

August 5, 2020

Michael Barber, General Counsel  
Green Mountain Care Board

**Re: BCBSVT 2021 VISG Rate Filing (SERFF Tracking #: BCVT-131936226)  
Supplemental Analysis of Impact of Submitted Vermont Hospital Budgets**

Dear Mr. Barber:

Beginning on July 31, 2020, the GMCB has posted the submitted hospital budgets for Fiscal Year 2021. We have incorporated the submitted commercial rate increases, less an average anticipated GMCB reduction, into our unit cost trend calculations and assessed the impact on premium. Before turning to those results, we note that the submitted commercial rate increases differ from those identified in the summary of change in charge requests provided by the GMCB on August 3<sup>1</sup> in the following ways:

- The budget submission for Brattleboro Memorial Hospital was posted to the Board's website earlier today. We have interpreted their request as 5.9% for inpatient services, 5.5% for outpatient services and 0.0% for professional services.
- Mt. Ascutney Hospital and Health Center had not yet posted any FY 2021 budget information as of the time we completed this work. We have assumed that Mt. Ascutney will be approved for an increase identical to that approved for FY 2020<sup>2</sup>.
- The budget submission for North Country Hospital was also posted earlier today. We have interpreted their request as 4.3% across all service categories.
- We have interpreted the Northwestern Medical Center request as the sum of the standard request and COVID allowance<sup>3</sup>.
- Northeastern Vermont Regional Hospital appears to be requesting a total increase of 3.9%, inclusive of the standard request and COVID allowance. We have summed the standard and COVID increases by category to generate a request by service line of 4.8% for inpatient services, 4.4% for outpatient services and 0% for professional services.
- Rutland Regional Medical Center consistently provides breakouts by service category that are intended to sum to their overall request<sup>4</sup>. We have calculated their requested increase by service category as 4.4% for inpatient services, 7.2% for outpatient services and 0.0% for professional services.

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<sup>1</sup> See *Change in Charge Request – All Hospitals.xlsx*, distributed by Michael Barber in his email of August 3, 2020.

<sup>2</sup> On August 5, we were informed that the narrative and budget submission for Mt. Ascutney have been posted. Their requested increase of 4.3% is higher than last year's approved increase, but the impact on BCBSVT premiums is not expected to be material.

<sup>3</sup> See [https://gmcboard.vermont.gov/sites/gmcb/files/Hospital-Budgets/NMC\\_H25\\_Covid-19\\_Budget\\_Spreadsheet.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/Hospital-Budgets/NMC_H25_Covid-19_Budget_Spreadsheet.pdf)

<sup>4</sup> It is quite clear that increases of 2.3% for inpatient, 3.7% for outpatient and 0.0% for professional cannot possibly aggregate to an overall increase of 6.0%. Using BCBSVT VISG data, we have calculated the increases necessary for inpatient charge increases to generate a 2.7% increase on total payments to RPMC. Since there is no increase requested for professional services, the increase for outpatient services becomes the balancing item necessary to yield an overall 6.0 percent increase. We note that the actual increases by service line are likely to differ from the amounts we calculated, but we expect any deviation to be immaterial from a premium perspective.

- Southwestern Medical Center indicates in its narrative that “[m]anagement will increase approximately 69% of the Hospital charges at a rate of 5%.<sup>5</sup>” Because that math yields the 3.46% overall request<sup>6</sup>, we have interpreted the increase by service category to be 3.46% for inpatient and outpatient services and 0.0% for professional services.
- We have assumed that the UVMHC increases by service category for commercial rates will match those indicated for the overall charge increase since the overall increase of 8.0% is consistent for both commercial rates and overall charges.

For all other facilities we used the “commercial change in charge across all categories,” where identified, or the increase by category of service found in the GMCB’s August 3 summary of change in charge requests.

[REDACTED]

We have analyzed submitted and approved net patient revenue (NPR) increases and commercial rate increases for the last four years relative to GMCB guidance. We have found that there is no correlation between the magnitude of commercial rate reductions and any of the magnitude of average submissions, the excess of NPR submissions above GMCB guidance, or the ordered NPR reductions. We therefore assume that the GMCB will reduce the submitted FY 2021 budgets by the average reduction ordered in the previous four years, or 0.55 percent.

