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April 24, 2018

Eric Bachner
MVP Health Insurance Company
625 State Street
Schenectady, NY 12305

Re: MVP Health Plan, Inc.
2018 3Q/4Q Small Group HMO Grandfathered Rate Filing
SERFF Tracking #: MVPH-131432994
Objection #2 (HCA)

Dear Mr. Bachner:

Please see the attached letter from the Health Care Advocate in regard to this filing.

Please beware that we expect to have further questions regarding the filing as the review continues.

To ensure that the review of your filing is completed before statutory deadlines, we expect you to respond as expeditiously as possible, but no later than April 27th, 2018.

We trust that you understand these forms may not be used in Vermont until they are formally approved by the GMCB.

Sincerely,

Jacqueline B. Lee, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.
JLee@LewisEllis.com
(972)-850-0850

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Small Group Grandfathered 3Q/4Q 2018	**)**	**GMCB-005-18rr**
In re: MVP Large Group PPO 3Q/4Q 2018	**)**	**GMCB-006-18rr**
In re: MVP Large Group HMO 3Q/4Q 2018	**)**	**GMCB-007-18rr**

QUESTIONS FROM THE OFFICE OF THE HEALTH CARE ADVOCATE

Actuarial Questions

1) Please provide a calculation justifying your requested contribution to reserves/surplus in each of the filings captioned above. We included Table 1 as an example of one method of calculating contribution to reserves. In addition to providing your calculations, please explain any deviations in your calculations from the sample method.
2) Please provide an estimate of the distribution of expected rate increases by account for each of the above captioned filings.

Cross-Topic Questions

3) Please provide a narrative explanation of the substantial changes in MVPHIC's total adjusted capital ($24.97M to $2.99M) and authorized control risk-based capital ($2.6M to $1.2M) between 2016 and 2017 as listed in the 2017 MVPHIC Annual Statement (p. 29).
   a. What led to the smaller revenue in MVPHIC from 2016 to 2017 ($69.37M to 20.91M)
   b. How were assets distributed out of MVPHIC from 2016 to 2017?
   c. Please provide a narrative explanation of the change in MVPHIC's risk based capital (RBC) in 2017 compared to 2015 and prior. Why did MVPHIC remove assets to the point that MVPHIC's RBC ratio is lower than in past years?
   d. MVPHP's RBC is also dipping. Why weren't MVPHIC assets used to stabilize/support MVPHP's RBC?
4) Please provide more detail on your product portfolio redistribution as follows:
   a. Please provide a narrative explanation of all significant factors behind MVPHIC's product portfolio redistribution including
      i. allocation of business to for-profit and nonprofit; and
      ii. tax implications including the Tax Cuts and Jobs Act (Tax Act).
   b. Why did MVPHIC choose to change its product portfolio distribution now?
   c. What, if any, additional changes are you currently planning to make to MVPHP's and MVPHIC's portfolio distributions?

d. What, if any, savings does MVPHIC expect to generate through the redistribution? To what extent does MVPHIC expect any savings to go to shareholders? Reserves? Reducing premiums? What will the impact of the redistribution be on shareholder profits?
e. If you had redistributed your product portfolio before 2016, would your losses from 2016 to present have been reduced?
f. Do you expect any disruption to your customers related to the redistribution?
g. How will premiums be allocated across MVPHIC and MVPHP in light of the redistribution?

5) To the extent that it is not a part of your previous answers, please explain any impact of the Tax Cuts and Jobs Act on MVPHIC and MVPHP. If the Act will reduce tax liability, please provide a narrative explanation of what the company plans to do with the savings.

Policy/Operations Questions

6) Please provide a narrative explanation of how MVP is controlling costs for the above captioned books of businesses by using or planning to use alternative payment methodologies, such as capitated payments inside or outside of OneCare Vermont agreements. Please address each of the below-stated cost control issues in the response:
    a. Whether MVP incorporates alternative payment methodologies into direct contracts with providers;
    b. Whether OneCare Vermont is willing to contract with MVP. If yes, will MVP's large group and/or grandfathered small group book of business be included in a contract with OneCare Vermont in 2019; and
    c. What, if any, are MVP's concerns about using alternative payment methodologies in direct contracts with providers and/or OneCare Vermont for these books of business? Please specify if MVP's concerns are due to provider participation, employer preferences, individual member preferences, and/or MVP's belief that alternative payment methodologies will increase costs or decrease value for consumers.
7) What specific metrics from hospitals, insurers, and/or ACOs would help MVP in further developing, evaluating, or clarifying its role in health care reform and the all-payer model?

