

July 14, 2022

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

**Subject: Your 07/13/2022 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. Ruggeberg:

In response to your request dated July 13, 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:

Hospital Commercial Rate Increases	Submitted Average
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.

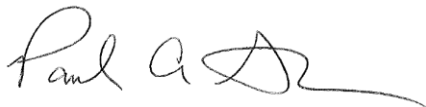
[REDACTED]

Please find attached revised versions of Exhibit 3A and 3J-IND and 3J-SMG reflecting the submitted hospital budgets¹.

Market	Filed Rates	Rate Changes with submitted hospital budget information
Individual	+12.3%	+15.9%
Small Group	+12.5%	+16.0%

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

¹ Note that we did not update the projected risk adjustment transfer to reflect the higher projected premium as part of this calculation.

MEDICAL COST TREND DEVELOPMENT - TOTAL TREND

Inpatient		Total
Year 0		38,442,377
Year 1		41,286,763
Year 2		46,745,866
Trend Y1/Y0		7.4%
Trend Y2/Y1		13.2%
Annual Cost Trend		10.3%

Outpatient		Total
Year 0		97,835,808
Year 1		104,444,850
Year 2		118,404,534
Trend Y1/Y0		6.8%
Trend Y2/Y1		13.4%
Annual Cost Trend		10.0%

Pharmaceuticals		Total
Year 0		29,664,890
Year 1		31,541,134
Year 2		35,709,921
Trend Y1/Y0		6.3%
Trend Y2/Y1		13.2%
Annual Cost Trend		9.7%

Professional		Total
Year 0		64,894,345
Year 1		68,148,778
Year 2		72,947,193
Trend Y1/Y0		5.0%
Trend Y2/Y1		7.0%
Annual Cost Trend		6.0%

Total		Total
Year 0		230,837,421
Year 1		245,421,524
Year 2		273,807,514
Trend Y1/Y0		6.3%
Trend Y2/Y1		11.6%
Annual Cost Trend		8.9%

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

EXHIBIT 3J-IND

TREND DEVELOPMENT
PROJECTION FACTOR FOR INDEX RATE CALCULATION - INDIVIDUAL MARKET

		Medical Inpatient	Medical Outpatient	Medical Pharma	Medical Professional	Pharmacy Non- specialty	Pharmacy Specialty	Vision	Dental	Total	
From Exhibit 5	Total Experience Allowed Claims	a1	\$125.59	\$272.17	\$81.28	\$177.03	\$79.04	\$121.69	\$0.05	\$1.40	\$858.23
	Exclusions (Non-EHB, High Claimant, Direct COVID)	a2-a4	\$7.00	\$5.48	\$0.00	\$5.84	\$1.30	\$10.65	\$0.00	\$0.00	\$0.04
	Experience Period Allowed Claims for EHB	A	\$118.59	\$266.69	\$81.28	\$171.18	\$77.74	\$111.04	\$0.05	\$1.40	\$858.19
	Index Rate Projection Factors - Morbidity and Others	b and c	0.993	0.993	0.993	0.993	0.980	0.977	0.980	1.046	
	Uncapped Adjusted Experience Period Allowed Claims for EHB		\$117.70	\$264.70	\$80.67	\$169.90	\$76.15	\$108.50	\$0.05	\$1.46	\$819.13
	Selected Utilization Trend for Year 1		1.0150	1.0150	1.0359	1.0211	1.020	1.091	1.0000	1.0000	
	Selected Utilization Trend for Year 2		1.0150	1.0150	1.0359	1.0211	1.020	1.091	1.0000	1.0000	
	Projected Period Allowed Claims - Utilization Only		\$121.26	\$272.70	\$86.57	\$177.14	\$79.23	\$129.12	\$0.05	\$1.46	\$867.53
	Cost Trend for Year 1 - Including Rx Contract Change		1.0740	1.0676	1.0632	1.0501	1.018	1.097	1.0000	1.0000	
	Cost Trend for Year 2 - Including Rx Contract Change		1.1322	1.1337	1.1322	1.0704	1.018	1.097	1.0000	1.0000	
	Projected Period Allowed Claims		\$147.45	\$330.03	\$104.21	\$199.12	\$82.05	\$155.48	\$0.05	\$1.46	\$1,019.87
	Impact of Payment integrity Program		1.0000	1.0000	1.0000	1.0000					
	Projected Period Allowed Claims		\$147.45	\$330.03	\$104.21	\$199.12	\$82.05	\$155.48	\$0.05	\$1.46	\$1,019.87
	Index Rate - d2 - Utilization Trend (Including Payment Integrity)		1.0302	1.0302	1.0732	1.0426	1.0404	1.1901	1.0000	1.0000	1.0591
	Index Rate - d1 - Cost Trend (including Rx Contract)		1.2160	1.2102	1.2038	1.1241	1.0356	1.2042	1.0000	1.0000	1.1756
Total Trend		1.1193	1.1166	1.1366	1.0826	1.0380	1.1971	1.0000	1.0000	1.1158	

