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Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Re: MVP Health Plan
Vermont Health Connect 2022 Individual and Small Group Rate Filings
SERFF # MVPH-132824950 (Individual) & MVPH-132824927 (Small Group)

The purpose of this letter is to provide a summary and recommendation regarding the proposed 2022 Individual and Small Group Filings for MVP Health Plan, Inc. (MVP or Company) and to assist the Green Mountain Care Board (Board) in assessing whether to approve, modify, or disapprove the Company's requested rate changes.

FILING DESCRIPTION

1. MVP provides individual and small group coverage to be sold on Vermont Health Connect (VHC). This filing requests premiums for MVP's Qualified Health Plans (QHPs) that will be offered on VHC, beginning January 1, 2022.

2. Due to the unmerging of the individual and small group markets[1], two filings were submitted; one addresses MVP's individual members and the other addresses MVP's small groups. As of February 2021, there were 37,229 members[2] enrolled in plans affected by these filings with 15,371 members enrolled in individual plans and 21,858 members enrolled in small group plans. Enrollment in these plans has grown in recent years, demonstrated in the following table:

MEMBERSHIP BY COVERAGE YEAR

Coverage Year	Members	Percent Change
2017	10,305	55.8%
2018	25,223	144.8%
2019	30,887	22.5%
2020	36,980	19.7%
2021	37,229	0.7%

[1] Act 25, Section 34 requires carriers to "offer separate health benefit plans to individuals and families in the individual market and to small employers in the small group market" during 2022.

[2] L&E uses the term "members" to refer to the number of covered lives. That is, a single policy covering two family members is comprised of two members.

3. As required by the Affordable Care Act, insurers selling plans on VHC must offer Silver plans with cost-sharing reductions (CSRs) to Vermonters with certain income levels, known as "Silver Loaded." These members pay a reduced premium that is limited to a specified percentage of their income. These plans include premium funding to offset the loss of federal CSR payments.

   In addition to the Silver plans offered on VHC, beginning in 2019, carriers began offering "Silver Reflective" plans outside of VHC. The Silver Reflective plans do not include CSR premium funding since federal CSR payments do not apply. While the VHC Silver Loaded plan premiums are substantially higher than the Silver Reflective premiums, most members in these plans will not pay higher premiums because of the federal premium subsidies.

4. Unlike in prior years, the 2022 Small Group and Individual markets will be separate for rating purposes. Because ACA small group employers tend to have lower claims than individual purchasers of insurance, the unmerging results in the small group rates increasing less relative to individual premiums.

5. The proposed rate impact of this filing is an average rate increase of 17.0% for individual plans and an average rate increase of 5.0% for small group plans. The table below illustrates the proposed and approved premium rate changes for last year's 2021 QHP filing.

2021 APPROVED RATE CHANGES (INDIVIDUAL & SMALL GROUP)

Plan Type	Average 2020 Premium PMPM	Average 2021 Premium PMPM[3]	Percent Change	PMPM Change	Percent of Membership
Catastrophic	$336.24	$339.18	0.9%	$2.94	0.0%
Bronze	$450.24	$463.04	2.9%	$12.79	23.5%
Silver Loaded	$636.71	$655.00	2.9%	$18.29	16.4%
Silver Reflective	$506.60	$515.56	1.8%	$8.96	15.1%
Gold	$583.44	$602.36	3.3%	$18.92	35.2%
Platinum	$703.65	$715.95	1.7%	$12.30	9.8%
Overall	***$560.97***	***$576.19***	***2.7%***	***$15.22***	***100.0%***

[3] These values do not match the values in the next table for 2021 premiums because these reflect averages based on 2020 plan selections, whereas the next table reflects actual 2021 plan selections.

The 2022 QHP filing average rate increases are broken down by metal level in the tables below.

2022 PROPOSED RATE CHANGES – INDIVIDUAL

Plan Type	Average 2021 Premium PMPM[4]	Average 2022 Premium PMPM	Percent Change	PMPM Change	Percent of Membership
Catastrophic	$339.18	$374.43	10.4%	$35.25	0.1%
Bronze	$475.60	$571.53	20.2%	$95.93	33.3%
Silver Loaded	$656.63	$751.35	14.4%	$94.72	33.6%
Silver Reflective	$510.26	$604.61	18.5%	$94.34	5.5%
Gold	$637.28	$743.78	16.7%	$106.50	22.5%
Platinum	$741.01	$883.60	19.2%	$142.59	5.0%
Overall	***$587.86***	***$687.98***	***17.0%***	***$100.12***	***100.0%***

2022 PROPOSED RATE CHANGES – SMALL GROUP

Plan Type	Average 2021 Premium PMPM[4]	Average 2022 Premium PMPM	Percent Change	PMPM Change	Percent of Membership
Bronze	$450.56	$479.85	6.5%	$29.28	17.0%
Silver	$523.66	$553.96	5.8%	$30.30	22.7%
Gold	$593.56	$616.23	3.8%	$22.66	44.6%
Platinum	$701.69	$742.33	5.8%	$40.64	15.7%
Overall	***$570.28***	***$598.62***	***5.0%***	***$28.35***	***100.0%***

STANDARD OF REVIEW

Pursuant to *8 V.S.A. §4062, 18 V.S.A. §9375(6)*, and Green Mountain Care Board *Rule 2.000: Health Insurance Rate Review*, this letter is to assist the Board in determining whether the proposed rate increase is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the law, and is not excessive, inadequate, or unfairly discriminatory.

SUMMARY OF RECEIVED DATA

MVP provided the methodology used to develop the proposed 2022 individual and small group premiums. The Company provided exhibits which demonstrated the quantitative development for

[4] The overall PMPM will differ from the 2021 merged market table due to the different membership weights in each year and in the merged market versus the individual market vs the small group market.

each component of the premium request, including the index rate development with adjustments for trend, administrative costs, and taxes and fees. The exhibits were provided separately between the individual and small group filings.