Dated at Montpelier, Vermont this 23rd day of April, 2018.

<u>*s/ Kaili Kuiper*</u>
Kaili Kuiper, Esq.
Office of the Health Care Advocate
Vermont Legal Aid
56 College Street
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<u>s/ *Eric Schultheis*</u>
Eric Schultheis, JD Ph.D.
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TABLE 1

Minimum Required CTR Calculation		2018 Forecast			Restated to Reflect LG Claims	
MVP Enterprise Totals		Claims	Share of Capital Requirement	Projected Claims Increase	Claims	Share of Capital Requirement
QHP	A					
BOOK OF BUISNESS FOR FILING	B					
All Other	C					
Investment Income	D					
Tax Rate	E					
Investment Income Net of Taxes	F = D x (1-E)					
Large Group Insured Share of Investment Income	G = F x B%					
Estimated YE 2018 Authorized Control Level (ACL)	H					
Estimated ACL Reflecting LG Claims Increases to 2019	J					
Increase in Capital Required to Maintain Target RBC	K =(Target RBC) x (J-H)					
Additional Required Grossed Up for FIT	L = K/(1-E)					
CTR Required from LG in 2019	M = L-G					
Forecast 2018 Large Group Premium	N					
Large Group Premium Increases for 2019	O					
Forecast 2019 Large Group Premium	P = N x O					
Required LG Insured CTR Factor to Maintain Target RBC	CTR = M/P					

CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Notice of Appearance on Judith Henkin, Green Mountain Care Board General Counsel; Sebastian Arduengo, Green Mountain Care Board Staff Attorney; Agatha Kessler, Green Mountain Care Board Health Policy Director; and Susan Gretkowski, representative of MVP, by electronic mail, return receipt requested, this 23rd day of April, 2018.

s/ *Kaili Kuiper*_____________

Kaili Kuiper
Staff Attorney
Office of the Health Care Advocate
Vermont Legal Aid
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April 27, 2018

Ms. Jacqueline B. Lee, FSA, MAAA
Lewis & Ellis, Inc.
P.O. Box 851857
Richardson, TX 75085

Re: 3Q/4Q 2018 Vermont Small Group HMO Grandfathered Rate Filing
SERFF Tracking #: MVPH-131432994

Dear Ms. Lee:

This letter is in response to your correspondence received 04/24/18 regarding the above mentioned rate filing. The response to your question is provided below.

1. Please provide a calculation justifying your requested contribution to reserves/surplus in each of the filings captioned above. We included Table 1 as an example of one method of calculating contribution to reserves. In addition to providing your calculations, please explain any deviations in your calculations from the sample period.

Response: As stated in MVP's response to L&E Objection Letter #3 from the 2018 VT Exchange rate filing (SERFF# MVPH-131034103, all of MVP Health Care's companies' reserves are governed by New York State regulations which dictate a minimum reserve level of approximately 12.5% of premium. MVP's goal is to maintain a minimum reserve ratio of 16% of premium and a targeted ratio of 20% of premium.

Please see the attached Excel workbook which details the reserve levels for these blocks of business at year end 2017 as well as a projection for 2018 under different scenarios. At the end of 2017, MVP had 14.3% of premium allocated to reserves for this block of business. MVP has projected revenue for this block using its internal forecasting model under different contribution to reserve scenarios and found that a percent of premium value of 2.0% for contribution to reserves would boost this block's reserve percentage to 15.9%, which is still below MVP's minimum target.

2. Please provide an estimate of the distribution of expected rate increases by account for each of the above captioned filings.

Response: Since all of the base plans are proposed to go up by the same 2.1% increase, all of the groups renewing on this block in the time period this filing covers will go up by that amount. The differences in rate increase (due to rounding) for the riders have a negligible impact on that rate change (rounded to 3 decimal places i.e. a 0.021 increase).

3a. Please provide a narrative explanation of the substantial changes in MVPHIC's total adjusted capital ($24.97M to $2.99M) and authorized control risk-based capital ($2.6M to $1.2M) between 2016 and 2017 as listed in the 2017 MVPHIC Annual Statement (p. 29). What led to the smaller revenue in MVPHIC from 2016 to 2017 ($69.37M to $20.91M)?

