STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

MVP Health Plan, Inc. 2025 Individual Market Rate Filing	))))	GMCB-005-24rr SERFF No. MVPH-134081032

MVP Health Plan, Inc. 2025 Small Group Market Rate Filing	))))	GMCB-006-24rr SERFF No. MVPH-134081005

OFFICE OF THE HEALTH CARE ADVOCATE POST-HEARING MEMORANDUM

The Office of the Health Care Advocate (HCA) offers the following memorandum to assist the Green Mountain Care Board (Board) in its deliberations regarding MVP Health Plan, Inc.'s (MVP) 2025 Individual and Small Group rate filings. MVP has asked the Board to approve rate increases averaging 15.9% in the Individual market and 12.8% in the Small Group market.[1] MVP's proposed rate increases are too high for Vermonters to bear. As such, the Board should cut the proposed rate increases as described herein.

MVP has not met its burden of proof to justify the proposed rates. MVP has not proven that its proposed rates are affordable to Vermonters or promote access to care. Further, MVP has selected trends that lead to the highest actuarially reasonable rate increases, when lower rate increases would also be actuarially reasonable while still protecting MVP's solvency. Because MVP has not justified the proposed rates, the Board should only approve the rates with downward modifications. Specifically, we recommend the Board require MVP to use the prescription drug trend supplied by its PBM, set the medical utilization trend to 0.1% which is at the mean of MVP's recent Vermont experience, and reduce the medical unit cost trend for

[1] Tr. at 80:15–18, 22–25; 228:17–229:2.

GMCB regulated entities to 3.4% equal to this year's Board guidance to Vermont hospitals. With these modifications, MVP's proposed rate increases will be reduced by approximately 2% in each market. Although the final rates will still be unaffordable to many Vermonters, especially to Vermont small businesses and their employees, the cuts represent a minimally appropriate balancing of the rate review criteria, taking into account the affordability concerns of Vermonters and the need to set premium rates that pay for member claims and protect insurer solvency.

I. MVP'S PROPOSED RATES ARE NOT AFFORDABLE FOR VERMONTERS.

The Board is charged with considering whether MVP's proposed premium is affordable. The weight of the evidence shows that the proposed premium increases are not affordable.

The proposed rate increase for the Small Group market is 12.8%. This increase would be fully borne by small business and their employees. These Vermonters cannot absorb such a shock without substantial pain, especially when the proposed 12.8% increase comes on the heels of a double digit increase last year, a cumulative increase of 25.8% in just two years. Comments speak to this unfortunate fact. For instance:

> **"A[s] a small business owner who pays a share of our employees' health insurance costs, we strongly object to the double-digit annual increases we are experiencing. Our [employees] pay a good percentage of the premiums and the burden has become unbearable for them. We have increased our share of the cost over the years but there is a breaking point, and I think we have reached it. Please take our small business and valued employees into consideration in evaluating these unreasonable rate increase requests."** Pub. Comment 125.

> **"[My] nonprofit organization provides coverage … to support the health and well-being of [our] 43 employees and their families. The cost of health insurance has continued to place a strain on the organization's budget which has led to underinsured families and staff turnover."** Pub. Comment 172.

> **"As a small business owner, the cost to provide health insurance to my employees is increasing dramatically with each passing year. At this point, we may no longer be able to cover the entire expense for them. If we were to increase rates at the same rate as health insurance, we would surely lose clients."** Pub. Comment 211.

> **"As a small nonprofit employer committed to providing fair wages and benefits to our employees, we continue to be challenged by double digit increases in health insurance rates. Over the past 5 years we have switched plans and insurers several times, moved to high deductible plans with Health Savings Accounts, and have had to increase employee contributions. This makes it more complicated as well as more expensive for both our staff and for us as an employer. Continuing increases are simply not sustainable for our institutional budgets, for our staff, or for our ability to continue to operate with staff here in Vermont."** Pub. Comment 69.

For individuals, the situation is not much better when the 15.9% proposed increase is viewed from a multi-year frame. Although the Individual market will benefit this year from the Board's guidance on Silver Loading and is further protected from premium increases with the continuation of enhanced subsidies, those enhanced subsidies will expire at the end of 2025 without federal action. The return of the subsidy "cliff" at 400% FPL will be devastating to many Vermonters with modest incomes.

To provide a sense of the size of the cliff, we estimate how big the cliff would be today by modelling a hypothetical subsidy income limit of 400% FPL for 2024.[2] A family of four whose income is 400% FPL ($120,000) would pay $10,200 of premium annually for MVP's VT Silver 3 plan.[3] That same family, if their income is 400.01% FPL ($120,003), would pay annual premium of roughly $32,020. The cliff today would be roughly $21,820. That means the cost of just $3 more in annual income is an additional $21,820 in premiums, or 18% more of pre-tax income. The cliff will only be bigger should the 2025 final proposed rates be approved.

