



June 29, 2020

Kevin Mullin, Chair
Jessica Holmes, Ph.D.
Robin Lunge, J.D., MHCDS
Tom Pelham
Maureen Usifer

Green Mountain Care Board
144 State Street
Montpelier, VT 05620

Re: Docket Nos. GMCB-002-20rr, GMCB-003-20rr, GMCB-004-20rr,
GMCB-005-20rr

Dear Members of the Green Mountain Care Board,

In connection with the above-referenced filings, I write to inform the Board and the parties about a matter bearing on BCBSVT's solvency and reserves. Like many employers, BCBSVT has an ongoing financial and legal obligation to fund its pension commitments to its employees. BCBSVT's pension assets recently experienced a substantial loss of value—as of May 31, 2020, approximately \$40.6 million, representing a 58.5% loss in value. That amount represents 180 percentage points of risk-based capital (RBC). We have disclosed this loss to the Department of Financial Regulation. We recognize and anticipate that the Board may have questions about this matter.

By way of brief background, BCBSVT provides pension benefits to its employees by offering an ERISA-governed defined benefit plan in conjunction with several other Blues around the country. We have access to this plan through our association with the national Blue Cross and Blue Shield Association. During the market disruption due to the global pandemic, plan assets sustained substantial losses that appear to be distinct from and in excess of the general market losses resulting from COVID-19. Because the losses occurred at the national program level, where the pension-asset investment decisions are made, all of the participating Blues, including BCBSVT, are affected.

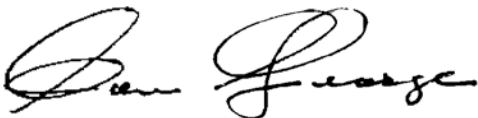
Although, as mentioned above, the current amount of the loss is \$40.6 million, the long-term impact of the pension plan loss on BCBSVT's surplus and RBC is unclear. The process of investigating and assessing potential remedies for this loss, including potential legal action, is in its earliest stages. At this time, we are unable to provide specifics about the cause or causes of the loss, the potential for legal action, the timing of potential actions and their outcomes, or how the process may unfold more generally.

Moreover, figuring out the extent and cause(s) of the loss and determining next steps will likely (and unfortunately) be a lengthy process measured in months and years, not days and weeks. Because that process is still in its beginning phase, it is unlikely that BCBSVT will have additional significant information to share by the time the Board issues a decision on BCBSVT's 2021 Vermont Individual and Small Group rate filing.

In light of the above, we respectfully request that, if the Board or the HCA has questions about this matter, the Board pose them to BCBSVT in writing (as the Board typically does with non-actuarial questions) in advance of the VISG hearing. Because of the potential for legal action related to the pension loss, BCBSVT must consult with counsel in responding to any question about this matter, and thus doing so at hearing would be difficult, if not impossible.

Please do not hesitate to contact me or my team with questions.

Sincerely,

A handwritten signature in black ink that reads "Don George". The signature is written in a cursive, flowing style.

Don George
President and CEO

cc: Michael Fisher, Office of the Health Care Advocate
Michael Pieciak, Commissioner, Vermont Department of Financial
Regulation