

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

In re: BlueCross and BlueShield Vermont	)	
2020 Individual and Small Group	)	GMCB-006-19rr
Rate Filing	)	
	)	
SERF No. BCVT-131936226	)	

**EXPERT REPORT OF RUTH K. GREENE**

Pursuant to ¶ 3 of the May 20, 2019 Scheduling Order issued by the Green Mountain Care Board, Blue Cross and Blue Shield of Vermont (BCBSVT) submits the Expert Report of Ruth K. Greene. Specifically, the Scheduling Order provides that “No later than July 9, 2019 at 4:00 p.m., the HCA and BCBSVT shall further provide:

- a. A copy of any expert opinion, prepared and signed by the witness;
- b. The facts, opinions, data, and documents relied on as basis for the expert opinion.”

Accordingly, BCBSVT provides this expert disclosure to fulfill that requirement.

## **Qualifications**

Ms. Greene has worked in leadership roles in corporate finance and accounting in the insurance industry for over 30 years. From 1986 to 2012, she worked at the UNUM Corporation, beginning as a manager/director of corporate accounting and eventually serving as Vice President Chief Financial Officer, Global Business Technology. In 2012, Ms. Greene became BCBSVT's Vice President, Treasurer, and Chief Financial Officer. In that capacity, she is responsible for Corporate Accounting, Treasury, Actuarial, Underwriting, and Enrollment Services. She provides on-going strategic and operational financial support and leadership, to enable BCBSVT to manage its growth, development, and expenses. She oversees management and external financial audit processes to assure that effective financial systems are in place from which to manage BCBSVT's day-to-day operations as well as its strategic future. Ms. Greene has testified before the Green Mountain Care Board at hearings from 2014 through 2018 regarding BCBSVT's Vermont individual and small group rate filings. Ms. Greene earned the Certified Public Accountant designation in 1986 and was licensed for 12 years by the State of Maine. In sum, her education and experience qualify her to offer the opinions below.

## **Methodology**

As part of her regular duties, Ms. Greene is intimately familiar with BCBSVT's financial results and the status of its reserves, as well as the detailed information underlying those items. Her opinions result from her ongoing review of that information and her ongoing responsibility for managing all aspects of BCBSVT's financial operations.

## **Opinions**

1. A contribution to member reserves (CTR) of 1.5 percent represents an adequate, yet not excessive, contribution to policyholder reserves. CTR at this level within a typical trend and growth environment will allow BCBSVT to manage short-term fluctuations in order to maintain surplus levels that are within our established, modest target range.

2. CTR should be managed to a consistent long-term level that is adequate and not excessive, rather than fluctuating significantly from year to year with changes in membership and health care cost trend. For this reason, BCBSVT's proposed 1.5 percent CTR is equal to its long-term CTR target. It is BCBSVT's expectation that future filings will include CTRs equal to this target.

3. The Vermont Department of Financial Regulation (DFR) has ordered BCBSVT to maintain sufficient reserves such that BCBSVT's risk-based capital (RBC) ratio falls within a range of 590 to 745 percent. *In the Matter of Blue Cross*

*and Blue Shield of Vermont Risk-Based Capital Range Study*, No. 19-007-1 (Vt. Dep't of Fin. Reg. Feb. 7, 2019). DFR's order also provides that "[i]f BCBSVT's RBC ratio falls below or increases above the approved range, BCBSVT shall promptly develop a plan to move within the range within a reasonable time and shall submit such plan to the Commissioner." *Id.* BCBSVT's RBC ratio was 495 percent as of December 31, 2018. Therefore, BCBSVT has developed a plan to move into the target range by the end of calendar year 2020. That plan is contingent upon BCBSVT achieving the 1.5 percent CTR proposed in this filing. If the proposed rates are modified in a manner that eliminates some or all of that proposed CTR, it is unlikely that BCBSVT's RBC ratio will attain the low end of the range ordered by DFR by the end of 2020.

4. BCBSVT has lost over \$30 million on the Vermont individual and small group plans since the plans' inception in 2014. Those losses have in turn reduced BCBSVT's RBC ratio by 137 percentage points. In calendar year 2018, BCBSVT requested a 1.5 percent contribution to reserve; the Green Mountain Care Board modified BCBSVT's proposed rates in a manner that resulted in an effective approved CTR of -3.8 percent; and BCBSVT realized an actual CTR of -4.1 percent. If the proposed rates are modified in a manner that eliminates some or all of the proposed CTR, it is likely that BCBSVT will continue to lose money on Vermont individual and small group plans, which in turn will reduce BCBSVT's

RBC ratio and prevent BCBSVT from achieving the low end of the range ordered by DFR by the end of 2020.

