



1 **What is BCBSVT’s position regarding the “weighted average trend correction”**  
2 **recommendation on page 23 of L&E’s July 7 letter?**

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3 BCBSVT agrees that L&E’s recommended modification should be made. In responding  
4 to L&E’s inquiries during this proceeding, BCBSVT found an error in our original calculation,  
5 such that the requested increase for this item should have been 6.47 percent, not 6.3 percent as  
6 filed. L&E agreed that this correction is reasonable and appropriate, and therefore recommended  
7 this modification.

8  
9 **What is BCBSVT’s position regarding the “update risk adjustment” recommendation on**  
10 **page 23 of L&E’s July 7 letter?**

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11 BCBSVT agrees that L&E’s recommended modification should be made. L&E  
12 calculated a final 2019 risk adjustment estimate using data that was not available at the time of  
13 the Filing.

14  
15 **What is BCBSVT’s position regarding the “correct credit card fees” recommendation on**  
16 **page 24 of L&E’s July 7 letter?**

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17 BCBSVT agrees with L&E’s recommendation to remove credit card fees for Vermont  
18 Health Connect members. BCBSVT agrees with L&E’s observation that its original calculation  
19 of credit card fees unintentionally failed to exclude VHC members.

20  
21 **What is BCBSVT’s position regarding the “correct URRT retention items”**  
22 **recommendation on page 23 of L&E’s July 7 letter? In your response, please state what**  
23 **URRT stands for.**

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24 URRT stands for the Uniform Rate Review Template, a standard form that summarizes  
25 the data used to determine rate increases for the entire single risk pool. BCBSVT agrees with  
26  
27

1 L&E’s recommendation to correct the reporting of non-claims items in the URRT. We have  
2 made those corrections in the URRT submitted as part of our response to L&E Inquiry Letter 4.

3  
4 **What is BCBSVT’s position regarding the “reduce utilization trend” recommendation on**  
5 **page 23 of L&E’s July 7 letter?**

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6 L&E recommends reducing the utilization trend for medical services such that the  
7 average annual utilization trend is 3.0 percent, rather than 3.6 percent as in the Filing. While  
8 BCBSVT and L&E agree that it is necessary and appropriate to adjust the data for changes in  
9 population morbidity when assessing utilization trend, we disagree on how best to do so.  
10 BCBSVT continues to view its utilization trend methodology as valid and appropriate. Our  
11 assumption of 3.6 percent is both actuarially sound, and, in my opinion, the best estimate of  
12 medical utilization trend. However, we recognize that L&E’s approach uses another actuarially  
13 accepted methodology and also arrives at a reasonable result. In recognition of the ongoing  
14 health, social and economic crises, and to streamline the hearing, BCBSVT chooses to forgo a  
15 complex actuarial argument between two similar and reasonable results and agrees to abide by  
16 L&E’s recommendation.

17  
18 **You stated that you continue to view BCBSVT’s utilization trend methodology as valid and**  
19 **appropriate. Were you not persuaded by L&E’s arguments to the contrary?**

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20 I was not. L&E mischaracterizes our development as stating or implying that “the  
21 underlying population for [a] fixed list of small groups is constant enough that further morbidity  
22 analysis is unnecessary.” July 7 Letter at 8. To the contrary, we acknowledged the changing  
23 dynamics over time and made appropriate adjustments for changes in demographics. *See*  
24 Actuarial Mem. at 20, 23. Further, L&E’s assertion that “professional utilization trend for the  
25 individual market exceeded the small group trend in all three study years,” July 7 Letter at 9, is  
26 true only for the portion of utilization trend considering the number of services. BCBSVT’s  
27 statement that “individual market adjusted year over year utilization trends . . . are consistent

1 with or lower than those for the small group market,” Actuarial Mem. at 20, is correct because  
2 BCBSVT also includes trend due to the intensity or mix of services in its analysis of utilization  
3 trend. See Actuarial Mem. § 3.4.7.1, July 7 Letter at 5. In addition, L&E mischaracterizes our  
4 position that it is acceptable to “not study possible morbidity adjustments” for the individual  
5 products. July 7 Letter at 9. To the contrary, we assessed changes in the individual population  
6 and made appropriate morbidity adjustments using actuarially accepted age/gender factors. See  
7 Actuarial Mem. at 23.

