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August 23, 2023

Ms. Traci Hughes, FSA, MAAA  
Lewis & Ellis, Inc.  
700 Central Expressway South, Suite 550  
Allen, TX 75013

Re: 2024 Large Group HMO Rate Filing  
SERFF Tracking #: MvPH-133767802

Dear Ms. Hughes:

This letter is in response to your correspondence received 08/16/23 regarding the above-mentioned rate filing. The responses to your questions are provided below.

1. *Please complete the following table. If any factors provided herein are incorrect, please provide a correction.*

Response: Please see the tab "Question 1" in the attached Excel document. The 2.9% quarterly rate changes in the first three quarters of 2023 were corrected to be 1.9%, consistent with the approved version of the filing. The membership distribution shift factor represents the difference in membership between the experience period and April 2023, which was the current membership at the time of rate development.

2. *Please provide the average credibility percentage for the VT large group in this block of business.*

Response: The premium weighted average credibility is 22.1% for this block of business.

3. *Provide detailed quantitative support for the medical unit cost trend for 2023 and 2024. For Vermont providers governed by the GMCB, support should reconcile to the approved budgets for 2023, and most recently submitted budget changes for 2024 (multiplied by an approval reduction factor, if assumed). The support for all other providers should include the data and any adjustments that were made to the data to determine the best estimated of unit cost changes.*

Response:

### **Facility Trends**

For Facility (Inpatient and Outpatient) trends, facilities can generally be bucketed into three categories:

1. Vermont facilities under GMCB jurisdiction
2. Facilities MVP negotiates contractual discounts with directly but are not under GMCB jurisdiction
3. Facilities under a rental network arrangement, facilities that are non-participating, or facilities where discounts are negotiated on a claim-by-claim basis.

The starting point for MVP's facility trends in this rate filing is facility claims processed for all Vermont members for the calendar year 2022.



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For facilities under GMCB jurisdiction, MVP is using the approved rate increases for 2023/2022 trends and the proposed rate increases currently under review by the GMCB for 2024/2023 trends. The following exceptions were made for the 2023/2022 trends:

#### **Brattleboro Memorial Hospital**

In Appendix 2 to Brattleboro's budget submission the standard requested changes were 20% for IP, 20% for OP, and 1% for PHY, for a total commercial increase of 14.9%. This submission was approved at 14.61% and therefore MVP is reflecting the proportional increase for each area of service: 19.6% for IP and OP.

#### **Central Vermont Medical Center (CVMC)**

The Green Mountain Care Board approved a 2.7% mid-year budget increase for fiscal year 2023, after approving 12.5% originally for CVMC. This increase was applied to the second half of 2022, so MVP is reflecting 14.0% in 2023 for both IP and OP.

#### **North Country Hospital**

In Appendix 2 to North Country's budget submission the standard requested changes were 14% for IP, 14% for OP, and 0% for PHY, for a total commercial increase of 12.45%. This submission was approved at 12.24% and therefore MVP is reflecting the proportional increase for each area of service: 13.8% for IP and OP.

#### **Rutland Regional**

In Appendix 2 to Rutland Regional's budget submission the standard requested changes were 18.1% for IP, 17.3% for OP, and 19.4% for PHY, for a total commercial increase of 17.8%. This submission was approved at 17.4% and therefore MVP is reflecting the proportional increase for each area of service: 17.7% for IP and 16.9% for OP.

