STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In The Matter Of:	:	
UNITED HEALTHCARE	:	**Docket No. LH 10-130**
INSURANCE COMPANY	:	
Medicare Supplement Insurance	:	

ORDER

I, Thomas R. Sullivan, Insurance Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter and issue the following order, to wit:

The rate increase requests for the following pre-standardized plans are granted the following rate increases:

Pre-Standardized Plans	Increase
M1/J1/P1	9.3%
M2/J2/P2	9.4%
M3/J3/P3 (w/ drugs)	5.0%
M3/J3/P3 (w/o drugs)	5.0%
M4 (w/ drugs)	9.5%
M4 (w/o drugs)	9.5%
M5/J5/P5	9.3%
M6/J6/P6	9.5%
M7/P7 (w/ drugs)	7.0%
M7/P7 (w/o drugs)	7.0%
AD/DP	0.0%
AG	5.0%
W (w/ drugs)	5.0%
W (w/o drugs)	5.0%
X	5.0%
Y	5.0%

The rate increase requests for the following standardized plans sold prior to June 1, 2010 and the MIPPA Standardized plans sold after June 1, 2010 are granted the following rate increases:

Standardized Plans	Increase
A	4.0%
B	6.8%
C	6.8%
D	6.3%
E	6.3%
F	6.7%
G	6.3%
H (with drugs)	7.9%
H (without drugs)	8.0%
I (with drugs)	7.3%
I (without drugs)	7.3%
J (with drugs)	8.4%
J (without drugs)	8.5%
K	-1.6%
L	0.0%
N	0.0%

United HealthCare Insurance Company is directed to file revised rate schedules with the Insurance Department, reflecting the rate changes approved under this Order. The revised rate schedules must be filed no later than Friday, October 15, 2010.

Dated at Hartford, Connecticut, this 1st day of October, 2010.

Thomas R. Sullivan
Insurance Commissioner

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In The Matter Of:	:	
UNITED HEALTHCARE	:	**Docket No. LH 10-130**
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PROPOSED FINAL DECISION

1. INTRODUCTION

The Insurance Commissioner of the State of Connecticut is empowered to review rates charged for individual and group Medicare supplement policies sold to any resident of this State who is eligible for Medicare. The source for this regulatory authority is contained in Chapter 700c and Section 38a-495a of the Connecticut General Statutes.

After due notice a hearing was held at the Insurance Department in Hartford on September 21, 2010 to consider whether or not the rate increase requested by United Healthcare Insurance Company on its Medicare supplement business should be approved.

No member from the general public or public officials attended the hearing.

One company representative from United Healthcare attended and participated in the hearing. Two company representatives listened to the hearing proceedings by speaker phone.

The hearing was conducted in accordance with the requirements of Section 38a-474, Connecticut General Statutes, the Uniform Administrative Procedures Act, Chapter 54 of the Connecticut General Statutes, and the Insurance Department Rules of Practice, Section 38a-8-1 et seq. of the Regulations of Connecticut State Agencies.

A Medicare supplement (or Medigap) policy is a private health insurance policy sold on an individual or group basis which provides benefits that are additional to the benefits provided by Medicare. For many years Medicare supplement policies have been highly regulated under both state and federal law to protect the interests of persons eligible for Medicare who depend on these policies to provide additional coverage for the costs of health care.

Effective December 1, 2005, Connecticut amended its program of standardized Medicare supplement policies in accordance with Section 38a-495a of the Connecticut General Statutes, and Sections 38a-495a-1 through 38a-495a-21 of the Regulations of Connecticut Agencies. This program, which conforms to federal requirements, provides that all insurers offering Medicare supplement policies for sale in the state must offer the basic "core" package of benefits known as Plan A. Insurers may also offer any one or more of eleven other plans (Plans B through L).

Effective January 1, 2006, in accordance with Section 38a-495c of the Connecticut General Statutes (as amended by Public Act 05-20) premiums for all Medicare supplement policies in the state must use community rating. Rates for Plans A through L must be computed without regard to age, gender, previous claims history or the medical condition of any person covered by a Medicare supplement policy or certificate.

The statute provides that coverage under Plan A through L may not be denied on the basis of age, gender, previous claims history or the medical condition of any covered person. Insurers may exclude benefits for losses incurred within six months from the effective date of coverage based on a pre-existing condition.

Effective October 1, 1998, carriers that offer Plan B or Plan C must make these plans as well as Plan A, available to all persons eligible for Medicare by reason of disability.

