

**State:** VermontGMCB **Filing Company:** BCBSVT  
**TOI/Sub-TOI:** ML02 Multi-Line - Other/ML02.000 Multi-Line - Other  
**Product Name:** Q4 2014 - Q3 2015 BCBSVT Admin Filing  
**Project Name/Number:** /

## Filing at a Glance

Company: BCBSVT  
Product Name: Q4 2014 - Q3 2015 BCBSVT Admin Filing  
State: VermontGMCB  
TOI: ML02 Multi-Line - Other  
Sub-TOI: ML02.000 Multi-Line - Other  
Filing Type: GMCB Trend / Admin Charge  
Date Submitted: 04/04/2014  
SERFF Tr Num: BCVT-129486744  
SERFF Status: Assigned  
State Tr Num:  
State Status:  
Co Tr Num:  
  
Implementation On Approval  
Date Requested:  
Author(s): Vince Mace, Pam Young, Seth Abbene, Jude Daye, Martine Brisson-Lemieux  
Reviewer(s): Thomas Crompton (primary), Kelly Macnee, David Dillon, Judith Henkin, Jacqueline Lee  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:

**State:** VermontGMCB **Filing Company:** BCBSVT  
**TOI/Sub-TOI:** ML02 Multi-Line - Other/ML02.000 Multi-Line - Other  
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## General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Date Approved in Domicile:
Requested Filing Mode: Review & Approval	Domicile Status Comments:
Explanation for Combination/Other:	Market Type: Group
Submission Type: New Submission	Group Market Size: Large
Group Market Type: Employer	Overall Rate Impact:
Filing Status Changed: 04/07/2014	
State Status Changed:	Deemer Date:
Created By: Jude Daye	Submitted By: Jude Daye
Corresponding Filing Tracking Number:	

Filing Description:  
April 4, 2014

Judith Henkin, Esq.  
Health Policy Director  
Green Mountain Care Board  
89 Main Street, Third Floor, City Center  
Montpelier, Vermont 05620

Subject:Blue Cross and Blue Shield of Vermont - NAIC # 53295  
Fourth Quarter 2014 through Third Quarter 2015 Administrative Charges and Contribution to Reserve Filing

Dear Ms. Henkin:

Attached for the Green Mountain Care Board's review and approval is the Blue Cross and Blue Shield of Vermont's Fourth Quarter 2014 through Third Quarter 2015 Administrative Charges and Contribution to Reserve filing.

Please let me know if we can answer any questions or provide further information during your review.

Sincerely,

Kevin Goddard

cc:Tom Crompton/GMCB  
Ruth Greene/BCBSVT  
Vince Mace/BCBSVT  
Paul Schultz/BCBSVT

## Company and Contact

### Filing Contact Information

Jude Daye, Executive Assistant	dayej@bcbsvt.com
445 Industrial Lane	802-371-3244 [Phone]
Montpelier, VT 05601	

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**Filing Company Information**

BCBSVT	CoCode: 53295	State of Domicile: Vermont
PO BOX 186	Group Code:	Company Type: Hospital
Montpelier, VT 05601	Group Name:	Service Corp
(802) 371-3450 ext. [Phone]	FEIN Number: 03-0277307	State ID Number:

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**Filing Fees**

Fee Required? No  
Retaliatory? No  
Fee Explanation:

SERFF Tracking #:

BCVT-129486744

State Tracking #:

Company Tracking #:

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**TOI/Sub-TOI:** ML02 Multi-Line - Other/ML02.000 Multi-Line - Other  
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## Supporting Document Schedules

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	Q4 2014-Q3 2015 BCBSVT Admin - Actuarial Memorandum.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Civil Union Rating Requirements
<b>Bypass Reason:</b>	Not required.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Filing Compliance Certification
<b>Comments:</b>	
<b>Attachment(s):</b>	Compliance Certification.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Third Party Filing Authorization
<b>Bypass Reason:</b>	BCBSVT does not use a Third Party to submit filings.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Exhibits
<b>Comments:</b>	
<b>Attachment(s):</b>	Q4 2014 - Q3 2015 BCBSVT Admin - Exhibits.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

**Blue Cross and Blue Shield of Vermont  
Administrative Charges and Contribution to Reserves Filing  
Fourth Quarter 2014 through Third Quarter 2015  
Actuarial Memorandum**

**Purpose and Schedule of Charges**

The purpose of this filing is to develop administrative charges to be used in the rate development for Blue Cross and Blue Shield of Vermont (BCBSVT)'s Large Group business. There are an estimated 16,427 contracts (33,153 members) currently enrolled in a BCBSVT large group plan.

