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

Insurer:	**MVP Health Plan Inc. (MVP) (Art. 44 Corporation)**
Lines of Business:	**Large Group HMO (LG) and Small Group HMO (SG)**
Filing Type:	Section 4308(c) Prior Approval Filing
Effective Date:	January 1 – December 31, 2013
SERFF Tracking #:	MVPH-128445624
Affected Members:	115,000 (calendar year 2011) (108,000 LG members and 7,000 SG members)
Annual Premiums:	$595 million (calendar year 2011) ($561 million LG and $34 million SG)
Rating Structure:	Rolling Rates -- all plans renew on policy anniversaries.

Summary:

2013 Rates	Requested	Approved	Change
LG Plans	7.4%	6.0%	-1.4%
SG Plans	8.0%	7.3%	-0.7%

The requested and approved range variations shown in the following table is due to changes in ratings by regions.

2013 Rates – Range	Requested	Approved	Change
LG Plans	4.0% to 12.5%	2.6% to 11.1%	-1.4%
SG Plans	4.5% to 13.1%	3.8% to 12.4%	-0.7%

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

		LG Plans		SG Plans	
		Requested	Approved	Requested	Approved
1	Annual Claim Trend Rates	7.4%	6.4%	6.7%	6.7%
2	Admin Expense Ratios	11.0%	11.0%	11.3%	11.3%
3	Profit Objective Ratios	2.0%	2.0%	2.0%	2.0%
5	Medical Loss Ratios (MLR)	87.0%	87.0%	86.7%	86.7%

Prior Application:

The 2012 rate actions including the following requested and approved rate increases:

2012 Rates	Requested	Approved	Change
LG Plans	+8.9%	+6.1%	-2.8%
SG Plans	+9.8%	+9.8%	0.0%

Analysis:

DFS reviewed the material that MVP submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objective and the development of the needed rate change, as well as comparisons to similar historical data in each of these areas. DFS also considered the insurer's overall solvency and the ability of the insurer to meet its obligations after DFS's decisions. In addition, DFS took into account comments on the rate application received from consumers, consumer groups and policyholders.

ACA Impact:

MVP did not include anything in its rate application for the impact of the Affordable Care Act (ACA) Insurer Fees and Reinsurance Assessment Fees. DFS finds MVP's approach to be reasonable.

Annual Claim Trend Rates:

MVP requested an annual claim trend rate of 6.4% for LG and 6.7% for SG. MVP also applies a 2% aging factor (over 2 years) for LG on top of the 6.4% trend, effectively making the trend rate 7.4% per year.

Based on the available data, DFS believes that the trends of 6.4% for LG and 6.7% for SG are reasonable. However, the 2% aging factor for LG was not substantiated by MVP. In addition, any aging impact should already be reflected in the underlying trend data. DFS therefore disapproves the aging factor for LG.

In addition, DFS believes that the requested rate actions in each of the last 3 quarters of the year for both LG and SG are too high, and reduced such rate actions in line with the claim trend assumption.

Standardization of Premiums:

In order to accurately reflect past premium rate actions that have not yet gone into effect, DFS asks insurers to "standardize" the premiums to the most current levels. Earned premiums in calendar year 2011 are converted to include premium rate actions approved in 2011 and not fully implemented and the rate actions approved in 2012.

DFS finds MVP's premium standardization process to be reasonable.

Administrative Expense Ratio:

MVP requested an expense ratio of 11.0% of premiums for LG and 11.3% of premiums for SG. These assumptions are reasonable relative to data available for LG and SG for MVP, and also for LG and SG for all upstate HMO business combined.

DFS finds the requested administrative expense ratios to be reasonable.

Profit Objective Ratio:

MVP requested a 2.00% pre-tax profit objective. An analysis of MVP's recent financial data by DFS indicated that a 2.00% pre-tax profit margin is adequate and would achieve a satisfactory after-tax return on equity of about 11.3%.

DFS therefore finds the requested profit objective ratio to be reasonable.

Medical Loss Ratio (MLR):

For LG, an administrative expense ratio of 11.0% and a profit ratio of 2.00% results in a projected medical loss ratio of 87.0%. For SG, an administrative expense ratio of 11.3% and a profit ratio of 2.00% results in a projected medical loss ratio of 86.7%.

Changes in the Ratings by Regions:

MVP requested the following regional sub-divisions:

Existing Region	Sub-Division
East	East I and East II
Central	Central I, Central II, and Central III
Mid-Hudson	Mid-Hudson East, Mid-Hudson West, and New York Metro

DFS finds the requested changes in the ratings by regions to be reasonable after a review of the statistical information supporting these changes.

Financial Conditions of MVP:

MVP's capital and surplus at December 31, 2011 was $298.4 million, 15.1% of net premium income of $1,972 million in calendar year 2011. Underwriting gains for MVP overall (all lines combined) were 3.3% of premiums in 2011, and 3.4% of premiums for the last 5 years in total (2007-2011).

Decision:

Based on this review and analysis as described above, DFS finds that the requested rate increases are unreasonable and approves as reasonable the rate actions as shown in the summary chart above.