Exhibits 1 and 1a outline a summary of benefits by plan and a comparison of benefits offered in 2021 versus 2022.

Exhibit 2a illustrates the assumed annual allowed and paid medical cost trends by benefit category for 2021 and 2022 and the annual pharmacy cost trends by drug category. Exhibit 2b illustrates the application of pharmacy trends by drug category to the experience period paid PMPMs to develop the projected pharmacy paid PMPMs.

Exhibit 3 shows the index rate development, starting from MVP's experience period claims (encompassing about 170,000 individual member months and 190,000 small group member months) from ACA-compliant individuals and small groups. Adjustments were applied to adjust for incurred but not reported (IBNR) claims, pooling charges, paid medical/Rx trend, and other factors.

Exhibit 4 shows the development of the single conversion factor of 1.049 for individual and 1.131 for small group using the distribution and the average contract size by tier derived from February 2021 enrollment data.

Exhibit 5 shows the development of the proposed retention loads, taxes, assessments, and paid claim surcharges.

Exhibit 6 shows the calculations for the load on the On-Exchange Silver Plan to account for the defunding of the Cost Sharing Reductions (CSRs). The CSR adjustment is applicable for the individual market only.

Exhibit 7 calculates final PMPM premiums based on the assumptions in the prior exhibits.

The "Loss Ratio Information" section of the Actuarial Memorandum demonstrates that the expected claims and premiums produce a projected traditional loss ratio of 90.5% for individual and 91.1% for small group. After adjusting for taxes, fees, and Quality Initiatives, the 2022 federal MLR is projected to be 91.5% for individual and 92.3% for small group, which exceeds the 80% minimum requirement.

Cohort	Traditional Loss Ratio	ACA MLR
Individual	90.5%	91.5%
Small Group	91.1%	92.3%

MVP provided additional exhibits and information as requested during the rate review process.

L&E ANALYSIS

The average proposed 2022 rate increases of 17.0% for individual and 5.0% for small group are attributable to several rating components. To create a consistent comparison for both companies filing QHP products, L&E categorized the proposed premium changes reflective of the Unified Rate Review Template (URRT), rather than the distinct rating methodology used by each company. Since there was a major change in the risk pools beginning in 2022, the following table summarizes the combined rating components between the individual and small group markets. Item #14 addresses the unmerging of the markets, which was evaluated at the end as the last rating component.

The combination of the other rating components will help simplify the comparison to the prior 2021 filing. Note that these combined components were estimated by L&E and likely do not appear in the individual filings as assumptions may have varied between the two markets. For more information on the market assumptions and the combined estimates, see Appendix A.

COMPONENTS OF 2022 PROPOSED RATE CHANGE

	Percentage Change[6]	
Rating Component[5]	**Individual**	**Small Group**
1. 2020 Actual/Projected Claims Experience	-3.3%	
2. Difference in Trend from 2020 to 2021	+0.9%	
3. Trend from 2021 to 2022	+7.9%	
4. Changes to Population Morbidity Adjustment	+1.0%	
5. Demographic Shift	+0.0%	
6. Plan Design Changes	-0.3%	
7. Changes to Other Factors	+6.7%	
8. Changes to Risk Adjustment	-0.5%	
9. Changes in Actuarial Value	-2.1%	
10. Changes in Administrative Costs	-0.8%	
11. Changes in Taxes & Fees	+0.1%	
12. Changes in Contribution to Reserves	+0.9%	
13. Changes in Single Contract Conversion Factor	-0.0%	
14. Impact of Unmerging Markets	+6.1%	-4.8%
Total Proposed Rate Change	**+17.0%**	**+5.0%**

1. **2020 ACTUAL/PROJECTED CLAIMS EXPERIENCE:** Actual 2020 claims experience for the individual and small group markets was about approximately 3.3% lower than the 2020 costs expected at the time of the 2021 filing. One major driver of this outcome is decreased utilization related to the COVID-19 pandemic. While actual 2020 experience has varied across the nation by

[5] The percentages that are attributed to each component may not match the percentages provided by the Company due to the different methodologies that were used; therefore, a direct comparison is not appropriate.

[6] The percentage changes are multiplicative and may not sum to the requested premium increase percentage.

carrier, declines have typically ranged between 4% and 16%[7]. Therefore, MVP's 2020 claims experience reduction is slightly below this typical range. Since this change is based on actual claims experience, this rate component appears to be reasonable and appropriate. This rating component varies significantly between markets due to differences in morbidity between the two populations[8].

It is also important to note that MVP did not believe that 2020 is representative of future years and decided to use 2019 as the base period with an additional year of trend. Since 2019 did not include any COVID treatment costs, such costs would not be trended into the 2022 rating period.

2. **DIFFERENCE IN TREND FROM 2020 TO 2021:** In the 2021 filed rates, the assumed 2020 to 2021 trend was approximately 6.4%. MVP now projects a 2020 to 2021 allowed trend rate of approximately 7.3%. The primary driver of the increase is an increase in the assumed pharmacy trend, which increased from 7.2% in the final 2021 URRT to approximately 15.3% in the 2022 URRTs.

   The trend development is discussed further in the next section.

3. **TREND FROM 2021 TO 2022:** The Company requested a total allowed trend for 2021 to 2022 of approximately 7.9% weighted between the two markets.

2021 TO 2022 ALLOWED TRENDS

Cost Category	Total Allowed Trend
Medical	6.7%
Pharmacy	15.3%
Total	***7.9%***

MEDICAL TREND: The allowed trend reflects changes in both the cost of medical services and utilization of medical services by members. The Company projected an annual allowed medical trend of 6.7%, which is comprised 5.7% for unit cost changes and 1.0% for utilization changes.

MEDICAL UNIT COST TREND

MVP computed its allowed trend as a weighted average of the 2021 and 2022 medical claim unit cost trends for inpatient, outpatient, and physician claims based on known and assumed price increases for MVP's provider network. This approach is consistent with prior rate filings. These increases reflect the changes to the unit cost increases ordered by the Green Mountain Care Board during the Hospital Budget Review.

