

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In Re: )  
MVP Health Insurance Company ) GMCB 20-14-rr  
First and Second Quarter 2015 )  
Grandfathered Small Group PPO ) SERFF No.: MVPH-1296622  
Rate Filing )

HCA MEMORANDUM IN LIEU OF HEARING

I. Introduction

MVP Health Insurance Company (MVP) submitted its proposed filing for its 2015 Grandfathered Small Group PPO plans for the first and second quarters of 2015 to the Green Mountain Care Board (the Board) on July 31, 2014. The filing covers an estimated 3,000 members. MVP is requesting an average 8.7% rate increase.

On September 24, 2014, the Department of Financial Regulation (DFR) submitted its review of MVP's financial solvency and on September 25, 2014, Lewis and Ellis (L&E), the contracted actuaries for the Board, submitted their Actuarial Opinion on this filing. L & E recommended two modifications to the proposed rate, and DFR determined that the proposed rate would likely have no impact on MVP's solvency.

The Office of Health Care Advocate (HCA) entered an appearance in this matter pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303 on August 6, 2014. The parties have agreed to waive the hearing for the filing.

II. 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 the burden to show that its proposed rates are reasonable. GMCB Rule 2.00 §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); 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).

### III. Analysis

#### *Medical and Pharmacy Trends*

L& E has found the proposed medical trend for this filing to be reasonable and appropriate, but has opined that it finds MVP’s “approach of using Rx trends from its vendor without accounting for its Vermont specific block of business to be a limitation on the reasonableness of their proposed Rx trend assumption.” Actuarial Memorandum at page 6. This is the same methodology issue that L& E noted in the 2015 Exchange filing and that caused the Board to modify the pharmacy trend in that filing.

L & E recommends a modification that would “decrease the starting Rx trend to match the approved Rx trend in the 2015 Exchange filing (-0.1% to 1Q15 rate change and -0.1% to 2Q15 Rx rate change).” Id. at page 9. The HCA agrees with this proposed modification to the requested rate.

*HDHP and Non-HDHP Rate Development*

L & E has also opined that it is necessary to recognize the shift in membership in this “closed [grandfathered] block” and “use the most recently available contract distribution in developing the rate change and the single conversion factors.” Id. at page 5. Its second recommended modification to the requested rate would “[r]eflect updated enrollment in the rate change development and the single conversion factor calculation” resulting in a -.9% rate change. Id. at page 9. The HCA also supports this modification.

*Administrative Trend*

In its Actuarial Analysis, L&E noted that MVP’s assumed general administrative load is lower than the actual expense ratio for the small group products from 2010 to 2013. L&E wrote: “If MVPHIC’s envisioned strategy to reduce its administrative expense does not materialize, future rate increases could be higher than anticipated.” MVP should be encouraged to continue to lower its administrative expense load. According to the Actuarial Memorandum for the filing “Exhibit 5 … illustrates the non-claim expense loads included in the proposed premium rates. This portion of the premium rates is intended to cover MVP’s general administrative expenses, distribution expenses, taxes/assessments, bad debt expense and a contribution to surplus. SERFF actuarial memo at page 19.

Because MVP’s administrative allocation is a percentage of the overall filing, MVP will receive an 8.7% increase towards its administrative costs if the filing is

approved without changes. This increase is five times the Consumer Price Index's latest 12-month estimate of the increase in consumer goods of 1.7%. Bureau of Labor Statistics, August 2014: <http://www.bls.gov/cpi/cpid1408.pdf>

MVP has not provided any information to explain why it needs such a large increase for its administrative costs and therefore has not met its burden for this element of the filing. The HCA asks the Board to modify the rate to incorporate an administrative expense increase of no more than 1.7%.

*Contribution to Surplus*

MVP proposes a 2% contribution to surplus for this filing. SERFF filing at page 30, Exhibit 5. The Board found a 1% contribution to be adequate for MVP's 2015 Vermont Exchange Products filing based on MVP's strong financial position, a holistic view of the company, the small impact of Vermont business on MVP's overall company, and the goal of increasing affordability for Vermont policyholders. GMCB 17-14-rr Decision at pages 13-14. This filing covers 3000 members and therefore has an even smaller impact on MVP's overall business than the Exchange filing has.

MVP has not met its burden of showing a need for a 2% contribution to surplus. The HCA asks the Board to reduce the contribution for this filing to the 1% level of the Exchange filing in order to make the proposed rates more affordable. As the Board explained in the Exchange filing, "reducing the contribution to surplus ... to 1.0% makes the rate more affordable for Vermonters, who are most directly impacted by each increase in the cost of health care premiums. This reduction strikes an appropriate balance between our statutory charge to determine whether rates are affordable, while protecting the solvency of insurers. 8 V.S.A. § 4062(a)(3)." GMCB 17-14-rr Decision at page 14.

### *Affordability and Access*

The L & E analysis of this rate filing focuses on the traditional actuarial tests of whether the proposed rates are excessive, inadequate, or unfairly discriminatory. Actuarial Memorandum at 9. It does not include a consideration of whether the rate will be affordable, promote quality care and promote access to health care. These additional criteria, set forth in 8 V.S.A. §4062(a)(3), were first incorporated into the rate review process in Vermont as part of Act 48, An act relating to a universal and unified health system, of the 2011-2012 legislative session.

Although the proposed rate increase in this filing is lower than the 10% rate increase threshold which requires a review for reasonableness under the Patient Protection and Affordable Care Act of 2010, an 8.7% rate increase will be unaffordable for Vermonters in the current economic climate. In Vermont, wages increased an estimated 2.8% between 2012 and 2013, the most recent time period for which there is data. Department of Labor, Economic & Labor Market Information. *Per Capita Personal Income, Vermont and the United States*. March 28, 2014.

<http://www.vtlmi.info/pcpivt.htm> . Clearly, the level of rate increase requested by MVP far outstrips these modest increases in income. Lowering the rate increase for this filing will further the goals of Act 48 by making the rate more affordable for Vermonters, thereby promoting access to health care.

IV. Conclusion

The HCA asks the Board to make the two modifications to the proposed 8.7% rate increase suggested by L & E. In addition, we ask the Board to reduce the administrative trend amount and the contribution to surplus requested in the filing.

Dated at Montpelier, Vermont this 15th day of October, 2014.

s/ Lila Richardson

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CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum 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, representative of MVP, by electronic mail, return receipt requested, this 15th day of October, 2014.

s/ Lila Richardson

Lila Richardson  
Office of the Health Care Advocate