

# PRIMMER

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August 3, 2015

VIA EMAIL AND U.S. MAIL – [Judy.Henkin@state.vt.us](mailto:Judy.Henkin@state.vt.us)

Judith Henkin, Esq., Health Policy Director  
Green Mountain Care Board  
89 Main Street, Third Floor  
City Center  
Montpelier, VT 05620

Re: MVP Health Care 2016 Vermont Health Connect  
Rate Filing – Docket No. GMCB-007-15rr

Dear Judith:

Enclosed for filing in the above matter, please find MVP's Post-Hearing Memorandum and Certificate of Service.

Yours truly,



Gary F. Karnedy

Enclosures

Cc: Michael N. Donofrio, Esq.  
Kaili Kuiper, Esq.  
Lila Richardson, Esq.

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Care 2016	)	
Vermont Health Connect Rate Filing	)	DOCKET NO. GMCB-007-15rr
	)	
SERFF No. MVPH-130053210	)	
	)	

**MVP’S POST-HEARING MEMORANDUM**

MVP Health Plan, Inc. (“MVP”), by and through its counsel, Primmer Piper Eggleston & Cramer PC, submits this Post-Hearing Memorandum to the Green Mountain Care Board (the “Board”), pursuant to Board Rule 2.307(g), in support of its 2016 Vermont Exchange Rate Filing, to increase its rates by an average of 2.6% across all MVP Products.

1. **Standard of Review.** Health insurance rates in Vermont must be approved before they are implemented. *See* 8 V.S.A. § 4062(a) and § 5104(a). The Board is empowered to approve, modify, or disapprove requests for health insurance rates. *See* 18 V.S.A. § 9375(b)(6); 8 V.S.A. § 4062(a). MVP bears the burden of demonstrating that its rates satisfy the statutory standards. *See* Board Rule 2.104(c). “In deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory. . . .” Board Rule 2.401. The Board must take into consideration the requirements of the underlying statutes; changes in health care delivery; changes in payment methods and amounts; the Vermont Department of Financial Regulation’s (“DFR”) solvency analysis; and other issues at the discretion of the Board. *See id.*

The Board shall modify or disapprove a rate request only if it is “unjust, inequitable, misleading, or contrary to law of the State or plan of operations, or if the rates are excessive,

inadequate or unfairly discriminatory, fail to protect the organization's solvency, or fail to meet the standards of affordability, promotion of quality care, and promotion of access." 8 V.S.A.

§ 5104(a)(2).

2. **Questions From the Board.** During the course of the MVP rate hearing held on July 28, 2015 ("the Hearing"), the Board posed specific questions to MVP regarding its rate filing and related issues. Those questions, and MVP's responses follow:

a. What return is MVP now receiving on the \$3.16 attributable to QI, and can MVP quantify how that \$3.16 for QI is spent? Further, how is that QI actually helping patients, and is there an expectation that that portion of the cost may be lowered as some of the responsibility for patient quality assurance is shifted to providers through items like BluePrint and ACOs?

**RESPONSE: MVP undertakes quality improvement activities for a number of reasons. We are dedicated as a company to improving the health of our members (our tag line is "Take on life and live well"). This is an important component of the services we offer our self-insured customers who require these programs, and we are required by a number of regulatory authorities to have such programs. For example, NCQA requires a variety of QI activities and demonstration of results. DFR Rule H-2009-03 and Act 129 (mental health and substance abuse) have required separate QI programs, and like NCQA, rated us on the comprehensiveness and success of the programs, and could impose corrective action plans if they deemed necessary. With the recent changes to H-2009-03 from this past legislative session, DFR will deem us in compliance if we are NCQA accredited and not require separate QI programs.**

**As for utilization management, we have just started a comprehensive review of all of our UM requirements to last over the next year to evaluate what value, if any, each brings to our company. We will eliminate those where we find no value added or where no savings are recognized. We are looking at the impact of the review requirements on our members and providers as part of this evaluation process.**

b. The Board asked MVP to provide the AV metal levels by plan offering.

**RESPONSE: See Exhibit 15 attached hereto. Page 1 reflects the 2016 membership projection as requested with corresponding AV metal levels by plan offering. Page 2 shows the rate increases by plan assuming MVP's recommendation is approved.**

c. The Board asked MVP to provide projected enrollment numbers by plan.

**RESPONSE:** *See Exhibit 15 attached hereto. Page 1 reflects the 2016 membership projection as requested with corresponding AV metal levels by plan offering. Page 2 shows the rate increases by plan assuming MVP's recommendation is approved.*

3. **2.6% Rate Increase – Inadvertent Miscalculation.** Due to an oversight, MVP miscalculated its rate request percentage discussed at the Hearing. MVP should have requested a rate of 2.6% rather than 2.4% discussed at the Hearing.

