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mvphealthcare.com

October 16, 2017

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

Re: 1Q/2Q 2018 Vermont Large Group HMO Rate Filing
SERFF Tracking #: MVPH-131213366

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 10/09/17 regarding the above mentioned rate filing. The responses to your questions are provided below.

1. Provide an exhibit quantifying all three sources of the proposed change in revenue (manual rate, age/gender, and target loss ratio) by quarter from 2Q2017 to 2Q2018.

Response: Please see the following table which details the proposed change in revenue by all three sources for 2Q2017 to 2Q2018. Please note that there is no actual revenue for this block for this time period, so all changes are theoretical. Since there are no members in this block to develop a member-weighted manual rate increase for 1Q2018, MVP has assumed it to be based on Coplan 15 (the middle medical benefit, ranked from richest to leanest) and the R234-V pharmacy rider (MVP's most popular pharmacy rider on the HIC license).

Derivation of Annual Revenue Change Based on Quarterly Rate Changes							
	2Q '17 / 1Q '17	3Q '17 / 2Q '17	4Q '17 / 3Q '17	1Q '18 / 4Q '17	2Q '18 / 1Q '18	1Q '18 Annual Increase	2Q '18 Annual Increase
Manual Rate Change	1.1%	1.1%	1.1%	-8.7%	1.4%	-5.6%	-5.4%
Age Gender Table Normalization	0.0%	-1.3%	0.0%	-0.1%	0.0%	-1.4%	-1.4%
Changes in Target Loss Ratio	0.25%	0.15%	0.25%	0.25%	0.0%	0.9%	0.7%
Total	1.4%	-0.1%	1.4%	-8.6%	1.4%	-6.1%	-6.1%

2. The variation in manual rate increase by plan seems to suggest that the Benefit AV's used to calculate these proposed manual rates have been "re-sloped". Please clarify the time period and block used to calculate the proposed rate relativities.

Response: MVP used calendar year 2012 data paid through October 2013 as its basis for developing the updated manual rates. This data reflects all of MVP's commercial offerings in New York and Vermont for this time period. This data is the same data used to develop the manual rate relativities for the MVPHIC Vermont large group block of business, which was done so that all of MVP's large group manual rates were in line based on the assumed benefit relativities.



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3. The experience used to set the proposed rates is from members enrolled in PPO plans. No explicit manual rate adjustment for care management or out-of-network benefits is mentioned in the filing.

a. Was any such adjustment made? If so, please describe.

Response: There was no adjustment made for care management or out-of-network benefits made to the rate manuals. As stated in the Actuarial Memorandum, MVP used an EPO plan to create the updated HMO rate manuals, so neither product has out-of-network coverage. There is no difference between the two product's care management offerings.

b. Other than the differing copay/coinsurance levels, what differences would the policyholder experience in transitioning from a PPO plan to an HMO plan? Is there a shorter list of in-network providers? Are services subject to prior authorization under the HMO business?

Response: Both MVPHIC and MVPHP have the same in-network provider list in the state of Vermont. There is no difference in the rules surrounding prior authorization on both lines of business. The only difference as the two product offerings currently stand is for out-of-network coverage. MVP's HIC offerings currently include out-of-network benefit choices while the HMO products do not. However, MVP does not currently have any groups that purchase PPO products on MVPHIC, so there would be no impact upon renewal. MVP intends to offer a point-of-service (POS) out-of-network rider in its HMO portfolio so members will have the same benefit options on the HMO license as they would on the HIC license.

4. The memorandum states that MVP intends to move all its large group HIC portfolio to this block. Will groups renewing after April 1, 2018 have the option of renewing into the HIC block?

Response: The decision to keep the HIC block open is still being discussed internally and a final decision has not yet been made.

5. Please direct us to confirmation that the 0.25% NY HCRA surcharge is payable on residents of VT, or otherwise explain why it is included in the rate development.

Response: The Health Care Reform Act (HCRA) in New York State levies a payment (as a percentage of premium) on all facility claims processed by hospitals in the state, regardless of the location of the payer. Because some members in MVP's Vermont blocks of business utilize hospitals in New York, MVP must allocate a portion of its total HCRA liability to these blocks. The surcharge is 9.63% of facility (Inpatient/Outpatient Hospital, Diagnostic and Treatment Centers) claim amounts. MVP has analyzed historical claims for Vermont members at New York hospitals to come up with the 0.25% adjustment.



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

Sincerely,

A handwritten signature in black ink, appearing to read "E. Bachner", is positioned above a horizontal line.

Eric Bachner, ASA
Senior Actuarial Analyst
MVP Health Care, Inc.