Increase Justification Narrative for WNY AQUA/POS/HDHP

Scope and Range of the Rate Increase:

The proposed average rate increase for this pool, as a combination of medical coverage and drug coverage, is 16.5%. This increase impacts approximately 14,811 individuals. The min increase is 1.4%. The max increase is 18.4%. The main reason for the rate increase is due to rising medical costs. See explanation below.

Financial Experience of the Product:

Based on the proposed average increase above, the projected MLR for this rating pool is 84.6%. The 2011 MLR for this pool was 90.8%. The 2010 MLR for this pool was 85.0%.

The increase requested was determined as the increase needed assuming the same benefits were kept upon renewal. The impact of benefit buy-downs (ups), and increases due to federal or state mandates are not included in the calculation.

Explanations of Rising Health Care Costs:

We change premium rates only after careful review of the current costs we are paying for our members' health care and we determine there is a pattern of rising costs. Below is a summary of the key factors in determining our premium rates, and why the rates need to change.

A. Use of services. How many medical services members use – doctor visits, prescriptions, surgeries, x-rays, lab tests, hospital stays, etc. is part of this calculation. We measure the numbers of services used per 1,000 members to calculate usage rates. But, in addition, sometimes the nature of the care rendered becomes more extensive than it was the prior year. For example, if doctors use more complicated and expensive tests instead of less costly ones used last year, the amount we pay rises. In many years, there is an increase both in the number of services used on average and in the intensity/cost of those services.

B. Price of services. These are unit prices charged by pharmaceutical companies, hospitals, doctors, and other providers of medical services.

C. Copay/Deductible Leveraging. When the price of medical services increases, if a plan design has deductibles and copays that are fixed dollar amounts rather than a percent coinsurance, the costs to the insurer will increase at a higher rate. As an example, suppose the fee for a typical doctor's office visit is $100 and the patient pays a $25 copay. The cost to the insurer would then be $75. Now suppose the next year the doctor's fees increase 5% to $105 and the patient's copay is still $25. This leaves $80 for the insurer to pay, a 6.67% increase. This additional 1.67% increase above the 5% increase in fees is called leveraging.

D. Population Demographics. Different age and gender combinations tend to have different average costs to insure. At younger ages, women tend to cost more than men; at older ages, men tend to

cost more than women; and older people tend to cost more than younger people. Because community rating does not allow us to vary rates by age or gender, the costs for everyone must go up if the mix within a product, or our entire block of business, shifts toward more expensive age/gender combinations.

E. Administrative costs. These are the costs to operate the insurer, including our costs for sales, customer service, processing and paying claims, reviewing utilization of care and the quality of care to assure claims payments are appropriate, and detecting fraud and abuse.

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: 07/01/2011 **End Period:** 06/30/2012

Service Categories	Member Months	Total Allowed	Net Claims	Cost Sharing	Cost Sharing PMPM	Net PMPM	Allowed PMPM
Inpatient	533,579	$ 37,435,880.42	$ 34,893,976.19	$ 2,541,904.23	$ 4.76	$ 65.40	$ 70.16
Outpatient	533,579	$ 28,028,501.06	$ 22,022,105.99	$ 6,006,395.07	$ 11.26	$ 41.27	$ 52.53
Professional	533,579	$ 58,841,292.31	$ 44,050,987.67	$ 14,790,304.63	$ 27.72	$ 82.56	$ 110.28
Prescription Drugs	533,579	$ 31,156,469.09	$ 21,371,227.16	$ 9,785,241.93	$ 18.34	$ 40.05	$ 58.39
Other	533,579	$ 1,750,972.41	$ 1,750,972.41	$ 0.00	$ 0.00	$ 3.28	$ 3.28
Capitation	533,579	$ 3,398,288.09	$ 3,398,288.09	$ 0.00	$ 0.00	$ 6.37	$ 6.37
Total	533,579	$ 160,611,403.38	$ 127,487,557.51	$ 33,123,845.87	$ 62.08	$ 238.93	$ 301.01

