ACTUARIAL MEMORANDUM

2024 Large Group MVPHP Manual Rate and Addendum Filing

Purpose of Filing

The purpose of this filing is to demonstrate the development of manual rates in support of MVP Health Plan's (MVPHP) Large Group HMO product portfolio and seek approval of the manual rates and factors used to develop group specific premium rates. The premium rates included in this filing are for group effective dates between 1/1/2024 and 12/31/2024. The rates are effective for 12 months. This rate filing has been prepared to satisfy the requirements of 8 V.S.A § 5104 and is not intended to be used for other purposes.

Scope of Filing

As of April 2023, there are 1,667 members enrolled in Large Group plans on MVPHP. Of these members, 1,245 have a 1st quarter renewal, 0 have a 2nd quarter renewal, 285 have a 3rd quarter renewal, and 137 have a 4th quarter renewal.

The overall projected annual revenue change for 1Q 2024 is 7.5% based on MVP's current membership distribution and is driven by two factors which are described below.

- Manual Rate Change: MVP is proposing a quarterly manual rate increase of -0.2% for Q1, followed by 2.4% for each of the subsequent quarters.

- Change in Target Loss Ratio: MVP is decreasing its target loss ratio from 87.7% in the 1Q 2023 filing to 86.6% for this rate filing which is increasing the overall revenue change by 1.3%. The drivers of this increase include an increase in the billback amounts paid to the state of Vermont, an increase in the Vermont Vaccine Pilot Program Fee, and an increase in the contribution of reserves from 1.0% to 2.0%.

Please see the following table for a derivation of the overall revenue change for 1Q to 4Q 2024. It is important to note that the revenue change for all plans under our current distribution of members is 7.5%.

Derivation of Annual Revenue Change Based on Current Membership

	1Q '24 Annual Increase	2Q '24 Annual Increase	3Q '24 Annual Increase	4Q '24 Annual Increase
Manual Rate Changes	6.2%	6.7%	7.2%	7.7%
Impact of Changes in Target Loss Ratio	1.3%	1.3%	1.3%	1.3%
Proposed Annual Revenue Change	**7.5%**	**8.0%**	**8.6%**	**9.1%**

Experience Period Claims

Large group Vermont claims incurred between May 2022 and April 2023, paid through May 2023 (with incurred estimates updated through June 2023) were the basis of MVP's rate analysis. Fee-for-service (FFS) medical and pharmacy claims were projected to the 1Q 2024 rating period by applying 20 months of trend to the experience period data.

Pooling Charge

To account for volatility in high-cost claims, claims in excess of $250,000 are being removed from the claim projection and replaced by a pooling charge. Because MVP has limited large group data in Vermont, the pooling charges in this filing align with MVP's large group business in New York, consistent with prior filings. The pooling charge of 4.95% is equal to the $250,000 pooling charge included in MVP's LG Addendum which is included with this SERFF submission. For a summary of the high-cost claim ratio in recent time periods, please refer to the attached file, "Rolling 12 Medical and Rx Data – LG".

IBNR Factor

As previously stated, MVP is reflecting an incurred estimate with two months of claim run-out. We have completed the claims using an IBNR factor of 3.8% which is our best estimate of ultimate liabilities as of 6/30/23. MVP uses a combined trended PMPM and completion factor method to value its ultimate claim liabilities. Please see the following table comparing incurred and paid claim amounts by month for the experience period. Note that this IBNR model is not exclusive to this block of business, so the paid and incurred claim amounts will not tie out to the experience in the filing.

Incurred Month	Paid Claims	Incurred Claims	IBNR Factor
202304	$12,684,021	$16,306,410	1.286
202303	$15,793,769	$17,393,566	1.101
202302	$12,428,158	$12,850,847	1.034
202301	$13,388,692	$13,816,926	1.032
202212	$19,228,055	$19,444,453	1.011
202211	$17,312,482	$17,419,280	1.006
202210	$19,905,523	$20,010,493	1.005
202209	$15,844,270	$16,139,077	1.019
202208	$17,794,778	$17,898,563	1.006
202207	$17,463,692	$17,876,209	1.024
202206	$17,440,801	$17,496,454	1.003
202205	$17,352,219	$17,368,146	1.001
Total	$196,636,460	$204,020,424	1.038

Development of Manual Rate Increase

Exhibit 3a demonstrates the development of the proposed 1st quarter rate action. The experience period claims include FFS medical claims completed with IBNR, Rx claims, and rebates. Experience period claims were adjusted for the pooling charge.

Several adjustments to the experience period incurred claim costs were necessary to adjust for items not captured in the experience period. The adjustments are explained below.

MVP is removing $1.37 PMPM to account for cost sharing related to the COVID-19 pandemic including treatment, visits, and testing that was waived during the experience period. Cost sharing will shift back to the members in 2024 with the unwinding of the public health emergency.

