STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross Blue Shield Vermont 2022 Vermont ACA Market – Individual Market Rate Filing	))))	GMCB-005-21rr SERFF No. BCVT-132829271
In re: Blue Cross Blue Shield Vermont 2022 Vermont ACA Market – Small Group Market Rate Filing	))))	GMCB-006-21rr SERFF No. BCVT-132829562

RESPONSE OF BLUE CROSS TO HCA "OBJECTION"

As requested by the Board, Blue Cross Blue Shield of Vermont (Blue Cross) provides the following responses to the HCA's "Objection" dated July 1, 2021. As a preliminary matter, Blue Cross notes that the question at issue was posed through the Board's actuary, and no objection has been lodged in SERFF by the actuary.

Contrary to the HCA's assertions, Blue Cross responded thoroughly and in good faith to the request for updated COVID-19 modeling and projections. The HCA now insists that its real question was for actual paid claims data for 2020 and wrongly accuses Blue Cross of "declin[ing] to disclose" information. The suggestion that Blue Cross is withholding information about 2020 claims experience and 2021 projections is absurd. The actuarial memorandum that explains the rate development for 2022 provides a wealth of detailed information about actual 2020 claims experience and projected 2021 experience. The Blue

Cross actuaries use that data for rate development and the Board's actuaries use it to review the soundness of the rates. *See, e.g.,* Actuarial Memorandum, § 3.1 (noting that "analysis begins with the 2020 experience of" individual and small group markets, and providing table with specific data on incurred and allowed claims); *id*. §§ 3.3, 3.3.1 (showing reconciled total allowed claims for 2020). Indeed, our response to Question 7 of the HCA's actuarial questions (in the same letter as the response to which the HCA objects) includes 2020 reported claims data. Blue Cross Response at 4 (June 25, 2021). Blue Cross's 2020 experience is also reflected in financial statements and in risk-based capital projections. And it is described in the 2020 Supplemental Health Care Exhibit, which is part of the record here. If Blue Cross had somehow attempted to withhold its 2020 claims experience in this proceeding, the Board's actuaries would have exposed such a glaring omission immediately.

The real problem is that the HCA's question was poorly framed and ambiguous. The HCA framed its question entirely around requested updates to certain tables in Appendix D of the COVID-19 modeling that Blue Cross submitted last year. The specific, expressed purpose of that model was "to quantify the impact varying [pandemic] scenarios have on BCBSVT's risk based capital ratio (RBC)." We cautioned that it "should not be used for any other purpose." BCBSVT 2020 COVID-19 Modeling, at 2 (July 4, 2020). The same is true for this

year's modeling. *See* BCBSVT 2021 COVID-19 Modeling, at 2 (June 15, 2021). Neither last year's model nor this year's is intended to project claims experience. Last year's model uses baseline projections from the 2021 filing, *see* 2020 Modeling, at 3, and this year's model uses baseline projections embodied in the 2022 filings, *see* 2021 Modeling, at 2-3.

The HCA's "Objection" confirms that the HCA does not understand the limited purpose of the COVID-19 modeling. The HCA justifies its request for updated tables from the 2020 COVID-19 Modeling by claiming that "the extent and direction of any deviation between BCBSVT's projected paid claims and actual paid claims is relevant to BCBSVT's credibility."[1] HCA Objection, at 2. Again, the modeling is intended *only* to estimate the impact of various pandemic scenarios on Blue Cross's RBC. Information about rate development, including the basis for claims projections, is in the actuarial memorandum. And the actuarial memorandum fully explains the observed population changes in 2020 that affect projected claims data. *See* Actuarial Memorandum at 4 (summarizing observed population changes).

[1] The 2020 modeling in fact provided a very good estimate of the impact of the pandemic on Blue Cross's RBC. *See* Blue Cross Response to HCA Non-actuarial Questions (July 1, 2021); *cf.* 2020 Hearing Transcript 420 (HCA's incorrect prediction that pandemic would increase Blue Cross's RBC by 105 points).

As we explained in our original response, the information in Appendix H in this year's modeling "provides an update to the information presented as Appendix D of the July 14, 2020 modeling." We further explained the source of the data in the current modeling: "The baseline claims have been updated in the June 1, 2021 modeling to include information underlying recent rate filings and to reflect current membership information. Notably, we used the 2022 ACA filing to project both 2020 and 2021 claims in the most recent modeling." Blue Cross Response at 1 (June 25, 2021).

Inserting actual paid claims data into the COVID-19 modeling, as the HCA now suggests, is mixing apples and oranges. It is not an "update" to the modeling. Blue Cross thus strongly disagrees with any suggestion that its original response was incomplete or that it has refused to disclose its 2020 experience.

With respect to the HCA's current request for actual paid claims data for 2020 and Q12021: as the Board knows from this annual process, there is no single figure for paid claims. For example, the HCA has not indicated whether it seeks data for the ACA-compliant markets; for these markets plus large group insured (the basis for the 2020 modeling); or all insured lines (including Medicare Supplement, which was not included in the 2020 modeling but is included in the 2021 modeling). The HCA has also not indicated if it seeks data for medical claims only, or retail pharmacy as well. The 2020 modeling excluded retail pharmacy. S*ee*

2020 COVID-19 Modeling, at 2. Further, there are multiple accounting bases used to express paid claims data: STAT accounting basis; GAAP accounting basis; or incurred basis. Paid claims data can include, or not, capitations, rebates, blueprint, or certain taxes and fees that are considered claims in financial statements.

Notwithstanding this lack of specificity in the HCA's question, Blue Cross is summarizing responsive information here:

GAAP Basis - Paid Claims			
Line of Business	**Actuals CY 2020**	**Actuals Q1 2021**	**Estimated Q2-Q4 2021**
ACA	250,732,389	59,523,531	197,908,305
Large Group	46,059,501	8,712,449	29,139,539
Medicare Supplement	20,380,950	5,889,113	18,196,830
Total Insured	**317,172,840**	**76,130,768**	**253,267,845**

The data set forth above is responsive to the HCA's specific request for actual paid claims data. It is expressed on a GAAP basis, to align with the data provided in response to Question 7 of the HCA actuarial questions. We reiterate, however, that this data is not directly comparable to the projections used as a baseline in the COVID-19 modeling.

Dated: July 2, 2021

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that I have served the above Response on Michael Barber, Laura Beliveau, Thomas Crompton, and Christina McLaughlin of the Green Mountain Care Board; and Jay Angoff, Kaili Kuiper, and Eric Schultheis, counsel for the Office of the Health Care Advocate, by electronic mail, return receipt requested, on July 2, 2021.

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