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**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Blue Cross Blue Shield of Vermont) GMCB-003-22rr
2023 Individual Filing) SERFF No. BCVT-133243519

In re: Blue Cross Blue Shield of Vermont) GMCB-004-22rr
2023 Small Group Filing) SERFF NO. BCVT-133243509

PREFILED TESTIMONY OF PAUL A. SCHULTZ

Dated: July 1, 2022

Attachments:

Attachment	Title
A	Paul A. Schultz CV

Mr. Paul A. Schultz, being duly sworn, does hereby depose and say as follows:

What is your current employment?

I am the Chief Actuary at Blue Cross and Blue Shield of Vermont (Blue Cross). I have held that position since January 2015. I joined the Blue Cross actuarial team in 2013.

Please describe your primary job responsibilities.

As Chief Actuary, I oversee the actuarial services and underwriting departments at Blue Cross. Those responsibilities include overseeing and participating in the pricing of and preparation of rate filings for all products, including individual and small group products. I also design and oversee the implementation of all Blue Cross actuarial modeling processes. I serve as lead or reviewing actuary for individual and small group, large group, and Medicare Supplement filings, including pricing, interaction with reviewing actuaries, and testimony at related hearings.

1 Some of my other responsibilities include: reviewing monthly reserves; serving on our internal
2 Strategic Growth, Enterprise Risk Management, Regulatory, and Healthcare Reform Oversight
3 committees; developing new product offerings and funding approaches; developing new
4 payment reform programs, and participating in Vermont working groups addressing a variety of
5 policy issues, including many related to the individual and small group market.

6
7 **Please describe your professional experience prior to working at Blue Cross.**

8 I have worked as an actuary in the health care field for over a quarter of a century. In
9 2001, I became a Health and Group Benefits Actuary at Mercer Human Resource Consulting and
10 have worked in oversight roles ever since. I have been a Fellow of the Society of Actuaries since
11 2001 and a Member of the American Academy of Actuaries since 2000.

12
13 **Is your current CV attached to this prefiled testimony as Attachment A?**

14 Yes.

15
16 **Have you given sworn testimony about past rate filings?**

17 Yes. I have testified before the Green Mountain Care Board at hearings from 2014
18 through 2021 regarding the actuarial analysis supporting the Blue Cross Vermont individual and
19 small group rate filings for plan years 2015 through 2022.

20
21 **As part of your employment responsibilities at Blue Cross, how do you stay informed**
22 **regarding actuarial analysis and information that relates to rate development?**

23 The American Academy of Actuaries promulgates Qualification Standards that actuaries
24 must follow for issuing statements of actuarial opinion in the United States. Examples of
25 statements of actuarial opinion include the actuarial memorandum issued as part of the filings
26
27

1 under review. The qualification standards include a requirement to complete at least 30 hours of
2 relevant continuing education annually.

3 To meet this requirement and to remain current on emerging advances in actuarial
4 practice, I regularly attend a variety of webinars and live conferences sponsored by the Society
5 of Actuaries, the American Academy of Actuaries, and the Conference of Consulting Actuaries. I
6 also frequently review binding standards of practice promulgated by the Actuarial Standards
7 Board and non-binding but informative Practice Notes issued by the American Academy of
8 Actuaries. I participate in the Individual and Small Group Market (ISG) Committee of the
9 American Academy of Actuaries, which discusses and develops publications relating to the
10 Affordable Care Act and other ISG issues. I also participate quite frequently in conference calls
11 organized by the Actuary Forum of the Blue Cross Blue Shield Association, during which many
12 topics relevant to rate development and other actuarial analyses are discussed among actuaries
13 working for Blue plans across the United States.

