

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re:)	
BlueCross and Blue Shield)	GMCB-007-22-rr
Vermont)	
Large Group Rate Filing)	
)	GMCB-008-22-rr
The Vermont Health Plan)	
Large Group Rate Filing)	

SERFF No. BCBSVT: BCVT - 133270497
TVHP: BCVT- 133270485

MEMORANDUM IN LIEU OF HEARING

Pursuant to Green Mountain Care Board (GMCB) Rule 2.309(a), Blue Cross and Blue Shield of Vermont (Blue Cross)¹ respectfully requests that the GMCB modify and approve the filings² reflected in the Blue Cross and Blue Shield of Vermont and The Vermont Health Plan Q4 2022 Large Group Rating Program Filing Actuarial Memorandum (Blue Cross Memo) as set forth in further detail below.

I. Background

This Fourth Quarter filing updates the medical unit cost trend factors and manual rate in the Blue Cross' Third Quarter filing (Docket Nos. GMCB-001-22r & GMCB-002-22rr). The cause for both proposed changes is the same: the anticipated upward unit cost changes necessitated by the higher than anticipated increase in

¹ Historically, the GMCB has issued one decision for the Blue Cross and TVHP large group filings. As such, all references herein to Blue Cross are intended to include TVHP, unless the context clearly states otherwise.

² Similarly, this unified memo regularly refers to both dockets, individually and collectively, as "this filing," or "the filing."

proposed hospital budgets. As expressed in the cover letter to the filing, the filing is intended to allow for actual hospital budget submissions to be incorporated into large group rates in the same manner that they have been incorporated into ACA rates. As such, the following argument addresses only these discrete issues.

II. Argument

- a. *This filing is actuarially justified and reasonably expected to produce rates that are not excessive, inadequate, or unfairly discriminatory.*

Provider price increases are the only drivers of the requested rate increase. The GMCB's consulting actuary, Lewis and Ellis (L&E), provided a report on July 19, 2022, in response to the Blue Cross Memo (L&E Report). L&E stated that, "Ultimately, premium rates will only be actuarially sound if they are consistent with likely hospital budget increases." (L&E Report at 3). Therefore, L&E recommended that "...The Board should consider premium increases consistent with what they anticipate will occur with hospital budgets." *Id.*

The Board must address the hospital budget process in determining the unit cost trend in the final rates. On July 19, 2022, Blue Cross provided the impact, along with quantitative support, to the rates as filed assuming the unit cost trend was set equal to the FY 2023 hospital budget submissions. If the Board modifies the rates that reflect submitted hospital budgets downward to a greater extent than it does during its corresponding action in the hospital budget process, the final proposed rates will no longer be adequate. Ultimately, future policyholders would have to pay for these underfunded costs through higher rates. In sum, the Board must ensure that there is balance between its treatment of Blue Cross' rates and

the hospitals' commercial rate increases and should approve unit cost trends that reflect submitted hospital budgets reduced in the same manner that they have been modified in the ACA rates.

- b. *The GMCB must approve the filing because it will produce rates that are affordable for the benefits provided, while promoting quality care and ensuring access to health care.*

On review, the GMCB must determine whether the proposed 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. Rates that ensure consistency between the factors in this filing and the hospitals' commercial rate increases meet all these criteria.

These rate review factors must be balanced against each other, but ultimately a premium must cover the costs of providing the health care that the insureds, as a whole, consume. This factor filing is intended to produce such premiums, consistent within the parameters of the GMCB rule.

The large group market is highly competitive, which creates inherent downward pressure on rates, provided they are actuarially sound. Large group employers have multiple choices when it comes to providing health care to their employees, including the opportunity to self-fund or to choose among multiple insurers in the large group market. The Vermont large group market is dynamic, as most large groups work with brokers that continually assess the market to support groups in the annual shopping process. There is no reason for the GMCB to reduce

the unit cost trend 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.

Adequate rates are a prerequisite for the existence of sufficient funding to deploy this and similar programming that ensures that Vermonters can receive the care they need when and where they need it. For this reason, the GMCB should approve unit cost trends that reflect submitted hospital budgets reduced in the same manner that they have been modified in the ACA rates.

