

Green Mountain Care Board
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By electronic mail

July 8, 2019

Michael Donofrio, Esq.
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**Re: Blue Cross and Blue Shield of Vermont Small Group & Individual 2020 VHC Rate Filing
(Docket no. GMCB-006-19rr); Non-Actuarial Questions #2**

Dear Mr. Donofrio,

Pursuant to its authority under 8 V.S.A § 4062 and 18 V.S.A. § 9375(b)(6), the Board requests that Blue Cross and Blue Shield of Vermont provide the following information to assist with the Board's review of the above-referenced filing. This information is non-actuarial in nature and therefore has not been requested through SERFF.

1. MRL Experience—Refer to Supplemental Health Care Exhibits (SHCEs) – Part 1, Line 7 (2015 – 2018):

The projected MLR for 2020 is 91.2%, slightly lower than 2019's projection of 91.8%. "Final Status" filings for 2015 – 2018 projected blended Individual/Small Group MLRs of 94.2%, 92.9%, 90.8%, and 92.5% respectively. However, the above-referenced SHCEs show actual MLRs for 2015 - 2018 of 87.1%, 92.5%, 94.2% and 97.5% respectively for Individual Coverage and 95.7%, 98%, 90.0%, and 93.2% respectively for Small Group Employer Coverage.

- a. Separately for and by Individual Coverage and Small Group Employer Coverage, please summarize expected changes in Net Adjusted Premiums and Net Incurred Claims for 2020 and 2019 necessary to achieve the projected MLRs. Relative to reductions, if any, in Net Incurred Claims, please outline the approach for achieving the projected MLRs, especially for the Individual Coverage plans.
- b. To rebalance the relationship between pressures for higher rates or reduced claims, how has your approach to provider reimbursement been affected?

2. Claim Adjustment Expenses and General and Administrative Expenses and Income from Uninsured Plans—Refer to SHCE-Part 1, Lines 8, 10, 12 and O2 (2015 – 2018):

For the above-referenced years, line O2 shows Covered Lives decreasing by 23% (from 26,942 in 2015 to 20,692 in 2018) for the Individual market and 16% (from 35,911 in 2015 to 30,227 in 2018) for the Small



Group Employer market. During this same period, combined Claim Adjustment and G&A Expenses increased by 4.2% (from \$11.99 million to \$12.50 million) for the Individual market and 20.3% (from \$12.8 million to \$15.45 million) for the Small Group Employer market.

SHCEs for the same period show that Covered Lives for “Uninsured Plans” increased by 127% (from 49,063 to 111,407) while associated Claim Adjustment and G&A Expenses increased by only 23% (from \$21.47 million to \$26.39 million). Further, “Income from fees of uninsured plans” during this same period increased by 12% (from \$31.6 million to \$35.5 million). Such income is also allocated to expenses, such as federal taxes (Line 1.5) and “Improving Health Care Quality expenses” (Line 6.6). The “Notes” to BCBSVT’s 2018 audited financial statement explain that “Under SAP . . . administrative fees received from ASC and ASO groups are recorded as an offset to administrative expenses”.

- a. Given the continued diminishment of “covered lives” in 2019 and 2020 in the Individual and Small Group markets and the apparent growth in the “uninsured market” as shown in SHCEs, why hasn’t the offset to enterprise-wide administrative costs from fees paid by uninsured plans increased at a higher rate?

3. Cost Shift

During the 2019 QHP hearing, a BCBSVT representative testified as follows:

There is one other policy consideration I want to address and that’s the cost shift. Because Medicare and Medicaid do not fully fund what they pay providers, in other words, provider costs are not fully funded by what Medicare and Medicaid pays them, those costs need to be shifted to private commercial payers. That includes individuals, small businesses and large groups. It’s arguable that the large employers have the deep pockets that are necessary to bear the burden of the cost shift and continue to pay a substantial portion of the premium on behalf of their employees. It is arguable as to whether individuals and small groups who are paying these costs out of their pockets can or should also bear the burden of the cost shift.

- a. Can BCBSVT provide an estimate of the burden on 2020 Individual and Small group premiums attributable to the Medicare and/or Medicaid cost shifts?
- b. What actions, analyses, testimony, etc. has BCBSVT engaged in related to mitigating the cost shift during the past year in anticipation of the 2020 Individual and Small Group filing?

4. Pharmacy—Refer to SHCE-Part 1, lines 2.2 and 2.3:

The data in the table below is from the referenced BCBSVT SHCE-Part 1 submission for 2015 – 2018.



	2018	2017	2016	2015	Annual Rate
Individual					
Prescription Claims	\$ 35,046,229	\$ 33,946,755	\$ 28,018,988	\$ 28,763,089	6.81%
Pharmaceutical rebates	\$ 6,894,944	\$ 4,546,098	\$ 3,537,711	\$ 3,428,839	26.22%
Net	\$ 28,151,285	\$ 29,400,657	\$ 24,481,277	\$ 25,334,250	3.58%
Net % Change	-4.2%	20.1%	-3.4%		
Covered Lives	20,682	25,518	28,751	26,942	-8.44%
Small Group Employer					
Prescription Claims	\$ 34,909,417	\$ 38,978,965	\$ 35,864,069	\$ 28,672,541	6.78%
Pharmaceutical rebates	\$ 7,849,802	\$ 6,401,870	\$ 4,657,120	\$ 3,738,696	28.05%
Net	\$ 27,059,615	\$ 32,577,095	\$ 31,206,949	\$ 24,933,845	2.76%
Net % Change	-16.9%	4.4%	25.2%		
Covered Lives	30,227	40,863	42,372	35,911	-5.58%

- a. In 2019 and for 2020, what expectations does BCBSVT have that the recent rate of rebate growth profiled below will continue?

When providing the responses, please copy the question in the same numbered format as in this document and provide your response immediately following. To ensure that the review of your filing has been completed before statutory deadlines, we expect you to respond as expeditiously as possible, but no later than July 15, 2019. Note that the responses can be submitted separately and do not have to be submitted all at the same time. Thank you in advance for your cooperation.

Sincerely,

/s/ Michael Barber

General Counsel
Green Mountain Care Board

cc: Rebecca Heinz, Esq., BCBSVT
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