#### **University of Vermont Medical Center (UVMC)**

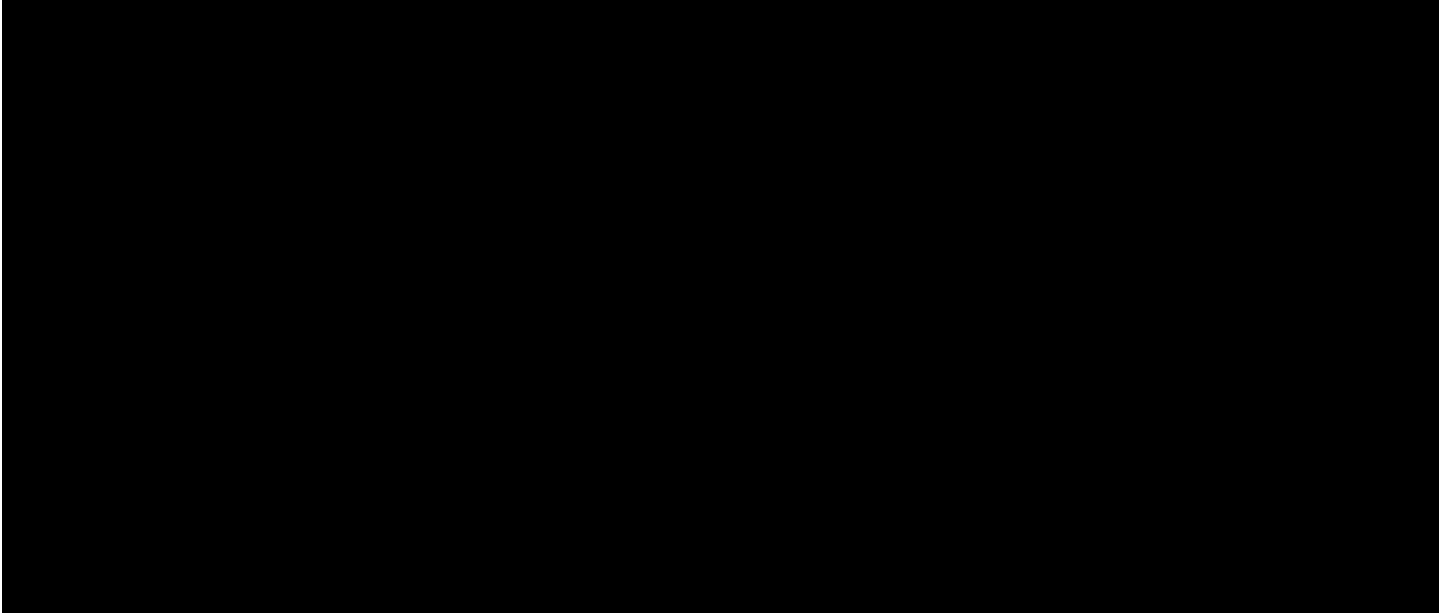
The Green Mountain Care Board approved a 2.5% mid-year budget increase for fiscal year 2023, after approving 14.8% originally for UVMC. This increase was applied to the second half of 2022, so MVP is reflecting 16.2% in 2023 for both IP and OP.

The trends for facilities under the GMCB's jurisdiction are 15.5% IP / 14.4% OP for 2023/2022 and 11.1% IP / 10.5% OP for 2024/2023.



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## Non-GMCCB Facilities

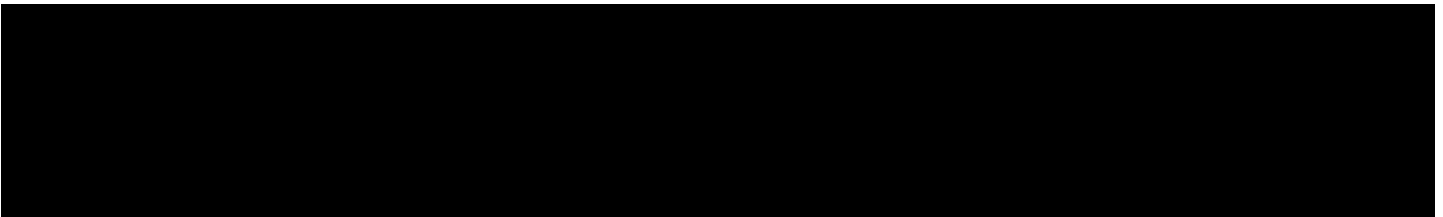


Overall facility trends are calculated using a weighted average based on 2022 utilization and are 12.0% IP / 12.1% OP for 2023/2022 and 9.5% IP / 9.4% OP for 2024/2023. Please see the tab "Facility Trends" in the attached Excel workbook for the quantitative derivation of the trends.

### Physician Trends

MVP has a few different contracting partners for physician claims in Vermont, including medical groups in VT/ NH/NY, individual physicians participating in MVP's network, and physicians outside of MVP's network. The following physician groups are under the GMCCB's jurisdiction: UVMHC, Porter, Rutland and CVMC. Those trends match the approved GMCCB rate increases for 2023, with the same exceptions previously explained. 2024 trends are assumed to be equal to the most recent proposed hospital budgets.

