

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

**Insurer:** Excellus Health Plan  
**Lines of Business:** Medicare Supplement and Medicare Complementary  
**Filing Type:** 4308(c) Rate Adjustment Filing  
**Effective Date:** January 1, 2013  
**SERFF Tracking Number:** EXHP-128423258  
**Rating Structure:** Non rolling rates  
**Affected Members:** Med Supp = 15,811, Medicare Complementary = 4,942  
**Earned Premiums:** \$63 million

### Summary (year over year rate changes)

<u>Product</u>	<u>Requested</u>	<u>Recommended</u>	<u>Change</u>
Med Supp	0%	0%	0%
Med Comp	0%	0%	0%

The analysis included the following “requested” versus “approved” assumptions of the various parts of the application:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	MS: 4.7%	MS: 4.7%
2. Administrative Expense (% of premium)	MS: 17.4%	MS: 17.4%
3. Profit Objective (% of premium, pre-tax)	MS: 2.6%	MS: 2.6%
4. Medical Loss Ratio (MLR, % of premium)	MS: 80.0%	MS: 80.0%

Medicare Complementary was not part of the rate submission and the rates for this product were left unchanged.

### Members by Product

<u>Average # Members for Year</u>	<u>Med Supp</u>	<u>Med Comp</u>
2009	21,273	18,885
2010	18,411	13,524
2011	16,719	11,660

## **Prior Rate Application**

The prior rate application was effective January 1, 2012. The table below summarizes the requested and approved rate actions.

<u>Product</u>	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Medicare Complementary	2.3%	2.3%	0.0%
Medicare Supplement			
Type A	1.9% to 8.1% (6.2%)	1.9% to 5.2% (4.6%)	-1.6%
Type B	0.8% to 3.3% (2.7%)	0.8% to 3.3% (2.7%)	0.0%
Type C	1.7% to 4.5% (2.0%)	1.7% to 4.5% (2.0%)	0.0%
Type F	0.0% to 3.1% (1.7%)	0.0% to 3.1% (1.7%)	0.0%
Type F+	0.0% to 3.2% (1.9%)	0.0% to 3.2% (1.9%)	0.0%
Type H	0.5% to 3.2% (2.1%)	0.5% to 3.2% (2.1%)	0.0%
Type H, no Rx	1.3% to 4.3% (3.2%)	1.3% to 4.3% (3.2%)	0.0%
Type N	-3.0% to -4.0% (NA)	-3.0% to -4.0% (NA)	0.0%
Overall Weighted Average:	2.1%	2.1%	0.0%

The January 1, 2011 rate filing included no changes to the Medicare Supplement rates. The changes to the Medicare Complementary rates averaged a 6.0% reduction (Rochester: -4.0%, CNY: -8.5%, Utica: -6.0%).

## **Analysis**

The Department reviewed the material that Excellus submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, underwriting margins, 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.

## **Annual Claim Trend Rate Assumptions**

Excellus assumed an effective annual trend of 4.7% for Medicare Supplement. The Department finds this trend assumption to be reasonable.

## **Standardization of Premiums**

In order to accurately reflect past premium rate actions that have not yet gone into effect, the Department "standardizes" the premiums to the most current rate level. Earned premiums in calendar year 2011 are converted to include premium rate actions approved in 2011 and not fully implemented, and also the rate actions approved in 2012.

The Department finds the standardization process used to be reasonable.

### **Administrative Expense Ratio**

The rate application reflects an average administrative expense ratio to premiums of 17.4%. DFS found this expense ratio to be reasonable based on the company's reported amount and a comparison to industry averages.

### **Profit Objective**

The rate application requests an average profit objective of 2.6%. The Department finds this profit objective to be reasonable.

### **Medical Loss Ratio (MLR)**

With the administrative expense ratio of 17.6% and a profit objective of 2.6%, the average projected medical loss ratio will be 80.0%. (By regulation, the minimum medical loss ratio for Medicare Supplement plans offered by Article 43 insurers in New York is 80%.)

### **Financial Condition of the Company**

Excellus's capital and surplus as of December 31, 2011 was \$1.3 billion, or 22.3% of premiums of \$5.7 billion in calendar year 2011. Underwriting gains from 2007 to 2011 averaged 0.7% of premium and ranged from -0.4% in 2008 to 2.8% in 2011 (over all products, including governmental programs like Medicare).

The block of business covered in this rate application is 1% of the company's total business (by premium).

### **Decision**

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