STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company	)	
3Q/4Q 2014 Large Group EPO/PPO Rate Filing	)	
	)	GMCB-01-15-rr
SERFF No.MVPH-129877690	)	

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

MVP Health Insurance Company (MVP) is proposing a rate increase for its existing EPO/PPO experience rated high deductible and non-high deductible products sold to large groups for the third and fourth quarters of 2015. It will affect approximately 6115 Vermonters. Out of the 628 groups affected by the filing, 529 have a contract effective date in the fourth quarter. GMCB-01-15-rr Actuarial Opinion at page 1. The Actuarial Opinions by Lewis and Ellis (L & E), the contracted actuaries for the Green Mountain Care Board (GMCB), and the review of financial solvency by the Department of Financial Regulation (DFR) recommend that the GMCB approve the filing as filed.

MVP filed this Third and Fourth Quarter 2014 Large Group EPO/PPO Rate Filing on January 31, 2015. The actuarial opinion and solvency analysis letter were posted on April 1, 2015.

The Office of the Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. The hearing for the filing was waived by the parties.

Vermont Legal Aid, Inc.
7 Court Street
P.O. Box 606
Montpelier, VT
05601
(802) 223-6377

II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the GMCB before implementing health insurance rates. 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). "In 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); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3).

In making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the solvency analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB "shall consider any [public] comments received on a rate filing and may use them to identify issues." GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries, and DFR, DFR's solvency analysis, and the opinion from the GMCB's actuary. GMCB Rule 2.000 §2.403(a).

Vermont Legal Aid, Inc.
7 Court Street
P.O. Box 606
Montpelier, VT
05601
(802) 223-6377

The carrier has the burden of justifying its requested rate. GMCB Rule 2.000 §2.104(c).

III. Review of Actuarial Opinion and DFR Solvency Analysis Letter

DFR has reviewed both the solvency of MVP and how this particular filing could affect that solvency. GMCB-01-15-rr Solvency Analysis at pages 1, 2

DFR has emphasized in its analysis that it "considers the solvency of insurers to be the most fundamental aspect of consumer protection" and that solvency analysis involves "an intricate analysis of many factors." New York rather than Vermont is MVP's primary regulator. DFR ensures that foreign companies like MVP "meet certain solvency-based licensing criteria necessary to continue to operate in Vermont." In analyzing MVP's solvency, DFR noted that "MVPHIC's primary regulators in New York have "not expressed concerns about … MVPHIC's solvency." DFR concluded that the company's Vermont operations, representing only a small percentage of the total premiums earned, "pose little risk to its solvency, or to the solvency of MVP Holding Company." It also opined that the instant filing is not likely to have a material impact on the insurer's solvency. GMCB-01-15-rr Solvency Analysis at page 2.

L & E found the carrier's calculation of medical trend to be reasonable. L & E's most significant concern with MVP's methodology concerned the carrier's calculation of pharmacy trend: "We consider MVPHIC'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. GMCB 01-15-rr Actuarial Opinion at page 5. L & E also considered MVP's "historic experience" and "the impact of new high cost specialty drugs" before determining that the requested

Vermont Legal Aid, Inc.
7 Court Street
P.O. Box 606
Montpelier, VT
05601
(802) 223-6377

pharmacy rate is reasonable. L & E has opined that the proposed rates will not be "excessive, inadequate or unfairly discriminatory" and has recommended approval of the filing as filed. GMCB-01-15-r r Actuarial Opinion at page 7.

IV. Argument

The L & E analysis of this rate filing does not include a discussion of some of the factors considered by the GMCB in deciding whether to accept, modify or reject proposed rates, i.e. whether those rates will be affordable, promote quality care and promote access to health care. These criteria were first incorporated into the rate review process as part of Act 48, An act relating to a universal and unified health system, of the 2011-2012 legislative session.

The HCA is concerned about the affordability of the proposed premiums for Vermont employers who purchase products in the large group market. Increases in the rates charged to businesses make it difficult for the businesses to continue to offer affordable health insurance and other compensation to their employees. According to the 2014 Vermont Household Health Insurance Survey, 59.1% of working uninsured adults who have access to employer sponsored insurance indicated that they did not purchase their employer's health insurance plan because it was too expensive. Survey at page 48.
http://hcr.vermont.gov/sites/hcr/files/2015/2014%20VHHIS%20Comprehensive%20Report%20.pdf

In Vermont, wages increased only an estimated 2.3 % 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.* September 30, 2014 http://www.vtlmi.info/pcpivt.htm . Moreover, the average

Vermont Legal Aid, Inc.
7 Court Street
P.O. Box 606
Montpelier, VT
05601
(802) 223-6377

national increase in medical and other costs for the past year are lower than the requested rate increases. According to the Consumer Price Index, the cost of all items rose 0%, medical care commodities rose 3.9% and medical care services rose 1.8% in the 12 month period ending February 2015. Consumer Price Index. *Economic News Release.* , March 24, 2015, http://www.bls.gov/news.release/cpi.nr0.htm.

