

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: MVP Health Insurance Company First) Docket #:
And Second Quarter 2017 Grandfathered) GMCB-09-16rr
Small Group EPO/PPO Rate Filing)

MVPHIC Health Care’s Memorandum in Lieu of Hearing

MVP Health Insurance Company (MVPHIC) hereby submits this Memorandum requesting the Green Mountain Care Board (GMCB) approve the proposed rates as recommended by the Board’s actuary, Lewis and Ellis (L&E). MVPHIC and the Office of the Health Care Advocate (HCA) have agreed to waive the hearing before the GMCB in this proceeding.

This filing is for MVPHIC’s “grandfathered” small group PPO/EPO line of business, which are high deductible health plans (HDHP). The filing contains the monthly premiums that MVPHIC proposes to charge small group members who renew coverage during 1Q2017 and 2Q2017. MVPHIC is proposing to increase rates for its grandfathered small group EPO/PPO members renewing in 1Q2017 by 9.0% over the approved 1Q2016 rates and 2Q2017 rates by 10.5% over 2Q2016 rates for its HDHP plans.

This filing is expected to cover approximately 1,933 members. These are members who are in grandfathered plans, as defined by the Affordable Care Act, and have chosen to continue in their current plans and not move to Exchange plans. This is a closed book of business so membership numbers will dwindle over time.

L&E recommends approval of the rates as filed. The following is a summary of L&E’s findings.

Rate development methodology: L&E agreed with MVPHIC’s single conversation factor and age factor because they reflect “real, observed population changes” (L&E Actuarial Analysis, October 4, 2016, page 5). They found the other adjustments to projected claim costs that include benefit mandates, taxes and other ACA related charges to be reasonable and appropriate.

Medical Trend: Notably, they found that the development of this trend using negotiated unit cost changes with providers and GMCB approved hospital rate changes to be reasonable and appropriate. They did caution that MVPHIC’s use of a 0% utilization trend could result in higher future rate increases if higher utilization is experienced, but found that the experience MVPHIC provided demonstrated that the

Exchange trend appears to be approximately zero. They therefore found this trend assumption to be reasonable.

Rx Trend: MVPHIC used Vermont specific trend factors for the first time because there is now enough Vermont specific credible data from our PBM, CVS Caremark. L&E had recommended this approach previously. L&E agreed with MVPHIC's use of the best level estimates, rather than low or high. This is because in recent years actual MVP drug trends have exceeded the high estimates. L&E did not have any objection to this overall approach.

Administrative Expenses: L&E agreed with MVPHIC's use of a higher general administrative load than used previously (8.4% vs. 8.2%) because this is a closed book of business and administrative costs will increase relative to premiums because of expected decline in membership. They also found the insurer fee assumption to be reasonable. MVPHIC did not include an allowance for the Health Insurer Fee because it will not be assessed for 2017. They did not recommend any reduction to contribution to reserves.

Conclusion

MVPHIC asks the Board to approve the filing as recommended by L&E. L&E opined that "the filing does not produce rates that are excessive, inadequate, or unfairly discriminatory" (L&E Actuarial Analysis, October 4, 2016, page 7). Any modifications made by the Board would not be supported by anything in the record, nor have any actuarial support.

s/ Susan Gretkowski

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Certificate of Service

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Judy Henkin, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel of record for the Office of the Health Care Advocate, by electronic mail this 24th day of October, 2016.

s/ Susan Gretkowski
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