

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company)	GMCB-010-15rr
First Quarter 2016 and Second Quarter)	
2016 Large Group EPO/PPO Rate)	SERFF No.: MVPH-130178700
Filing)	
)	

DECISION & ORDER

Introduction

Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(B). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

Procedural History

On July 23, 2015, MVP Health Insurance Company (MVPHIC) submitted its First Quarter 2016 (1Q16) and Second Quarter 2016 (2Q16) Large Group EPO/PPO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).

http://ratereview.vermont.gov/sites/dfr/files/GMCB_010_SERFF_7_24_15.pdf. The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this filing.

On September 8, 2015, the Board posted to the web the Department of Financial Regulation's (Department) analysis regarding the filing's impact on the insurer's solvency.

http://ratereview.vermont.gov/sites/dfr/files/GMCB_010_15rr_Solvency%20Analysis.pdf

(Solvency Analysis). On September 24, 2015, the Board posted to the web a revised actuarial memorandum¹ provided by its contract actuaries, Lewis & Ellis (L&E).

http://ratereview.vermont.gov/sites/dfr/files/GMCB_010_15rr_Revised_Actuarial_Memorandum.pdf (L&E Analysis). The Board received no public comment on the filing.

¹ L&E's first version of its memorandum—posted and subsequently replaced on the website by the revised memorandum— analyzed the impact of the manual rate prior to several adjustments performed by the carrier, rather than the rate that will impact plan members.

The parties have waived a hearing pursuant to GMCB Rule 2.309(a)(1) and have filed memoranda in lieu of hearing.

Findings of Fact

1. MVPHIC is a for-profit New York health insurer that provides EPO and PPO products to individuals and employers in the small and large group markets in New York and Vermont. MVPHIC is owned by MVP Health Care, Inc. (MVP), a New York corporation that transacts health insurance business in New York and Vermont through a variety of for-profit and non-profit subsidiaries.

2. The present filing reflects the proposed manual rate for MVPHIC's large group EPO/PPO products for 1Q16 and 2Q16.² These rates will affect approximately 2,755 Vermonters; 1,611 of these members have a 1Q16 or 2Q16 renewal date. The remainder of MVPHIC's large group members—groups of 51 to 100—will migrate to the Vermont Health Exchange in 2016.

3. MVPHIC proposes a 9.2% average annual rate increase for members renewing in 1Q16 and a 9.1% increase for those renewing in 2Q16.

4. MVPHIC utilized a pharmacy trend factor in its rate development that was supplied by its newly-contracted pharmacy benefit manager (PBM) and which does not take into consideration MVPHIC's Vermont book of business. MVPHIC states that its PBM does not have enough data at this time to provide a credible drug trend and that historic trends are not reflective of the changing drug market; nor do they account for drugs coming off patent, changes in wholesale drug pricing, and new drugs entering the market.

5. The pharmacy trend used by the carrier in this filing is materially higher than the trend used in its 2016 Vermont Health Connect Rate Filing. In that docket, MVPHIC also used the pharmacy trend factor supplied by its PBM, which was not specific to the Vermont market. *See* Docket no. GMCB 007-15rr, *available at* http://ratereview.vermont.gov/sites/dfrr/files/GMCB_007_15rr_Decision.pdf.

6. In this filing MVPHIC assumes a general administrative expense load of 8.0%, which is 1.5% lower than the general administrative expense load included in its 3Q15 and 4Q15 filing

² A manual rate is the insurer's published rate for a unit of insurance and is based on average claims data from a large number of groups.

for the same book of business. *See* Docket no. GMCB 001-15rr at 3, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_001_15rr_Decision.pdf.

7. MVPHIC includes in this filing a 2.0% contribution to surplus.

8. MVPHIC anticipates a traditional medical loss ratio—the portion of premium income insurers pay out in the form of health care claims—of 82.5%.³

9. Pursuant to 8 V.S.A. § 4062(a)(2)(B), the Department assessed the impact of the proposed filing on the carrier's solvency. Noting that it is not MVPHIC's primary regulator, that New York State regulators have expressed no concerns about the company's solvency, and that all of MVP's health operations in Vermont account for approximately 5.3% of its total premiums earned, the Department determined that the carrier's operations in this state pose little threat to the company's solvency. *See* Solvency Analysis at 2.