[7] Source: Kaiser Family Foundation article, "Health Insurer Financial Performance in 2020"; https://www.kff.org/private-insurance/issue-brief/health-insurer-financial-performance-in-2020/

[8] Anti-Selection refers to situations where actions taken by policyholders is based on their own known information that could cause a financial disadvantage to the health plan, such as purchasing plan with the intent of utilizing services.

Since the fiscal year 2022 Hospital Budget Review is not yet finalized, MVP has assumed that hospital increases will match the fiscal year 2021 increases. The overall increase for hospital-based costs differs from the Board's Vermont-wide projections for several reasons:

- MVP's costs are distributed differently from the other carriers in the commercial market. This produces a different average cost across all facilities.
- Approximately 30% of medical services are provided by hospitals not subject to the GMCB Hospital Budget Review.
- The hospital budgets are not effective on a calendar year basis, while the proposed rates are for calendar year 2022.

L&E believes utilizing recent hospital budget figures for the assumed unit cost trends is reasonable and appropriate. Once 2022 hospital budget requests are submitted, L&E recommends that this new information be considered.

GMCB HOSPITAL BUDGET REVIEW

The overall unit cost medical trend of 5.7% includes:

1) a trend of 5.7% for facilities and providers that are impacted by the GMCB's Hospital Budget Review, and

2) a trend of 5.4% for other medical facilities and providers that are not subject to the Hospital Budget Review.

MEDICAL UTILIZATION TREND

Since 2017, MVP has experienced a rapid membership growth of approximately 250%, which can materially impact historical trends. In the 2021 QHP filing, L&E recommended an annual utilization trend range of 1.0% to 4.0% based on a market-wide analysis. MVP implemented an annual utilization trend of 1.0%, which was approved by the Board.

For the 2022 filing, MVP ran simulations in which trend values were aggregated at the service category level and adjusted for age/gender differences. This approach produced a very wide range of forecasted utilization trends with a 10th percentile of -3.1%, a mean trend of 1.8%, and a 90th percentile of 6.9%. Since the simulation produced a volatile and wide range, MVP decided to assume a utilization trend of 1%, which is consistent with the 2020 and 2021 approved filings.

Each of the past several years, L&E has performed a series of independent trend calculations using MVP's monthly normalized allowed medical claims cost PMPM data using an additional year of data from the prior year. However, since 2020 was disrupted by the COVID-19 pandemic, L&E does not believe this additional year of data is reliable. Therefore, no additional analysis was performed.

Based on the above analyses, L&E considers the assumed utilization trend of 1.0% to be reasonable and appropriate.

TOTAL ALLOWED MEDICAL TREND

Based on the information available, L&E considers the 6.7% total allowed medical trend to be reasonable and appropriate.

If updated information regarding unit cost trends are known at the time of the Board order, L&E recommends considering this updated information in the development of the unit cost assumption underlying the 2022 premium rate calculations.

PHARMACY TREND: The Company projected a 15.3% annualized allowed Rx trend. This trend forecast was provided by MVP's Pharmacy Benefit Manager (PBM) based on MVP's Vermont experience by drug class. The chart below shows that the specialty trend category is the primary driver of the Rx trend assumption.

ANNUALIZED ALLOWED RX TRENDS

Tier	Unit Cost	Utilization	Total Trend
Generic	0.0%	4.9%	4.6%
Brand	7.9%	4.6%	12.9%
Specialty	5.9%	14.0%	20.8%
Total[9]			***15.3%***

MVP separately projects pharmacy rebates, which are negotiated with the Company's Pharmacy Benefit Manager (PBM). The latest contractual terms for brand and specialty rebates for 2021 were provided in Exhibit 2b.

MVP was provided pharmacy trend estimates by their PBM. As a basis for trend estimates, trends are analyzed for all of MVP's Vermont fully insured membership (ACA and Large Group) by using historical utilization and unit cost data for these populations. This historical data is then combined with the PBM estimates for changes in utilization, unit cost, and generic dispensing rates. This combined information is used to calculate their best estimate of Gross PMPM claim cost trends. MVP also applies its best estimate of contract changes between the experience period and the rating period to the unit cost information using a trend model provided by the PBM.

[9] Due to mix shifts and the order in which the two components can be applied, a weighted average of the trend components would not be accurate.

The past five years of projected and observed pharmacy trends, for MVP's VT Exchange business only, are shown in the table below:

HISTORICAL ALLOWED RX TRENDS

Year	Projected Trend	Actual Trend	Under/(Over) Projection
2020/2019	5.8%	21.7%	+15.0%
2019/2018	7.4%	2.5%	-4.6%
2018/2017	12.4%	5.1%	-6.5%
2017/2016	11.1%	5.2%	-5.3%
2016/2015	8.8%	8.6%	-0.2%
5-year Average	9.1%	8.6%	
4-year Average	9.1%	8.6%	
3-year Average	8.5%	9.8%	
2-year Average	6.6%	12.1%	

L&E notes the unusually large 2020 pharmacy trend, for which the largest driver was a large spike in specialty tier of approximately 20%. L&E also notes that the PBM prospective trends have been over projected in four of the last five years. Compared to historical trends, L&E believes 2020 was an outlier year that should be mitigated and accounted for when considering future trends.

L&E recommends a 9.8% pharmacy trend assumption, based on a three-year average of the most recent historical trends. Including three years strikes an appropriate balance between relying too heavily on the most recent year of trend but including it as it is a data point.

L&E's pharmacy trend recommendation decreases the rates by approximately 1.3%.

Combining medical and prescription drug trends, the revised overall annual allowed trends assumed in the filing are:

	Annual Allowed Trend
Medical	5.3%
Rx	9.8%
Combined	5.9%

The revised overall assumed trends are reasonable in relation to likely future unit cost changes and historical experience.

