 2010 Medical Premium (%)		Estimated Average Combined Medical and Pharmacy Renewal Increases Over 2010 Combined Medical and Pharmacy Premium (%)			
	Medical Only		Medical with Current Rx Benefit with \$3k max		Medical with all Other Current RX Benefits	
	Range of Increases	Average Increase	Range of Increases	Average Increase	Range of Increases	Average Increase
EPO	1.3 - 13.8%	11.8%	12.6 - 24.8%	21.5%	-0.2 - 14.8%	9.7%
Metro	9.6 - 17.4%	13.2%	18.6 - 26.9%	22.4%	7.4 - 17.1%	10.7%
Direct	4.4 - 19.9%	12.8%	15.5 - 32.5%^	21.5%	4.3 - 21%	11.1%

^ A small number of groups currently in Direct products with a a zero office visit co-pay and a \$1000 or \$2000 in-network deductible may experience a larger premium impact resulting from the cost share changes (see "Other Benefits" section above). If you are in one of these plans and would like additional information about the estimated premium increase range, please contact customer service.

Final Rate Increase

* Please be aware that the requested increases do not reflect the group's final renewal rate. After rates are approved, you will receive an additional notice with the NYSID's final approved rate increase. This notice will be sent at least 60 days before the rate change effective date. Prior to the group's renewal, the group will also receive a renewal package with the renewal rates reflecting the approved rates and adjustments for benefit changes. The group's final rate will be based on 1) the rates approved by the NYSID, 2) adjustments to the rate (increases or decreases) from benefit changes, 3) plan design change made at renewal and 4) the group's census on renewal.