Dallas
Glenn A. Tobleman, F.S.A., F.C.A.S.
S. Scott Gibson, F.S.A.
Cabe W. Chadick, F.S.A.
Michael A. Mayberry, F.S.A.
David M. Dillon, F.S.A.
Gregory S. Wilson, F.C.A.S.
Steven D. Bryson, F.S.A.
Bonnie S. Albritton, F.S.A.
Brian D. Rankin, F.S.A.
Wesley R. Campbell, F.C.A.S., F.S.A.
Jacqueline B. Lee, F.S.A.
Brian C. Stentz, A.S.A.
Robert E. Gove, A.S.A.
J. Finn Knox-Seith, A.S.A.
Jennifer M. Allen, A.S.A.
Josh A. Hammerquist, A.S.A.
Xiaoxiao (Lisa) Jiang, A.S.A.
Sujaritha Tansen, A.S.A.
Jay W. Fuller, A.S.A.
Sergei Mordovin, A.S.A.
Robert B. Thomas, Jr., F.S.A., C.F.A. (Of Counsel)

L&E Actuaries & Consultants

Kansas City
Gary L. Rose, F.S.A.
Terry M. Long, F.S.A.
Leon L. Langlitz, F.S.A.
Anthony G. Proulx, F.S.A.
Thomas L. Handley, F.S.A.
D. Patrick Glenn, A.S.A., A.C.A.S.
Christopher H. Davis, F.S.A.
Karen E. Elsom, F.S.A.
Jill J. Humes, F.S.A.
Christopher J. Merkel, F.S.A.
Kimberly S. Shores, F.S.A.
Jan E. DeClue, A.S.A.
Patricia A. Peebles, A.S.A.

London / Kansas City
Roger K. Annin, F.S.A.
Timothy A. DeMars, F.S.A.
Scott E. Morrow, F.S.A.

Baltimore
David A. Palmer, C.F.E.

October 10, 2014

Green Mountain Care Board
State of Vermont
89 Main Street, Third Floor, City Center
Montpelier, VT 05620

Re: 1Q15 – 2Q15 MVPHIC Large Group EPO/PPO Rates – New Policy Forms
SERFF #: MVPH-129681821

The purpose of this letter is to provide a summary and recommendation regarding the large group filing submitted by MVP Health Insurance Company (MVPHIC) for its new policy forms effective 1/1/2015 and to assist the Board in assessing whether to approve, modify, or disapprove the request.

Filing Description

1. This filing demonstrates the manual rate development for new policy forms in MVPHIC's large group benefit portfolio for the first and second quarters of 2015.

2. The proposed manual rates will be used along with the Experience Rating Addendum and Experience Rating Formula (as used in the existing product filing for large group filed under MVPH-129676042) to derive group-specific premium rates. The proposed rates in this filing were derived using benefit factors relative to the pending 1Q15 and 2Q15 manual rates on file.

Standard of Review

Pursuant to Green Mountain Care Board (Board) Rule 2.000 Health Insurance Rate Review, this letter is to assist the Board in determining whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the law, and is not excessive, inadequate, or unfairly discriminatory.

Summary of the Data Received

MVPHIC provided the methodology used in premium rate development and details pertinent to its actuarial assumptions/experience driving the manual rates for the new policy forms and riders. This includes benefit relativity factors, illustrative benefit relativity derivation for

sample plans VE-116L, and VEHD-43L, medical manual rates (Exhibits 6a and 6b), and proposed medical rider rates (Exhibit 6c).

Company's Analysis

Rate Development: MVPHIC is proposing to offer nine new medical plans to large groups: one Non-HDHP plan and eight HDHP plans. Exhibit 1 provides a summary of these plans. In addition, MVPHIC is proposing a vision benefit rider and safe harbor riders that will be offered with the HDHP plans.

The proposed manual rates were derived by applying benefit factors[1] relative to the pending 1Q and 2Q 2015 manual rates filed in SERFF Id: MVPH-12967042. An illustrative comparison of proposed manual rates against the existing VE021 plan is listed below:

Existing or New Plan	Form Name	Relativity to Plan VE021	Proposed 1Q2105 Manual Rate[2]
Existing	VE021	1.000	$325.42
New	VE116L	0.932	$303.42
New	VEHD-41L	0.999	$325.04
New	VEHD-42L	0.947	$308.32
New	VEHD-43L	0.864	$281.02
New	VEHD-44L	0.733	$238.43
New	VEHD-45L	0.964	$313.77
New	VEHD-46L	0.909	$295.67
New	VEHD-47L	0.817	$265.97
New	VEHD-48L	0.680	$221.25

MVPHIC adopted its recently updated benefit pricing tool (as used in the Existing Large Group filing, SERFF # MVPH-129676042) comprising updated claim utilization data, claim distribution tables, and factor tables in deriving benefit relativity factors of the proposed plans.

The benefit relativity model includes adjustments for deductibles, out-of-pocket maximums, and impact of embedded single deductible versus aggregate family deductible. MVPHIC illustrated the benefit relativity derivation for VE-116L (a hybrid benefit plan where most in-patient services are not subject to plan deductible) and VEHD-43L (a qualified high-deductible plan with an embedded single deductible for all contract tiers).