4. **CHANGES TO POPULATION MORBIDITY ADJUSTMENT:** The estimated impact from population morbidity changes is an increase of 1.0%. This filing includes a 0.3% morbidity adjustment, which is due to the projected impacts of high-cost pooling, COVID-19 pandemic booster shots, and the impact of increased telehealth utilization. The morbidity adjustment and its components for the 2021 and 2022 QHP filings are shown below.

	2021 QHP Filing (As Ordered)	2022 QHP Filing
High-Cost Pooling	-0.7%	-0.3%
COVID-19 Booster Shots	--	0.3%
Increased Telehealth Utilization	--	0.3%
Total Morbidity Adjustment	**-0.7%**	**0.3%**

This rating component varies significantly by market due to the high-cost pooling recoveries having a greater impact in the individual market due to higher morbidity of this population.

HIGH-COST POOLING: -0.3%
MVP pools claims in excess of $100,000 each year and replaces the actual claims with expected claims above $100,000. This pooling smooths out the rate increases for a given year. This produces a 0.3% rate reduction and appears to be reasonable and appropriate.

COVID-19 BOOSTER SHOTS: 0.3%
MVP has assumed that COVID-19 vaccination booster shots will be approved and recommended in 2022. As a result, MVP has assumed a cost of $1.27 PMPM to cover these booster shots. This cost is based on MVP's flu vaccine uptake of 29% (not including VT Vaccine Pilot utilization) and $52.81 unit cost experience. This produces a 0.3% rate increase.

MVP cites the various sources as support for the assumption that COVID-19 booster shots will be approved and needed in 2022. L&E believes these sources are not objective. L&E's sources, such as the Centers for Disease Control and Prevention (CDC), express uncertainty as to the necessity of the booster shots. It is also unclear how these shots would be funded.

L&E recommends that the COVID-19 booster shot cost adjustment be removed due to uncertainty. This recommendation decreases the rates by approximately 0.3%.

INCREASE IN TELEHEALTH UTILIZATION: 0.3%
MVP analyzed the shift from in-person visits to telehealth because of the COVID-19 pandemic. The COVID-19 pandemic has exponentially increased telehealth utilization, which was initially counteracted by extremely reduced utilization of in-person services. As in-person services are resuming in 2021, the utilization of telehealth services does not appear to be decreasing back to pre-pandemic levels. MVP analyzed pre- and post-pandemic telehealth and in-person primary care, behavioral health, and other office professional services. MVP found a $1.89 PMPM increase, or a 0.3% rate increase. L&E considers this to be reasonable.

AMERICAN RESCUE PLAN ACT: 0.0%
Federal legislation from March 2021 includes a provision extending eligibility for ACA health insurance subsidies to households whose incomes are above 400% of the federal poverty level (FPL). This provision applies through 2022.

The ultimate impact of the increased subsidies is unknown; however, L&E believes that newly

eligible members entering the individual market are likely healthier than the currently insured population because sicker members tend to purchase coverage without a subsidy due to the need for services.

MVP believes that the members entering the markets could also be individuals that did not purchase coverage without a subsidy because they could not afford coverage even though services were needed. MVP also cited the "Vermont Household Insurance Survey", finding a Vermont uninsured rate of 3%. The uninsured rates for people below 139% of the Federal Poverty Level (FPL) is 2% and these members should be eligible for Medicaid. So, MVP believes that the uninsured rate will not drop below 2%, leaving 1% of the population, or approximately 6,000 individuals uninsured. Some of these individuals will not qualify for subsidies and some may not elect coverage with partial subsidies due to cost sharing levels. Therefore, MVP has not made any assumption about change in morbidity due to the American Rescue Plan Act.

L&E assessed the impact of ARPA on a market wide basis. L&E estimated that the new subsidies will affect approximately 6,000 currently uninsured individuals who will have the option of purchasing a plan from either carrier.

L&E notes that the uninsured population with incomes just above 400% FPL will see a 40% reduction in premium, while the premium reduction becomes smaller as income increases. Based on this change in premium, L&E believes that approximately 800 new members will enroll.

It is expected that this uninsured population has not purchased coverage to date either due to good health or due to the high cost of premiums. L&E assumes that this new population will be 10% healthier than the currently covered population.

If these individuals are equally distributed between the carriers in the market, the rate impact is a 0.2% decrease to the individual rates. To the extent that these new enrollees preferentially enroll with one carrier over the other, the risk adjustment calculation should account and adjust for the difference.

Therefore, L&E recommends a 0.2% decrease in the individual rates due to ARPA. This represents a merged market impact of 0.1%.

L&E finds the population morbidity assumptions, including the recommended ARPA adjustment, to be reasonable and appropriate.

5. **DEMOGRAPHIC SHIFT:** The Company did not make any adjustments for demographic shifts in 2022. L&E reviewed the average age factors of the population over the last several years. While MVP has experienced significant increases in their enrollment, MVP has maintained a stable average age.

AVERAGE AGE FACTORS

Year	Average Age Factor
2017	1.66
2018	1.65
2019	1.65
2020	1.66
2021	1.66

L&E considers MVP's assumption to be reasonable and appropriate.

6. **PLAN DESIGN CHANGES:** The plan design changes factor addresses any rate changes that are needed because members purchase products with different plan designs versus the prior year. This filing includes a 0.0% plan design adjustment while the prior filing included a 0.3% plan design adjustment. Therefore, the estimated impact from plan design changes is a 0.3% reduction.

   MVP is assuming no plan design changes from 2020 to 2022. L&E considers MVP's assumptions to be reasonable and appropriate.

7. **CHANGES TO OTHER FACTORS:** This filing a includes a 6.7% adjustment, while the prior filing included a 0.0% adjustment. Therefore, the estimated impact from other factors provision is a 6.7% increase.

   This change is due to the national high-cost reinsurance pool within the U.S. Department of Health and Human Services' (HHS) risk adjustment program, leap year, and the COVID-19 pandemic.

