STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company First	)	Docket #:
And Second Quarter 2015 Grandfathered	)	GMCB-024-14rr
Small Group New Products Rate Filing	)	

MVPHIC Health Care's Memorandum in Lieu of Hearing

MVP Health Insurance Company (MVPHIC) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) approve the proposed rates as filed. MVPHIC and the Office of the Health Care Advocate (HCA) have agreed to waive the hearing before the GMCB in this proceeding.

Description of the Filing

This filing is a replacement plan for MVPHIC's grandfathered plan VEHD-18, which no longer complies with IRS regulations applicable to high deductible health plans (HDHP) and will be discontinued in 2015. The new plan is known as VEHD-49. Because this is replacing a grandfathered plan, and because the new plan is necessary to comply with IRS regulations, members currently enrolled in VEHD-18 will maintain their grandfathered status when they move to VEHD-49 in 2015. The filing contains the monthly premiums that MVPHIC proposes to charge these small group members who enroll or renew coverage during 1Q15 and 2Q15.

MVPHIC is proposing the rates for this plan to be $522.91. For a new product filing such as this, MVPHIC generally does not quote renewal increase figures, but in this case since it is for members terminating from VEHD-18 and transitioning to VEHD-49, we will do so. If approved as filed, members transitioning from VEHD-18 to VEHD-49 would experience an 8.8% renewal increase in 1Q and 8.9% in 2Q 2015.

This filing is expected to cover approximately 2,604 members. As noted above, these are members who are in a grandfathered plan, as defined by the Affordable Care Act, and have chosen to continue in their current plans and not move to Exchange plans.

Lewis and Ellis Recommendation

L&E recommended modifications to the rate filing, which would decrease the requested rate increase. It recommends updating enrollment in the rate change development and the single conversion factor, and decreasing the Rx trend to match what was ultimately approved in the 2015 Exchange rate filing (GMCB 017-14rr), and to reduce the contribution to reserve from 2% to 1%. MVPHIC disagrees with these recommendations, for the reasons set out below.

MVPHIC's Response to the Recommendation

Rate change development and single conversion factor: L&E proposed a change to the demographic assumption by using a single month in time, June 2014, rather than the experience period enrollment distribution, which will reduce the overall rate change. MVPHIC disagrees that using a snapshot of one month does not provide as reliable a picture as using the entire experience period enrollment would. The L&E approach goes against traditional actuarial foundation for setting premiums – to look at the experience period and trend forward. So, in this filing MVPHIC took its 2013 experience and trended it forward. L&E's analysis is flawed because it ignores actual claims and diagnosis data, and relies solely on demographic data for one month. This is not an appropriate analysis because a snapshot of the membership for a single month is not a basis to predict what the 2015 population will look like or behave. MVPHIC urges the GMCB to ignore L&E's recommendation and adopt MVPHIC's methodology.

Rx trend: L&E recommended using the Rx trend that was approved in the 2015 Exchange rate filing, which was based on use of Blue Cross and Blue Shield of Vermont's pharmacy trend, instead of the opinion of MVPHIC's own PBM. MVPHIC disagrees with this because its methodology appropriately relies on the expert opinion of its PBM (CVS-Caremark) of what the market for drugs will be in 2015, taking into consideration new drugs coming to market, the cost of such new drugs, patent expiration, drugs expected to be approved by the FDA in the near future and changes in the average wholesale price which would not be reflected in MVP's historical data. Historical trends are of limited value in predicting Rx usage because the market is a rapidly changing and dynamic environment. While L&E agreed that use of historical trends is not helpful in determining trend during the hearing on the 2015 Exchange rate filing, it nonetheless chose to ignore that and inexplicably recommended using a competitor's trends. Such a recommendation does not take into account differences between Blue Cross and Blue Shield and MVPHIC's pharmacy contracts and other arrangements that would affect cost, and as such is not an apples to apples comparison. MVPHIC urges the GMCB not to continue this practice.

MVPHIC financial performance in Vermont: MVPHIC knows the Board understands its profitability situation in Vermont, and the extremely high level of its Medical Loss Ratio, which leads to the importance of it contributing to its reserves in a responsible manner. MVPHIC points out and emphasizes that its anticipated traditional loss ratio for 2014 for its entire small group business is 99.5%. This is substantially higher than the federal required loss ratio limit of

80% and has been the case for a number of years now. In light of this, we continue to ask the Board not to further reduce contributions to reserves in this filing, and approve the 2% contribution to surplus as filed. This line of business is obviously being funded through reserves, and it is only appropriate that a responsible level of contribution to reserves be maintained.

Based on the above, MVPHIC asks the Board to approve the rates as filed.

s/ Susan Gretkowski
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November 17, 2014

Certificate of Service

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel of record for the Office of the Health Care Advocate, by electronic mail this 17th day of November, 2014.

s/ Susan Gretkowski
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