MVP HEALTH CARE
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August 31, 2017

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

Re: 1Q/2Q 2018 Vermont Large Group AR42 Rate Filing
SERFF Tracking #: MVPH-131148723

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 08/25/17 regarding the above mentioned rate filing. The responses to your questions are provided below.

1. Provide an exhibit quantifying all three sources of the proposed change in revenue (manual rate, age/gender, and target loss ratio) by quarter from 2Q2017 to 2Q2018.

Response: Please see the following table which details the proposed change in revenue by all three sources for 2Q2017 to 2Q2018.

Derivation of Annual Revenue Change Based on Quarterly Rate Changes

	2Q '17 / 1Q '17	3Q '17 / 2Q '17	4Q '17 / 3Q '17	1Q '18 / 4Q '17	2Q '18 / 1Q '18	1Q '18 Annual Increase	2Q '18 Annual Increase
Manual Rate Change	1.6%	4.6%	1.8%	-3.1%	1.4%	4.8%	4.6%
Age Gender Table Normalization	0.0%	-1.3%	0.0%	-0.1%	0.0%	-1.4%	-1.4%
Changes in Target Loss Ratio	0.9%	0.2%	0.9%	0.3%	0.0%	2.4%	1.4%
Total	2.5%	3.5%	2.7%	-2.9%	1.4%	5.8%	4.7%

2. In the 3Q 2017 filing, MVP stated that they "are currently aiming to re-slope benefits for the 1Q 2018 filing." It does not appear this was performed. Please explain the continued use of 2012 data for the benefit relativities.

Response: At the time of the 3Q 2017 rate filing, MVP intended to re-slope the large group benefit relativities for 1Q 2018. After internal conversations amongst Sales, Actuarial, Product Development, and Underwriting, MVP decided to not make changes to the current premium relativities as the update could potentially disrupt MVP's existing LG business.

3. Please clarify whether experience for the various riders included in the filing is included in the base period experience.

Response: Rider experience is included in the base period data.

4. The proposed general administrative load of 9.7% is higher than the actual expense ratio in any of the last three years. Support this assumption as consistent with MVP's actual expected administrative costs.

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Response: MVP reviewed the emerging and budgeted 2017 administrative expenses for its AR42 Small Group and Large Group blocks of business and compared them to the projected administrative expenses built into 1Q 2018 rates. The emerging data indicates that the current administrative loads are slightly inadequate. After backing out regulatory fees that MVP is paying in 2017 and does not anticipate paying again in 2018, the projected administrative expense for this block is $48.55 PMPM. The projected revenue for 1Q 2018 which can be found in the MLR section of the actuarial memorandum is $465.50 and translates to an administrative load of 10.4%.

The increase in administrative expense PMPM is being driven almost entirely by the decrease in membership that MVP has experienced in its LG VT block of business. In 2016, MVP's reported administrative expense PMPM was $36.77 based on 37,858 MMs. 59.3% of that expense was fixed, or $21.81. MVP's forecasted 2017 LG VT HIC membership is 24,851 MMs. If we adjust the 2016 fixed administrative expense upward for the decrease in membership experienced in 2017, the fixed administrative expense PMPM would increase to $33.22. Assuming that the variable expense is unchanged from 2016 results in a total administrative expense of $48.18 PMPM.

5. Please support the 2018 inpatient and outpatient annual unit cost trends shown in Exhibit 2a.

Response: This response is deemed confidential and will be provided under separate cover.

6. It appears that MVP is assuming that members with Medicare as their primary insurer will have costs 25% lower than non-Medicare enrollees of the same age and gender. Support this assumption.

Response: MVP analyzed the 2016 allowed cost net of COB for its largest fully insured group by Medicare Primary vs Commercial Primary subscribers. MVP took this approach as 79% of our large group Medicare primary members are enrolled with this group (~4,500 members) and to eliminate benefit differences which can drive different allowed costs through induced utilization. Claim costs were normalized for regional and demographic differences using MVP's approved regional and demographic tables for its NY Large Group block. Note this group is located in MVP's NY service area as there is not credible membership with Medicare primary coverage in MVP's VT service area. The result of this analysis suggested that Medicare Primary subscribers were 38.6% less expensive to insure than Non-Medicare primary members. The results of the analysis were discussed with MVP's Underwriting and Sales departments. A decision was made to not build the full 38.6% discount into MVP's rating for 2018. We will monitor this factor and potentially make adjustments if warranted in future years.