   REINSURANCE POOL: +0.4%
   The National High-Cost Reinsurance Pool reimburses carriers for 60% of members' paid claims above $1 million in a given plan year. The program is aggregated at a nationwide level and a percentage of premium charge to each issuer is determined for the program. Based on a national study performed by Wakely Consulting Group, the estimated load for MVP, across both markets, is approximately 0.4%. This appears to be reasonable and appropriate.

   LEAP YEAR: -0.3%
   The year 2020 had 366 days, while 2022 will only have 365 days. A leap year adjustment was made to account for the extra day in 2020. This results in a 0.3% reduction to the rates. This reduction appears reasonable and appropriate.

   COVID-19 IMPACT: +6.5%
   MVP's rating methodology used 2019 as the base period experience, since they believed that 2020 was not appropriate to use for rate development and was not a good representation of future years. MVP began with 2019 experience and trended the costs three years to arrive at projected 2022 rates. Adjustments for COVID were not explicitly outlined in the rate development due to the use

of the 2019 base period.

The URRT requires that 2020 experience data be provided for reporting purposes; therefore, the impact of the COVID-19 pandemic was shown in the "other" factor as an adjustment of 6.5%.

Because this adjustment is highly related to the trend assumptions, L&E notes that the recommended decrease in trends discussed under item #3 decreases this adjustment to approximately 5.7%. This results in an approximate 0.7% decrease in rates.

L&E reviewed the normalized[10] incurred claims by month for 2020, outlined in the table below.

NORMALIZED INCURRED CLAIMS PMPM

Month	Individual	Small Group
Jan-2020	$520.62	$452.86
Feb-2020	$498.70	$426.55
Mar-2020	$419.87	$380.11
Apr-2020	$338.80	$284.98
May-2020	$431.68	$375.83
Jun-2020	$611.90	$449.36
Jul-2020	$536.58	$504.75
Aug-2020	$540.84	$466.03
Sep-2020	$520.04	$480.24
Oct-2020	$535.52	$488.59
Nov-2020	$460.47	$444.47
Dec-2020	$561.08	$491.79

L&E observes a clear decrease in claims from March through May of 2020 due to the COVID-19 pandemic. L&E performed an analysis which considered the option of using 2020 modified experience as the base period experience rather than 2019. Based on this analysis, L&E's range for a COVID-19 impact is an increase of 3.5% to 5.5% to calendar year 2020. L&E also notes that the combined base period from Section 1 of the report showed a decreased of approximately 3.3%, which closely aligns with L&E's COVID-19 impact analysis.

After reviewing MVP's 2020 experience, L&E considers the COVID-19 adjustment to be a reasonable and appropriate adjustment for the COVID-19 impact considering the prior recommendation to reduce the Rx trend assumptions. Again, any further reductions to trend would directly impact the resulting COVID-19 impact.

8. **CHANGES TO RISK ADJUSTMENT:** MVP projected the expected 2021 risk adjustment transfer payment based on the most recent data available, which was CMS's interim risk adjustment

[10] Normalized for age changes, plan design changes, and unit cost changes.

report published in March 2021[11].

Actual risk adjustment transfers were published[12] by CMS on June 30, 2021. Based on the report, MVP owes $21,771,777 in risk adjustment payments.

Prior to the publication of the recent report from CMS, L&E requested that both VHC carriers provide their Risk Adjustment Transfer Elements Extract (RATEE) reports to compile them confidentially and to provide both carriers with an updated risk adjustment estimate. This calculation indicated the following risk transfer payments.

ESTIMATED 2020 RISK ADJUSTMENT TRANSFERS (PAYMENTS)

Population	MVP Estimate	L&E Estimate
Merged Market[13]	($20,708,982)	($21,711,777)
Individual	($12,552,869)	($12,437,969)
Small Group	($8,080,407)	($8,750,057)
Catastrophic	($15,359)	($7,559)

Given the precise nature of the merged market calculation as compared to the recently published transfer, L&E recommends revising the risk adjustment calculation such that each carrier begins with the same 2020 value. The recommended risk adjustment amounts result in an approximate 0.4% increase to the 2022 premium rates. This rate change provision varies significantly between markets due to the different risk levels observed by each of the carriers in the two markets.

9. **CHANGES IN ACTUARIAL VALUE:** The Change in Actuarial Value (AV) assumption reflects Pricing AV changes, such as changes in Metal AVs, induced utilization, cost sharing changes, and changes in projected enrollment among plans. This factor also reflects any changes to the Pricing AVs calculated by MVP. The AV rate impact is a 2.1% decrease. This rate change provision varies significantly by market due to different distributions in plan type enrollment and shifts between the two markets.

   The actuarial value for each plan was determined using MVP's in-house benefit pricing tools. MVP's pricing tools value the expected net paid claims associated with unique benefit plan designs. The actuarial value is the ratio of the expected paid to allowed amount for each plan design. For Silver plans, the actuarial value is adjusted for CSR funding. The adjustment is based on the experience period federal CSR funding PMPM. This is then adjusted for IBNR

[11] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Interim-RA-Report-BY2020.pdf

[12] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/RA-Report-BY2020.pdf

[13] Note that due to the intricacies of the calculation, the total transfer from the unmerged individual and small group markets is not equal to the transfer in the merged market.

and trend, as a percentage of net claim costs. The induced utilization assumptions are sloped consistently with HHS's induced utilization factors.

After the filing was submitted, the Internal Revenue Service (IRS) released final guidance regarding high-deductible health plans and the plan design for the Standard Bronze CDHP plan was modified accordingly. In the update, the out-of-pocket maximum for the Standard Bronze HDHP plan was lowered from $7,100 to $7,050. This change is expected to increase rates for the Standard Bronze HDHP plan by approximately 0.18%. L&E considers this to be an immaterial impact to overall rates.

After this modification, L&E considers this methodology to be reasonable and appropriate.