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	1.0999	$ 77.17	$ 72.40	0.0617
Outpatient	1.0999	$ 57.78	$ 46.52	0.1948
Professional	1.0999	$ 121.29	$ 93.57	0.2285
Prescription Drugs	1.0151	$ 59.27	$ 40.93	0.3094
Other	0.9971	$ 3.27	$ 3.27	0.0000
Capitation	0.9635	$ 6.14	$ 6.14	0.0000
Total		$ 324.92	$ 262.84	0.19

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	1.0862	$ 83.82	$ 79.06	0.0568
Outpatient	1.0862	$ 62.76	$ 51.50	0.1794
Professional	1.0862	$ 131.75	$ 104.03	0.2104
Prescription Drugs	1.0068	$ 59.67	$ 41.34	0.3073
Other	0.9971	$ 3.26	$ 3.26	0.0000
Capitation	0.9635	$ 5.91	$ 5.91	0.0000
Total		$ 347.18	$ 285.10	0.18

B3. Medical Trend Breakout

Factor	Impact
Utilization	24.1654%
Unit Cost	57.9511%
Other Factors	17.8835%

C. Components of Current and Future Rates

	Future Rate		Prior Estimate of Current Rate		Difference	
	PMPM	%	PMPM	%	PMPM	%
1. Projected Net Claims	$ 285.10	84.62%	$ 259.82	85.80%	$ 25.28	74.17%
2. Administrative Costs	$ 43.22	12.83%	$ 43.00	14.20%	$ 0.22	0.64%
3. Underwriting Gain/Loss	$ 8.59	2.55%	$ 0.00	0.00%	$ 8.59	25.19%
4. Total Rate	**$ 336.91**	100.00%	**$ 302.83**	100.00%	**$ 34.08**	100.00%
5. Overall Rate Increase		**11.26%**				

D. Components of Rate Increase

	Impact on Rate	Percent
Claims Components		
1. Inpatient	$ 6.24	24.70%
2. Outpatient	$ 4.01	15.87%
3. Professional	$ 8.07	31.92%
4. Prescription Drugs	$ 0.28	1.10%
5. Other	$ (0.01)	-0.04%
6. Capitation	$ (0.22)	-0.89%
7. Cost Share	$ 3.90	15.41%
8. Correction of Prior Net Claims Estimate	$ 3.01	11.93%
9. Total	$ 25.28	100.00%
Claims Restatement for Current Rate Period		
8.a. Prior Net Claims Estimate for Current Rate Period	$ 259.82	
8.b. Re-Estimate of Net Claims PMPM for Current Rate Period	$ 262.84	

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

Calendar Year	New Form	Requested	Implemented
2012	N	15.2364%	15.2364%
2011	N	11.7768%	11.1520%
2010	N	9.9013%	9.9013%

F. Range and Scope of Proposed Increase

Number of Covered Individuals
14,811

Threshold Rate Increase
16.4992%

	Range of Rate Increase
Minimum % Increase	1.3998%
Maximum % Increase	18.3874%

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Increase Justification Narrative for WNY HMO 100 S

Scope and Range of the Rate Increase:

The proposed average rate increase for this pool, as a combination of medical coverage and drug coverage, is 19.0%. This increase impacts approximately 1,818 individuals. The min increase is -7.6%. The max increase is 21.0%. The main reason for the rate increase is due to rising medical costs. See explanation below.

Financial Experience of the Product:

Based on the proposed average increase above, the projected MLR for this rating pool is 85.2%. The 2011 MLR for this pool was 104.3%. The 2010 MLR for this pool was 95.1%.

The increase requested was determined as the increase needed assuming the same benefits were kept upon renewal. The impact of benefit buy-downs (ups), and increases due to federal or state mandates are not included in the calculation.

Explanations of Rising Health Care Costs:

We change premium rates only after careful review of the current costs we are paying for our members' health care and we determine there is a pattern of rising costs. Below is a summary of the key factors in determining our premium rates, and why the rates need to change.

A. Use of services. How many medical services members use – doctor visits, prescriptions, surgeries, x-rays, lab tests, hospital stays, etc. is part of this calculation. We measure the numbers of services used per 1,000 members to calculate usage rates. But, in addition, sometimes the nature of the care rendered becomes more extensive than it was the prior year. For example, if doctors use more complicated and expensive tests instead of less costly ones used last year, the amount we pay rises. In many years, there is an increase both in the number of services used on average and in the intensity/cost of those services.

