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July 13, 2016

VIA E-MAIL – Noel.Hudson@vermont.gov
ORIGINAL BY U.S. MAIL

Noel Hudson, Esq., Health Policy Director
Green Mountain Care Board
89 Main Street, Third Floor
City Center
Montpelier, VT 05620

RE: MVP Health Care 2017 Vermont Health Connect Rate Filing – Docket No. GMCB-007-16rr

Dear Mr. Hudson:

After reviewing Green Mountain Care Board Actuary Lewis & Ellis, Inc.'s ("L&E") July 11, 2016 Recommendation ("Recommendation Letter"), MVP Health Plan, Inc. ("MVP") hereby amends its rate increase request from 8.8% to 6.3%, a reduction of 2.3%*. This reduction addresses the two recommendations of L&E at page 10 of its Recommendation Letter, reproduced in bold below.

- **Modify the normalization for AV and induced utilization to be the weighted average of the combined factor (rather than combined impact of the weighted averages). This change results in a decrease in the proposed rates of 0.5%.**

Response

MVP accepts L&E's recommendation to modify the inforce actuarial value and induced demand factor which will reduce the initially proposed premium rates by 0.5%.

**Although a change of 8.8% to 6.3% appears to equal 2.5%, the computed change is only 2.3%; 1.063 / 1.088 - 1 = (2.3%).*

- **Reduce the projected risk adjustment payment from $29.42 to $9.75. This change results in a decrease in the proposed rates of 4.2%.**

Response

MVP does not agree with L&E's recommendation to reduce premium rates by 4.2% as a result of modifying the assumed risk adjustment payment reflected in MVP's 2017 premium rates. MVP's enrollment represents less than 10% of the VT Exchange market, and therefore MVP's risk scores as well as realized profit margins are going to be much more volatile than BCBS's risk scores and profit margins assuming both plans are pricing rationally. To illustrate, between 2014 and 2015, MVP's risk score increased by 20.1% while the statewide average risk score only increased by 6.4% yet MVP's membership was largely unchanged (80% retention).

Because the Risk Adjustment program is a zero sum game, MVP has substantially more pricing risk than BCBS and MVP's realized profit margins are far more significantly impacted by the results of the Risk Adjustment formula. A $1 million miss on the assumed risk adjustment receipt/payment would impact MVP's profits by approximately $12.60 PMPM or about 2.5-3.0% of premium yet impact BCBS's profits by only $1.15 PMPM or 0.3% of premium.

MVP is of the opinion that giving full credibility to the 2015 Risk Adjustment results, which is what L&E is doing, exposes MVP to too much pricing risk given the known imperfections of the CMS Risk Adjustment program. MVP is proposing to revise the requested 2017 premium rates to reflect a refined estimate of the expected Risk Adjustment liability for 2017 given that we now have two data points to take into consideration. MVP is revising the rates to reflect a weighting of the 2014 and 2015 RA results, 1/3 and 2/3 respectively. This acknowledges that we should place more credibility on the 2015 results yet not ignore the 2014 results as valid and real and reflective of the potential for large swings in risk scores that do not necessarily reflect corresponding changes in claim costs. This proposal would result in a reduction to MVP's initially proposed rates of 1.8% as compared to the 4.2% reduction found in L&E's recommendation.

The table below contains the annual premium rate changes if the Board accepts MVP's risk adjustment proposal described above and modification of the inforce actuarial value and induced demand factor.

	Initially Proposed Rate Change	Modified Proposed Rate Change	Impact of Modifications
Platinum	7.0%	4.5%	-2.3%
Gold	8.3%	5.8%	-2.3%
Silver	8.0%	5.5%	-2.3%
Bronze	10.4%	7.9%	-2.2%
Catastrophic	9.0%	6.7%	-2.1%
Total	8.8%	6.3%	-2.3%

Based on March 2016 Exchange Enrollment

I am providing a copy of this letter to the Department of Financial Regulation and would request that it supplement its opinion regarding solvency (in light of the enclosed) prior to the July 21 hearing.

Respectfully submitted,

Gary F. Karnedy

Cc: David Cassetty, General Counsel, Department of Financial Regulation
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