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

**Insurer:** **Aetna Health, Inc.**
**Lines of Business:** **Healthy New York Plans**
**Filing Type:** Section 4308(c) Prior Approval Filing
**Effective Date:** January 1, 2013 to December 31, 2013
**SERFF Tracking Number:** AETN-128566940
**Affected Members:** 5,200
**Affected Premiums:** Approximately $22 million
**Rating Structure:** Renewals at Policy Anniversaries

**Summary:**

| CY 2013 over CY 2012 | # of Members | Requested | Approved | Change |
|---|---|---|---|---|
| Cohort A | 954 | 19.2% | 17.2% | -2.0% |
| Cohort B | 71 | 19.3% | 17.3% | -2.0% |
| Cohort C | 4,215 | 19.6% | 17.6% | -2.0% |
| **Total** | **5,240** | **19.5%** | **17.5%** | **-2.0%** |

Requested and approved rate actions vary from 16.3% to 23.2% due to differences in the impact of PPACA provisions introduced in Fall of 2010.

The analysis included the following “requested” and “approved” assumptions for the various parts of the application:

| | | Requested | Approved |
|---|---|---|---|
| 1 | Annual Claim Trend Rates | 10.00% | 10.00% |
| 2 | Administrative Expense Ratios | 15.60% | 13.60% |
| 3 | Profit Objective Ratios | -21.40% | -21.40% |
| 4 | Medical Loss Ratios (MLR) | 105.80% | 107.80% |

There are three groups of policyholders for purposes of the rate actions. Cohort A consists of members whose policies renewed in January, February and March of 2011, but did not receive the 2011 increases (implemented too late due to late application and notices), and also new policies sold in January 2011 using the 2010 rates. Cohort B consists of members in the high deductible plans that were written prior to 2009 and that were last renewed at 2009 rates due to systems issues. Cohort C consists of all of the remaining members.

**Membership:**

The table below shows the actual distributions of members by benefit plans as of March 31, 2012. Approximately 18% of subscribers are in High Deductible Plans.

| HNY Members | Non High Deductible | High Deductible | Total |
|---|---|---|---|
| Individuals | 2,431 | 578 | 3,009 [57%] |
| SmallGroups/Sole Proprietors | 1,880 | 351 | 2,231 [43%] |
| Total | 4,311 [82%] | 929 [18%] | **5,240 [100%]** |

**Prior Application**:

For calendar year 2012, Aetna requested an average 28.60% rate action and DFS approved an average 18.40% rate action.

**Analysis:**

DFS reviewed the material that Aetna 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 also 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.

**ACA Insurer & Reinsurance Fees:**

Aetna did not include any adjustments in its rate application for the impact of the Affordable Care Act (ACA) Insurer Fees and Reinsurance Assessment Fees. DFS finds Aetna's approach to be reasonable.

**Annualized Claim Trend Rates:**

Aetna requested an overall annual claim trend rate assumption of 10.00%.

Based on information submitted with the rate application, DFS finds the annual claim trend rate of 10.00% to be reasonable.

**Standardization of Premiums**:

In order to accurately reflect past premium rate actions that have not yet gone into effect, DFS asks insurers to "standardize" the premiums to the most current levels. Earned premiums in calendar year 2011 are converted to include premium rate actions approved in 2011 and not fully implemented and the rate actions approved in 2012.

DFS finds the standardization process by Aetna to be reasonable.

**Administrative Expense Ratio:**

Aetna's application reflected an administrative expense ratio to premiums of 15.60%. The downstate average administrative expense for HNY plans is 12.60%. DFS therefore finds Aetna's requested administrative expense ratio to be unreasonable and approves an administrative expense ratio of 13.60%, which is more consistent with the average for downstate companies.

**Profit Objective:**

Aetna requested a -21.40% pre-tax profit objective.

DFS finds this assumption reasonable.

**Medical Loss Ratio (MLR):**

With the administrative expense ratio of 13.60% and a pretax profit objective of -21.40%, Aetna's projected medical loss ratio is 107.80%.

**Projected Stop Loss Reimbursements:**

Aetna assumed that Stop Loss Reimbursements would increase at the same trend rate as the Pre-Stop-Loss Incurred Claims.

DFS finds this assumption reasonable.

**Financial Conditions of Aetna:**

Aetna's capital and surplus at December 31, 2011 was $208.65 million, or about 33.84% of premium income of $616.51 million in 2011. Underwriting gains in 2011 were $45.10 million, or 7.32% of premium income.

Premium income for this application was $21.76 million in 2011, or 3.53% of the total premium income.

**Decision:**

Based on the review and analysis as described above, DFS finds that the requested rate increases are unreasonable and approves as reasonable the rate increases as shown in the summary chart above.