

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

Insurer: Capital District Physicians' Health Plan (CDPHP)
Line of Business: HMO Plans for Large Groups and Small Groups
Filing Type: Section 4308(c) Prior Approval Filing
Effective Date: January 1 – December 31, 2013 (four Quarterly rate tables)
SERFF Tracking #: CAPD-128478098
Members: 111,200 (large groups: 92,800; small groups: 18,400)
Earned Premiums: \$589 million (large groups: \$493 million; small groups: \$96 million)
Rating Structure: Quarterly Rolling Rates

Summary:

CY2012 to CY2013	<u>Large grp</u>		<u>Small grp</u>		<u>Change</u>
	<u>Requested</u>	<u>Approved</u>	<u>Requested</u>	<u>Approved</u>	
1Q13 over 4Q12	6.87%	6.87%	8.83%	8.83%	0.0%
2Q13 over 1Q13	6.45%	6.45%	8.17%	8.17%	0.0%
3Q13 over 2Q13	6.03%	6.03%	7.51%	7.51%	0.0%
4Q13 over 3Q13	5.61%	5.61%	6.86%	6.86%	0.0%
Year Over Year Average	6.54%	6.54%	8.34%	8.34%	0.0%

The range of requested and approved rates is 2.13% to 10.81% (large groups) and -1.03% to 12.85% (small groups).

The analysis included the following assumptions for the various parts of the application, which are approved as submitted:

	<u>Large Groups</u>	<u>Small Groups</u>
1. Annual Claim Trend Rates	6.70%	5.58%
2. Administrative Expense Ratio	11.88%	11.45%
3. Profit Objective Ratio	1.5%	2.0%
4. Medical Loss Ratio (MLR)	86.62%	86.55%

Membership and Average Monthly Premiums:

<u>Average</u>	<u>Large Groups</u>	<u>Small Groups</u>	<u>Subtotal</u>
<u>Membership</u>			
2009	113,600	27,100	140,700
2010	96,800	22,400	119,200
2011	92,600	19,900	112,500
1 st Qrt 2012	92,800	18,400	111,200

In calendar year 2011, monthly premium per member averaged \$411.64 for large groups and \$365.28 for small groups.

Prior Applications:

		Requested	Approved
1Q11 – 2Q11	Large/Small Groups	11.4%	8.2%
3Q11 – 4Q11	Large/Small Groups	5.3%	2.0%
1Q12 – 2Q12	Large Groups	1.5%	1.5%
	Small Groups	2.6%	2.6%
3Q12 – 4Q12	Large Groups	5.9%	5.9%
	Small Groups	7.0%	7.0%

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 objectives, 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 annual claim trend rate of 6.70% for large groups and 5.58% for small groups.

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 requested an administrative expense ratio of 11.88% for large group and 11.45% for small group.

DFS finds CDPHP’s expense ratios to be reasonable.

Profit Objective:

CDPHP requested a profit objective of 1.5% for large groups and 2.0% for small groups. CDPHP has indicated in its rate application that there is no income tax impact on their earnings.

DFS finds CDPHP's profit objectives to be reasonable.

Medical Loss Ratio (MLR):

Large Groups: With the administrative expense ratio of 11.88% and profit ratio of 1.50%, the projected medical loss ratio is 86.62%

Small Groups: With the administrative expense ratio of 11.45% and profit ratio of 2.00%, the projected medical loss ratio is 86.55%

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 large group block of business covered in this rate application is 41.96% of total CDPHP business.

The small group block of business covered in this rate application is 8.04% of total CDPHP business.

Decision:

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