

11 NCAC 16 .0607 HMO INCURRED LOSS RATIO STANDARDS

(a) The following shall apply to all HMO rate revision filings:

- (1) The application of a requested rate increase or decrease shall result in an average incurred loss ratio projected for North Carolina over the period required in 11 NCAC 16 .0606(8) of this Section that is not less than:
 - (A) 75.0% for full-service HMO products issued on a group basis;
 - (B) 65.0% for single-service HMO products issued on a group basis;
 - (C) 65.0% for full-service HMO products issued on an individual basis; or
 - (D) 55.0% for single-service HMO products issued on an individual basis.
- (2) If the average incurred loss ratio projected for North Carolina over the period required in 11 NCAC 16 .0606(8) of this Section is greater than the minimum limit cited in Subparagraph (a)(1) of this Rule plus 15.0%, then the following supporting documentation shall be included in the filing:
 - (A) a list of each of the specific components that make up the total retention loading expressed as a percentage of premium;
 - (B) a brief description of the methodology employed to obtain each of the components that make up the total retention loading;
 - (C) a brief explanation as to why any of the components that make up the total retention loading have changed and a statement of opinion from an officer of the HMO that these changes are permanent in nature;
 - (D) a brief, summary description of the impact of all special fee negotiations or contract arrangements that affect the premium rates. Identification of specific hospitals or physician groups shall not be required; and
 - (E) a comparison of the rates to other HMO rates with similar benefit plans.

(b) The following shall apply to all initial HMO rate filings and HMO expansion requests:

- (1) The average incurred loss ratio projected for North Carolina over the last 12 months of the three year financial projection period shall be no less than:
 - (A) 75.0% for full-service HMO products issued on a group basis;
 - (B) 65.0% for single-service HMO products issued on a group basis;
 - (C) 65.0% for full-service HMO products issued on an individual basis; or
 - (D) 55.0% for single-service HMO products issued on an individual basis.
- (2) If the average incurred loss ratio projected for North Carolina over the last 12 months of the three year financial projection is greater than the minimum limit cited in Subparagraph (b)(1) of this Rule plus 15.0%, then the following supporting documentation shall be included in the filing:
 - (A) a list of each of the specific components that make up the total retention loading expressed as a percentage of premium;
 - (B) a brief description of the methodology employed to obtain each of the components that make up the total retention loading;
 - (C) a brief explanation as to why any of the components that make up the total retention loading have changed and a statement of opinion from an officer of the HMO that these changes are permanent in nature;
 - (D) a brief, summary description of the impact of any special fee negotiations or contract arrangements that affect the premium rates. Identification of specific hospitals or physician groups shall not be required; and
 - (E) a comparison of the rates to other HMO rates with similar benefit plans.

*History Note: Authority G.S. 58-67-50(b); 58-67-150;
Eff. April 1, 1995;
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