



American Cancer Society ☞ Children's Defense Fund/New York ☞ Community Service Society of New York ☞
Make The Road New York ☞ Metro New York Health Care for All Campaign
New Yorkers for Accessible Health Coverage ☞ New York Immigration Coalition
Public Policy and Education Fund of New York/Citizen Action of New York ☞ Raising Women's Voices ☞
Schuyler Center for Analysis and Advocacy

July 13, 2012

Benjamin M. Lawsky
Superintendent of Financial Services
One State Street
New York, NY 10004

Mr. Charles Lovejoy
Health Bureau
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Re: **Requested Rate Changes – Oxford Health Plans (NY), Inc.
Oxford Health Insurance, Inc.
UnitedHealthcare Insurance Company of New York**

Dear Superintendent Lawsky and Mr. Lovejoy,

Health Care for All New York ("HCFANY") respectfully seeks to file its objection to the proposed rate increases of 15.1% to 46.5% posted for Q1 2013 – Q4 2013 for the following insurance products:

- Oxford Health Plans (NY), Inc. (Small Group HMO, In-Network Small Group POS, Out-of-Network POS, and Healthy New York for Small Group, Individual, and Sole Proprietor);
- Oxford Health Insurance, Inc. (Small Group Direct, Small Group Metro, and Small Group EPO); and
- UnitedHealthcare Insurance Company of New York (Small Group EPO, POS, PPO, and Indemnity Plans)

(together "Oxford/United") currently pending before the New York State Department of Financial Services.¹

¹ These rate increase applications correspond respectively to applications submitted on June 15, 2012, SERFF file



HCFANY is a coalition of more than 130 consumer and small business health advocacy organizations dedicated to achieving affordable, comprehensive, and high-quality health care for all New York residents. In light of the fact nearly 800,000 small business employees have lost coverage in New York over the last decade, HCFANY urges the Department to pay particular scrutiny to Oxford/UHFP's current application to impose rate increases for its small group products.

Before turning to our concerns about these specific rate applications, HCFANY first would like to commend the Department on its effort to restore the process to approve health insurance rate increases prior to their adoption for New York's individual and small group markets. HCFANY believes that a robust prior approval process is a vital protection against staggering health insurance rate increases—which routinely outpace inflation and wage growth in New York—endured by the sole proprietors, small businesses and their employees, whose interests we represent. We are particularly gratified by the Department's most recent efforts to increase transparency and public disclosure in the rate filing process. As evidenced by our comments below, the posting of actuarial memoranda and other carrier materials affords New York's individuals and small businesses an enhanced understanding of the basis for the proposed rate increase in question and improves our capacity to provide meaningful commentary upon them.

HCFANY's Objection to Oxford/United's Proposed Rate Increase

HCFANY objects to Oxford/United's Rate Applications based upon its review of information available from the National Association of Insurance Commissioners ("NAIC") and the additional actuarial memoranda and supporting documentation posted on the Department's website.

As described in greater detail below, there are two grounds for HCFANY's objection. First, HCFANY urges the Department to reject Oxford/United's proposed rate increase because it is based upon an inappropriate medical trend basis. Second, HCFANY urges the Department to closely review the apparent inconsistencies in Oxford/United migration data for the products which are the subject of the Rate Applications. The remainder of this letter addresses these two concerns in turn.

Medical Trend Assumptions

HCFANY urges the Department to reject Oxford/United's proposed rate increase because it appears to be unsupported by the medical trend data submitted with its Rate Applications.

numbers: XFRD-128362721, XFRD-128363184, XFRD-128363403, XFRD-128363086; XFRD-128430286, XFRD-128429999, XFRD-128360458; and UHLC-128372379 (hereafter "Rate Applications").



A close review of Oxford/United's submissions indicates that the projected annual trend factor used throughout its filings, 12.5% for all Oxford products and 12.3% for UnitedHealthcare products, is unsupported by the empirical data provided in the Rate Applications. Instead of presenting clear historical data and outlining the method of calculation used to achieve these figures, the Rate Applications simply aver that the factor is comprised of unit cost, utilization, and trend leveraging.²

