

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

Insurer: Independent Health Benefit Corp.,Inc. [IHBC]
Lines of Business: Small Group EPO/PPO Products
EPO/HDHP plans and PPO/POS plans
Filing type: Section 4308(c) Prior Approval Filing
Effective Date: January 1 – December 31, 2013 (four Quarterly rate tables)
SERFF Tracking #: NDPD-128526671
Affected Members: EPO/HDHP plans: 19,500; PPO/POS plans: 25,800
Annual Premiums : \$200 million
Rating structure: Quarterly Rolling rates

Summary:

<u>CY2012 to CY2013</u>	<u>Requested</u>	<u>Approved</u>	<u>Change</u>
EPO/HDHP Plans	7.90%	7.90%	0.00%
PPO/POS Plans	4.29%	4.29%	0.00%
Average	5.71%	5.71%	0.00%

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

		<u>EPO/HDHP</u>	<u>EPO/HDHP</u>	<u>PPO/POS</u>	<u>PPO/POS</u>
		<u>Requested</u>	<u>Approved</u>	<u>Requested</u>	<u>Approved</u>
1.	Annual Claim Trend Rates	8.00%	8.00%	7.00%	7.00%
2.	Admin Expense Ratio	16.85%	16.85%	11.69%	11.69%
3.	Profit Objective (pre-tax)	-5.85%	-5.85%	-0.69%	-0.69%
4.	Medical Loss Ratio (MLR)	89.00%	89.00%	89.00%	89.00%

Membership:

<u>Average</u>	<u>EPO/HDHP</u>	<u>PPO/POS</u>	<u>All Groups</u>
<u>Membership</u>			
2009	11,112	34,193	45,305
2010	13,952	32,813	46,765
2011	16,658	28,128	44,786
June 2012	19,500	25,800	45,300

In calendar year 2011, monthly premiums per member averaged \$232.00 for EPO/HDHP plans and \$348.00 for PPO/POS plans..

Prior Applications:

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

	EPO/HDHP	PPO/POS	Average
Requested	8.7%	8.8%	8.75%
Approved	8.7%	8.8%	8.75%

Analysis:

The Department reviewed the material that IHBC 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. The Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decisions.

ACA Insurer & Reinsurance Fee:

IHBC 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.

As the majority of IHBC's plans will renew in the first quarter of 2013, the impact on IHBC of such fees would be small. This impact will be reflected in calendar year 2014 premium rates.

DFS finds this approach to be reasonable and acceptable.

Annual Claim Trend Rate Assumptions:

IHBC requested annual claim trend assumptions of 8.0% for EPO and HDHP plans and 7.0% for PPO and POS plans.

DFS finds IHBC's requested 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 IHBC's standardization process to be reasonable and acceptable.

Administrative Expense Ratio:

IHBC's application reflected an average administrative expense ratio to premiums of 16.85% for EPO/HDHP plans and 11.69% for PPO/POS plans.

DFS finds IHBC's expense ratios to be reasonable.

Medical Loss Ratio (MLR):

IHBC requested a medical loss ratio of 89.00% for both EPO/HDHP plans and PPO/POS plans.

DFS finds IHBC's medical loss ratio to be reasonable.

Profit Objective:

Based on requested expense ratios and requested medical loss ratios detailed above, IHBC's implied profit objective ratios are -5.85% for EPO/HDHP plans and -0.69% for PPO/POS plans.

DFS finds IHBC's profit objective ratios to premiums to be reasonable.

Financial Conditions of IHBC:

IHBC's capital and surplus at December 31, 2011 was \$101 million or 21.56% of premium income of \$469 million in calendar year 2011. Net gains in the last 5 calendar years amounted to -0.41% of premium income for all lines of business combined.

Decision:

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