

New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: UnitedHealthcare Insurance Company of NY (Article 42 Insurer)
Filing Type: Section 3231(e)(1) Prior Approval Filing(s)
Effective Date: April 1, 2012
SERFF Tracking Number: UHLC-127380670, UHLC-127380665
Lines of Business: Group Standardized & Modernized Medicare Supplement Plans A, B, C, D, E, F, G, H, H w/o Rx (H), I, I w/o Rx (I), J, J w/o Rx (J), K, L, & N
Affected Members: 233,587
Rating Structure: Annual Rates / Regional Rates

Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Plan A, C, F, H, L	2.6%	0.0%	-2.6%
Plan B, D, E, G, I, J	2.5%	0.0%	-2.5%
Plan H, I	0.2%	0.0%	-0.2%
Plan N	2.7%	0.0%	-2.7%

Discussion:

The Department reviewed the material that UnitedHealthcare (UHC) submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, and the development of the needed rate change. The Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decision.

UHC's rate application pertains to their MIPPA and Pre-MIPPA policies. MIPPA refers to the Medicare Improvements for Patients and Providers Act of 2008. It called for increased benefits to the Medicare Supplement Standardized plans starting June 1, 2010. MIPPA plans are also referred to as "Modernized" Medicare Supplement plans. Standardized Medicare Supplement plans (inforce since the early '90s until May 31, 2010) are referred to as "Pre-MIPPA" or "Standardized." UHC's application requested identical premium increases for the Pre-MIPPA and MIPPA plans, which have a total of 234,618 members.

UHC's Pre-MIPPA & MIPPA products, Plans A, B, C, D, E, F, G, H, H, I, I, J, J, K, L and N, cover members in 3 rating regions throughout NY. UHC did not vary the rate increases requested by region.

Analysis:

By regulation, the minimum medical loss ratio (MLR) for Group Medicare Supplement plans offered by Article 42 Insurers in New York is 75%. UHC's Target Expected Loss Ratio is 83.1%.

Claims Trend:

UHC assumed a claims trend of 3.3%. The Department finds this assumption to be reasonable.

Administrative Expense Ratio:

UHC's 2012 Non-Claim Expenses are broken down as follows:

Operating Expenses: 3.16%
Marketing Expenses: 4.67%
Investment Income Credit: -0.55%
Royalty: 4.95%
Premium Taxes: 2.79%
Total Expenses: 15.02%

The Department finds this assumption to be reasonable.

Profit Objective:

UHC assumed a profit objective of 1.85% of premium. The Department finds this assumption to be reasonable.

Medical Loss Ratio (MLR)

The 2010 actual MLR for these plans was 80.1%. The projected 2012 MLR is 83.0%, considering the claims trend and the overall rate adjustment of +3.8% that UHC implemented in 2011. The Department finds that UHC can achieve this target MLR without any rate increases.

Decision:

The Department finds that, using UHC's assumptions, it will achieve the target MLR of 83.0% without any rate increase. Accordingly, the requested rate increases are disapproved.