STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re:	MVP Health Plan, Inc.	)	GMCB-008-23rr
	2024 Large Group HMO Rate Filing	)	SERFF No.: MVPH-133767802
		)	

DECISION AND ORDER

Introduction

Health insurers must submit major medical rate filings to the Green Mountain Care Board, which must approve, modify, or disapprove each filing within 90 calendar days of receipt. 8 V.S.A. § 4062(a)(2)(A). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

This decision pertains to the 2024 large group rate filing of MVP Health Plan, Inc. (GMCB-008-23rr). As explained below, we require MVP to make three modifications to the filing that were recommended by our contract actuaries and to reduce the contribution to reserve built into the filing from 2.0% to 1.5%.

Procedural History

On August 4, 2023, the Board received a rate filing via the System for Electronic Rate and Form Filing (SERFF) from MVP Health Plan, Inc. (MVP or "the carrier") for its 2024 large group HMO products.[1] On August 14, 2023, the Office of the Health Care Advocate (HCA), a special project within Vermont Legal Aid that represents the interests of Vermont health insurance consumers, entered an appearance as a party to the filings.

On October 3, 2023, the Board received an analysis prepared by the Vermont Department of Financial Regulation (DFR) regarding the impact of the filing on the carrier's solvency (Solvency Opinion), which the Board posted on its website. Also on October 3, 2023, the Board received an actuarial memorandum prepared by Lewis & Ellis (L&E Memo), the Board's contract actuaries, which the Board posted on its website. The Board received no public comment on the filing. Pursuant to GMCB Rule 2.000, § 2.309(a)(1), the parties waived a hearing and filed memoranda or briefs in lieu thereof.

Findings of Fact

1. MVP is a nonprofit health insurer domiciled in New York state and licensed as a health maintenance organization (HMO) in New York and Vermont. MVP is a subsidiary of MVP Health Care, Inc., a New York corporation that transacts health insurance business through a variety of

[1] The SERFF filings, as well as all documents referenced in this Decision and Order, can be found in the rate review section of the Board's website at https://ratereview.vermont.gov/content/mvp-2024-large-group-hmo.

for-profit and not-for-profit subsidiaries and provides health insurance coverage to individuals and employers in the small and large group markets in New York and Vermont. L&E Memo, 1; *In re MVP Health Plan, Inc. 2024 Individual and Small Group Market Rate Filing*, GMCB-004-23rr and GMCB-005-23rr, Decision and Order, Findings of Fact (Findings), ¶ 11 (Aug. 7, 2023).

2. This filing demonstrates the development of premiums for MVP's large group HMO product portfolio and includes proposed manual rates for all four quarters of 2024. MVP's large group HMO product portfolio consists of base major medical health plans – high-deductible health plans (HDHPs) and non-high-deductible health plans (Non-HDHPs) – and benefit riders. L&E Memo, 1. The manual rates are composed of a base rate change, an age/gender factor change, and a change in retention. *See* L&E Memo, 2.

3. As of April 2023, there were approximately 1,667 members enrolled in MVP's large group plans in Vermont, approximately 75% of whom have renewal dates in the first quarter of 2024 (1Q24). L&E Memo, 1. *See* MVP Actuarial Memorandum (MVP Memo), 1.

4. MVP proposes a 7.5% annual manual rate increase for members renewing in 1Q24. This increase results from previously approved 1.9% quarterly rate increases for 2Q23 through 4Q23 combined with a proposed 1.1% base rate increase for 1Q24 and a 0.5% increase for membership distribution shift. L&E Memo, 2. MVP also proposes 2.4% manual rate increases for each of the remaining quarters of 2024 to account for assumed quarterly trend. L&E Memo, 2. Together, these proposed increases would translate to an average annual manual rate increase of 9.1% for groups renewing in 4Q24. L&E Memo, 2; *see* MVP Memo, 1.

5. In practice, the large groups represented in this filing have premiums based on an average blend of their own claims experience at approximately 22% and the manual rate at approximately 78%. Therefore, groups will experience premium increases that are higher or lower than the manual rate increase approved in this filing. If a group experiences a higher increase, it is because that group's claims experience deteriorated relative to the other large groups in this block. All groups will experience the effect of changes in retention, as these components of the rate are added to the projected claims, whether those claims came from the manual rate or the group's experience. L&E Memo, 2 – 3.

