



625 State Street, PO Box 2207  
Schenectady, NY 12301-2207  
[mvphealthcare.com](http://mvphealthcare.com)

October 12, 2020

Ms. Traci Hughes, ASA, MAAA  
Lewis & Ellis, Inc.  
700 Central Expressway South, Suite 550  
Allen, TX 75013

Re: 2021 Large Group HMO Rate Filing  
SERFF Tracking #: MVPH-132497714

Dear Ms. Hughes:

This letter is in response to your correspondence received 10/08/2020 regarding the above-mentioned rate filing. The responses to your questions are provided below.

1. Please provide quantitative support for the expected impact of the approved Vermont hospital budget submissions. (Orders posted here: <https://gmcbboard.vermont.gov/FY21IndividualHospitalBudgetIndividual>)

Response: Prior to the trend update the first quarter manual rate change was -7.8% which translated to an annual revenue decrease of -1.2%. With the updated trends the first quarter manual rate change is now -8.6% which translates to an annual revenue change of -2.0%. Please see the excel files submitted with this response for more detail.

2. Regarding the response to question #13 of the August 25<sup>th</sup> objection – Please confirm that the actual pharmacy trend in 2018 was 0.6%. If so, are there any known drivers of the low outlier trend in that year?

Response: MVP Confirms that the actual pharmacy trend was 0.6% in 2018. The main driver of this trend is our specialty trend, which was -1.4% for 2018. Since this block is comprised of around 2000 members there is the potential for sizable variances in actual trends from year to year.

3. Regarding the response to question #13 of the August 25<sup>th</sup> objection – We acknowledge that this information is from the medical management team. Are there any specific providers that provided this information? If so, is there any documentation available of such conversations with any specific providers?

Response: MVP has had conversations with providers in New York regarding this, who provided us with information that was used to derive our assumption.

If you have any questions or require any additional information, please contact me at [CPontiff@mvphealthcare.com](mailto:CPontiff@mvphealthcare.com).



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Sincerely,

A handwritten signature in black ink that reads "Chris Pontiff".

Christopher Pontiff, ASA  
Leader, Actuarial  
MVP Health Care

**Derivation of Annual Revenue Change Based on Quarterly Rate Changes**

	1Q '21	2Q '21	3Q '21	4Q '21
	Annual	Annual	Annual	Annual
	Increase	Increase	Increase	Increase
<b>Manual Rate Changes</b>	-4.1%	-4.1%	-4.0%	-3.7%
Age Gender Table Normalization	1.2%	1.2%	1.2%	1.2%
Impact of Changes in Target Loss Ratio	1.0%	1.0%	1.0%	1.0%
<b>Proposed Annual Revenue Change</b>	<b>-2.0%</b>	<b>-2.0%</b>	<b>-1.9%</b>	<b>-1.6%</b>

**Exhibit 2a – Pricing Trend Assumptions – 1Q Projection**

Large Group VT HMO AR44 Rate Filing  
For Effective Dates Beginning Between January 1, 2021 - March 31, 2021

Experience Period:	March 1, 2019 - February 29, 2020
Rating Period:	January 1, 2021 - December 31, 2021

Months of Trend	2020	2021	2022	Total
	10	12	0	22

**Medical Trend Summary**

**2020 Annual Trend**

	% of Allowed Claims	Unit Cost	Utilization	Total
IP	25.2%	5.1%	1.0%	6.1%
OP	43.4%	4.4%	1.0%	5.5%
PHY	25.3%	1.4%	1.0%	2.4%
OTR	6.1%	2.0%	1.0%	3.0%
<b>Medical Total</b>		<b>3.7%</b>	<b>1.0%</b>	<b>4.7%</b>

**2021 Annual Trend**

	% of Allowed Claims	Unit Cost	Utilization	Total
IP	25.5%	6.3%	1.0%	7.4%
OP	43.6%	6.2%	1.0%	7.3%
PHY	24.8%	4.2%	1.0%	5.2%
OTR	6.0%	5.0%	1.0%	6.1%
<b>Medical Total</b>		<b>5.7%</b>	<b>1.0%</b>	<b>6.7%</b>

