

November 7, 2011

[Home](#) | [Blog](#) | [Newsroom](#) | [Videos](#) | [FAQs](#) | [Glossary](#) | [Text Size A A A](#)



Search



Take health care into your own hands

[Find Insurance Options](#)

[Get Help Using Insurance](#)

[The Health Care Law & You](#)

[Comparing Care Providers](#)

[Prevention & Wellness](#)

[Home](#) > [Get Help Using Insurance](#) > [Your Insurance Company & Rate Increases](#) > [Search Results](#) > [Empire HealthChoice HMO, Inc. Rate Review](#)

## Empire HealthChoice HMO, Inc. Rate Review

**Empire HealthChoice HMO, Inc. has asked for a rate increase\* for the following product in New York:** Healthy New York-HMO-Small Group-80519NY008.

### Review Status: Pending Review

If the increase happens:

- The average rate increase will be 20.30%
- The effective date of the rate increase is 04/01/2012. The actual date of your rate increase may vary based on the anniversary date of your policy and other factors.
- This increase will affect 51111 people

**\* This posting does not mean that the requested increase is unreasonable. Either the state or federal reviewer will decide that and the decision will be posted here.**

### More Information about this Rate Increase:

- [Why does my insurance company want to raise my premium?](#)
- [What kinds of Medical Services are causing this rate increase?](#)
- [How would my insurance company use my premium?](#)
- [Last three rate increases for this product](#)
- [Who is reviewing this rate increase?](#)
- [Insurer's explanation of the rate increase](#)

### Why does my insurance company want to raise my premium?

Your insurer says that costs are going up:

Type of Cost:	Per Member Increase Per Month Increase**	Portion of Increase
<b>Medical Services*</b> - Cost of providing healthcare services to policyholders	\$54.74	85.09%
<b>Administrative Expenses</b> - Marketing, claims processing, and other costs to the company	\$3.40	5.28%
<b>Underwriting Gain/Loss</b> - Amount the company keeps after paying claims and administrative expenses	\$6.19	9.62%

\* 23.00% of the Medical Services cost increases are due to how many people use the services and how often they use them and 77.00% is due to the cost of services.

**\*\* These increases won't add up to the average rate increase if everyone doesn't get the rate increase at the same time.**

[Back to top](#)

## What kinds of Medical Services are causing this rate increase?

Medical Service	Per Member Per Month Increase	Portion of Increase
<b>Hospital Inpatient</b> - Care in a Hospital	\$8.78	16.04%
<b>Outpatient</b> - Care in a hospital or other facility that doesn't require an overnight stay	\$6.62	12.10%
<b>Professional Services</b> - Payments to doctors and other healthcare professionals	\$14.10	25.76%
<b>Prescription Drugs</b> - Medicines you need a prescription to buy	\$3.72	6.79%
<b>Ancillary Services</b> - Medical supplies, ambulance fees, etc.	\$0.20	0.36%
<b>Capitation</b> - A fixed per person payment the insurer pays to a provider to cover a person's medical costs	\$2.09	3.82%
<b>Cost Sharing</b> - Changes in deductibles, copayments, benefits, etc.	\$1.46	2.67%
<b>Current Medical Cost Adjustment</b> - The difference between what your insurer thought it was going to pay for medical services and what it actually paid during the current year	\$17.77	32.47%
<b>Total Medical Service Cost Changes</b>	\$54.74	100.00%

[Back to top](#)

## How would my insurance company use my premium?

Type of Cost	How Premium Dollars Will be Spent if the Requested Rate is used	
	Per Member Per Month	Portion of Rate
<b>Medical Services</b> - Cost of providing healthcare services to policyholders	\$336.25	88.20%
<b>Administrative Expenses</b> - Marketing, claims processing, and other costs to the company	\$37.53	9.84%
<b>Underwriting Gain/Loss</b> - Amount the company keeps after paying claims and administrative expenses	\$7.46	1.96%
<b>Total Request Rate</b>	\$381.24	100.00%

[Back to top](#)

## Last three rate increases for this product:

Year	Requested	Got
2011	7.30%	7.30%
2010	8.40%	8.40%
2009	15.20%	15.20%

[Back to top](#)

## Who is reviewing this rate increase?

The rate increase request is being reviewed by the State.

State laws either:

- Allow the insurance regulator to review rate filings, but do not allow the regulator to stop a rate from being used, or
- Allow the insurance regulator to both review rate filings *and* stop an unreasonable rate from being used.

If a state's laws do not allow the insurance regulator to perform effective rate reviews, the federal government\* will review any rate increases at or above 10% in the individual or small group market.

\*If the federal government is reviewing, [click here](#) to see the filing.

[Back to top](#)

### **Insurer's explanation of the rate increase**

Empire HealthChoice HMO, Inc. has prepared the following written explanation of this rate increase.

---

## Part II of the Preliminary Justification

### Scope and Range of the Rate Increase

Empire BlueCross BlueShield (Empire) provides health insurance coverage to over 5 million people in 28 counties in eastern and southeastern New York State, which includes the New York City metropolitan area.

Empire has made an application to the New York Superintendent of Financial Services for essential premium rate changes for several small group (2 to 50 employees) health plan products including Healthy New York (HNY) which covers approximately 51,000 small group members.

In New York the costs of care and coverage for small group employers and their covered employees and dependents are combined, by long standing State law, in what is known as a community rated pool. All subscribers enrolled in the pooled plan are guaranteed issuance of coverage and are charged the same premium rate as any other subscriber for the health insurance product they select regardless of health status, age, sex, or other demographic factors other than the region of the State where the group is located and their family structure.