10. **CHANGES IN ADMINISTRATIVE COSTS:** MVP is projecting 2022 general administrative costs to be $42.26[14] PMPM, which is a decrease relative to the 2021 assumption of $43.75. The overall rate impact is a 0.8% decrease.

    MVP declined to provide a breakdown of the assumed $42.26 PMPM since a detailed analysis has not yet been performed. However, MVP did provide the 2021 expense breakdown. By using the 2021 breakdown, L&E projected a 2022 expense category allocation:

PROJECTED EXPENSES PMPM

Expense Category	Budgeted 2021 PMPM	L&E Projected 2022 PMPM
Personnel Expenses	$21.83	$24.66
Software	$3.00	$3.39
Consulting/Project Expenses	$4.31	$4.88
All Other Admin	$8.29	$9.34
Total	***$37.43***	***$42.26***

    The assumed 2022 administrative costs are consistent with MVP's recent individual and small group administrative costs as reported in the Company's 2016 to 2020 Supplemental Health Care Exhibits (SHCE). Over that five-year period, the administrative costs PMPM have averaged $39.02. A major driver of the assumed expense increase is that MVP will be taking over billing and payment processing functions in 2022, which adds an estimated $3.32 to the administrative expenses. When this additional PMPM is removed from the 2022 projection, the resulting amount is consistent with the five-year historical average. L&E considers the assumed 2022 administrative costs to be reasonable and appropriate.

11. **CHANGES IN TAXES & FEES:** The expected rate change due to taxes and fees is a 0.1% increase. The taxes and fees provision includes the 18 VSA 9374(h) Billback, whereby the Company will

[14] In the QHP filings, $42.20 PMPM is shown. MVP weighted by enrollment in their filings, and L&E is weighting by expected total 2021 premium.

be required to contribute a portion of the GMCB and HCA's operating costs. The taxes and fees assumptions appear to be reasonable and appropriate.

12. **CHANGES IN CONTRIBUTION TO RESERVES:** The proposed contribution to reserves (CTR) of 1.5% is consistent with the CTR that was proposed in the 2021 filing, but an increase from the approved 2021 CTR of 0.9%. The 2022 projected federal loss ratio using this CTR is 92.0%, which exceeds the statutory minimum MLR of 80% and is reasonably consistent with the overall QHP market.

    As a reasonableness check of the proposed CTR provision, L&E reviewed the Center for Consumer Information & Insurance Oversight (CCIIO) public use files (PUFs)[15]. In 2021, there were 802 QHP Filings (individual and small group combined) filed across the country. Across the 802 filings, the average submitted CTR was 2.7% and the median submitted CTR was 3.0%. Based on the 2021 filings, an assumed base CTR of 1.5% would rank 588th out of the 802 filings. That is, over 70% of the filings had assumed CTRs higher than 1.5%. In 2020, over 80% of the filings had assumed CTRs higher than 1.5%. In 2019, over 82% of the filings had assumed CTRs higher than 1.5%.

    MVP provided the bad debt as a percentage of premium for each of the last 3 years which averaged 0.2% per year. MVP's assumption of 0.2% accounts for the non-payment of premium risk in the development of the 2022 rates, which is consistent with the 2021 rate filing.

    L&E believes the CTR and bad debt assumptions are reasonable and appropriate. Additionally, L&E recommends that any solvency analysis performed by the Department of Financial Regulation (DFR) be considered.

13. **CHANGES IN SINGLE CONVERSION FACTOR:** A conversion factor[16] adjustment is used to convert and allocate the gross claim costs to premiums based on state-mandated tier factors. The single conversion factor used in the 2021 rate filing was 1.097. For this year's filing, MVP utilized February 2021 enrollment to calculate the 2021 single conversion factor of 1.096. This rating component varies significantly by market due to different tier enrollment distributions between the two markets.

    L&E reviewed the calculation of this adjustment, and the calculations appear to be reasonable and appropriate.

14. **IMPACT OF UNMERGING MARKETS:** Since the creation of VHC in 2014, premiums have been equal for individual members and members enrolling through small group employers. In general, this has caused slightly higher premiums in the small group market in exchange for lowering premiums in the individual market.

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[15] https://www.cms.gov/CCIIO/Resources/Data-Resources/ratereview

[16] The conversion factor adjusts the premium that is developed on a PMPM basis to be on a tiered basis. This adjustment is necessary because the premium on a PMPM basis is an average over all adults and children. However, Vermont's tiered premiums require the base premium to be for a single adult.

The American Rescue Plan Act is extending federal subsidies for individual coverage to substantially more households in 2022. To take advantage of this change, the State of Vermont elected to unmerge the two markets for 2022. This means small group premiums will decrease, and the individual premium increases will be mostly covered by increases to federal premium subsidies. Therefore, overall premiums paid by Vermont families will reduce.

The impact of unmerging the market, as filed by MVP, is a 6.1% increase in individual market premiums and a -4.8% decrease in small group premiums. This is an approximate 11% differential between the two markets. These changes are primarily the result of the following contributing elements:

- Claims experience for small group members are substantially lower than for individual members. Based on 2020 claims experience, this accounts for approximately a 16% difference between the two cohorts and is the primary reason for the unmerging impact.
- While the two cohorts use the same trend assumptions for inpatient, prescription drugs, etc., the distribution of these different types of claims differs between individual and small group. So, the overall weighted average trend differs slightly between the two populations.
- The individual market has a higher-morbidity population than the small group market. As such, MVP makes additional risk transfer payments to make up for their lower costs. Because of the unmerging, those payments will no longer need to be shared with the comparatively healthy small group enrollees, resulting in a slight mitigation of the claims differential.
- Individual and Small Group members have different benefit packages, due both to consumer choice and the availability of Cost Sharing Reductions in the individual market. Therefore, the inter-plan subsidies and the impact of induced utilization differ between the two populations.
- The Single Conversion Factor is a Vermont-mandated system whereby single individuals pay higher premiums in exchange for lower premiums for families. The individual market covers fewer children than the small group market. As a result, unmerging the two markets results in the individual market rates decreasing relative to the small group premiums.

