

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company)	GMCB-009-16rr
First Quarter 2017 and Second Quarter)	
2017 Grandfathered Small Group)	SERFF No.: MVPH-130681893
EPO/PPO Rate Filing)	
)	

DECISION & ORDER

Introduction

Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board, which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(A). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

Procedural History

On August 5, 2016, MVP Health Insurance Company (MVPHIC) submitted its First Quarter 2017 (1Q17) and Second Quarter 2017 (2Q17) Grandfathered¹ Small Group EPO/PPO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).² The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this filing.

On September 28, 2016, the Board posted to the web the Department of Financial Regulation's (Department) analysis regarding the filing's impact on the insurer's solvency. On October 4, 2016, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E). The Board received no public comment on the filing. The parties have waived a hearing pursuant to GMCB Rule 2.309(a)(1) and have filed memoranda in lieu of hearing.

¹ To qualify as a grandfathered plan, a health plan must have been in effect on or before March 23, 2010, and have not been materially changed to reduce benefits or employer contributions since that time. Grandfathered plans are exempt from many changes required under the Affordable Care Act. 45 CFR 147.140.

² The contents of the SERFF filing and all other documents referenced in this Decision & Order are available at <http://ratereview.vermont.gov/MVPH-130681893>.

Findings of Fact

1. MVPHIC is a for-profit New York health insurer that provides EPO and PPO products to individuals and employers in the small and large group markets in New York and Vermont. MVPHIC is owned by MVP Health Care, Inc. (MVP), a New York corporation that transacts health insurance business in New York and Vermont through a variety of for-profit and non-profit subsidiaries.

2. The present filing reflects the proposed 1Q17 and 2Q17 rates for MVPHIC's grandfathered small group EPO/PPO block of business. There are 246 Vermont policyholders with 1,933 covered lives. This is a closed block of business, with declining membership.

3. With this filing, MVPHIC proposes to complete a 9.0% average annual rate increase for members renewing in 1Q17 and a 10.5% average annual increase for those renewing in 2Q17, when measured from 1Q16 and 2Q16, respectively. The quarterly increases proposed by this filing are -0.8% for 1Q17 and 2.3% for 2Q17.

4. In previous filings for this book of business, MVPHIC used a paid pharmacy trend factor in its rate development that was supplied by its newly-contracted pharmacy benefit manager (PBM) that did not take into consideration MVPHIC's Vermont book of business. MVPHIC's PBM now has sufficient Vermont data to supply Vermont-specific trend estimates. The PBM supplied low, high, and best estimates, with MVPHIC incorporating the best estimate into the proposed rates.

5. MVPHIC has modified its rating methodology to use current snapshots of enrollment distribution by age and tier to adjust for changes in enrolled population that have occurred since the end of the experience period. These changes update the experience data to more accurately reflect slight increases in the average age of the block and the proportion of single enrollees.

6. MVPHIC assumes a general administrative expense load of 8.4%, and proposes a 2.0% contribution to reserve (CTR).³

³ In various documents submitted with this filing, MVPHIC, L&E, and the HCA all refer interchangeably to "contribution to surplus" and "contribution to reserve." For the purpose of this Decision & Order, the latter term is used for consistency and because the funds at issue are not extra, or "surplus" funds, but are funds reserved solely to cover anticipated future claims.

7. MVPHIC anticipates that the proposed rates would generate a traditional loss ratio of 86.7%. The anticipated loss ratio using the federal formula is 89.9%.⁴

8. Pursuant to 8 V.S.A. § 4062(a)(2)(B), the Department assessed the impact of the proposed filing on the carrier's solvency. Noting that it is not MVPHIC's primary regulator, that New York State regulators have expressed no concerns about the company's solvency, and that all of MVP's health operations in Vermont account for approximately 3.7% of its total premiums earned, the Department determined that the carrier's Vermont operations pose little threat to the company's solvency. *See* Solvency Analysis at 2. However, the Department opines that the rates as filed will promote MVPHIC's solvency absent a finding by L&E that they are inadequate.

