MVP HEALTH CARE
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November 7, 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 11/07/16 regarding the above mentioned rate filing. The responses to your questions are provided below.

1. Please explain the 8.0% rate change entered on SERFF for this filing and how it ties to the quarterly rate change information provided.

Response: MVP's annual revenue change of 8.0% entered on SERFF is composed of three items: the annual change in the rate manual, the annual revenue change due to changes in the age/gender tables used to calculate a group's rate, and the annual revenue change due to changes in the target loss ratio. MVP has calculated the annual manual rate change at 5.5%, which includes a 3.3% quarterly change for 3Q 2016, a 1.0% quarterly change for 4Q 2016, and a 1.0% quarterly change for 1Q 2017. The annual revenue change due to age/gender normalization is 3.9%, which includes a 2.9% normalization for 3Q 2016 and a 1.0% normalization for 1Q 2017 (these are calculated semi-annually). The annual revenue change due to changes in the target loss ratio is calculated at -1.4%, which includes quarterly changes of -2.5%, -0.7%, and 2.0% for 3Q 2016, 4Q 2016, and 1Q 2017 respectively. Please see the following table which details these loss ratio changes by quarter:

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Derivation of Annual Revenue Change Based on Quarterly Admin & Age/Gender Changes				
	3Q '16 / 4Q '15	4Q '16 / 3Q '16	1Q '17 / 4Q '16	**ANNUAL**
Change in ACA Insurer Tax	-1.4%	-0.5%	-0.1%	-2.0%
Change in Broker Load	-0.5%	0.0%	0.0%	-0.5%
Change in Vaccine Assessment	-0.1%	0.0%	0.0%	-0.1%
Change in Admin % of Premium	-1.5%	0.0%	1.7%	0.2%
Change in CTR	1.0%	0.0%	0.0%	1.0%
Change in Federal Reinsurance Fee PMPM	0.3%	-0.1%	-0.1%	0.1%
Change in PCORI Fee PMPM	0.0%	0.0%	0.0%	0.0%
Change in HCA Billback PMPM	0.0%	0.0%	0.1%	0.1%
Change in % of Premium Retention	-2.5%	-0.5%	1.6%	-1.4%
Change in PMPM Retention	0.3%	-0.1%	0.1%	0.2%

Q4 2015 Target Loss Ratio
84.2%

Q1 2017 Target Loss Ratio
85.4%

Upon further email and phone discussions with L&E, we have determined that rounding errors were causing some discrepancies between the quarterly changes and the annual change for the target loss ratio. MVP has calculated that these changes will increase the annual revenue change by 0.2% and will update the SERFF rate change to 8.2% to account for this.

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

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Sincerely,

Eric Bachner, ASA
Senior Actuarial Analyst
MVP Health Care