

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: The Vermont Health Plan, LLC )  
3Q 2015 Large Group Rating Program Filing ) GMCB-04-15-rr  
)

The Vermont Health Plan, LLC's Reply Memorandum

The Vermont Health Plan, LLC (TVHP) files this Reply Memorandum to clarify the record before the Green Mountain Care Board (GMCB).

In its Memorandum, the HCA asserts that “TVHP’s estimated 5.8% medical trend is at the high end of the range calculated by L&E, whereas 5.5 % is directly in the middle.” HCA Memo, p. 4. In fact, L&E’s opinion states that “[t]he estimated range for actual results is 3.4% to 7.6%.” L&E opinion, p 7. We think that a fair reading of L&E’s opinion suggests that a medical trend of 5.8 % is simply *not* at the high end of the range.<sup>1</sup> Furthermore, elsewhere on the same page, L&E concludes “the Company’s revised proposed total allowed medical trend of 5.8% is higher than L&E’s best estimate, but it *fits comfortably within the estimated range of actual results. L& E considers the Company’s revised allowed medical trend of 5.8% to be reasonable and appropriate.*” Id. L&E *recommends* that the GMCB approve a 5.8% allowed medical trend. Id., p. 10. “L&E believes that [a 5.8% allowed medical trend] does not produce rates that are excessive, inadequate, or unfairly discriminatory.” Id.

The HCA’s Memorandum also claims that, “if TVHP is correct and large groups continue to buy plans with lower actuarial value, both L&E and TVHP have overestimated the utilization trend, inflating the medical trend further.” See HCA Memo, p. 5. This assertion by the HCA is without support in the record, is fundamentally flawed and should be ignored. First, HCA fails to understand that, if a “trend of large groups purchasing plans with lower actual value [continues], resulting in further decreases in utilization,” such activity will be fully accounted for in the benefit relativities found in the filing and the induced utilization included in those

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<sup>1</sup> HCA also claims that “L&E found that TVHP did not use updated information on the cost of hepatitis C treatment, and as a result recommends that the Board decrease the pharmacy trend from 10.0% to 8.8%.” HCA memo, p. 3. Although it does not affect the outcome, we must note that this claim by HCA is both misleading and incorrect. While the filing was under review, *TVHP* used emerging pricing information to revise our original estimate which resulted in a reduction in pharmacy trend. See, L&E Opinion, page 8.

relativities. Second, the HCA fails to understand that the trend assumption must be normalized to be independent of such benefit changes, otherwise double counting would occur.

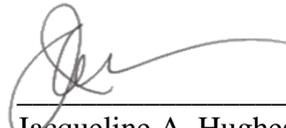
Finally, the HCA further asserts that “L&E states that TVHP only needs 1.1% CTR to maintain its current levels of reserves.” Id. P. 5. The HCA misunderstands the full import of L&E’s actual statement which we reproduce here.

Using the revised allowed trend of 6.4 %, a CTR of 1.1% is required to maintain RBC levels at their current levels *due to the impact trend*. *L&E believes the proposed CTR of 2.0% is reasonable in order to maintain RBC levels in light of medical trend and provide an adequate margin over and above the minimum to keep appropriate RBC levels in the case of an adverse event without being excessive.*

L&E, p. 9. In short, L&E’s opinion did not suggest or recommend a 1.1% CTR, but rather stated quite plainly that a 2.0% CTR is its recommendation.

TVHP requests the GMCB approve its 3Q2015 large group rating program filing as modified by L&E’s April 6, 2015 recommendations. TVHP agrees with L&E’s suggested modifications and requests that no further modifications be made.

Dated at Berlin, Vermont, this 27th day of April, 2015.



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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of TVHP’s Reply Memorandum has been duly served upon Michael Donofrio, General Counsel to the Green Mountain Care Board, and Kaili Kuiper, Office of Vermont Health Advocate, by electronic mail, return receipt requested, this 27th day of April, 2015.



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