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April 6, 2018

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

Re: MVP Health Plan, Inc.
2018 3Q/4Q Large Group HMO Rate Filing
SERFF Tracking #: MVPH-131435335
Objection #1

Dear Mr. Bachner:

The following additional information is required for this filing.

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 4Q2017 to 4Q2018.

2. It appears that the pharmacy rebates have increased from 21% of gross Rx claims to about 27% of gross Rx claims. Explain why the experience rated addendum still states that some experience-rated groups will have their Rx claims experience adjusted by a 0.79 factor to reflect anticipated rebates.

3. As noted in the memorandum, the IBNR factors applied are not specific to this block of business. It is unclear what blocks are included in the calculation of the 6.4% IBNR factor applied to the 3 open filings. Were these claims incurred on the blocks represented by the open filings, or were they incurred on other blocks and/or for members in other states?

4. The explanation in the actuarial memorandum appears to indicate that two components fund the retrospective rating refunds: the 2% load on retrospectively rated groups, and the $0.76 additive adjustment included in the manual rate development. Does this mean that groups without retrospective rating are subsidizing groups with retrospective rating by funding a refund program in which they are not participating?

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 13th, 2018.

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

Sincerely,

Kevin Ruggeberg, ASA, MAAA
Associate Actuary
Lewis & Ellis, Inc.
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(972)-850-0850

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April 13, 2018

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

Re: 3Q/4Q 2018 Vermont Large Group HMO Rate Filing
SERFF Tracking #: MVPH-131435335

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 04/06/18 regarding the above mentioned rate filing. The response to your question is 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 4Q2017 to 4Q2018.

Response: Please see the following table with the proposed revenue change broken out by quarter and source.

Derivation of Annual Revenue Change Based on Quarterly Rate Changes

	4Q '17 / 3Q '17	1Q '18 / 4Q '17	2Q '18 / 1Q '18	3Q '18 / 2Q '18	4Q '18 / 3Q '18	3Q '18 Annual Increase	4Q '18 Annual Increase
Manual Rate Change	1.8%	-3.1%	1.4%	8.3%	1.2%	8.3%	7.7%
Age Gender Table Normalization	0.0%	-0.1%	0.0%	-1.0%	0.0%	-1.1%	-1.1%
Changes in Target Loss Ratio	0.9%	0.3%	0.0%	-4.2%	-0.4%	-3.1%	-4.3%
Total	2.7%	-2.9%	1.4%	2.6%	0.8%	3.8%	1.9%

Please note that while compiling this response, MVP found that the target loss ratio for 4Q2017 was erroneously assumed to be 82.2% in the exhibit in the Actuarial Memorandum instead of the 81.5% as filed for that time period. The "4Q '18 Annual Increase" column has been updated in this response to reflect this.

2. It appears that the pharmacy rebates have increase from 21% of gross Rx claims to about 27% of gross Rx claims. Explain why the experience rated addendum still states that some experience-rated groups will have their Rx claims experience adjusted by a 0.79 factor to reflect anticipated rebates.

Response: MVP agrees that the addendum should reflect the best estimate of projected rebates as a percentage of gross pharmacy claims. Attached is an updated experience rated addendum that reflects the updated value of 0.73.

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3. As noted in the memorandum, the IBNR factors applied are not specific to this block of business. It is unclear what blocks are included in the calculation of the 6.4% IBNR factor applied to the 3 open filings. Were these claims incurred on the blocks represented by the open filings, or were they incurred on other blocks and/or for members in other states.

Response: The paid claims data used in the IBNR factor calculation for this block of business includes all claims paid by MVP Health Insurance Company in Vermont. This includes paid claims from this filing as well as paid claims from SERFF# MVPH-131432994. No claims paid for members outside of this filing (MVPH-131435335) and MVPH-131432994 were used to develop the IBNR factors.

4. The explanation in the actuarial memorandum appears to indicate that two components fund the retrospective rating refunds: the 2% load on retrospectively rated groups, and the $0.76 additive adjustment included in the manual rate development. Does this mean that groups without retrospective rating are subsidizing groups with retrospective rating by funding a refund program in which they are not participating?

Response: In calendar year 2016, MVP paid out more than was collected for the retrospective rating program at its previous load of 1% of premium (charged to retrospectively-rated groups only). All else being equal, MVP would not have reached its target loss ratio had these payments not been addressed. MVP chose to increase the load charged to groups from 1% to 2% and then added in the difference between the 2% of premium and the actual payment amounts to the claim cost for 2016. Therefore, the program is funded adequately when analyzing 2016 data.

Because the experience period data for this filing includes 2 months of 2016 data, there still needs to be some money added to the claims cost for the experience period. MVP has weighted the $4.04 PMPM added to the previous filing based on the member months in 2016 versus 2017 in the experience period.

