

July 29, 2022

Green Mountain Care Board  
144 State Street  
Montpelier, VT 05602

Re: Center for Consumer Information & Insurance Oversight Public Use Files  
Vermont Health Connect 2023 Individual and Small Group Rate Filings  
SERFF# BCVT-133243519 (Individual) and BCVT-133243509 (Small Group)  
SERFF# MVPH-133238186 (Individual) and MVPH-133238198 (Small Group)

On July 27, 2022, the Green Mountain Care Board requested that Lewis & Ellis, Inc. (L&E) provide information on medical trends being proposed by carriers for individual and small group ACA filings nationally.

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## DATA SOURCE

The Center for Consumer Information & Insurance Oversight (CCIIO) annually publishes data on their website<sup>1</sup> consisting of information that health insurance carriers submit as justification for each plan in the single risk pool in which they participate and offer plans. Rate Justification Part I is the Unified Rate Review Template (URRT). This form summarizes data used to determine rate increases for the entire single risk pool. L&E focused its review on Plan Years (PY) 2021 and 2022.

There are some limitations that must be considered as this data is reviewed, analyzed, and relied upon. L&E has not audited this data. It is also challenging to review the data for reasonableness for many reasons; therefore, these comments and limitations need to be considered:

- The accuracy of this data is the responsibility of the carriers and the states or regulatory body performing the review of the rates.
- There are 2 components of trend, unit cost (or simply cost as shown in the dataset) and utilization, that are reported in the URRT by benefit category. L&E has provided both the unit cost, which is a direct input on the template, and the total trend, which is the calculated product of the utilization and unit cost.
- Because the trends are reported by benefit category, L&E has calculated the blended Total Medical trend using the Experience Period Index Rate PMPMs, which are also reported on the template by benefit category.

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<sup>1</sup> <https://www.cms.gov/CCIIO/Resources/Data-Resources/ratereview>

- There is ambiguity on how carriers allocate items such as changes in the mix of services between utilization and unit cost.
- There is inconsistent oversight between states, that impact the accuracy of the data reported on the URRT.
- It is not clear if all URRTs were updated after the rate review to account for any changes that occurred during the process.
- The definitions of the benefit categories are not uniform or defined for carriers and this could cause inconsistencies in reporting. L&E attempted to mitigate this by presenting the total trend for all medical benefit categories combined. However, the weighted averaging between benefit categories that is used to calculate the total trend could be impacted by these varying definitions.
- Some carriers may back into values on the URRT to reflect the pricing they perform that does not follow the URRT pricing methodology. Therefore, such values may not fully reflect actual provider rate increases or utilization trends despite having produced reasonable and consistent rates on the URRT.
- Some carriers have different business models, such as staff-model HMOs, that impact how cash flows between the carrier and the providers. These kinds of business models can make the process of reporting assumptions accurately on the URRT difficult.
- There are differences between the economic and business environments of the reporting periods analyzed (2019 – 2022) and the current projection period of 2023.
- The reporting periods include 2020 and 2021, which were heavily impacted by the COVID-19 pandemic. In order to properly rate using these time periods, pricing methodologies may have been altered by carriers, which made PY2022 different or uniquely difficult for URRT reporting.

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## ANALYSIS

The most recent data available are the URRTs prepared for PY2022, which begins with data for the experience period of Calendar Year 2020. The URRT reflects unit cost and utilization trend assumptions for 2020 to 2021 and 2021 to 2022.

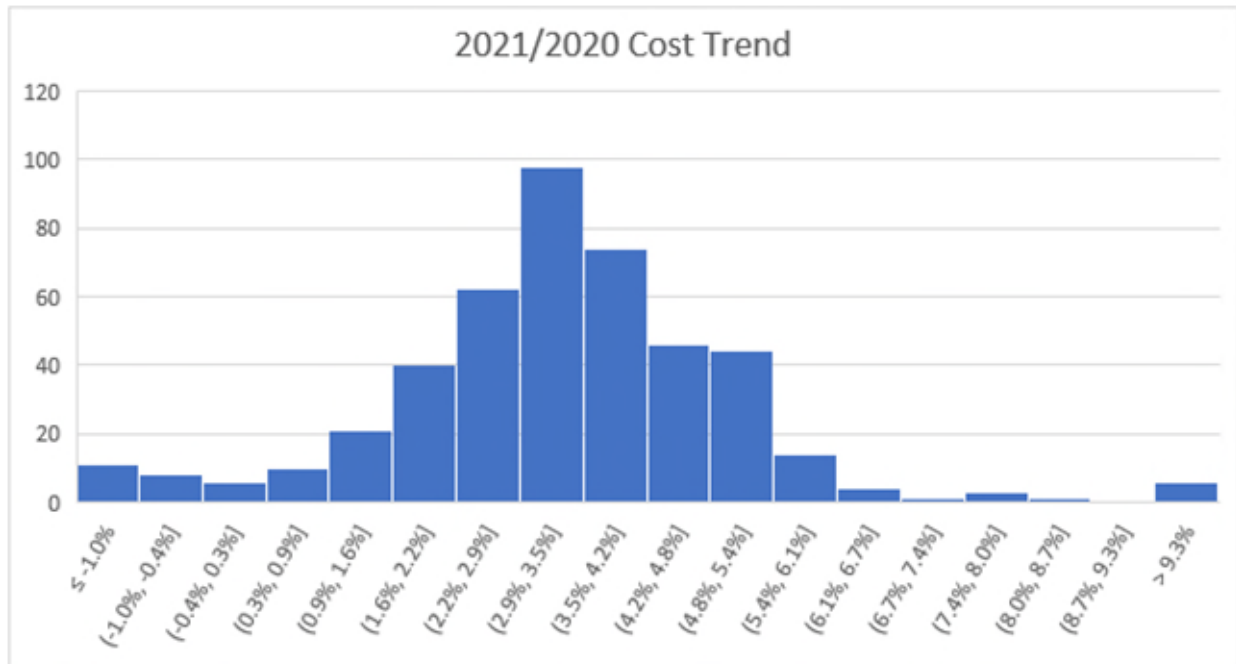
In the PY2022 data set, there were roughly 850 individual and small group filings with an effective date of 1/1/2022. L&E removed any carriers that had less than 2,000 member months in the experience period or that input a credibility percentage of 0%. Roughly 60% or 450 filings remained and are represented on the graphs below.

The URRT has 6 benefit categories for carriers to categorize the Index Rate. They are:

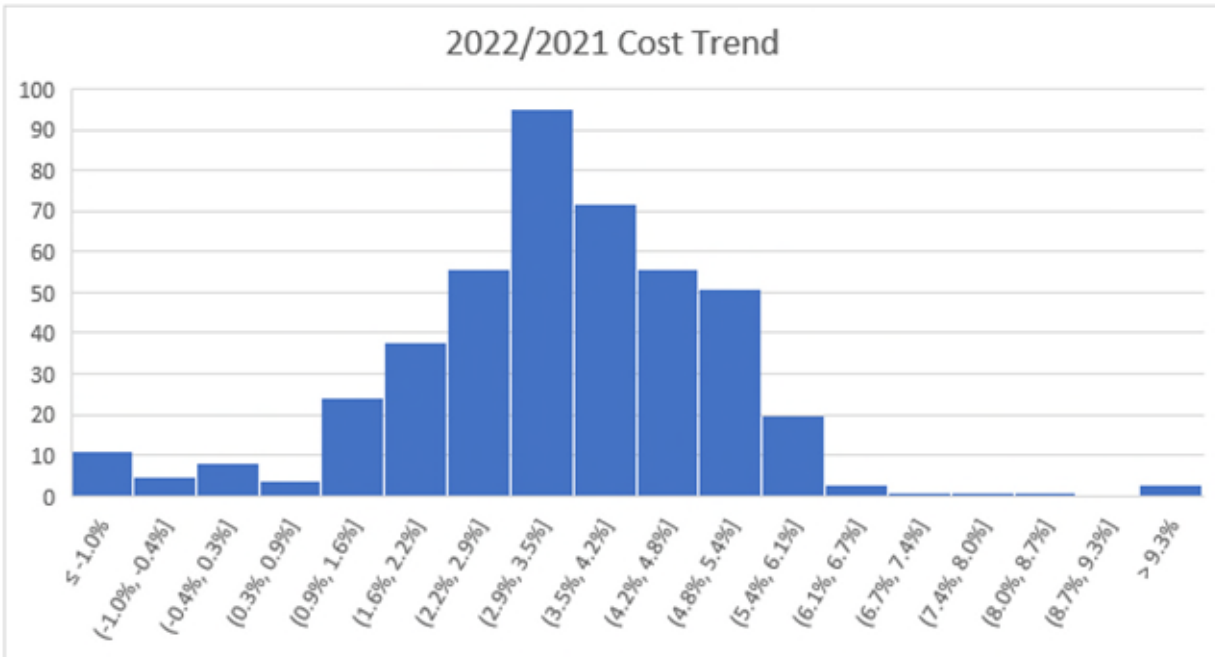
- Inpatient Hospital
- Outpatient Hospital
- Professional
- Other Medical
- Capitation
- Prescription Drug.

