STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan, Inc. 2015 Vermont Health Connect Rate Filing	)	
	)	GMCB-17-14-rr
SERFF No. MVPH-129560321	)	

POST-HEARING MEMORANDUM

I. Introduction

MVP Health Plan, Inc. (MVP) asks for an average 15.4% rate increase for its 2015 Vermont Health Connect Rate Filing. The Office of the Health Care Advocate (the HCA) urges the Green Mountain Care Board (the Board) to embrace the Board's and the HCA's actuarial experts' recommendations to lower the rate increase and promote affordability for Vermonters.

II. Background

MVP submitted the above captioned filing, MVP 2015 Vermont Health Connect Rate Filing, on June 2, 2014. On July 30, 2014, Lewis and Ellis (L&E), the actuarial firm for the Green Mountain Care Board, recommended in its report on the filing: 1) MVP reduce its pharmacy trend from 9.0% to 8.4%; 2) MVP increase its projected index rate by 2.8% due to changes in demographics; and 3) MVP reduce the single contract conversion factor from 1.165 to 1.098. (Exhibit 8, p. 7). DFR submitted a solvency opinion on July 28, 2014, stating that MVP's proposed rates will likely have no impact on MVP's solvency. (Exhibit 7, p. 2). Donna Novak, the actuary for the HCA, submitted her Expert Report on August 5, 2014 and an addendum to the report on August 11, 2014. (Exhibits 9 and HCA-A). Ms. Novak recommended a reduction in

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MVP's pharmacy trend, a reduction in MVP's administrative trend, and a correction to an error in MVP's manual rate, and she agreed with L&E's three recommendations. (Exhibits 9 and HCA-A). The hearing on this filing took place on August 13, 2014.

III. Standard of Review

Health insurance organizations operating in Vermont carry the burden to show that their rates are reasonable. GMCB Rule 2.104(c). Insurers must obtain approval from the Board before implementing health insurance rates. 8 V.S.A. §4062(a); 8 V.S.A. §5104(a). The 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).

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).

IV. Analysis

MVP has failed to meet its burden of proof - MVP did not substantiate its data in several components of the filing: pharmacy trend, administrative trend, development of

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the manual rate, projection of demographic data for age, and projection of demographic data for family size. MVP tries to obscure its shortcomings by arguing extraneous matters.[1] However, the record shows that MVP contradicts its own arguments, fails to provide data in support of its claims, conflates elements of the filing that should be distinguished, and ignores portions of the record that refute its claims.

a. Pharmacy Trend

MVP's drug trend projections cannot be relied upon, because the experts agree that MVP used an unreliable method to project its drug trend and MVP directly contradicts itself on what source of pharmacy data is most dependable. L&E and Ms. Novak agree that MVP has not justified its high pharmacy trend, because-MVP's use of national trend factors to develop its pharmacy trend is inferior to other available sources of trend data: L&E recommends using Vermont specific data and Donna Novak recommends using Vermont specific data and MVP's own claim trends. (Exhibit 8, p. 4-5; Exhibit 9, p. 9-11, 14; Testimony of Jacqueline Lee p. 111-112; and Testimony of Donna Novak, p. 144.)

Both last year and this year, MVP justified its high pharmacy trend by saying its trend was based on more reliable information than evidence that disputed its pharmacy trend, but in 2013, MVP argued that MVP and Vermont specific data is superior,[2]

[1] For example, MVP tries to frame this filing as a competition where each witness gets a "vote" on each issue presented. In addition, MVP spent significant time at the hearing questioning Donna Novak about the fact that she was paid to develop her report. MVP tried to argue that Donna Novak's analysis was biased, looking only to cut the rates, when in fact Donna Novak openly agreed with L&E's recommendation regarding the projected index rates which results in a 2.8% *increase* to the filing. (Exhibits MVP 13 and HCA-A). Moreover, Ms. Novak was not willing to arbitrarily agree to L&E's recommendations in her August 5 report: "I said I did not have an opinion on it because I hadn't sufficient time to research it. And I wasn't going to just say "me too" without researching it, understanding it, and having it peer reviewed. So all I said was I didn't have enough information to make an opinion." (Novak Testimony p. 177).

