

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: The Vermont Health Plan ) GMCB-003-14rr  
2014 Risk and Administrative Charges for )  
Experience Refund Eligible Products ) SERFF No.: BCVT-129373905  
)  
)

**DECISION & ORDER**

Introduction

As of January 1, 2014, Vermont law requires that health insurers submit major medical rate filings with the Green Mountain Care Board which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(B) (*as amended by 2013, No. 79, §5c*). On review, the Board must determine whether the 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).

Procedural History

On January 14, 2014, The Vermont Health Plan (TVHP) submitted its 2014 Risk and Administrative Charges for Experience Refund Eligible Products Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). *See* [http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905\\_Final.pdf](http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905_Final.pdf). The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this rate filing.

On March 14, 2014, the Board posted to the web the actuarial memorandum of its contract actuaries, Lewis & Ellis (L&E), [http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905\\_FINAL.pdf](http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905_FINAL.pdf), and the Department of Financial Regulation's (Department) analysis and opinion of regarding the impact of the proposed filing on the insurer's solvency. *See* [http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905\\_FINAL.pdf](http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905_FINAL.pdf).

The Board received no public comments.\* The parties have waived a hearing pursuant to GMCB Rule 2.000 and each has filed a memorandum in lieu of hearing.

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\* The period during which the Board accepted comments ran from January 14 through March 28, 2014.

## Findings of Fact

1. TVHP is a licensed health maintenance organization (HMO) and for-profit subsidiary of Blue Cross and Blue Shield of Vermont (BCBSVT) that offers a variety of plans and products in the group market in Vermont.

2. This filing sets forth TVHP's proposed 2014 Risk and Administrative Charges for its Experience Refund Eligible Products for the large group market. The method and data used in the development of the charges are identical to those used in the development of the corresponding charges for BCBSVT in Docket no. GMCB 004-14-rr. *See* [http://ratereview.vermont.gov/rate\\_review/BCVT-129373971](http://ratereview.vermont.gov/rate_review/BCVT-129373971).

3. A group that chooses to purchase refund eligible products pays an initial premium equal to expected claims with pricing margins of 5 or 10%, plus a pooling charge and retention charge. At the end of the year, based on its experience, the group may be eligible for refund of a portion of the premium.

4. To protect itself against the risk that claims for a refund eligible product will exceed 105% or 110% of expected claims liability, TVHP adds a risk charge to each premium. Risk charge factors are similar to aggregate stop loss factors in that they both seek to predict the likelihood that aggregate actual claims will exceed expected claims by a selected percentage, and are developed using the same methodology.

5. To produce statistically valid risk charge factors, TVHP calibrated the 2013 Milliman Health Cost Guidelines to expected Vermont claims levels, trended forward by 4.1% to July 1, 2015. The impact of the risk charge will be a decrease of -0.015% (-\$0.06 PMPM).

6. In addition to the risk charge, a charge is added to the premium for the expenses of administering the program. TVHP proposes a 1.6% increase (\$25) per group per year in the administration charge for an estimated increase in direct staff costs. The 1.6% trend factor is based on a two-year regression of the Consumer Price Index (CPI) data values from the Bureau of Labor Statistics. TVHP Actuarial Memorandum at 3, *available at* [http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905\\_Final.pdf](http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373905_Final.pdf).

7. L&E reviewed the filing and opines that the methodology and assumptions underlying the charges are reasonable and appropriate and do not produce rates that are excessive, inadequate, or unfairly discriminatory. L&E recommends that the Board approve the filing as submitted by the carrier.

8. Pursuant to 8 V.S.A. § 4062 (a)(2)(B), the Department provided the Board an opinion and analysis of the effect of the proposed filing on TVHP's solvency. Because TVHP is a wholly owned subsidiary of BCBSVT, the Department focused on the solvency of BCBSVT, TVHP's parent company. The Department concluded that BCBSVT's current level of surplus is sufficient, and that the current filing, if approved as requested, will not adversely affect BCBSVT's solvency. *See Solvency Impact Letter (March 13, 2014), available at [http://ratereview.vermont.gov/sites/dfr/files/TVHP\\_Solvency\\_Opinion\\_129373905.pdf](http://ratereview.vermont.gov/sites/dfr/files/TVHP_Solvency_Opinion_129373905.pdf).*

#### Standard of Review

1. Section 5104(a)(2) of Title 8 V.S.A. provides that rates submitted by a health maintenance organization must not be "excessive, inadequate or unfairly discriminatory or fail to meet the standards of affordability, promotion of quality care, and promotion of access pursuant to section 4062 of this title." In addition, the Board 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).

2. As part of its review, the Board considers the analysis and opinion of the Department of Financial Regulation on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a).

3. The insurer proposing a rate change has the burden to justify the requested rate. GMCB Rule 2.000: Rate Review, § 2.104(c).

#### Conclusion of Law

We accept the actuarial recommendation that this filing should be approved as requested. Risk charge factors can fluctuate widely year-to-year, and TVHP's methodology, resulting in a marginal impact on members, is reasonable and actuarially sound. Further, we conclude that the carrier's proposed 1.6% increase in administrative charges, resulting in a \$25 annual increase per group, is reasonable and has minimal impact on the overall cost of coverage.

#### Order

For the reasons discussed above, the Board approves The Vermont Health Plan's 2014 Risk and Administrative Charges for Experience Refund Eligible Products Filing as submitted by the carrier.

**So ordered.**

Dated: April 11, 2014 at Montpelier, Vermont.

s/ <u>Alfred Gobeille</u>	)	GREEN MOUNTAIN CARE BOARD OF VERMONT
s/ <u>Cornelius Hogan</u>	)	
s/ <u>Betty Rambur</u>	)	
s/ <u>Allan Ramsay</u>	)	
	)	

*Board member Karen Hein did not take part in this decision.*

Filed: April 11, 2014

Attest: s/ Janet Richard  
Green Mountain Care Board, Administrative Services Coordinator

*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: [Janet.Richard@state.vt.us](mailto:Janet.Richard@state.vt.us)). 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.*