7. What percentage of current enrollees have Medicare as their primary coverage, and what is the average age for those enrollees?

Response: Based on December 2016 membership, 8 out of 1,529 subscribers in the base experience had Medicare as their primary coverage, or approximately 0.52% of subscribers. The average age of these subscribers is 68.9 years old.

8. Did the normalization of the age/gender factors take the Medicare factor into account?

Response: The normalization of the age/gender factors did include the reduction to the age/gender factor for Medicare primary subscribers. The impact of making this change on the age/gender normalization was not significant to 4 decimal places.

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9. The large group data in Vermont continues to suggest that the pooling charge of 9.2% is higher than the assumption in the Experience Rated Addendum.

a. The Addendum provides for a range of pooling levels. Why is the large group manual rate set at the $100k pooling level? A table provided on page 9 of the addendum suggests that MVP considers a block this size credible up to a much higher pooling level.

Response: MVP used a $100,000 pooling level to be consistent with previous rate filing submissions for this block of business. Based on the enrollment used to rate this block, the maximum pooling charge would have been $250,000.

b. What population and time period underlie the assumed pooling charges?

Response: MVP last updated its large group VT pooling charges in 1Q 2016. The pooling charges were derived by analyzing VT large group claim data for calendar years 2013 and 2014 excluding members with less than 12 months of data (SERFF Tracking #: MVPH-130178700). The analysis was based on 6,172 members in 2013 and 5,005 members in 2014. Since then, MVP's large group VT enrollment has been reduced down to 1,995 members, and we are not confident in the results of a high cost claim analysis at this membership level since high cost claims are volatile and can vary substantially from one point in time to another, especially when dealing with a small set of data.

Over the past two years, MVP has refreshed its analysis of pooling charges for its large group NY block of business resulting in pooling charges that are greater than what is currently approved in VT at lower pooling points which is where MVP's VT block of business is concentrated. MVP has not revised its VT pooling charges to match the NY pooling charges because historical VT data does not suggest an increase is warranted, but there is concern that if high cost claims return to more expected levels at lower pooling levels, the pooling charges currently on file would be deficient.

c. In prior filings, MVP has argued that the pooling charges are consistent with MVP's claims experience nationwide. Provide data in support of the 9.2% assumption.

Response: The pooling charges currently on file were derived using VT specific data, and we apologize if prior responses indicated otherwise. That being said, the current pooling charges are compared to MVP's entire large group data set annually which is more credible for a high cost claims analysis to understand if corrections are required to the current factors on file which was described in the response to the previous question. Please see the table below which compares MVP's pooling charges for its entire LG experience rated business using 2015 and 2016 data to the proposed 1Q 2018 pooling charges for this block of business.

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Pooling Level	2015 MVP Large Group Data	2016 MVP Large Group Data	2-Year Average (2015 & 2016)	Proposed Pooling Charges - VT 1Q 2018
$80,000	13.03%	12.78%	12.90%	11.98%
$85,000	12.44%	11.79%	12.11%	11.11%
$90,000	11.84%	10.93%	11.39%	10.37%
$100,000	10.68%	9.46%	10.07%	9.16%
$125,000	8.17%	6.95%	7.56%	7.14%
$150,000	6.35%	5.29%	5.82%	5.75%
$175,000	5.12%	4.14%	4.63%	4.70%
$200,000	4.24%	3.29%	3.77%	3.94%
$250,000	2.95%	2.24%	2.60%	2.91%
$300,000	2.16%	1.58%	1.87%	2.16%
$350,000	1.56%	1.14%	1.35%	1.68%
$400,000	1.12%	0.83%	0.98%	1.26%
$450,000	0.88%	0.59%	0.73%	0.84%
$500,000	0.70%	0.44%	0.57%	0.52%

10. Please clarify what costs are represented by the $0.45 PMPM "ACRH Payments" line item in the capitations build-up.

Response: These costs represent the net impact of transactions between MVP and providers that are not handled through MVP's medical FFS claims warehouse but are reconciled separately using manual methods. Examples of these include claim adjustments or retroactive fee schedule changes.

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

Sincerely,

Eric Bachner, ASA
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MVP Health Care, Inc.

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