

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan, Inc.	)	GMCB-009-24rr
2025 Large Group HMO Rate Filing	)	SERFF No.: MVPH-134197798
	)	

---

**DECISION AND ORDER**

**Introduction**

Health insurers must submit major medical rate filings to the Green Mountain Care Board, which must approve, modify, or disapprove each filing within 90 calendar days of receipt. 8 V.S.A. § 4062(a)(2)(A). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

This decision pertains to the 2025 large group rate filing of MVP Health Plan, Inc. (MVP). As explained below, we require MVP to make the modifications to the filing that were recommended by our contract actuaries and agreed to by MVP.

**Procedural History**

On August 15, 2024, the Board received a rate filing via the System for Electronic Rate and Form Filing (SERFF) from MVP Health Plan, Inc. (MVP or “the carrier”) for its 2025 large group HMO products.<sup>1</sup> On August 20, 2024, the Office of the Health Care Advocate (HCA), a special project within Vermont Legal Aid that represents the interests of Vermont health insurance consumers, entered an appearance as a party to the filings.

On October 14, 2024, the Board received an analysis prepared by the Vermont Department of Financial Regulation (DFR) regarding the impact of the filing on the carrier’s solvency (Solvency Opinion), which the Board posted on its website. Also on October 14, 2024, the Board received an actuarial memorandum prepared by Lewis & Ellis (L&E Memo), the Board’s contract actuaries, which the Board posted on its website. The Board received no public comment on the filing. Pursuant to GMCB Rule 2.000, § 2.309(a)(1), the parties waived a hearing; MVP filed a memorandum in lieu thereof.

**Findings of Fact**

1. MVP is a nonprofit health insurer domiciled in New York state and licensed as a health maintenance organization (HMO) in New York and Vermont. MVP is a subsidiary of MVP Health Care, Inc., a New York corporation that transacts health insurance business through a variety of for-profit and not-for-profit subsidiaries and provides health insurance coverage to individuals and

---

<sup>1</sup> The SERFF filings, as well as all documents referenced in this Decision and Order, can be found under MVP- Decisions in the rate review section of the Board’s website at <https://ratereview.vermont.gov/>.

employers in the small and large group markets in New York and Vermont. L&E Memo, 1; *In re MVP Health Plan, Inc. 2025 Individual and Small Group Market Rate Filings*, GMCB-005-24rr and GMCB-006-24rr, Decision and Order, Findings of Fact (Findings), ¶ 11 (Aug. 12, 2024).

2. This filing demonstrates the development of premiums for MVP's large group HMO product portfolio and includes proposed manual rates for all four quarters of 2025. MVP's large group HMO product portfolio consists of base major medical high-deductible health plans (HDHPs) and non-high-deductible health plans (Non-HDHPs), and benefit riders. L&E Memo, 1. The manual rates are composed of a base rate change, an age/gender factor change, and a change in retention. *See* L&E Memo, 2.

3. As of April 2024, there were approximately 1,589 members enrolled in MVP's large group plans in Vermont, approximately 90% of whom have renewal dates in the first quarter of 2025 (1Q25). L&E Memo, 1. *See* MVP Actuarial Memorandum (MVP Memo), 1.

4. MVP proposes an 11.1% annual manual rate increase for members renewing in 1Q25. This increase results from previously approved 1.5% quarterly rate increases for 2Q24 through 4Q24 combined with a proposed 6.1% base rate increase for 1Q25 and a 0.2% increase for membership distribution shift. L&E Memo, 2. MVP also proposes 1.6% quarterly rate increases for each of the remaining quarters of 2025 to account for assumed quarterly trend. L&E Memo, 2. Together, these proposed increases would translate to an average annual manual rate increase of 11.5% for groups renewing in 4Q25. L&E Memo, 2; *see* MVP Memo, 1.

5. In practice, the large groups represented in this filing have premiums based on an average blend of their own claims experience at approximately 25% and the manual rate at approximately 75%. Therefore, groups will experience premium increases that are higher or lower than the manual rate increase approved in this filing. If a group experiences a higher increase, it is because that group's claims experience has deteriorated relative to the other large groups in this block. All groups will experience the effect of changes in retention, as these components of the rate are added to the projected claims, whether those claims came from the manual rate or the group's experience. L&E Memo, 2 – 3.

6. MVP utilized large group claim data for the period May 2023 through April 2024 and paid through April 2024 as the base period experience for this filing. The base period data is 75% credible; to enhance credibility MVP utilized the prior year's manual rate claim costs, adjusted for trend and the impact of new legislation, blended at 25% weight. L&E Memo, 3.

