

July 27, 2021

Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Re: Blue Cross and Blue Shield of Vermont
Vermont Health Connect 2022 Individual and Small Group Rate Filings
SERFF# BCVT-132829271 (Individual) and BCVT-132829562 (Small Group)
Post-Report Addendum – CONFIDENTIAL

On July 6, 2021, Lewis & Ellis, Inc. (L&E) submitted a report detailing recommendations regarding the above-referenced filings. Since that time, additional information has been provided that L&E believes should be taken into consideration. This addendum addresses the new information provided. The new information is regarding the hospital budget submissions.

HOSPITAL BUDGET SUBMISSIONS

On July 13, 2021, the Green Mountain Care Board released a summary of change in charges for the Fiscal Year 2022 hospital budget review. These are the initial submissions as presented by the individual hospitals for the beginning of the hospital budget review process. In BCBSVT's initial filing, 2022 budget increases were assumed to be equal to approved 2020 budget increases. The hospitals have now submitted proposed increases which are not equal to those assumed.

BCBSVT provided a supplemental analysis of the impact of the submitted hospital budgets as of July 15, 2021. The results of BCBSVT's analysis were that if the submitted hospital budget increases were used in the rate filing instead of what was initially assumed, the individual rates would increase by approximately 0.8%, and the small group rates would increase by approximately 0.7%. The following tables summarize BCBSVT's initially filed 2022 unit cost trend versus the submitted hospital budget increases for each of the major service categories: Inpatient Hospital, Outpatient Hospital, and Physician.

INPATIENT HOSPITAL CHARGE INCREASE SUMMARY

| Facility | BCBSVT Initially Filed Inpatient Hospital Charge Increase | Hospital Budget Submission Inpatient Hospital Charge Increase |
|---|---|---|
| Brattleboro Memorial Hospital* | | 6.2% |
| Central Vermont Physicians Medical Center | | 7.4% |
| Copley Hospital | | 5.0% |
| Gifford Medical Center | | 3.5% |
| Grace Cottage Hospital | | 5.0% |
| Mt. Ascutney Hospital | | 2.2% |
| North Country Hospital | | 5.6% |
| Northeast Vermont Regional Hospital | | 3.4% |
| Northwestern Medical Center | | 3.6% |
| Porter Hospital | | 5.9% |
| Rutland Regional | | 4.0% |
| Southwestern Vermont Medical Center | | 4.8% |
| Springfield Hospital* | | -2.2% |
| University of Vermont Medical Center | | 7.1% |
| Weighted Average | 4.5% | 5.8% |

OUTPATIENT HOSPITAL CHARGE INCREASE SUMMARY

| Facility | BCBSVT Initially Filed Outpatient Hospital Charge Increase | Hospital Budget Submission Outpatient Hospital Charge Increase |
|---|--|--|
| Brattleboro Memorial Hospital* | | 5.8% |
| Central Vermont Physicians Medical Center | | 7.4% |
| Copley Hospital | | 5.0% |
| Gifford Medical Center | | 3.5% |
| Grace Cottage Hospital | | 5.0% |
| Mt. Ascutney Hospital | | 2.2% |
| North Country Hospital | | 5.6% |
| Northeast Vermont Regional Hospital | | 3.4% |
| Northwestern Medical Center | | 3.6% |
| Porter Hospital | | 5.9% |
| Rutland Regional | | 4.2% |
| Southwestern Vermont Medical Center | | 4.8% |
| Springfield Hospital* | | 11.0% |
| University of Vermont Medical Center | | 7.1% |
| Weighted Average | 5.8% | 6.1% |

PHYSICIAN CHARGE INCREASE SUMMARY

| Facility | BCBSVT Initially Filed Physician Charge Increase | Hospital Budget Submission Physician Charge Increase |
|------------|--|--|
| [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] |

L&E notes that historically the Board has not approved hospital budget increases as submitted. The following table outlines the recent historical average differences between the submitted and approved hospital budget increases. In this table, a negative percentage indicates that a lower rate increase was approved than was submitted. For example, if a facility requested 6.0% on average and 5.0% was approved on average, then the table below would show -1.0%.

