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June 19, 2018

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

Re: MVP Health Plan, Inc.
2019 Vermont Exchange Rate Filing
SERFF Tracking #: MVPH-131497138
Objection #4

Dear Mr. Bachner:

The following additional information is required for this filing.

1. Please provide support, other than the Lewis & Ellis estimate, for MVP's assumption that the repeal of the individual mandate penalty will increase rates by 2.0%.
2. MVP now has roughly 25,000 members, significantly more than indicated in last year's filing. Does MVP have any concerns over unknowns due to this growth (beyond the trend volatility MVP identified in its Actuarial Memorandum)?
3. Please explain your accounting process to identify QI expenses of 10 percent as indicated in MVP's SERFF filing at page 30.
4. MVP's discussion of "silver loading" in its SERFF filing is insightful and raises several interesting points about movement of subsidized members caused by silver loading such as members transitioning from Silver to Bronze or other premium levels. Could MVP elaborate as follows:
    a. What assumptions did MVP make when estimating the amount MVP needs to add to silver premiums to cover its costs for providing cost sharing reductions? What percentage of Vermonters eligible for cost sharing reductions did it assume will purchase silver exchange plans from MVP?
    b. What is the financial risk to MVP of "silver loading"? Are some products assumed to be more profitable than others? Please provide a table with membership, premium, claims, risk transfer estimate, administrative costs and anticipated profitability by product scenario;
    c. What is the potential for member adverse selection? Please identify the financial best-case and worst-case membership subsidized product mix scenarios for MVP.

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 June 26th, 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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Schenectady, NY 12301-2207
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June 26, 2018

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

Re: 2019 Vermont Exchange Rate Filing
SERFF Tracking #: MVPH-131497138

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 06/19/18 regarding the above mentioned rate filing. The responses to your questions are provided below.

1. Please provide support, other than the Lewis & Ellis estimate, for MVP's assumption that the repeal of the individual mandate penalty will increase rates by 2.0%.

Response: MVP performed an analysis of its 2017 Vermont Exchange claims to estimate the impact of people with lower claim costs exiting the market due to the repeal of the mandate. MVP assumed that the market contraction would be limited to members with allowed claims under $4,000 ($333.33 PMPM), and that the total market contraction would be 5.0% of the merged market population. MVP removed 5.0% of the merged market population at the average allowed claims cost of members who spent under $4,000 and then compared the resulting allowed claims PMPM to the original. This resulted in a 2.2% increase to the average allowed claims PMPM of the merged market.

2. MVP now has roughly 25,000 members, significantly more than indicated in last year's filing. Does MVP have any concerns over unknowns due to this growth (beyond the trend volatility MVP identified in its Actuarial Memorandum)?

Response: MVP's rapid membership growth presents challenges in projecting future claim costs as we have limited data on members who are new to the company. However, if the risk adjustment mechanism is working properly MVP's risk is mitigated as risk adjustment normalizes claim costs to the market-wide average risk.

One concern MVP has with relying on the risk adjustment mechanism is that members who are new to a carrier tend to have lower risk scores in their first year with the carrier than they would have with their previous carrier. This is because the new carrier does not have historical claims data for the member on which the risk score is based. MVP will be monitoring this in future rate filings that rely on 2018 risk scores.

3. Please explain your accounting process to identify QI expenses of 10 percent as indicated in MVP's SERFF filing at page 30.

Response: MVP performs a review of all administrative expenses to determine which expenses meet the definition of Quality Improvement, per the 2016 SHCE guidelines. For each expense category that qualifies for QI, MVP determines the allocation between QI Improve Health Outcomes, QI Prevent Hospital Readmissions, QI Improve Patient Safety and Reduce Medical Errors, QI Promote Health & Wellness, QI Health Information Technology, and Non-QI.

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4. MVP's discussion of "silver loading" in its SERFF filing is insightful and raises several interesting points about movement of subsidized members caused by silver loading such as members transitioning from Silver to Bronze or other premium levels. Could MVP elaborate as follows:

a. What assumptions did MVP make when estimating the amount MVP needs to add to silver premiums to cover its costs for providing cost sharing reductions? What percentage of Vermonters eligible for cost sharing reductions did it assume will purchase silver exchange plans from MVP?

