

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross and Blue Shield Vermont )  
3Q-4Q 2014 Trend Filing ) GMCB-012-14-rr  
)

Blue Cross and Blue Shield of Vermont's Reply Memorandum

Blue Cross and Blue Shield of Vermont (BCBSVT) files this Reply Memorandum to clarify the record before the Green Mountain Care Board (GMCB or Board).

The Department of Financial Regulation was clear in its opinion that the Board *should not reduce* the trend factors as filed unless the GMCB's actuary *expressly* finds that the factors would produce rates that are excessive. The Department of Financial Regulation Commissioner stated in her opinion:

Unless GMCB's consulting actuary explicitly opines that this filing will produce rates that are inadequate or excessive, DFR's opinion is that these trend factors as filed likely will have the impact of sustaining the current level of solvency, which DFR has determined to be appropriate and necessary. Further, DFR is of the opinion that downward adjustments to these trend factors should not be made unless absolutely necessary to prevent the resulting rate from being excessive (*i.e., only if GMCB's consulting actuary has expressly opined that the filing will produce rates that are excessive and has therefore proposed adjustments*).

Department of Financial Regulation April 4, 2014 Opinion, page 3 (emphasis supplied).

Moreover, under 8 V.S.A. § 4062, the GMCB has an independent legal obligation to *protect* the solvency of BCBSVT.

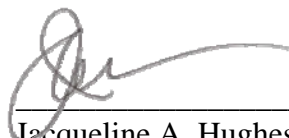
Lewis & Ellis, Inc. (L&E), the Board's actuary, was clear that it reached the identical conclusion on its *best estimate* of the indicated rate for medical trend and a *higher* trend rate than BCBSVT for pharmacy. L&E did not provide an "independently calculated range" of trend assumptions, as implied in the HCA's memorandum. Rather, they opined that the range of *actual results* may vary due to "random fluctuations and unpredictable changes in the market," providing a range of +/- one standard deviation with respect to its best estimate at the request of the Board. L&E March 26, 2014 Opinion, page 6. L&E stressed that "the trends on the low end and high end [of the estimated range] are not as likely to occur as the trends in the middle of the range."

Id. p. 7.

The Health Care Advocate offered no evidence in rebuttal to these professional findings but merely argues that the CPI is lower than the requested rate and that lowering the trend would make rates more affordable. The CPI is not part of the record and its relevance with respect to the business covered by this filing is questionable. The findings of both sets of actuaries are in the record and state that approval of the rate as filed is both actuarially reasonable and appropriate and will give rates that are neither excessive nor inadequate. Adequate rates are necessary to sustain BCBSVT as a viable entity which, in turn, enables BCBSVT to provide products to Vermonters that make access to affordable health care possible.

HCA's arguments to lower the indicated trends are arbitrary, without evidentiary support in the record, and should be rejected. BCBSVT renews its request the Board approve the trends as filed.

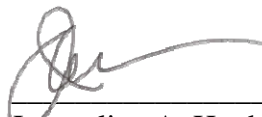
Dated at Montpelier, Vermont, this 25<sup>nd</sup> day of April, 2014.



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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the BCBSVT Reply Memorandum has been duly served upon Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson, Office of Vermont Health Advocate, by electronic mail, return receipt requested, this 25<sup>th</sup> day of April, 2014.



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