LEWIS & ELLIS
Actuaries and Consultants
700 Central Expressway South
Suite 550
Allen, TX 75013
972-850-0850
lewisellis.com

June 15, 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 and is being submitted on behalf of the Office of the Health Care Advocate.

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. Please provide support for BCBSVT's membership assumptions, to the extent it exists, as to:
    a. Projected membership by plan as detailed in Exhibit 2A;
    b. Projected new membership by coverage category as detailed in Exhibit 2B.
2. Please set forth BCBSVT's assumption as to the impact of population changes on rates before considering risk adjustment receivables, and to the extent it exists, provide support for that assumption.
3. Please provide support, to the extent it exists, for BCBSVT's assumed 0.5 percent increase due to the ongoing aging of the single risk pool.
4. Please set forth BCBSVT's assumptions as to the effect of benefit changes made by the Department of Vermont Health Access (DVHA) for standard plans and by

BCBSVT for non-standard plans before considering benefit leveraging and, to the extent it exists, provide support for those assumptions.

5. Please provide BCBSVT's best estimate of the net effect, whether savings or losses, resulting from BCBSVT's shared-risk/shared-savings ACO program with OneCare, and, to the extent it exists, provide support for that estimate.
6. For each of the last four years, 2014-2017, please provide the number and percentage of BCBSVT individual members, who do not receive a premium subsidy,
   a. Who used their insurance for other than preventive services and who in the prior year either did not use their insurance or used it only for preventive services.
   b. Who did not use their insurance or used it only for preventive services and who did not share a couples, single adult and child(ren), or family plan with at least one individual who used services other than preventative in that same plan year.
7. Please provide support, to the extent it exists, for the assumption that members new to the single risk pool in 2018 would have claims levels similar to members enrolled in the same line of business in 2017.
8. Please provide support, to the extent it exists, for the proposition that professional mental health services and colonoscopy screenings, as discussed on pages 21 and 22 of the rate filing, will not reduce costs in the short run.
9. Please provide a recast of the of 2016 experience exhibit (like the 2017 experience exhibit on pg. 18 SERFF) which demonstrates IBNR applied in 2016 was reasonable – please include the assumed IBNR at the time of the filing and the actual run out since that exhibit.
10. Please elaborate on the financial risks involved with "silver loading" including:
    a. Please provide a table with membership, premium, claims, risk transfer estimate, administrative costs, and anticipated profitability by product scenario;
    b. The percentage of Vermonters eligible for cost sharing reductions that BCBSVT assumes will purchase silver exchange plans from BCBSVT? What is the potential for member adverse selection? Please identify the financial best case and worst-case membership subsidized product mix scenarios for BCBSVT;
    c. Given the complexity, how will BCBSVT's customers be guided to select what is within their best interest? Are there any conflicts of interest where BCBSVT benefits from members making less than optimal choices?
11. Please provide evidence that it is not necessary to normalize utilization trend by risk score.

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 22, 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,

Josh Hammerquist F.S.A., M.A.A.A.
Vice President & Consulting Actuary
Lewis & Ellis, Inc.
jhammerquist@lewisellis.com
(972)850-0850

BlueCross BlueShield of Vermont
An Independent Licensee of the Blue Cross and Blue Shield Association

June 22, 2018

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

Subject: Your 06/15/2018 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 on behalf of the Office of the Health Care Advocate dated June 15, 2018, here are *your questions* and our answers:

1. *Please provide support for BCBSVT's membership assumptions, to the extent it exists, as to:*
   a. *Projected membership by plan as detailed in Exhibit 2A;*
   As described in section 3.4.2 of the memo, projected membership started with in force membership as of March 2018 by plan. We estimated that total membership would decrease by 2 percent overall (or 1,073 members) due to the elimination of the individual mandate penalty. We assumed that the 1,073 members choosing not to renew their coverage would be healthy individuals who do not receive a premium subsidy. Based on historical observations of individual members who use no benefits or preventive care only benefits we found that approximately 37.5 percent of these healthy individuals were in a bronze plan, 37.5 percent are in a silver plan, 15 percent were in a gold plan and 10 percent were in the platinum plan. From these high level assumptions we used the in-force plan distribution of individuals not receiving a subsidy to create plan level assumptions for the 1,073 disenrolling members.

   We assumed that members in the new reflective silver plans would be those who are currently on a silver plan and not receiving a premium subsidy. This represents all small group members and the individuals not receiving a premium subsidy after the adjustment for individual mandate loss described above.

   Based on assumptions from our Marketing department, we assumed that 10 percent of members enrolled in the Blue Rewards Silver plan would choose the new Blue Rewards Silver CDHP in 2019. We also assumed that 5 percent of the members enrolled in the Blue Rewards Gold CDHP would choose the new Blue Rewards Silver CDHP. We further assumed that 5 percent of individual members and 15 percent of small group members enrolled in a standard silver plan would choose the new Blue Rewards Silver CDHP. Finally, we assumed that 15 percent of individuals and 30 percent of small group members enrolled in either the Standard Bronze plan or the Standard Bronze CDHP would move in equal proportions to the Blue Rewards Bronze plan, Blue Rewards Bronze CDHP and the Standard Bronze Integrated plan. The combined effect of all of these assumed membership changes was a reduction to rates of approximately 0.1 percent.

b. Projected new membership by coverage category as detailed in Exhibit 2B.

The breakdown of new members by coverage category is based on the observed in force membership as of March 2018 for those members who were not enrolled during the 2017 experience period.

2. *Please set forth BCBSVT's assumption as to the impact of population changes on rates before considering risk adjustment receivables, and to the extent it exists, provide support for that assumption.*

   There are a number of factors contributing to the impact of population changes. The following table describes the factors, indicates the impact of the factor, and provides a reference to the actuarial memorandum where each is described in detail.

Factor Description	Impact	Reference
Impact of cancelled members	2.2%	Section 3.4.3.
Impact of new members	0.0%	Section 3.4.3
Impact of aging of the population	0.5%	Section 3.4.5
Change in benefit mix	0.4%	Section 3.4.4
Impact of changes in membership mix	-0.2%	*

   *This factor includes changes in the contract conversion factor (section 3.9) and impact that members choosing different plans has on the normalization of induced utilization described in section 3.8.1.1 of the actuarial memorandum.

3. *Please provide support, to the extent it exists, for BCBSVT's assumed 0.5 percent increase due to the ongoing aging of the single risk pool.*

   As described in section 3.4.5 of the actuarial memorandum, we used the three-year average increase in age-gender factor for the period from 2014 to 2017 as our projected annual increase due to changes in demographics.

4. *Please set forth BCBSVT's assumptions as to the effect of benefit changes made by the Department of Vermont Health Access (DVHA) for standard plans and by BCBSVT for non-standard plans before considering benefit leveraging and, to the extent it exists, provide support for those assumptions.*

   The effect of benefit changes made by DVHA and BCBSVT was calculated using the same re-adjudication model that underlies the plan level adjustments described in section 3.8.1.2. The model consists of claims from the experience period, calendar year 2017. To estimate the impact of 2019 plan changes the experience period claims were trended to 2018 and all 2018 benefit designs were re-adjudicated across the entire single risk pool. Then 2019 plans were inserted into the model and re-run against the same population. The results of these two runs were compared to estimate the pre-leveraged impact of 2019 benefit changes.

   The table below represents the claims impact of 2019 plan designs prior to leveraging (2018 dollars):

Plans in force in 2018	Effect on expected claims due to 2019 benefit changes
Blue Rewards Gold	-1.2%
Blue Rewards Gold CDHP	-1.5%
Blue Rewards Silver	-1.1%
Blue Rewards Bronze	-1.8%
Blue Rewards Bronze CDHP	-0.6%
Standard Platinum	-0.4%
Standard Gold	-0.7%
Standard Silver	-1.6%
Standard Silver CDHP	-0.4%
Standard Bronze	-1.7%
Standard Bronze CDHP	-0.7%
Standard Bronze Integrated	-0.8%
Catastrophic	-1.8%

5. *Please provide BCBSVT's best estimate of the net effect, whether savings or losses, resulting from BCBSVT's shared-risk/shared-savings ACO program with OneCare, and, to the extent it exists, provide support for that estimate.*

   The target for the shared risk/shared savings program with OCV is calculated based on the approved VISG rate filing. Therefore, if all filing assumptions prove to be exactly correct, claims will come in at exactly the target and the settlement between OCV and BCBSVT will be zero. It follows that our best estimate of the net effect of the risk sharing arrangement with OCV is necessarily zero.