All the other groups participating with MVP reflect MVP's best estimate of negotiated payment rates for 2023 and 2024, including claims for Vermont members at New York physician groups.



The individual trends are weighted together using 2022 experience for all Vermont members (in a similar fashion to the facility trends). The resulting physician trend is 6.6% for 2023/2022 and 5.1% for 2024/2023. Please see the "Physician Trends" tab in the attached Excel workbook for a quantitative derivation of this calculation.



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4. *Please provide further quantitative and qualitative support for the 2025/2024 assumed trend in Exhibit 3b. What data was used as the basis for these trend assumptions, etc.?*

Response: The 2025 medical trend is equal to 2024 and the 2025 Rx trend comes from our PBM. The 2025/2024 medical trend of 1.104 is the multiplication of the 9.0% allowed trend and 1.2% annual leveraging factor found on Exhibit 2a. The 2025/2024 Rx trend of 1.091 is the multiplication of the 8.6% allowed trend and 0.4% annual leveraging factor found on the bottom of Exhibit 2a. The "other" trend is a weighted average of the medical and Rx allowed trends, using the 2024 Q1 projected medical and Rx expenses as weights.

5. *Please provide detailed quantitative and qualitative support for the pharmacy unit cost and utilization trends provided in rows 60-77 of Exhibit 2a. This should include information provided by the PBM.*

Response: MVP is provided with pharmacy trend estimates by its Pharmacy Benefit Manager, CVSHealth. These trends are run for all of MVP's Vermont fully insured membership (ACA and Large Group) and use historical utilization and unit cost data for those populations. This historical data is combined with CVSHealth estimates of changes in utilization, unit cost and generic dispensing rates to calculate their best estimate of Gross PMPM claim cost trends for 2023 and 2024. 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 CVSHealth. Please see the attached exhibit (CONFIDENTIAL\_MVP\_Vermont\_4Q2022\_CSTM\_02162023\_v2) which provides CVSHealth's best estimate of trends as of the time of the filing. The individual cost components (unit cost and utilization by Generic/Brand/Specialty) are calculated as follows:

**Generic:** Unit Cost trend is represented by Generic Non-Specialty Cost/Day trend which is found in cell L46 on Page 1 (2023), Page 2 (2024), and Page 3 (2025) of the attached. Generic Non-Specialty Gross Cost PMPM Trend can be found in cell J46 on Page 4 (2023), Page 5 (2024), and Page 6 (2025) of the attached. Utilization is then calculated by taking Gross Cost PMPM Trend divided by the unit cost trend.

**Brand:** Unit Cost trend is represented by Brand Non-Specialty Cost/Day trend which is found in cell M46 on Page 1 (2023), Page 2 (2024), and Page 3 (2025) of the attached. Brand Non-Specialty Gross Cost PMPM Trend can be found in cell F46 on Page 4 (2023), Page 5 (2024), and Page 6 (2025) of the attached. Utilization is then calculated by taking Gross Cost PMPM Trend divided by the unit cost trend. The impact of brand drugs moving to generic is implicitly covered under the cost/day trend under this methodology. This reflects the utilization of the current drug being re-weighted from the brand bucket to the generic bucket.

**Specialty:** Utilization trend is represented by Specialty Utilization trend which is found in cell N47 on Page 1 (2023), Page 2 (2024), and Page 3 (2025) of the attached. Specialty Gross Cost PMPM can be found in cell G47 on Page 1 (2023), Page 2 (2024), and Page 3 (2025) of the attached. Specialty unit cost trend is then calculated by taking Gross Cost PMPM Trend divided by the utilization trend.

CVSHealth buckets non-Specialty drugs by the first 2 characters of the GPI and Specialty drugs using their proprietary Rx Navigator methodology. The individual contribution of these buckets to Gross Cost PMPM trend can be found in column I of Page 1 (2023), Page 2 (2024), and Page 3 (2025) of the attached. The Other bucket for non-Specialty claims includes all GPI categories not explicitly listed and the other bucket for Specialty claims include all conditions not explicitly listed.



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6. *Please provide a historical A-to-E analysis of the actual (allowed) pharmacy trends vs. the PBM/Company expected pharmacy trends for 2022/2021.*

Response: Please see the following table for this trend analysis. Trends are taken from the most recent rate filing where a trend occurred (for instance, the 2020 to 2021 expected trend is taken from the 2022 VT LG HMO filing).

