STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company 3rd and 4th Quarter 2016 Large Group Manual Rate Filing	)))	GMCB-04-16-rr
SERFF No. MVPH-130454426	)	

MEMORANDUM IN LIEU OF HEARING

I. Background

MVP Health Insurance Company (MVP) submitted its Third and Fourth Quarter 2016 Large Group Manual Rate Filing for review by the Green Mountain Care Board (GMCB) on February 22, 2016. The filing covers an estimated 2,256 Vermonters. MVP requests an average annual rate decrease of 8.6% for third quarter and an average annual rate decrease of 9.6% for fourth quarter for its Third and Fourth Quarter 2016 Large Group Manual Rate Filing.

The Department of Financial Regulation (DFR) filed its Solvency analysis for this filing on April 18, 2016 and Lewis and Ellis (L&E), the GMCB's contracted actuarial firm, filed its Actuarial Memorandum on April 22, 2016. The Office of Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. Both parties have waived the hearing for the filing.

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 GMCB 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). The insurers have the burden of showing that their rates are reasonable and meet the statutory criteria. GMCB Rule 2.104(c).

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).

III. Review of Actuarial Opinions and DFR Solvency Analysis Letters

In its Solvency Analysis, DFR “determined that MVPHIC’s Vermont operations pose little risk to its solvency” and has the opinion that “the proposed rate will likely have the impact of sustaining MVPHIC’s current level of solvency.” GMCB 04-16-rr Solvency Analysis, page 2.

L&E has analyzed the filing to in order to assist the GMCB in determining whether the requested 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 law, and is not excessive inadequate, or unfairly discriminatory.” GMCB-04-16-rr Actuarial Memorandum, page 2. However, they limit their recommendation to whether the filing produces rates that are "excessive, inadequate, or unfairly discriminatory." GMCB-04-16-rr Actuarial Memorandum, page 7.

L&E recommends three changes in the filing. First, L&E suggests a modification of the medical trend "to reflect the change in cost distribution over time," because MVP's methodology for developing its medical trend had not accounted for the changing mix of services over time due to trend. GMCB-04-16-rr Actuarial Memorandum, pages 5-7. This change would increase the overall rate change by 0.1%. GMCB-04-16-rr Actuarial Memorandum, page 7. Second, L&E points out that MVP did not reflect the cost savings it received by moving to a new prescription benefits manager in 2015. This cost savings should reduce the rates by approximately 0.1%. GMCB-04-16-rr Actuarial Memorandum, page 7.

Third, L&E points out that based on "experience data, trend projections, and other claim cost projections" the filing supports a much larger rate decrease of 16.1%. GMCB-04-16-rr Actuarial Memorandum, page 5. However, MVP is requesting a decrease of 8.1% to "reduce the necessary rate increases in the future." GMCB-04-16-rr Actuarial Memorandum, page 5. L&E recommends a middle ground of an 11.8% decrease which increases the 16.1% decrease by the current total paid trend assumption of 5.2%. GMCB-04-16-rr Actuarial Memorandum, page 5.

IV. Analysis

It is unjust, unfair, inequitable, and misleading for MVP to retain more money than is warranted by this filing. First, as a large group filing, the rate change will impact employees[1] but

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[1] Employees bear the burden of cost increases for employer sponsored health insurance through changes in employees' contributions to health insurance, reductions in other job benefits, salary modifications, changes to part-time status, and job loss. See, e.g., Katherine Baicker and Amitabh Chandra, *The Labor Market Effects of Rising Health Insurance Premiums*, National Bureau of Economic Research, February 2005, available at http://www.nber.org/papers/w11160.pdf; Jay Hancock, *Employers Shift More Health Costs to Workers, Survey Finds*, Kaiser Health News, September 22, 2015, available at http://khn.org/news/employers-shift-more-health-costs-to-workers-survey-finds/.

will be managed by employers. MVP is arguing that it should be allowed to charge more for premiums than MVP expects to pay in costs, because MVP can better manage money than the employers who purchase the plans. Next, unless MVP will pay interest when it returns the surplus money to future filings, MVP will benefit from keeping the money saved at the expense of employers and employees. Further, no one knows for certain if and how much costs will increase in the near future, so MVP can only guess how to "protect" policyholders from these complications. Finally, while MVP argues that a moderate rate decrease now will guard against rate volatility, it is unclear how MVP will be able to verify that it used all of the money saved from this filing to lower future rate increases. The best way to ensure that the money owed to policyholders will go to policyholders, is to reduce the rates now.

The HCA therefore asks the Board to implement the full rate decrease supported by this filing: 16.1%. In answer to MVP's argument that it needs to mitigate against future cost increases, we ask the Board to require MVP to accompany its announcement to its policyholders of this rate decrease with a statement that they should be prepared for some volatility in rates in the near future.

The HCA additionally asks the Board to increase affordability for policyholders by decreasing the contribution to surplus for this filing. Health insurance affordability is a significant concern for Vermonters, including those with employer sponsored health insurance. Premiums are difficult to afford, even with a rate decrease. This filing is unlikely to impact MVP's solvency as stated by DFR. Further, MVP's recent annual reports demonstrate its risk based capital rose significantly in 2014 and again in 2015. MVP 2015 Annual Statement, Five-Year Historical Data, p. 29. Therefore a lower contribution to surplus will benefit policyholders without threatening MVP.

V. Conclusion

The HCA asks the GMCB to modify the filing by reducing the rate change to a 16.1% decrease and by reducing the contribution to surplus.

Dated at Montpelier, Vermont this 9th day of May, 2016.

s/ *Kaili Kuiper*___________
Kaili Kuiper
Staff Attorney
Office of Health Care Advocate

CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board, and Susan Gretkowski, representative of MVP, by electronic mail, return receipt requested this 9th day of May, 2016.

s/ *Kaili Kuiper*___________
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