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June 20, 2017

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

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

Dear Mr. Rugeberg:

This letter is in response to your correspondence received 06/13/2017 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. The memorandum states that MVP would seek a modification to the rates if the CSR subsidies are unfunded for 2018. Please provide the rates that MVP would propose in this scenario.

Response: If the CSR subsidies are unfunded for 2018, MVP proposes two methods to increase premiums that it views as actuarially equivalent - increasing the premium for all plans equally or increasing the Silver metal level plans by themselves. If MVP were to increase all premiums equally, it would result in approximately a 3.1% increase for all plans above currently proposed 2018 increases. If MVP were to increase its Silver plans only, an approximate 8.7% increase would be required.

To maintain a level playing field between carriers, MVP recommends that the Green Mountain Care Board dictate which of the two approaches outlined above would be applicable in the State of VT so MVP and BCBSVT adjust their premium rates in a consistent fashion. If the adjustment is applied inconsistently across carriers, one carrier would have overpriced Silver plan rates while the other carrier would have overpriced premiums at the other metal levels leading to uncompetitive premiums between carriers at each metal level.

Please see the attached exhibits which modify the "Rate Increase Exhibit" previously included with the filing for both of these proposed changes. Also, please note that MVP did not include new plans on this exhibit since they do not have membership as of February 2017. The new plan premiums would be the proposed premium shown on Exhibit 6 times 3.1% (for all new plans) or 8.7% (for Silver plans only) respectively.

2. The projected incurred claims by plan on Worksheet 2 of the URRT coincide with the corresponding values in column H of Exhibit 6 on a PMPM basis. These values reflect the increased cost due to induced utilization. However, the allowed amount implied by Exhibit 6 does not seem to agree with the Total Allowed Cost in the URRT. For example, the Platinum plan has Net Claim Cost of \$606.97 PMPM and a Benefit AV of 0.890 as displayed in Exhibit 6. This would seem to imply a projected allowed cost of \$681.99 PMPM, as opposed to the \$592.03 in the URRT. Please explain this apparent discrepancy.



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Response: MVP maintains the stance that the comparison of the “projected” allowed amount on Exhibit 6 of the rate filing and the actual projected allowed amount in the URRT is not an “apples to apples” comparison. MVP’s actual paid to allowed ratio in the experience period does not equal the book of business average benefit relativity, so we would not expect the trended Allowed claims in the URRT to be equal to the Projected Incurred Claims PMPM in the rate filing divided by the book of business average benefit relativity.

3. While we understand that the URRT Paid to Allowed factor will not tie to the experience period Paid to Allowed, we would anticipate that it would be consistent with the projected Paid to Allowed factors by plan provided in Column F of Exhibit 6. We understand that these factors are not the source of the URRT value, but they should logically be consistent. Please explain why these values appear to be quite different, or demonstrate that they are reasonably consistent.

Response: Please see the above response. MVP has populated its URRT to tie as closely as possible to Exhibit 6 of the rate filing while still populating Worksheet 1 with actual source data. The apparent contradiction is due to this disconnect between the pricing method of our rate filing and the way data is reported in the URRT.

4. Please provide the claims data in the “Trend & Projection Assumptions” section of the Actuarial Memo Dataset split separately into Medical and Rx claims.

Response: Please see the tab labeled “Question #4” in the attached Excel file.

5. Please provide an expanded version of the facility-level cost trend file provided previously, with the effective date of approved rate changes included by facility. This response may be provided confidentially.

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

6. Based on the persistency data provided, it appears that mid-year enrollment and terminations were roughly consistent in 2015 with the 2016 base period experience. As such, it is unclear why the “Adjustment for average policy during beginning of policy year” should be applied to Individual experience. The adjustment seems to implicitly assume that all Individual enrollees in 2018 will have coverage that is effective for 12 full months, which would be a break from past experience. Please clarify the purpose of this adjustment.

Response: While the data appears consistent between 2015 and 2016 in the Individual market, there have been a number of disruptions to the market for both years, including termination of MVP’s non-ACA compliant Individual plans, changes to the Medicaid system in Vermont, uncertainty regarding the status of MVP’s non-ACA compliant Association (Agriservices) business, and changes to the open enrollment timeline. Therefore, MVP is not confident that this data results in a trend as opposed to volatility within the system. Because the contracts as written are for 12 calendar months, using paid claim amounts that reflect less than 12 months of data could potentially leave MVP exposed if all members were to enroll in January (especially when using paid claims to rate, due to the nature of deductible leveraging).

7. It appears that the “Other” factor in the URRT reflects the combined impact of the pooling charge, the durational adjustment, and the leap year adjustment. Please tie the URRT value to these adjustments, and clarify whether the “Other” factor includes any other adjustments.

Response: The “Other” factor in the URRT only reflects the value of the leap year adjustment (365 days / 366 days). MVP does not reflect the durational adjustment or the pooling charge in the URRT.



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8. Provide actual bad debt as a percentage of premium for each of the last three years.

Response: Please see the following table which displays actual bad debt as a percentage of premium for the past 3 years. The average bad debt expense over this time period is 0.4% which is consistent with MVP's rate filing.

Bad Debt as a Percent of Premium, ACA Compliant Plans, 2014-16

Year	Group Size	Premium	Bad Debt	Bad Debt / Premium
2014	Small Group	\$9,054,927	\$26,404	0.29%
2014	Individual	\$13,347,427	\$38,258	0.29%
2015	Small Group	\$11,647,934	\$85,741	0.74%
2015	Individual	\$15,076,698	\$114,741	0.76%
2016	Small Group	\$16,420,702	\$0	0.00%
2016	Individual	\$18,599,822	\$40,288	0.22%

9. Please demonstrate how MVP developed the 1.0% assumption for the Health Insurer Fee in 2018.

Response: Please see the tab labeled "Question #9" in the attached Excel file. Please note that MVP is using estimated 2017 revenue based on its internal budget. Also, please note that since MVP operates in more than one state, this premium is not reflective of Vermont-specific business.

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