

July 12, 2024

Green Mountain Care Board  
144 State Street  
Montpelier, VT 05602

Re: MVP Health Plan  
Vermont Health Connect 2025 Individual Rate Filing  
SERFF # MVPH-134081032 (Individual)

The purpose of this letter is to provide a summary and recommendation regarding the proposed 2025 Individual Filing for MVP Health Plan, Inc. (MVP or Company) and to assist the Green Mountain Care Board (Board) in assessing whether to approve, modify, or disapprove the Company's requested rate changes.

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## FILING DESCRIPTION

1. MVP provides individual and small group coverage to be sold on Vermont Health Connect (VHC). This filing requests premiums for MVP's Individual Qualified Health Plans (QHPs) that will be offered on VHC, beginning January 1, 2025.
2. As of February 2024, there were 10,616 members<sup>1</sup> enrolled in MVP's individual plans. Enrollment in these plans in recent years is shown in the following table:

### INDIVIDUAL MEMBERSHIP BY COVERAGE YEAR

Coverage Year	Members	Percent Change
2019	14,491	
2020	16,137	11.4%
2021	15,371	-4.7%
2022	15,026	-2.2%
2023	12,302	-18.1%
2024	10,616	-13.7%

3. For the 2023 rating year, the small group and individual markets were separated for rating purposes. In accordance with Act 7, Section 9, the markets will continue to be separate for rating year 2025. This report will focus on MVP's proposed unmerged premium rates for the individual

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<sup>1</sup> L&E uses the term "members" to refer to the number of covered lives. That is, a single policy covering two family members is comprised of two members.

market.

4. As required by the Affordable Care Act, insurers selling individual plans on VHC must offer Silver plans with cost-sharing reductions (CSRs) to Vermonters with certain income levels, known as “Silver Loaded.” These plans include premium funding to offset the loss of federal CSR payments. Anyone eligible for CSRs is also eligible for Advanced Premium Tax Credits (APTCs). APTC recipients pay a reduced premium due to a subsidy that is based on their income.

Beginning in 2025, insurers must use a uniform silver load as prescribed by the Board to individual plans on VHC. This load is 41.87% for 2025.

In addition to the Silver plans offered on VHC, beginning in 2019, carriers began offering “Silver Reflective” plans outside of VHC. The Silver Reflective plans do not include CSR premium funding since federal CSR payments do not apply. While the VHC Silver Loaded plan premiums are substantially higher than the Silver Reflective premiums, most members in these plans will not pay higher premiums because of the federal premium subsidies.

5. The proposed rate impact of this filing is an average rate increase of 11.7%<sup>2</sup>. The tables below illustrate the approved premium rate changes for last year’s 2024 QHP filing and the proposed premium rate increase for the 2025 QHP filing.

#### 2024 APPROVED INDIVIDUAL RATE CHANGES

Plan Type	Percent Change	Percent of Membership
<b>Catastrophic</b>	+6.6%	0.1%
<b>Bronze</b>	+8.1%	31.0%
<b>Silver Loaded</b>	+13.4%	40.4%
<b>Silver Reflective</b>	+6.6%	3.3%
<b>Gold</b>	+11.9%	20.5%
<b>Platinum</b>	+11.1%	4.7%
<b>Overall</b>	<b>+11.4%</b>	<b>100.0%</b>

<sup>2</sup> In prior years, our report has been based on the average rate increase using the current enrollment as of the year the report was written. This year, due to the expected shifts in enrollment related to the new CSR guidance, the average rate increase differs materially whether it is based on current or projected enrollment. Using projected enrollment more accurately reflects the premium increases that will be charged, so we have used projected enrollment throughout this report.

## 2025 PROPOSED INDIVIDUAL RATE CHANGES

Plan Type	Average 2024 Premium PMPM	Average 2025 Premium PMPM	Percent Change	PMPM Change	Percent of Membership
<b>Catastrophic</b>	\$443.29	\$477.17	+7.6%	\$33.88	0.0%
<b>Bronze</b>	\$1,198.27	\$1,295.64	+8.1%	\$97.36	33.0%
<b>Silver Loaded</b>	\$1,401.60	\$1,806.83	+28.9%	\$405.23	21.5%
<b>Silver Reflective</b>	\$1,493.07	\$1,609.01	+7.8%	\$115.94	3.4%
<b>Gold</b>	\$1,739.38	\$1,839.29	+5.7%	\$99.92	38.0%
<b>Platinum</b>	\$2,141.42	\$2,260.82	+5.6%	\$119.40	4.1%
<b>Overall</b>	<b>\$1,495.86</b>	<b>\$1,661.80</b>	<b>+11.7%</b>	<b>\$165.94</b>	<b>100.0%</b>

These gross premiums do not accurately reflect the premiums faced by most households purchasing coverage in the individual market due to the Silver Load and subsidies. According to the most recent CMS data available, about 88% of households in Vermont’s individual market receive Advanced Premium Tax Credits (“APTC”)<sup>3</sup>. These credits are calculated based on the second-lowest cost (premium) Silver Loaded plan (SLCSP) available in the market and household income. Because the Board’s guidance regarding Silver Loading changed this year, there are increased subsidy amounts that will reduce premiums for most households.

Based on the initial filing submissions, the SLCSP is offered by MVP, and its premium will increase by about \$277 PMPM from 2024 to 2025. Since APTC subsidies are based on this increased premium, eligible families’ APTCs will increase by the same amount. The table below shows the approximate change to the actual net MVP premiums that will be charged to a hypothetical family of four with an income of \$60,000 on VHC. Such a family will be able to purchase a Gold plan for a \$0 premium or buy a Platinum plan for \$175.65 per month, saving nearly \$8,000 per year on premiums for a Platinum plan. Thus, while the gross premiums are projected to increase substantially, the net premiums charged will decrease for a large majority of households.

