

## BLUE CROSS BLUE SHIELD OF VERMONT 2015 VERMONT EXCHANGE PRODUCTS 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 the products that Blue Cross and Blue Shield of Vermont (BCBSVT) is proposing to be offered in the Vermont Exchange, effective January 1, 2015.

- BCBSVT is proposing an average rate increase of 9.8 percent across all Exchange plans. This ranges from a 4.8 percent increase to an 11.8 percent increase.
- There are an estimated 35,037 contracts (57,867 members) currently enrolled with BCBSVT in a Qualified Health Plan.

Significant medical price increases were partially offset by favorable membership assumptions and reductions in BCBSVT administrative expenses. Combined, these factors produced a 3.3 percent increase in rates. The remainder of the 9.8 percent increase was driven by changes related to federal and state health care reforms, including an increase in the federal fee that is included in Exchange pricing, a reduction in federal subsidies of the premiums on Vermont's new Exchange, and a modest expansion of dental benefits for children.

- The federal government assesses a charge on all health plans to subsidize Exchange coverage for the three year-period between 2014 and 2016, through its Transitional Reinsurance Program. The subsidy is reduced in 2015 and 2016, before being eliminated entirely in 2017. Because the premium subsidy is being reduced from an estimated seven percent to an estimated three percent in 2015, it will require groups and members to pay 4.0 percent more for their coverage.
- The federal insurer fee established by the Affordable Care Act is used to provide subsidies to low-income people to help them afford to purchase Exchange products. This fee is increasing by more than 40 percent, resulting in a 0.9 percent increase in premium for Exchange products.
- The Green Mountain Care Board approved a change to enhance coverage for dental services for children. The change provides that children covered through the non-CDHP Exchange products will have access to cleanings and other services with no cost-

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sharing requirement. The enhancement in coverage raises the premium by 0.5 percent.

- Most deductibles, out-of-pocket maximums and co-pays in Exchange plans remain unchanged from 2014 to 2015. As overall costs increase and the amounts that members pay in cost-sharing contributions stays the same, more of the total cost is transferred to premiums. This had an impact of 0.8 percent on premium.

These four items drive an increase of 6.3 percent required solely because of mandated changes associated with the Affordable Care Act and Vermont benefit decisions.

In the absence of mandated changes associated with the Affordable Care Act and Vermont benefit decisions, a 3.3 percent increase would have been requested:

- An estimate of increases in the amounts providers are paid was included in 2014 Exchange rates. Increases beyond those assumptions that have already occurred in 2014, or that are projected to occur before the end of 2014, drive a premium increase of 2.9 percent. This primarily includes hospital payments under budgets approved by the Green Mountain Care Board and prescription drug prices.
- Amounts providers are paid are expected to increase by 4.8 percent in 2015. This increase flows directly to premium.
- BCBSVT assumes that “new members” who have or will enroll in our qualified health plans will prove to be significantly healthier on average than those previously insured in individual and small group products. This assumption creates a premium *decrease* of 2.5 percent.
- Other adjustments to the assumptions used in the 2014 rate development cumulatively have the effect of *reducing* the required rate increase by 1.8 percent. These include items such as updating the experience base to calendar year 2013 and observing the mix of membership actually enrolled on the Exchange in 2014. Notably, BCBSVT has:
  - Reduced the projected medical utilization “trend” (the expected increases in overall medical use) to zero,
  - Reduced its administrative expense fees, and
  - Included a one percent contribution to reserves, an amount that is lower than it would normally require for the protection of Exchange members.

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 related to federal policy changes and increases in prices paid to medical providers in Vermont, we believe that there is no way to further reduce these rates without underfunding the health care coverage on which Vermonters rely.