

## EXHIBIT 13b: NARRATIVE SUMMARY

|                   |                       |
|-------------------|-----------------------|
| Company Name:     | <b>CDPHP</b>          |
| NAIC Code:        | <b>95491</b>          |
| SERFF Tracking #: | <b>CAPD-131471166</b> |
| Market Segment:   | <b>Individual</b>     |

Capital District Physicians' Health Plan, Inc. (CDPHP®) offers a health maintenance organization (HMO) product on a community-rated, direct-pay basis to individuals.

CDPHP has filed a request for approval by the New York State Department of Financial Services for a change to the premium for this product effective January 1, 2019. Policyholders will receive rate adjustments upon their renewal in 2019. The weighted average single premium rate increase is 6.1%. 5,487 members and 3,812 policyholders are affected by this request.

As a not-for-profit health plan, CDPHP takes seriously its responsibility to control rising health care costs and be a good steward of your premium dollars. However, we continue to battle the rising cost of care, driven primarily by specialty drugs and provider consolidation. These factors have resulted in the need to increase insurance premiums.

We are working hard to alleviate these cost increases in a variety of ways, such as:

- The CDPHP Enhanced Primary Care (EPC) program, a nationally-recognized patient-centered medical home that encourages high-quality, cost-effective services at the primary care level.
  - Dedicating resources to improving the overall health of our membership.
  - Easier and more convenient access to care through our telemedicine (live video doctor visits) partner, Doctor On Demand.
  - CDPHP Price Check, a cost transparency tool that provides members estimated costs on a range of health care services.
  - Movement of services to more cost-effective outpatient settings, such as freestanding surgical centers.
  - Case management and medication therapy management services, available at no out-of-pocket cost.
- Mental health and substance use programs, including access to a 24-hour crisis line.

The 2019 expected change in medical and pharmacy costs due to trend is +5.5%.

Federal Risk Adjustment is a program that requires insurance carriers with low-risk members to pay into a fund that covers high-risk members. As a result of an increase in the anticipated payable from this program, the rates have increased 11.8%.

CDPHP is required by New York state insurance law to meet a minimum Medical Loss Ratio (MLR) standard of 82%. This means that 82% of premiums must be used to cover health care costs. CDPHP will exceed this minimum requirement in 2019 with an MLR of 89.5%.

**EXHIBIT 13a: NUMERICAL SUMMARY AND RATE INDICATION CALCULATION**

**NUMERICAL SUMMARY**

Company: CDPHP  
 NAIC Code: 95491  
 SERFF Tracking #: CAPD-131471166  
 Market Segment: Individual

- 1 Please complete the Numerical Summary below as well as the Narrative Summary (a separate attachment) for each market segment for which a rate filing is being submitted.
- 2 The Narrative Summary must be in plain English and should clearly and simply explain the reasons for the requested rate adjustment (This should be included in the provided blank template "2019 Exhibit 13b - Narrative Summary.docx")
- 3 The purpose of the Narrative Summary is to provide a written explanation to the company's policyholders to help them understand the reasons why a rate increase is needed.
- 4 The purpose of the Numerical Summary is to provide a clear and simple overview of the requested rate adjustment.
- 5 These Summaries (with the exception of the Rate Indication Calculation Section) will be public documents and will be posted on DFS's website and furnished by DFS to the public upon request.
- 6 The company should submit these Summaries to DFS ten (10) days before submitting a rate adjustment filing.
- 7 A draft of these Summaries and of the Initial Notice must be included in a "Prior Approval Pre-filing" submitted to DFS via SERFF.
- 8 Once reviewed by DFS, these Summaries must be posted to a location on its website that is publicly available and accessible without the need for a user ID/password.
- 9 Links should be provided on key pages of the company's website so that the information may be easily located.
- 10 Any change(s) made to the Narrative Summary/Numerical Summary subsequent to the posting must be submitted to DFS with the specific change(s) identified.
- 11 Rate Change Adjustment calculations between Year 2018 and 2019 should be based on the DFS Membership Survey data as of 3/31/2018.
- 12 This exhibit must be submitted as an Excel file and as a PDF file.

**A. Average 2018 and 2019 Premium Rates:**

- 1 Average Premium Rates are as calculated in Row 30 of the appropriate columns in Exhibit 13c (Columns L-Q for 2018 and Columns U-Z for 2019)
- 2 Premium Rates for 2019 should be Consistent with the Premium Rates reflected in Exhibit 23.

|  | Average Individual Rate<br>Platinum | Average Individual Rate<br>Gold | Average Individual Rate<br>Silver | Average Individual Rate<br>Bronze | Average Individual Rate<br>Catastrophic |
|--|-------------------------------------|---------------------------------|-----------------------------------|-----------------------------------|---|
| 2018 Weighted Average Base Premium Rates | \$ 868.26                           | \$ 745.19                       | \$ 647.57                         | \$ 439.89                         | \$ 304.23                               |
| 2019 Weighted Average Base Premium Rates | \$ 930.01                           | \$ 797.53                       | \$ 682.54                         | \$ 463.86                         | \$ 268.41                               |

**B. Weighted Average Annual Percentage Requested Adjustments:**

|                           | 2018 to 2019 | 2018 Weighted Average PMPM Rate<br>All - Metals | 2019 Weighted Average PMPM Rate<br>All - Metals |
|---------------------------|--------------|---|---|
| Requested Rate Adjustment | 5.04629%     | 568.06  | 596.72  |

From Cells Q-72 and Z-72 of Exhibit 13c

**C. Weighted Average Annual Percentage Adjustments for each of the Past Two Years (If Applicable)\*:**

|                                   | 2016 to 2017 | 2017 to 2018 |
|-----------------------------------|--------------|--------------|
| Average Rate Adjustment Requested | 11.20176%    | 15.23021%    |
| Average Rate Adjustment Approved  | 13.63985%    | 14.90000%    |

**D. Average Medical Loss Ratios (MLR) for All Policies Impacted (Ratios of Incurred Claims to Earned Premiums) (If Applicable)\*:**

|     | 2015      | 2016      | 2017      |
|-----|-----------|-----------|-----------|
| MLR | 1.0813868 | 0.9950387 | 0.9340706 |

**E. Claim Trend Rates and Average Ratios to Earned Premiums (Per Exhibit 19 for 2017-2019 and Comparable Exhibits for 2017) (If Applicable)\*:**

|                          | 2017      | 2018      | 2019      |
|--------------------------|-----------|-----------|-----------|
| Annual Claim Trend Rates | 7.112%    | 5.465%    | 5.465%    |
| Expense Ratios           | 0.1009623 | 0.0909134 | 0.0948528 |
| Pre Tax Profit Ratios    | 0.0100000 | 0.0100000 | 0.0100000 |

\* If product was not offered in a particular year, indicate "N/A" in the applicable box.