B. Price of services. These are unit prices charged by pharmaceutical companies, hospitals, doctors, and other providers of medical services.

C. Copay/Deductible Leveraging. When the price of medical services increases, if a plan design has deductibles and copays that are fixed dollar amounts rather than a percent coinsurance, the costs to the insurer will increase at a higher rate. As an example, suppose the fee for a typical doctor's office visit is $100 and the patient pays a $25 copay. The cost to the insurer would then be $75. Now suppose the next year the doctor's fees increase 5% to $105 and the patient's copay is still $25. This leaves $80 for the insurer to pay, a 6.67% increase. This additional 1.67% increase above the 5% increase in fees is called leveraging.

D. Population Demographics. Different age and gender combinations tend to have different average costs to insure. At younger ages, women tend to cost more than men; at older ages, men tend to

cost more than women; and older people tend to cost more than younger people. Because community rating does not allow us to vary rates by age or gender, the costs for everyone must go up if the mix within a product, or our entire block of business, shifts toward more expensive age/gender combinations.

E. Administrative costs. These are the costs to operate the insurer, including our costs for sales, customer service, processing and paying claims, reviewing utilization of care and the quality of care to assure claims payments are appropriate, and detecting fraud and abuse.

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: 07/01/2011 **End Period:** 06/30/2012

Service Categories	Member Months	Total Allowed	Net Claims	Cost Sharing	Cost Sharing PMPM	Net PMPM	Allowed PMPM
Inpatient	97,885	$ 10,418,576.55	$ 10,287,447.61	$ 131,128.93	$ 1.34	$ 105.10	$ 106.44
Outpatient	97,885	$ 6,830,733.20	$ 6,325,436.99	$ 505,296.22	$ 5.16	$ 64.62	$ 69.78
Professional	97,885	$ 14,339,880.00	$ 12,641,701.08	$ 1,698,178.92	$ 17.35	$ 129.15	$ 146.50
Prescription Drugs	97,885	$ 10,547,679.55	$ 8,388,588.72	$ 2,159,090.84	$ 22.06	$ 85.70	$ 107.76
Other	97,885	$ 1,436,873.43	$ 1,436,873.43	$ 0.00	$ 0.00	$ 14.68	$ 14.68
Capitation	97,885	$ 1,407,889.52	$ 1,407,889.52	$ 0.00	$ 0.00	$ 14.38	$ 14.38
Total	97,885	$ 44,981,632.25	$ 40,487,937.35	$ 4,493,694.90	$ 45.91	$ 413.63	$ 459.54

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	1.1001	$ 117.09	$ 115.75	0.0114
Outpatient	1.1001	$ 76.77	$ 71.61	0.0672
Professional	1.1001	$ 161.16	$ 143.81	0.1076
Prescription Drugs	0.9814	$ 105.75	$ 83.69	0.2086
Other	0.9905	$ 14.54	$ 14.54	0.0000
Capitation	0.9635	$ 13.86	$ 13.86	0.0000
Total		$ 489.17	$ 443.26	0.09

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	1.0862	$ 127.19	$ 125.85	0.0105
Outpatient	1.0862	$ 83.39	$ 78.23	0.0619
Professional	1.0862	$ 175.06	$ 157.71	0.0991
Prescription Drugs	1.0068	$ 106.47	$ 84.42	0.2072
Other	0.9905	$ 14.40	$ 14.40	0.0000
Capitation	0.9635	$ 13.35	$ 13.35	0.0000
Total		$ 519.86	$ 473.95	0.09

B3. Medical Trend Breakout

Factor	Impact
Utilization	23.4757%
Unit Cost	61.7606%
Other Factors	14.7637%

C. Components of Current and Future Rates

	Future Rate		Prior Estimate of Current Rate		Difference	
	PMPM	%	PMPM	%	PMPM	%
1. Projected Net Claims	$ 473.95	85.16%	$ 402.96	86.74%	$ 70.99	77.16%
2. Administrative Costs	$ 40.39	7.26%	$ 42.55	9.16%	$ (2.16)	-2.35%
3. Underwriting Gain/Loss	$ 42.23	7.59%	$ 19.06	4.10%	$ 23.17	25.19%
4. Total Rate	**$ 556.57**	100.00%	**$ 464.58**	100.00%	**$ 91.99**	100.00%
5. Overall Rate Increase		**19.80%**				

