

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: MVP Health Insurance Company Third)
And Fourth Quarter 2016 Large Group)
EPO/PPO Rate Filing)

Docket #:
GMCB-04-16rr

MVPHIC Health Care’s Memorandum in Lieu of Hearing

MVP Health Insurance Company (MVPHIC) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) approve the rates as filed without the recommended revision by its actuary, Lewis and Ellis (L&E). MVPHIC and the Office of the Health Care Advocate (HCA) have agreed to waive the hearing before the GMCB in this proceeding.

Description of the Filing

This is the manual rate filing for the portfolio of MVPHIC’s large group PPO/EPO products. The PPO/EPO products are high-deductible health plans (HDHPs) and non-high deductible health plans (non-HDHPs). Because of the change under the Affordable Care Act and adopted by Vermont Health Connect that groups 51-100 must now purchase through the Exchange starting in 2016, this filing will only apply to groups over 100 employees that will continue to be able to purchase these products, or groups 51-100 that would have grandfathered status and be able to remain in these products. These are all experience rated plans.

The average annual rate change for both types of plans is a *decrease* of 8.6% for 3Q2016 and a *decrease* of 9.6% for 4Q2016. The proposed rate decrease is the same for all the plans except VEHD-02 and VPHD-03 which would *decrease* by 6.4% and 2.4%, respectively, in 3Q 2016. These plans would *decrease* by 7.4% and 3.5% in 4Q 2016, respectively. These rate changes include both medical and Rx components. Please see the table below.

| Plan Name | 3Q 2016 Annual Rate Change | 4Q 2016 Annual Rate Change |
|------------------|---------------------------------------|---------------------------------------|
| VEHD-02L | -6.4% | -7.4% |
| VPHD-03L | -2.4% | -3.5% |
| All Other Plans | -9.1% | -10.1% |
| Total | -8.6% | -9.6% |

This filing will affect 2,256 members, of whom 45 would be renewing in either 3Q or 4Q 2016.

L&E Recommendation

L&E recommends that the rates be approved as filed with three exceptions. Otherwise they found the rate development methodology to be reasonable and appropriate, including the previously revised pricing model utilized by MVPHIC.

L&E recommends the following three modifications:

1. Modify the medical trend calculation to reflect the change in cost distribution over time. This change would increase the requested rate change by approximately 0.1%.
2. Modify the Rx trend assumptions to reflect the one-time cost savings related to switching to a new PBM in 2015. This change would decrease the requested rate change by approximately 0.1%.
3. Implement an average manual rate change of -11.8%, rather than one-half of the indicated rate change. This change would result in a decrease of approximately -4.0% in the proposed rates.

The above changes would decrease the total 3Q16 annual rate change from -8.6% to approximately -12.3% and the total 4Q16 annual rate change from -9.6% to -13.3%. These numbers reflect the manual rate change, age gender factor changes, and administrative expenses. However, the L&E recommended changes only apply to the manual rate portion. They did not recommend any changes to the other two categories.

MVPHIC disagrees with this recommendation for the reasons set forth below.

MVPHIC's Response to the Recommendation

MVPHIC asks that the Board approve the rates as filed and not make the reductions as suggested by L&E. L&E found the assumptions made by MVPHIC reasonable and appropriate, again, with the exceptions listed above.

The main difference between MVPHIC and L&E is the amount of the manual rate decrease. L&E believes that there should be a more substantial rate decrease than what is proposed by MVPHIC. L&E recommends an 11.8% decrease while MVPHIC proposed an 8.1% decrease. Both parties agree that a decrease is necessary. MVPHIC argues for less of a decrease in order to reduce future rate volatility and not have to reverse course in the next rate filing by proposing a larger increase. MVPHIC would rather have no quarterly rate change in 1Q17 or another reduction to the rates rather than having rate volatility which is possible with a larger rate decrease. MVPHIC believes its proposal will lead to more stable rates in the future. Cutting the rate as deeply as recommended by L&E will lead to greater rate volatility in the coming filings.

MVPHIC points out its continued efforts to reduce administrative costs have resulted in a reduction of administrative expense load in the filing of 1.5% from its 3Q2015 and 4Q2015 filing. MVPHIC's commitment to reducing administrative costs has been demonstrated across its recent rate filings before the Board and it will continue its cost reduction efforts, resulting in an administrative expense of 8.0%.

MVPHIC also included a 2% contribution to surplus, as it has in previous filings. L&E did not recommend any reduction to this number.

Therefore, MVPHIC asks the Board to approve the rates as filed.

s/ Susan Gretkowski
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May 9, 2016

Certificate of Service

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Judy Henkin, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel of record for the Office of the Health Care Advocate, by electronic mail this 9th day of May, 2016.

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