

Exhibit 17



May 6, 2013

Delivered via electronic mail to susan.donegan@state.vt.us

Commissioner Susan Donegan
Department of Financial Regulation
89 Main Street
Montpelier, Vermont 05620-3101

Re: Response to the Addendum to the April 1, 2013 Report on Examination of Consumer Health Coalition of Vermont, Inc. d/b/a Vermont Health CO-OP (the "CO-OP")

Dear Commissioner Donegan:

The CO-OP received and reviewed the Addendum to the Report on Examination of the Consumer Health Coalition of Vermont, Inc. (the "Second Report") composed by the Department of Financial Regulation, Division of Insurance ("Department") dated May 3, 2013. The CO-OP responded to the Report on the Examination of the Consumer Health Coalition of Vermont, Inc. dated April 1, 2013 (the "First Report") on April 5, 2013. The CO-OP does not seek to reiterate its response to the First Report. This letter attempts to address the additional risks outlined in the Second Report. Below we have addressed the three findings identified in the Second Report and have included information we think relevant to your consideration of the potential impact of the risk on the CO-OP.

With this response, the CO-OP waives the remainder of the thirty (30) day response period provided under Title 8 V.S.A. § 3574. For ease of review, we have copied each risk ("Addendum Finding") directly from the Second Report followed by the CO-OP's response.

Addendum Finding #1: Enrollment Assumptions:

Risk #2.2 in the accompanying Report discusses the risk of the Applicant not achieving its enrollment assumptions. Failure to reach target enrollment threatens the ability of the Applicant to sustain profitable operations. Based on the assessment of the Applicant's rates, it appears that Risk #2.2 is exacerbated, and that due to pricing disadvantages there is a significant risk that the Applicant will fail to reach the enrollment targets necessary to be viable.

CO-OP Response:

The CO-OP anticipates that its rates will align more closely with those of Blue Cross Blue Shield of Vermont ("BCBS") and MVP during the rate review process. Since submitting our April 5, 2013 Response to the First Report, we have had the opportunity to review the rate filings of BCBS and MVP and analyze the elements creating the price differences between the CO-OP's traditional metal plan (non-Choice) offerings and those of the other carriers. We have identified the factors underlying the higher rates. As we proceed through the rate review process, we expect at least two of these factors will be modified to produce a more competitive rate to offer over the Vermont Health Connect (the "Exchange"). This will help mitigate the risk that our enrollment numbers will be materially damaged by the rate differential between the CO-OP and its competitors. The primary factors are as follows:

1. **Trend Factor Adjustments:** The CO-OP anticipates a trend adjustment during the rate review process. Both BCBS and MVP anchored the trend factors used in their filings to the goals of the Green Mountain Care Board to control hospital costs in Vermont to a target of 3.75% and to support other measures to reduce overall healthcare costs. In anticipation of a reduction in healthcare costs, BCBS used a trend of approximately 5.3% and MVP 4.4%. In both cases, this appears to have been the result of a management decision. In contrast, Milliman used a higher trend factor of 7.9% that was not as heavily reliant on future reductions in health care cost. At the time of rate development, we were advised by Milliman that this was a conservative trend that accurately reflected current claims data in Vermont. However, similar to BCBS and MVP, the CO-OP is willing to adjust its trend factor in anticipation of future health care cost reductions and plans to have a dialogue with the Department once the rates are in the review process. From our past collective experience with the rate review process, adjustments to trend during the rate review are not uncommon, particularly if it produces a more favorable rate to Vermonters.
2. **Administrative Cost Adjustments:** The CO-OP anticipates additional adjustments to the administrative cost factors used in the initial filing. Because the CO-OP is in a start-up phase, it has been contracting with third-parties as it developed its rate filing. Most notably, the CO-OP received more favorable pricing on its reinsurance program after the rates were submitted on March 25, 2013. We anticipate discussion of these changes to take place during the rate review process.
3. **High-deductible Health Plan Changes:** The CO-OP also intends to correct a slight discrepancy in our high-deductible Choice plans that may result in a slightly lower rate. The assumptions used by Milliman for the integrated prescription and medical deductible need to be adjusted.

The CO-OP made the decision to protect, to the extent possible, the richest level of benefits we could offer Vermonters. As a result, the benefit offerings in many of our plan designs have less out of pocket costs and/or cost sharing and are therefore better for Vermonters than those of BCBS or MVP. We are proud of offering a better plan for Vermonters and hope to focus resources on outreach and education to help people understand our plan designs. Ultimately, the CO-OP plans to work with the Green Mountain Care Board and the Department to "fine-tune" our rates to more closely align with the marketplace.