Metal Tier	Average 2024 Net Premium PMPM	Average 2025 Net Premium PMPM	PMPM Change
<b>Catastrophic</b>	\$0.00	\$0.00	\$0.00
<b>Bronze</b>	\$0.00	\$0.00	\$0.00
<b>Silver Loaded</b>	\$167.04	\$124.90	-\$42.14
<b>Gold</b>	\$354.22	\$0.00	-\$354.22
<b>Platinum</b>	\$835.54	\$175.65	-\$659.89

<sup>3</sup> <https://www.cms.gov/files/document/early-2023-and-full-year-2022-effectuated-enrollment-report.pdf>.

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## STANDARD OF REVIEW

Pursuant to 8 V.S.A. §4062, 18 V.S.A. §9375(6), and Green Mountain Care Board (Board) *Rule 2.000: Health Insurance Rate Review*, this letter is to assist the Board in determining whether the proposed rate increase is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the law, and is not excessive, inadequate, or unfairly discriminatory. In this report, L&E refers to assumptions and resulting rates that fit these criteria as ‘reasonable and appropriate’.

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## SUMMARY OF RECEIVED DATA

MVP provided the methodology used to develop the proposed 2025 individual premiums. The Company provided exhibits which demonstrated the quantitative development for each component of the premium request, including the index rate development with adjustments for trend, administrative costs, and taxes and fees.

Exhibits 1 and 1a outline a summary of benefits by plan and a comparison of benefits offered in 2024 versus 2025.

Exhibit 2a illustrates the assumed annual allowed and paid medical cost trends by benefit category for 2024 and 2025 and the annual pharmacy cost trends by drug category. Exhibit 2b illustrates the application of pharmacy trends by drug category to the experience period paid PMPMs to develop the projected pharmacy paid PMPMs.

Exhibit 3 shows the index rate development, starting from MVP’s experience period claims (encompassing about 130,027 individual member months) from ACA-compliant individuals. Adjustments were applied to adjust for incurred but not reported (IBNR) claims, paid medical/Rx trend, and other factors.

Exhibit 4 shows the development of the individual market single conversion factor of 1.048 using the distribution and the average contract size by tier derived from February 2024 enrollment data.

Exhibit 5 shows the development of the proposed retention loads, taxes, assessments, and paid claim surcharges.

Exhibit 6 calculates final PMPM premiums based on the assumptions in the prior exhibits.

The “Loss Ratio Information” section of the Actuarial Memorandum demonstrates that the expected claims and premiums produce a projected traditional loss ratio of 91.2% for the individual market. After adjusting for taxes, fees, and quality initiatives, the 2025 federal MLR is projected to be 92.5% for the individual market, which exceeds the 80% minimum requirement.

MVP provided additional exhibits and information as requested during the rate review process.

## L&E ANALYSIS

The average proposed 2025 individual market rate increase of 11.7% is attributable to several rating components. To create a consistent comparison for both companies filing QHP products, L&E categorized the proposed premium changes reflective of the Unified Rate Review Template (URRT), rather than the distinct rating methodology used by each company.

### COMPONENTS OF 2025 PROPOSED RATE CHANGE

Rating Component <sup>4</sup>	Percentage Change <sup>5</sup>
1. 2023 Actual/Projected Claims Experience	+5.3%
2. Difference in Trend from 2023 to 2024	-0.2%
3. Trend from 2024 to 2025	+5.8%
4. Changes to Population Morbidity Adjustment	+0.1%
5. Demographic Shift	+0.0%
6. Plan Design Changes	+0.0%
7. Changes to Other Factors	-0.4%
8. Changes to Risk Adjustment	-3.5%
9. Changes in Actuarial Value	+4.4%
10. Changes in Administrative Costs	-0.1%
11. Changes in Taxes & Fees	-0.2%
12. Changes in Contribution to Reserves	+0.0%
13. Changes in Single Contract Conversion Factor	+0.2%
<b>Total Proposed Individual Rate Change</b>	<b>+11.7%</b>

1. **2023 ACTUAL/PROJECTED CLAIMS EXPERIENCE:** Actual 2023 claims experience for the individual market was approximately 5.3% higher than the one-year-trended 2022 costs, projected in the rating year 2024 filing.

2022 Experience Allowed PMPM	\$713.96
Prior Year's Assumed 2023 Trend	+11.3%
Prior Year's Projected 2023 Allowed PMPM	\$794.62
Actual 2023 Allowed PMPM	\$837.11
Impact of Actual-to-Projected Experience	+5.3%

MVP used an IBNR assumption of 2.0% based on data through 3/31/2024. The IBNR assumption was developed based on all Vermont claims (individual, small group, and large group), however excluded pending claims for small group due to high-cost claimants. In prior years, the same IBNR factor was used for the individual and small group filings.

<sup>4</sup> The percentages that are attributed to each component may not match the percentages provided by the Company due to the different methodologies that were used; therefore, a direct comparison is not appropriate.

<sup>5</sup> The percentage changes are multiplicative and may not sum to the requested premium increase percentage.

Since this change is based on actual claims experience, this rate component is considered reasonable and appropriate.

2. **DIFFERENCE IN TREND FROM 2023 TO 2024:** In the 2024 filed rates, the assumed 2023 to 2024 trend was approximately 6.1%. MVP now projects a 2023 to 2024 allowed trend rate of approximately 5.9%, resulting in a -0.2% impact to rates. The primary driver of this decrease is a decrease in the assumed medical unit cost trends, which were updated to reflect final approved GMCB hospital budget increases.

The trend development is discussed further in the next section.

3. **TREND FROM 2024 TO 2025:** The Company requested a total allowed trend for 2024 to 2025 of approximately 5.8%.

