

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan, Inc. 2023)	
Vermont Large Group HMO Rate Filing)	DOCKET NO. GMCB-010-22rr
)	
SERFF No. MVPH-133347862)	
)	

MVP HEALTH PLAN, INC.’S MEMORANDUM IN LIEU OF HEARING

MVP Health Plan, Inc. (“MVP”) by and through Primmer Piper Eggleston & Cramer PC submits this Memorandum requesting that the Green Mountain Care Board (“GMCB” or “Board”) approve the rates as requested by MVP with 1) one modification recommended by the Board’s actuary, Lewis and Ellis (“L&E”) (a reduction of 2.8%)¹; amounting to an amended requested rate from the original 26.6% to 23.1%.²

As of April 2022, there were approximately 1,900 members enrolled in MVP Large Group plans in Vermont. Of these members 1,421 have a 1st quarter renewal, 0 have a 2nd quarter renewal, 293 have a 3rd quarter renewal, and 113 have a 4th quarter renewal. The vast majority of these members (approximately 80%) enroll in the first quarter of any given year. MVP initially proposed a quarterly manual rate increase of 19.6% in the first quarter of 2023, and 2.9% for quarters two through four, which translates to an annual increase of 26.6%. L&E made four recommendations and proposed a modified annual increase of 21.3%. This year, MVP disagrees with three of the four L&E Recommendations. *See Section I.* MVP also provided corrections to L&E’s calculated impact of its recommendations. *See Section II.* The total of these two adjustments provides for the 1.5% delta between MVP’s amended proposed rate and L&E’s proposed rate. L&E agreed with

¹ All the percentage changes referenced herein are multiplicative, not additive.

² MVP and the Health Care Advocate (“HCA”) have agreed to waive the hearing before the Board in this proceeding.

many of MVP's assumptions and the 23.1% rate adjustment meets the statutory requirements of 8 V.S.A. §§ 5104(a); 4062(a)(2)-(3); *Board Rule 2.000*. See Sections III and IV.

I. L&E Recommendations.

L&E recommended in its October 11, 2022 Actuarial Memorandum ("L&E Report") that the Board approve the rates with four modifications.

A. The First Recommendation: MVP Agrees With L&E's Recommendation To Update Incurred But Not Reported ("IBNR") Factor From 1.088 To 1.054, Resulting In A Decrease To The 2023 First Quarter Rates By 2.8%.

MVP accepts L&E's first recommendation of updating the IBNR factor from 1.088 to 1.054 to reflect additional claims runout through July 2022. *MVP's Response to L&E Objection Letter No. 1* (August 23, 2022). This decreases the first quarter rate of 2023 by 2.8%, resulting in a first quarter rate of 2023 of 16.3% and total annual average rate increase of 23.1%.

B. The Second Recommendation: MVP Disagrees With L&E's Recommendation Of An Allowed Pharmacy Trend Because Eliminating Apparent Outlier Years Does Not Smooth Pharmacy Trend Fluctuations, Instead It Suppresses Data And Provides An Inaccurate Projection Of Pharmacy Costs For This Group.

MVP assumed an 11.6% allowed pharmacy trend for 2023. L&E recommends reducing the pharmacy trend to 7.3%. L&E justified its recommended decrease by excluding purported outlier trends observed in 2018 and 2020 when comparing the historical pharmacy benefit manager ("PBM") expected trends to actual allowed trends. See *L&E Report*, p. 6. In 2018, the actual pharmacy trend was significantly lower than expected. In 2020, the pharmacy trend was much higher than expected. Simply eliminating purported outliers is not appropriate under the circumstances. The limited participation in MVP's Large Group means that one large claim to one Large Group member could substantially impact annual pharmacy trends. To set an appropriate pharmacy trend, MVP must consider the data in its entirety. By reviewing actual-to-expected

trends in isolation and ignoring the fluctuations, L&E is not smoothing trend but suppressing it by failing to consider relevant data in a limited data set.

MVP's pharmacy trend assumption is superior and reflects the entire MVP book of business in Vermont.

C. The Third Recommendation: MVP Disagrees With The Removal Of The COVID-19 Vaccination Cost Adjustment.

MVP assumed a \$3.17 PMPM increase for COVID-19 vaccine costs for 2023. L&E recommends removing the COVID-19 vaccine cost adjustment, resulting in a decrease to the 2023 first quarter rates by approximately 0.7%.

