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David A. Palmer, C.F.E.

June 19, 2017

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
 2018 Vermont Qualified Health Plans Rate Filing
 SERFF Tracking #: BCVT-131037743

Dear Jude Daye:

We have been retained by the Green Mountain Care Board (“GMCB”) to review the above referenced QHP products filing submitted on 5/12/2017. The following additional information is required for this filing and is being submitted on behalf of the GMCB based on suggested questions submitted by 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. In last year’s VHC filing, you estimated that 6500 members previously in Medicaid in Vermont would join the BCBSVT QHP market by January 2017. How many of these individuals previously enrolled in Medicaid actually enrolled in your QHPs? How did this enrollment affect your trend estimates for 2018?
2. Changes in Demographics -
 - a. Please provide evidence that the projected period average age factor will continue the change from 2016 to March average and not start to decrease. Have you reviewed any macro demographic information or anticipated an

- acceleration in retirements or younger workers coming into the work force with the improving economy?
- b. Utilization AGF normalization - Why do you use the SOA Health Care Report for age factors? Could you compare those factors against your internal experience?
3. Please provide a more qualitative explanation to support your claim that utilization will increase in 2018. Please include your clinical team's interpretation and justification of your statistical results.
 4. Pediatric dental has a high trend likely as people discover the benefit. It has been available for three years so wouldn't that impact eventually wear off?
 5. Please provide quantitative and qualitative support for the expected impact due to new Vermont rules on limiting opiate prescriptions.
 6. Please provide quantitative and qualitative support for the expected impact due to new rules requiring generic substitution for interchangeable biological products.
 7. You claim that utilization has been escalating as evidenced by hospital net patient revenue overages in each of the past two years. Please provide data on the extent to which these overages were caused by the BCBSVT population as opposed to other commercial carriers, Medicaid, or Medicare populations. Further, what evidence do you have that these trends will continue?
 - a. Please further break down the impact between BCBSVT's Exchange population and the non-Exchange population.
 8. Provider Trend
 - a. You stated in a press release that "The Medicare and Medicaid cost shift adds about another 2 percent" to the rate increase requested in this filing.
 - i. Please describe in detail how you calculated this figure.
 - ii. Explain how the cost shift factors into your approach when negotiating with providers.
 - iii. You are discussing cost shift as one macro-economic impact on your provider payment negotiations; please explain why ACA growth in insured population with both less bad debt and growth in covered members to ease overhead strain haven't led to lower unit cost increases.
 - b. Have you studied the impact of providers driving costs? For example:
 - i. services moving into high cost health systems;
 - ii. services moving from PCP to specialist; or
 - iii. services moving from an office setting to a facility setting.
 If so, please provide the study.
 9. Please provide the projected cost sharing reduction subsidies as a percentage of the projected premiums.
 10. If federal cost sharing subsidies are eliminated, please describe any approaches you would consider for adjusting rates in response to the change.
 11. What is your justification for allocating overhead by capital requirements? Are there any other accepted methodologies that would have ASO accounts cover a larger portion of overhead?
 12. How has BCBSVT chosen its target surplus? Is this supported by evidence such as a simulation of adverse events?
 13. Administrative Costs – Salaries – BCBSVT has a 3% target increase to employees:

- a. Typically, this is broken out into inflationary and a merit portion. Shouldn't the merit portion tend to net out over time given that older higher paid employees retire and are replaced by younger lower paid employees?
- b. Please send the last three years' inflationary and merit increase percent by salary decile.

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 27, 2017. 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,



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