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July 19, 2022

Green Mountain Care Board
State of Vermont
144 State Street
Montpelier, VT 05602

Re: Blue Cross and Blue Shield of Vermont and The Vermont Health Plan Q4 2022 Large Group Filings (SERFF # BCVT-133270497 and BCVT-133270485).

The purpose of this letter is to provide a summary and recommendation regarding the proposed Large Group Filings for Blue Cross and Blue Shield of Vermont (BCBSVT) and The Vermont Health Plan (TVHP) (collectively, "the filing") and to assist the Board in deciding whether to approve, modify, or disapprove the request.

Filing Description

1. BCBSVT is a non-profit hospital and medical service corporation. BCBSVT provides coverage to individuals, small and large employers, and Medicare enrollees Vermont. TVHP is a licensed health maintenance organization (HMO) and for-profit subsidiary of Blue Cross Blue Shield of Vermont. TVHP provides group coverage to large employers in Vermont.

2. Two filings were previously submitted and approved (SERFF # BCVT-133154621 and BCVT-133154563) and established the formula, manual rate and accompanying factors that will be used for Large Group renewals. This filing modifies the trend and manual rate figures from that filing, in order to reflect updated hospital budget information.

3. This filing addresses BCBSVT and TVHP Insured and Cost Plus large groups. Throughout the filing and this report, BCBSVT and the related company, TVHP, are referred to collectively as BCBSVT, except when specified. There are approximately 3,563 subscribers and 6,396 lives affected across 38 groups for the BCBSVT Q4 2022 Large Group filing and the corresponding TVHP filing.

4. The most important component of any group's premium is their past claims experience. Group-level premiums will be based on the most current experience available at the time. For this reason, no group's actual premium increase pursuant to this filing is currently known.

5. The previous filing, approved with modification on May 18, 2022, resulted in an average premium change of approximately 7.6%.

6. This filing initially proposed a further change of 2.9% to average premiums to reflect the impact to medical unit cost factors and manual rates of updated hospital budget information. This 2.9% would impact groups beginning in 4Q 2022 in addition to the 7.6% rate change approved in the 3Q 2022

filing. That is, groups would experience a year-over-year change of, on average, 10.7% beginning in 4Q 2022.

It should be noted that the premium ultimately charged to a particular group is a function of the experience for that group in particular, for the most recent period available. For that reason, the rate change for any particular group is likely to differ from 10.7%. The 10.7% increase should be understood as the rate change for a group with no claims experience, or as the expected average for all groups combined.

Additionally, with the release of actual hospital budget submissions, BCBSVT calculated that the additional 4Q 2022 rate increase would be 5.9%, rather than 2.9%, if hospital budgets were approved as filed. That is, the year-over-year change experienced by groups would be about 13.9%

Standard of Review

Pursuant to Green Mountain Care Board (Board) Rule 2.000 Health Insurance Rate Review, this letter is to assist the Board in determining whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the law, and is not excessive, inadequate, or unfairly discriminatory.

Summary of the Data Received

This filing reflects updates to two specific aspects of the Large Group rating process: the experience rating trend and the manual rate. In both cases, the cause of the change is to update anticipated unit cost changes for late 2022 and 2023 to reflect updated information regarding hospital budget requests for facilities regulated by the Green Mountain Care Board.

This filing contains updated projections of cost by facility, consistent with the 3Q2022 filing. These are labeled Exhibit 2A. Exhibit 2G provides a detailed breakdown of how the trend assumptions are applied to monthly data for experience-rated groups, Exhibit 4A demonstrates the adjustments applied to the manual rate, and Exhibit 4C provides the projected Medical Loss Ratio. These are the only changes to the 3Q2022 filed rates proposed in this filing.

Filing Analysis

All rating components other than the prospective unit cost trend assumptions and manual rate were recently reviewed by L&E and considered by the Green Mountain Care Board. We do not wish to repeat that review here. More detail on those unchanging aspects of the proposed rating process can be found on the Green Mountain Care Board website under SERFF filings BCVT-133154621 and BCVT-133154563.

The table below summarizes the unit cost trends as approved by the Board in the 3Q2022 large group filing. They vary by contract type and calendar year, as well as between facilities regulated by the Green Mountain Care Board (GMCB) and those which are not.

Previously Approved Medical Unit Cost Trends

Year	Blue Cross Managed Care	Blue Cross Non-Managed Care	TVHP Managed Care
2022	4.9%	5.1%	5.0%
2023	5.4%	5.4%	5.4%

The table below reflects the modifications initially proposed by BCBSVT in this filing.

Proposed Medical Unit Cost Trends

Year	Blue Cross Managed Care	Blue Cross Non-Managed Care	TVHP Managed Care
2022	6.0%	6.2%	6.1%
2023	8.0%	8.0%	8.0%

L&E reviewed Exhibit 2A, which supports the proposed changes to the unit cost trends. The proposed changes made reasonable provision for the likely elevated hospital budget submissions given information available at the time of the filing. However, since this filing was submitted, actual hospital budget submissions have been provided by the Vermont facilities and they reflect requests for increases higher than those estimated by BCBSVT. BCBSVT has indicated that, if the filed hospital budget increases were approved, the medical unit cost trends would increase to the values described below.

