STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company 1Q and 2Q 2017 Large Group Manual Rate Filing SERFF No. MVPH—130682523	)))))	GMCB-10-16-rr

MEMORANDUM IN LIEU OF HEARING

I. Introduction

In this filing, MVP Health Insurance Company (MVP) has requested quarterly rate changes for the first and second quarters of 2017 for its EPO/PPO large group experience-rated products. The Office of the Health Care Advocate (HCA) asks the Green Mountain Care Board (the Board) to decrease the requested rate by reducing the contribution to surplus (CTS) to match that requested and approved in MVP's 2017 Exchange filing.

MVP submitted this filing for review by the Board on August 8, 2016. The filing affects 2,234 Vermonters with 2,179 renewing policies in the first and second quarters of 2017. The average requested rate change for the first quarter renewals in 2017 is -1.1%, and for the second quarter renewals there is a proposed average increase of 2.5%. The annualized rate from these adjustments is -11.1% and -8.9% for the two renewal groups. Lewis & Ellis (L & E) Actuarial Memorandum at pages 1-2.

The HCA filed a Notice of Appearance in this matter as a party pursuant to GMCB Rule 2.105(b).

On August 9, 2016, the Board released its decision in MVP's 2017 Health Exchange rate review case, GMCB 07-16-rr. That decision approved MVP's requested 1% CTS.

The Department of Financial Regulation (DFR) presented a solvency analysis for this filing dated September 28, 2016. DFR stated in its analysis that "MVPHIC's Vermont operations pose little risk to its solvency" and that the "proposed rate will likely have the impact of sustaining MVPHIC's current level of solvency." Solvency Analysis at page 2.

On October 7, 2016, the Board's actuary, L&E, filed its Actuarial Memorandum. L & E did not recommend any modifications to the filing.

II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the Board before implementing health insurance rates. 8 V.S.A. §4062(a). The Board has the power to approve, modify, or disapprove requests for health insurance rates." 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). The insurer has burden of showing that its rates are reasonable. GMCB Rule 2.104(c).

When "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 addition, the Board shall take into consideration the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amounts, DFR's Solvency Analysis and other issues at the discretion of the Board. GMCB Rule 2.000 §2.401; 18 V.S.A. §9375(b)(6). Further, the Board "shall consider any 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 submitted by the insurer, questions posed by the Board to its

actuaries, questions posed to the insurer by the Board, its actuaries, and DFR, DFR's Solvency Analysis and the Opinion from the Board's actuary. GMCB Rule 2.000 §2.403(a).

III. Analysis and Argument

MVP is requesting a 2% CTS in this filing. This is higher than the 1% contribution requested by the carrier in the 2017 Vermont Health Connect (VHC) exchange filing. No explanation is given by MVP for this difference in the requested contribution in the two filings.

The L & E memorandum notes that previous Board decisions have reduced the carrier's proposed CTS from 2% to 1% but recommends against a similar change in this filing due to "the relatively small size of the block … to protect the company from inherent volatility." Actuarial Memorandum at page 6. However, the L & E analysis of this rate filing does not include any discussion of some of the important factors considered by the Board 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.

Lowering the rates proposed for this filing will make the rate more affordable which will in turn promote access to health care. Although the proposed rate change is far lower than many, it is important to keep insurance rates as low and as affordable as possible. A change in CTS is unlikely to affect the carrier's solvency since as explained in the DFR Solvency Analysis, all of MVP's Vermont operations accounted in 2015 for only approximately 3.7 % of its total premiums written. Solvency Analysis at page 2.

Increases in the rates charged to employers who purchase products in the group insurance market make it difficult for the businesses to continue to offer affordable health

insurance and other compensation to their employees. According to the 2014 Vermont Household Health Insurance Survey, 59.1% of working uninsured adults who have access to employer sponsored insurance indicated that they did not purchase their employer's health insurance plan because it was too expensive. Survey at page 48. http://hcr.vermont.gov/sites/hcr/files/2015/2014%20VHHIS%20Comprehensive%20Report%20.pdf

It is important to note that L & E's analysis states that "the experience data, trend projections, and other claim cost projections support a more substantial decrease than is being proposed in this filing" but that the carrier is requesting a smaller rate decrease "due to volatility." Actuarial Memorandum at page 5. L & E has not recommended a further reduction in the proposed rates for this filing as it did in the 3rd and 4th Quarter Manual Rate filing, GMCB 004-16rr. Thus, the issue of potential volatility has already been addressed in the rate development.

MVP has the burden of proof to support the requested filing and has not met its burden of showing that a 2% CTS is justified.

IV. Conclusion

For all of the reasons set forth in this Memorandum, the HCA asks the Board to modify MVP's requested rate change to provide policy holders with the most affordable rates possible. Specifically, we ask the Board to reduce the CTS for this filing from 2% to 1%.

Dated at Montpelier, Vermont this 24th day of October, 2016.

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

CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board, Noel Hudson, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, Counsel for MVPHIC, by electronic mail, return receipt requested, this 24th day of October, 2016.

s/ *Lila Richardson*

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