

June 27, 2022

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

**Subject: Your 06/20/2022 Questions re:
Blue Cross and Blue Shield of Vermont
2023 Vermont ACA Market - Individual and Small Group Rate Filings
(SERFF Tracking #: BCVT-133243519 and BCVT-133243509)**

Dear Mr. Rugeberg:

In response to your requests on behalf of the Office of the Health Care Advocate dated June 20, 2022, here are *your questions* and our answers:

1. *BCBSVT states: "For hospitals that requested a midyear increase in the spring of 2022, we assume that their next approved budget will be higher than the 2021 cycle by the annualized proportion that was not granted as a midyear adjustment." Actuarial Mem. 26. Quantify the effect of the application of BCBSVT's methodology on the filed rates compared to not assuming that the unapproved amount of mid-year hospital budget requests will be added to the approved amount of the FY2023 hospital budgets.*
Had Blue Cross not assumed that the unapproved amounts of mid-year hospital request would be added to the approved FY2023 hospital budgets, the filed rates would have been approximately 2.6 percent lower for the individual market and 2.5 percent lower for the small group market.

2. *BCBSVT states: "Vermont Blue Rx has established contracted rates with its new PBM that will provide substantial savings to consumers." Actuarial Mem. 37. Please explain how these savings are measured and projected including what any savings are relative to. Please also quantify, on a PMPM basis, the aggregate savings attributable to Vermont Blue Rx, actual or expected, by year (2021, 2022, 2023).*
Through Vermont Blue Rx, Blue Cross has been able to reduce premiums for its members with lower costs for prescriptions at the time of purchase and with enhanced rebates that are reflected in lower premiums. The changes in projected ingredient cost savings are included in the trend component of the filing while the improvements in rebates are reflected in the non-claims components of the index rate. To calculate the savings to members, we compared the expected ingredient costs and rebates using the terms in the previous contract to those using the terms in the Vermont Blue Rx contract. The table below shows the aggregate savings attributable to Vermont Blue Rx for the Vermont ACA market.

Year	PMPM Savings	Total Savings (in Millions)
2021	\$11.35	\$4.7
2022	\$24.58	\$10.4
2023	\$28.75	\$13.2

3. *Please state the amount of Alternative Minimum Tax (AMT) credits BCBSVT has received to-date or expects to receive due to the Tax Cut and Jobs Act by date received or expected. Please also indicate how, if at all, these amounts are reflected in the rate filings.*

Blue Cross has received the entire balance of \$38.3 million in AMT credits, with \$20.4 million received in 2021. There will be no further credits.

The full amount was included in surplus in the 2021 financial statements. Without these credits and in the absence of other changes, the Blue Cross RBC as of December 31, 2021, would have been approximately 436 percent, putting Blue Cross well below its mandated range. This would have required a formal management plan from Blue Cross, which may have included a higher filed CTR in these dockets. Since we did not complete the exercise of determining the appropriate CTR for this hypothetical situation, we cannot quantify with certainty the extent to which the current rates were impacted.

As one hypothetical example, returning by the end of 2023 from an RBC of 436 to the low end of the mandated RBC range (590 percent) through higher ACA rates, assuming no other RBC impacts from 2021 through 2023 and membership as projected in these filings, would have required a CTR of 11.5 percent, an increase of 10 percent over filed rates.

4. *Does BCBSVT expect to receive any monies for the unpaid 2017 and 2018 Cost Share Reduction (CSR) funding, in connection with which a lawsuit has been decided in BCBSVT's favor, during 2022 or 2023? If so, what is the amount of the payment to BCBSVT in connection with that litigation. How, if at all, are those monies reflected in the rate filings?*

Blue Cross received the entire balance of the CSR settlement of \$6.0 million during 2021 and does not expect to receive additional proceeds. As with the AMT credits, the settlement was included in surplus the 2021 financial statements.

Without these payments and in the absence of other changes, RBC would have been reduced by about 27 percentage points as of December 31, 2021, putting Blue Cross below its mandated range. This would have required a formal management plan from Blue Cross, which may have included a higher filed CTR. Since we did not complete the exercise of determining the appropriate CTR for this hypothetical situation, we cannot quantify with certainty the extent to which the current rates were impacted.

As one hypothetical example, had neither the CSR settlement nor the AMT credit refunds been received, returning by the end of 2023 from an RBC of 409 percent to the low end of the mandated RBC range through higher ACA rates would have required an additional CTR *beyond* that in the previous hypothetical scenario of 1.7 percent, further increasing filed rates by this same percentage.

