

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan, Inc. Third Quarter	)	GMCB-006-17rr
2017 and Fourth Quarter 2017	)	
Large Group HMO Rate Filing	)	SERFF No.: MVPH-130977835
	)	

**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 March 28, 2017, MVP Health Plan, Inc. (MVPHP) submitted its Third Quarter 2017 (3Q17) and Fourth Quarter 2017 (4Q17) Large Group HMO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).<sup>1</sup> The Vermont Office of the Health Care Advocate (HCA) intervened as a party to the proceeding on April 3, 2017.

On May 17, 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 May 26, 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. MVPHP and the HCA waived their rights to a hearing and submitted a Memoranda in Lieu of Hearing on June 9, 2017.

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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-130977835>.

## 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.

2. This filing proposes rates and demonstrates premium development for MVPHP's large group HMO product for policies beginning 3Q17 and 4Q17. 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 manual rate increases for an HMO product with rates previously approved for the Vermont market. MVPHP proposes to complete an annual rate change of 1.6% from 4Q16 through 3Q17, and an annual rate change of 2.2% from 1Q17 through 4Q17. The quarterly changes proposed by this filing are -0.2% for 3Q17 and 1.1% for 4Q17.

4. MVPHP proposes to use the manual rates approved in its prior rate filing for the first and second quarters of 2017. Since MVPHP cannot rely on current Vermont experience data to rate its HMO products, the company used its large group HMO claims data from May 1, 2015 through April 30, 2016 as the base experience period. MVPHP then projected 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, plus a further quarter of trend to generate 2Q17 rates. An additional quarterly trend rate of 1.1% is proposed to build 3Q17 and 4Q17 manual rates.

5. Separately, MVPHP proposes changes to its experience rating methodology. The manual rates and experience rating would be blended according to the size of a given group, with groups of 1,000 or more lives being entirely experience rated. MVPHP proposes to complete an annual average experience-rated change of 7.4% from 4Q16 through 3Q17, and an average experience-rated change of 7.9% from 1Q17 through 4Q17. The quarterly experience-rated changes proposed are 1.3% for 3Q17 and 1.4% for 4Q17. The experience rating methodology proposed incorporates a paid medical trend of 4.7% and a paid pharmacy trend of 14.5%.

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

7. 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 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. *See Solvency Analysis at 2.*

8. Because there were no covered lives in Vermont at the time of filing, L&E performed an abbreviated review. L&E opined that MVPHP's proposed experience rating methodology would result in an inequitable treatment of groups differing by size and actuarial credibility, and that the proposed manual rates are lower than is actuarially justified. L&E recommended that the Board raise the proposed manual rates an additional 1.55% in 3Q17 and 1.85% in 4Q17 to better reflect current assumptions regarding the Vermont market, and to reduce the discrepancy between manually-rated and experience-rated groups. *See L&E Analysis at 4-6.*

9. L&E recommends making no further changes 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.

10. The HCA requests that the Board reduce CTR to no more than 1%.

11. In its Memorandum in Lieu of Hearing, MVPHP states that it is willing to accept the risk posed by its filed rates because there are no Vermont members enrolled in the product under review and the company does not anticipate any members enrolling.

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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 unanticipated future claims.

### 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. Although we acknowledge our actuaries' opinion that the rates proposed in the present filing are actuarially understated and the proposed rating methodology is inconsistent between smaller and larger groups, we decline to order L&E's recommended rate increases. There are no Vermont lives covered by MVPHP's large group HMO product and the company has stated that it is willing to accept the financial risk attendant to the filed rates.

2. Furthermore, we accept MVPHP's estimation that Vermont enrollment is unlikely during the rating period. Consequently, the rates as filed present little to no risk that actual Vermont policy holders would be subject to inequitable, unfair, or unaffordable increases should this line of business require a future rate adjustment.

3. We anticipate that in future rate filings on this line, MVPHP will address the issues L&E identified in its review of the present filing, particularly the disparate rating methodology applied to groups of different sizes.

4. We agree with and adopt L&E's recommendation to make no further modifications to the filing regarding administrative expenses or CTR.

Order

For the reasons discussed above, the Board approves as filed MVPHP's 3Q17 and 4Q17 Large Group HMO Rate Filing, and declines to order the increase to the filed rates recommended by its actuaries.

**SO ORDERED.**

Dated: June 26, 2017 at Montpelier, Vermont

<u>s/ Cornelius Hogan</u>	)	
	)	
<u>s/ Jessica Holmes</u>	)	GREEN MOUNTAIN
	)	CARE BOARD
<u>s/ Robin Lunge</u>	)	OF VERMONT
	)	
<u>s/ Kevin Mullin, Chair</u>	)	
	)	
<u>s/ Maureen Usifer</u>	)	

Filed: June 26, 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](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.*