

# New York State Department of Financial Services

## Premium Rate Approval - Decision Summary

**Insurer:** MVP Health Plan, Inc. (MVP)  
**Filing Type:** Section 4308(c) prior approval filing  
**Effective Date:** January 1 to December 31, 2012  
**SERFF Tracking Number:** MVPH-127319693  
**Lines of Business:** Healthy New York (Individual and Small Group/Sole Proprietor)  
**Affected Members:** 12,260  
**Affected Premiums:** \$35 million  
**Rating Structure:** Quarterly rolling rates

### Summary:

	<u>Requested (avg)</u>	<u>Approved (avg)</u>	<u>Reduction (avg)</u>
1Q2012 over 1Q2011	13.0%	6.7%	-6.3%
2Q2012 over 2Q2011	13.1%	6.6%	-6.5%
3Q2012 over 3Q2011	13.1%	6.5%	-6.6%
4Q2012 over 4Q2011	13.3%	6.6%	-6.7%
<b>All 4 Quarters</b>	<b>13.2%</b>	<b>6.6%</b>	<b>-6.6%</b>

Range: 4.2% to 11.7%, due to the changes in the ratings by regions.

The analysis included the following “requested” versus “approved” assumptions for the various parts of the application:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	8.31%	8.31%
2. Administrative Expense Ratio	12.75%	12.75%
3. Profit Objective (percent of premium, pre-tax)	4.0%	2.0%
4. Medical Loss Ratio (MLR)	83.25%	85.25%

### History:

The last prior approval application on MVP’s Healthy New York plans was submitted to the Department on September 8, 2010 to be effective on January 1, 2011. The Department approved an average 10.5% year-over-year increase.

### Analysis:

The Department reviewed the material that MVP submitted within the rate application, which included the changes in the ratings by regions, the projected trend assumptions, administrative expense assumptions, projected claims, and the development of the needed rate change, as well as comparisons to similar historical data in each of these areas. The Department also considered

the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decisions.

### **Annual Claim Trend Rates**

In its development of the requested rate actions, MVP assumed an annual trend rate of 8.74% on Non-Drug Claims, an annual trend rate of 3.4% on Drug Claims, and a composite annual trend rate of approximately 8.31%. The Department finds that these annual trend rates are reasonable.

### **Administrative Expense Ratio**

In its development of the requested rate actions, MVP assumed an expense ratio (total expenses to total premiums) of 12.75%. The Department finds that this assumption is reasonable.

### **Profit Objective:**

In its development of the requested rate actions, MVP assumed a pre-tax profit objective of 4.0% of the premiums. Based on available information, the Department found that a pre-tax objective of 2.0% is reasonable, which will yield a return on equity of approximately 12%.

### **Projected Loss Ratio:**

With the administrative expense ratio of 12.75% and profit objective of 2.00%, MVP's projected loss ratio will be 85.25%.

### **Projected Stop-Loss Reimbursements:**

In the development of the requested premium rate actions, MVP assumed a reimbursement for Stop Loss at 32.0% of the pre-Stop Loss Incurred Claims. In its financial statements, such reimbursement ratios have been reported at 31.4% for 2008, 34.2% for 2009, 28.0% for 2010, and 31.0% on average ratio for 2008 through 2010.

The Department assumed a Stop-Loss Reimbursement Ratio of 30.0%, which is more generous than requested.

### **Standardized Premiums:**

In order to accurately reflect past premium increases that have not yet gone into effect, the Department "standardizes" the premiums requested. Actual premiums earned during the previous calendar year are adjusted to include premium increases that were subsequently approved but not reflected as actual premiums earned. The Department is using a conversion factor at 118.1%. MVP used a different method that resulted in a lower factor. MVP did not justify the factor it used in the development of its requested rate actions. The higher department factor resulted in a reduction to the requested rate action of approximately 5%.

**Decision:**

Based on its review and analysis described above, the Department determines that the requested average increase for the first quarter of 2012 of 4.1% over the fourth quarter 2011 should be modified to -1.8%. This will result in year-over-year changes summarized in chart above.