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Request of:

EMPIRE BLUE CROSS AND BLUE SHIELD

To:

**THE NEW YORK STATE DEPARTMENT OF
FINANCIAL SERVICES (DFS)**

FOR APPROVAL OF 2010 STANDARDIZED MEDICARE SUPPLEMENT PLAN RATE INCREASES

Filed June 5, 2014



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NARRATIVE SUMMARY

I. OVERVIEW

Empire Blue Cross and Blue Shield (Empire) has submitted an application to the Superintendent of Insurance to adjust premium rates for health insurance available to Medicare Supplement enrollees. The line of business impacted is the 2010 Standardized Medicare Supplement Insurance Plans sold by Empire HealthChoice Assurance, Inc. (Empire's insurance company; NAIC code number 55093). The actual rate increases requested are provided below. Empire's proposed rates are subject to review and approval by the New York Department of Financial Services, with the determination by the Department supported by sound actuarial assumptions and methods. The rate application will be filed with the Department on [June 5, 2014](#) (SERFF number: pending). The actual rate increases approved will be communicated to the impacted parties upon completion of the Department's review and are scheduled to be effective beginning on [January 1, 2015](#).

The proposed rates are applicable to individuals enrolled in a Medicare Supplement plan on or after June 1, 2010. Rates are expected to be in force between [January 1, 2015](#) and [December 31, 2015](#). All members will receive this rate change on the January 1, 2015 effective date. The rate for any individual will vary based on geographic area and benefit Plan selected.

Empire is required by New York State law to develop rates that assume at least 65% of premium revenue will be spent on health care costs, be actuarially sound, cover all claim costs, and provide a contribution to ensure adequate reserves. 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). The actual MLR may vary over time based on changes in the amounts charged by hospitals, physicians, and other providers; health care trend or inflation; and health care utilization by our members.

The requested increase in rates is due primarily to the annual increases in the cost of medical care. Empire has attempted to limit the rate increases to the lowest increases possible while preserving the financial integrity of the Plans. Periodic rate adjustments are necessary to secure the ability of Empire, or any insurer, to produce sufficient revenue to assure continued coverage and claim payments, both for current healthcare needs and for potential catastrophic cost situations.

In filing our rate application we were sensitive to the fact that individuals struggle to afford higher premiums. However, it is clear that an increase in premiums is necessary to assure the continued operations and viability of the Plans. Because these particular products have an especially high MLR, the failure to approve the proposed rates will only lead to the need for even greater rate increases in the future, since claim costs will eventually exceed premiums collected.

II. FACTORS CONTRIBUTING TO THE PROPOSED RATE INCREASES

The cost of health care services, equipment, and products continues to be the primary reason for rate increases. Nationally, the growth in the cost of medical care continues to significantly outpace consumer inflation. For example, total medical cost for a typical Medicare Supplement enrollee increased 3.7% annually. Specifically, Part A Inpatient costs have risen 2.9% annually from 2010 to 2012 while skilled nursing facility costs have increased 6.3%. Part B costs have increased as well, rising 6.0% annually for Outpatient Services and 2.3% for Physician Services. Additionally, utilization of services and changes in member demographics are contributing to the overall trend for these Plans.¹

III. DETAILS OF THE PROPOSED RATE INCREASE

Empire provides health insurance protection to over 5 million residents in 28 counties in eastern and southeastern New York State. The proposed premium rates affect approximately 8,600 individuals who have purchased membership in the following 2010 Standardized Medicare Supplement Plans: A, B, F, High F, G, and N. Premium rates for individuals are regulated by the Superintendent of Insurance pursuant to Section 3231 of the Insurance Law.

| Policy Form | Products | Proposed Increase Effective 1/1/2015 |
|--------------------|---------------------------------|---|
| WPPLANAM(09)-NY | Medicare Supplement Plan A | 0.0% |
| WPPLANBM(09)-NY | Medicare Supplement Plan B | 7.6% |
| WPPLANFM(09)-NY | Medicare Supplement Plan F | 0.0% |
| WPPLANHiFM(09)-NY | Medicare Supplement Plan High F | 0.0% |
| WPPLANGM(09)-NY | Medicare Supplement Plan G | 6.9% |
| WPPLANNM(09)-NY | Medicare Supplement Plan N | 15.0% |

¹ Trend figures are based on 2012 Milliman Health Cost Guidelines.