The Schedule of Charges is contained in Exhibit 1. The administrative charges are intended to be adequate to cover BCBSVT's actual operating costs during the rating periods involved.

**Effective Period**

The administrative charges developed in this filing are intended to apply primarily to rate effective months during the fourth quarter 2014 through the third quarter of 2015. Additionally, for a variety of reasons, rates for effective months after these quarters may have to be developed and communicated prior to the submission and approval of a new filing for the quarter in which such rating periods commence.<sup>1</sup>

For group accounts (Insured and Cost Plus), the administrative charges from this filing for the appropriate rate effective date will apply beginning with rates communicated 10 business days after the date of its approval, and continuing until 10 business days after the date of approval of the next BCBSVT Large Group filing that includes an administrative charge component. The term "communicated," for this purpose, means a written proposal delivered to a current or potential group account.

**Source of Data**

The sources of actual expense data in this filing are BCBSVT's data warehouse and accounting records. The Experience Base period for this filing is January 2013 to December 2013. Actual BCBSVT administrative expenses for the Experience Base period are compiled on a GAAP reporting basis. Exhibit 2 provides a reconciliation of the Experience Base period to GAAP financial report data.

**Experience Base of Actual Expenses**

Administrative expenses are allocated under BCBSVT's cost accounting system to lines of business. For the Group business segment (Insured and Cost Plus combined), this cost accounting data by cost center is then allocated into Cost Categories for purposes of determining administrative charges for each specific BCBSVT group account, given that account's characteristics.<sup>2</sup> The Group Cost Categories include:

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<sup>1</sup> Rate effective months for this filing include the twelve rate months falling within the time period from Q4 2014 through Q3 2015, plus the next four months. Inclusion of the additional four rating months will enable, for example, quotes or renewals for certain group accounts to be developed and communicated to the account when an early set of rates is needed.

<sup>2</sup> PUPM costs for Cost Plus members having Medicare Supplement plans are set equal to the corresponding values for conventionally funded Medicare Supplement members. The resulting costs are removed from the Cost Plus cost accounting charges before dividing by the (non-Medicare Supplement) Cost Plus units.

**Blue Cross and Blue Shield of Vermont**  
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**Account** – those expenses that are allocated to specific group accounts on a per group account basis.

**Billing Group** – those expenses that are allocated on a per billing group basis (i.e., reflecting the number of separate billing entities within a group account).

**Member** – allocated on a per member basis.

**DM Member** – allocated on a per member basis, for those members in group accounts with disease management in place.

**Special Cost Plus** – those special financing expenses applicable to Cost Plus accounts, allocated on a per account basis (to Cost Plus accounts only).

For each of the Group Cost Categories described above, the respective number of unit months during the Experience Base period is tabulated for the Group business segment. This includes the number of account months, number of billing group months, number of member months and number of member months with disease management. For each of the Individual/Other business segments, the respective number of member months for each is used as the units.

Fees paid to GHI for the electronic processing of Medicare Supplement claims are being assigned correctly to all members whose claims go through the GHI system. These members are in the following product categories: Individual Medicare Supplement, Group Carve Out, Cost Plus Medicare Supplement, Cost Plus Carve Out, and TVHP MediGap Blue.

Using the Experience Base administrative expenses and unit months, per unit per month (PUPM) values are calculated. For Group, there are five such PUPM values – one for each of the Cost Categories indicated above.

The Experience Base administrative expenses PUPM are shown in Exhibit 3.

