

BLUE CROSS BLUE SHIELD OF VERMONT 2018 VERMONT QUALIFIED HEALTH PLANS RATE FILING PLAIN LANGUAGE SUMMARY

Blue Cross and Blue Shield of Vermont (BCBSVT) is committed to the health of Vermonters, outstanding member experiences and responsible cost management for all of the people whose lives we touch. By pooling the populations covered by our products, we protect individuals from the unaffordable and potentially ruinous costs associated with significant illnesses or injuries. Our products promote preventive care, health maintenance and health improvement, and we have in place strong care management programs that support members who require medical care and assure that they have access to high value care while avoiding unnecessary costs.

BCBSVT also works with providers to dampen cost increases through reimbursement strategies that include incentives to both provide and properly manage care. BCBSVT's vision is a transformed health care system in which every Vermonter has health care coverage, and receives timely, effective, affordable care. None of this work is possible unless BCBSVT remains financially strong, and that requires that we be allowed to charge rates that cover the cost of the health care of the populations we serve.

The purpose of this rate filing is to provide the rates and a description of the rate development for Qualified Health Plans (QHPs) that Blue Cross and Blue Shield of Vermont (BCBSVT) is proposing to offer effective January 1, 2018.

There are 42,357 contracts (70,035 members) currently enrolled in a BCBSVT QHP.

BCBSVT is proposing an average rate increase of 12.7 percent across all QHPs. Increases for specific QHPs range from 11.1 percent to 14.6 percent, except for the Catastrophic plan, which is increasing by 5.8 percent.

In the absence of mandated changes associated with federal and state regulation, a 9.6 percent increase would have been requested. Various assumptions drive the increase:

- The starting point of any renewal rate analysis is an assessment of actual to expected claims cost experienced by the covered population. The basis for this rate filing is calendar year 2016 experience. That experience was higher than was expected in the 2017 rate filing, and the higher baseline leads to a 1.9 percent increase in 2018 rates.
- Amounts that providers are paid are expected to increase for the balance of 2017 and into 2018, generating a premium increase of 3.0 percent.
- Vermonters have been using more services and more expensive services in recent years. We are projecting this trend to continue through 2018, driving a further premium increase of 2.8 percent.
- Primarily driven by the aging of the population and an observed increase in average family size, BCBSVT assumes that members who have or will enroll in our QHPs in 2018 will have higher claims than members in the experience period of 2016, leading to a premium increase of 2.1 percent.
- BCBSVT continues to negotiate contract improvements with its pharmacy benefit manager. The combination of enhanced rebates through a change in formulary and previously negotiated discount improvements reduces the premium by 0.6 percent.

**BLUE CROSS BLUE SHIELD OF VERMONT
2018 VERMONT QUALIFIED HEALTH PLANS RATE FILING
PLAIN LANGUAGE SUMMARY**

- An increase in administrative costs per member per month increased premium by 0.3 percent. BCBSVT administrative expenditures for members included in this filing amount to 6.5 percent of premium.
- Other adjustments to the assumptions used in the 2018 rate development cumulatively have the effect of reducing the required rate increase by 0.2 percent.

Mandated changes associated with the federal and state regulation combined for a net increase to premium of 2.8 percent:

- The Federal Insurer Fee was temporarily suspended for 2017, but returns in 2018. Our estimate of the Fee is 2.6 percent. Coupled with a modest decrease in our expected federal risk adjustment program transfer amount, increases directly attributable to federal programs result in a premium increase of 2.9 percent.
- Some deductibles, out-of-pocket maximums and co-pays in QHPs remain unchanged from 2017 to 2018. As overall costs increase and the amounts that members pay in cost-sharing contributions stay the same, more of the total cost is transferred to premiums. This impact of 0.8 percent on premium was offset by a 1.1 percent decrease due to plan changes implemented by BCBSVT and the State of Vermont, for a net premium decrease of 0.3 percent.
- Starting in 2018, BCBSVT will be required to pay a greater share of the total funding of the Green Mountain Care Board. This increase in state assessments has a rate impact of 0.3 percent.

BCBSVT started selling QHPs in January 2014. In its first three years, this line of business represented \$998 million of earned premium. Due to higher-than-expected actual costs, the line of business has incurred a cumulative loss of 1.5 percent. BCBSVT has not included any additional contribution to member reserves to offset this loss.

BCBSVT understands the importance of adequately funding our health care system, to keep it strong and accessible. Since the factors driving this rate increase are almost entirely driven by the cost and utilization of health care in Vermont, we believe that there is no way to further reduce these rates without underfunding the health care coverage on which Vermonters rely.

It should be noted that the funding from the federal government of the Cost Share Reduction (CSR) program for calendar year 2018 is uncertain. Meanwhile, the U.S. House of Representatives has passed the American Health Care Act, which would implement a great many changes on the 2018 QHP market, several of which would have an impact on pricing. This filing was prepared assuming full funding of the CSR program and no changes to current law.