

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company)	GMCB-002-16rr
Third Quarter 2016 and Fourth Quarter)	
2016 Grandfathered Small Group)	SERFF No.: MVPH- 130435575
EPO/PPO Rate 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 February 9, 2016, MVP Health Insurance Company (MVPHIC) submitted its Third Quarter 2016 (3Q16) and Fourth Quarter 2016 (4Q16) Grandfathered¹ Small Group EPO/PPO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).² 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 April 1, 2016, the Board posted to the web the Department of Financial Regulation's (Department) analysis regarding the filing's impact on the insurer's solvency. On April 8, 2016, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E). The Board received no public comment on the filing. The parties have waived a hearing pursuant to GMCB Rule 2.309(a)(1) and have filed memoranda in lieu of hearing.

¹ To qualify as a grandfathered plan, a health plan must have been in effect on or before March 23, 2010, and have not been materially changed to reduce benefits or employer contributions since that time. Grandfathered plans are exempt from many changes required under the Affordable Care Act. 45 CFR 147.140.

² The contents of the SERFF filing and all other documents referenced in this Decision & Order are available at http://ratereview.vermont.gov/rate_review/MVPH-130435575.

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 3Q16 and 4Q16 rates for MVPHIC's grandfathered small group EPO/PPO block of business. There are 255 Vermont policyholders with 1,950 covered lives. This is a closed block of business, with declining membership.

3. MVPHIC proposes a 9.3% average annual rate increase for members renewing in 3Q16 and a 7.9% average annual increase for those renewing in 4Q16.

4. MVPHIC used a paid 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 anticipates that it will use Vermont-specific data starting with its 2017 Vermont Health Connect (Exchange) filing.

5. MVPHIC has modified its rating methodology to use current snapshots of enrollment distribution by age and tier to adjust for changes in enrolled population that have occurred since the end of the experience period. These changes update the experience data to more accurately reflect slight increases in the average age of the block and the proportion of single enrollees.

6. MVPHIC assumes a general administrative expense load of 8.0%, and proposes a 2.0% contribution to reserve.³

7. MVPHIC anticipates that the proposed rates would generate a traditional loss ratio of 86.5%. The anticipated loss ratio using the federal formula is 90.2%.⁴

8. 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

³ In various documents submitted with this filing, MVPHIC, L&E, and the HCA all refer interchangeably to "contribution to surplus" and "contribution to reserve." For the purpose of this Decision & Order, the latter term is used for consistency and because the funds at issue are not extra, or "surplus" funds, but are funds reserved solely to cover anticipated future claims.

⁴ As opposed to calculation of the traditional 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.

all of MVP's health operations in Vermont account for approximately 3.7% of its total premiums earned, the Department determined that the carrier's Vermont operations pose little threat to the company's solvency. *See* Solvency Analysis at 2.

9. On review, L&E recommends two modifications to the filing. These recommendations are anticipated to offset each other in their effects on the total rate increase. First, L&E recommends modifying the allowed trend assumption to incorporate the year-over-year change in cost distribution among category-specific cost trends, adding an approximately 0.1% increase to the 3Q16 rates. *See* L&E Analysis at 5.

10. Second, L&E recommends that the pharmacy trend be modified to reflect the one-time cost savings associated with switching to a new pharmacy benefit manager in 2015, reducing all proposed rates by approximately 0.1%. *Id.* at 6.

11. L&E makes no specific recommendation concerning the proposed 2.0% contribution to reserve, noting that the Board has reduced the contribution in the past two filings from 2.0% to 1.0%. L&E recommends that the Board consider the Department's solvency analysis when making changes to the assumption. *Id.*

12. MVPHIC accepts L&E's proposed modifications and requests that the Board incorporate them into its approval with no further changes. *See* MVPHIC's Memorandum in Lieu of Hearing.

13. The HCA requests that the Board reduce the contribution to reserve to no greater than 1.0%. *See* HCA Memorandum in Lieu of Hearing.

Standard of Review

1. The Board reviews rate filings to ensure that a 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 the laws of this State." 8 V.S.A. § 4062(a)(2)(B); GMCB Rule 2.000, § 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. GACB Rule 2.000, § 2.104(c).

Conclusions of Law

1. As noted in prior decisions, MVPHIC relies on a pharmacy trend factor supplied by its new PBM that reflects nationwide, rather than Vermont-specific, experience. Although our actuary opines that the carrier's proposed pharmacy trend does not lead to unreasonable rates, based on the carrier's representations, we expect that it will soon be able to utilize credible Vermont-specific data in its trend calculation.

2. We agree with and adopt our actuary's recommendation to modify the allowed medical trend assumption to incorporate the year-over-year change in cost distribution among category-specific cost trends, resulting in an approximately 0.1% increase to MVPHIC's proposed 3Q16 rates.

3. In addition, we agree with and adopt our actuary's recommendation to modify the pharmacy trend to reflect the one-time cost savings associated with switching to a new pharmacy benefit manager in 2015, resulting in an approximately 0.1% decrease to all proposed rates.

4. Last, we conclude that the carrier has not adequately supported its request for a 2.0% contribution to reserve. The Department, whose analysis and opinion must be considered by the Board under 8 V.S.A. § 4062(a)(3), has not expressed any concern specific to this company's solvency, instead noting that its operations in Vermont comprise only a small fraction of its overall business. Reducing the contribution to reserve balances the need to maintain reserve funds while resulting in a more affordable rate for plan members.

5. With the above-stated modifications, we estimate that the proposed rate changes will be reduced from the proposed 9.3% average annual rate increase to approximately 8.3% for members renewing in 3Q16, and from 7.9% to approximately 6.9% for those renewing in 4Q16.

Order

For the reasons discussed above, the Board modifies and then approves MVPHIC's 3Q16 and 4Q16 Grandfathered Small Group EPO/PPO Rate Filing. Specifically, the Board orders that MVPHIC adjust its allowed medical trend to account for a changing distribution of specific costs, adjust its pharmacy trend to reflect savings associated with using its new PBM, and reduce its contribution to surplus from 2.0% to 1.0%.

SO ORDERED.

Dated: May 9, 2016 at Montpelier, Vermont

s/ Alfred Gobeille _____)
_____))
s/ Cornelius Hogan _____) GREEN MOUNTAIN
_____)) CARE BOARD
s/ Jessica Holmes _____) OF VERMONT
_____))
s/ Betty Rambur _____)

** Board Member Allan Ramsay did not participate in deliberations for this filing.*

Filed: May 9, 2016

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.