

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross Blue Shield of Vermont
2022 Vermont ACA Individual Market Rate Filing
SERFF No. BCVT-132829271

DOCKET NO. GMCB-005-21RR

In re: Blue Cross Blue Shield of Vermont
2022 Vermont ACA Small Group Market Rate
Filing

DOCKET NO. GMCB-006-21RR

SERFF No. BCVT-132829562

PREFILED TESTIMONY OF JACQUELINE B. LEE, FSA, MAAA

Dated: July 13, 2021

1. QUALIFICATIONS AND BACKGROUND

What is your name and who is your employer?

My name is Jacqueline B. Lee. I am a vice president and principal of Lewis & Ellis.

What type of business is Lewis & Ellis?

Lewis & Ellis (also known as L&E) was founded in 1968 primarily as an actuarial consulting firm. In addition to actuarial work, L&E also consults in other insurance related matters such as financial and market conduct examinations and compliance.

What is your educational background?

I graduated from Texas Lutheran University with a Bachelor of Science in mathematics. I am a fellow of the Society of Actuaries (SOA) and a member of the American Academy of Actuaries (AAA).

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How long have you been an actuary?

I have been working in the actuarial field for over 17 years. I have been a credentialed actuary for 14 years.

How long have you been retained by the Green Mountain Care Board (the Board) to provide actuarial services to the State of Vermont?

L&E was engaged in 2014 to begin providing actuarial services to the Board, I began providing actuarial services to the Board at that time.

In that time how many Vermont health insurance rate filings have you worked on?

L&E has reviewed approximately 83 filings on behalf of the Board, and I have worked on each one.

In what market segments have those rate filings been?

They have been in the QHP segments, which includes the merged individual and small group markets, as well as the large group and association health plan markets.

How experienced are you at reviewing health insurance rate filings in the Vermont marketplace?

Very experienced.

Do you work on health insurance rate filings in other states?

Yes.

How many would you say?

1 Since 2010, when ACA was passed, L&E staff has assisted 23 states with rate reviews. L&E is currently
2 assisting 14 states with ACA related rate reviews. In some combination, the L&E staff that helps the
3 GMCB is currently assisting 8 other states with ACA rate reviews (AR, DC, LA, KY, MD, NE, SC, RI).
4 Since that time, this team has reviewed over 1,000 filings combined in the Individual and Small Group
5 ACA markets.

6 **How does Vermont's health insurance market compare to the markets in the other states you work**
7 **with?**

8 Vermont's health insurance market has been a little bit different from the other states that we review. For
9 example, it has been a merged, community rated market, and is switching to an unmerged market for the
10 2022 policy year. However, it is helpful that we work with other states, because with the ACA there are a
11 lot of issues that impact everybody. It is very helpful for our reviewers to be able to see a wide range of
12 filings and a myriad of market wide impacts, e.g., risk adjustment and industry-wide developments such
13 as the COVID-19 pandemic and the American Rescue Plan Act.

14
15 **What do you do in your work to keep up with changing health care reform issues?**

16 Since we work with so many states, L&E is very active with keeping up with issues that impact the health
17 insurance industry. I personally volunteer frequently within the actuarial community. I currently serve on
18 the Professional Development Committee for the Society of Actuaries. In the past year, I served as the
19 Chair of the Society of Actuaries' (SOA) Health section. In both capacities, I have helped guide all SOA
20 health related endeavors, including the COVID-19 education and distribution of information and the
21 development of continuing education through the annual Health Meeting and webcasts throughout the
22 year. David Dillon, a peer reviewer on this filing, currently serves on the Society of Actuaries' Board of
23 Directors, and is also an active volunteer within the SOA. This includes being a member of the SOA's
24 Project Oversight Group of the recently released 2021 Health Care Cost Model. For the Academy, Dave

1 is a member of the Individual and Small Group Markets Committee which oversees health related issues
2 such as authoring the recently released Issue Brief on the Drivers of Health Insurance Premium Changes,
3 which includes the effects of COVID-19.

4 **2. FILING REVIEW PROCESS**

5 **Generally speaking, how is a health insurance rate filing reviewed?**

6 Both the rate filing and the rate review are very detailed processes that are based on strict regulatory
7 guidance, both federal and state, and specific actuarial standards of practice, which we call ASOPs.

8 We estimate that there are over 100 pages over guidance that must be followed, these include: URRT (52
9 pages), ASOP 8(30 pages), 45 CFR 156.80 (2 pages), 45 CFR 147.102 (3 pages), GMCB Rule 2.000 (13
10 pages), 18 V.S.A. § 9375 (2 pages), and 18 V.S.A. § 4062 (2 pages). As provided in the guidance, the
11 primary point of the review is determining the reasonableness of the assumptions used by the health
12 insurance issuer to develop the proposed rate increase. In evaluating the reasonableness of the
13 assumptions, L&E can then assist the Green Mountain Care Board in determining whether the proposed
14 rates are not excessive, inadequate, or unfairly discriminatory.

