

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: The Vermont Health Plan	)	GMCB-001-14rr
Second Quarter 2014 Benefit Relativity	)	
Factor Filing	)	SERFF No.: BCVT-129370736
	)	
	)	

**DECISION & ORDER**

Introduction

As of January 1, 2014, Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(B) (*as amended by 2013, No. 79, §5c*). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. §§ 4062(a)(3).

Procedural History

On January 13, 2014, The Vermont Health Plan (TVHP) submitted its Second Quarter 2014 (2Q14) Benefit Relativity Factor Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). See [http://ratereview.vermont.gov/rate\\_review/BCVT-129370736](http://ratereview.vermont.gov/rate_review/BCVT-129370736). The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this rate filing.

On March 14, 2014, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E), [http://ratereview.vermont.gov/sites/dfr/files/BCVT-129370736\\_ActMemo\\_FINAL.pdf](http://ratereview.vermont.gov/sites/dfr/files/BCVT-129370736_ActMemo_FINAL.pdf), and the Vermont Department of Financial Regulation’s (Department) analysis and opinion regarding the impact of the proposed filing on the insurer’s solvency. [http://ratereview.vermont.gov/sites/dfr/files/BCVT-129370736\\_Solvency\\_Opinion.pdf](http://ratereview.vermont.gov/sites/dfr/files/BCVT-129370736_Solvency_Opinion.pdf).

The Board received no public comments.<sup>1</sup> The parties have waived a hearing pursuant to GMCB Rule 2.000, and each has filed a memorandum in lieu of hearing.

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<sup>1</sup> The period during which the Board accepted comments ran from January 14 through March 28, 2014.

## Findings of Fact

1. TVHP is a licensed health maintenance organization (HMO) and for-profit subsidiary of Blue Cross and Blue Shield of Vermont (BCBSVT) that offers a variety of health insurance plans and products to the group market in Vermont.

2. The benefit relativity factors requested in this filing are not in themselves rates, but are one part of the overall rate charged to large groups subscribing or renewing coverage in the second quarter of 2014 or later.

3. Because some plan offerings have richer benefits and different cost-sharing features than others (*e.g.*, higher or lower deductibles or copays), benefit relativity factors, each expressed as a ratio, are used to calculate the charge for a specific plan in relation to the base or benchmark plan. For example, a plan with a 1.05 benefit relativity factor is 5.0% richer and more costly to the insurer than the benchmark plan, which will have a value of 1.00. For groups with more than one plan design, the benefit relativity factors determine how much the rate of any given plan should deviate from the average approved rate for the group.

4. This filing affects approximately 10,635 lives apportioned among five plan design offerings:

- Consumer Driven Health Plan: 8,875 lives
- Blue Care HMO: 1,393 lives
- Blue Care Open Access: 140 lives
- Blue Care Lo Option: 227 lives
- Blue Care Point of Service: 0 lives

5. TVHP has calculated the pricing differentials for the five plan designs as follows:

- Consumer Driven Health Plan: -2.9%
- Blue Care HMO: 2.9%
- Blue Care Open Access: -5.9%
- Blue Care Lo Option: -2.9%
- Blue Cross Point of Service: N/A

6. Although the change in benefit relativity factors does not affect overall rates, the effect on a particular group will vary. The updated manual rate<sup>2</sup> and benefit relativity factors lead to a potential maximum change in the manually-rated claims projection from a decrease of

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<sup>2</sup> A manual rate is the insurer's published rate for a unit of insurance and is based on average claims data from a large number of groups. TVHP included its manual rate filing, dated February 8, 2013, as an attachment to this filing.

-17.25% to an increase of 11.2%, all else being equal. The manual rate's impact will be dampened if a group's actual claims experience – which is blended with the manually rated claims projection – is even partially credible.

7. TVHP developed the benefit relativity factors using a base experience period from August 2012 to July 2013, with payments through October 2013. The experience period claims were then projected forward using a 4.0% medical trend and pharmacy trend of 4.7%, for a combined trend of 4.1%.

8. Based on its review of the filing and supplemental information provided by TVHP, L&E opines that the methodology proposed in this filing does not produce rates that are excessive, inadequate, or unfairly discriminatory, and recommends that the Board approve the filing as requested.

9. Pursuant to 8 V.S.A. § 4062(a)(2)(B), the Department provided the Board an opinion and analysis of the effect of the proposed filing on TVHP's solvency. Because TVHP is a wholly owned subsidiary of BCBSVT, the Department focused on the solvency of BCBSVT, TVHP's parent company. DFR concluded that BCBSVT's current level of surplus is sufficient, and that the current filing, if approved as requested, will not adversely affect BCBSVT's solvency. *See Solvency Impact Letter (March 13, 2014), available at [http://ratereview.vermont.gov/sites/dfv/files/BCVT-129370736\\_Solvency\\_Opinion.pdf](http://ratereview.vermont.gov/sites/dfv/files/BCVT-129370736_Solvency_Opinion.pdf).*

#### Standard of Review

1. Section 5104(a)(2) of Title 8 V.S.A. provides that rates submitted by a health maintenance organization must not be “excessive, inadequate or unfairly discriminatory or fail to meet the standards of affordability, promotion of quality care, and promotion of access pursuant to section 4062 of this title.” In addition, the Board takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6).

2. As part of its review, the Board considers the Department's analysis and opinion on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a).

3. The insurer proposing a rate change has the burden to justify the requested rate. G.M.C.B. Rule 2.000: Rate Review, § 2.104(c).

Conclusion of Law

We accept the actuarial recommendation that this filing should be approved as requested. Although the rates of some large groups may increase, rates will not be adversely impacted overall, and the relativities are reasonable and appropriate between plans with varying benefits and cost sharing. In addition, the benefit relativity factors proposed in this filing will not materially affect the solvency risk of BCBSVT, TVHP's parent company.

Order

For the reasons discussed above, the Board approves The Vermont Health Plan's Second Quarter 2014 Benefit Relativity Factor Filing.

**So ordered.**

Dated: April 11, 2014 at Montpelier, Vermont.

s/ <u>Alfred Gobeille</u>	)	GREEN MOUNTAIN CARE BOARD OF VERMONT
s/ <u>Cornelius Hogan</u>	)	
s/ <u>Betty Rambur</u>	)	
s/ <u>Allan Ramsay</u>	)	
	)	

*Board member Karen Hein did not take part in this decision.*

Filed: April 11, 2014

Attest: s/ Janet Richard  
Green Mountain Care Board, Administrative Services Coordinator

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: [Janet.Richard@state.vt.us](mailto:Janet.Richard@state.vt.us)). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*