Addendum Finding #2: Financial Viability:

In supplemental information submitted to the Department on November 30, 2012, the Applicant indicated that even if the State of Vermont transitions to a single-payer system in 2017, they would be able to repay their loans to CMS in full. The assumptions used to arrive at the required profitability to make repayment possible by 2017 have not been replaced by actual submitted rates. This leads to the following findings:

- *The Applicant's financial forecast indicates it will begin operations in 2014 with a Start-up loan payable of approximately \$6 million. Because it is projecting a cumulative net loss for the first 3 years, the Applicant will be unable to repay its Start-up loans in 2017 if unable to continue operations due to Vermont's transition to a single-payer system. In fact, the Applicant's projections indicate it will not generate cumulative profits in excess of the cumulative start-up and solvency loan spending until 2020. Furthermore, it should be noted that this is based on projections that are very sensitive to enrolment; an area where we have identified significant risk.*
- *If the Applicant only enrolls 50% of its target, we estimate approximately \$9 million in losses prior to 2017. Assuming CMS does not intervene as presented in Risk #1 of the accompanying Report, Solvency Loan funds exists to allow the Applicant to remain solvent under certain conditions if the commercial market persists after 2017. However, the repayment obligation would present a significant burden on the Company as it attempts to generate sufficient operating profit through rates to maintain adequate surplus as it pays off the Solvency Loan beginning in 2021. This is of particular concern as it is not expected that competitors would require that level of profit in their rates, since they operate with significant "unassigned" surplus that does not carry repayment obligations like a surplus note.*

The combination of the above findings presents a significant risk that the Applicant will be unable to operate profitably and repay its loans.

CO-OP Response:

The most important point to note in response to this finding is that neither Vermonters nor the State of Vermont are at risk if the CO-OP is unable to repay its federal loans. The federal government, by the language in the loan agreement, has subordinated the repayment of the loans to the full payment of claims and to the assertion of a claim by the Department.

Nonetheless, the CO-OP anticipates reaching financial viability quickly enough to repay loans should Vermont adopt and implement a single-payer system in 2017. As noted above, the CO-OP anticipates that its small group and individual rates will change during the rate review process making the CO-OP more competitive with other carriers on the Exchange. The CO-OP also plans to develop large group and self-insured business which will provide additional enrollment and revenue, and help reduce the per member per month administrative costs.

It is also important to note that the reason competitors can "operate with significant 'unassigned' surplus" is because they have historically directed retained excess premiums to their reserves. This will not happen with the CO-OP as excess surplus (beyond maintaining adequate reserves) will be returned to members in the form of increased benefits, lower cost sharing, quality investments and company stabilization activities.

Finally, the CO-OP will only be required to repay funds that it has used. The CO-OP is currently operating under budget and will continue to conservatively use start-up funds. Therefore, though the CO-OP concedes that there are risks for any start-up company, the benefit of the CO-OP is that the federal government bares the bulk of that risk.

Addendum Finding #3: Board of Directors:

The Board as a whole does not possess the level of understanding of the business plan, strategy and risks to the organization that we typically see in Vermont insurance companies. As such, we did not find that the Applicant's Board of Directors possesses compensating experience or are actively engaged in the operations or oversight of the Applicant to the extent necessary to mitigate Risk #4 in the accompanying Report.

CO-OP Response:

Consumer Operated and Oriented Plans are designed to be just that "consumer operated" and "consumer oriented." For this reason, the CO-OP is required by federal law to convene a Formation Board, tasked with starting the organization. This Formation Board is organized to be small and manageable. It is comprised of members of the community accomplished in matters of business and veterans of company boardrooms. It also includes individuals with specific health care expertise, such as Dr. Mark Pitcher and David Jillson, both of whom have significant experience in health care. However, the federal rules and our Bylaws require that in the coming year the CO-OP must hold its first election of the Operational Board and by the end of the second year after enrollment, the entire Board must be elected by the members.

The member-elected Operational Board sets the CO-OP apart from other health insurance companies in Vermont and gives it a distinct "cooperative" characteristic. The members (who are the policyholders) elect every member of the Board in contested elections. There is no guarantee that elected members will have any experience in insurance, health insurance, or health care. The CO-OP can designate non-voting director positions for individuals with particular expertise or members of management. The CO-OP can also designate voting positions for individuals with certain expertise but the rules state:

"Consistent with the recommendations of the Advisory Board and commenters....a majority of the voting directors must be members of the organization (policyholders). While all directors must be elected by the members, a CO-OP may want to have certain types of expertise that are essential to the governance of the organization, such as providers or individuals with experience in health care operations or finance...[P]ositions on the board of directors may be designated for individuals with certain types of expertise or experience. The type of expertise that is needed may vary over time and the CO-OP may choose to enlist candidates for the board with certain types of expertise through its nominating process... [P]ositions on the board that are designated for individuals with specialized expertise, experience, or affiliation (for example, providers, employers, labor representatives) cannot constitute a majority of the operations board even if the individuals service in designated seats are members of the CO-OP."

76 Federal Register 43243 (July 20, 2011). The CO-OP may designate some seats on the Board for members with particular expertise but ultimately, the CO-OP will be subject to the wishes of

Commissioner Susan Donegan

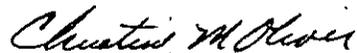
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the members through the election process. This model is designed to give Vermonters a true stake in the company that is providing their health insurance. The CO-OP is proud of this design element and will be diligent in providing the Operational Board access to enough expertise to properly oversee business operations.

The CO-OP is excited about this opportunity to provide Vermonters another health insurance option at no risk to them or the State of Vermont. We greatly appreciate the review the Department has undertaken and are available to discuss any of the information provided.

Sincerely,



Christine M. Oliver
Chief Executive Officer

cc: David Cassetty, General Counsel
Ryan Chieffo, Assistant General Counsel
Kaj Samsom, Director of Company Licensing and Examinations