

**New York State Department of Financial Services
Premium Rate Approval - Decision Summary**

Insurer: MVP Health Plan, Inc.
Filing Type: Section 4308(c) Prior Approval Filing(s)
Date Received: July 21, 2011
Effective Date: January 1, 2012
SERFF Tracking Number: MVPH-127319737
Lines of Business: Individual Direct Pay for HMO and POS Plans
Affected Members: 210
Rating Structure: Annual Rates (increase imposed on renewal date)

Summary:

<u>Requested (avg)</u>	<u>Approved (avg)</u>	<u>Reduction (avg)</u>
6.2%	3.7%	-2.5%

Range: 1.8% to 5.0%.

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	8.26%	8.26%
2. Administrative Expense Ratio	12.0%	4.5%
3. Profit Objective (percent of premium, pre-tax)	6.0%	3.5%
4. Medical Loss Ratio (MLR)	82.0%	92.0%

Analysis:

The Department reviewed the material that MVP submitted with the rate applications, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, applicable stop loss reimbursements, applicable market stabilization pool receipts or payments, 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.

All of MVP’s premium rates vary by rating region. The HMO has five rating regions (Central, East, Mid-Hudson, North Country and Rochester Area). MVP is requesting changes in the premium rates by rating region which produced the ranges indicated above.

Annualized Claim Trends:

MVP's assumes an annualized claim trend rate of +8.26%. The Department finds this to be reasonable.

Administrative Expense Assumptions:

MVP calculated the requested rate increase using an assumed administrative expense equal to 12% of premiums. The Department compared this rate to industry average expenses for Direct Pay products (which have high premiums compared to other lines of business), and to MVP's own expense ratios submitted in its Annual Statement (Data Requirements) filings. Based on this information, the Department set a reasonable expense level equal to 4.5% of premiums.

Profit Objective:

MVP's proposed a pre-tax profit objective of 6.0% of premiums. This provides an overall post-tax return on equity of about 30.5%. Based on the actuarial adjustments above and considering a reasonable return on equity based on an industry average ratio of surplus to premiums, the Department determined that a reasonable profit margin for this rate application was 3.5% of premium.

Medical Loss Ratio (MLR)

With the administrative expense ratio of 4.5% and an average profit margin of 3.5%, MVP's projected loss ratio will be 92%.

Decision:

Based on our review and analysis described above, the Department determined that the requested average increases were unreasonable and modified the rates as summarized in chart in the above.