#### 2024 TO 2025 ALLOWED TRENDS

Cost Category	Total Allowed Trend
Medical	5.6%
Pharmacy	7.4%
<i>Total</i>	<i>5.8%</i>

**MEDICAL TREND:** The allowed trend reflects changes in both the cost of medical services and utilization of medical services by members. The Company projected an annual allowed medical trend of 5.6%, which is comprised 4.6% for unit cost changes and 1.0% for utilization changes.

#### MEDICAL UNIT COST TREND

MVP computed its allowed trend as a weighted average of 2024 medical claim unit cost trends for inpatient, outpatient, and physician claims based on known and assumed price increases for MVP's provider network. The trend also includes cost trend for capitation payments. This approach is consistent with prior rate filings. These increases reflect the changes to the unit cost increases allowed by the Green Mountain Care Board during the Hospital Budget Review.

Since the fiscal year 2025 Hospital Budget Review is not yet finalized, MVP has assumed that hospital increases will match the fiscal year 2024 approved increases. Brattleboro Retreat was new to the Hospital Budget Review for the fiscal year 2024; their approved 2024 budget was not reflected by MVP in the unit cost trend. L&E recommends that this be corrected, which would have no material impact on the medical unit cost trend.

#### GMCB HOSPITAL BUDGET REVIEW

The overall unit cost medical trend of 4.6% includes:

- 1) a trend of 4.1% for facilities and providers that are impacted by the GMCB's Hospital Budget Review, and
- 2) a trend of 5.3% for other medical facilities and providers that are not subject to the Hospital Budget Review.

The overall unit cost increase differs from the Board’s Vermont-wide projections for several reasons:

- MVP’s costs are distributed differently from the other carriers in the commercial market. This produces a different average cost across all facilities.
- Approximately 41% of medical services utilized are administered by providers not subject to the GMCB Hospital Budget Review.
- The hospital budgets are not effective on a calendar year basis, while the proposed rates are for calendar year 2025.

After implementing L&E’s recommendation to correct the Brattleboro Retreat approved budget, L&E believes utilizing the 2024 hospital budget figures for the assumed unit cost trends is reasonable and appropriate. Once 2025 hospital budget requests are submitted, L&E recommends that this new information be considered.

#### MEDICAL UTILIZATION TREND

For the 2025 filing, MVP analyzed historical utilization patterns and ran simulations of forecasted utilization trends at the service category level and in total. This approach produced a range of forecasted total 2-year utilization trends. The results of the forecast are summarized below.

Measure	Average Annual Utilization Trend
10 <sup>th</sup> Percentile	-1.7%
50 <sup>th</sup> Percentile	0.1%
90 <sup>th</sup> Percentile	1.4%
Average	0.1%

MVP states the following in their Actuarial Memorandum:

*Because of rapid membership growth in this block in the past several years and COVID-19, the utilization trends produced by the model were not considered reliable. However, the regulatory actuary in the 2020 rate filing performed an analysis that found that “a reasonable range for market wide utilization trend to be 1% to 4%”. MVP has maintained this same trend in the filing each year. 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.*

L&E disagrees with MVP’s arguments that recent volatile membership history and COVID-19’s impact compromises the utilization trend forecast reliability. The forecast utilizes data spanning June 2021 to October 2023, out of which, from January 2022 to October 2023, is seen as representing a "new normal, post-COVID" period. Furthermore, membership has remained steady between approximately 10K-15K over the last several years. Additionally, L&E considers its 2020 market-wide utilization analysis for rate filing to be outdated and not applicable to the 2025 rate development.

L&E considers MVP's utilization trend forecast based on past data to be a reliable source. Assuming a trend near the average value of 0.1% would also be a reasonable assumption. Although MVP's current assumption is higher and closer to the 80th percentile, L&E does not recommend lowering the utilization trend due to CTR concerns discussed in the final section of this report. Therefore, L&E believes an annual utilization trend of 1.0% is reasonable and appropriate, given the findings regarding CTR.

TOTAL ALLOWED MEDICAL TREND

Based on the information available, L&E considers the 5.6% total allowed medical trend to be reasonable and appropriate.

If updated information regarding unit cost trends is known at the time of the Board order, L&E recommends considering this updated information in the development of the unit cost assumption underlying the 2025 premium rate calculations.

**PHARMACY TREND:** The Company projected a 7.4% annualized allowed Rx trend for 2023 to 2025. This trend forecast was provided by MVP's Pharmacy Benefit Manager (PBM) based on MVP's Vermont experience by drug class. The chart below shows that the specialty trend category is the primary driver of the Rx trend assumption.

**ANNUALIZED ALLOWED RX TRENDS**

<b>Tier</b>	<b>Unit Cost</b>	<b>Utilization</b>	<b>Total Trend</b>
<b>Generic</b>	-3.2%	3.2%	-0.1%
<b>Brand</b>	7.6%	-1.7%	5.8%
<b>Specialty</b>	1.5%	8.3%	9.9%
<b>Total<sup>6</sup></b>			<b>7.4%</b>

MVP was provided pharmacy trend estimates by their PBM. As a basis for trend estimates, trends are analyzed for all of MVP's Vermont fully insured membership (individual, small group, and large group) by using historical utilization and unit cost data for these populations. This historical data is then combined with the PBM estimates for changes in utilization, unit cost, and generic dispensing rates. This combined information is used to calculate their best estimate of Gross PMPM claim cost trends. MVP also applies its best estimate of contract changes between the experience period and the rating period to the unit cost information using a trend model provided by the PBM.

MVP separately projects pharmacy rebates, which are negotiated with the Company's Pharmacy Benefit Manager (PBM). The projected rebate percentage is equal to the rebate percentage observed in the experience period.

<sup>6</sup> Due to mix shifts and the order in which the two components can be applied, a weighted average of the trend components would not be accurate.



