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April 17, 2018

Jude Daye, Executive Assistant
Blue Cross and Blue Shield of Vermont
445 Industrial Lane
Montpelier, VT 05601

Re: Blue Cross and Blue Shield of Vermont
3Q 2018 LG Rating Program Filing
SERFF Tracking #: BCVT-131424513

Dear Jude Daye:

We have been retained by the Green Mountain Care Board (“GMCB”) to review the above referenced group products filing submitted on 3/15/2018. The following additional information is required for this filing and is being submitted on behalf of the Office of the Health Care Advocate.

Notice regarding proper responses:

- A minimum-acceptable response to quantitative questions from us must include a spreadsheet calculation with retained formulas such that we can replicate the calculations therein.
- Explanatory responses are merely a supplement to the spreadsheet material and in of themselves will constitute a lack of response.

Questions:

1. Please provide an estimate of the distribution of expected rate increase by large group account.
2. In BCBSVT’s Actuarial Memorandum for this filing (p. 30), BCBSVT states that the Tax Cuts and Job Act (Act) reduces the average rate increase by 1.2 percent and that this change is reflected by a 0.5 percent decrease in CTR and a 0.5 percent decrease in the premium impact of the insurer fee. Please demonstrate how the two 0.5 percent decreases that you listed lead to an overall 1.2 percent decrease.
3. In BCBSVT’s answer to L&E’s April 3 Objection Letter, Question #10, BCBSVT calculates the level of CTR that BCBSVT needs to maintain risk based capital in the middle of its target range. Will the Act impact BCBSVT’s financials in additional ways?

4. Please explain how BCBSVT is controlling costs for this book of business by using or planning to use alternative payment methodologies, such as capitated payments inside or outside of OneCare Vermont agreements. Please address each of the below-stated cost control issues in the response:
- a. Whether BCBSVT incorporates alternative payment methodologies into direct contracts with providers;
 - b. Will BCBSVT's large group book of business be included in a contract with OneCare Vermont in 2019; and
 - c. What are BCBSVT's concerns about using alternative payment methodologies in direct contracts with providers and/or OneCare Vermont for this book of business? Please specify if BCBSVT's concerns are due to provider participation, large employer preferences, individual member preferences, and/or BCBSVT's belief that alternative payment methodologies will not increase value for consumers.
5. What metrics BCBSVT will collect to evaluate the success of BCBSVT's current OneCare Vermont contract to determine which book(s) of business, such as the large group book of business, to include in future ACO contract(s); and
- a. What specific metrics from hospitals, insurers, and/or ACOs would help BCBSVT in further developing, evaluating, or clarifying its role in health care reform and the all-payer model?
6. BCBSVT's filing demonstrates that BCBSVT has lost money on its large group book of business in recent years. BCBSVT states, in the Actuarial Memorandum (p. 3), that the newly implemented manual rating methodology requires a 5.1 percent premium increase.
- a. Would the rates on BCBSVT's large group book of business have been higher in the past five years if it had used the newly implemented manual rating methodology during that period?
 - b. What is BCBSVT's estimate of the extent to which previously experienced losses would have been reduced had this new manual rate methodology been implemented at an earlier point in time?

Please be aware that we expect to have further questions regarding the filing as the review continues.

To ensure that the review of your filing has been completed before statutory deadlines, we expect you to respond as expeditiously as possible to every objection in our letter, but no later than April 24, 2018. Note that the responses can be submitted separately and do not have to be submitted all at the same time.

We trust that you understand these forms may not be used in Vermont until they are formally approved by the GMCB.

Sincerely,

A handwritten signature in black ink that reads "Josh Hammerquist". The signature is written in a cursive style with a large, prominent "J" and "H".

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