	NPR			Commercial Rates <sup>7</sup>		
	<i>Guidance</i>	<i>Submitted</i>	<i>Approved</i>	<i>Submitted</i>	<i>Approved</i>	<i>Reduction</i>
FY 2017	3.4%	4.9%	4.7%	2.3%	1.7%	-0.53%
FY 2018	3.4%	3.4%	3.1%	1.9%	1.7%	-0.27%
FY 2019	3.2%	2.2%	2.1%	3.9%	2.7%	-1.11%
FY 2020	3.5%	4.4%	4.1%	4.1%	3.8%	-0.31%
<b>Average</b>						<b>-0.55%</b>

That assumption results in an average hospital commercial rate increase for Vermont hospitals of 6.7 percent for CY 2021, as opposed to the 4.2 percent included in the rate filing.

Please find attached *CONFIDENTIAL BCBSVT 2021 VISG Rate filing - Exhibit 3A with hospital budgets.xlsx*, which demonstrates the calculation of the overall impact on medical unit cost trend.<sup>8</sup> We also assessed the downstream impacts of a revised unit cost trend on actuarial value and risk adjustment, finding that the impact is a 0.10 percent increase to premiums for

<sup>5</sup> See [https://gmcboard.vermont.gov/sites/gmcb/files/Hospital-Budgets/SVMC\\_H39\\_FY\\_2021\\_Budget-Narrative-GMCB\\_7-31-2020.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/Hospital-Budgets/SVMC_H39_FY_2021_Budget-Narrative-GMCB_7-31-2020.pdf), page 12,

<sup>6</sup> Note that 69% x 5% = 3.45%, different from 3.46% only due to rounding.

<sup>7</sup> Submitted and approved commercial rates are weighted based on BCBSVT individual and small group experience data and will therefore not match averages calculated by the GMCB.

<sup>8</sup> BCBSVT’s counsel has submitted a written request that the Board deem confidential the attached updated Exhibit 3A and the redacted text below.

the former and a 0.02 percent decrease to premiums for the latter. We have reflected the net impact of 0.08 percent within the rate increase results summarized in the following table:

	Vermont Hospital Unit Cost Increases <sup>9</sup>	Average Annual Medical Cost Trend	Average Rate Increase
Including L&E Recommendations and PT/Chiro updates	4.2%	3.6%	5.5%
Including submitted hospital budgets	7.2%	4.4%	7.0%
Including assumed approved hospital budgets	6.7%	4.3%	6.7%

BCBSVT respectfully asks that the Board approve its proposed rates as modified by the adjustments recommended by Lewis & Ellis (L&E), including “updating the assumed unit cost trends in the 2021 premium rate calculation” for information gleaned from the July 31 hospital budget submissions. Binder Exhibit 9 at 23. After the modifications to incorporate the submitted commercial rate increases with anticipated reductions by the GMCB, the average rate increase changes from 5.5 percent to 6.7 percent.

Note that we will respond under separate cover, no later than 4:00 p.m. on August 6, 2020, to your August 4 request for detailed comparisons of average unit costs for Vermont hospitals and Dartmouth Hitchcock Medical Center.

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

Sincerely,



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

<sup>9</sup> That is, unit cost trend from 2020 to 2021 at Vermont facilities and providers impacted by GMCB’s Hospital Budget Review.

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

In re: BlueCross and BlueShield of  
Vermont 2021 Individual and Small  
Group Rate Filing

GMCB-005-20rr

SERFF No. BCVT-131936226

**CERTIFICATE OF SERVICE**

I certify that I have served the following documents on Michael Barber, Amerin Aborjaily, Thomas Crompton, and Christina McLaughlin of the Green Mountain Care Board; and on Kaili Kuiper, Eric Schultheis, and Jay Angoff, counsel for the HCA, by electronic mail, Delivery Receipt requested via Microsoft Outlook, on August 5, 2020:

- Redacted August 5, 2020 Letter from Paul A. Schultz re: Supplemental Analysis of submitted hospital budget information
- Unredacted August 5, 2020 Letter from Paul A. Schultz re: Supplemental Analysis of submitted hospital budget information
- Updated Exhibit 3A (unredacted; to be treated as confidential while confidentiality request is pending)
- August 5, 2020 Letter from Michael Donofrio requesting confidentiality for Updated Exhibit 3A and redacted information in August 5 Letter from Paul A. Schultz

Dated: August 5, 2020

*/s/ Michael Donofrio*

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Michael Donofrio

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