

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan, Inc. First Quarter ) GMCB-011-16rr  
2017 and Second Quarter 2017 )  
Large Group HMO Rate Filing ) SERFF No.: MVPH-130720563  
)

**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)(A). 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 September 7, 2016, MVP Health Plan, Inc. (MVPHP) submitted its First Quarter 2017 (1Q17) and Second Quarter 2017 (2Q17) Large Group HMO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).<sup>1</sup>

On October 28, 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 November 7, 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. MVPHP waived its right to a hearing and submitted a Memorandum in Lieu of Hearing dated November 18, 2016.

Findings of Fact

1. MVPHP is a non-profit New York health insurer licensed as a health maintenance organization (HMO) in New York and Vermont. MVPHP 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.

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<sup>1</sup> The contents of the SERFF filing and all documents referenced in this Decision and Order can be found at <http://ratereview.vermont.gov/MVPH-130720563>.

2. This filing proposes rates and demonstrates premium development for MVPHP's large group HMO products for group policies beginning 1Q17 and 2Q17. There are no covered lives or policies currently in force in Vermont.

3. Although there are no Vermont lives covered by the product under review, the filing proposes a rate increase for an HMO product with rates previously approved for the Vermont market. MVPHP proposes to complete an average annual rate change of 8.2% from 2Q16 through 1Q17, and an average annual rate change of 9.3% from 3Q16 through 2Q17. The quarterly changes proposed by this filing are 4.0% for 1Q17 and 1.1% for 2Q17.

4. Since MVPHP cannot rely on current Vermont experience data to rate its HMO products, the company uses its large group HMO claims data from May 1, 2015 through April 30, 2016 as the base experience period. MVPHP then projects the base period data forward one year by using an annual paid medical trend of 2.7% and an annual paid pharmacy trend of 10.3% to generate 1Q17 rates. A further quarter of trend is used to build 2Q17 rates.

5. In previous filings for this book of business, MVPHP used a paid pharmacy trend factor in its rate development that was supplied by its newly contracted pharmacy benefit manager (PBM) and did not take into consideration Vermont-specific experience data. MVPHP's PBM now has sufficient Vermont data to supply Vermont-specific trend estimates. The PBM supplied low, high, and best estimates, with MVPHP incorporating the best estimate into its proposed rates.

6. MVPHP assumes a general administrative expense load of 9.7%, and proposes a 2.0% contribution to reserve.<sup>2</sup>

7. MVPHP anticipates that the proposed rates would generate a traditional loss ratio of 83.4%. The anticipated loss ratio using the federal formula is 84.9%.<sup>3</sup>

8. Pursuant to 8 V.S.A. § 4062(a)(3), the Department assessed the impact of the proposed filing on the carrier's solvency. Noting that it is not MVPHP's primary regulator, that New York State regulators have expressed no concerns about the company's solvency, and that

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<sup>2</sup> In various documents submitted with this filing, the terms "contribution to surplus" and "contribution to reserve" are used interchangeably. 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.

<sup>3</sup> 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. Because there are no covered lives in Vermont at the time of filing, L&E performed an abbreviated review. In its actuarial analysis, L&E noted that the combined age and gender factors proposed in the present and in the previous filing on this product result in an increase of 3.9% in excess of assumed trends. L&E recommends reducing the proposed rate by an approximately equivalent amount to better reflect observed trends in the Vermont market. *See* L&E Analysis at 3-4. In response, MVPHP acknowledges that the "re-normalization" of the age and gender factors has resulted in proposed rate increases that are higher than the assumed trend. *Id.* at 4.

10. L&E recommends making no further reductions to MVPHP's proposed rates, including the proposed 2% CTR. L&E opines that because MVPHP's experience data is derived from a small block of business, a 2% reserve is necessary to protect against volatility in future claims costs. *Id.* at 4.

#### Standard of Review

1. The Board reviews rate filings to ensure that rates are affordable, promote quality care, promote access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading, or contrary to Vermont law. 8 V.S.A. § 4062(a)(3); 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. GMCB Rule 2.000 at, § 2.104(c).

#### Conclusions of Law

1. We agree with and adopt L&E's recommendation to adjust the proposed rate downward to eliminate the impact on premium resulting from MVPHP's age and gender factor calculation. As illustrated in L&E's memorandum, *see* L&E Analysis at 4, without the

downward adjustment, the proposed rates would not accurately reflect assumed medical and pharmacy trends, and would therefore be excessive.

2. With this modification, we estimate that the proposed rate changes will be reduced from 8.2% to approximately 4.1% for members enrolling in 1Q17, and from 9.3% to approximately 5.3% for those enrolling in 2Q17.

3. We agree with and adopt L&E's recommendation to make no further modifications to the filing.

Order

For the reasons discussed above, the Board modifies and then approves MVPHP's 1Q17 and 2Q17 Large Group HMO Rate Filing. Specifically, the Board orders that MVPHP reduce the proposed rate increase attributable to its proposed age and gender factors. The effect of this modification will be an average annual rate change of approximately 4.1% for members enrolling in 1Q17, and approximately 5.3% for those enrolling in 2Q17.

**SO ORDERED.**

Dated: December 6, 2016 at Montpelier, Vermont

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

Filed: December 6, 2016

Attest: s/ Marisa Melamed \_\_\_\_\_  
Green Mountain Care Board, Healthcare Analyst

*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: [Marisa.Melamed@vermont.gov](mailto:Marisa.Melamed@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.*