### **Projection Factors**

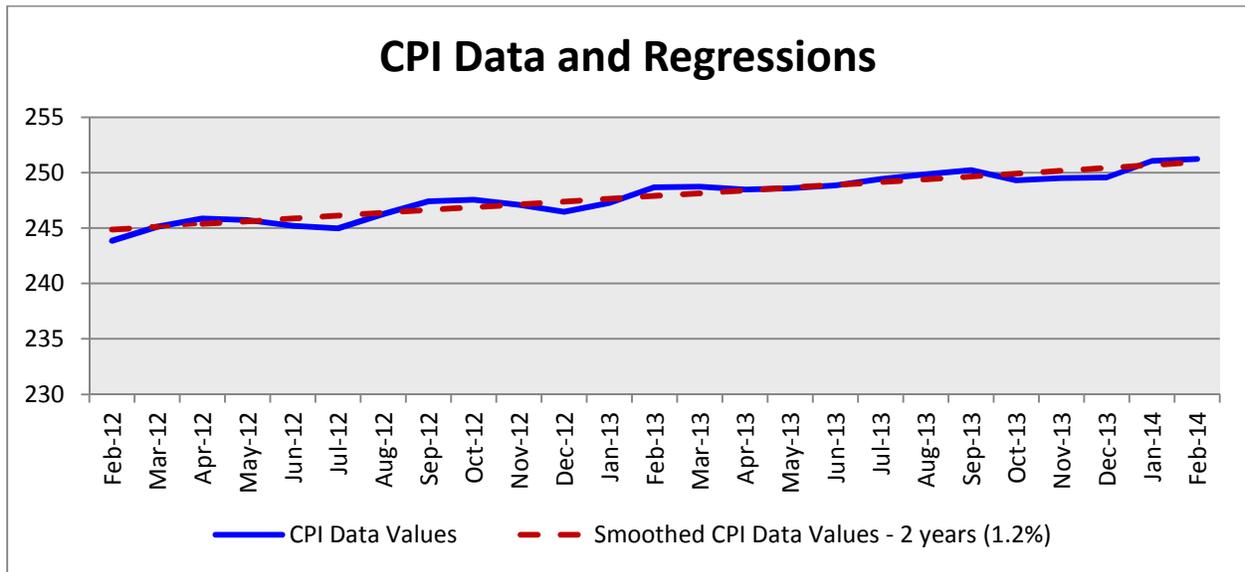
Actual administrative costs PUPM from the Experience Base period are projected to each of the rating periods (see Exhibits 1 and 3). Projection factors are based on a 1.2% annual trend and are shown in Exhibit 4. These projection factors are intended to make reasonable but modest provision for increases in overall operating costs PUPM. Note that there are no known extraordinary or mandate-related costs at this time which require separate provision for the rating periods involved in this filing.

The 1.2% annual trend factor used in these projections is based on a two-year regression of the CPI data values<sup>3</sup> for February 2012 through February 2014, as shown in the following graph:

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<sup>3</sup> Data source: <http://www.bls.gov/data/#prices> (CPI - All Urban Consumers, Northeast Urban, All Items, 1982-1984=100, data through February 2014)

**Blue Cross and Blue Shield of Vermont  
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The 1.2% is intended to represent an underlying average rate of increase in actual administrative costs (assuming that volume remains the same); during certain short-term periods, the actual rate of increase may vary. Given that over 75% of administrative costs are for salaries and benefits (including a majority of outsourcing costs), we feel that CPI is a reasonable estimate of future increases.

**Charges for Group Accounts**

The Administrative Charge PUPM figures shown in Exhibit 3 are the values to be applied on an account by account basis, along with each group account’s corresponding unit count, to produce account-specific administrative charges. These amounts will then be expressed as equivalent PMPM amounts for each group account.

Amounts for special items or unique services not part of BCBSVT’s standard scope of administrative services (e.g., special booklets, certificates, or reports) are to be determined and applied separately on an account-specific basis. Commissions based on the commission scale applicable to the account are not reflected in the schedule of admin charges in Exhibit 1; they are to be calculated and applied separately.