This methodology is consistent with historical filings. The past four years of projected and observed pharmacy trends, for MVP’s VT Exchange business only, are shown in the table below:

#### HISTORICAL ALLOWED RX TRENDS

Year	Projected Trend	Actual Trend	(Under)/Over Projection
2020/2019	5.8%	21.7%	-15.9%
2021/2020	5.3%	13.8%	-8.5%
2022/2021	10.4%	20.7%	-10.3%
2023/2022	10.8%	18.4%	-7.6%
<b>4-year Average</b>	<b>8.1%</b>	<b>18.7%</b>	<b>-10.6%</b>

MVP believes that the high pharmacy trend is driven by their increasing population morbidity over recent years, which is consistent with their observed decreasing trend in risk adjustment payment amount in recent years. Additionally, MVP believes that the high trends are driven by specialty drug utilization and cost.

When asked why the pharmacy trend assumed is significantly lower than recent historical pharmacy trends observed, MVP has stated:

- While the 2-year average annual pharmacy trend assumed is 7.4%, the assumed pharmacy trend for 2025 is higher at 9.5% (the assumed pharmacy trend for 2024 is 5.4%).
- MVP has traditionally and continues to primarily rely on the expected Rx trends supplied by the pharmacy benefit manager (PBM), noting that 2024 information to date indicates that 2024 pharmacy trend is lower than originally expected.

L&E notes the following:

- Considering the material variation between historical actual and expected pharmacy trends that can be traced back to 2017, L&E believes that it is inappropriate for MVP to continue to primarily rely on the expected Rx trends supplied by the PBM with no adjustment for retrospective actual-to-expected results.
- While high pharmacy trends have been observed consistently over the last several years, L&E does acknowledge that it is reasonable and appropriate to assume that such high trends will level out and not persist at such high levels into the future.
- MVP states that the PBM-provided trends include the PBM’s estimates of changes in utilization, unit cost, dispensing rates, etc. L&E acknowledges that it is appropriate to consider expected prospective changes within the assumption setting process.

Based on the considerations outlined above, L&E believes that blending the historical experience with the PBM’s recommended trends would strike a balance between these differing approaches. If the average annual pharmacy trend of 7.4% provided by the PBM is averaged with the 4-year average historical pharmacy trends of 18.7%, the result is 13.1%.

L&E recommends an average annual 13.1% pharmacy trend assumption, which increases rates by approximately 1.2%.

As modified, the total allowed trends are:

#### 2024 TO 2025 ALLOWED TRENDS

Cost Category	Total Allowed Trend
Medical	5.6%
Pharmacy	13.1%
<b>Total</b>	<b>6.5%</b>

4. **CHANGES TO POPULATION MORBIDITY ADJUSTMENT:** The estimated impact from population morbidity changes is an increase of 0.1%, which is a morbidity adjustment due to the projected impacts of COVID-19 vaccinations. The morbidity adjustment and its components for the 2024 and 2025 QHP filings are shown in the next table:

#### BREAKDOWN OF POPULATION MORBIDITY ADJUSTMENT

	2024 QHP Filing (As Ordered)	2025 QHP Filing
COVID-19 Testing	-0.2%	--
COVID-19 Vaccinations	+0.2%	+0.1%
<b>Total Morbidity Adjustment</b>	<b>+0.0%</b>	<b>+0.1%</b>

Beginning in September 2023, MVP was charged the full ingredient cost of COVID-19 vaccines. To reflect this additional cost in the projected rates, MVP calculated an adjustment as the difference between the actual 2023 vaccine PMPM and the vaccine PMPM that would have been if each administered vaccine cost was \$140, which is the full amount for ingredient and administrative costs. The actual 2023 vaccine PMPM was \$1.67 and the vaccine PMPM assuming full vaccine cost for the entire year is \$2.10. Therefore, the adjustment is \$0.43 PMPM.

This adjustment rounded to 0.0% in the URRT in the prior approved filing and rounds to 0.1% in the current filing. Therefore, the estimated impact from changes to the population morbidity adjustment is 0.1%. L&E considers MVP's assumptions to be reasonable and appropriate.

5. **DEMOGRAPHIC SHIFT:** The Company did not make any adjustments for demographic shifts in 2025, which is consistent with prior years. L&E reviewed the average age factor of the population over the last several years, which has not seen significant changes.

**AVERAGE AGE FACTORS**

<b>Year</b>	<b>Average Age Factor</b>
<b>2021</b>	1.78
<b>2022</b>	1.81
<b>2023</b>	1.84
<b>2024</b>	1.83

L&E considers MVP's assumption to be reasonable and appropriate.

6. **PLAN DESIGN CHANGES:** The estimated impact from changes in the plan design changes adjustment is 0.0%. This filing includes a 0.04% plan design change adjustment, which is due to the addition of hearing aids as an Essential Health Benefit (EHB) in 2024. The plan design changes adjustment and its components for the 2024 and 2025 QHP filings are shown in the next table:

**BREAKDOWN OF PLAN DESIGN CHANGES**

	<b>2024 QHP Filing (Ordered)</b>	<b>2025 QHP Filing</b>
<b>Hearing Aids</b>	+0.05%	+0.04%
<b>Total Plan Design Factor</b>	<b>+0.05%</b>	<b>+0.04%</b>

**HEARING AIDS**

MVP determined the impact to be \$0.33 PMPM based on its average historical experience for 2021 to 2023 in New York, a state where hearing aids have been covered as an EHB since the beginning of the ACA. This adjustment rounds to 0.0% in the URRT for both the 2024 and 2025 rating years. Therefore, the estimated impact from plan design changes is 0.0%.

**VERMONT HOUSE BILL H.766**

In the initial filing, MVP did not adjust rates for H.766 because it was not yet finalized. On May 28, 2024, the Governor signed into law Vermont House Bill H.766, which imposes restrictions to prior authorization, claims pre-payment reviews, and prescription drug step therapy effective January 1, 2025. MVP analyzed the legislation and calculated the expected loss of savings. This adjustment results in an increase to the 2024 premium rates of 0.9%.