BLUE CROSS AND BLUE SHIELD OF VERMONT
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EXHIBIT 3J-SMG

TREND DEVELOPMENT
PROJECTION FACTOR FOR INDEX RATE CALCULATION - SMALL GROUP MARKET

			Medical Inpatient	Medical Outpatient	Medical Pharma	Medical Professional	Pharmacy Non- specialty	Pharmacy Specialty	Vision	Dental	Total
From Exhibit 5	Total Experience Allowed Claims	a1	\$102.50	\$227.43	\$80.58	\$156.23	\$64.74	\$80.41	\$0.09	\$1.78	\$713.76
	Exclusions (Non-EHB, High Claimant, Direct COVID)	a2-a4	\$5.09	\$6.46	\$0.00	\$6.27	\$1.12	\$0.00	\$0.00	\$0.00	\$18.93
	Experience Period Allowed Claims for EHB	A	\$97.41	\$220.97	\$80.58	\$149.96	\$63.62	\$80.41	\$0.09	\$1.78	\$694.83
	Index Rate Projection Factors - Morbidity and Others	b and c	1.000	1.000	1.000	1.000	0.986	0.983	0.986	1.053	
	Uncapped Adjusted Experience Period Allowed Claims for EHB		\$97.37	\$220.89	\$80.55	\$149.91	\$62.72	\$79.06	\$0.09	\$1.87	\$692.46
	Selected Utilization Trend for Year 1		1.0150	1.0150	1.0359	1.0211	1.020	1.0909	1.0000	1.0000	
	Selected Utilization Trend for Year 2		1.0150	1.0150	1.0359	1.0211	1.020	1.0909	1.0000	1.0000	
	Projected Period Allowed Claims - Utilization Only		\$100.32	\$227.56	\$86.45	\$156.30	\$65.25	\$94.09	\$0.09	\$1.87	\$731.93
	Cost Trend for Year 1 - Including Rx Contract Change		1.0740	1.0676	1.0632	1.0501	1.018	1.097	1.0000	1.0000	
	Cost Trend for Year 2 - Including Rx Contract Change		1.1322	1.1337	1.1322	1.0704	1.018	1.097	1.0000	1.0000	
	Projected Period Allowed Claims		\$121.99	\$275.41	\$104.06	\$175.69	\$67.58	\$113.30	\$0.09	\$1.87	\$859.99
	Impact of Payment integrity Program		1.0000	1.0000	1.0000	1.0000					
	Projected Period Allowed Claims		\$121.99	\$275.41	\$104.06	\$175.69	\$67.58	\$113.30	\$0.09	\$1.87	\$859.99
	Index Rate - d2 - Utilization Trend (Including Payment Integrity)		1.0302	1.0302	1.0732	1.0426	1.0404	1.1901	1.0000	1.0000	1.0570
	Index Rate - d1 - Cost Trend (including Rx Contract)		1.2160	1.2102	1.2038	1.1241	1.0356	1.2042	1.0000	1.0000	1.1750
	Total Trend		1.1193	1.1166	1.1366	1.0826	1.0380	1.1971	1.0000	1.0000	1.1144