

BLUE CROSS BLUE SHIELD OF VERMONT 2022 VERMONT ACA MARKET - SMALL GROUP RATE 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 health care 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.

Our 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.

Market change for 2022. In past years, Vermont (unlike most states) put individuals and small groups together in the same insurance market. Our past rate filings, including the 2021 filing, were for this combined individual and small group market. This year, Vermont has separated individuals from small groups. Blue Cross strongly supported this change, because it makes health insurance more affordable. Although the rates for individuals are higher than the rates for small groups, the increased federal subsidies for individuals will reduce premiums paid by most individuals and families. Small group rates, which are not subsidized, will be lower.

Rate request summary. This filing provides the proposed rates for individual plans that Blue Cross seeks to offer in 2022. It also describes how we calculated the proposed rates. If you look at the combined request for individual and small group rates, and compare that to the rates approved for the individual and small group market in 2021, overall we are requesting rates that are slightly lower than last year, by *negative* 0.9 percent. As explained above, however, small group rates are decreasing:

- There are 18,785 members currently enrolled in the small group plans affected by this rate request.
- We are requesting an average rate decrease of 7.8 percent.
- The increases for specific plans range from -19.8 percent to -7.0 percent.
- The increases range from -9.5 percent to -7.0 percent for plans other than On-Exchange silver plans.

Reasons for rate changes in the individual and small group markets. Some changes increased rates for 2022, while other changes resulted in decreased rates. Key factors include:

- **Health care and retail pharmacy costs continue to rise.** Members are using more services and prescription drugs and the amounts paid to health care providers like doctors, hospitals, and pharmacies have increased (+6.7 percent).
- **Membership changes.** However, in 2020, the membership of Blue Cross changed in a way that reduced our overall spending compared to what we had expected. Incorporating that change into our rate request reduced the request (-3.9 percent)
- **Impact of required cost-sharing changes.** We changed the cost-sharing aspect of our plans slightly, as required to meet metal level requirements. Because of the relationship between cost-sharing and premiums, those changes increased rates (+1.5 percent).
- **Our new pharmacy program reduced costs and resulted in decreased rates.** Our efforts to reduce costs for prescription drugs, including our new Vermont Blue Rx program, substantially decreased our rate request (-5.6 percent).

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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 rate reflects our efforts to reduce rate increases, including:

- **Reducing pharmacy costs.** We launched a new program, Vermont Blue Rx, and are working closely with our new pharmacy benefit manager to reduce our members' costs for prescription drugs while preserving their access to necessary medications.
- **Our commitment to cover COVID-19 cost out of our reserves.** Again this year, our rates do not include any projected costs related to the ongoing COVID-19 pandemic, such as vaccination costs, treatment and testing, or projected increases in demand.
- **Reducing administrative expenses.** Blue Cross's administrative charges are decreasing as compared to prior years and lowering premiums. (-0.4 percent)

Regulatory requirements. Blue Cross must remain compliant with all state and federal requirements. The proposed rates reflect the following requirements:

- **Solvency.** As a regulated insurer, Blue Cross must maintain adequate financial reserves to protect our members through unexpected pressures such as a future pandemic. The rate request includes a 1.5 percent contribution to policyholder reserves, which is among the lowest margins in the country and is essential to maintaining our solvency.
- **New administrative costs.** The rate request includes our expected expenses for taking over billing for members enrolled through Vermont Health Connect.
- **Ongoing costs.** The rate request includes other ongoing regulatory costs, such as regulatory billbacks, state taxes, PCORI, and other federal taxes and fees.

Our experience in this market. Blue Cross started selling plans in the Vermont Individual and Small Group Merged Market in January 2014. Through the 2020 plan year, including successful litigation for federal risk-corridors payments, Blue Cross has cumulative losses of \$1.2 million. If Blue Cross successfully recovers unpaid cost-sharing obligations from the federal government, we will have cumulative gains of \$5.3 million.

Our health care system must be adequately funded to keep it stable, while maintaining quality access to care for Vermonters. Since the factors that drive this rate increase are primarily the cost and utilization of health care, we believe that there is no way to further reduce these rates 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 from May 10, 2021 through July 22, 2021. For more information, please visit the Board's Public Comment page: https://ratereview.vermont.gov/public_comment