D. Components of Rate Increase

	Impact on Rate	Percent
Claims Components		
1. Inpatient	$ 9.98	14.06%
2. Outpatient	$ 6.17	8.70%
3. Professional	$ 12.40	17.47%
4. Prescription Drugs	$ 0.57	0.80%
5. Other	$ (0.14)	-0.19%
6. Capitation	$ (0.51)	-0.71%
7. Cost Share	$ 2.21	3.11%
8. Correction of Prior Net Claims Estimate	$ 40.30	56.77%
9. Total	$ 70.99	100.00%
Claims Restatement for Current Rate Period		
8.a. Prior Net Claims Estimate for Current Rate Period	$ 402.96	
8.b. Re-Estimate of Net Claims PMPM for Current Rate Period	$ 443.26	

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

Calendar Year	New Form	Requested	Implemented
2012	N	15.5586%	15.5586%
2011	N	17.6033%	16.4395%
2010	N	10.8464%	10.8464%

F. Range and Scope of Proposed Increase

Number of Covered Individuals
1,818

Threshold Rate Increase
18.9802%

	Range of Rate Increase
Minimum % Increase	-7.5573%
Maximum % Increase	20.9698%

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Increase Justification Narrative for WNY TRAD S

Scope and Range of the Rate Increase:

The proposed average rate increase for this pool, as a combination of medical coverage and drug coverage, is -5.6%. This increase impacts approximately 217 individuals. The min increase is -16.8%. The max increase is 10.1%. The main reason for the rate increase is due to a restatement of prior period claims.

Financial Experience of the Product:

Based on the proposed average increase above, the projected MLR for this rating pool is 91.4%. The 2011 MLR for this pool was 88.7%. The 2010 MLR for this pool was 91.5%.

The increase requested was determined as the increase needed assuming the same benefits were kept upon renewal. The impact of benefit buy-downs (ups), and increases due to federal or state mandates are not included in the calculation.

Explanations of Rising Health Care Costs:

We change premium rates only after careful review of the current costs we are paying for our members' health care and we determine there is a pattern of rising costs. Below is a summary of the key factors in determining our premium rates, and why the rates need to change.

A. Use of services. How many medical services members use – doctor visits, prescriptions, surgeries, x-rays, lab tests, hospital stays, etc. is part of this calculation. We measure the numbers of services used per 1,000 members to calculate usage rates. But, in addition, sometimes the nature of the care rendered becomes more extensive than it was the prior year. For example, if doctors use more complicated and expensive tests instead of less costly ones used last year, the amount we pay rises. In many years, there is an increase both in the number of services used on average and in the intensity/cost of those services.

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C. Copay/Deductible Leveraging. When the price of medical services increases, if a plan design has deductibles and copays that are fixed dollar amounts rather than a percent coinsurance, the costs to the insurer will increase at a higher rate. As an example, suppose the fee for a typical doctor's office visit is $100 and the patient pays a $25 copay. The cost to the insurer would then be $75. Now suppose the next year the doctor's fees increase 5% to $105 and the patient's copay is still $25. This leaves $80 for the insurer to pay, a 6.67% increase. This additional 1.67% increase above the 5% increase in fees is called leveraging.

D. Population Demographics. Different age and gender combinations tend to have different average costs to insure. At younger ages, women tend to cost more than men; at older ages, men tend to

cost more than women; and older people tend to cost more than younger people. Because community rating does not allow us to vary rates by age or gender, the costs for everyone must go up if the mix within a product, or our entire block of business, shifts toward more expensive age/gender combinations.

E. Administrative costs. These are the costs to operate the insurer, including our costs for sales, customer service, processing and paying claims, reviewing utilization of care and the quality of care to assure claims payments are appropriate, and detecting fraud and abuse.

Rate Summary Worksheet

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The other cells are auto-populated.

