STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re:	MVP Health Insurance Company Third Quarter 2015 and Fourth Quarter 2015 Grandfathered Small Group PPO/EPO Rate Filing	)))))	GMCB-002-15rr SERFF No.: MVPH-129866393

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 a rate 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 January 31, 2014, MVP Health Insurance Company (MVPHIC) submitted its Third Quarter 2015 (3Q15) and Fourth Quarter 2015 (4Q15) Grandfathered Small Group EPO/PPO Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). http://ratereview.vermont.gov/sites/dfr/files/GMCB_002_15rr_SERFF_2_9_15.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 April 1, 2015, 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/GMCB_002_15rr_Actuarial_Analysis.pdf (L&E Memo); http://ratereview.vermont.gov/sites/dfr/files/GMCB_002_15rr_SolvencyOpinion.pdf (Solvency Analysis). The Board received no comments during the public comment period that ran from February 2, 2015 through April 16, 2015.

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

Nature of the Filing

1. MVPHIC is a for-profit New York health insurer that provides PPO and EPO[1] 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. This filing demonstrates the premium rate development of MVPHIC's small group grandfathered EPO/PPO products comprising high deductible health plans (HDHP). This is a closed block of business.

3. As of December 2014, there were 2,374 members enrolled in plans affected by this filing, of which 163 have renewal dates in 3Q15 and 311 have renewal dates in 4Q15.

4. MVPHIC is requesting an average annual increase of 4.8% for members renewing in 3Q15 and 5.3% for those renewing in 4Q15.

Summary of the Data and Analysis

5. MVPHIC utilized grandfathered small group HDHP claim data for the period from September 2013 to August 2014 and paid through November 2014 for its base experience period. Claims in excess of $100,000 were removed and replaced by a pooling charge.

6. The adjusted claims were projected forward using a 6.8% annual effective medical trend assumption and a 22.2% annual effective prescription drug trend. The prescription drug trend was supplied by MVP's pharmacy benefit manager (PBM) and does not account for the carrier's Vermont book of business.

7. Upon request by L&E, MVPHIC provided 2013 and 2014 allowed pharmacy claims which indicate that high-cost specialty drugs are significantly impacting its prescription drug trend. Although L&E disagrees with the carrier's reliance on its PBM's trend assumption, in light of the historic experience and MVP's other pending filings,[2] L&E opines that the requested 22.2% trend is "reasonable and appropriate." L&E Memo at 6.

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[1] Exclusive provider organizations (EPOs) generally don't cover care outside the plan's network of providers. Preferred provider organizations (PPOs) cover care inside and outside the plan's provider network, but members typically pay a higher percentage of charge for out-of-network care.

[2] MVP submitted three filings within a short period of time; consequently, L&E was in the process of reviewing them simultaneously. MVP proposes the same utilization and unit cost trends by drug tier for

8. MVPHIC increased the claim cost for fees and surcharges and included a general administrative load of 9.5% for administrative costs and a 2.0% contribution to surplus. For 2013, MVPHIC's Supplemental Health Care Exhibit (for all markets) indicates a 10.8% administrative load.

9. MVPHIC utilized experience period enrollment distribution to calculate its 2015 single conversion factor and made no adjustment to account for demographic shifts (age and gender) from the experience period membership to rating period. Because this is a closed block of business, L&E maintains that it would be more appropriate for the carrier to use its most recently available membership distribution (December 2014) to develop the rate change and single conversion factor, which would increase annual rates from 4.8% to 6.7% in 3Q15, and from 5.3% to 7.2% in 4Q15.

10. MVPHIC's 2015 anticipated traditional medical loss ratio and federal loss ratio[3] for this grandfathered block of business are 82.2% and 88.8%, respectively.

11. The Department of Financial Regulation, noting that it is not the carrier's primary regulator, determined that MVPHIC's Vermont operations pose very little risk to its solvency, or to the solvency of MVP Holding Company. Solvency Analysis at 2.

12. The HCA, citing the 2014 Vermont Household Health Insurance Survey, Vermont Department of Labor, Economic & Labor Market Information and past decisions by the Board, requests that the Board decrease the contribution to surplus from 2.0% to no higher than 1.0%.

Standard of Review

1. The Board reviews rate filings to ensure that rates are affordable, promote quality care and access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062(a)(2); GMCB Rule 2.000, *Rate Review*, §§ 2.301(b), 2.401. 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).

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all three; due to varying utilization by drug tier in each filing, the total allowed trends will not match exactly. *See* L&E Memo at 3, n.3.

[3] Traditionally, loss ratio is defined as the portion of premium income insurers pay out in the form of health care claims. Under the ACA, calculation of the minimum loss ratio (MLR) allows insurers to make adjustments for quality improvement activities and expenditures on taxes, licensing and regulatory fees.

2. As part of its review, the Board will consider the Department's analysis and opinion on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a)(2), (3). In addition, the Board shall consider any public comments received on a rate filing. Rule 2.000, §2.201.

3. The burden falls on the insurer proposing a rate change to justify the requested rate. *Id*. § 2.104(c)

Conclusions of Law

1. The last time we reviewed this block of business, *see* Docket no. GMCB 020-14rr, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_020_14rr_Decision.pdf, we agreed with our actuary and ordered that the carrier use its most recent enrollment – which we concluded more accurately reflects current membership distribution – in its rate development and calculation of a single conversion factor. Although we continue to agree that use of current enrollment data is appropriate, in this instance it produces rates higher than those requested by the carrier. For considerations of affordability alone, we decline our actuary's recommendation that the carrier revise this component of its filing.

2. We continue to disagree with MVPHIC's reliance on a pharmacy trend that does not reflect Vermont-specific experience. *See, e.g.,* In re: MVP Health Plan, Inc. 2015 Vermont Health Connect Rate Filing, Docket no. GMCB-017-14, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_017_14_rr_Decision.pdf (rejecting use of pharmacy trend that does not reflect the Vermont population). In this and other recent MVP filings however,[4] we concur with our actuary's view that the proposed trend is reasonable in light of the carrier's historic experience, its PBM's pharmacy trend, and the impact of high cost specialty drugs. We again voice our concern with the steep increase in trend due to the introduction of high cost specialty drugs to the market, and expect that MVP will explore ways to moderate their rise in cost and utilization.

3. Last, we reduce MVPHIC's contribution to surplus from 2.0% to 1.0%. Doing so lessens the burden on Vermont ratepayers without harming the carrier's solvency, and is consistent with the action we have taken in the past and with the most recent MVP filings.

[4] MVP submitted Dockets 001-15rr, 002-15rr, and 005-15rr within the course of five days. In each, the carrier utilizes the PBM's suggested pharmacy trend in its rate development. *See* n.2, infra.

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Order

For the reasons discussed above, the Board modifies MVPHIC's 3Q15 and 4Q15 Grandfathered Small Group EPO/PPO Rate Filing by reducing the contribution to surplus from a proposed 2.0% to 1.0%, and thereafter approves the filing.

So ordered.

Dated: April 30, 2015 at Montpelier, Vermont

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

Filed: April 30, 2015

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.