16 **What are your standards of review?**

17 As noted above, we review the filings to make sure that the companies follow both federal and state
18 guidance. At the state level, the Board has many factors that it must consider in evaluating the proposed
19 rates. L&E focuses on the factors that are primarily actuarial in nature. These are “excessive, inadequate,
20 and unfairly discriminatory.” These are defined actuarial terms that are included as part of ASOP #8.
21 L&E bases the filing evaluation on those factors, and then recommendations are made to the Board if
22 L&E believes that the filing needs to be adjusted to meet those actuarial standards of review.

24 **What is the definition of an “adequate” rate according to the actuarial standards of practice?**

1 Rates may be considered adequate if they provide for payment of claims, administrative expenses, taxes,
2 and regulatory fees and have reasonable contingency or profit margins.

3
4 **What is the definition of an “excessive” rate according to the actuarial standards of practice?**

5 Rates may be considered excessive if they exceed the rate needed to provide for payment of claims,
6 administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins.

7
8 **How is the term “unfairly discriminatory” defined according to the actuarial standards of practice?**

9 The term unfairly discriminatory doesn't come into play too often in a review, especially in Vermont due
10 to the unique nature of its insurance rules but reviewing to determine that a rate is not unfairly
11 discriminatory is basically just confirming that a carrier doesn't charge similar people materially different
12 rates.

13
14 **What is L&E’s process for reviewing a Vermont rate filing?**

15 For each filing we assign three credentialed actuaries that have different levels of responsibility.

16 For the 2022 filings, Kevin Ruggeberg, FSA, MAAA, is the lead actuary and reviewer for the BCBSVT
17 filing. I am the primary peer reviewer. In this role, I advise Kevin on the issues that should be addressed
18 with the company and assist on making recommendations. David Dillon, who is also the primary peer
19 reviewer on the MVP filing, serves as the secondary peer reviewer to help ensure consistency as much as
20 possible between both carriers in Vermont.

21
22 **Could you briefly explain what SERFF is?**

1 SERFF is the National Association of Insurance Commissioners (NAIC) “System for Electronic Rate and
2 Form Filing.” Insurance carriers submit their filing information into this system, and we communicate
3 with the insurance carriers about the rate filings through SERFF.
4

5 **When you review a filing are you performing an independent analysis and calculation, or are you
6 only checking a calculation or assumption you received from the companies?**

7 Generally, a rate review is used to determine the reasonableness of each underlying assumptions and the
8 assumptions in the aggregate. We use different approaches based on the magnitude and materiality of the
9 assumptions and their impact on the rate. For assumptions that are material, we will oftentimes perform
10 an independent calculation and a detailed analysis. For assumptions that may not be as material to the rate
11 increase and for assumptions that may not change that much since our last review, we will just use the
12 information provided to assess whether the assumption is reasonable. Many times, we may have to end up
13 asking for additional information to help support the assumption, but we may not have to do any
14 additional calculations.
15

16 **Do you have a process for getting additional information from the company if you need it?**

17 Yes. The primary mechanism is through the submission of inquiry letters through SERFF. We also notify
18 the company via email to make sure that they are aware that an inquiry letter was submitted. Early in the
19 review period, the typical approach is to request for a response within a week. Towards the end of the
20 review period, we may request a shorter response time, such as two days. After the review is complete,
21 SERFF is designed such that serves as a template for a review process, and it also provides a permanent
22 record of communications exchanged related to the review.
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1 **Did you follow the standard policies and practices that you have outlined above in your review of**
2 **this filing?**

3 Yes, we did.
4

5 **How long do you have to review a filing from the time it is submitted to the Board?**

6 By statute, we have 60 days to provide a formal report to the Board.
7

8 **Did you submit a formal report to the Board in this filing?**

9 Yes, we submitted a report on July 6, 2021, Day 60 of this filing. Based on our review of the filing, our
10 report recommended a series of modifications to the requested rate components. With the recommended
11 modifications, L&E believes that this filing does not produce rates that are excessive, inadequate, or
12 unfairly discriminatory. Our analysis of the filing indicates that applying the recommended modifications
13 would decrease the overall rate increase for the individual filing from 7.9% to approximately 5.0% and
14 for the small group filing from -7.8% to approximately -6.4%.

15
16 I attest, under penalty of perjury under the laws of the State of Vermont, that the foregoing is true and
17 correct. I have personal knowledge of the facts set forth above and if called to testify as a witness thereto,
18 I would and could competently testify accordingly.
19

20 Date: July 13, 2021

/s/ Jacqueline B. Lee
Jacqueline B. Lee, FSA, MAAA

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CERTIFICATE OF SERVICE

I, Laura Beliveau, Esq., hereby certify that I have served a copy of *Lewis & Ellis' July 13, 2021 Prefiled Testimony of Jacqueline B. Lee* upon the following:

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Dated at Montpelier, Vermont, this 13th day of July, 2021.

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

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