New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: **Aetna Life Ins. Co. (Article 42 Insurer)**
Lines of Business: Individual Modernized Medicare Supplement Plans A, B, F
Filing Type: Section 3231(e)(1) Prior Approval Filing(s)
Effective Date: January 1, 2013
SERFF Tracking Number: AETN-128525808
Affected Members: 161
Rating Structure: Annual Rates / Regional Rates

Summary:

	All Regions		
	Requested	Approved	Reduction
All Plans	+15%	+15%	0.0%

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

	All Plans	
	Requested	Approved
Annual Claim Trend Rates	9.00%	9.00%
Administrative Expense Ratio	13.10%	13.10%
Profit Objective (%of premium, pre-tax)	11.90%	5.00%
Expected Medical Loss Ratio (MLR)	75.00%	81.90%

Discussion:

The Department reviewed the material that Aetna Life submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, and the development of the needed rate change. The Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decision.

Aetna's rate application pertains to their MIPPA policies. MIPPA refers to the Medicare Improvements for Patients and Providers Act of 2008. It called for increased benefits to the Medicare Supplement Standardized plans starting June 1, 2010. MIPPA plans are also referred to as "Modernized" Medicare Supplement plans. Standardized Medicare Supplement plans (inforce since the early '90s until May 31, 2010) are referred to as

“Pre-MIPPA” or “Standardized.” Aetna’s application requested a +15% increase for all plans. Aetna has a total of 161 members enrolled in their MIPPA Medicare Supplement plans.

Analysis:

By regulation, the minimum medical loss ratio (MLR) for Individual Medicare Supplement plans offered by Article 42 Insurers in New York is 65%. Aetna’s target expected loss ratio was 75% for all plans. Due to a reduction in profit objective, the Department has revised Aetna’s target expected loss ratio to 81.9%.

Claims Trend:

Due to the low number of members and the low credibility, Aent used nationwide experience to determine the claims trend assumption. Aetna assumed a claims trend of 9.0% based on the nationwide experience of all plans combined. The Department found this assumption to be reasonable.

Administrative Expense Ratio

Aetna’s non-claim expenses are broken down as follows:

	All Plans
Broker Commissions	2.00%
Acquisition Expense	2.50%
Maintenance	6.80%
Premium Tax	1.80%
Total Expenses	13.10%

The Department finds these assumptions to be reasonable.

Profit Objective

Aetna’s application contains an 11.9% profit objective. Although Aetna is not currently achieving this profit objective due to a higher than expected actual loss ratio, it is still considered excessive. The Department finds that a profit margin of 5% to be reasonable based on industry averages and the financial condition of the company.

Decision:

Based on our review and analysis described above, the Department finds the requested increase to be reasonable.