Insurers must also make the necessary arrangements to receive notice of all claims paid by Medicare for their insureds so that supplemental benefits can be computed and paid without requiring insureds to file claim forms for such benefits. This process of direct notice and automatic claims payment is commonly referred to as "piggybacking" or "crossover".

Sections 38a-495 and 38a-522 of the Connecticut General Statutes, and Section 38a-495a-10 of the Regulations of Connecticut Agencies, state that individual and group Medicare supplement policies must have anticipated loss ratios of 65% and 75%, respectively. Under Sections 38a-495-7 and 38a-495a-10 of the Regulations of Connecticut Agencies, filings for rate increases must demonstrate that actual and expected losses in relation to premiums meet these standards, and anticipated loss ratios for the entire future period for which the requested premiums are calculated to provide coverage must be expected to equal or exceed the appropriate loss ratio standard.

Section 38a-473 of the Connecticut General Statutes provides that no insurer may incorporate in its rates for Medicare supplement policies factors for expenses that exceed 150% of the average expense ratio for that insurer's entire written premium for all lines of health insurance for the previous calendar year.

II. FINDING OF FACT

After reviewing the exhibits entered into the record of this proceeding, the testimony of the witnesses, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

General

United HealthCare was granted a rate increase on its Connecticut Medicare Supplement AARP block of business for 2010. The current filings for 2011 rates request the following increases:

Plan	Proposed 2011 Monthly Rate	2010 Monthly Rate	Diff. (%)
M1/J1/P1	$123.25	$112.75	9.3%
M2/J2/P2	$209.75	$191.75	9.4%
M3/J3/P3 (w/ drugs)	$379.25	$346.50	9.5%
M3/J3/P3 (w/o drugs)	$336.25	$307.25	9.4%
M4 (w/ drugs)	$352.00	$321.50	9.5%
M4 (w/o drugs)	$309.00	$282.25	9.5%
M5/J5/P5	$155.00	$141.75	9.3%
M6/J6/P6	$266.25	$243.25	9.5%

M7/P7 (w/ drugs)	$370.50	$338.50	9.5%
M7/P7 (w/o drugs)	$327.50	$299.25	9.4%
A	$129.25	$120.00	7.7%
B	$180.75	$169.25	6.8%
C	$220.75	$206.75	6.8%
D	$206.00	$193.75	6.3%
E	$206.75	$194.50	6.3%
F	$221.75	$207.75	6.7%
G	$207.00	$194.75	6.3%
H (with drugs)	$268.25	$248.50	7.9%
H (without drugs)	$185.75	$172.00	8.0%
I (with drugs)	$271.00	$252.50	7.3%
I (without drugs)	$187.75	$175.00	7.3%
J (with drugs)	$324.75	$299.50	8.4%
J (without drugs)	$205.25	$189.25	8.5%
K	$89.75	$91.25	-1.6%
L	$129.00	$127.00	1.6%
N	$154.75	154.75	0.0%
AG	$48.00	$44.00	9.1%
W (w/ drugs)	$307.50	$281.00	9.4%
W (w/o drugs)	$283.75	$259.25	9.5%
X	$179.00	$163.50	9.5%
Y	$108.75	$99.50	9.3%

No increase requested for pre-standardized Plan AD/DP.

United HealthCare calculated the Medicare Part A trend as follows:

	2008	2009	2010	2011
Medicare Part A Deductible	$1,024	$1,068	$1,100	$1,140
% Change in Part A Deductible	3.2%	4.3%	3.0%	3.6%
Utilization Trend	2.5%	-1.8%	1.9%	2.8%
Composite Trend	5.8%	2.4%	5.0%	6.6%

Trend for the M-Series is based upon historical experience.

Approximately 3,057 Connecticut residents are covered by M-series plans. United HealthCare's standardized plans prior to June1, 2010 cover approximately 76,368, with an additional 1,597 covered under the new MIPPA plan. The standardized MIPPA plans are available on a group basis under a group policy issued to the American Association of Retired Persons (AARP).

United HealthCare certified that the expense factors, within the proposed rates, are in compliance with section 38a-473, C.G.S.

United HealthCare indicated at the hearing that, due to continued increases in medical expenses and utilization above and beyond what they are currently pricing for, the requested rate increases are justifiable as well as in compliance with the loss ratio requirements of Connecticut law.

Pre-standardized plans - National Retired Teachers Association Group Health Program
(loss ratios are specific to Connecticut)

The 2009 loss ratio for Plan AG is 21.2% while the 2010 and 2011 estimated loss ratios are 184.4% and 207.8%, respectively.

