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September 30, 2019

Mr. Josh Hammerquist, FSA, MAAA
Lewis & Ellis, Inc.
P.O. Box 851857
Richardson, TX 75085

Re: 2020 Large Group HMO Rate Filing
SERFF Tracking #: MVPH-132048265

Dear Mr. Hammerquist:

This letter is in response to your correspondence received 09/27/2019 regarding the above-mentioned rate filing. The responses to your questions are provided below.

1. Please provide additional substantive exhibits demonstrating quantitatively why the increase to the manual rate is significantly higher than trend. Please include the impact of underwriting discretion and experience rated groups.

Response: Please see the tab "Question #1" in the attached Excel file which provides experience and manual rate data for groups that renewed from 2018 into 2019.

Part of the rate increase is driven by the global underwriting discretion of 1.019 provided in this exhibit. Additionally, there are several other items which are driving the manual rate increase at its current rate. These include:

Emerging experience less favorable than expected: For the previous rate filing, the experience period (May 2017 to April 2018) claim cost (including the impact of pooling) was \$415.64 (see MVP's VT LG HMO 2019 rate filing, Exhibit 3a, lines 3 and 8). The current filing's experience period (May 2018 to April 2019) claim cost is \$472.30 (see Exhibit 3a, lines 3 and 8). This claim trend of 13.6% is outpacing the expected medical and pharmacy trends from the prior filing of 3.9%/14.6% by approximately 8 points (assuming an 85/15 split of medical/pharmacy claims).

Updated 2019 trends are higher than expected: The current rate filing's annual medical trend is 5.7% compared to 3.9% in the prior filing. This is offset by a reduction in the annual pharmacy trend from 14.6% in the prior filing to 9.5% in the current filing. Using a consistent blend as above, the blended annual trend in the current filing is 6.3%. Because there is an 8 month overlap of trend between the two filings, we would expect the rate to increase by 0.5% (0.8% annually for 8 months) because of the increased trend.

Annual trend for 2020: As stated above, the annual trend in the current filing is 6.3%. Therefore, we would expect a baseline rate increase of 6.3%.

GMCB Reduction to Manuals in 2019: The Green Mountain Care Board reduced MVP's manuals by 1% in its' 2019 Decision and Order (GMCB-010-18rr). As stated in the Decision, "The additional 1.0% reduction makes rates more affordable for Vermonters". The 2020 manual rate increase is derived by comparing projected claim expense to the most current manual rates on file which was artificially suppressed by 1.0%.



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2. In the previous response to round 3, question 2, please include the premium for these groups.

Response: Please see the tab "Question #2" in the attached Excel file which provides an updated exhibit including the premium PMPM for the active groups. Note the revenue in this exhibit includes new policies sold in 2019; the revenue for these groups was not included in the response to the first question.

3. Please provide additional qualitative and quantitative support for the expected change in the average underwriting factor from the base period to the projection period.

Response: Please see the tab "Question #3" which provides a similar exhibit to the response to Question #1, using MVP's rate increase quotes at the time the data for L&E Objection #2 was provided. The average underwriting discretion factor is decreasing from 1.019 for 2019 renewals to 1.004 for MVP's first pass at 2020 quotes.

If you have any questions or require any additional information, please contact me at 518-386-7213.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Bachner".

Eric Bachner, ASA
Leader, Actuarial, Commercial/Government Programs
MVP Health Care

	2019 Renewals
Experience Period Data, Renewing Groups, at Time of Renewal	\$440.60
Manual Rate PMPM, Renewing Groups, Q1 2019	\$446.91
SIC Factor & Age/Gender Factor, Renewing Groups	1.043
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Manual Rate Adjusted for SIC and Age Gender	\$465.96
Weighted Average Credibility	25.0%
Expected Claim Cost in Premium, based on Manuals & Experience	\$459.63
Target Loss Ratio, 1Q 2019	86.9%
Expected Premium, no Underwriting Discretion	\$529.13
Underwriting Discretion, 2019	1.019
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Actual Premium, YTD July 2019	\$539.03

