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May 25, 2018

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
2019 Vermont Individual and Small Group Rate Filing
SERFF Tracking #: BCVT-131497882

Dear Jude Daye:

We have been retained by the Green Mountain Care Board (“GMCB”) to review the above referenced group products filing submitted on 5/11/2018. 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:

1. Provide an estimate of the number of covered lives BCBSVT projects will be attributed to the ACO for the 2019 plan year, and explain how that estimate compares to the number of attributed lives for the 2018 plan year.
2. Does the filing reflect any adjustments for ACO-attributed members, based on risk score, as compared to non-attributed members?
3. Does the filing reflect any adjustments based on efficiencies that may be realized by using a fixed PMPM for ACO-attributed lives?
4. Calculate a breakdown similar to the URRT breakdown showing the impact of hospital budget rates/analysis on medical trend. If possible, provide the breakdown at the company pricing level; if not, provide the breakdown at the URRT level.

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 1, 2018. 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,

A handwritten signature in black ink that reads "Josh Hammerquist". The signature is written in a cursive style with a large, prominent "H".

Josh Hammerquist F.S.A., M.A.A.A.
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June 1, 2018

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

**Subject: Your 05/25/2018 Questions re: Blue Cross and Blue Shield of Vermont
2019 Vermont Individual and Small Group Rate Filing (SERFF Tracking #: BCVT-
131497882)**

Dear Mr. Hammerquist:

In response to your requests dated May 25, 2018, here are *your questions* and our answers:

- 1. Provide an estimate of the number of covered lives BCBSVT projects will be attributed to the ACO for the 2019 plan year, and explain how that estimate compares to the number of attributed lives for the 2018 plan year.*

BCBSVT used March 2018 ACO attribution to project that 37.4 percent of its membership in the Individual and Small Group markets would be attributed to the ACO in 2019. While it's possible that the ACO network will change in 2019, providers do not need to commit to the ACO until later this year. The best estimate for 2019 is therefore the current attribution of 37.4 percent, or 18,250 members.

- 2. Does the filing reflect any adjustments for ACO-attributed members, based on risk score, as compared to non-attributed members?*

This question was amended as per your May 30 email to read: "Please quantitatively and qualitatively describe the risk score and claims experience for ACO-attributed members compared to non-attributed members."

The table below splits out the calendar year 2017 experience period allowed claims based on the 2018 ACO attribution. We are using the 2018 ACO attribution instead of the 2017 ACO attribution due to the significant changes in the ACO network from 2017 to 2018. The risk score is based on the 2017 CMS-HCC model.

	Risk Score	Medical PMPM	Pharmacy PMPM	Dental and Vision PMPM	Total PMPM
ACO	1.368	\$470.32	\$112.30	\$2.64	\$585.27
Non-ACO	1.282	\$456.32	\$97.68	\$1.80	\$555.80
TOTAL	1.306	\$460.25	\$101.78	\$2.04	\$564.06

Members are attributed to the ACO based on two criteria: selecting a primary care provider that participates in the ACO or having services rendered by a provider participating in the ACO. Since claims drive nearly half of the attribution, it is not unexpected that ACO membership would have higher risk scores and higher claims than the unattributed population.

3. *Does the filing reflect any adjustments based on efficiencies that may be realized by using a fixed PMPM for ACO-attributed lives?*

BCBSVT and OneCare Vermont have not agreed to a fixed PMPM for 2018. BCBSVT's agreement with OneCare is an annual agreement with three additional one-year option years. While the 2019 contract is not yet finalized, it is our expectation that in the event a fixed payment is implemented there will continue to be a reconciliation to actual fee-for-service claims as part of the settlement.

The agreement between BCBSVT and OneCare aligns the ACO expected spend target with GMCB-approved premiums. If actual medical spend on a fee-for-service basis is higher or lower than medical component of the premium, the ACO will share in 50 percent of the savings or risk to a maximum of 6 percent. This 50/50 risk sharing is important to BCBSVT in the early years of the arrangement because it is the means by which savings make their way back to ratepayers and value can thereby be demonstrated to the commercial market. Any actual savings generated through this risk contract will be reflected through experience in future rate filings. It would be inappropriate to include in this filing an expectation of additional savings due to ACO operations, as this would undermine the alignment of target to premium.

In expectation of a 2019 program, BCBSVT is working closely with our network providers and OneCare to maximize our collaborative clinical reach focusing on reducing overall medical costs. Savings *across the entire single risk pool* for this initiative has been reflected in this filing (see section 3.4.7.1 of the Actuarial Memorandum).

4. *Calculate a breakdown similar to the URRT breakdown showing the impact of hospital budget rates/analysis on medical trend. If possible, provide the breakdown at the company pricing level; if not, provide the breakdown at the URRT level.*

Below are tables showing the components of medical trend and their impact on the total rate increase.

2017 to 2018 Trend Component	Approved 2018	Filed 2019	2019 Rate Impact
Medical Utilization for Vermont facilities and providers impacted by GMCB's Hospital Budget Review	1.0%	2.0%	0.4%
Medical Utilization for other facilities and providers	1.0%	2.0%	0.4%
Medical Cost Trend for Vermont facilities and providers impacted by GMCB's Hospital Budget Review	1.4%	2.3%	0.4%
Medical Cost Trend for other facilities and providers	4.1%	2.9%	-0.5%
Total Impact of the change in trend assumption from 2017 to 2018			0.6%

2018 to 2019 Trend Component	Filed 2019	2019 Rate Impact
Medical Utilization for Vermont facilities and providers impacted by GMCB's Hospital Budget Review	2.0%	0.8%
Medical Utilization for other facilities and providers	2.0%	0.7%
Medical Cost Trend for Vermont facilities and providers impacted by GMCB's Hospital Budget Review	2.1%	0.9%
Medical Cost Trend for other facilities and providers	3.5%	1.2%
Total Impact of the trend assumption from 2018 to 2019		3.6%

Summary of 2019 Rate Impact	GMCB	Other	Total
Utilization Trend	1.3%	1.0%	2.3%
Cost Trend	1.3%	0.7%	1.9%
Total	2.6%	1.7%	4.3%

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

Sincerely,



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