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April 2, 2015

Green Mountain Care Board
 State of Vermont
 89 Main Street, Third Floor, City Center
 Montpelier, VT 05620

Re: 3Q15 – 4Q15 MVP Health Plan Large Group HMO Rates – Abbreviated Report
 SERFF #: MVPH-129877747

The purpose of this letter is to provide an abbreviated summary and recommendation regarding the proposed large group filing submitted by MVP Health Plan (MVPHP) for its HMO products for the third and fourth quarters of 2015 and to assist the Board in assessing whether to approve, modify, or disapprove the request. We are performing an abbreviated review because only 2 policyholders are affected by this filing.

Filing Description

This filing demonstrates the premium rate development of MVPHP's large group HMO product portfolio and includes proposed rates for both the third and fourth quarters of 2015. This filing impacts 2 policyholders (219 members as of December 2014). Since all of these members have a 1st quarter effective date, the rates in this filing will not impact any groups renewing in 3Q/4Q 2015. In light of the small membership and upon request from Vermont, we made an abbreviated review of this filing and are herein providing an abbreviated report.

The proposed rates reflect an annual rate change for 3rd quarter group renewals and 4th quarter group renewals of:

Table 1 – Annual Rate Change

Large Group HMO	3Q15	4Q15
Rate Change	5.5%	6.1%

The requested quarterly rate changes from 2Q 2015 to 3Q 2015 and from 3Q 2015 to 4Q 2015 are presented below:

Table 2 – Quarterly Rate Change

Large Group HMO	3Q15	4Q15
Rate Change	1.8%	1.8%

Standard of Review

Pursuant to Green Mountain Care Board (Board) Rule 2.000 Health Insurance Rate Review, this letter is to assist the Board in determining whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the law, and is not excessive, inadequate, or unfairly discriminatory.

Summary of the Data Received

MVPHP provided the methodology used in premium rate development (Exhibit 3) and details pertinent to its actuarial assumptions/experience driving the rate increase request. This includes supplemental exhibits comprising historical claim and membership summary for 36 months grouped into rolling 12 month periods, pricing trend assumptions (Exhibit 2), addendum and appendices describing rating factors and additional supporting exhibits as requested during review of the filing.

Company’s Analysis

1. *Medical Trend:* The assumed unit cost trends reflect a combination of known and assumed price increases from MVPHP’s provider network. Consistent with recently submitted filings, MVPHP is utilizing a 0% utilization trend to its data. MVPHP opines that based on regression analysis of its utilization data in the past, the predictive ability of the historical utilization trends was weak and not reliable.

The table below illustrates the trend factors for various benefit categories:

Annual Allowed Cost Trend		
Claim Category	2014 Annual Trend	2015 Annual Trend
Inpatient	5.8%	6.7%
Outpatient & Other Medical	5.4%	5.9%
Physician	15.3%	3.5%
Total Medical Trend	8.6%	5.3%

The allowed cost trends illustrated above are based on allowed charges (reflecting total amount of claims paid by the carrier and the policyholder), and do not reflect effective paid trends which reflect the actual claim payment by carrier only. MVPHP adjusted the allowed cost trends illustrated above to account for the impact of cost share leveraging and derived the total effective paid medical trend factor of 6.2%. This effective paid trend factor is used to trend the claim experience from the experience period to the rating period in calculating the projected claim cost for the rating period.

Rx Trend: MVPHP is requesting the annual allowed trends illustrated in the chart below:

Annual Rx Allowed Cost Trend ¹		
2014	2015	2016
13.9%	16.7%	16.1%

The annualized effective paid trend derived from the requested allowed trends in the chart above is 18.7% and accounts for cost sharing by the insured (through the use of deductible, copay and coinsurance). MVPHP analyzes its pharmacy data by drug category (Generic, Brand, Specialty). Annual trend factors by drug category were supplied by MVPHP's pharmacy vendor and did not account for MVPHP's Vermont specific book of business, given the partnership with this vendor is new.

MVPHP's rationale for using unadjusted trends includes the following:

- The new PBM (contracted on January 1, 2015) does not have enough MVPHP data to provide a credible Rx trend forecast based on MVPHP's experience.
- The historic trends do not reflect the constantly changing Rx market and do not account for drugs coming off patent, changes in average wholesale price, new drugs being released to the market and price competitiveness amongst generic and brand drug manufacturers.
- MVPHP has experienced Rx trends that outpace the PBM's trend forecast. MVPHP experienced a 54.3% allowed Rx trend in 2014 compared to a 13.9% allowed Rx trend assumed in this filing. MVPHP attributes significant increases in expected Rx costs to recent and continued usage of high cost specialty drugs.

