STATE OF VERMONT

GREEN MOUNTAIN CARE BOARD

In Re: MVP Health Plan, Inc.

Rates Filed June 2, 2014 in Vermont MVPH-129560321
Docket number GMCB 17-14rr

REPORT OF DONNA NOVAK ASA, MAAA

August 5, 2014

156 W. Calle Guija Ste 200 Sahuarita, AZ 85629 Tel: 520-908-7246 fax:772-673-0318

NovaRest
ACTUARIAL CONSULTING

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I. NATURE AND PURPOSE OF REPORT

The purpose of this Report is to provide the results of my review and analysis of the premium rate filing of MVP Health Plan, Inc. (MVP) and to provide the Office of the Health Care Advocate recommendations and updated calculations of MVP's requested rates. The contents of this report are intended for the use of the Office of the Health Care Advocate and the Green Mountain Care Board. The report should be considered in its entirety and no part should be copied or provided without the whole.

II. PERSONAL QUALIFICATIONS

I am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. I am also president of NovaRest, Inc., which I founded in 2002. According to the Actuarial Standards Board and Code of Professional Conduct, I am qualified to offer my opinion in this matter.

My qualifications include:

- Over forty years of experience in the insurance industry dealing with pension, life and health insurance products.
- Active in the Academy of Actuaries ("AAA") for much of my career.
- Led the group that recently rewrote the Actuarial Standard of Practice (ASOP) number 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits.
- Have performed rate filing reviews in 7 states, the District of Columbia, and Puerto Rico.
- Helped create an improved rate review process in 2 states, the District of Columbia and Puerto Rico

My curriculum vitae is provided as Attachment A.

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I have prepared this report on the basis of my review, analysis, research work to date, and knowledge gained working as an actuary. Revisions and supplementation may occur as further information becomes available or is otherwise discovered or developed or as any additional matters or issues may be raised.

III. BACKGROUND

MVP filed on June 2, 2014 for HMO premium rates in Vermont's combined Individual and Small Business Health Options Program ("SHOP") Exchange to be effective on January 1, 2015 through December 31, 2015.

Pursuant to Green Mountain Care Board (Board) Rule 2.000 Health Insurance Rate Review, the Board is required to determine:

- whether the requested rate is affordable,
- promotes quality care,
- promotes access to health care,
- protects insurer solvency,
- is not unjust, unfair, inequitable, misleading, or contrary to the law, and
- is not excessive, inadequate, or unfairly discriminatory.

In March 2010, the 111th Congress passed health reform legislation, the Patient Protection and Affordable Care Act ("ACA"; P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 ("HCERA"; P.L. 111- 152) and other laws. The ACA expands federal private health insurance market requirements, and required the creation of health insurance exchanges effective January 1, 2014 to provide individuals and small groups with access to insurance. Beginning in 2014, MVP was required to comply with all of the ACA requirements for plans that are sold through the Exchange. Complying with the ACA required MVP to redesign its product offerings.

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IV. MATERIALS REVIEWED

In performing my analysis and preparing my report I reviewed the filing as well as all of the materials submitted by MVP in response to data requests submitted by July 24, 2014.

A complete list of the materials provided can be found in Attachment B

V. FINDINGS

MVP made inappropriate assumptions in calculating its requested rates that, in total, overstate its requested rates by 2%. The issues resulting in the overstatement by MVP of its requested rates are described in detail in Sections A-C below. Attachment F provides a listing of these issues, as well as their impact on the rates requested by MVP.

I have prepared a number of attachments to this Report that analyze the impact on MVP's requested rates by changes that I recommend, including Attachments C through E. For each of those, I have relied upon the data and formulas that MVP used in its filing or included in its responses to data requests along with my knowledge of the health insurance market. However, in each of these attachments, I have highlighted certain items from the filing that I have corrected or changed as are explained in the applicable sections of my Report.

I have measured the value of each of the corrections/changes by looking at the impact on the Index Rate which is identified in Cell Z44 of the Worksheet 1 of the Unified Rate Review Template Attachments C, D, and E each focus on one issue (described in this Report) in isolation, while Attachment F includes the impact of all issues combined. Any percentage change in the Index Rate will be reflected as a similar percentage change in the average premium rate MVP will charge a member. The percentage change in a particular premium will vary by plan.

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A. <u>MVP made an error in developing its Manual Rate</u>

In answer to The Green Mountain Care Board's July 8, 2014 Order containing questions originally suggested by the Office of the Health Care Advocate (HCA), question #2, MVP provided a calculation of the Projected Index Rate of $475.35 starting with the allowed amount represented by the manual data.

