



April 12, 2021

Jude Daye, Executive Assistant  
Blue Cross and Blue Shield of Vermont  
445 Industrial Lane  
Montpelier, VT 05601

Re: Blue Cross and Blue Shield of Vermont  
2022 AHP Rating Program Filing  
SERFF Tracking #: BCVT-132760913

Dear Jude Daye:

Thank you for your previous responses. We request the following information on behalf of the Office of the Health Care Advocate.

Questions:

1. The following questions relate to BCBSVT's risk-based capital (RBC) position, BCBSVT's requested contribution to reserve (CTR), and the statements made in Attachment A (Ruthe Greene Letter) supporting BCBSVT's CTR request in the present matter. These questions are based on the information that BCBSVT reported in its 2020 Annual Statement.
  - a. From 2019 to 2020, BCBSVT's "aggregate health policy reserves, including the liability of \$..... for medical loss ratio rebate per the Public Health Service Act" increased by \$31,171,463 (150.8%). Please describe the reason(s) for this increase.
  - b. From 2019 to 2020, BCBSVT's "general expenses due or incurred" increased by \$12,051,661 (29.9%). It appears that one driver was an increase of \$33,382,973 in BCBSVT's "accrued postretirement benefit obligation." Is it correct that this increase in the "accrued postretirement benefit obligation" impacted the numerator used in the RBC calculation in a way that reduces BCBSVT's RBC number?
  - c. From 2019 to 2020, BCBSVT's "general administrative expenses" increased by \$7,831,114 (33.7%). Is it correct that one driver of this growth was an increase of \$9,630,603 (469.3%) in BCBSVT's "regulatory authority licenses or fees?" Please describe the source of the increase in the "regulatory authority licenses or fees" line item.

- d. From 2019 to 2020, BCBSVT reported a reduction of \$2,731,567 (46.3%) in “net investment gains.” Is it correct that this is not due to poor investment performance in 2020 but rather the fact that BCBSVT’s did not realize investment gains experienced in 2020? If so, please explain the reason(s) for not realizing investment gains in 2020 and how you incorporated this dynamic into your assessment of your need for additional reserves. If this is not true, please explain the drivers of the experienced reduction in reported “net investment gain.”
2. In last year’s Association Health Plan (AHP) filing (GMCB0-004-20rr), BCBSVT estimated that approximately 50% of its administrative costs were fixed. In its current filing, BCBSVT estimates that approximately 70% of administrative costs are fixed.
    - a. Is the above-detailed increase in BCBSVT’s estimated percent of administrative costs that are fixed driven solely by enterprise-level enrollment changes? Are there other drivers of the estimated change in fixed versus variable administrative costs?
    - b. In its actuarial memorandum, BCBSVT notes a correlation between the enterprise total number of covered lives and the percent of administrative costs that are fixed versus variable. Please describe the extent of this correlation. For example, the correlation might be that, on average, a 1% decrease in covered lives is correlated with a 10% increase in the percentage of total administrative costs that are fixed. Also, what is the approximate lag between enrollment changes and BCBSVT’s ability to “right size” its workforce?

Please be aware that we expect to have further questions regarding the filing as the review continues.

To ensure that the review of your filing has been completed before statutory deadlines, we expect you to respond as expeditiously as possible to every objection in our letter, but no later than April 21, 2021. Note that the responses can be submitted separately and do not have to be submitted all at the same time.

We trust that you understand these forms may not be used in Vermont until they are formally approved by the GMCB.

Sincerely,

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