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 Raising Women’s Voices-New York ☞ Schuyler Center for Analysis and Advocacy
 South Asian Council for Social Services ☞ Young Invincibles

July 1, 2022

Adrienne A. Harris Superintendent
 John Powell, Assistant Deputy Superintendent for Health
 Frank Horn, Chief Actuary - Health
 NYS Department of Financial Services
 One Commerce Plaza
 Albany, NY 12257

RE: Requested Rate Changes – Fidelis – FCNY-133237441

Dear Superintendent Harris, Assistant Deputy Powell, and Chief Actuary Horn:

Health Care For All New York (HCFANY) is a statewide coalition of over 170 organizations dedicated to achieving quality, affordable health coverage for all New Yorkers. HCFANY is grateful for the opportunity to submit comments on the 2022 rate requests submitted by New York’s individual market carriers. We deeply appreciate the Department’s annual efforts to keep rates as low as possible through its robust public prior approval process. Below are comments on the individual market applications as a whole, followed by specific comments on Fidelis’ request.

I. New York’s Individual Market

For the past two years, New York’s individual market has covered approximately 260,000 people, down from 323,000 in 2019. The pandemic and resulting economic downturn caused a 19% decrease in enrollment in 2021, with many consumers migrating to the Essential Plan and Medicaid thanks to the State’s progressive adoption of the federal Public Health Emergency provisions. Twelve carriers are planning to offer insurance in 2023 in the individual market. Only two of the carriers are payers into the risk adjustment program (Fidelis and Oscar), reflecting their relatively healthy enrollment. There were four payers in 2021 and five in 2020.

Table 1. On-Exchange Enrollment in New York’s Individual Market, 2017-2022		
	<i>Number of People Enrolled</i>	<i>Percent Change</i>
2017	309,195	-
2018	317,496	2.7%
2019	323,460	1.9%
2020	322,774	-0.2%

2021	261,242	-19.1%
2022	261,714	0.2%

The individual market carriers are requesting an average 18.2% premium increase (with a range from 6.9% by HealthPlus to 34.6% by the Health Insurance Plan of Greater New York—Emblem). These requests are significantly higher than in recent years. For example, the carriers requested average rate increases of 8.6% in 2022, 11.8% in 2021, and 9.7% in 2020.

<i>Plan</i>	<i>Request</i>
Emblem/HIP	34.6%
CDPHP	28.4%
NYQHC/Fidelis	23.2%
Highmark	20.5%
MVP	19.2%
United	16.1%
Oscar	14.6%
Excellus	14.0%
Healthfirst	13.0%
MetroPlus	12.8%
Independent Health	10.2%
HealthPlus	6.9%
Average	18.7%

The carriers' proposed rate increases are national outliers, far surpassing the requests coming in from carriers in other states (see Table 3 below) that have similar or significantly smaller risk pools. Washington and Michigan have comparable individual markets with similar numbers of carriers and risk pools, yet their carriers seek only 7.2% and 6.8% rate increases, respectively. Even the tiny neighboring state of Rhode Island, with just two carriers, is considering an 8% increase. The New York carriers offer no explanation to support relatively large rate increase proposals.

	<i>Average Request</i>	<i>Number of People in Individual Market</i>	<i>Number of Carriers (including off-exchange)</i>
New York	18.8%	251,745	15
Vermont	14.7%	31,582	2
Maryland	11.0%	241,273	5
Rhode Island	8.0%	42,235	2
Washington	7.2%	245,174	14
Michigan	6.8%	339,181	12
Oregon	6.7%	177,813	6

Should the Department grant the proposed increases, New York's consumers would pay extremely high average monthly premiums of \$778 (though many people enrolled in individual

market plans in New York receive premium subsidies that would insulate them from higher premiums). However, New York’s individual market carriers have a history of asking for much larger premium increases than are ultimately approved (see Table 4 below). New York consumers urge the Department to maintain its laudable tradition of reducing the premiums in order to shield consumers from unsupported double digit premium increase requests.

<i>Year</i>	<i>Requested Change</i>	<i>Approved Change</i>	<i>Difference</i>
2022	10.8%	3.6%	-66.7%
2021	8.1%	1.5%	-81.5%
2020	9.7%	7.5%	-22.6%
2019	16.9%	6.3%	-62.7%

A review of the carriers’ applications suggests some areas in which the Department can fairly reduce the 2023 rate requests, including closely assessing: their medical loss ratio histories; their estimates about the impact of Covid-19, changes to federal premium subsidies; annual claims trend; administrative costs; and profits and surplus retention.