9. On review, L&E recommends the Board make no modifications to this filing and approve the proposed rates, opining that the filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. *See* L&E Analysis at 7. Despite not recommending any modifications, L&E expressed concern that the proposed 2Q17 rates were derived from only three months of additional trend applied to 1Q17 rates, rather than the average 4.2 months between 1Q and 3Q renewal dates. Although L&E opined that three months was actuarially reasonable, L&E expressed concern regarding the possibility that this methodology may not result in adequate premium. *Id.* at 5.

10. L&E makes no specific recommendation concerning the proposed 2.0% CTR, noting that the Board has reduced the contribution in past filings from 2.0% to 1.0%. L&E recommends that the Board consider the Department's solvency analysis when making changes to the proposed CTR. *Id.* at 6.

11. The HCA requests that the Board reduce the CTR to 0%. *See* HCA Memorandum In Lieu of Hearing.

Standard of Review

1. The Board reviews rate filings to ensure that a proposed rate is "affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust unfair

⁴ As opposed to calculation of the traditional loss ratio, calculation of the federal minimum loss ratio under the ACA allows insurers to adjust for quality improvement activities and expenditures on taxes, licensing and regulatory fees.

inequitable, misleading, or contrary to the laws of this State.” 8 V.S.A. § 4062(a)(3); GMCB Rule 2.000, § 2.301(b). In addition, the Board takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); GMCB Rule 2.000 at § 2.401.

2. In arriving at its decision, the Board will consider the Department’s analysis and opinion of the impact of the proposed rate on the insurer’s solvency and reserves. 8 V.S.A. § 4062(a)(3).

3. The insurer proposing a rate change has the burden to justify the requested rate. GMCB Rule 2.000, § 2.104(c).

Conclusions of Law

1. We agree with and adopt our actuary’s opinion that MVPHIC’s proposed medical trend figures are appropriate, and that MVPHIC’s selected experience period, assumptions, 0% utilization trend, and adjustments to reflect up-to-date enrollment patterns are actuarially reasonable.

2. In addition, we agree with and adopt our actuary’s opinion that MVPHIC’s pharmacy trend figures are appropriate. As MVPHIC’s new PBM is now able to use Vermont-specific data, the projections likely have improved accuracy over those used in recent filings on this block of business.

3. This is a closed block of business with declining membership. As such we agree with and adopt our actuary’s opinion that MVPHIC’s proposed administrative expense figure appropriately reflects costs associated with administering the claims of a shrinking population.

4. Since closed blocks will have no influx of new members to improve the overall health of the pool and further spread risk, they require additional regulatory scrutiny to guard against both inequitable pricing and future rate volatility and rate shock. As applied to this filing, this balance of interests tilts toward approving the proposed 2% CTR. Firstly, a 2% CTR will help to absorb future adverse claims experience and stabilize pricing for current policy holders. Secondly, this closed block is expected to have fairly stable claims behavior projected through the rating period. With a rate decrease proposed for 1Q17 and only a modest increase proposed for 2Q17, a 2% CTR does not substantially affect the affordability of the proposed rates for Vermont policyholders.

5. The Department, whose analysis and opinion must be considered by the Board under 8 V.S.A. § 4062(a)(3), has not expressed any concern specific to this company's solvency and opines that the rates as filed will promote MVPHIC's solvency.

6. Because MVPHIC's proposed rates are neither excessive nor inadequate and are safely within the range of actuarial reasonableness, they strike an appropriate balance between fairness and equity to policyholders on one hand and rate stability and insurer solvency on the other. As the proposed increases are modest and the claims behavior of this closed block is currently stable, actuarially adequate rates will promote future pricing stability and therefore promote policyholders' access to care and their quality of care.

Order

For the reasons discussed above, the Board approves MVPHIC's 1Q17 and 2Q17 Grandfathered Small Group EPO/PPO Rate Filing without modification.

SO ORDERED.

Dated: November 3, 2016 at Montpelier, Vermont

<u>s/ Alfred Gobeille</u>)	
)	
<u>s/ Cornelius Hogan</u>)	GREEN MOUNTAIN
)	CARE BOARD
<u>s/ Jessica Holmes</u>)	OF VERMONT
)	
<u>s/ Betty Rambur</u>)	

Filed: November 3, 2016

Attest: s/ Marisa Melamed
Green Mountain Care Board, Health Policy Analyst

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: marisa.melamed@vermont.gov). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if

any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.