MVP based its projections on the CMS Medicare Advantage 2023 rate announcement. As a result, MVP assumed a unit cost per vaccine of \$104 PMPM, consisting of a \$40 administrative cost and \$64 ingredient cost. L&E recommends, instead, using the ingredient costs for the flu shot of approximately \$20.00 as an upper bound for unit cost. MVP disagrees with L&E's assumptions that MVP will either have no ingredient costs or up to \$20.00 per dose based on flu vaccination costs. L&E offers no insight into why flu vaccination costs are an appropriate assumption in this case.³ MVP's cost assumption, in contrast, relies on credible CMS and Medicare data.⁴ Additionally, without providing an evidentiary basis, L&E now assumes one vaccine per utilizing

³ Indeed, just a few days ago, Pfizer identified a cost per dose of \$110 - 130 in 2023, which is even greater than MVP's reasonable estimates. Pfizer explained that as the COVID-19 vaccine shifts to a commercial market because the U.S. government is no longer expected to maintain funding to continue to purchase vaccine doses. This cost reflects Pfizer's commitment to reinvesting in manufacturing, preparedness, and innovation to react and match future COVID-19 variants and mutations. Remarks of Angela Lukin, Global Primary and U.S. President of Pfizer, *Edited Transcript of Pfizer Analyst and Investor Call* (Oct. 20, 2022, 8:30PM), https://s28.q4cdn.com/781576035/files/doc_downloads/2022/10/IDWeek22/PFE-USQ_Transcript_2022-10-20.pdf.

⁴ Testimony of Christopher Pontiff, GMCB Docket #005-22rr and 006-22rr, p. 105; Hr'g Ex. 4, p. 8.

member. MVP assumes 1.32 based on its own experience and utilization over 12 months.⁵ L&E's recommendation is not supported and should be disregarded.

MVP's assumptions related to COVID-19 vaccinations and boosters have consistently been proven each year. *See* GMCB Docket #005-22rr and 006-22rr; *see also* GMCB Docket #007-21rr and 008-21rr. The data available to MVP this year indicates that Vermonters will continue to receive COVID-19 vaccines and boosters as they remain motivated to protect themselves and their communities from COVID-19, and that carriers will pay ingredient costs. These costs should be accounted for in any approved rates.

D. The Fourth Recommendation: L&E Is Incorrect In Its Conclusion That 2023 Is An Outlier. Quarterly Trends Should Be Based On 2023 Trend Data.

MVP based its quarterly rates on 2023 trend and assumed 2023 quarterly rate increases of 19.6% for the 1st quarter, 2.9% for the 2nd quarter, 2.9% for the 3rd quarter, and 2.9% for the 4th quarter. L&E proposed that quarterly trends based on 2022 trend data based on the conclusion that 2023 trend is an outlier and recommended 2023 quarterly rate increases of 14.5% for the 1st quarter, 2.0% for the 2nd quarter, 2.1% for the 3rd quarter, and 2.1% for the 4th quarter.

L&E provides no evidentiary basis for their conclusion that 2023 will be an outlier. MVP's assumed rates are sufficient for MVP to continue to operate in Vermont which necessitates the adaption of its rates to meet rising costs. L&E's concern that 2023 will be an outlier is not supported by the data evidencing inflation and the rising cost of health care. There is no evidence that the medical unit cost trend in 2024 will mimic the 2022 trend data.

⁵ On the issue of utilization, Pfizer also reasonably acknowledged that there is still not a set revaccination schedule for COVID-19. The demand for boosters in 2023 is impacted by adapted vaccines to be rolled out to combat shifting and mutating strains of COVID-19, which would require more than one vaccination annually. Remarks of Angela Lukin, *supra* note 3.

II. L&E's Total Proposed Rate Increase 21.2% Is Actually 21.3% Based On MVP's Confirmatory Calculation.

Over the last two years, the Board requested that MVP provide a confirmatory calculation using its rate filing template of the impact of L&E's recommendation on the proposed rate. *See* GMCB Docket #005-22rr and 006-22rr; *see also* GMCB Docket #007-21rr and 008-21rr. Conducting a similar check here, MVP calculated the rate impacts of the recommendations in the L&E Report and noted some differences between MVP's calculations and L&E's stated impact to the rates. The aggregate impact of all of the corrections below amounts to 0.1%.

Pharmacy Trend: L&E recommended an allowed pharmacy trend of 7.3%, and calculated that this would result in a 0.9% decrease to the 2023 first quarter rates. However, MVP has calculated that this results in a 0.8% decrease to the 2023 first quarter rates.

Quarterly Rate Increases: L&E recommends that quarterly trends be based upon 2022 trend data rather than 2023. L&E adopted the quarterly rate increases based on 2022 trend data for the quarterly trend assumptions provided by MVP, resulting in quarterly rate increases of 14.5% for the 1st quarter, 2.0% for the 2nd quarter, 2.1% for the 3rd quarter, and 2.1% for the 4th quarter. MVP calculated quarterly rate increases of 14.6% for the 1st quarter, 1.9% for the 2nd quarter, 1.9% for the 3rd quarter, and 1.9% for the 4th quarter.

Total Annual Rate Change: With all of these adjustments, L&E calculated a new total annual rate increase of 21.3% amounting to a delta of 1.5% with the rate MVP now requests. However, MVP has calculated a total annual rate increase of 21.2% based on L&E's recommendations resulting in a 1.6% delta.

