



Prior Approval Submission
NYS Department of Financial Services
To: PremiumRateIncreases

07/16/2014 04:41 PM

Aetna Health Inc. (NY)

group

healthyny

[REDACTED]

NY Gold Healthy NY 600 HIOS # - [REDACTED] We oppose the increase in premium rates. This will increase cost for health insurance by \$1048 per month. We won't be able to provide decent health coverage for our employees, thereby, causing them to search for employment elsewhere, where they can get better coverage with less out of pocket expenses. I urge you to please understand the hardship [REDACTED] puts on small businesses. So by saying NO to Aetna's request for increase in premiums will help us with sustainable growth. Thank you.



Prior Approval Submission
NYS Department of Financial Services
To: PremiumRateIncreases

07/18/2014 01:44 PM

Aetna Health Inc. (NY)

group

hmo

[REDACTED]

My Employees and I are covered under Aetna NYC Community Plan Platinum 20. I recently recieved a letter indicating Aetna's intentions to raise our premiums by at least 25.9% upon my renewal date. I am writing in protest of this rate increase, which went up by nearly the same percentage just last year. I understand costs of doing business increase all the time due to inflation. But a nearly 30% increase is absolutely outrageous. Have Aetna's costs really increased 60% in the last 2 years? Am I getting 30% more services with this increase than I was before? Will our provider network be 30% greater than it was? Somehow I doubt it. Small businesses like mine that offer health insurance it's employees will not be able to continue to offer these benefits if similar increases are permitted in the future.



Prior Approval Submission
NYS Department of Financial Services
To: PremiumRateIncreases

07/18/2014 03:19 PM

Aetna Health Inc. (NY)

group

hmo



The increase is too much! I can not afford it! The practice is unfair. Do not do it!



Aetna Health Inc. (NY)

group

hmo



August 1, 2014 Benjamin M. Lawsky Superintendent of Financial Services One State Street New York, NY 10004 [REDACTED] Health Bureau New York State Insurance Department 25 Beaver Street New York, NY 10004 Re: Requested Rate Changes ? Aetna Health Inc. ? Small Group Off-Exchange Dear Superintendent Lawsky and [REDACTED], Health Care for All New York (?HCFANY?) submits the following comments relating to the proposed average rate increase of 22.3% for its small group market plans, filed by Aetna Health Inc. (?Aetna?) with the New York State Department of Financial Services (DFS) for the 2015 plan year. HCFANY is a coalition of more than 160 consumer and small business health advocacy organizations dedicated to securing affordable, comprehensive, and high-quality health care for all New York residents. HCFANY believes that a robust prior approval process is a vital consumer protection. Because Aetna?s proposed increase, if adopted without modification, would place financial strain on New York?s consumers and small businesses, HCFANY urges DFS to review it carefully. To this end, we submit the following comments. I. The Affordable Care Act and New York?s Insurance Marketplace HCFANY urges DFS to consider the New York carriers? proposed rate adjustments in the context of the Affordable Care Act?s (ACA) downward pressure on health care costs. Specifically, DFS should assess the impact of the following four factors on individual and small group prices in 2015. 1. Research indicates that the health cost curve is bending. Lower overall healthcare costs should in turn drive lower premiums. The ACA includes several provisions designed to control spending, such as incentives for new healthcare payment and delivery methods (e.g. value-based payment vs. fee-for-service). For the past decade, data from across the payer spectrum indicates that the rate of health care costs increases is slowing down. This trajectory is likely to continue, as more ACA provisions are solidified. For example, Medicare spending is about \$1,000 lower per person than predicted in 2010. PricewaterhouseCoopers projects a medical cost trend of 6.8% in 2015, a slight uptick from the 6.5% predicted in 2014 and down from the 7.5% cost trend predicted in 2013. The 2014 Milliman Medical Index cites a 5.4% growth rate between 2014 and 2013, the lowest since the calculation began in 2012. In short, as described in the table below, annual increases in national health care spending have been under 10% for the past 12 years, and have dropped significantly over time. Average year-to-year percent increase in National Health Expenditures 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 6.6% 8.4% 9.7% 8.6% 7.2% 6.8% 6.5% 6.3% 4.7% 3.8% 3.8% 3.6% 3.7% Source: National Health Expenditure Data National research indicates that health insurance premium rates should be consistent with these lower health care costs. While pre-ACA rate increases averaged 10%, the Congressional Budget Office predicts only a 3% rise in Marketplace

