

**EXHIBIT 3  
NARRATIVE SUMMARY**

**Company Name:** Capital District Physicians' Health Plan, Inc.

**NAIC Code:** 95491

**SERFF Tracking #:** CAPD-129593947

Capital District Physicians' Health Plan, Inc. (CDPHP) offers a Health Maintenance Organization (HMO) product on a community rated basis to employer groups with 51 or more full-time employees.

CDPHP has filed a request for approval by the New York State Department of Financial Services for changes to premium rates. Large group HMO policyholders will receive the rate adjustments on the policyholder's next anniversary on or after January 1, 2015.

	<b>Renewals Effective</b>			
<b>Regions 1, 6, 7</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
Proposed Rate Adjustment *	8.63%	8.44%	8.25%	8.05%
Policyholders Affected	31,597	1,732	3,862	853
Members Affected	66,423	3,200	8,170	1,204
<b>Region 3</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
Proposed Rate Adjustment Medical	13.44%	13.23%	13.03%	12.83%
Proposed Rate Adjustment Pharmacy Riders	8.63%	8.44%	8.25%	8.05%
Policyholders Affected	262	-	292	1,513
Members Affected	456	-	641	3,197

*\*Based on current benefits*

The increase requested is due to:

- Expected changes in medical and pharmacy trend (expected increases in claim costs): +4.88%
- Corrections for past pricing: +1.48%
- Demographic and aging changes +1.21%
- Changes in benefits: +.084% (varies by benefit plan)
- Changes in Network (Region 3 Medical only): +4.4%

Medical and pharmacy trends are typically broken into two components, utilization and cost. CDPHP expects to see increases in utilization due to advances in medical technology, increased frequency of genetic testing, and increased use of specialty pharmaceuticals used to manage rare and complex medical conditions. These increases will be held lower than industry-wide trends due to CDPHP medical management programs which include care management, disease management, medical therapy management, and hospital readmission avoidance.

The changes in utilization of medical and pharmacy services have been impacted by:

- Growth in Enhanced Primary Care (EPC) provider practices and quality incentive programs which will have a favorable impact on inpatient and ER services. (The Enhanced Primary Care program is an innovative CDPHP program designed to improve coordination of care and promote delivery of cost-effective services through greater use of technology and efficiency in the physician's office.)
- Movement of services to more cost-effective outpatient settings such as freestanding surgical centers.
- Expected increase in mental health services due to new behavioral health mandates and mental health parity requirements in the Affordable Care Act (ACA).

CDPHP negotiates reimbursement rates with hospitals on an annual or semiannual basis. CDPHP contracts with CVS Caremark for pharmacy benefit management. The unit cost increases projected for medical and pharmacy are:

- Facility: 6% to 7% (this is an average negotiated increase)
- Professional: 1.5% (effective July 1, 2015)
- Pharmacy costs: 6.45%. This is due to the increased use and associated high cost of specialty drugs; for example the cost of Hepatitis C pharmaceuticals.

A pricing correction of +1.48% was applied to the 2015 rates. Pricing corrections are made to correct for over/underestimating of medical trend in prior year's pricing.

Revised demographic assumptions resulted in a +1.21 % impact on premiums. This adjustment is due to a change in single/family mix and the expected age of the underlying population.

Changes to 2015 benefits impact the rates. The 2014 behavioral health residential care mandate will increase premium rates in 2015 by 0.95%. Federal changes to out of pocket maximums and deductibles will decrease premiums, on average, by 0.1%.

Enhanced benefits for acupuncture were added, which will increase premiums 0.01%.

Charges to administrative expenses, profit, and Federal ACA fees will remain the same for the 2015 rates.