HCFANY also urges the Department to incorporate its own complaint and quality information into the rate review process. The Department publishes the New York Consumer Guide to Health Insurers each year so that consumers can see which plans perform the best.¹ The report provides data on how many complaints the Department receives for each company, how many coverage appeals are filed and what proportion result in reversals of the plan’s decisions, and how often appeals are escalated outside of the company to the State’s External Appeal program. When plans have high reversal rates, it sometimes means that they are denying care without any basis and then spending administrative resources on appeals that should not be necessary. The report also shows how well the companies do on performance measures such as access to preventive care or ensuring people with chronic conditions are receiving the care they need. The state should integrate these independent measures of product value into its prior approval review. If plan members are unable to access care, that company should be asked to improve in advance of authorizing large rate increases.

1. Medical Loss Ratios

Similar to plans around the country, New York plans experienced very high profits in 2020, followed by much lower profits in 2021.² The plans’ medical loss ratios (MLRs) show how much revenue they spent on health care for members as opposed to administrative costs and profit. In 2020, the average MLR was only 85.8% and four plans were at or below the state’s minimum 82% (below which the plan must pay rebates). In 2021, the average MLR jumped to 99.8%, and five plans reported an MLR over 100%. That means the plan spent more on health care services than it brought in.

¹https://www.dfs.ny.gov/system/files/documents/2021/08/ny_consumer_guide_health_insurers_2021.pdf.

²Jared Ortaliza, Krutika Amin, and Cynthia Cox, “Data Note: 2022 Medical Loss Ratio Rebates, Kaiser Family Foundation,” June 1, 2022, <https://www.kff.org/private-insurance/issue-brief/data-note-2022-medical-loss-ratio-rebates/>.

MLRs are assessed over three years for the purposes of calculating rebates, so any rebates the carriers owe individual market consumers in 2022 will be based on MLRs for 2019, 2020, and 2021. When smoothed over three years, the carriers' MLRs are an average of 91.3% (see Table 5 below). Most of the carriers project more typical MLRs for 2022 (an average of 93.6%) and are proposing an average MLR of 87.6% in 2023. The Department approved an average MLR of 87.5% for the 2022 rates. It should continue to reject rate proposals resulting in MLRs below this for 2023.

<i>Plan</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Average</i>
CDPHP	92.4%	95.5%	104.3%	97.4%
Health Insurance Plan of Greater New York	87.6%	82.0%	93.9%	87.8%
Excellus	83.0%	84.0%	97.5%	88.2%
Fidelis	78.0%	79.6%	91.7%	83.1%
Healthfirst	87.3%	84.5%	103.2%	91.7%
HealthPlus	88.3%	68.3%	83.1%	79.9%
Highmark	90.8%	90.8%	110.1%	97.2%
IHBC	74.6%	77.2%	104.8%	85.5%
MetroPlus	85.4%	87.7%	113.8%	95.6%
MVP	95.5%	101.1%	99.4%	98.7%
Oscar	96.0%	90.8%	99.2%	95.3%
UnitedHealthCare	99.8%	88.1%	96.7%	94.9%
Average	88.2%	85.8%	99.8%	91.3%

2. Impact of Covid-19

Overall, the carriers are reducing rates by 1.7% to reflect projected lower costs related to Covid-19. These downward adjustments are necessary because the claims data being used to estimate 2023 rates is from 2021, and likely includes direct and indirect Covid-related costs that will differ in 2023. All of the carriers expect that direct Covid-19 claims, those related to testing and treatment, will decrease in 2023 as compared to 2021. This is because Covid-19 vaccinations did not become available to all people until several months into 2021 and there are also now treatments that lessen the severity of the disease and reduce complications. Indirect Covid-19 claims are those related to deferred care, which would lower 2021 claims costs for at least part of the year.

The carriers vary widely in how they think possible deferred care in 2021 should be factored into their 2023 rates. Six carriers are adjusting their 2023 rates upwards in relation to indirect Covid-19 costs, which means they believe 2021 claims costs were lower than normal because people were continuing to avoid the health care system. Four of those adjustments are less than 1%. Four carriers include no adjustment, and three include a downward adjustment. Those carriers may assume that their 2021 claims costs were inflated because of people receiving care deferred during 2020. Some of these overall adjustments are much larger than others. For example, Fidelis is adjusting premiums downwards by 5.7%.