L&E's recommended changes do not impact the individual and small group markets equally. Therefore, L&E's recommendations modify the impact of the unmerging market. These changes are as follows:

	Individual Factor	Small Group Factor
Initially Filed	6.1%	-4.8%
Bronze CDHP Change	0.0%	0.0%
Rx Trend Change	0.3%	0.2%
COVID-19 Booster Change	0.0%	0.0%
COVID-19 Impact Change	0.0%	0.0%
Risk Adjustment Change	-0.6%	-0.4%
ARPA Change	-0.1%	-0.1%
Net Impact	***+5.7%***	***-4.5%***

It is unclear at this time whether the market will remain unmerged in 2023. If it does not, these changes will likely revert, resulting in a higher rate change for small group than individual in 2023.

Due to the potentially negative effect unmerging the markets could have on Vermont households via the increased individual rates, L&E considered the likely relationship between the filed premiums, which do not account for federal subsidies, and the actual premium likely to be paid be households after subsidies.

The amount of subsidy available to individual households is based on their income and the marketplace premium for the second lowest Silver plan. Because all individual Silver plans are projected to have substantially increased premiums, the Advance Premium Tax Credits (APTCs) for those plans will increase as well. The APTC is calculated as a fixed per month value which members can use to help pay for any Exchange plan. If the plan purchased is another Silver plan, subsidized households do not pay a material increase in premium, regardless of the filed premium increase.

Subsidized households purchasing Bronze coverage pay lower net premiums in response to rate increases because their subsidy increase substantially outweighs the bronze premium increase. Gold and Platinum purchasers typically experience higher relative rate increases, as the fixed subsidy is based on Silver premiums. Therefore, the change in the subsidy does not fully counteract increases in the higher Gold and Platinum premiums.

MVP has historically had slightly lower premiums than their competitor. As a result, the second lowest Silver plan is offered by MVP, whose premiums are increasing more this year than the competitor As a result, subsidies available to MVP members will increase less than 2022 premium increases.

For households that do not receive Premium Tax Credits, the actual amount paid by MVP members in the individual market will increase by 17.0% on average. The premium for the second-lowest Silver plan is projected to increase by slightly more than $100 PMPM. Each $1 increase in the premium for the second-lowest Silver increases APTC by $1 as well, for the

approximately 80% of the population who receive subsidies[17]. That means net premiums will actually decrease on average by an estimated 8.7% for members who receive APTC.

For all MVP individual members, L&E projects that the net paid premiums would increase by 6.9% on average based on the rates initially filed by both carriers.

[17] L&E performed this analysis using data on APTC in 2020, prior to the American Rescue Plan Act. So, actual APTC in 2022 will likely be even larger, producing an even stronger effect mitigating the rate increase.

RECOMMENDATIONS

After modification, L&E believes that this filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. Therefore, L&E recommends that the Board make the following modifications:

- **CONSIDER UPDATED HOSPITAL BUDGET INFORMATION:** With the current information available, L&E believes utilizing recent hospital budget figures for the assumed unit cost trends is reasonable and appropriate. Once 2022 hospital budget requests are submitted, L&E recommends that this new information be considered in the unit cost assumption.

- **REDUCE 2020 TO 2022 RX TRENDS:** L&E recommends a pharmacy trend assumption of 9.8%, based on a 3-year average of the most recent historical trends. L&E's recommendation for pharmacy trend decreases the rates by approximately 1.3%.

- **REMOVE COVID-19 BOOSTER COST:** L&E recommends that the COVID-19 booster shot cost adjustment be removed due to uncertainty. This recommendation decreases the rates by approximately 0.3%.

- **REDUCE COVID-19 ADJUSTMENT:** Because the COVID-19 adjustment is related to the trend assumptions, the recommended decrease in trends decreases the COVID-19 adjustment to approximately 5.4%. This produces an approximate 0.9% decrease to rates.

- **REFLECT UPDATED RISK ADJUSTMENT TRANSFERS:** L&E recommends that the projected risk adjustment receivable be changed to reflect the final market-wide figure announced by CMS and the market-specific risk transfers estimated by L&E. This will increase rates by approximately 0.4%.

- **UPDATE TO BRONZE CDHP COST SHARING:** L&E recommends that the rates be updated to reflect IRS-required changes to the Standard Bronze HDHP. This change is expected to increase rates for the Standard Bronze HDHP plan by approximately 0.18%. This change is immaterial to the overall rates.

- **REFLECT IMPACT OF AMERICAN RESCUE PLAN ACT ON CLAIMS:** L&E recommends a decrease of 0.2% in the individual rates due to expected morbidity improvement from ARPA new enrollees. This represents a merged market impact of 0.1%.

After the modifications, the anticipated rate changes will change from +17.0% to +14.4% for the individual market and from +5.0% to +3.3% for the small group market.[18]

[18] Due to the complexity of the premium rate development and the possible interdependency of the assumptions modified, the actual implemented rate change may vary from the estimate.

2022 RECOMMENDED RATE CHANGES

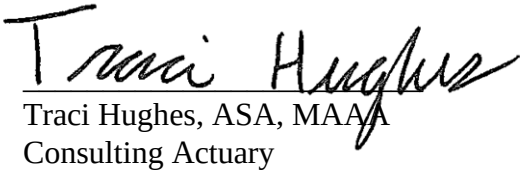
A breakdown of L&E's recommendation by rating component is provided below with L&E's recommended changes highlighted:

Rating Component[19]	Percentage Change[20]	
	Individual	Small Group
1. 2020 Actual/Projected Claims Experience	-3.3%	
2. Difference in trend from 2020 to 2021	+0.2%	
3. Trend from 2021 to 2022	+7.1%	
4. Changes to Population Morbidity Adjustment	+0.7%	
5. Demographic Shift	+0.0%	
6. Plan Design Changes	-0.3%	
7. Changes to Other Factors	+5.9%	
8. Changes to Risk Adjustment	+0.2%	
9. Changes in Actuarial Value	-2.1%	
10. Changes in Administrative Costs	-0.8%	
11. Changes in Taxes & Fees	+0.1%	
12. Changes in Contribution to Reserves	+0.9%	
13. Changes in Single Contract Conversion Factor	-0.0%	
14. Impact of Unmerging Markets	+5.7%	-4.5%
Total Proposed Rate Change	**+14.4%**	**+3.3%**

[19] The percentages that are attributed to each component may not match the percentages provided by the Company due to the different methodologies that were used; therefore, a direct comparison is not appropriate.

