



July 22, 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. Please elaborate on the how the estimated 8,000 members that are expected to move to Association Health Plans (AHPs) was determined.
2. Are some of the estimated 8,000 members moving to AHPs expected to come from self-funded groups?
3. Does the company expect AHPs to be able to rate by age in Vermont?
4. Does the company expect AHPs to market to self-employed individuals?
5. Please provide support for the changes to (1+c1) and (1+c6) due to the members moving to AHPs.
6. Please provide quantitative and qualitative support for the impact of the cost sharing changes required by S.1 and H.693. This should at least include the utilization of these services in the experience period and the change in copay by plan.

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 July 25, 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, flowing style.

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

July 24, 2018

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

**Subject: Your July 22, 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 request dated July 22, 2018, here are *your questions* and our answers:

1. Please elaborate on the how the estimated 8,000 members that are expected to move to Association Health Plans (AHPs) was determined.

Associations that have actively approached BCBSVT to express interest in offering AHPs formerly had health benefit membership of over 30,000 members. In total, virtually all of the small group market was enrolled through one of various association plans through 2013. AHPs are likely to have a significant pricing advantage over the single risk pool, largely because small groups will not be required to subsidize the individual market, which has significantly higher claim costs. The associations are confident that they can rebuild to their prior membership levels over time, and that they will experience a significant influx of membership on January 1, 2019.

Please note that we assume that proportional number of MVP small group members will also move to AHPs. This assumption drove the increase in our projected risk adjustment transfer per member per month. In total, we expect that AHPs will attract over 12,000 members in 2019.

2. Are some of the estimated 8,000 members moving to AHPs expected to come from self-funded groups?

The 8,000 members reflect the expected total moving from BCBSVT QHPs to AHPs, not the total projected AHP membership. We expect that a proportional number of small group members will migrate from MVP QHPs to AHPs, and that AHPs will also draw business from groups that are currently self-funded. It is not currently clear that AHPs will include large groups, or if they do that large groups and small groups will be rated together. Our current expectation is that the migration will be limited to the small group market.

3. Does the company expect AHPs to be able to rate by age in Vermont?

Although the Vermont Department of Financial Regulation (DFR) has not yet issued its emergency rule on AHPs nor its final rule on the same, we do not expect that AHPs will be allowed to rate by age in Vermont.

4. Does the company expect AHPs to market to self-employed individuals?

We assume by this question that you are referring to sole proprietors (or “working owners” as used in the federal rule). We also expect this to be addressed in DFR’s forthcoming rules. It is possible

that DFR will permit AHPs to not accept working owners as members in the association. Our current assumption is that working owners will remain on-Exchange, primarily due to premium subsidies. Additionally, we have no means of identifying working owners because a group of one could also be an employer with several employees but only one enrolled subscriber. We therefore have no means to accurately price the impact of their departure from the single risk pool. We recognize that there is some risk that the morbidity of the single risk pool will further deteriorate due to a migration of sole proprietors to AHPs. However, we elect to not reflect this additional risk in our rates at this time, both because of the lack of clarity as to whether working owners will be allowed to enroll in AHPs and the imprecision of any estimate we could provide due to the absence of useful data.

5. Please provide support for the changes to (1+c1) and (1+c6) due to the members moving to AHPs.
Please see attached Responses to 2019 VISG Letter 8 - 07.22.2018.xlsx, tabs Q5a and Q5b for details.

6. Please provide quantitative and qualitative support for the impact of the cost sharing changes required by S.1 and H.693. This should at least include the utilization of these services in the experience period and the change in copay by plan.

The impact of S.1 (2018 Special Session, Act No. 7, § 1) was measured through our re-adjudication actuarial value (AV) model. Chiropractic office visit cost-sharing was lowered from the “specialist office visit” level to the “PCP office visit” level. The impacted silver and bronze plans have integrated out-of-pocket maximums which means that all benefits are impacted based on the changes made to chiropractic benefits. The AV model captures the impact on all integrated benefits as a result of changing the chiropractic benefit assumptions. The experience period utilization of chiropractic office visit benefits was 635 visits per 1,000 members per year. The expected cost within the AV model per chiropractic office visit in 2019 dollars is \$68.90 and the median cost is \$63.02. Overall, chiropractic office visit services make up approximately 0.6 percent of total allowed charges. The chiropractic office visit benefit within the Blue Rewards Silver plan and Standard Bronze Deductible plans are subject to deductible prior to the office visit copay, which is why the AV impact is relatively small. The Standard Silver and Standard Bronze Integrated plans waive their deductibles for all office visits and therefore are more sensitive to the chiropractic office visit benefit changes.

