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MVP Health Care raises rates retroactively

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Facing increased state taxes, the area's second largest insurer will raise rates on all of its group health plans by 2 percent to 4 percent this year.

In an unusual move, MVP Health Care will institute a rate increase midyear for all of 2009, retroactively charging some companies additional costs on premiums paid in the first half of the year. That means companies with community-rated plans that took effect from January to June will see a 4 percent to 8 percent rise in rates starting July 1.

Groups that will face a rate adjustment on July 1 have already been notified, said MVP spokesman Gary Hughes.

MVP officials are still planning when rate changes will take effect for other plans, but Hughes said every member covered by the insurer will eventually see the same rise in costs.

"We certainly understand any increase to employers is going to be difficult, especially in the economic crisis we're in," Hughes said. "The only reason there are any rate adjustments taking place at this point is that we're passing along the tax increase."

Excellus BlueCross BlueShield, the area's largest insurer, will not raise premiums on community-rated plans this year but will do so in 2010. Spokesman Jim Redmond said the amount of next year's rate increase has not been determined but will reflect the higher taxes.

The state's \$1.6 billion deficit reduction plan levied about \$250 million in new fees and taxes from the health insurance industry. Gov. David Paterson pointed to reserves that insurers could use to absorb the higher fees, but critics argued that costs would get passed along to their customers.

"The finger on this one clearly needs to be pointed at Albany," said Sandy Parker, president of the Rochester Business Alliance.

Local employers have already struggled with rising health insurance costs, and many have switched to plans with fewer benefits or higher deductibles, Parker said. "Inevitably, they are going to have to pass these costs along to their employees, and it's going to be increasingly difficult for them to continue offering health insurance."