6. MVP utilized large group claim data for the period May 2022 through April 2023 and paid through May 2023 as the base period experience for this filing. The base period data is 100% credible. L&E Memo, 3.

7. MVP completed the base period claims using an incurred but not reported (IBNR) factor of 1.038, which was MVP's best estimate of its ultimate liabilities as of June 30, 2023. MVP Memo, 2.

8. MVP uses a pooling charge to mitigate the impact of catastrophic claims (i.e., claims exceeding $250,000 per member per year) on premiums. Regardless of their actual value, catastrophic claims are removed from the experience period and replaced with a flat percentage. In this filing, MVP included a pooling charge equal to 4.95% of claims below the pooling limit. MVP developed the pooling charge based on historical experience for its large group population

in New York, which is larger and more stable than its Vermont population. L&E found this pooling practice to be reasonable and appropriate. L&E Memo, 3.

9. MVP projected the adjusted claims forward to the midpoint of the 1Q24 rating period using an annual paid medical trend of 11.2% and an annual paid pharmacy (Rx) trend of 8.3%. MVP further adjusted the trended medical and Rx claims cost to account for things such as the projected cost of capitation, non-fee-for-service claim expenses, Rx rebates, newly added benefits, adjustments for COVID-19 costs, and a leap year adjustment. Reflecting these adjustments, the quarterly manual rate change suggested by the data was -0.2% for 1Q24 compared to 4Q23. Applying additional trend to the experience period claims, MVP calculated manual rate increases of 2.4% in each of the remaining quarters of 2024. That is, if the filing were approved without modification, groups renewing in April 2024 would be charged premiums based on manual rates 2.4% higher than the manual rates used for groups renewing in January 2024. The 2.4% quarterly rate increases proposed by MVP for 2Q24 - 4Q24 assume that 2025 trend will be consistent with 2024 trend. L&E Memo, 3 – 4.

10. The 11.2% paid medical trend proposed by MVP is the product of an allowed medical trend of 9.9% and the impact of cost share leveraging. The 9.9% allowed medical trend, in turn, consists of a 1.0% utilization trend and an 8.8% unit cost trend. L&E Memo, 4.

11. MVP analyzed its combined Vermont data and determined that the data was too volatile in recent years to use for medical utilization trend development. Therefore, MVP assumed a 1% medical utilization trend, consistent with the utilization trend that it assumed in the 2022 – 2024 individual and small group (QHP) filings. While in the past MVP's analysis of historical data has produced a wide range of forecasted utilization (e.g., last year's analysis of historical utilization produced a range of -29% to +25%), this year the forecasted utilization range is much narrower, approximately 5 percentage points between the 10th and 90th percentiles. L&E notes that were MVP to rely on its historical data, the mean trend would be 1.2%. L&E found the medical utilization trend of 1.0% to be reasonable and appropriate based on the information available. L&E Memo, 4 – 5; MVP Memo, 4.

12. MVP's medical unit cost trend of 8.8% reflects a combination of known and assumed price increases from MVP's provider network. L&E Memo, 5. For providers who are not subject to the Board's hospital budget review, unit cost trend assumptions are based on best estimates of contract negotiations. For providers subject to the Board's hospital budget review, unit cost trend assumptions are based on the cost increases requested in the providers' fiscal year 2024 (FY24) budgets. MVP Memo, 4. After this filing was submitted, the Board made final decisions regarding FY24 hospital budgets.[2] Therefore, L&E recommends that MVP modify the filing to reflect the ordered hospital budget amounts. This reduces the average annual allowed unit cost trend from 8.8% to 6.5%, which reduces the total average annual paid medical trend from 11.2% to 8.6%. L&E Memo, 5.

13. The 8.3% paid Rx trend proposed by MVP is the product of an allowed Rx trend of 7.9% and the impact of cost share leveraging. The 7.9% allowed Rx trend, in turn, consists of a 2.8% utilization trend and a 4.9% unit cost trend. L&E Memo, 6.

[2] FY24 Individual Hospital Documents are available at https://gmcboard.vermont.gov/FY2024hospitalbudgets.

