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May 30, 2019

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
2020 Vermont Individual and Small Group Rate Filing
SERFF Tracking #: BCVT-131936226

Dear Jude Daye:

Thank you for your responses to our previous inquiry. We have the following additional questions regarding this filing:

Questions:

1. Explain why the market-wide average $31.92 risk-adjustment payment is used to develop the expected claims cost for the catastrophic population in Exhibit 6D, when this population is both known to have different risk characteristics than the primary risk pool and has a separate risk adjustment payment.
2. The actuarial memorandum explains that actual 2018 risk adjustment receipts are expected to be higher than assumed in prior rate development. This would suggest that BCBSVT's relative risk position has increased in recent years. This would seem to suggest that the utilization trend calculation, which does not consider the morbidity of the included population, includes the impact of increasing morbidity. Address the concern that this increase is already funded by the increased risk adjustment and would be further funded by risk adjustment if it continued.
3. Factor b9 on Exhibit 5 reflects the loss of healthy "Members in Groups that are no longer with BCBSVT". The actuarial memorandum describes this as a change in pool morbidity, and no corresponding adjustment to risk adjustment is assumed. Would these members not be assumed to transition to other carriers in the market, potentially increasing the risk adjustment receivable to BCBSVT?
4. Similarly, demonstrate how the risk adjustment projection considers the following factors, all assumed to impact the morbidity of the BCBSVT insured pool: aging, AHP and its associated shift towards platinum plans, members exiting due to removal of mandate penalty, low-cost small groups leaving BCBSVT, "impact of different benefit plans", and "impact of selection."

5. The actuarial dataset states that 17,993 of 26,981 contracts will have a rate increase of 15% or more. However, Exhibit 9B suggests that only 16,937 contracts will have an increase of 15% or more. Please clarify.
6. The actuarial memorandum states that the projected federal MLR is 91.8%. The actuarial dataset states that this value is projected to be 91.2% and Exhibit 8 agrees with this latter value. Please clarify.
7. Exhibit 2C calculates a selection factor based on a static population. Explain why this selection impact is not already reflected in the underlying experience claims, which reflect a similar selection environment.
8. Explain the difference between the two fields labeled "Pricing Actuarial Value" in Exhibit 2C (called "Exhibit 2D" in the actuarial memorandum.)
9. Explain the following statement regarding the development of the normalized Pricing AV values: "The change in method is worth approximately three quarters of the total factor."
10. It appears that the paid-to-allowed ratios are generally higher using BCBSVT's data than using the Federal AVC. This contributes to the 7% selection factor applied in item c6 which is applied to the index rate. Explain how it is appropriate to increase the index rate, which is on an allowed basis, in response to a decrease in paid-to-allowed factor.
11. Please reconcile the projected index rate on the URRT of $788.92 to the Projected Index Rate in Exhibit 5 of $789.49.
12. Regarding factor b7 regarding the elimination of the individual mandate penalty:
    a) The base period data is from 2018. The actuarial memorandum describes 0.8% of membership leaving between 2018 and 2020, with only a nominal change in cost. Explain then why the factor is a 0.5% adjustment rather than a 0.8%.
    b) If the removal of the penalty in 2019 resulted in only a third of this population leaving in that year, explain why BCBSVT is assuming this cohort will uniformly decide to leave the insurance pool in 2020.
13. Explain why the Interplan Teleprocessing System fees are treated as Allowed costs, when they appear to be costs incurred in the processing and payment of claims.
14. Explain why pharmacy rebates are trended forward using only cost trend, and not utilization trend as well.
15. Factors b3 and c3 are closely related, as the reflect the impact of young new members joining as well as the aging of existing members. A) Does factor c3 consider the impact of older members exiting the pool? B) The combination of these factors implies that changes in population age will result in a population with morbidity 1.5% higher than in 2018. Support this implicit assumption and confirm that it does not double-count the assumed market exits related to the removal of the individual mandate penalty. C) Was consideration given to the possibility that c3 could reflect the same change as b9, in that groups which left BCBSVT may have had disproportionately younger members?
16. Provide more detail on any case where "recent information from... early negotiations" caused BCBSVT to use medical trend assumptions which differ from the Board-approved 2018 increases.

17. Explain any discrepancy between the annual cost trend by year between the actuarial memorandum and the confidential exhibit provided in your previous response.

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 7, 2019. 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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