MVPHIC is proposing a vision benefit rider, VEHD 312j, and developed the cost of this rider by interpolating the cost relative to two other existing vision riders. MVPHIC is proposing rates

[1] Benefit relativity factors are ratios that measure the richness of a plan's benefits relative to a base plan. Plans that have a richer set of benefits and cost sharing features (lower deductible, lower co-pays, etc.) will have a higher benefit relativity factor. For example, a plan with a benefit relativity factor of 0.95 would be 5% less rich and less costly to the insurer than the base plan.

[2] For new plans, proposed 1Q15 Manual Rate = VE021 Manual Rate * Benefit Relativity Factor. SERFF Filing: MVPH-129676042 illustrates the rate development for VE021.

for safe harbor[3] riders that will be sold with the new plans. The riders for these new products use the same policy form and drug list as the existing portfolio. The rates for the safe harbor riders were developed by calculating the projected net claim cost using the revamped pricing model under both scenarios: first including coverage for safe harbor drugs and then excluding such coverage. The net cost for each Rx rider is set to be the resulting difference in claim costs.

The 2Q15 rates were derived by multiplying the proposed 1Q15 rates by one quarter of the 2013 paid trend (1.5%) assumption.

L&E Analysis

Rate Development: We reviewed the methodology adopted by MVPHIC in developing updated premium relativities using its revamped benefit pricing model. We note that MVPHIC's updated benefit pricing model reflects calendar year 2012 allowed medical and Rx claims from its entire New York and Vermont commercial membership and includes adjustments for induced utilization adjustments based on plan richness. We reviewed the rate development for two plans using MVPHIC's pricing model and note that the allowed claim costs (before cost sharing) from MVPHIC's entire commercial market experience was re-scaled to Vermont large group market in deriving the allowed claim costs by benefit category. Since MVPHIC has used credible experience from its own block of business in creating its updated pricing model, we consider the pricing methodology to be reasonable and appropriate.

Since the proposed 1Q15 rates for each new plan is derived by multiplying the proposed benefit relativity factor for the plan by the proposed 1Q15 rate for the benchmark plan (VE021 filed in SERFF Id: MVPH-129676042), it is important to note that the accuracy of the pricing of the benchmark plan will impact the accuracy of the proposed rates for the new plans. To the extent that the manual rate for the base plan is modified in the future, the proposed rates for the new plans will need to be modified as well.

We had recommended the usage of revised Rx trends for the large group filing (SERFF# MVPH-129676042), which proposes manual rate for the base plan VE021. If the recommended Rx changes are in effect for MVPH-129676042, we consider the application of proposed benefit relativity factors to the updated VE021 manual rate to be reasonable and appropriate.

We reviewed the pricing methodology for the vision rider and safe harbor riders and consider it to be reasonable and appropriate.

[3] The safe harbor pharmacy rider amends the benefit plan to waive the plan deductible for a specific list of preventive drugs. The rider does not vary by plan, but the insurer cost varies depending on the HDHP plan it is attached to. Since the rider waives the deductible, the rider costs increases with plan deductible.

Recommendation

L&E believes that this filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. Therefore, L&E recommends that the Board approve the filing as requested.

Sincerely,

Sujaritha Tansen, ASA, MAAA, MS
Associate Actuary
Lewis & Ellis, Inc.

Jacqueline B. Lee, FSA, MAAA
Vice President
Lewis & Ellis, Inc.

David M. Dillon, FSA, MAAA, MS
Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 Disclosures
The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations[4], promulgates actuarial standards of practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct[5], to observe the ASOPs of the ASB when practicing in the United States. ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in the following.

Identification of the Responsible Actuary
The responsible actuaries are:

- Sujaritha Tansen, ASA, MAAA, MS, Associate Actuary at Lewis & Ellis, Inc. (L&E).
- Jacqueline B. Lee, FSA, MAAA, Vice President at Lewis & Ellis, Inc. (L&E).
- David M. Dillon, FSA, MAAA, MS, Vice President & Principal at Lewis & Ellis, Inc. (L&E).

These actuaries are available to provide supplementary information and explanation. The actuaries also acknowledge that they may be acting as an advocate.

Identification of Actuarial Documents
The date of this document is October 10, 2014. The date (a.k.a. "latest information date") through which data or other information has been considered in performing this analysis is September 24, 2014.

Disclosures in Actuarial Reports

- The contents of this report are intended for the use of the Green Mountain Care Board. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis Inc. is financially and organizationally independent from the health insurance issuers whose rate filings were reviewed. There is nothing that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the Board in assessing whether to approve, modify, or disapprove the rate filing.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by the issuers for reasonableness, but we have not audited it. L&E nor the responsible actuaries assume responsibility for these items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.
- We are not aware of any subsequent events that may have a material effect on the findings.
- There are no other documents or files that accompany this report.

[4] The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

[5] These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- The findings of this report are enclosed herein.

Actuarial Findings
The actuarial findings of the report can be found in the body of this report.

Methods, Procedures, Assumptions, and Data
The methods, procedures, assumptions and data used by the actuary can be found in body of this report.

Assumptions or Methods Prescribed by Law
This report was prepared as prescribed by applicable law, statues, regulations and other legally binding authority.

Responsibility for Assumptions and Methods
The actuaries do not disclaim responsibility for material assumptions or methods.

Deviation from the Guidance of an ASOP
The actuaries have not deviated materially from the guidance set forth in an applicable ASOP.