STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan's Third and Fourth	)	
Quarter 2014 Large Group HMO Rate Filing	)	
	)	GMCB-011-14-rr
SERFF No. MVPH-129391759	)	

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

In this filing, MVP Health Plan (MVP) has proposed an average annual manual rate increase for its Large Group Health Maintenance Organization (HMO) products renewing in the third quarter of 2014 of 5.0% and an increase for those renewing in the fourth quarter of 4.8%. The Actuarial Opinion by Lewis and Ellis (L & E), the contracted actuaries for the Green Mountain Care Board (GMCB), and the review of financial solvency by the Department of Financial Regulation (DFR) recommend that the GMCB approve the filing as filed. The HCO asks the Board to modify the requested rate increase by reducing the contribution to surplus from 2% to 1% and the medical trend rate to 4.4%.

Only 2% of MVP's HMO groups, with only 400 members, will be renewing in the third quarter, and no groups are renewing in the fourth quarter. This HMO block of business has declined in recent years as many members have migrated from this product to MVP's EPO/PPO products. GMCB 011-14-rr Actuarial Opinion at pages 1, 5.

MVP filed this Third and Fourth Quarter 2014 Large Group HMO Filing on January 28, 2014. Both the L & E Actuarial Opinion and the Solvency Analysis letter were posted on March 25, 2014.

The Office of Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. The hearing for the filing scheduled for April 2, 2014 has been waived by the parties.

II. Standard of Review

Health maintenance organizations operating in Vermont must obtain approval from the GMCB before implementing health insurance rates. 8 V.S.A. §5104(a), 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). "In deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory." GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3).

In making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the Solvency Analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB "shall consider any [public] comments received on a rate filing and may use them to identify issues." GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries and DFR, DFR's Solvency Analysis, and the Opinion from the GMCB's actuary. GMCB Rule 2.000 §2.403(a).

The carrier has the burden of justifying its requested rate. GMCB Rule 2.000 §2.104(c).

III. Review of Actuarial Opinion and DFR Solvency Analysis Letter

DFR has reviewed both the solvency of MVP and how the particular filing could affect that solvency. In making its recommendations as to the effect of this particular filing, DFR has reviewed a draft opinion by the GMCB actuary containing the actuary's analysis of the filing. GMCB-011-14-rr Solvency Analysis at pages 1, 2.

DFR has emphasized in its analysis that it "considers the solvency of insurers to be the most fundamental aspect of consumer protection" and that solvency analysis involves "an intricate analysis of many factors." New York rather than Vermont is MVP's primary regulator. DFR ensures that foreign companies like MVP "meet certain solvency-based licensing criteria necessary to continue to operate in Vermont" and, in analyzing MVP's solvency "has reached out to MVP's primary regulators in New York" and learned that they do not have any concerns about the company's solvency. Moreover, the company's Vermont operations, representing only a small percentage of the total premiums earned, "pose very little risk to its solvency." GMCB-011-14-rr Solvency Analysis at page 2. DFR has opined that "the proposed rate will likely have no impact" on MVP's solvency." GMCB-011-14-rr Solvency Analysis at page 2.

The GMCB's actuary has also reviewed the filing. L & E has opined that the proposed rates will not be "excessive, inadequate or unfairly discriminatory" and has recommended approval of the filing as filed. GMCB-011-rr Actuarial Opinion at page 7.

IV. Argument

The L & E analysis of this rate filing does not include a consideration of some of the factors considered by the GMCB in deciding whether to accept, modify or reject proposed rates, i.e. whether those rates will be affordable, promote quality care and promote access to health care.

These criteria were first incorporated into the rate review process as part of Act 48, An act relating to a universal and unified health system, of the 2011-2012 legislative session.

Although the proposed rate increase in this filing is lower than the 10% rate increase threshold which requires a review for reasonableness under the Patient Protection and Affordable Care Act of 2010 (PPACA), a 5% rate increase will be difficult for Vermonters to afford in the current economic climate. In Vermont, wages increased an estimated 2.8% between 2012 and 2013, the most recent time period for which there is data. Department of Labor, Economic & Labor Market Information. *Per Capita Personal Income, Vermont and the United States.* March 28, 2014. http://www.vtlmi.info/pcpivt.htm

MVP's requested rate increase is also significantly above the average national increase in medical costs. According to the Consumer Price Index, the cost of medical care commodities rose 1.7% and medical care services rose 2.4% on average between March 2013 and February 2014. Consumer Price Index. *Economic News Release.* March 18, 2014. http://www.bls.gov/news.release/cpi.nr0.htm.

The assumed contribution to surplus for this filing is 2%. The HCA requests that the GMCB modify the rate increase by decreasing the contribution to surplus to 1%. The GMCB has found in recent decisions that MVP can afford a lower contribution to surplus, reducing the contribution to .5% in the MVP Exchange filing and to 1% in other filings. GMCB-015-13rr Decision, GMCB-026-13rr Decision, GMCB-027-13rr Decision. A similar lower contribution to surplus is justified for this filing.

The HCA is also concerned about the high physician trend of 16.6% assumed in the filing. L& E notes in its Actuarial Opinion that this is a "significant physician cost increase" explained by MVP as reflecting a revised contract with a major provider group. GMCB 11-14-rr

Actuarial Opinion at page 3. This trend is discussed in greater detail in L & E's Analysis which notes that the 16.6% trend is "materially higher than what is typically assumed in such products." L& E calculated that "if the contracts were settled at a historically consistent unit cost trend of 5% instead of the actual finalized contract levels, the aggregate physician trend level would reduce from 16.6% to 2.4%," a figure "in line with the assumed 2013 physician trend level of 2.5%." If the 2014 physician cost trend were reduced to 2.5%, the overall 2014 medical trend "would reduce from 9.1% to 4.4%." Id. at page 5.

In order to further promote affordability, the HCA asks the GMCB to reduce the medical trend in this filing to 4.4%. This is the amount L & E has calculated to be consistent with a reduced physician trend level in line with prior filings.

The anticipated federal medical loss ratio (MLR) for MVP's large group HMO market in 2014 is 85.3%, slightly above the minimum MLR of 85%. GMCB-011-14-rr Actuarial Opinion at page 5. Moreover, the filing represents a very small proportion of MVP's business in Vermont and an even smaller proportion of the carrier's overall business.

V. Conclusion

Based on the record for this filing, the HCA requests that the GMCB modify the rate increase by decreasing the contribution to surplus to 1% and reduce the medical trend to 4.4%

Dated at Montpelier, Vermont this 9th day of April, 2014.

s/ *Lila Richardson*___________
Lila Richardson
Staff Attorney
Office of Health Care Advocate

CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, representative of MVP, by electronic mail, return receipt requested this 9th day of April, 2014.

s/ *Lila Richardson*______

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