

BLUE CROSS BLUE SHIELD OF VERMONT 2016 VERMONT QUALIFIED HEALTH PLANS RATE FILING PLAIN LANGUAGE SUMMARY

Blue Cross and Blue Shield of Vermont (BCBSVT) is committed to the health of Vermonters, outstanding member experiences and responsible cost management for all of the people whose lives we touch. By pooling the populations covered by our products, we protect individuals from the unaffordable and potentially ruinous costs associated with significant illnesses or injuries. Our products promote preventive care, health maintenance and health improvement, and we have 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 incentives to both provide and properly manage care. BCBSVT's vision is a transformed health care system in which every Vermonter has health care coverage, and receives timely, effective, affordable care. None of this work is possible unless BCBSVT remains financially strong, and that requires that we be allowed to charge rates that cover the medical expenses of the populations we serve.

The purpose of this rate filing is to provide the rates and a description of the rate development for Qualified Health Plans (QHPs) that Blue Cross and Blue Shield of Vermont (BCBSVT) is proposing to offer effective January 1, 2016.

There are 40,864 contracts (67,050 members) currently enrolled in a BCBSVT QHP. BCBSVT is proposing an average rate increase of 8.4 percent across all QHPs. Increases for specific QHPs range from 4.7 percent to 14.3 percent.

Of the total 8.4 percent increase, an increase of 2.9 percent is driven by three items required solely because of mandated changes associated with the Affordable Care Act:

- The federal government assesses a charge on all health plans to subsidize QHP coverage for the three year-period between 2014 and 2016, through its Transitional Reinsurance Program. This QHP subsidy is reduced in 2016 before being eliminated entirely in 2017. Because the premium subsidy changes in 2016 from about four percent to about two percent, it will require groups and members to pay 1.8 percent more for their coverage.
- Federally-mandated changes to the individual member out-of-pocket maximums for family policies within plans with aggregate deductibles contributes 0.8 percent to the average increase.
- Some deductibles, out-of-pocket maximums and co-pays in Qualified Health Plans remain unchanged from 2015 to 2016. As overall costs increase and the amounts that members pay in cost-sharing contributions stay the same, more of the total cost is transferred to premiums. The resulting premium increase is partially offset by plan changes implemented by BCBSVT and the State of Vermont, resulting in a 0.3 percent increase in premiums.

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In the absence of mandated changes associated with the Affordable Care Act, a 5.3 percent increase would have been requested:

- Amounts that providers are paid are expected to increase by 6.4 percent during 2016. This results in a 4.4 percent premium increase due to increased payments to providers of medical services, and an additional 1.9 percent premium increase due to increases in the wholesale price of prescription drugs.
- An estimate of increases in the amounts providers are paid was included in 2015 QHP rates. Increases beyond those assumptions that have already occurred in 2015, or that are projected to occur before the end of 2015, drive a premium increase of 1.1 percent. This is primarily attributable to prescription drug price increases.
- BCBSVT has negotiated a new pharmacy contract with its Pharmacy Benefit Manager, which has an impact of reducing the average premium by 1.9 percent.
- BCBSVT administrative expenditures for Qualified Health Plans remain well below seven percent of premium.
- In order to maintain an adequate level of reserves as required by financial regulation, BCBSVT must increase its contribution to reserve for this filing due to rising health care costs and to protect QHP members by ensuring continued financial stability should a significant adverse event occur. This has the effect of increase premiums by 1.0 percent.
- Other adjustments to the assumptions used in the 2016 rate development, including an assumption that that members who will enroll in our qualified health plans in 2016 will prove to be significantly healthier on average than those insured during calendar 2014, cumulatively have the effect of reducing the required rate increase by 1.9 percent.

BCBSVT started selling QHPs in January 2014. In its first year, this line of business represented \$250 million of earned premium. Due to higher-than-expected actual claims and administrative charges, the line of business incurred a loss of 2.7 percent for calendar year 2014. BCBSVT has not included any additional contribution to member reserves to offset this loss.

BCBSVT understands the importance of adequately funding our health care system, to keep it strong and accessible. Since the factors driving this rate increase are almost entirely related to federal policy changes and increases in prices paid to providers in Vermont, we believe that there is no way to further reduce these rates without underfunding the health care coverage on which Vermonters rely.