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

August 25, 2011

The Honorable Senator James Seward
Chair, New York State Senate Insurance Committee
Room 430
The Capitol
Albany, NY 12247

The Honorable Assemblymember Joseph Morelle,
Chair, New York State Assembly Insurance Committee
Room 716 Legislative Office Building
Albany, NY 12248

Re: Recently Filed Health Insurance Rate Increase Requests

Dear Senator Seward and Assemblymember Morelle,

Health Care for All New York (“HCFANY”) writes to alert you to the unconscionably large health insurance rate increases of up to 56% currently pending before the New York State Department of Insurance (“SDOI”) for prior approval. We urge you, as chairs of your respective Committees of Insurance, to investigate the pricing policies by many major New York carriers and to consider holding hearings regarding this matter.[1]

HCFANY is a coalition of over 100 consumer and health advocacy organizations dedicated to achieving affordable, comprehensive, and high-quality health care for all New York residents and small businesses. On behalf of New York’s individual and small business consumers who use health insurance, we commend the Legislature for reinstating the “prior approval” process—which subjects proposed rate increases for carriers in the individual and small group markets to government review. We believe that prior approval is a vital protection against the staggering health insurance rate increases—which routinely outpace inflation and wage growth in New York—faced by the individuals and small businesses whose interests we represent.[2]

Health Care For All New York
c/o Elisabeth Ryden Benjamin, Community Service Society of New York
105 E. 22nd Street, New York, New York 10010
(212) 614-5461

HCFANY has filed objections, under separate cover, with SDOI about the increases proposed by the following 10 carriers and HCFANY urges you to independently investigate the actuarial soundness of these proposed rate increases and the reasons that they substantially outpace the rate of medical and general inflation in New York State:

Carrier Name	**Amount of Proposed Premium Increase**
MVP	56%
Aetna	9.9% to 53.6%
Oxford	14%-32%
United	23%-34%
HIP	34%
Health Now	23%
Excellus	19.7%
Empire	17.9%
Independent Health	16.7%
CDPHP	9.9%

HCFANY bases its objections on our independent research through the limited available public sources about New York insurance carriers, including filings with the Securities and Exchange Commission and the National Association of Insurance Commissioners (NAIC). We note that most individual consumers and small businesses do not have the time or wherewithal to engage in similar investigations.

With the national rate of inflation at 3.6% and the New York medical cost trend at about 9%, and with no increases in the taxes imposed on health insurance carriers last year or in the near future, it is difficult to find a rationale for proposed rate increases requested by the carriers listed above. In nearly all cases, the notices—and, in a very few cases, narrative summaries—sent by the carriers to consumers and small business and posted on the SDOI's website simply allege medical trends without any supporting evidence or documentation. Their allegations are also contrary to the independently available evidence. For example, PricewaterhouseCoopers LLP recently issued its annual Behind the Numbers report, which is substantially based on interviews with insurance carriers. This report finds that the actual medical cost trends in 2010 and 2011 were 7.5% and 8% respectively, and estimates a medical cost trend of no more than 8.5% for 2012. We urge the Legislature to investigate these carrier's actuarial submissions closely: How it is possible that these major corporations are seeking rate increases that outpace the underlying rate of medical inflation?

The remainder of this letter highlights our concerns for each carrier in turn.