Costs in most of New York's small group community rated pools, including most of Empire's products are rising significantly faster than the rate of overall medical costs in New York. Current approved rates for the Healthy New York product, and in Empire's overall community rated small group pools are inadequate and must be adjusted to assure future coverage. Rising medical costs, escalating utilization in the community pools, and previous reductions in rate requests under New York's prior approval law compound over time to drive these increases needed to sustain coverage. Much of the more recent increased utilization is driven by what is called adverse selection, and is caused increasingly by fewer small employers offering coverage, and fewer employees selecting coverage. In most instances, because issuance of coverage is guaranteed, small groups can buy health coverage whenever they really need it. So an increasing number of the healthiest members drop coverage. Those remaining in the community pool are then disproportionately in need of care, increasing the shared cost of the pool over what it would be if a balanced group of members needing and not needing care participated.

The overall average rate increase request for the HNY product is 20.3%. An individual HNY subscriber's actual requested rate increase can be higher or lower depending on the plan selected, where the group is located, and how many dependents are covered. These requested Healthy New York increases can range from 18.6% to 24.6%.

### Financial Experience of the Product

The percent of premium attributable to claims is essentially how much of the premium dollar is used to pay claims and is referred to as the Medical Loss Ratio (MLR). Empire's year-to-date MLR for the small group HNY products and for its overall small group community pool is substantially higher than both the 82% State statutory minimum requirement and the Federal minimum MLR of 80%. This high MLR has been the case for the past several years. Empire's HNY and overall small group MLR has materially increased during 2011 following the adverse selection effects and changes in requested rates during prior approval review noted above. Sustainable coverage is jeopardized for small group HNY members and Empire's overall small group pool without appropriate rate relief and some reduction in the number of plan offerings. Even with the proposed rate adjustments, Empire's overall HMO MLR is expected to continue to remain well above the 82% State minimum allowable ratio. In the event Empire's MLR does not meet the State and/or Federal required minimum, Empire refunds the difference to policyholders.

### Changes in Medical Service Costs

New York stands out as an especially costly state in which to purchase healthcare. New York City remains the second most expensive major metropolitan area in the country with respect to healthcare costs. A 2010 report by Milliman shows the cost of care to be 118.8% of the national average, up from 117.4% in 2009 (See, 2010 Milliman Medical Index and 2009 Milliman Medical Index). New York's dubious distinction as a high cost state is also borne out in Dartmouth Atlas data which shows the State outpacing national average costs in a wide variety of indicators (See, Dartmouth Atlas, last accessed 12/15/2010). As a ratio to national average cost, New York State registered 1.31 in professional and laboratory reimbursements; and 1.37 in short stay inpatient reimbursements.

Nationally, the cost per inpatient discharge continues to increase. In New York, the cost per inpatient discharge has increased from \$5,910 in 2005 to \$9,833 in 2009. In 2009, New York's cost per inpatient discharge also exceeded the national median value of \$8,638.

### Changes in Benefits

Healthy New York is the State mandated product where all small group carriers are required to offer this product. Benefit changes are not allowed by individual carriers.

### Administrative Costs and Anticipated Profit

Empire has among the lowest administrative costs in New York, currently at approximately 8.9% of small group revenue net of premium taxes collected by the State of New York which now total to 1.9% of small group revenue. While we continue to seek improvements in administrative efficiency and cost, an increasing portion of small group premium revenue unrelated to direct medical care coverage, and outside Empire's control is required as a part of the premium charged to customers.

[Back to top](#)

Underwriting gain/loss, in Empire's overall small group pool business, has been negative for several years and deteriorated further during 2011 due to the factors noted above. Even with the requested increases for the small group HNY and the other remaining small group products Empire's underwriting gain/loss, while likely to improve, is still expected to remain negative in 2012. Sufficient rate approvals at this time will permit the company to maintain its historic commitment to New York's community rated, guaranteed issue markets while working with key stakeholders and officials to develop State and Federal reform initiatives that can stabilize New York's small employer and community rated markets, and allow more affordable, sustainable coverage options in the future.

[Home](#) **HealthCare.gov**

A federal government website managed by the U.S. Department of Health & Human Services  
200 Independence Avenue, S.W. - Washington, D.C. 20201



- [Accessibility](#)
- [Privacy Policy](#)
- [Plain Writing](#)
- [Disclaimers](#)
- [Viewers & Players](#)
- [WhiteHouse.gov](#)
- [USA.gov](#)
- [GobiernoUSA.gov](#)

**Take Action**

- [Find Insurance Options](#)
- [Your Insurance Company & Rate Increases](#)
- [Prevention & Wellness](#)
- [Compare Care Providers](#)

**Get Help Using Insurance**

- [Managing Your Insurance](#)
- [Understanding Insurance](#)
- [Free or Low-Cost Care](#)
- [Medicare & Long-Term Care](#)
- [Employers & Self-Employed](#)

**The Health Care Law & You**

- [Read the Law](#)
- [Key Features of the Law](#)
- [Timeline: What's Changing & When](#)
- [Information for You](#)
- [Implementation Resources](#)

**Stay Connected**

- [Email Updates](#)
- [twitter](#)
- [facebook](#)
- [YouTube](#)
- [View all Widgets and Badges](#)
- [HealthCare Blog RSS](#)