14
15 **What materials did you review and rely on in preparing this prefiled testimony?**

16 I reviewed and relied on the following materials:

- 17 • Blue Cross and Blue Shield Vermont 2023 Vermont ACA Market – Individual
18 Market Rate Filing, SERFF Tracking Number BCVT-133243519 (May 6, 2022)
- 19 • Blue Cross and Blue Shield Vermont 2023 Vermont ACA Market – Small Group
20 Market Rate Filing, SERFF Tracking Number BCVT-133243509 (May 6, 2022)
- 21 • Blue Cross Responses to all Green Mountain Care Board questions, including the
22 Board’s June 13 Questions to Blue Cross and the Board’s June 17 Non-Actuarial
23 HCA Questions to Blue Cross
- 24 • Blue Cross Responses to all Lewis & Ellis Objection Letters in this matter
- 25 • The materials discussed in this Prefiled Testimony immediately preceding this
26 question, beginning at page 3, line 6

1 **PURPOSES AND OBJECTIVES OF THE RATE FILINGS**

2
3 **Were you responsible for preparing the Blue Cross 2023 Vermont Individual and Small**
4 **Group Rate Filings (the Filings), which are the subject of this proceeding?**

5 Yes. The Filings were prepared under my supervision, and, at the time of filing, I
6 certified that they meet all relevant actuarial standards and that they comply with all applicable
7 state and federal laws and regulations. That certification holds true today.

8
9 **Are you fully familiar with all aspects of the Filings, as well as all of the documents and**
10 **information Blue Cross has submitted to the Green Mountain Care Board (Board) over the**
11 **course of this proceeding?**

12 Yes. The Filings and all other documents and information that Blue Cross has submitted
13 over the course of this proceeding in response to all of the actuarial and non-actuarial questions
14 posed by the Board also meet all relevant actuarial standards and comply with all applicable state
15 and federal laws and regulations.

16
17 **What is the purpose of the Filings?**

18 The purpose of the Filings is to provide the rates and a description of the rate
19 development for the ACA-compliant plans for the Vermont Individual and Small Group markets
20 that Blue Cross proposes to offer for the 2023 benefit year. The Filings apply to plans both On-
21 Exchange and Off-Exchange.

22
23 **Please describe the rate changes Blue Cross is requesting in the Filings.**

24 For small groups, rate changes range from increases of 9.9 percent to 16.1 percent, with a
25 weighted average increase of 12.5 percent. Individual rate changes range from an increase of 9.7
26 percent to an increase of 16.3 percent, with a weighted average increase of 12.3 percent.

1 **RATE DEVELOPMENT**

2

3 **Did you submit an Actuarial Memorandum in support of the proposed rates?**

4 Yes. The Actuarial Memorandum submitted as part of the Filings sets forth and explains
5 the development of and rationale for the proposed rates, including: the facts, data, analysis, and
6 methodology used to calculate the Metal Actuarial Value for each Qualified Health plan and
7 Reflective plan offered by Blue Cross in 2023; the appropriateness of the essential health benefit
8 portion of premium upon which advanced payment of premium tax credits (APTCs) are based;
9 that the Index Rate is developed in accordance with federal regulations; and that the Index Rate
10 along with allowable modifiers is used in the development of plan-specific premium rates.

11

12 **Please define the term “Index Rate.”**

13 The “Index Rate” is the allowed claims cost for providing Essential Health Benefits
14 (EHBs) within the single risk pool of that market expressed on a per member per month basis.

15

16 **Do the projected Index Rates reflected in the Filings comply with all applicable state and**
17 **federal law?**

18 Yes. The projected Index Rates reflected in the Filings comply with all applicable state
19 and federal law, including 45 C.F.R. §§ 156.80 & 147.102. They were developed in compliance
20 with the applicable Actuarial Standards of Practice; are reasonable in relation to the benefits
21 provided and the population anticipated to be covered; and are neither excessive nor deficient.
22 The development of the Index Rate is explained in detail in the Actuarial Memorandum, at §§
23 3.3, 3.4, 3.7, 3.8.