5. *Quantify the impact on BCBSVT's projected year-end 2022 and year-end 2023 RBC of any multi-year fee guarantees BCBSVT has provided to self-funded customers.*

Large self-funded customers routinely place their business out to bid through formal Request for Proposal (RFP) processes. A condition of bidding is the willingness to provide multi-year guarantees of the base administrative fee. If Blue Cross were not willing or able to provide such guarantees, it would be automatically disqualified from the bidding process.

Therefore, the impact of these multi-year guarantees can only be measured against the impact of losing the business of all customers with such guarantees. Because it would be a herculean exercise to recreate cumulative results from the beginning of each multi-year arrangement currently in place, we performed

the requested analysis by measuring the projected impact on RBC of the 2023 departure of all customers with multi-year guarantees.

We have estimated that the impact on projected year-end 2022 RBC would be approximately 85 percentage points and the impact on projected year-end 2023 RBC would be approximately 50 percentage points.

6. *Quantify the impact on BCBSVT’s projected year-end 2022 and year-end 2023 of any multi-year premium guarantees BCBSVT has provided to large group customers.*

Blue Cross does not issue multi-year premium guarantees to insured large group customers.

7. *Please estimate the impact on the small group rate of the movement of small groups out of the risk pool to Administrative Services Contracts (ASO) with BCBSVT for the experience period (2021), for 2022, and for 2023.*

To estimate the impact of the movement of small groups out of the risk pool to ASO contracts with Blue Cross, we included the following impacts to the small group rates:

- A. 2021 Impacts for groups who left the ACA market for the 2021 plan year:
 - a. *Impact on the experience allowed charges:* We added the 2021 allowed changes for the groups who left the ACA market to the experience period in the small group rate filing.
 - b. *Impact on the experience average risk score and risk adjustment transfer:* We calculated the risk score using the CMS DIY model for plan year 2021 for the members in the groups who left the ACA market. We assigned Metal levels to the plans offered to these groups based on their comparable ACA market plans.
- B. 2022 Impacts for the groups who left the ACA market for the 2022 plan year:
 - a. *Impact on the projected allowed charges:* We recalculated the *Impact of pool morbidity* factor assuming that these groups had stayed in the ACA market.
 - b. *Impact on the projected average risk score of Blue Cross members leaving the ACA market:* We recalculated the projected risk adjustment transfer assuming that these members had remained with Blue Cross.
 - c. *Impact on the projected average risk score of MVP members leaving the ACA market for a Blue Cross self-funded product:* Because the overall small group market was not smaller in 2022 compared to 2021, our filing assumption was that the MVP groups who left the ACA market for a Blue Cross self-funded product had been “replaced” by a similar small group new to MVP. The impact of MVP groups moving to Blue Cross ASO is therefore zero.
- C. 2023 Impacts: Blue Cross did not assume further movement out of the ACA market for 2023 in these rate filings.

The table below shows the incremental impacts for 2021, 2022, and 2023 of the small groups leaving the ACA market for Blue Cross self-funded product. A positive impact means that if the groups had remained in ACA market, the rates would have been higher.

Year	Incremental impact
2021	+0.121%
2022	-0.115%
2023	0.000%
3-year total	+0.006%

8. *If the Board were to approve the proposed 2023 rates filed by each carrier without modification, how would the net premiums for BCBSVT's individual plans change if ARPA's enhancements to APTC are extended to 2023? How would the net premiums change if ARPA's enhancements to APTC are not extended to 2023?*

Please see attached *Responses to Blue Cross 2023 ACA Filings – HCA Actuarial Inquiries.xlsx* for a table that shows the net premiums by income level for the Standard Gold, Standard Silver and Standard Bronze plans for individuals in a single policy and single household and for a family of four on a family tier.

Please let us know if you have any further questions, or if we can provide additional clarity on any of the items above.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schultz", with a stylized flourish at the end.

