

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

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

DECISION & ORDER

Introduction

On November 25, 2013, the Commissioner of the Department of Financial Regulation recommended that the Green Mountain Care Board modify and then approve The Vermont Health Plan's (TVHP) Group Merit Rating Formula Filing. In this Decision and Order, the Board accepts the Commissioner's recommendation to approve the filing, with the condition that the carrier incorporate the most current trend factors, administrative charges, and benefit relativities in its rate calculations, and file a Base Manual Rate in early 2014. The Commissioner shall apply this decision pursuant to 8 V.S.A. § 4062(a).

Background

Until January 1, 2014, Vermont law requires a two-step regulatory process for health insurer rate requests: (1) The Department of Financial Regulation reviews each request and makes a recommendation to the Board, 8 V.S.A. § 4062(a); and (2) the Board reviews and approves, modifies, or disapproves the request. 8 V.S.A. § 4062(a)(2)(B); 18 V.S.A. § 9375(b)(6). The Board introduces to this process considerations related to the broad aims of Act 48 such as the extent to which rates are consistent with the goals of containing costs, improving quality of care, and improving the health of the population.

Procedural History

On February 8, 2013, TVHP submitted its Group Merit Rating Formula Filing to the Department via the System for Electronic Rate and Form Filing (SERFF). The Department deemed the filing complete on October 28, 2013.

On November 25, 2013, the Commissioner forwarded to the Board a recommendation that it modify and then approve TVHP's filing, accompanied by an Opinion letter from Oliver Wyman (OW), the Department's contract actuary. *See* Recommendation for Modification and Approval of TVHP Group Merit Rating Formula Filing (Recommendation), *available at*

http://gmcboard.vermont.gov/sites/gmcboard/files/033_13rrComRec.pdf; Oliver Wyman Opinion Letter (OW Letter), *available at*

http://gmcboard.vermont.gov/sites/gmcboard/files/033_13rrOpinion.pdf. TVHP and the Office of the Health Care Ombudsman (HCO)¹ filed notices of appearance. A hearing was scheduled for December 11, 2013; both parties waived the hearing and filed Memorandum of Law in lieu of hearing.

The Board has reviewed and considered all materials submitted by the Department and the parties.

Findings of Fact

Nature of the filing

1. TVHP is a licensed health maintenance organization (HMO) and for-profit subsidiary of BlueCross BlueShield of Vermont (BCBSVT) that provides HMO, point of service (POS), and Medicare Supplement coverage to approximately 41,200 Vermonters. The company offers a variety of plans and products in Vermont's group health insurance market. Recommendation at 1-2.

2. This filing is not a premium filing, but sets forth the methodology that TVHP proposes to use to calculate rates in the large group market. Up until 2013, TVHP sought approval of the company's large group rate development formula, as well as the specific factors that go into determining a particular group's rate. Beginning in 2013, TVHP decided to align its filing schedule with that of its corporate parent BCBSVT, which makes separate filings for its large group rating methodology and for each individual rating component. TVHP has already filed its trend factor, benefit relativity and administrative expense filings for 2013. This filing is its first Group Merit Rating Formula Filing, and the methodology for which it seeks approval is substantially similar to the methodology approved by the Board for BCBSVT in Docket No. GMCB 022-12-rr. *Id.* at 2.

Summary of the Data and Analysis

3. On October 7, 2013, OW contacted TVHP after it discovered that it had not yet reviewed, nor had the Board approved, TVHP's "Book of Business Standard Plan Expected Single Claims Rate," known as the Base Manual Rate, one of the component factors for this

¹ Pursuant to rule, the HCO may participate in the review of rate requests as a party. GMCB Rule 2.000: Rate Review, § 2.105(b).

filing. TVHP informed OW that it intended to include the Base Manual Rate in this filing, but “it regrettably was overlooked.” TVHP’s last approved manual Base Manual Rate was submitted in June 2012 as part of its 4Q12 Large Group Manual Rate Filing.² OW Letter at 2.

4. TVHP now intends to submit a more current Base Manual Rate filing in early January 2014.³ For the purpose of this filing, however, TVHP used the Base Manual Rate from the 4Q12 Large Group Filing (4Q12 Manual Rate). TVHP maintains that updating the underlying claims experience to a more current period would be unlikely to produce a result significantly different than using the 4Q12 Manual Rate along with the most recently approved trend factors. *Id.* at 3.