The question asks:

> We understand the $475.35 in the URRT and file "Actuarial Memo Dataset SERFF" was based on MVP's small group EPO, PPO and HMO products and MVP's individual indemnity products. We also understand that the adjustments described under the topic "Projection Factors (Worksheet1, Section 2 of Unified Rate Review Template" were applied to the base period incurred claims for those products of $323.62 (from answer to L&E question 11 in first set of questions). Please provide qualitative and quantitative documentation starting with the utilization and cost/service by benefit category from the claims files and showing all adjustments to arrive at the projected 2015 allowed claims amount of $475.35.

The detail of the calculation shows that the adjustment for "Other" was squared in the development of the Projected Average Cost/Service. This adjustment was intended to be made one time and not trended for two years as evidenced in the Unified Rate Review Template (URRT) formulas. When the calculation provided by MVP is changed, the index rate is reduced by 0.5% and plan premiums are reduced by between $0.95 and $2.94 PMPM depending on the plan.

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B. MVP's prescription drug trend is inappropriate

In answer to Lewis and Ellis's (L&E) objections dated June 10, 2014, objection #9, MVP provided rolling 12 month trends for prescription drugs that show negative annual incurred drug claim trends for the last 10 months ranging from -0.09% to a more recent -3.3% (average of all 12 is -1.9%). In answer to L&E's objections dated June 25, 2014, objection #3, MVP provided rolling 12 month trends for prescription drugs for members with prescription drug coverage that show even more negative annual incurred drug claim trends for the last 10 months ranging from -1.7% to -4.7% (average of all 12 is -2.5%). Since these are incurred trends, the allowed trends could be less. MVP used a prescription annual drug allowed cost trend of 4% and an annual utilization trend of 2.6% resulting in a total allowed drug trend of 6.6%. In its reply to L&E's objections dated June 25, 2014 objection #3 MVP replied that:

> b) MVP is changing Rx vendors as of 1/1/15. Once the new Rx vendor has a full year of data from MVP, we intend to utilize this information in conjunction with the Rx vendor's recommended trends to arrive at projected trend figures. It's worth noting that MVP's Rx vendor provided three sets of trend forecasts: a low set of trend factors, an average set of trend factors, and a high set of trend factors; MVP is using the low set of trend factors to project future Rx claim costs.
>
> c) The Rx vendor has expertise in understanding future Rx utilization patterns, drug patent expirations, drugs expected to be approved by the FDA in the near future, and changes in average wholesale price which are not reflected in MVP's historical data. Because all of these changes are occurring, MVP's historical VT data and trends would not be a good predictor of future trends. We choose to use the information provided by the industry expert, the Rx vendor, to provide Rx trend forecasts.

From this we note that the prescription drug trends used in this filing inappropriately did not have any relationship to MVP's historic prescription drug trends, but rather used national trends that did not consider the prescription drugs used by MVP's members.

MVP could have provided their new vendor with information on the drugs being used by their members or paid their old vendor to provide an estimated trend based on the actual

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drug usage of their members. Either would have provided them with a better estimate than using general trend data.

I recommend moving between one-fourth and three-fourths of the way between MVP's historic average negative trend of -2.5% to the total trend provided by MVP's prescription drug manager of 6.6% for the 2013-2014 prescription drug trend. Then use the full trend provided by MVP's prescription drug manager for the 2014-2015 drug trend. This would provide a transition from the historic prescription drug trend for MVP to the one predicted by MVP's prescription drug manager. Using one-fourth of the difference in trend for 2013-2014 results in a 0.7% reduction in the proposed rates. Using three-fourths of the difference in trend for 2013-2014 results in a 0.2% reduction.

If the mid-point or one-half of the difference in historic trend compared to the trend in the rate filing was used, the total prescription drug trend would then be 2.25%, the mid-point between -2.1% and 6.6%. For simplicity I put all of the revised 2013-2014 trend into the cost trend, the resulting annual trends would be 3.1% for cost and 1.3% for utilization for the two year period.

Development of Revised Drug Trends			
		Cost	Util
a	Year 1	1.023	1.000
b	Year 2	1.040	1.026
(a*b)^.5	Annual	1.031	1.013

In answer to The Green Mountain Care Board questions originally suggested by the Office of the Health Care Advocate (HCA) question #2, MVP provided a calculation of

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the projected Index Rate of $475.35. Using that calculation and changing the prescription drug cost and utilization trends to 3.1% and 1.3% respectively, the resulting Index Rate becomes $473.14. In answer to The Green Mountain Care Board questions originally suggested by the Office of the Health Care Advocate (HCA) question #2, MVP provided a calculation of the Consumer Adjusted Premium Rate PMPM. Using the adjusted Index Rate in this calculation reduces the premium rates by 0.5% and reduces premiums by between $0.87 to $2.71 PMPM depending on the plan.