- **MVP (56.8%)**
  Proposed justification for requested rate increases. MVP is requesting rate increases of up to 56.8% but does not provide any justification in the publicly-available documents (including the notices posted on the SDOI website) for its exorbitant request.
  Profits. The NAIC filings show that MVP Health Plan Inc. earned net income of $124 million in 2010, and ended the year with an accumulated capital and surplus of $330 million. Based on these corporate results, and MVP's very limited public disclosures, we urge your Committees to investigate MVP's pricing policies closely.
- **Aetna Health Inc. (8.9% - 53.6%)**
  Proposed justification for requested rate increases. Aetna requests a rate increase of 8.9% - 53.6% but does not provide any justification in the publicly-available documents (even the notices were not available on the SDOI website).
  Executive compensation. The executive compensation of the top six executives of Aetna totaled more than $49 million in 2010. Ronald A. Williams, their *retired* Chairman and CEO, himself earned more than $20 million in 2010, after taking home more than $18 million in each of the 2008 and 2009 years. Their active CEO, Mark T. Bertolini, earned more than $8 million in 2010 and more than $12 million in 2009. A New Yorker earning minimum wage would have to work full-time for an entire year to earn what Mr. Williams earned in about 66 minutes.
  Profits. Aetna paid its parent company dividends of $102 million in 2009 and $61 million in 2010, and still ended 2010 with a total capital and surplus of more than $175 million. Aetna's 2009 dividend comes to about $100 per-member-per-month across all their lines of business, and the 2010 dividend comes to about $50 per-member-per-month. Based on these earnings results, we find it hard to see why any rate increases are necessary and urge your Committees to investigate Aetna pricing policies closely.
- **Health Insurance Plan of Greater New York (34%)**
  Proposed justification for requested rate increases. The Health Insurance Plan of Greater New York ("HIP") is requesting rate increases of up to 34%. In the consumer notices posted on SDOI's website, HIP simply states its proposed rate increases with absolutely no justification or supporting documentation—HIP's notices themselves direct consumers to the Emblem website. The "information" provided on the Emblem website begs inquiry. For example, HIP's purported increases in pharmacy costs range widely and without explanation: 5% (large group), 8% (HealthyNY), 13% (HIPC small group), 14% (HIP small group) to 19% (direct pay). Similarly, alleged higher medical costs vary dramatically and illogically: 48% (HIPIC small group), 51% (direct pay), 60% (HealthyNY), 62% (small

group), 64% (large group). These numbers are far in excess of other estimates of medical trend in New York.

Executive compensation. The executive compensation of HIP's top five executives totaled more than $20 million in 2009: Anthony L. Watson, HIP's CEO earned more than $7 million ($4,066 per hour) and its Chief Medical Officer Aran Ron earned more than $5 million. A New Yorker earning minimum wage would have to work full-time for an entire year to earn what Mr. Watson earns in just over 3 hours.

Profits. HIP's NAIC filings shows that HIP has been potentially over-charging its customers, reaping an enormous surplus. For example, in 2010, HIP had **$1 billion** in total capital and surplus and its net income was nearly $240 million. HIP also remitted dividends to its parent company of nearly $25 million over the past two years. Further, in 2010 HIP failed to report any medical-loss ratio (MLR) in its small employer line of business on the publically available (for a fee) Accident and Health Policy Experience forms from NAIC. We urge your Committees to inspect closely HIP's pricing policies.

- **Oxford Health Plan (13%-34%) and United Health Plan (23%-34%).**

  Executive compensation. The executive compensation for Stephen J. Hemsley, the CEO of United and Oxford Health Plans increased from $3,241,042 in 2008 to $9,901,916 in 2009 to $10,810,131 in 2010. A New Yorker earning minimum wage would have to work full-time for an entire year to earn what Mr. Hemsley earns in just over 2 hours. And, at the end of the day, that minimum wage worker would still not be able to afford to purchase coverage from Oxford, with or without the proposed rate increases.

  Oxford: Oxford requests a rate increase of 14% to 32%. Oxford's NAIC filing shows that in 2009, Oxford paid an eye-popping $800 million dividend to its parent company. Further, in 2010, Oxford reported a medical-loss ratio (MLR) in the small employer line of business of 74.5%, well below New York's minimum MLR of 82%.[3] By our calculations, if Oxford had kept their MLR within the legal limits, it would have represented a savings to those customers of $58,382,094, or about $41.40 per member per month. It's no wonder that Oxford reported a net income of more than $125 million in 2010.

  United: United requests a rate increase of 23% to 34%. United's NAIC filings shows that in 2010, United had a total capital and surplus of nearly $500 million and paid a $40 million dividend to its parent company. Further, in 2010 United reported a medical-loss ratio (MLR) in the small employer line of business of 75.7%, which is dramatically below New York's legal minimum MLR of 82%.[4]

  In light of Oxford and United high profits, low MLRs, and robust proposed price hikes, HCFANY urges your Committees to review Oxford's and United's pricing policies and medical expenditures closely.

- **HealthNow New York, Inc. (23%)**

  Proposed justification for requested rate increases. HealthNow is requesting rate increases of up to 23%. HealthNow filings include requests for rate decreases, which we applaud, and their requested increases are generally smaller than those of its peers. Yet there are still some increases to which we are opposed. The narrative summaries available for HealthNow are helpful, but insufficient for determining why these increases are necessary. HealthNow itself estimates medical trend of 8.1% to 8.4%, and pharmacy trend of 8.9%, in its narrative summaries (including utilization pattern changes). They also helpfully explain that rate increases could be based on changes in member demographics, to which they attribute increased cost of 1.8% to 2.0%. But none of these explanations support rate increases on the magnitude of 23%.

