

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

Insurer: UnitedHealthcare Insurance Company of NY (Article 42 Insurer)
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
Filing Type: Section 3231(e)(1) Prior Approval Filing(s)
Effective Date: April 1, 2013
SERFF Tracking Number: UHLC-128548195, UHLC-128548194
Affected Members: 237,677
Rating Structure: Annual Rates / Regional Rates

Summary:

<u># of Members</u>	<u>Plan</u>	<u>All Regions</u>		
		<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
11,326	Plan A	+2.6%	0.0%	-2.6%
8,749	Plan B	+2.5%	+2.5%	0.0%
30,667	Plan C	+2.6%	+2.6%	0.0%
2,273	Plan D	+2.5%	+2.5%	0.0%
9,038	Plan E	+2.5%	+2.5%	0.0%
132,489	Plan F	+2.6%	+2.6%	0.0%
5,931	Plan G	+2.5%	+2.5%	0.0%
21,384	Plans H, H ⁻ , I, I ⁻ , J, J ⁻	0.0%	0.0%	0.0%
1,671	Plan K	-10.0%	-10.0%	0.0%
1,539	Plan L	+2.9%	+2.9%	0.0%
12,610	Plan N	+7.5%	+7.5%	0.0%
237,677	Weighted Average	+2.53%	+2.40%	-0.13%

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

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	3.80%	3.00%
2. Administrative Expense Ratio	15.68%	15.68%
3. Profit Objective (percent of premium, pre-tax)	1.85%	1.85%
4. Expected Medical Loss Ratio (MLR)	82.47%	82.47%

Discussion:

DFS reviewed the material that UnitedHealthcare 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. DFS also considered the insurer’s overall solvency and the ability of the insurer to meet its obligations after DFS’s decision. In addition, DFS took into account comments on the rate application received from consumers, consumer groups and policyholders.

UnitedHealthcare’s rate application pertains to their Pre-MIPPA & 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 (in force from since the early 1990s until May 31, 2010) are referred to as “Pre-MIPPA” or “Standardized.” UnitedHealthcare’s application requested various increases depending on the plan. UnitedHealthcare has a total of 237,677 members enrolled in Medicare Supplement plans.

Analysis:

By regulation, the minimum medical loss ratio (MLR) for Group Medicare Supplement plans offered by Article 42 Insurers in New York is 75%. UnitedHealthcare’s target expected loss ratio was 82.47% for all Plans. DFS finds this target to be reasonable.

Claims Trend:

UnitedHealthcare assumed an annual claims trend of 3.80%. DFS has found that a trend assumption of 3.00% to be reasonable based on the claims experience data provided.

Administrative Expense Ratio

UnitedHealthcare’s non-claim expenses are broken down as follows:

	<u>All Plans</u>
Operating Expenses	3.25%
Marketing Expenses	5.14%
Royalty	4.95%
Premium Tax	2.79%
Investment Income Credit	-0.45%
Total Expenses	15.68%

DFS finds these assumptions to be reasonable.

Profit Objective

UnitedHealthcare’s application contains a 1.85% profit objective. DFS finds the profit objective to be reasonable.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 15.68% and profit objective of 1.85%, the projected medical loss ratio is 82.47%.

Decision:

Based on the experience provided for all plans combined, UnitedHealthcare is projected to achieve an MLR of 84% in 2013 and 87% in 2014 without the requested increase, indicating an overall increase of +2.1% to +2.6%. Upon further review of each plan's experience separately, DFS has determined that the proposed increase for Plan A is not reasonable and is not approved at this time because it would likely produce an MLR below the target. The increases proposed for all other plans are acceptable and are approved as requested.