5. The proposed rates satisfy, and strike an appropriate balance among, the statutory criteria the Green Mountain Care Board must consider under Vermont law. The proposed rates reflect the revenue BCBSVT has reasonably concluded is necessary to cover: (1) the projected claims costs of its members, taking into account the choices BCBSVT has made in order to promote robust access to high quality health care services for its members in the Vermont individual and small group market; (2) BCBSVT's projected costs of doing business; and (3) the contribution to member reserves necessary to comply with the Vermont Department of Financial Regulation's recent order. *See In the Matter of Blue Cross and Blue Shield of Vermont Risk-Based Capital Range Study*, No. 19-007-1 (Vt. Dep't of Fin. Reg. Feb. 7, 2019). As substantiated throughout the rate filing, the Actuarial Memorandum, and BCBSVT's responses to the questions posed to it by the Green Mountain Care Board in this proceeding, BCBSVT has incorporated reasonable and actuarially sound projections of the three elements mentioned above into the proposed rates. Accordingly, the proposed rates are affordable, promote quality care, promote access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading, or contrary to the laws of this State.

## Basis of the Opinions

The information that Ms. Greene relied on as the basis of her opinions is set forth in the record of this proceeding, in the following documents:

- 2020 Vermont Individual and Small Group Rate Filing, SERFF Tracking Number BCVT-131936226 (May 10, 2019), Attachment C (May 10, 2019 Memorandum from Don George and Ruth Greene to Paul Schultz re: Contribution to Policyholder Reserves for 2020 Vermont Individual and Small Group filing)
- BCBSVT 2020 Vermont Individual and Small Group Rate Filing Actuarial Memorandum (May 10, 2019)
- BCBSVT's Responses to Lewis & Ellis Objection Letters 1-5
- BCBSVT's Responses to the GMCB's Non-Actuarial Questions #1

Dated: July 9, 2019

/s/ Ruth K. Greene

Ruth K. Greene

Vice President, Treasurer, Chief Financial Officer  
Blue Cross and Blue Shield of Vermont

Respectfully submitted,

**Stris & Maher LLP**

/s/ Bridget Asay

Bridget Asay

28 Elm Street

Montpelier, VT 05602

Telephone: (802) 858-4285

[bridget.asay@strismaher.com](mailto:bridget.asay@strismaher.com)

/s/ Michael Donofrio

Michael Donofrio

28 Elm Street

Montpelier, VT 05602

Telephone: (802) 858-4465

[michael.donofrio@strismaher.com](mailto:michael.donofrio@strismaher.com)

**CERTIFICATE OF SERVICE**

I certify that I have served the above Expert Report of Ruth K. Greene on Michael Barber, Amerin Aborjaily, Thomas Crompton, and Christina McLaughlin of the Green Mountain Care Board; and on Jay Angoff, Kaili Kuiper, and Eric Schulties, counsel for the Office of the Health Care Advocate, by electronic mail, return receipt requested, on July 9, 2019.

*/s/ Michael Donofrio*  
Michael Donofrio  
Stris & Maher LLP  
28 Elm Street  
Montpelier, VT 05602  
Telephone: (802) 858-4465  
[michael.donofrio@strismaher.com](mailto:michael.donofrio@strismaher.com)

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**EXPERT REPORT OF PAUL A. SCHULTZ**

Pursuant to ¶ 3 of the May 20, 2019 Scheduling Order issued by the Green Mountain Care Board, Blue Cross and Blue Shield of Vermont (BCBSVT) submits the Expert Report of Paul A. Schultz. Specifically, the Scheduling Order provides that “No later than July 9, 2019 at 4:00 p.m., the HCA and BCBSVT shall further provide:

- a. A copy of any expert opinion, prepared and signed by the witness;
- b. The facts, opinions, data, and documents relied on as basis for the expert opinion.”

Accordingly, BCBSVT provides this expert disclosure to fulfill that requirement.



## **Qualifications**

Mr. Schultz has worked as an actuary in the health insurance field for over 2 decades. For the past six years, he has worked for BCBSVT, first as Director of Actuarial Services, and, since January 2015, as Chief Actuary. In that capacity, he has overseen all aspects of BCBSVT's rate development and construction, including the rating of its Vermont Health Connect plans. Mr. Schultz has testified before the Green Mountain Care Board at hearings from 2014 through 2018 regarding the actuarial analysis supporting BCBSVT's Vermont individual and small group rate filings.

Mr. Schultz is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, meets the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States promulgated by the American Academy of Actuaries. In sum, his education and experience qualify him to offer the opinions below.

## **Methodology**

The Actuarial Memorandum accompanying BCBSVT's 2020 VISG rate filing sets forth and explains: the facts, data, analysis, and methodology used to calculate the AV Metal Value for each Qualified Health plan and Reflective plan offered by BCBSVT in 2020; the appropriateness of the essential health benefit portion of premium upon which advanced payment of premium tax credits

(APTCs) are based; that the Index Rate is developed in accordance with federal regulations; and that the Index Rate along with allowable modifiers is used in the development of plan specific premium rates. That methodology is reflected in detail throughout the rate filing itself, and is consistent with all relevant actuarial standards of practice.