**2022 Annual Trend**

	% of Allowed Claims	Unit Cost	Utilization	Total
IP	25.7%	6.3%	1.0%	7.4%
OP	43.9%	6.2%	1.0%	7.3%
PHY	24.5%	2.4%	1.0%	3.5%
OTR	6.0%	5.0%	1.0%	6.1%
<b>Medical Total</b>		<b>5.2%</b>	<b>1.0%</b>	<b>6.3%</b>

**Leveraging Impact - Large Group Fee-For-Service Medical Claims**

	Allowed	Coinsurance	Copay	Deductible	Paid*
Experience Period:	\$419.92	\$3.84	\$6.25	\$78.31	\$331.52
22 Months of Trend:	1.109	1.109	1.018	1.036	1.128
Projection Period:	\$465.68	\$4.26	\$6.37	\$81.13	\$373.92
Allowed Trend (Annual)	5.8%				
Paid Trend (Annual)	6.8%				
<b>Leveraging (Annual)</b>	<b>0.9%</b>				

\*Ignores impact of removing high cost claims and replacing with pooling charge. Paid projection will not tie out to FFS claim projection on Tab 3a unless these adjustments are taken into account.

**Rx Trend Summary**

	2019 Trend		2020 Trend		2021 Trend	
	Unit Cost	Utilization	Unit Cost	Utilization	Unit Cost	Utilization
Generic	-16.6%	2.8%	-8.9%	2.3%	-8.9%	2.3%
Brand	11.9%	-6.8%	4.6%	1.5%	4.6%	1.5%
Specialty	6.4%	8.4%	6.0%	9.1%	6.0%	9.1%

**Exhibit 3a -- Claim Projection & Proposed Rate Change**

Large Group VT HMO AR44 Rate Filing  
For Effective Dates Beginning Between January 1, 2021 - March 31, 2021

**LG HIC Claim Projection and Proposed Rate Change**

Experience Period: March 1, 2019 - February 29, 2020  
Completed Through: June 30 2020

Experience Period Member Months	22,939
1) Experience Period Medical Claims PMPM	\$325.79
1a) Claims in Excess of \$100k over Experience Period	\$26.90
1b) Pooling Charge	1.128
2) IBNR Factor	1.018
3) Experience Period Incurred Medical Claims <i>= [ 1) - 1a) ] * 1b) * 2)</i>	\$343.21
4) Annual Medical Trend <i>Includes Paid Leveraging</i>	1.068
5) Months of Trend to Q1 2021	22
6) NY State HCRA Surcharge	0.15%
7) Trended Incurred Medical Claims PMPM as of Q1 2021 <i>= [ 3) * 4) ^ [ 5) / 12 ] ] * [ 1 + 6) ]</i>	\$387.69
8) Experience Period Rx Claims PMPM	\$66.54
8a) Rx Claims in Excess of \$100k over Experience Period	\$2.91
8b) Pooling Charge	1.128
8c) Pharmacy Benefit Carve-in	\$0.48
9) Annual Rx Trend <i>Includes Paid Leveraging</i>	1.08661
10) Months of Trend to Q1 2021	22
11) Trended Gross Rx Claims PMPM as of Q1 2021 <i>= [ 8) - 8a) + 8c) ] * 8b) * [ 9) ] ^ [ 10) / 12 ]</i>	\$84.24
11a) Rx Rebates	(\$24.42)
12) Trended Net Rx Claims PMPM as of Q1 2021 <i>= 11) + 11a)</i>	\$59.82
13) Capitations and Non-FFS Claim Expenses	\$3.69
14) Industry Normalization Factor	0.989
15) Impact of Leap Year	0.997
16) Adjustment for COVID-19 Immunization Cost	\$5.00
17) Adjustment for COVID-19 Pent-up Demand	\$1.50
18) Impact of Membership Growth/Decline on Experience Pd Claims	1.019
19) GMCB Adjustment Factor	1.000
20) Total Claim Cost as of Q1 2021 <i>= [ [ 7) + 12) ] * 14) * 15 * 18) ] + 13 + 16 + 17)</i>	\$459.97
21) Projected Net Revenue Collected at Q4 2020 Rate Level	\$503.31
22) Proposed Quarterly Rate Change <i>= 20) / 21) - 1</i>	<b>-8.6%</b>