

July 19, 2022

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

**Subject: Your 07/15/2022 Questions re:  
Blue Cross and Blue Shield of Vermont and TVHP  
Q4 2022 Large Group Unit Cost Trend Filings  
(SERFF Tracking #: BCVT-133270497 and BCVT-133270485)**

Dear Mr. Ruggeberg:

In response to your request dated July 15, 2022, here is *your question* and our answer:

1. *Using the FY2023 budget submission narratives posted on the GMCB website (<https://gmcbboard.vermont.gov/node/3183>), please disclose the impact to the rates if the unit cost trend was set equal to the budget increases submitted and provide quantitative support for the impact.*

For each hospital subject to GMCB budget review, except UVMHN, we incorporated the chargemaster increase included in Table 1 of Appendix 1 of the budget submissions. For UVMHN, we incorporated the commercial rate increases included in the narrative. The information is summarized below:

<b>Hospital Commercial Rate Increases</b>	<b>Submitted Average</b>
Brattleboro Memorial Hospital	14.9%
Central Vermont Medical Center	14.5%
Copley Hospital	12.0%
Gifford Medical Center	3.7%
Grace Cottage	5.0%
Mt. Ascutney Hospital and Health Center	4.7%
North Country Hospital	12.0%
Northeastern Vermont Regional Hospital	10.8%
Northwestern Medical Center	9.4%
Porter Medical Center	11.5%
Rutland Regional Medical Center	17.8%
Southwestern VT Medical Center	9.5%
Springfield Hospital	10.0%
University of Vermont Medical Center	19.9%

For hospitals with October fiscal years, we assume that the October 2023 increase will be halfway between the October 2021 and October 2022 increases.

Please find attached revised versions of the filing exhibits. The tables below show the impact on the overall increase and manual rate.

Filed Rates	Rate Changes with submitted hospital budget information
+2.9%	+5.9%

Calculation of the Manual Rate (Actives)				
Claim Type		Medical	Pharmacy	Total
Q3 2022 Manual Rate	A	\$537.27	\$122.77	\$660.04
Q3 2022 Paid Trend Factor	B	1.1951	N/A	
Q4 2022 Paid Trend Factor	C	1.2844		
Q4 2022 Manual Rate	$D = A \times (C/B)$	\$577.45	\$122.77	<b>\$700.22</b>

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

Sincerely,




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Martine Lemieux, F.S.A., M.A.A.A.

BLUE CROSS AND BLUE SHIELD OF VERMONT and THE VERMONT HEALTH PLAN  
Q4 2022 LARGE GROUP UNIT COST TREND FILING

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UNIT COST TREND SUMMARY

	Inpatient GMCB	Inpatient NH	Inpatient BlueCard	Inpatient Other	Inpatient Total	Outpatient GMCB	Outpatient NH	Outpatient BlueCard	Outpatient Other	Outpatient Total	Professional GMCB	Professional Community	Professional NH	Professional BlueCard	Professional Other	Professional Total	VT / GMCB	NH	Total BlueCard	Other	Total
VHP	Exp Period				\$86.90					\$232.82						\$136.18					\$455.91
	CY 2021				\$88.22					\$237.12						\$137.83					\$463.17
	YE 202206				\$90.78					\$243.40						\$140.71					\$474.90
	CY 2022				\$94.57					\$253.29						\$144.81					\$492.67
	CY 2023				\$107.78					\$287.75						\$154.84					\$550.37
	Exp % of Total				100.0%					100.0%						100.0%					100.0%
	Prj % of Total				100.0%					100.0%						100.0%					100.0%
CY 2022 / CY 2021				7.2%					6.8%						5.1%					6.4%	
CY 2023 / CY 2022				14.0%					13.6%						6.9%					11.7%	
Annual Cost Trend				12.1%					11.8%						6.6%					10.3%	
IND	Exp Period				\$86.90					\$232.84						\$136.18					\$455.92
	CY 2021				\$88.42					\$237.39						\$137.93					\$463.74
	YE 202206				\$90.93					\$244.35						\$140.96					\$476.24
	CY 2022				\$94.55					\$254.69						\$145.07					\$494.31
	CY 2023				\$107.72					\$289.39						\$155.12					\$552.23
	Exp % of Total				100.0%					100.0%						100.0%					100.0%
	Prj % of Total				100.0%					100.0%						100.0%					100.0%
CY 2022 / CY 2021				6.9%					7.3%						5.2%					6.6%	
CY 2023 / CY 2022				13.9%					13.6%						6.9%					11.7%	
Annual Cost Trend				12.0%					11.9%						6.6%					10.4%	
TVHP	Exp Period				\$86.90					\$232.83						\$136.18					\$455.91
	CY 2021				\$88.31					\$237.29						\$137.93					\$463.52
	YE 202206				\$91.00					\$243.82						\$140.96					\$475.78
	CY 2022				\$94.80					\$253.71						\$145.07					\$493.58
	CY 2023				\$108.03					\$288.18						\$155.12					\$551.33
	Exp % of Total				100.0%					100.0%						100.0%					100.0%
	Prj % of Total				100.0%					100.0%						100.0%					100.0%
CY 2022 / CY 2021				7.4%					6.9%						5.2%					6.5%	
CY 2023 / CY 2022				13.9%					13.6%						6.9%					11.7%	
Annual Cost Trend				12.1%					11.8%						6.6%					10.3%	

