

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

Insurer: MVP Health Insurance Company (MVPHIC)
Lines of Business: Small Group: EPO, PPO, HD EPO, and HD PPO
Filing Type: Section 3231(e)(1) Prior Approval Filing
Effective Date: January 1 – December 31, 2013 (Four Quarterly Rate Tables)
SERFF Tracking #: MVPH-128445615
Affected Members: 47,500 (EPO: 14,000; PPO: 2,800;
 HD EPO: 29,000; HD PPO: 1,700)
Annual Premiums: \$264.6 million (EPO: \$130.2 million; PPO: \$20.3 million;
 HD EPO: \$108.5 million; HD PPO: \$5.6 million)
Rating Structure: Rolling Rates – All plans renew on policies’ anniversaries

Summary:

CY 2012 to CY 2013	Requested	Approved	Change
EPO	8.1%	6.5%	-1.6%
PPO	8.1%	6.5%	-1.6%
HD EPO	13.1%	11.5%	-1.6%
HD PPO	13.4%	11.7%	-1.7%
Total	11.3%	9.7%	-1.6%

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

		Requested	Approved
1	Annual Claim Trend Rates:		
	EPO, PPO	6.8%	6.8%
	HD EPO, HD PPO	7.9%	7.9%
2	Administrative Expense Ratio	14.25%	13.00%
3	Profit Objective Ratios	1.45%	1.45%
4	Medical Loss Ratio (MLR)	84.30%	85.55%

Membership by Plans:

Membership	EPO	PPO	HD EPO	HD PPO	All Plans
2009	37,660	4,108	1,940	225	43,933
2010	56,108	4,885	20,051	880	81,923
2011	28,468	3,554	34,675	1,618	68,316
June 2012	15,124	2,718	28,346	1,398	47,586

In calendar year 2011, monthly premiums per member averaged \$381.21 for EPO plans, \$476.07 for PPO plans, \$260.77 for HD EPO plans, and \$286.71 for HD PPO plans. Within each product, a variety of plans with varying benefit provisions is available.

Prior Applications:

Average requested and approved rate actions for calendar years 2011 and 2012 were:

All Plans	Requested	Approved
2011	23.7%	17.2%
2012	17.1%	14.0%

Analysis:

DFS reviewed the material that MVPHIC 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.

ACA Insurer & Reinsurance Fees:

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

Annual Claim Trend Rate Assumptions:

On EPO and PPO plans, MVPHIC’s annual claim trend rate assumption is 6.8%.

On HD EPO and HD PPO plans, MVPHIC’s annual claim trend rate assumption is 7.9%.

Overall, MVPHIC’s annual claim trend rate assumption is 7.4%.

DFS finds MVPHIC’s annual claim trend rate assumptions 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 MVPHIC's standardization process to be reasonable.

Administrative Expense Ratio:

MVPHIC's application reflected an average administrative expense ratio to premiums of 14.25% for EPO/PPO/HD EPO/HD PPO products.

DFS finds an administrative expense ratio of 13.00% is reasonable based on administrative expenses of other similar products and based on industry averages for this market segment.

Profit Objective:

MVPHIC requested a profit objective of 1.45% of premiums for all plans. DFS approves the profit objective of 1.45% of premiums, based on MVPHIC's financial conditions, comparison to industry profit margins and MVPHIC's return on equity (ROE), which will be 9% on a surplus ratio of 15% of premiums.

Medical Loss Ratio (MLR):

With the approved administrative expense ratio of 13.00% and the approved profit objective of 1.45%, the projected medical loss ratio is 85.55%.

Changes in the Benefit Plan Relativities:

MVPHIC requested changes in the relativities in premium rates by benefit features. These changes were limited to the High Deductible plans, with a difference of 5% on rate actions for such plans. DFS finds MVPHIC's changes in the relativities in premium rates by benefit features to be reasonable.

Changes in the Ratings by Regions:

MVPHIC requested that the current East region be subdivided into East I and East II and the current Mid-Hudson region be subdivided into Mid-Hudson East and Mid-Hudson West. Under these two subdivisions, the rate impact would be -2% for East I, 5% for East II, 4% for Mid-Hudson East, and -3% for Mid-Hudson West.

DFS accepts the requested changes in the ratings by regions impacting the East region and the Mid-Hudson region after a review of the statistical information supporting these changes and after calculating the two subdivisions to be revenue-neutral.

Financial Conditions of MVPHIC:

MVPHIC's capital and surplus at December 31, 2011 was \$123 million or 16.78% of net premium income of \$733 million in calendar year 2011. Underwriting gains in the last five calendar years amounted to -10.64% of premium income.

The small group block of business that is covered in this rate application amounts to about 45% of total MVPHIC business.

Decision:

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