

**BLUE CROSS BLUE SHIELD OF VERMONT
2023 AHP RATING PROGRAM FILING
PLAIN LANGUAGE SUMMARY**

Our mission and vision. Blue Cross and Blue Shield of Vermont (Blue Cross) is committed to giving our members access to high-value health care while responsibly managing healthcare costs. To that end, we seek to improve the health of Vermonters by promoting preventive care and healthy lifestyles. We use our strong care management program to assure better care for our members and avoid unnecessary costs. And we work with providers on strategies to improve health care services and reduce health care costs.

Blue Cross's vision is a transformed health care system in which every Vermonter has health care coverage, and receives timely, effective, affordable care. To achieve that vision, Blue Cross must be financially sound. That means we need to charge rates that cover the cost of providing health care to our members.

Rate request summary. Blue Cross creates association health plan (AHP) premiums on a case-by-case basis. The rating process uses a formula that blends recent claims experience for each AHP with a manual rate. This filing establishes the rating formula, manual rate and factors that will be used to rate AHPs.

- There are an estimated 960 contracts (1,400 members) currently enrolled in one Blue Cross AHP that will be affected by this filing.
- The formula and factors in this filing will produce a premium increase of 9.4 percent for an AHP that is manually-rated using none of its own experience data.
- The result for any specific group may differ from a 9.4 percent increase, depending on the AHP's own claims experience.

Reasons for the change in factors. The primary reasons for premium increases due to the change in factors is that the cost of providing health care to our members is increasing. Specifically:

- Blue Cross is proposing a paid trend of 10.5 percent for medical claims, which includes hospital unit cost increases and anticipated changes in the use of services. The medical trend is driven primarily by large increases that were approved for Vermont hospitals in the most recent round of budget reviews and by expected large increases in the next round of budget reviews.
- Blue Cross is proposing a pharmacy trend of 10.7 percent. Increases in the cost and availability of high-cost "specialty" medications are the biggest driver of pharmacy trend.

Other items also contribute to the change in factors, including:

- Due to increases in base administrative expenses, premiums went up 0.6 percent.
- The contribution to reserves established in this filing is required to maintain a level of policyholder reserves that is in compliance with that ordered by the Vermont Department of Financial Regulation.

Our efforts to reduce premium increases. We know that paying for health insurance is a struggle for many, and we strive to keep premiums as low as possible. The proposed factors reflect our efforts to reduce rate increases, which included the launch of Vermont Blue Rx, an innovative prescription drug benefit service that will improve the consumer experience, drive better health outcomes and lower costs for members, providers, and employers.

Our experience in this market. This was a new line of business in 2021 and Blue Cross had an underwriting gain of \$1 million.

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Our health care system must be adequately funded in order to keep it strong and accessible. Since the factors that determine premiums are primarily the cost and utilization of health care, we believe that there is no way to further reduce the filed factors without underfunding the health care coverage on which Vermonters rely.

Public comment. Members of the public can submit comments to the Green Mountain Care Board about this rate request. For more information, please visit the Board's Public Comment page: https://ratereview.vermont.gov/public_comment