

EXHIBIT 13: NARRATIVE SUMMARY

Company Name:	FREELANCERS HEALTH SERVICES COPORATION d/b/a HEALTH REPUBLIC INSURANCE OF NEW YORK
NAIC Code:	15273
SERFF Tracking #:	

FREELANCERS HEALTH SERVICES COPORATION d/b/a HEALTH REPUBLIC INSURANCE OF NEW YORK

New York Individual Plans

Narrative Summary of Requested Rate Changes – Effective January 1, 2015

Freelancers Health Services Corporation d/b/a Health Republic Insurance of New York (Health Republic) is submitting a request for a rate increase for its individual plans in New York State. The Narrative Summary provides further explanation of the letter that you received from Health Republic regarding the proposed premiums for 2015 that we filed with the New York State Department of Financial Services (DFS). We are posting this Narrative Summary on [our website](#); as described in the letter, please review this information and contact us or DFS with questions within the 30-day comment period.

How We Arrive at Our Premiums

Health Republic is committed to providing low-cost, high-quality health coverage and is proud to be among the most affordable options for individual New Yorkers and small businesses across the state. Medical costs and administrative expenses are the main components from which we derive our annual premium. Our premiums must also be adequate to ensure our organization achieves long-term sustainability as New York's only not-for-profit CO-OP. Any positive margin that Health Republic achieves is reinvested in the health plan to maintain affordability, improve benefits, and ensure quality for years to come.

Medical costs make up the largest share of the premium and are accounted for in the medical loss ratio (MLR) – the percentage of the premiums paid toward medical costs. By law, in New York State, at least 82% of the annual premium charged for the health plan must be paid toward medical costs. Medical costs include:

- Physician office visits;
- Inpatient and outpatient care;
- Prescription drugs; and
- Mandated benefits.

There are certain other fees and assessments that are counted as medical costs, and include:

- HCRA surcharge, which is the Health Care Reform Act surcharge on hospital-related services; and
- Wellness programs, aimed at improving health, are also classified as medical costs.

There are a number of administrative costs that are included in the premium, such as:

- Processing and paying claims, as well as medical reviews;
- Maintaining our provider network (physicians, hospitals, etc.);
- Medical management programs, including managing chronic and complex medical conditions;
- Customer service;
- Systems to remain compliant with legal requirements;
- Federal fees associated with the Patient Protection and Affordable Care Act (PPACA) including the Insurer's Fee and Reinsurance Assessment;
- State fees including GME – Graduate Medical Education – or covered lives assessment, which is an annual surcharge on every person who has insurance coverage in the state, as well as Section 206 Assessments, which are used to defray the operating expenses of DFS.

Reasons for Rate Adjustment

Health Republic launched in 2014 as New York's only not-for-profit Consumer Operated and Oriented Plan, or CO-OP, in the midst of a transformative year in healthcare, with improved access to coverage for people across the state.

In 2014, premiums for other health plans in New York had significantly higher premium rates than Health Republic. As a member-run, not-for-profit plan, we want coverage for our members to be as affordable as possible and we must be sustainable. Health Republic is requesting the following rate adjustments for its individual plans:

Requested 2015 Health Republic Individual Product Premium Rate Adjustments								
Rating Area	Albany	Buffalo	Mid-Hudson	New York City	Rochester	Syracuse	Utica/Watertown	Long Island
Platinum	18.80%	12.90%	18.80%	16.50%	18.80%	5.10%	18.80%	16.50%
Gold	18.80%	12.90%	18.80%	16.50%	18.80%	5.10%	18.80%	16.50%
Silver	15.10%	9.40%	15.10%	12.90%	15.10%	1.90%	15.10%	12.90%
Bronze	18.80%	12.90%	18.80%	16.50%	18.80%	5.10%	18.80%	16.50%
Catastrophic	-9.90%	-14.40%	-9.90%	-11.60%	-9.90%	-20.30%	-9.90%	-11.60%

Total policyholders affected: 54,900

Due to a change in rating methodology required by regulation, the rate increases for the Silver Metal Tier plans vary from the other Metal Tiers plans in 2015.

Due to changes in provider contracting assumptions from 2014 to 2015, rate increases vary by region in 2015.

It is necessary for us to seek a rate adjustment in 2015 for the following reasons:

- Increasing medical costs and utilization: the cost of medical care, including reimbursements to doctors, hospitals, and pharmaceutical companies are rising.
- Declining federal support: certain federal programs that were established, including reinsurance, to help cover the risk of insuring new individuals under the Affordable Care Act, will be decreasing in 2015 and the years following.
- Changes to the population served based on state average Affordable Care Act marketplace enrollment.
- Changes in taxes, fees, and administrative expenses.

Even with the proposed increase, Health Republic is confident that it will be among the most affordable options for individual New Yorkers and small businesses in 2015 and for many years to come.

The proposed rate changes are currently being reviewed by DFS and new rates will be released later this summer. The rates will be effective on January 1, 2015 and all policyholders will receive the rate adjustment at that time.

After DFS has reviewed and finalized the rate changes, we will be contacting all members with updated rate information.