Paul Schultz, F.S.A., M.A.A.A.
Chief Actuary

BLUE CROSS AND BLUE SHIELD OF VERMONT
2023 VERMONT ACA MARKET RATE FILINGS

STATE OF VERMONT STANDARD PLAN DESIGNS
RESPONSES TO HCA ACTUARIAL INQUIRY, DATED JUNE 20, 2022
Question 8

Net Premium for Single Contract - With ARPA Expanded Subsidies										
		Standard Gold			Standard Silver			Standard Bronze		
		Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM
2nd Lowest Silver		\$749.75	\$841.99	\$92.24	\$749.75	\$841.99	\$92.24	\$749.75	\$841.99	\$92.24
Gross Premium by Plan		\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
		NET PREMIUM			NET PREMIUM			NET PREMIUM		
Income Level	FPL	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM
\$19,000	140%	\$90.70	\$107.20	\$16.50	\$23.15	\$13.19	(\$9.96)	\$0.00	\$0.00	\$0.00
\$20,385	150%	\$90.70	\$107.20	\$16.50	\$23.15	\$13.19	(\$9.96)	\$0.00	\$0.00	\$0.00
\$27,180	200%	\$102.03	\$118.53	\$16.50	\$34.48	\$24.52	(\$9.96)	\$0.00	\$0.00	\$0.00
\$33,975	250%	\$161.48	\$177.98	\$16.50	\$93.93	\$83.97	(\$9.96)	\$0.00	\$0.00	\$0.00
\$40,770	300%	\$294.55	\$311.05	\$16.50	\$227.00	\$217.04	(\$9.96)	\$27.19	\$7.99	(\$19.20)
\$47,565	350%	\$378.07	\$394.57	\$16.50	\$310.52	\$300.56	(\$9.96)	\$110.71	\$91.51	(\$19.20)
\$54,360	400%	\$475.75	\$492.25	\$16.50	\$408.20	\$398.24	(\$9.96)	\$208.39	\$189.19	(\$19.20)
\$61,155	450%	\$523.88	\$540.38	\$16.50	\$456.33	\$446.37	(\$9.96)	\$256.52	\$237.32	(\$19.20)
\$67,950	500%	\$572.01	\$588.51	\$16.50	\$504.46	\$494.50	(\$9.96)	\$304.65	\$285.45	(\$19.20)
\$81,540	600%	\$668.28	\$684.78	\$16.50	\$600.73	\$590.77	(\$9.96)	\$400.92	\$381.72	(\$19.20)
\$95,130	700%	\$764.54	\$781.04	\$16.50	\$696.99	\$687.03	(\$9.96)	\$497.18	\$477.98	(\$19.20)
\$108,720	800%	\$840.45	\$877.30	\$36.85	\$772.90	\$783.29	\$10.39	\$573.09	\$574.24	\$1.15
\$122,310	900%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$135,900	1000%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04

Net Premium for Single Contract - With Prior Subsidies Levels										
		Standard Gold			Standard Silver			Standard Bronze		
		Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM
2nd Lowest Silver		\$749.75	\$841.99	\$92.24	\$749.75	\$841.99	\$92.24	\$749.75	\$841.99	\$92.24
Gross Premium by Plan		\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
		NET PREMIUM			NET PREMIUM			NET PREMIUM		
Income Level	FPL	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM
\$19,000	140%	\$122.68	\$139.18	\$16.50	\$55.13	\$45.17	(\$9.96)	\$0.00	\$0.00	\$0.00
\$20,385	150%	\$135.55	\$152.05	\$16.50	\$68.00	\$58.04	(\$9.96)	\$0.00	\$0.00	\$0.00
\$27,180	200%	\$204.40	\$220.90	\$16.50	\$136.85	\$126.89	(\$9.96)	\$0.00	\$0.00	\$0.00
\$33,975	250%	\$298.23	\$314.73	\$16.50	\$230.68	\$220.72	(\$9.96)	\$30.87	\$11.67	(\$19.20)
\$40,770	300%	\$424.67	\$441.17	\$16.50	\$357.12	\$347.16	(\$9.96)	\$157.31	\$138.11	(\$19.20)
\$47,565	350%	\$480.34	\$496.84	\$16.50	\$412.79	\$402.83	(\$9.96)	\$212.98	\$193.78	(\$19.20)
\$54,360	400%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$61,155	450%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$67,950	500%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$81,540	600%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$95,130	700%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$108,720	800%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$122,310	900%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04
\$135,900	1000%	\$840.45	\$949.19	\$108.74	\$772.90	\$855.18	\$82.28	\$573.09	\$646.13	\$73.04