The Department should adopt a consistent policy regarding Covid-19 adjustments across all plans. It should consider whether the other plans have reduced premiums sufficiently to reflect reductions in the impact of Covid-19. It should also look at the methodologies carriers are using to determine the effect deferred care in 2021 will have on 2023 rates, given the variation in their estimates.

	<i>Direct Covid</i>	<i>Indirect Covid</i>	<i>Combined</i>
CDPHP	-0.3%	-0.5%	-0.8%
HIP/Emblem	-2.5%	0	-2.5%
Excellus	-0.7%	0	-0.7%
Fidelis	-1.1%	-4.6	-5.7%
Healthfirst	-2.0%	0	-2.0%
HealthPlus	-5.1%	1.9%	-3.2%
Highmark	-2.8%	0.6%	-2.2%
IHBC	-0.4%	0	-0.4%
MetroPlus	-1.4%	0.8%	-0.6%
MVP	-0.54%	-0.92	-1.5%
Oscar	-4.5%	3.4%	-1.1%
United	-8.3%	8.7%	0.4%
Average	-2.5%	0.8%	-1.7%

3. Enhanced Federal Subsidies

The American Rescue Plan Act (ARPA) increased the amount of premiums available for people purchasing individual market plans and for the first time extended premium subsidies to people earning between 400% and 600% of the federal poverty level. In New York, that meant 147,000 people paid much less for individual market plans than before—the average increase in subsidies was over \$1,000.³ Carriers reduced their 2022 rates in anticipation that increased subsidies would bring new customers and improve the risk pool, on average by 3.7%. Some carriers likely benefited more than others from the larger subsidies.

The enhanced subsidies provided through ARPA are set to sunset in 2023. Some of the carriers have built in rate increases in anticipation of losing customers once their premium costs go up (see Table 7 below). The Department should not allow adjustments made based on speculative judgments about future federal policy changes that may not happen.

If the Department allows these adjustments, it should ensure that these rate increases are based on the carrier’s actual experience with the enhanced subsidies. For example, HealthPlus included an upward adjustment of 1%. However, HealthPlus is an HMO and the most expensive plan on the market. It seems unlikely that price sensitive consumers would flock to HealthPlus in significant numbers due to increased subsidies that would not have covered the cost of its plans.

³NYSStateofHealth, “Health Insurance Coverage Update,” September 2021, https://info.nystateofhealth.ny.gov/sites/default/files/Health%20Insurance%20Coverage%20Update%20-%20September%202021_0.pdf.

Table 7. Effect of the Loss of Federal Subsidies	
<i>Plan</i>	<i>Percent Change in Premium Costs</i>
CDPHP	1.7%
HIP/Emblem	0
Excellus	0.2%
Fidelis	3%
Healthfirst	0
HealthPlus	1%
Highmark	0
IHBC	0
MetroPlus	-1.3%
MVP	0
Oscar	3.0%
United	0
Average	0.6%

The Department should also consider that any impact of the potential termination of the ARPA subsidies will likely be more than offset by new enrollment related to the end of the Public Health Emergency. Many of the people who left the individual market in 2020 ended up in Medicaid plans. When the public health emergency ends, Medicaid redeterminations will begin again for the first time in over two years. People whose 2023 income makes them ineligible for Medicaid will likely enroll in individual market coverage. In fact, the UnitedHealthcare submission estimates that Medicaid redeterminations will increase enrollment by 20% and includes a downwards adjustment to its rate request of 1.1%.

4. Medical Trend

New York’s carriers provide a variety of estimates of medical trend, which is an estimate of how much their claims will increase based on changes in prices and utilization. On average, New York’s individual market carriers seek a 7.3% medical trend.

Table 8. Estimated 2023 Medical Trend by Carrier, New York	
<i>Carrier</i>	<i>Estimated Medical Trend</i>
HIP/Emblem	14.8%
United	8.4%
CDPHP	8.3%
MetroPlus	7.8%
HealthPlus	7.2%
Fidelis	7.0%
Highmark	7.0%
MVP	6.9%
Healthfirst	5.6%
Oscar	5.6%
Excellus	4.7%

IHBC	3.9%
Average	7.3%

New York carriers' trend projections are significantly higher than what carriers are projecting in the other states for which this information is available (see Table 9 below). Even the far less competitive market of Vermont, which has just two individual market carriers, projects a lower average medical trend than New York.

