

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross and Blue Shield of Vermont) GMCB-004-14rr
2014 Charge Factors for Aggregate Stop)
Loss, and Risk and Administration Charges) SERFF No.: BCVT-129373971
for Experience Refund Eligible Plans)
)

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 of the filing, 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, Blue Cross and Blue Shield of Vermont (BCBSVT) submitted its 2014 Charge Factors for Aggregate Stop Loss, and Risk and Administration Charges for Experience Refund Eligible Plans Filing via the System for Electronic Rate and Form Filing (SERFF). See http://ratereview.vermont.gov/rate_review/BCVT-129373971. 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 17, 2014, the Board posted to the web the actuarial analysis of its contract actuaries, Lewis & Ellis (L&E), http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373971_ActMemo_Final.pdf, and the Department of Financial Regulation's (Department) analysis and opinion regarding the impact of the proposed filing has on the insurer's solvency. http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373971_SolvencyOpinion.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.

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

Findings of Fact

1. BCBSVT is a non-profit hospital and medical service corporation that provides Vermonters a variety of health insurance plans, services and products in the individual and group markets.

2. This filing sets forth BCBSVT's proposed charges for aggregate stop loss (ASL) insurance that it sells to Cost Plus groups and the risk and administrative charges it proposes to use for its Experience Refund Eligible products. The method and data used in the development of the risk and administrative charges are identical to those used in the development of the corresponding charges for a companion TVHP filing. *See* Docket no. GMCB 003-14-rr, available at http://ratereview.vermont.gov/rate_review/BCVT-129373905.

3. This filing affects approximately 10,500 Vermonters in Experience Refund Eligible Plans and 3,400 in Cost Plus groups.

4. Cost Plus groups are responsible for funding their own claims liability, but pay BCBSVT for ASL insurance and for administrative services. Groups that choose to purchase refund eligible products pay an initial premium equal to expected claims with pricing margins of 5 or 10%, plus a risk charge and administration charge. At the end of the year, based on its experience, the group may be eligible for refund of a portion of the premium.

5. ASL and risk charge factors are developed using the same methodology, and both seek to predict the likelihood that aggregate actual claims will exceed expected claims.

6. To produce statistically valid ASL and risk charge factors, BCBSVT 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 updated ASL factors to Cost Plus groups is -0.002% (-\$0.01 PMPM); the impact of the risk charges is 0.007% (\$0.03 PMPM).

7. BCBSVT proposes increasing the administration charge by 1.6% (\$25) per group per year. 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. BCBSVT Actuarial Memorandum at 3, available at http://ratereview.vermont.gov/sites/dfr/files/BCVT-129373971_ActMemo_Final.pdf.

8. L&E reviewed the filing and opined 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.

9. Pursuant to 8 V.S.A. § 4062(a)(2)(B), the Department provided the Board an opinion and analysis of the effect of the filing as proposed on BCBSVT's solvency. The Department concluded that BCBSVT's current level of surplus is sufficient, and that the current filing, if approved as requested and as recommended by L&E, will have no material impact on BCBSVT's solvency. *See* Solvency Impact Letter (March 13, 2014), *available at* http://ratereview.vermont.gov/sites/dfrr/files/BCVT-129373971_SolvencyOpinion.pdf.

Standard of Review

1. The Board reviews rate filings to ensure that rates are not “excessive, inadequate or unfairly discriminatory,” that they promote quality care and access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. §§ 4512(b); 4062. 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. On review of a company's solvency, the Board will consider 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 by the carrier. BCBSVT's methodology in determining ASL and risk charge factors, based on the documentation provided, is reasonable and actuarially sound. In addition, 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 BCBSVT's filing as submitted.
So ordered.

Dated: April 11, 2014 at Montpelier, Vermont.

s/ <u>Alfred Gobeille</u>)	
)	
s/ <u>Cornelius Hogan</u>)	
)	
s/ <u>Betty Rambur</u>)	
)	
s/ <u>Allan Ramsay</u>)	

GREEN MOUNTAIN
CARE BOARD
OF VERMONT

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). 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.