[2] In 2013, for its initial Exchange filing, MVP claimed that it used a report to develop its drug trend that utilized MVP specific claims trends. (GMCB 15-13rr, MVP Post-Hearing Memo, p. 3-4).When the HCA[2] requested a copy of the report to verify MVP's reported data, MVP refused to provide it. (GMCB 15-13rr, HCA Expert Witness Report, p. 3). Because the HCA's actuary did not have access to MVP's report, he obtained a national report of

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whereas this year MVP is arguing that national trends that *do not* incorporate MVP historical trends and data are the most reliable. (Exhibit 3, p. 5, Q3; Lopatka Testimony, p. 67). Additionally, MVP put Mr. Lombardo on the stand specifically to testify that MVP had consistently used national data to create its pharmacy trend this year *and last year* for its Exchange products. (Lombardo Testimony, p. 76, lines 6-8).[3] Because MVP has not shown that its drug trend is reliable, the trend should not be incorporated into the rates.

b. Administrative Trend

MVP has not verified the need for its 15.4% increase in administrative load between 2014 and 2015. MVP's increase in administrative load between 2014 and 2015 is not based on MVP's costs, but instead arbitrarily results from the 15.4% average overall rate increase. MVP's Exchange rate filing for its 2014 rates included a 9.5% administrative trend. (GMCB 15-13rr, Amended SERFF filing, PDF pages 23, 66, 102, 116, 130, and 157). MVP's Exchange filing for its 2015 rates continues to use a 9.5% administrative trend. (GMCB 17-14rr, SERFF pages 56, 63, and 72). Because the overall rate increase is 15.4% and MVP is continuing to allocate the same percentage of the rate filing to the administrative load in 2014 and 2015, the administrative load is also increasing 15.4% between 2014 and 2015, not including the 2015 market expansion costs (Lopatka Testimony p. 63).

MVP's administrative expense load covers "MVP's expenses to market, sell, and administer health insurance products." (Exhibit 1, p. 63, 72, and Lopatka Testimony p.

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pharmacy trends to point out the significant discrepancy between MVP's reported data and general drug trends.[2] MVP responded that national trends should not be relied upon: "Because nationwide trend results do not accurately reflect trends in Vermont or MVP specific trends, [the HCA's actuary] improperly relied on the nationwide reports in reaching his conclusions." (GMCB 15-13rr, MVP Post-Hearing Memo, p. 3-4).

[3] Q. Matt, I just have one question for you. Did MVP use national data to project the 2014 pharmacy trend?
A. Yes. It's consistent.

61-62.) MVP's "Plain Language Summary" for this filing states that "Increases in premium rates are driven by many factors including increases in use of medical services by the insured population, increases in hospital and physician required charges for medical care, expanded covered services due to governmental mandates, fees and assessments charged by the government insurers, and the exit of healthier individuals from the insurance market place as the cost of insurance increases." (Exhibit 1, p. 76.) MVP provides no evidence to suggest that its administrative load is actually increasing at the same rate as the other drivers of its premium rates. In fact, MVP does not show any calculations behind its 2015 projected administrative load.

The Actuarial Memo Dataset SERFF (excerpted in Addendum A) shows different categories of administrative costs for the experience period (2013) and the most recent approved (2014) rate filing, but it is blank for the administrative costs in the proposed (2015) Exchange filing. (Addendum A, and Actuarial Memo Dataset, A87-108:D87-108.) When L&E asked about the missing administrative load information, MVP replied that it had not yet determined those costs: "MVP's financial planning department has not completed its projections for the rating period. As a result, MVP cannot supply the requested information at this time." (Exhibit 5, question #7, p. 2, and answer #7, p. 4). While MVP argued at the hearing that its administrative costs are due to its membership decreasing, (Lopatka Testimony p. 63-64), MVP provides no data to substantiate its high administrative costs.

c. Demographic Data Adjustments

MVP's arguments against L&E's recommended demographic adjustments inaccurately equate morbidity to age and family size and fail to recognize the increase

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in rates already included in L&E's recommendation. L&E and Donna Novak agree that MVP's projections will be more accurate if they utilize 2014 rather than 2013 data for 2015 age and family size demographics. (Exhibit 8, p. 5, 7; Exhibit HCA-A). L&E notes that MVP's current lack of demographic adjustment is "inappropriate because it does not comply with the definition of index rate as defined in 45 CFR Part 156.80(d)." (Exhibit 8, p. 5).

