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-127319567
Lines of Business:	Large Group HMO and Small Group HMO/POS Plans
Affected Members:	Approximately 110,000 members for Large Groups Approximately 7,600 members for Small Groups
Affected Premiums:	$519 million for combined Large and Small Groups
Rating Structure:	Quarterly rolling rates

Summary:

Large Group Year Over Year Rate Adjustments:

	Requested (avg)	Approved (avg)	Reduction (avg)
1Q2012	9.4%	6.2%	-3.2%
2Q2012	9.7%	5.5%	-4.2%
3Q2012	6.5%	3.8%	-2.7%
4Q2012	7.4%	4.7%	-2.7%
Overall Average	**8.9%**	**5.8%**	**-3.1%**

Range: 1.0% to 11.1% due to the changes in the benefit plan relativities and changes in ratings by region.

Small Group Year Over Year Rate Adjustments:

	Requested (avg)	Approved (avg)	Reduction (avg)
1Q2012	10.4%	9.7%	-0.7%
2Q2012	9.1%	9.1%	0.0%
3Q2012	6.4%	6.4%	0.0%
4Q2012	6.5%	6.5%	0.0%
Overall Average	**10.1%**	**9.6%**	**-0.5%**

Range: 6.4% to 13.7% due to the changes in the benefit plan relativities and to the changes in ratings by region.

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

			Requested	Approved
1.	Annual Claim Trend Rates	LG	9.5%	9.5%
		SG	9.2%	9.2%
2.	Administrative Expense Ratio		12.75%	11.0%
3.	Profit Objective (percent of premium, pre-tax)	LG	3.5%	2.0%
		SG	3.0%	2.0%
4.	Medical Loss Ratio (MLR)	LG	83.75%	87%
		SG	84.25%	87%

History:
The last prior approval application on these plans for calendar year 2011 included average rate adjustments (year-over-year) of 10.5% for Large Groups and 12.7% for Small Groups.

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.

Annual Claim Trend Rates:
MVP assumed an annual trend rate of 7.9% on Large Groups and 7.6% on Small Groups on "allowed" claim charges. MVP then processes this trend through MVP's Benefit Relativity Pricing Model, but MVP provides no information in the rate application. The Department therefore used MVP's annual trend rates on "allowed" claim charges and added +1.6% for leverage impact due to fixed copays, resulting in a claim trend of 9.5% for Large Groups and 9.2% for Small Groups.

Administrative Expense Ratio:
In its development of the requested rate actions, MVP assumed an expense ratio of 12.75%. The Department determined that an expense ratio of 11.0% is reasonable based on the information in MVP's financial statements.

Profit Objective:
In its development of the requested rate actions, MVP assumed a pre-tax profit objective of 3.5% for Large Groups and 3.0% for Small Groups.

The Department finds that a pre-tax profit objective of 2.0% is reasonable as it would yield a return on surplus of approximately 12.0%.

Medical Loss Ratio (MLR)

With the administrative expense ratio of 11.0% and an average profit margin of 2.0%, MVP's projected loss ratio will be 87%.

Standardized Premiums:

In order the 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 are not reflected as actual premiums earned. The Department is using a conversion factor at 119.4% for Large Groups and 122.8% for Small Groups in its development of the Indicated Rate Actions. MVP has determined a conversion factor of 133.2% for Large Groups and 124.4% for Small Groups (a lower factor would generate a higher rate action.) However, MVP does not use this standardization process in their rate development.

Changes in the Benefit Plan Relativities:

MVP is requesting changes in the premium rates by benefit plan, which impact the average rate actions above varying from -4.5% to +3.0% on Large Groups and from -1.5% to +3.0% on Small Groups. The Department finds these changes reasonable.

Changes in the Ratings by Region:

MVP's premium rates vary according to five separate regions. MVP is requesting an additional +4.5% rate action for plans in the Rochester region which account for 34.0% of the membership on Large Groups and 17.0% on Small Groups. About 50.0% of this 4.5% rate action impact is due to a review of the current claims experience by region. MVP's application stated that the other 50.0% is due to the previous prior approval decision by the Department. The latter 50.0% is rejected. This change contributes to the average rate actions +0.8% and +0.4% respectively for Large Groups and Small Groups.

Decisions:

Based on our review and analysis described above, the Department determined that the requested average rate step up of +2.6% for the first quarter of 2012 over the fourth quarter 2011 for Large Groups should be modified to an average of +0.0% based on changes to the administrative expense ratio and the profit margin. The requested average step up in the first quarter +3.5% for Small Groups is approved as requested. Uniform quarterly rate step ups of +2.0% for both Large Groups and Small Groups are approved as requested for subsequent quarters.

The requested premium relativity for Rochester region to other rating regions should be modified from 4.5% to 2.2%. The rate actions due to the changes in benefit relativities are reasonable and should be approved as requested. These modifications will result in year-over-year changes summarized in charts above.