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

Insurer:	MVP Health Insurance Company (Article 42 Insurer)
Filing Type:	Section 3231(e)(1) Prior Approval Filing
Effective Dates:	1/1/12 – 12/31/12
SERFF Tracking Number:	MVPH-127319750
Lines of Business:	Small Group: EPO, PPO, HD EPO, and HD PPO
Affected Members:	70,100 (EPO: 29,500; PPO: 3,700; HD EPO: 35,300; HD PPO: 1,600)
Annual Premiums Affected:	$298.3 million (EPO: $217.5 million; PPO: $24.7 million; HD EPO: $53.5 million; HD PPO: $2.6 million)
Rate Structure:	Quarterly Rolling Rates – Regional Rates

Summary:

All Plans	Requested (Avg)	Approved (Avg)	Reduction (Avg)
1Q11 - 1Q12	+17.5%	+14.4%	-3.1%
2Q11 - 2Q12	+17.5%	+14.4%	-3.1%
3Q11 - 3Q12	+16.8%	+13.7%	-3.1%
4Q11 - 4Q12	+16.7%	+13.6%	-3.1%
Overall Average	+17.1%	+14.0%	-3.1%

All Plans	Requested (Range)	Approved (Range)	Reduction (Range)
1Q11 - 1Q12	+7.4% to +37.9%	+4.6% to +18.5%	-2.8% to -19.4%
2Q11 - 2Q12	+7.4% to +37.9%	+4.6% to +18.5%	-2.8% to -19.4%
3Q11 - 3Q12	+7.4% to +36.2%	+4.5% to +17.3%	-2.9% to -18.9%
4Q11 - 4Q12	+7.4% to +36.2%	+4.5% to +17.1%	-2.9% to -19.1%
Overall Average	+7.4% to +37.9%	+4.5% to +18.5%	-2.9% to -19.4%

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

			Requested	Approved
1.	Annual Claim Trend Rates	High Ded'l	12.1%	12.1%
		Non-High Ded'l	9.8%	9.8%
2.	Administrative Expense Ratio		15.5%	13.0%
3.	Profit Objective (percent of premium, pre-tax)		2.5%	2.5%
4.	Medical Loss Ratio (MLR)		82.0%	84.5%

History:

In the earlier prior approval rate application for calendar year 2011, MVP had requested an overall average rate increase of 24.9% (23.4% average rate increase for non-high deductible plans and 31.1% average rate increase for high deductible plans.)

The Department approved an overall average rate increase of 17.2% (16.6% average rate increase for non-high deductible plans and 20.3% average rate increase for high deductible plans).

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.

The Department accepted MVP's assumptions and calculations in all aspects except for the following: the annual claim trends, the expense provision, the projected loss ratio, and the changes in ratings by plan features.

Annual Claim Trends:

In its development, MVP assumed an annual claim trend rate of +8.2% on "allowed" claim charges. MVP then uses its "Benefit Relativity Pricing Model." MVP, however, did not provide any information regarding the "Benefit Relativitiy Pricing Model" in the rate application. The Department used MVP's annual claim trend rate on "allowed" claim charges and added the following leverage impact due to fixed copays: +1.6% for non-high deductible plans and +3.9% for high deductible plans. The resulting annual claim trend used by the Department is +9.8% for non-high deductible plans and +12.1% for high deductible Plans. This represents a slight reduction in average trend assumptions.

Administrative Expense Ratio:

MVP assumes an administrative expense provision of 15.5% of premiums. This compares with a requested expense provision of 14.8% of premiums in the earlier rate application. Based on available data and comparisons, the Department finds that an expense provision of 13.0% is reasonable given the rate of increases in premiums.

Profit Objectives:

MVP's provision for the pre-tax profit objective is +2.5%, which would yield a return on surplus of 18.0%. The Department finds MVP's pre-tax profit objective of +2.5% to be reasonable.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 13.0% and an average profit margin of 2.5%, MVP's projected loss ratio will be 84.5%. .

Changes in the Benefit Plan Relativities:

MVP is requesting changes in the relavities in premium rates by benefit features. The impact of such changes would cause changes in premium rates to be as much as -10% below the average change in premium rates and as much as +17% above the average change in premium rates.

The Department rejects this aspect of MVP's rate application, as this would be the third such change in premium rates in the last three years.

Changes in the Ratings by Regions:
MVP's premium rates vary according to nine separate regions.

MVP is requesting that the Central rate region be subdivided into three distinct rate regions: Central I, Central II, and Central III. Central I is expected to be equal to the average of the three Central regions. Central II is expected to be 3% lower than Central I. Central III is expected to be 5% higher than Central I. The Department has calculated this subdivision to be revenue-neutral, meaning that this subdivision would not affect the level of premium rates overall. MVP is also requesting an additional +2.2% rate action for plans in the Rochester rate region, which accounts for 49.3% of the overall membership. The additional +2.2% rate action for plans in the Rochester rate region would increase the overall average rate action by approximately +1.1%.

The Department accepts the revenue-neutral subdivision of the Central rate region and the additional +2.2% rate action for plans in the Rochester rate region based on an analysis of the experience data by rate regions, which shows that the Rochester region has experienced loss ratios at about 14% above the loss ratios for the other regions.

Decision:
Based on the review and analysis as described above, the Department finds that the requested increases are unreasonable for the reasons explained above. The overall rate adjustment is reduced by 3.15% due to reductions in trend and administrative expenses. The range of increases is narrowed considerably due to the rejection of the proposed changes in benefit plan relativities.