While reviewing the table, it is important to note that the expected trends are developed on MVP's total Vermont business and the actual trends are MVP's Vermont large group business. As Large group makes up a small percentage of the total Vermont business, it is expected that actual trends will differ from expected. Similarly, MVP's Vermont large group business has limited membership and one drug being prescribed to a member could significantly impact annual trends.

**Comparison of Actual to Expected Pharmacy Allowed Trend, 2021 to 2022, VT Large Group**

Year	Actual	Expected
2022/2021	7.0%	5.9%
2021/2020	3.4%	11.9%

7. *Please provide quantitative support for the pooling charge of 4.95% for claims above \$250,000 and discuss the historical and expected net gain or loss from pooling claims (cost vs. benefit).*

Response: Please see the tab "Question 7" in the attached Excel file for the implied pooling charges from the Vermont Large Group population for the past 5 calendar years. Because of the wide variability in implied pooling charges, MVP has chosen to use a pooling charge of 4.95%. This is the historical average of implied pooling charges for MVP's experience rated large group population in New York, which is much larger and more stable than the Vermont population. Because the pooling charge is set equal to the expected claims cost in excess of \$250,000, there is no expected gain/loss from pooling.



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8. Please provide the number of COVID-19 tests, treatments, and visits, for each month from January 2021 through June 2023, both as paid and an estimate of ultimate claim counts.

Response: Please see the table below for the number of COVID-19 tests, treatments, and visits. We have provided January 2021-June 2023 as of July 2023. The claim counts have been estimated to ultimate using our IBNR factors for VT claims in total, which may not reflect how these particular types of services complete.

Incurred Month	Count of Claims Paid			Count of Claims Completed		
	Covid Visits	Covid Treatment	Covid Testing	Covid Visits	Covid Treatment	Covid Testing
1/31/2021	103	12	356	103	12	356
2/28/2021	60	32	230	60	32	230
3/31/2021	70	29	196	70	29	196
4/30/2021	58	11	206	58	11	206
5/31/2021	28	0	79	28	0	79
6/30/2021	39	1	65	39	1	65
7/31/2021	44	3	77	44	3	77
8/31/2021	76	11	243	76	11	243
9/30/2021	68	9	257	68	9	257
10/31/2021	60	10	207	60	10	207
11/30/2021	66	21	286	66	21	286
12/31/2021	71	27	370	71	27	370
1/31/2022	53	40	385	53	40	385
2/28/2022	29	9	94	29	9	94
3/31/2022	33	6	78	33	6	78
4/30/2022	20	17	84	20	17	84
5/31/2022	27	11	66	27	11	66
6/30/2022	23	3	51	23	3	51
7/31/2022	10	5	27	10	5	28
8/31/2022	27	10	64	27	10	64
9/30/2022	13	8	41	13	8	41
10/31/2022	12	4	38	12	4	38
11/30/2022	33	8	60	33	8	60
12/31/2022	29	8	55	29	8	55
1/31/2023	32	5	67	32	5	68
2/28/2023	17	1	30	17	1	30
3/31/2023	10	3	29	10	3	30
4/30/2023	12	1	12	13	1	13
5/31/2023	5	0	6	5	0	7
6/30/2023	3	0	6	4	0	8



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9. Regarding the \$1.45 PMPM increase for vision coverage, please explain whether any vision claims occurred in the first four months of 2023 in the experience period. If so, please provide the vision claims PMPM and explain how the \$1.45 PMPM increase accounts for the four months of experience already including such claims.

Response: The experience period vision claims were \$0.02 PMPM. Our estimate of the historical rider cost based on 3 years of data was \$2.44 per member (that had the rider) per month. The difference between these two, \$2.42, was multiplied by two factors to get our projected increase of \$1.45. We recognized that one third of the experience period had vision baked into the claims for January 1<sup>st</sup> renewals, which is 75% of our membership. The other 25% are not on 2023 contracts in the experience period. Therefore, we multiplied by a 0.75 factor  $(1-(1/3)*0.75)$ . We also applied a 0.8 factor to reflect lower utilization since everyone has vision coverage, not just those opting for the rider. A similar vision adjustment was built into our rates last year and approved, but since vision wasn't fully in our experience period, an adjustment is needed again for this filing.