1 **COMPLIANCE WITH LEGAL AND PROFESSIONAL REQUIREMENTS**

2
3 **Do the Filings comply with all of the state and federal statutes, regulations, rules, and other**
4 **regulatory requirements listed in Section 1.3 of the Actuarial Memorandum?**

5 Yes.

6
7 **Do the Filings comply with all relevant actuarial standards of practice?**

8 Yes.

9
10 **Do all of the steps Blue Cross took in preparing the Filings and developing the rates**
11 **reflected in the Filings comply with all relevant actuarial standards of practice?**

12 Yes.

13
14 **In particular, do actuarial standards of practice define what it means for health insurance**
15 **rates to be “adequate” and “excessive”? If so, please explain those definitions.**

16 Yes. Actuarial Standard of Practice No. 8 defines rates as “adequate” if they provide for
17 payment of claims, administrative expenses, taxes, and regulatory fees and have reasonable
18 contingency or profit margins. Rates are “excessive” if they exceed the amount necessary for
19 these items. As explained above and as documented in the Filings and other information
20 submitted by Blue Cross during this proceeding, the rates proposed by Blue Cross are adequate
21 and not excessive.

22
23 **Do actuarial standards of practice provide definitions for any other regulatory**
24 **benchmarks? If so, please identify and define these criteria?**

25 Yes. Actuarial Standard of Practice No. 8 defines rates as “unfairly discriminatory” if
26 “the rates result in premium differences among insureds within similar risk categories that: (1)
27

1 are not permissible under applicable law; or (2) in the absence of an applicable law, do not
2 reasonably correspond to differences in expected costs.” These rates follow applicable Vermont
3 law regarding tier structure and applicable federal guidance regarding market-wide adjustments
4 that lead to rate differences among plans. These rates are therefore not unfairly discriminatory.
5

6 **Are you aware of the Vermont statutory criteria the Board must consider in reviewing the**
7 **Filings?**

8 Yes.

9
10 **What are those criteria?**

11 Under Vermont law, the Board must consider whether the proposed rates are affordable,
12 promote quality care, promote access to health care, protect insurer solvency, and are not unjust,
13 unfair, inequitable, misleading, or contrary to the laws of this State.
14

15 **Do the rates proposed in the Filings satisfy those criteria?**


16 Yes.

17
18 **Does this conclude your Prefiled Testimony of July 1, 2022?**

19 Yes.
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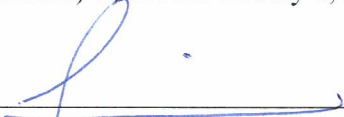
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Dated: July 1, 2022


Paul A. Schultz

State of Vermont, County of Washington.

Signed and sworn to (or affirmed) before me on July 1, 2022 by Paul A. Schultz.

Signature of notary public: 

Printed name of notary public: Nathan Z. Singer

Commission number: 157.0014212

Commission expiration date: 01/31/2023

Title of office is Notary Public.



CERTIFICATE OF SERVICE

I certify that I have served the above Prefiled Testimony of Paul A. Schultz on Michael Barber, Laura Beliveau, Christina McLaughlin, and Jennifer DaPolito of the Green Mountain Care Board; and on Jay Angoff, Eric Schultheis, and Charles Becker, counsel for the Office of the Health Care Advocate, by electronic mail, on July 5, 2022.

/s/ Benjamin D. Battles

Benjamin D. Battles
Pollock Cohen LLP
50 Lakeside Avenue
Burlington, VT 05401
(802) 793-5512
ben@pollockcohen.com

Attachment A
to the Prefiled Testimony of Paul A. Schultz:

Paul A. Schultz Curriculum Vitae

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

Chief Actuary

Blue Cross and Blue Shield of Vermont

schultzp@bcbsvt.com

Experience

Blue Cross Blue Shield of Vermont, Berlin, VT

March 2013 to present

Chief Actuary

January 2015 to present

Responsible for oversight of the actuarial and underwriting functions: develop pricing and filings for all Blue Cross products; forecasting; lead or reviewing actuary for Vermont individual and small group, large group, AHP and Medicare supplement filings, including pricing, interaction with reviewing actuaries, and testimony at related hearings; review monthly reserves; serve on internal Strategic Growth, Healthcare Cost Containment, Enterprise Risk Management, Regulatory, and Healthcare Reform Oversight committees; develop new product offerings and funding approaches; review large group rating process; direct team of five credentialed actuaries, three actuarial students and one data analyst; direct team of five underwriters. Participant in Vermont working groups, including Federal Issues Working Group, Vermont 1332 Waiver Working Group and AHS Fixed Prospective Payment Workgroup.

