

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: BCBSVT 4Q14-3Q15 Administrative )  
Expense and Contribution to Reserve Rate Filing )  
 ) GMCB-16-14-rr  
 )  
SERFF No. BCVT-129486744 )

MEMORANDUM IN LIEU OF HEARING

The Office of the Health Care Advocate asks the Green Mountain Care Board to modify the proposed rates for the above named filing by lowering the Administrative Trend to 0.0% and the Contribution to Reserves to 1% for Insured Large Groups and 0.25% for Cost Plus Large Groups.

I. Introduction

For its Fourth Quarter 2014 through Third Quarter 2015 Administrative Expense and Contribution to Reserve Rate Filing, covering an estimated 33,153 lives, Blue Cross Blue Shield of Vermont (BCBSVT) proposes a 1.2% administrative expense trend, a 2% contribution to reserve (CTR) for Insured Large Group, and a 0.5% CTR for Cost Plus Large Group. GMCB-16-14-rr, SERFF Filing, Actuarial Memorandum. BCBSVT filed this rate request for review by the Green Mountain Care Board (GMCB) on April 4, 2014. GMCB-16-14-rr, SERFF Filing. On April 30, 2014, the Department of Financial Regulation (DFR) submitted its review of BCBSVT's financial solvency and on June 3, 2014, Lewis and Ellis (L&E), the contracted

actuaries for the GMCB, presented its Actuarial Memorandum on this filing. GMCB-16-14-rr, DFR Solvency Analysis and L&E Actuarial Memorandum.

The Office of Health Care Advocate (HCA) entered an appearance in this matter pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303 on April 14, 2014. The parties have agreed to waive the hearing for the filing.

## II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the Green Mountain Care Board before implementing health insurance rates. 8 V.S.A. §4062(a); 8 V.S.A. §5104(a). The Green Mountain Care Board has the power to approve, modify, or disapprove requests for health insurance rates.” 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). The insurer carries the burden to show that their rates are reasonable. GMCB Rule 2.104(c).

When “deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory.” GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3). In addition, the Board shall take into consideration the requirements of the underlying statutes; changes in health care delivery; changes in payment methods and amounts; DFR’s Solvency Analysis; and other issues at the discretion of the Board. GMCB Rule 2.000 §2.401; 18 V.S.A. §9375(b)(6). Further, the Board “shall consider any comments received on a rate filing and may use them to identify issues.” GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer; questions posed by the GMCB to its actuaries; questions posed to the insurer by the GMCB, its actuaries, and DFR;

DFR's Solvency Analysis; and the Opinion from the GMCB's actuary. GMCB Rule 2.000 §2.403(a).

### III. Analysis

The HCA agrees with L&E's analysis of the filing: BCBSVT's administrative trend should be set at 0% and its contribution to surplus should be 1.0% for Insured Large Groups and 0.25% for Cost Plus Large Groups. This modification would avoid excessive rates, promote access to care, and result in a more affordable product for Vermont policyholders.

#### *Administrative Trend*

BCBSVT developed its 1.2% administrative trend based on 2013 administrative costs which they then projected forward using historical Consumer Price Index data (CPI). GMCB 16-14-rr SERFF Filing. BCBSVT concluded that because the CPI projects an increase in consumer prices from 2014 to 2015, BCBSVT should expect a similar increase in administrative costs during that time. GMCB 16-14-rr SERFF Filing.<sup>1</sup>

L&E points out that BCBSVT expects a 1.5% per member per month decrease in 2014 administrative costs compared to 2013 administrative costs due to increased membership. GMCB 16-14-rr, L&E Actuarial Memorandum p. 2. BCBSVT did not incorporate this decrease into its projection of administrative costs for this filing. GMCB 16-14-rr, L&E Actuarial Memorandum p. 2. L&E states that the 2014 decrease in administrative costs should be included to calculate BCBSVT's administrative trend and would offset BCBSVT's expected inflation trend. L&E therefore recommends applying a 0.0% administrative trend for this filing. GMCB 16-14-rr, L&E Actuarial Memorandum p. 2.

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<sup>1</sup> BCBSVT used the same technique to develop its proposed 1.7% administrative trend increase for its fourth quarter 2013 to third quarter 2014 Administrative Charges and Contribution to Reserve filing. (GMCB-24-13-rr SERFF Filing) The Board lowered the administrative trend for the filing to 0.0%. (GMCB-24-13-rr Decision.)

*Contribution to Reserves*

While BCBSVT proposes a 2% Contribution to Reserves (CTR) for this filing, L&E states that BCBSVT provided sufficient evidence to support only half of this CTR. GMCB 16-14-rr L&E Actuarial Memorandum. L&E therefore recommends modifying the CTR for Insured Large Groups to 1.0% and recommends a proportionate modification for Cost Plus Large Groups of 0.25%. GMCB 16-14-rr L&E Actuarial Memorandum. The HCA further notes that BCBSVT found a 1% CTR to be sufficient to sustain its risk-based capital level for its 2015 Vermont Exchange Products, which cover almost 60,000 members. GMCB 18-14-rr SERFF Filing, Actuarial Memorandum p. 26-17. The HCA therefore agrees with L&E that a 1% CTR is appropriate and sufficient for this filing.

IV. Conclusion

The HCA asks the Board to implement L&E's recommendation for this filing by modifying the Administrative Trend to 0.0% and the Contribution to Reserves to 1% for Insured Large Groups and to 0.25% for Cost Plus Large Groups.

Dated at Montpelier, Vermont this 17th day of June, 2014.

s/ Kaili Kuiper  
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CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Notice of Appearance on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Jacqueline Hughes, representative of Blue Cross Blue Shield of Vermont, by electronic mail, return receipt requested, this 17th day of June, 2014.

*s/ Kaili Kuiper* \_\_\_\_\_  
Kaili Kuiper  
Staff Attorney  
Office of the Health Care Advocate