Budget-Filed Medical Unit Cost Trends

Year	Blue Cross Managed Care	Blue Cross Non-Managed Care	TVHP Managed Care
2022	6.4%	6.6%	6.5%
2023	11.7%	11.7%	11.7%

In the past, filed hospital budget submissions have not always been approved as requested. In particular, high requested budget increases tend to be reduced in GMCB orders. This year represents an unprecedented high requested increase from facilities, and there is therefore significant uncertainty in what the Board will ultimately approve.

The above trend rates are applied to a group's specific experience to produce their projected claims and therefore premiums. For groups which do not have past experience, or which are too small to rely on that experience fully, a manual rate is used to estimate their claims based on the rest of the large group block. Consistent with the increased trend rate, BCBSVT is proposing an increase to the manual rate to maintain consistency between experience-rated and manual-rated groups. This is reasonable, and the proposed manual rate change is consistent with the assumptions regarding unit cost trend.

Ultimately, premium rates will only be actuarially sound if they are consistent with likely hospital budget increases. However, final approved increases will not be finalized until after this filing is resolved.

Recommendation

The Board should consider premium increases consistent with what they anticipate will occur with hospital budgets. While L&E cannot predict what the Board will do regarding hospital budgets, we can inform the Board's understanding of how hospital budget decisions impact the premiums for the BCBSVT VISG filings. The table below shows the approximate impact to the initially filed premium rate increase for individual and small group policies that would result from various levels of 2023 hospital unit cost increases.

Average 2023 Unit Cost Increase Approved	Impact to Initially Filed Large Group Rate Increase
0%	-4.9%
1%	-4.4%
2%	-3.9%
3%	-3.4%
4%	-2.9%
5%	-2.5%
6%	-2.0%
7%	-1.5%
8%	-1.0%
9%	-0.5%
10%	-0.0%
11%	+0.4%
12%	+0.9%
13%	+1.4%
14%	+1.9%
15%	+2.4%
16%	+2.8%
17%	+3.3%

Sincerely,

Kevin Ruggeberg, FSA, MAAA
Consulting Actuary
Lewis & Ellis, Inc.

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

ASOP 41 Disclosures

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations[1], 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 Conduct[2], 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 Actuary

The responsible actuaries are:

- Kevin Ruggeberg, FSA, MAAA, Consulting Actuary at Lewis & Ellis, Inc. (L&E).
- Jacqueline B. Lee, FSA, MAAA, Vice President & Principal at Lewis & Ellis, Inc. (L&E).

These actuaries are available to provide supplementary information and explanation. The actuaries also acknowledge that they may be acting as an advocate.

Identification of Actuarial Documents

The date of this document is July 19, 2022. The date (a.k.a. "latest information date") through which data or other information has been considered in performing this analysis is July 19, 2022.

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 Inc. is financially and organizationally independent from the health insurance issuers whose rate filings were reviewed. There is nothing 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 the issuers for reasonableness, but L&E has not audited it. L&E nor the responsible actuaries assume responsibility for these 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.
- 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.
- The findings of this report are enclosed herein.

Actuarial Findings

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

Methods, Procedures, Assumptions, and Data

[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.

The methods, procedures, assumptions, and data used by the actuary 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.

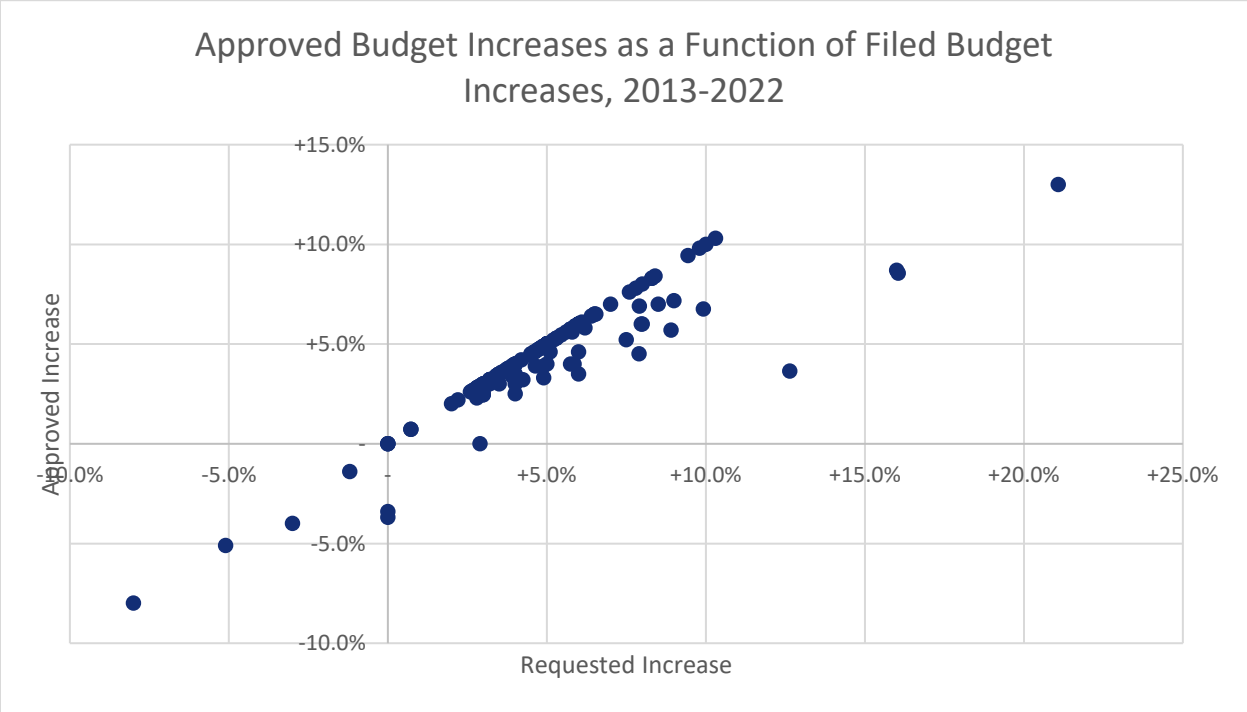
Responsibility for Assumptions and Methods
The actuaries do not disclaim responsibility for material assumptions or methods.

