

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

Insurer: Oxford Health Plans (NY), Inc. (“OHPNY”) (Article 44 HMO)
Oxford Health Insurance, Inc. (“OHIC”) (Article 42 Insurer)

Lines of Business: OHPNY - Standardized Direct Pay HMO Plans
OHPNY - Standardized Direct Pay POS Plans
OHPNY - Non-Standardized Direct Pay Grandfathered POS Plans
(In-Network)
OHIC - Non-Standardized Direct Pay Grandfathered POS Plans
(Out of-Network)

Filing Type: Sections 4308(c) and 3231(e)(1) Prior Approval Filing

Effective Date: January 1 – December 31, 2013 (twelve Monthly rate tables)

SERFF #: XFRD-128554062 - Standardized Direct Pay HMO Plans
XFRD-128554053 - Standardized Direct Pay POS Plans
XFRD-128554047 - Non-Standardized Direct Pay Grandfathered
POS Plans (In-Network)
XFRD-128554162 - Non-Standardized Direct Pay Grandfathered
POS Plans (Out-of-Network)

Affected Members: 3,400 Standardized Direct Pay HMO Members
1,400 Standardized Direct Pay POS Members
2,300 Non-Standardized Direct Pay Grandfathered POS Members

Annual Premiums: \$54.0 million - Standardized Direct Pay HMO Plans
\$31.3 million - Standardized Direct Pay POS Plans
\$19.9 million - Non-Standardized Direct Pay Grandfathered POS
Plans

Rating Structure: Monthly Rolling Rates

Summary:

<u>CY 2012 to CY 2013</u>	<u>Requested</u>	<u>Approved</u>	<u>Change</u>
STD HMO	13.3%	8.4%	-4.9%
STD POS	13.3%	8.4%	-4.9%
Non-STD POS	-6.0%	-9.0%	-3.0%

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

STD HMO Plans + STD POS Plans:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates:	12.5%	12.5%
2. Administrative Expense Ratio	5.20%	5.20%
3. Profit Objective (pre-tax)	6.80%	2.75%
4. Medical Loss Ratio (MLR)	88.00%	92.05%

Non-STD POS Plans:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates:	12.5%	12.5%
2. Administrative Expense Ratio	6.46%	6.46%
3. Profit Objective (pre-tax)	5.54%	2.75%
4. Medical Loss Ratio (MLR)	88.00%	90.79%

Membership by Plans:

<u>Membership</u>	<u>STD HMO</u>	<u>STD POS</u>	<u>Non-STD POS</u>	<u>All Plans</u>
2009	6,428	1,937	4,045	12,410
2010	4,800	1,625	3,260	9,685
2011	3,900	1,541	2,722	8,163
2012	3,400	1,400	2,300	7,100

In calendar year 2011, monthly premiums per member averaged \$1,154.52 for STD HMO plans, \$1,691.92 for STD POS plans, and \$610.58 for non-STD POS plans.

Prior Applications:

Average requested and approved rate actions for calendar years 2011 and 2012 were:

<u>STD HMO / STD POS</u>	<u>Requested</u>	<u>Approved</u>
1Q, 2Q 2011:	12.5%	12.5%
3Q, 4Q 2011:	10.1%	5.2%
CY 2012:	19.1%	11.0%
<u>Non-STD POS</u>	<u>Requested</u>	<u>Approved</u>
1Q, 2Q 2011:	8.2%	8.2%
3Q, 4Q 2011:	14.6%	9.8%
CY 2012:	18.6%	16.4%

Analysis:

DFS reviewed the material that OHPNY submitted with the rate applications, 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 the ability of the insurer to meet its obligations after the Department's decisions. In addition, DFS took into account comments on the rate application received from consumers, consumer groups and policyholders.

ACA Insurer & Reinsurance Fees:

OHPNY included in its rate applications the impact of the Affordable Care Act (ACA) Insurer Fees and Reinsurance Assessment Fees. These fees will be introduced in calendar year 2014, and OHPNY has prorated the impact of the fees to reflect the portion of policy years that fall in 2014 (For example, if a policyholder renewal anniversary is July 1, 2013, half of the plan year falls in 2014, so 50% of the fees is reflected in those rates). This impact adds +1.25% to the rate action.

The level of the fees reflected by OHPNY is appropriate and this process is acceptable to DFS.

Annual Claim Trend Rate Assumptions:

OHPNY's overall annual claim trend rate assumption is 12.5% for STD HMO, STD POS, and non-STD POS plans.

DFS accepts OHPNY's annual claim trend rate assumption of 12.5% for STD HMO, STD POS, and non-STD POS plans as these plans tend to experience higher trends because the members disenrolling from these plans tend to be healthier than the members who remain enrolled in these plans.

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 OHPNY's standardization process to be reasonable.

Administrative Expense Ratio:

OHPNY's applications reflected an administrative expense ratio to premiums of 5.20% on STD HMO and STD POS plans and 6.46% on non-STD POS plans.

DFS finds these assumptions to be reasonable.

Profit Objective:

OHPNY requested a profit objective of 6.80% for STD HMO and STD POS plans and 5.54% for non-STD POS plans. DFS finds that a profit objective of 2.75% of premiums for all plans to be reasonable based on OHPNY's financial condition, comparison to industry profit margins and OHPNY's return on equity (ROE), which will be 15% on a surplus ratio of 15% of premiums.

Medical Loss Ratio (MLR):

STD HMO and STD POS Plans: With the administrative expense ratio of 5.20% and profit objective of 2.75%, the projected medical loss ratio is 92.05%.

Non-STD POS Plans: With the administrative expense ratio of 6.46% and profit objective of 2.75%, the projected medical loss ratio is 90.79%.

Stop Loss Receivables (Not Applicable to Non-STD POS):

OHPNY requested a Stop Loss amount of \$194.06 per member per month. DFS finds this amount to be reasonable and acceptable.

Financial Condition of OHPNY:

OHPNY's capital and surplus at December 31, 2011 was \$1,107 million or 47.40% of premium income of \$2,335 million in calendar year 2011. Underwriting gains in the last 5 years amounted to 9.70% of premium income for all lines of business combined.

This Direct Pay block of business covered in this rate application amounts to about 9% of total OHPNY business.

Decision:

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