

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

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| In re: Blue Cross and Blue Shield of Vermont |) | GMCB-002-14rr |
| Second Quarter 2014 Benefit Relativity |) | |
| Factor Filing |) | SERFF No.: BCVT-129370654 |
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| |) | |

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, Blue Cross and Blue Shield of Vermont (BCBSVT) submitted its Second Quarter 2014 (2Q14) Benefit Relativity Factor Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). http://ratereview.vermont.gov/sites/dfr/files/BCVT-129370654_SERFF.pdf. 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-129370654_ActMemo_Final.pdf, and the Vermont Department of Financial Regulation's (Department) analysis and opinion of regarding the impact of the proposed filing on the insurer's solvency. See http://ratereview.vermont.gov/sites/dfr/files/BCVT-29370654_SolvencyAnalysis.pdf.

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

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

Findings of Fact

1. BCBSVT is a non-profit hospital and medical service corporation that provides Vermonters a variety of health insurance plans, services and products in the individual and group markets.

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, 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 33,162 lives apportioned among five plan design offerings:

- Consumer Driven Health Plan: 9,872 lives
- Vermont Freedom Plan: 10,267 lives
- Comprehensive: 92 lives
- J Plan: 1,536 lives
- Vermont Health Partnership: 11,395 lives

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

- Consumer Driven Health Plan: -7.7%
- Vermont Freedom Plan: -5.8%
- Comprehensive: -0.2%
- J Plan: 0.6%
- Vermont Health Partnership: 6.5%

6. Although the change in benefit relativities does not affect overall rates, its effect on a particular group will vary. The updated manual rate and benefit relativity factors lead to a potential maximum change in the manually-rated claims projection from a decrease of -17.25% to an increase of 11.2%, all else being equal. The manual rate's impact will be dampened if a group's claims actual experience – which is blended with the manually rated claims projection – is even partially credible.

7. BCBSVT developed the 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 total trend of 4.1%.

8. Based on its review of the filing and supplemental information provided by BCBSVT, 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 filing as proposed on BCBSVT's solvency. The Department concluded that BCBSVT's current level of surplus is sufficient, and that the current filing, if approved as requested and as recommended by L&E, will have no material impact on BCBSVT's solvency. *See Solvency Impact Letter (March 13, 2014), available at http://ratereview.vermont.gov/sites/dfr/files/BCVT-29370654_SolvencyAnalysis.pdf.*

Standard of Review

1. The Board reviews rate filings to ensure that rates are not “excessive, inadequate or unfairly discriminatory,” that they promote quality care and access to health care, protect insurer solvency, and are not unjust unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. §§ 4512(b); 4062(a)(2). 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 will consider 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. GMCB 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 BCBSVT's solvency risk.

Order

For the reasons discussed above, the Board approves Blue Cross and Blue Shield of Vermont's Second Quarter 2014 Benefit Relativity Factor Filing.

So ordered.

Dated: April 11, 2014 at Montpelier, Vermont.

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| 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). 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.