MVP argues that a 2% morbidity adjustment added to MVP's 2014 Exchange filing must be removed if 2014 data is used to predict 2015 demographics. (Lopatka Testimony, p. 41-42). However, morbidity, which is the health status of the group, is a separate concept from age and family size. (Lee Testimony, p. 122). While L&E testified that a population's age can *influence* morbidity, L&E stressed that age and morbidity are not the same thing. (Lee Testimony, p. 122, 127).

There was no evidence offered to support a claim that family size, the number of individuals covered by family plans, influences morbidity. (Lee Testimony p. 127, 136-137; Lopatka Testimony, p.190-191). The family size adjustment to the single contract conversion factor results in a 5.8% decrease in rates. (Lee Testimony, p. 118; Exhibit 8, p. 7; Exhibit 13.)

On the other hand, the adjustment to the projected index rate based on age *increases* the rates. The change in age demographics increases the filing by 2.8%, because the average age of the population has increased slightly. Therefore, to the extent that age influences costs, L&E's recommendation already includes a 2.8% increase in the index rate. No further adjustment is needed.

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d. Manual Rate Error

MVP made an error in the development of its manual rate that impacted its rates. MVP incorrectly reports that its mistake in the manual rate does not tie into its rates. (Lopatka Testimony, p. 45-46, 47). MVP does not deny that it made a mistake in its "others" category included in both the URRT and the information they submitted in response to L&E's July 8, 2014 question #2. (Lopatka Testimony, p. 45-46, 47). The HCA agrees that the mistake in the "others" category in the URRT has no bearing on the rates.[4] However, a careful review of MVP's documentation shows the mistake repeated outside of the URRT did impact the rates.

MVP's response to Question #2 in L&E's fourth set of questions shows how the "other"[5] category is tied into the rates. (Exhibit 5, p. 3, 6, from "Response to Objection #4 – Quantitative Responses L&E"). MVP's answer to question # 2 includes the direction, "Please note that the 'Other' trend shown reflects the impact of benefit modifications MVP had to make to meet the EHB requirements." (Exhibit 5, p. 3). MVP's response to L&E included an excel file that displayed calculations in response to Question #2. (Exhibit 5, p. 6, from "Response to Objection #4 – Quantitative Responses L&E", tab "Question #2"). Addendum C to this memo shows this excel file with the "trace dependents" feature enabled, clearly showing that the "other" category impacts the "Average Cost/Service" which leads to the $475.35 result. Addendum C.2 shows this excel sheet with the "show formulas" feature enabled. Unlike in the URRT,

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[4] Addendum B shows the URRT with the excel feature "trace dependents" enabled. This addendum shows the data that impacted the $475.35 total in cell V32. Although the addendum shows that the "others" category was used to calculate the $948.42 in cell Q30, and that the $948.42 in cell Q30 went into the $475.35 value, the formula behind the $475.35 cancelled out the $948.42 in cell Q30. The formula behind the $475.35 is "=Q30*Q32+(1-Q32)*T30." Because cell Q32=0, Q30 did not factor into the formula results.

[5] Lopatka testified that the "other/s" categories from the URRT and "Question #2" spreadsheets were identical except for a slight discrepancy in the prescription drug category. (Lopatka Testimony, p. 68).

the "Question #2" spreadsheet formulas employ the "other" category without adding a negating factor. As a result, the "other" category impacts the $475.35 result.[6]

The $475.35 is tied into the rates submitted in today's filing. This is shown in MVP's Actuarial Dataset Memo (Exhibit 1, p. 83-84) which MVP excerpted in answer to L&E's Fourth set of Questions, Question #6. (Exhibit 5, p. 9 and "Response to Objection #4 – Quantitative Responses L&E" tab "Question #6"). Addendum D shows this excel sheet with "trace dependents" enabled. This spreadsheet shows that the $475.35 in cell C4 factored into the $471.18 in cell C11 which factored into the results for the "Consumer Adjusted Premium Rate PMPM." In addition, the $352.16 in cells V34 and V36 of the URRT are calculated from the $475.35. The $352.16 is displayed as the "2015 Paid Index Rate" in cell C78 of the SERFF "Exhibit 3 – Development of Index Rate." (Exhibit 1, p. 53).