14. To develop its Rx trend assumptions, MVP used trend factors provided by its pharmacy benefit manager (PBM) for different categories of drugs. L&E compared MVP's actual Rx trends over the past five years to the expected trends provided by the PBM. L&E notes that there were outlier trends in 2018, when specialty drug trends were unusually negative, and 2020, when specialty drug trends were unusually high. L&E does not believe it would be reasonable to include these years when analyzing historical trends for the purpose of informing future trend assumptions. Excluding these outlier years, over the five-year period examined by L&E, the average allowed Rx trend was 5.8%, the maximum annual Rx trend was 7.1%, and the average actual-to-expected ratio was 0.67, meaning that actual observed trends were, on average, 33% lower than expected. *See* L&E Memo, 6.

15. L&E acknowledges that historical trends do not represent prospective trends but notes that, outside of one outlier year, MVP's PBM has a history of over-projecting prospective Rx trends. L&E recommends that MVP's proposed allowed Rx trend of 7.9% be reduced to 5.8% based on the historical 5-year average actual allowed Rx trend, excluding outlier years, and notes that this figure is higher than the 5.3% trend that would result from applying the actual-to-expected ratio of 0.67 to the proposed trend. Reducing the allowed Rx trend from 7.9% to 5.8% would reduce the paid Rx trend from 8.3% to 6.2% and reduce the 1Q24 rates by approximately 0.3%. L&E Memo, 6.

16. MVP made additional adjustments to the manual rates for costs associated with COVID-19. MVP removed experience period costs based on the expectation that it will not waive cost sharing for COVID-19 services during the rating period, as it did during the experience period, due to the unwinding of the public health emergency. This results in a $1.37 PMPM reduction for COVID treatment, visits, and testing. L&E believes this adjustment is reasonable and appropriate. L&E Memo, 7.

17. With the anticipated end of federal funding for COVID-19 vaccine costs, MVP assumes that it will be responsible for paying the full ingredient cost of COVID-19 vaccines by 2024. MVP currently pays $40 per vaccine for the administration of the vaccine only and expects to pay $130 per vaccine in 2024 for both the ingredient cost and the administration of the vaccine. MVP reduced the additional cost by 40% to reflect COVID-19 vaccines covered by the Vermont Vaccine Purchasing Program (VVPP) in 2024, based on review of members receiving influenza vaccines covered through the VVPP. As MVP is still responsible for paying an administration fee under the VVPP, the 40% reduction is applied only to the change in vaccine cost from 2022 to 2024. The impact of the increase in COVID-19 vaccine cost is estimated to be $0.74 PMPM. L&E considers this to be reasonable and appropriate. L&E Memo, 7 – 8.

18. As a result of increased cost sharing for COVID-19 testing, MVP assumes testing utilization will decrease by 10% in the projection period as compared to the experience period. Using COVID-19 testing count data through June 2023 provided by MVP, L&E observed a steep decline in COVID-19 testing over time. L&E recommends increasing the assumed reduction in COVID-19 testing to 40%. This would result in approximately a 0.1% decrease to the filed premium rates. L&E Memo, 7.

19. MVP made adjustments related to additional benefits, such as vision, hearing aid coverage, and telemedicine. MVP also adjusted the experience claims to account for the additional day in 2024 because it is a leap year. The combined impact is an increase of $3.34 PMPM. L&E Memo, 8.

20. Retention charges are added to the blended pure premium in deriving the group required premium. MVP is proposing a 13.4% total retention load of 7.6% for administrative expenses, 3.8% for other expenses, and 2.0% for contribution to reserves (CTR). L&E Memo, 8.

21. The projected administrative expense figure of 7.6% of premium is consistent with the average of the last three years. L&E concluded that the administrative expense load appears to be reasonable and appropriate. L&E Memo, 9.

22. The 3.8% load for other expenses covers a variety of projected expenses, including broker load (2.4%), the VT Vaccine Pilot Program fee (0.6%), bad debt (0.3%), and GMCB billback (0.5%). L&E Memo, 9.

