

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: BCBSVT 2 <sup>nd</sup> Quarter 2014 Benefit Relativity Factor filing	)	
	)	GMCB-002-14-rr
	)	
SERFF No. BCVT-129370654	)	
In re: BCBSVT 2014 Charge Factors for Aggregate Stop Loss and Risk & Administration Charges filing	)	
	)	GMCB-004-14-rr
	)	
SERFF No. BCVT-129373971	)	
In re: BCBSVT 2014 Large Claims and Stop Loss filing	)	
	)	GMCB-006-14-rr
	)	
SERFF No. BCVT-129374060	)	

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

Blue Cross and Blue Shield of Vermont (BCBSVT) submitted the three filings addressed in this Memorandum for review by the Green Mountain Care Board (GMCB) in January 2014. The Actuarial Opinions by Lewis and Ellis, the contracted actuaries for the GMCB, and reviews of financial solvency by the Department of Financial Regulation (DFR) for each filing recommend that the GMCB approve all three filings as filed.

BCBSVT filed its Second Quarter 2014 Benefit Relativity Factor Filing on January 13, 2014 (GMCB 002-14-rr) and two filings for its 2014 Charge Factors for Aggregate Stop Loss and Risk and Administration (GMCB 004-14-rr) and for its 2014 Large Claims and Stop Loss (GMCB 006-14-rr) on January 14, 2014. The actuarial Opinion and Solvency Analysis letter for GMCB

002-14-rr were filed on March 14, 2014 and those for GMCB 004-14-rr and GMCB 006-14-rr were filed on March 17, 2014.

The Office of Health Care Advocate (HCA) entered appearances in all three filings pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. Hearings in all three cases scheduled for March 25, 2014 and March 26, 2014 have been waived by the parties.

## II. Standard of Review

Health insurance organizations operating in Vermont must obtain approval from the GMCB before implementing health insurance rates. 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). “In deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory.” GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3).

In making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the Solvency Analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB “shall consider any [public] comments received on a rate filing and may use them to identify issues.” GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries, and DFR, DFR’s Solvency Analysis, and the Opinion from the GMCB’s actuary. GMCB Rule 2.000 §2.403(a).

### III. Review of Actuarial Opinions and DFR Solvency Analysis Letters

Lewis and Ellis, the contracted actuaries for the GMCB have analyzed each of the filings to determine whether the filing will produce rates that are excessive, inadequate or unfairly discriminatory. GMCB-002-14-rr Actuarial Opinion at page 4, GMCB-004-14-rr Actuarial Opinion at page 4, GMCB-006-14-rr Actuarial Opinion at page 5. Their analysis does not include a consideration of some of the other factors considered by the GMCB in deciding whether to accept, modify or reject proposed rates, i.e. whether those rates will be affordable, promote quality care and promote access to health care. These criteria were first incorporated into the rate review process as part of Act 48, An act relating to a universal and unified health system , of the 2011-2012 legislative session.

For each of the BCBSVT filings, DFR has reviewed both the solvency of BCBSVT and how the particular filing could affect that solvency. In making its recommendations as to the effect of each particular filing, DFR has reviewed a draft opinion by the GMCB actuary containing the actuary's analysis of the filing. GMCB-002-14-rr Solvency Analysis at pages 1, 4. GMCB-004-14-rr Solvency Analysis at pages 1, 4; GMCB-006-14-rr Solvency Analysis at pages 1,4.

DFR has emphasized in its analysis of BCBSVT's solvency applicable to all three filings that it "considers the solvency of insurers to be the most fundamental aspect of consumer protection" and that solvency analysis involves "an intricate analysis of many factors." DFR finds BCBSVT's current surplus to be "sufficient" and "reasonable," and at a level that "provides necessary protection to policy holders." GMCB-002-14-rr Solvency Analysis at pages 2, 3; GMCB-004-14-rr Solvency Analysis at pages 2, 3; GMCB-006-14-rr Solvency Analysis at pages 2,3.

**GMCB 002-14-rr** is BCBSVT's Second Quarter 2014 Benefit Relativity Factor filing. It describes the methodology the carrier will use to determine the relative value of insurance plans with varying benefits for the rating of BCBSVT large group plans, effective the second quarter of 2014. The GMCB's actuary has recommended approval of the filing as filed and DFR has opined that "these factors as filed likely will not impact its assessment of BCBSVT's solvency." GMCB-002-14-rr Actuarial Opinion at page 5; GMCB-002-14-rr Solvency Analysis at page 4.

**GMCB 004-14-rr** is BCBSVT's Charge Factors for Aggregate Stop Loss and Risk and Administration Charges filing for 2014. The GMCB's actuary has recommended approval of the filing as filed and DFR has opined that "these charges as filed likely will not impact its assessment of BCBSVT's solvency." GMCB-004-14-rr Actuarial Opinion at page 4; GMCB-004-14-rr Solvency Analysis at page 4.

**GMCB 006-14-rr** is BCBSVT 2014 Large Claims and Stop Loss filing. The GMCB's actuary has recommended approval of the filing as filed and DFR has opined that "these methods [for determining rates] as filed likely will not impact its assessment of BCBSVT's solvency." GMCB-006-14-rr Actuarial Opinion at page 5; GMCB-006-14-rr Solvency Analysis at page 4.

#### IV. Conclusion

Based on the record for these three filings including the Opinions of the GMCB's actuary and the Solvency Analyses from DFR, the HCA does not request that the GMCB disapprove or modify the filings.

Dated at Montpelier, Vermont this 28th day of March, 2014.

*s/ Lila Richardson*  
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Staff Attorney  
Office of Health Care Advocate

## CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Health Policy Director of the Green Mountain Care Board, and Jacqueline Hughes, representative of Blue Cross Blue Shield of Vermont, by electronic mail, return receipt requested this 28th day of March, 2014.

s/ Lila Richardson  
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