

# 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-127320671  
**Lines of Business:** Healthy New York HMO  
**Affected Members:** 8,595 Members  
**Annual Premiums:** \$27 million  
**Rating Structure:** Non-rolling annual rates, all increases effective in January 2012

### Summary:

Year over year rate actions are:

	<u>Requested (avg)</u>	<u>Approved (avg)</u>	<u>Reduction</u>
2012:	9.34%	9.34%	0.0%

Rate increases vary by regions, products and rating tier structure, ranging from -19.7% to +9.9%.

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	6.04%	6.04%
2. Administrative Expense Ratio	16.18%	16.18%
3. Profit Objective (percent of premium, pre-tax)	1.0%	1.0%
4. Medical Loss Ratio (MLR)	82.82%	82.82%

### History:

CDPHP requested and received approval for an average rate increase of +8.5% in 2011.

### 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.

**Annualized Claim Trend Rates:**

Medical: +0.00% for Utilization  
 +5.98% for Unit Cost (Hospital 5.0%, Physician 7.7%)  
 Pharmacy: +2.4% for Utilization  
 +6.4% for Unit Cost (Combined 8.95%)

CDPHP based its unit cost increases on expected results from CDPHP's provider contract negotiations. Such trend is based on the commercial HMO block of business. The Department determined that the weighted annualized claim trend rate used by CDPHP of 6.04% is 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 calendar year 2010 are converted to include premium increases that CDPHP requested for the fourth quarter 2011.

CDPHP submitted a factor of 108.5% for the conversion to standardized premiums. The Department accepts this factor as reasonable due to the fact that the plan is non-rolling and there was only an 8.5% increase in rates from 2010 to 2011.

**Administrative Expense Ratio:**

CDPHP assumed an administrative expense ratio at 16.18% of premiums. Such assumption is consistent with their financial statements in the last few years. The Department accepts this assumption as reasonable.

**Profit Objective:**

The Department accepts CDPHP's provision for a profit objective of +1.00% as reasonable.

**Medical Loss Ratio (MLR):**

With the administrative expense ratio of 16.18% and 1.00% profit, CDPHP's projected loss ratio will be 82.82%.

**Stop Loss Reimbursements:**

CDPHP assumed reimbursements at the same level as in calendar year 2010. The Department accepts such an assumption.

**Decision:**

Based on the analysis as described above, the Department finds the rate actions requested are justified and approves the rate application as submitted.