23. MVP's federal loss ratio for this block of business in 2022 was 86.9% and the rolling three-year average (2020 – 2022) is 93.9%. Its target federal loss ratio for 2024 is 86.6%. L&E Memo, 9. The minimum federal loss ratio for large group plans is 85.0%. *See* 45 CFR § 158.210(a).

24. MVP's proposed CTR is 2.0%, which is consistent with its historically proposed CTR. In past orders, the Board has reduced the proposed CTR. L&E reviewed MVP's federal loss ratio and its actual gain/(loss) compared to the ordered risk margin for the most recent three years, which showed a total 3-year loss of 3.2%. L&E Memo, 9 – 10. L&E also reviewed the carrier's historical risk-based capital (RBC) ratio, which showed RBC decreasing from 429.4% in 2020, to 354.0% in 2021, and then increasing slightly to 369.0% in 2022. L&E notes that it is slightly concerning that MVP has experienced an overall negative profit in the last few years and that there was a decrease in the RBC in 2021. L&E observes that while it is not sustainable to have significant losses, Vermont business is a small portion of MVP's overall business. L&E believes a CTR between 0.5% and 3.0% would be considered reasonable. L&E Memo, 10.

25. Pursuant to 8 V.S.A. § 4062(a)(2)(B), DFR assessed the impact of the proposed filing on the carrier's solvency. DFR states it has been in communication with the New York Department of Financial Services, the primary solvency regulator for MVP, and has not learned of any solvency concerns regarding the carrier. DFR notes that MVP currently meets Vermont's foreign insurer licensing requirements. Finally, in 2022, all of MVP Holding Company's operations in Vermont accounted for approximately 7.5% of its total premiums written. DFR has determined that MVP'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. Based on its entity-wide assessment and contingent upon the Board's actuaries' finding that the proposed rate is not inadequate, DFR's opinion is that the proposed rate will not have a negative impact on MVP's solvency. DFR Solvency Opinion, 2.

26. In summary L&E recommends four adjustments to the filing. The first is to revise trends to reflect the final FY 24 Hospital Budget Orders; this will decrease the 2024 first quarter rates by

3.4%. The second is to reduce the allowed pharmacy trend from 7.9% to 5.8%, resulting in a 0.3% decrease to the 1Q24 rates. The third is to assume a 40% reduction in COVID-19 testing, consistent with emerging COVID-19 testing data and the order for the 2024 QHP filings. This would result in a 0.1% decrease to the filed premium rates. L&E Memo, 11.

27. L&E concludes that if its recommended modifications are made, the filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. L&E Memo, 12.

28. In its brief, MVP accepts L&E's recommendation to update trends to reflect the final FY24 Hospital Budget Orders. MVP Brief, 2 – 3. MVP disagrees, however, with L&E's Rx trend recommendation because MVP disputes the exclusion of 2018 and 2020's "purported outlier trends" and the review of the historical PBM expected trends in comparison to actual allowed trends. *Id.* at 3 – 4. MVP disagrees with L&E's recommendation to further reduce assumed COVID-19 testing utilization. *Id.* at 4. MVP also advocates in favor of its requested CTR level and against any cuts to its proposed CTR. *Id.* at 5 – 6.

29. In its brief, the HCA asserts that MVP has not sufficiently supported its rate increase request and emphasizes that the proposed premium increase makes MVP's Large Group product less affordable to Vermonters and reduces access to care. HCA Brief, 2 – 3. The HCA recommends that the Board require MVP to bolster its proof that its rates are affordable, promote health care quality and access; adopt L&E's recommendations to modify the rate downwards; and require MVP to report on its negotiations with providers. *Id.* at 4.

Standard of Review

The Board reviews rate filings to determine whether the proposed rate is "affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the laws of this State." 8 V.S.A. § 4062(a)(3); GMCB Rule 2.000, § 2.301(b). Although the first several terms—excessive, inadequate, or unfairly discriminatory—are defined actuarial standards,[3] other standards by which the Board reviews rate filings are "general and open-ended," the result of "the fluidity inherent in concepts of quality care, access, and affordability." *In re MVP Health Insurance Co.*, 2016 VT 111, ¶ 16. The Board additionally takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); GMCB Rule 2.000, § 2.401.

In arriving at its decision, the Board must consider DFR's analysis and opinion of the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a)(2)(B), (3). The Board must also consider any public comments it receives on a rate filing. 8 V.S.A.