In working on responses to requests for information made by the Board at the Hearing, MVP actuaries realized on July 29<sup>th</sup> that in calculating the 2.4% increase, they did not recognize one variable in the calculation of the rate increase (the loss ratio) due to simply picking the numbers off of Lewis and Ellis's ("L&E's") July 15, 2015 opinion (Exhibit 9) without actually recalculating the rates with the accepted changes. MVP immediately undertook the proper calculation, which supports the 2.6% increase figure, rather than the 2.4% increase figure. *See Stipulated Exhibit MVP 14.* MVP promptly conferred with Hearing Office Henkin and opposing counsel in the morning of July 30<sup>th</sup>. MVP requested that Ms. Fish be allowed to confer with Ms. Lee and Ms. Novak on the math adjustment, and determine whether the parties could simply stipulate to the adjustment. After conferring with Ms. Fish, both Ms. Lee and Ms. Novak have stipulated to the accuracy of MVP's 2.6% figure and math adjustment. *See Stipulated Exhibit MVP 14.*

All of the documentary evidence submitted at the Hearing by MVP, along with the witnesses' testimony, supported a rate filing increase of 2.4%. All of MVP's documentary evidence and testimony similarly support the 2.6% rate increase. The change from 2.4% to 2.6% is merely a math adjustment. The data, exhibits and supporting testimony need not be changed, save the addition of the attached stipulated Exhibit MVP 14, which shows MVP's corrected math, and support the 2.6% increase. *See Stipulated Exhibit MVP 14.*

4. **Solvency.** The Vermont Department of Financial Regulation (“DFR”) has indicated that both MVP’s originally proposed 3.0% rate increase, and the 2.4% rate increase proposed by MVP at the Rate Hearing, will have the impact of sustaining the current level of solvency of MVPHP and MVP Holding Company. *See Exhibit 8, Ryan Chieffo Hearing Testimony.* Consequently, since the 2.6% rate increase proposal is between 2.4% and 3.0%, the Board may conclude that the 2.6% rate will similarly have no adverse impact on solvency.

5. **Single Conversion and Demographic Factors.** MVP’s use of the 2014 actual membership data, in calculating the single conversion and demographic factors was actuarially sound. *Testimony of Fish and Lee.* The MVP data was superior to the March 2015 one month snapshot enrollment data used by L&E. *Testimony of Fish.* Because L&E used only a one month snapshot, it was required to make an additional assumption for 2016, a demographic adjustment. *Testimony of Lee and Fish, Exhibit 12, Exhibit MVP 14.* Because MVP used a full 12 months of data, it did not have to base its opinion on the rate increase on this additional assumption, and its calculation of a 2.6% rate increase is superior and less speculative than the 2.7% increase proposed by Lewis & Ellis. *Fish Testimony, Exhibit MVP 14.*

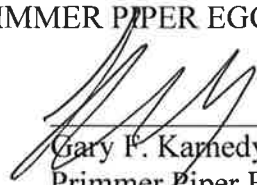
6. **Donna Novak Testimony on URRT.** Ms. Novak’s testimony regarding the URRT does not raise a valid or relevant concern that the Board need consider in this rate filing case. *Fish Testimony, Lee Testimony.* The URRT issues she raised have no material impact on the rates proposed and considered in this case, are not material to the Board’s consideration of MVP’s rate filing and need not be considered by the Board. *Fish Testimony, Lee Testimony.* MVP reported accurately on all URRT forms. *Fish Testimony, Lee Testimony.* Ms. Novak admitted that she is not seeking an adjustment to MVP’s proposed rates based on the URRT issues she raised. *Novak Testimony.*

7. Conclusion. For all of the reasons stated above, the Board should find that MVP has met its statutory burden, and approve MVP's proposed 2.6 rate increase.

Dated at Burlington, Vermont, this 3<sup>rd</sup> day of August, 2015.

PRIMMER PIPER EGGLESTON & CRAMER PC

By:



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*Attorney for MVP Health Plan, Inc.*

CERTIFICATE OF SERVICE

I, Gary F. Karnedy, Esq., hereby certify that I have served the above MVP's Post-Hearing Memorandum, via electronic mail and U.S. mail, on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Green Mountain Care Board Health Policy Director, Lila Richardson, Staff Attorney, Office of Health Care Advocate, and Kaili Kuiper, Esq., Staff Attorney, Office of the Health Care Advocate, P.O. Box 606, Montpelier, Vermont 05601.



