STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company	)	
3Q/4Q 2014 Large Group EPO/PPO Rate Filing	)	
	)	GMCB-010-14-rr
SERFF No.MVPH-129389053	)	

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

MVP Health Insurance Company (MVP) is proposing an addendum to its Manual Rate and Formula filings for products sold to large groups which will result in an average overall rate impact of 0.8%. It will affect approximately 7600 Vermonters. GMCB-010-14-rr Actuarial Opinion at page 1. The Actuarial Opinions by Lewis and Ellis (L & E), the contracted actuaries for the Green Mountain Care Board (GMCB), and the review of financial solvency by the Department of Financial Regulation (DFR) recommend that the GMCB approve the filing as filed.

MVP filed this Third and Fourth Quarter 2014 Large Group EPO/PPO Rate Filing on January 24, 2014. The Actuarial Opinion and Solvency Analysis letter were posted on March 25, 2014.

The Office of Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. The hearing for the filing was waived by the parties.

II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the GMCB before implementing health insurance rates. 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). "In deciding whether to approve, modify, or disapprove each rate request, the Board shall 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 law, and is not excessive, inadequate, or unfairly discriminatory." GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3).

In making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the Solvency Analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB "shall consider any [public] comments received on a rate filing and may use them to identify issues." GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries, and DFR, DFR's Solvency Analysis, and the Opinion from the GMCB's actuary. GMCB Rule 2.000 §2.403(a).

The carrier has the burden of justifying its requested rate. GMCB Rule 2.000 §2.104(c).

III. Review of Actuarial Opinion and DFR Solvency Analysis Letter

DFR has reviewed both the solvency of MVP and how the particular filing could affect that solvency. In making its recommendations as to the effect of the particular filing, DFR has reviewed a draft opinion by the GMCB actuary containing the actuary's analysis of the filing. GMCB-010-14-rr Solvency Analysis at pages 1, 2

DFR has emphasized in its analysis that it "considers the solvency of insurers to be the most fundamental aspect of consumer protection" and that solvency analysis involves "an intricate analysis of many factors." New York rather than Vermont is MVP's primary regulator. DFR ensures that foreign companies like MVP "meet certain solvency-based licensing criteria necessary to continue to operate in Vermont" and, in analyzing MVP's solvency "has reached out to MVP's primary regulators in New York" and learned that they do not have any concerns about the company's solvency. Moreover, the company's Vermont operations, representing only a small percentage of the total premiums earned, "pose very little risk to its solvency." GMCB-010-14-rr Solvency Analysis at page 2.

The GMCB's actuary has opined that the proposed rates will not be "excessive, inadequate or unfairly discriminatory" and has recommended approval of the filing as filed. DFR has opined that "the proposed rate will likely have no impact on MVPHIC's solvency." GMCB-010-14-rr Actuarial Opinion at page 5; GMCB-010-14-rr Solvency Analysis at page 2.

IV. Argument

The L & E analysis of this rate filing does not include a consideration of some of the factors considered by the GMCB in deciding whether to accept, modify or reject proposed rates, i.e. whether those rates will be affordable, promote quality care and promote access to health care. These criteria were first incorporated into the rate review process as part of Act 48, An act relating to a universal and unified health system, of the 2011-2012 legislative session.

The HCA is concerned about the high physician trend of 16.6% assumed in the filing. L& E notes that this trend is "materially higher than what is typically assumed in such products" and that a "revised contractual arrangement between MVP and a major provider group at material higher rate levels appears to be the driver" of this trend. L& E calculated that "if the contracts were settled at a historically consistent unit cost trend of 5% instead of the actual finalized contract levels, the aggregate physician trend level would reduce from 16.6% to 2.4%, a figure "in line with the assumed 2013 physician trend level of 2.5%." If the 2014 physician cost trend were reduced to 2.5%, the overall 2014 medical trend "would reduce from 9.1% to 4.4%." GMCB 10-14-rr Actuarial Opinion at pages 5-6.

In order to promote affordability, the HCA asks the GMCB to reduce the medical trend to 4.4%, the amount L & E has calculated to be consistent with a reduced physician trend level.

V. Conclusion

Based on the record for this filing including the Opinions of the GMCB's actuary and the Solvency Analysis from DFR, the HCA requests that the GMCB modify the filing by reducing the medical trend rate to 4.4%.

Dated at Montpelier, Vermont this 9th day of April, 2014.

s/ *Lila Richardson*___________
Lila Richardson
Staff Attorney
Office of Health Care Advocate

CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, representative of MVP, by electronic mail, return receipt requested this 9th day of April, 2014.

s/ *Lila Richardson*______
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