MVP HEALTH CARE
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July 9, 2024

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

Re: 2025 Vermont Exchange Rate Filing – Small Group
SERFF Tracking #: MVPH-134081005

Dear Ms. Hughes:

This letter is in response to your correspondence received 07/03/24 regarding the above-mentioned rate filing. The response to your question is provided below.

1. Are there any IRS-mandated plan design changes that impact any plan's filed premium rates?

Response: No, our initially submitted premiums reflect plan benefits that comply with the IRS QHDHP and federal ACA requirements.

2. Follow-up to Objection #2, Question 2 – In the latter half of the question, we were inquiring about the drivers of the decrease in Rx trend from the prior approved filing (7.3% in this filing vs 8.6% approved in the prior filing). MVP explained that they expect the greater morbidity and increased utilization of specialty drugs, as observed in the historical trends, to continue, however, are projecting a lower Rx trend compared to all three prior approved filings from 2023-2021. Please provide further justification for the decrease in Rx trend from the prior approved filings.

Response: MVP primarily relies on the Rx trends supplied by the PBM. This is their best estimate of the trend for each year as time progresses and more information is obtained. As you can see from the bottom of Exhibit 2a, the 2024 trend is lower than what was projected in the prior filing (approximately 5.2% instead of 6.3%). The 2024 trend is particularly low when compared to the preceding years, with trends that are lower than typical for drugs associated with [redacted] The 2025 trend is an increase over 2024 (approximately 9.4%). The 2024 and 2025 trend estimates are both used to develop the annualized allowed trend of 7.3%.

3. Follow-up to Objection #1, Question 22 – Given MVP has had materially unfavorable actual-to-expected profit from 2021-2023, please address the following:
a. What are the primary drivers of the lower-than-expected underwriting losses?
b. Are the primary drivers expected to continue into 2025?
c. Discuss how MVP has considered and adjusted for the historical losses in the development of the proposed premium rates.

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Response:

a. The drivers of underwriting losses are difficult to pin down in a market that is risk adjusted. For example, MVP has (during the 2021 to 2023 period) seen their risk adjustment payment decrease (which would indicate a population that is utilizing services at a greater rate than the market). That would lead to a higher utilization trend than was projected in the premium rates but may (or may not) lead to underwriting losses, and MVP has not performed any analysis to determine what share of losses can be attributed to specific services post-risk adjustment.

However, MVP can point to areas where trends have been higher than expected as areas where losses may have been sustained. These include: the severity of inpatient and outpatient claims and both unit cost and utilization of brand and specialty pharmacy. It's not clear to what extent these are driving specific losses, but they have been identified as areas where the actual trend has outpaced projected trend.

Next, MVP's actual admin is higher than the admin assumed in premium rates during that period. This has happened for several reasons, including mandated reductions to the available admin expense built into premium rates (in 2021), unforeseen expenses and inflationary pressures, additional spending on strategic initiatives, and changes in the allocation of expenses to MVP's varying lines of business. This has contributed generally to 0.0%-0.5% of the actual vs. projected margin shortfall.

MVP would also note that cuts to our premium rates that are outside of the scope of explicit reductions to margin were not captured in the table in the original response. Any cuts to items such as utilization trend, assumptions related to COVID or methodology do not reduce MVP's filed margin assumption, but they have the functional impact of reducing margin by reducing premium collected (often with no recourse for reducing the related expense).

Finally, every assumption that MVP makes within a given filing is truly a point estimate within a range of possible outcomes. MVP does not always choose the point estimate which provides for equally likely gains and losses but must consider outside factors such as competitive positioning when setting the assumptions. Assumptions that fall within the range of actuarial soundness (as defined by Actuarial Standards of Practice) may have potential downside risks associated with them. Without pointing to specific examples, MVP generally falls on the "aggressive" side when setting assumptions ("aggressive", in this case, meaning assumptions which will provide a lower premium rate for the consumer).

b. MVP does not have the ability to predict whether the higher-than-expected losses are going to persist into 2025.

c. MVP generally does not explicitly account for historical losses in the development of premium rates, as those premium rates should reflect the experience expected to occur in the rating year. Said differently, MVP is not considering losses from 2021 or 2022 in the development of premium rates for 2025 (which use 2023 experience as their base).

Losses from 2023 would implicitly be taken into consideration, as they are included in the experience period used to derive rates. Said differently, If MVP's actual trend for 2023 (compared to 2022) is X% higher than what was expected in the previous rate filing, that X% shortfall is taken into consideration through a higher-than-expected starting point for claims.

For specific drivers of higher-than-expected medical or pharmacy utilization, MVP may take those into account when developing assumptions (if they are of sufficient magnitude and should be expected to persist into the rating period).

If you have any questions or require any additional information, please contact me at ebachner@mvphealthcare.com.

Sincerely,

Eric Bachner, ASA
Director, Commercial Market & Valuation Actuary
MVP Health Care, Inc.