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Question 8

Net Premium for Family of Four - With ARPA Expanded Subsidies										
		Standard Gold			Standard Silver			Standard Bronze		
		Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM
2nd Lowest Silver		\$2,106.80	\$2,365.99	\$259.19	\$2,106.80	\$2,365.99	\$259.19	\$2,106.80	\$2,365.99	\$259.19
Gross Premium by Plan		\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
Income Level		NET PREMIUM			NET PREMIUM			NET PREMIUM		
FPL	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	
\$38,850	140%	\$254.87	\$301.23	\$46.37	\$65.05	\$37.06	(\$27.99)	\$0.00	\$0.00	\$0.00
\$41,625	150%	\$254.87	\$301.23	\$46.37	\$65.05	\$37.06	(\$27.99)	\$0.00	\$0.00	\$0.00
\$55,500	200%	\$277.99	\$324.36	\$46.37	\$88.18	\$60.19	(\$27.99)	\$0.00	\$0.00	\$0.00
\$69,375	250%	\$399.40	\$445.76	\$46.37	\$209.58	\$181.60	(\$27.99)	\$0.00	\$0.00	\$0.00
\$83,250	300%	\$671.12	\$717.48	\$46.37	\$481.30	\$453.31	(\$27.99)	\$0.00	\$0.00	\$0.00
\$97,125	350%	\$841.66	\$888.03	\$46.37	\$651.85	\$623.86	(\$27.99)	\$90.38	\$36.43	(\$53.95)
\$111,000	400%	\$1,041.12	\$1,087.48	\$46.37	\$851.30	\$823.31	(\$27.99)	\$289.84	\$235.88	(\$53.95)
\$124,875	450%	\$1,139.40	\$1,185.76	\$46.37	\$949.58	\$921.60	(\$27.99)	\$388.12	\$334.16	(\$53.95)
\$138,750	500%	\$1,237.68	\$1,284.04	\$46.37	\$1,047.86	\$1,019.88	(\$27.99)	\$486.40	\$432.45	(\$53.95)
\$166,500	600%	\$1,434.24	\$1,480.61	\$46.37	\$1,244.43	\$1,216.44	(\$27.99)	\$682.96	\$629.01	(\$53.95)
\$194,250	700%	\$1,630.80	\$1,677.17	\$46.37	\$1,440.99	\$1,413.00	(\$27.99)	\$879.52	\$825.57	(\$53.95)
\$222,000	800%	\$1,827.37	\$1,873.73	\$46.37	\$1,637.55	\$1,609.56	(\$27.99)	\$1,076.09	\$1,022.13	(\$53.95)
\$249,750	900%	\$2,023.93	\$2,070.29	\$46.37	\$1,834.11	\$1,806.13	(\$27.99)	\$1,272.65	\$1,218.70	(\$53.95)
\$277,500	1000%	\$2,220.49	\$2,266.86	\$46.37	\$2,030.68	\$2,002.69	(\$27.99)	\$1,469.21	\$1,415.26	(\$53.95)

Net Premium for Family of Four - With Prior Subsidies Levels										
		Standard Gold			Standard Silver			Standard Bronze		
		Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM
2nd Lowest Silver		\$2,106.80	\$2,365.99	\$259.19	\$2,106.80	\$2,365.99	\$259.19	\$2,106.80	\$2,365.99	\$259.19
Gross Premium by Plan		\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
Income Level		NET PREMIUM			NET PREMIUM			NET PREMIUM		
FPL	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	Approved 2022	Filed 2023	Net Increase PCPM	
\$38,850	140%	\$320.59	\$366.95	\$46.37	\$130.77	\$102.79	(\$27.99)	\$0.00	\$0.00	\$0.00
\$41,625	150%	\$346.44	\$392.81	\$46.37	\$156.63	\$128.64	(\$27.99)	\$0.00	\$0.00	\$0.00
\$55,500	200%	\$487.04	\$533.41	\$46.37	\$297.23	\$269.24	(\$27.99)	\$0.00	\$0.00	\$0.00
\$69,375	250%	\$678.63	\$725.00	\$46.37	\$488.82	\$460.83	(\$27.99)	\$0.00	\$0.00	\$0.00
\$83,250	300%	\$936.82	\$983.19	\$46.37	\$747.01	\$719.02	(\$27.99)	\$185.54	\$131.59	(\$53.95)
\$97,125	350%	\$1,050.48	\$1,096.85	\$46.37	\$860.67	\$832.68	(\$27.99)	\$299.20	\$245.25	(\$53.95)
\$111,000	400%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
\$124,875	450%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
\$138,750	500%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
\$166,500	600%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
\$194,250	700%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
\$222,000	800%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
\$249,750	900%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24
\$277,500	1000%	\$2,361.66	\$2,667.22	\$305.56	\$2,171.85	\$2,403.06	\$231.21	\$1,610.38	\$1,815.63	\$205.24