STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company Third	)	Docket #:
And Fourth Quarter 2014 Small Group	)	GMCB-009-14rr
EPO/PPO Rate Filing	)	

MVPHIC Health Care's Memorandum in Lieu of Hearing

MVP Health Insurance Company (MVPHIC) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) approve the proposed rates as filed. MVPHIC and the Office of the Health Care Ombudsman (HCO) have agreed to waive the hearing before the GMCB in this proceeding.

Introduction

On March 25, 2014, the Board's actuary, Lewis and Ellis Actuaries and Consultants, issued its opinion letter in the above captioned matter. MVPHIC has agreed to waive the hearing in this matter and accepts the actuary's recommendation that the Board approve the rates as filed. In the event the GMCB believes it will not accept MVPHIC's rates as filed, then MVPHIC requests that the GMCB convene a hearing to develop the record on any issues that it believes might be grounds for modification of the filing. To do otherwise would deprive MVPHIC of a meaningful opportunity to be heard.

Description of the Filing

This filing is for MVPHIC's "grandfathered" small group PPO/EPO line of business, which includes both high deductible health plans (HDHP) and non-HDHP plans. The filing contains the monthly premiums that MVPHIC proposes to charge small group members who enroll or renew coverage during 3Q14 and 4Q14.

MVPHIC is proposing to increase rates for its grandfathered small group EPO/PPO members renewing in 3Q14 by 4.8% over the approved 3Q13 rates and 4Q14 rates by 3.3% over 4Q13 rates for its HDHP plans. For its non-HDHP plans, it is proposing to raise the rates for 3Q14 by 6.3% over its rates for 3Q13, and by 5.1% for 4Q14 over its 4Q13 rates. These rates increases are for both the medical and prescription drug component of the premium.

This filing is expected to cover approximately 4,600 members (4200 in HDHP plans and 400 in non-HDHP plans). These are members who are in grandfathered plans, as defined by the Affordable Care Act, and have chosen to continue in their current plans and not move to Exchange plans.

Lewis and Ellis Recommendation

The Board's actuary essentially agreed with MVPHIC's analysis in developing the rates and all of the methodologies used. They found that treatment of adjusted claims, including use of a pooling charge for claims over $100,000 was reasonable and appropriate. This led to the development of an HDHP medical trend of 7.2%, and a medical trend for non-HDHP of 8.0%. They also agreed with MVPHIC's use of both grandfathered claims data as well as non-grandfathered claims data.

These trends were then adjusted with the following elements to develop the premium: benefit mandates, taxes and surcharges, ACA related taxes and costs, and retention charges (administration and contribution to reserves). This led to the development of the premium increases as noted above. They found that all assumptions and methods used by MVPHIC were reasonable and appropriate.

MVPHIC's Response to the Recommendation

MVPHIC agrees with Lewis and Ellis' recommendation, with one correction of fact. They state, on page 5 paragraph 4, that in its 1Q14 and 2Q14 filings, MVPHIC voluntarily reduced its contribution to reserves from 3.0 to 1.0, after reviewing the Department of Financial Regulation's recommendation. What actually happened is that the Commissioner recommended a reduction of contribution to reserves from 3.0% to 2%, and it was the Board that required MVPHIC to further reduce its contribution to reserves to 1% in its Decision and Order. It was not done voluntarily by MVPHIC.

MVPHIC knows the Board understands its profitability situation in Vermont, and the high level of its Medical Loss Ratio, which leads to the importance of it contributing to its reserves. MVPHIC points out and emphasizes that its anticipated traditional loss ratio for its entire small group market is 90.1%, and the expected federal loss ratio for the same book of business is 95.1%. This is substantially higher than the federal required loss ratio limits of 80%. In light of this, we continue to ask the Board not to further reduce contributions to reserves in these filings, and approve the 2% contribution to surplus as filed.

MVPHIC points out that it has been working to reduce its administrative expenses, and has included in this filing a lower general administrative load (reduced from 11.7% to 9.5%). MVPHIC remains committed to reducing administrative costs going forward.

As to the 16.6% physician trend in this filing, we realize this is significantly higher than past trends, and is due to the termination of a risk arrangement between it and a large provider group, and a new contract negotiation that resulted in significant cost increases.

Therefore, because Lewis and Ellis found that the rates as filed are not excessive, inadequate or unfairly discriminatory, MVPHIC asks the Board to approve the rates as filed.

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Susan Gretkowski, Esq.
MVP Health Care
66 Knight Lane
Williston, VT 05495
802-264-6532 (office)
802-505-5058 (cell)
sgretkowski@mvphealthcare.com

Certificate of Service

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson, counsel of record for the Office of the Health Care Ombudsman, by electronic mail this 9th day of April, 2014.

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Susan Gretkowski, Esq.
MVP Health Care
66 Knight Lane
Williston, VT 05495
802-264-6532 (office)
802-505-5058 (cell)
sgretkowski@mvphealthcare.com