MVP is assuming a 10% reduction in Covid testing costs in the projection period due to a utilization decrease, resulting in the removal of $0.26 PMPM. We expect demand for testing to decrease once cost sharing is reinstituted.

It is expected commercial payers will have to pay the full ingredient cost of Covid vaccines by 2024. MVP is taking our experience and increasing it by $130/$40, the expected total vaccine cost in 2024 over what we pay currently[1]. We then reduced this projected additional cost by 40% to reflect COVID-19 vaccines that are covered by the Vermont Vaccine Purchasing Program in 2024. MVP analyzed its flu vaccine utilization within the VVPP and saw that less than 60% of the members receiving flu vaccines were covered through the VVPP. These members could be getting it at pharmacies, NY providers, or VT providers that don't participate. In addition, for the VT providers that do participate, MVP is still responsible to pay the administration fee, the VVPP only covers the ingredient cost. This results in an additional $0.74 PMPM.

MVP added vision coverage to all plans in 2023 so this was not reflected in the entire experience period. In addition, there was very limited vision claims in 2022 since it was retired and then added back to the base plan for 2023. MVP studied historical vision claims from members with riders and used this to derive the $1.45 PMPM additional cost for this benefit.

Hearing aids have been added as an essential health benefit in 2024. MVP analyzed historical experience in its New York population and determined this mandate would result in an additional $0.34 PMPM.

Vermont has mandated coverage of abortions without cost sharing except before the deductible on HDHPs. MVP analyzed its historical experience for all of VT and determined this is worth $0.03 PMPM.

Telemedicine is now covered in full on all plans. The Consolidation Appropriations Act of 2023 allowed the extension of safe harbor before the deductible for all telehealth, even for HDHPs. Our benefit relativity model accounts for this so the expansion of telemedicine for all HDHPs is reflected in the AV of the plan. Based on the cost share MVP took in the experience period, this benefit is an additional $0.02 PMPM on the rate.

Because the rating period is a leap year and the experience period is not a leap year, the rating period will have one more day than the experience period. Assuming claims are uniformly distributed among all days in the year, MVP is adjusting the experience period claim expense upward by 0.27% (366 days / 365 days), or $1.51 PMPM.

Adjustments are made to the projected net claims cost to account for average industry factor and the impact of membership changes over the experience period.

MVP is making an adjustment to the claim projection for the impact of membership not representing a full 12-month contract over the experience period. Because deductibles are present in most these products, paid claims are suppressed in the early months of a member's contract and are higher than average in later contract months. Therefore, if the experience period membership is not evenly distributed by contract month, an adjustment to the claim costs should be made to reflect the expected claim costs for a 12-month contract period.

To determine the adjustment factor for the experience period claims cost, MVP used deductible suppression factors which were developed by analyzing commercial claims for members with 12 months of medical and Rx benefit coverage. MVP assumed that allowed claims were uniformly distributed by month and determined the expected paid claim cost for a given month relative to the average paid amount for 12 months. Factors were developed for a number of different deductible levels, and MVP split its experience period membership by these deductible levels to compute the appropriate adjustment factors. This adjustment factor equals 0.990 and can be found in Exhibit 3a. A quantitative derivation of this factor can be found in the file, "Impact of Membership Growth_Decline on Experience Pd Claims".

[1] https://www.kff.org/coronavirus-covid-19/issue-brief/how-much-could-covid-19-vaccines-cost-the-u-s-after-commercialization/

The average age/gender factor of the population in this experience period compared to the prior filing is 1.051. The inverse of this factor was applied to experience period claims which results in a revenue decrease of 4.9%. The age/gender table is included in Appendix B of the file, "Appendices A-C – 1Q 2024.xlsx".

The industry normalization factor shown on Exhibit 3a was computed using MVP's census over the experience period along with the industry factors included in Appendix A of the file, "Appendices A-C – 1Q 2024.xlsx" which is included with this SERFF submission. Over the experience period, the average industry factor was 1.018. To neutralize the impact of this factor on the required rate change, MVP is multiplying the 1Q 2024 claim projection times the reciprocal of this factor.

Medical Trend Factors

The development of annual medical paid claim trend factors for 1Q 2024 is illustrated in Exhibit 2a. MVP is reflecting 1.0% medical utilization trends in the current filing, and the assumed unit cost trends reflect known and assumed price increases from MVP's provider network as of the filing date.

MVP analyzed historical medical utilization trends for its VT block of business and determined that the data has been too volatile in recent years to use for medical utilization trend purposes. MVP attributes this volatility to the significant membership growth for this block of business and COVID-19. During the 2020 filing, "L&E [Lewis & Ellis Actuaries and Consultants] performed a series of independent trend calculations using market wide utilization data from 2015 to 2018" and found that "After assessing all the market wide results, L&E believes that a reasonable range for market wide utilization trend to be 1% to 4%" (L&E Actuarial Memo, SERFF # MVPH-131934219, page 7). Because MVP believes that their data still lacks necessary stability and L&E's view of utilization trend encompasses the entire market, MVP has built in a 1% annual utilization trend for this filing.