L&E considers MVP's assumptions, including the updated impact for H.766, to be reasonable and appropriate.

7. **CHANGES TO OTHER FACTORS:** The estimated impact from changes in other factors is -0.4%. This filing includes a -0.1% other factor adjustment, which is due to an adjustment for a high-

cost claimant and a -0.3% for 2025 not being a leap year. The other factor adjustment and its components for the 2024 and 2025 QHP filings are shown in the next table:

#### BREAKDOWN OF OTHER FACTOR

	2024 QHP Filing (Ordered)	2025 QHP Filing
<b>High-Cost Claimant</b>	--	-0.1%
<b>Leap Year</b>	+0.3%	--
<b>Total Other Factor</b>	<b>+0.3%</b>	<b>-0.1 %</b>

For 2025, MVP is expecting a recovery in the experience period for a member with incurred claims above the \$1,000,000 threshold. MVP removed 60% of the amount over the threshold<sup>7</sup>, resulting in a decrease of \$0.79 PMPM.

The 2024 rate development included an adjustment to account for an extra day because 2024 is a leap year; this is not applicable to 2025 rating period.

L&E considers MVP's assumptions to be reasonable and appropriate.

8. **CHANGES TO RISK ADJUSTMENT:** Under the Risk Adjustment program outlined in the Affordable Care Act, premiums are transferred between carriers in this market based on the age, sex, and health status of the enrolled members. MVP consistently pays funds through this Risk Adjustment system in this market. This payout requires additional premium be collected from MVP members. MVP used an external consultant to project the expected 2023 risk adjustment transfer payment based on data with incurred and paid dates through 10/31/2023. For the 2025 rating period, MVP assumes that risk adjustment will be the same percentage of claims as 2023. Since the 2023 risk adjustment for MVP was more favorable than 2022 (which was the basis for the prior 2024 rating period), the impact from changes to risk adjustment is a 3.5% decrease.

Actual risk adjustment transfers will be published by CMS on July 22, 2024, which is delayed from the typical timing of the report release. L&E has utilized RATEE data from the EDGE server to calculate the actual risk adjustment transfer for benefit year 2023. Based on L&E's calculation, MVP owes \$8,697,546 in risk adjustment payments for the 2023 individual market benefit year.

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<sup>7</sup> The 1,000,000 attachment point and 60% coinsurance are the program parameters determined at the federal level.

**2023 RISK ADJUSTMENT TRANSFERS (PAYMENTS)**

Market	MVP Estimate	L&E Calculation
<b>Individual (Incl. Cat.)</b>	(\$7,810,438)	(\$8,697,546)

L&E recommends that the Board require that MVP use this updated transfer information in calculating the final premiums. The recommended risk adjustment amounts result in an approximate 0.9% increase to the 2024 premium rates.

If CMS' final report is available when the Board makes a decision, and it differs from L&E's estimate, we recommend this information be used instead. However, L&E's preliminary calculation has correctly predicted the final values for several years, and we do not anticipate this will occur.

9. **CHANGES IN ACTUARIAL VALUE:** The change in Actuarial Value (AV) assumption reflects Pricing AV changes, including changes in paid-to-allowed ratios, induced utilization, CSR load, and changes in projected enrollment distribution among plans. The changes in actuarial value result in a 4.4% rate increase.

The actuarial value for each plan was determined using MVP's in-house benefit pricing tools. MVP's pricing tools value the expected net paid claims associated with unique benefit plan designs. The actuarial value is the ratio of the expected paid to allowed amount for each plan design.

**NEW CSR GUIDANCE ENROLLMENT SHIFT**

The Pricing AVs in this filing differ significantly from those in the approved 2024 rates, due primarily to the updated GMCB guidance regarding Silver Loading. Previously, carriers calculated Silver Loads based on their own CSR enrollment, but this year, the Board calculated a factor based on market wide enrollment and assumed that members would leave the Silver Loaded plans due to its elevated premiums. This updated load is higher than last year and significantly increased Silver Loaded premiums, also resulting in noticeably reduced premiums for all other plans. While the Silver Loads change the premium for each plan, they have no impact on the overall average rate level across all plans.

The new CSR load methodology results in the silver metal level plans receiving a higher rate increase on average in 2025 than other metal level plans, as shown in the table on Page 3 of this report. MVP assumed that 100% of members in CSR silver plans will move into a corresponding gold plan as a result of the increased CSR silver premiums.

L&E considers the AV methodology to be reasonable and appropriate.

10. **CHANGES IN ADMINISTRATIVE COSTS:** MVP is projecting 2025 general administrative costs to be 5.8% of premium (\$59.13 PMPM), which is a slight decrease relative to the 2024 assumption of 6.0% of premium (\$53.49 PMPM). The overall rate impact is a decrease of 0.1%.

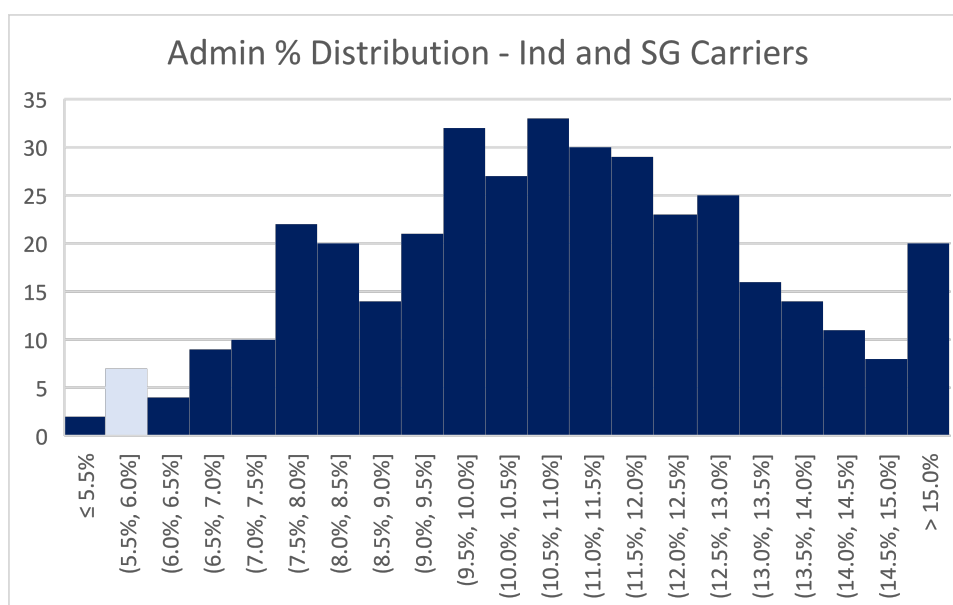
MVP provided the actual 2023 administrative expenses, projected (approved) 2024 administrative expenses, proposed 2025 administrative expenses PMPM by expense category. This information is shown in the table below.

