MVP HEALTH CARE
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June 28, 2017

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

Re: 2018 Vermont Exchange Rate Filing
SERFF Tracking #: MVPH-131034103

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 06/26/2017 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. The final 2016 risk adjustment results differ from what was anticipated by MVP when developing assumptions for the 2018 rate filing. Would MVP like to propose a new risk adjustment assumption in light of this new information?

Response: MVP has analyzed the final risk adjustment results and would like to propose a new risk adjustment assumption which combines the 2016 results with an additional increase in the assumed payment due to the continued presence of new members to MVP.

MVP has compared medical claims PMPM to risk scores in 2016 broken down by members that were with MVP in 2015 versus members that were new to MVP in 2016. What we have found is that while the claim costs for the “new” members is 12.7% lower than the claim cost for “renewing” members, the risk score is approximately 18.3% lower. MVP also analyzed its New York data by new vs renewing and confirmed that the same discrepancy between claims cost and risk scores exists in its New York data set.

Because of MVP’s competitive premium position, we have gained significant membership in 2017 and expect this trend to continue in 2018. Based on February 2017 data, MVP retained 87.1% of its December 2016 members in 2017 and 37.5% of MVP’s members are new in 2017. Using this same retention percentage and raw membership growth to project 2018 membership, MVP expects 30.1% of its members to be new to MVP in 2018.

MVP then calculated the value of continual new membership growth on the risk adjustment assumption by multiplying the difference between these members’ relative risk score and relative claim cost by the assumed percent of new business in 2018. Please see the tab “Question #1” in the attached Excel file for detail surrounding this calculation.

MVP proposed a 3.88% increase to its Paid Index Rate PMPM in the rate filing for its initial risk adjustment assumption. Combining MVP’s final risk adjustment payment for 2016 (calculated at 0.74% of the Paid Index Rate) with the 1.91% increase detailed above means MVP’s total revised risk adjustment assumption would be 2.67% of the Paid Index Rate (or, converted to a total dollar amount, $925,240).

2. Please provide assumed unit cost increases for provider groups associated with Vermont hospitals, similar to the confidential exhibits already provided.

Response: This exhibit contains proprietary information and will be provided under separate cover.

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3. Your response on June 20th provides reasonable arguments that mid-year enrollments and terminations may be lower in 2018 than in 2016. However, these environmental factors are highly unlikely to result in all members enrolling in January and maintaining coverage through December. Please provide further support for the assumption that all individual enrollees will maintain a full 12 months of coverage, or propose a modified assumption that reflects MVP's best estimate of 2018 enrollment patterns.

Response: MVP is of the opinion that it is reasonable to assume all members will maintain coverage for a full 12 months and failing to set premium rates under this approach would expose our block to financial risk. The changes to the open enrollment period in 2018 (the end date of open enrollment was January 31, 2017 for 2017 coverage dates and December 15, 2017 for 2018 coverage dates) will translate to members beginning coverage in January rather than February or March. Additionally, as the market matures, we would expect a larger share of members to fully understand their benefits, how to enroll, and the market as a whole and therefore the average contract would move very close to 12 months. MVP understands that there will always be some members who move into or out of the market based on the special enrollment period, but this cannot be easily projected or quantified.

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