L&E Analysis

1. *Medical Trend:*

We find the development of facility trend level and outpatient trend level to be reasonable and appropriate. We consider the 6.2% annual medical paid trend assumption to be reasonable and appropriate.

2. *Rx Trend:* We consider MVPHP's approach of using Rx trends from its vendor without accounting for its Vermont specific block of business to be a limitation on the reasonableness of their proposed Rx trend assumption.

In response to an inquiry, MVPHP provided a comparison of calendar year 2014 Rx allowed claims by category compared to calendar year 2013 Rx allowed claims by category. This illustrated a higher allowed Rx trend of 54.3% compared to the 2014 allowed trend of 13.9% reflected in the filing.

Drug Category	Calendar Year 2013	Calendar Year 2014	Allowed Trend
Generic	\$17.27	\$19.04	10.2%
Brand	\$21.87	\$29.01	32.6%
Specialty	\$14.61	\$34.90	138.9 %
Aggregate	\$53.75	\$82.95	54.3%

¹ MVP has proposed same utilization and unit cost trends by drug tier in all three MVP filings (SERFF #: MVPH-129866393, MVPH-129877690, and MVPH-12877747). Due to varying utilization by drug tier in these filings, the total allowed trends as illustrated in this chart will not exactly match in all three filings.

As illustrated above, specialty drugs are having a significant impact on the total Rx trend. This is consistent with industry experience where the cost of hepatitis C drugs is driving high specialty drug trends in recent years.

While we do not agree with the Company only utilizing the unadjusted trends from the PBM, we believe the historical experience shows higher trends than those recommended by the PBM. We note that MVPHP has proposed usage of lower Rx trends than what is supported by their historical experience. This consequently results in lower rates. We considered MVPHP's historic experience, the PBM's recommendation, and the impact of new high cost specialty drugs. To maintain consistency across all MVP filings and account for factors outside of historic experience, we opine that the requested Rx paid trend of 18.7% is reasonable and appropriate.

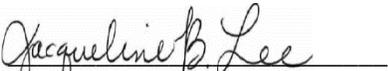
Recommendation

L&E believes that this filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. Therefore, L&E recommends that the Board approve the filing as requested.

Sincerely,



Sujaritha Tansen, ASA, MAAA, MS
Associate Actuary
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ASOP 41 Disclosures

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations², promulgates actuarial standards of practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct³, to observe the ASOPs of the ASB when practicing in the United States. ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in the following.

Identification of the Responsible Actuary

The responsible actuaries are:

- Sujaritha Tansen, ASA, MAAA, MS, Associate Actuary at Lewis & Ellis, Inc. (L&E).
- Jacqueline B. Lee, FSA, MAAA, Vice President at Lewis & Ellis, Inc. (L&E).
- David M. Dillon, FSA, MAAA, MS, Vice President & Principal at Lewis & Ellis, Inc. (L&E).

These actuaries are available to provide supplementary information and explanation. The actuaries also acknowledge that they may be acting as an advocate.

Identification of Actuarial Documents

The date of this document is April 2, 2015. The date (a.k.a. "latest information date") through which data or other information has been considered in performing this analysis is March 9, 2015.

Disclosures in Actuarial Reports

- The contents of this report are intended for the use of the Green Mountain Care Board. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis Inc. is financially and organizationally independent from the health insurance issuers whose rate filings were reviewed. There is nothing that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the Board in assessing whether to approve, modify, or disapprove the rate filing.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by the issuers for reasonableness, but we have not audited it. L&E nor the responsible actuaries assume responsibility for these items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.
- We are not aware of any subsequent events that may have a material effect on the findings.
- There are no other documents or files that accompany this report.
- The findings of this report are enclosed herein.

Actuarial Findings

² The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

³ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

The actuarial findings of the report can be found in the body of this report.

Methods, Procedures, Assumptions, and Data

The methods, procedures, assumptions and data used by the actuary can be found in body of this report.

Assumptions or Methods Prescribed by Law

This report was prepared as prescribed by applicable law, statues, regulations and other legally binding authority.

Responsibility for Assumptions and Methods

The actuaries do not disclaim responsibility for material assumptions or methods.

Deviation from the Guidance of an ASOP

The actuaries have not deviated materially from the guidance set forth in an applicable ASOP.