BlueCross BlueShield of Vermont
An Independent Licensee of the Blue Cross and Blue Shield Association

June 19, 2020

Mr. Kevin Ruggeberg, A.S.A., M.A.A.A.
Consulting Actuary
Lewis & Ellis, Inc.

**Subject: Your 06/16/2020 Questions re:**
**Blue Cross and Blue Shield of Vermont**
**2021 Vermont Individual and Small Group Rate Filing**
**(SERFF Tracking #: BCVT-131936226)**

Dear Mr. Ruggeberg:

In response to your requests on behalf of the Office of the Health Care Advocate dated June 15, 2020, here are *your questions* and our answers:

1. *Vermont Health Connect (VHC) has been responsible for billing consumers who purchased plans through VHC. The state had planned for carriers to take over billing these consumers starting in 2021. However, the planned switch was postponed. As in past years, VHC will bill these consumers in 2021.*

   *BCBSVT specified that it added a 0.6% increase into the 2021 VHC rate filing related to the assumption that it would take over billing for VHC enrolled members. GMCB-005-20rr, Actuarial Mem. at 5. Given the timing of the announcement that VHC will continue to be responsible for VHC enrollee billing in 2021, it is understandable that BCBSVT did not incorporate this fact into its filing. Please list all changes to the filed rate that are now needed to reflect that VHC, and not BCBSVT, will be responsible for billing VHC enrolled members in 2021.*

   BCBSVT was aware that the transition of the billing functions for individuals enrolled through VHC was delayed to 2022 at the time of filing. The additional 0.6 percent in rates is primarily due to the new payment options that BCBSVT will offer members directly enrolled through BCBSVT in 2021. A smaller portion of the increase is due to platform enhancements and staffing additions that will be required during 2021 so that BCBSVT can begin processing transactions when open enrollment begins in October 2021 for the 2022 benefit year. No changes to the filed rates are necessary.

2. *Do cost sharing reduction plans take more administrative time than other QHPs and therefore represent a larger portion of administrative costs? If yes, does BCBSVT silver stack these costs or spread it out among all plans?*

   BCBSVT has not attempted to refine our cost accounting to this level of granularity.

3. *Vermont implemented a special enrollment period (SEP) in response to the Covid-19 crisis which is still open. Please provide the following to date:*

   a. *the number of Vermonters who have enrolled in a BCBSVT plan using this SEP, broken out by CSR plan and metal level, and*
   b. *any impact this new member population had on age/demographic factors.*

   BCBSVT does not track which specific special enrollment period allows a member to enroll midyear. The table below shows the number of new members in the individual market by month for 2019 and 2020. We exclude newborns and mid-month enrollments, as those are driven by special circumstances.

| Month | 2019 | 2020 |
|---|---|---|
| March | 194 | 239 |
| April | 297 | 297 |
| May | 234 | 211 |

   It does not appear that the COVID-19 SEP has had a material impact on enrollment or demographic composition of the block.

4. *Please confirm the accuracy of the below-provided table that lists requested rates and rate components, allowed rates and rate components, and actual rate components. If the cell is blank or you believe the value listed is incorrect, please provide the value that you believe is correct.*

   We reviewed the table and are providing corrections (in red) and additions (in green). The sources to complete the table are:

   - 2019 Filing: https://ratereview.vermont.gov/sites/dfr/files/2018/Final%20BCVT-131497882.pdf
   - 2020 Filing: https://ratereview.vermont.gov/sites/dfr/files/SERFF%20Filing%20BCVT-131936226%20as%20of%208.20.2019.pdf
   - 2021 Filing: https://ratereview.vermont.gov/sites/dfr/files/BCVT-132371410.pdf

   Note that we have renamed the rows that reflect the approved rates from "allowed" to "approved" to avoid confusion.