OMB-0938-1141

A. Base Period Data

Start Period: 07/01/2011 **End Period:** 06/30/2012

Service Categories	Member Months	Total Allowed	Net Claims	Cost Sharing	Cost Sharing PMPM	Net PMPM	Allowed PMPM
Inpatient	16,111	$ 2,656,367.36	$ 2,635,502.19	$ 20,865.17	$ 1.30	$ 163.58	$ 164.88
Outpatient	16,111	$ 2,208,304.61	$ 2,193,825.31	$ 14,479.31	$ 0.90	$ 136.17	$ 137.07
Professional	16,111	$ 7,822,353.93	$ 7,315,410.13	$ 506,943.80	$ 31.47	$ 454.06	$ 485.53
Prescription Drugs	16,111	$ 818,031.99	$ 750,641.30	$ 67,390.69	$ 4.18	$ 46.59	$ 50.77
Other	16,111	$ 99,278.02	$ 99,278.02	$ 0.00	$ 0.00	$ 6.16	$ 6.16
Capitation	16,111	$ 122,198.08	$ 122,198.08	$ 0.00	$ 0.00	$ 7.58	$ 7.58
Total	16,111	$ 13,726,533.98	$ 13,116,855.02	$ 609,678.96	$ 37.84	$ 814.16	$ 852.00

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	1.0863	$ 179.10	$ 177.81	0.0072
Outpatient	1.0863	$ 148.89	$ 148.00	0.0060
Professional	1.0863	$ 527.42	$ 495.95	0.0597
Prescription Drugs	0.9928	$ 50.41	$ 46.23	0.0830
Other	1.0307	$ 6.35	$ 6.35	0.0000
Capitation	0.9635	$ 7.31	$ 7.31	0.0000
Total		$ 919.48	$ 881.64	0.04

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	1.0702	$ 191.67	$ 190.38	0.0068
Outpatient	1.0702	$ 159.34	$ 158.44	0.0056
Professional	1.0702	$ 564.43	$ 532.96	0.0557
Prescription Drugs	0.9919	$ 50.00	$ 45.82	0.0837
Other	1.0307	$ 6.55	$ 6.55	0.0000
Capitation	0.9635	$ 7.04	$ 7.04	0.0000
Total		$ 979.03	$ 941.19	0.04

B3. Medical Trend Breakout

Factor	Impact
Utilization	35.7741%
Unit Cost	65.8668%
Other Factors	-1.6409%

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	$ 941.19	91.63%	$ 950.73	87.39%	$ (9.54)	15.69%
2. Administrative Costs	$ 40.39	3.93%	$ 42.55	3.91%	$ (2.16)	3.56%
3. Underwriting Gain/Loss	$ 45.56	4.44%	$ 94.66	8.70%	$ (49.10)	80.75%
4. Total Rate	**$ 1,027.14**	100.00%	**$ 1,087.95**	100.00%	**$ (60.81)**	100.00%
5. Overall Rate Increase		**-5.59%**				

D. Components of Rate Increase

	Impact on Rate	Percent
Claims Components		
1. Inpatient	$ 12.48	-130.74%
2. Outpatient	$ 10.39	-108.82%
3. Professional	$ 34.80	-364.67%
4. Prescription Drugs	$ (0.37)	3.90%
5. Other	$ 0.19	-2.04%
6. Capitation	$ (0.27)	2.80%
7. Cost Share	$ 2.33	-24.40%
8. Correction of Prior Net Claims Estimate	$ (69.09)	723.96%
9. Total	$ (9.54)	100.00%
Claims Restatement for Current Rate Period		
8.a. Prior Net Claims Estimate for Current Rate Period	$ 950.73	
8.b. Re-Estimate of Net Claims PMPM for Current Rate Period	$ 881.64	

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

Calendar Year	New Form	Requested	Implemented
2012	N	17.2185%	17.2185%
2011	N	13.7816%	13.7816%
2010	N	15.2693%	15.2693%

F. Range and Scope of Proposed Increase

Number of Covered Individuals
217

Threshold Rate Increase
0.0000%

	Range of Rate Increase
Minimum % Increase	-16.8203%
Maximum % Increase	10.1014%

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