



June 17, 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. In Exhibit 9A, there are shown to be 43,939 in-force members across 26,981 contracts. Explain why the "Average members per subscriber" is shown as 1.6349 rather than  $43,939/26,981 = 1.6285$ .
2. Provide a calculation demonstrating the allocation of \$1.15 million in Billback cost to this block.
3. Explain why the weighted average "Allowed Charges Relativity" in Exhibit 2B is not 1.0. What enrollment, if not the base period enrollment, was used to calculate the "Total" allowed charges PMPM?
4. The section "Relationship of Proposed Rate Scale to Current Rate Scale" in the Actuarial Memo Dataset contains zeros for some values, resulting in a total rate change of zero. Replacing these values with ones produces a rate changes significantly different from the 15.6% requested. Please update this exhibit to illustrate the sources of the requested rate increase.
5. The memorandum states that "In the absence of these tax savings, rates would have been significantly higher. Because the tax benefits have been fully used for the benefit of policyholders, there is no net impact to the 2020 rate increase relative to 2019 rates." Clarify how Exhibit 6A would differ if the tax rebate was not anticipated.
6. It appears that Exhibit 2B intends to refer to "March 2019 Membership" and "2020 Projected Membership." Please clarify.
7. The risk-adjustment development appears to assume that the new federal reinsurance program will be a net cost to BCBSVT. However, the design of the program is such that net payments are unchanged, and it seems unlikely that such a program would have a

- predictably negative impact on the carrier with the higher-morbidity population. Please explain.
8. Did BCBSVT have any claimants in 2018 that would have triggered payments from the High Risk Pool program? If not, explain how it is appropriate to add allowed cost to the base period in the \$3.32 PMPM adjustment to the risk adjustment program.
  9. Your prior response notes that, of the anticipated 0.8% impact from the removal of the individual mandate, 0.3% has already been observed in March 2019. However, the experience used in this rate filing reflects data from prior to March 2019. Please clarify how this initial 0.3% impact is reflected in the proposed rates.
  10. Of the Medical Drugs carved out individually in the utilization trend development, several (including Pembrolizumab and Vedolizumab) were approved by the FDA in 2014 or earlier. Explain why these drugs are assumed to continue to have such substantial increases in utilization in 2019 and 2020. For example, Vedolizumab costs are projected to increase by more than 150% between 2018 and 2020.

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 21, 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,

Kevin Ruggeberg, ASA, MAAA  
Consulting Actuary  
Lewis & Ellis, Inc.  
KRuggeberg@lewisellis.com  
(972)850-0850