

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: BlueCross and BlueShield Vermont 2013)	
Vermont Automobile Dealers Association)	GMCB-034-13-rr
Rate Filing)	
)	
SERFF No. BCBSVT-129124084)	
Vermont Filing No. 67217)	

MEMORANDUM IN LIEU OF HEARING

I. Introduction

Blue Cross and Blue Shield of Vermont (BCBS) submitted this filing on July 19, 2013, requesting a rate increase on behalf of the Vermont Automobile Dealers Association (VADA). VADA is an “exempt association” of automobile distributors that offers small group health insurance plans to its member employers through a “cost plus” arrangement with BCBS. It affects 1407 policies and 2301 covered lives. Recommendation at 7.

The filing represents a net increase over last year’s rates of 1.9%. There is a 2.5% service charge to be paid by members to VADA to cover the cost of its staff consultant and administrative services, and a 7.0% subsidy from reserves. Recommendation at pages 5-6, Exhibit 1.

This filing was deemed complete by the Department of Financial Regulation (DFR) on November 6, 2013 and the written Actuarial opinion from DFR’s actuary, Oliver Wyman was completed on November 6, 2013. The Board has not requested any additional information from BCBS.

The Recommendation for Approval of the Commissioner of the Department of Financial Regulation dated November 25, 2013 recommends that the Green Mountain Care Board (“the

Board”) modify the rate filing submitted by BCBS by requiring VADA to disclose the amount of its service charge on bills it sends to its members, then approve it.

The Office of Health Care Ombudsman (“HCO”) has entered an appearance pursuant to GMCB Rule 2.000 §2.105(b). The parties have agreed to waive the hearing in this matter scheduled for December 11, 2013.

II. DFR Recommendation

The DFR Recommendation recommends approval of the requested rate increase of 1.9% with a modification requiring VADA disclose the amount of the service charge it bills in addition to the rate. It explains “Since the Department does not review the reasonableness of VADA’s service charge, the Commissioner recommends that the Board modify the VADA filing by requiring that all billing statements break out and disclose the total amount of the service charge and not characterize that charge as being part of the approved rate.” Recommendation at 6.

The DFR Recommendation is based in part on the Oliver Wyman opinion letter and in part on DFR’s analysis of VADA’s reserves and its resulting financial ability to assume risk.

With respect to the second issue, the DFR Recommendation states at page 6

VADA’s reserves are subject to the fiduciary protections imposed by ERISA and the association’s own insurance trust. However, the Department’s Chief Examiner has reviewed the most recent audited financial statements of the VADA Insurance Trust and discussed subsequent financial results with VADA’s Executive Director. It is the opinion of the Chief Examiner that the trust is adequately capitalized for the rate subsidization proposed in this filing and has sufficient capital to bear the risk assumed through the cost-plus arrangement with BCBSVT.

III. Standard of Review

Act 48 of the 2011-2012 legislative session, An act relating to a universal and unified health system (“Act 48”) set forth new statutory criteria for reviewing health care rate increase

requests. In addition to the traditional analysis of rates to ensure that the rates are not “excessive, inadequate or unfairly discriminatory,” DFR must review rates submitted by a hospital service corporation to determine whether the rate is affordable, promotes quality care and promotes access to health care. 8 V.S.A. § §4512(b), 4062(a)(3). The Board decision may take into “consideration 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.” 18 V.S.A. §9375(b) (6).

IV. Analysis and Argument

The HCO is concerned with making rates as affordable as possible for consumers. It supports the adoption of rates which are as low as possible and which thereby promote affordability and improve access to health care. The criterion of affordability set forth in Act 48 is closely related to the criterion of promoting access.

Even with the 7 % rate subsidy provided by VADA for this filing, the 1.9% increase charged to rate payers is still higher than overall increases in consumer prices shown in the most recent Consumer Price Index Summary released on November 20, 2013. This summary shows an unadjusted price index growth for all items in the 12 months ending in October 2013 of 1%. The 12 month change in medical care commodities was .5% and the 12 month change for medical care services was 2.9%. *Available at* <http://www.bls.gov/news.release/cpi.nr0.htm>.

The HCO also believes that it is very important for consumers to understand the charges included in the cost of health insurance. We agree with DFR that the service charge assessed by VADA should be broken out in its bills to be sure that rate payers understand this separate component of the bill. The public cannot understand the rate review process if charges not reviewed in the process are added on to insurance bills without adequate explanation. As noted

in the DFR Recommendation, a requirement to break out charges which are not part of the rate is consistent with earlier Board decisions regarding filings with similar charges. GMCB 028-13-rr, GMCB 030-12-rr.

With respect to the issue of the adequacy of VADA's reserve level, the HCO views the review by the Chief Examining Officer described in the Recommendation as a very positive step. In last year's VADA filing, GMCB 023-12-rr, the association was only required to provide an attestation that reserve levels were adequate to protect consumers. We suggest that a similar review by DFR should be conducted in future years to verify the attestation.

Dated at Montpelier, Vermont this 11th day of December, 2013.

s/ Lila Richardson
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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, and Jacqueline A. Hughes, representative of Blue Cross and Blue Shield of Vermont, by electronic mail, return receipt requested this 11th day of December, 2013.

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