

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

In re: MVP Health Insurance Company First	)	Docket #:
And Second Quarter 2015 Grandfathered	)	GMCB-020-14rr
Small Group EPO/PPO Rate Filing	)	

**MVPHIC Health Care's Memorandum in Lieu of Hearing**

MVP Health Insurance Company (MVPHIC) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) approve the proposed rates as filed. MVPHIC and the Office of the Health Care Advocate (HCA) have agreed to waive the hearing before the GMCB in this proceeding.

**Introduction**

On September 25, 2014, the Board's actuary, Lewis and Ellis, issued its opinion letter in the above captioned matter recommending approval after modification of two factors. MVPHIC has agreed to waive the hearing in this matter but opposes the L&E recommendation, and asks that the GMCB approve the rates as filed. In the event the GMCB believes it will not accept MVPHIC's rates as filed, then MVPHIC requests that the GMCB convene a hearing to develop the record on any issues that it believes might be grounds for modification of the filing. To do otherwise would deprive MVPHIC of a meaningful opportunity to be heard.

**Description of the Filing**

This filing is for MVPHIC's "grandfathered" small group PPO/EPO line of business, which includes both high deductible health plans (HDHP) and non-HDHP plans. The filing contains the monthly premiums that MVPHIC proposes to charge small group members who enroll or renew coverage during 1Q15 and 2Q15.

MVPHIC is proposing to increase rates for its grandfathered small group EPO/PPO members renewing in 1Q15 by 10.1% over the approved 1Q14 rates and 2Q15 rates by 10.2% over 2Q14 rates for its HDHP plans. For its non-HDHP plans, it is proposing to raise the rates for 1Q15 by 10.1% over its rates for 1Q14, and by 10.2% for 2Q15 over its 2Q14 rates. These rates increases are for both the medical and prescription drug component of the premium.

This filing is expected to cover approximately 3,000 members (2,800 in HDHP plans and 200 in non-HDHP plans). These are members who are in

grandfathered plans, as defined by the Affordable Care Act, and have chosen to continue in their current plans and not move to Exchange plans.

### **Lewis and Ellis Recommendation**

L&E recommended modifications to the rate filing, which would decrease the requested rate increase. It recommends updating enrollment in the rate change development and the single conversion factor, and decreasing the Rx trend to match what was ultimately approved in the 2015 Exchange rate filing. MVPHIC disagrees with these recommendations, for the reasons set out below.

### **MVPHIC's Response to the Recommendation**

Rate change development and single conversion factor: L&E proposed a change to the demographic assumption by using a single month in time, June 2014, rather than the experience period enrollment distribution, which will reduce the overall rate change. MVPHIC disagrees that using a snapshot of one month does not provide as reliable a picture as using the entire experience period enrollment would. The L&E approach goes against traditional actuarial foundation for setting premiums – to look at the experience period and trend forward. So, in this filing MVPHIC took its 2013 experience and trended it forward. L&E's analysis is flawed because it ignores actual claims and diagnosis data, and relies solely on demographic data for one month. This is not an appropriate analysis because a snapshot of the membership for a single month is not a basis to predict what the 2015 population will look like or behave. MVPHIC urges the GMCB to ignore L&E's recommendation and adopt MVPHIC's methodology.

Rx trend: L&E recommended using the Rx trend that was approved in the 2015 Exchange rate filing, which was based on use of Blue Cross and Blue Shield of Vermont's pharmacy trend, instead of the opinion of MVPHIC's own PBM. MVPHIC disagrees with this because its methodology appropriately relies on the expert opinion of its PBM (CVS-Caremark) of what the market for drugs will be in 2015, taking into consideration new drugs coming to market, the cost of such new drugs, patent expiration, drugs expected to be approved by the FDA in the near future and changes in the average wholesale price which would not be reflected in MVP's historical data. Historical trends are of limited value in predicting Rx usage because the market is a rapidly changing and dynamic environment. While L&E agreed that use of historical trends is not helpful in determining trend during the hearing on the 2015 Exchange rate filing, it nonetheless chose to ignore that and inexplicably recommended using a competitor's trends. Such a recommendation does not take into account differences between Blue Cross and Blue Shield and MVPHIC's pharmacy contracts and other arrangements that would affect cost, and as such is not an apples to apples comparison. MVPHIC urges the GMCB not to continue this practice.

Medical trend: L&E found MVPHIC's use of the recently approved medical trends in the 2015 Exchange rate filing to be reasonable and appropriate. They also found reasonable and appropriate MVPHIC's use of leveraging factors that are the same as those approved in the 3Q14 and 4Q14 filing for this product.

MVPHIC financial performance in Vermont: MVPHIC knows the Board understands its profitability situation in Vermont, and the extremely high level of its Medical Loss Ratio, which leads to the importance of it contributing to its reserves in a responsible manner. MVPHIC points out and emphasizes that its anticipated traditional loss ratio for 2014 for its entire small group business is 99.5%, ***and the small group grandfathered business that is the subject of this filing is 105.3%***. This is substantially higher than the federal required loss ratio limit of 80% and has been the case for a number of years now. In light of this, we continue to ask the Board not to further reduce contributions to reserves in this filing, and approve the 2% contribution to surplus as filed. This line of business is obviously being funded through reserves, and it is only appropriate that a responsible level of contribution to reserves be maintained.

Administration load: MVPHIC points out that it has been working for several years to reduce its administrative expenses, and has included in this filing a lower general administrative load (9.5%), which is the same as included in its 2015 Exchange rate filing. MVPHIC remains committed to reducing administrative costs going forward.

Based on the above, MVPHIC asks the Board to approve the rates as filed.

s/ Susan Gretkowski  
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October 15, 2014

### **Certificate of Service**

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel of record for the Office of the Health Care Advocate, by electronic mail this 15th day of October, 2014.

*s/ Susan Gretkowski*

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