Vermonter's can hardly ponder a future cliff when current premium costs and cost sharing are vastly outpacing their ability to afford health insurance and medical care. Public comments from Vermonters speak to this fact. For instance:

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[2] The HCA is uncomfortable providing an estimate of the 2026 cliff as it would require too many assumptions about premium growth and the Benchmark plan to be reliable.
[3] Ex 46. The deductible for the plan is a stacked $9,000.

> **"Another increase means we will have to tighten our already maxed out budget. It means skipping doctor appointments and delaying treatment. It means thinking twice before seeking medical care. It means worrying extra about our children because a trip to the emergency room will leave us thousands in debt. Another increase means it is that much harder to live in this state."** Pub. Comment 173.
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> **"Families and children who are underinsured often wait to seek critical health care due to high deductibles, which can lead to developmental delays and other longer-term challenges."** Pub. Comment 172.
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> **"My MVP monthly premiums for my family of 4 cost more than my mortgage. When the advance premium tax benefits dry up after 2025, which I have to assume they will, I'm going to drop coverage. It will be cheaper to pay for care out of pocket, which is depressing and utterly unaffordable and unacceptable."** Pub. Comment 16.
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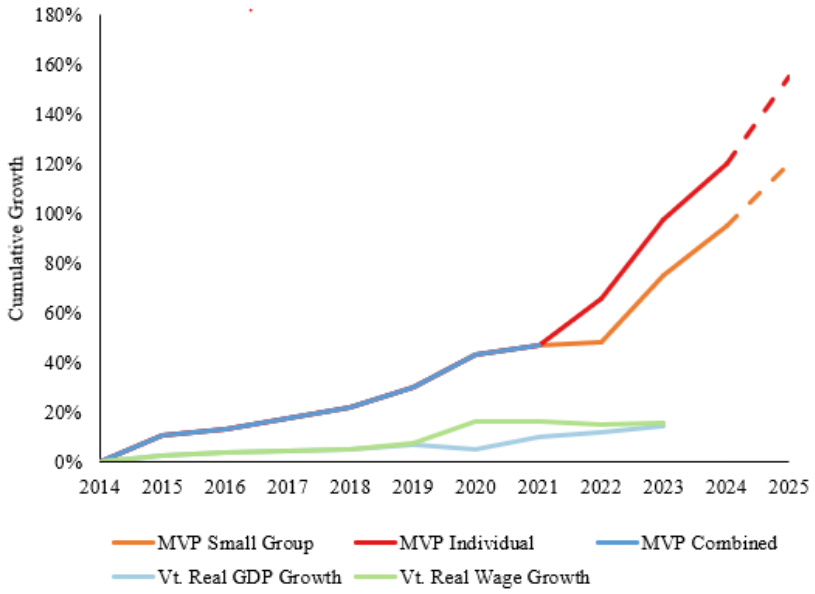
> **"It feels like the health insurance companies and the GMC board don't care what kind of health care we receive, what the actual outcomes of care are (like whether we're healthy or not), or how much it costs us — not just in dollars and cents but in time lost and in opportunities we can't afford. You just want us to pay some money so we're 'insured' and act like that's the same thing as healthy or safe"** Pub. Comment 82.

Economic indicators align with Vermonters' candid accounts of their struggles to afford health care. If MVP's 2025 15.9% Individual and 12.8% Small Group rate increases are approved, MVP's rates will have increased, since 2014, 155% and 120%, respectively.[4] In **Chart 1** on the following page we show that Individual and Small Group rate increases have far outpaced Vermont real GDP and Vermont real wage growth. The proposed rates, the dashed lines, would accelerate that trend.

[4] Tr. at 80:15–18; GMCB-004-23rr & GMCB-005-23rr, Decision; GMCB-005-22rr & GMCB-006-22rr, Decision; GMCB-007-21rr & GMCB-008-21rr, Decision; GMCB-006-20rr; Decision, GMCB-005-19rr, Decision; GMCB-008-18rr, Decision; GMCB-007-17rr, Decision; GMCB-007-16rr, Decision; GMCB-007-15rr, Decision; GMCB-017-14rr, Decision [collectively, hereinafter referred to as 2014–2024 GMCB MVP Rate Decisions].

Chart 1. MVP VHC premium price growth compared to Vermont real GDP growth and Vermont real wage growth. [5]



The unaffordability of the proposed premium price increase is further compounded by high inflation for many necessities. Price growth for specific items over the last 12 months is troubling, even though overall inflation and inflation for some items has cooled—for instance, rent is up 5.2%, baby food and formula is up 5.6%, dental services are up 5.3%, and car insurance is up 19.5%.[6]

MVP has failed to show that the rates are affordable, instead arguing that the rates are actuarially reasonable, that premiums are subsidized by the government, and that it has undertaken efforts to contain costs. Such evidence does not prove affordability.

