

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: The Vermont Health Plan, LLC)
2013 Group Merit Rating Formula)
) GMCB-033-13-rr
)

TVHP MEMORANDUM IN LIEU OF HEARING

The Vermont Health Plan, LLC (TVHP) requests that the Board adopt the Commissioner’s recommendation to approve the merit rating method proposed by TVHP but reject the recommendation that TVHP submit an updated manual rate no later than the end of 2013.

TVHP has submitted its Merit Rating Formula filing because it believes that it produces the most appropriate, best estimates for rates for its large groups, as well as allowing for improvement in the service provided to customers and increased operational efficiencies. OW concludes that “...it is likely that using the currently approved Base Manual Rate and a trend rate of 4.1% will produce higher rates than using an updated manual rate based on more recent experience.” OW November 4, 2013 Opinion at 3. In point of fact, TVHP performed the rating calculation for the two most commonly chosen TVHP benefit plans for a hypothetical 0% credibility group (i.e. the rating is done based purely on the manual rate) using: 1) the proposed new TVHP rating formula with the \$415.97 value from the 2013 TVHP BRV filing, and 2) the old TVHP rating formula with the approved Q4 2012 TVHP large group manual rates. It found that the new TVHP rating formula actually showed more favorable results (i.e. lower rates) in both cases. The plans were:

- Plan A (PPACA Compliant HMO \$20/\$30, Combined \$500 IP/OP Deductible, ER \$50, Amb \$50, \$6350 Combined Med/Rx OOPM, Drug card \$50 Deductible \$10/\$30/\$50 Co-pay, Vision Exam): rates are 12%-13% lower (depending on the Single, 2Person, or Family tier).
- Plan B (PPACA Compliant CDHP – HMO \$3000 Deductible Single/\$6000 2Person & Family, Aggregate Deductible, 100% Coinsurance, Vision Exam): rates are 9%-11% lower (depending on the Single, 2Person, or Family tier).

Thus, the long delay in approval of the TVHP Merit Rating Formula filing may have had the actual effect of delaying the direct calculation and implementation of lower rates for many TVHP large groups.

TVHP's merit rating formula filing (the subject of this docket) was submitted to the Department of Financial Regulation (DFR) on February 8, 2013. Neither DFR nor Oliver Wyman (OW) asked any questions about the filing until October 7, 2013. At that time they asked for the single numeric value (the projected base plan PMPM rate or "manual rate") for the chosen base plan in the approved TVHP Benefit Relativity Factor filing (GMCB Docket 6-13rr; deemed approved May 1, 2013). TVHP provided the value (\$415.97)¹ to OW on October 10, and supplied it again on October 28, 2013, during a call among representatives of TVHP, OW and DFR. TVHP was informed by DFR during the October 28, 2013 call that DFR would issue its recommendation on the TVHP merit formula filing and that TVHP could use the most recently approved manual rate. The thrust of the Commissioner's Recommendation on the manual rate value as it appears in her recommendation was not disclosed to TVHP during or after the call and it was only when TVHP received her recommendation on November 25th that it learned that the Commissioner had settled on a different approach to resolving the issue.

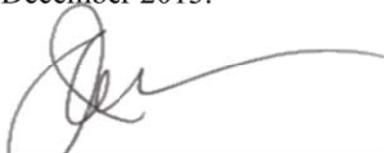
The GMCB through its staff is well aware that TVHP's next benefit relativity factor filing is scheduled to be filed on January 2, 2014. We question the reasonableness of a recommendation that calls for a new filing that will be superseded within a week's time (assuming the GMCB issues its decision on December 26, 2013). We also question what process would be used to evaluate such a filing (which as noted above would have a competing filing pending at the same time but initiated directly with the Board). Would it go first through DFR for a recommendation then to the GMCB under 8 V.S.A. § 4062 as it exists today or would DFR merely pend the filing because it loses jurisdiction over rate filings effective January 1, 2014 under the revisions to § 4062? Finally, we question whether this is a reasonable use of DFR's, the Board's or TVHP's time, especially when the rate would apply at most to four groups and that is only if approved before the anticipated January 1, 2014 filing on the same topic.²

¹ TVHP and BCBSVT use the same value based on the same underlying data and both TVHP's and BCBSVT's BRV filings were deemed approved May 1, 2013.

² TVHP sought to discuss this issue informally and requested a meeting with GMCB staff and the HCO. The request was declined without explanation.

We ask that the Green Mountain Care Board accept the Commissioner's recommendation to approve the rate-making methodology set forth in the filing, but reject the recommendation for an interim filing of the manual rate.

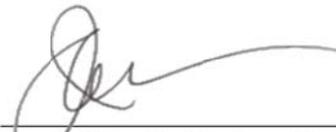
Dated at Montpelier, Vermont, this 11th day of December 2013.



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CERTIFICATE OF SERVICE

I hereby certify that this Memorandum in Lieu of Hearing has been duly served upon Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson, Office of Vermont Ombudsman, by electronic mail, return receipt requested, this 11th day of December, 2013.



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