7. MVP completed the base period claims using an incurred but not reported (IBNR) factor of 10.5%, which was the carrier's best estimate of its ultimate liabilities as of June 30, 2024. MVP Memo, 2.

8. MVP uses a pooling charge to mitigate the impact of catastrophic claims (i.e., claims exceeding \$250,000 per member per year) on premiums. Regardless of actual value, catastrophic claims are removed from the experience period and replaced with a flat percentage. In this filing, MVP included a pooling charge equal to 3.0% of claims below the pooling limit. In previous filings, MVP based its pooling charge on its New York large group experience. However, MVP

observed that over the past five years, the pooling charge was generally higher than what had been experienced. Therefore, MVP is utilizing Vermont-specific data for the 2025 pooling charge adjustment. L&E found this approach to be reasonable and appropriate. L&E Memo, 3.

9. MVP projected the adjusted claims forward to the midpoint of the 1Q25 rating period using an annual paid medical trend of 6.0% and an annual paid pharmacy (Rx) trend of 8.2%. MVP further adjusted the trended medical and Rx claims cost to account for things such as the projected cost of capitation, non-fee-for-service claim expenses, Rx rebates, newly added benefits, adjustments for COVID-19 costs, a leap year adjustment, and the impact of new legislation. Reflecting these adjustments, the quarterly manual rate change suggested by the data was 6.0% for 1Q25 compared to 4Q24 prior to accounting for changes in retention. Applying additional trend to the experience period claims, MVP calculated quarterly rate increases of 1.6% in each of the remaining quarters of 2025. That is, if the filing were approved without modification, groups renewing in April 2025 would be charged premiums based on manual rates 1.6% higher than the manual rates used for groups renewing in January 2025. The 1.6% quarterly rate increases proposed by MVP for 2Q25 - 4Q25 assume that 2026 trend will be consistent with 2025 trend. L&E Memo, 3 – 4.

10. The 6.0% paid medical trend proposed by MVP is the product of an allowed medical trend of 5.3% and the impact of cost share leveraging. The 5.3% allowed medical trend, in turn, consists of a 0.5% utilization trend and a 4.8% unit cost trend. L&E Memo, 4.

11. MVP analyzed its combined Vermont data and chose a 0.5% annual utilization trend. MVP noted its low membership in the past, which may lead to volatility of the data, and chose to use an exponential smoothing forecasting method to analyze historical utilization patterns and project them to the rating period. From these projections, MVP's selected utilization trend was between the 60<sup>th</sup> and 70<sup>th</sup> percentile of results. MVP's utilization trend in this filing is lower than the 1.0% utilization trend MVP has assumed in recent filings. L&E's review of MVP's normalized PMPM data from 2019-2023 indicated an average historical utilization trend ranging from approximately 1.5% to 4.5%. L&E found the medical utilization trend of 0.5% to be reasonable and appropriate. L&E Memo, 4 – 5.

12. MVP's medical unit cost trend of 4.8% reflects a combination of known and assumed price increases from MVP's provider network. L&E Memo, 5. For providers who are not subject to the Board's hospital budget review, unit cost trend assumptions are based on best estimates of contract negotiations. For providers subject to the Board's hospital budget review, unit cost trend assumptions are based on the cost increases requested in the providers' fiscal year 2025 (FY25) budgets. MVP Memo, 4. After this filing was submitted, the Board made final decisions regarding FY25 hospital budgets.<sup>2</sup> Therefore, L&E recommends that MVP modify the filing to reflect the ordered hospital budget amounts. This reduces the average annual allowed unit cost trend from 4.8% to 2.8%, which reduces the total average annual paid medical trend from 6.0% to 3.8%. L&E Memo, 5.

---

<sup>2</sup> FY25 Individual Hospital Documents are available at <https://gmcboard.vermont.gov/node/11552>.

13. The 8.6% paid Rx trend proposed by MVP is the product of an allowed Rx trend of 8.2% and the impact of cost share leveraging. The 8.2% allowed Rx trend, in turn, consists of a 3.1% utilization trend and a 5.0% unit cost trend. L&E Memo, 6.

