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

Insurer: **HealthNow New York, Inc. (Article 43 Corporation)**
Lines of Business: **Healthy New York 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: 3,971
Annual Premiums: $12 million

Summary:

	Requested	**Approved**	**Change**
No Deductible Plans	19.5%	17.60%	-1.90%
High Deductible Plans	16.4%	14.53%	-1.87%
All Plans	**19.2%**	**17.28%**	**-1.92%**

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	9.24%	9.24%
2.	Admin Expense Ratios	11.69%	11.69%
3.	Profit Objective Ratios	-1.72%	-3.19%
4.	Combined Expense & Profit Objective	9.97%	8.50%
5.	Medical Loss Ratios (MLR)	90.03%	91.50%

HealthNow consists of two major rating regions, Albany and Buffalo, which are treated separately.

The Albany region consists of the following counties: Albany, Clinton, Columbia, Dutchess, Essex, Fulton, Greene, Montgomery, Orange, Putnam, Rensselaer, Saratoga, Schenectady, Schoharie, Sullivan, Ulster, Warren and Washington Counties.

The Buffalo region consists of the following counties in Western and Central New York: Allegany, Cattaraugus, Cayuga, Chautauqua, Chemung, Cortland, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Onondaga, Orleans, Oswego, Schuyler, Tompkins, Wayne and Wyoming Counties.

Membership and Average Monthly Premiums:

Average Membership	Both Regions
2009	4,523
2010	4,200
2011	4,079
June 2012	3,971

The monthly premium per member averaged $250.00 for calendar year 2011.

Prior Application:

For calendar year 2012, the requested rate action was +3.8%, which 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 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 average annual claim trend of 9.24% for all regions.

DFS finds HealthNow's requested average annual claim trend rates 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 90.03%, for all products combined, implying a combined administrative expense ratio and profit objective of 9.97%. HealthNow requested an administrative expense ratio of 11.69%. HealthNow did not request a specific profit objective, but based on the requested MLR and administrative expense ratio, HealthNow's implied profit objective is -1.72%.

DFS finds the requested 90.03% MLR to be unreasonable based on HealthNow's filings, the vulnerable population for which this product was developed by the State, and industry averages for this market, and approves an MLR of 91.50%. With the administrative expense ratio of 11.69%, the implied profit objective is -3.19%.

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 Healthy New York Plans, the underwriting gains in the last 3 calendar years were -8.5% of premium income.

Decision:

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