**EXPENSES PMPM**

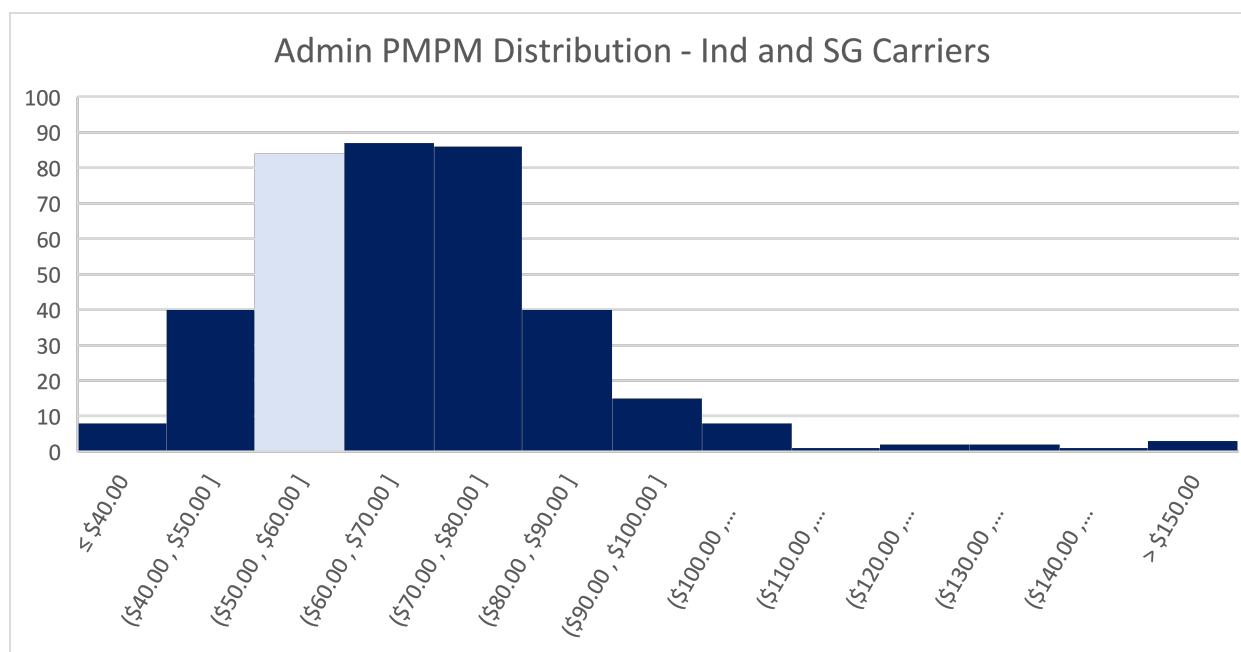
<b>Expense Category</b>	<b>2023 Actual Admin PMPM</b>	<b>2024 Projected Admin PMPM</b>	<b>2025 Proposed Admin PMPM</b>
<b>Personnel Expenses</b>	\$33.84	\$35.74	\$39.51
<b>Software</b>	\$3.07	\$2.81	\$3.11
<b>Consulting/Project Expenses</b>	\$5.54	\$5.50	\$6.08
<b>All Other Admin</b>	\$13.28	\$9.44	\$10.44
<b>Total</b>	<b>\$55.73</b>	<b>\$53.49</b>	<b>\$59.13</b>

The assumed 2025 administrative costs are \$7.23 PMPM higher than MVP’s average individual administrative costs of \$51.90 as reported in the Company’s 2021 to 2023 Supplemental Health Care Exhibits (SHCE). Compared to 2023 actual administrative costs, the assumed 2025 administrative costs are \$3.40 PMPM higher. This increase is equivalent to a 3.0% average annual increase from 2023 to 2025.

In addition to reviewing each of MVP’s specific proposed modifications, L&E also compared MVP’s administrative costs for the individual and small group markets to other nationwide individual and small group plans. The comparison was based on a review of the Center for Consumer Information & Insurance Oversight (CCIIO) public use files (PUFs), which contain 2024 data on all individual and small group carriers nationwide. The range containing MVP’s administrative cost level is highlighted in light blue.



The following shows the distribution of administrative costs PMPM for carriers nationwide in 2024:



Among individual and small group carriers nationwide, these figures are in the 32<sup>nd</sup> percentile on a PMPM basis and the 1<sup>st</sup> percentile as a percentage of premium. That is, MVP has atypically low administrative costs, despite not being a very large health plan. It therefore appears that MVP manages and limits administrative costs better than the typical health plan nationally.

L&E considers the assumed 2024 administrative costs to be reasonable and appropriate.