Response: MVP Health Insurance Company (MVPHIC) migrated NYS membership to its two not for profit companies, MVP Health Plan, Inc. (MVPHP) and MVP Health Service Corp. (MVPHSC), in 2016 and 2017 with the largest portion of membership going to MVPHSC which led to the reduced premiums in MVPHIC. As part of the process we also

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moved reserves that supported this membership to MVP Health Service Corp. Both the drop in premium and the reduction of cash contributed to the reduction in authorized control risk-based capital at 12/31/17.

3b. How were assets distributed out of MVPHIC from 2016 to 2017?

Response: MVPHIC purchased 21.5M of its corporate stock back from its parent, MVPRT Holdings, Inc. (MVPRT) and then retired that stock. MVPRT then invested the proceeds in MVP Health Service Corp.

3c. Please provide a narrative explanation of the change in MVPHIC's risk based capital (RBC) in 2017 compared to 2015 and prior. Why did MVPHIC remove assets to the point that MVPHIC's RBC ratio is lower than in past years?

Response: MVPHIC's membership will continue to migrate over the next 14 months and it is anticipated that total revenue in 2019 and forward will be at or below $1.1 million. MVP intends to maintain RBC at a level of at least 300%. The balance at 12/31/17 was below that level but a plan to remedy that has already taken place. First, $1.3M in non-admitted assets as of 12/31/17 became admitted in the 1st quarter. Second, MVP made a capital infusion into MVPHIC in April of $1 million. These two transactions have brought MVPHIC's RBC back above the 300% level.

3d. MVPHP's RBC is also dipping. Why weren't MVPHIC assets used to stabilize/support MVPHP's RBC?

Response: MVPHP's RBC did decrease in 2017 but is still well above the 300% level (at 464%) with a continued positive projection of net income in 2018 and beyond.

4a. Please provide more detail on your product portfolio redistribution as follows: Please provide a narrative explanation of all significant factors behind MVPHIC's product portfolio redistribution including i. allocation of business to for-profit and nonprofit and ii. Tax implications including the Tax Cuts and Jobs Act (Tax Act).

Response: MVP has moved the two blocks of business in question from MVPHIC to MVPHP in order to provide the most competitive premium rate possible. The state of Vermont imposes a premium tax on for-profit insurance premiums that will be avoided when moving to MVPHP. In addition, MVP's federal ACA Health Insurer Tax liability is reduced on MVPHP relative to MVPHIC, so we are able to pass these savings on to consumers through lower premium rates.

MVPHIC has several years of net operating losses (NOLs) due to the many accumulated losses. There is no impact from the tax Cuts and Jobs Act on those NOLs beyond a rate change impacting the value to be consistent with the current tax rate. As MVPHIC does not pay a current tax, there will be no current impact except as previously discussed related to the NOLs. MVPHP is a not-for-profit health insurer and therefore doesn't pay federal tax.

4b. Why did MVPHIC choose to change its product portfolio distribution now?

Response: There was no specific reason why the current filing date was chosen to make the switch.

4c. What, if any, additional changes are you currently planning to make to MVPHP's and MVPHIC's portfolio distributions?

Response: MVP is continuously analyzing its portfolios within a given block of business to strike the right balance between low premium rates and benefit designs that the market demands. At this time, however, there are no further changes planned to the licenses for which MVP has offered each of its blocks of business.

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4d. What, if any, savings does MVPHIC expect to generate through the redistribution? To what extent does MVPHIC expect any savings to go to shareholders? Reserves? Reducing premiums? What will the impact of the redistribution be on shareholder profits?

Response: MVP will save money on state premium taxes and the federal HIT as stated in the response to part A, but this savings has been factored into rates in the form of a higher target loss ratio in the most current filings. MVPHIC, while a for-profit subsidiary of MVP Health Care, is not publicly traded and therefore does not have shareholders.

4e. If you had redistributed your product portfolio before 2016, would your losses from 2016 to present have been reduced?

Response: Because the financial changes of the company switch were directly factored into premium rates, MVP's losses would not change regardless of the company which the products were filed on.

4f. Do you expect any disruption to your customers related to the redistribution?

Response: MVP expects minimal member disruption relative to the company switch. MVP is in the process of contacting policyholders to explain the switch and move the groups seamlessly.

4g. How will premiums be allocated across MVPHIC and MVPHP in light of the redistribution?