premiums for 2015. And just last week, California announced an average increase in its Marketplace plans of just 4.2% for 2015. Additionally, the 2014 Trustee Annual Medicare Report predicts that Medicare premiums will hold steady in 2015. In New York, according to a newly released DFS survey of carriers, New York's insurance plans have been early adopters of many of the ACA-related and other state health care cost reforms initiatives, such as value-based purchasing and patient-centered medical homes. Other reports provide evidence that ACA and New York State delivery system reforms are indeed resulting in cost reductions amongst all payers. The carriers' rate filings should include adjustments in 2015 which reflect the bending of the health care cost curve and the cumulative efforts of New York's payment reforms. For example, New York's Medicaid Redesign Team initiatives, the State's new Delivery System Reform Incentive Payment Program (DSRIP) and State Health Innovation Plan (SHIP) all employ delivery and payment system reforms that further reduce health care costs for the entire delivery system. Despite likely savings that will be generated from these reforms, only one carrier (Excellus) took a downward adjustment to account for quality improvement and cost containment strategies. We urge the DFS to consider New York carriers' rate proposals in light of the impact of the ACA.

2. The 2015 risk pool is likely to be lower-cost than in 2014, according to the Congressional Budget Office (CBO) and American Academy of Actuaries. In general, the CBO predicts that the healthier risk pool in 2015 will lower premiums relative to 2014. There are three reasons why New York is particularly likely to experience this downward trend: (1) higher than expected enrollments should result in increased carrier bargaining power; (2) the sickest consumers were more likely to have enrolled in year one; and (3) pent-up demand is likely to be concentrated in year one when more uninsured enrolled. The first of the three reasons supporting this prediction is that New York carriers have experienced higher than expected enrollments, due to the remarkably successful launch of the NY State of Health Marketplace. In just the first nine months, over 1.2 million New Yorkers have enrolled in Qualified Health Plans and Medicaid Managed Care plans, 84% of whom were previously uninsured. This exceeds the State's three-year enrollment goal of 1.1 million enrolled by the end of 2016. Carriers can, and should, leverage this increased customer base to reduce provider and other costs, due to economies of scale and the related increase in bargaining power with health care providers. The second reason for a lower-cost risk pool in 2015 than in 2014 is that individuals with higher health care needs are more likely to have signed up during the first 2013-2014 open enrollment period. In 2015 and beyond, healthier individuals are more likely to enroll as the individual mandate penalty increases. Therefore, the 2015 risk pool is likely to be healthier than in 2014. The third reason is that pent-up demand for services from previously uninsured should be concentrated in 2014. In building their 2014 rates, carriers already captured generous pent-up demand adjustments. Indeed, the vast majority (84%) of the over 1.1 million NY State of Health enrollees were uninsured. Moving forward, there is no evidence that the 2015 enrollees are likely to have the same rates of uninsurance. Moreover, the 2015 new entrants likely postponed enrolling in coverage because they are healthier and are less likely to have significant pent-up demand. In short, there is no need for a second year of pent-up demand adjustments and in fact, DFS should secure a downward adjustment from the carriers for the likely reduction of pent-up demand in 2015 versus 2014. As noted above, California's regulators leveraged their bargaining power to secure only an average 4.3% rate increase for its Marketplace products, with many consumers seeing price decreases. Accordingly, DFS should review the carriers' rate proposals with the assumption that the 2015 pool should present overall lower health risk to insurers than the 2014 pool and a commensurate downward adjustment for