[5] Tr. at 80:15–18; Exs. 43, 44, 47; 2014–2024 GMCB MVP Rate Decisions. We postulate that the wage "bump" in 2020 is due to low-wage workers exiting the employment market. The initial dip in 2022 in the Small Group market is due to the unmerging of the market.
[6] Ex. 47. It should be noted that, fortunately, many items such as propane and fresh vegetables are decreasing relative to the historic highs recently reached.

II. MVP'S PROPOSED RATES DO NOT PROMOTE ACCESS.

MVP failed to prove that its proposed rates promote access. Vermonters made clear that current access is inadequate since many MVP members avoid obtaining care due to high deductibles and copays. MVP's proposed rate increases will only worsen access to care issues.

III. LOWER TREND ASSUMPTIONS ARE REASONABLE AND WOULD PRODUCE MODESTLY LOWER RATES THAT PROTECT SOLVENCY WHILE ACKNOWLEDGING VERMONTERS' AFFORDABILITY CONCERNS.

MVP's final proposed rates are excessive. MVP could have relied on lower trend assumptions that would have produced lower rates and still been adequate to pay for member claims while protecting insurer solvency.

A. Prescription Drug Trend

The Board should require MVP to use the prescription drug trends (Rx trend) provided by its pharmacy benefit manager (PBM) of 7.4% in the Individual market and 7.3% in the Small Group market. Doing so would lower the final proposed rates by 1.2% and 1.4% respectively and save Vermonters roughly $3.5 million in premiums.[7]

Consistent with prior practice, MVP filed the 2025 proposed rates relying solely on Rx trend data provided by its PBM.[8] The rate filings were signed by MVP's chief actuary, Kathleen Fish, and certified by her as actuarially reasonable and appropriate.[9] At the rate review hearing, MVP's testifying actuary, Eric Bachner, likewise testified that the Rx trend in the original filing was "reasonable"[10] and that MVP relies on the PBM-provided trend because "the understanding is that they know the pharmacy market much better than we do."[11]

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[7] Tr. at 158:25–159:6.
[8] Ex. 1 at 38; Ex. 2 at 56.
[9] Ex. 1 at 44; Ex. 2 at 61.
[10] Tr. at 159:12–20.
[11] Tr. at 53:21–54:7 and 155:7–13.

In the final proposed rates, MVP seeks to use a much higher Rx trend at the recommendation of the Board's actuary L&E.[12] In their memorandum, L&E included a chart showing that MVP's PBM has underestimated Rx trend by an average of 10.6% over the past four years.[13] In light of the PBM's poor track record predicting trend, L&E recommended blending MVP's historical experience with the PBM's data. But their PBM's inability to accurately predict Rx trend should not have been news to MVP. Although Mr. Bachner referred to L&E's evaluation of the PBM's four-year performance history as a "study,"[14] it was really nothing more than a simple comparison of the PBM's "projected" Rx trend to MVP's "actual" results. MVP could have made such a comparison themselves. And MVP could have opted in their initial filing for a trend that blended their own experience with their PBM's Rx trend.

MVP instead chose to rely solely on their PBM's "proven track record" and superior understanding of the market. On cross examination, Mr. Bachner testified that the PBM's Rx trend is still "reasonable" in his estimation.[15] The Board should require MVP to rely on that reasonable choice for another year.

Though somewhat of an aside, we think it is worth connecting this Rx trend discussion to the line of questioning regarding MVP's audit of its PBM. Asked to describe "all aspects" of a PBM audit, MVP did not elaborate beyond saying that it "audited claims and rebates."[16] MVP could not say whether they had recouped any money from their PBM as a result of an audit.[17] By

[12] Ex. 22.
[13] Ex. 19 at 9; Ex. 20 at 8.
[14] Tr. 54:8–11.
[15] Tr. 159:18–20 (Mr. Bachner, referring to both the PBM-provided Rx trend and the L&E recommended Rx trend, said: "I would say that both are reasonable estimates of pharmacy trend.").
[16] Tr. 162:16–17.
[17] Tr. at 163:22–164:3.

appearances, MVP did not take the audit question seriously, at least not coming from the HCA. But it is a vitally important question. When asked whether she would sign a contract with a PBM that could not accurately forecast trend, the Board's consulting actuary, Jacqueline Lee, downplayed the importance of trend projections and said, instead, that she would be focused on "the audit question."[18] In future filings, we would encourage the Board to require MVP to provide actual detail about its PBM audits, especially in light of the Vermont Attorney General's recent lawsuit alleging misconduct by MVP's PBM that has harmed both consumers and payers.[19]