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Gary F. Karnedy, Esq.  
Primmer Piper Eggleston & Cramer PC  
*Attorneys for MVP Health Plan, Inc.*



**SINGLE CONVERSION FACTOR**  
**COMPARISON OF MVP AND L&E ACTUARIAL ASSUMPTIONS**

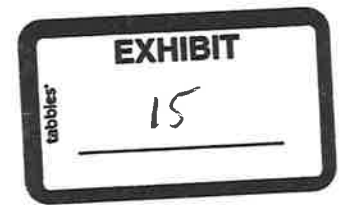
	<b>MVP</b>	<b>L&amp;E</b>
<b>Net Impact on Rate Increase</b>	<b>2.6% Rate Increase</b>	<b>2.7% Rate Increase</b>  <b>0.1% Add On</b>
<b>Enrollment Data Used</b>	2014 Actual Enrollment	March 2015 Snapshot Enrollment
<b>Demographic Factor</b>	1.583 (Applied Actual 2014)	1.614 (One Month of 2015)
<b>Target Loss Ratio*</b>	<b>87.62%</b>	<b>87.78%</b>
<b>Single Conversion Factor</b>	14.5%	12.6%

Calculation for \$100 of Premium PMPM

	Projected Claim Cost PMPM (no Demographic Adjustment)	Demographic Adjustment	Projected Claim Cost PMPM (Reflects Demographic Adjustment)	Target Loss Ratio (Reflects Non-Claim Expenses)	Single Conversion Factor	Single Rate
MVP	\$100.00	X 1.00	= \$100.00	÷ 87.62%	X 1.145	= \$130.68
L&E	\$100.00	X 1.02**	= \$102.00	÷ 87.78%	X 1.126	= \$130.84
					Single Rate Differential =	0.1%

\* Target Loss Ratio = 1 – Non-Claim Expenses. As the net claims cost increases, the non-claim expenses as a percentage of claims cost decreases.

\*\* 1.614/1.583



**2016 Vermont Exchange Projected Membership, Small Group vs. Individual**

Plan Name	Size	Avg Members	Fed AVC	Metal Value
Platinum Standard HMO	INDV	997	0.890	Platinum
Gold Standard HMO	INDV	187	0.810	Gold
Gold Non-Standard HMO	INDV	142	0.781	Gold
Gold Non-Standard HDHP	INDV	104	0.783	Gold
Silver Standard HMO	INDV	1163	0.716	Silver
Silver Standard HDHP	INDV	980	0.701	Silver
Silver Non-Standard HMO	INDV	1179	0.689	Silver
Bronze Standard HMO	INDV	2058	0.614	Bronze
Bronze Standard HDHP	INDV	825	0.610	Bronze
Bronze Non-Standard HMO	INDV	934	0.599	Bronze
Catastrophic Standard HMO	INDV	94	0.584	Catastrophic
Platinum Standard HMO	SMAL	961	0.890	Platinum
Gold Standard HMO	SMAL	315	0.810	Gold
Gold Non-Standard HMO	SMAL	296	0.781	Gold
Gold Non-Standard HDHP	SMAL	232	0.783	Gold
Silver Standard HMO	SMAL	968	0.716	Silver
Silver Standard HDHP	SMAL	1073	0.701	Silver
Silver Non-Standard HMO	SMAL	814	0.689	Silver
Bronze Standard HMO	SMAL	593	0.614	Bronze
Bronze Standard HDHP	SMAL	577	0.610	Bronze
Bronze Non-Standard HMO	SMAL	504	0.599	Bronze
Platinum Standard HMO	TOTAL	1958	0.890	Platinum
Gold Standard HMO	TOTAL	502	0.810	Gold
Gold Non-Standard HMO	TOTAL	438	0.781	Gold
Gold Non-Standard HDHP	TOTAL	336	0.783	Gold
Silver Standard HMO	TOTAL	2131	0.716	Silver
Silver Standard HDHP	TOTAL	2053	0.701	Silver
Silver Non-Standard HMO	TOTAL	1993	0.689	Silver
Bronze Standard HMO	TOTAL	2651	0.614	Bronze
Bronze Standard HDHP	TOTAL	1402	0.610	Bronze
Bronze Non-Standard HMO	TOTAL	1438	0.599	Bronze
Catastrophic Standard HMO	TOTAL	94	0.584	Catastrophic



**2016 Vermont Exchange Rate Increases assuming MVP's recommended average 2.6% approved by GMCB**

Plan Name	Rate Increase- MVP Recommendation
Platinum Standard HMO	2.3%
Gold Standard HMO	3.0%
Gold Non-Standard HMO	0.0%
Gold Non-Standard HDHP	New in 2016
Silver Standard HMO	1.9%
Silver Standard HDHP	2.8%
Silver Non-Standard HMO	3.7%
Bronze Standard HMO	2.8%
Bronze Standard HDHP	-2.2%
Bronze Non-Standard HMO	1.1%
Catastrophic Standard HMO	26.8%