MVP HEALTH CARE
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August 31, 2016

Mr. Kevin Ruggeberg, A.S.A.
Lewis & Ellis, Inc.
P.O. Box 851857
Richardson, TX 75085

Re: 1Q/2Q 2017 Vermont Large Group Rate Filing
SERFF Tracking #: MVPH-130682523

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 08/23/16 regarding the above mentioned rate filing. The responses to your questions are provided below.

1.The description provided with the Rx trends seems to suggest that the change in 2016 trend from the prior filing is due solely to the application of PBM trends to MVP data rather than a more aggregated dataset. Is this correct? Does MVP have an understanding of why the generic cost trend is so low when based on Vermont data?

Response: MVP attributes the majority of trend changes to be driven by using MVP Vermont large group data rather than a more aggregated data set. However, it is also possible that the PBM has changed its unit cost projections for individual drugs between the two filings. The extent to which these changes would have changed the original projections is unknown. MVP has noted that the Vermont-specific generic unit cost trends are much lower than the trends for its other entities, and data provided by the PBM has pinpointed several drug categories that have a material impact on the lower trends. The specific drugs in these categories that are impacting the trends are unknown.

2. Given the substantial Rx cost trends, why is it appropriate to hold Rx rebates per script constant? Please provide rebates per script as well as cost per script by tier for the last three years.

Response: MVP does not receive Rx rebate information from their PBM on an individual script basis, so we are not currently able to provide historical rebate per script information. MVP receives two per-script rebate assumptions (one for brand drugs and one for specialty drugs) from the PBM and uses this information combined with its projected script count to determine Rx rebates in its filing. That value has yet to be determined by MVP's PBM for 2017. Please see the table below which provides historical allowed cost per script information by tier.

Average Allowed/Script, Calendar Year 2014 - Current

	Generic	Brand	Specialty
Calendar Year 2014	$20.45	$178.69	$4,068.00
Calendar Year 2015	$21.63	$192.08	$5,390.46
Experience Period	$20.75	$210.15	$4,646.48

3. MVP's request for rates approximately 4% higher than is indicated by the data indicates that MVP's primary competitor in the Vermont market has markedly higher claims PMPM. Provide a demonstration of this relationship, including any consideration of market differences.

Response: MVP compared its calendar year 2015 medical and Rx claims paid on a PMPM basis ($287.74, as stated in the table on page 4 of the Actuarial Memorandum) to its primary competitor's medical and Rx claims paid on a PMPM basis from the competitor's 2015 Supplemental Health Care Exhibit ($408.72 as calculated). MVP also used assumptions from its rate filing to determine other claim expenses reflected in the SHCE. MVP recognizes that the SHCE contains all large group membership (including groups expected to switch to the small group market in 2016), so to account for this MVP included claims for groups with 51-100 members into its analysis. The addition of 51-100 groups increased the incurred claims PMPM to $318.72, but MVP's claims still remain approximately 22% lower. We also performed a similar calculation on the competitor's 2014 SHCE, and adjusting for paid claim trend, found the block to be stable over time. Please see the following tables which detail the values explained above.

Calculation of Incurred Claims PMPM, BCBS of VT Large Group

Item	Source	Value
a) TOTAL Incurred Claims	BCBS VT 2015 SHCE, Line 5.0, Column 3	$173,387,474
b) Member Months	BCBS VT 2015 SHCE, Line O4, Column 3	424,216
c) Incurred Claims PMPM	**a) / b)**	**$408.72**

Calculation of MVP Total Large Group Claims PMPM

Item	Value
a) Medical + Rx Claims, 100+ Groups	$9,227,915
b) Member Months, 100+ Groups	32,070
c) Medical + Rx Claims, 51-100 Groups	$6,820,781
d) Member Months, 51-100 Groups	19,417
e) Total Incurred Medical + Rx Claims PMPM = [a) + c)] / [b) + d)]	**$311.70**
f) Claims Settlement PMPM	$6.65
g) Rx Rebates PMPM	($8.32)
h) Non-FFS Claim Expenses PMPM	$8.78
i) Total Incurred Claims PMPM = [e) + f) + g) + h)]	**$318.82**

4. When were the policy duration factors last updated? We would expect that medical trends would reduce the seasonality impact of a given deductible over time.

