Information About Your 2015 HIP Small Group Rates  
(Effective January 2015)  
Includes the EmblemHealth Healthy NY HMO (Gold) Plan

EmblemHealth is requesting premium rate increases for certain small group plans. The New York State Department of Financial Services (DFS) is reviewing our rates and will determine if they feel the increases are appropriate.

The rates covered under this notice are for the EmblemHealth company Health Insurance Plan of Greater New York (HIP). It is a not-for-profit health service corporation organized under Article 43 of the New York Insurance Law and certified to operate a Health Maintenance Organization (HMO) under Article 44 of the New York Public Health Law. EmblemHealth provides benefit plans that enable its members to access covered health care services. EmblemHealth and its other companies serve over 2.2 million members, of whom approximately 20,000 are small group members of HIP-underwritten plans, located mostly in the greater New York metropolitan area. HIP’s premium income is used to serve those members it insures, either for payments for medical services the members need, or to pay for the administrative services related to these expenses.

Your Premium Rate

The premium rate you pay for health insurance is essentially made up of two components: the costs of medical care and the costs related to our administrative costs. By far the largest part of your rate is the cost we pay for medical claims submitted by members. In fact, New York State law requires that a minimum of 82 percent of the premium you pay must be a direct result of the amount we pay for member medical costs.

Before we apply for a rate increase, we thoroughly review claims data and administrative expenses to determine future costs and expenses.

Components of Your Proposed 2015 Rate Increase

The components of your proposed 2015 rate increase include: 1) the rise in the costs of medical care, 2) the rise in our administrative costs, and 3) our estimated gain (or loss) from underwriting. These three components are explained below, followed by a table that summarizes the reasons for the proposed rate increase.

- **Higher costs of medical care.** One portion of the proposed increase comes from the rising costs of providing our members’ care. This includes increases in the rates that we pay our providers, the higher costs of new treatments and prescription drugs, and increased utilization in medical services required by many of our members.

  In addition, we will be receiving less money from the Federal Reinsurance Program in 2015 which helps to reduce premium for the Individual market.

- **Higher administrative costs.** A second portion of the proposed rate increase is for our administrative expenses. This component includes costs we pay for a wide variety of services and functions, like processing claims; upgrading systems needed to comply with state, federal and other legal requirements; consumer education, which includes programs for managing chronic and complex medical conditions as well as other wellness programs; maintaining our provider network; conducting
medical reviews; maintaining our customer service resources; and operating Web-based information services. Our administrative costs also include taxes and other fees associated with medical services.

- **Estimated gain or loss from underwriting.** A third portion of the rate increase results from our estimated underwriting gain or loss for 2015. The amount of any underwriting gain will be used to expand our business and sustain our current level of service.

**Drivers of the Requested Rate Increase (Effective January 2015)**

<table>
<thead>
<tr>
<th>Type of Cost</th>
<th>% Assumed in Current (2014) Rate</th>
<th>Per Member Per Month Increase</th>
<th>Portion of Increase</th>
<th>% Assumed in Renewal (2015) Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medical Care Costs</strong> — Cost of providing health care services to policyholders</td>
<td>84.2%</td>
<td>$38.69</td>
<td>73.2%</td>
<td>83.0%</td>
</tr>
<tr>
<td><strong>Administrative Costs</strong> — Marketing, claims processing, taxes, assessments and other costs to the company</td>
<td>14.9%</td>
<td>$13.18</td>
<td>25.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td><strong>Pre-Tax Underwriting Gain or Loss</strong> — Amount company puts to use after paying claims and administrative expenses</td>
<td>0.9%</td>
<td>$0.95</td>
<td>1.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>$52.82</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

If our proposed rate increases are approved by the state, they will become effective on your plan’s annual renewal date in the January 2015 and be added to your 2014 premium rate. Please note that even with this new increase, our plans are priced competitively with similar plans offered by other insurers.

In addition, we want to assure you that we are doing our best to control our administrative costs, to work with our providers, and to seek all other means to keep the cost you pay for our coverage as low as possible, while still maintaining the high quality of care you deserve.

The premium rate increases we are requesting are shown below, by year-quarter. These rate increases would apply to plans sold in the following counties: Delaware, Dutchess, Orange, Putnam, Sullivan and Ulster.

**Percent Increase From 1st Quarter 2014 to 1st Quarter 2015 for Plans Renewing in the 1st Quarter of 2015:**  
EmblemHealth Healthy NY HMO (Gold)  38.9%

**Percent Increase From 2nd Quarter 2014 to 2nd Quarter 2015 for Plans Renewing in the 2nd Quarter of 2015:**  
EmblemHealth Healthy NY HMO (Gold)  37.3%

**Percent Increase From 3rd Quarter 2014 to 3rd Quarter 2015 for Plans Renewing in the 3rd Quarter of 2015:**  
EmblemHealth Healthy NY HMO (Gold)  35.7%

**Percent Increase From 4th Quarter 2014 to 4th Quarter 2015 for Plans Renewing in the 4th Quarter of 2015:**  
EmblemHealth Healthy NY HMO (Gold)  34.1%
Final Rate Increase

Your final renewal rate may be different from the proposed increase shown above. The New York State Department of Financial Services may approve, modify or deny the adjustment. We will notify you of your final, approved rate approximately 60 days before your renewal date.

At this time, we have not filed any additional benefit changes to this plan with DFS. In the event that we file further benefit changes to this plan — for example, due to new benefits mandated by New York State law — those benefit changes may also impact your final premium rate.