Large Group Historical Medical & Rx Claims Summary - ACTIVE GROUPS ONLY

Rolling 12 End Date	Premium PMPM	Medical + Rx Claim	Medical Claim Expense	Rx Claim Expense	Medical Allowed -	Member Months	Claims > \$100k as % of Claims < \$100k	Rolling 12 Medical Claim Expense Trend	Rolling 12 Rx Claim Expense Trend	Rolling 12 Paid Trend		Rolling 12 Medical Allowed - COB Trend	Rolling 12 Rx Allowed Trend	Rolling 12 Membership Change	Paid To Allowed Ratio
		Expense > \$100k PMPM	PMPM	PMPM	COB PMPM					Rx Allowed PMPM	Removing High Cost Claims				
201704	\$506.48	\$14.14	\$262.39	\$54.28	\$324.64	\$63.93	12,794	4.7%	N/A	N/A	N/A	N/A	N/A	N/A	81.5%
201705	\$504.95	\$22.35	\$275.06	\$55.55	\$336.37	\$65.25	13,094	7.3%	N/A	N/A	N/A	N/A	N/A	N/A	82.3%
201706	\$503.07	\$21.65	\$270.46	\$56.10	\$331.58	\$65.89	13,401	7.1%	N/A	N/A	N/A	N/A	N/A	N/A	82.2%
201707	\$501.90	\$19.86	\$263.40	\$56.47	\$323.37	\$66.76	13,555	6.6%	N/A	N/A	N/A	N/A	N/A	N/A	82.0%
201708	\$500.86	\$19.75	\$264.96	\$56.80	\$325.84	\$67.23	13,711	6.5%	N/A	N/A	N/A	N/A	N/A	N/A	81.9%
201709	\$499.96	\$21.76	\$273.53	\$57.56	\$334.76	\$67.95	13,853	7.0%	N/A	N/A	N/A	N/A	N/A	N/A	82.2%
201710	\$499.23	\$21.94	\$275.86	\$58.94	\$336.40	\$69.25	13,996	7.0%	N/A	N/A	N/A	N/A	N/A	N/A	82.5%
201711	\$498.44	\$25.68	\$293.58	\$58.80	\$354.86	\$68.71	14,127	7.9%	N/A	N/A	N/A	N/A	N/A	N/A	83.2%
201712	\$497.57	\$25.19	\$312.63	\$56.93	\$374.23	\$66.61	14,254	7.3%	N/A	N/A	N/A	N/A	N/A	N/A	83.8%
201801	\$497.06	\$25.68	\$324.35	\$56.91	\$387.35	\$66.75	14,448	7.2%	N/A	N/A	N/A	N/A	N/A	N/A	84.0%
201802	\$498.78	\$35.65	\$342.71	\$55.90	\$407.33	\$65.69	14,621	9.8%	N/A	N/A	N/A	N/A	N/A	N/A	84.3%
201803	\$499.75	\$49.04	\$353.45	\$57.22	\$417.73	\$66.81	14,812	13.6%	N/A	N/A	N/A	N/A	N/A	N/A	84.8%
201804	\$500.70	\$55.68	\$366.85	\$57.44	\$431.04	\$66.89	14,993	15.1%	39.8%	5.8%	21.8%	32.8%	4.6%	17.2%	85.2%
201805	\$501.66	\$49.72	\$352.90	\$57.73	\$416.77	\$67.02	15,159	13.8%	28.3%	3.9%	17.1%	23.9%	2.7%	15.8%	84.9%
201806	\$502.44	\$51.60	\$361.87	\$56.70	\$426.26	\$65.89	15,331	14.1%	33.8%	1.1%	20.4%	28.6%	0.0%	14.4%	85.0%
201807	\$503.04	\$58.53	\$376.21	\$56.01	\$442.26	\$64.73	15,476	15.7%	42.8%	-0.8%	24.6%	36.8%	-3.0%	14.2%	85.3%
201808	\$503.54	\$59.27	\$373.68	\$57.47	\$439.28	\$66.07	15,620	15.9%	41.0%	1.2%	23.1%	34.8%	-1.7%	13.9%	85.3%
201809	\$503.78	\$77.12	\$390.57	\$56.64	\$456.09	\$65.16	15,772	20.8%	42.8%	-1.6%	19.6%	36.2%	-4.1%	13.9%	85.8%
201810	\$504.52	\$86.08	\$416.98	\$56.37	\$484.49	\$65.13	16,061	22.2%	51.2%	-4.4%	23.8%	44.0%	-5.9%	14.8%	86.1%
201811	\$505.08	\$81.46	\$419.05	\$59.92	\$486.44	\$69.07	16,358	20.5%	42.7%	1.9%	21.7%	37.1%	0.5%	15.8%	86.2%
201812	\$505.72	\$81.76	\$415.82	\$60.92	\$484.70	\$70.11	16,643	20.7%	33.0%	7.0%	14.7%	29.5%	5.2%	16.8%	85.9%
201901	\$506.39	\$73.02	\$402.48	\$61.02	\$477.55	\$70.39	17,095	18.7%	24.1%	7.2%	9.8%	23.3%	5.5%	18.3%	84.6%
201902	\$507.02	\$62.83	\$401.02	\$62.72	\$479.06	\$72.50	17,552	15.7%	17.0%	12.2%	10.5%	17.6%	10.4%	20.0%	84.1%
201903	\$507.21	\$54.14	\$404.03	\$61.98	\$486.26	\$72.24	18,019	13.1%	14.3%	8.3%	13.9%	16.4%	8.1%	21.7%	83.4%
201904	\$507.28	\$48.54	\$404.23	\$62.38	\$490.30	\$72.86	18,473	11.6%	10.2%	8.6%	13.4%	13.7%	8.9%	23.2%	82.9%

	2020 Renewals First Pass
Experience Period Data, Active Groups Only, at time of Renewal	\$452.87
Manual Rate PMPM, Active Groups Only, Q1 2020	\$494.61
SIC Factor & Age/Gender Factor, Active Groups Only, Experience Period	1.039
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Manual Rate Adjusted for SIC and Age Gender	\$513.85
Weighted Average Credibility	26.3%
Expected Claim Cost in Premium, based on Manuals & Experience	\$497.84
Target Loss Ratio, 1Q 2020	85.6%
Expected Premium, no Underwriting Discretion	\$581.57
Underwriting Discretion, 2020	1.004
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Projected Renewal Premium PMPM	\$584.16