[20] The percentage changes are multiplicative and may not sum to the requested premium increase percentage.

Sincerely,



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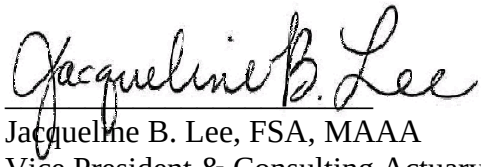

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APPENDIX A

Because L&E's rating component breakdown ordered the unmerging of the markets last, all other rating components listed one merged impact even though the assumptions filed by market may have varied. The tables below show key filed assumptions between the individual and small group markets and the resulting, weighted average, merged assumption.

BREAKDOWN OF MERGED RATING ASSUMPTIONS

Rating Assumption	Individual	Small Group	Merged[21]
2020-2021 Trend	7.2%	7.4%	7.3%
2021-2022 Trend	7.8%	8.0%	7.9%
Morbidity Adjustment	-0.2%	0.7%	0.3%
Demographic Shift	0.0%	0.0%	0.0%
Plan Design Changes	0.0%	0.0%	0.0%
Other Adjustment	6.7%	6.7%	6.7%
Single Conversion Factor	1.049	1.131	1.096
General Administrative Costs	$47.10	$38.75	$42.26

BREAKDOWN OF MERGED RATING COMPONENT CHANGES – INITIALLY FILED

Rating Component	Individual	Small Group	Merged[21]
1. 2020 Actual/Projected Claims Experience	4.8%	-9.2%	-3.3%
2. Difference in Trend from 2020 to 2021	0.8%	1.0%	+0.9%
3. Trend from 2021 to 2022	7.8%	8.0%	+7.9%
4. Changes to Population Morbidity Adjustment	0.5%	1.4%	+1.0%
5. Demographic Shift	0.0%	0.0%	+0.0%
6. Plan Design Changes	-0.3%	-0.3%	-0.3%
7. Changes to Other Factors	6.7%	6.7%	+6.7%
8. Changes to Risk Adjustment	3.1%	-3.2%	-0.5%
9. Changes in Actuarial Value	-2.9%	-1.5%	-2.1%
10. Changes in Administrative Costs	-0.6%	-1.0%	-0.8%
11. Changes in Taxes & Fees	-0.1%	0.2%	+0.1%
12. Changes in Contribution to Reserves	1.1%	0.8%	+0.9%
13. Changes in Single Contract Conversion Factor	-4.4%	3.1%	-0.0%
14. Impact of Unmerging Markets	--	--	6.1% /- 4.8%
Total Proposed Rate Change	**+17.0%**	**+5.0%**	**+17.0% / 5.0%**

[21] Weighted based on the distribution of expected total 2021 premium. This results in a 58% weight for the small group market and 42% weight for individual market.

BREAKDOWN OF MERGED RATING COMPONENT CHANGES – L&E RECOMMENDATIONS

Rating Component	Individual	Small Group	Merged[21]
1. 2020 Actual/Projected Claims Experience	4.8%	-9.2%	-3.3%
2. Difference in Trend from 2020 to 2021	0.1%	0.2%	+0.2%
3. Trend from 2021 to 2022	7.1%	7.1%	+7.1%
4. Changes to Population Morbidity Adjustment	0.0%	1.1%	+0.6%
5. Demographic Shift	0.0%	0.0%	+0.0%
6. Plan Design Changes	-0.3%	-0.3%	-0.3%
7. Changes to Other Factors	5.9%	5.9%	+5.9%
8. Changes to Risk Adjustment	3.4%	-2.1%	+0.2%
9. Changes in Actuarial Value	-2.9%	-1.5%	-2.1%
10. Changes in Administrative Costs	-0.6%	-1.0%	-0.8%
11. Changes in Taxes & Fees	-0.1%	0.2%	+0.1%
12. Changes in Contribution to Reserves	1.1%	0.8%	+0.9%
13. Changes in Single Contract Conversion Factor	-4.4%	3.1%	-0.0%
14. Impact of Unmerging Markets	--	--	5.7% /- 4.5%
Total Proposed Rate Change	**+14.4%**	**+3.3%**	**+14.4% / 3.3%**

ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations[22], promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct[23], to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in the following.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Traci Hughes, ASA, MAAA, Consulting Actuary.
- Jacqueline B. Lee, FSA, MAAA, Vice President & Principal.
- David M. Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

These actuaries are available to provide supplementary information and explanation.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is July 6, 2021. The date (a.k.a. "latest information date") through which data or other information has been considered in performing this analysis is July 1, 2020.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Green Mountain Care Board. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.

- Lewis & Ellis Inc. is financially and organizationally independent from MVP. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.

- The purpose of this report is to assist the Board in assessing whether to approve, modify, or disapprove the rate filing.

- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.

- Lewis & Ellis has reviewed the data provided by MVP, but the data has not been audited. L&E, nor the responsible actuaries, assume responsibility for these items that may have a

[22] The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

[23] These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

- Notwithstanding the COVID-19 pandemic, L&E is not aware of any subsequent events that may have a material effect on the findings.

- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS
The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA
The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW
This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS
The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP
The actuaries have not deviated materially from the guidance set forth in an applicable ASOPs.