C. MVP's projected administrative cost level is inappropriate

In the "Wksh 1 - Market Experience tab" of the Unified Rate Review Template (URRT) provided by MVP as part of its rate filing, it indicates a projected average administrative cost of $40.60 or 10.12% of premium for the 2015 premium. Using rows 39 and 81 of tab "Wksh 2 - Plan Product Info" of the URRT, I calculated a weighted average increase in administrative cost of $6.48 over the current rates. That would imply that the 2014 administrative cost is $34.11 ($40.60-$6.48) and that MVP is asking for an increase of 19% in administrative costs (6.48/34.11).

From the Retention section (A86-F97) of the "Actuarial Memo Dataset SERFF.xlsx" we calculated the increase from the experience period to the most recent (2014) approved rate filing.

Administrative service	Increase from 2013 to 2014 filing
Payroll and Benefits	40%
Outsourced Services (EDP, claims, etc.)	91%
Auditing and consulting	49%
Marketing & Advertising	2%
Legal Expenses	68%
Other General Admin Expense	48%
Total of above	44%

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I believe that a 19% increase in administrative cost is not consistent with the current economy in Vermont especially after the large increases displayed for the 2013-2014 time period. Even with the additional costs of the ACA, most of which would have been accounted for in the 2014 filing, I believe that a 6% to 9% increase in administrative cost, which is 2 to 3 times the average increase in wage/cost of living from 2009 to 2012 in Vermont of 3%[1] should provide sufficient increase for MVP to cover additional expenses from 2014 to 2015 after the large increases from 2013 to 2014. If a 6% increase in 2013-2014 retention was used, the resulting change in requested premium would be -1.2%. If a 9% increase in 2013-2014 retention was used, the resulting change in requested premium would be -0.9%

I recommend the mid-point of the range or a 7.5% increase in 2015 administrative costs over the 2014 filing should be sufficient. That would bring the 2015 projected average administrative cost to $36.67 (9.24% of premium) rather than $40.60 (10.12% of premium) for a reduction of $3.93.

Reduction in Retention	
2014 Calculated PMPM	34.11
Increase % to $40.60	19%
New increase at 7.5%	2.56
New Admin	36.67
Difference	3.93
Resulting % of Premium	**9.24%**

[1] Per Capita Personal Income; http://www.vtlmi.info/pcpiarea.htm

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The impact on the plan premiums varies from $1.96 to $5.98 PMPM if every retention percentage is reduced by the same 1%.

VI. CONCLUSIONS

For all of the foregoing reasons, MVP's requested rates should be reduced by 2%. The significant Individual Market reforms introduced in 2014 by the ACA have created uncertainty. As compared to last year, we now know more about who is enrolling, but meaningful claim experience is not yet available for new members. In determining appropriate rates, decision makers should give any benefit of the doubt to consumers and to taxpayers who, together, bear the cost of Vermont health insurance coverage.

In total, the recommended corrections and adjustments to the rates reduce the requested rates by 2% (see Attachment F). The alternative calculations I recommend produce the rates shown in Attachments C, D. E. and F. I have reviewed MVP's 2013 National Association of Insurance Commissioners' (NAIC) annual financial statement and its RBC level for the last 5 years and found that MVP's solvency level is strong and has improved for the last two years. Since MVPs solvency level is strong and improved in 2013 over the level in 2012, this reduction would not likely be a threat to MVP's solvency. In addition, I believe MVP's solvency level would allow MVP to lower their contribution to surplus in this filing from 1.5% to 1.0%.

I have reviewed the data and information provided by the issuers for reasonableness, but we have not audited it.

VII. L&E'S RECOMMENDATIONS

In a letter dated July 30th, Lewis & Ellis (L&E) provided three recommendations concerning MVP's rate filing including:

- Reduce Pharmacy trend from 9.0% to 8.4%;

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- Increase the projected index rate by 2.8% to account for changes in demographics;
- Reduce the single contract conversion factor from 1.165 to 1.098.

I agree that Vermont specific trends should be used rather than national trends and would go further and say that carrier specific drug usage should be considered also. Carrier specific drug usage and trends based on the actual drugs used by MVP's insured population are the best predictor of future costs.

L&E did not provide quantitative support for its calculation of the proposed change in the index rate. I therefore cannot comment on this adjustment.

