

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: The Vermont Health Plan )  
2013 Group Merit Rating Formula Filing ) GMCB-033-13-rr  
   )  
SERFF No. BCBSVT-128888672         )  
Vermont Filing No. 64785             )

MEMORANDUM IN LIEU OF HEARING

I. Introduction

The Vermont Health Plan (TVHP) submitted its proposal for changes to its group merit rating formula on February 12, 2013. The company is proposing the methodology to be used to calculate rates in the large group market.

This is TVHP's first factor filing for its Group Merit Rating formula. The methodology being used is similar to that used and approved by Blue Cross and Blue Shield of Vermont in the filing in Docket Number GMCB 22-12-rr.

The filing was reviewed by the contracted actuary for DFR, Oliver Wyman (OW). The filing was deemed complete on October 28, 2013 and the written Actuarial Opinion was completed on November 4, 2013.

The Commissioner of DFR issued a Recommendation for Modification and Approval of the filing on November 25, 2013. The Commissioner recommends that the Green Mountain Care Board (the Board) approve the methodology used by TVHP but modify the filing to require TVHP to file an updated manual rate no later than the end of 2013 and to incorporate the most-recently approved trend factors, administrative charges and benefit relativities when it calculates rates in the large group market prior to filing the updated rate. Recommendation at 5.

The Office of Health Care Ombudsman (HCO) entered an appearance in the case pursuant to Green Mountain Care Board Rate Rule 2.000 §2.105(c). The hearing for this filing was scheduled for December 11, 2013. The parties waived the hearing, and this Memorandum is submitted to address the issues in the filing.

## II. DFR Recommendation

The DFR Recommendation for this filing states

[T]he Commissioner recommends that the Board approve TVHP's use of that methodology [set forth in the filing], as it did with BCBSVT's substantially similar group merit rating formula. At the same time, the Commissioner recognizes that the base manual rate that will be used in conjunction with this new methodology is outdated and may result in large group rates that are slightly overstated. Under these circumstances, it is not acceptable to delay the filing of a new manual rate until sometime in January. For that reason, the Commissioner recommends that the Board modify its approval of the present filing by ordering TVHP to file an updated manual rate as soon as is reasonably possible, but no later than the end of the current year. The Commissioner also recommends that the Board order TVHP, in the interim, to continue to incorporate the most-recently approved trend factors, administrative charges and benefit relativities in its calculation of rates in the large group market.

DFR Recommendation at 5.

## III. Standard of Review

The Commissioner shall refuse to seek approval from the Green Mountain Care Board (the Board) of any rate submitted by a health maintenance organization that is "excessive, inadequate or unfairly discriminatory, or fail[s] to meet the standard of affordability, promotion of quality care, and promotion of access pursuant to section 4062 of this title." 8 V.S.A. 5104(a)(2). The definitions for the terms "excessive," "inadequate," or "unfairly discriminatory" used by DFR are described in the Recommendation at pages 2-3.

After reviewing a filing, the Commissioner recommends that the Board approve, modify, or disapprove the rate. 8 V.S.A. §4062(a)(2)(A). The record used by the Board to make a final decision includes the rate review file, including any public comments received, compiled by the

Department and underlying the Commissioner's Recommendation, and the Commissioner's Recommendation itself. GMCB Rule 2.000 §2.403(a). The Board will also review any public comments submitted under its separate process for public comment on rate filings. GMCB Rule 2.000 §2.200(c). The Board may consider "the requirements in the underlying statutes, changes in health care delivery, changes in payment methods and amounts, and other issues at the discretion of the board" when making its decision. 18 V.S.A. §9375(b)(6).

#### IV. Analysis and Argument

The HCO is concerned that the group merit rating formula reviewed in this filing produce rates which are as affordable as possible for rate payers. The OW Opinion concludes that the proposed methodology is reasonable and may result in modest savings for consumers. OW Opinion at 5, 6, Recommendation at 5.

The OW Opinion describes extensive discussions with the carrier relating to the base manual rate to be used in conjunction with the methodology proposed in the filing. OW Opinion at 2-3. It concludes that "it is likely that updating the Base Manual Rate would lead to lower rates." Id. at 9. The Commissioner therefore recommends modifying the filing to require TVHP to file an updated manual rate by the end of the year rather than waiting until January 2014 and to use the most recently approved trend factors, administrative charges and benefit relativities until this updated manual rate has been filed. Recommendation at 5.

The HCO asks the Board to order TVHP to use the methodology and manual rate that will result in the lowest, most affordable rates possible as recommended by the Commissioner.

Dated at Montpelier, Vermont this 11<sup>th</sup> day of December, 2013.

s/ Lila Richardson  
Lila Richardson  
Staff Attorney  
Office of Health Care Ombudsman

## CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Jacqueline Hughes, representative of The Vermont Health Plan, by electronic mail, return receipt requested this 11th day of December, 2013.

s/ Lila Richardson  
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