

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

Insurer: HealthNow New York, Inc. (Article 43 Corporation)
Including Public Health Law Article 44 line-of-business HMO
Lines of Business: Large Group and Small Group Indemnity and HMO Plans
Filing Type: Section 4308(c) Prior Approval Filing
Effective Date: January 1, 2013 through December 31, 2013
SERFF Number: HLTH-128574301
Rating Structure: Quarterly Rolling Rates
Affected Members: Albany: 23,500 – Buffalo: 68,800
Annual Premiums: Albany: \$117 million – Buffalo: \$326 million

Summary:

CY 2012 to CY 2013	Requested	Approved	Change
HMO Plans	7.42%	6.80%	-0.62%
Indemnity Plans	11.64%	11.00%	-0.64%
All Plans Comb.	10.24%	9.60%	-0.64%

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	7.90%	7.90%
2.	Admin Expense Ratios	11.96%	11.46%
3.	Profit Objective Ratios	1.75%	1.75%
4.	Combined Expense & Profit Objective	13.71%	13.21%
5.	Medical Loss Ratios (MLR)	86.29%	86.79%

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:

The combined membership for indemnity and HMO plans is as follows:

Average Membership	Albany	Buffalo	All Regions
2009	33,277	86,569	119,846
2010	30,888	77,820	108,708
2011	30,540	71,541	102,081
6/12/12	23,503	68,775	92,278

The table below illustrates the monthly premiums per member averaged for calendar year 2011.

Type of Plans	Albany	Buffalo	All Regions
HMO/POS Plans	509.09	527.90	525.26
Indemnity Plans	397.01	334.33	352.94
All Plans Comb.	413.70	394.60	399.46

Prior Application:

The table below shows the average requested rate actions for calendar year 2012, which were approved as requested.

	Albany Region	Buffalo Region	All Regions
HMO/POS Plans	+4.75%	+2.48%	+2.92%
Indemnity Plans	+5.67%	+10.78%	+8.99%
All Plans Comb.	+5.40%	+6.79%	+6.40%

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 included 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.

Additional rate adjustments for the impact of ACA fees are +0.1%, +0.7%, +1.2% and +1.7% to the first, second, third and fourth quarter of 2013 respectively. The average rate adjustment is 0.6% as the majority of the groups renew in the first quarter of 2013.

DFS finds this approach to be reasonable and acceptable.

Annual Claim Trend Rate Assumptions:

HealthNow's requested average annual claim trend was 8.55% for the Albany region and 7.68% for the Buffalo region (overall average of 7.90%).

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 86.29%, for all products combined, implying a combined administrative expense ratio and profit objective of 13.71%. HealthNow requested an administrative expense ratio of 11.96%. HealthNow did not request a specific profit objective, but based on the requested MLR and administrative expense ratio, HealthNow's implied profit objective is 1.75%.

DFS finds HealthNow's profit objective ratio to be reasonable.

However, DFS finds HealthNow's administrative expense ratio to premiums of 11.96% to be excessive based on HealthNow's filings and industry averages, and reduces it to 11.46%. Therefore the approved MLR is 86.79%.

Financial Condition of HealthNow:

HealthNow's capital and surplus at December 31, 2011 were \$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 community rated lines of business the underwriting gains in the last 3 calendar years were -4.67% of premium income.

Decision:

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