L&E did not provide quantitative support for its calculation of the proposed change single contract conversion factor. I therefore cannot comment on this adjustment.

VIII. RELIANCE

In reaching my conclusions I have relied on the materials listed in Attachment B – Materials Reviewed as provided by the Office of the Health Care Advocate.

August 5, 2014

By: Donna C. Novak

Donna Novak, ASA, MAAA

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IX. ASOP 41 DISCLOSURES

The contents of this report are intended for the use of the Office of the Health Care Advocate and the Green Mountain Care Board.

The purpose of this Report is to provide the results of my review and analysis of the premium rate filing of MVP Health Plan, Inc. (MVP) and to provide the Office of the Health Care Advocate alternative recommendations and calculations of MVP's requested rates.

I am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. I am also president of NovaRest, Inc., which I founded in 2002. According to the Actuarial Standards Board standards and Code of Professional Conduct, I am qualified to offer my opinion in this matter.

The report should be considered in its entirety and no part should be copied or provided without the whole. Distribution of this letter to parties other than the Green Mountain Board by us or any other party does not constitute advice by us to those parties. The reliance of parties other than the Green Mountain Board on any aspect of our work is not authorized by us and is done at their own risk.

NovaRest does not and has never affiliated with the health plan or health insurance issuer whose rate filing we have reviewed. We have no conflicts of interest.

In arriving at our opinion, we used and relied on information (listed in Attachment B) provided by the company without independent investigation or verification. If this information is inaccurate, incomplete or out of date, our findings and conclusions may need to be revised. While we have relied on the data provided by the company without independent investigation or verification, we have reviewed the information for consistency and reasonableness.

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Information that was reviewed for the purposes of developing this opinion was provided through July 30, 2014.

We are not aware of any subsequent events at the time of this report.

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ATTACHMENT A - DONNA NOVAK CURRICULUM VITAE

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CURRICULUM VITAE

NAME
Donna C. Novak, ASA, MAAA, MBA

BUSINESS ADDRESS
NovaRest Consulting
156 W. Calle Guija Suite 200
Sahuarita, AZ, 85629
Phone: 520-908-7246
E-mail: Donna.Novak@NovaRest.com

EDUCATION
DePaul University, BA in Mathematics and Business, 1972

Post graduate work Illinois Institute of Technology, 1972-1973.

Northwestern University (Kellogg), Masters in Health Care Management and Finance, 2000

CONTINUING EDUCATION
An estimated 90 hours annually of sessions at the National Association of Insurance Commissioners (NAIC) quarterly meetings

Prepare and speak annually at Society of Actuaries (SOA) meetings

Meet all continuing education requirements of the American Academy of Actuaries (AAA) necessary to sign public statements of actuarial opinion

MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS
Fellow of the Conference of Consulting Actuaries (FCA)

Associate of the Society of Actuaries (ASA)

Member of the Academy of Actuaries (MAAA)

Fellow, Life Management Institute (FLMI)

Health Insurance Associate (HIA)

PROFESSIONAL ACTIVITIES
Prior Vice-Chair of the AAA Health Practice Council

Prior Vice-President of the AAA Financial Reporting Council

Prior Board member of the Conference of Consulting Actuaries (CCA)

PROFESSIONAL ACTIVITIES
(Continued)

Led numerous AAA projects including the project to draft the NAIC Health Reserve Guidance Manual and other advisory letters

Participated in numerous AAA projects including the project to develop the NAIC Risk-based Capital standard and other projects for the NAIC

Prior member of the General Committee of the Actuarial Standards Board (ASB)

Member of the Health Committee of the Actuarial Standards Board

Led the 2014 update of ASOP No. 8 *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*

PROFESSIONAL EXPERIENCE
Contracted advisor to HHS on the implementation of ACA

Member of the Advisory Board to the HHS Consumer Operated and Oriented Plan (CO-OP) Program.

Hired by the NAIC to write the NAIC Health Financial Analyst Manual

Perform audits of Medicare Risk Plan Adjusted Community Rated (ACR) filings for 2004 and 2005 ACRs

Perform Medicare bid desk reviews and audits 2006 to present

Rate filing reviews in 7 states, the District of Columbia, and Puerto Rico

Helped create an improved rate review process in 2 states, District of Columbia and Puerto Rico

Actuarial support for state financial audits of HMOs, Blue Cross Blue Shield Plans and commercial carriers

Assisted states in structuring programs to reduce the uninsured

Prepare reports on the impact of mandated benefits for states and consumers

Provide consulting services to state regulators reviewing the Form A filings for carrier business affiliations and mutual holding company conversions

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PROFESSIONAL EXPERIENCE
(Continued)