To calculate the blended Cost Trend and blended Total Trend, L&E performed a weighted average of the benefit categories, excluding the Prescription Drug category. This represented the Medical portion of the trends. The weightings were the Experience Period PMPMs from the URRT. All trends described throughout the report are Medical only trends.

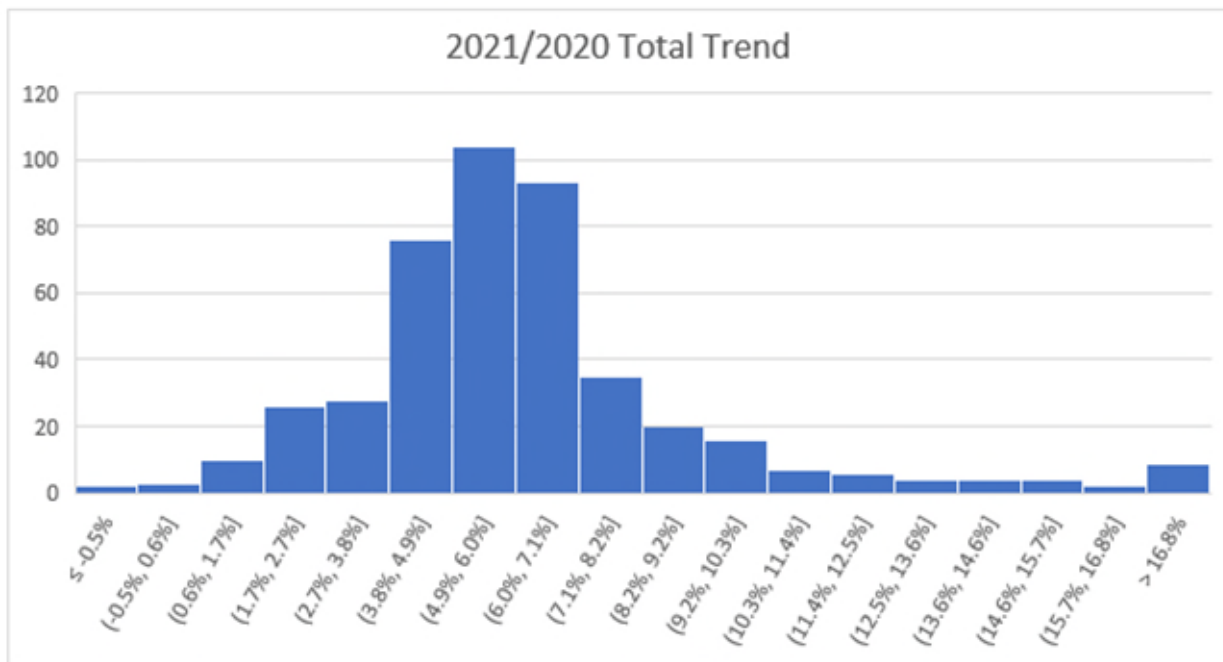
The first graph shows the number of filings by 2021/2020 Cost Trend range, with 95% of filings having a cost trend of 5.6% or less.



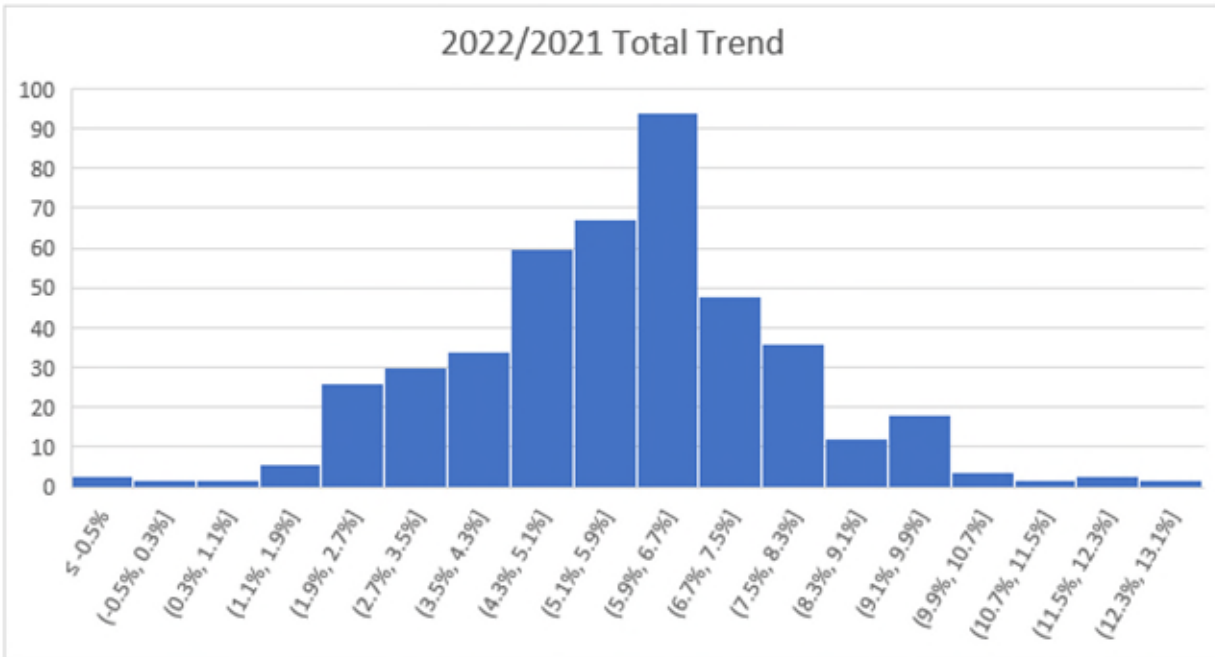
The next graph shows the number of filings by 2022/2021 Cost Trend range, with 95% of filings having a cost trend of 5.5% or less.



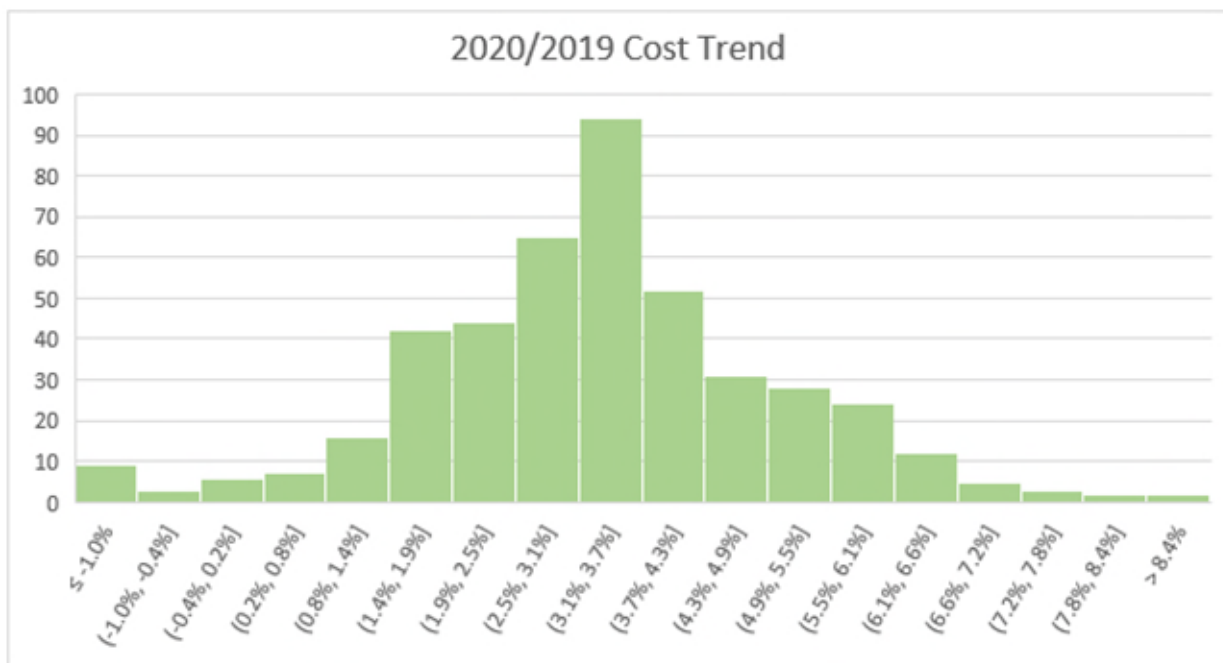
As previously noted, analyzing the Total Trend presents a more holistic view of the filing assumptions. About 95% of the filings have a Total Trend for 2021/2020 of 12.7% or less. It should be noted that this higher percentage is likely due to the COVID-19 pandemic when compared to the prior year.



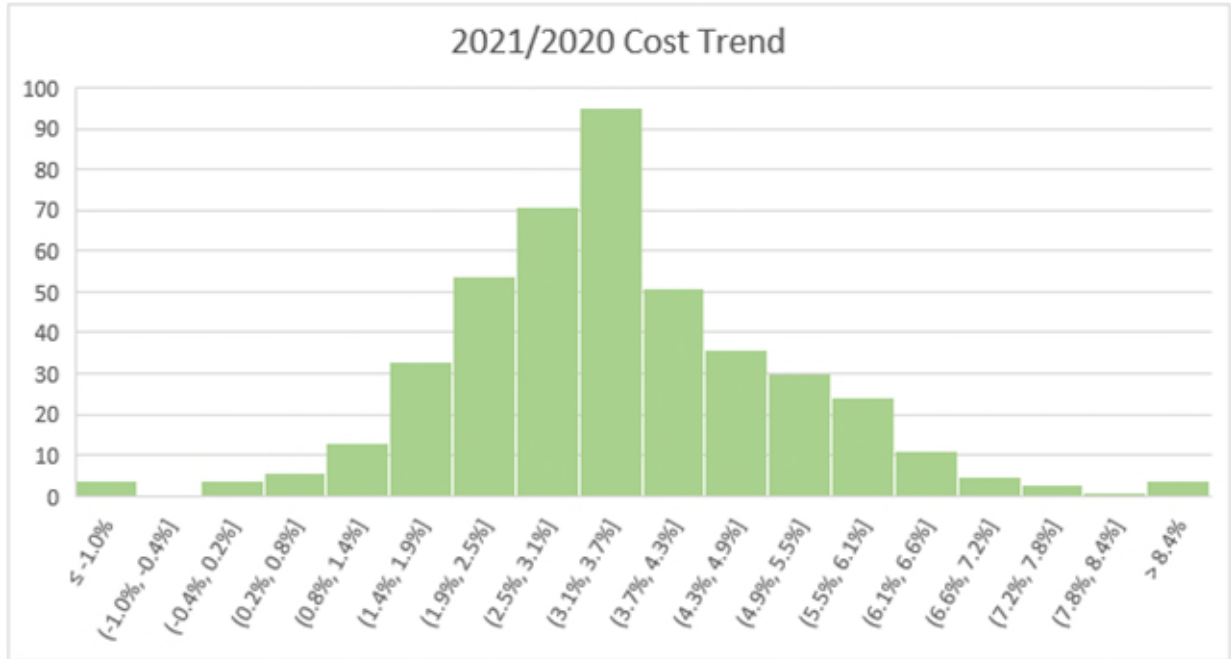
For 2022/2021, the 95<sup>th</sup> percentile is 9.4%.



