

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross and Blue Shield of Vermont)	GMCB-006-14rr
2014 Provision for Large Claims and Stop)	
Loss Filing)	SERFF No.: BCVT-129374060
)	
)	

DECISION & ORDER

Introduction

As of January 1, 2014, Vermont law requires that health insurers submit major medical rate filings with 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 of the filing, the Board must determine whether the 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 14, 2014, Blue Cross and Blue Shield of Vermont (BCBSVT) submitted its 2014 Provision for Large Claims and Stop Loss Filing via the System for Electronic Rate and Form Filing (SERFF). 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 the actuarial memorandum of its contract actuaries, Lewis & Ellis (L&E), http://ratereview.vermont.gov/sites/dfr/files/BCVT-129374060_ActMemo_Final.pdf, and the Vermont Department of Financial Regulation's (Department) analysis and opinion of regarding the impact of the proposed filing has on the insurer's solvency. See http://ratereview.vermont.gov/sites/dfr/files/BCVT-129374060_SolvencyOpinion.pdf.

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

* 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. This filing sets forth large claims factors and the cost of reinsurance for merit groups and the pooling charges for Cost Plus groups. These factors are used to estimate the impact of large health claims when determining rates from a company's experience. There are approximately 33, 200 Vermonters affected by this filing, with 29,800 in merit groups and 3,400 in Cost-Plus Groups.

3. To develop large claims factors, an insurer will remove claims from the experience period that exceed a stated threshold (the "attachment point"), and then add back to the group's claims an expected average large claim amount based on an analysis of historical trends and averages. This helps to reduce the distorting effect of unexpected large claims incurred during the period used to develop rates ("experience period").

4. BCBSVT developed the large claims factors by analyzing the experience of BCBSVT and TVHP members for experience years ending December 31, 2011 and December 31, 2012, with allowed charges and paid claims through September 30, 2013. The experience data set was trended forward using 4.1%, with calendar year 2012 given twice the weight of 2011 to emphasize recent experience and add to statistical credibility.

5. Because a company's large claim experience is usually not statistically credible for projection purposes, BCBSVT supplemented the experience with 2013 Milliman Health Cost Guidelines. BCBSVT's calculation of large claims factors results in an overall rate impact of approximately 1.0% (\$4.00 PMPM).

6. For 2013, BCBSVT purchased reinsurance for claims in excess of \$650,000. For 2014, BCBSVT changed its contract terms and purchased coverage for claims in excess of \$600,000. The change in contract terms accounts for an increase in the charge from \$0.53 PMPM for 2013, to \$1.05 PMPM for 2014.

7. L&E reviewed the filing and opines that the methodology for determining the proposed factors and cost of reinsurance is reasonable and appropriate and does not produce rates that are excessive, inadequate, or unfairly discriminatory. L&E recommends that the Board approve the filing as submitted by the carrier.

8. 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, will not adversely affect BCBSVT's solvency. *See Solvency Impact Letter (March 13, 2014), available at <http://ratereview.vermont.gov/sites/dfr/files/TVHP%20Solvency%20Opinion%20129374083%20SIGNED.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 analysis and opinion of the Department of Financial Regulation 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. BCBSVT's large claims factors were determined by an actuarial sound methodology, and resulted in a minimal increase (~1.0%) to rates. Further, the increased cost of reinsurance is reasonable, and appears to be solely due to a change in contract terms lowering the attachment point from \$650,000 to \$600,000.

Order

For the reasons discussed above, the Board approves TVHP's 2014 Provision for Large Claims Filing as submitted by the carrier.

So ordered.

Dated: April 11, 2014 at Montpelier, Vermont.

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