STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company Third And Fourth Quarter 2014 Individual Indemnity Rate Filing	)))	Docket #: GMCB-014-14rr

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 which has been scheduled for April 23, 2014.

Introduction

On April 4, 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, with one exception, 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" individual market indemnity line of business. The filing contains the monthly premiums that MVPHIC proposes to charge individual market members who enroll or renew coverage during 3Q14 and 4Q14. These are high deductible plans with deductibles ranging from $3,500 to $100,000. It is also a closed book of business since non-grandfathered plans cannot be sold after 2014 according to the Affordable Care Act.

MVPHIC is proposing to increase rates for its grandfathered individual market members renewing in 3Q and 4Q14 by 9.4% over the approved 3Q and 4Q13 rates. These rates increases are for both the medical and prescription drug component of the premium.

This filing is expected to cover approximately 700 members (because this is a closed book of business). 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, including a credibility factor of 40% (given the small size of the book of business), and blending claims experience for both the previously non-grandfathered book with the grandfathered book. This led to a lower premium projection.

The medical and Rx trends used by MVPHIC 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 exception. They recommend, on page 5 paragraph 5, that MVPHIC reduce its contribution to reserves from 2% to 1%, citing previous Board actions. This would have a 1% reduction to the requested rate increase. MVPHIC does not agree with this recommendation, and asks the Board to approve its requested 2% contribution to reserves. MVPHIC points out that in the past the only filing the Board required MVPHIC to reduce its contribution to reserves was the 1Q and 2Q2014 individual indemnity market filing. Lewis and Ellis is incorrect when they say that "in the past, the Board has only approved a 1% contribution to reserves". The Board has in fact approved 2% contributions to reserves in other product lines, and a 3% contribution to reserves in each of the 2013 individual indemnity market filings.

MVPHIC knows the Board understands its profitability situation in Vermont and the high level of its Medical Loss Ratio across its different product lines, which leads to the importance of it contributing to its reserves. MVPHIC points out and emphasizes that its federal loss ratio for its individual market over the past year was 95.3%, and the federal loss ratio for the coming year is projected at 80.1%. In light of the extreme volatility of this line of business, 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.

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, including the 2% contribution to surplus.

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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 21st day of April, 2014.

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