Deviation from the Guidance of an ASOP
The actuaries have not deviated materially from the guidance set forth in an applicable ASOP.

Appendix A

L&E notes that historically the Board has not approved hospital budget increases as submitted. While the final approved amount for each hospital is contingent on the particular circumstances facing that facility at the time, there are some patterns that emerge from historical approval data that can provide additional insight into potential approvals.

Firstly, the approved budget increase is strongly related to the requested increase. About 70% of hospital budget submissions in the last decade have been approved as requested. The other requests have been reduced to lower values. The reduction tends to be larger for larger budget requests, as can be seen in the chart below. Each point represents a hospital budget submission. The fairly solid line across the top represents filings approved as submitted, whereas the points below that line reflect modifications to requested budgets made by the Board.

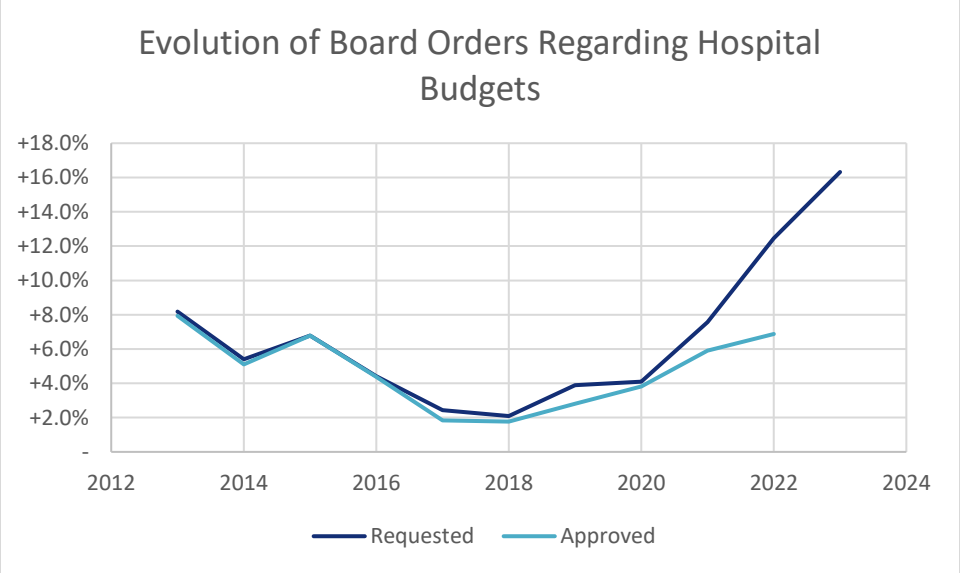


The table below summarizes the same data.

Request	Count	Average Request	Average Approval
<0%	4	-4.8%	-5.0%
0% to 3%	20	+1.5%	+1.2%
3% to 6%	78	+4.1%	+3.7%
6% to 9%	28	+7.3%	+6.6%
9%+	10	+12.7%	+8.8%

If the last decade of hospital budget submissions is a guide, the unprecedented high requests this year will be dampened by reductions by the Board. However, we note that this year represents a unique situation, and it may not be appropriate for the Board to make drastic cuts to the filed hospital budgets.

We also note that the gap between filed and approved hospital budget increases has generally grown over time. The chart below shows the average increase requested and approved by year.



Generally, through 2016, the difference between filed and approved hospital unit cost increases was minimal. However, beginning in 2017, more substantial reductions by the Board have become commonplace. In 2022, the difference was larger than ever before, with the Board cutting a requested 12.4% increase down to a 6.7% increase on average.