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

Insurer: **United Healthcare Insurance Company of New York**
Line of Business: **Small Group EPO Plans and Small Group POS Plans**
Filing Type: Section 3231(e) (1) Prior Approval Filing
Effective Dates: January 1 – December 31, 2013 (four Quarterly rate tables)
SERFF Tracking #: UHLC-128372379
Affected Members: 6,150
Annual Premiums: $25 million
Rate Structure: Quarterly Rolling Rates

Summary:

CY 2012 to CY 2013	Requested	Approved	Reduction
EPO	15.5%	14.5%	-1.0%
POS	33.1%	14.5%	-18.6%
Average	24.0%	14.5%	-9.5%

The requested and approved rate actions are uniform and do not vary within a given product in a given quarter.

As shown in the table above, United is varying its requested rate actions by types of plans. DFS is eliminating these variations.

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

		Requested	Approved
1.	Annual Claim Trend Rates	12.3%	10.0%
2.	Administrative Expense Ratio	12.8%	12.8%
3.	Profit Objective (pre-tax)	3.2%	0.0%
4.	Medical Loss Ratio (MLR)	84.0%	87.2%

Membership by Plans:

Average Membership	EPO Plans	POS Plans	Subtotal
EPO	4,545	7,314	11,858
POS	4,252	4,185	8,436
Average	3,281	2,873	6,154

Prior Application:

For calendar year 2012, the "requested" and "approved" rate actions were:

	Avg.	Range
Requested	24.2%	19.6% - 39.0%
Approved	12.5%	10.5% - 19.5%

Analysis:

The Department reviewed the material that United submitted with the rate application, which included the projected claim trend assumptions, administrative expense assumptions, projected premiums and claims, profit objective and the development of the needed rate change, as well as comparisons to similar historical data on each of these items. DFS also considered the insurer's overall solvency and the ability of the insurer to meet its obligations after the DFS's decisions. In addition, DFS took into account comments on the rate application received from consumers, consumer groups and policyholders.

ACA Impact:

United included in its rate application the impact of the Affordable Care Act (ACA) Insurer Fees and Reinsurance Assessment Fees. These fees will be introduced in calendar year 2014, and United 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 are reflected in those rates).

The full impact of the fees would be +3.8%. Prorated, the impact of the fees is +0.3%, +1.2%, +2.2% and +3.1% for the 1st , 2nd, 3rd and 4th Quarter of 2013 respectively, for an average of +1.8%.

DFS finds this calculation to be reasonable.

Annual Claim Trend Rate Assumption:

United has requested an annual claim trend rate of 12.3% for both EPO and POS plans. DFS finds this to be excessive and finds a trend rate of 10% to be reasonable based on the small size of this United block of business and annual claim trend rates experienced in the upstate region where this United membership is located.
.

Standardization of Premiums:

In order to accurately reflect past premium rate actions that have not yet gone into effect, DFS asks insurers to "standardize" the premiums to the most current level. 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 United's standardization process to be reasonable.

Administrative Expense Ratio:

United requested an administrative expense ratio to premiums of 12.8% on both EPO products and POS products. DFS finds these expense ratios to be reasonable.

Profit Objective:

United requested a pre tax profit objective of 3.2% of premiums.

DFS reduced the profit objective to 0.0%. United's underwriting losses in calendar year 2011 average -9.0% of premiums and members should not be penalized by United's adverse financial results and by United's building back its profit objective.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 12.8% and a profit ratio of 0.0%, United's projected loss ratio will be 87.2%.

Financial Condition of United:

United's capital and surplus at December 31, 2011 was $573 million or 31.04% of net premium income in calendar year 2011. Underwriting gains in the 5 last calendar years were 3.65% of premium income. The small group block of business covered in this rate application is approximately 1.5% of total United 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 reflected in the summary chart above.