

New York State Department of Financial Services

Premium Rate Approval - Decision Summary

Insurer: Capital District Physicians' Health Plan
Filing Type: Section 4308(c)
Effective Date: January 1, 2012 through December 31, 2012
SERFF Tracking #: CAPD-127320649
Lines of Business: Standardized Direct Pay HMO & POS Plans
Affected Members: 338 Members (279 HMO, 59 POS)
Annual Premiums: \$4 million
Rating Structure: Non-rolling annual rates, all increases effective in January 2012

Summary:

Year over year rate actions are:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
2012:	-2.05%	-7.28%	-5.23

Requested and recommended rate actions are uniform for all plans.

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

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	6.21%	6.21%
2. Administrative Expense Ratio	4.43%	4.43%
3. Profit Objective (percent of premium, pre-tax)	2.0%	2.0%
4. Medical Loss Ratio (MLR)	93.57%	93.57%

History:

CDPHP requested no rate actions for calendar year 2011. The last rate action was a +11.9% rate action effective on July 1, 2010.

Analysis:

The Department reviewed the material that CDPHP submitted with the rate applications, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, Stop Loss reimbursements, and the development of the needed rate change, as well as comparisons to similar historical data in each of these areas. The Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decisions.

The Department accepts CDPHP's assumptions on Direct Pay Plans as reasonable in all aspects except for a "risk margin" provision requested by CDPHP.

Annualized Claim Trend Rates:

CDPHP's claims trend assumption included the following components:

Medical:	+0.00% for Utilization
	+5.98% for Unit Cost [Inflation]
Pharmacy:	+2.4% for Utilization
	+2.1% for 2011 Unit Cost [Inflation]
	+6.4% for 2012 Unit Cost [Inflation]

Average annual claim trend rate for combined utilization and inflation is +6.21%. The Department found this assumption to be reasonable.

Standardization of Premiums:

In order to accurately reflect past premium increases that have not yet gone into effect, the Department "standardizes" the premiums requested. Actual premiums earned during the previous calendar year are adjusted to include premium increases that were approved and implemented but not reflected as actual premiums earned.

CDPHP submitted a factor of 108.5% for the conversion of actual earned premiums to standardized premiums. The Department accepts this factor as reasonable.

Administrative Expense Ratio:

CDPHP assumed an administrative expense ratio of 4.43%, which is low due to the fact that average PMPM premiums for these plans are much higher than on small group plans. This assumption is consistent with CDPHP's past financial statements. The Department finds this assumption to be reasonable.

Profit Objectives:

CDPHP requested a pre-tax profit objective at 2.00% of premiums. The Department accepts this provision as reasonable.

In addition to their requested profit objective of 2.00% above, CDPHP requested an additional "risk margin" provision at 5.00% of premiums. The Department rejects this additional provision, which accounts for the entire difference between requested and recommended rate actions above.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 4.43% and 2.00% profit ratio, CDPHP's projected loss ratio will be 93.57%.

Regulation 146 Market Stabilization Pool Receivables:

CDPHP assumed Regulation 146 pool receivables at \$75.77 PMPM, the same as received by CDPHP in calendar year 2010. The Department accepts this assumption as reasonable, considering the small number of members involved.

Stop Loss Reimbursements:

CDPHP assumed Stop Loss reimbursements at the same level as in calendar year 2010. The Department accepts this assumption as reasonable, considering the small number of members involved.

Decision:

Based on the analysis as described above, the Department finds the rate actions requested are unreasonable and modifies the rate in as summarized in the chart above.