

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

Insurer: MVP Health Plan, Inc.
Lines of Business: Healthy New York Plans
Filing Type: Section 4308(c) Prior Approval Filing
Effective Date: January 1, 2013 to December 31, 2013
SERFF Tracking #: MVPH-128445628
Affected Members: 11,900
Annual Premiums: Approximately \$39 million
Rating Structure: Renewals at Policy Anniversaries

Summary:

CY 2013 Over CY 2012	Requested	Approved	Change
Average	10.4%	9.1%	-1.3%

Requested and approved rate actions vary from 7.1% to 15.9% and from 5.9% to 14.6% respectively, due to changes in ratings by regions.

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

		Requested	Approved
1	Annual Claim Trend Rates	6.53%	6.53%
2	Administrative Expense Ratios	12.50%	12.50%
3	Profit Objective Ratios	2.00%	1.00%
4	Medical Loss Ratio (MLR)	85.50%	86.50%

Membership and Average Premium:

The table below shows the actual distribution of members by benefit plans as of June 15, 2012. About 19% of members are in High Deductible Plans.

HNY Members	Non High Deductible	High Deductible	Total
Individuals	3,125	1,028	4,153 [35%]
Small/Sole Proprietors	6,458	1,259	7,717 [65%]
Total	9,583 [81%]	2,287 [19%]	11,870 [100%]

Average premium PMPM amounts to \$265.15.

Analysis:

DFS has reviewed the material that MVP submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, 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.

Prior Application:

For calendar year 2012, MVP requested an average 13.2% rate action and DFS approved an average 6.6% rate action.

ACA Insurer & Reinsurance Fees:

MVP does not have a provision for the impact of the Affordable Care Act (ACA) Insurer Fees and Reinsurance Assessment Fees. DFS finds this approach to be reasonable.

Annualized Claim Trend Rates:

MVP requested an overall annual claim trend rate assumption of 6.53%.

Based on industry averages and the data submitted with this rate application, DFS finds the requested claim trend rate to be reasonable.

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 the standardization process used by MVP to be reasonable.

Administrative Expense Ratio:

MVP requested an administrative expense ratio to premiums of 12.50%.

DFS finds the requested administrative expense ratio to be reasonable based on information submitted in MVP's financial filings and industry averages.

Profit Objective Ratio:

MVP requested a 2.00% pre-tax profit objective ratio to premiums.

DFS finds that a profit objective ratio of 1.00% of premiums is reasonable based on the information contained in the rate application, MVP's financial condition and industry averages for profit objectives.

Medical Loss Ratio (MLR):

With the approved administrative expense ratio of 12.50% and the approved pre-tax profit objective of 1.00%, DFS approves a projected medical loss ratio of 86.50%.

Changes in the Ratings by Regions:

MVP requested the following regional sub-divisions:

<u>Existing Region</u>	<u>Sub-Division</u>
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 as of 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).

Premium income for this application was \$39 million in 2011, or 1.98% of the total premium income for all lines combined.

Decision:

Based on the 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.