8  
9 **What is BCBSVT’s position regarding the “consider updated hospital budget information”**  
10 **recommendation on page 23 of L&E’s July 7 letter?**

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11 BCBSVT agrees with L&E’s recommendation that to the extent updated information  
12 regarding unit cost trends is available, via the July 31, 2020 hospital budget submissions, that  
13 information should be used to update the assumed unit cost trends in the Filing. As L&E  
14 observes, the impact of such a change cannot be estimated at this time because the hospital  
15 budget submissions are not yet available.

16 In the absence of the hospital budget submissions, it is possible to do sensitivity testing to  
17 develop a view on how the overall commercial “ask” in the submissions might affect the rates.  
18 BCBSVT assumed in the Filing that the Board would approve hospital budgets similar to last  
19 year. If we assume that the hospitals request, and the Board approves, commercial rate increases  
20 that are one percent higher than those approved last year, rates would need to increase by an  
21 average of 0.4 percent to reflect the higher costs. The increase to rates is proportional to the  
22 increase in approved hospital budgets; that is, an approved commercial rate increase two percent  
23 higher than last year’s corresponds to a 0.8 (two times 0.4) percent rate increase, and so forth.

24  
25 **Did BCBSVT received an objection from DFR regarding the plan designs?**

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26 Yes. On June 30, 2020, BCBSVT received an objection from DFR regarding the 2021  
27 plans designs. In the original plan designs, both standard and non-standard plans capped the

1 chiropractic and physical therapy copayments at 125 percent of the PCP copayment, rounded  
2 down to the nearest \$5. The bill in the Vermont Legislature mandating this further reduction did  
3 not pass. The current statute (8 V.S.A. § 4088a) requires that chiropractic and physical therapy  
4 copayments are between 125 and 150 percent of the PCP copayment. DFR informed us of the  
5 changes to the standard plans and requested that we update non-standard plans that were not in  
6 compliance. BCBSVT adjusted its Non-Standard Silver plans, with accompanying CSR, Native-  
7 American and Reflective plans, by increasing chiropractic and physical therapy copayments to  
8 levels allowable under current law. These changes are reflected in the revised attachments A and  
9 B that BCBSVT filed through SERFF as a note to reviewer and emailed to the Board and the  
10 HCA on July 13, 2020.

11  
12 **Does this change to the chiropractic and physical therapy copayments impact the rate**  
13 **increase?**

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14 This change reduces the rates by 0.0153 percent.

15  
16 **What is the average rate increase after the change to the chiropractic and physical therapy**  
17 **copayments?**

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18 Adding this change to the L&E recommendations does not alter the resulting rounded  
19 average rate increase, which remains 5.5 percent.

20  
21 **Has BCBSVT done any additional work to model the impacts of the COVID-19 pandemic**  
22 **after submitting a Supplemental Actuarial Memorandum and related materials on that**  
23 **topic on July 4, 2020?**

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24 Yes. Given the timing, the modeling BCBSVT had conducted as of July 1 and published  
25 on July 4 included claims data through May 2020. On July 7, BCBSVT's actuarial team  
26 completed the monthly reserving estimates that incorporated claims paid through June 30, 2020.  
27 We used the estimated completed incurred claims through June to update our modeling.

1 Additionally, DFR promulgated a draft COVID testing bulletin on July 6, then updated the draft  
2 bulletin on July 10 to explicitly incorporate Vermont Department of Health guidance that had  
3 been published on June 30. Over the past week, I have worked with my team to update the model  
4 by incorporating the June claims data, the draft bulletin, and a number of modeling  
5 enhancements. We will as soon as possible complete quality assurance on the updated model and  
6 provide the Board, L&E, the HCA, DFR, and Oliver Wyman with an Addendum to the July 4  
7 Supplemental Actuarial Memorandum explaining the updated data, assumptions, and  
8 methodology along with the updated modeling results.

9  
10 **Please summarize the results of the updated modeling.**

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11 The Addendum I mentioned above will provide a detailed description of the results. At a  
12 high level, the inclusion of the June claims data and incorporation of the latest regulatory  
13 guidance lead to a more unfavorable impact to BCBSVT's solvency position than the original  
14 results described in the July 4 Supplemental Actuarial Memorandum. Each of our modeling  
15 enhancements offset to some degree the impact of the data and regulatory updates, such that the  
16 overall results are modestly more unfavorable than those communicated within the July 4  
17 Supplemental Actuarial Memorandum. Based on the best information known to us at this time,  
18 the COVID-19 pandemic remains likely to have an impact on claims costs ranging from  
19 modestly favorable to substantially unfavorable, with the majority of simulated results being  
20 fairly neutral. The updated modeling also shows that, over the full course of the pandemic, the  
21 likelihood of a significantly favorable impact on claims costs resulting in a "windfall" to  
22 BCBSVT is vanishingly small.