Response: MVP will sell its large group base plans (and base riders) and small group grandfathered contracts on MVPHP. MVPHIC is still being utilized to sell out-of-network coverage to groups purchasing in-network coverage through MVP on its large group business. There are no large groups purchasing out-on-network coverage with MVP through its current arrangement.

5. To the extent that it is not a part of your previous answers, please explain any impact of the Tax Cuts and Jobs Act on MVPHIC and MVPHP. If the Act will reduce tax liability, please provide a narrative explanation of what the company plans to do with the savings.

Response: Please see the response to question #4a.

6. Please provide a narrative explanation of how MVP is controlling costs for the above captioned books of businesses by using or planning to use alternative payment methodologies, such as capitated payments inside or outside of OneCare Vermont agreements. Please address each of the below-stated cost control issues in the response:

> *a. Whether MVP incorporates alternative payment methodologies into direct contracts with providers;*
> *b. Whether OneCare Vermont is willing to contract with MVP. If yes, will MVP's large group and/or grandfathered small group book of business be included in a contract with OneCare Vermont in 2019; and*
> *c. What, if any, are MVP's concerns about using alternative payment methodologies in direct contracts with providers and/or OneCare Vermont for these books of business? Please specify if MVP's concerns are due to provider participation, employer preferences, individual member preferences, and/or MVP's belief that alternative payment methodologies will increase costs or decrease value for customers.*

Response: At this time, MVP has not incorporated alternative payment methodologies into its direct contracts in Vermont. OneCare has reached out to MVP to begin discussions for an agreement, however those discussions are too

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preliminary to provide any details (such as books of business included or a potential effective date of an agreement). In addition, those discussions are too preliminary to have specific concerns. However, through our experience in New York with alternative payment methodologies, provider group infrastructure to support value based agreements is critical to ensuring enhanced engagement and increased overall coordination of care with members.

7. What specific metrics from hospitals, insurers, and/or ACOs would help MVP in further developing, evaluating, or clarifying its role in health care reform and the all-payer model?

Response: Some specific items that would support participation in alternative payment methodologies would include greater price transparency for facilities (allowed costs versus billed charges) and the average cost of comparable services in other New England states. This would help us shape arrangements that target specific services which could provide cost savings to the Vermont healthcare market.

In addition, MVP has found great value in the Federal Risk Adjustment simulation services performed by Wakely consulting in New York and other states. Requiring participation in that simulation (or creating a similar version) would help insurers to understand the risk of their populations in greater detail and in real time. This would help estimation techniques in the small group/individual Exchange market.

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

Assuming 2.0% CTR

	2017 End of Year	2018- Projected
Premium, VT LG + SG AR42	$20,808,709	$22,175,445
Current Reserves Allocated to Block	$2,979,807	$3,523,316
Reserve amount as % of Premium	14.3%	15.9%
% of Premium CTR		2.0%
Projected Investment Income Allocated to Block		$100,000

Assuming 1.0% CTR

	2017 End of Year	2018- Projected
Premium, VT LG + SG AR42	$20,808,709	$21,953,690
Current Reserves Allocated to Block	$2,979,807	$3,299,344
Reserve amount as % of Premium	14.3%	15.0%
% of Premium CTR		1.0%
Projected Investment Income Allocated to Block		$100,000

Assuming 0% CTR

	2017 End of Year	2018- Projected
Premium, VT LG + SG AR42	$20,808,709	$21,731,936
Current Reserves Allocated to Block	$2,979,807	$3,079,807
Reserve amount as % of Premium	14.3%	14.2%
% of Premium CTR		0.0%
Projected Investment Income Allocated to Block		$100,000

CTR Needed to get back to 16.0% (Bottom end of range)

	2017 End of Year	2018- Projected
Premium, VT LG + SG AR42	$20,808,709	$22,204,273
Current Reserves Allocated to Block	$2,979,807	$3,552,758
Reserve amount as % of Premium	14.3%	16.00%
% of Premium CTR		2.1%
Projected Investment Income Allocated to Block		$100,000

CTR Needed to get back to 20.0% (Top end of range)

	2017 End of Year	2018- Projected
Premium, VT LG + SG AR42	$20,808,709	$23,226,561
Current Reserves Allocated to Block	$2,979,807	$4,645,277
Reserve amount as % of Premium	14.3%	20.00%
% of Premium CTR		6.7%
Projected Investment Income Allocated to Block		$100,000