For state reviews of specific carrier solvency levels, determine optimum capital level for financial protection

Monitored the solvency of BlueCross BlueShield Plans and their recovery initiatives when they fell below Association requirements

Advised large employers concerning their future health insurance cost and the primary drivers of their health insurance cost

Advised large self-insurance employers concerning recommended employee contributions for various benefit options

Advised large employers when negotiating rates with providers and tracking actual experience with contracted providers

Provided actuarial audit support for two “big four” accounting firms

Reviewed Premera BlueCross and BlueShield pricing methodology and provided a report recommending improvements based on industry best practices

PUBLICATIONS
Authored 2002-2014

AAA Professional Practice Notes regularly published on the AAA website

2014 rewrite of ASOP No. 8 *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits*.

Participated in developing comment letters to the NAIC and HHS on the implementation of PPACA for the AAA that are published in the NAIC and CCIIO websites

PROFESSIONAL PRESENTATIONS
Speak regularly at Society of Actuaries meetings on such topics as:

Medicare bid audits and desk reviews

Professional Standards

Health Risk-based Capital

Health Reserving

Coordinator of the SOA Valuation Boot Camps

California Department of Managed Health Care Solvency Board on HMO financial standards

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PROFESSIONAL PRESENTATIONS

(Continued)

National Conference of Insurance Legislators on Association Health Plans

NAIC Conference on the Uninsured on state solutions to the uninsured

EXPERT TESTIMONY ETC.
Years 2010-2014

For an individual insured, provided expert report on insurance pricing of prosthetic devices in 2010 in a dispute concerning coverage of repairs in Arbitration in Nebraska.

Deposition in a case concerning Molina Healthcare of Wisconsin post purchase financial reconciliation that went to arbitration in Wisconsin in 2013.

Expert report for the California Dental Association in case concerning dentist reimbursement before the American Arbitration Association in 2014 and is ongoing.

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ATTACHMENT B - MATERIALS REVIEWED

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Attachment B MVP Materials Reviewed by NovaRest	
File Name	**Contents**
MVP Exchange SERFF Filing	SERFF Pipeline on or around June 3
Actuarial Memo Dataset SERFF	Excel file prepared by MVP
Rate Data Template_VT_SMAL_ON_20140528	SERFF Rate Template
VT 2015 Exchange Rate Filing - SERFF	Actuarial Memorandum Exhibits in Excel prepared by MVP
CONFIDENTIAL Response to Objection #1 - Quantitative Responses L&E	Excel file with quantitative answers to objection set #1
CONFIDENTIAL Response to Objection #1 Narrative	PDF document with qualitative answers to objection set #1
CONFIDENTIAL Response to Objection #1	PDF document with qualitative answers to objection set #1
017_14rr_6_17_14	SERFF Pipeline on or around June 18 containing the L&E first Objection set
HHS Age Summary Table and Current Exchange Membership Snapshot	Small group and individual membership by plan
L&E_Interrogatories2_6_25_14	L&E objection set #2
Confidential MVP Vermont Ped Dental	Milliman letter concerning the pricing of pediatric dental benefit
Response to Objection #2 - Quantitative Responses L&E	Excel file with quantitative answers to objection set #2
Response to Objection #2	PDF document with qualitative answers to objection set #2
017_14rr_L&E_Questions3	L&E objection set #3
Response to Objection #3 - Quantitative Responses	Excel file with quantitative answers to objection set #3
Response to Objection #3	PDF document with qualitative answers to objection set #3

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MVP_GMCB_Respose_to_HCA_Questions	The Green Mountain Care Board questions originally suggested by the Office of the Health Care Advocate (HCA)
Response to Objection #4 - Quantitative Responses L&E	Excel file with quantitative answers to GMB questions
Response to Objection #4 - via HCA	PDF document with qualitative answers to objection GMB questions
URRT VT 2015 - SERFF	MVP Unified Rate Review Template
Questions5	L&E objection set #5
Response to Objection #5	PDF document with answers to objection set #5
2013 NAIC Annual Financial Statement of MVP	MVP's 2013 annual statement
MVP 2015 Exchange Filing Summary (MVPH-129560321)	L&E's letter of July 30th with a summary and recommendation regarding MVP's proposed 2015 Exchange Filing

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ATTACHMENT C - ADJUSTMENTS TO RATE FILING FOR ERROR IN MANUAL RATE DEVELOPMENT

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Experience Period Allowed Data (Calendar Year 2013) - Small Group AR42/AR44 & Individual AR42

