VERMONT

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October 1, 2021

Chair Kevin Mullin
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05620

Re: Solvency Impact of "2022 Large Group HMO Rate Filing" (SERFF# MVPH-132932250) of MVP Health Plan, Inc.

Dear Chair Mullin:

This opinion fulfills the Department of Financial Regulation's ("DFR") responsibility under 8 V.S.A. § 4062(a)(2)(B) regarding MVP Health Plan, Inc. ("MVPHP") and its recent proposed rate filing: "**2022 Large Group HMO Rate Filing**".

Under 8 V.S.A. § 4062, DFR must provide to the Green Mountain Care Board ("GMCB") an analysis and opinion on the impact of the filing as proposed on the solvency of MVPHP. The solvency of MVPHP as an entity and how a filing or rate may affect that solvency are two separate questions. This opinion first analyzes and provides DFR's opinion on the solvency of MVPHP and then provides DFR's opinion regarding the impact the filing could have on the solvency of MVPHP.

As the Board is well aware, the ongoing COVID-19 pandemic has brought a great deal of uncertainty to Vermont's health insurance marketplace. Some factors contributing to this uncertainty include, but are not limited to: (1) the ultimate direct and indirect costs of treating COVID-19 infected patients (both in the short and long term); (2) the ability of individuals and businesses to afford health insurance premiums in light of current economic conditions; and (3) whether the dramatic reduction in medical services experienced during the pandemic will result in those medical services being deferred or permanently foregone. The ultimate answer to each of these questions will likely have a significant impact on MVPHP's finances, but the answers are currently unknown. Accordingly, the fundamental concern at this time is simply that the combined impact of COVID-19 is not fully known and, therefore, neither is the impact on insurer solvency.

Summary of Opinion

The proposed rate filed by MVPHP would not negatively impact its solvency and the company otherwise meets Vermont's financial licensing requirements for a foreign insurer.

Background

DFR considers the solvency of insurers to be the most fundamental aspect of consumer protection. Whether an insurer is solvent is more complex than simply determining whether at any given moment the insurer has more assets than liabilities. Rather, it is an intricate analysis of many factors to discern how close or far away from insolvency the insurer is, and in what direction it will move in the future.

The primary regulator for an insurance company is the insurance department for the state in which it is domiciled. Primary regulators have many tools at their disposal to monitor and ensure the solvency of their domestic companies, and other states in which that insurer does business rely heavily on the domicile state regulators to perform that function. Approximately 1,500 insurance companies, including MVPHP, have a license to do business in Vermont, but are domiciled in other states.

Although not the primary regulator, Vermont law still requires DFR to protect consumers by supervising MVPHP in a manner that assures its solvency, liquidity, stability, and efficiency.[1] MVPHP is domiciled in New York and DFR relies heavily on the financial analysis of the New York Department of Financial Services for a solvency determination. In addition, DFR requires MVPHP to meet certain solvency-based criteria to procure and maintain a license to do business in Vermont. DFR employs various analytic measures to ensure these criteria are met.

MVPHP Solvency Opinion

- DFR has been in communication with MVPHP's primary solvency regulator – the New York Department of Financial Services – and has not learned of any solvency concerns.

- Further, MVPHP currently meets Vermont's foreign insurer licensing requirements.

- Finally, in 2020, all of MVP Holding Company's operations in Vermont accounted for approximately 7 percent of its total premiums written. DFR has determined that MVPHP's Vermont operations pose little risk to its solvency. Nonetheless, adequacy of rates and contribution to surplus are necessary for all health insurers to maintain strength of capital that keeps pace with claims trends.

[1] 8 V.S.A. § 10.

Impact of the Filing on Solvency

Based on the entity-wide assessment above and contingent upon GMCB actuary's finding that the proposed rate is not inadequate, DFR's opinion is that the proposed rate will not have a negative impact on MVPHP's solvency.

Sincerely,

Michael S. Pieciak
Commissioner