14. To develop its Rx trend assumptions, MVP used trend factors provided by its pharmacy benefit manager (PBM) for different categories of drugs. L&E compared MVP's actual Rx trends over the past five years to the expected trends provided by the PBM. L&E notes that there were outlier trends in 2020 and 2021, during the peak of COVID-19. Excluding these outlier years, MVP's projected pharmacy trend for each year during this time period was only slightly lower than what was actually observed for the large group market. The five-year average allowed Rx trend was 7.8%, MVP's proposed 2025 annualized allowed Rx trend of 8.2% is slightly higher than the five-year average allowed Rx trend of 7.8%. L&E believes this appears reasonable, given MVP's overall historical under-projection of pharmacy trend. *See* L&E Memo, 6; *see also In re MVP Health Plan, Inc. 2025 Individual and Small Group Market Rate Filings*, GMCB-005-24rr and GMCB-006-24rr, Decision and Order, Findings, ¶ 36 (Aug. 12, 2024).

15. MVP made additional adjustments to the manual rates. First, it increased 2025 premium rates by 0.9% to reflect the anticipated impact of Acts 11 and 185, related to prior authorization requirements, health care claims edits, and prescription drug therapy protocols. L&E considers this adjustment to be reasonable and appropriate. L&E Memo, 6.

16. Second, MVP began being charged the full ingredient cost of COVID-19 vaccines in September 2023. MVP calculated the additional claim cost as the difference between the actual 2023 vaccine cost PMPM and what the vaccine cost PMPM would have been had it been charged \$140 per vaccine for the ingredient and administrative costs of all COVID-19 vaccines administered in 2023. MVP explained that its initial adjustment of \$0.27 PMPM was an error; the actual 2023 vaccine cost PMPM was \$0.86 and the vaccine cost PMPM assuming full vaccine cost for the entire year is \$0.96. Therefore, the adjustment should be \$0.10 PMPM, which does not have a material impact on the requested rate. L&E recommends that the adjustment be updated to reflect the corrected figure and considers the revised adjustment to be reasonable and appropriate. L&E Memo, 6 – 7.

17. MVP made adjustments related to additional benefits and also adjusted the experience claims to remove the additional day from the experience period because 2024 is a leap year. The combined impact is a decrease of \$1.55 PMPM. *See* L&E Memo, 7.

18. Retention charges are added to the blended pure premium in deriving the group required premium. MVP is proposing a 13.0% total retention load of 7.8% for administrative expenses, 3.2% for other expenses, and 2.0% for contribution to reserves (CTR). L&E Memo, 7.

19. The projected administrative expense figure of 7.8% of premium is consistent with the average of the last three years. L&E concluded that the administrative expense load appears to be reasonable and appropriate. L&E Memo, 8.

20. The 3.2% load for other expenses covers a variety of projected expenses, including broker load (2.1%), the VT Vaccine Pilot Program fee (0.5%), bad debt (0.3%), and GMCB billback (0.3%). L&E Memo, 8.

21. MVP's federal loss ratio in 2023 was 99.9% and the rolling three-year average (2021 – 2023) is 97.6%. Its target federal loss ratio for 2025 is 87.0%. L&E Memo, 8. The minimum federal loss ratio for large group plans is 85.0%. *See* 45 CFR § 158.210(a).

22. MVP's proposed CTR is 2.0%, which is consistent with its historically proposed CTR. In past orders, the Board has reduced the proposed CTR. L&E reviewed MVP's actual gain/(loss) compared to the ordered risk margin for the most recent four years, which showed losses in three of those years. L&E Memo, 9 – 10. L&E also reviewed the carrier's historical risk-based capital (RBC) ratio, which decreased from 429% in 2020 to 354% in 2021, and then increased to 369.0% in 2022 and 417% in 2023. L&E notes that it is slightly concerning that MVP has experienced an overall negative profit in the last several years, although its RBC has increased in recent years. L&E observes that while Vermont business is a small portion of MVP's overall business, actuarially sound rates are sustainable without other subsidization and that it is not sustainable to have long-term losses. L&E notes that the filed CTR assumption of 2.0% is slightly higher than the expected CTR in prior years and believes the filed CTR assumption is reasonable. L&E Memo, 9.

23. Pursuant to 8 V.S.A. § 4062(a)(2)(B), DFR assessed the impact of the proposed filing on the carrier's solvency. DFR states it has been in communication with the New York Department of Financial Services, the primary solvency regulator for MVP, and has not learned of any solvency concerns regarding the carrier. DFR notes that MVP currently meets Vermont's foreign insurer licensing requirements. Finally, in 2023, all of MVP Holding Company's operations in Vermont accounted for approximately 7.3% of its total premiums written. DFR has determined that MVP's Vermont operations pose little risk to its solvency. Nonetheless, adequacy of rates and contribution to reserves are necessary for all health insurers to maintain strength of capital that keeps pace with claims trends and protects policyholders. Based on its entity-wide assessment and contingent upon the Board's actuaries' finding that the proposed rate is not inadequate, DFR's opinion is that the proposed rate will not have a negative impact on MVP's solvency. DFR Solvency Opinion, 2.