Member Months 204,962

Benefit Category	Utilization Description	Utilization per 1,000	Average Cost/Service	Allowed PMPM
Inpatient Hospital	Days	208.2	$4,358.46	$75.61
Outpatient Hospital	Visits	2,157.1	$899.28	$161.65
Professional	Visits	5,105.6	$265.76	$113.07
Other Medical	Other	191.4	$728.96	$11.63
Capitation	Benefit Period	12,000.0	$6.78	$6.78
Prescription Drug	Prescriptions	9,728.5	$57.38	$46.52
			Total	**$415.26**

Trend and Adjustment Factors from Experience Period to Rating Period

Benefit Category	Pop'l risk Morbidity	Other	Cost	Util
Inpatient Hospital	0.980	1.003	1.060	1.000
Outpatient Hospital	0.980	1.003	1.054	1.000
Professional	0.980	1.003	1.092	1.000
Other Medical	0.980	1.003	1.054	1.000
Capitation	0.980	1.000	1.000	1.000
Prescription Drug	0.980	1.021	1.040	1.026

Projection Period Allowed Data - Small Group AR42/AR44 & Individual AR42

Months of Trend 24

Benefit Category	Utilization Description	Utilization per 1,000	Average Cost/Service	Allowed PMPM
Inpatient Hospital	Days	204.0	$4,915.87	$83.57
Outpatient Hospital	Visits	2,114.0	$1,001.92	$176.50
Professional	Visits	5,003.5	$318.07	$132.62
Other Medical	Other	187.6	$812.17	$12.70
Capitation	Benefit Period	11,760.0	$6.78	$6.64
Prescription Drug	Prescriptions	10,026.4	$63.33	$52.92
			Projected Index Rate Prior to Pediatric Dental	$464.95

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Pediatric Dental Cost PMPM	$8.00
Projected Index Rate	**$472.95**

Projected Index Rate Prior to Pediatric Dental	$467.35
Pediatric Dental Cost PMPM	$8.00
Projected Index Rate	**$475.35**
Percent Decrease	**-0.5%**
Dollar Decrease	**$2.40**

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Consumer Adjusted Premium Rate Development	
Index Rate for Projected Period PMPM	$472.95
Risk Adjustment PMPM	$0.00
Gross Reinsurance Contributions PMPM	($22.29)
Removing Pediatric Dental Allowed Cost	($8.00)
Exchange User Fees PMPM	$0.00
Market Adjusted Index Rate PMPM	$442.66
Adjusted Market Index Rate based on Paid Claim Pricing Methodology	$26.12
Starting Allowed Amount for Pricing	$468.79
Product	Vermont HMO Contract Ind/Grp
Product ID	77566VT004
Plan ID	77566VT0040001
Metal Tier	Platinum
Metal AV Value	0.880
Pricing AV Value	0.907
Projected Member Months	7512
Market Adjusted Index Rate PMPM	$468.79
Plan Adjustments (in multiplicative format)	
Actuarial value and cost-sharing design of the plan	1.016
Adding in Plan Specific Pediatric Dental Net Claim Cost	1.015
Provider network, delivery system characteristics and utilization management practices	1.003
Plan benefits in addition to EHB	1.000
Expected impact of special eligibility categories (only for catastrophic plans)	1.000
Plan Adjustments (in % format)	
Distribution and administration costs	15.6%
Plan Adjusted Index Rate	$574.36
Age Calibration Factor	1.000
Geography Calibration Factor	1.000
Aggregate Calibration Factor	1.000
New Consumer Adjusted Premium Rate PMPM	$574.36

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Prior Consumer Adjusted Premium Rate PMPM	$577.30
Percent Change	-0.5%
Minimum $ Change	$0.95
Maximum $ Change	$2.94

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ATTACHMENT D - ADJUSTMENTS TO RATE FILING FOR PRESCRIPTION DRUG TRENDS

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Experience Period Allowed Data (Calendar Year 2013) - Small Group AR42/AR44 & Individual AR42				
Member Months	204,962			
Benefit Category	**Utilization Description**	**Utilization per 1,000**	**Average Cost/Service**	**Allowed PMPM**
Inpatient Hospital	Days	208.2	$4,358.46	$75.61
Outpatient Hospital	Visits	2,157.1	$899.28	$161.65
Professional	Visits	5,105.6	$265.76	$113.07
Other Medical	Other	191.4	$728.96	$11.63
Capitation	Benefit Period	12,000.0	$6.78	$6.78
Prescription Drug	Prescriptions	9,728.5	$57.38	$46.52
			Total	**$415.26**

