

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross and Blue Shield of Vermont)	
2021 Large Group Rating Program Filing)	GMCB-001-21-rr
)	
<i>and</i>		
)	
In re: The Vermont Health Plan)	GMCB-002-21-rr
2021 Large Group Rating Program Filing)	
)	

MEMORANDUM IN LIEU OF HEARING

Blue Cross and Blue Shield of Vermont (BCBSVT)¹ requests the Green Mountain Care Board (GMCB) approve the filing reflected in the Blue Cross and Blue Shield of Vermont and The Vermont Health Plan Q3 2021 Large Group Rating Program Filing Actuarial Memos (BCBSVT Memo) as recommended by the Board’s independent actuarial expert Lewis and Ellis (L&E). As described in the BCBSVT Memo, its multi-year approach to retooling the Large Group formula and factors has led to a more stable block and improving financial results. This, combined with substantial savings delivered through it’s new pharmacy benefit manager and innovative prescription drug benefit service, has enabled BCBSVT to propose a pure manual premium² *decrease* from the prior filing.

This filing provides the formula, manual rate and factors that will be used to determine the rates of experience-rated fully-insured large groups with over 100 employees. BCBSVT projects that this filing will affect approximately 5,828 members (3,423 subscribers) in 36

¹ Historically, the GMCB has issued one decision for the BCBSVT and The Vermont Health Plan large group filings. *See, e.g.*, GMCB-003-18r and GMCB-004-18r. As such, all references herein to BCBSVT are intended to include TVHP, unless the context clearly states otherwise.

² This is the premium that can be developed for each group in the existing block of business using none of their own experience data.

groups. The factors in the filing are the medical and pharmacy trends, administrative costs, federal fees, contribution to reserve, and other rate manual factors that will be applied to large group rates for the period covered by the filing. The actual rate impact for any particular customer – and the overall average rate increase – will be driven by the claims experience in the period used to develop rates, premium currently in force, and underwriting judgment and management discretion applied to the case. The factors included in the filing as applied to a large group customer’s claims experience will produce a set of rates reasonably expected to cover the costs of providing a group’s benefits.

L&E has confirmed that this filing, with the proposed correction to the projected administrative charge,³ is actuarially justified and does not produce rates that are excessive, inadequate, or unfairly discriminatory. (L&E Actuarial Memorandum dated April 12, 2021, hereinafter “L&E Memo”, at page 10.). Concluding that each factor in this filing is reasonable, L&E recommended “that the Board approve the filing as revised, resulting in an anticipated average premium change of -1.7%.” *Id.* The key findings and recommendations in L&E’s April 12, 2021 report to the GMCB with respect to this filing are as follows:

- Medical Trend: “BCBSVT’s assumed total allowed medical trend of 5.9% is reasonable in light of the known and likely hospital budget increases, as well as the consistent pattern of increasing utilization in recent years. It falls very near the middle of L&E’s estimated range, which does not consider the clinical input that went into the outpatient drug projection. We do not recommend any changes to the medical trend assumptions in this filing. (L&E Memo, p. 5);
- Pharmacy Trend: “The Company projects overall pharmacy allowed trend to be about 11.0% per year.” (L&E Memo, p. 7) This total pharmacy allowed trend is reasonable in aggregate as well as when analyzed by the components described above. *Id.*;

³ The original filing proposed an average admin charge of \$61.50 PMPM. This was the result of an error that BCBSVT corrected during the course of actuarial review. BCBSVT has reduced the proposed admin charge to \$54.71 PMPM. (L&E Memo, p. 8)

- Administrative Charge: “The process for reflecting the most recent information available is actuarially sound[...A] higher increase to administrative costs would be supportable based on the methodology described above. [...] The admin assumptions used in the each of the components appear to be reasonable and appropriate.” (L&E Memo, p. 9);
- Contribution to Reserve: “L&E believes the proposed CTR is reasonable in order to maintain RBC levels in light of medical trend and provide an adequate margin over and above the minimum to keep appropriate RBC levels in the case of an adverse event without being excessive.” (L&E Memo, p. 10)

As evidenced by these key findings, this filing is actuarially sound and should be approved as recommended by L&E.