The allowed charges impacted by H.693 (2017 (Adj. Sess.), Act No. 141) are approximately 0.05 percent of total allowed charges. Due to the low volume of claims and complexity of adjusting our model to accommodate this new benefit, we used a simplified approach to adjust our plan level actuarial values. From our experience period data we observed that 0.023 percent of total allowed charges were paid from the member’s deductible, coinsurance or copay for services to which H.693 applies. Therefore, by removing all cost sharing from these services, the average paid to allowed ratio increases additively by approximately 0.023 percent. Richer plans will be impacted less than the average while leaner plans will be impacted more than the average. The following table was added to the actuarial value of each respective metallic plan:

Metal	AV Increase
Platinum	0.012%
Gold	0.020%
Silver	0.036%
Bronze	0.043%
Average	0.023%

Tabs *Q6 - Standard* and *Q6 - Blue Rewards* of the attached spreadsheet shows the change in total plan AV and benefit design before and after the impacts of S.1 and H.693.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schultz", with a stylized flourish at the end.

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 JULY 22, 2018

Impact of the different benefit plans (1+c1)

Metal	Allowed Charge Relativity	Calendar Year 2017 Member Months	Original 2019 Projected Membership	2019 Projected Membership - After membership migration to AHP
Platinum	1.4870	152,734	10,262	9,202
Gold	1.0498	211,065	14,602	11,303
Silver	0.8664	342,337	20,573	18,016
Bronze	0.6268	110,984	6,890	5,806
Catastrophic	0.2296	2,704	264	264
Total		819,824	52,591	44,591
Weighted Average Allowed Charge Relativity		0.9947	1.0038	1.0060
Benefit Adjustment (1+c1 on Exhibit 5 (1) of Amendment) = $1.0038/0.9947 =$				1.0092
Benefit Adjustment (1+c1 on Exhibit 5 (3) of Amendment) = $1.006/0.9947 =$				1.0114

BLUE CROSS AND BLUE SHIELD OF VERMONT
2019 VERMONT INDIVIDUAL AND SMALL GROUP RATE FILING
RESPONSE TO ACTUARIAL INQUIRY DATED JULY 22, 2018

Impact of the different benefit plans (1+c6)

	GOLD		NON-STANDARD PLANS				STANDARD PLANS							Catastrophic Blue Rewards	REFLECTIVE PLANS				Weighted Average	
	Blue Rewards	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		SILVER Blue Rewards	SILVER Blue Rewards CDHP	SILVER Deductible	SILVER CDHP		
Projected Paid Claims																				
Using HHS Induced Utilization Factors																				
Projected FFS Allowed Charges - Without Selection	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	
Benefit Richness Adjustment (from Exhibit 6C (3) - row 13)	1.0114	0.9964	0.9633	0.9614	0.9372	0.9365	1.0911	1.0226	0.9693	0.9743	0.9364	0.9394	0.9433	0.9371	0.9633	0.9611	0.9693	0.9742	0.9742	
Pricing Actuarial Value (from Exhibit 6B (3) - row 12)	82.25%	79.21%	85.58%	84.08%	66.49%	67.19%	92.83%	84.50%	85.22%	85.43%	67.20%	68.54%	68.98%	66.45%	74.19%	74.03%	75.09%	76.72%	76.72%	
For Catastrophic Plan only - Impact of the specific eligibility	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	0.5212	1.0000	1.0000	1.0000	1.0000	1.0000	
Projected Paid Claims	\$557.04	\$528.47	\$551.97	\$541.29	\$417.28	\$421.30	\$678.18	\$578.64	\$553.11	\$557.32	\$421.34	\$431.13	\$435.71	\$217.30	\$478.51	\$476.44	\$487.34	\$500.47	\$547.77	
Projected Paid Claims																				
Using BCBSVT Actual Utilization Factors																				
Projected FFS Allowed Charges - Without Selection	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	\$669.60	
Benefit Richness Adjustment	1.0338	1.0338	1.0257	1.0257	0.6172	0.6172	1.4644	1.0338	1.0257	1.0257	0.6172	0.6172	0.6172	0.2261	0.7106	0.7106	0.7106	0.7106	0.7106	
Pricing Actuarial Value	82.23%	79.60%	85.17%	83.40%	65.36%	65.10%	93.59%	84.06%	84.87%	84.75%	65.08%	66.10%	67.37%	65.31%	70.69%	69.81%	72.44%	73.54%	73.54%	
Projected Paid Claims	\$569.22	\$551.05	\$584.99	\$572.79	\$270.12	\$269.06	\$917.67	\$581.86	\$582.89	\$582.06	\$268.98	\$273.20	\$278.45	\$98.87	\$336.38	\$332.15	\$344.70	\$349.90	\$558.38	
Selection Impact																			line 1+c6 on Exhibit 5 (3)	1.0194