The formulas in Addendum C.2 further show that the "Other" category from MVP's answer to Question #2 was squared in the "Average Cost/Service" calculation.[7] (Exhibit 5, p. 6). As Donna Novak testified and stated in her report, this category should not be squared. (Novak Testimony, p. 149-150; Exhibit 9, p. 8). Consequently, the amount was incorrectly double counted and should be corrected. (Novak Testimony, p. 149-150; Exhibit 9, p. 8).

e. Solvency and Contribution to Reserves

DFR and Donna Novak agree that MVP shows sound solvency. DFR has reached out to MVP's primary regulators in New York, and "the regulators have responded that

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[6] The URRT came to the same total of $475.35 in cell V32 as the excel response to Question #2 in cell F38 because the URRT cells S23:E35 copied the "Average Cost/Service" data shown in answer to Question #2, cells E29:E35. See Addendum B.2 for the "show formulas" version of the URRT. As seen in Addendum C, the "Average Cost/Service" category in cells E29:E35 of Question 2 was calculated using the "Other" category.

[7] The formula takes the referenced cells to the power of "C27/12." Cell C27 equals 24, so the formula is squared.

they do not have any concerns about MVPHP's solvency."[8] (Exhibit 7, DFR July 28, 2014 Report, p. 2; Cassetty Testimony, p. 98). DFR further states "in 2013, all of MVP Holding Company's operations in Vermont accounted for approximately 5.3% of its total premiums earned. Thus, DFR has determined that MVPHP's Vermont operations pose very little risk to its solvency, or to the solvency of MVP Holding Company." (Exhibit 7, DFR July 28, 2014 Report, p. 2). DFR's report states that "contingent upon GMCB actuary's finding that the proposed rates are not inadequate, DFR's opinion is that the proposed rates will likely have no impact on MVPHP's solvency." (Exhibit 7, DFR July 28, 2014 Report, p. 2). L&E's recommendation did not find that the rates are inadequate. (Exhibit 8).

Further, Donna Novak agreed that MVP's solvency level is strong. (Exhibit 9, p. 13; Novak Testomony, p.153). Donna Novak testified to her opinion that MVP's contribution to surplus could be reduced. (Novak Testimony, p. 153). Donna Novak additionally testified that MVP could lose money if its rates are too high since many people will move to a less expensive comparable plan and those left paying MVP's high rates are likely to be the most ill individuals who are afraid to risk a gap in coverage. (Novak Testimony, p. 162-163).

f. Affordability

The proposed 15.4% rate increases is not affordable. In the over 250 public comments submitted for MVP's and Blue Cross Blue Shield of Vermont's Exchange filings, Vermonters report that they will not be able to afford their Vermont Health Insurance Exchange policies if the insurer's requested rate increases are approved.

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[8] DFR testified that New York has "a vast amount of information regarding approximately seven entities they review to determine solvency." DFR relied in large part on New York, coordinated with New York in reviewing MVP's solvency and speaks with New York regulators "on an ongoing basis." (Cassetty Testimony, p.95 and 97).

Further, MVP's requested rate increase is significantly higher than Blue Cross's. MVP's proposed 15.4% average increase for this filing is more than 7 times the average 2% increase in consumer goods seen in the United States over the past twelve months.[9]

V. Conclusion

The HCA asks the Board to adopt the recommendations of L&E and Donna Novak because they point to components of the filing where MVP did not meet its burden of proof. In addition, the HCA asks the Board to lower MVP's contribution to reserves in order to further reduce the doubled-digit increase proposed in this filing. Taken as a whole, these changes will result in a rate increase that is more affordable for Vermont consumers.

Dated at Montpelier, Vermont this 21st day of August, 2014.

/s/ *Kaili Kuiper*_____
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[9] Bureau of Labor Statistics, Consumer Price Index Summary, August 19, 2014: http://www.bls.gov/news.release/cpi.nr0.htm

CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Questions for Board Actuary 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 and Gary Karnedy, representatives of MVP Health Plan, by electronic mail, return receipt requested, this 21st day of August, 2014.

