MVP HEALTH CARE
625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

April 26, 2017

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

Re: 2017 3Q/4Q Vermont Large Group HMO Rate Filing
SERFF Tracking #: MVPH-130977835

Dear Mr. Ruggeberg:

This letter is in response to your correspondence received 04/19/17 regarding the above mentioned rate filing. The responses to your questions are provided below.

1. It is unclear from your prior response how and if the billback will be accounted for in the manual rate for a group quote in 3Q or 4Q 2017. On the one hand, the response states that "MVP will be including these values in the manual rates," and relates this choice to adjusting the experience for a group to explicitly include an allowance for the billbacks. The next sentence states that "MVP has not reflected these amounts as claim expense in its manual rate calculations for the current filing," but will in the future. Please clarify how these statements are consistent.

Response: Please see the response below. MVP provided a very similar response for Objection #1, Question #4, but there has been some information added for clarification.

Consistent with SERFF# MVPH-130913726, MVP is treating all current billbacks/assessments as claim expense instead of a premium load. Therefore, MVP will be including these values in the manual rates as well as making adjustments to a group's experience period data when calculating a final combined rate. This states MVP's position on handling the current billbacks/assessments in both this filing as well as the other recent experience-rated filing submitted. Since the billback is being treated as a claim expense in the manual rate, it also needs to be added to a group's experience so that the same amount is assumed regardless of credibility.

MVP plans to include these expenses on any future rate filings for this block beginning with 1Q 2018. MVP is not reflecting the billback/assessments in the manual rate in the current filing. MVP generally will not refile approved manual rates unless there is concern that failing to do so could cause significant financial harm or if there are material regulatory or legislative changes that are made after rates are approved. MVP feels that the previously approved manual rates for 3Q and 4Q 2017 would not cause MVP significant financial harm should a new group be quoted and therefore we are not proposing to modify the approved manual rates. For consistency, MVP would not adjust a group's experience for this amount in 3Q or 4Q 2017 should a group be quoted on its HMO block of business. MVP intends to reflect adjustments to both the manual rate and the group's experience on future rate filings for this block of business.

2. Your prior response indicates that MVP will make "adjustments to a group's experience period data when calculating a final combined rate" to account for the billbacks. Please demonstrate where in the Experience Rating Formula this adjustment is made. If the Experience Rating Formula does not reflect MVP's actual rating practices, the filed exhibit needs to be updated. We note this might impact the filed exhibit for the open filing MVPH-130913726.

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Response: Beginning in 1Q 2018 for this block, MVP will be making this adjustment on Exhibit A of the Experience Rating Formula, Section "III. Experience Pure Premium Calculation", Subsection "Claims Information", line "4 – Other non fee for service medical expenses". Included in this line are all claim expenses that do not flow through MVP's medical and pharmacy claim warehouses (please see the table titled "Summary of Capitations and Non-FRDM Claim Expenses" in the Actuarial Memorandum for MVPH-130913726 for an example of items that are included).

3. It appears that the proposed rating methodology creates several inconsistencies between the rate basis for fully credible groups and partially credible groups. Please justify the following:

a. The manual rate does not reflect the billbacks as claim expense in the current filing, but the experience for a group will be adjusted to reflect anticipated billbacks. This would seem to disproportionately place the burden of funding billbacks on more credible groups, and would lead to inadequate funding for the billback if any manual rating occurs.

Response: Please see the response provided in question 1. MVP agrees that not including the billback amounts in one component of the potential rate but not the other is not actuarially sound. MVP will not be adjusting a group's experience for the billbacks until they are also included in the manual rate.

b. The trend assumption underlying the manual rate differs from the trend applied to group claims experience.

Response: MVP agrees that the trend assumptions differ between the manual rates and the Experience Rated Addendum. As stated above, MVP feels that the manual rates that have already been approved for the time period reflected would not cause significant financial harm as there is no revenue at risk and therefore is not proposing to modify the manual rates to be consistent with the trends in the addendum.

c. The manual rate is effectively reduced by the age/gender normalization, whereas the experience rate is not.

Response: MVP agrees that the previously approved manual rates will be effectively reduced by the age/gender normalization for this filing, whereas the experience rate is not being reduced by the proposed age/gender table change. MVP recognizes this discrepancy which will be adjusted in the 1Q 2018 filing. Due to the fact that there is no revenue at risk in this filing, MVP would prefer not to modify the previously approved manual rates to account for this discrepancy.

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