

components: trend, year over year change in administrative costs, decrease in membership covered by this filing and updated cost allocation. L&E found that TVHP's assumptions for each component was reasonable and appropriate. The increase in administrative costs amounts to an increase of .4% of premium. Id.

- Reduction of Federal Fees: With the federal reinsurance program expiring and the temporary suspension of the Annual Fee on Health Insurance Providers under the Consolidated Appropriation Act of 2016, the net effect on rates of these two changes was a reduction of the overall average rate increase by 2.9 %. L&E found this reduction to be reasonable and appropriate. Id. p. 9.
- Contribution to Reserve: CTR supports the overall financial health of the company for the benefit of all members. L&E found that TVHP's filed CTR of 2 % for fully insured groups and .5% for Cost Plus groups was reasonable "in order to maintain appropriate RBC levels in light of medical trend and provide an adequate margin over and above the minimum to keep appropriate RBC levels in the case of an adverse event without being excessive." Id. In its opinion, L&E also stated: "While L&E believes the proposed CTR of 2.0% for fully insured groups and 0.5% for Cost Plus groups is reasonable, reviewing the Company's current level of reserves is beyond the scope of this review. Therefore, the results of the Department of Financial Regulation's Solvency Analysis should also be considered." Id. p. 10.

In her solvency opinion, the Commissioner determined that, as TVHP is a wholly owned subsidiary of BCBSVT, her analysis would concentrate on the financial position of BCBSVT. Department of Financial Regulation Solvency Opinion, April 18, 2016, p. 1. The Commissioner made clear that the Department actively monitors BCBSVT's surplus and solvency as well as potential threats to surplus and solvency, using all available tools. Id. The Commissioner further determined that the range of surplus targeted by BCBSVT is reasonable and necessary for the protection of its members and that BCBSVT is within the range determined to be necessary. Id. The Commissioner also opined that there is a significant risk that the sufficiency of BCBSVT's surplus would erode due to continued medical trend growth unless applicable rates are adequate and set at a level that maintains adequate surplus that keeps pace with those trends. Id. p. 2.

Given its charge as BCBSVT's financial solvency regulator, DFR is uniquely positioned to assess the appropriateness of contributions to reserves. As part of its examination and monitoring process, it gathers ongoing information about BCBSVT's risk situation and management's risk assessments as well as making assessments of its own. In setting up the rate review process, the Vermont General Assembly explicitly recognized this by requiring DFR to provide the GMCB with an analysis and opinion on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062 (a)(2)(B). In turn, the GMCB's rate determination must, among other things, protect insurer solvency. 8 V.S.A. § 4062 (a)(3). Finally, Department of Financial Regulation opined that the rates as filed likely will have the impact of sustaining the current level of solvency which is both appropriate and necessary. Id. p. 2.

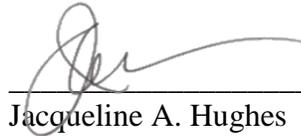
TVHP exists to make necessary health care affordable for Vermonters. By pooling the populations covered by its products, it protects individuals from the unaffordable and potentially ruinous costs associated with significant illnesses or injuries. Its products promote preventive care, health maintenance and health improvement, and it has in place strong utilization management programs that support members who require medical care and assure that they have access to high value care while avoiding unnecessary costs.

TVHP also works with providers to dampen cost increases through reimbursement strategies that include capitation and incentives to both provide and properly manage care. And, TVHP continues to be a strong partner with the state in efforts to bend the cost curve by its participation in Blueprint and other programs designed to afford Vermonters access to well-designed insurance products that offer delivery of affordable and appropriate care. TVHP is supportive of GMCB efforts at containing provider cost—both professional and facilities—as those efforts should assist TVHP in offering the most affordable products possible.

These and other efforts would be seriously undermined without a financially strong TVHP, and that requires that TVHP be allowed to charge rates that cover the medical expenses of the populations it serves, as well as the Plan's own administrative expenses, which are among the lowest in the industry, and its capitalization needs. In her April 18, 2016 opinion, the Commissioner stated that “downward adjustments to rate components should not be made unless GMCB’s consulting actuary explicitly opines that the filed rates, without any modification, are excessive.” DFR solvency opinion, p. 2. The Board’s independent expert, L&E, has not recommended any changes to the filing and has concluded that “this filing does not produce rates that are excessive....” L&E, p. 10. TVHP agrees with both the Department and L&E that the filing as filed supports the requested rates and, further, that the rates are reasonable, appropriate and not excessive, inadequate or unfairly discriminatory. Given the recommendations, no changes to the filing are supported in the record and further downward adjustments would risk rate inadequacy.

We ask that the Board approve the filing in its entirety as filed.

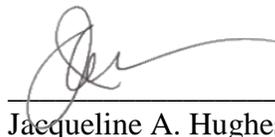
Dated at Berlin, Vermont, this 10th day of May, 2016.



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Memorandum in Lieu of Hearing has been duly served upon Judith Henkin, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, Office of Vermont Health Advocate, by electronic mail, return receipt requested, this 10th day of May, 2016.



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