The assumed unit cost trends reflect known and assumed price increases from MVP's provider network. The 2023 unit cost trends for VT hospitals reflect the approved Green Mountain Care Board hospital budgets. Please see Exhibit 2a for the unit cost trends by claim category by year. The 2024 unit cost trends for VT hospitals reflect the proposed commercial rate requests from the hospitals to the GMCB. MVP's unit cost trends for non-VT providers for both years reflect the best estimate of MVP's contract negotiations. MVP has assumed that the 2025 annual trend is equal to the 2024 trend, as we lack information on unit cost trends for 2025 at this time.

In addition to the medical cost inflation rate assumed from the historical experience period to the rating period, an adjustment is needed to reflect the impact of cost share leveraging on the carrier's share of the medical cost. Leveraging is a result of the fixed nature of deductibles and copays in health benefit plans. When there are fixed member deductibles and copays, the carrier bears a greater portion of the cost of medical inflation. Therefore, an additional factor adjustment is made to the trend assumption to capture this cost.

The trend applied to the deductible portion of the experience period was derived using the distribution of claims for MVP's VT book of business. Claims below the average deductible amount over the experience period were trended at the applicable allowed trend rate while claims greater than the deductible were held flat.

Rx Trend Factors

Annual Rx trend factors split by generic, brand and specialty drugs are illustrated in Exhibit 2a. These trend factors were supplied by MVP's pharmacy benefit manager (PBM) and reflect their best estimate of expected changes to pharmacy costs and drug utilization, given MVP's data as a starting point. Supporting documentation illustrating how the Rx trends shown on Exhibit 2a were converted to paid trends for 1Q 2024 can be found in Exhibit 2b.

The PBM has provided trends for 2023, 2024, and 2025. The trend forecast provided by MVP's PBM accounts for drugs coming off patent, changes in average wholesale price, new drugs being released to the market, and price competitiveness amongst generic and brand drug manufacturers. Please see the following table which displays MVP's pharmacy trends in this filing.

Rx Trends Used in 2024 MVP VT Large Group Filing

	2023/2022 Trend		2024/2023 Trend		2025/2024 Trend	
	Unit Cost	Utilization	Unit Cost	Utilization	Unit Cost	Utilization
Generic	**4.5%**	**2.2%**	**-12.7%**	**3.0%**	**-1.8%**	**2.7%**
Brand	**3.1%**	**8.7%**	**3.4%**	**0.2%**	**4.1%**	**2.8%**
Specialty	**2.1%**	**8.8%**	**4.4%**	**8.1%**	**4.0%**	**7.1%**

Please see the attached file, "Rolling 12 Medical and Rx Data - LG.xlsx" which contains a rolling 12-month summary of total Rx claim costs as well as Rx data broken out by Generic, Brand, and Specialty.

The annual paid claim trend projection factor on Exhibit 3a represents the blended FFS annual trend projection. To arrive at the blended trend projection, the following calculation is performed: [Annual Paid Medical Trend ^ (20/12) * Experience Period Incurred Medical Claims + Annual Paid Rx Trend Net of Rebates ^ (20/12) * Experience Period Rx Claims (Net of Rebates)] / [Experience Period Incurred Medical Claims + Experience Period Rx Claims (Net of Rebates)] ^ (12/20). The annual trend is then applied for 20 months to move the experience period data from the experience period to the rating period.

An adjustment to the claim projection is made to account for New York's HCRA Surcharge. The New York HCRA Surcharge included in the claim projection is based only on claims paid for services performed by New York hospitals. The load for this surcharge equals 0.15% and is based on historical HCRA fees incurred by Vermont members.

Non-FFS claim expenses and capitation expenses are added to the claim projection. Please see the following table for a summary of non-FFS and capitation expenses reflected in MVP's rate development for this filing.

Summary of Capitations and Non-FRDM Claim Expenses

Other Medical Expense not in warehouse	$3.32
Net Reinsurance Expense	$1.21
Medical Home and PCP Incentive	$3.03
Total	**$7.56**

The expected non-FFS medical expenses added to the claim projection reflect costs associated with net reinsurance expense, PCP incentive payments and Medical Home, and other miscellaneous MVP claim expenses not included in the historical experience period data such as manual checks and Massachusetts surcharges. The Other Medical Expense data is comprised of data for all Vermont group sizes and companies (MVPHP and MVPHIC) in order to minimize random variation in this block of business.

