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2 STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

3 In re: MVP Health Plan, Inc.  
4 2021 Vermont Health Connect Rate Filing  
SERFF No. MVPH-132371260

DOCKET NO. GMCB-006-20RR

5  
6 **PREFILED TESTIMONY OF JACQUELINE B. LEE, FSA, MAAA**

7 Dated: July 14, 2020

8  
9 **1. QUALIFICATIONS AND BACKGROUND**

10 **What is your name and who is your employer?**

11 My name is Jacqueline B. Lee. I am a vice president and principal at Lewis & Ellis.

12  
13 **What type of business is Lewis & Ellis?**

14 Lewis & Ellis (also known as L&E) was founded in 1968 primarily as an actuarial consulting firm. In  
15 addition to actuarial work, L&E also consults in other insurance related matters such as compliance and  
16 financial examinations.

17  
18 **What is your educational background?**

19 I graduated from Texas Lutheran University with a Bachelor of Science in mathematics. I am a fellow of  
20 the Society of Actuaries (SOA) and a member of the American Academy of Actuaries (AAA).

21  
22 **How long have you been an actuary?**

23 I have been working in the actuarial field for 16 years. I have been a credentialed actuary for 13 years.

1 **How long have you been retained by the Green Mountain Care Board (the Board) to provide**  
2 **actuarial services to the State of Vermont?**

3 L&E was engaged in 2014 to begin providing actuarial services to the Board, I began providing actuarial  
4 services to the Board at that time.

5  
6 **In that time how many Vermont health insurance rate filings have you worked on?**

7 L&E has reviewed approximately 77 filings on behalf of the Board, and I have worked on each one.

8  
9 **In what market segments have those rate filings been?**

10 They have been in the QHP (Quality Health Plan) segments, which includes the merged individual and  
11 small group markets, as well as the large group and association health plan markets.

12  
13 **How experienced are you at reviewing health insurance rate filings in the Vermont marketplace?**

14 Very experienced.

15  
16 **Do you work on health insurance rate filings in other states?**

17 Yes.

18  
19 **How many would you say?**

20 Since 2010, when ACA was passed, L&E staff has assisted 22 states with rate reviews. L&E is currently  
21 assisting 14 states with ACA related rate reviews. In some combination, the L&E staff that helps the  
22 Board is currently assisting 9 other states with ACA rate reviews (Arizona, California, District of  
23 Columbia, Louisiana, Kentucky, Maryland, Nebraska, New Mexico, South Carolina). Since that time, this  
24 team has reviewed more than 1,000 filings combined in the Individual and Small Group ACA markets.

1 **How does Vermont’s health insurance market compare to the markets in the other states you work**  
2 **with?**

3 Vermont’s health insurance market is a little bit different from the other states that we review. For  
4 example, it is a merged, community rated market. However, it is helpful that we work with other states,  
5 because with the ACA there are a lot of issues that impact everybody. It is very helpful for our reviewers  
6 to be able to see a wide range of filings and a myriad of market wide impacts, like risk adjustment and  
7 industry wide impacts such as the COVID-19 pandemic.

8  
9 **What do you do in your work to keep up with changing health care reform issues?**

10 Since we work with so many states, L&E is very active with keeping up with issues that impact the health  
11 insurance industry. I personally volunteer frequently within the actuarial community. I currently serve as  
12 the Chair of the SOA Health section. This means that I help guide all SOA health related endeavors,  
13 including the COVID-19 education and distribution of information and the development of continuing  
14 education through the annual Health Meeting and webcasts throughout the year. I am also an active  
15 volunteer within the SOA. David Dillon, a peer reviewer on this filing, currently serves on the SOA  
16 Board of Directors. This includes being a member of the SOA’s Project Oversight Group of the recently  
17 released 2021 Health Care Cost Model. For the AAA, Mr. Dillon is a member of the Individual and  
18 Small Group Markets Committee that oversees health related issues such as authoring the recently  
19 released Issue Brief on the Drivers of Health Insurance Premium Changes, which includes the effects of  
20 COVID-19.

21  
22 **2. FILING REVIEW PROCESS**

23 **Generally speaking, how is a health insurance rate filing reviewed?**

24 Both the rate filing and the rate review are very detailed processes that are based on strict regulatory  
25 guidance, both federal and state, and specific Actuarial Standards of Practice (ASOPs). We estimate that

1 there are more than 125 pages over guidance that must be followed, these include: Uniform Rate Review  
2 Template (URRT) (73 pages), ASOP 8 (30 pages), 45 CFR § 156.80 (2 pages), 45 CFR § 147.102 (3  
3 pages), GMCB Rule 2.000 (13 pages), 18 V.S.A. § 9375 (2 pages), and 18 V.S.A. § 4062 (2 pages). As  
4 provided in the guidance, the primary point of the review is determining the reasonableness of the  
5 assumptions used by the health insurance issuer to develop the proposed rate increase. In evaluating the  
6 reasonableness of the assumptions, L&E can then assist the Board in determining whether the proposed  
7 rates are not excessive, inadequate, or unfairly discriminatory.

8  
9 **What are your standards of review?**

10 As noted above, we review the filings to make sure that the companies follow both federal and state  
11 guidance. At the state level, the Board has many factors that it must consider in evaluating the proposed  
12 rates. We focus on the factors that are primarily actuarial in nature. These are “excessive, inadequate, and  
13 unfairly discriminatory.” These are defined actuarial terms that are included as part of ASOP #8. We base  
14 our evaluation of the filing on those factors, and then we make recommendations to the Board if we  
15 believe the filing needs to be adjusted to meet those actuarial standards of review.