11. **CHANGES IN TAXES & FEES:** The expected rate change due to taxes and fees is a 0.2% decrease. The taxes and fees include state taxes, federal taxes (including the HHS risk adjustment user fee and PCORI fee), HCRP charge, the VT vaccine assessment, and the 18 VSA 9374(h) Billback, whereby the Company will be required to contribute a portion of the GMCB and HCA's operating costs. The primary driver of the decrease to the taxes and fees is due to the decrease in HCRP charge, which decreased from 0.6% filed last year to 0.4% in this filing. The HCRP fee is an estimate from an HCRP study performed by Wakely Consulting Group.

The taxes and fees assumptions appear to be reasonable and appropriate.

12. **CHANGES IN CONTRIBUTION TO RESERVES:** The contribution to reserves (CTR) is composed of a provision for bad debt of 0.3% and a risk margin of 1.5%.

#### BREAKDOWN OF CONTRIBUTION TO RESERVES

	2024 QHP Filing (As Ordered)	2025 QHP Filing
<b>Bad Debt</b>	0.3%	0.3%
<b>Risk Margin</b>	1.5%	1.5%
<b>Total CTR</b>	<b>1.8%</b>	<b>1.8%</b>

MVP provided the historical bad debt as a percentage of premium for each of the last three years which averaged 0.4% per year. MVP's assumption of 0.3% accounts for the non-payment of premium risk in the development of the 2025 rates, which is consistent with the 2024 rate filing.

The proposed risk margin of 1.5% is consistent with the risk margin that was proposed and approved in the 2024 filing.

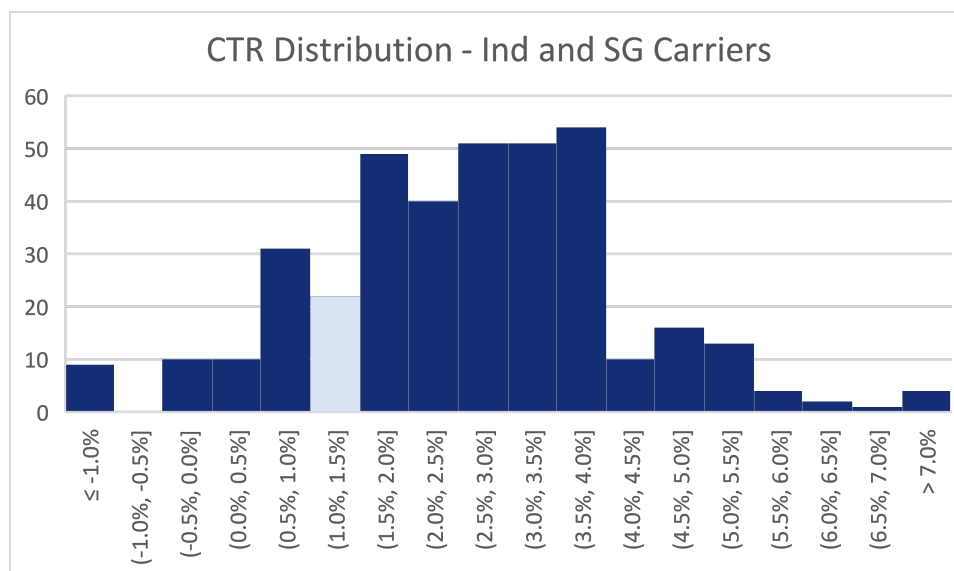
MVP provided that actual to expected risk margin for the most recent three years, as follows.

#### HISTORICAL RISK MARGIN

Year	Actual	Expected
<b>2021</b>	-10.1%	0.5%
<b>2022</b>	-8.6%	1.0%
<b>2023</b>	-6.1%	-0.1%

As a reasonableness check of the proposed CTR provision, L&E again reviewed the 2024 PUFs. In 2024, there were 377 carriers who submitted On-Exchange individual or small group ACA filings nationally. The filed CTR varied from -17% to +8%, but most often fell between 0% and 5%. The premium-weighted average CTR for all carriers was filed as 3.0%.





MVP's filed base CTR of 1.5% would place it at around the 20<sup>th</sup> percentile for all QHP carriers, and the 0.3% margin for bad debt in the individual market increases this to the 27<sup>th</sup> percentile.

MVP also provided the Company's historical risk-based capital (RBC) ratio for the last three years, outlined in the table below.

#### HISTORICAL RBC RATIO

Year	RBC Ratio
<b>2021</b>	354.0%
<b>2022</b>	369.3%
<b>2023</b>	416.5%

It is concerning that MVP has experienced consistent, material losses in the last few years; however, MVP's RBC has been steadily increasing in recent years. Vermont business accounts for approximately 9% of MVP's overall business<sup>8</sup>. L&E recognizes that this is a small part of MVP's overall business, which contributes to the increasing RBC despite consistent losses observed for the VT business. However, actuarially sound rates are sustainable without other subsidization. L&E notes that it is not sustainable to have long-term losses, and therefore, a higher CTR could be justified. Given that a lower utilization trend assumption could also be justified, as discussed previously in this report, L&E is not recommending a higher CTR. L&E strongly emphasizes that reducing the CTR assumption from the filed 1.5% presents significant risk of inadequate premium rates that are not actuarially sound.

<sup>8</sup> Based on direct written premium amounts as reported in the 2023 SHCE.

Additionally, L&E recommends that any solvency analysis performed by the Department of Financial Regulation (DFR) be considered.

13. **CHANGES IN SINGLE CONVERSION FACTOR:** A conversion factor<sup>9</sup> adjustment is used to convert and allocate the gross claim costs to premiums based on state-mandated tier factors. The single conversion factor used in the 2024 rate filing was 1.045. For this year's filing, MVP utilized February 2024 enrollment to calculate the 2025 single conversion factor of 1.048, resulting in a +0.2% increase to rates.

L&E reviewed the calculation of the single conversion factor, and the calculations appear to be reasonable and appropriate.

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<sup>9</sup> The conversion factor adjusts the premium that is developed on a PMPM basis to be on a tiered basis. This adjustment is necessary because the premium on a PMPM basis is an average over all adults and children. However, Vermont's tiered premiums require the base premium to be for a single adult.