lower risk and small pent-up demand should be ascribed to all carriers. 3. New federal risk adjustment, reinsurance and risk corridor programs are designed to defray carrier rate increases related to increased risk and market uncertainty. The ACA provides new risk adjustment and reinsurance programs to address increased risk by insurers and to assure stable prices for consumers and small employers. The ACA's reinsurance payments, designed to reduce rate increases based on less healthy risk pools, are expected to result in premium decreases between 10 and 15%. Historically, New York's now expired risk adjustment program reduced prices by up to 30%. New York carriers are proposing reinsurance adjustments between 5.75% and 6.10% on average for on- and off-Marketplace plans, which are inconsistent with these projections and the State's historical experience. Moreover, a review of the New York carrier filings indicates that the majority of carriers in the individual markets proposed no adjustments for the federal risk adjustment program. Finally, none of the carriers have adopted adjustments for the federal risk corridor program, which protects the carriers from unanticipated risk selection. On behalf of New York's consumers and small employers, DFS should ensure that fair adjustments attributable to the impact of the federal risk adjustment, reinsurance, and corridor mechanisms are applied to the carriers in its review. 4. The New York State carriers' rates should reflect a downward adjustment for a decrease in administrative costs. The NY State of Health Marketplace reduces administrative costs for carriers related to compensation of agents/brokers, enrollment and marketing costs. Only 6% of NY State of Health enrollees sought help from a broker/agent during the first open enrollment period, while 43% got help from other in-person assistors, and the remainder enrolled via the helpline and the website. Additionally, the individual mandate as well as marketing and outreach efforts by NY State of Health should reduce marketing expenses for carriers. Each carrier filing must be considered in the context of the above mentioned environmental factors. Additionally, Aetna's rate application raises the following specific concerns. II. Specific Issues in Aetna's Rate Application A. Annual Medical Trend Aetna cites a combined medical and pharmacy trend of 11.9%, which exceeds nearly all of its competition in the small group market. This rate is nearly double the PricewaterhouseCoopers national estimate of 6.8%, referenced above. Indeed, PricewaterhouseCoopers projects a lower trend of 4.8% for employers, which are likely to experience lower growth in costs due to new plan designs. Aetna's Actuarial Memorandum presents a chart showing that this trend breaks down into 3.9% for anticipated changes in provider contract rates, 4.8% for changes in utilization, and 2.8% for "business mix" including "severity and medical technology impacts." The Memorandum goes on to cite higher utilization costs due to cost-sharing decreases, but does not follow by providing specific cost-sharing information. DFS should carefully scrutinize Aetna's proposed plans to ensure that they contain reduced cost-sharing measures that warrant the increase in utilization cited above. Further, DFS should consider carefully whether Aetna is warranted in seeking a medical trend that is so much higher than national projected trend rates. B. Increased Cost of Essential Health Benefits Aetna takes an upward adjustment of 3.7% for the increased costs related to the Essential Health Benefits. This increase appears to be linked to pediatric dental benefits. Aetna states in its Actuarial Memorandum that its adjustment reflects "the value of Essential Health Benefits (EHB) and pediatric dental, as a percentage of the claims," which is backed up by Exhibit A, Base Plan Rate and Projected Rate Development. However, pediatric dental is already included in Aetna's 2014 plans, and, as a result, it is unclear why this adjustment should be made again for 2015. DFS should carefully analyze these filings to determine why this adjustment is being asserted for the 2015 plan year. C. Increase for Federal Risk Adjustment Program Aetna

indicates a 10% upward adjustment due to the launch of the Federal Risk Adjustment Program, indicating it expects its covered population to be significantly healthier than that of its competition. Aetna states that it does not expect a change in demographics or morbidity in the coming year, which seems inconsistent with its medical trend estimates of double the national average. It further indicates that it uses the simulation study conducted by Deloitte on behalf of DFS and "our current AHI and ALIC book of business experience" to derive this adjustment. Without access to Aetna's "book of business experience," or simulation study results from the Deloitte model, it is not possible to verify the validity of this projection. Therefore, DFS should carefully scrutinize Aetna's assumptions as stated above to ensure it reasonably projects the impact of this new Federal Program on the market. III. Conclusion HCFANY urges the Department to closely review Aetna's application in light of the issues described above. Thank you for your kind attention to our concerns. If you have any questions, please contact [REDACTED]

[REDACTED] at [REDACTED] or at [REDACTED] or [REDACTED] at [REDACTED] or at [REDACTED] Very truly yours, [REDACTED] JD [REDACTED]

MPH Legislative Counsel Health Policy Associate New Yorkers for Accessible Health Coverage Community Service Society of New York cc: [REDACTED]



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HEALTH BUREAU
N.Y.C. OFFICE

American Cancer Society ☯ Children's Defense Fund-New York ☯ Community Service Society of New York
Empire Justice Center ☯ Institute for Puerto Rican and Hispanic Elderly
Make the Road New York ☯ Medicare Rights Center
Metro New York Health Care for All Campaign ☯ New Yorkers for Accessible Health Coverage ☯
New York Immigration Coalition ☯ Project CHARGE
Public Policy and Education Fund of New York/Citizen Action of New York
Raising Women's Voices-New York ☯ Schuyler Center for Analysis and Advocacy ☯ Small Business Majority

August 1, 2014

Benjamin M. Lawsky
Superintendent of Financial Services
One State Street
New York, NY 10004

Mr. Charles Lovejoy
Health Bureau
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Re: Requested Rate Changes – Aetna Health Inc. – Small Group Off-Exchange

Dear Superintendent Lawsky and Mr. Lovejoy,

Health Care for All New York (“HCFANY”) submits the following comments relating to the proposed average rate increase of 22.3% for its small group market plans, filed by Aetna Health Inc. (“Aetna”) with the New York State Department of Financial Services (DFS) for the 2015 plan year.¹ HCFANY is a coalition of more than 160 consumer and small business health advocacy organizations dedicated to securing affordable, comprehensive, and high-quality health care for all New York residents. HCFANY believes that a robust prior approval process is a vital consumer protection. Because Aetna’s proposed increase, if adopted without

¹ These rate increase applications were submitted on or about July 2, 2014. Specific references refer to SERFF file number: AETN-129591063 (hereafter “Rate Application”).

