MVP HEALTH CARE
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October 3, 2016

Mr. Kevin Ruggeberg, A.S.A.
Lewis & Ellis, Inc.
P.O. Box 851857
Richardson, TX 75085

Re: 1Q/2Q 2017 Vermont Large Group HMO Rate Filing
SERFF Tracking #: MVPH-130720563

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 09/27/16 regarding the above mentioned rate filing. The responses to your questions are provided below.

1. We note that the increases in administrative loads and demographic factors are increases to the rates, and are not reflected in the proposed 1.1% increase per quarter. Please quantify the rate impact of all proposed changes that would change premium revenue for a group relative to the approved 4Q16 rates.

Response: MVP would expect revenue to increase by approximately 4.1% over 4Q16 under the current proposed changes. This includes: 1.1% due to the manual rate change, 0.9% due to the normalization of the age/gender table, and 2.0% due to changes in the target loss ratio. In conjunction with question #2 below, should MVP decrease the manual rates by the age/gender normalization factor, the increase would be approximately 0.2% for revenue and the manual rate change would be a decrease of -2.7%.

2. Please explain why it is appropriate to apply both trend and a re-normalization of the demographic factors to a block with no experience. While we understand that the factors are consistent with the PPO filing, this methodology appears to conflict with MVP's stated objective of "increasing the approved 4th quarter 2016 manual rates by one quarter of projected trend".

Response: In the absence of credible data to support re-normalization of the demographic factors on a company by company basis, MVP has used its best estimate in setting the demographic factors for the HMO block assuming that our PPO block is equal to the potential market average demographic factor. MVP concedes that this could potentially adversely impact any new groups in the HMO market, increasing their premium rate above the manual rate (all else being equal). Since we would continue to use the demographic factors consistent with the PPO block, MVP would decrease the manual rates by the same 3.9% annual factor used in the HIC filing (0.9% for this filing as well as 2.9% from the previous filing) to make the adjustment revenue-neutral.

3. Please explain why the 2% of premium taxes included in the prior year's experience-rated addendum, and in the recently filed PPO filing, was removed in this filing.

Response: Because MVP files this on its HMO license (MVP Health Plan) instead of its HIC license (MVP Health Insurance Company), no premium taxes are paid for this line of business. MVP files two separate large group experience-rated addendums (one for each company) which removes the premium tax. Please see the addendums filed under SERFF tracking numbers MVPH-130467866 and MVPH-129877747 for examples of this.

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If you have any questions or require any additional information, please contact me at 518-386-7213.

Sincerely,

Eric Bachner, ASA
Senior Actuarial Analyst
MVP Health Care