MVP HEALTH CARE
625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

June 10, 2016

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

Re: 2017 Vermont Exchange Rate Filing
Response to Objection Letter #2
SERFF Tracking #: MVPH-130558905

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 06/07/16 regarding the above mentioned rate filing. The verbal responses to your questions are provided below and any numerical examples are included in the attached excel workbook with tabs corresponding to each numbered question.

1. Please provide the preliminary risk adjustment report from CMS and a demonstration of any calculation necessary to arrive at the $1.88M figure referenced in your previous response.

Response: Please see the tab "Question #1" in the attached excel file which contains CMS' preliminary risk adjustment report. The sum of cells B9 and B10 reflects the sum of the merged market and catastrophic transfer amounts which total $1,880,781.

*2. The calculations provided in your previous response indicate that the weighted average Pricing Model AV and Induced Demand factors are calculated independently of each other, without taking into account the relationship between the two. Due to the relationship between the two, this approach overstates the combined impact of these two factors. By our calculations, calculating the weighted average of the products of these two factors produces an adjustment of 0.7469, as opposed to the factor used which is 0.711 * 1.045 = 0.7428. The net result is an overstatement of the 2017 index rate of approximately 0.5%. Please revise this calculation or propose an alternate remedy.*

Response: MVP agrees with L&E's methodology regarding the calculation of the experience period average AV and Induced Demand factor. Please see the tab "Question #2" in the attached excel file which calculates the experience period average AV * ID factor as a member-weighted average of the products. The calculation in the response of 0.7469 is consistent with L&E's calculation above.

3. Your prior response indicated that IBNR estimates were revised based on March 2016 claim payments. If these payments were available, why was February run-out used in the filing?

Response: Due to resource limitations, MVP extracted data paid through February 2016 in order to provide an adequate amount of time to analyze the data and meet the state's deadline for the initial filing. The ultimate incurred estimate of MVP's data is based on the additional claims paid in March and an updated estimate of claims not yet paid as of March.

MVP HEALTH CARE
625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

4. Provide claim triangles for coverage dates in 2014 through the most recent payment month available.

Response: Please see the tab "Question #4" in the attached excel file, which displays the fee for service medical claims triangle for the risk pools in the rate filing over the previous two calendar years.

5. Provide a quantitative demonstration of how approved Vermont Hospital Budgets as well as known and assumed contractual reimbursement changes were used to develop projected medical trends, clearly delineating which changes are approved/known and which values are assumed.

Response: Please see the tab "Question #5" in the attached excel file which details how MVP's facility trends were created using known and assumed trends by provider for 2016 and 2017. Assumed trends represent MVP's best estimate of future contract changes at the time rates were set.

6. Why was equal weight given to non-Exchange data and Exchange data? Given that the projected claims are of the Exchange population only and the Exchange data is fully credible by most common standards, this methodology seems atypical. It also does not seem consistent with the rate-setting methodology for other filings. For instance, the last Agriservices filing did not utilize any credibility blending, and the experience was composed significantly less membership.

Response: All of the risk pool segments used to develop the proposed premium rates are eligible to enroll in the products offered within this filing regardless of their enrollment status during the experience period. Because these members will be eligible to enroll in ACA products during the projection period, it is prudent to include their data in the claim projection used to develop premium rates.

MVP is not using any credibility blending in its rate filing, but simply including experience period data that would enroll in these products in 2017 to fully reflect the impact of a changing market. MVP used the non-ACA compliant data as the credibility manual in the Unified Rate Review Template because CMS guidelines require the experience period data in the URRT "reflect historical financial and enrollment information for the identified legal entity only" (URRT instructions, page 13, Section 2.1.2), and MVP's experience period data used in the rate filing comes from two separate legal entities.

7. Explain and support the projected 2017 enrollment distribution by plan and/or metal tier. For example, gold plans made up 6% and 14% of membership in 2015 and in March 2016, respectively, but are assumed to make up 31% of membership in 2017.

Response: As stated in the Actuarial Memorandum, MVP used March 2016 enrollment for all market segments included in the experience period to develop its projected 2017 enrollment. ACA compliant members were assumed to stay in their current plan, and non-ACA compliant members were mapped to a plan using their current actuarial value and plan type (QHDHP vs. non-QHDHP). 80% of MVP's non-ACA Small Group members are enrolled in a QHDHP benefit which maps to the Gold QHDHP benefit being offered within this filing. Mapping these members to the Gold metal level is the primary driver of the increase in the distribution of Gold Membership in the projection period. Please see the tab "Question #7" of the attached excel file, which details the March 2016 enrollment by metal level for ACA compliant plans, non-ACA compliant plans by risk pool, and the total enrollment used for the 2017 projection.

MVP HEALTH CARE
625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

If you have any questions or require any additional information, please contact me at 518-388-2483.

Sincerely,

Matthew Lombardo, FSA, MAAA
Associate Director, Actuarial Services
MVP Health Care