

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

**Insurer:** Independent Health Association, Inc. [IHA]  
**Lines of Business:** Healthy New York (HNY) Plans – Small Groups & Individuals  
**Filing type:** Section 4308(c) Prior Approval Filing  
**Effective Date:** January 1 – December 31, 2013  
**SERFF Number:** NDPD-128526753  
**Affected Members:** 5,625 members  
**Annual Premiums:** \$16 million  
**Rating structure:** Non-Rolling rates – All Plans renew on January 1, 2013

### Summary:

<u>CY2012 to CY2013</u>	<u>Requested</u>	<u>Approved</u>	<u>Change</u>
All Plans	15.0%	12.5%	-2.5%

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	9.5%	9.5%
2.	Admin Expense Ratios	26.41%	13.00%
3.	Profit Objective Ratios	-13.41%	0.00%
4.	Medical Loss Ratio (MLR)	87.00%	87.00%

### Membership:

<u>Membership</u>	<u>HNY Plans</u>
2009	4,720
2010	4,540
2011	5,370
June 2012	5,625

In calendar year 2011, monthly premiums per member for HNY Plans averaged \$249.00.

### Prior Application:

For calendar year 2012, average requested and approved rate actions were as follow:

	<u>Requested</u>	<u>Approved</u>	<u>Change</u>
All Plans	15.0%	15.0%	0.0%

**Analysis:**

The Department reviewed the material that IHA 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 decisions.

**ACA Insurer & Reinsurance Fee:**

IHA included in its rate application no adjustment for the impact of the Affordable Care Act's (ACA) Insurer Fees and Reinsurance Assessment Fees, which will be introduced in calendar year 2014.

All of IHA's HNY plans will renew on January 1, 2013, and there will be no impact on IHA of such fees in calendar year 2013.

DFS finds this approach to be reasonable.

**Annual Claim Trend Rate Assumptions:**

IHA requested annual claim trend rate is 9.5%.

DFS finds IHA's requested annual claim 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 IHA's standardization process to be reasonable.

**Actual Loss Ratio:**

"Actual loss ratio" reflects the loss ratio on past claims (as compared to the projected medical loss ratio described below) and is the starting point loss ratio used in the development of the requested rate actions. This loss ratio is developed from the most recent experience period.

IHA requested an actual loss ratio of 108.93%. DFS finds this loss ratio to be unreasonable and not consistent with loss ratio in the most recent experience period. DFS approves an actual loss ratio of 102.55%.

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

IHA's application reflected an administrative expense ratio to premiums of 26.41%, and a medical loss ratio of 87.00%, implying a profit objective of -13.41%.

DFS finds IHA's medical loss ratio of 87.00% to be reasonable and acceptable.

DFS finds IHA's administrative expense ratio of 26.41% to be unreasonable and approves an expense ratio of 13.00%, which is consistent with the administrative expense ratio reported in IHA's financial filings and with average administrative expense ratio of other insurers.

DFS approves an implied profit objective of 0.0% of premiums.

**Financial Conditions of IHA:**

IHA's capital and surplus at December 31, 2011 was \$453 million or 37.31% of premium income of \$1,213 million in calendar year 2011. Net gains in the last 5 calendar years were +2.24% of premium income for all lines of business combined.

**Decision:**

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