STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company First Quarter 2017 and Second Quarter 2017 Large Group EPO/PPO Rate Filing	)))))	GMCB-010-16rr SERFF No.: MVPH-130682523

DECISION & ORDER

Introduction

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)(A). 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 August 8, 2016, MVP Health Insurance Company (MVPHIC) submitted its First Quarter 2017 (1Q17) and Second Quarter 2017 (2Q17) Large Group EPO/PPO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).[1] 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 filing.

On September 28, 2016, the Board posted to the web the Department of Financial Regulation's (Department) analysis regarding the filing's impact on the insurer's solvency. On October 7, 2016, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E). The Board received no public comment on the filing.

The parties have waived a hearing pursuant to GMCB Rule 2.000, § 2.309(a)(1) and have filed memoranda in lieu of hearing.

Findings of Fact

1. MVPHIC is a for-profit New York health insurer that provides EPO and PPO products to individuals and employers in the small and large group markets in New York and

[1] The contents of the SERFF filing and all documents referenced in this Decision and Order can be found at http://ratereview.vermont.gov/MVPH-130682523.

Vermont. MVPHIC 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 includes the proposed manual rates for MVPHIC's large group EPO/PPO products for 1Q17 and 2Q17.[2] These rates will affect approximately 2,234 Vermonters covered under 19 group policies.

3. With this filing, MVPHIC proposes to complete an average annual rate decrease of -11.1% for members renewing in 1Q17 and an average annual rate decrease change of -8.9% for those renewing in 2Q17, when measured from 1Q16 and 2Q16, respectively. The quarterly changes proposed by this filing are a decrease of -1.1% for 1Q17 and an increase of 2.5% for 2Q17.

4. In previous filings for this book of business, MVPHIC used a paid pharmacy trend factor in its rate development that was supplied by its newly-contracted pharmacy benefit manager (PBM) that did not take into consideration MVPHIC's Vermont book of business. MVPHIC's PBM now has sufficient Vermont data to supply Vermont-specific trend estimates. The PBM supplied low, high, and best estimates, with MVPHIC incorporating the best estimate into the proposed rates.

5. MVPHIC's 2016 rate manual includes a "manual rate cap" when rating group policyholders. This cap would increase or reduce the manual rate to be within 15% of a group's experience. The manual rate cap has not yet affected rates for any existing MVPHIC policyholders.

6. MVPHIC assumes a general administrative expense load of 9.7%, and proposes a 2.0% contribution to reserve (CTR).[3]

[2] A manual rate is a baseline rate structure that a carrier will blend with a specific group's claims experience to produce the group's actual rates. Its weight in calculating rates for a specific group will vary according to the group's size and actuarial credibility.

[3] In various documents submitted with this filing, the terms "contribution to surplus" and "contribution to reserve" are used interchangeably. For the purpose of this Decision & Order, the latter term is used for consistency and because the funds at issue are not extra, or "surplus" funds, but are funds reserved solely to cover anticipated future claims.

7. MVPHIC anticipates that the proposed rates would generate a traditional loss ratio of 83.1%. The anticipated loss ratio using the federal formula is 86.4%.[4]

8. 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 MVPHIC's primary regulator, that New York State regulators have expressed no concerns about the company's solvency, and that all of MVP's health operations in Vermont account for approximately 3.7% of its total premiums earned, the Department determined that the carrier's Vermont operations pose little threat to the company's solvency. However, the Department opines that the rates as filed will promote MVPHIC's solvency absent a finding by L&E that they are inadequate. *See* Solvency Analysis at 2.

9. On review, L&E recommends the Board make no modifications to this filing and approve the proposed rates, opining that the filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. *See* L&E Analysis at 7. Despite not recommending any modifications, L&E expressed concern that the proposed rates for this block of business were materially lower than those proposed in 2016, and that MVPHIC's rating practice of removing terminated groups from the experience data may result in rates that are not fully reflective of market-wide risk. *Id*. at 5.

10. L&E recommends that the Board continue to monitor MVPHIC's use of the manual rate cap, but defer action until data is available regarding the impact of this methodology on Vermont policyholders. *Id*.

11. L&E recommends that the Board not reduce the proposed 2% CTR, due to the relatively small size and inherent volatility of the block. *Id*. at 6.

12. The HCA requests that the Board reduce the proposed CTR to 1%.

<u>Standard of Review</u>

1. The Board reviews rate filings to ensure that rates are affordable, promote quality care, promotes access to health care, protects insurer solvency, and are not unjust unfair inequitable, misleading, or contrary to Vermont law. 8 V.S.A. § 4062(a)(3); GMCB Rule 2.000, § 2.301(b). In addition, the Board takes into consideration changes in health care delivery,

[4] As opposed to calculation of the traditional loss ratio, calculation of the federal minimum loss ratio under the ACA allows insurers to adjust for quality improvement activities and expenditures on taxes, licensing and regulatory fees.

changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); GMCB Rule 2.000 at § 2.401.

2. In arriving at its decision, the Board will consider the Department's analysis and opinion of 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 at § 2.104(c).

Conclusions of Law

1. We agree with and adopt our actuary's opinion that MVPHIC's proposed medical trend figures are appropriate, including a 0% utilization trend, and that MVPHIC's selected experience period and demographic adjustments are actuarially reasonable.

2. In addition, we agree with and adopt our actuary's opinion that MVPHIC's pharmacy trend figures are appropriate. As MVPHIC's new PBM is now able to use Vermont-specific data, the projections likely have improved accuracy over those used in recent filings on this block of business.

3. We conclude, as recommended by our actuaries, that the 2.0% CTR proposed by MVPHIC is reasonable and appropriate to stabilize pricing for this relatively small block of business. With a rate decrease proposed for 1Q17 and only a modest increase proposed for 2Q17, a 2% CTR does not substantially affect the affordability of the proposed rates for Vermont policyholders.

4. We agree with and adopt L&E's recommendation to monitor closely MVP's use of a "manual rate cap" in future filings. Since it is not clear whether this cap can be used without producing inequitable or unfairly discriminatory rates, approval of the present filing shall not be construed as a general approval of the manual rate cap methodology in future filings.

5. Because MVPHIC's proposed rates are neither excessive nor inadequate and are safely within the range of actuarial reasonableness, they strike an appropriate balance between fairness and equity to policyholders on one hand and rate stability and insurer solvency on the other. Actuarially adequate rates and an appropriate CTR will promote future pricing stability on this block and therefore promote policyholders' access to care and their quality of care.

Order

For the reasons discussed above, the Board approves MVPHIC's 1Q17 and 2Q17 Large Group EPO/PPO Rate Filing without modification.

SO ORDERED.

Dated: November 7, 2016 at Montpelier, Vermont

s/ Alfred Gobeille	)	
	)	
s/ Cornelius Hogan	)	GREEN MOUNTAIN
	)	CARE BOARD
s/ Jessica Holmes	)	OF VERMONT
	)	
s/ Betty Rambur	)	

Filed: November 7, 2016

Attest: s/ Marisa Melamed
Green Mountain Care Board, Health Policy Analyst

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: marisa.melamed@vermont.gov *). 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.*