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David A. Palmer, C.F.E.

May 30, 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.

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.

**Reasons for Rate Increase**

1. Provide quantitative support for the attribution of:
  - a. 1.3% due to increases in the wholesale price of prescription drugs;
  - b. 2.1% due to payments to providers of medical services; and
  - c. 2.8% due to utilization trend.
2. Provide a list of other adjustments that comprise the reduction of 0.2% on the top of page 5 of the Actuarial Memorandum.
3. Provide a breakdown of the impact of benefit changes by plan.
4. What are the key drivers of the 5.9% difference between the actual and expected Contribution to Reserve in 2016?

## **Trend**

5. Please provide quantitative support for the unit cost trends for:
  - a. Vermont facilities and providers impacted by the hospital budget review process of the GMCB;
  - b. other providers within the BCBSVT service area; and
  - c. providers outside the BCBSVT service area.
6. Please provide a complete list of which contracts with facilities and providers have been finalized as of the date of this filing. For any contracts that have not been finalized as of the date of this filing and the assumed contract increase is not equal to the prior increase, provide a detailed explanation for the change.
7. Please update Exhibit 3B with the latest available utilization data for 2017.
8. Please update Exhibit 3C with data going back to January 2013 and the latest available data for 2017.
9. Please provide qualitative analysis for the suspected drivers of the recent increase in utilization trends.
10. Please provide additional descriptions of the fraud, waste and abuse programs, including an explanation for why recoveries are expected to level out at 2016 levels.
11. Provide the number of new hepatitis C claimants for each quarter year from 2014 to 2016.
12. Please compare the projected utilization of PCSK9 inhibitors in 2018 to the utilization in calendar year 2016, including a narrative description of the differences.
13. Please compare the projected utilization of Orkambi in 2018 to the utilization in calendar year 2016, including a narrative description of the differences.
14. When does BCBSVT expect Ocrevus to reach near peak utilization? How does this compare to other recent high cost specialty drugs that have been released? If this drug is expected to reach near peak utilization quicker than experienced by other high cost specialty drugs, explain the rationale for this assumption.
15. Provide quantitative support for the brand drugs losing exclusivity for each month in the projection in Exhibit 3F.

## **Risk Adjustment**

16. We note that BCBSVT expects their supplemental diagnosis results to converge toward MVP's over time as their coding initiatives come up to speed. It is our understanding that this would increase BCBSVT's risk score relative to the market, which would increase the risk adjustment receivable compared to 2016. However, page 24 of the Actuarial Memorandum shows the risk adjustment receivable estimate of \$792,942 for 2016 is expected to decrease to \$113,132 for 2018. Please provide additional details that explain the direction and magnitude of this change, or provide revised risk adjustment assumptions.
17. Provide the calculations for the estimated risk adjustment receivables and projected issuer average plan liability risk scores for 2016, 2017 and 2018.

## Other Questions

18. Please provide the Average Age-Sex Factor for 2014 and 2015 membership calculated using the methodology described in section 3.4.5 of the Actuarial Memorandum.
19. We note that in 2018 it is assumed that there will only be 0.03% of claims without active membership, which is a large decrease from 2016. Does the emerging 2017 experience support this assumption? When did VHC indicate the improvements would be made?
20. What has the historical increase been in personnel costs been over the last 5 calendar years.
21. In Exhibit 7B, if the Projected Premium Increase in cell E6 is changed to 0%, then the Required QHP Insured CTR Factor to Maintain Target RBC increases to 3.6%. We would expect this to result in 0% based on the explanation of the calculation on Page 29 of the Actuarial Memorandum. Please provide a revised exhibit or explain why this analysis is incorrect.
22. Please provide the percentage of uncollected premium for each year that is included in the average of 0.20%.
23. Please explain why the HCCA, federal insurer fee and GMCB Billbacks were not excluded from the MLR Premium in Exhibit 8, or provide revised exhibits.

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 7, 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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