10. This industry factor for Offices and Clinics of Dentists (SIC Code 8021) changed from 1.15 in the prior filing to 1.0 in this filing. Please provide qualitative and quantitative support for this change, or revise Appendix A if this was done in error.

Response: MVP believes the SIC factors for NY and VT should be aligned, and when quoting these groups in NY, we have noticed that the 1.15 is much higher than the market. There is not enough data to determine this in VT so we are using the experience we have and assuming that dentists behave the same in both states.

11. Please provide an itemized (broker fees, bad debt, covered lives assessment, vaccine pilot, taxes, CTR, etc.) breakdown of the retention PMPM, showing the approved components in the 2023 rate filing and the filed components in this 2024 rate filing. Please provide support for any differences.

Response: Please see the table below for the itemized breakdown requested.

Breakdown of VT Large Group Taxes/Fees		
	Approved in 2023 Filing	Proposed in 2024 Filing
Broker Load	2.6%	2.4%
VT Vaccine Pilot	0.43%	0.62%
Bad Debt	0.25%	0.25%
Comparative Effectiveness Research Fee	\$0.23	\$0.25
18 VSA 9374(h) Billback	\$1.34	\$2.37
Contribution to Reserves	1.0%	2.0%

**Broker Load-** Broker can be variable and MVP is reflecting the most recent broker load.

**VT Vaccine Pilot-** In MVP's 2023 Large group filing the vaccine pilot costs assumed are \$9.98 PMPM for children and \$1.68 PMPM for adults for state fiscal year (SFY) 2023 and \$10.96 PMPM for children and \$1.82 PMPM for adults in SFY 2024. In MVP's 2024 Large group filing, the costs are \$13.54 PMPM for children and \$2.74 PMPM for adults for SFY 2024 and \$15.05 PMPM for children and \$3.00 PMPM for adults in SFY 2025. The increase in projected PMPM costs for this program as a percent of premium is driving the 0.2% increase in the VT vaccine pilot.



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**Comparative Effectiveness Research Fee-** The annual rate for this fee has been increased from \$2.79 to \$3.00 which results in a \$0.02 increase on a PMPM basis.

**18 VSA 9374(h) 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. MVP expects its liability for 2024 to be \$1.03 higher than the number estimated in the 2023 rate filing.

**Contribution to Reserves-** MVP proposed a 2.0% contribution to reserves (CTR) in the 2023 rate filing which was reduced to 1.0% in the rate decision. MVP is reinstating the proposal of 2.0% CTR in the 2024 filing because we believe that this is the level necessary to ensure long term stability of reserves as claim costs continue to rise year over year.

12. *For each month from January 2019 through April 2023, please provide the total allowed costs, member months, and any normalization factors appropriate to normalize for changes in unit costs, population age factors, and induced utilization.*

Response: Please see the tab “Question 12” in the attached Excel file for this analysis.

13. *Please provide the current distribution of large groups by the applied underwriting discretion factor.*

Response: Please see the table below that shows the distribution of groups by underwriting discretion factor.

Current Distribution of UW Discretion VT Large Group	
Range	Groups
5% to 10%	0
0% to 5%	5
-5% to 0%	2
-10% to -5%	1

14. *What is the expected range of the underwriting discretion factor for 2023?*

Response: The expected range of underwriting discretion is -10% to 10% for all existing and new business quoted for 2024.

15. *Please provide the federal loss ratio for this block of business in 2022.*

Response: Our federal loss ratio for VT LG in 2022 was 86.9%.





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16. Please provide the actual gain/(loss) on the MVP large group block of business compared to the ordered risk margin for 2022.

Response: See the table below for the historical actual to expected profit margin in the large group market. The actual margin was calculated on a run rate basis instead of a financial statement basis to best represent our premiums and claims in each period.

VT Large Group Actual to Expected Profit Margin		
Year	Actual Gain/Loss	Expected (As Ordered)
2020	-8.6%	1.0%
2021	-6.2%	1.0%
2022	5.3%	1.5%
Total	-3.2%	

17. Please provide the Company's historical risk-based capital for 2022.

Response: Our RBC ratio in 2022 was 369%.

If you have any questions or require any additional information, please contact me at [cpontiff@mvphealthcare.com](mailto:cpontiff@mvphealthcare.com).

Sincerely,

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