

Lewis and Ellis (L&E), the contracted actuaries for the Board, presented its Actuarial Opinion on this filing.

The Office of Health Care Advocate (HCA) entered an appearance in this matter pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303 on April 14, 2014. The parties have agreed to waive the hearing for the filing.

II. Standard of Review

HMOs operating in Vermont must obtain approval from the Board before implementing health insurance rates. 8 V.S.A. §4062(a); 8 V.S.A. §5104(a). The Green Mountain Care Board has the power to approve, modify, or disapprove requests for health insurance rates.” 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). The insurer carries the burden to show that their rates are reasonable. GMCB Rule 2.104(c).

When “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 addition, the Board shall take into consideration the requirements of the underlying statutes; changes in health care delivery; changes in payment methods and amounts; DFR’s Solvency Analysis; and other issues at the discretion of the Board. GMCB Rule 2.000 §2.401; 18 V.S.A. §9375(b)(6). Further, the Board “shall consider any 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

Board to its actuaries; questions posed to the insurer by the Board, its actuaries, and DFR; DFR's Solvency Analysis; and the Opinion from the Board's actuary. GMCB Rule 2.000 §2.403(a).

III. Analysis

The HCA agrees with L&E's analysis of the filing: TVHP's administrative trend should be set at 0% and its contribution to surplus should be 1.0% for this filing. This modification would avoid excessive rates, promote access to care, and result in a more affordable product for Vermont policyholders.

Administrative Trend

TVHP developed its 1.2% administrative trend based on 2013 administrative costs which they then projected forward using historical Consumer Price Index data (CPI). GMCB 15-14-rr SERFF Filing. TVHP concluded that because the CPI projects an increase in consumer prices from 2014 to 2015, TVHP should expect a similar increase in administrative costs during that time. GMCB 15-14-rr SERFF Filing.¹

L&E points out that TVHP expects a 1.5% per member per month decrease in 2014 administrative costs compared to 2013 administrative costs due to increased membership. GMCB 15-14-rr, L&E Actuarial Memorandum p. 2. TVHP did not incorporate this decrease into its projection of administrative costs for this filing. GMCB 15-14-rr, L&E Actuarial Memorandum p. 2. L&E states that the 2014 decrease in administrative costs should be included to calculate TVHP's administrative trend and would offset TVHP's expected inflation trend. L&E therefore recommends applying a 0.0% administrative trend for this filing. GMCB 15-14-rr, L&E Actuarial Memorandum p. 2.

¹ TVHP used the same technique to develop its proposed 1.7% administrative trend increase for its fourth quarter 2013 to third quarter 2014 Administrative Charges and Contribution to Reserve filing. (GMCB-23-13-rr SERFF Filing) The Board lowered the administrative trend for the filing to 0.0%. (GMCB-23-13-rr Decision.)

Contribution to Reserves

While TVHP proposes a 2% Contribution to Reserves (CTR) for this filing, L&E states that TVHP provided sufficient evidence to support only half of this CTR. GMCB 15-14-rr L&E Actuarial Memorandum. L&E therefore recommends modifying the CTR to 1.0%. GMCB 15-14-rr L&E Actuarial Memorandum. The HCA further notes that BCBSVT found a 1% CTR to be sufficient to sustain its risk-based capital level for its 2015 Vermont Exchange Products, which cover almost 60,000 members. GMCB 18-14-rr SERFF Filing, Actuarial Memorandum p. 26-17. The HCA therefore agrees with L&E that a 1% CTR is appropriate and sufficient for this filing.

IV. Conclusion

The HCA asks the Board to implement L&E's recommendation for this filing by modifying the Administrative Trend to 0.0% and the Contribution to Reserves to 1%.

Dated at Montpelier, Vermont this 17th day of June, 2014.

s/ Kaili Kuiper _____
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CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Notice of Appearance on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Jacqueline Hughes, representative of The Vermont Health Plan, LLC, by electronic mail, return receipt requested, this 17th day of June, 2014.

s/ Kaili Kuiper _____

Kaili Kuiper

Staff Attorney

Office of the Health Care Advocate