

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

Insurer: Aetna Health Inc. (Aetna HMO, Art. 44 Corporation)
Lines of Business: Small Group HMO and Small Group In-Network POS
Filing Type: Section 4308(c) Prior Approval Filing
Effective Date: January 1, 2013 through December 31, 2013
SERFF Tracking #: AETN-128619160
Rating Structure: Quarterly Rolling Rates - renewals on policy anniversaries.
Affected Members: 8,265 (as of 4/30/12)
Earned Premiums: \$21.8 million (calendar year 2011)

Insurer: Aetna Health Insurance Co. of New York (Art. 42 Accident and Health Company)
Lines of Business: Small Group Out-of-Network POS
Filing Type: Section 3231(e)(1) Prior Approval Filing
Effective Date: January 1, 2013 through December 31, 2013
SERFF Tracking #: AETN-128619230
Rating Structure: Quarterly rolling rates -- renewals on policy anniversaries.
Affected Members: 450 (approximate as of 4/30/12, not provided by company)
Earned Premiums: \$0.6 million (calendar year 2011)

Summary:

Requested and approved rate actions are as shown in the table below:

2013 Rates	Requested	Approved	Change
All Plans	+9.7%	+8.4%	-1.3%

The 9.7% figure includes an increase of 1.53% in 4Q2012 for the Women's Health Initiative.

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

		Requested	Approved
1.	Annual Claim Trend Rates	11.2%	11.2%
2.	Admin Expense Ratios	13.6%	12.5%
3.	Profit Objective Ratios	-1.3%	-1.3%
4.	Medical Loss Ratios (MLR)	87.7%	88.8%

Membership and Average Monthly Premiums:

Average Membership	SG HMO Plans	SG POS Plans
2009	1,746	775
2010	3,052	552
2011	4,830	494
April 2012	8,265	450 (approx.)

The monthly premium per member for calendar year 2011 for SG HMO averaged \$271. The corresponding figure for SG POS was \$1,033.

Prior Application

A rate application for 4Q2012 and the first 3 quarters of 2013 was submitted on April 16, 2012. Aetna subsequently withdrew the application so there was no quarterly rate action in 4Q2012. Year-over-year rate action in 2012 was as follows:

	Requested	Approved
1Qrt 2012	0.9%	-1.0%
2Qrt 2012	3.0%	1.0%
3Qrt 2012	2.0%	0.0%
4Qrt 2012	2.0%	0.0%
Total Year	1.8%	-0.3%

There were no rate increases in 2011 except for a 3% increase in 3Q2011.

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 objective 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 Impact

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.

Annual Claim Trend Assumptions

Aetna requested an annual claim trend rate of 11.2%.

Based on information contained in the rate application, DFS finds Aetna's requested claim trend 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 Aetna's standardization process to be reasonable.

Administrative Expense Ratio

Aetna requested an expense ratio of 13.6% of premiums. DFS finds this assumption to be unreasonable and approves an expense ratio of 12.5% of premiums, which is more consistent with the expense ratio for downstate small group HMO/POS health plans.

Profit Objective

Aetna requested a -1.3% pre-tax profit objective.

DFS finds this assumption to be reasonable.

Medical Loss Ratio (MLR)

With the approved administrative expense ratio of 12.5% and the approved profit objective ratio of -1.3%, DFS approves a projected medical loss ratio of 88.8%.

Financial Conditions of Aetna:

Aetna HMO's capital and surplus at December 31, 2011 was \$206.8 million or 33.5% of net premium income of \$616.5 million in calendar year 2011. Underwriting gains for Aetna overall (all lines combined) were 7.9% of premiums in 2011, and 9.0% of premiums for the last 5 years in total (2007-2011).

Decision:

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