STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re:	MVP Health Insurance Company Third Quarter 2017 and Fourth Quarter 2017 Grandfathered Small Group EPO/PPO Rate Filing	)))))	GMCB-002-17rr SERFF No.: MVPH-130912027

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 February 7, 2017, MVP Health Insurance Company (MVPHIC) submitted its Third Quarter 2017 (3Q17) and Fourth Quarter 2017 (4Q17) Grandfathered[1] Small Group EPO/PPO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).[2] 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 April 3, 2017, 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 April 7, 2017, 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 2.309(a)(1) and have filed memoranda in lieu of hearing.

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[1] To qualify as a grandfathered plan, a health plan must have been in effect on or before March 23, 2010, and have not been materially changed to reduce benefits or employer contributions since that time. Grandfathered plans are exempt from many changes required under the Affordable Care Act. 45 CFR 147.140.

[2] The contents of the SERFF filing and all other documents referenced in this Decision & Order are available at http://ratereview.vermont.gov/MVPH-130912027.

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 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 proposes 3Q17 and 4Q17 rates for MVPHIC's grandfathered small group EPO/PPO block of business, covering 1,876 lives in Vermont, with approximately 118 members renewing in 3Q17 and 244 members renewing in 4Q17. This is a closed block of business, with declining membership.

3. With this filing, MVPHIC proposes to complete a 3.9% average annual rate increase for members renewing in 3Q17 and a 5.9% average annual increase for those renewing in 4Q17, when measured from 3Q16 and 4Q16, respectively. The quarterly increases proposed by this filing are 1.8% for 3Q17 and 2.4% for 4Q17.

4. MVPHIC proposes a paid medical trend of 5.3%, which includes a 0.0% utilization trend. MVPHIC proposes a paid pharmacy trend of 20.6%.

5. MVPHIC assumes a general administrative expense load of 8.4%, and proposes a 2.0% contribution to reserve (CTR).[3]

6. MVPHIC anticipates that the proposed rates would generate a traditional loss ratio of 85.6%. The anticipated loss ratio using the federal formula is 89.8%.[4] MVPHIC calculated these loss ratios by including actuarial fees assessed pursuant to 18 V.S.A. § 9374(h)(1) and the HCA fee in its claims data. When including these fees as taxes and assessments instead, the anticipated traditional loss ratio on the filed rates is 89.7% and the anticipated federal loss ratio is 84.4%. *See* L&E analysis at 6. Either version of the federal calculation produces a loss ratio exceeding the minimum 80% required under the ACA for this small group product.

[3] In various documents submitted with this filing, MVPHIC, L&E, and the HCA all refer interchangeably to "contribution to surplus" and "contribution to reserve." 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.

[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.

7. 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 2.2% 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 notes that adequate rates are necessary to keep pace with claim trends, and opines that the rates as filed will promote MVPHIC's solvency. *See* Solvency Analysis at 2.

8. On review, L&E recommends that the Board approve the proposed rates, trends, and assumptions, opining that the filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. *See* L&E Analysis at 7.

9. L&E makes no specific recommendation concerning the proposed 2.0% CTR, noting that the Board has reduced the contribution in past filings from 2.0% to 1.0%. However, L&E recommends that the Board consider the Department's solvency analysis when weighing changes to the proposed CTR. *Id.* at 6.

10. L&E also recommends that MVPHIC should be required to modify this filing if the federal Health Insurer Fee for 2018 imposed under the Affordable Care Act is repealed prior to 3Q17. *Id*. at 7.

11. The HCA requests that the Board reduce the CTR to 1%, and requests that the Board require MVPHIC to modify the filing if the Health Insurer Fee is repealed for 2018 prior to 3Q17. *See* HCA Memorandum In Lieu of Hearing.

Standard of Review

1. The Board reviews rate filings to ensure that a 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 the laws of this State." 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, 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, § 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, and that MVPHIC's assumptions, including a 0% utilization trend, 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. As recommended by our actuary, the proposed rates should be modified if the federal Health Insurer Fee is repealed prior to 3Q17, and contingently order that this filing be reopened and appropriately modified in case of such event.

4. This is a closed block of business with declining membership. As such we agree with and adopt our actuary's opinion that MVPHIC's proposed administrative expense figure of 8.4% appropriately reflects costs associated with administering the claims of a shrinking population.

5. We approve the proposed 2% CTR. Since closed blocks will have no influx of new members to improve the overall health of the pool and further spread risk, they require additional regulatory scrutiny to guard against both inequitable pricing and future rate volatility and rate shock. As applied to this filing, this balance of interests tilts toward approving the proposed 2%, as it will help to absorb future adverse claims experience and stabilize pricing for current policy holders.

6. The Department, whose analysis and opinion must be considered by the Board under 8 V.S.A. § 4062(a)(3), has not expressed any concern specific to this company's solvency and opines that the rates as filed will promote MVPHIC's solvency.

7. 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. As the claims behavior of this closed block is currently stable, actuarially adequate rates will promote future pricing stability and therefore promote policyholders' access to care and their quality of care.

Order

For the reasons discussed above, the Board approves the 1.8% rate increase for 3Q17 and the 2.4% increase for 4Q17 proposed in MVPHIC's 3Q17 and 4Q17 Grandfathered Small Group EPO/PPO Rate Filing. The Board further orders that MVPHIC modify the present filing if the 2018 Health Insurer Fee is repealed with an effective date prior to 3Q17.

SO ORDERED.

Dated: May 8, 2017 at Montpelier, Vermont

s/ Cornelius Hogan
s/ Jessica Holmes
s/ Robin Lunge

GREEN MOUNTAIN CARE BOARD OF VERMONT

Filed: May 8, 2017

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.