Director, Actuarial Services

March 2013 to December 2014

Responsible for oversight of the actuarial function: developed pricing and filings for all Blue Cross products; acted as lead actuary for Qualified Health Plan, large group, and Medicare Supplement filings; led task force assessing viability of senior markets products; participated with State task force reviewing cost projection assumptions for Green Mountain Care.

Coventry Health Care, Pittsburgh, PA

December 2006 to March 2013

Actuarial Director, Medicare Part D

December 2008 to March 2013

Responsible for design, pricing, reserving, and reporting for Medicare Part D suite of products: identification and exploration of alternative market strategies; proposed design and pricing of product alternatives; identification and measurement of broad array of cost savings measures; development of pricing assumptions; oversight of bid development process; primary contact for CMS actuarial desk review and bid audit; reserving; analysis of emerging experience; forecasting; group pricing.

Director, Actuarial Services

December 2006 to December 2008

Led cross-geographical corporate modeling team responsible for creation, distribution and maintenance of various models used throughout actuarial organization: created and oversaw development of pharmacy benefit relativity model; directed group maintaining and enhancing internal provider contracting and unit cost analysis tool; spearheaded studies to develop geographical area factors for both medical and pharmacy claims; reformulated medical benefit relativity tool; completed study of QHDHP experience leading to implementation of selection factors used in pricing; designed and rolled out normative stop loss model to smooth catastrophic claims for application in provider contracting and pricing analyses.

National Medical Health Card (NMHC), Pittsburgh, PA

April 2005 to December 2006

Director, Actuarial Services

Provided analysis to support new PBM client bids and client renewals; led design, development and support of predictive modeling tool to demonstrate net spend impact of pharmacy plan design alternatives. Solely responsible for creation of organization's national set of Medicare Part D bids; prepared RDS attestations for nearly fifty clients annually; conducted analyses for numerous clients to identify superior alternatives for integrating with Medicare Part D.

Mercer Human Resource Consulting, Pittsburgh, PA

July 2001 to March 2005

Health and Group Benefits Actuary

Consulted with clients on retiree medical strategy, design, and funding issues, including total benefit redesigns, merger/acquisition situations, early retirement incentives; reviewed assumptions and methodology for active welfare budget and accrual rates and employee contributions; conducted and reviewed pricing analyses for prescription drug benefit changes and financial proposals; regional resource for retiree medical valuations: set assumptions, managed and reviewed claims cost development, reviewed valuation results, reviewed and signed actuarial reports; presented topics relating to Medicare Reform at multiple local employer roundtable discussions; spearheaded development of national model for financial analysis of various employer options relating to Medicare Reform.

Education & Professional Credentials and Activities

Purdue University, West Lafayette, IN

B.S. With Distinction in Actuarial Science, 1996

Actuarial credentials:

- Attained Fellowship in the Society of Actuaries May 2001
- Member of the American Academy of Actuaries (AAA) since January 2000
- Passed all necessary exams to attain Enrolled Actuary designation
- Currently meets all qualification standards needed to render actuarial opinions in the area of health and group benefits; to render actuarial opinions on (company) health reserves and NAIC annual statement actuarial opinions

Professional Activities:

- Active participant in American Academy of Actuaries Individual and Small Group Markets Committee
- Multiple-year volunteer for CSP-GH Exam Committee
- Past member of AAA Medicare Steering Group and Joint Committee on Retiree Health
- Participant with Actuarial Equivalence Subgroup, project team responsible for publication of 2006 actuarial practice note "Attestation of Actuarial Equivalence for Plan Sponsors Accepting a Retiree Drug Subsidy Under the Medicare Drug Program"

Expert Testimony:

- Provided expert testimony before Green Mountain Care Board at hearings from 2014 through 2021 regarding actuarial analysis for Blue Cross Blue Shield of Vermont individual and small group rate filings.