6. *For each of the last four years, 2014-2017, please provide the number and percentage of BCBSVT individual members, who do not receive a premium subsidy,*
   a. *Who used their insurance for other than preventive services and who in the prior year either did not use their insurance or used it only for preventive services.*
   b. *Who did not use their insurance or used it only for preventive services and who did not share a couples, single adult and child(ren), or family plan with at least one individual who used services other than preventative in that same plan year.*

	Total	**(A)**	**(B)**
CY	**# of unique individual members not receiving a premium subsidy**	**# of members using services other than preventive that used preventive only or no services in prior year**	**# of members using preventive only or no services and not sharing a couple, adult + kid(s), family with someone using services other than preventive**
2014	11,903	#N/A	911
2015	11,983	771	853
2016	12,002	610	906
2017	12,138	627	965

	Percentages	
CY	**(A) / Total**	**(B) / Total**
2014	#N/A	7.7%
2015	6.4%	7.2%
2016	5.1%	7.6%
2017	5.2%	8.1%

7. *Please provide support, to the extent it exists, for the assumption that members new to the single risk pool in 2018 would have claims levels similar to members enrolled in the same line of business in 2017.*
   As we do not have claims experience for new members, we instead use all information available to us at the time of filing to estimate their claims. Specifically, we know whether the member is a subsidized individual, non-subsidized individual or small group member. We can also observe their age and gender. The latter becomes part of the change in demographics described in section 3.4.5 of the actuarial memorandum. The former is described in section 3.4.3 of the actuarial memorandum as the impact of the newly insured.

8. *Please provide support, to the extent it exists, for the proposition that professional mental health services and colonoscopy screenings, as discussed on pages 21 and 22 of the rate filing, will not reduce costs in the short run.*
   The actuarial memorandum states that “we see [these] as positive developments toward moving care to the most appropriate clinical setting and providing clinically appropriate preventive care that will reduce health care spend in the long term.” We do not state that these services would not reduce costs in the short run. In fact, we have already realized significant savings due to moving mental health services into a more appropriate setting. These savings are reflected in our base experience and also serve to dampen medical trend for facility services. Colonoscopies, on the other hand, have been shown in studies to increase the average cost of care but with the benefit of saving lives.

   BCBSVT entered into an innovative provider-payer partnership with The Brattleboro Retreat in late 2013. This partnership, called Vermont Collaborative Care, provides fully integrated Mental Health and Substance Abuse care management services in coordination with our existing medical care management programs. One of the first changes that were made as part of this initiative was to eliminate older processes of utilization management for outpatient MH professional visits used by a previous outsourced MHSA provider in order to eliminate any barriers to access to appropriate care for our members. In addition, we educated and engaged strongly with our provider network and instituted additional innovative value based programs in partnership with our providers. While some inpatient and emergency room utilization is appropriate, much of the care provided in these settings could be better provided in the outpatient community setting. As a result of this work, we saw a significant decrease in both inpatient and emergency room utilization in MHSA and a corresponding decrease in costs. From Q3 2013 to Q4 2017 we saw a 25 percent decrease in our inpatient admission rate, which has remained stable and low since then. We have also seen a 60 percent decrease in the MH emergency room rate and a 50 percent decrease in substance abuse emergency room rate in the same time frame, which has also been stable and low since that time. Both of these impacts are reflected in our claims experience and medical trend.

   The literature[1] suggests that screening colonoscopy has about a 75 percent prevention rate for colorectal cancer (CRC). The per person net cost of screening less the cost of care for CRC was $2,227 per person without screening and $2,890 with screening but the cost per Quality Adjusted Life Year was within the willingness to pay threshold of $50,000. Colonoscopy does not necessarily save money in health care by these parameters, although it has been proven to ultimately save on care related to CRC (the long-term return we discussed in the actuarial memo). It does, however, save lives at a cost which is generally accepted as consistent with society’s willingness to pay. In other words, colonoscopies are an instance in which we are willing to compromise short-term affordability in the interest of quality care.

[1] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4406901/table/table2-2050640614565199/

9. *Please provide a recast of the of 2016 experience exhibit (like the 2017 experience exhibit on pg. 18 SERFF) which demonstrates IBNR applied in 2016 was reasonable - please include the assumed IBNR at the time of the filing and the actual run out since that exhibit.*

Calendar Year 2016 Allowed Claims (as defined in the URRT instructions)	As of February 28, 2017	As of March 31, 2018
Claims incurred through December 31, 2016 and paid	$450,321,122	$446,032,082
Estimate of IBNR for Claims	$2,008,413	$141,092
Estimate of IBNR for Pharmacy Rebates	($5,462,888)	$0
Total Claims	$446,865,647	$446,173,174
Member Months	835,621	835,470
Total Per Member Per Month (PMPM)	$534.77	$534.04
Percentage difference		-0.14%

The impact of runout on claims excluding rebates was positive 0.02 percent.

10. *Please elaborate on the financial risks involved with "silver loading" including:*
    a. *Please provide a table with membership, premium, claims, risk transfer estimate, administrative costs, and anticipated profitability by product scenario;*
    Please see the attached document *Responses to 2019 VISG Inquiry Letter 5 – 06.15.2018.xlsx.*
    b.
        i. *The percentage of Vermonters eligible for cost sharing reductions that BCBSVT assumes will purchase silver exchange plans from BCBSVT?*
        We assumed that all members in the projection period that are eligible for Cost Share Reductions will purchase a silver exchange plan from BCBSVT.

        ii. *What is the potential for member adverse selection?*
        There is a risk that members who were assumed to remain in a loaded silver plan will instead select a non-loaded plan, either a non-silver VHC plan or a reflective silver plan. In that event, the silver load would generate insufficient premium to cover the payment of CSR claims.

        iii. *Please identify the financial best case and worst-case membership subsidized product mix scenarios for BCBSVT;*
        BCBSVT assumed that only members receiving no subsidies would move to silver reflective plans, and that all other VHC membership would remain in their current plan. As with any assumption, the risk to BCBSVT is that experience comes in differently than assumed.

        The best case scenario, highly unlikely due to the member outreach initiatives described in part c of this response, would be that all individual members currently enrolled in a silver plan through VHC and not receiving any subsidy would continue to buy a VHC silver plan despite the Silver Load. This implausible scenario would create a financial gain for BCBSVT of $1.7M.

A worst case scenario would be for all members receiving premium subsidies who are currently enrolled in a base silver plan, a CSR 73% plan or a CSR 77% through VHC to buy up or buy down to a non-loaded VHC plan. This scenario would create a financial loss of $3.6M for BCBSVT, as shown in the below table.

Financial loss if APTC members elect to move to a non-loaded plan

Cohort	Members	Financial Loss
70% (i.e. non-CSR) Silver plans	1,576	$1,118,852
73% CSR plans	1,572	$1,116,121
77% CSR plans	2,547	$1,379,012
Total	**5,695**	**$3,613,985**

In researching this response, it became apparent that we implicitly assumed that members receiving premium subsidies but no CSR subsidies (i.e. members in the first row of the above table) would choose to pay the silver load rather than moving to a similarly-priced gold plan or significantly less expensive bronze plan. The appropriateness of this assumption is questionable, as none of these members benefit from remaining on a silver loaded plan. We believe that it would be more appropriate to assume that all non-CSR members receiving premium tax credits would instead choose to enroll in a non-silver VHC plan. We estimate that making this change would have a negligible effect on plans that are not silver loaded, but would increase the silver load by approximately 1.5 to 2.0 percent.

Furthermore, we note that it may have been reasonable to assume that some portion of members in the 73 percent and 77 percent CSR plans would also elect to forgo the CSR benefit in the interest of avoiding the silver load, and instead use their premium credits to buy up to a gold plan or down to a bronze plan. Such an assumption would similarly have a negligible impact on non-loaded plans, but would increase the silver load itself.

c. *Given the complexity, how will BCBSVT's customers be guided to select what is within their best interest? Are there any conflicts of interest where BCBSVT benefits from members making less than optimal choices?*

BCBSVT has a comprehensive plan in place to reach out to members who do not receive subsidies but are currently enrolled in silver plans through Vermont Health Connect (VHC) to educate them regarding the changes that are coming for 2019. Our goal is to ensure that consumers purchase the most appropriate plans for themselves and their families. Some members whose income fluctuates throughout the year will choose to continue to purchase through VHC so that they may be eligible to receive tax credits at the time that they file their 2019 federal taxes. In these cases it may be better for them to move to a gold or bronze plan through VHC. In other cases, it will be in the consumer's best interest to enroll directly with BCBSVT in a reflective plan to reduce the cost of their premiums. Our Consumer Support Services representatives have been trained to take into consideration the needs of each member and help them to develop a plan of action to ensure the choice they make best meets their personal needs. We are already working closely with the Department of Vermont Health Access

(DVHA) and other stakeholders to align our messaging and reach out to these members so that we are consistently helping consumers purchase plans that benefit them financially and meet their health coverage needs. It is our understanding that DVHA will update their plan comparison tool to include the new product options in 2019.

There is no conflict of interest for BCBSVT staff who are helping consumers to make optimal choices. Our mission is to create outstanding member experiences and responsibly manage costs for the members we serve. All of our training materials, operating policies and goals are developed in keeping with this mission. Our policies are designed to encourage members to make choices that are in their best interest, both from a household budget perspective and from a coverage perspective. Encouraging members to make choices that work best for them is not only consistent with our mission, but it also makes good business sense. Operating with consumers' best interests in mind helps us to keep our administrative costs as low as possible because we are able to respond to consumers' inquiries quickly, resolve those inquiries on first contact and in a way that is highly satisfactory to them.

11. *Please provide evidence that it is not necessary to normalize utilization trend by risk score.*
    Please refer to our response to question 11 of the letter dated May 25, 2018.

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

BLUE CROSS AND BLUE SHIELD OF VERMONT
2019 VERMONT INDIVIDUAL AND SMALL GROUP RATE FILING

RESPONSE TO ACTUARIAL INQUIRY DATED JUNE 15, 2018

		NON-STANDARD PLANS						STANDARD PLANS								REFLECTIVE PLANS				
	Source	GOLD Blue Rewards	GOLD Blue Rewards CDHP	SILVER Blue Rewards	SILVER Blue Rewards CDHP	BRONZE Blue Rewards	BRONZE Blue Rewards CDHP	PLATINUM Deductible	GOLD Deductible	SILVER Deductible	SILVER CDHP	BRONZE Deductible	BRONZE CDHP	BRONZE Integrated	Catastrophic Blue Rewards	SILVER Blue Rewards	SILVER Blue Rewards CDHP	SILVER Deductible	SILVER CDHP	**Total**
Projected Membership	Exhibit 6A - Row 23	1,164	6,499	2,212	684	598	2,226	10,262	5,836	6,457	1,695	1,597	1,512	485	264	814	1,691	5,645	2,950	52,591
Premium PMPM (Plan Level Adjusted Index Rate	Exhibit 6A - Row 21	$599.08	$569.88	$583.24	$574.01	$454.57	$458.86	$717.12	$614.29	$577.67	$584.52	$451.86	$461.98	$465.87	$248.56	$517.50	$515.79	$518.52	$533.50	$580.86
Paid Claims PMPM	Exhibit 6B - Rows 16 to 19	$550.50	$521.80	$535.25	$526.11	$409.90	$413.94	$672.32	$572.20	$536.55	$543.11	$413.95	$423.81	$427.65	$409.90	$471.20	$469.39	$478.93	$493.53	$538.50
Risk Adjustment Transfer PMPM	Exhibit 6B - Row 20	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51	-$13.51
Administrative Charges PMPM	Exhibit 7A - Row 14	$45.06	$45.32	$44.88	$45.03	$44.89	$45.03	$38.16	$38.11	$38.07	$38.20	$38.13	$38.12	$38.07	$44.86	$44.88	$45.03	$38.07	$38.07	$40.26
Taxes and Fees PMPM	Exhibit 7C - Row 15	$7.36	$7.07	$7.21	$7.12	$5.95	$5.99	$8.58	$7.58	$7.22	$7.29	$5.99	$6.09	$6.13	$3.95	$6.57	$6.55	$6.64	$6.79	$7.23
Contribution to Reserve PMPM	Exhibit 7B - Row 11	$9.59	$9.12	$9.33	$9.18	$7.27	$7.34	$11.47	$9.83	$9.24	$9.35	$7.23	$7.39	$7.45	$3.98	$8.28	$8.25	$8.30	$8.54	$9.29
Contribution to Reserve as Percent of Premium		$0.02	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%