

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company 3rd and 4th Quarter)
2016 Small Group Grandfathered PPO/EPO Rate Filing) GMCB-02-16-rr
SERFF No. MVPH-130435575)

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

MVP Health Insurance Company (MVP) submitted its Third and Fourth Quarter 2016 Small Group Grandfathered PPO/EPO Rate Filing for review by the Green Mountain Care Board (GMCB) on February 9, 2016. MVP requested quarterly rate increases of 9.6% for the third quarter of 2016 and .4% for the fourth quarter. These would result in annual increases of 9.3% and 7.9% when combined with rates approved for prior quarters. This is a closed block of business with 1950 members in the plans affected by the filing with 134 members renewing in the third quarter and 233 members renewing in the fourth quarter.

The Actuarial Opinion by Lewis and Ellis (L&E), the GMCB's contracted actuaries, and the review of financial solvency by the Department of Financial Regulation (DFR), were filed on April 8, 2016 and April 1, 2016 respectively.

The Office of Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. The hearing for the filing has been waived by the parties.

II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the GMCB before implementing health insurance rates. 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A.

§4062(a). “In deciding whether to approve, modify, or disapprove each rate request, the GMCB 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 making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the Solvency Analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB “shall consider any [public] 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 GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries, and DFR, DFR’s Solvency Analysis, and the Opinion from the GMCB’s actuary. GMCB Rule 2.000 §2.403(a).

III. Review of Actuarial Opinions and DFR Solvency Analysis Letters

L&E has analyzed the filing to in order to assist the GMCB in determining whether the requested rates meet the statutory criteria. Their recommendation focuses on the question whether the filing produces rates that are “excessive, inadequate, or unfairly discriminatory.”

L&E recommends two small changes in the filing: a modification of the allowed trend assumption to incorporate the year-over-year change in cost distribution resulting from category-specific cost trends and a modification of the pharmacy trend assumptions to reflect one-time cost savings resulting from the switch to a new Pharmacy Benefits Manager in 2015. The two

modifications “effectively offset” each other meaning that the resulting rate changes “will likely be equal to the original proposed rate changes.” GMCB -02-16-rr Actuarial Analysis at page7.

DFR has reviewed the solvency of MVP. New York rather than Vermont is MVP’s primary regulator. DFR states that MVP’s primary regulators in New York have not expressed any concerns about the company’s solvency. Moreover, the company’s Vermont operations, representing only a small percentage of the total premiums earned, “pose little risk to its solvency.” DFR has opined that “the proposed rate will likely have the impact of sustaining MVPHIC’s solvency.” GMCB 02-16-rr Solvency Analysis at page 2.

IV. Analysis

In order to increase affordability for ratepayers, the HCA asks the GMCB to decrease the contribution to surplus for this filing from 2% to no higher than 1%. Health insurance affordability is a significant concern for Vermonters, even those with employer sponsored health insurance.

A significant portion of employed Vermonters struggle to afford their health insurance. According to the Vermont Department of Financial Regulation 2014 Vermont Household Health Insurance Survey, almost 60% of uninsured working Vermont residents who have access to employer sponsored insurance report that they did not enroll in their employer’s health plan because it was too expensive. Comprehensive Report, 2014 Vermont Household Health Insurance Survey, p. 46. Similarly, 42.5% of Vermonters who turn down employer sponsored health insurance do so because it costs too much. Survey, p. 66.

The fact that many Vermonters find their employer sponsored health insurance to be unaffordable is especially concerning because federal rules disqualify most people who are offered employer sponsored health insurance from receiving premium subsidies for health

insurance purchased on the state health insurance exchange. Unless the actuarial value of the employer sponsored insurance is below 60% or the employee's share of the premium to cover just the employee (not including the expense of covering family members) exceeds 9.5% of the employee's income, the employee is not eligible to receive premium tax credits through the state insurance exchange. Survey, p. 38.

Wages in Vermont have not increased enough in recent years to allow Vermonters to afford the increases in insurance costs requested in this filing. Wages in Vermont increased just 3% between the third quarter of 2014 and the third quarter of 2015 according to recent statistics from the Vermont Department of Labor. <http://www.vtlmi.info/indareanaics.cfm?areatype=01>. Increases in employer sponsored health insurance are typically passed on to the employees through increased employee contributions to insurance or through lost wages, or both. Sarah Kliff, The Washington Post, You're Spending Way More on Your Health Benefits than You Think, August 30, 2013.