### **Opinions**

1. The projected Index Rate reflected in the rate filing complies with all applicable State and Federal law (including 45 CFR 156.80 and 147.102), was developed in compliance with the applicable Actuarial Standards of Practice, is reasonable in relation to the benefits provided and the population anticipated to be covered, and is neither excessive nor deficient.

2. Actuarial Standard of Practice No. 8 defines rates as “adequate” if they provide for payment of claims, administrative expenses, taxes, and regulatory fees and have reasonable contingency or profit margins. Rates are “excessive” if they exceed the amount necessary for these items. As documented in the rate filing and BCBSVT’s responses to the questions posed by the Green Mountain Care Board, the rates proposed by BCBSVT are neither excessive nor inadequate.

3. During the pendency of this proceeding, changes in circumstances have occurred that impact, and may require adjustments to, the proposed rates. Such adjustments are appropriate if they are actuarially justified, and therefore will

not render the resulting rates excessive or inadequate. Such adjustments are not appropriate if they would render the proposed rates excessive or inadequate.

4. Any upward adjustment to the proposed rates that is not actuarially justified would likely render the resulting rates excessive, because such rates would likely result in revenue in excess of payment of claims, administrative expenses, taxes, regulatory fees, and a reasonable contingency or margin. Such rates would not comply with applicable actuarial standards, including Actuarial Standard of Practice 8.

5. Any downward adjustment to the proposed rates that is not actuarially justified would likely render the resulting rates inadequate, because such rates would likely result in revenue insufficient to cover payment of claims, administrative expenses, taxes, regulatory fees, and a reasonable contingency or margin. Such rates would not comply with applicable actuarial standards, including Actuarial Standard of Practice 8.

6. Reducing the contribution to reserves proposed in the rate filing would likely not be actuarially justified and would likely result in inadequate rates, within the meaning of Actuarial Standard of Practice 8. This would be the case if such a reduction was a direct reduction of the proposed contribution to reserves or if it was a non-actuarially-justified reduction to any other component of the proposed rates.

7. The proposed rates satisfy, and strike an appropriate balance among, the statutory criteria the Green Mountain Care Board must consider under Vermont law. The proposed rates reflect the revenue BCBSVT has reasonably concluded is necessary to cover: (1) the projected claims costs of its members, taking into account the choices BCBSVT has made in order to promote robust access to high quality health care services for its members in the Vermont individual and small group market; (2) BCBSVT's projected costs of doing business; and (3) the contribution to member reserves necessary to comply with the Vermont Department of Financial Regulation's recent order. *See In the Matter of Blue Cross and Blue Shield of Vermont Risk-Based Capital Range Study*, No. 19-007-1 (Vt. Dep't of Fin. Reg. Feb. 7, 2019). As substantiated throughout the rate filing, the Actuarial Memorandum, and BCBSVT's responses to the questions posed to it by the Green Mountain Care Board in this proceeding, BCBSVT has incorporated reasonable and actuarially sound projections of the three elements mentioned above into the proposed rates. Accordingly, the proposed rates are affordable, promote quality care, promote access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading, or contrary to the laws of this State.

## **Basis of the Opinions**

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Dated: July 9, 2019

/s/ Paul A. Schultz

Paul A. Schultz

Chief Actuary

Blue Cross and Blue Shield of Vermont

Respectfully submitted,

**Stris & Maher LLP**

/s/ Bridget Asay

Bridget Asay

28 Elm Street

Montpelier, VT 05602

Telephone: (802) 858-4285

[bridget.asay@strismaher.com](mailto:bridget.asay@strismaher.com)

/s/ Michael Donofrio

Michael Donofrio

28 Elm Street

Montpelier, VT 05602

Telephone: (802) 858-4465

[michael.donofrio@strismaher.com](mailto:michael.donofrio@strismaher.com)

## **CERTIFICATE OF SERVICE**

I certify that I have served the above Expert Report of Paul A. Schultz on Michael Barber, Amerin Aborjaily, Thomas Crompton, and Christina McLaughlin of the Green Mountain Care Board; and on Jay Angoff, Kaili Kuiper, and Eric Schulties, counsel for the Office of the Health Care Advocate, by electronic mail, return receipt requested, on July 9, 2019.

*/s/ Michael Donofrio*

Michael Donofrio

Stris & Maher LLP

28 Elm Street

Montpelier, VT 05602

Telephone: (802) 858-4465

[michael.donofrio@strismaher.com](mailto:michael.donofrio@strismaher.com)