

1
2 STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

3 In re: Blue Cross Blue Shield of Vermont
2021 Vermont Health Connect Rate Filing

DOCKET NO. GMCB-005-20RR

4
5 SERFF No. BCVT-132371410

6
7 **PREFILED TESTIMONY OF DAVID M. DILLON, FSA, MAAA, MS**

8 Dated: July 14, 2020

9
10 **1. QUALIFICATIONS AND BACKGROUND**

11 **What is your name and who is your employer?**

12 My name is David Dillon. I am a senior vice president and principal of Lewis & Ellis.

13
14 **What type of business is Lewis & Ellis?**

15 Lewis & Ellis (also known as L&E) was founded in 1968 primarily as an actuarial consulting firm. In
16 addition to actuarial work, L&E also consults in other insurance related matters such as financial and
17 market conduct examinations and compliance.

18
19 **What is your educational background?**

20 I have an undergraduate degree in mathematics from Oklahoma State University and a graduate degree in
21 statistics and actuarial science from the University of Iowa. I am a fellow of the Society of Actuaries
22 (SOA) and a member of the American Academy of Actuaries (AAA).

23
24 **How long have you been an actuary?**

1 I have been working in the actuarial field for over 24 years. I have been a credentialed actuary for 18
2 years.

3
4 **How long have you been retained by the Green Mountain Care Board (the Board) to provide**
5 **actuarial services to the State of Vermont?**

6 L&E was engaged in 2014 to begin providing actuarial services to the Board, I began providing actuarial
7 services to the Board at that time.

8
9 **In that time how many Vermont health insurance rate filings have you worked on?**

10 L&E has reviewed approximately 77 filings on behalf of the Board. L&E has reviewed 31 filings
11 submitted by Blue Cross Blue Shield of Vermont (BCBSVT) and its affiliates.

12
13 **In what market segments have those rate filings been?**

14 They have been in the QHP (Quality Health Plan) segments, which includes the merged individual and
15 small group markets, as well as the large group and association health plan markets.

16
17 **How experienced are you at reviewing health insurance rate filings in the Vermont marketplace?**

18 Very experienced.

19
20 **Do you work on health insurance rate filings in other states?**

21 Yes.

22
23 **How many would you say?**
24
25

1 Since 2010, when ACA was passed, L&E staff has assisted 22 states with rate reviews. L&E is currently
2 assisting 14 states with ACA related rate reviews. In some combination, the L&E staff that helps the
3 Board is currently assisting 9 other states with ACA rate reviews (Arizona, California, District of
4 Columbia, Louisiana, Kentucky, Maryland, Nebraska, New Mexico, South Carolina). Since that time, this
5 team has reviewed more than 1,000 filings combined in the Individual and Small Group ACA markets.

6
7 **How does Vermont's health insurance market compare to the markets in the other states you work**
8 **with?**

9 Vermont's health insurance market is a little bit different from the other states that we review. For
10 example, it is a merged, community rated market. However, it is helpful that we work with other states,
11 because with the ACA there are a lot of issues that impact everybody. It is very helpful for our reviewers
12 to be able to see a wide range of filings and a myriad of market wide impacts, like risk adjustment and
13 industry wide impacts such as the COVID-19 pandemic.

14
15 **What do you do in your work to keep up with changing health care reform issues?**

16 Since we work with so many states, L&E is very active with keeping up with issues that impact the health
17 insurance industry. I personally volunteer a lot within the actuarial community. I currently serve on the
18 SOA Board of Directors and I am also an active volunteer within the SOA. This includes being a member
19 of the SOA's Project Oversight Group of the recently released 2021 Health Care Cost Model. For the
20 AAA, I am a member of the Individual and Small Group Markets Committee which oversees health
21 related issues, such as authoring the recently released Issue Brief on the Drivers of Health Insurance
22 Premium Changes which includes the effects of COVID-19. Additionally, Ms. Jacqueline Lee, a peer
23 reviewer for this filing, currently serves as the Chair of the SOA Health section. This means that she helps
24 guide all SOA health related endeavors.

1 **2. FILING REVIEW PROCESS**

2 **Generally speaking, how is a health insurance rate filing reviewed?**

3 Both the rate filing and the rate review are very detailed processes that are based on strict regulatory
4 guidance, both federal and state, and specific Actuarial Standards of Practice (ASOPs). We estimate that
5 there are more than 125 pages of regulations and guidance that we must follow, these include: Uniform
6 Rate Review Template (URRT) (73 pages), ASOP 8 (30 pages), 45 CFR § 156.80 (2 pages), 45 CFR §
7 147.102 (3 pages), GMCB Rule 2.000 (13 pages), 18 V.S.A. § 9375 (2 pages), and 18 V.S.A. § 4062 (2
8 pages). As provided in the guidance, the primary point of the review is determining the reasonableness of
9 the specific and aggregate assumptions used by the health insurance issuer to develop the proposed rate
10 increase. In evaluating the reasonableness of the assumptions, L&E can then assist the Board in
11 determining whether the proposed rates are not excessive, inadequate, or unfairly discriminatory.

12
13 **What are your standards of review?**

14 As noted above, we review the filings to make sure that the companies follow both federal and state
15 guidance. At the state level, the Board has many factors that it must consider in evaluating the proposed
16 rates. L&E focuses on the factors that are primarily actuarial in nature. These are “excessive, inadequate,
17 and unfairly discriminatory.” These are defined actuarial terms that are included as part of ASOP #8.
18 L&E bases the filing evaluation on those factors, and then recommendations are made to the Board if
19 L&E believes that the filing needs to be adjusted to meet those actuarial standards of review.