Profits. An analysis of HealthNow's NAIC filings shows that it earned a net income of $53 million in 2010, and ended the year with accumulated capital and surplus of $568 million. HCFANY urges your Committees to investigate why a company with these financial results would need to increase rates by more than their anticipated increased costs.

- **Excellus Health Plan, Inc. (19.7%)**

  Proposed justification for requested rate increases. Excellus is requesting rate increases of up to 19.7%. In the consumer notices posted on the Department's website, Excellus alleges double digit medial and pharmacy trend increases with no justification or supporting documentation. Further, these numbers are inconsistent with reported medical trends in New York. Excellus' Form 990s were unavailable. We do not believe that Excellus' proposed rate increases of up to 19.7% are justifiable based on the information provided.

  Profits. In 2010, Excellus, a non-profit carrier, declared a Capital and Surplus of $1 billion, and its investment income and net income for 2010 were $44 million and $67 million respectively. We urge your Committees to investigate why Excellus appears to be prioritizing the accumulation of an enormous surplus over the provision of patient care and affordable premiums for its consumers and small businesses.

- **Empire Healthchoice HMO, Inc. (17.9%)**

  Proposed justification of requested rate increases. Empire requests a rate increase of 17.9%, which it does not attempt to justify in its notices sent to enrollees and posted on the SDOI website.

  Executive compensation. The executive compensation of the top five executives of Wellpoint, Empire's parent company, totaled almost $32 million in 2010. Angela F. Braly, the CEO, herself earned over $13 million in each of 2009 and 2010, after earning over $8 million in 2008. A New Yorker earning minimum wage would have to work full-time for an entire year to earn what Ms. Braly earns in just under 2 hours.

  Profits. Empire paid its parent company dividends of $90 million in each of the 2009 and 2010, and still ended 2010 with a total capital and surplus of more than $550 million. Further, in 2010 Empire reported a medical-loss ratio (MLR) in the individual market line of business, the business line to which this rate increase pertains, of 73.7%, which is considerably below New York's minimum MLR of 82%.[5] While HCFANY believes—based on the limited information available—that retroactive rebates are potentially justified here, the real remedy required by New York's health insurance consumers is rate relief. We urge your Committees to investigate closely Empires medical expenditures and pricing policies.

- **Independent Health (16.7%)**
  Proposed justification for requested rate increases. Independent Health is requesting rate increases of up to 16.7%. These filings include requests for rate decreases, which we applaud, and the requested increases are generally smaller than those of Independent Health's peers. Yet there are still some increases to which we are opposed. The narrative summaries available for Independent Health are helpful, but insufficient for justifying these increases. The plan estimates total medical trend of no more than 13.1% (for hospital outpatient treatment, in filing NDPD-127211331). We do not understand how these published justifications, with medical trend at no more than 13.1%, serve to support rate increases of up to 16.7%.
  Profits. An analysis of Independent Health Association's NAIC filings shows that it earned a net income of $70 million in 2010, and ended the year with accumulated capital and surplus of $451 million. We urge your Committees to investigate why a company with these financial results would need to increase rates by more than their anticipated increased costs.
- **CDPHP (9.9%)**
  Proposed justification of requested rate increases. CDPHP is requesting rate increases of up to 9.9%. CDPHP filings include requests for rate decreases, which we applaud, and their requested increases are generally smaller than those of its peers. Yet there are still some increases to which we are opposed. HCFANY believes that consumers and advocates must have access to complete rate filing applications, including actuarial memoranda, in order to participate effectively in this rate review process. The narrative summaries available for CDPHP are helpful, but insufficient for this purpose. CDHP itself estimates increases in physician costs of 7.7% and increases in hospital costs of 5.0%. CDPHP also appears to be requesting rate increases for some products in excess of their expected increase in total costs. For instance, in one rate increase application (SERFF Tracking # 127320671), it seeks to raise premiums by an average of 9.34% (and up to 10.82% in some products and regions) though it only anticipates a total cost increase of 5.98%. Despite our best efforts, we still do not have MLR data for CDPHP (and we are unaware of any publicly-available source of product-specific MLR data). We urge your Committees to investigate whether rate increases in excess of cost increases are appropriate for a company that reported net income of almost $43 million in 2010.

