Summary

Aetna is updating its rates for Large Group HMO plans in New York to adjust for several changing factors. Our new filing proposes to raise average premium rates by 8.96%

Who This Change Will Affect

The rates will apply to all policies that renew or start from July 2013 through June 2014. Approximately 24,100 members, from both grandfathered and non-grandfathered plans, are currently enrolled in plans to which the new rates will apply.

Why We Need to Increase Premiums

Medical costs are going up and we are changing our rates to reflect this increase. We expect medical costs to go up 10.3%, excluding the effect of benefit changes described below. Medical costs go up mainly for two reasons – providers raise their prices and members get more medical care. We expect 38% of the medical cost increase to come from providers raising price and 62% to come from members getting more care

For Large Group Employers in New York, examples of increasing medical costs we have experienced in 2012 include:

- Emergency Room services expenses have increased 23.9% over 2011
- Radiology services expenses have increased 35.5%. over 2011
- Phamacy expenses have increased 24.1% over 2011

What Else Affects Our Request to Increase Premiums

<u>Required Benefit Changes</u>
Premium rates may also include allowances to cover additional costs related to new benefits required by State and Federal law. For example, July 2013 effective date plans with an ACA non-grandfathered status will need to include enhanced coverage for Women's Preventive Health Services. These changes will increase costs to those plans by an average of approximately 1.4%.

<u>Impact of New Taxes and Fees</u>
The Affordable Care Act (ACA) includes several new taxes and fees payable in 2014, including two that specifically apply to insured products -- the health insurer fee and the reinsurance contribution. These new fees result in additional costs and are reflected in our updated rates for policies that extend into 2014. The overall impact of these fees is to raise average premium rates by 2.1%.

Will Premiums for All Large Groups Increase Equally?

No, the increases stated above are averages. Some premiums will increase less, others will increase more than the average. The exact rate change will depend on what benefit plan the group chooses, and when the group's contract renews.

How Does This Request Match up with Minimum Loss Ratio Requirements (MLR)?

We expect these rates will produce an MLR equal to or above the required 85% requirement for large group business – meaning that we expect at least 85% of the premiums we collect to pay for medical care and activities that improve health care quality for our members. If our actual MLR turns out to be less than 85% -- for instance, if doctors and hospitals raise prices less than we expect -- we will issue rebates as the law requires.

In addition to paying for medical claims and quality improvement activities, a portion of every member's premium goes toward covering administrative expenses such as customer service, claims and billing, and quality activities like disease management programs. Premium also includes premium taxes and Federal income tax.

What is Aetna Doing to Keep Premiums Affordable?

Our goal is to deliver competitive pricing that allows our customers and members to get the greatest value out of their health benefits. Aetna also is taking a number of steps to try to keep our products as affordable as possible, such as:

- Developing new relationships with health care providers that compensate them for the quality of care they provide, and not the quantity.
- Creating medical management programs which address potential health issues for members earlier, improving health outcomes and reducing the need for high-cost health care services.

We are also dedicated to increasing transparency within the health care system, as well as helping our members best utilize the plans that they have. Members can access Aetna Navigator, our secure member website, which allows them to research their specific plan benefits, health care providers in a given area, and in some locations, the cost of certain health care services. Additionally, Aetna's Plan for Your Health website aims to educate all consumers—not just Aetna members—on how to take advantage of their health care benefits.

Rate Summary Worksheet

Per the Instructions, health insurance issuers proposing rate increases above the threshold fill in only those cells that are highlighted in GREY.
The other cells are auto-populated.