AVERAGE DIFFERENCES IN APPROVED AND SUBMITTED HOSPITAL BUDGET INCREASES

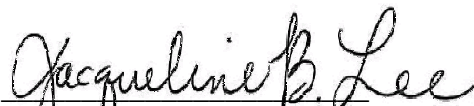
| Facility | Average 2-year Difference | Average 3-year Difference | Average 4-year Difference |
|---|---------------------------|---------------------------|---------------------------|
| Brattleboro Memorial Hospital | 0.0% | -0.3% | -1.1% |
| Central Vermont Physicians Medical Center | -0.8% | -0.7% | -0.5% |
| Copley Hospital | -1.0% | -1.8% | -2.2% |
| Gifford Medical Center | 0.0% | 0.0% | 0.0% |
| Grace Cottage Hospital | 0.0% | 0.0% | 0.0% |
| Mt. Ascutney Hospital | 0.0% | 0.0% | 0.0% |
| North Country Hospital | 0.0% | 0.0% | 0.0% |
| Northeast Vermont Regional Hospital | -0.3% | -0.5% | -0.6% |
| Northwestern Medical Center | -4.1% | -2.7% | -2.7% |
| Porter Hospital | -0.9% | -0.6% | -0.4% |
| Rutland Regional | 0.0% | -0.1% | -0.1% |
| Southwestern Vermont Medical Center | 0.0% | -0.1% | -0.1% |
| Springfield Hospital | 0.0% | 0.0% | 0.0% |
| University of Vermont Medical Center | -1.3% | -1.3% | -1.0% |

See Appendix A for the annual budget differences for each of the last 4 years.

Sincerely,



Kevin Rugeberg, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.



Jacqueline B. Lee, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.



David M. Dillon, FSA, MAAA
Senior Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations¹, promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct², to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in the following.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Kevin Rugeberg, FSA, MAAA, Vice President & Consulting Actuary.
- David M. Dillon, FSA, MAAA, MS, Senior Vice President & Principal.
- Jacqueline B. Lee, FSA, MAAA, Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is July 27, 2021. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 20, 2021.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Green Mountain Care Board. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from MVP. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the Board in assessing whether to approve, modify, or disapprove the rate filing.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by MVP for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

¹ The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

² These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- Notwithstanding the ongoing COVID-19 pandemic, L&E is not aware of any subsequent events that may have a material effect on the findings.
- There are no other documents or files that accompany this report.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statues, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.

APPENDIX A

HISTORICAL HOSPITAL BUDGET CHANGES

| Facility | 2018 Difference | 2019 Difference | 2020 Difference | 2021 Difference |
|--|--------------------|--------------------|--------------------|--------------------|
| Brattleboro Memorial Hospital | -3.2% | -1.0% | 0.0% | 0.0% |
| Central Vermont Physicians Medical Center | 0.0% | -0.5% | 0.0% | -1.5% |
| Copley Hospital | -3.4% | -3.4% | 0.0% | -2.0% |
| Gifford Medical Center | 0.0% | 0.0% | 0.0% | 0.0% |
| Grace Cottage Hospital | 0.0% | 0.0% | 0.0% | 0.0% |
| Mt. Ascutney Hospital | 0.0% | 0.0% | 0.0% | 0.0% |
| North Country Hospital | 0.0% | 0.0% | 0.0% | 0.0% |
| Northeast Vermont Regional Hospital | -1.1% | -1.0% | -0.5% | 0.0% |
| Northwestern Medical Center | -2.5% | 0.0% | 0.0% | -8.1% |
| Porter Hospital | 0.0% | 0.0% | 0.0% | -1.8% |
| Rutland Regional | 0.0% | -0.4% | 0.0% | 0.0% |
| Southwestern Vermont Medical Center | 0.0% | -0.2% | 0.0% | 0.0% |
| Springfield Hospital | 0.0% | 0.0% | 0.0% | 0.0% |
| University of Vermont Medical Center | 0.0% | -1.5% | -0.5% | -2.0% |