



June 20, 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:

Please provide the answers to the following questions, requested on behalf of the Office of the Health Care Advocate.

Questions:

- 1. Please confirm the accuracy of the below-provided table that lists proposed rates and rate components, allowed rates and rate components, and actual rate components. If you believe the value listed is incorrect or the cell is blank, please provide the value that you believe is correct.

Year Filed		2019	2018*	2017
Docket #		GMCB-006-19rr	GMCB-009-18rr	GMCB-008-17rr
Members		26981	53644	70035
Average Rate Change	Proposed	15.6	7.5	12.7
	Allowed	NA	5.8	9.2
Allowed Medical Trend	Proposed	4.1	4.1	4.7
	Allowed	NA	4.1	3.7
	Actual**	NA	NA	6.4
Medical Unit Cost Trend	Proposed	2.6	2.7	2.6
	Allowed	NA		
	Actual**	NA	NA	2.1
Medical Utilization Trend	Proposed	4.1	1.4	2.0
	Allowed	NA		
	Actual*	NA	NA	4.1
Rx Trend	Proposed	13	13.3	8.9
	Allowed	NA	13.3	8.9

	Actual**	NA	NA	
<b>General Administrative Charges PMPM</b>	Proposed	46.54	40.26	36.06
	Allowed	NA		
	Actual**	NA	NA	43.9
<b>CTR</b>	Proposed	1.5	1.5	2.0
	Allowed	NA	1.5	0.5

\* Numbers reflect original filing and not amendments.

\*\* Actual is for the year that the rates are effective for. For instance, for the column “2017”, the actual field should be populated with the experience of 2018 (the year the rates are effective for).

2. In the submitted Actuarial Memorandum, you state, “The Tax Reform legislation passed in late 2017 eliminated the federal income tax requirement for the BCBSVT legal entity starting with the 2018 tax year, and also resulted in the expected return of certain tax credits to BCBSVT over the next four years. These savings have been fully passed through to customers via a reduction in premium rates.” GMCB-06-19rr, SERFF, 62. Please indicate the amount of 2019 and 2020 tax savings due to the elimination of the federal income tax requirement for the BCBSVT legal entity. Please also indicate the impact on the overall rate proposed in this filing had the federal income tax requirement for the BCBSVT legal entity not been eliminated.
3. On pages 26 through 32 of the BCBSVT Actuarial Memorandum, you detail your development of the medical utilization trend. In this filing, you changed your methodology. Specifically, you opted to itemize trends, resulting in an overall medical utilization trend of 4.1 percent. Please estimate what your overall medical utilization trend would have been for this filing had you employed your former methodology of not itemizing trends.
4. You assert that 10.9 percent of your proposed 15.6 percent increase is driven by projected increases in health care costs and that nearly all of this cost increase is attributed to 1) specialty pharmaceutical spending (7.9 percent premium increase) and 2) an increase in the percentage of members utilizing at least one preventive service, which has led to increases in utilization of primary care, diagnostic services, and treatment of conditions (1.9% premium increase). GMCB-006-19rr, BCBSVT Actuarial Memorandum at 10. Please provide the following additional information about specialty pharmacy and preventive care:
  - a. Please state the amount, if any, by which BCBSVT projects the increased utilization of specialty pharmaceuticals will reduce other costs from 2019 through 2024. Please specify any indicators that support these projections.

- b. Please provide the year over year increase in members receiving at least one preventive care visit and the percentage of overall members receiving at least one preventive care visit over the past three years.
  - c. Please specify to what extent you predict further increases in preventive care visits for 2019 and 2020.
  - d. Please state the amount, if any, by which BCBSVT projects the increased utilization of preventive services will reduce costs in 2020. Please specify any indicators that support these projections.
5. On page 5 of the BCBSVT Actuarial Memorandum, you state that, based on a comparison of actual to expected experience, 2019 premium rates were underfunded by 4.0 percent. Please explain why page 26.5 of your Annual Statement for the Year 2018 indicates that you do not have a premium deficiency reserve as of 12/31/18.
6. What assumptions, if any, did you make about impacts of the Green Mountain Surgery Center on outpatient surgery costs in your filing?
7. You estimate that your agreement with OneCare Vermont reduced the total projected claims by 0.2 percent. GMCB-006-19rr, BCBSVT Actuarial Memorandum at 21.
  - a. Please provide an estimate of the net savings to BCBSVT associated with this reduction after all costs including the OneCare Vermont coordination fee.
  - b. What is the amount of the payment BCBSVT expects to receive in connection with the 2018 ACO program settlement?
8. On page 15 and 16 of the BCBSVT Actuarial Memorandum, you describe the impact of Association Health Plans (AHP) on membership and the proposed rate.
  - a. Please provide the calculations supporting BCBSVT's assumption that 2,000 small group members will join an AHP in 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 27, 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