

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company First)	GMCB-021-14rr
Quarter 2015 and Second Quarter 2015)	
Large Group EPO/PPO Manual)	
Rate Filing)	SERFF No.: MVPH-129676042
)	

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)(B). 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 August 12, 2014, MVP Health Insurance Company (MVPHIC) submitted its First Quarter 2015 (1Q15) and Second Quarter 2015 (2Q15) Large Group EPO/PPO Manual Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).

http://ratereview.vermont.gov/sites/dfr/files/GMCB_021_14rr_SERFF_9_25_14.pdf. The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this rate filing.

On October 14, 2014, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E), and the Vermont Department of Financial Regulation's (Department) analysis and opinion regarding the impact of the proposed filing on the insurer's solvency. See http://ratereview.vermont.gov/sites/dfr/files/GMCB_021_14rr_Actuarial_Memo.pdf (L&E Memo); http://ratereview.vermont.gov/sites/dfr/files/GMCB_021_14rr_Solvency_Analysis.pdf (DFR Solvency Analysis). The Board received no comments during the public comment period that ran from August 14 through October 27, 2014.

The parties have waived a hearing pursuant to GMCB Rule 2.000 and each has filed a memorandum in lieu of hearing.

Findings of Fact

Nature of the Filing

1. MVPHIC is a for-profit New York health insurer that provides PPO and EPO products to individuals and employers in the small and large group markets in New York and Vermont. MVPHIC 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 is a large group EPO/PPO plan. There are approximately 50 policyholders and 6,169 covered lives. Approximately 4,338 of these lives are covered by high deductible health plans (HDHP).

3. This filing covers members renewing in 1Q15 and 2Q15. Seventy percent of the plan's membership will renew in 1Q15, and eleven percent will renew in 2Q15.

4. MVPHIC is requesting an average annual decrease for HDHP members of -6.8% and -6.7% for 1Q15 and 2Q15, respectively. For the same periods, non-HDHP members' rates would increase by 6.3% for the 1Q15, and 6.5% for 2Q15.

Summary of the Data and Analysis

5. MVPHIC used grandfathered and non-grandfathered small group EPO/PPO and HDHP incurred claim data for the period January 1, 2013 through December 31, 2013, completed through May 31, 2014 as its base experience period. MVPHP removed claims in excess of \$100,000 and added a pooling charge, based on its historical experience.

6. The adjusted claims were projected forward using an 8.1% annual effective medical trend assumption for the Non-HDHP products and an 8.2% trend for HDHP products.

7. Prescription drug claims were projected forward using a 7.8% annual effective drug trend for non-HDHP products and a 10.2% trend for HDHP products. The annual trend factors by drug category were supplied by the carrier's pharmacy vendor, and do not account for its Vermont-specific book of business. In addition, MVPHIC increased the 2015 specialty unit cost trend to account for the drug Sovaldi, a high cost drug approved for use in December 2013 to treat Hepatitis C.

8. MVPHIC increased the claim cost for fees and surcharges, and included administrative expenses of 9.5% for administrative costs and a 2.0% contribution to surplus. For 2013, MVPHIC's Supplemental Health Care Exhibit (for all markets) indicates a 10.8% administrative load.

9. The Department of Financial Regulation, noting that it is not the carrier's primary regulator, determined that the carrier's Vermont operations pose very little risk to its solvency, or to the solvency of MVP Holding Company. Solvency Analysis at 2.

10. On review, L&E recommends that MVPHIC use the approved prescription drug trend from the 2015 Vermont Health Connect Filing (Docket no. GMCB 017-14rr, *available at* http://ratereview.vermont.gov/rate_review/MVPH-129560321) as a starting point for its drug trend calculation because its pharmacy vendor's data, on which it bases the trend in this filing, is not Vermont-specific.

11. The HCA supports the modification to the drug trend recommended by L&E, and also requests that the Board lower the contribution to surplus from 2.0% to 1.0% to promote affordability.

Standard of Review

1. The Board reviews rate filings to ensure that rates are affordable, promote quality care and 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)(2); GMCB Rule 2.000, *Rate Review*, §§ 2.301(b), 2.401. 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).

2. As part of its review, the Board will consider the Department's analysis and opinion on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a)(2), (3). In addition, the Board shall consider any public comments received on a rate filing. Rule 2.000, § 2.201.

3. The burden falls on the insurer proposing a rate change to justify the requested rate. *Id.* § 2.104(c)

Conclusions of Law

1. First, as we have in two recent MVP decisions, we accept L&E's recommendation that MVPHIC should utilize the same pharmacy trend we approved for its 2015 Vermont Health Connect Rate filing, which, unlike the trend proposed in this filing, is derived from Vermont specific population and data. *See* In re: MVP Health Plan, Inc. 2015 Vermont Health Connect, Docket no. GMCB-017-14rr at 9-10, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_017_14_rr_Decision.pdf (discussing why the pharmacy benefit manager's trend does not reflect Vermont population); *see also* Docket no. GMCB-020-14rr, at 4, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_020_14rr_Decision.pdf. This results in approximately a -0.1% change to the overall rate change for 1Q15 and the prescription drug rider's rate change for 2Q15. L&E Memo at 7. The Board remains concerned about the increasingly large increase in the specialty pharmacy trend due to the introduction of high-cost drugs like Sovaldi to the market and expect MVP to explore ways to moderate the rise in cost and utilization of such drugs.

2. Next, we reduce MVPHIC’s contribution to surplus from 2% to 1%, for two reasons. First, as the Solvency Analysis explains, the carrier’s Vermont operations pose very little risk to its solvency, or to the solvency of MVP Holding Company. Solvency Analysis at 2. Second, this change makes the rates more affordable for Vermonters, who are most directly affected by health care premium increases. Where, as here, we can lessen the impact to Vermont ratepayers without harming the solvency of the carrier, we have consistently taken that route. *See, e.g., In re: MVP Health Plan, Inc. 2015 Vermont Health Connect, Docket no. GMCB-017-14rr, at 14.*

Order

For the reasons discussed above, the Board modifies MVPHIC’s 1Q15 and 2Q15 Large Group EPO/PPO Manual Rate filing to reflect the pharmacy trend that we approved for MVP’s 2015 Vermont Health Connect Rate filing and a 1.0% reduction in the requested contribution to surplus and then approves the filing. As a result of the modifications, we estimate the average annual rates for members renewing HDHPs in the in 1Q15 and 2Q15 to be approximately -7.90% and -7.70%, respectively, and average annual rates for Non-HDHPs in 1Q15 and 2Q15 to be approximately 5.20% and 5.50%, respectively.

So ordered.

Dated: November 10, 2014 at Montpelier, Vermont

<u>s/ Alfred Gobeille</u>)	
)	
<u>s/ Betty Rambur</u>)	GREEN MOUNTAIN
)	CARE BOARD
<u>s/ Allan Ramsay</u>)	OF VERMONT
)	

Filed: November 10, 2014

Board members Cornelius Hogan and Jessica Holmes did not participate in this decision.

Attest: s/ Janet Richard
Green Mountain Care Board, Administrative Services Coordinator

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: Janet.Richard@state.vt.us).
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.