5. OW reviewed the claims experience for the 4Q12 Manual Rate compared to the most recent experience period, and concluded that claims capped at \$120,000 increased at an annual rate of 2.4%, which is lower than the most recently approved medical trend rate.⁴ OW maintains that using the 4Q12 Manual Rate and a trend rate of 4.1% “will produce higher rates than using an updated manual rate based on more recent experience.” *Id.* 3.

6. The Commissioner recommends that the Board require TVHP to file an updated Base Manual Rate no later than the end of 2013, and 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. Recommendation at 5.

Standard of Review

1. Under Vermont law, the Board must “approve, modify, or disapprove requests for health insurance rates” within thirty (30) days of receiving the Commissioner’s Recommendation. 18 V.S.A. § 9375(b)(6); 8 V.S.A. § 4062(a)(2)(B).

2. In reaching a decision, the Board shall consider “the requirements of the underlying statutes; changes in health care delivery; changes in payment methods and amounts; and other issues at the discretion of the Board.” 18 V.S.A. § 9375(b)(6).

² The 4Q12 Large Group Rate Filing was submitted to the Department on June 14, 2012, and modified and approved by the Board on October 31, 2012. *See* Docket no. GMCB 026-12-rr, available at http://gmcboard.vermont.gov/sites/gmcboard/files/026_Decision.pdf.

³ Although TVHP initially stated it would be submitting its Benefit Relativity Filing including the Base Manual Rate on January 2, 2014, it has now advised, and the Board agrees, that it will make that filing shortly after the Board’s decision in Docket no. GMCB 036-13-rr, the carrier’s First and Second Quarters 2014 Trend Factor Filing. The Board’s decision in that filing is due on January 6, 2014.

⁴ TVHP’s First and Second Quarter 2014 trend filing is currently before the Board. TVHP is proposing trend factors of 4.1% for medical claims and 7.2% for pharmaceutical claims, for a 4.6% combined trend. http://gmcboard.vermont.gov/rate_review_BCBS_129197313.

3. In addition, the Board reviews the Commissioner's recommendation for compliance with the standards imposed on the Department under Vermont law. Specifically, the Commissioner's review must ensure that a rate is "affordable, promotes quality care, promotes access to health care, and is not unjust, unfair, inequitable, misleading, or contrary to the laws of this state." 8 V.S.A. § 4062(a)(3).

Conclusions of Law

4. We share the Commissioner's concern that the carrier neglected to file, since 2012, its Base Manual Rate. We are also concerned that its failure to file the rate based on updated experience may result in slightly higher rates than had the filing been made.

5. We recognize, however, that the methodology proposed here matches the methodology we approved for BCBSVT, and has been characterized by OW as more precise and more innovative than those used in the market in general. Further, TVHP represents that the new rating formula will result in lower rates for two of its most commonly chosen benefit plans. See TVHP Memorandum in Lieu of Hearing at 1, available at http://gmcboard.vermont.gov/sites/gmcboard/files/033_13rrTVHP_Memo.pdf.

6. While we agree with the Commissioner that TVHP must continue to incorporate the most recently approved trend factors, administrative charges and benefit relativities in its calculation of rates in the large group market, we decline to require that it file an updated Base Manual Rate by the start of 2014. There is only one week remaining in 2013, and TVHP has advised the Board that it will file its Base Manual Rate at the start of 2014, at a time when the Board will have expanded jurisdiction of the rate review process, its own contract actuary, and the period of review will be limited to a total of 90 days. See 8 V.S.A. § 4062 (a)(2)(A)(as amended by Act 79, effective January 1, 2014). Given this scenario, we cannot conclude that it is necessary or advantageous that the carrier be ordered to file its Base Manual Rate in the final days of 2013, rather than the first several days of 2014.

Order

For the reasons discussed above, the Board approves TVHP's Group Merit Rating Formula Filing with the condition that the carrier continue to incorporate its most recently approved trend factors, administrative charges and benefit relativities in its rate calculations, and file an updated Base Manual Rate at the start of 2014. The Commissioner shall apply this decision pursuant to 8 V.S.A. § 4062(a)(2)(C).

So ordered.

Dated: December 24, 2013 at Montpelier, Vermont

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

Filed: December 24, 2013

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.