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Christopher H. Davis, F.S.A.
Karen E. Elsom, F.S.A.
Jill J. Humes, F.S.A.
Kimberly S. Shores, F.S.A.
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Timothy A. DeMars, F.S.A., F.I.A.
Scott E. Morrow, F.S.A., F.I.A.

Denver
Mark P. Stukowski, F.S.A.
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Baltimore
David A. Palmer, C.F.E.

June 21, 2016

Jude Daye, Executive Assistant
Blue Cross and Blue Shield of Vermont
445 Industrial Lane
Montpelier, VT 05601

Re: Blue Cross and Blue Shield of Vermont
BCBSVT 2017 Vermont Qualified Health Plans Rate Filing
SERFF Tracking #: BCVT-130567350

Dear Jude Daye:

We have been retained by the Green Mountain Care Board ("GMCB") to review the above referenced group products filing submitted on 5/11/2016. The following additional information is being requested on behalf of the Office of the Health Care Advocate.

Notice regarding proper responses:

- A minimum-acceptable response to quantitative questions from us must include a spreadsheet calculation with retained formulas such that we can replicate the calculations therein.
- Explanatory responses are merely a supplement to the spreadsheet material and in of themselves will constitute a lack of response.

Questions:

1. Please list and quantify the services included in the projected "Other Medical" benefit category on the URRT.

2. Was the experience period adjusted for an unusually high amount of large claims? If it was, please explain the adjustment.

3. The product of all Population Risk Morbidity Adjustments in Exhibit 5 equal an adjustment of 1.004. Please explain why this is different than the 0.995 included on the URRT.

4. Regarding the "Other" Adjustments in Exhibit 5 and the URRT, please reconcile the Other Adjustments in Exhibit 5 to the URRT.

5. Please explain why the Taxes and Fees PMPM in the MLR calculation (Exhibit 8) only amount to $1.08 PMPM as opposed to the $4.61 in Exhibit 7C and the URRT.

6. Please provide the Part II justification for all plans with more than a 10% rate increase.

7. Section 3.4.3 of the Actuarial Memorandum at page 10 discusses changes in the morbidity of the population insured. It describes upward pressure attributable to those members migrating from Medicaid and downward pressure resulting from adverse experience for voluntary cancellations. It does not discuss new enrollees that were previously uninsured. Do you have any estimates regarding the morbidity of this group?

8. Please provide the calculation of the Risk Adjustment amount of $1.36 using the federal formula.

9. On page 13 of the Actuarial Memorandum, you explain that VHC agreed to pay you for 2014 claims for which members had been retroactively cancelled. What settlement amount was received for 2014? What settlement amount is anticipated for 2015? What is the timing of any payments or expected payments?

10. On page 17 of the Actuarial Memorandum you describe the Pharmacy Trend Development. You indicated: "In this filing, we removed the contract adjustment from the cost trend calculation and added a factor to the overall trend calculation to account for the contracting changes. Accordingly, we based our cost trend calculation on Average Wholesale Price (AWP), which does not reflect contracted discounts, instead of contract-adjusted allowed charges as in previous filings." How were contracted discounts and rebates considered in the trend calculation?

11. At the end of page 19 and continuing onto page 20 of the Actuarial Memorandum, you discuss how you have incorporated the impact of Viekira. At the top of page 20 you state: "There is no discount reflected in the claim, however we do receive large rebates from ESI for Viekira claims. As drug rebates are credited to groups in a separate part of the renewal formula, we used the claim cost of $30,000 per month in the trend development." Since there are no renewals formula that apply to small groups in this pool, please explain why rebates for all the specialty drugs that you have singled out in this section should not be incorporated into the cost estimates?

12. On Page 24 of your Actuarial Memorandum you report that you completed an extensive cost accounting study. Please quantify the impact of any changes to your cost accounting on the administrative costs of the Qualified Health Plans. What other insurance lines were adjusted to offset any changes to the allocated administrative costs for the Qualified Health Plans?

13. In 2016, how many small businesses with 51-100 employees purchased plans from you on the Exchange and how many were self-funded? How did the number of small groups and morbidity of these small groups compare to the estimates you made in your 2016 Vermont Health Connect filing? How many additional small groups do you expect to enroll in 2017?

14. Please explain your provider contracting timeline. When do you establish the rates you will pay different providers and how often are they renegotiated?

15. Please explain any assumptions you made in your filing based on current Health Care reform initiatives in Vermont.

16. Your predicted federal risk adjustment payment is one third of the amount MVP predicts it will pay. Can you explain this discrepancy?

17. Please indicate whether you believe that it is necessary to make any adjustments to this filing as the result of legislative changes in Vermont during the 2016 session or to federal changes that were not included in your original filing and that will affect rates. Please provide details about each such necessary adjustment.

Please be aware that we expect to have further questions regarding the filing as the review continues.

To ensure that the review of your filing has been completed before statutory deadlines, we expect you to respond as expeditiously as possible to every objection in our letter, but no later than June 24, 2016. Note that the responses can be submitted separately and do not have to be submitted all at the same time.

We trust that you understand these forms may not be used in Vermont until they are formally approved by the GMCB.

Sincerely,

Josh Hammerquist A.S.A., M.A.A.A.
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