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Blue Cross Blue Shield of Vermont) GMCB-003-22rr
2023 Individual Filing) SERFF No. BCVT-133243519

In re: Blue Cross Blue Shield of Vermont) GMCB-004-22rr
2023 Small Group Filing) SERFF NO. BCVT-133243509

PREFILED TESTIMONY OF RUTH GREENE

Dated: July 5, 2022

Attachments:

Attachment	Title
A	Ruth Greene CV
B	Memorandum from Ruth Greene to Paul Schultz, May 2, 2022
C	<i>In the Matter of Blue Cross and Blue Shield of Vermont Risk-Based Capital Range Study, No. 19-007-1 (Vt. Dep't of Fin. Reg. Feb. 7, 2019)</i>

1 Ms. Ruth Greene, being duly sworn, does hereby depose and say as follows:

2 **Ms. Greene, what is your position at Blue Cross?**

3 I am treasurer and chief financial officer at Blue Cross Blue Shield of Vermont (Blue
4 Cross) and have served in that position for 9.5 years, since 2012.

5 **What are your responsibilities as treasurer and chief financial officer?**

6 I am responsible for Corporate Accounting, Treasury, Actuarial, Underwriting, Customer
7 Billing and Enrollment Services. I provide on-going strategic and operational financial support
8 and leadership, to enable Blue Cross to manage its growth, development, and expenses. I oversee
9 management and external financial audit processes to assure that effective financial systems are
10 in place from which to manage our day-to-day operations and strategic future. I have testified
11 before the Green Mountain Care Board at hearings from 2014 through 2021 regarding our
12 Vermont individual and small group rate filings.

13 **Please provide a brief description of your professional and educational background before**
14 **joining Blue Cross as treasurer and chief financial officer in 2012.**

15 I have worked in leadership roles in corporate finance and accounting in the insurance
16 industry for over 30 years. I grew up in Vermont and graduated from the University of Vermont
17 in 1983. I began my career at Arthur Young as an auditor in their Portland, Maine office where I
18 spent three years, rising to a Senior Auditor role. In 1986, I took a job at Unum. Over 26 years at
19 Unum, I held multiple financial positions both in the U.S. and abroad rising to leadership level
20 within a number of business units and eventually serving as Vice President/Chief Financial
21 Officer, Global Business Technology. I was also licensed as a Certified Public Accountant in
22 Maine for 12 years.

1 **Is your current CV attached as Attachment A?**

2 Yes.

3 **What is Blue Cross's mission?**

4 We are "committed to the health of Vermonters, outstanding member experiences and
5 responsible cost management for all of the people whose lives we touch." Our vision is a
6 "transformed health care system in which every Vermonter has health care coverage and receives
7 timely, effective, affordable care."

8 **In your view, is Blue Cross's business guided by its mission and vision?**

9 Yes.

10 **Is Blue Cross a for-profit company?**

11 No, Blue Cross is a not-for-profit organization.

12 **When Blue Cross submits a filed rate for approval, does that rate include any profit?**

13 No.

14 **As part of your responsibilities as treasurer and chief financial officer, are you familiar
15 with Blue Cross's financial operations?**

16 Yes, I am responsible for managing all aspects of our financial operations.

17 **Are you familiar with Blue Cross's financial results and reserves?**

18 Yes.

1 **Ms. Greene, did you direct Paul Schultz, the chief actuary for Blue Cross, to file a**
2 **contribution to policyholder reserves (CTR) of 1.5% for both the 2023 Vermont Individual**
3 **and Small Group Rate Filings?**

4 Yes. I explained the basis for filing a 1.5% CTR in my memorandum to Paul Schultz
5 dated May 2, 2022, which is Attachment B to this prefiled testimony and was provided to the
6 Board as part of our 2023 Individual and Small Group Rate Filings.

