

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

Insurer: MVP Health Plan, Inc.
Lines of Business: Standard Direct Pay Plans
Filing Type: Section 4308(c) Prior Approval Filing
Effective Date: January 1, 2013
SERFF Tracking #: MVPH-128445627
Affected Members: Approximately 245
Annual Premium: \$2.8 million
Rating Structure: Non-Rolling Rates – January 1 Rate Actions

Summary:

2013 Rates	Requested	Approved	Change
All Plans	9.3%	7.6%	-1.7%

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
All Plans	6.6% to 13.1%	4.9% to 11.4%	-1.7%

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

		Requested	Approved
1	Annual Claim Trend Rates	6.84%	6.84%
2	Administrative Expense Ratios	4.50%	4.50%
3	Profit Objective Ratios	3.50%	2.00%
4	Medical Loss Ratio (MLR)	92.00%	93.50%

Membership by Plans:

	<u>Average Membership</u>		
	HMO	POS	Total
2009	167	47	214
2010	177	41	218
2011	184	39	223
First Half 2012	208	36	244

In calendar year 2011, monthly premium per member for the HMO averaged \$940.87. For the POS the average monthly premium was \$1,231.25.

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 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 the 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 6.2% rate action and DFS approved an average 3.7% rate increase.

ACA Impact:

Direct Pay products use a non-rolling rate structure with all premiums changing on January 1. Therefore all of the premium covered by this rate application will be payable in 2013, and there is no 2013 rate impact for the Affordable Care Act (ACA) Insurer Fee or Reinsurance Assessment Fee.

Annual Claim Trend Rate:

MVP assumed an annual claim trend rate of 6.84%.

Based on information submitted in the 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 factor used by MVP to be reasonable.

Administrative Expense Ratio:

MVP requested an administrative expense ratio to premiums of 4.5%.

DFS finds the requested administrative expense ratio to be reasonable based on information contained in MVP’s financial filings and industry averages for this market.

Profit Objective:

MVP requested a 3.5% pre-tax profit objective ratio to premiums.

DFS finds a 2.0% profit objective ratio to premiums to be 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 4.5% and the approved profit objective of 2.0%, DFS approves a projected medical loss ratio of 93.5%.

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 accepts the requested changes in the ratings by regions after a review of the statistical information supporting these changes.

Financial Condition 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 \$2.8 million in 2011, or about 0.14% of total premium income for all lines combined.

Decision:

Based on the 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.