Response: MVP began with the experience period federal cost-sharing reduction (CSR) amounts by CSR level on a PMPM basis. MVP then assumed that all members purchasing Advanced Premium Tax Credit (APTC) only Silver plans, 73% CSR plans and half of all members currently purchasing 77% CSR plans would exit those plans and MVP would no longer have to fund those reductions; MVP is assuming these membership changes as richer benefits will be available at the Gold metal level for a lower premium rate. MVP assumed that the membership in 87% and 94% would continue to purchase those plans as the member benefits are rich enough to entice members to stay in those plans. MVP then multiplied the PMPM amounts by CSR level by the projected membership and obtained a member-weighted PMPM for all CSR members. This number was then completed with IBNR and trended to obtain the projection period cost to cover Federal CSR reimbursements.

It is not possible for MVP to determine exactly how many members are eligible for CSR plans in Vermont as we are not provided data on income and family size. However, using experience period data, MVP can estimate the number of single contracts that are eligible for each CSR level based the member's APTC amount. MVP can bucket all single subscribers by their APTC amount and then analyze whether the member is purchasing a CSR plan or buying up or down in benefits. Using this assumption, approximately 65% of subscribers eligible for CSR enrolled in a CSR plan over the experience period. MVP estimates that 45% of eligible subscribers will enroll in a CSR plan in 2019.

b. What is the financial risk to MVP of "silver loading"? Are some products assumed to be more profitable than others? Please provide a table with membership, premium, claims, risk transfer estimate, administrative costs and anticipated profitability by product scenario;

Response: The financial risk of "silver loading" is two-fold. The first is standard pricing risk. Members may use more or fewer services than projected, which will impact profitability. Second, if the distribution of membership by CSR level is different than what is assumed in rates, the actual cost of CSR will likely differ than the rating assumption.

MVP's pricing assumes that all plans will generate the same contribution to reserves level as a percent of premium. As a result, MVP's anticipated profitability by product scenario does not change absent the two risks identified in the previous paragraph.

c. What is the potential for member adverse selection? Please identify the financial best-case and worst-case membership subsidized product mix scenarios for MVP.

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Response: There is potential for member selection under "silver loading" as the spread between premium rates (from the member's perspective) is different from the spread in the value of benefits. The most likely member selection will come from members receiving premium subsidies that are not eligible for 87% or 94% CSR plans. For these members, the net premium to purchase a Gold plan (~80% AV) is less than the net premium for a Silver 73% or 77% plan even though the Gold plan has richer benefits. Additionally, these members may also buy-down in benefits to the Bronze metal level as the increase in premium subsidies will make Bronze plans lower cost than they were in prior years.

MVP's proposed premium rates assume some of this selection which is detailed in our actuarial memorandum in the "Silver CSR Loading" section. The selection would not have an adverse impact on MVP's financial results unless the actual distribution of membership by CSR level is more heavily weighted towards 87% and 94% plans than what is assumed in the proposed rates.

The best-case scenario financially for MVP is for all members who are currently purchasing APTC-only, 73% and 77% CSR plans to stay in those plans in the projection period. These members utilize less of the CSR benefit and would drive the overall weighted average CSR cost PMPM downward. The financial worst-case scenario would be for all APTC-only, 73%, 77% and 87% CSR members to leave those plans, leaving only the highest utilizers of the CSR benefit in the CSR plans. MVP's rates would be deficient to cover those benefits.

Based on the projected CSR membership in the rate filing, MVP needs to collect $2.31 million for the federal CSR program in 2019 (24,363 projected member months times $94.66 PMPM). Of those 24,363 member months, 5,116 are for 94% CSR members at a projected cost of $135.09 PMPM. So, if the only members to remain in individual Silver plans were 94% CSR members, MVP would collect $480,000 (5,116 times $94.66) and pay out $690,000 in projected claims (5,116 times $135.09).

MVP's total membership in APTC Silver plans during the experience period was 36,189. This includes the 24,363 projected to stay in CSR plans as well as 4,302 members projected to leave CSR plans and 3,270 member months for APTC-only Silver plans. Assuming that all 36,189 member months stay in Silver APTC plans, MVP would collect $3.43 million and pay out $2.41 million in CSR benefits.

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

Sincerely,

Eric Bachner, ASA
Leader, Actuarial, Commercial/Government Programs
MVP Health Care