<i>State</i>	<i>Estimated Medical Trend</i>
New York	7.3%
Vermont	7.0%
Washington	6.0%
Oregon	5.7%
Maryland	4.5%

The Department has an important role in controlling medical cost inflation. To this end, it should impose greater standardization in medical trend estimates within New York. There is significant variation in the trend estimates among the carriers, from 3.9% to 14.8% (see Table 8 above). The carrier estimating the lowest trend, Independent Health, is one that might be expected to have one of the higher trend estimates because it is an EPO and serves a relatively small number of consumers. The carrier with the highest estimated medical trend, the Health Insurance Plan of Greater New York (Emblem), is a major New York City HMO that covers hundreds of thousands of City employees and should be able to better control its individual market business trend given its enormous negotiating power with providers.

In setting the 2022 rates, the Department protected consumers' interests by approving an average trend rate of 5.9%. It should consider capping medical trend at this level for 2023 to be more in line with other states. That would mean reducing rate increases for eight plans, since four plans already estimate trends under 5.9%.

5. Administrative Costs and Profit

Administrative costs and profit are another area in which there is excessive variation in carriers' rate applications. On average, the carriers expect 11.3% of their rates to go toward administrative costs (see Table 10 below). Independent Health expects the biggest proportion to go toward administrative costs, at 15.9%. MetroPlus expects the lowest, at 7.4%. For 2022, the Department allowed administrative requests as high as 14%. This is too high. It should consider instead capping administrative costs at 11.3%, the average.

<i>Carrier</i>	<i>Projected Administrative Costs</i>	<i>Requested Profit/Surplus</i>
Independent Health	15.9%	1.0%
Healthfirst	14.7%	0.5%

HIP/Emblem	13.2%	2.0%
Fidelis	12.4%	1.5%
Excellus	12.2%	1.5%
CDPHP	11.5%	1.0%
United	9.8%	1.5%
HealthPlus	9.6%	2.0%
Highmark	9.0%	1.0%
Oscar	8.3%	3.0%
MetroPlus	7.4%	0.5%
Average	11.3%	-

Profit and surplus requests range from 3% to 0.5%. The Department capped profit and surplus at 0.5% for the 2022 rates. It should do the same for 2023.

II. Fidelis

New York Quality Healthcare Corporation, commonly known as “Fidelis,” is a for-profit health insurer that offers HMO plans in New York’s individual market. It previously operated as a popular not-for-profit carrier until 2018, when it was acquired by the national for-profit Centene corporation—over consumer objections that the acquisition would result in substantial premium increases.

Fidelis has 95,688 members in 2022, about 5,600 more than it had in 2021. However, this is still lower than the 113,000 it had in 2020. The decline Fidelis experienced is similar to that of the individual market as a whole, which lost members due to the pandemic. Its individual market plans serve all of New York’s insurance rating regions. Its premiums were the second lowest available in the State in 2022 at \$534 a month. Fidelis has a healthier-than-average membership and is one of the only two carriers making a payment into the risk adjustment program this year.

Fidelis is requesting a 23.2% rate increase for 2023, much higher than the average 11.8%. It has a history of very large rate requests which have been significantly reduced, after which it still failed to meet the State’s minimum MLR standards. The Department should carefully scrutinize the Fidelis rate request considering its MLR history, high adjustment for the loss of federal premium subsidies, elevated medical trend, excessive expense ratio (which includes broker costs). Fidelis is also including a large increase (4.6%) due to unexplained changes in membership distribution by plan and region.

1. Fidelis has a history of asking for unnecessary rate increases that casts doubt on the credibility of its assumptions.

The Department has significantly reduced Fidelis’ requests every year with no discernable effect upon the carrier. If Fidelis’ original requests were based on realistic assumptions, the Department’s actions would have resulted in very high MLRs the next year. Yet in 2019 and 2020, Fidelis failed to even meet the State’s minimum 82% MLR. Its three-year average MLR for the purposes of calculating rebates is only 83.1%, barely over the minimum.

