STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company 3rd and 4th Quarter	)	
2015 Small Group Grandfathered PPO/EPO Rate Filing	)	GMCB-02-15-rr
	)	
SERFF No. MVPH-129866393	)	

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

MVP Health Insurance Company (MVP) submitted its Third and Fourth Quarter 2015 Small Group Grandfathered PPO/EPO Rate Filing for review by the Green Mountain Care Board (GMCB) on January 31, 2015. MVP requested an average rate increase of 5.1%. The Actuarial Opinion by Lewis and Ellis (L&E), the GMCB's contracted actuaries, and the review of financial solvency by the Department of Financial Regulation (DFR), were both filed on April 1, 2015.

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

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 GMCB 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).

III. Review of Actuarial Opinions and DFR Solvency Analysis Letters

L&E has analyzed the filing to in order to assist the GMCB 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." GMCB-02-15-rr Actuarial Analysis at page 2. However, they limit their recommendation to whether the filing produces rates that are "excessive, inadequate, or unfairly discriminatory." GMCB -02-15-rr Actuarial Analysis at page 9.

L&E recommends one change in the filing: an increase in the 3Q15 quarterly rate change from 3.4% to 5.3%. L&E bases their recommendation on the fact that MVP used its experience period enrollment to calculate its rate change and single conversion factor instead of utilizing the most recently available contract distribution from December 2014. GMCB -02-15-rr Actuarial Analysis at page 5. In its response memo, MVP maintains that it was appropriate to utilize historical data to calculate the single conversion factor and rate change for this filing. MVP

Memorandum in Lieu of Hearing, GMCB 2-15rr. MVP asks the GMCB to not increase the rates as L&E recommends. MVP Memo, GMCB 2-15rr.

DFR has reviewed the solvency of MVPHIC. 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." GMCB 02-15-rr Solvency Opinion at page 2.

New York rather than Vermont is MVP's primary regulator. DFR ensures that foreign companies like MVP "meet certain solvency-based criteria to procure and maintain a license to do business in Vermont." GMCB 02-15-rr Solvency Opinion at page 2. DFR states that MVP's primary regulators in New York have not expressed any concerns about the company's solvency. Moreover, 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." GMCB 02-15-rr Solvency Analysis at page 2. DFR has opined that "the proposed rate will likely have no material impact on MVPHIC's solvency." GMCB 02-15-rr Solvency Analysis at page 2.

IV. Analysis

In order to increase affordability for ratepayers, the HCA asks the GMCB to decrease the contribution to surplus for this filing from 2% to no higher than 1%. Health insurance affordability is a significant concern for Vermonters, even those with employer sponsored health insurance. Therefore no rate increase or size of population impacted should be considered insignificant.

A significant portion of employed Vermonters struggle to afford their health insurance. According to the Vermont Department of Financial Regulation 2014 Vermont Household Health Insurance Survey, almost 60% of uninsured working Vermont residents report that they did not enroll in their employer's health plan because it was too expensive. Comprehensive Report, 2014 Vermont Household Health Insurance Survey, p. 46. Similarly, other than having health insurance through another source, the main reason Vermonters turn down employer sponsored health insurance is because it costs too much. Survey, p. 66. This is demonstrated by the fact that almost a quarter of uninsured adults work for employers that offer health insurance, and slightly more than a quarter of working adults with uninsured children work for companies that offer some type of health insurance. Survey, p. 13, 24.

The fact that many Vermonters find their employer sponsored health insurance to be unaffordable is especially concerning because federal rules disqualify most people who are offered employer sponsored health insurance from receiving premium subsidies for health insurance purchased on the state health insurance exchange. Unless the actuarial value of the employer sponsored insurance is below 60% or the employee's share of the premium to cover just the employee (not including the expense of covering family members) exceeds 9.5% of the employee's income, the employee is not eligible to receive premium tax credits through the state insurance exchange. Survey, p. 38.

In addition, wages in Vermont have not increased enough in recent years to allow Vermonters to afford more than very modest increases in insurance costs. Wages in Vermont increased just 2.3% between 2012 and 2013, the most recent period where data is available. Vermont Department of Labor, Economic & Labor Market Information, 1929-2013 revised, Per Capita Personal Income. Despite common belief, employees who receive employer sponsored health insurance are responsible for the full cost of health insurance premium increases. They inevitably pay the increase either through increased employee contributions to insurance or through lost wages, or both. Sarah Kliff, The Washington Post, You're Spending Way More on Your Health Benefits than You Think, August 30, 2013.

Finally, the GMCB has recently found that MVP can afford a lower contribution to surplus. The GMCB has found it appropriate to reduce the contribution to surplus in all of the last eight MVP filings, including for the First and Second Quarter 2015 Grandfathered Small Group EPO/PPO filing. See Decisions for GMCB 14-14rr; 17-14rr; 19-14rr; 20-14rr; 21-14rr; 22-14rr; 23-14rr; and 24-14rr. The lower contribution to surplus for the third and fourth quarter plans should not be difficult for MVP to absorb because these plans represent a small portion of MVP's business and MVP's Vermont operations pose little risk to MVP's solvency. In addition, MVP's solvency is especially strong as shown by the significant rise in its risk-based capital in 2014. MVP 2014 Annual Statement, Five-Year Historical Data, p. 29

V. Conclusion

Based on the record for this filing and the HCA's examination of the affordability of the rate increase, the HCA asks the GMCB to modify the filing by reducing the contribution to surplus to no higher than 1%. For the sake of affordability, if the adopts L&E's recommendation to increase the rates, the HCA asks the GMCB to reduce the contribution to surplus for this filing to 0.5%

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

s/ *Kaili Kuiper*
Kaili Kuiper
Staff Attorney
Office of Health Care Advocate

CERTIFICATE OF SERVICE

I, Kaili Kuiper, 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/ *Kaili Kuiper*___________

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