In its decision on MVP's 2015 filing for Vermont Health Connect, the GMCB decreased the insurer's request for a 1.5% contribution to surplus to a 1% contribution. It explained that the reduction would make 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 at page 14. In other filings in 2014, the GMCB reduced MVP's contribution to surplus from a requested 2% to 1%. *See* GMCB 20-14-rr, GMCB 21-14-rr, 23-14-rr and GMCB 24-14.rr.

MVP has requested a 2% contribution to surplus in this filing. The carrier has not explained why this level is needed and has not met its burden of proof as to this component of the rate request.

A reduction in contribution to surplus would make the rates more affordable and should not affect MVP's solvency. In addition to the factors showing MVP's financial strength cited in DFR's solvency analysis for this filing, the HCA notes that according to the table from MVPIC's 2014 Annual Statement showing Five – Year Historical Data (copy attached as Attachment A), the insurer's ratio of Total Adjusted Capitol to Authorized control level risk–based capital increased significantly from 2013 to 2014.

Vermont Legal Aid, Inc.
7 Court Street
P.O. Box 606
Montpelier, VT
05601
(802) 223-6377

In order to promote affordability, the HCA asks the GMCB to reduce the contribution to surplus requested by MVP to no more than 1%.

V. Conclusion

Based on the record for this filing, the HCA requests that the GMCB modify the filing by reducing the requested contribution to surplus.

Dated at Montpelier, Vermont this 15th day of April, 2015.

s/ Lila Richardson
Lila Richardson
Staff Attorney
Office of the Health Care Advocate

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 April, 2015.

s/ Lila Richardson
Lila Richardson
Staff Attorney
Office of the Health Care Advocate
P.O. Box 606
Voice (802) 223-6377 ext. 325

Vermont Legal Aid, Inc.
7 Court Street
P.O. Box 606
Montpelier, VT
05601
(802) 223-6377

FIVE-YEAR HISTORICAL DATA

	1 2014	2 2013	3 2012	4 2011	5 2010
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	117,794,941	155,462,711	182,024,138	213,666,953	192,907,543
2. TOTAL Liabilities (Page 3, Line 24)	40,365,284	82,825,224	79,123,732	90,564,261	114,336,786
3. Statutory surplus	44,082,906	65,884,685	86,950,015	91,576,045	87,037,093
4. TOTAL Capital and Surplus (Page 3, Line 33)	77,429,657	72,637,487	102,900,406	123,102,692	78,570,757
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	351,549,387	527,077,478	695,600,116	732,608,358	696,296,742
6. TOTAL Medical and Hospital Expenses (Line 18)	299,497,804	453,995,090	603,620,752	658,315,928	647,676,370
7. Claims adjustment expenses (Line 20)	6,484,832	13,294,871	18,513,710	19,454,960	19,486,954
8. TOTAL Administrative Expenses (Line 21)	60,959,840	79,027,223	100,988,854	117,772,649	103,485,699
9. Net underwriting gain (loss) (Line 24)	929,834	(35,562,629)	(27,523,200)	(50,021,869)	(76,713,048)
10. Net investment gain (loss) (Line 27)	4,223,219	5,943,739	4,779,408	3,366,725	4,024,504
11. TOTAL Other Income (Lines 28 plus 29)	345				14,991
12. Net income or (loss) (Line 32)	5,153,398	(29,619,066)	(22,744,703)	(46,655,145)	(72,673,553)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(31,051,263)	(25,382,500)	(26,164,283)	(73,596,485)	(56,054,284)
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	77,429,657	72,637,487	102,900,406	123,102,692	75,986,429
15. Authorized control level risk-based capital	12,366,045	18,061,539	23,610,948	25,656,121	25,308,035
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	61,736	116,274	157,967	185,990	200,642
17. TOTAL Members Months (Column 6, Line 7)	929,236	1,471,373	2,050,784	2,326,819	2,375,321
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	85.2	86.1	86.8	89.9	93.0
20. Cost containment expenses	1.4	1.7	1.8	1.9	1.8
21. Other claims adjustment expenses	0.4	0.9	0.9	0.8	1.0
22. TOTAL Underwriting Deductions (Line 23)	99.7	106.7	104.0	106.8	111.0
23. TOTAL Underwriting Gain (Loss) (Line 24)	0.3	(6.7)	(4.0)	(6.8)	(11.0)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	52,934,517	57,001,998	67,947,910	58,203,514	57,050,466
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	55,467,854	61,221,188	73,542,373	79,743,999	67,709,338
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31					
33. TOTAL Investment in Parent Included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[ ] No[ ] N/A[X]

If no, please explain::

Attachment A