Health Care For All New York
c/o Amanda Peden, Community Service Society of New York
105 E. 22nd Street, New York, New York 10010
(212) 614-5541



modification, would place financial strain on New York’s consumers and small businesses, HCFANY urges DFS to review it carefully. To this end, we submit the following comments.

I. The Affordable Care Act and New York’s Insurance Marketplace

HCFANY urges DFS to consider the New York carriers’ proposed rate adjustments in the context of the Affordable Care Act’s (ACA) downward pressure on health care costs. Specifically, DFS should assess the impact of the following four factors on individual and small group prices in 2015.

1. Research indicates that the health cost curve is bending.

Lower overall healthcare costs should in turn drive lower premiums. The ACA includes several provisions designed to control spending, such as incentives for new healthcare payment and delivery methods (e.g. value-based payment vs. fee-for-service). For the past decade, data from across the payer spectrum indicates that the rate of health care costs increases is slowing down. This trajectory is likely to continue, as more ACA provisions are solidified.² For example, Medicare spending is about \$1,000 lower per person than predicted in 2010.³ PricewaterhouseCoopers projects a medical cost trend of 6.8% in 2015, a slight uptick from the 6.5% predicted in 2014 and down from the 7.5% cost trend predicted in 2013.⁴ The 2014 Milliman Medical Index cites a 5.4% growth rate between 2014 and 2013, the lowest since the calculation began in 2012.⁵ In short, as described in the table below, annual increases in national health care spending have been under 10% for the past 12 years, and have dropped significantly over time.

Average year-to-year percent increase in National Health Expenditures

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
6.6%	8.4%	9.7%	8.6%	7.2%	6.8%	6.5%	6.3%	4.7%	3.8%	3.8%	3.6%	3.7%

Source: National Health Expenditure Data⁶

² Blumenthal, D., Stremikis, K., & Cutler, D. (2013). Health care spending – a giant slain or sleeping? *New England Journal of Medicine*, 369(26), at 2551-2557.

³ The mystery of the missing \$1,000 per person: can Medicare’s spending slowdown continue?. Kaiser Family Foundation, available at <http://kff.org/health-costs/perspective/the-mystery-of-the-missing-1000-per-person-can-medicare-s-spending-slowdown-continue/>.

⁴ Medical Cost Trend: Behind the numbers 2015, PricewaterhouseCoopers, available at <http://pwchealth.com/cgi-local/register.cgi/reg/pwc-hri-medical-cost-trend-2015.pdf>, at 6.

⁵ 2014 Milliman Medical Index, Milliman, available at <http://www.milliman.com/insight/Periodicals/mmi/2014-Milliman-Medical-Index/>.

⁶ Available at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/tables.pdf>.



National research indicates that health insurance premium rates should be consistent with these lower health care costs. While pre-ACA rate increases averaged 10%,⁷ the Congressional Budget Office predicts only a 3% rise in Marketplace premiums for 2015.⁸ And just last week, California announced an average increase in its Marketplace plans of just 4.2% for 2015.⁹ Additionally, the 2014 Trustee Annual Medicare Report predicts that Medicare premiums will hold steady in 2015.¹⁰

In New York, according to a newly released DFS survey of carriers, New York's insurance plans have been early adopters of many of the ACA-related and other state health care cost reforms initiatives, such as value-based purchasing and patient-centered medical homes.¹¹ Other reports provide evidence that ACA and New York State delivery system reforms are indeed resulting in cost reductions amongst all payers.¹²

The carriers' rate filings should include adjustments in 2015 which reflect the bending of the health care cost curve and the cumulative efforts of New York's payment reforms. For example, New York's Medicaid Redesign Team initiatives, the State's new Delivery System Reform Incentive Payment Program (DSRIP) and State Health Innovation Plan (SHIP) all employ delivery and payment system reforms that further reduce health care costs for the entire delivery system. Despite likely savings that will be generated from these reforms, only one carrier (Excellus) took a downward adjustment to account for quality improvement and cost containment strategies.¹³ We urge the DFS to consider New York carriers' rate proposals in light of the impact of the ACA.

⁷ Gruber, J. (June 2014). Growth and variability in health plan premiums in the individual insurance market before the Affordable Care Act. *The Commonwealth Fund*, 1750(7), at 2.

⁸ Updated estimates of the effects of the insurance coverage provisions of the Affordable Care Act, April 2014. Congressional Budget Office. at 6.