**Contribution to Reserves**

The administrative charges developed are for administrative expenses only, and contain no provision for reserve contribution. Exhibit 5 contains a schedule of contribution to reserves as a percent of premium, by line of business.

A contribution to reserves is required in order to maintain an adequate level of surplus. Surplus is a critical consumer protection that allows providers to continue to receive payments and subscribers to receive needed care in the event of unforeseen adverse events

**Blue Cross and Blue Shield of Vermont  
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that may otherwise impact BCBSVT's ability to pay claims. We believe that the levels established in Exhibit 5 represent an adequate, yet not excessive, contribution to reserves.

**Actuarial Certification**

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering opinions with regard to Health rate filings.

Blue Cross and Blue Shield of Vermont has developed the Fourth Quarter 2014 through Third Quarter 2015 Administrative Charges filing to which this Actuarial Certification is attached. The charge schedule and implementation plan are intended to fully fund BCBSVT's administrative expenses for the applicable rating periods indicated.

Based on my review of Blue Cross Blue Shield of Vermont's administrative expense experience and allocation to business segments, it is my opinion that the administrative charges set forth in this filing are adequate and are neither excessive nor unfairly discriminatory.

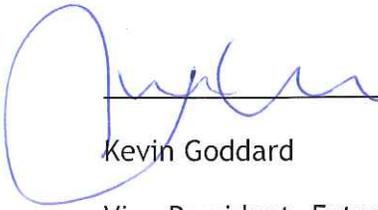


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Paul Schultz, F.S.A., M.A.A.A.

April 4, 2014

I HEREBY CERTIFY that I have reviewed the applicable filing requirements for this filing, and, to the best of my knowledge, the filing complies with all applicable statutory and regulatory provisions for the state of Vermont.



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Kevin Goddard

Vice President, External Affairs

4/4/14

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Date

Exhibit 1  
Blue Cross and Blue Shield of Vermont Administrative Charges and Contribution to Reserves Filing  
Fourth Quarter 2014 to Third Quarter 2015  
Experience Base Expenses PUPM <sup>(1)</sup>

Business Segment	Units for PUPM	Oct-14 Eff Date	Nov-14 Eff Date	Dec-14 Eff Date	Jan-15 Eff Date	Feb-15 Eff Date	Mar-15 Eff Date	Apr-15 Eff Date	May-15 Eff Date	Jun-15 Eff Date	Jul-15 Eff Date	Aug-15 Eff Date	Sep-15 Eff Date	Oct-15 Eff Date	Nov-15 Eff Date	Dec-15 Eff Date	Jan-16 Eff Date
Group																	
PUPM factors <sup>(2)</sup>																	
Account	Account (All)	\$481.25	\$481.73	\$482.20	\$482.68	\$483.16	\$483.64	\$484.13	\$484.61	\$485.09	\$485.57	\$486.05	\$486.54	\$487.02	\$487.51	\$487.99	\$488.48
Billing Group	Groups	\$599.52	\$600.12	\$600.71	\$601.31	\$601.91	\$602.51	\$603.11	\$603.71	\$604.31	\$604.91	\$605.51	\$606.11	\$606.72	\$607.32	\$607.92	\$608.53
Member	Members	\$21.53	\$21.55	\$21.57	\$21.59	\$21.62	\$21.64	\$21.66	\$21.68	\$21.70	\$21.72	\$21.74	\$21.77	\$21.79	\$21.81	\$21.83	\$21.85
DM Member	DM Members	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Cost Plus Account	Account (CP Only)	\$2,390.27	\$2,392.65	\$2,395.03	\$2,397.41	\$2,399.80	\$2,402.18	\$2,404.57	\$2,406.96	\$2,409.36	\$2,411.75	\$2,414.15	\$2,416.55	\$2,418.96	\$2,421.36	\$2,423.77	\$2,426.18

Notes:

(1) See Exhibit 3 for development.

(2) Applicable to all Group regular and Carveout coverage.