As stated in the first paragraph, the 2% of premium is charged only to groups that choose to be retrospectively rated.

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

MVP Health Plan ("MVPHP") Experience Rated Addendum – 3Q/4Q 2018 Effective Dates

This document is an Addendum to MVP's 3Q/4Q 2018 Manual Rate Filing and Experience Rating Formula for products sold to employer groups with 100 or more employees in the State of Vermont under MVP's HMO license. This addendum and its appendices outline the rating factors discussed in the Experience Rating Formula. These factors are being filed as an addendum to the Manual Rate and Formula filings so they can be updated as deemed necessary by MVP without having to re-file the rating methodology.

Whenever possible, the rating factors contained herein will be based on actual MVP experience or they will be normalized to MVP's population.

BASE MANUAL RATES

Please see Exhibits 4a (base manual rates), 4b (medical riders), and 4c (Rx riders) of the accompanying manual rate filing for the net PMPMs of plans and riders being offered by MVP for 3Q/4Q 2018 effective dates. Please See Exhibit 1 in the MVPHIC rate filing for the POS out of network riders filed on MVP Health Insurance Company for 3Q/4Q 2018 effective dates.

SIC FACTORS

The industry factors in Appendix A will be applied to the manual rates based on the employer's industry.

DEMOGRAPHIC FACTORS

To more closely resemble the health risk of the employer's insured population, the manual pure premium will be adjusted to reflect differences in the demographic characteristics of a specific employer group compared to MVP's community pool for the chosen product. This demographic factor will be applied to both the base rate and riders.

With respect to the employer specific experience rate, there may be a situation where MVP will be the sole health plan offering and be required to adjust the experience to reflect anticipated health characteristics of the entire group versus just MVP's members who were enrolled in the previous year under a slice product offering. In this situation, MVP will develop a demographic factor relative of the entire group and compare that to the demographics of their existing employer membership.

The demographic factors are in Appendix B. A per member demographic factor is calculated as the weighted average subscriber age/sex factor / weighted average subscriber average contract size.

For members that are considered to have Medicare as their primary coverage, a downward adjustment factor will be applied to the member's demographic factor to reflect the reduced claim liability. This factor is in Appendix B.

HRA/HSA DEDUCTIBLE FUNDING FACTORS

The additional risk charge applies when a group funds a plan deductible. The charge is intended to account for the anticipated increase in utilization of services due to the resulting 'first dollar' coverage provided. The manual rate adjustment factors are in Appendix C.

POOLING CHARGES

Each group is charged a pooling fee and fee-for-service medical and Rx claims above the applicable attachment point are removed from their claim data. The charge is based on the following table:

Pooling Level	2018 Pooling Charge
$80,000	11.98%
$85,000	11.11%
$90,000	10.37%
$100,000	9.16%
$125,000	7.14%
$150,000	5.75%
$175,000	4.70%
$200,000	3.94%
$250,000	2.91%
$300,000	2.16%
$350,000	1.68%
$400,000	1.26%
$450,000	0.84%
$500,000	0.52%

Group size will be considered when selecting the appropriate pooling charge. The max pool level is the maximum amount MVP will allow for a given group size:

Avg. Subscribers	Max Pool Level
Up to 299	$100,000
300-499	$150,000
500-999	$200,000
1,000-1,499	$250,000
1,500-2,499	$350,000
2,500 and up	$450,000

TREND FACTORS

The following trends are used to project historical experience of the group to the proposed rating period. Exhibit 1 and Exhibit 2 are developed by applying the appropriate pro-rated calendar year trend factors from the midpoint of the experience period to the midpoint of the rating period. Paid trends are calculated by multiplying the applicable allowed trend times the leveraging factor.

Year	Allowed Medical Trend	Pharmacy Trend
2017	2.0%	10.2%
2018	2.5%	12.9%
2019 & Beyond	2.6%	15.3%

Annual Leveraging Factor	0.3%

NETWORK ADJUSTMENT FACTOR

This adjustment reflects changes with respect to the differences in network providers, contractual provider reimbursement rates, the degree of medical management for MVP versus other carriers, gatekeeper versus no gatekeeper, and referral versus open access. For those accounts enrolled in MVP, this factor will primarily represent differences in provider contractual arrangements. If the experience is coming from another carrier, the adjustment may reflect all of the items above. MVP will make every effort to develop actuarial adjustments that properly determine the appropriate factor to reflect the expected experience of the group.

The development of such a factor will be documented in the underwriter's group file and will be made available to in Insurance Department's actuaries and/or examiners on request.

BENEFIT ADJUSTMENT FACTOR

The purpose of the benefit adjustment is to reflect any difference between the benefits inherent in the group's historical claims experience period and the group's expected benefit plan for the prospective benefit period. This includes medical benefits and pharmacy benefits.