/s/ *Kaili Kuiper*
Kaili Kuiper
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ADDENDUM A - EXCERPT FROM ACTUARIAL DATASET SERFF

	PMPM in effect during the experience period	PMPM from Most Recent Approved Rate Filing	Proposed PMPM for Effective Date
Payroll and Benefits	$21.01	$29.47	N/A
Outsourced Services (EDP, claims, etc.)	$3.31	$6.31	N/A
Auditing and consulting	$0.33	$0.49	N/A
Marketing & Advertising	$2.52	$2.58	N/A
Legal Expenses	$0.22	$0.36	N/A
Other General Admin Expense	$9.28	$13.70	N/A
Commissions & Brokers Fees	$13.68	$0.09	N/A
Taxes, Licenses & Fees	$9.90	$0.00	N/A
Reinsurance	$0.68	$0.00	N/A
Profit/Risk Margin	-$26.41	-$23.61	N/A

	As % of Premium during the experience period	As % of Premium from Most Recent Approved Rate Filing	Proposed As % of Premium for Effective Date
Payroll and Benefits	5.65%	8.31%	N/A
Outsourced Services (EDP, claims, etc.)	0.89%	1.78%	N/A
Auditing and consulting	0.09%	0.14%	N/A
Marketing & Advertising	0.68%	0.73%	N/A
Legal Expenses	0.06%	0.10%	N/A
Other General Admin Expense	2.50%	3.87%	N/A
Commissions & Brokers Fees	3.68%	0.02%	N/A
Taxes, Licenses & Fees	2.66%	0.00%	N/A
Reinsurance	0.18%	0.00%	N/A
Profit/Risk Margin	-7.11%	-6.66%	N/A

(Actuarial Memo Dataset SERFF, A87:D108; Exhibit 1, p. 82.)

ADDENDUM B - URRT TRACE DEPENDENTS

MVP Health Plan, Inc State: **VT**
77566 Market: **Combined**
1/1/2015

Experience Period **Projection Period:** 1/1/2015 to 12/31/2015 Mid-point to Mid-point, Experience to Projection: 24

Benefit Category	Utilization Description	Utilization per 1,000	Cost/Service	PMPM	Pop'l risk Morbidity	Other	Cost	Util	Utilization per 1,000	Cost/Service	PMPM	Utilization per 1,000	Average Cost/Service	PMPM
		on Actual Experience Allowed			Adj't. from Experience to	Annualized Trend Factors			ojections, before credibility Adjustme			Credibility Manual		
Inpatient Hospital	Days	1,020.66	$1,668.92	$141.95	0.980	1.003	1.060	1.000	1,000.25	$1,882.37	$156.90	204.00	$4,931.26	$83.83
Outpatient Hospital	Visits	3,799.69	965.91	305.85	0.980	1.003	1.054	1.000	3,723.70	1,076.16	333.94	2113.95	1,005.06	177.05
Professional	Visits	8,084.45	343.90	231.69	0.980	1.003	1.092	1.000	7,922.76	411.59	271.75	5003.53	319.07	133.04
Other Medical	Other	495.17	965.74	39.85	0.980	1.003	1.054	1.000	485.27	1,075.97	43.51	305.37	814.71	20.73
Capitation	Benefit Perioc	12,000.00	80.42	80.42	0.980	1.000	1.000	1.000	11,760.00	80.42	78.81	11760.00	6.78	6.64
Prescription Drug	Prescriptions	18,707.95	36.57	57.02	0.980	1.000	1.040	1.026	19,280.88	39.52	63.50	10026.39	64.68	54.04
Total				$856.78							$948.42			$475.35

			After Credibility	jected Period To
Projected Allowed Experience Claims PMPM (w/applied credibility if applicat	0.00%	100.00%	$475.35	$27,368,464
Paid to Allowed Average Factor in Projection Period			0.741	
Projected Incurred Claims, before ACA rein & Risk Adj't, PMPM			$352.16	$20,275,912
Projected Risk Adjustments PMPM			0.00	0
Projected Incurred Claims, before reinsurance recoveries, net of rein prem, PMPM			$352.16	$20,275,912
Projected ACA reinsurance recoveries, net of rein prem, PMPM			12.84	739,372
Projected Incurred Claims			$339.32	$19,536,540
Administrative Expense Load		10.12%	40.60	2,337,470
Profit & Risk Load		1.50%	6.02	346,324
Taxes & Fees		3.76%	15.07	867,935
Single Risk Pool Gross Premium Avg. Rate, PMPM			$401.01	$23,088,269
Index Rate for Projection Period			$475.35	
% increase over Experience Period			-44.95%	
% Increase, annualized:			-25.80%	
Projected Member Months				57,576

Information Not Releasable to the Public Unless Authorized by Law: This information has not been publically disclosed and may be privileged and

(Exhibit 5, p. 78).