**Exhibit 2**  
**Blue Cross and Blue Shield of Vermont Administrative Charges and Contribution to Reserves Filing**  
**Fourth Quarter 2014 to Third Quarter 2015**  
**Reconciliation of Experience Base Administrative Expense to Reported GAAP Expenses**  
(Dollars in 000's)

Business Segment	01/13 - 12/13 Experience Base	Reconciliation to GAAP <sup>(1)</sup>		
		Commissions	Reclassification Items <sup>(2)</sup>	Reported Expenses
<b>Large Group</b>				
BCBS Insured	\$9,154	\$1,437	\$100	\$10,691
Cost Plus <sup>(3)</sup>	\$18,692	\$360	\$407	\$19,458
TVHP	\$4,656	\$1,331	\$67	\$6,055
<i>Large Group Subtotal</i>	<i>\$32,502</i>	<i>\$3,128</i>	<i>\$574</i>	<i>\$36,204</i>
<b>Individual/Other</b>				
BCBS Small Group	\$7,090	\$877	\$92	\$8,059
BCBS Individual	\$6,536		\$83	\$6,619
TVHP Small Group	\$8,004	\$4,417	\$100	\$12,522
Medicare Supplement	\$1,944		\$158	\$2,102
Cost Plus Medicare Supplement <sup>(4)</sup>	\$270		(\$270)	
TVHP Medigap Blue	\$620		\$6	\$627
<b>Other Member Categories</b>				
FEP	\$3,536		(\$2)	\$3,534
Blue MedicareRx	\$749		(\$0)	\$749
<b>Other Categories</b>				
CBA	\$7,415	(\$3)	(\$6)	\$7,407
Host	\$2,246		(\$4)	\$2,242
<b>Total</b>	<b>\$70,912</b>	<b>\$8,418</b>	<b>\$733</b>	<b>\$80,063</b>

**Notes:**

(1) Sources: Commissions and Reclassification Items are from Internal BCBSVT reports. Reported Expenses are from Underwriting Results GAAP Basis, for the Experience Base period.

(2) Reclassification Items include amortized exceptional expense amounts, and the allocation of GHI and provider contracting expenses across relevant member categories.

(3) Cost Plus billing expenses are separated from other Treasury cost center expenses.

(4) Allocation of expenses for Cost Plus members with Med Supp coverage based on cost PMPM for insured Med Supp members. In GAAP financials, expenses are included in Large Group Cost Plus.

**Exhibit 3**  
**Blue Cross and Blue Shield of Vermont Administrative Charges and Contribution to Reserves Filing**  
**Fourth Quarter 2014 to Third Quarter 2015**

Business Segment	Experience Base <sup>(1)</sup>			Administrative Charges PUPM <sup>(4)</sup>																
	Administrative Expenses <sup>(2)</sup>	Unit Months <sup>(3)</sup>	Expense PUPM	Oct-14 Eff Date	Nov-14 Eff Date	Dec-14 Eff Date	Jan-15 Eff Date	Feb-15 Eff Date	Mar-15 Eff Date	Apr-15 Eff Date	May-15 Eff Date	Jun-15 Eff Date	Jul-15 Eff Date	Aug-15 Eff Date	Sep-15 Eff Date	Oct-15 Eff Date	Nov-15 Eff Date	Dec-15 Eff Date	Jan-16 Eff Date	
	(000s)																			
Large Group																				
Account	\$909	1,929	\$471.31	\$481.25	\$481.73	\$482.20	\$482.68	\$483.16	\$483.64	\$484.13	\$484.61	\$485.09	\$485.57	\$486.05	\$486.54	\$487.02	\$487.51	\$487.99	\$488.48	
Billing Group	\$3,092	5,267	\$587.14	\$599.52	\$600.12	\$600.71	\$601.31	\$601.91	\$602.51	\$603.11	\$603.71	\$604.31	\$604.91	\$605.51	\$606.11	\$606.72	\$607.32	\$607.92	\$608.53	
Member	\$27,453	1,302,008	\$21.09	\$21.53	\$21.55	\$21.57	\$21.59	\$21.62	\$21.64	\$21.66	\$21.68	\$21.70	\$21.72	\$21.74	\$21.77	\$21.79	\$21.81	\$21.83	\$21.85	
DM Member	\$711	1,166,685	\$0.61	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	
Special Cost Plus	\$337	144	\$2,340.89	\$2,390.27	\$2,392.65	\$2,395.03	\$2,397.41	\$2,399.80	\$2,402.18	\$2,404.57	\$2,406.96	\$2,409.36	\$2,411.75	\$2,414.15	\$2,416.55	\$2,418.96	\$2,421.36	\$2,423.77	\$2,426.18	
Large Group Subtotal	\$32,502																			

