

range of surplus targeted by BCBSVT is reasonable and necessary for the protection of its members and is within the range determined to be necessary. *Commissioner of Department of Financial Regulation Solvency Opinion*, March 27, 2015, p. 1. The Commissioner also opined that there is a significant risk that the sufficiency of BCBSVT's surplus would erode due to continued medical trend growth and membership growth unless applicable rates are adequate and set at a level that maintains adequate surplus that keeps pace with those trends. *Id.* DFR is uniquely positioned to assess the appropriateness of contributions to reserves. As part of its examination and monitoring process, it gathers ongoing information about BCBSVT's risk situation and management's risk assessments as well as making assessments of its own. In setting up the rate review process, the Vermont General Assembly explicitly recognized this by requiring DFR to provide the GMCB with an analysis and opinion on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062 (a)(2)(B). In turn, the GMCB's rate determination must, among other things, protect insurer solvency. 8 V.S.A. § 4062 (a)(3).

- Induced Utilization Factors: BCBSVT used a new methodology to estimate the impact of induced utilization which L&E found produces a paid-to allowed ratio that better captures the impact of induced utilization. L&E found this change to be reasonable and appropriate. L&E, pp. 9-10.

Blue Cross and Blue Shield of Vermont exists to make health care affordable for Vermonters. By pooling the populations covered by its products, it protects individuals from the unaffordable and potentially ruinous costs associated with significant illnesses or injuries. Its products promote preventive care, health maintenance and health improvement, and it has in place strong utilization management programs that support members who require medical care and assure that they have access to high value care while avoiding unnecessary costs.

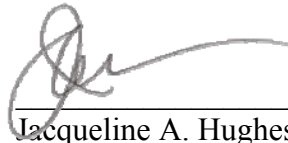
BCBSVT also works with providers to dampen cost increases through reimbursement strategies that include capitation and incentives to both provide and properly manage care. And, BCBSVT continues to be a strong partner with the state in efforts to bend the cost curve by its participation in Vermont Health Connect, Blueprint, and other programs designed to afford Vermonters access to well-designed insurance products that offer delivery of affordable and appropriate care. BCBSVT urges the GMCB to continue its cost containment work with providers—both professional and facilities—so that health plans such as BCBSVT can continue to offer the most affordable products possible.

None of this work is possible unless BCBSVT remains financially strong, and that requires that it be allowed to charge rates that cover the medical expenses of the populations it serves, as well as the Plan's own administrative expenses, which are among the lowest in the

industry, and its capitalization needs. In her March 27, 2015 opinion, the Commissioner stated that “downward adjustments to rate components should not be made unless GMCB’s consulting actuary explicitly opines that the filed rates, without any modification, are excessive.” DFR, p. 2. L&E concluded that, after adoption of its suggested modifications, “this filing does not produce rates that are excessive....” L&E, p. 10. While BCBSVT agrees with the L&E recommended modifications, no further changes are supported and further downward adjustments would risk rate inadequacy.

We ask that the Board approve the filing in its entirety, with medical and pharmacy trend modifications as recommended by L&E, and a CTR of 2 % as filed. This will help ensure that BCBSVT will have sufficient resources to pay claims.

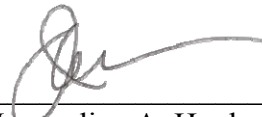
Dated at Berlin, Vermont, this 21st day of April, 2015.



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Memorandum in Lieu of Hearing has been duly served upon Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson, Office of Vermont Health Advocate, by electronic mail, return receipt requested, this 21st day of April, 2015.



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