

March 27, 2015

Mr. Alfred Gobeille, Chair  
Green Mountain Care Board  
89 Main Street, Third Floor, City Center  
Montpelier, Vermont 05620

**Re: Solvency Impact of “3Q 2015 TVHP Large Group Rating Program Filing (SERFF # BCVT-129912021)” of The Vermont Health Plan, LLC**

Dear Mr. Gobeille:

This letter is to fulfill the Department of Financial Regulation’s (“DFR”) responsibility under 8 V.S.A. § 4062(a)(2)(B) regarding The Vermont Health Plan, LLC (“TVHP”) and its recent filing: “3Q 2015 TVHP Large Group Rating Program Filing”. Under 8 V.S.A. § 4062, DFR must provide to the Green Mountain Care Board (“GMCB”) an analysis and opinion on the impact of the filing as proposed on the solvency of TVHP. TVHP is a wholly owned subsidiary of Blue Cross and Blue Shield of Vermont Inc. (“BCBSVT”). TVHP and BCBSVT are two insurers within an Insurance Holding Company System as defined by 8 V.S.A. § 3681(4). Under these circumstances, the solvency analysis of TVHP and BCBSVT concentrates on the financial position of the parent, BCBSVT. This opinion focuses on a discussion of BCBSVT and all references to the financial position, surplus, or solvency of BCBSVT are applicable to TVHP. Below is a brief analysis and DFR’s opinion regarding the solvency of BCBSVT, the company, followed by analysis and opinion regarding the impact this filing could have on the solvency of BCBSVT. Background and additional analysis of both solvency and the effect of rates on solvency can be found in previous opinions provided by DFR. The background and analysis in previous opinions remains applicable to this filing.

**BCBSVT Solvency Opinion**

DFR has and will continue to monitor BCBSVT’s surplus and its solvency, as well as potential threats to surplus and solvency, using all available tools.<sup>1</sup> DFR believes that the range of surplus targeted by BCBSVT is reasonable and necessary for the protection of policyholders and BCBSVT is within the range determined to be necessary. There is a significant risk that the

<sup>1</sup> DFR analyzes solvency using many tools, including periodic financial examinations, review of corporate governance, and analyses of such areas as risk-based capital, claims reserve development, and risk mitigation strategies. Solvency analysis is a dynamic prospective analysis that must account for many threats, including adverse medical cost trends, adverse utilization, premium inadequacy, and membership growth.



sufficiency of BCBSVT's surplus erodes due to continued medical trend growth and membership growth unless applicable rates are adequate and set at a level that maintains adequate surplus to keep pace with those trends.

**Impact of the Filing on Solvency**

Unless GMCB's consulting actuary explicitly opines that this filing will produce rates that are inadequate or excessive, DFR's opinion is that these rates as filed likely will have the impact of sustaining the current level of solvency, which DFR has determined to be appropriate and necessary. Further, if rates are consistently reduced to the low end of a range of reasonableness, the likelihood of insufficient rates is increased. Therefore, DFR is also of the opinion 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.

\* \* \*

Please do not hesitate to contact me if you have any questions.

Sincerely,

/s/ Susan L. Donegan

Susan L. Donegan  
Commissioner, Department of Financial Regulation