III. L&E And MVP Agree On Utilization Trend, Unit Cost Trend, Administrative Load, And Contribution To Reserves (“CTR”).

L&E agreed with MVP’s conclusion that the Vermont Large Group historical data for its book of business is not credible and too volatile for medical utilization trend purposes. L&E found MVP’s assumption of a 1.0% medical utilization trend to be consistent with utilization trend used in the 2022 and 2023 QHP filings and both reasonable and appropriate. *L&E Report p. 4.*

L&E found MVP’s unit cost trend of 8.0% to be consistent with the Board’s final decisions regarding 2023 hospital budgets. *L&E Report p. 5.*

L&E found MVP’s assumed general administrative load of 7.8% of premium to be reasonable, appropriate, and less than the average of the most recent three years of 8.3%. *L&E Report p. 10.*

L&E found MVP’s proposed 2.0% Contribution to Reserves (“CTR”) to be historically consistent with past proposed CTRs and reasonable. L&E observed that it is “slightly concerning that MVP has experienced negative profits in the last few years” and that it is “not sustainable to have significant losses, and therefore, a higher CTR could be justified.” *L&E Report pp. 10-11.* Similarly, the Vermont Department of Financial Regulation (“DFR”) considered only the 2% CTR and found that the proposed rate is not inadequate. *October 7 2022 DFR Solvency Opinion.*

Every year, MVP sets CTR at a level that will protect insurer solvency for that year without being excessive nor inadequate. MVP does not attempt to “catch-up” based on losses in a previous year. Nevertheless, when premium and claim costs do not align, the continued resulting losses exacerbated by cuts to CTR year over year threaten carrier solvency, thus the Board should not cut CTR for 2023.

IV. MVP is Lowering Costs, Promoting Quality of Care and Access, and Affordability in This Rate Filing.

The Board shall modify or disapprove a rate request only if it is “unjust, unfair, inequitable, misleading or contrary to law, or . . . fails to meet the standards of affordability, promoting quality of care and promotion of access.” 8 V.S.A. §§ 5104(a) and 4062(a)(2)-(3). The Board may take administrative notice of the facts detailed in MVP’s 2023 QHP Rate Filings and at the July 20, 2022 Rate Review Hearing (GMCB Docket #005-22rr and 006-22rr), showing that MVP has taken the following significant steps to contain costs and address affordability, access, and quality of care:

1. MVP strives to put forth the lowest premium possible relative to the benefits we are covering, which has resulted in growth in our market share in Vermont.
2. MVP promotes an affordable rate with a quality product.
3. MVP promotes primary care.
4. MVP employs a comprehensive staff of clinicians.
5. MVP administers over 10 specific case management programs directly with our members.
6. MVP engages in a competitive bidding process.
7. MVP contracts with a PBM to get the best prices on prescription pharmaceuticals.
8. MVP has sought to increase member engagement and cost transparency via its website.
9. MVP supports the use of telemedicine.
10. MVP maintains a nationwide network of providers.
11. MVP offers both standard and non-standard plans.
12. MVP has robust evidence-based guidelines such as MVP’s Medical Policies and Utilization Management Program designed to decrease unwarranted variations in care and support appropriate utilization. These medical policies undergo continuous review and are vetted by community physicians throughout our service area. Vermont physicians serve as representatives on MVP’s Medical Management Committee, Pharmacy and Therapeutics Committee, and Quality Improvement Committee.

13. MVP supports and guides taxpayers who may be eligible for premium assistance, cost sharing incentives, or subsidies.
14. MVP reduces out-of-pocket costs for enrollees earning from 100% to 300% of the federal poverty level through cost sharing reductions.
15. MVP's New York and Vermont business is accredited by The National Committee for Quality Assurance ("NCQA"), which employs a large set of robust quality standards and requires reporting in more than 40 areas. MVP believes that it offers quality services and the providers with which it has contracted are high performing.

Pre-filed Testimony of Christopher Pontiff, GMCB Docket #005-22rr and 006-22rr; Hr'g Ex. 16, pp. 6 – 16.

CONCLUSION

MVP accepts L&E's first recommendation of updating the IBNR factor from 1.088 to 1.054 based on additional claims runout through July 2022, resulting in a reduction to the proposed 2023 first quarter rates by 2.8%, and an amended annual average rate from 26.6% to 23.1%. MVP disagrees with L&E's remaining recommendations and requests that the Board accept MVP's assumptions on pharmacy trend, COVID-19 vaccine cost adjustment, and quarterly rate increases. MVP further requests that the Board accept MVP's confirmatory calculations on the impact of L&E's recommendations. MVP requests that the Board approve a manual rate increase of 16.3% in the first quarter of 2023, and 2.9% for quarters two through four, which translates to a total as-modified average rate increase of 23.1%.

Dated: October 27, 2022

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CERTIFICATE OF SERVICE

I, Alice M. McDermott, Esq., hereby certify that I have served a copy of *MVP Health Plan, Inc.'s Memorandum in Lieu of Hearing* via e-mail upon the following:

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Dated at Burlington, Vermont, this 27th day of October, 2022.

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