10. On review, L&E recommends one modification to the filing. L&E recommends that the pharmacy trend be reduced to conform to the pharmacy trend proposed by the carrier, and approved by the Board, in MVP's 2016 Vermont Health Connect rate filing. *See* L&E Analysis at 5. The modification would reduce the proposed rates by approximately 0.5% for 1Q16 and 0.1% for 2Q16. *Id.*

11. MVPHIC disagrees with L&E's recommendation to reduce the pharmacy trend factor. The carrier explains that its PBM has provided the company with three pharmacy trend forecasts—low, best and high estimates—and that it utilized its low estimate in the exchange filing. Based on its observations over the past several months, however, MVPHIC contends that using its best estimate trend factor, rather than its low estimate, is more appropriate. *See* MVPHIC's Memorandum in Lieu of Hearing, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_010_15rr_MVP_Memorandum.pdf.

12. The HCA agrees with L&E's recommendation that the pharmacy trend be adjusted downward consistent with the low estimate provided by the carrier's PBM. *See* HCA Memorandum in Lieu of Hearing, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_010_15rr_HCA_Memorandum.pdf. The HCA also requests that the Board reduce the contribution to surplus to no greater than 1.0%. *Id.*

³ As opposed to calculation of the traditional medical loss ratio, calculation of the federal minimum loss ratio under the ACA allows insurers to adjust for quality improvement activities and expenditures on taxes, licensing and regulatory fees, and is therefore slightly higher.

Standard of Review

1. The Board reviews rate filings to ensure that rates are “affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust unfair inequitable, misleading, or contrary to the laws of this State.” 8 V.S.A. § 4062(a)(2)(B); GMCB Rule 2.000, *Rate Review*, § 2.301(b). In addition, the Board takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); GMCB Rule 2.000 at § 2.401.

2. In arriving at its decision, the Board will consider the Department’s analysis and opinion of the impact of the proposed rate on the insurer’s solvency and reserves. 8 V.S.A. § 4062(a)(3).

3. The insurer proposing a rate change has the burden to justify the requested rate. GMCB Rule 2.000 at, § 2.104(c).

Conclusions of Law

1. Although we continue to disagree with MVPHIC’s reliance on a pharmacy trend that does not reflect its Vermont experience, we agree with our actuary’s recommendation to reduce the trend factor to the same one that the carrier proposed, and which we approved, in MVP’s 2016 Vermont Health Connect rate filing. Although MVPHIC now states that its “best estimate” is more appropriate rather than its “low estimate,” it has failed to meet its burden to show that its experience has changed markedly over the few months since we approved the Vermont Health Connect filing, or why use of a “best” estimate would not have produced a better (or best) estimate for that filing as well. Moreover, use of the lowest reasonable trend produces more affordable rates for Vermonter consumers.

2. We additionally conclude that the carrier has not adequately supported its request for a 2.0% contribution to surplus. The Department has voiced no concern with the company’s solvency, instead noting that its operations in Vermont comprise only a small fraction of its overall business. Eliminating the contribution entirely is consistent with MVP’s requested and approved contribution to surplus in its recent 2016 Vermont Health Connect filing and results in a smaller rate increase for Vermonter consumers.

3. With the above-stated modifications, we estimate that the proposed rate changes will be reduced from 9.2% to approximately 6.6% for members renewing in 1Q16, and from 9.1% to approximately 6.4% for those renewing in 2Q16.

Order

For the reasons discussed above, the Board modifies and then approves MVPHIC's 1Q16 and 2Q16 Large Group EPO/PPO Rate Filing. Specifically, the Board orders that MVPHIC reduce its pharmacy trend to conform to the corresponding trend in its 2016 Vermont Health Connect rate filing, and that the carrier reduce its contribution to surplus from 2.0% to 0.0%.

SO ORDERED.

Dated: October 19, 2015 at Montpelier, Vermont

<u>s/ Alfred Gobeille</u>)	
)	
<u>s/ Cornelius Hogan</u>)	GREEN MOUNTAIN
)	CARE BOARD
<u>s/ Jessica Holmes</u>)	OF VERMONT
)	
<u>s/ Betty Rambur</u>)	
)	
<u>s/ Allan Ramsay</u>)	

Filed: October 19, 2015

Attest: s/ Janet Richard
Green Mountain Care Board, Administrative Services Coordinator

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: Janet.Richard@vermont.gov). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.