

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

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| In re: MVP Health Insurance Company |) | |
| 1Q and 2Q 2015 Large Group Existing Products |) | GMCB-10-15-rr |
| Filing |) | |
| |) | |
| SERFF No. MVPH—130178700 |) | |

MEMORANDUM IN LIEU OF HEARING

I. Introduction

In this filing, MVP Health Insurance Company (MVP) has requested quarterly rate increases for the first and second quarters of 2016 for its EPO/PPO large group experience-rated products. The Office of the Health Care Advocate (HCA) asks the Green Mountain Care Board (the Board) to decrease the requested rate by reducing pharmacy trend and the contribution to surplus to match MVP’s approved 2016 Exchange filing.

II. Background

MVP submitted this filing for review by the Board on July 23 , 2015. On August 13, 2015, the Board released its decision in MVP’s 2016 Health Exchange rate review case, GMCB 07-15-rr. This decision approved the pharmacy trend proposed by MVP for that filing and also approved MVP’s requested 0% contribution to surplus.

The Department of Financial Resources (DFR) presented a solvency analysis for this filing dated September 8, 2015. DFR stated in its analysis that “MVPHIC’s Vermont operations pose little risk to its solvency” and that the “proposed rate will likely have the impact of sustaining MVPHIC’s current level of solvency.” Solvency Analysis p. 2.

On September 21, 2015, the Board's actuary, Lewis & Ellis (L&E), filed its Actuarial Memorandum. L&E submitted a revised Memorandum on September 24, 2015 with a revised chart showing the annual rate changes which would result from the proposed quarterly increases for the first and second quarter after adjustments for age/gender normalization and the impact of changes in the target loss ratio. L & E recommended that the Board modify the filing by lowering the pharmacy trend assumption to be consistent with the approved pharmacy trend from the 2016 Exchange filing.

The HCA filed a Notice of Appearance in this matter as a party pursuant to GMCB Rule 2.105(b).

III. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the Green Mountain Care Board before implementing health insurance rates. 8 V.S.A. §4062(a); The Green Mountain Care Board has the power to approve, modify, or disapprove requests for health insurance rates." 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). The insurer has burden of showing that its rates are reasonable. GMCB Rule 2.104(c).

When "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." GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3). In addition, the Board shall take into consideration the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amounts, DFR's Solvency Analysis and other issues at the discretion of the Board. GMCB Rule 2.000 §2.401; 18 V.S.A. §9375(b)(6). Further, the Board

“shall consider any comments received on a rate filing and may use them to identify issues.”

GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries, and DFR, DFR’s Solvency Analysis and the Opinion from the GMCB’s actuary. GMCB Rule 2.000 §2.403(a).

IV. Analysis and Argument

The HCA agrees with L&E that pharmacy trend should be lowered to reflect the approved pharmacy trend for MVP’s 2016 Exchange filing. As L& E notes, MVP proposed a trend that was “materially higher” than the trend requested in the Exchange filing and “provided insufficient justification for modifying the trend assumptions between the two filings.” Actuarial Memorandum at page 15. Using the “Low Estimate” rather than the “Best Estimate” from MVP’s pharmacy benefit manager results in a .5% rate decrease for the first quarter and a .1% decrease for the second quarter of 2016. *Id.* at page 17.

MVP is requesting a 2% contribution to surplus in this filing. This is in marked contrast to its requested 0% contribution requested by MVP Health Plan, Inc. in the 2016 VHC filing. The only rationale for the requested 2% contribution is a brief statement in the SERFF filing: “Contribution to Surplus: To meet statutory reserve requirements, MVP is filing a contribution to surplus of 2.0% for this filing.” SERFF filing at page 13. This contribution rate is inconsistent with recent decisions of the Board concerning MVP’s Large Group EPO/PPO filings which lowered a requested 2% contribution to 1%. GMCB 01-15-rr Decision at page 4, GMCB 021-14-rr Decision at page 4. To promote affordability of the rates for this filing, the HCA asks the Board to approve a contribution rate which is as low as possible and no greater than 1%.

The L & E analysis of this rate filing does not include any discussion of some of the important factors considered by the Board in deciding whether to accept, modify or reject proposed rates, i.e. whether those rates will be affordable, promote quality care and promote access to health care. These criteria were first incorporated into the rate review process as part of Act 48, An act relating to a universal and unified health system, of the 2011-2012 legislative session.

Lowering the rate increase for this filing will make the rate more affordable which will in turn promote access to health care. Although the proposed rate increase is lower than the 10% rate increase threshold which requires a review for reasonableness under the Patient Protection and Affordable Care Act of 2010, the requested increase will be very difficult for Vermonters to afford in the current economic climate.

The requested rate increase far exceeds the average national increase in other costs for the past year. According to the Consumer Price Index, the cost of all items rose only .2% in the 12 month period ending August 2015. Consumer Price Index. *Economic News Release*. September 16, 2015. <http://www.bls.gov/news.release/cpi.nr0.htm>

Increases in the rates charged to employers who purchase products in the group insurance market make it difficult for the businesses to continue to offer affordable health insurance and other compensation to their employees. According to the 2014 Vermont Household Health Insurance Survey, 59.1% of working uninsured adults who have access to employer sponsored insurance indicated that they did not purchase their employer's health insurance plan because it was too expensive. Survey at page 48.

<http://hcr.vermont.gov/sites/hcr/files/2015/2014%20VHHIS%20Comprehensive%20Report%20.pdf>

V. Conclusion

For all of the reasons set forth in this Memorandum, the HCA asks the Board to modify MVP's requested rate increase to provide policy holders with the most affordable rates possible. Specifically, we ask the Board to make the rate modification recommended by L&E and to reduce the contribution to surplus from 2% to no more than 1%.

Dated at Montpelier, Vermont this 14th day of October, 2015.

s/ Lila Richardson
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CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Notice of Appearance on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, Counsel to MVPHIC, by electronic mail, return receipt requested, this 14th day of October, 2015.

s/ Lila Richardson
Lila Richardson
Staff Attorney
Office of the Health Care Advocate