

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

**Insurer:** HealthNow New York, Inc. (Article 43 Corporation)  
**Line of Business:** Standardized Direct Pay HMO/POS Plans  
**Filing Type:** Section 4308(c) Prior Approval Filing  
**Effective Date:** January 1, 2013 through December 31, 2013  
**SERFF Number:** HLTH-128574301  
**Rating Structure:** Non Rolling Rates  
**Affected Members:** 213  
**Annual Premiums:** \$2.6 million

### Summary:

2013 Rates	Requested	Approved	Change
<b>Albany Region</b>	-2.90%	-2.90%	0.00%
<b>Buffalo Region</b>	+15.70%	+15.70%	0.00%
<b>Combined</b>	<b>+10.48%</b>	<b>+10.48%</b>	<b>0.00%</b>

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

	All Lines and Regions	Requested	Approved
1.	Annual Claim Trend Rates	2.25%	2.25%
2.	Admin Expense Ratios	3.68%	3.68%
3.	Profit Objective Ratios	2.01%	2.01%
4.	Combined Expense & Profit Objective	5.69%	5.69%
5.	Medical Loss Ratios (MLR)	94.31%	94.31%

### Membership and Average Monthly Premiums:

Average Membership	Albany	Buffalo	Combined
2009	51	79	130
2010	42	85	127
2011	40	106	146
June 2012	41	172	213

The monthly premium per member averaged \$1,378.00 for the Albany region and \$1,049.00 for the Buffalo region for calendar year 2011.

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

**Insurer:** HealthNow New York, Inc. (Article 43 Corporation)  
**Lines of Business:** Indemnity Direct Pay Plans (Buffalo Region)  
**Filing Type:** Section 4308(c) Prior Approval Filing  
**Effective Date:** January 1, 2013 through December 31, 2013  
**SERFF Number:** HLTH-128574301  
**Rating Structure:** Non Rolling Rates  
**Affected Members:** 1,089  
**Annual Premiums:** \$2.9 million

### Summary:

	<b>Requested</b>	<b>Approved</b>	<b>Change</b>
<b>2013 Rates</b>	19.5%	17.4%	-2.1%

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

	<u>All Lines and Regions</u>	<u>Requested</u>	<u>Approved</u>
1.	Annual Claim Trend Rates	9.20%	9.20%
2.	Admin Expense Ratios	25.36%	23.86%
3.	Profit Objective Ratios	-8.86%	-8.86%
4.	Combined Expense & Profit Objective	16.50%	15.00%
5.	Medical Loss Ratios (MLR)	83.50%	85.00%

### Membership and Average Monthly Premiums:

Average Membership	All Plans
2009	2,107
2010	1,753
2011	1,450
June 2012	1,089

The monthly premium per member averaged \$208.00 for calendar year 2011.

### Prior Application:

For calendar year 2012, the requested rate action was 19.5%. It was approved as requested.

## **Analysis**

DFS reviewed the material that HealthNow 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 ability of the insurer to meet its obligations after DFS's decision.

### **ACA Insurer & Reinsurance Fees:**

HealthNow did not include in its rate application any adjustments for the impact of the Affordable Care Act's (ACA) Insurer Fees and Reinsurance Assessment Fees which will be introduced in calendar year 2014.

DFS finds this approach to be reasonable.

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

HealthNow's requested an overall annual claims trend of 9.20%.

DFS finds HealthNow's requested overall annual trend rate to reasonable.

### **Standardization of Premiums:**

In order to accurately reflect past premium rate actions that have not yet gone into effect, DFS "standardizes" the premiums. 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 HealthNow's standardization process to be reasonable.

### **Administrative Expense Ratio / Profit Objective / Medical Loss Ratio:**

HealthNow's application requested an MLR of 83.50%, for all products combined, implying a combined administrative expense ratio and profit objective of 16.50%. HealthNow requested an administrative expense ratio of 25.36%. HealthNow did not request a specific profit objective, but based on the requested MLR and administrative expense ratio, HealthNow's implied profit objective is -8.86%.

DFS finds the -8.86% profit objective to be reasonable.

DFS finds HealthNow's administrative expense ratio to premiums of 25.36% to be excessive based on HealthNow's filings and compared to industry averages, and reduces it to 23.86%. Therefore the approved MLR is 85.00%.

**Financial Condition of HealthNow:**

HealthNow's capital and surplus at December 31, 2011 was \$529 million or 22.07% of premium income of \$2,397 million in calendar year 2011.

Underwriting gains in the last 5 calendar years were 1.25% of premium income for all lines of business combined.

For the Direct Pay indemnity plans in the Buffalo region, the underwriting gains in the last 3 calendar years were -25.0% of premium income.

**Decision:**

Based on the review and analysis described above, DFS finds that the requested increases are unreasonable and modifies the increases as shown in the summary chart above.

**Prior Application:**

For calendar year 2012, the requested rate actions were as follows:

<b>2012 Rates</b>	<b>Requested</b>	<b>Approved</b>
<b>Albany Region</b>	-22.7%	-22.7%
<b>Buffalo Region</b>	19.5%	0.0%

**Analysis**

DFS reviewed the material that HealthNow 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 ability of the insurer to meet its obligations after DFS’s decision.

**ACA Insurer & Reinsurance Fees:**

HealthNow did not include in its rate application any adjustments for the impact of the Affordable Care Act’s (ACA) Insurer Fees and Reinsurance Assessment Fees which will be introduced in calendar year 2014.

DFS finds this approach to be reasonable.

**Annual Claim Trend Rate Assumptions:**

HealthNow requested an overall annual claim trend rate of 2.25%.

DFS finds HealthNow's requested overall annual trend rate to be reasonable.

**Standardization of Premiums:**

In order to accurately reflect past premium rate actions that have not yet gone into effect, DFS “standardizes” the premiums. 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 HealthNow’s standardization process to be reasonable.

**Administrative Expense Ratio / Profit Objective / Medical Loss Ratio (MLR):**

HealthNow's application requested an MLR of 94.31%, implying a combined administrative expense ratio and profit objective of 5.69%. HealthNow requested an administrative expense ratio of 3.68%. HealthNow did not request a specific profit objective, but based on the requested MLR and administrative expense ratio, HealthNow's implied profit objective is 2.01%.

DFS finds the MLR, administrative expense ratio and profit objective to be reasonable.

**Financial Conditions of HealthNow:**

HealthNow's capital and surplus at December 31, 2011 was \$529 million or 22.07% of premium income of \$2,397 million in calendar year 2011.

Underwriting gains in the last five calendar years were 1.25% of premium income for all lines of business combined.

For the Standardized Direct Pay HMO/POS plans, the underwriting gains in the last three calendar years were -10.0% of premium income.

**Decision:**

Based on our review and analysis described above, DFS finds that the requested increases are reasonable and approves the increases shown in the summary chart above.