Trend and Adjustment Factors from Experience Period to Rating Period				
Benefit Category	**Pop'l risk Morbidity**	**Other**	**Cost**	**Util**
Inpatient Hospital	0.980	1.003	1.060	1.000
Outpatient Hospital	0.980	1.003	1.054	1.000
Professional	0.980	1.003	1.092	1.000
Other Medical	0.980	1.003	1.054	1.000
Capitation	0.980	1.000	1.000	1.000
Prescription Drug	0.980	1.021	1.031	1.013

Projection Period Allowed Data - Small Group AR42/AR44 & Individual AR42				
Months of Trend	24			
Benefit Category	**Utilization Description**	**Utilization per 1,000**	**Average Cost/Service**	**Allowed PMPM**
Inpatient Hospital	Days	204.0	$4,931.26	$83.83
Outpatient Hospital	Visits	2,114.0	$1,005.06	$177.05
Professional	Visits	5,003.5	$319.07	$133.04
Other Medical	Other	187.6	$814.71	$12.73
Capitation	Benefit Period	11,760.0	$6.78	$6.64
Prescription Drug	Prescriptions	9,777.0	$63.62	$51.84

Revised

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Projected Index Rate Prior to Pediatric Dental	$465.14
Pediatric Dental Cost PMPM	$8.00
Projected Index Rate	**$473.14**

Original	
Projected Index Rate Prior to Pediatric Dental	$467.35
Pediatric Dental Cost PMPM	$8.00
Projected Index Rate	**$475.35**
Percent Decrease	**-0.5%**
Dollar Decrease	**$2.21**

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Consumer Adjusted Premium Rate Development	
Index Rate for Projected Period PMPM	$473.14
Risk Adjustment PMPM	$0.00
Gross Reinsurance Contributions PMPM	($22.29)
Removing Pediatric Dental Allowed Cost	($8.00)
Exchange User Fees PMPM	$0.00
Market Adjusted Index Rate PMPM	$442.85
Adjusted Market Index Rate based on Paid Claim Pricing Methodology	$26.12
Starting Allowed Amount for Pricing	$468.97
Product	Vermont HMO Contract Ind/Grp
Product ID	77566VT004
Plan ID	77566VT0040001
Metal Tier	Platinum
Metal AV Value	0.880
Pricing AV Value	0.907
Projected Member Months	7512
Market Adjusted Index Rate PMPM	$468.97
Plan Adjustments (in multiplicative format)	
Actuarial value and cost-sharing design of the plan	1.016
Adding in Plan Specific Pediatric Dental Net Claim Cost	1.015
Provider network, delivery system characteristics and utilization management practices	1.003
Plan benefits in addition to EHB	1.000
Expected impact of special eligibility categories (only for catastrophic plans)	1.000
Plan Adjustments (in % format)	
Distribution and administration costs	15.6%
Plan Adjusted Index Rate	$574.59
Age Calibration Factor	1.000
Geography Calibration Factor	1.000
Aggregate Calibration Factor	1.000
New Consumer Adjusted Premium Rate PMPM	$574.59

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Prior Consumer Adjusted Premium Rate PMPM	$577.30
Percent Change	-0.5%
Minimum $ Change	$0.87
Maximum $ Change	$2.71

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ATTACHMENT E - ADJUSTMENT FOR RETENTION

 156 W. Calle Guija Ste 200 Sahuarita, AZ 85629 Tel: 520-908-7246 fax:772-673-0318

Consumer Adjusted Premium Rate Development	
Index Rate for Projected Period PMPM	$475.35
Risk Adjustment PMPM	$0.00
Gross Reinsurance Contributions PMPM	($22.29)
Removing Pediatric Dental Allowed Cost	($8.00)
Exchange User Fees PMPM	$0.00
Market Adjusted Index Rate PMPM	$445.06
Adjusted Market Index Rate based on Paid Claim Pricing Methodology	$26.12
Starting Allowed Amount for Pricing	$471.18
Product	Vermont HMO Contract Ind/Grp
Product ID	77566VT004
Plan ID	77566VT0040001
Metal Tier	Platinum
Metal AV Value	0.880
Pricing AV Value	0.907
Projected Member Months	7512
Market Adjusted Index Rate PMPM	$471.18
<u>Plan Adjustments (in multiplicative format)</u>	
Actuarial value and cost-sharing design of the plan	1.016
Adding in Plan Specific Pediatric Dental Net Claim Cost	1.015
Provider network, delivery system characteristics and utilization management practices	1.003
Plan benefits in addition to EHB	1.000
Expected impact of special eligibility categories (only for catastrophic plans)	1.000
<u>Plan Adjustments (in % format)</u>	
Distribution and administration costs	14.7%
Plan Adjusted Index Rate	$571.32
Age Calibration Factor	1.000
Geography Calibration Factor	1.000