23  
24 **What materials did you review and rely on in preparing this prefiled testimony?**

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25 I reviewed and relied on the following materials, beyond those listed in my July 7, 2020  
26 Prefiled Testimony:

- 27
- L&E's July 7 Letter

- 1 • July 7, 2020 Letter from DFR Commissioner Michael S. Pieciak to Green Mountain Care  
2 Board re: Solvency Impact of BCBSVT 2021 VISG Rate Filing
- 3 • July 7, 2020 Letter from Oliver Wyman to DFR Commissioner Michael S. Pieciak
- 4 • GMCB budget guidance to Vermont hospitals  
5 ([https://gmcboard.vermont.gov/sites/gmcb/files/Hospital-  
7 Budgets/FY21%20Hospital%20Budget%20Guidance-%20Final.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/Hospital-<br/>6 Budgets/FY21%20Hospital%20Budget%20Guidance-%20Final.pdf))
- 8 • <https://www.healthvermont.gov/response/coronavirus-covid-19/testing-covid-19>
- 9 • <https://www.ahip.org/wp-content/uploads/AHIP-Wakely-COVID-19-Testing-Report.pdf>
- 10 • [https://www.uvmhealth.org/medcenter/pages/coronavirus-covid-19/coronavirus-covid-  
12 19.aspx](https://www.uvmhealth.org/medcenter/pages/coronavirus-covid-19/coronavirus-covid-<br/>11 19.aspx)
- 13 • <https://www.dartmouth-hitchcock.org/patient-education/covid-19-recovery.html>
- 14 • <https://www.cvmc.org/covid-19-information/community-updates>
- 15 • [https://us.milliman.com/en/insight/Estimating-the-impact-of-COVID19-on-healthcare-  
17 costs-in-2020](https://us.milliman.com/en/insight/Estimating-the-impact-of-COVID19-on-healthcare-<br/>16 costs-in-2020)

16 **Does this conclude your Prefiled Testimony of July 13, 2020?**

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17 Yes.

**REMOTE NOTORIAL ACT CERTIFICATE**

State of Vermont, County of

Washington

Sign or sworn remotely before me through a secure communication link on July 13, 2020 by Paul A. Schultz.

Executed by

Paul A. Schultz  
Paul A. Schultz

on

July 13, 2020

Date

07/13/20

Signature of notary public:

Alan Cunningham

Printed name of notary public

Alan Cunningham

Commission number:

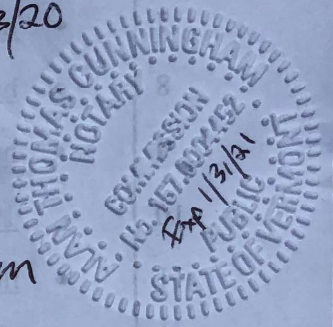
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Commission expiration date:

01/31/2021

Title of office is Notary Public.

Yes



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Testimony of Paul A. Schultz  
July 13, 2020



**REMOTE NOTORIAL ACT CERTIFICATE**

State of Vermont, County of \_\_\_\_\_.

Sign or sworn remotely before me through a secure communication link on July \_\_\_\_, 2020 by Paul A. Schultz.

Executed by \_\_\_\_\_ on \_\_\_\_\_.  
*Paul A. Schultz* *Date*

Signature of notary public: \_\_\_\_\_

Printed name of notary public \_\_\_\_\_

Commission number: \_\_\_\_\_

Commission expiration date: \_\_\_\_\_

Title of office is Notary Public.

**CERTIFICATE OF SERVICE**

I certify that I have served the above Supplemental Prefiled Testimony of Paul A. Schultz on Michael Barber, Amerin Aborjaily, Thomas Crompton, and Christina McLaughlin of the Green Mountain Care Board; and on Kaili Kuiper, Eric Schultheis, and Jay Angoff, counsel for the HCA, by electronic mail, Delivery Receipt requested via Microsoft Outlook, on July 13, 2020.

*/s/ Michael Donofrio*

\_\_\_\_\_  
Michael Donofrio

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