Projected Membership	1,044	5,237	1,973	592	570	1,876	9,202	5,022	5,574	1,334	1,581	1,370	409	264	626	1,301	4,346	2,270	44,591
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BLUE CROSS AND BLUE SHIELD OF VERMONT
2019 VERMONT INDIVIDUAL AND SMALL GROUP RATE FILING

RESPONSE TO ACTUARIAL INQUIRY DATED JULY 22, 2018

	PLATINUM	GOLD	SILVER	SILVER	BRONZE	BRONZE	BRONZE	SILVER REFLECTIVE	SILVER REFLECTIVE
	Standard	Standard	Standard	Standard	Standard	Standard	Standard	Standard	Standard
Deductible/OOP Max	Deductible	Deductible	Deductible	CDHP	Deductible	CDHP	Integrated	Deductible	CDHP
Medical Ded	\$350	\$850	\$2,800	\$1,550	\$5,500	\$5,250	\$7,600	\$2,800	\$1,550
Rx Ded	\$0	\$100	\$300	Combined	\$900	Combined	Combined	\$300	Combined
Integrated Ded	No	No	No	Yes	No	Yes	Yes	No	Yes
Medical OOPM	\$1,350	\$4,700	\$7,500	\$6,650	\$7,900	\$6,650	\$7,600	\$7,500	\$6,650
Rx OOPM	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	Combined	\$1,350	\$1,350
Integrated OOPM	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Family Deductible / OOP	Stacked, 2x Family	Stacked, 2x Family	Stacked, 2x Family	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Stacked, 2x Family	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Stacked, 2x Family	Stacked, 2x Family	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900
Medical Deductible waived for:	Preventive Care, Office Visits, Urgent Care, Ambulance, Pediatric Dental Class I, Vision	Preventive Care, Office Visits, Urgent Care, Ambulance, Pediatric Dental Class I, Vision	Preventive Care, Office Visits, Urgent Care, Ambulance, Pediatric Dental Class I, Vision	Preventive Care	Preventive Care, Pediatric Dental Class I	Preventive Care	Preventive Care, Office Visits, Pediatric Dental Class I	Preventive Care, Office Visits, Urgent Care, Ambulance, Pediatric Dental Class I, Vision	Preventive Care
Drug Deductible waived for:	N/A	Generic Scripts	Generic Scripts	Wellness Scripts	N/A	Wellness Scripts	Generic Scripts	Generic Scripts	Wellness Scripts
Service Category									
Preventive (Includes H.693 services)	\$0	\$0	\$0	0%	\$0	0%	0%	\$0	0%
PCP Office Visit	\$10	\$15	\$30	10%	\$35	50%	\$40	\$30	10%
MH/SA Office Visit	\$10	\$15	\$30	10%	\$35	50%	\$40	\$30	10%
Specialist Office Visit	\$30	\$30	\$75	30%	\$90	50%	\$100	\$75	30%
Chiropractic Office Visit	\$30	\$30	\$75 \$30	30%	\$90 \$35	50%	\$100 \$40	\$75 \$30	30%
Urgent Care	\$40	\$40	\$85	30%	\$100	50%	0%	\$85	30%
Ambulance	\$50	\$50	\$100	30%	\$100	50%	0%	\$105	35%
DME	10%	30%	40%	30%	50%	50%	0%	40%	30%
ER	\$100	\$150	\$250	30%	50%	50%	0%	\$250	30%
Radiology (MRI, CT, PET)	10%	30%	40%	30%	50%	50%	0%	40%	30%
Outpatient	10%	30%	40%	30%	50%	50%	0%	40%	30%
Inpatient	10%	30%	40%	30%	50%	50%	0%	40%	30%
Rx Generic	\$5	\$10	\$15	\$10	\$20	\$12	\$25	\$15	\$10
Rx Preferred Brand	\$50	\$50	\$60	\$40	\$85	40%	0%	\$60	\$40
Rx Non-Preferred Brand	50%	50%	50%	50%	60%	60%	0%	50%	50%
Pediatric Vision (Exam and Materials)	\$30	\$30	\$75	30%	\$90	50%	\$100	\$75	30%
Pediatric Dental Class I	0%	0%	0%	0%	0%	0%	0%	0%	0%
Pediatric Dental Class II	30%	30%	30%	30%	30%	30%	30%	30%	30%
Pediatric Dental Class III	50%	50%	50%	50%	50%	50%	50%	50%	50%

Exhibit 6b prior to S.1, H.693	93.58%	84.04%	73.93%	75.20%	65.03%	66.06%	67.25%	73.93%	75.19%
Exhibit 6b after S.1, H.693	93.59%	84.06%	74.14%	75.23%	65.08%	66.10%	67.37%	74.14%	75.23%
Change in AV	0.01%	0.02%	0.21%	0.04%	0.05%	0.04%	0.13%	0.21%	0.04%

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

RESPONSE TO ACTUARIAL INQUIRY DATED JULY 22, 2018

	GOLD	GOLD	SILVER	SILVER	BRONZE	BRONZE	CATASTROPHIC	SILVER REFLECTIVE	SILVER REFLECTIVE
	Blue Rewards	Blue Rewards	Blue Rewards	Blue Rewards	Blue Rewards	Blue Rewards	Blue Rewards	Blue Rewards	Blue Rewards
	3-6-9	CDHP	3-6-9	CDHP	3-6-9	CDHP	Deductible	3-6-9	CDHP
Deductible/OOP Max	\$1,550	\$3,000	\$2,850	\$4,100	\$7,900	\$6,650	\$7,900	\$2,850	\$4,125
Medical Ded	Combined	Combined	Combined	Combined	Combined	Combined	Combined	Combined	Combined
Rx Ded	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Integrated Ded	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Medical OOPM	\$5,150	\$3,000	\$7,900	\$4,100	\$7,900	\$6,650	\$7,900	\$7,900	\$4,125
Rx OOPM	\$1,350	\$1,350	\$1,350	\$1,350	Combined	Combined	\$1,350	\$1,350	\$1,350
Integrated OOPM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Family Deductible / OOP	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Aggregate, 2x Family	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900	Aggregate, 2x Family, Embedded Individual OOPM of \$7,900
Medical Deductible waived for:	Preventive Care, 3 PCP/MH Office Visits, Pediatric Dental Class I	Preventive Care	Preventive Care, 3 PCP/MH Office Visits, Pediatric Dental Class I	Preventive Care	Preventive Care, 3 PCP/MH Office Visits, Pediatric Dental Class I	Preventive Care	Preventive Care, 3 PCP/MH Office Visits	Preventive Care, 3 PCP/MH Office Visits, Pediatric Dental Class I	Preventive Care
Drug Deductible waived for:	N/A	Wellness Scripts	N/A	Wellness Scripts	N/A	Wellness Scripts	N/A	N/A	Wellness Scripts
Service Category									
Preventive (Includes H.693 services)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PCP Office Visit	3 visits per member combined PCP/MH at no cost share before deductible then \$20 copay	0%	3 visits per member combined PCP/MH at no cost share before deductible then \$30 copay	0%	3 visits per member combined PCP/MH at no cost share before deductible then \$30 copay	0%	3 visits per member combined PCP/MH at no cost share before deductible then 0% coinsurance	3 visits per member combined PCP/MH at no cost share before deductible then \$30 copay	0%
MH/SA Office Visit		0%		0%		0%			0%
Specialist Office Visit	\$30	0%	\$50	0%	\$0	0%	0%	\$50	0%
Chiropractic Office Visit	\$30	0%	\$50 \$30	0%	\$0	0%	0%	\$50 \$30	0%
Urgent Care	\$30	0%	\$50	0%	\$0	0%	0%	\$50	0%
Ambulance	\$30	0%	\$50	0%	\$0	0%	0%	\$55	0%
DME	\$30	0%	\$50	0%	\$0	0%	0%	\$50	0%
ER	\$250	0%	\$450	0%	\$0	0%	0%	\$450	0%
Radiology (MRI, CT, PET)	\$750	0%	\$1,750	0%	\$0	0%	0%	\$1,750	0%
Outpatient	\$750	0%	\$1,750	0%	\$0	0%	0%	\$1,750	0%
Inpatient	\$750	0%	\$1,750	0%	\$0	0%	0%	\$1,750	0%
Rx Generic	\$5	\$5	\$5	\$15	\$0	\$25	0%	\$5	\$15
Rx Preferred Brand	40%	40%	40%	40%	0%	40%	0%	40%	40%
Rx Non-Preferred Brand	60%	60%	60%	60%	0%	60%	0%	60%	60%
Pediatric Vision (Exam and Materials)	\$30	0%	\$50	0%	\$0	0%	0%	\$50	0%
Pediatric Dental Class I	0%	0%	0%	0%	0%	0%	0%	0%	0%
Pediatric Dental Class II	30%	0%	30%	0%	30%	0%	0%	30%	0%
Pediatric Dental Class III	50%	0%	50%	0%	50%	0%	0%	50%	0%

Exhibit 6b prior to S.1, H.693	82.21%	79.58%	72.69%	72.28%	65.31%	65.06%	65.31%	72.69%	72.19%
Exhibit 6b after S.1, H.693	82.23%	79.60%	72.75%	72.31%	65.36%	65.10%	65.31%	72.75%	72.23%
Change in AV	0.02%	0.02%	0.06%	0.04%	0.04%	0.04%	0.00%	0.06%	0.04%