

AgriServices has two divisions of association members: Dairymen and ASA. Prior to the 2013 rate development, the fully insured premium rates were derived separately for each group with the expected claim liability as the basis for the Dairymen premium rates and the maximum claim liability as the basis for the AgriServices premium rates. However, the entire population is used in developing the expected claim liability and therefore the fully insured premium rates are computed using the same expected claim liability for both groups. This began in the 2013 filing and is continued in this filing.

Lewis and Ellis Recommendation

L&E recommended approval of the filing, with two modifications. They recommended a change on the calculation of the single conversion factor based on the June 2015 enrollment distribution, rather than MVPHIC's standard practice of using a single conversion factor using experience period membership as compared to the current composite claims liability to determine the projected increase in claim liability. This resulted in a reduction of 0.9% in the requested rate increase. Secondly, they recommended weighting the assumed allowed cost trends by the group specific medical and Rx claims experience, which would reduce the rates by 0.3%. Their total recommendation would reduce the requested rate increase from 27.4% to 25.9%.

Otherwise, L&E found all of MVPHIC's assumptions and analysis reasonable and appropriate. Of special note is L&E's comment on page 2, numbered paragraph 6: *"The substantial rate increase is driven primarily by actual trends far exceeding expectations. The observed trend between the 2014 experience period and the 2015 experience period is 30.4% for medical and 55.8% for Rx (total observed trend of 32.6%). This outpaces the premium increase from the same periods of less than 6%. **The experience period medical loss ratio for members who are still active was 109.2%. A substantial rate increase is necessary to reduce this loss ratio back to sustainable levels.**"*

MVPHIC Response

MVPHIC appreciates L&E's thoughtful analysis of this filing and careful consideration of the factors that went into calculation of the proposed rate increase.

As for the two proposed reductions, MVPHIC notes the following. Rate change development and single conversion factor: L&E proposed a change to the demographic assumption by using a single month in time, June 2015, rather than the experience period enrollment distribution. MVPHIC does not believe a demographic snapshot is a better measure for the calculation of the single conversion factor (and has consistently used this method in its past filings). MVPHIC utilizes experience period enrollment to determine the single conversion factor because the population used to derive the single conversion factor is consistent with the population that is the basis of MVPHIC's claim and diagnosis data. L&E's analysis discounts actual claims and diagnosis data, and relies solely on demographic data for one month. MVPHIC recommends the GMCB not accept L&E's recommendation related to the change in the single conversion factor.

Weighting the assumed allowed cost trends by AgriServices medical and Rx claims experience: MVPHIC combined the allowed trend factors using the filed and approved large group EPO/PPO formula and values in the experience rated addendum.

L&E recommended using the AgriServices only claims experience. Using AgriServices experience only would be to deviate from what's on file and previously approved. MVPHIC does not agree with this recommendation.

MVPHIC acknowledges the size of the requested rates increases. However, it is important to note that AgriServices members have the option to move to Exchange plans, in order to see less of a premium increase. They do not need to stay in this plan. AgriServices has informed MVPHIC that it is prepared to work with its members who are interested in exploring this option.

Finally, with respect to the L&E opinion, they did not recommend any reduction to MVPHIC's contribution to surplus of 1%. Therefore, MVPHIC asks that the Board not make any reductions to this element of the filing.

MVPHIC also points out that the Health Care Advocate did not retain an expert in this filing. Therefore, the only two experts are the Board's own actuary and MVPHIC's actuaries. L&E and MVPHIC's actuaries have both agreed that a significant rate increase is necessary to reduce the loss ratio level back to sustainable levels, after considerable and careful analysis of every aspect of the filing. Therefore, the GMCB has no basis on which to conclude that any further changes to the rates as filed should be made.

Conclusion

For the reasons stated above, MVPHIC requests that the GMCB approve the rates as filed and not reduced as recommended by L&E.

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CERTIFICATE OF SERVICE

I, Susan Gretkowski, hereby certify that I have served the above Memorandum in Lieu of Hearing on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel for the Health Care Advocate, by electronic mail this 8th day of December, 2015.

s/ Susan Gretkowski
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