

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross and Blue Shield Vermont            )  
3Q-4Q 2014 Trend Filing                                 )        GMCB-012-14-rr  
  )

Blue Cross and Blue Shield of Vermont’s Memorandum in Lieu of Hearing

Blue Cross and Blue Shield of Vermont (BCBSVT) requests the Green Mountain Care Board (GMCB) adopt the recommendation of the GMCB’s actuaries, Lewis and Ellis (L&E), and the Department of Financial Regulation (DFR) to approve its 3Q-4Q 2014 trend filing as filed in the above captioned docket. The trend filing is a “factor” filing used to determine the rates of experience rated large groups. Specifically, the filing projects expected rate of changes to cost, utilization and severity of medical and pharmacy claims for the period covered by the filing. The actual trend for each employer will vary based on the cost sharing design of the plan and whether pharmacy is an integrated benefit (e.g., HSAs) or a separate benefit. The filing also proposed adjustments based on the “leveraging” effect of level deductibles and cost sharing over time.

L&E opined that the requested combined trend of 5.2 % will not produce rates that are excessive, inadequate, or unfairly discriminatory. L&E March 26, 2014 Opinion, page 9 (Opinion). L&E’s best estimate of medical trend of 4.7% was equivalent to BCBSVT’s calculation. Opinion, Page 6. Further, although L&E provided a range for actual results of between 3.5 % to 5.8 %, it emphasized that “[e]ach of the numbers within our estimated range are not equally likely, that is the trends on the low and high end are not as likely to occur as the trends in the middle of the range. For example, the probability that the actual trend will be centered around *the best estimate (between 4.6 and 4.8 %) is over 50 % higher* than being near the low end of the rate ” L&E Opinion, Page 6-7 and footnote page 7 (emphasis supplied).

L&E also found that, despite the fact that its own calculation showed a higher indicated trend for pharmacy of 8.2 %, BCBSVT’s lower requested pharmacy trend of 7.6 % is reasonable and appropriate. L&E Opinion, Page 8. Just as it did with medical trend, it emphasized that not all points in its estimated range for pharmacy of 5.9 % to 10.5 % are equally likely and that

trends on the low and high end of the range are not as likely to occur as the trends in the middle of the range. Opinion, page 8.

DFR opined that the requested trend will “sustain the current level of solvency, which DFR has determined to be appropriate and necessary. *Downward adjustments to the filed trend factors should not be made unless GMCB’s consulting actuary has expressly opined that the filing will produce rates that are excessive and has therefore proposed adjustments.*”

Department April 4, 2014 Opinion, page 1 (emphasis supplied). As described above, the GMCB’s actuaries have recommended approval of the trends as filed and have not expressly opined any change to rates requested in the filing.

Blue Cross and Blue Shield of Vermont exists to make health care affordable for Vermonters. By pooling the populations covered by its products, it protects individuals from the unaffordable and potentially ruinous costs associated with significant illnesses or injuries. Its products promote preventive care, health maintenance and health improvement, and it has in place strong utilization management programs that support members who require medical care and assure that they have access to high value care while avoiding unnecessary costs.

BCBSVT also works with providers to dampen cost increases through reimbursement strategies that include capitation and incentives to both provide and properly manage care. And, BCBSVT continues to be a strong partner with the state in efforts to bend the cost curve by its participation in the extension of plans into 2014, Vermont Health Connect, Blueprint, and other programs designed to afford Vermonters access to well-designed insurance products that offer delivery of affordable and appropriate care. BCBSVT urges the GMCB to continue its cost containment work with providers—both professional and facilities—so that health plans such as BCBSVT can continue to offer the most affordable products possible.

None of this work is possible unless BCBSVT remains financially strong, and that requires that it be allowed to charge rates that cover the medical expenses of the populations it serves, as well as the Plan’s own administrative expenses, which are among the lowest in the industry, and its capitalization needs.

Both experts’ opinions are unanimous in their recommendations for approval of the filing as filed. Given these recommendations and the fact that there is no basis in the record to modify it, we request the Board approve it as filed. This will help ensure that BCBSVT will have sufficient resources to pay claims. It will also help ensure that distortion among

participants in the large group market, of which there are more than 33,000 covered by the filing, is kept to a minimum as well as even-handed treatment among market segments.

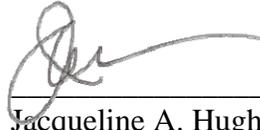
Dated at Montpelier, Vermont, this 22<sup>nd</sup> day of April, 2014.



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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Memorandum in Lieu of Hearing has been duly served upon Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson, Office of Vermont Health Advocate, by electronic mail, return receipt requested, this 22<sup>nd</sup> day of April, 2014.



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