New York State Department of Financial Services
Premium Rate Approval – Decision Summary

Insurer:	**Emblem – Health Insurance Plan of Greater New York**
Line of Business:	Small Group HMO
Filing Type:	4308(c) prior approval
Effective Date:	1/1/15
Affected Members:	20,068 (as of 5/31/14)
On/Off NY State of Health:	On and Off
Annual Premium:	$109.4 million
SERFF Tracking Numbers:	HPHP-129572531 HPHP-129572437

Summary:

Requested	Approved	Reduction
11.88%	10.32%	-1.56%

The analysis included the following "requested" versus "approved" assumptions for the various parts of the application:

		Requested	Approved
1.	Annual Claim Trend Rate	7.92%	7.92%
2.	Administrative Expense Ratio	15.80%	15.05%
3.	Profit Objective (% of premium, pre-tax)	0.99%	0.99%
4.	Medical Loss Ratio (MLR)	83.21%	83.96%

Analysis:

Under the Affordable Care Act (ACA), all policies in the small group market, both on and off the New York State of Health (NYSOH), must be rated as a single risk pool, which was required in the DFS rate application. DFS reviewed the material that Emblem submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, and the development of the needed rate change, as well as comparisons to similar historical data in each of these areas. DFS considered the insurer's overall solvency and the ability of the insurer to meet its obligations after DFS's decisions. In addition, DFS took into account comments on the rate application received from consumers, consumer groups and policyholders.

2014 is the first year that many of the reforms of the ACA have been in place and the first year that the NYSOH Individual and Small Group Marketplaces have been operational. These reforms have brought significant changes to the health insurance market in New York and have increased enrollment dramatically. There

is, however, limited claims data and information regarding enrollee health status. Consequently, many insurers and industry experts have pointed out the difficulty of and uncertainty in developing accurate premium rates for 2015 (see, e.g., American Academy of Actuaries Issue Brief, "Drivers of 2015 Health Insurance Premium Changes," June 2014, page 2). This was reflected in the rate applications submitted to DFS for 2015 premium rates. There were wide differences in insurers' assumptions and projections about future claims costs. Because of this wide variation, as well as the recognized uncertainty in accurately projecting 2015 medical costs, DFS has given attention to insurers' average overall assumptions, with consideration for regional differences in New York.

Claims Trend:

The claims trend assumptions of insurers submitting rate adjustment applications to DFS varied widely. As noted above, there was very little claims and enrollment data for insurers to base their projections on.

Emblem assumed a claims trend of 7.92%. Based on information submitted in the rate application, the average requested trend assumptions of all insurers in the same geographic region, and external studies on medical cost projections, DFS finds that Emblem's claims trend assumption is reasonable.

Morbidity / Federal Risk Adjustment:

Under the ACA, the Centers for Medicare and Medicaid Services (CMS) must develop a risk adjustment program that will establish a risk adjustment pool that insurers will have to either pay into if their members have lower than average morbidity or receive money from if their members have higher than average morbidity. Insurers were required to include in their 2015 rate applications any adjustments that reflected federal risk adjustment payments or receipts. To assist insurers, DFS conducted a risk adjustment simulation. DFS reviewed insurers' assumptions regarding risk adjustments in conjunction with the insurers' assumptions as to morbidity since risk adjustment and morbidity assumptions are related.

Emblem assumed a factor of 1.008 for risk adjustment and morbidity (combined). Based on information contained in the rate application, DFS finds that a factor of 1.003 is reasonable, which has a -0.55% impact on the requested premium rates.

Administrative Expense Ratio:

Emblem assumed an administrative expense ratio of 15.80%. Based on information contained in the rate application, DFS finds an administrative expense ratio of 15.05% to be reasonable.

Profit Objective:

Emblem assumed a profit ratio of 0.99%. Based on information contained in the rate application and the financial condition of the company, DFS finds this assumption to be reasonable.

Medical Loss Ratio (MLR):

With an administrative expense ratio of 15.05% and a profit ratio of 0.99%, Emblem's projected loss ratio will be 83.96%.

Decision:

Based on the review and analysis described above, DFS finds that the requested increase is not reasonable and modifies the increase as shown in the summary chart above.