MONTHLY TREND FACTORS

Month	Medical - BCBSVT	Medical - BCBSVT Non-	Medical - TVHP Managed
	Managed	Managed	
August 2018	1.0000	1.0000	1.0000
September 2018	1.0420	1.0420	1.0511
October 2018	1.0598	1.0598	1.0691
November 2018	1.1016	1.1018	1.1131
December 2018	1.3374	1.3376	1.3513
January 2019	1.3124	1.3126	1.3260
February 2019	1.2200	1.2320	1.2323
March 2019	1.2244	1.2365	1.2368
April 2019	1.2063	1.2182	1.2185
May 2019	1.1972	1.2090	1.2093
June 2019	1.2433	1.2556	1.2559
July 2019	1.3002	1.3130	1.3133
August 2019	1.1294	1.1426	1.1429
September 2019	1.1535	1.1670	1.1673
October 2019	1.2577	1.2725	1.2728
November 2019	1.2775	1.2926	1.2929
December 2019	1.2109	1.2251	1.2254
January 2020	1.2042	1.2183	1.2186
February 2020	1.2628	1.2770	1.2782
March 2020	0.9276	0.9380	0.9389
April 2020	0.7084	0.7164	0.7170
May 2020	0.9781	0.9890	0.9900
June 2020	1.2444	1.2583	1.2595
July 2020	1.2442	1.2582	1.2593
August 2020	1.2167	1.2312	1.2324
September 2020	1.2661	1.2813	1.2825
October 2020	1.1646	1.1785	1.1796
November 2020	1.1335	1.1471	1.1482
December 2020	1.2562	1.2713	1.2724
January 2021	1.3171	1.3347	1.3341
February 2021	1.3602	1.3784	1.3777
March 2021	1.3271	1.3448	1.3442
April 2021	1.3611	1.3794	1.3787
May 2021	1.5489	1.5697	1.5689
June 2021	1.3523	1.3704	1.3698
July 2021	1.3260	1.3468	1.3462
August 2021	1.2725	1.2924	1.2918
September 2021	1.3283	1.3491	1.3485
October 2021	1.3419	1.3629	1.3623
November 2021	1.3445	1.3655	1.3649
December 2021	1.3471	1.3681	1.3675
January 2022	1.3736	1.3964	1.3943
February 2022	1.3767	1.3996	1.3976
March 2022	1.3795	1.4024	1.4004
April 2022	1.3936	1.4168	1.4147
May 2022	1.4073	1.4307	1.4286
June 2022	1.4691	1.4935	1.4913
July 2022	1.4918	1.5167	1.5145
August 2022	1.4947	1.5197	1.5175
September 2022	1.4814	1.5061	1.5040
October 2022	1.5241	1.5495	1.5472
November 2022	1.5270	1.5524	1.5500
December 2022	1.5298	1.5553	1.5530
January 2023	1.6259	1.6530	1.6503
February 2023	1.6291	1.6563	1.6535
March 2023	1.6322	1.6594	1.6567
April 2023	1.6353	1.6626	1.6598
May 2023	1.6457	1.6731	1.6703
June 2023	1.6488	1.6763	1.6736
July 2023	1.6678	1.6957	1.6929
August 2023	1.6710	1.6990	1.6963
September 2023	1.6561	1.6839	1.6811
October 2023	1.6894	1.7176	1.7148
November 2023	1.6925	1.7207	1.7180
December 2023	1.6956	1.7239	1.7212
January 2024	1.7706	1.8011	1.7971
February 2024	1.7740	1.8046	1.8006
March 2024	1.7774	1.8081	1.8040
April 2024	1.7808	1.8115	1.8075
May 2024	1.7917	1.8225	1.8185
June 2024	1.7951	1.8260	1.8220

**Example of Manual Rate Adjustment**

Manual Rate	\$700.22
Average Age/Gender Factor	1.000
Average Industry Factor	1.000
Projection Period	1/1/2023
Trend Factor	10.70%

<b>Group Information</b>	Active	Medicare Primary
Age/Gender Factor	0.940	1.030
Industry Factor	0.965	1.000
Projection Period	7/1/2023	

Contract Conversion	Contract Distribution	Members	Tier Factor	"Contract Tiers"
Single	25	25	1	25
Two-Person	25	50	2.000	50
Family	50	197	2.782	139.09
	100	272		214.09

		Active	Medicare Primary
Manual Rate	A	\$700.22	\$497.79
Adjustment for Age/Gender	B = 0.94 / 1	0.9400	1.0300
Adjustment for Industry	C = 0.965 / 1	0.9650	1.0000
Adjustment for Trend	D = 10.7% for 6 months	1.0521	1.0521
Contract Conversion Factor	E = 214.09 / 272	1.2705	1.0000
Adjusted Manual Rate	F = A x B x C x D x E	\$849.07	\$539.45

PROJECTED 2023 MLR CALCULATION

**BCBSVT**

(A)	Manual Rate	\$700.22	Exhibit 4A
(B)	Rebates	\$39.62	Q3 2022 LG Actuarial Memorandum, Section 2.3
(C)	Estimated HCQ	\$2.70	2020 MLR Filing, untrended
(D)	State Mandates and Assessments	\$14.61	Calculation as described on Q3 2022 LG Exhibit 1C, using latest actual PMPM as needed
(E)	<b>MLR Numerator</b>	<b>\$677.91</b>	<b>= (A) – (B) + (C) + (D)</b>
(F)	Projected Claims	\$675.21	= (A) – (B) + (D)
(G)	Net Cost of Reinsurance	\$2.09	Q3 2022 LG Actuarial Memorandum, Section 6.4
(H)	Administrative Charge	\$58.63	Calculation as of January 2023, from Q3 2022 LG Exhibit 5A
(I)	GMCB Billbacks	\$2.31	Q3 2022 LG Actuarial Memorandum, Section 6.8
(J)	Patient-Centered Outcomes Research Institute	\$0.26	Q3 2022 LG Actuarial Memorandum, Section 6.9
(K)	Subtotal	\$738.50	= (F) + (G) + (H) + (I) + (J)
(L)	Total Premium	\$755.50	= (K) / (1 - 0.008 - 0.015)
(M)	Commissions	\$5.68	= (L) x 0.8% (from 2020 MLR filing)
(N)	Contribution to Reserve	\$11.33	= (L) x 1.5% (from Q3 2022 LG Actuarial Memorandum, Section 6.6)
(O)	<b>MLR Denominator</b>	<b>\$755.50</b>	<b>= (L)</b>
(P)	<b>MLR</b>	<b>89.7%</b>	<b>= (E) / (O)</b>

**TVHP**

(A)	Manual Rate	\$700.22	Exhibit 4A
(B)	Rebates	\$39.62	Q3 2022 LG Actuarial Memorandum, Section 2.3
(C)	Estimated HCQ	\$6.43	2020 MLR Filing, untrended
(D)	State Mandates and Assessments	\$14.61	Calculation as described on Q3 2022 LG Exhibit 1C, using latest actual PMPM as needed
(E)	<b>MLR Numerator</b>	<b>\$681.64</b>	<b>= (A) – (B) + (C) + (D)</b>
(F)	Projected Claims	\$675.21	= (A) – (B) + (D)
(G)	Net Cost of Reinsurance	\$2.09	Q3 2022 LG Actuarial Memorandum, Section 6.4
(H)	Administrative Charge	\$58.63	Calculation as of January 2023, from Q3 2022 LG Exhibit 5A
(I)	GMCB Billbacks	\$2.31	Q3 2022 LG Actuarial Memorandum, Section 6.8
(J)	Patient-Centered Outcomes Research Institute	\$0.26	Q3 2022 LG Actuarial Memorandum, Section 6.9
(K)	Subtotal	\$738.50	= (F) + (G) + (H) + (I) + (J)
(L)	Total Premium	\$766.64	= (J) / (1 - 0.017 - 0.020)
(M)	Commissions	\$12.81	= (L) x 1.7% (from 2020 MLR filing)
(N)	Contribution to Reserve	\$15.33	= (L) x 1.5% (from Q3 2022 LG Actuarial Memorandum, Section 6.6)
(O)	<b>MLR Denominator</b>	<b>\$766.64</b>	<b>= (L)</b>
(P)	<b>MLR</b>	<b>88.9%</b>	<b>= (E) / (O)</b>