⁹ Covered California Press Release, July 31, 2014. Available at <http://news.coveredca.com/2014/07/covered-california-announces-rates-for.html>.

¹⁰ 2014 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. (July 28, 2014). Available at <http://apps.washingtonpost.com/page/national/2014-medicare-report/1220/#text/p95>, at 87.

¹¹ A number of plans have accrued health reform savings. New York State Department of Financial Services. (July 2014). New York health care cost and quality initiatives. Available at: http://www.dfs.ny.gov/report/pub/payment_reform_report.pdf. For example, United Healthcare's "Accountable Care Shared Savings" program saved over \$200,000 due to decreased inpatient and emergency room utilization; HealthNow's "Facility Quality Incentive Program" saved over \$3 million; and Excellus' "Rochester Medical Home Initiative" reported a 1.2:1 return on investment).

¹² See, e.g. Silow-Carroll, S & Edwards, J.N. (2013). Early adopters of the Accountable Care Model. *Commonwealth Fund*, pp. 19-20; U.S. Dept. of Health and Human Services., Press Release: Medicare's delivery system reform initiatives achieve significant savings and quality improvements— off to a strong start, (Jan. 30, 2014). Available at <http://www.hhs.gov/news/press/2014pres/01/20140130a.html>.

¹³ Excellus Health Plan, Inc., Exhibit 18, Line 17.



2. The 2015 risk pool is likely to be lower-cost than in 2014, according to the Congressional Budget Office (CBO) and American Academy of Actuaries.¹⁴

In general, the CBO predicts that the healthier risk pool in 2015 will lower premiums relative to 2014.¹⁵ There are three reasons why New York is particularly likely to experience this downward trend: (1) higher than expected enrollments should result in increased carrier bargaining power; (2) the sickest consumers were more likely to have enrolled in year one; and (3) pent-up demand is likely to be concentrated in year one when more uninsured enrolled.

The first of the three reasons supporting this prediction is that New York carriers have experienced higher than expected enrollments, due to the remarkably successful launch of the NY State of Health Marketplace. In just the first nine months, over 1.2 million New Yorkers have enrolled in Qualified Health Plans and Medicaid Managed Care plans, 84% of whom were previously uninsured.¹⁶ This exceeds the State's *three-year* enrollment goal of 1.1 million enrolled by the end of 2016. Carriers can, and should, leverage this increased customer base to reduce provider and other costs, due to economies of scale and the related increase in bargaining power with health care providers.

The second reason for a lower-cost risk pool in 2015 than in 2014 is that individuals with higher health care needs are more likely to have signed up during the first 2013-2014 open enrollment period.¹⁷ In 2015 and beyond, healthier individuals are more likely to enroll as the individual mandate penalty increases. Therefore, the 2015 risk pool is likely to be healthier than in 2014.

The third reason is that pent-up demand for services from previously uninsured should be concentrated in 2014. In building their 2014 rates, carriers already captured generous pent-up demand adjustments. Indeed, the vast majority (84%) of the over 1.1 million NY State of Health enrollees were uninsured. Moving forward, there is no evidence that the 2015 enrollees are likely to have the same rates of uninsurance. Moreover, the 2015 new entrants likely postponed enrolling in coverage because they are healthier and are less likely to have significant pent-up demand. In short, there is no need for a second year of pent-up demand adjustments and in fact, DFS should secure a

¹⁴ See, Updated estimates of the effects of the insurance coverage provisions of the Affordable Care Act, April 2014. Congressional Budget Office. p. 7; Drivers of 2015 Health Insurance Premium Changes. (2014). American Academy of Actuaries, at 2.

¹⁵ Updated estimates of the effects of the insurance coverage provisions of the Affordable Care Act, April 2014. Congressional Budget Office, at 7.

¹⁶ NY State of Health Public Marketplace Data Report as of June 30, 2014.

¹⁷ See, Updated estimates of the effects of the insurance coverage provisions of the Affordable Care Act, April 2014. Congressional Budget Office. p. 7; Drivers of 2015 Health Insurance Premium Changes. (2014). American Academy of Actuaries, at 2.



downward adjustment from the carriers for the likely reduction of pent-up demand in 2015 versus 2014.

As noted above, California's regulators leveraged their bargaining power to secure only an average 4.3% rate increase for its Marketplace products, with many consumers seeing price decreases.¹⁸ Accordingly, DFS should review the carriers' rate proposals with the assumption that the 2015 pool should present overall *lower* health risk to insurers than the 2014 pool and a commensurate downward adjustment for lower risk and small pent-up demand should be ascribed to all carriers.

