

June 13, 2016

Mr. Josh Hammerquist, A.S.A., M.A.A.A.
Assistant Vice President & Consulting Actuary
Lewis & Ellis, Inc.

**Subject: Your 06/09/2016 Questions re: Blue Cross and Blue Shield of Vermont
2017 Qualified Health Plan Filing (SERFF Tracking #: BCVT-130567350)**

Dear Mr. Hammerquist:

In response to your request dated June 9, 2016, here are *your questions* and our answers:

1. *We note that Viekira is the only hepatitis C drug on ESI's formulary for 2017. Please describe the expected impact, if any, of the FDA approval of Zepatier for claims in 2017 and for future years.*

We do not expect any impact on utilization of drugs for treatment of hepatitis C due to the FDA approval of Zepatier. Its uses will be limited as there are significant issues of resistance to the drug for the most common type of Hepatitis C as per local Vermont subject matter experts at our academic medical center at UVM. Please also note that BCBSVT has recently decided to include Harvoni and Sovaldi back on the preferred brand list since Viekira has many interactions. This will not impact our projected claims for treatment of hepatitis C since the overall expected costs are similar for all drugs.

2. *How long are the increased costs of the multi-year project to migrate to a new operating platform and the significant upgrades to cybersecurity protocols expected to remain at elevated levels?*

The platform migration was incorrectly cited in the as a source of the higher-than-typical increase in enterprise operating expenses. In fact, the migration has been absorbed into the annual project budget. The 5.7% increase in enterprise operating expenses from 2014 to 2015 was largely driven by normal inflationary increases, higher than expected spend on new cyber security protocols and timing related to annual technology project spend. Cyber security protocols and annual project spend are expected to continue as part of the normal operating budget.

3. *Please reconcile the 6.4% increase in administrative costs due to the comprehensive cost accounting study with the response to question #12 dated March 14, 2016 in the 3Q 2016 Large Group filing.*

The response dated March 14, 2016 concerning the Large Group filing administrative charges was based on year ending October 2015. Since the QHP administrative charges were calculated based on the calendar year 2015 information, we restated our Large Group answer to have consistent timing. The table below compares the PMPM before and after the comprehensive cost accounting study for Large Groups (including Cost Plus), QHP, and other lines of business included in BCBSVT's overall administrative budget. Note that other lines of business include BCBSVT and TVHP Medicare Supplement products, the Federal Employee

Health Benefits Program, CBA (a TPA subsidiary of BCBSVT), ASO and costs of administering the BlueCard program for non-Vermont members.

Line of Business	Before Cost Study	After Cost Study	Change
Large Groups	\$26.07	\$26.07	0.0%
QHP	\$30.94	\$32.93	6.4%
Other lines	\$23.42	\$21.76	-7.1%
Total	\$26.63	\$26.63	0.0%

4. *Please confirm that the labels in column B for rows 7 and 8 should be switched in the response to question #7 dated March 31, 2016.*

Yes, the labels in column B for rows 7 and 8 were switched in the response to question 7 dated May 31, 2016. This also minimally impacted row 18. Please see attached *Responses to BCBSVT 2017 QHP filing inquiries - 06.09.2016.xlsx, tab Q4* for an updated exhibit.

5. This question involves confidential and proprietary information and will be provided under separate cover.

6. *Please provide quantitative support for the 0.25% risk margin for bad debt.*

For the 2015 calendar year, the total amount of non-paid premium for the first 30 days for members that were terminated for non-payment was \$800,040. Dividing that number by the total gross premium of \$334,972,631 and rounding to the nearest twentieth of a percent yields the estimate of 0.25% for risk margin for bad debt.

7. *Please provide the number of inforce members by plan that is consistent with the number of inforce contracts provided in Exhibit 9.*

Please see attached *Responses to BCBSVT 2017 QHP filing inquiries - 06.09.2016.xlsx, tab Q7* for the inforce members by plan consistent with inforce contracts provided in Exhibit 9.

Please let us know if you have any further questions, or if we can provide additional clarity on any of the items above.

Sincerely,



Paul Schultz, F.S.A., M.A.A.A.