Based on filed manual rates, the underwriter will determine the value of the benefit adjustment factor by analyzing the actuarial equivalent difference in benefits. As it relates to a new group having experience from another carrier, the underwriter will use their best efforts to match up prior benefits to a currently filed benefit to determine the actuarial equivalent difference in benefits. In some cases, this may require interpolating between two manual rates, extrapolating from the filed manual rates, using other sources such as the Milliman USA guidelines, or other internal pricing models.

Other adjustments in this category may include benefit mandates. That is, mandated benefits that will be included in the future benefits, but not reflected in the group's experience.

The development of such a factor will be documented in the underwriter's group file and will be made available to in Insurance Department's actuaries and/or examiners on request.

PHARMACY REBATE FACTOR

Pharmacy rebates are received periodically. The pharmacy rebate factor of 0.73 is used to account for this reduction in pharmacy costs and reflects MVP's estimated pharmacy rebates received for 2018 dates of service. This reduction will only apply if the paid pharmacy claims do not already reflect pharmacy rebates. In the case where the employer group is not a MVP group, the underwriter will determine if the claims data provided includes or excludes rebates from the other carrier.

PERIOD WEIGHT

Period Weight is determined by the underwriter. The underwriters follow a general protocol for deriving the weights to apply for the Period Weight portion of the experience rating formula. Most groups are rated using 12 months of historical data and therefore, the period weights are not applicable. For the smaller of the large groups, the underwriter will consider extending the historical look back to 24 months if the data is available in order to provide a more stable block of data from which to do the rating. In these cases, the underwriter will generally give an 80% weight to the most recent 12 months of data and a 20% weight to the prior period of data. These weights may vary and could be 50% / 50% if the underwriter feels more weight should be given to the older data. This may be the case if the current 12 months are exceptionally higher or lower than the prior period.

CREDIBILITY WEIGHT

Based on MVP's product guidelines for offering a prospective experience rate, an employer must have (or project) a minimum of 100 eligible employees for the proposed rating period. However, consistent with industry rating practices, smaller sized experience rated groups should not be considered as producing 100% credible claims information. To protect the employer from significant rate fluctuation from year to year, MVP will be applying a credibility weight to the group's claim experience.

In determining a group's quoted rate, a weight will be given to the group's claims experience based on the number of member months in the experience period. The complement of the weight will be applied to the manual rate. The blended rate is one that will be quoted to the employer group. Below are the base credibility weightings:

Member Month Range	Credibility Factor
0 to 599	0%
600 to 2,400	20%
2,401 to 3,700	30%
3,701 to 4,900	40%
4,901 to 6,100	50%
6,101 to 7,300	60%
7,301 to 8,500	70%
8,501 to 9,700	80%
9,701 to 12,200	90%
12,201 and over	100%

These experience credibility weightings can be adjusted downward based on the underwriter's judgment in the following circumstances:

The employer group has provided less than 12 months of incurred claims data or data is not provided for all services or employees – Generally, a minimum of one full calendar year of incurred claims data for all populations and covered services included in the quote is desired to underwrite a case. In the event less than 12 months of data is available, the underwriter can adjust the credibility table downward, not to be less than 0%.

The employer group has had membership change by 50% or more since the experience period – With a significant membership change, the historical claims experience may no longer represent the group's current population. If the membership has changed by more than 50% from the experience period to the rating period, the underwriter may override the table above to reduce credibility downward, not to be less than 0%.

The most recent experience data provided is too old – Generally, from the mid-point of the experience period to the mid-point of the rating period should not be older than 24 months. If the more recent period of data is older than 24 months, the underwriter may adjust the credibility table downward, not to be less than 0%.

MVP may also make an upward adjustment to the table if the group has a favorable group risk assessment. The credibility percentage will never exceed 100%.

UNDERWRITING JUDGMENT/GROUP RISK ASSESSMENT

Underwriting judgment will be used by the underwriter in determining inputs to the rating formula or to modify the result depending on the circumstances of the case, the data available, or the quality of the available data.

Adjustments may be made due to items such as poor claim and enrollment experience data being presented for new groups, the group's claim trend being historically different than the averages, variability in claims experience, participation levels/group size changes, plan sponsor contribution levels, number of plan offerings, plan sponsor and covered population stability, and plan sponsor persistency. Adjustments may be both positive and negative, but will not be larger than 10% in either direction.

NETWORK ACCESS FEES AND OTHER FEES

MVP has a contracted network access fee with a rental network in the event a group has members that live outside of MVP's service area. The net access fee is $0 PEPM for just those subscribers who live outside of the service area.

COVERED LIVES ASSESSMENT
This is a New York State assessment passed on to groups in premium rates. The following table reflects actual 2018 assessment rates provided by the state of New York.