ADDENDUM B.2 - URRT SHOW FORMULAS

	C	E	F	G	H	J	K	L	M	O	P	Q	R	S	T	V	X
1																	
2																	
3		**MVP He**		State:	**VT**												
4		**77566**		Market:	**Combined**												
5		**42005**															
6																	
7																	
19																	
20																	
21						**Period:**	=E5	to	=EDATE(L21,12)-1						e to Projection:	=ROUND((AVERAG	
22						**Adj' Exp**		**Annualized Trend Factors**			**Projections**						
23	**Benefit Category**	**Descriptio n**	**Utilization per 1,000**	**Average Cost/Service**	**PMPM**	**'I risk**	**Other**	**Cost**	**Util**	**Utilization per 1,000**	**Average Cost/Service**	**PMPM**	**Utilization per 1,000**	**Average Cost/Service**	**PMPM**		
24	Inpatient Hospital	Days	1020.66220965	1668.9244554	=F24*G24/12000	0.98	1.00313	1.060364	1	=F24*(M24)^($T$21/12)*.	=G24*(L24)^($T$21/12)*K	=O24*P24/12000	203.99978260	4931.26298740	=R24*S24/12000		
25	Outpatient Hospit	Visits	3799.69297852	965.91351063	=F25*G25/12000	0.98	1.00313	1.053880	1	=F25*(M25)^($T$21/12)*.	=G25*(L25)^($T$21/12)*K	=O25*P25/12000	2113.9522131	1005.05839589	=R25*S25/12000		
26	Professional	Visits	8084.45314580	343.9002625	=F26*G26/12000	0.98	1.00313	1.092294	1	=F26*(M26)^($T$21/12)*.	=G26*(L26)^($T$21/12)*K	=O26*P26/12000	5003.5323212	319.067829521	=R26*S26/12000		
27	Other Medical	Other	495.172755180	965.73877551	=F27*G27/12000	0.98	1.00313	1.053880	1	=F27*(M27)^($T$21/12)*.	=G27*(L27)^($T$21/12)*K	=O27*P27/12000	305.37317844	814.712542211	=R27*S27/12000		
28	Capitation	enefit Perio	12000	80.420648870	=F28*G28/12000	0.98	1	1	1	=F28*(M28)^($T$21/12)*.	=G28*(L28)^($T$21/12)*K	=O28*P28/12000	11760	6.78	=R28*S28/12000		
29	Prescription Drug	Prescription	18707.9497907	36.573612453	=F29*G29/12000	0.98	1	1.039543	1.02550	=F29*(M29)^($T$21/12)*.	=G29*(L29)^($T$21/12)*K	=O29*P29/12000	10026.394638	64.6820546771	=R29*S29/12000		
30	Total				=SUM(H24:H29)							=SUM(Q24:Q29)			=SUM(T24:T29)		
31																**After Credibility**	**ected Period To**
32					Projected Allowed							0			=1-Q32	=Q30*Q32+(1-Q32)*T30	=+$X$47*V32
33						Paid										0.740849461192084	
34						Proje										=+V32*V33	=+$X$47*V34
35						Proje										0	=+$X$47*V35
36						Pr										=+V34-V35	=+$X$47*V36
37						Proje										12.8416743382397	=+$X$47*V37
38					Projected Incurrec											=+V34-V35-V37	=+$X$47*V38
39																	
40					Administrative Exp										0.1012406008469	=+T40*$V$43	=+$X$47*V40
41					Profit & Risk Load										0.015	=+T41*$V$43	=+$X$47*V41
42					Taxes & Fees										0.0375920400352	=+T42*$V$43	=+$X$47*V42
43					Single Risk Pool Gr											=($V$38/(1-T40-T41-T42))	=+$X$47*V43
44					Index Rate for Pro											475.345013348753	
45						% in										=((V43-G14)/G14)	
46						% In										=(1+V45)^(1/(T21/12))-1	
47					**Projected Membe**												57576
48																	
49	**Information Not Releasable to the Public Unless Authorized by Law:** This information has not been publically disclosed and may be privileged and confidential. It is for internal																
50																	
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(Exhibit 1, p. 78).