In past filings, the GMCB has found that MVP could afford a lower contribution to surplus in order to make rates more affordable. The GMCB reduced the contribution to surplus in last year's filing for this product in the Third and Fourth Quarter of 2015. Decision GMCB 002-15rr. The HCA asks the Board to lower the contribution to surplus again in order to make the requested rates more affordable for this small group of members who are being asked to absorb a substantial increase in premium.

A lower contribution to surplus for the third and fourth quarter plans should not be difficult for MVP to absorb because these plans represent a small portion of MVP's business and MVP's Vermont operations pose little risk to MVP's solvency. In addition, MVP's solvency is especially strong as shown by the significant rise in its risk-based capital in 2014 and 2015 as

demonstrated by the data in the MVP 2015 Annual Statement, Five-Year Historical Data, page 29 (attached).

V. Conclusion

Based on the record for this filing, the HCA asks the GMCB to modify the filing as recommended by L & E and by reducing the contribution to surplus to no greater than 1%.

Dated at Montpelier, Vermont this 26th day of April, 2016.



Lila Richardson
Lila Richardson
Staff Attorney
Office of Health Care Advocate

CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board, Noel Hudson, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, representative of MVP, by electronic mail, return receipt requested this 26th day of April, 2015.



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FIVE-YEAR HISTORICAL DATA

	1 2015	2 2014	3 2013	4 2012	5 2011
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	112,039,773	117,794,941	155,462,711	182,024,138	213,666,953
2. TOTAL Liabilities (Page 3, Line 24)	47,926,231	40,365,284	82,825,224	79,123,732	90,564,261
3. Statutory minimum capital and surplus requirement	31,468,383	44,082,906	65,884,685	86,950,015	91,576,045
4. TOTAL Capital and Surplus (Page 3, Line 33)	64,113,542	77,429,657	72,637,487	102,900,406	123,102,692
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	251,264,228	351,549,387	527,077,478	695,600,116	732,608,358
6. TOTAL Medical and Hospital Expenses (Line 18)	209,670,086	299,497,804	453,995,090	603,620,752	658,315,928
7. Claims adjustment expenses (Line 20)	4,854,052	6,484,832	13,294,871	18,513,710	19,454,960
8. TOTAL Administrative Expenses (Line 21)	37,366,189	60,959,840	79,027,223	100,988,854	117,772,649
9. Net underwriting gain (loss) (Line 24)	(12,163,585)	929,834	(35,562,629)	(27,523,200)	(50,021,869)
10. Net investment gain (loss) (Line 27)	2,377,468	4,223,219	5,943,739	4,779,408	3,366,725
11. TOTAL Other Income (Lines 28 plus 29)		345			
12. Net income or (loss) (Line 32)	(9,786,117)	5,153,398	(29,619,066)	(22,744,703)	(46,655,145)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(7,452,931)	(31,051,263)	(25,382,500)	(26,164,283)	(73,596,485)
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	64,113,542	77,429,657	72,637,487	102,900,406	123,102,692
15. Authorized control level risk-based capital	8,559,749	12,366,045	18,061,539	23,610,948	25,656,121
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	51,189	61,736	116,274	157,967	185,990
17. TOTAL Members Months (Column 6, Line 7)	641,189	929,236	1,471,373	2,050,784	2,326,819
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	83.4	85.2	86.1	86.8	89.9
20. Cost containment expenses	0.7	1.4	1.7	1.8	1.9
21. Other claims adjustment expenses	1.2	0.4	0.9	0.9	0.8
22. TOTAL Underwriting Deductions (Line 23)	104.8	99.7	106.7	104.0	106.8
23. TOTAL Underwriting Gain (Loss) (Line 24)	(4.8)	0.3	(6.7)	(4.0)	(6.8)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	30,653,915	52,934,517	57,001,998	67,947,910	58,203,514
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	30,888,125	55,467,854	61,221,188	73,542,373	79,743,999
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31					
33. TOTAL Investment in Parent Included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[] No[] N/A[X]

If no, please explain: