MVP HEALTH CARE
625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

June 27, 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 and Small Group
SERFF Tracking #: MVPH-133238186, MVPH-133238198

Dear Ms. Hughes:

This letter is in response to your correspondence received 06/20/22 regarding the above-mentioned rate filings. The responses to your questions are provided below.

1. If the Board approves the proposed 2023 rates filed by each carrier without modification, how would the net premiums for MVP's individual plans change if ARPA's enhancements to APTC are extended to 2023? How would the net premiums change if ARPA's enhancements to APTC are not extended to 2023?

Response: Please see the sheet "Question #1" in the attached Excel file for the net premium changes for MVP's lowest cost gold, silver and bronze individual plans. Note that these figures do not reflect reductions in premiums that could be felt by the member as a result of the Vermont Purchasing Assistance program, which can reduce premium by 1.5% of household income.

2. For each filing, provide the detail behind MVP's calculation for line 14 (Adjustment for COVID Vaccines) of Exhibit 3 (Index Rate Development). Did MVP consider that Vermont has a higher vaccine level than the national average? Is variation in uptake between initial doses and boosters incorporated into MVP's calculations?

Response: The CMS projection can be found using the following link: https://www.cms.gov/files/document/2023-announcement.pdf on page 27. More detail behind this calculation can be found in Question #14 of the response to Objection #2 and Questions #1 and #2 of the response to Objection #3. MVP did not make an adjustment for the fact that Vermont has a higher vaccine level than the national average, although we do not expect this would reduce costs as higher vaccine uptake than average likely means higher booster uptake than average. The variation in uptake between initial doses and boosters is implied in the CMS estimate.

3. In his pre-filed testimony last year, Matthew Lombardo, MVP's Senior Leader of Actuarial Services, stated: "MVP's pharmacy team works with the PBM through negotiating unit cost reductions and/or increasing rebates from the manufacturer." A-26. Please explain what these negotiations consist of and how frequently they occur.

Response: Within our PBM contract, MVP has contractual language to perform annual market checks, which allow MVP to survey the market and negotiate enhancements to current contract terms. These terms can include services, admin, unit cost reimbursement changes, and rebates.

625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

4. When was the last time MVP solicited bids for PBM services and when will MVP solicit bids for these services again?

Response: MVP's most recent contract was effective 1/1/2021 and runs through 12/31/2023. As stated above, we have annual market check provisions, and can go out to bid at any time during the contract term.

5. Given that PBMs employ different funding models (e.g., discount spread, pass-through + fee, rebates), how does MVP ensure that it gets the best possible price when evaluating bids from PBMs? See BlueCross BlueShield of Vermont, Pharmacy Pricing & PBM Overview, 7 (Feb. 6, 2019) (describing PBM funding models).

Response: MVP engages with an independent consultant to assist MVP in the evaluation of all PBM proposals. We also utilize internal clinical resources and external physicians to create our formularies, clinical policies, and clinical programs.

6. Explain and provide data showing how MVP derives an "average annual allowed Rx trend" that is lower than the "average annual paid Rx trend net of rebates" in both filings. Individual Actuarial Mem. 6; Small Group Actuarial Mem. 6.

Response: The annual allowed Rx trend is lower than the annual paid Rx trend due to leveraging. Please see Exhibit 2b of the rate filings for the data support of the calculation. In general, leveraging occurs due to the fact that benefits don't get leaner at the same rate that claims go up. As deductibles and copays stay flat, but claims increase, it results in a higher than allowed increase to paid claims for the insurer.

A simple example of this would be if allowed claims were $100 and the deductible was $50. In this scenario both the member and the insurer would pay $50. If claims the next year were $150 but the deductible was still $50, the insurer would now pay $100 while the member would still pay $50. This is a 50% allowed trend in claims, but a 100% paid increase to the insurer as their expense went from $50 to $100.

7. MVP sets forth administrative expenses in each of the last three years for its individual, small group, and combined business. Individual Actuarial Mem. 8; Small Group Actuarial Mem. 8. Are those expenses for Vermont alone or for Vermont and New York?

Response: The expenses are for Vermont alone.

8. Please detail the actual or expected amount and the actual or expected receipt date of all monies that MVP is seeking or has received related to cost sharing reduction (CSR) litigation and risk-corridor litigation. How much, if anything, does MVP project it will recover in connection with such litigation in 2022 and 2023? How, if at all, are recoveries in connection with risk-corridor litigation or CSR litigation reflected in MVP's rate filings?

Response: MVP is not able to speculate on the amount to be recovered, if any. This is not reflected in the rate filings because it does not impact the expectation of costs to MVP in 2023.

MVP HEALTH CARE
625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

9. MVP reports for the small group market that it expects to pay $7.8 million into the risk adjustment transfer pool for 2021 and projects a payment of $8.9 million into the pool for 2022. Small Group Actuarial Mem. 6. Yet the plain language summary reports MVP "will receive money from the program, decreasing premium rates by approximately 5.0%." Similarly, MVP reports for the individual market that it expects to pay $13.3 million into the risk adjustment transfer pool for 2021 and projects it will pay $15 million into the pool for 2022. Individual Actuarial Mem. 6. Yet the plain language summary reports MVP "will receive money from the program, decreasing premium rates by approximately 4.8%." Please explain how MVP's payment into the risk adjustment transfer pool results in a reduction in premium rates.

Response: MVP's payment into the risk adjustment transfer pool, as a percentage of the paid index rate, has decreased from the previous filing and results in a reduction in premium rates. Note that this is a comparison of risk adjustment transfer from 2019 to 2021 because those were the experience periods used in the 2022 and 2023 rate filings, respectively. The plain language summary should state that MVP will pay into the program, but less than it has previously. We will submit an updated version of this document.

10. MVP states that it is adding a 1.5% contribution to reserves/risk charge to its Vermont Exchange rates "to meet statutory reserve requirements for MVP's VT block of business." Individual Actuarial Mem. 8; Small Group Actuarial Mem. 8. Please cite the statute setting forth such requirements for MVP's Vermont block of business.

Response: Per Vermont Statute 8 VSA 4062, rates must protect insurer solvency as verified by the Department of Financial Regulation. DFR considers both the solvency of MVPHP and how it will be impacted by the Vermont filing. This requires adequate reserves in the Vermont block of business. The Risk-Based Captial (RBC) for Health Organizations Model Act requires the maintenance of an RBC ratio above 200% to avoid intervention (https://content.naic.org/sites/default/files/inline-files/MDL-315.pdf).

11. How much investment income did MVP earn on the investments that support the surplus for MVP's Vermont block of business in 2020 (actual), 2021 (actual), 2022 (estimated) and 2023 (estimated)? How, if at all, is the investment income that supports the surplus for the Vermont block of business reflected in the rate filings?

Response: Please see the table below that shows the investment income for MVPHP for the time periods requested.

Year	MVPHP Investment Income
2020 Actual	$9,085,235
2021 Actual	$14,413,123
2022 First Quarter	$1,085,198
2022 Budget	$6,479,995
2023 Projected	$7,919,994

MVP's investment income is factored into the proposed premium rates in that it is a component of what determines our proposed contribution to surplus to ensure future solvency.

Please note that all figures above are on a statutory basis and MVP has significant investment losses on a GAAP basis for 2022 YTD, around $25 million. We expect the full year number to be at least $25 million is losses. We are also expecting challenges next year as bond prices have been significantly dampened by the interest rate increase.

625 State Street, PO Box 2207
Schenectady, NY 12301-2207
mvphealthcare.com

12. Does MVP calculate a return on investment for its utilization management program(s)?

Response: Yes. It is challenging at times to calculate actual savings because some programs are meant to impact behavior and it is impossible to know what the behavior/claims would have been in the absence of the program. In addition, the alternative care costs are difficult to capture completely.

13. Provide an update on OneCare Vermont contracting activity for 2023 and any estimated savings this contracting might create.

Response: MVP and OCVT are actively ramping up discussions for their 2023 contract – we are exploring a shared risk model in January as well as a primary care capitation model for provider groups. As no contract is signed for 2023, there are no estimated savings.

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.