STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

| In re: | MVP Health Plan, Inc.<br>Third Quarter 2014 and Fourth Quarter<br>2014 Large Group HMO Rate<br>Filing | )<br>)<br>)<br>)<br>) | GMCB-011-14rr<br><br>SERFF No.: MVPH-129391759 |
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# DECISION & ORDER

## Introduction

As of January 1, 2014, Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(B) (*as amended by* 2013, No. 79, §5c). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

## Procedural History

On January 28, 2014, MVP Health Plan Inc. (MVPHP) submitted its Third Quarter 2014 (3Q14) and Fourth Quarter 2014 (4Q14) Large Group HMO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). http://ratereview.vermont.gov/sites/dfr/files/MVPH-129391759_Final.pdf. The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this rate filing.

On March 26, 2014, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E), and the Vermont Department of Financial Regulation's (Department) analysis and opinion regarding the impact of the proposed filing on the insurer's solvency. *See* http://ratereview.vermont.gov/sites/dfr/files/MVPH-129391759_ActMemo.pdf (L&E Memo); http://ratereview.vermont.gov/sites/dfr/files/MVP_129391759_Solvency.pdf (DFR Solvency Analysis). The Board received no comments during the public comment period that ran from January 28 through April 13, 2014.

The parties have waived a hearing pursuant to GMCB Rule 2.000 and each has filed a memorandum in lieu of hearing.

## Findings of Fact

1. MVPHP is a non-profit New York health insurer domiciled in New York and licensed as an HMO in New York and Vermont. MVPHP is owned by MVP Health Care, Inc. (MVP), a New York corporation that transacts health insurance business in New York and Vermont through a variety of for-profit and non-profit subsidiaries.

2. The present filing proposes the manual rate for MVPHP's large group HMO products. A manual rate is the insurer's published rate for a unit of insurance and is based on average claims data from a large number of groups.

3. This is a deteriorating block of business, which has been reduced to approximately 400 members as of December 2013, with many members migrating to EPO/PPO products. The rates proposed by this filing impact 4 members and 406 covered lives.

4. With this filing, MVPHP proposes a 5% average annual rate increase. There are no groups renewing in 4Q14.

5. MVPHP projected medical claims forward using a 7.1% effective paid medical trend. An assumed physician trend level of 16.6% has a significant impact on the medical trend and requested rate increase, and is the result of a revised contractual arrangement between MVPHP and a major provider group. According to L&E's calculations, if MVPHP had settled contracts at a more typical unit cost trend of 5%, the aggregate physician trend level would drop from 16.6% to 2.4%.

6. MVPHP used annual trend factors by drug category, as supplied by MVPHP's pharmacy vendor Express Scripts, to project the base period prescription drug costs to the rating period. MVPHP utilized a 2.1% overall annual effective prescription drug trend.

7. MVPHP has assumed a general administrative expense load of 9.5% for this filing. This assumed expense load exceeds its aggregate (small and large group combined) administrative expense load of 8.1%.

8. MVPHP has included a proposed 2.0% contribution to surplus in this filing.

9. For the large group HMO market, MVPHP's anticipated federal medical loss ratio is 85.3%. For the last several years beginning August 2010 and ending July 2013, the annual medical loss ratios have been 92.2%, 100.1%, and 83.1% respectively.

10. On review, L&E determined that given the volatility and low credibility of experience in this block of business, MVPHP's methodology, proposed trend rates and

administrative load are reasonable and appropriate, and that the filing does not produce rates that are excessive, inadequate or unfairly discriminatory. L&E recommends approving the rate filing as submitted.

11. Pursuant to 8 V.S.A. § 4062(a)(2)(B), the Department assessed the impact of the proposed filing on the carrier's solvency. Noting that it is not MVPHP's primary regulator and that all of MVP's health operations in Vermont account for approximately five percent of its total premiums earned, the Department determined that the carrier's proposed rate "will likely have no impact on MVPHP's solvency." *See* http://ratereview.vermont.gov/sites/dfr/files/MVP_129391759_Solvency.pdf.

Standard of Review

1. Vermont law provides that rates submitted by a health maintenance organization must not be "excessive, inadequate or unfairly discriminatory," must protect insurer solvency, must meet standards of affordability, promote quality care and access to health care, and cannot be unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. §§ 5104(a)(2); 4062(a)(3).

2. In arriving at its decision, the Board will consider the analysis and opinion of the Department of Financial Regulation on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a)(3).

3. The insurer proposing a rate change has the burden to justify the requested rate. GMCB Rule 2.000: Rate Review, § 2.104(c).

Conclusions of Law

1. We conclude that the carrier has met its burden to justify its request and approve the filing as proposed. As we have observed in previous decisions, the low membership and high volatility of the experience of this block of business make it difficult to determine the adequacy of proposed rates. *See, e.g.*, Docket no. GMCB 032-13rr, *available at* http://gmcboard.vermont.gov/sites/gmcboard/files/032_13rrDec.pdf; (due to rapid membership decline and significant volatility, Department actuary cannot determine whether rates are sufficient or excessive); Docket no. GMCB 010-13-rr, *available at* http://gmcboard.vermont.gov/sites/gmcboard/files/GMCB_010-13rrDec.pdf (same). We therefore accept the recommendation of our actuaries who have reviewed MVPHP's methodology and resulting rates and find them to be reasonable and appropriate.

2. And while we refrain from setting a rigid affordability threshold with this filing, we conclude that the proposed increase is within the ambit of affordability because it falls well below the 10 percent threshold at which insurers in the small and individual markets must disclose and justify a rate increase,[*] and affects a minimal number of plan subscribers in this shrinking block of business.

## Order

For the reasons discussed above, the Board approves MVPHP's 3Q14 and 4Q14 Large Group HMO Rate Filing as submitted.

**So ordered.**

Dated: April 25, 2014 at Montpelier, Vermont.

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| s/ Karen Hein | ) | GREEN MOUNTAIN |
| s/ Cornelius Hogan | ) | CARE BOARD |
| s/ Betty Rambur | ) | OF VERMONT |
| s/ Allan Ramsay | ) | |

*Board member Al Gobeille did not participate in this decision.*

Filed: April 25, 2014

Attest: s/ Janet Richard
Green Mountain Care Board, Administrative Services Coordinator

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: Janet.Richard@state.vt.us).*
*Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*

[*] Insurers seeking rate increases of 10 percent or more must publicly disclose and provide a justification for the proposed increase. For more details, *see* http://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/rate_review_fact_sheet.html.