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Aggregate Calibration Factor	1.000
New Consumer Adjusted Premium Rate PMPM	$571.32
Prior Consumer Adjusted Premium Rate PMPM	$577.30
Percent Change	-1.0%
Minimum $ Change	$1.96
Maximum $ Change	$5.98

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ATTACHMENT F - TOTAL ADJUSTMENTS

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Rate Reductions:

1. Error in Manual Rate Development – 0.5%
2. Reduction in prescription drug trend – 0.5%
3. Reduction in retention amount – 1%
4. Total – 2%

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NovaRest
ACTUARIAL CONSULTING

Experience Period Allowed Data (Calendar Year 2013) - Small Group AR42/AR44 & Individual AR42

Member Months 204,962

Benefit Category	Utilization Description	Utilization per 1,000	Average Cost/Service	Allowed PMPM
Inpatient Hospital	Days	208.2	$4,358.46	$75.61
Outpatient Hospital	Visits	2,157.1	$899.28	$161.65
Professional	Visits	5,105.6	$265.76	$113.07
Other Medical	Other	191.4	$728.96	$11.63
Capitation	Benefit Period	12,000.0	$6.78	$6.78
Prescription Drug	Prescriptions	9,728.5	$57.38	$46.52
			Total	**$415.26**

Trend and Adjustment Factors from Experience Period to Rating Period

Benefit Category	Pop'l risk Morbidity	Other	Cost	Util
Inpatient Hospital	0.980	1.003	1.060	1.000
Outpatient Hospital	0.980	1.003	1.054	1.000
Professional	0.980	1.003	1.092	1.000
Other Medical	0.980	1.003	1.054	1.000
Capitation	0.980	1.000	1.000	1.000
Prescription Drug	0.980	1.021	1.031	1.013

Projection Period Allowed Data - Small Group AR42/AR44 & Individual AR42

Months of Trend 24

Benefit Category	Utilization Description	Utilization per 1,000	Average Cost/Service	Allowed PMPM
Inpatient Hospital	Days	204.0	$4,915.87	$83.57
Outpatient Hospital	Visits	2,114.0	$1,001.92	$176.50
Professional	Visits	5,003.5	$318.07	$132.62
Other Medical	Other	187.6	$812.17	$12.70
Capitation	Benefit Period	11,760.0	$6.78	$6.64
Prescription Drug	Prescriptions	9,777.0	$62.29	$50.75

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Projected Index Rate Prior to Pediatric Dental	$462.79
Pediatric Dental Cost PMPM	$8.00
Projected Index Rate	**$470.79**

Projected Index Rate Prior to Pediatric Dental	$467.35
Pediatric Dental Cost PMPM	$8.00
Projected Index Rate	**$475.35**
Percent Decrease	**-1.0%**
Dollar Decrease	**$4.56**

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Consumer Adjusted Premium Rate Development	
Index Rate for Projected Period PMPM	$470.79
Risk Adjustment PMPM	$0.00
Gross Reinsurance Contributions PMPM	($22.29)
Removing Pediatric Dental Allowed Cost	($8.00)
Exchange User Fees PMPM	$0.00
Market Adjusted Index Rate PMPM	$440.50
Adjusted Market Index Rate based on Paid Claim Pricing Methodology	$26.12
Starting Allowed Amount for Pricing	$466.62
Product	Vermont HMO Contract Ind/Grp
Product ID	77566VT004
Plan ID	77566VT0040001
Metal Tier	Platinum
Metal AV Value	0.880
Pricing AV Value	0.907
Projected Member Months	7512
Market Adjusted Index Rate PMPM	$466.62
Plan Adjustments (in multiplicative format)	
Actuarial value and cost-sharing design of the plan	1.016
Adding in Plan Specific Pediatric Dental Net Claim Cost	1.015
Provider network, delivery system characteristics and utilization management practices	1.003
Plan benefits in addition to EHB	1.000
Expected impact of special eligibility categories (only for catastrophic plans)	1.000
Plan Adjustments (in % format)	
Distribution and administration costs	14.7%
Plan Adjusted Index Rate	$565.79
Age Calibration Factor	1.000
Geography Calibration Factor	1.000
Aggregate Calibration Factor	1.000
New Consumer Adjusted Premium Rate PMPM	$565.79

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Prior Consumer Adjusted Premium Rate PMPM	$577.30
Percent Change	-2.0%
Minimum $ Change	$3.75
Maximum $ Change	$11.51

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