

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In Re:	)	
MVP Health Insurance Company	)	GMCB 24-14-rr
First and Second Quarter 2015	)	
Grandfathered Small Group New Product	)	SERFF No. MVPH- 129710583
Rate Filing	)	

HCA MEMORANDUM IN LIEU OF HEARING

I. Introduction

MVP Health Insurance Company (MVP) submitted its proposed rate filing for its grandfathered small group new product for the first and second quarters of 2015 to the Green Mountain Care Board (the Board) on September 5, 2014. MVP requests approval of rates for a new plan VEHD-49, designed to replace the existing grandfathered plan, VEHD-18, which does not comply with IRS regulations for the relevant time period.<sup>1</sup> Members transitioning from VEHD-18 to VEHD-49 will keep their grandfathered status.

On October 31, 2014, the Department of Financial Regulation (DFR) submitted its review of MVP's financial solvency for this filing. Lewis and Ellis (L & E), the contracted actuaries for the Board, reviewed the filing and submitted their Actuarial Opinion on November 3, 2014. L & E recommended approval of the filing with three modifications.

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<sup>1</sup> To make the new plan compliant with IRS regulations for high deductible health plans, the family deductible was increased from \$2,500 in VEHD-18 to \$2,600 in VEHD-49, and the out-of-pocket maximum was increased from \$3,500 to \$3,600.

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 September 11, 2014. The parties have agreed to waive the hearing for the filing scheduled for November 17, 2014.

## 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 of showing 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 must consider 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).

## II. Analysis

L & E has recommended three modifications to the proposed rates for this filing. First, it recommends that MVP reflect updated enrollment instead of experience period enrollment in developing the single conversion factor. Second, it recommends an adjustment in the pharmacy trend. Third, it recommends changing the contribution to surplus from 2% to 1%.

The last two recommendations were based on the Board's decision regarding plan VEHD-18 (SERFF # MVPH-12966230; GMCB-020-14rr).<sup>2</sup> Actuarial Opinion at pages 3-4.

Based on its review of this filing and information about MVP, DFR has opined that "the proposed rate will likely have no impact on MVPHIC's solvency." DFR Solvency Opinion at page 2.

The HCA asks the Board to adopt the modifications to the requested rates recommended by L & E.

In its decision in the MVP Exchange filing, the Board modified the carrier's pharmacy trend based on its conclusion that "MVP's vendor-supplied pharmacy trend – which does not take into account state-specific data – should not be used in the carrier's 2015 exchange rate development." GMCB 17-14-rr Decision at page 10. The board found a similar issue in the pharmacy trend development in the filing for GMCB 20-14-rr and modified the trend for that filing. GMCB 201-14-rr Decision at page 4.

The HCA agrees with L & E that a 1% contribution to surplus is adequate for this filing. The Board reduced a requested 2% contribution for MVP's 2015 Exchange Products filing based on the carrier's strong financial position, a holistic view of the company, the small impact of Vermont business on the overall company, and the goal of increasing affordability for Vermont policyholders. GMCB 17-14-rr at pages 13-14. As the Board decision in the Exchange filing explained, "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

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<sup>2</sup> That decision was issued on October 29, 2014, after the instant filing had been submitted.

protecting the solvency of insurers. 8 V.S.A. § 4062(a)(3)." Id. at page 14. The Board used the same reasoning to reduce the contribution to surplus in its decision in GMCB 20-14-rr. Decision at page 5.

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 Opinion at page 4. L & E did not consider whether the requested 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 (Act 48). Modifying and lowering the rate requested for this filing will further the goals of Act 48 by making the rate more affordable for Vermonters, thereby promoting access to health care.

### III. Conclusion

The HCA asks the Board to modify the single conversion factor calculation, the proposed pharmacy trend and the contribution to reserves for this filing to be consistent with its decision in GMCB 20-14-rr and the 2015 MVP Vermont Health Connect Filing and to promote the goals of Act 48.

Dated at Montpelier, Vermont this 17th day of November, 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 Health Plan, Inc., by electronic mail, return receipt requested, this 17th day of November, 2014.

s/ *Lila Richardson*  
Lila Richardson  
Office of the Health Care Advocate