BLUE CROSS BLUE SHIELD OF VERMONT
2017 VERMONT QUALIFIED HEALTH PLANS RATE FILING
PLAIN LANGUAGE SUMMARY

Blue Cross and Blue Shield of Vermont (BCBSVT) is committed to the health of Vermonters, outstanding member experiences and responsible cost management for all of the people whose lives we touch. By pooling the populations covered by our products, we protect individuals from the unaffordable and potentially ruinous costs associated with significant illnesses or injuries. Our products promote preventive care, health maintenance and health improvement, and we have 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 incentives to both provide and properly manage care. BCBSVT's vision is a transformed health care system in which every Vermonter has health care coverage, and receives timely, effective, affordable care. None of this work is possible unless BCBSVT remains financially strong, and that requires that we be allowed to charge rates that cover the medical expenses of the populations we serve.

The purpose of this rate filing is to provide the rates and a description of the rate development for Qualified Health Plans (QHPs) that Blue Cross and Blue Shield of Vermont (BCBSVT) is proposing to offer effective January 1, 2017.

There are 42,527contracts (70,423 members) currently enrolled in a BCBSVT QHP.

BCBSVT is proposing an average rate increase of 8.2 percent across all QHPs. Increases for specific QHPs range from 5.2 percent to 10.9 percent.

The starting point of any renewal rate analysis is an assessment of actual to expected claims cost experience results. The basis for this rate filing is calendar year 2015 experience. That experience was much higher than expected in the 2016 rate filing, driving a 6.3 percent increase in 2017 rates.

In the absence of mandated changes associated with the Affordable Care Act, a 9.1 percent increase would have been requested. In addition to the experience impact, various assumptions drive the balance of the increase:

- Amounts that providers are paid are expected to increase for the balance of 2016 and into 2017, generating a premium impact of 3.7 percent.

- The new pharmacy contract BCBSVT has negotiated with its Pharmacy Benefit Manager reduces the premium by 0.9 percent.

- An increase in administrative costs per member per month, driven largely by ongoing challenges coordinating with Vermont Health Connect, increased premium by 0.9 percent. BCBSVT administrative expenditures for members included in this filing remain below seven percent of premium.

- A contribution to reserves (CTR) is required in order to maintain an adequate level of surplus. BCBSVT believes that CTR should be based on an adequate long-term required level rather than fluctuating significantly from year to year with changes in total premiums. For this reason, we have continued to file a CTR of 2.0 percent for 2017, which

is significantly lower than the amount required to maintain our current capital position relative to total QHP premium. Nonetheless, as this is greater than the CTR approved by the Green Mountain Care Board for 2016 QHP rates, this has the effect of increasing premiums by 1.0 percent.

- Other adjustments to the assumptions used in the 2017 rate development, including an assumption that that members who will enroll in our qualified health plans in 2017 will prove to be significantly healthier on average than those insured during calendar 2015, cumulatively have the effect of reducing the required rate increase by 1.9 percent.

Mandated changes associated with the Affordable Care Act combined for a net decrease to premium of 0.8 percent:

- The federal government assesses a charge on all health plans to subsidize QHP coverage for the three year-period between 2014 and 2016, through its Transitional Reinsurance Program. The subsidy will be eliminated in 2017, requiring groups and members to pay 2.3 percent more for their coverage. This is more than offset by a temporary suspension of the Federal Insurer Fee for 2017, resulting in a combined premium reduction of 0.4 percent.

- Some deductibles, out-of-pocket maximums and co-pays in QHPs remain unchanged from 2016 to 2017. As overall costs increase and the amounts that members pay in cost-sharing contributions stay the same, more of the total cost is transferred to premiums. This impact of 1.6 percent on premium was offset by a 2.0 percent decrease due to plan changes implemented by BCBSVT and the State of Vermont, for a net premium decrease of 0.4 percent.

BCBSVT started selling QHPs in January 2014. In its first two years, this line of business represented $580 million of earned premium. Due to higher-than-expected actual claims and administrative charges, the line of business has incurred a cumulative loss of 0.6 percent. BCBSVT has not included any additional contribution to member reserves to offset this loss.

BCBSVT understands the importance of adequately funding our health care system, to keep it strong and accessible. Since the factors driving this rate increase are almost entirely driven by the cost and utilization of health care in Vermont, we believe that there is no way to further reduce these rates without underfunding the health care coverage on which Vermonters rely.