| Year Filed | | 2020 (PY 2021) | | 2019 (PY 2020) | | 2018 (PY 2019) | |
|---|---|---|---|---|---|---|---|
| Docket # | | GMCB-005-20rr | | GMCB-006-19rr | | GMCB-009-18rr | |
| | | Value | Source | Value | Source | Value | Source |
| Members | | 39,195 | | 43,939 | p65 | 53,664 | p102 |
| Average Rate Change | Proposed | 6.3% | | 15.6% | p55 | 9.6% | p335 |
| | Approved | NA | | 12.4% | p602 | 5.8% | p445 |
| Allowed Medical Trend | Proposed | 7.3% | arithmetic | 6.8%[1] | arithmetic | 4.7% | p135 + arithmetic |
| | Approved | NA | | 6.2%[1] | arithmetic | 4.7% | p135 + arithmetic |
| | Actual | NA | | NA | | 4.8% | arithmetic |
| Medical Unit Cost Trend | Proposed | 3.6% | p32 | 2.6% | p76 | 2.7% | p84 |
| | Approved | NA | | 2.8%[2] | p603 | 2.7% | p84 |
| | Actual | NA | | NA | | 2.5% | arithmetic |
| Medical Utilization Trend | Proposed | 3.6% | p37 | 4.1%[1] | p603 | 2.0% | p86 |
| | Approved | NA | | 3.3%[1] | p603 | 2.0% | p86 |
| | Actual | NA | | NA | | 2.2%[3] | arithmetic |
| Pharmacy Allowed Trend - after Contract changes | Proposed | 13.4% | p211 | 12.0%[4] | p127 + arithmetic | 9.9% | p135 + arithmetic |
| | Approved | NA | | 12.0%[4] | p127 + arithmetic | 9.9% | p135 + arithmetic |
| | Actual | NA | | NA | | 10.9% | arithmetic |
| Total Administrative Charges PMPM | Proposed | $53.42 | p220 | $46.54 | p135 | $40.26 | p142 |
| | Approved | NA | | $46.54 | p135 | $40.29 | p438 |
| | Actual | NA | | NA | | $46.73 | arithmetic |
| Contribution to Policyholders Reserve | Proposed | 1.5% | p58 | 1.5% | p136 | 1.5% | p98 |
| | Approved | NA | | 1.5% | p136 | 0.5% | p432 |

[1] Original table included the impact of cost containment in the allowed medical trend. To provide a better annual comparison, we included only the medical utilization trend component.
[2] In their order, the GMCB allowed BCBSVT to account for new information on FY 2020 hospital budgets and increase medical unit cost trend to 2.79 percent.
[3] Excludes the impact of new initiative with our Lab Benefit Manager partner.
[4] Original table included pharmacy trends before the impact of contract changes. In order to accurately compare to the actual allowed trend, impact of contract changes should be included.

5. *On page 6 of your Contribution to Policyholder Reserves Memorandum, you state (referring to Covid-19): "These costs and risks have are [sic] counterbalanced by the deferral of non-emergent care that has taken place during the declared state of emergency." Given you have some post COVID-19 data, can you provide an exhibit to show how the costs balance out?*

   "Post COVID-19 data" does not yet exist. Because of claim payment lag—that is, the time it takes providers to code and submit claims for reimbursement, and the time it takes BCBSVT to process and pay those claims—we do not yet have insight even into the fullness of the claims deferral that has taken place. As you are aware, the actual scheduling and completion of deferred care is only just now getting underway. The return of deferred services will not be fully reflected in the data for many months to come. As you are also aware, additional COVID-19 cases are being identified in Vermont and nationally. It is significantly premature—by a matter of years, in the likely event of additional waves of illness—to suggest that any carrier has access to "post COVID-19 data."

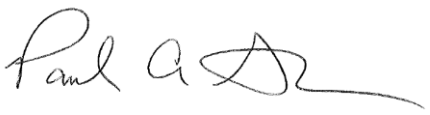
   We are working to analyze and estimate the kinds of impacts referenced in this question, because those estimates are critical to understanding the impact of COVID-19 on future rate requests and on policyholder reserves in the future. In other words, it is very much in BCBSVT's interests, including and extending beyond the current rate filings, to understand these impacts as soon as possible. However, we are still too early in the process, and still facing too many COVID-related uncertainties, to perform those analyses with sufficient certainty to present to the HCA or the Board.

6. *Has BCBSVT implemented or planned to implement any risk optimization activities for years 2019, 2020, and or 2021?*

   In light of the magnitude of risk adjustment transfers now that BCBSVT no longer has a dominant market share, we have taken a number of steps to ensure that the risk adjustment transfer accurately reflects the morbidity differences between the BCBSVT population and the Vermont individual and small group market as a whole. These include hiring and/or engaging additional resources with the ultimate goal of increasing engagement with providers throughout our service area to improve coding and capture more accurate information on claims submissions.

Please let us know if you have any further questions, or if we can provide additional clarity on any of the items above.

Sincerely,



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