

# New York State Department of Financial Services

## Premium Rate Approval - Decision Summary

**Insurer:** Capital District Physicians' Health Plan (CDPHP)  
**Lines of Business:** Standardized Direct Pay HMO & POS plans  
**Filing Type:** Section 4308(c)  
**Effective Date:** January 1 - December 31, 2013  
**SERFF Tracking #:** CAPD-128478124  
**Affected Members:** 311 (HMO: 267 and POS: 44)  
**Annual Premiums:** \$3.5 million  
**Rating Structure:** Non-rolling rates, all increases effective in January 2013

**Summary:**

All Rating Regions	Requested	Approved	Change
2013 over 2012	5.79%	5.79%	0.00%

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	7.39%	7.39%
2. Administrative Expense Ratio	5.40%	5.40%
3. Profit Objective Ratio	2.00%	2.00%
4. Medical Loss Ratio (MLR)	92.60%	92.60%

**Membership:**

Average Membership	HMO Plans	POS Plans	Subtotal
2009	302	67	369
2010	281	63	344
2011	270	54	324
June 2012	267	44	311

**Prior Rate Application:**

CDPHP did not submit any prior approval rate application in calendar year 2011.

For calendar year 2012, the requested rate was -2.05 and the Department approved a rate of -7.28.

**Analysis:**

The Department reviewed the material that CDPHP 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 the DFS's decision. In addition, DFS took into account comments on the rate application received from consumers, consumer groups and policyholders.

**ACA Insurer & Reinsurance Fees:**

CDPHP did not include any adjustment for the impact of the Affordable Care Act (ACA) Insurer Fees and Reinsurance Assessment Fees. These fees will be introduced in calendar year 2014. CDPHP will introduce adjustments in the rate application for calendar year 2014.

DFS finds this approach to be reasonable.

**Annualized Claim Trend Rates:**

CDPHP's average annual claim trend rate assumption is 7.39%.

Based on information submitted in the rate application, DFS finds CDPHP's trend assumptions 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 level. 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 CDPHP's standardization process to be reasonable.

**Administrative Expense Ratio:**

CDPHP assumed an administrative expense ratio of 5.40%.

DFS finds CDPHP's expense ratio to be reasonable.

**Profit Objective:**

CDPHP requested a pre-tax profit objective of 2.00% of premiums.

DFS finds CDPHP's profit objective to be reasonable.

**Medical Loss Ratio (MLR):**

With the administrative expense ratio of 5.40% and profit objective ratio of 2.00%, CDPHP's projected loss ratio is 92.60%.

**Financial Condition of CDPHP:**

CDPHP's capital and surplus at December 31, 2011 was \$316 million or 29.11% of net premiums income of \$1,086 million in calendar year 2011. Underwriting gains in the last 5 years were 2.48% of premium income.

The Direct Pay block of business covered in this rate application is less than 1% of total CDPHP business.

**Decision:**

Based on the analysis as described above, DFS finds that the requested rate increases are reasonable.