24. In summary, L&E recommends two adjustments to the filing. The first is to revise trends to reflect the final FY 25 hospital budget orders; this will decrease the 2025 first quarter rates by 2.4%. The second is to correct the adjustment for COVID-19 vaccinations, which will not have a material impact on requested rates. L&E concludes that if its recommended modifications are made, the filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. L&E Memo, 10.

25. In its brief, MVP requests that the Board approve MVP's proposed rates, as modified by L&E's recommendations, MVP Brief, 1. MVP agrees with L&E's recommendations to revise the unit cost trend to reflect the final FY25 hospital budget orders and the corrected COVID-19 vaccination adjustment. *Id.* MVP calculates the resulting annual average rate increase to be 8.4%. *Id.*

26. The HCA did not submit a Memorandum in Lieu of Hearing in this proceeding and no public comments were received.

### **Standard of Review**

The Board reviews rate filings to determine whether the proposed 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 laws of this State.” 8 V.S.A. § 4062(a)(3); GMCB Rule 2.000, § 2.301(b). Although the first several terms—excessive, inadequate, or unfairly discriminatory—are defined actuarial standards,<sup>3</sup> other standards by which the Board reviews rate filings are “general and open-ended,” the result of “the fluidity inherent in concepts of quality care, access, and affordability.” *In re MVP Health Insurance Co.*, 2016 VT 111, ¶ 16. The Board additionally takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); GMCB Rule 2.000, § 2.401.

In arriving at its decision, the Board must consider DFR’s analysis and opinion of the impact of the proposed rate on the insurer’s solvency and reserves. 8 V.S.A. § 4062(a)(2)(B), (3). The Board must also consider any public comments it receives on a rate filing. 8 V.S.A. § 4062(c)(2)(B); GMCB Rule 2.000, § 2.201. The insurer proposing a rate has the burden to justify the rate request. GMCB Rule 2.000, § 2.104(c).

### **Conclusions of Law**

#### I.

First, we adopt our actuaries’ recommendations and order MVP to 1) revise the trends to reflect the final orders regarding FY25 hospital budgets, decreasing the 2025 first quarter rates by approximately 2.4%; and 2) correct the COVID-19 vaccination adjustment, which does not have a material impact on the proposed rate.

MVP accepts L&E’s recommendation to use final FY25 hospital budget orders. Findings, ¶¶ 12, 24, 25. MVP also accepts L&E’s recommended correction to the COVID-19 vaccination adjustment. Findings, ¶¶ 16, 24, 25. MVP calculates the resulting first quarter 2025 average rate increase will be 8.4%. Findings, ¶ 25.

#### II.

Second, we accept MVP’s proposed CTR of 2.0%. L&E has noted that it is slightly concerning that MVP has experienced an overall negative profit in the last several years and that the filed CTR assumption is reasonable. Findings, ¶ 22.

---

<sup>3</sup> Under Actuarial Standard of Practice No. 8, rates may be considered adequate if they provide for payment of claims, administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins; rates may be considered excessive if they exceed the rate needed to provide for payment of claims, administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins; and rates may be considered unfairly discriminatory if they result in premium differences among insureds within similar risk categories that: (1) are not permissible under applicable law; or (2) in the absence of applicable law, do not reasonably correspond to differences in expected costs.

**Order**

For the reasons discussed above, we order MVP to 1) revise the trends to reflect the final orders regarding FY25 hospital budgets; and 2) correct the adjustment related to COVID-19 vaccinations. These modifications will reduce the first quarter 2025 rate increase by approximately 2.4%, to 8.4%.

**SO ORDERED.**

Dated: November 13, 2024, at Montpelier, Vermont

<u>s/ Owen Foster, Chair</u>	)	
	)	
<u>s/ Jessica Holmes</u>	)	GREEN MOUNTAIN
	)	CARE BOARD
<u>s/ Robin Lunge</u>	)	OF VERMONT
	)	
<u>s/ Thom Walsh</u>	)	
	)	
<u>s/ David Murman</u>	)	

Filed: November 13, 2024

Attest: s/ Jean Stetter,  
Administrative Services Coordinator  
Green Mountain Care Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: [Tara.Bredice@vermont.gov](mailto:Tara.Bredice@vermont.gov)). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*