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David A. Palmer, C.F.E.

April 19, 2017

Jude Daye, Executive Assistant  
 The Vermont Health Plan  
 445 Industrial Lane  
 Montpelier, VT 05601

Re: The Vermont Health Plan  
 3Q 2017 LG Rating Program Filing  
 SERFF Tracking #: BCVT-130935776

Dear Jude Daye:

We have been retained by the Green Mountain Care Board (“GMCB”) to review the above referenced group products filing submitted on 2/24/2017. 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.

Questions:

**General Methodology Questions**

1. Page 3\*: Do your 2 months run out factors remove explicit conservatism and reflect any claims retractions that may take place in future time periods?
2. Page 3: Your administrative increases for this filing seem unreasonable. Can you demonstrate a drop in administrative expense to other lines of business? If yes, please specify what lines of businesses and how much of a decrease you are planning to apply to each.

3. We did not see references to the impact of the change in definition of the Large Group size. What changes if any have you made to the filing to reflect this change in Large Group size?
4. Page 6: Underwriting judgement: what is your process of reviewing the Underwriter's rationale to ensure it is in line with factor filings and other regulation?

### **Trend**

5. On page 2 you identify changes to the rating formula (pertaining to the credibility formula, calculation of ISL factors, and development of ASL and Refund-Eligible charges) and on page 3 you outline how you checked the average change in all accounts from the changes in factors. Please supply the distribution of changes to individual accounts by each of the formula changes and all of them in total. Please show a count of accounts impacted grouped by 2% intervals (that is 7+% increase, 5 to 7% increase, 3 to 5% increase, 1 to 3% increase,+1% change, 1 to 3% decrease...,more than 7% decrease.)
6. Page 10: Where in the utilization trend development do you reflect your attempts to mitigate unnecessary utilization?
  - a. Are you planning to drive utilization to more optimal (high quality / low cost) levels?
  - b. Please describe any activities intended to place providers at risk for unnecessary utilization or to review patterns of unnecessary utilization.
  - c. Are either action plans included as offsets to the utilization trend increase?
7. Page 12: Please demonstrate how you adjust for scripts transitioning from brand to generic and itemize the resulting drop in trend.

### **Benefit Relativities**

8. Page 18: In your Induced Utilization approach, please explain how you controlled for the presence of multiple benefit offerings and its potential of adverse selection.
9. Page 18: Please describe any new or innovative benefit designs or aspects which you introduced and which could lead to a cost reduction in the rating period and specify the amount of the cost reduction.

### **Administrative Cost**

10. Please provide your total administrative costs for all groups for each year over the past five years, the total population number served each year, and the per member per month administrative charge for Individual, Small group, and Large group for each year.
11. Pages 23- 25: Besides economies of scale could you describe any administrative cost savings programs? Such programs would include but are not limited to:
  - a. Activities to remove waste or address inefficiency
  - b. Insourcing or outsourcing functions at lower costs
  - c. Reduction in broker compensation or other reductions to distribution channel costs
  - d. Re-evaluation of and/or limits on senior management or board compensation packages
12. Pages 23-25: If any administrative cost reduction programs are described in your answer to question 14, how are the cost savings built into rate projections?
13. Pages 23-25: You mentioned an account's moving to ASO. Why wouldn't this account still pay its fair share of overhead cost as ASO? Did it receive a reduction in services offered?
14. Pages 23-25: We did not see information about the cost impact of Wellness programs. Please provide a demonstration of the administrative cost of Wellness programs and any support showing that the programs reduce medical costs.

15. Pages 23-25: Will the Individual and Small Group line of business receive an administrative cost reduction or is this an overall corporate increase?

**Large Group Financial Performance**

16. Page 31: The Large Group line of business has seen high loss ratios. Is this a corporate wide issue or historically have other lines been subsidizing the Large Group line of business?
17. Page 31: Is there any implicit subsidization of Large Group by other lines of business built into future period projections?

**Other**

18. Exhibit 5B: SIC (Industry) factors: When was the last time you reviewed and to what extent are the industry factors supported by data? How do you ensure these do not implicitly or unintentionally adversely lead to discrimination in rates?

*\*Page numbers refer to the Actuarial Memorandum for the BCBSVT filing*

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 April 26, 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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