

April 5, 2017

Mr. Josh Hammerquist, A.S.A., M.A.A.A.  
Assistant Vice President & Consulting Actuary  
Lewis & Ellis, Inc.

**Subject: Your 04/03/2017 Questions re: The Vermont Health Plan  
3Q 2017 TVHP Large Group Rating Program Filing (SERFF Tracking #: BCVT-130935776)**

Dear Mr. Hammerquist:

In response to your request dated April 3, 2017, here are *your questions* and our answers:

- 1. On exhibit 3G, please confirm that the incremental costs of excluded treatments for specialty drugs that were added into the projection period were calculated using the same number of member months as the claims that were removed from the experience period. If this is not the case, please quantify the impact or explain why the calculation that was used is more appropriate.*

The projected incremental costs of excluded treatments for PCSK9 and Orkambi erroneously included members who were not in the experience period. Additionally, certain ICD-10 codes that should have been used in identifying the populations that may utilize the drugs were not included. With these adjustments, we confirm that the experience and projection member months base are consistent. A restated specialty trend development is below, which includes the revised number of members expected to utilize Orkambi and PCSK9.

Pharmacy Specialty Claims in the Experience	A	\$29,473,842
Claims Removed from the Experience		
Hepatitis C	B1	\$2,393,099
PCSK9 Inhibitors	B2	\$51,939
Orkambi	B3	\$267,651
Total	B = B1+B2+B3	\$2,712,688
Pharmacy Specialty Claims without Excluded Drugs	C = A - B	\$26,761,154
Projected Specialty Claims using a 14.1% trend for 27 months	D = C x (1.141) <sup>(27/12)</sup>	\$38,313,061
<b>Adding Incremental Cost of Excluded Treatments for the Projection Period</b>		
Hepatitis C	E1	\$3,297,770
PCSK9 Inhibitors (20 members)	E2	\$281,680
Orkambi (5 members)	E3	\$1,233,674
Total	E = E1+E2+E3	\$4,813,124
Restated Projected Specialty Claims	F = D + E	\$43,126,185
Restated Specialty Trend	G = (F/A) <sup>(12/27)</sup> - 1	18.4%
Restated Allowed Pharmacy Trend		10.6%
Restated Total Allowed Trend		6.8%

The restated total allowed trend is 0.06% lower than the filed trend. We estimate the impact on the average increase is roughly equivalent to the differences in total allowed trends.

We will amend our filing to reflect the updated trend factors once the review process is complete and all amendments have been identified. Until that point, all responses to inquiries will reflect the filed pharmacy trend.

- 2. Which contracts were finalized at the time that the unit cost trend assumption was finalized? For any contract negotiations that had begun at that time, please briefly describe the state of the negotiations.*

As of the date of filing, no future contracts were finalized nor had negotiations begun for any contract with effective dates after the filing date. The unit cost trend assumption is inclusive of the finalized contracting information from all contracts effective prior to the date of the filing.

- 3. Please provide support for the proposed trends in the cells D27, J27, N27, D39, J39 and N39 on the Cost Trend tabs.*

For specific facilities, Provider Contracting provided estimated trends that supplanted our general assumption that future unit cost increases would mirror past increases. The proposed trends in the specific cells referenced reflect the best estimate of Provider Contracting at the time of filing.

- 4. This question involves confidential and proprietary information and has been provided under separate cover.*

Please let us know if you have any further questions, or if we can provide additional clarity on any of the items above.

Sincerely,



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Paul Schultz, F.S.A., M.A.A.A.