[3] Under Actuarial Standard of Practice No. 8, rates may be considered adequate if they provide for payment of claims, administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins; rates may be considered excessive if they exceed the rate needed to provide for payment of claims, administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins; and rates may be considered unfairly discriminatory if they result in premium differences among insureds within similar risk categories that: (1) are not permissible under applicable law; or (2) in the absence of applicable law, do not reasonably correspond to differences in expected costs.

§ 4062(c)(2)(B); GMCB Rule 2.000, § 2.201. The insurer proposing a rate has the burden to justify the rate request. GMCB Rule 2.000, § 2.104(c).

Conclusions of Law

I.

First, we adopt our actuaries' recommendations and order MVP to 1) revise the trends to reflect the final orders regarding FY24 hospital budgets, decreasing the 2024 first quarter rates by approximately 3.4%; 2) reduce the allowed pharmacy trend to 5.8%, decreasing the 2024 first quarter rates by approximately 0.3%; and 3) assume a 40% reduction in COVID-19 testing claims, resulting in a 0.1% decrease to 2024 first quarter rates.

MVP accepts L&E's recommendation to use final FY24 hospital budget orders. Findings of Fact (Findings), ¶¶ 12, 26, 28. We agree with L&E's recommendation to reduce allowed pharmacy trend. MVP's Rx trend assumptions rely heavily on trend factors provided by MVP's PBM. Findings, ¶ 14. L&E's recommendation reflects historical trend and accounts for the fact that the PBM has over-projected actual trends in recent years. Findings, ¶ 14 – 15, 26. Finally, we agree with L&E's recommended reduction to the COVID-19 testing utilization for the projection period. Findings, ¶ 17, 18, 26.

II.

Second, consistent with modifications we have required in other filings, we order MVP to reduce the proposed CTR from 2.0% to 1.5%. *See, e.g., In re: MVP Health Plan, Inc., 2023 Large group HMO Rate Filing,* GMCB-010-22rr, Decision and Order, 8 (reducing CTR from 2.0% to 1.0%); *In re: MVP Health Plan, Inc., 2022 Individual Market Rate Filing and 2022 Small Group Market Rate Filing,* GMCB-007-21rr and GMCB-008-21-rr, Decision and Order, 18 (reducing CTR from 1.5% to 1.0%); *In re: MVP Health Plan, Inc., 2021 Large Group HMO Rate Filing,* GMCB-008-20rr, Decision and Order, 10-11 (reducing CTR from 2.0% to 1.0%). We expect this will lower the first quarter 2024 rate increase by 0.5%.

Reducing the CTR from 2.0% to 1.5% will make the proposed premium increase more affordable for Vermonters and will not threaten MVP's solvency. *See* Findings, ¶ 28 – 29. DFR found that MVP's Vermont business accounted for approximately 7.5 percent of total premiums written in 2020 and that MVP's Vermont operations pose little risk to its solvency. Findings, ¶ 25. Furthermore, L&E opined that a CTR as low as 0.5% would be considered reasonable. Findings, ¶ 24.

III.

Finally, we conclude that MVP failed to provide sufficient evidence to demonstrate that its proposed rates are affordable. MVP bears the burden of justifying its rate request and in future filings we expect better evidence regarding the affordability of rates from a consumer perspective.

Order

For the reasons discussed above, we order MVP to 1) revise the trends to reflect the final orders regarding FY24 hospital budgets; 2) reduce the allowed pharmacy trend to 5.8; 3) assume a 40% reduction in COVID-19 testing claims; and 4) reduce the proposed CTR from 2.0% to 1.5%. These modifications will reduce the first quarter 2024 rate increase by 4.4%, to 2.8%.

SO ORDERED.

Dated: November 2, 2023, at Montpelier, Vermont

s/ Owen Foster, Chair)
)
s/ Jessica Holmes) GREEN MOUNTAIN
) CARE BOARD
s/ Robin Lunge) OF VERMONT
)
s/ David Murman)

Filed: November 2, 2023

Attest: s/ Jean Stetter, Administrative Services Coordinator
Green Mountain Care Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: Christina.McLaughlin@vermont.gov). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.