MVP HEALTH CARE
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June 1, 2017

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

Re: 2018 Vermont Exchange Rate Filing
SERFF Tracking #: MVPH-131034103

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 05/25/17 regarding the above mentioned rate filing. The verbal responses to your questions are provided below and any numerical examples are included in the attached excel workbook with tabs corresponding to each numbered question.

1. Several items in the file "Federal AVC Actuarial Certification for Non-standard Plans – 2018 v2.pdf" are highlighted in grey. Please clarify whether this is an incomplete draft, or if there is some other significance to this highlighting.

Response: The Internal Revenue Service released the 2018 inflation adjusted amounts for minimum deductible levels on or around May 8, 2017. Because the mandated Rx out of pocket max in Vermont is tied to this minimum deductible level, MVP had to change forms that were previously submitted to the Department of Financial Regulation for approval. This document represents the updated non-Standard AVC Certification submitted to DFR and the lines in grey reflect changes to the document from the original version.

2. Reconcile the discrepancy between the plan-level premium rates calculated by the Actuarial Memo Dataset (i.e. $858.32 for platinum) with the proposed premiums shown in the Rate Increase Exhibit (i.e. $728.70 for platinum).

Response: Cell B205 in the Actuarial Memo Dataset was mistakenly left populated with a placeholder value (1.278). Because Vermont is a community-rated state, this value should be set to 1.0 (premiums cannot vary by age). Removing this factor results in Calculated Premium Rates (Excel line 212) in the Dataset that match the Gross Claim Cost PMPMs from Exhibit 6 of the Rate Filing (Excel column N). The Single Conversion Factor of 1.085 and associated tier ratios (2.000, 1.930, and 2.810 for Double, Parent/Child(ren) and Family respectively) are then applied to calculate the contract rates shown in the Rate Increase Exhibit.

Please see the updated version of the Actuarial Memo Dataset attached to this response with cell B205 set to 1.000.

3. Tie the following URRT figures to the relevant values in the rate development exhibits: Index Rate, Paid to Allowed Factor, and Projected Incurred Claims.

Response: The Index Rate cannot be found in MVP's rate development since MVP uses paid claims to price its portfolio instead of allowed claims. The Index Rate represents the experience period allowed claims trended forward to 2018, multiplied by the percentage of allowed claims that is considered to be Essential Health Benefits (approximately 99.99%), rounded to the nearest penny.

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The URRT was filled out by MVP in such a way that the Projected Incurred Claims field was intended to reflect the member-weighted Net Claim Cost PMPM (Excel column H from Exhibit 6 of the Rate Filing), using the membership on URRT Worksheet 2 as weights. This number reflects MVP's projected paid claim liability (including Risk Adjustment) on a PMPM basis in the projection period.

The Paid to Allowed Average Factor in Projection Period field in the URRT was therefore populated (in conjunction with the Projected Risk Adjustments PMPM field) to make the Projected Incurred Claims field line up with the Net Claim Cost PMPM as stated in the previous paragraph. This Paid to Allowed Average Factor represents the projected paid to allowed ratio for the projection period, and will not reconcile to the experience period book of business average AV displayed on Exhibit 6 of the rate filing.

4. Explain why the memorandum lists total experience period non-FFS and capitation amounts as $7.48 PMPM, while Exhibit 3 shows this value as $12.02 PMPM.

Response: The $7.48 PMPM in the memorandum lists the non-FFS and capitation amounts that MVP has reflected on a PMPM basis. It does not include the Vermont Paid Claim Surcharge (0.999% of paid claims) and New York State HCRA Surcharge (0.250% of paid claims). Please see the tab "Question #4" in the attached excel file for a detailed calculation of how the two portions of the non-FFS and capitation amount tie out to the $12.02 PMPM listed on Exhibit 3.

5. How do the assumed unit cost trends reflect the impact of changes to the Vermont Hospital Budgets?

Response: The assumed unit cost trends reflect the 2017 hospital budgets approved by the Green Mountain Care Board adjusted for any changes that the facility negotiates separately with MVP.