OMB-0938-1141

A. Base Period Data

Start Period: 08/01/2011 **End Period:** 07/31/2012

Service Categories	Member Months	Total Allowed	Net Claims	Cost Sharing	Cost Sharing PMPM	Net PMPM	Allowed PMPM
Inpatient	311,808	$ 35,303,989.81	$ 33,718,910.14	$ 1,585,079.67	$ 5.08	$ 108.14	$ 113.22
Outpatient	311,808	$ 12,841,924.39	$ 12,095,862.46	$ 746,061.93	$ 2.39	$ 38.79	$ 41.19
Professional	311,808	$ 40,290,937.86	$ 36,844,461.80	$ 3,446,476.06	$ 11.05	$ 118.16	$ 129.22
Prescription Drugs	311,808	$ 14,742,499.48	$ 12,112,229.07	$ 2,630,270.41	$ 8.44	$ 38.85	$ 47.28
Other	311,808	$ 43,855,261.46	$ 42,040,659.98	$ 1,814,601.48	$ 5.82	$ 134.83	$ 140.65
Capitation	311,808	$ 5,779,488.04	$ 5,779,488.04	$ 0.00	$ 0.00	$ 18.54	$ 18.54
Total	311,808	$ 152,814,101.05	$ 142,591,611.50	$ 10,222,489.56	$ 32.78	$ 457.31	$ 490.09

B. Claim Projections

B1. Adjustment to the Current Rate

Start Period: 07/01/2012 **End Period:** 06/30/2013

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.0940	$ 123.87	$ 118.54	0.0430
Outpatient	1.0940	$ 45.06	$ 42.52	0.0562
Professional	1.0940	$ 141.36	$ 129.53	0.0837
Prescription Drugs	1.0940	$ 51.73	$ 42.58	0.1768
Other	1.0940	$ 153.87	$ 147.80	0.0395
Capitation	1.0940	$ 20.28	$ 20.28	0.0000
Total		$ 536.16	$ 501.25	0.07

B2. Claims Projection for Future Rate

Start Period: 07/01/2013 **End Period:** 06/30/2014

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.1030	$ 136.62	$ 131.02	0.0410
Outpatient	1.1030	$ 49.70	$ 47.00	0.0543
Professional	1.1030	$ 155.92	$ 143.16	0.0818
Prescription Drugs	1.1030	$ 57.05	$ 47.06	0.1751
Other	1.1030	$ 169.72	$ 163.35	0.0375
Capitation	1.1030	$ 22.37	$ 22.37	0.0000
Total		$ 591.38	$ 553.96	0.06

B3. Medical Trend Breakout

Factor	Impact
Utilization	62.4370%
Unit Cost	37.5630%
Other Factors	0.0000%

C. Components of Current and Future Rates

	Future Rate PMPM	Future Rate %	Prior Estimate of Current Rate PMPM	Prior Estimate of Current Rate %	Difference PMPM	Difference %
1. Projected Net Claims	$ 553.96	82.06%	$ 546.08	85.62%	$ 7.88	21.16%
2. Administrative Costs	$ 107.14	15.87%	$ 78.05	12.24%	$ 29.09	78.14%
3. Underwriting Gain/Loss	$ 13.93	2.06%	$ 13.67	2.14%	$ 0.26	0.69%
4. Total Rate	**$ 675.04**	100.00%	**$ 637.80**	100.00%	**$ 37.23**	100.00%
5. Overall Rate Increase		**5.84%**				

D. Components of Rate Increase

	Impact on Rate	Percent
Claims Components		
1. Inpatient	$ 12.21	154.96%
2. Outpatient	$ 4.38	55.59%
3. Professional	$ 13.34	169.32%
4. Prescription Drugs	$ 4.39	55.66%
5. Other	$ 15.22	193.20%
6. Capitation	$ 2.09	26.51%
7. Cost Share	$ 1.09	13.77%
8. Correction of Prior Net Claims Estimate	$ (44.83)	-569.01%
9. Total	$ 7.88	100.00%
Claims Restatement for Current Rate Period		
8.a. Prior Net Claims Estimate for Current Rate Period		$ 546.08
8.b. Re-Estimate of Net Claims PMPM for Current Rate Period		$ 501.25

E. List of Annual Average Rate Changes Requested and Implemented in the Past Three Calendar Years

Calendar Year	New Form	Requested	Implemented
2012	N	11.5712%	8.8911%
2011	N	7.6895%	4.7756%
2010	N	20.1015%	20.1015%

F. Range and Scope of Proposed Increase

Number of Covered Individuals
24,162

Threshold Rate Increase
8.9576%

	Range of Rate Increase
Minimum % Increase	5.9000%
Maximum % Increase	16.3000%

Last Updated: *8/10/12 9:54 AM*