MVP HEALTH CARE
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June 29, 2022

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

Re: 2023 Vermont Exchange Rate Filing - Individual
SERFF Tracking #: MVPH-133238186

Dear Ms. Hughes:

This letter is in response to your correspondence received 06/22/22 regarding the above-mentioned rate filing. The response to your question is provided below.

1. Regarding the response to question #15 of objection #2 – What are the factors contributing to the need for a normalization factor and would some of them be better represented in the URRT under the allowed trend or the plan design factor, etc.? Please elaborate further on the components of the normalization factor and explain why it is best represented in the URRT as part of the 'Other Factor' or propose and alternate URRT representation.

Response:

The main factor contributing to the need for a normalization factor is the difference between MVP's actual paid to allowed ratio and what is implied by our AV * Induced demand in the filing. MVP wants to make it clear that the pricing AVs and induced demand used in Exhibit 7 of our filing as well as the URRT Worksheet 2 are not intended to project true paid to allowed ratios, they are intended to represent the relativities between two or more benefit plans by the difference in their value. Since MVP prices using paid instead of allowed, the actual paid to allowed ratio is baked into the paid claims. As long as the AV's used on Exhibit 7 columns H and I are on the same basis as the AVs used to calculate Exhibit 7 cell G8, then the actual values do not matter and only the relativities impact the premium rates.

The other component that would create a need for the factor would be anything that is projected in the rate filing to increase or decrease claim expense but have no impact on allowed spend. These changes implicitly impact the projection period paid to allowed ratio. A few examples of this from MVP's current filing would be the insulin cap and the cost share waiver changes for COVID-19. One of these has an increase to claim expense while the other has a projected decrease without changing the projection of allowed.

It is worth noting that this factor only exists if the market adjusted index rate on Worksheet 1 of the URRT must match cell G10 on Exhibit 7 of MVP's rate filing. MVP believes that the correct way to approach this would be to have the market adjusted index rate of Worksheet 1 of the URRT reflect a true expectation of allowed spend and then adjust the AVs on Worksheet 2 such that they reflect the true projected paid to allowed ratios. This methodology will arrive at the same premium rates as currently proposed, but better reflect the true allowed cost on the URRT. Cell G10 on Exhibit 7 of the rate filing will no longer match the market adjusted index rate on Worksheet 1 of the URRT but as cell G10 on Exhibit 7 is not intended to reflect allowed cost to begin with, MVP believes this is appropriate.

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MVP also wants to clarify that this normalization factor has no impact on premium and is simply a difference in implied paid to allowed vs actual paid to allowed that has existed in prior years. In MVP's 2022 approved rate filing, there was a 5.8% factor listed, which was comprised of a COVID-19 normalization factor of -0.6% and a paid to allowed normalization factor of 6.4%. The reason that the normalization factor for COVID-19 is negative in individual is that MVP's allowed claims in 2019 were $531.96 PMPM vs $558.19 PMPM in 2020. This is an increase of 4.9% which is greater than MVP's allowed trend for 2020/2019 and therefore needs to be normalized down. The factor is increasing from 6.4% last year to 9.7% this year due to MVP's actual paid to allowed ratio increasing from 2020 to 2021. The continued increase in morbidity and paid leveraging in the individual market result in paid claims rising faster than allowed claims as benefits stay flat. MVP's small group population has different characteristics that are outlined in the small group rate filing response.

If you have any questions or require any additional information, please contact me at cpontiff@mvphealthcare.com.

Sincerely,

Christopher Pontiff, ASA, MAAA
Director, Commercial Market Actuary
MVP Health Care, Inc.