**Notes:**

- (1) Based on allocated administrative expenses and GAAP financials for the 01/13 - 12/13 Experience Base period. See Exhibit 2 for reconciliation of Experience Base to GAAP reported data. Member months are restated.  
(2) Expenses for "Group" are allocated by "Group" cost category (Accounts, Billing Group, etc).  
(3) "Unit Months" for "Group" refers to months times number of Accounts, Billing Groups, etc. For "Small Group and Individual", it refers to member months.  
(4) Calculated as the product of Experience Base Expense PUPM and the corresponding Adjusted Expense Projection Factor for the indicated Effective Date, from Exhibit 3b.

**Exhibit 4**  
**Blue Cross and Blue Shield of Vermont Administrative Charges and Contribution to Reserves Filing**  
**Fourth Quarter 2014 to Third Quarter 2015**

Business Segment	Projection factor @ 1.2% per annum (1)																			
	Factor to CY 2014	Factor to CY 2015	Factor to CY 2016	Factor to Oct-14 Eff Date	Factor to Nov-14 Eff Date	Factor to Dec-14 Eff Date	Factor to Jan-15 Eff Date	Factor to Feb-15 Eff Date	Factor to Mar-15 Eff Date	Factor to Apr-15 Eff Date	Factor to May-15 Eff Date	Factor to Jun-15 Eff Date	Factor to Jul-15 Eff Date	Factor to Aug-15 Eff Date	Factor to Sep-15 Eff Date	Factor to Oct-15 Eff Date	Factor to Nov-15 Eff Date	Factor to Dec-15 Eff Date	Factor to Jan-16 Eff Date	
Group																				
Account	1.012	1.024	1.036	1.021	1.022	1.023	1.024	1.025	1.026	1.027	1.028	1.029	1.030	1.031	1.032	1.033	1.034	1.035	1.036	
Billing Group	1.012	1.024	1.036	1.021	1.022	1.023	1.024	1.025	1.026	1.027	1.028	1.029	1.030	1.031	1.032	1.033	1.034	1.035	1.036	
Member	1.012	1.024	1.036	1.021	1.022	1.023	1.024	1.025	1.026	1.027	1.028	1.029	1.030	1.031	1.032	1.033	1.034	1.035	1.036	
DM Member	1.012	1.024	1.036	1.021	1.022	1.023	1.024	1.025	1.026	1.027	1.028	1.029	1.030	1.031	1.032	1.033	1.034	1.035	1.036	
Special Cost Plus	1.012	1.024	1.036	1.021	1.022	1.023	1.024	1.025	1.026	1.027	1.028	1.029	1.030	1.031	1.032	1.033	1.034	1.035	1.036	

Note:  
(1) Calendar year increase of 1.2% per annum, compounded to produce factors for rating periods, from experience base period to the rating year with the indicated Effective Date.

**Exhibit 5**  
**Blue Cross and Blue Shield of Vermont Administrative Charges and Contribution to Reserves Filing**  
**Contribution to Reserves**  
**Fourth Quarter 2014 to Third Quarter 2015**

The administrative charges provided in the filed exhibits do not include any component for contribution to reserves. A reserve contribution will be applied separately as follows:

Large Group Insured	2% of premium
Large Group Cost Plus	0.5% of equivalent premium