Further, GMCB must approve the recommended rates because any further reduction would produce unreasonable solvency risk. The Department of Financial Regulation’s Solvency Impact of “3Q 2019 Large Group Rating Program Filing (SERFF # BCVT- 132713612)” of Blue Cross Blue Shield of Vermont of April 9, 2021 (“DFR Opinion”) acknowledges that the range of surplus targeted by BCBSVT is reasonable and necessary for the protection of its members and that BCBSVT is below the range determined to be necessary. (DFR Opinion, p. 2.) DFR cautions “any downward adjustments to the filing’s rate components that are not actuarially supported would likely erode BCBSVT’s surplus and RBC ratio.” (DFR Opinion, p. 1-2.) “DFR considers insurer solvency to be the most fundamental aspect of consumer protection.” (DFR Solvency Opinion, p. 2.) “A sufficient surplus is crucial to an insurer’s solvency.” *Id.* As noted in previous filings, insurer solvency is not about the insurer, but about the consumer who purchases the insurance as protection against financial harm resulting from medical expenses that cannot be paid. *See*, Q3 2020 Large Group Filing BCBSVT Memo in Lieu of Hearing GMCB-002-20rr, GMCB-003-20rr. Thus, any further reduction would be to the detriment of current and future members. Additionally, reducing the formula or any of the accompanying factors below the revised level—carefully calibrated for maximum affordability and sustainability—will

threaten to destabilize the block by making future losses more likely. Poor financial results, in turn, would lead to rate instability as another cycle of rating formula adjustments would become necessary. To avoid any negative impact on solvency and in turn, exposing consumers to risk of harm, GMCB must approve the rates as filed. Doing so will ensure Vermonters continued access to care in a time of great uncertainty.⁴

Finally, the formula and factors proposed in this filing must be—and are—designed to produce rates that allow BCBSVT to compete in this robust market while maintaining sustainable financial results. Vermont large groups have a variety of options available to them, including insured products offered by carriers regulated by Vermont agencies, as well as self-funded products offered by these insurers or by entities not regulated by the State of Vermont. If BCBSVT fails to offer competitive rates, large groups, through their brokers and consultants, will avail themselves of other options, including those offered by out-of-state carriers. Therefore, there is no reason for the GMCB to reduce the filed factors below actuarially justified levels in the name of affordability because the competitive market ensures that a rate can only be sold if it is affordable.

On review, the Board must determine whether the proposed formula and factors will produce rates that are affordable, promote quality care, promote access to health care, protect insurer solvency, are not unjust, unfair, inequitable, misleading or contrary to law, and are not excessive, inadequate, or unfairly discriminatory. GMCB Rule 2.000, § 2.401. This formula and factor filing meets all these criteria. BCBSVT has fully justified the formula and factors before the Board as evidenced by the recommendations of Board's own actuarial consultant and the

⁴ As DFR highlights in its Solvency Opinion, the combined impact of COVID-19 on BCBSVT and the marketplace is uncertain at this time. (DFR Opinion, p. 2.)

Department of Financial Regulation's solvency opinion. Therefore, the Board must approve the filing, after amending in accordance with the modification recommended by L&E.

Dated at Berlin, Vermont this 21st day of April, 2021.

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CERTIFICATION OF SERVICE

I, Michael Durkin, hereby certify that I have served the above MEMORANDUM IN LIEU OF HEARING on Michael Barber, Green Mountain Care Board General Counsel; Thomas Crompton, Green Mountain Care Board Health Systems Finance Associate Director; Christina McLaughlin, Green Mountain Care Board Health Policy Analyst; Eric Schultheis, Staff Attorney, Office of Vermont Health Advocate, and Kaili Kuiper, Staff Attorney, Office of Vermont Health Advocate, by electronic mail, return receipt requested, on this 21st day of April, 2020.

/s/Michael Durkin

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