Response: The policy duration factors were updated prior to the 2017 Exchange filing and reflect data from 2014 dates of service. MVP has recognized a shift in the cumulative distribution function of allowed claims towards larger amounts over time, and agrees that this shift results in MVP's liability being more evenly distributed across the contract period. Please see the following tables which reflect the duration factors used in the 3Q/4Q 2016 filing and the 1Q/2Q 2017 filing.

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3Q/4Q 2016 Policy Duration Factors by Deductible

Deductible Level	1	2	3	4	5	6	7	8	9	10	11	12
$0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$250	0.69	0.95	1.00	1.02	1.03	1.04	1.04	1.04	1.04	1.05	1.05	1.05
$500	0.56	0.88	0.97	1.02	1.04	1.06	1.06	1.07	1.08	1.08	1.08	1.09
$1,000	0.43	0.79	0.92	1.00	1.04	1.07	1.09	1.11	1.12	1.13	1.14	1.15
$1,500	0.37	0.72	0.88	0.97	1.03	1.08	1.11	1.14	1.16	1.17	1.18	1.19
$2,000	0.32	0.67	0.84	0.95	1.03	1.08	1.12	1.15	1.18	1.20	1.22	1.23
$2,500	0.29	0.63	0.81	0.94	1.02	1.08	1.13	1.17	1.20	1.22	1.25	1.26
$5,000	0.20	0.53	0.73	0.87	0.98	1.07	1.14	1.21	1.26	1.30	1.34	1.37

1Q/2Q 2017 Policy Duration Factors by Deductible

Deductible Level	1	2	3	4	5	6	7	8	9	10	11	12
$0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$250	0.72	0.95	0.99	1.01	1.03	1.03	1.04	1.04	1.04	1.05	1.05	1.05
$500	0.61	0.90	0.97	1.01	1.03	1.05	1.06	1.07	1.07	1.08	1.08	1.09
$1,000	0.48	0.82	0.94	1.00	1.03	1.06	1.08	1.10	1.11	1.12	1.13	1.13
$1,500	0.41	0.77	0.91	0.98	1.03	1.07	1.10	1.12	1.14	1.15	1.16	1.17
$2,000	0.37	0.72	0.88	0.97	1.03	1.07	1.11	1.13	1.15	1.17	1.19	1.20
$2,500	0.34	0.68	0.85	0.96	1.03	1.08	1.12	1.15	1.17	1.19	1.21	1.23
$3,000	0.31	0.65	0.83	0.95	1.03	1.08	1.12	1.16	1.19	1.21	1.23	1.25
$5,000	0.24	0.58	0.76	0.89	1.00	1.08	1.14	1.19	1.23	1.27	1.30	1.32

The factors here represent the ratio of MVP's assumed liability PMPM for a given month to MVP's assumed liability PMPM over the entire contract. As you can see, the updated factors show an increase in MVP's liability in earlier months, consistent with an increase in morbidity over time, and a corresponding (relative) decrease in later months to compensate.

5. The 9.16% pooling factor used in this filing appears to be higher than the catastrophic claim level observed in any recent period. Please support the use of this factor.

Response: The 9.16% factor is the same factor applied to groups at a pooling level of $100,000 in the experience rating formula. MVP used its entire large group commercial block (including all states in which it operates) over 3 years to calculate the pooling these charges, and in order to stay consistent with the rating formula, MVP has used the factor in its manual rate calculation. While this charge may be higher than recent time periods, MVP expects this factor to persist over the long term and to be more credible going forward than the recent data for this block.

6. There are several riders, including Gym Membership Reimbursement, which are not receiving a proposed rate change.

a. Are claims and premiums for these programs included in the experience used in this filing?
b. What is the experience period loss ratio for these programs?

Response: MVP has yet to sell these particular riders since they were created. We do not trend these riders because they represent a reimbursement of a fixed amount which does not vary over time.

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7. What is the data source (i.e. block and time period) behind MVP's current large group plan relativities? We note that the deductibles range from $0 to $6,550, and would expect that trend leveraging would cause noticeable changes to the benefit relativities.

Response: The plan relativities associated with this block were created using calendar year 2012 data, paid through October 2013 using all of MVP's commercial membership (approximately 278,000 members). Because of the size of the block and the impact constant re-sloping of benefits would have on the renewing groups, MVP has made the decision to keep these relativities intact over time (provided the benefits do not change).

If you have any questions or require any additional information, please contact me at 518-386-7213.

Sincerely,

Eric Bachner, ASA
Senior Actuarial Analyst
MVP Health Care