Question #2

	B	C	D	E	F
1					
2	**Experience Period Allowed Data (Calendar Year 2013) - Small Group AR42/AR44 & Individual AR42**				
4	Member Months	204,962			
6	**Benefit Category**	**Utilization Description**	**Utilization per 1,000**	**Average Cost/Service**	**Allowed PMPM**
7	Inpatient Hospital	Days	208.2	$4,358.46	$75.61
8	Outpatient Hospital	Visits	2,157.1	$899.28	$161.65
9	Professional	Visits	5,105.6	$265.76	$113.07
10	Other Medical	Other	191.4	$728.96	$11.63
11	Capitation	Benefit Period	12,000.0	$6.78	$6.78
12	Prescription Drug	Prescriptions	9,728.5	$57.38	$46.52
13				**Total**	**$415.26**
14					
15	**Trend and Adjustment Factors from Experience Period to Rating Period**				
17	**Benefit Category**	**Pop'l risk Morbidity**	**Other**	**Cost**	**Util**
18	Inpatient Hospital	0.980	1.003	1.060	1.000
19	Outpatient Hospital	0.980	1.003	1.054	1.000
20	Professional	0.980	1.003	1.092	1.000
21	Other Medical	0.980	1.003	1.054	1.000
22	Capitation	0.980	1.000	1.000	1.000
23	Prescription Drug	0.980	1.021	1.040	1.026
24					
25	**Projection Period Allowed Data - Small Group AR42/AR44 & Individual AR42**				
27	Months of Trend	24			
29	**Benefit Category**	**Utilization Description**	**Utilization per 1,000**	**Average Cost/Service**	**Allowed PMPM**
30	Inpatient Hospital	Days	204.0	$4,931.26	$83.83
31	Outpatient Hospital	Visits	2,114.0	$1,005.06	$177.05
32	Professional	Visits	5,003.5	$319.07	$133.04
33	Other Medical	Other	187.6	$814.71	$12.73
34	Capitation	Benefit Period	11,760.0	$6.78	$6.64
35	Prescription Drug	Prescriptions	10,026.4	$64.68	$54.04
36				**Projected Index Rate Prior to Pediatric Dental**	$467.35
37				**Pediatric Dental Cost PMPM**	$8.00
38				**Projected Index Rate**	**$475.35**

8/21/2014

(Exhibit 5, p. 6, and "Response to Objection #4 - Quantitative Responses L&E", Question #2).

ADDENDUM C.2 - QUESTION #2, QUANTITATIVE RESPONSE, SHOW FORMULAS

	B	C	D	E	F
1					
2					
4	Member Months	204962			
6	**Benefit Category**	**Utilization Description**	**Utilization per 1,000**	**Average Cost/Service**	**Allowed PMPM**
7	Inpatient Hospital	Days	208.163043479327	4358.4580662872	=+D7*E7/12000
8	Outpatient Hospital	Visits	2157.09409503884	899.276590352593	=+D8*E8/12000
9	Professional	Visits	5105.64522579331	265.759092845431	=+D9*E9/12000
10	Other Medical	Other	191.401202494474	728.964525910269	=+D10*E10/12000
11	Capitation	Benefit Period	12000	6.78	=+D11*E11/12000
12	Prescription Drug	Prescriptions	9728.46124065636	57.3841706043549	=+D12*E12/12000
13				**Total**	**=+SUM(F7:F12)**
14					
15					
17	**Benefit Category**	**Pop'l risk Morbidity**	**Other**	**Cost**	**Util**
18	Inpatient Hospital	0.98	1.00313084394873	1.06036421317706	1
19	Outpatient Hospital	0.98	1.00313084394873	1.05388062344622	1
20	Professional	0.98	1.00313084394873	1.09229478079916	1
21	Other Medical	0.98	1.00313084394873	1.05388062344622	1
22	Capitation	0.98	1	1	1
23	Prescription Drug	0.98	1.0213	1.03954314083456	1.02550382100916
24					
25					
27	Months of Trend	24			
29	**Benefit Category**	**Utilization Description**	**Utilization per 1,000**	**Average Cost/Service**	**Allowed PMPM**
30	Inpatient Hospital	Days	=+D7*F18^($C$27/12)*C18	=+E7*(D18*E18)^($C$27/12)	=+D30*E30/12000
31	Outpatient Hospital	Visits	=+D8*F19^($C$27/12)*C19	=+E8*(D19*E19)^($C$27/12)	=+D31*E31/12000
32	Professional	Visits	=+D9*F20^($C$27/12)*C20	=+E9*(D20*E20)^($C$27/12)	=+D32*E32/12000
33	Other Medical	Other	=+D10*F21^($C$27/12)*C21	=+E10*(D21*E21)^($C$27/12)	=+D33*E33/12000
34	Capitation	Benefit Period	=+D11*F22^($C$27/12)*C22	=+E11*(D22*E22)^($C$27/12)	=+D34*E34/12000
35	Prescription Drug	Prescriptions	=+D12*F23^($C$27/12)*C23	=+E12*(D23*E23)^($C$27/12)	=+D35*E35/12000
36				**ted Index Rate Prior to Pediatric Dental**	=+SUM(F30:F35)
37				**Pediatric Dental Cost PMPM**	8
38				**Projected Index Rate**	**=+SUM(F36:F37)**