20
21 **What is the definition of an “adequate” rate according to the actuarial standards of practice?**

22 Rates may be considered adequate if they provide for payment of claims, administrative expenses, taxes,
23 and regulatory fees and have reasonable contingency or profit margins.

1 **What is the definition of an “excessive” rate according to the actuarial standards of practice?**

2 Rates may be considered excessive if they exceed the rate needed to provide for payment of claims,
3 administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins.
4

5 **How is the term “unfairly discriminatory” defined according to the actuarial standards of practice?**

6 The term unfairly discriminatory doesn't come into play too often in a review, especially in Vermont due
7 to the unique nature of its insurance rules, but reviewing to determine that a rate is not unfairly
8 discriminatory is basically just confirming that a carrier doesn't charge similar people materially different
9 rates.
10

11 **What is L&E’s process for reviewing a Vermont rate filing?**

12 For each filing we assign three credentialed actuaries that have different levels of responsibility.
13 For the 2021 filings, Kevin Ruggeberg, ASA, MAAA, is the lead actuary and reviewer for the BCBSVT
14 filing. I am the primary peer reviewer. In this role, I advise Mr. Ruggeberg on the issues that should be
15 addressed with the company and assist on making recommendations. Jacqueline Lee, who is the primary
16 peer reviewer on the MVP filing, serves as the secondary peer reviewer to help ensure consistency as
17 much as possible between both carriers in Vermont.
18

19 **Could you briefly explain what SERFF is?**

20 SERFF is the National Association of Insurance Commissioner’s (NAIC) “System for Electronic Rate
21 and Form Filing.” Insurance carriers submit their filing information into this system, and we
22 communicate with the insurance carriers about the rate filings through SERFF.
23
24
25

1 **When you review a filing are you performing an independent analysis and calculation, or are you**
2 **only checking a calculation or assumption you received from the companies?**

3 I mentioned earlier that a rate review is used to determine the reasonableness of each underlying
4 assumptions and the assumptions in the aggregate. We use different approaches based on the magnitude
5 and materiality of the assumptions and their impact on the rate. One of the assumptions discussed a lot
6 today is utilization trend. Since that assumption is material to the proposed rates, we did an independent
7 calculation and a detailed analysis. For assumptions that may not be as material to the rate increase and
8 for assumptions that may not change that much since our last review, we will just use the information
9 provided to assess whether the assumption is reasonable. We may have to end up asking for additional
10 information to help support the assumption, but we may not have to do any additional calculations for
11 non-material assumptions.

12
13 **Do you have a process for getting additional information from the company if you need it?**

14 Yes. The primary mechanism is through the submission of inquiry letters through SERFF. We also notify
15 the company via email to make sure that they are aware that an inquiry letter was submitted. Early in the
16 review period, the typical approach is to request for a response within a week. Towards the end of the
17 review period, we may request a shorter response time, such as two days. After the review is complete,
18 SERFF is designed such that serves as a template for a review process, and it also provides a permanent
19 record of communications exchanged related to the review.

20
21 **Did you follow the standard policies and practices that you have outlined above in your review of**
22 **this filing?**

23 Yes, we did.
24
25

1 **How long do you have to review a filing from the time it is submitted to the Board?**

2 By statute, we have 60 days to provide a formal report to the Board.

3

4 **Did you submit a formal report to the Board in this filing?**

5 Yes, we submitted a report on July 7, 2020, Day 60 of this filing.

6

7 I attest, under penalty of perjury under the laws of the State of Vermont, that the foregoing is true and
8 correct. I have personal knowledge of the facts set forth above and if called to testify as a witness thereto,
9 I would and could competently testify accordingly.

10

11 Date: July 14, 2020

/s/ David M. Dillon
David M. Dillon, FSA, MAAA, MS

12

13

14

15

16

17

18

19

20

21

22

23

24

25

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross Blue Shield of Vermont 2021 Vermont Health Connect Rate Filing)
)
)
)
)
)
SERFF No. BCVT- 132371410)

DOCKET NO. GMCB-005-20rr

CERTIFICATE OF SERVICE

I, Amerin L. Aborjaily, Esq., hereby certify that I have served a copy of *Lewis & Ellis' July 14, 2020 Prefiled Testimony of David Dillon* upon the following:

Michael Donofrio, Esq.
Stris & Maher LLP
28 Elm Street, 2d Floor
Montpelier, VT 05602
michael.donofrio@strismaher.com

Bridget Asay, Esq.
Stris & Maher LLP
28 Elm Street, 2d Floor
Montpelier, VT 05602
bridget.asay@strismaher.com

Kaili Kuiper, Esq.
Office of the Health Care Advocate
Vermont Legal Aid
56 College Street
Montpelier, VT 05602
kkuiper@vtlegalaid.org

Eric Schultheis, Esq.
Office of the Health Care
Advocate Vermont Legal Aid
56 College Street
Montpelier, VT 05602
ESchultheis@vtlegalaid.org

Jay Angoff, Esq. Mehri & Skalet, PLLC
1250 Connecticut Avenue
Washington, DC 20036
jay.angoff@findjustice.com

Dated at Montpelier, Vermont, this 14th day of July, 2020.

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

By: /s/ Amerin L. Aborjaily
Amerin L. Aborjaily, Esq.
Green Mountain Care Board
144 State Street
Montpelier, VT 05602
amerin.aborjaily@vermont.gov