

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company)	GMCB-003-17rr
Third Quarter 2017 and Fourth Quarter)	
2017 Large Group EPO/PPO Rate)	SERFF No.: MVPH-130913726
Filing)	
)	

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 February 8, 2017, MVP Health Insurance Company (MVPHIC) submitted its Third Quarter 2017 (3Q17) and Fourth Quarter 2017 (4Q17) Large Group EPO/PPO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).¹ The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this filing.

On April 3, 2017, 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 April 10, 2017, 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.

The parties have waived a hearing pursuant to GMCB Rule 2.000, § 2.309(a)(1) and have filed memoranda in lieu of hearing.

Findings of Fact

1. MVPHIC is a for-profit New York health insurer that provides EPO and PPO products to individuals and employers in the small and large group markets in New York and

¹ The contents of the SERFF filing and all documents referenced in this Decision and Order can be found at <http://ratereview.vermont.gov/MVPH-130913726>.

Vermont. MVPHIC 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.

2. The present filing includes the proposed manual rates for MVPHIC's large group EPO/PPO products for 3Q17 and 4Q17.² These rates will affect approximately 145 Vermonters renewing their coverage in 3Q17 and 4Q17, and approximately 2,196 Vermonters in total.

3. With this filing, MVPHIC proposes to complete an average annual rate increase of 5.4% for members renewing in 3Q17 and an average annual rate increase of 7.7% for those renewing in 4Q17, when measured from 3Q16 and 4Q16, respectively. The quarterly changes proposed by this filing are 3.6% for 3Q17 and 2.7% for 4Q17.

4. MVPHIC proposes a paid medical trend of 5.0%, which includes a 0.0% utilization trend, and a 16.2% paid pharmacy trend.

5. MVPHIC's 2017 rate manual includes a "manual rate cap" when rating group policyholders. This cap would increase or reduce the manual rate to be within 15% of a group's experience. The manual rate cap has not yet affected rates for any existing MVPHIC policyholders.

6. MVPHIC assumes a general administrative expense load of 9.7%, and proposes a 2.0% contribution to reserve (CTR).³

7. MVPHIC anticipates that the proposed rates would generate a traditional loss ratio of 86.2%. The anticipated loss ratio using the federal formula is 82.2%.⁴ MVPHIC calculated these loss ratios by including actuarial billback amounts and the HCA fee in its claims data. When including these fees as taxes and assessments instead, the anticipated traditional loss ratio on the filed rates is 86.1% and the anticipated federal loss ratio is 81.0%. *See* L&E analysis at 6.

² A manual rate is a baseline rate structure that a carrier will blend with a specific group's claims experience to produce the group's actual rates. Its weight in calculating rates for a specific group will vary according to the group's size and actuarial credibility.

³ 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.

⁴ 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.

8. Pursuant to 8 V.S.A. § 4062(a)(2)(B), the Department assessed the impact of the proposed filing on the carrier's solvency. Noting that it is not MVPHIC's primary regulator, that New York State regulators have expressed no concerns about the company's solvency, and that all of MVP's health operations in Vermont account for approximately 2.2% of its total premiums earned, the Department determined that the carrier's Vermont operations pose little threat to the company's solvency. However, the Department notes that adequate rates are necessary to keep pace with claim trends, and opines that the rates as filed will promote MVPHIC's solvency. *See Solvency Analysis at 2.*

9. On review, L&E recommends the Board make no modifications to this filing and approve the proposed rates, opining that the filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. *See L&E Analysis at 7.* L&E also recommends that MVPHIC should be required to modify this filing if the federal Health Insurer Fee for 2018 imposed under the Affordable Care Act is repealed prior to 3Q17. *Id.*

10. L&E recommends that the Board continue to monitor MVPHIC's use of the manual rate cap, but defer action until data is available regarding the impact of this methodology on Vermont policyholders. L&E acknowledges that the cap in MVPHIC's manual rates is unusual. *Id.* at 4-5.

11. L&E recommends that the Board not reduce the proposed 2% CTR, due to the relatively small size and inherent volatility of the block. *Id.* at 6.

12. The HCA requests that the Board reduce the proposed CTR to 0%.

Standard of Review

1. The Board reviews rate filings to ensure that rates are affordable, promote quality care, promotes access to health care, protects 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 our actuary's opinion that MVPHIC's proposed medical and pharmacy trend figures are appropriate, and that MVPHIC's selected experience period and demographic adjustments are actuarially reasonable.

2. We conclude, as recommended by our actuary, that the 2.0% CTR proposed by MVPHIC is reasonable and appropriate to stabilize future pricing. The block of business under review is small at approximately 2100 lives, and therefore it faces a relatively high likelihood of future claims volatility.

3. As recommended by our actuary, the proposed rates should be modified if the federal Health Insurer Fee is repealed prior to 3Q17, and contingently order that this filing be reopened and appropriately modified in case of such event.

4. We disapprove MVPHIC's use of the proposed manual rate cap. In prior reviews of this product, L&E has noted this unusual rating methodology and recommended that the Board monitor closely MVPHIC's use of the manual rate cap and its effects before disapproving it. However, the Board's authority to approve or disapprove rate filings is broader in scope than the question of whether proposed rates are actuarially sound, and it is not credible that this rating practice can be applied fairly and equitably to Vermont policyholders. Though we are reviewing a large group product, group policies in Vermont often do not cover enough lives to approach full actuarial credibility in isolation. Therefore, blending manual rates with group experience according to a consistent and actuarially sound methodology is essential to moderate the effect of a group's claims volatility, to enable that group's future claims behavior to be predicted accurately, and to confer on that group the full benefits of pooling its health risks. The proposed rate cap, in contrast, arbitrarily singles out groups with outlying claims experience—precisely those groups most dependent on manual rates to be rated fairly and accurately—for preferential or punitive treatment by reducing the role of the manual rates in their rate calculations. As noted in our recent decisions on this block of business, the Board has now monitored this issue for a full calendar year. During this period, MVPHIC has not issued a policy with the rate cap included in its terms, and the cap does not currently apply to any in-

force business in Vermont. Our disapproval of the manual rate cap therefore should be minimally disruptive to the company's Vermont operations.

5. Because MVPHIC's proposed rates are neither excessive nor inadequate and are safely within the range of actuarial reasonableness, they strike an appropriate balance between fairness and equity to policyholders on one hand and rate stability and insurer solvency on the other. Actuarially adequate rates and an appropriate CTR will promote future pricing stability on this block and therefore promote policyholders' access to care and their quality of care.

Order

For the reasons discussed above, the Board approves the 3.6% rate increase for 3Q17 and the 2.7% increase for 4Q17 proposed in MVPHIC's 3Q17 and 4Q17 Large Group EPO/PPO Rate Filing. The Board disapproves MVPHIC's proposed manual rate cap for use in Vermont, and orders that MVPHIC modify the present filing if the 2018 Health Insurer Fee is repealed prior to 3Q17.

SO ORDERED.

Dated: May 8, 2017 at Montpelier, Vermont.

s/ Cornelius Hogan) GREEN MOUNTAIN
) CARE BOARD
s/ Jessica Holmes) OF VERMONT
)
s/ Robin Lunge)

Filed: May 8, 2017

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). 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.