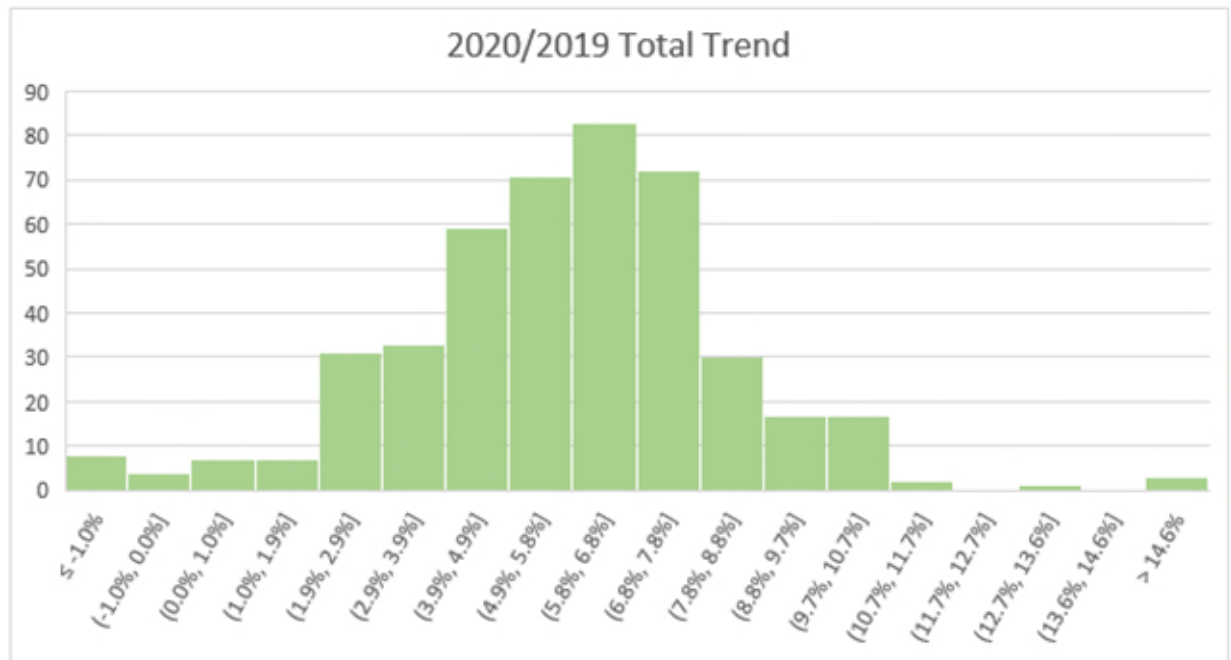
The next most recent data available are the URRTs prepared for PY2021, which begins with data for the experience period of Calendar Year 2019. The URRT reflects unit cost and utilization trends for 2019 to 2020 and 2020 to 2021. In the PY2021 data set, there were roughly 715 individual and small group filings with an effective date of 1/1/2021. Roughly 60% or 450 filings meet the prior criteria regarding member months and credibility and are represented on the graphs below. The first graph shows the number of filings by 2020/2019 Cost Trend range, with 95% of filings having a cost trend of 6.1% or less.



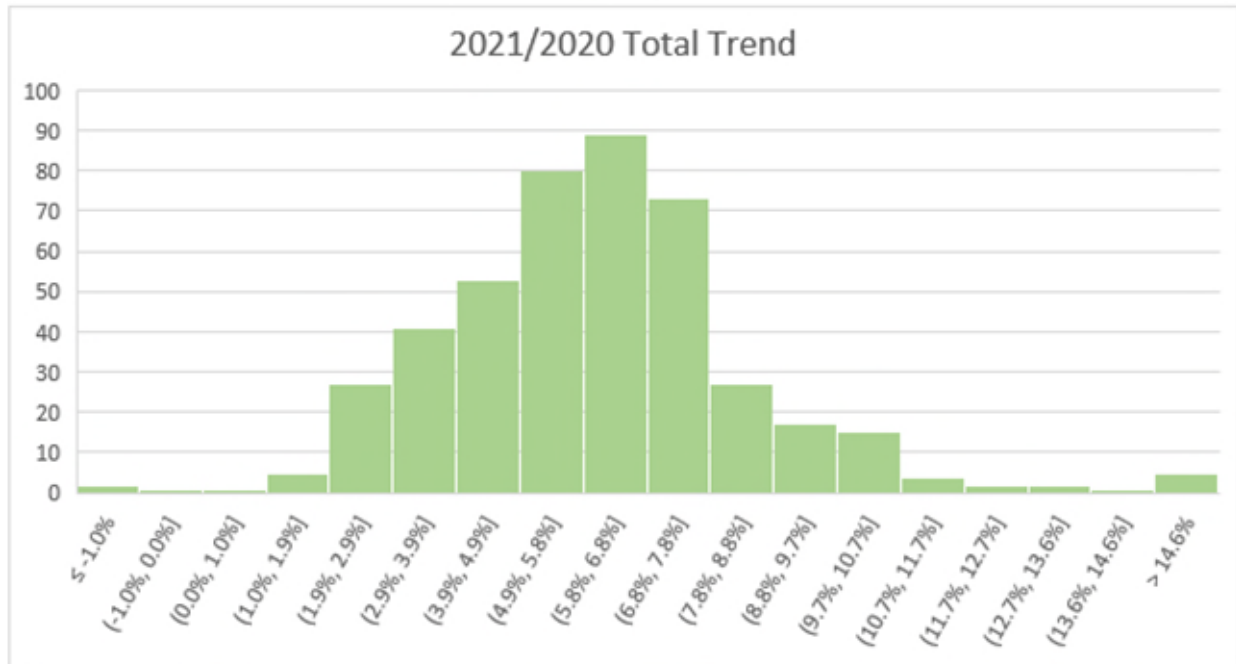
The next graph shows the number of filings by 2021/2020 Cost Trend range, with 95% of filings having a cost trend of 6.1% or less.



