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Court Voids a 12% Rise In H.I.P. Rates Saying Procedure Was Faulty

By RONALD SULLIVAN

A State Supreme Court justice has struck down a 12 percent rate increase for the Health Insurance Plan of Greater New York that was approved last April by the State Department of Insurance.

In a decision handed down on Wednesday, Justice Xavier C. Riccobono held that the 28 neighborhood clinics operated by H.I.P. should be classified as hospitals, therefore, he said, the Department of Health must certify their efficient operation before the Department of Insurance can approve any rate increase.

The justice's decision conflicted with the positions of both departments, which contended that the H.I.P. medical groups were not hospitals and thus did not require Health Department certification before being awarded increases in the premium rates charged to the plan's 735,000 subscribers.

However, Justice Riccobono described their contention as "tortuous."

Allan Kornfeld, the H.I.P. president, said the decision would be appealed.

Mr. Kornfeld said that the rate increase amounted to \$7 million, about half of which came from New York City, which pays for medical coverage for about 500,000 city employees.

Mr. Kornfeld said that he had been informed that the state agencies also would appeal, a move that would automatically stay the court's ruling.

The city has a stipulation with the health plan that if the increase is disapproved, it is entitled to be reimbursed retroactively.

Donald Rubin, the head of the Consumer Commission on the Accreditation of Health Services, a private, non-profit organization that brought suit against the rate increase, said, "Now H.I.P. rate increases will no longer be rubber-stamped by the Superintendent of Insurance without the benefit of the State Health Department's reviewing the cost, quality and adequacy of care."