3. New federal risk adjustment, reinsurance and risk corridor programs are designed to defray carrier rate increases related to increased risk and market uncertainty.

The ACA provides new risk adjustment and reinsurance programs to address increased risk by insurers and to assure stable prices for consumers and small employers. The ACA's reinsurance payments, designed to reduce rate increases based on less healthy risk pools, are expected to result in premium decreases between 10 and 15%.¹⁹ Historically, New York's now expired risk adjustment program reduced prices by up to 30%.²⁰ New York carriers are proposing reinsurance adjustments between 5.75% and 6.10 % on average for on- and off-Marketplace plans, which are inconsistent with these projections and the State's historical experience. Moreover, a review of the New York carrier filings indicates that the majority of carriers in the individual markets proposed no adjustments for the federal risk adjustment program. Finally, none of the carriers have adopted adjustments for the federal risk corridor program, which protects the carriers from unanticipated risk selection. On behalf of New York's consumers and small employers, DFS should ensure that fair adjustments attributable to the impact of the federal risk adjustment, reinsurance, and corridor mechanisms are applied to the carriers in its review.

4. The New York State carriers' rates should reflect a downward adjustment for a decrease in administrative costs.

The NY State of Health Marketplace reduces administrative costs for carriers related to compensation of agents/brokers, enrollment and marketing costs. Only 6% of NY State of Health enrollees sought help from a broker/agent during the first open enrollment period, while 43% got

¹⁸ *Id.* n. 9.

¹⁹ Establishment of Exchanges and Qualified Health Plans, Exchange standards for employers (CMS-9989-FWP) and standards related to reinsurance, risk corridors, and risk regulatory impact analysis, Center for Consumer Information & Insurance Oversight, Adjustment (CMS-9975-F). (March, 2012). Center for Consumer Information & Insurance Oversight, U.S. Dept. of Health & Human Services, at 42.

²⁰ *Id.* at 43.



help from other in-person assistors, and the remainder enrolled via the helpline and the website.²¹ Additionally, the individual mandate as well as marketing and outreach efforts by NY State of Health should reduce marketing expenses for carriers.

Each carrier filing must be considered in the context of the above mentioned environmental factors. Additionally, Aetna's rate application raises the following specific concerns.

II. Specific Issues in Aetna's Rate Application

A. Annual Medical Trend

Aetna cites a combined medical and pharmacy trend of 11.9%,²² which exceeds nearly all of its competition in the small group market. This rate is nearly double the PricewaterhouseCoopers national estimate of 6.8%, referenced above.²³ Indeed, PricewaterhouseCoopers projects a lower trend of 4.8% for employers, which are likely to experience lower growth in costs due to new plan designs.²⁴ Aetna's Actuarial Memorandum presents a chart showing that this trend breaks down into 3.9% for anticipated changes in provider contract rates, 4.8% for changes in utilization, and 2.8% for "business mix" including "severity and medical technology impacts."²⁵ The Memorandum goes on to cite higher utilization costs due to cost-sharing decreases, but does not follow by providing specific cost-sharing information. DFS should carefully scrutinize Aetna's proposed plans to ensure that they contain reduced cost-sharing measures that warrant the increase in utilization cited above. Further, DFS should consider carefully whether Aetna is warranted in seeking a medical trend that is so much higher than national projected trend rates.

B. Increased Cost of Essential Health Benefits

Aetna takes an upward adjustment of 3.7% for the increased costs related to the Essential Health Benefits.²⁶ This increase appears to be linked to pediatric dental benefits. Aetna states in its Actuarial Memorandum that its adjustment reflects "the value of Essential Health Benefits (EHB) and pediatric dental, as a percentage of the claims," which is backed up by Exhibit A, Base Plan Rate and Projected Rate Development.²⁷ However, pediatric dental is already

²¹ 2014 Open Enrollment Report. (June 2014). NY State of Health: The Official Health Plan Marketplace, at 16.

²² Actuarial Memorandum, at 3.

²³ Medical Cost Trend: Behind the Numbers 2015, PricewaterhouseCoopers, available at <http://pwchealth.com/cgi-local/register.cgi/reg/pwc-hi-medical-cost-trend-2015.pdf>, at 6.

²⁴ Medical Cost Trend: Behind the Numbers 2015, PricewaterhouseCoopers, available at <http://pwchealth.com/cgi-local/register.cgi/reg/pwc-hi-medical-cost-trend-2015.pdf>, at 6.

²⁵ Actuarial Memorandum, at 3.

²⁶ Exhibit 18, Line 13.

²⁷ Actuarial Memorandum, at 3 & 12.



included in Aetna's 2014 plans,²⁸ and, as a result, it is unclear why this adjustment should be made again for 2015. DFS should carefully analyze these filings to determine why this adjustment is being asserted for the 2015 plan year.

