

New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: MetroPlus Health Plan
Line of Business: Individual plans
Filing Type: 4308(c) prior approval
Effective Date: 1/1/2016
Affected Members: 13,989 (as of 3/31/2015 - Excl. Essential Plan)
On/Off NY State of Health: On
Earned Premiums: \$69.9 million
SERFF Tracking Numbers: MPHP-130034721

Summary:

<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
-7.00%	-7.00%	0.00%

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 Rate	5.52%	5.52%
2. Administrative Expense Ratio	7.26%	7.26%
3. Profit Objective (% of premium, pre-tax)	1.00%	1.00%
4. Medical Loss Ratio (MLR)	91.74%	91.74%

Analysis:

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

A number of factors added to the complexity of accurately predicting 2016 claims costs and calculating 2016 premiums. 2014 was the first year that many of the reforms of the Affordable Care Act were in place and that the NY State of Health

Individual and Small Group Marketplaces was operational. These reforms brought significant changes to the health insurance market in New York and increased enrollment dramatically, and insurers still did not have comprehensive information about the claims trend of enrollees. Also, the new Essential Plan, a low cost health plan for low income New Yorkers beginning January 1, 2016, is predicted to pull members out of the individual commercial risk pool. Further, the federal risk adjustment program issued its first results after the rate applications were submitted, adding another layer of complexity to 2016 projections (see below). Consequently, in 2015, at the time they developed their rate applications for 2016 rates, insurers had only limited information regarding the enrolled population, risk pool composition and claims history (see, e.g., American Academy of Actuaries Issue Brief, "Drivers of 2016 Health Insurance Premium Changes," August 2015). This was reflected in the rate applications submitted to DFS for 2016 premium rates. There were wide differences in insurers' assumptions and projections about future claims costs. Because of this wide variation, as well as the recognized uncertainty in accurately projecting 2016 medical costs, DFS has given attention to insurers' average overall assumptions, with consideration for regional differences in New York.

Membership and Average Monthly Premium:

Date	Membership
May 31, 2014	45,442
March 31, 2015	27,735

The monthly premium per individual without dependents for calendar year 2015 for the individual line of business averaged \$416.56.

Prior Application:

Date	Requested	Approved
2015	+17.78%	+6.90%

Claims Trend:

The claims trend assumptions of insurers submitting rate adjustment applications to DFS varied widely. As noted above, insurers had limited information regarding the enrolled population, risk pool composition and claims history.

MetroPlus assumed a claims trend of 5.52%. Based on information submitted in the rate application, the average requested trend assumptions of all insurers in the

same geographic region, and external studies on medical cost projections, DFS finds that MetroPlus's claims trend assumption is reasonable.

Federal Risk Adjustment:

Under the ACA, the Centers for Medicare and Medicaid Services (CMS) developed a risk adjustment program, which established a pool that insurers will have to either pay into if their members have lower than average risk or receive money from if their members have higher than average risk. Insurers were required to include in their 2016 rate applications any adjustments that reflected federal risk adjustment payments or receipts. To assist insurers, DFS conducted a risk adjustment simulation. After the rate applications were submitted, CMS issued the actual risk adjustment results for plan year 2014. DFS reviewed the CMS results, the simulation results and insurers' assumptions for 2016 rates. If DFS determined that an insurer's assumptions were either too high or too low, DFS adjusted the insurer's rates by one third of the discrepancy (one third reflects a conservative approach to the impact due to the complexity of projecting the CMS actual 2014 risk adjustment results to 2016). In no instance did DFS increase rates above an insurer's requested rate increase.

MetroPlus assumed a factor of 1.644 for risk adjustment. DFS finds this assumption to be reasonable.

Federal Transitional Reinsurance Program:

Under the ACA, CMS established a three year transitional reinsurance program that provides reinsurance for high cost claims in the individual market. CMS indicated that the attachment point for the program would be increased from \$45,000 for 2015 to \$90,000 for 2016. This change has, on average, a +3% to +5% impact on individual premium rates compared to last year. DFS finds the company's assumption in regard to federal reinsurance to be reasonable.

Administrative Expense Ratio:

MetroPlus assumed an administrative expense ratio of 7.26%. Based on information contained in the rate application, the financial filings, and the average administrative ratios of all insurers in the region, DFS finds this assumption to be reasonable.

Profit Objective:

MetroPlus assumed a profit ratio of 1.00%. DFS finds this assumption to be reasonable.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 7.26% and a profit ratio of 1.00%, MetroPlus's projected loss ratio will be 91.74%.

Decision:

Based on the review and analysis described above, DFS finds that the requested decrease is reasonable and approves the requested rate change as shown in the summary chart above.