6. Provide the facility-level unit cost changes for 2017 and 2018 underlying the assumed unit cost trends, and label the 2018 facility assumptions as either "Known" or "Assumed". Please note this response may be provided confidentially.

Response: This response is deemed confidential and will be provided under separate cover.

7. The actuarial memorandum states that the regression analysis was set to start at December 2015 because this is when an increase in utilization was first observed.

a. Explain why MVP believes it is appropriate to use this type of regression analysis when it suggests positive trend but chose not to include prior years when there was a clear pattern of decreasing utilization.

Response: MVP has seen increasing utilization trends over the recent past and expects that pattern to continue into the future. MVP experienced significant membership turnover between 2014 and 2015, and is of the opinion that including 2014 data in the analysis is not representative of the membership currently enrolled with MVP. In 2014, MVP averaged approximately 19,000 members in fully insured products. This number dropped to approximately 13,400 in 2015 resulting in a 29.5% loss in membership. MVP's data indicates a much different utilization of services by its Vermont population in 2014 compared to 2015 and 2016.

Please note that MVP chose a logarithmic regression curve which projects a trend that will follow the same pattern into the future but with a reduced magnitude as time increases.

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b. Explain why MVP believes that selecting these 13 months as the data for the regression is appropriate, given that more data is available that does not suggest a general increase in utilization over time.

Response: Please see the response to the previous question. MVP believes that the chosen time period is more indicative of the utilization of the projected population.

8. MVP is using historical data from all lines of business to set utilization trend rates for the Exchange population. Why was this data being used to support a utilization trend only on the Exchange population?

Response: MVP is using utilization from all of its Vermont members in order to increase the population and make it more credible. Because there are only small network differences between MVP's AR42 and AR44 companies, MVP is of the opinion that using Vermont data from both companies without any provider practice adjustments is appropriate. Please see the following table which displays MVP's projected utilization trends by separate line of business and the associated R-squared:

MVP Calculated Utilization Trends by Line of Business

Line of Business	Claim Category	Annualized Utilization Trend	R-Squared
Total	IP	2.4%	34.9%
Total	OP	1.1%	63.9%
Total	PHY	0.5%	50.7%
AR42	IP	3.2%	51.0%
AR42	OP	0.7%	34.6%
AR42	PHY	1.1%	75.0%
AR44	IP	1.2%	8.5%
AR44	OP	1.9%	69.6%
AR44	PHY	0.0%	0.0%

Should MVP have used AR44 (Exchange) data only, the total utilization trend would have increased from 0.7% annually to 1.0% annually. Because MVP is continually improving its utilization trend reporting capabilities, we have included trends in this filing and intend to include them in all filings (where justified) moving forward.

9. Please complete the following table, illustrating the persistency of individual Vermont policies.

Response: Please see the tab "Question #9" in the attached Excel file.

10. As with last year's filing, please confirm that the normalization factor for Benefit Relativities and Induced Demand of 0.735 is the average of the products, rather than the product of the averages.

Response: MVP confirms that the methodology used in this filing has been updated to reflect L&E's recommendation from the 2017 Exchange filing. Please see the tab "Question #10" in the attached Excel file for the derivation of this factor by benefit over the experience period.

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11. Please reconcile the URRT admin expense load of 8.38% of premium with the Act Memo Dataset value of 8.02%.

Response: The Act Memo Dataset reflects the premium load for bad debt expense in the Profit/Risk Margin lines (Excel lines 79 and 87), while the URRT reflects this in the Administrative Expense Load. Because MVP believes that this is a projection of actual expenses MVP will need to recover, we feel it should be included in administrative costs. Please see the updated version of the Actuarial Memo Dataset attached to this response with the applicable changes.

12. Demonstrate numerically how the risk adjustment methodology described in the actuarial memorandum ties to the PMPM adjustment reflected in the URRT.

Response: Please see the tab "Question #12" in the attached Excel file.

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