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## RECOMMENDATIONS

After modification, L&E believes that this filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. Therefore, L&E recommends that the Board make the following modifications:

- **BRATTLEBORO RETREAT BUDGET INCREASE CORRECTION:** L&E recommends that MVP correctly reflect the 2024 approved budget for Brattleboro Retreat. Correcting trend to reflect the Brattleboro Retreat approved budget would have no material impact on the medical unit cost trend, nor the requested rates.
- **CONSIDER UPDATED HOSPITAL BUDGET INFORMATION:** Once 2025 hospital budget requests are submitted, L&E recommends that this new information be considered in the unit cost assumption.
- **RX TREND:** Considering MVP's historical pharmacy trends, recent actual-to-expected results, and the prospective changes to pharmacy trend provided by the Company's PBM, L&E recommends an average annual 13.1% pharmacy trend assumption. The recommendation increases the rates by approximately 1.2%.
- **HOUSE BILL H.766:** On May 28, 2024, the Governor signed into law Vermont House Bill H.766, which imposes restrictions to prior authorization, claims pre-payment reviews, and prescription drug step therapy effective January 1, 2025. MVP analyzed the legislation and calculated the expected loss of savings. This adjustment results in an increase to the 2024 premium rates of 0.9%.
- **REFLECT UPDATED RISK ADJUSTMENT TRANSFERS:** L&E recommends that the projected risk adjustment receivable be changed to reflect the final market-wide figure announced by CMS and the market-specific risk transfers as calculated by L&E. This will increase rates by approximately 0.9%.

After the modifications, the anticipated rate change for the individual market is roughly +15.0%,<sup>10</sup> plus any impact from updated hospital budget information.

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<sup>10</sup> Due to the complexity of the premium rate development and the possible interdependency of the assumptions modified, the actual implemented rate change may vary from the estimate.

### 2025 RECOMMENDED RATE CHANGES

A breakdown of L&E's recommendation by rating component is provided below with L&E's recommended changes highlighted:

<b>Rating Component<sup>11</sup></b>	<b>MVP Filed</b>	<b>L&amp;E Recommendation<sup>12</sup></b>
<b>1. 2022 Actual/Projected Claims Experience</b>	+5.3%	+5.3%
<b>2. Difference in Trend from 2022 to 2023</b>	-0.2%	+0.4%
<b>3. Trend from 2023 to 2024</b>	+5.8%	+6.5%
<b>4. Changes to Population Morbidity Adjustment</b>	+0.1%	+0.1%
<b>5. Demographic Shift</b>	+0.0%	+0.0%
<b>6. Plan Design Changes</b>	+0.0%	+1.0%
<b>7. Changes to Other Factors</b>	-0.4%	-0.4%
<b>8. Changes to Risk Adjustment</b>	-3.5%	-2.7%
<b>9. Changes in Actuarial Value</b>	+4.4%	+4.4%
<b>10. Changes in Administrative Costs</b>	-0.1%	-0.1%
<b>11. Changes in Taxes &amp; Fees</b>	-0.2%	-0.2%
<b>12. Changes in Contribution to Reserves</b>	+0.0%	+0.0%
<b>13. Changes in Single Contract Conversion Factor</b>	+0.2%	+0.2%
<b>Total Proposed Individual Rate Change</b>	<b>+11.7%</b>	<b>+15.0%</b>

<sup>11</sup> The percentages that are attributed to each component may not match the percentages provided by the Company due to the different methodologies that were used; therefore, a direct comparison is not appropriate.

<sup>12</sup> The percentage changes are multiplicative and may not sum to the requested premium increase percentage.

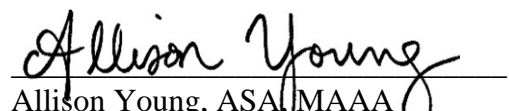
Sincerely,



Traci Hughes, FSA, MAAA  
Vice President & Principal  
Lewis & Ellis, LLC



Jacqueline B. Lee, FSA, MAAA  
Vice President & Principal  
Lewis & Ellis, LLC



Allison Young, ASA, MAAA  
Vice President & Consulting Actuary  
Lewis & Ellis, LLC

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## ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations<sup>13</sup>, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct<sup>14</sup>, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in the following.

### IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Traci Hughes, FSA, MAAA, Vice President & Principal.
- Jacqueline B. Lee, FSA, MAAA, Vice President & Principal.
- Allison Young, ASA, MAAA, Vice President & Consulting Actuary.

These actuaries are available to provide supplementary information and explanation.

### IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is July 12, 2024. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 9, 2024.

### DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Green Mountain Care Board. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis, LLC (“L&E”) is financially and organizationally independent from MVP. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the Board in assessing whether to approve, modify, or disapprove the rate filing.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.

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<sup>13</sup> The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

<sup>14</sup> These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E has reviewed the data provided by MVP, but the data has not been audited. L&E, nor the responsible actuaries, assume responsibility for these items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.
- L&E is not aware of any subsequent events that may have a material effect on the findings.
- There are no other documents or files that accompany this report.

#### **ACTUARIAL FINDINGS**

The actuarial findings of the report can be found in the body of this report.

#### **METHODS, PROCEDURES, ASSUMPTIONS, AND DATA**

The methods, procedures, assumptions, and data used by the actuaries can be found in the body of this report.

#### **ASSUMPTIONS OR METHODS PRESCRIBED BY LAW**

This report was prepared as prescribed by applicable law, statutes, regulations, and other legally binding authority.

#### **RESPONSIBILITY FOR ASSUMPTIONS AND METHODS**

The actuaries do not disclaim responsibility for material assumptions or methods.

#### **DEVIATION FROM THE GUIDANCE OF AN ASOP**

The actuaries have not deviated materially from the guidance set forth in applicable ASOPs.