Similarly, the next graphs show the Total Trend. About 95% of the filings have a Total Trend for 2021/2020 of 9.7% or less.



Finally, for 2021/2020, the 95<sup>th</sup> percentile is 10.2%.



In summary, the following tables show the cost trend and total trend statistics.

#### YEAR 1 COST TREND STATISTICS<sup>2</sup>

Plan Year	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	95 <sup>th</sup> Percentile
2021	2.3%	3.3%	4.2%	6.1%
2022	2.5%	3.3%	4.2%	5.6%

#### YEAR 2 COST TREND STATISTICS<sup>3</sup>

Plan Year	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	95 <sup>th</sup> Percentile
2021	2.5%	3.3%	4.3%	6.1%
2022	2.5%	3.4%	4.5%	5.5%

#### YEAR 1 TOTAL TREND STATISTICS<sup>4</sup>

Plan Year	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	95 <sup>th</sup> Percentile
2021	4.3%	5.9%	7.2%	9.7%
2022	4.4%	5.8%	7.0%	12.7%

#### YEAR 2 TOTAL TREND STATISTICS<sup>5</sup>

Plan Year	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	95 <sup>th</sup> Percentile
2021	4.5%	6.0%	7.1%	10.2%
2022	4.4%	5.9%	6.9%	9.4%

<sup>2</sup> For PY2021, Year 1 Cost Trend represents the time period 2020/2019. For PY2022, Year 1 Cost Trend represents the time period 2021/2020.

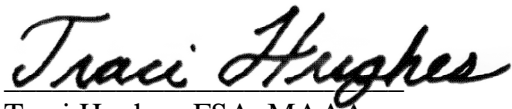
<sup>3</sup> For PY2021, Year 2 Cost Trend represents the time period 2021/2020. For PY2022, Year 2 Cost Trend represents the time period 2022/2021.

<sup>4</sup> For PY2021, Year 1 Total Trend represents the time period 2020/2019. For PY2022, Year 1 Total Trend represents the time period 2021/2020.

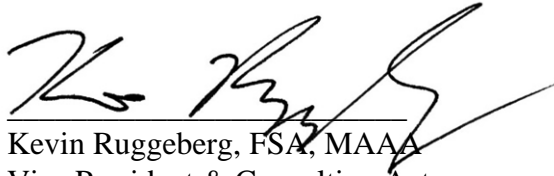
<sup>5</sup> For PY2021, Year 2 Total Trend represents the time period 2021/2020. For PY2022, Year 2 Total Trend represents the time period 2022/2021.



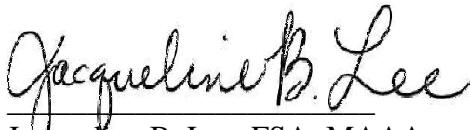
Sincerely,



Traci Hughes, FSA, MAAA  
Vice President & Consulting Actuary  
Lewis & Ellis, Inc.



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



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

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## ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations<sup>6</sup>, 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<sup>7</sup>, 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:

- Traci Hughes, FSA, MAAA, Vice President & Consulting Actuary
- Kevin Ruggeberg, FSA, MAAA, Vice President & Consulting Actuary.
- Jacqueline B. Lee, FSA, MAAA, Vice President & Principal.

### IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is July 29, 2022. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 28, 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 is financially and organizationally independent from the Board, BCBSVT, MVP, CMS, and CCIIO. 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 additional information to assist the Board about other filings’ assumptions nationwide.
- 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 obtained from CMS and CCIIO for general 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,

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<sup>6</sup> 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.

<sup>7</sup> These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

- 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.