

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company)	GMCB-024-14rr
First Quarter 2015 and Second Quarter)	
2015 Grandfathered Small Group Rate)	
Filing)	SERFF No.: MVPH-129710583
)	

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)(B). 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 September 5, 2014, MVP Health Insurance Company (MVPHIC) submitted its First Quarter 2015 (1Q15) and Second Quarter 2015 (2Q15) Grandfathered Small Group Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).

http://ratereview.vermont.gov/sites/dfr/files/GMCB_024_14rr_SERFF_9_5_14.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 September 25, 2014, the HCA proposed a question it suggested the Board provide to Lewis & Ellis (L&E), the Board's contract actuaries. *See*

http://ratereview.vermont.gov/sites/dfr/files/024_14rr_HCA_Questions.pdf. On November 4, 2014, the Board posted to the web L&E's actuarial memorandum and the 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_024_14rr.pdf (L&E Analysis);

http://ratereview.vermont.gov/sites/dfr/files/GMCB_024_14rr_Solvency_Analysis.pdf (Department Solvency Analysis).

The Board received no comments during the public comment period that ran from September 5 through November 16, 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. MVPHIC is a for-profit New York health insurer that provides PPO and EPO 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 manual rate development for new policy form VEHD-49, which is intended to replace grandfathered plan VEHD-18 which no longer complies with IRS regulations applicable to qualified high deductible plans (HDHP).^{*} Members transitioning from VEHD-18 to VEHD-49 will maintain their grandfathered status.

3. The proposed 1Q15 rates in this filing were derived using a benefit factor relative to the 1Q15 manual rate filing which was recently modified, and then approved by the Board in GMCB Docket no. 020-14-rr. See http://ratereview.vermont.gov/sites/dfr/files/GMCB_020_14rr_Decision.pdf. In turn, the proposed 2Q15 rates were derived by applying one quarter of paid HDHP trend to the proposed 1Q15 rates.

4. In Docket no. 020-14-rr, the Board modified MVPHIC's filing by requiring that first, MVPHIC utilize its most recent available enrollment distribution in its rate change development and calculation of its single conversion factor, and second, that it develop the rate using the pharmacy trend, adjusted for the impact of Sovaldi, approved by the Board in MVP's 2015 Vermont Health Connect (VHC) Rate Filing. See GMCB Docket no. 17-14-rr, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_017_14_rr_Decision.pdf.

5. Consistent with its analysis in Docket no. 020-14-rr, L&E here recommends that the carrier utilize its most recent enrollment distribution (June 2014) to calculate the single conversion factor, rather than base the factor on its 2013 enrollment. This change results in a reduction of the single conversion factor from 1.208 to 1.186. Further, L&E recommends that the pharmacy trend and contribution to surplus be modified consistent with the modifications made in Docket no. 020-14. With the recommended changes, L&E concludes that MVPHIC's rate development methodology appears reasonable and appropriate. L&E Analysis at 3.

6. The Department has advised the Board that it is not MVP's primary regulator, that only 5.3% of the company's business is in Vermont, and that "MVPHIC's Vermont operations pose very little risk to its solvency" or to that of its parent company. Department Solvency Analysis at 2.

^{*} To comply with IRS regulations, MVPHIC increased the family deductible from \$2,500 to \$2,600, and increased the corresponding out-of-pocket maximum from \$3,500 to \$3,600.

7. The HCA supports the recommendations made by L&E because they are “consistent with [the] decision in GMCB 20-14-rr and the 2015 MVP Vermont Health Connect Filing” and promote the goals of Act 48. HCA Memorandum in Lieu of Hearing at 4, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_024_14rr_HCA_Memo.pdf.

8. MVPHIC states that L&E’s recommendations should not be adopted by the Board. First, it contends that the single conversion factor cannot be based on “a snapshot of one month” and should be based on the 2013 experience period. Second, it maintains that utilizing the pharmacy trend provided by the company’s pharmacy benefit manager is more accurate than utilizing the Vermont-specific trend of the state’s largest carrier. Last, MVPHIC requests that the Board leave untouched its request for a 2.0% contribution to reserves in light of the carrier’s anticipated traditional loss ratio of 99.5% for its small group book of business, which “is obviously being funded through reserves.” MVPHIC Health Care’s Memorandum in Lieu of Hearing at 2, 4, *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_024_14rr_MVP_Memo.pdf.

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).

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). The Board also 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

4. Consistent with our decision in Docket no. 020-14-rr, the Board accepts L&E’s recommendations. In that docket, we modified and then approved the carrier’s manual rate for Form VEHD-18, the “reference plan” from which the rate here is derived.

5. We also adopt the same reasoning here as we did in Docket 020-14-rr. First, in light of the shift of membership in this closed, grandfathered block of business, MVPHIC should use its most recent membership distribution, rather than its 2013 data.

6. Second, as we discussed in Docket nos. 020-14-rr and 017-14-rr (VHC filing), MVPHIC should use the pharmacy trend we previously approved in the VHC filing, adjusted for the impact of the specialty drug Sovaldi. *See* In Re: MVP Health Plan, Inc. 2015 Vermont Health Connect Rate Filing, Docket no. GMCB 17-14-rr at 9-10 (discussing why pharmacy benefit manager’s trend does not reflect Vermont population); Docket no. 020-14-rr at 4 (Board orders use of VHC filing pharmacy trend, adjusted for Sovaldi). We agree that a trend based on Vermont specific data is more accurate and appropriate.

7. Last, we again recognize that this filing represents only a small percentage of the company’s overall business, and reduce the contribution to surplus from 2.0% to 1.0%. Our decision to do so is consistent with our decisions in the above-referenced filings, and makes the rate more affordable.

Order

For the reasons discussed above, we modify, and then approve the filing. Specifically, we order that MVPHIC reduce the single conversion factor from 1.208 to 1.186; utilize the pharmacy trend previously approved by the Board in MVP’s Vermont Health Connect Rate Filing, adjusted for the impact of Sovaldi; and reduce the contribution to surplus from 2.0% to 1.0%.

So ordered.

Dated: December 4, 2014 at Montpelier, Vermont

s/ Alfred Gobeille)
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s/ Cornelius Hogan)
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s/ Jessica Holmes)
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s/ Allan Ramsay)
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s/ Betty Rambur)

GREEN MOUNTAIN
CARE BOARD
OF VERMONT

Filed: December 4, 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.