According to the historical data contained in the Oxford/United Rate Applications much of the claim experience in its small group products has trended *downward* for years—and in a few cases has even been negative—as the rate of medical cost growth has diminished.³ This is no surprise, since multiple studies have shown this to be the case throughout the country. PriceWaterhouse Coopers LLP recently issued its annual Behind the Numbers report—based on interviews with insurance carriers—estimating a medical trend no more than 7.5% for 2013. The report concludes that since 2009 “[h]ealthcare spending growth in the United States has slowed considerably.”⁴ Further, in its own estimation the Behind the Numbers report has consistently been a conservative predictor of medical trend. In 2010, 2011, and 2012 the predicted rate was actually greater than their current estimations.⁵ Data analysis performed by Sibson Consulting and Milliman agrees with the Behind the Numbers report. Sibson found and projected declines in medical trend rates from 2010 to 2012.⁶ The 2012 medical index from Milliman shows a cost increase of 6.9% between 2011 and 2012, the second straight year that the rate of increase has gone down.⁷ A close examination of the Rate Applications shows that Oxford/United's own trend data follows this national trend. In addition to the illustrated decrease in rate of cost growth, all but one of the products analyzed shows a medical trend in the experience year far below Oxford/United's 12.3% to 12.5% trend projection. The relevant trend data is as follows:

² Rate Applications, *supra* note 1 (Actuarial Memorandum).

³ “Per Member Per Month (PM/PM) Claim Trend Date”. [Enclosed.] Taken from Rate Applications, *supra* note 1. (Exhibit 7: Historical Data by Each Policy Form Included in Rate Adjustment Filing.)

⁴ PwC Health Research Institute, “Medical Cost Trend: Behind the Numbers 2013,” 2013 at 2.

⁵ *Id.* at 5.

⁶ Sibson Consulting, “2012 Segal Health Plan Cost Trend Survey.” 2011.

⁷ Milliman, “2012 Milliman Medical Index,” May 2012.



Oxford Health Insurance Inc.'s Direct Product, XFRD-128430286

The Rate Applications indicate that this product experienced a 13.38% medical trend in 2010, but only a 3.11% medical trend in 2011. Despite this apparent decrease in growth rate of medical trend and absent any other justification (such as a change in benefits), Oxford/United seeks a rate increase that outpaces its trend experience on an order of 5 to 1.

XFRD-128430286				
Experience Period		Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase
1/1/2011	12/31/2011	\$384.19	3.11%	15.1%
1/1/2010	12/31/2010	\$372.60	13.38%	
1/1/2009	12/31/2009	\$328.62		

Oxford Health Insurance Inc.'s EPO Product, XFRD-128360458

This product has experienced a slower rate of increase in medical trend from 10.75% in 2010 to 8.13% in 2011. Oxford/United still seeks a rate increase double the medical trend for the most recent experience period.

XFRD-128360458				
Experience Period		Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase
1/1/2011	12/31/2011	\$364.19	8.13%	16.9%
1/1/2010	12/31/2010	\$336.82	10.75%	
1/1/2009	12/31/2009	\$304.13		

Oxford Health Insurance Inc.'s Metro Product, XFRD-128429999

The Rate Applications indicate that Oxford/United's Metro product experienced a decreased rate of trend growth from 16.06% in 2010 to 9.70% in 2011. The requested rate increase of 22.4% appears unsupported by the group's proffered experience data.

XFRD-128429999				
Experience Period		Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase
1/1/2011	12/31/2011	\$500.85	9.70%	22.4%
1/1/2010	12/31/2010	\$456.58	16.06%	
1/1/2009	12/31/2009	\$393.39		



UnitedHealthcare Insurance Company's EPO, POS, PPO, & Indemnity Plans, UHLC-128372379

The medical trend began at a low 4.97% in 2010 and costs decreased in this group of Oxford/United products in 2011. This data appears to indicate that a decrease in rates would be supported as opposed to the requested increase of 22.4%.

UHLC-128372379				
Experience Period		Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase
1/1/2011	12/31/2011	\$284.87	-2.22%	22.4%
1/1/2010	12/31/2010	\$291.35	4.97%	
1/1/2009	12/31/2009	\$277.56		

Oxford Health Plans (NY), Inc. HMO Product, XFRD-128362721

This HMO plan is the only Oxford/United product for which the requested rate appears to be rationally connected to the experience period's medical trend. The Rate Applications show that the product experienced a 46.38% medical trend in 2010, but dipped to 18.49% in 2011.

XFRD-128362721				
Experience Period		Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase
1/1/2011	12/31/2011	\$309.72	18.49%	16.5%
1/1/2010	12/31/2010	\$261.38	46.38%	
1/1/2009	12/31/2009	\$178.56		

Oxford Health Plans (NY), Inc. POS Products, XFRD-128363403 & XFRD-128363184

Similar to Oxford/United's Direct Product, the increase sought here outpaces its trend experience on an order of 10 to 1. The rate application for this product indicates an 18.48% medical trend in 2010, but only a 2.77% medical trend in 2011.