	2018 Actual	
Region	Individual	Family
New York City	$14.03	$46.29
Long Island	$4.98	$16.45
Northern Metro	$2.88	$9.49
Northeastern	$3.29	$10.87
Utica/Watertown	$0.69	$2.29
Central	$4.58	$15.12
Rochester	$8.58	$28.30
Western	$3.07	$10.12

MVP will calculate the CLA with the group information that is available. For example, on a new business case, the number of single contracts by location may not be available. In that case, the CLA may have to be estimated based on the group's overall number single and family contracts and assume the same ratio exists in each region.

HCRA ASSESSMENT
This is another New York State assessment based on Hospital claims. A charge of 0.25% will be applied to the experience of new business quotes; this is consistent with the amount reflected in the manual portion of the rate.

RETENTION EXPENSES
Non-claim cost expenses must be added to the premium rates and can be per member per month (PMPM) charges, percent of paid claim charges, or percent of premium charges. The following tables reflect the retention loads:

<u>Percent of Premium Retention:</u>
General Administration = 9.7%
Bad Debt = 0.25%
Broker Loads = group specific

<u>Percent of Premium Taxes/Fees:</u>
Premium Tax = 0.0%
Contribution to Surplus = 2.0%
VT Vaccine Assessment = 0.5%
Insurer Tax = 1.0% for 2018 coverage dates; 0.0% for 2019 coverage dates

<u>Percent of Paid Claim Surcharges:</u>
VT Paid Claims Surcharge = 0.999%

<u>PMPM Retention</u>
PMPM = $0

<u>PMPM Taxes/Assessments:</u>
Comparative Effectiveness Research Tax = $0.21

EMPLOYER SPECIFIC PREMIUM RATES

The experience rating formula filing details the calculation of employer specific premium rates by using employer specific information. In the event the employer group cannot supply sufficient information to calculate employer specific conversion factors, the following community load ratios will be used:

Single=1.0
Double=2.0
Family 2 tier=2.5
Family 3 tier=2.6
Family 4 tier= 2.8
Parent Child 4 tier= 1.9

RETROSPECTIVE RATING

The risk charges for a group choosing to be rated retrospectively are outlined below:

(NO DEFICIT CARRY FORWARD/80% SURPLUS REFUND FOR GROUPS 251+, 50% REFUND FOR GROUPS LESS THAN 251)
Groups with 1,000+ enrolled subscribers = 1.020
Groups with 251-999 enrolled subscribers = 1.020
Groups with 51-250 enrolled subscribers = 1.020

MINIMUM PREMIUM FUNDING ARRANGMENTS

The following table shows the Claims Fluctuation Margin (CFM) available for groups of different sizes. The appropriate level of CFM will depend on the group's size and risk assessment. Groups that are smaller with a higher risk assessment will have a higher CFM. Because of the risk involved with minimum premium funding, at the smaller group size, the underwriter will use judgment to determine if minimum premium funding is allowed.

Group Size	CFM
100-249	120%, 125%, or 130%
249-499	115%, 120%, or 125%
500-999	110%, 115%, or 120%
1,000+	105%, 110%, or 115%

NEW BUSINESS DISCOUNT

Due to the variances in information available for use in rating prospects, MVP is introducing the following additional adjustments to be used in developing new business proposals. The discount will apply to currently insured accounts that will offer MVP on a total replacement basis and have non-Medicare retiree enrollment of less than 5% of the total group enrollment.

<u>Rate reduction of 5.0% will be applied if group meets the following criteria:</u>
*Demographic Factor <=1.10
*Participation >70% of total employees being offered coverage
*Employer Contribution > =50% of single rate of richest plan to all plans/tiers
*Employer Deductible Funding not greater than 70% of the In-Network Deductible
*One carrier prior 2 years
*For accounts with <100 enrolled contracts quoted without claims data, documented incumbent Carrier Initial Renewal <12% (not from a rate cap)

Rate reduction of 8.0% will be applied if group meets the above list in addition to the following:
*Employer Deductible Funding not greater than 50% of the In-Network Deductible
*Enrollment decline of less than 15% in past 12 months
*One carrier for prior 3 years

Discount Recovery:

Year 1 Discount	Year 2 Discount	Year 3 Discount
5.0%	3.5%	2.0%
8.0%	6.0%	4.0%

Employer groups will be required to provide documentation showing the criteria are met or sign an affidavit supporting the statement.

ACTUARIAL CERTIFICATION

I believe the rating factors described herein are consistent with industry norms, follows sound actuarial and underwriting principals, and the rating factors used and documented in the Experience Rating Addendum are reasonable relative to MVP's book of business and industry norms.

I have reviewed the provisions of Vermont Insurance Law. It is my opinion that this rating formula complies with the requirements of those provisions.

Eric Bachner, ASA
Senior Actuarial Analyst
MVP Health Care