

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company     )  
Large Group EPO/PPO Q1/Q2 2018     )  
Rate Filing     )     GMCB-011-17rr  
   )

HCA MEMORANDUM IN LIEU OF HEARING

**I. Introduction**

The Office of the Health Care Advocate (HCA) does not object to MVP Health Insurance Company’s (MVP) Large Group EPO/PPO Q1/Q2 2018 Rate Filing (Filing). Our decision not to object to the Filing is largely informed by the current level of uncertainty in the commercial insurance market which increases the likelihood that MVP will have to cover cost sharing subsidies for their Vermont Health Connect book of business. Further, the cumulative annual increases proposed for this filing are largely driven by previously approved third and fourth quarter rate increases.

Although we do not object to the Filing, we note that the Green Mountain Care Board (Board) is statutorily charged to evaluate both the actuarial soundness of insurance carrier rate filings *and* the filing’s impact on affordability. As we show below, the cumulative annual rates proposed in the Filing outpace Vermont economic indicators. We, as likely the Board is too, are troubled that this appears to be a trend across all rate filings. However, we recognize the substantial uncertainty carriers and Vermont’s health system are facing. Given the current environment, we do not want to ask for a temporary decrease in contribution to reserves that will potentially lead to higher increases for Vermonters later on. Instead, we ask the Board to fully execute its statutory charge and regulatory powers to help create a Vermont health care system that is responsive to the financial needs of Vermonters.

## **II. Standard of Review**

The Board is charged to, when “deciding whether to approve, modify, or disapprove each rate request, ... 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.”<sup>1</sup>

The Board, per its statutory charge, must evaluate rates using two interrelated criteria sets. The first criteria set relates to public health objectives: affordability, quality of care, and access to care. The second criteria set relates to the insurer’s solvency and the actuarial soundness of the proposed rates. Both criteria sets are necessary and essential components of the Board’s review. For instance, affordability means little if an insurer is not solvent. At the same time, insurer solvency means little if Vermonters cannot afford insurance or access health care services. Also, a lack of affordability and access will negatively impact market participation and thus negatively impact insurer solvency.

It is critical that the Board reviews rates both in terms of public health objectives and their actuarial soundness. Only by applying these two criteria sets can the Board ensure the proper functioning of Vermont’s health care system.

## **III. Background**

On August 9, 2017, MVP submitted the Filing requesting a rate quarterly manual rate change of - 3.1% for first quarter members and 1.4% for second quarter. This results in a cumulative annual manual rate increase of 5.8% and 4.7% respectively, after the previously approved third and fourth quarter rate changes are factored in. This increase would impact nearly 2,000 persons.<sup>2</sup>

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<sup>1</sup> GMCB Rule §2.301(b) (*emphasis added*); GMCB Rule §2.401; *see also* 8 V.S.A. §4062(a)(3).

<sup>2</sup> GMCB-011-17rr, SERFF Filing, MVPH – 131148723.

On September 19, 2017, the Vermont Department of Financial Regulation (DFR) submitted its solvency analysis of the Filing. DFR determined “that [MVP’s] Vermont operations pose little risk to [MVP’s] solvency.”<sup>3</sup>

On October 9, 2017, Lewis & Ellis (L&E), the actuarial firm retained by the Board, submitted its actuarial recommendations related the Filing. L&E found that MVP’s proposed rate was not actuarially excessive, inadequate, or unfairly discriminatory.<sup>4</sup> L&E’s findings, consistent with their charge and expertise, relate to only one criteria set that the Board must consider when setting rates, namely, the actuarial appropriateness of the proposed rate.

#### **IV. Health Insurance is Unaffordable to Vermonters**

MVP’s proposed rate increase is larger than the growth of relevant economic indicators. This trend of premiums outpacing economic growth will force struggling Vermonters to make ever more difficult financial trade-offs as they attempt to meet their basic needs.

Two statics help contextualize the unaffordability of the proposed rate to Vermont consumers. First, the proposed rate increase exceeds the non-seasonally adjusted average annual Vermont GDP (VTGDP) growth from 2000 to 2016. From 2000 to 2016, VTGDP grew an annual average of 3.6%.<sup>5</sup> The proposed rate is 61% larger than this statistic. Second, in Vermont, from 2000 to 2016, the annual average per capita personal income growth was 3.6%.<sup>6</sup> The proposed rate is 61% larger than this statistic. Regardless of how the proposed rate is viewed, it is unsustainable and out of pace with economic growth.

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<sup>3</sup> GMCB-011-17rr, September 19, 2017, Department of Financial Regulation Solvency Letter, p. 2.

<sup>4</sup> GMCB-011-17-rr, October 9, 2017, Lewis & Ellis Actuarial Opinion, p. 7.

<sup>5</sup> U.S. Bureau of Economic Analysis, Total Gross Domestic Product for Vermont, retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/VTNGSP>.

<sup>6</sup> U.S. Bureau of Economic Analysis, Per Capita Personal Income in Vermont, retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/VTPCPI>.

## **V. Green Mountain Care Board Regulation**

We ask the Board to utilize its regulatory power to bend the unsustainable health insurance cost trend. We note two potential avenues, in addition to considering affordability in rate review, to accomplish this. First, the Board should ensure that the unit cost trends generated for rate review are consistent with final hospital budgets. In the present case, MVP generated its unit cost trends using the proposed hospital budgets as the Board had not finalized the 2018 hospital budgets.<sup>7</sup> We ask the Board to ensure that the assumptions included within the Filing are in line with the final 2018 hospital budgets and that all future rate filings, across all books of business, are in line with the applicable final hospital budgets.

Second, the Board has recently discussed expanding its role to include provider reimbursement rate setting. We support efforts to reduce health care costs borne by consumers while maintaining quality of care. To the extent that provider reimbursement rate setting would achieve this, we would support such an exercise of regulatory power. Provider reimbursement rate setting could also clarify the Board's regulatory assessments. These assessments are currently muddled due to the fact that contract negotiations between providers and insurers are often not finalized in time for the relevant regulatory proceedings. Additionally, provider rate setting by the Board could lower provider and insurer administrative costs which should, in turn, lower premiums. We believe the current trajectory of health insurance costs demands intervention. Otherwise, we will soon find that health insurance in Vermont is completely unattainable for small businesses and the middle class.

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<sup>7</sup> GMCB-011-17rr SERFF Filing, Actuarial Memorandum, "Medical Trend Factors", p. 4.

## **VI. Conclusion**

The HCA does not object to the Filing. Our decision not to object to the Filing is substantially informed by the current level of uncertainty in the insurance market, federal funding, and federal regulation. We are, however, troubled that this book of business's rate growth has outpaced Vermont macroeconomic indicators. We ask the Board to execute its full statutory charge and regulatory powers to ensure the functioning of the Vermont health care system.

Dated at Montpelier, Vermont this 24<sup>th</sup> Day of October, 2017.

/s/ Kaili Kuiper  
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## CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board; and Susan Gretkowski, MVP Health Insurance Company representative, by electronic mail, return receipt requested, this 24<sup>th</sup> day of October, 2017.

/s/ Kaili Kuiper

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