The 2009 loss ratio for Plan X is 55.5% while the 2010 and 2011 estimated loss ratios are 104.8% and 119.2%, respectively.

The proposed rates for these plans are intended to be approximately equivalent to the rates and claim costs in the AARP Medicare Supplement Portfolio with comparable benefits.

The overall trend in 2010 is assumed to be 186.8%.

There were 18 lives covered under these plans in 2009. Most of the covered lives are in Plan AG.

Pre-Standardized Plans M-Series

The level of claim continues to increase for these plans as the insured become older and no new insured enter the group.

The overall loss ratios for the M-series block are as follows:

Plan	2009	2010 Est.	2011 Est.
M1	115.5%	172.2%	177.8%
M2	76.0%	105.7%	117.0%
M3	76.3%	70.4%	72.1%
M4	90.1%	78.8%	83.4%
M5	64.0%	125.5%	140.6%
M6	91.6%	93.0%	91.7%
M7	92.3%	74.2%	74.2%
AD/DP	10.2%	49.2%	52.2%
Total	90.7%	91.4%	90.6%

Standardized Plans

The loss ratios for the standardized block of business are as follows:

Plan	2009	2010 Est.	2011 Est.
A	74.6%	79.5%	78.2%
B	77.4%	81.2%	81.2%
C	93.9%	84.8%	83.3%
D	84.0%	81.5%	82.6%
E	81.3%	81.5%	82.9%
F	77.8%	82.1%	83.1%

G	78.2%	80.9%	82.4%
H	87.2%	83.7%	81.8%
I	83.0%	82.7%	81.9%
J	83.1%	84.7%	82.7%
K	52.3%	63.6%	75.0%
L	58.8%	70.8%	78.2%
Total	82.6%	83.3%	82.8%

MIPPA Plans

The loss ratios for the MIPPA block of business are as follows:

Plan	2010 Est.	2011 Est.
A	79.7%	78.4%
B	81.4%	81.3%
C	85.0%	83.4%
F	82.3%	83.2%
K	63.6%	75.0%
L	70.9%	78.2%
N	70.9%	79.4%
Total	81.9%	82.9%

Compliance with Reg. 38a-474 (submission and review of rates for Medicare supplement)
United HealthCare's 2010 Medicare supplement rate filing proposals are in compliance with the requirements of regulation 38a-474 as it applies to the contents of the rate submission as well as the actuarial memorandums.

It has been confirmed that United HealthCare makes standardized Plans A, B and C available to persons eligible for Medicare by reason of a disability at the rates approved for the same plans under the AARP group policy, and that United HealthCare is in compliance with the automatic claim processing system (i.e., piggybacking).

III. RECOMMENDATION

Pre-standardized M-Series

The undersigned recommends approval of the following rate increases for 2011:

Plan	Increase
M1/J1/P1	9.3%
M2/J2/P2	9.4%
M3/J3/P3 (w/ drugs)	5.0%
M3/J3/P3 (w/o drugs)	5.0%
M4 (w/ drugs)	9.5%

M4 (w/o drugs)	9.5%
M5/J5/P5	9.3%
M6/J6/P6	9.5%
M7/P7 (w/ drugs)	7.0%
M7/P7 (w/o drugs)	7.0%

For Plans M1, M2, M4, M5 and M6 the rate change request is reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

For plans M3 and M7 the rate increase request was modified to account for better experience both in Connecticut and on a nationwide basis.

Standardized Plans Sold Prior to June 1, 2010 and MIPPA Plans Sold after June 1, 2010

The undersigned recommends approval of the following rate increases for 2011:

Plan	Increase
A	4.0%
B	6.8%
C	6.8%
D	6.3%
E	6.3%
F	6.7%
G	6.3%
H (with drugs)	7.9%
H (w/o drugs)	8.0%
I (with drugs)	7.3%
I (w/o drugs)	7.3%
J (with drugs)	8.4%
J (w/o drugs)	8.5%
L	0.0%

The undersigned also recommends that no rate change be approved as requested for Plan N and a decrease of 1.6% be approved for Plan K as requested.

For Plans B through J the rate change request is reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

For Plan A and L the rate increase request was modified to account for better Connecticut experience as well as nationwide experience for Plan L.

Pre-Standardized AG, W, X, Y

The undersigned recommends that the requested increases be disapproved as submitted, but limited to 5%. This adjustment reflects the lack of credibility both in Connecticut and on a nationwide basis for these plans

Dated at Hartford, Connecticut, this 1st day of October, 2010.

Danny K. Albert
Hearing Officer