Given this history, the Department should continue its close scrutiny of the materials submitted by Fidelis and again reduce its rate request by a substantial amount.

	Requested	Approved	MLR
2019	38.6%	13.7%	78.0%
2020	6.8%	3.9%	79.6%
2021	18.8%	1.6%	91.7%

2. Fidelis is increasing premium rates by 3% in anticipation of reduced federal premium subsidies, which is the highest such adjustment.

Fidelis seeks a 3% upward adjustment in its rate proposal in anticipation of losing the enhanced federal premium subsidies created through the American Rescue Plan. Last year it decreased rates by 3% in response to the enhanced subsidies.

Three percent is the largest increase carriers proposed in relation to the subsidies. Seven plans included no adjustment for losing the enhanced federal subsidies. The Department should examine the effect the subsidies had on Fidelis more closely to determine whether it will really experience a larger effect from their expiration than other plans in the State. Further, the enhanced subsidies could be renewed, which makes this increase speculative in nature. If this increase is included in Fidelis’ 2023 rates, and the subsidies are renewed, members should not have to keep paying the higher rates. Finally, with the end of the public health emergency, it is likely that many newly employed Medicaid and Essential Plan beneficiaries are likely to return to the individual market – Fidelis as one of the largest and cheapest plans in the state is likely to be a net beneficiary of these renewals in to Qualified Health Plan coverage.

3. Fidelis expects an average medical trend of 7.0%.

Fidelis provides more detail about its trend calculations than many other carriers. This shows that the biggest factor driving its 7.0% trend is inpatient hospital prices followed by prescription drug prices. While this information is helpful, and Fidelis’ trend is similar to the state average, the Department should still consider reducing upward allowable trend for all plans at 5.9%. This is the average this year.

4. Fidelis is proposing administrative costs of 12.4% and a profit of 1.5%.

For 2023, Fidelis seeks an expense ratio of 13.9%, which would leave it with an MLR of 84.5%. This MLR is lower than the average requested by other carriers (87.6%) and is far too low considering its past failures to request reasonable rate changes and to meet MLR minimums. Of the 13.9% requested, 12.4% is for administrative costs. This is lower than the very high proportion of premiums it spent on administrative costs last year (16.4%), but higher than the market-wide average (11.3%).

Some of Fidelis’ administrative costs (0.64%) are broker commissions. In the individual market, the state provides extensive marketing and enrollment assistance. New Yorkers can easily research and select individual market plans at nystateofhealth.ny.gov, and those who

prefer assistance in person can access it in every part of the state. Consumers should not be asked to pay brokers to duplicate these services. Moreover, the Actuarial Memorandum does not indicate how many members in the individual market actually use broker services. Without a detailed description of the number of enrollments facilitated by brokers, this adjustment should be disallowed.

The Department should consider capping Fidelis' administrative costs at the average 11.3%, or lower considering the efficiencies that were supposed to result from its merger with Centene. The Department should also reduce the profit Fidelis will keep to 0.5% from 1.5%, as has done in previous years.

5. Fidelis is increasing rates by 4.6% due to changes in membership distribution by plan or region but does not explain why.

On line 45 of Exhibit 18, Fidelis seeks a 4.6% upward adjustment to its rates because of anticipated changes related to where Fidelis members live and what plans they choose. This is a large adjustment, but there is no narrative explanation for why its members should change their enrollment patterns or why enrollment in particular parts of the state should change so much. Without this, it is impossible to understand if this increase is justified. The Department should require plans to provide a detailed description about any and all significant adjustments to ensure that the public obtains the most benefit from the rate review process. Since none has been provided in its submission, the Department should consider rejecting this adjustment.

6. Fidelis quality and appeal data

The Department's consumer guide still does not include any quality, complaint or external appeal information about Fidelis in its annual Consumer Guide. External appeal data is readily available to the Department since it oversees the External Appeal database. The database indicates that Fidelis has been the subject of nearly 3,000 external appeals. Of which 1,339 (45%) were overturned in full or part. This data should be incorporated in the Department's Guide. In summary, the Department should revamp its Guide to include all individual market carriers – since those consumers would most benefit from the contents of the Guide in informing their enrollment decisions.

Thank you for your attention.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Amanda Dunker".

Amanda Dunker
Health Policy Director
Community Service Society of New York