B. Medical Unit Cost Trend

We urge the Board to require MVP to utilize a 3.4% medical unit cost trend for facilities and providers subject to the Board hospital budget review process. According to MVP, a 3.4% medical unit cost trend would lower the rates by 0.6% in the Individual market and 0.4% in the Small Group market.[20]

MVP incorporated a 4.1% (Individual) and 3.7% (Small Group) unit cost trend into the filings for Board regulated facilities and providers. In doing so, "MVP is reflecting the GMCB's most recently approved budgeted changes as the unit cost trend for 2024" and also that MVP is "using approved 2024 increases as the best estimate of future budgeted changes for 2025," [21]— or, in other words, the Board set rates are what hospitals expect to be paid.

In light of the reality that hospitals have frustrated negotiations with payers, and presumably the largest hospitals most effectively, the Board must use its authority to restrict

[18] Tr. at 279:2–280:4.
[19] Tr. 168:1–7.
[20] GMCB-005-24rr & 006-24rr, MVP Response to Post Hearing Questions at 1 (Aug. 2, 2024).
[21] Ex. 1 at 37; Ex. 2 at 55.

hospital cost growth to an amount no greater than the current year's hospital budget guidance. For PY 2025 filings, that number would be 3.4%. Such an approach would allow for certainty in the rate review process that medical unit cost trend can be set at a certain percent, while allowing the Board sufficient flexibility to allocate that allowed cost growth to each individual hospital based on the merits of the budget requests.

C. Medical Utilization Trend

The Board should require MVP to set the medical utilization trend in both filings to 0.1%, which is the mean trend rate derived from MVP's own analysis of its historical utilization patterns. Lowering the medical utilization trend to 0.1% would be "reasonable"[22] and yield additional modest savings for Vermonters.

MVP again selected a 1% medical utilization trend for its VHC filings, a number that MVP derived not from its own experience, but from a market analysis performed by L&E dating back to 2019. As justification for the selection, MVP provided the same block of text it has provided in the past several years' rate filings, which describes MVP's lack of confidence in its own projections due to membership growth and the effects of COVID-19. L&E expressed disagreement with MVP's continued reluctance to use its own data, finding MVP's data to be a "reliable source" and a trend of 0.1% produced from that data to be a "reasonable assumption." [23]

While L&E goes on to recommend against cutting the medical utilization trend from 1.0% to 0.1% "due to CTR concerns,"[24] we think there is sufficient evidence for the Board to set those concerns aside. Despite losses in Vermont's QHP market, losses which are dwarfed by

[22] Ex. 19 at 8; Ex. 20 at 7; Tr. at 273:2–15.
[23] Ex. 19 at 7–8; Ex. 20 at 6–7.
[24] Ex. 19 at 8; Ex. 20 at 7.

MVP's losses on its Medicare Advantage line of business in Vermont,[25] MVP's RBC ratio is on a consistent upward trajectory.[26] Furthermore, there are signs that MVP's profitability in the Vermont QHP market is trending in a favorable direction for the company.[27] And nobody is suggesting that the Board reduce MVP's CTR assumption from 1.5%.[28] For these reasons, it would be reasonable and appropriate for the Board to require MVP to set the medical utilization trend in these filings to 0.1%.

IV. CONCLUSION

MVP has not justified rate increases of 15.9% in the Individual market and 12.8% in the Small Group market. MVP must prove that their proposed rates are affordable and promote access, and they have not done so. The proposed rates are also excessive to the extent they fail to incorporate lower, reasonable trend assumptions that would also protect MVP's solvency.

Vast numbers of Vermonters cannot afford MVP's 2024 rates. Approving double digit increases for the third year in a row will only make health insurance even more unaffordable for Vermonters. We encourage the Board to find that a fair balancing of the rate review criteria necessitates at least the minimal cuts to MVP's proposed rates as outlined in this memo.

Dated at Rutland, Vermont this 5th day of August, 2024.

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[25] Tr. at 139:12–140:2.
[26] Ex. 19 at 17; Ex. 20 at 15.
[27] Ex. 27; Tr. at 275:14–276:11
[28] Tr. at 274:6–10.

CERTIFICATE OF SERVICE

I, Charles Becker, hereby certify that I have served the above OFFICE OF THE HEALTH CARE ADVOCATE POST-HEARING MEMORANDUM on Michael Barber, Laura Beliveau and Tara Bredice of the Green Mountain Care Board, and on Gary Karnedy, Ryan Long and Hannah Lebel, Primer Piper Eggleston & Cramer PC, representatives of MVP, by electronic mail, return receipt requested, this 5th day of August, 2024.

/s/ Charles Becker
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