STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVPHIC Health Insurance Company 3rd and 4th Quarter	)	
2017 Small Group Grandfathered PPO/EPO Rate Filing	)	GMCB-02-17-rr

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

MVP Health Insurance Company (MVPHIC) submitted its Third and Fourth Quarter 2016 Small Group Grandfathered PPO/EPO Rate Filing for review by the Green Mountain Care Board (GMCB) on February 7, 2017. MVPHIC requested quarterly rate increases of 1.8% for the third quarter of 2016 and 2.4% for the fourth quarter. These would result in annual increases of 3.9% and 5.9% when combined with rates approved for prior quarters. This is a closed block of business with 1876 members in the plans affected by the filing. Of the total membership, 118 members renew in the third quarter and 244 members renew in the fourth quarter.

The Actuarial Opinion by Lewis and Ellis (L&E), the GMCB's contracted actuaries, and the review of financial solvency by the Department of Financial Regulation (DFR), were filed on April 10, 2017.

The Office of Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. The hearing for the filing has been waived by the parties.

II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the GMCB before implementing health insurance rates. 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A.

§4062(a). "In deciding whether to approve, modify, or disapprove each rate request, the GMCB shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory." GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3).

In making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the Solvency Analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB "shall consider any [public] comments received on a rate filing and may use them to identify issues." GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries, and DFR, DFR's Solvency Analysis, and the Opinion from the GMCB's actuary. GMCB Rule 2.000 §2.403(a).

III. Review of Actuarial Opinions and DFR Solvency Analysis Letters

L&E has analyzed the filing to in order to assist the GMCB in determining whether the requested rates meet the statutory criteria. Their recommendation focuses on the question whether the filing produces rates that are "excessive, inadequate, or unfairly discriminatory." L&E recommends that the Board approve the rate request as filed. The actuarial opinion further recommends that the carrier be required to modify the filing if the health insurer fee is repealed for 2018 prior to the third quarter. GMCB -02-17-rr Actuarial Analysis at page 7.

DFR has reviewed the solvency of MVPHIC. New York rather than Vermont is MVPHIC's primary regulator. DFR states that MVPHIC's primary regulators in New York have not expressed any concerns about the company's solvency. Moreover, the company's Vermont operations, representing only a small percentage of the total premiums earned, "pose little risk to its solvency." DFR has opined that "the proposed rate will likely have the impact of sustaining MVPHIC's solvency." GMCB 02-17-rr Solvency Analysis at page 2.

IV. Analysis

In order to increase affordability for ratepayers, the HCA asks the GMCB to decrease the contribution to reserves for this filing from 2% to no greater than 1%. Health insurance affordability is a significant concern for Vermonters, even those with employer sponsored health insurance through the large or small group market. MVPHIC has not met its burden of justifying the requested 2% contribution to reserves.

A significant portion of employed Vermonters struggle to afford their health insurance. In the Vermont Department of Financial Regulation 2014 Vermont Household Health Insurance Survey, almost 60% of uninsured working Vermont residents who have access to employer sponsored insurance report that they did not enroll in their employer's health plan because it was too expensive. Comprehensive Report, 2014 Vermont Household Health Insurance Survey, p. 46. Similarly, 42.5% of Vermonters who turn down employer sponsored health insurance do so because it costs too much. Survey, p. 66.

The fact that many Vermonters find their employer sponsored health insurance to be unaffordable is especially concerning because federal rules disqualify most people who are offered employer sponsored health insurance from receiving premium subsidies for health insurance purchased on the state health insurance exchange. Unless the actuarial value of the employer sponsored insurance is below 60% or the employee's share of the premium to cover just the employee (not including the expense of covering family members) exceeds 9.5% of the employee's income, the employee is not eligible to receive premium tax credits through the state insurance exchange. Survey, p. 38.

Wages in Vermont have not increased enough in recent years to allow Vermonters to afford the increases in premiums requested in this filing plus the cost-sharing required of consumers. Increases in the cost of premiums for employer sponsored health insurance are typically passed on to the employees through increased employee contributions to insurance or through lost wages, or both. Sarah Kliff, The Washington Post, You're Spending Way More on Your Health Benefits than You Think, August 30, 2013.

In past filings, the GMCB has found that MVPHIC could afford a lower contribution to reserves in order to make rates more affordable. The GMCB reduced the contribution to reserves in last year's filing for this product in the Third and Fourth Quarter of 2016. Decision GMCB 002-16rr. The HCA asks the Board to lower the contribution to reserves again in order to make the requested rates more affordable for this small group of members who are being asked to absorb a substantial increase in premium.

A lower contribution to reserves for the third and fourth quarter plans should not be difficult for MVPHIC to absorb because these Vermont small group plans represent a small portion of MVPHIC's business and MVPHIC's Vermont operations pose little risk to MVPHIC's solvency. In addition, MVPHIC's overall solvency as indicated by its risk based capital (RBC) is especially strong in recent years in the MVPHIC 2016 Annual Statement, Five-Year Historical Data, page 29 (attached) demonstrates a high RBC in both 2015 and 2016.

V. <u>Conclusion</u>

Based on the record for this filing, the HCA asks the Board to modify the requested rate increase by reducing the contribution to reserves to no more than 1%. The HCA further agrees with L & E's recommendation that the GMCB should require MVPHIC to modify the filing if the health insurer fee is repealed for 2018.

Dated at Montpelier, Vermont this 24th day of April, 2017.

s/ *Lila Richardson*
Lila Richardson
Staff Attorney
Office of Health Care Advocate
P.O. Box 606
Montpelier, Vt. 05601
Voice (802) 223-6377 ext. 325

s/ *Kaili Kuiper*
Kaili Kuiper
Staff Attorney
Office of Health Care Advocate

CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board, Noel Hudson, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, representative of MVPHIC, by electronic mail, return receipt requested this 24th day of April, 2017.

s/ *Kaili Kuiper*
Kaili Kuiper
Staff Attorney
Office of Health Care Advocate
P.O. Box 606
Montpelier, Vt. 05601
Voice (802) 223-6377 ext. 329