XFRD-128363184 & XFRD-128363403				
Experience Period		Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase
1/1/2011	12/31/2011	\$649.59	2.77%	29.0%
1/1/2010	12/31/2010	\$632.06	18.48%	
1/1/2009	12/31/2009	\$533.46		



Oxford Health Plans (NY), Inc. POS Products, XFRD-128363086

The largest rate increase, at 46.5%, has been requested for Oxford/United's Healthy New York product. This significant rate increase is unjustifiable based on the medical trend data provided. The trend for both reported years shows a decrease in the incurred claims: a 17.21% decrease from 2009 to 2010 and 11.35% decrease from 2010 to 2011.

XFRD-128363086 (HNY)				
Experience Period		Adj. Incurred		Requested Increase
		Claims PM/PM	Trend (Percent Change)	
1/1/2011	12/31/2011	\$336.44	-11.35%	46.5%
1/1/2010	12/31/2010	\$379.52	-17.21%	
1/1/2009	12/31/2009	\$458.43		

HCFANY analyzed the percent change between years 2009/2010 and 2010/2011 in per member/per month adjusted incurred claims throughout the Oxford/United Rate Applications. As described above, for all eight products reviewed, save one,⁸ the trend was a decrease in the percent change. Further, the requested rates of increase, ranging from 15.1% to 46.5%, for each product was well beyond the actual rates increase of incurred claims between 2010 and 2011.

Of particular concern is the requested rate increase for Oxford/United's Healthy New York product. The extraordinary 46.5% requested increase is fully out of sync with this subsidized product's historical claim data, which illustrates that the incurred costs have fallen dramatically for Oxford/United between 2009 and 2011. While it is possible that the projected decrease in State subsidized stop-loss funding would have some effect on rates, Oxford/United argues that their recovery will drop from 19.7% of total claims to 14.9%.⁹ If correct, this data alone only accounts for about a 5% increase. We urge the Department to require Oxford/United to disclose publically additional actuarial information or other justification for this increase which seems completely unsupported by the materials provided in its current Rate Applications.

Accordingly, HCFANY urges the Department to closely scrutinize the reported Oxford/United medical trend data which appears to not support the proposed rate increases of 15.1% to 46.5% in its Rate Applications.

⁸ Oxford Health Plan (NY), Inc.'s Small Group HMO has a requested rate increase below the previous year's rate of change.

⁹ Rate Applications, supra note 1. (Actuarial Memorandum).



Migration Data Inconsistencies

Similarly, HCFANY urges the Department to review closely Oxford/United's Rate Applications to the extent it relies upon its proffered migration data. In the actuarial memoranda for each product (except for Healthy NY), Oxford/United details the impact of member migration on rate development in support of its overall Rate Applications.¹⁰

According to its submission, Oxford/United claims that in each and every product, the costly members are staying put while less expensive members are migrating to other plans. The standardized actuarial statement slightly adjusted for each product is as follows:

“We observe the majority of migration into the Direct product from Metro and POS products and the majority of migration out of the Direct product into the EPO product. In aggregate, the members migrating out of the Direct product are less costly than the remaining members thereby increasing costs in the Direct product. In aggregate, the members migrating in to the Direct product are more costly than the existing members.”

Simultaneously, according to Oxford/United, all new members joining each and every one of its product lines are costlier than the members who are staying put. While this pattern is theoretically possible, it seems rational to expect that within the migratory universe of Oxford/United's small group products there might be winners and losers within the Oxford/United product family, wherein some plans might require a rate increase and others might require a rate decrease. And yet, in its Rate Applications, each of the products detailed describes the same dilemma and a claim increase is projected for each based upon this consistent migration pattern.¹¹

In essence, this migration data must be reviewed to determine if Oxford is losing significant market share of its healthy customers to other carriers or other Oxford/United product lines which are not the subject of the current Rate Applications. In any event, HCFANY urges the disapproval of the current Rate Applications based on the existing migration data absent further investigation by the Department's independent actuaries or further explanation from Oxford/United about its apparent inconsistencies.

¹⁰ Supra note 2.

¹¹ “Oxford/United Migration Dilemma.” [Enclosed.]. Taken from Rate Applications, supra note 1.



Conclusion

HCFANY's review of the voluminous submission of Oxford/United in support of its Rate Applications for its small group products does not reveal adequate evidence supporting the proposed rate increases of 15.1% to 46.5%. HCFANY urges the Department to closely review the relationship of Oxford/United's submissions relating to projected trend and migration data. We urge that any and all supplemental submissions be publically disclosed on the Department's website to ensure a fully and fairly transparent rate review process. Absent any additional information in support of their rate increase proposal, HCFANY urges the Department to reject Oxford/United's proposed rate increases in its entirety.