As described above, a number of carriers serving New York's individual consumers and small businesses appear to be seeking staggering rate increases without offering adequate public justification for their requests. HCFANY commends the state legislature for restoring the prior approval process and urges it to further investigate these pricing policies through hearings or other appropriate means.

Thank you again for your leadership in this matter.

Very truly yours,

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

cc: **New York State Senate Insurance Committee**
The Honorable Neil D. Breslin
The Honorable Ruben Diaz
The Honorable Adriano Espaillat
The Honorable John J. Flanagan
The Honorable Martin J. Golden
The Honorable Mark Grisanti
The Honorable Timothy M. Kennedy
The Honorable Carl Kruger
The Honorable Andrew J Lanza
The Honorable William J. Larkin Jr.
The Honorable Kenneth P. LaValle
The Honorable Jack M. Martins
The Honorable Kevin S. Parker
The Honorable José Peralta
The Honorable Stephen M. Saland
The Honorable Malcolm A. Smith
The Honorable Catharine Young
New York State Assembly Insurance Committee
The Honorable George Amedore
The Honorable William Barclay
The Honorable Edward Braunstein
The Honorable Marc Butler
The Honorable Nancy Calhoun
The Honorable Vivian Cook
The Honorable Steven Cymbrowitz
The Honorable Gary Finch
The Honorable Stephen Hawley
The Honorable Rhoda Jacobs
The Honorable George Latimer
The Honorable Charles Lavine
The Honorable Guillermo Linares
The Honorable Dan Losquadro
The Honorable Francisco Moya
The Honorable Bob Oaks

The Honorable Crystal Peoples-Stokes
The Honorable N. Nick Perry
The Honorable J. Gary Pretlow
The Honorable José Rivera
The Honorable Mark J. F. Schroeder
The Honorable Mike Spano
The Honorable David Weprin
Mr. Patrick Foye
Mr. James Introne
Ms. Donna Frescatore
Mr. Benjamin Lawsky
Mr. Troy Oechsner
Ms. John Powell
Ms. Allison Cooper
Mr. Justin Wilcox

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[1] These rate increase applications correspond to state tracking numbers: Aetna (2011070177, 2011070178, 2011070179); CDHP (2011070103, 2011070144, 2011070156, 2011070155, 2011070154); Empire (2011070071). Excellus (2011070101); HealthNow (2011070153); HIP (2011070115, 2011070117, 2011070119); Independent Health (2011070214 and 2011070215); MVP (2011070145, 2011070147, 2011070166, and 2011070176); Oxford (2011060097, 2011060162, 2011060163, 2011060164, 2011070122, 2011070127, 2011060098, 2011060099, 2011070124, 2011070126, 2011000000); and United (2011070045, 2011070125).

[2] In fact, between 2000 and 2009, New York insurance premiums increased by 92% while median wages rose by just 14% during the same period. Families USA, "Costly Coverage: Premiums Outpace Paychecks," September 2009.

[3] In another portion of their NAIC filing, Oxford reports a small group MLR of 82.8%. If Oxford claims that this second reporting location is the more relevant one, then we would like to point out that their sister company, United Healthcare Insurance Company of NY, reports a small group MLR of 75.7% in that second reporting location.

[4] In another portion of their NAIC filing, United reports a small group MLR of 81.7%, also below the limit. If United claims that this second reporting location is the more relevant one, then we would like to point out that their sister company Oxford reports a small group MLR of 74.5% in that second reporting location. The difficulty we've had analyzing these NAIC reports, which were not free, only highlights the need for more of the type of transparency that will allow consumers to participate in this process.

[5] In another portion of their NAIC filing, Empire reports an individual market MLR of 86.3%. We are still investigating the discrepancy. If Empire claims that this second reporting location is the more relevant one, then we would like to point out that the numbers in this second reporting location for their sister company, Empire Heatlhchoice Assurance, Inc., do not add up. (They claim in Part 1 of the NAIC Health Supplement for 2010 that ($18,132 + $783,880,924 + $4,631,847) / $865,500,699 = 93%, when actually these figures calculate out to 91.1%). If there are, in fact, mistakes with simple arithmetic, how can the public trust the underlying numbers?