C. Increase for Federal Risk Adjustment Program

Aetna indicates a 10% upward adjustment due to the launch of the Federal Risk Adjustment Program, indicating it expects its covered population to be significantly healthier than that of its competition.²⁹ Aetna states that it does not expect a change in demographics or morbidity in the coming year, which seems inconsistent with its medical trend estimates of double the national average. It further indicates that it uses the simulation study conducted by Deloitte on behalf of DFS and "our current AHI and ALIC book of business experience" to derive this adjustment.³⁰ Without access to Aetna's "book of business experience," or simulation study results from the Deloitte model, it is not possible to verify the validity of this projection. Therefore, DFS should carefully scrutinize Aetna's assumptions as stated above to ensure it reasonably projects the impact of this new Federal Program on the market.

III. Conclusion

HCFANY urges the Department to closely review Aetna's application in light of the issues described above. Thank you for your kind attention to our concerns. If you have any questions, please contact Mark Scherzer at mark.scherzer@verizon.net or at (212) 406-9606 or Amanda Peden at apeden@cssny.org or at (212) 614-5541.

Very truly yours,

Mark Scherzer, JD
Legislative Counsel
New Yorkers for Accessible Health Coverage

Amanda Peden, MPH
Health Policy Associate
Community Service Society of New York

cc: Troy Oechsner
John Powell

²⁸ New York 1-50 Plan guide, available at <http://www.aetna.com/employer-plans/document-library/states/new-york-1-50-plan-guide.pdf>, at 5.

²⁹ Actuarial Memorandum, at 4.

³⁰ *Id.*

**Community
Service
Society** | Fighting Poverty
Strengthening
New York

105 East 22nd Street
New York, NY 10010

105 EAST 22ND STREET
NEW YORK, NY 10010
718.248.5009



Mr. Charles Lovejoy
Health Bureau
New York State Insurance Department
25 Beaver Street
New York, NY 10004

10004298599



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JUL 24 2014

HEALTH BUREAU
N.Y.C. OFFICE

Small Group Coverage



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80864717

**Re: Notice of Proposed Premium Rate Change
NY Gold Healthy NY and 50138NY0110001**

We cannot afford this!

Dear Plan Sponsor:

Aetna Health Inc. is filing a request with the New York State Department of Financial Services (DFS) to approve a change to your premium rates for 2015. New York Insurance Law requires that we provide a notice to you when we submit requests for premium rate changes to DFS.

DFS is required by law to review our requested rate change. DFS may approve, modify or disapprove the requested rate change.

Proposed Premium Rate Changes

If approved, the following table reflects the rate increases we have requested for plans renewing during each of the following quarters for your community rated small group plan offered by Aetna Health Inc. These rate increases are intended to be effective upon your renewal on or after January 1, 2015.

NY Gold Healthy NY 600 offered by Aetna Health Inc.:

<u>Renewal Date</u>	<u>Increase</u>	<u>Renewal Date</u>	<u>Increase</u>
<u>1st Quarter, 2015:</u>	<u>22.3%</u>	<u>3rd Quarter, 2015:</u>	<u>22.5%</u>
<u>2nd Quarter, 2015:</u>	<u>22.4%</u>	<u>4th Quarter, 2015:</u>	<u>22.7%</u>

Please note that while we try to provide you with the most accurate information possible, the final rate may differ based on the benefit plan design and other features you select on renewal. Also, the final, approved rate may differ because DFS may modify the proposed rate.

Why We Are Requesting a Rate Change



Every year, we spend considerable time evaluating both medical cost history and rates to ensure we account for the current cost trends in the plan premium. The requested increase is directly related to two main drivers: the overall rising cost of health care services in New York, and the projected impact of the federal risk adjustment program that was put in place by the Affordable Care Act.

These changes have required us to request a rate increase with the Department of Financial Services for all current and new community rated small group customers.

30-day Comment Period

You can contact us or DFS to ask for more information or submit comments to DFS about the proposed rate changes. The comments must be made within 30 days from the date of this notice.

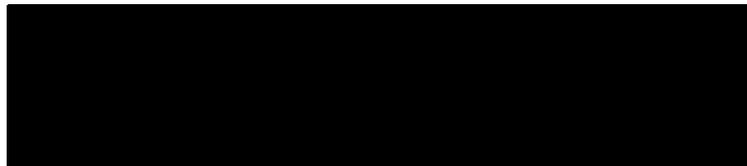
You can contact Aetna Health Inc. for additional information at:

Aetna
Healthy New York Plan



Comments or requests for more information on the proposed rate change may be submitted to:

NYS Department of Financial Services
Health Bureau – Premium Rate Adjustments



If you choose to submit comments to DFS, please include the following information:

1. The name of your insurer, which is Aetna Health Inc.
2. The name of your plan, which is NY Gold Healthy NY 600
3. Indicate you have Small Group coverage
4. Your HIOS identification number, which is 50138NY0110001

Written comments submitted to DFS will be posted on the DFS website with all your personal information removed.

