

**United Healthcare Insurance Company of New York
Healthy New York Plans
Requested Rate Changes – Effective Calendar Year 2012**

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 costs 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 toward 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 toward 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 health care 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 2011 premium rate. Chart 1 shows the requested increases. The new rates will apply to all groups, sole proprietors, or individuals that renew or enroll during the calendar year of 2012.

CHART 1: Impact of Rate Request

Renewal Date	Estimated Total Trend Increase (Medical and Pharmacy) Over 2011 Premium (%)
January 2012 - December 2012	34.3%

- 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.
- A significant portion of the requested increase is due to our projection of the reimbursement we will receive from the Healthy New York Stop Loss Pool for 2012. Through the Stop Loss Pool, New York state reimburses carriers for a portion of the medical costs incurred by high cost claimants. The money we

- The requested rate changes result in a projected loss ratio greater than or equal to the minimum allowed under state law.

Additional Benefit Changes for 2012 Plans

We do not have any benefit changes on file with the New York State Insurance Department (NYSID). In the event that benefit changes (e.g., benefit mandate) are made to our Healthy New York product prior to your 2012 renewal, those changes may also impact your final premium rates.

Final Rate Increase

Please be aware that your final renewal rate increase for 2012 may be different than the percentages listed in Chart 1. The Superintendent of Insurance may approve (as requested), modify or deny the proposed rate adjustment. Your final rate will include the rate adjustment approved by the NYSID as well as any changes resulting from the benefit plan design chosen and the group's census, if applicable, upon renewal.