16  
17 **What is the definition of an “adequate” rate according to the actuarial standards of practice?**

18 Rates may be considered adequate if they provide for payment of claims, administrative expenses, taxes,  
19 and regulatory fees and have reasonable contingency or profit margins.

20  
21 **What is the definition of an “excessive” rate according to the actuarial standards of practice?**

22 Rates may be considered excessive if they exceed the rate needed to provide for payment of claims,  
23 administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins.

24  
25 **How is the term “unfairly discriminatory” defined according to the actuarial standards of practice?**

1 The term unfairly discriminatory doesn't come into play too often in a review, especially in Vermont due  
2 to the unique nature of its insurance rules, but reviewing to determine that a rate is not unfairly  
3 discriminatory is basically just confirming that a carrier doesn't charge similar people materially different  
4 rates.

5  
6 **What is L&E's process for reviewing a Vermont rate filing?**

7 For each filing we assign three credentialed actuaries that have different levels of responsibility.

8 For the 2021 filings, Traci Hughes, ASA, MAAA, is the lead actuary and reviewer for the MVP filing.

9  
10 I am the primary peer reviewer. In this role, I advise Ms. Hughes on the issues that should be addressed  
11 with the carrier and assist on making recommendations. David Dillon, who is the primary peer reviewer  
12 on the Blue Cross Blue Shield of Vermont filing, serves as the secondary peer reviewer to help ensure  
13 consistency as much as possible between both carriers in Vermont.

14  
15 **Could you briefly explain what SERFF is?**

16 SERFF is the National Association of Insurance Commissioner's (NAIC) "System for Electronic Rate  
17 and Form Filing." Insurance carriers submit their filing information into this system, and we  
18 communicate with the insurance carriers about the rate filings through SERFF.

19  
20 **When you review a filing are you performing an independent analysis and calculation, or are you  
21 only checking a calculation or assumption you received from the companies?**

22 Generally, a rate review is used to determine the reasonableness of each underlying assumptions and the  
23 assumptions in the aggregate. We use different approaches based on the magnitude and materiality of the  
24 assumptions and their impact on the rate. For assumptions that are material, we will oftentimes perform  
25 an independent calculation and a detailed analysis. For assumptions that may not be as material to the rate

1 increase and for assumptions that may not change that much since our last review, we will just use the  
2 information provided to assess whether the assumption is reasonable. We may have to end up asking for  
3 additional information to help support the assumption, but we may not have to do any additional  
4 calculations for non-material assumptions.

5  
6 **Do you have a process for getting additional information from the company if you need it?**

7 Yes. The primary mechanism is through the submission of inquiry letters through SERFF. We also notify  
8 the company via email to make sure that they are aware that an inquiry letter was submitted. Early in the  
9 review period, the typical approach is to request for a response within a week. Towards the end of the  
10 review period, we may request a shorter response time, such as two days. After the review is complete,  
11 SERFF is designed such that it serves as a template for a review process, and it also provides a permanent  
12 record of communications exchanged related to the review.

13  
14 **Did you follow the standard policies and practices that you have outlined above in your review of  
15 this filing?**

16 Yes, we did.

17  
18 **How long do you have to review a filing from the time it is submitted to the Board?**

19 By statute we have 60 days to provide a formal report to the Board.

20  
21 **Did you submit a formal report to the Board in this filing with recommendations for approval?**

22 Yes, we submitted a report on July 7, 2020, Day 60 of this filing. Based on our review of the filing, our  
23 report recommended a series of modifications to the requested rate components. With the recommended  
24 modifications, L&E believes that this filing does not produce rates that are excessive, inadequate, or  
25

1 unfairly discriminatory. Our analysis of the filing indicates that applying the recommended modifications  
2 would decrease the overall rate increase for this filing from 7.3% to approximately 5.5%.

3  
4 **Have you had a chance to review the correspondence submitted by MVP on July 9, 2020, stating**  
5 **that MVP believes the overall rate increase with L&E's modifications would produce a rate of**  
6 **5.38%, rather than 5.5%?**

7 Yes, we reviewed this correspondence from MVP.

8  
9 **What is your opinion of MVP's computation?**

10 We believe that 5.38% is a reasonable computation of the impact of our recommended modifications  
11 because our calculation was based on estimates of numbers provided by MVP. We rely on MVP's  
12 calculation of the 5.38% as they have all the specific figures and formulas to determine the rate change  
13 more accurately.

14  
15 I attest, under penalty of perjury under the laws of the State of Vermont, that the foregoing is true and  
16 correct. I have personal knowledge of the facts set forth above and if called to testify as a witness thereto,  
17 I would and could competently testify accordingly.

18  
19 Date: July 14, 2020

/s/ Jaqueline B. Lee  
Jaqueline B. Lee, FSA, MAAA

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**CERTIFICATE OF SERVICE**

I, Amerin L. Aborjaily, Esq., hereby certify that I have served a copy of *Lewis & Ellis'*  
*July 14, 2020 Prefiled Testimony of Jackie Lee* upon the following:

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Dated at Montpelier, Vermont, this 14th day of July, 2020.

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