(Exhibit 5, p. 6, and "Response to Objection #4 - Quantitative Responses L&E", Question #2).

ADDENDUM D - QUESTION #6, QUANTITATIVE RESPONSE, TRACE DEPENDENTS

	B	C	D	E	F	G	H	I	J	K	L
2	***Consumer Adjusted Premium Rate Development***										
3											
4	Index Rate for Projected Period PMPM	$475.35									
5	Risk Adjustment PMPM	$0.00									
6	Gross Reinsurance Contributions PMPM	($22.29)									
7	Removing Pediatric Dental Allowed Cost	($8.00)									
8	Exchange User Fees PMPM	$0.00									
9	Market Adjusted Index Rate PMPM	$445.06									
10	Adjusted Market Index Rate based on Paid C	$26.12									
11	Starting Allowed Amount for Pricing	$471.18									
12											
13	Product	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp	Vermont HMO Contract Ind/Grp
14	Product ID	77566VT004	77566VT004	77566VT004	77566VT004	77566VT004	77566VT004	77566VT004	77566VT004	77566VT004	77566VT004
15	Plan ID	77566VT0040001	77566VT0040002	77566VT0040004	77566VT0040005	77566VT0040006	77566VT0040007	77566VT0040009	77566VT0040010	77566VT0040011	77566VT0040013
16	Metal Tier	Platinum	Gold Standard	Gold Non-Standard	Silver Standard Non-HDHP	Silver Standard HDHP	Silver Non-Standard	Bronze Standard Non-HDHP	Bronze Standard HDHP	Bronze Non-Standard	Catastrophic
17	Metal AV Value	0.880	0.795	0.780	0.712	0.692	0.681	0.615	0.606	0.599	0.604
18	Pricing AV Value	0.907	0.836	0.839	0.741	0.709	0.713	0.609	0.620	0.617	0.596
19	Projected Member Months	7512	1968	1008	7476	7020	5700	16704	4452	4548	2664
20	Market Adjusted Index Rate PMPM	$471.18	$471.18	$471.18	$471.18	$471.18	$471.18	$471.18	$471.18	$471.18	$471.18
21	Plan Adjustments (in multiplicative format)										
22	the plan	1.016	0.899	0.904	0.758	0.712	0.718	0.593	0.606	0.602	0.579
23	Claim Cost	1.015	1.014	1.014	1.017	1.017	1.017	1.021	1.019	1.019	1.024
24	characteristics and utilization management practices	1.003	1.003	1.003	1.004	1.004	1.004	1.005	1.005	1.005	1.010
25	Plan benefits in addition to EHB	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
26	Expected impact of special eligibility categories (only for catastrophic plans)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.549
27	Plan Adjustments (in % format)										
28	Distribution and administration costs	15.6%	15.7%	15.7%	15.8%	15.9%	15.9%	16.0%	16.0%	16.0%	17.0%
29	Plan Adjusted Index Rate	$577.30	$511.31	$514.16	$432.92	$407.24	$410.75	$341.39	$348.23	$346.29	$186.40
30	Age Calibration Factor	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
31	Geography Calibration Factor	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
32	Aggregate Calibration Factor	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
33	Consumer Adjusted Premium Rate PMPM	$577.30	$511.31	$514.16	$432.92	$407.24	$410.75	$341.39	$348.23	$346.29	$186.40

(Exhibit 5, p. 9, and "Response to Objection #4 - Quantitative Responses L&E", Question #6).