

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

**Insurer:** Capital District Physicians' Health Plan (CDPHP)  
**Lines of Business:** Healthy New York  
**Filing Type:** Section 4308(c) Prior Approval Filing  
**Effective Date:** January 1 – December 31, 2013  
**SERFF Tracking #:** CAPD-128478050  
**Affected Members:** 8,595  
**Annual Premiums:** \$28 million  
**Rating Structure:** Non-rolling rates, all increases effective in January 2013

**Summary:**

All Rating Regions	Requested	Approved	Change:
2013 over 2012	9.74%	8.36%	-1.38%

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	7.28%	7.28%
2. Administrative Expense Ratio	15.65%	14.59%
3. Profit Objective Ratio	1.00%	1.00%
4. Medical Loss Ratio (MLR)	83.35%	84.41%

**Membership and Average Monthly Premiums:**

Average Membership	Healthy New York
2009	8,764
2010	9,225
2011	8,471
June 2012	8,595

In calendar year 2011, monthly premium per member averaged \$254.50 for HNY plans.

**Prior Application:**

Effective Period	Requested	Approved
2011	8.50%	8.50%
2012	9.34%	9.34%

### **Analysis:**

DFS 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 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.

### **Annual Claim Trend Rate Assumptions:**

CDPHP requested an annual claim trend rate of 7.28%.

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's application requested an administration expense ratio of 15.65%.

DFS finds that this expense ratio is excessive and that an expense ratio of 14.59% is reasonable, based on CDPHP's financial condition, comparison to industry expense ratio and CDPHP position among market participants for current and prior years.

**Profit Objective:**

CDPHP requested a profit objective of 1.0%. CDPHP has indicated in its rate application that there is no income tax impact on their earnings.

DFS finds CDPHP's profit objective to be reasonable based on CDPHP's financial conditions, comparison to industry profit margins and CDPHP's return on equity (ROE).

**Medical Loss Ratio (MLR):**

With the administrative expense ratio of 14.59% and profit ratio of 1.00%, the projected medical loss ratio is 84.41%

**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 Healthy New York block of business covered in this rate application is 2.37% of total CDPHP business.

**Decision:**

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