Very truly yours,

Elisabeth R. Benjamin, MSPH, JD
Health Care For All New York

cc: Troy Oechsner
John Powell

Attachments:

“Per Member Per Month (PM/PM) Claim Trend Date “
“Oxford/United Migration Dilemma”

Per Member Per Month (PM/PM) Claim Trend Data

Oxford Health Insurance, Inc.				Oxford Health Plans (NY), Inc.				UnitedHealthcare Insurance Company of New York			
XFRD-128430286				XFRD-128363184 & XFRD-128363403				UHLG-128372379			
Experience Period	Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase	Experience Period	Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase	Experience Period	Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase
1/1/2011 12/31/2011	\$384.19	3.11%	15.1%	1/1/2011 12/31/2011	\$649.59	2.77%	29.0%	1/1/2011 12/31/2011	\$284.87	-2.22%	22.4%
1/1/2010 12/31/2010	\$372.60	13.38%		1/1/2010 12/31/2010	\$632.06	18.48%		1/1/2010 12/31/2010	\$291.35	4.97%	
1/1/2009 12/31/2009	\$328.62			1/1/2009 12/31/2009	\$533.46			1/1/2009 12/31/2009	\$277.56		
XFRD-128360458				XFRD-128362721							
Experience Period	Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase	Experience Period	Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase				
1/1/2011 12/31/2011	\$364.19	8.13%	16.9%	1/1/2011 12/31/2011	\$309.72	18.49%	16.5%				
1/1/2010 12/31/2010	\$336.82	10.75%		1/1/2010 12/31/2010	\$261.38	46.38%					
1/1/2009 12/31/2009	\$304.13			1/1/2009 12/31/2009	\$178.56						
XFRD-128429999				XFRD-128363086 (HNY)							
Experience Period	Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase	Experience Period	Adj. Incurred Claims PM/PM	Trend (Percent Change)	Requested Increase				
1/1/2011 12/31/2011	\$500.85	9.70%	22.4%	1/1/2011 12/31/2011	\$336.44	-11.35%	46.5%				
1/1/2010 12/31/2010	\$456.58	16.06%		1/1/2010 12/31/2010	\$379.52	-17.21%					
1/1/2009 12/31/2009	\$393.39			1/1/2009 12/31/2009	\$458.43						

Oxford/United Migration Dilemma

Oxford Health Plans (NY), Inc.

Oxford Health Insurance, Inc.

XFRD-128430286 – New York Small Group Direct Product | Migration Increase Projection: 5.4% adjustment / 2.7% annual increase

“We observe the majority of migration into the Direct product from the Metro and POS products and the majority of migration out of the Direct product into the EPO product. In aggregate, the members migrating out of the Direct product are less costly than the remaining members thereby increasing costs in the Direct product. In aggregate, the members migrating into the Direct product are more costly than the existing members.”

XFRD-128429999 – New York Small Group Metro Product | Migration Increase Projection: 6.7% adjustment / 3.3% annual increase

“We observe the majority of migration into the Metro product from the POS product and migration out of the Metro product into the Direct and EPO products. In aggregate, the members migrating out of the Metro product are less costly than the remaining members thereby increasing costs in the Metro product. In aggregate, the members migrating into the Metro product are more costly than the existing members. “

XFRD-128360458 – New York Small Group EPO Product | Migration Increase Projection: 1.9% adjustment / 0.9% annual increase

“We observe the majority of migration into the EPO product from the Direct and Metro products and the majority of migration out of the EPO product into the HMO product. In aggregate, the members migrating out of the EPO product are less costly than the remaining members thereby increasing costs in the EPO product. In aggregate, the members migrating into the EPO product are less costly than the existing members.”

XFRD—128362721 – New York Small Group HMO Product | Migration Increase Projection: 1.5% adjustment / 0.8% annual increase

“We observe the majority of migration into the HMO product from the EPO product and the majority of migration out of the HMO product into the EPO product. In aggregate, the members migrating out of the HMO product are more costly than the remaining members thereby decreasing costs in the HMO product. This result is due to the fact that the HMO product is at the bottom of the pricing spectrum. In aggregate, the members migrating into the HMO product are more costly than the existing members.”

XFRD-128363184 & XFRD-128363403 – New York Small Group POS Product | Migration Increase Projection: 10.5% adjustment / 5.1% annual increase

“We observe the majority of migration into the POS product from the Metro product and the majority of migration out of the POS product into the Direct and EPO products. In aggregate, the members migrating out of the POS product are less costly than the remaining members thereby increasing costs in the POS product. In aggregate, the members migrating into the POS product are more costly than the existing members.”