Aetna will also review any comments and answer any questions you may have concerning these proposed rate changes, including the start and conclusion of the 30-day comment period. Please feel free to contact Member Services at [REDACTED] (option 1). Plan representatives are available to assist you from 8 a.m. to 5 p.m. You may also contact us by logging into Aetna Navigator™, our secure member website at [REDACTED]

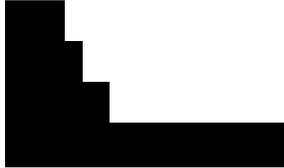


Prior Approval Submission
NYS Department of Financial Services
To: PremiumRateIncreases

06/21/2014 08:21 PM

Aetna Health Inc. (NY)

group



It's outrageous that a rate increase of a 26% proportion should even be considered. The only ones making money are the health insurance companies. How are people suppose to be able to afford health insurance with such outrageous rates. If anything the rates should be lowered. We keep on getting things taken away from us as the insurance companies become more prosperous. The money goes in their pockets - not the hospitals and doctors. Please reconsider any idea of these rate increases. It is becoming such a hardship!



Aetna Health Inc. (NY)

group



I strenuously object to Aetna's requested premium increase. Let me point out 2 facts: 1. I am a healthy person, and yet I will spend more than \$1 million in my lifetime on healthcare premiums, when I am not actually receiving any medical care. (And I have the least expensive plan that pretty much restricts me from going to the doctor). How that much money can actually be construed as a premium, rather than actual payment for services, I have no idea. 2. Aetna CEO [REDACTED]'s pay more than tripled last year to \$36 million (not including \$11.1 million in stock awards which vest later and are based on the company's performance). How you would possibly approve any increase, yet alone a 25% increase that goes to their bottom line profit while making actual preventative and basic care out of reach of working class people, is beyond me. Have a conscience and deny this increase, and demand a reform in corporate practices to reduce healthcare costs and premiums. Thank you. [REDACTED]



Prior Approval Submission
NYS Department of Financial Services
To: PremiumRateIncreases

07/06/2014 05:58 AM

Aetna Health Inc. (NY)

group

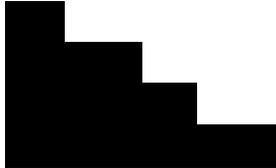
hmo



Comment for AETNA NYC Community Plan Platinum 20 and 17210NY0090015 I am the employer and also a patient carrying this insurance. At the same time I am a health care provider and I do accept AETNA Community Plan in my facility. The highest expense an insurance company must have is to pay health care providers and for delivery of service. AETNA has not increased reimbursement to health care providers for close to 10 years now. To the contrary AETNA's reimbursement for many health care providers has been drastically reduced over the past a few years. At the same time AETNA has been requesting year after year, premium rate increases exceeding 25% per year. This is outrageous! In 2013 NYS approved an average increase of 4.5% to insurance carriers. Should an increase must take place I am requesting that such increase does not exceed 4.5% At the same time I am asking the NYS Department of Financial Services to ask insurance companies to demonstrate that at least 30% of the increase they get approved each year from the state, they pass it on to the healthcare providers with corresponding rate increases for each CPT code they reimburse.



Aetna Health Inc.
(NY)
group



Comment for
AETNA NYC
Community Plan
Platinum 20 and
17210NY0090015 I
am a patient carrying
this insurance. At
the same time I work
for a health care
provider and we do
accept AETNA
Community Plan in
our facility. The
highest expense for
an insurance
company must be for
reimbursement of
services to health
care providers and
for other delivery of
service related
expenses. AETNA
has not increased
reimbursement to
health care providers
for over 10 years. To
the contrary,
AETNA's
reimbursement for
many health care
providers has been
drastically reduced
over the past several

years. At the same time AETNA has been requesting year after year, premium rate increases exceeding 25% per year. This is outrageous! In 2013 NYS approved an average increase of 4.5% to insurance carriers. Should an increase must take place I am requesting that such increase does not exceed 4.5% At the same time I am asking from the NYS Department of Financial Services to require insurance companies to demonstrate that at least 30% of the rate increase they get approved each, they pass it on to the healthcare providers with corresponding rate increases for each CPT code they reimburse.