- c. The Department of Financial Regulation's Solvency Opinion accepts Blue Cross' rates as reasonable and necessary, and cautions that downward adjustments to the filing's rate components that are not actuarially supported would likely erode Blue Cross' surplus and RBC ratio.*

DFR reviews an insurer's rates to make certain that the rates maintain the insurer's solvency.³ The DFR Solvency Opinion finds that "... the range of surplus targeted by BCBSVT is reasonable and necessary for the protection of policyholders. BCBSVT is currently within this range." (DFR Solvency Opinion at 2, citation omitted, emphasis added.)⁴

DFR cautions that "any downward adjustments to the filing's rate components that are not actuarially supported would likely erode BCBSVT's surplus and RBC ratio." (DFR Solvency Opinion at 1). "DFR considers insurer

³ Solvency Impact of "Q4 2022 BCBSVT Large Group Unit Cost Trend Filing" (SERFF # BCVT-133270497) of Blue Cross Blue Shield of Vermont and Solvency Impact of "Q4 2022 TVHP Large Group Unit Cost Trend Filing" (SERFF # BCVT-133270485) of The Vermont Health Plan of Vermont, both dated July 19, 2022 (citations omitted) (collectively "DFR Solvency Opinion").

⁴ For the purposes of this memo, the terms "BCBSVT" and "Blue Cross" are interchangeable.

solvency to be the most fundamental aspect of consumer protection.” (DFR Solvency Opinion at 2, emphasis added). “A sufficient surplus is crucial to an insurer’s solvency.” *Id.* Thus, any further reduction would be to the detriment of current and future members. Additionally, reducing the unit cost trend factors below the level that reflects submitted hospital budgets reduced in the same manner as they have been modified in the ACA rates will threaten to destabilize the block by making future losses more likely. Poor financial results, in turn, may lead to rate instability such that another cycle of rating formula adjustments would likely become necessary. To avoid any negative impact on solvency and in turn, exposing consumers to risk of harm, the GMCB should approve unit cost trends that reflect submitted hospital budgets reduced in the same manner that they have been modified in the ACA rates. Doing so will ensure Vermonters continued access to care in a time of uncertainty.⁵

III. Conclusion

For all the forgoing reasons, this filing meets the GMCB’s review criteria. GMCB Rule 2.000, § 2.401, the GMCB must determine whether the proposed 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. For all the forgoing reasons, this filing meets all these criteria. There is no reason for the GMCB to reduce the filed factors

⁵ As DFR highlights in its Solvency Opinion, COVID-19, though mitigated to some degree, continues to impact on Blue Cross and the marketplace (DFR Solvency Opinion at 1.).

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. Blue Cross has fully justified the factors before the GMCB as evidenced by the filing itself, the information provided herein, DFR's Solvency Opinion, and as agreed by the recommendations of the GMCB's own actuarial consultant. Therefore, Blue Cross respectfully requests that the GMCB modify and approve unit cost trends that reflect submitted hospital budgets reduced in the same manner that they have been modified in the ACA rates.

DATED August 5th, 2022

/s/ Gregory J. Boulbol
Gregory J. Boulbol
Blue Cross and Blue Shield of
Vermont
PO Box 186
Montpelier, VT 05601-0186
Tel. (802) 432.8152
boulbolg@bcbsvt.com

CERTIFICATE OF SERVICE

I hereby certify that this *Memo in Lieu of Hearing*, dated August 5th, 2022, has been duly served upon the following people at the Green Mountain Care Board: Michael Barber, Christina McLaughlin, Laura Beliveau, Geoffrey Battista, and Jennifer DaPolito; and the following people at the Office of Vermont Health Advocate: Eric Schultheis, and Charles Becker, all by electronic mail, return receipt requested, this 5th day of August 2022.

/s/ Gregory J. Boulbol
Gregory J. Boulbol
Blue Cross and Blue Shield of
Vermont
PO Box 186
Montpelier, VT 05601-0186
(802) 432.8152 /
boulbolg@bcbsvt.com