

**United Healthcare Insurance Company of New York
New York Small Group POS Plans
Requested Rate Changes – Effective 1st quarter 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 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 2011 premium rate. Chart 1 shows the requested increases by product. The new rates will apply to all groups that renew or enroll during the 1st quarter of 2012.

CHART 1: Impact of Rate Request

Renewal Date: January 2012 – March 2012				
Counties	Number of Impacted Subscribers	Requested Medical Trend Increase Over 2011 Medical Premium (%)	Requested Pharmacy Trend Increase Over 2011 Pharmacy Premium (%)	Estimated Total Trend Increase Over 2011 Premium (%)
Albany, Chenango, Clinton, Columbia, Delaware, Essex, Franklin, Fulton, Greene, Hamilton, Herkimer, Lewis, Madison, Montgomery, Oneida, Otsego, Rensselaer, Saratoga, Schenectady, Schoharie, St Lawrence, Warren, Washington	241	25.8%	26.4%	25.9%

Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Seneca, Wayne, Wyoming, Yates	142	38.4%	39.1%	38.5%
Broome, Cayuga, Chemung, Cortland, Jefferson, Onondaga, Oswego, Schuyler, Steuben, Tioga, Tompkins	441	23.4%	24.0%	23.5%

- 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 amount for United Healthcare Insurance Company of New York's small group products in 2012 due to a projected decrease in high cost claimants for the individuals covered under this entity relative to estimated industry averages.
- 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 POS product prior to your 2012 renewal, those changes may also impact your final premium rates.

Final Rate Increase

Please be aware that the group's 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 increase for dependent age coverage (if applicable) and apply the rate adjustment approved by the NYSID as well as any changes resulting from the benefit plan design chosen and the group's census upon renewal.