To arrive at the data suggested quarterly rate change for 1Q 2024, the normalized net claim projection is compared to the 4Q 2023 manual rate that would be collected for the experience period enrollment to indicate the suggested quarterly manual rate change.

MVP has also developed 2Q 2024 to 4Q 2024 manual rates for this rate filing. Please see Exhibit 3b which applies one additional quarter of trend to the projected claims on Exhibit 3a. Comparing the 2Q 2024 projected claims to the 1Q 2024 claim projection determines the quarterly manual rate change, and similarly for 3Q 2024 and 4Q 2024.

Retention Expenses

Retention expenses are outlined in the attached Addendum. The following table represents MVP's Large Group administrative expenses as filed in the Supplemental Health Care Exhibit over the past four years:

Administrative Expense Summary - Data Taken from Supplemental Health Care Exhibit

	VT Large Group – MVPHIC & MVPHP			
	Member Months	Premium PMPM	Admin PMPM	Admin Expense Ratio
2019	22,511	$499.97	$46.35	9.3%
2020	23,424	$540.97	$38.45	7.1%
2021	25,201	$568.90	$47.93	8.4%
2022	22.029	$584.72	$43.89	7.5%

Admin PMPM reflects the following lines from Part I of the SHCE: 6.6, 8.3, 10.1, and 10.4

The following taxes/assessments are included in the attached Addendum:

VT Paid Claim Tax

The State of Vermont charges a 0.999% tax on paid claims.

18 V.S.A § 9374 (h)(1) Billback

$2.37 PMPM is added for fees MVP must pay to the State of Vermont to help fund expenses incurred by state agencies and other non-profit organizations on MVP's behalf, including the Green Mountain Care Board, the Vermont Program for Quality in Health Care, Inc. and the Office of the Health Care Advocate. This is found by using the best available information about the market-wide cost of each of the programs and then accounting for MVP's growth in market share from 2022 to 2024.

VT Vaccine Pilot

Based on information provided by the Vermont Vaccine Purchasing Program (VVPP), MVP's rates are $13.54 per covered child and $2.74 per covered adult for 2024, followed by an estimate of $15.05 per covered child and $3.00 per covered adult for 2025. Based on a blend of MVP's child and adult membership in the projection period, the total PMPM costs were determined for each year and given an equal weight, resulting in a $4.51 PMPM. This blended PMPM was then compared to the projection period premium PMPM to convert the assessment to a percent of premium load of 0.62%.

Loss Ratio Information

The traditional target loss ratio (claims cost / premium) for the manual rates proposed in this rate filing is 86.6%. After adjusting for taxes/assessments and expenses associated with quality improvements, the Federal target loss ratio for the rates proposed in this filing is 87.9%. Please see the following table for more detail:

Target Loss Ratio for LG VT in 1Q 2024	
	Large Group VT
A) Claims Expense	$621.02
B) Taxes/Assessments	$7.07
C) Quality Improvement	$3.36
D) Premium	$717.41
E) Traditional Loss Ratio *= A) / D)*	**86.6%**
F) Federal Loss Ratio *= [A) + C)] / [D) - B)]*	**87.9%**

Supplemental Exhibits

Also included with this filing is a historical claim and membership summary for the past 36 months grouped into rolling 12-month periods. Incurred claims from May 2020 – April 2023 completed through June 2023 are reflected in the data.

Re-Sloping of Benefits

MVP has used its proprietary benefit relativity model to update the relativities for all existing plan offerings. Exhibit 3c shows the 4Q2023 net required revenue before and after the benefit re-sloping for all medical/pharmacy/safe harbor plan combinations along with the membership for the plan. The membership weighted net required revenue after adjusting the relativities is equal to before, ensuring revenue neutrality.

New Products

MVP is offering five new base products to this market effective 1/1/24: VT4HMP128XLAN, VT4HMP129XLAN, VT4HMP130XLAN, VT4HMP131XLAN, and VT4HMP132XLAN. MVP utilized its proprietary benefit relativity model to value the benefits associated with the new plans. The manual rates for these new plans reflect the benefit differences.

Retired Products

MVP is retiring the following base products in Vermont in 2024: VT3HDH07AXLD, VT3HDH17AXLD, VT3HDH57EXLDE, VT3HMO089ZLCN, VT3HMO093ZLCE, and VT3HMO117ZLCE.

Actuarial Certification

I, Christopher Pontiff, am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I have examined the assumptions and methods used in determining MVP's requested rates. Based on my review and examination, it is my opinion that the proposed premium rates are reasonable in relation to the benefits provided and that they are not excessive, inadequate, nor unfairly discriminatory. This rate filing conforms to the applicable Standards of Practice as promulgated by the Actuarial Standards Board.

08/04/2023

Christopher Pontiff, FSA, MAAA
Senior Director, Commercial Pricing, Network & Trend Actuary
MVP Health Care

Date