7 **Does Blue Cross have any regulatory requirements that govern its risk-based capital**
8 **(RBC)?**

9 Yes. DFR has ordered Blue Cross to maintain sufficient reserves such that our risk-based
10 capital ratio falls within a range of 590 to 745 percent. In the Matter of Blue Cross and Blue
11 Shield of Vermont Risk-Based Capital Range Study, No. 19-007-1 (Vt. Dep't of Fin. Reg. Feb.
12 7, 2019) (attached as Attachment C). DFR's order provides that "[i]f BCBSVT's RBC ratio falls
13 below or increases above the approved range, BCBSVT shall promptly develop a plan to move
14 within the range within a reasonable time and shall submit such plan to the Commissioner." Id.

15 The risk taken on by Blue Cross as of December 31, 2021 requires reserves between \$132
16 million and \$167 million. The point in our RBC range from which we are least likely to move
17 outside the target range within the subsequent 12 months is 690 percent. That requires \$154
18 million in reserves.

19 **Are you familiar with the factors that the Board is required to consider in reviewing Blue**
20 **Cross's rates?**

21 Yes. When reviewing a proposed rate the Green Mountain Care Board considers whether
22 a rate is affordable, promotes quality care, promotes access to health care, protects insurer
23 solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the laws of this State.
24 In making its decision, the Board must consider the analysis and opinion provided by the

1 Department of Financial Regulation regarding the impact of the proposed rate on the insurer's
2 solvency and reserves.

3 **In your view, do the proposed rates meet those criteria?**

4 Yes.

5 **Does the filed rate include the cost of providing high quality healthcare to Vermonters?**

6 Yes.

7 **What percentage of the as-filed individual and small group premium reflects**
8 **administrative costs?**

9 Our projected base administrative charge is 7.3% of premium for both filings combined,
10 which is a decrease from the filed 7.6% charge for 2022.

11 **How does that compare with other insurers?**

12 Lewis & Ellis, the Board's actuary, reported last year that our administrative costs "on a
13 percentage of premium basis ranked 57th out of 62 plans assessed. That is, on a percentage of
14 premium basis, BCBSVT had lower expenses than approximately 90% of the Blues plans who
15 sold individual and small group products." Lewis & Ellis also reported that our "administrative
16 costs on a PMPM basis ranked 52nd out of 62 plans assessed. That is, BCBSVT had lower
17 PMPM expenses than approximately 82% of Blues plans." Lewis & Ellis Letter, at 16 (July 6,
18 2021). We work hard to keep our administrative costs low while doing the work necessary to
19 administer the plans and ensure access to quality care for our members.

20 **Are Blue Cross's administrative expenses reasonable and not excessive?**

21 Yes.

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Ruth Greene

Ruth Greene

State of Vermont, County of Washington.

Signed and sworn to (or affirmed) before me on July 5th, 2022 by Ruth Greene.

Signature of notary public: Alexa McGrath

Printed name of notary public Alexa McGrath

Commission number: 157.0007661

Commission expiration date: 1/31/2023

Title of office is Notary Public.

CERTIFICATE OF SERVICE

I certify that I have served the above Prefiled Testimony of Ruth Greene on Michael Barber, Laura Beliveau, Christina McLaughlin, and Jennifer DaPolito of the Green Mountain Care Board; and on Jay Angoff, Eric Schultheis, and Charles Becker, counsel for the Office of the Health Care Advocate, by electronic mail, on July 5, 2022.

/s/ Benjamin D. Battles

Benjamin D. Battles
Pollock Cohen LLP
50 Lakeside Avenue
Burlington, VT 05401
(802) 793-5512
ben@pollockcohen.com

Attachment A

Ruth K. Greene

CONTACT INFORMATION

Address: 445 Industrial Lane, Berlin, Vermont
Telephone: (802) 371-3210

PROFESSIONAL AFFILIATIONS / CERTIFICATIONS

Other Education

- Certified Public Accountant, licensed CPA in State of Maine for 12 years. CPA Exam first time pass
- Knowledge Management Masterclass, Middlesex University/ CIBIT, London, England, United Kingdom
- Training in Lean Six Sigma continuous improvement methods

CAREER DETAILS

October 2012 to present

Blue Cross and Blue Shield of Vermont

Vice President, Treasurer and Chief Financial Officer

Berlin, Vermont

As a member of the BCBSVT executive team, I am responsible for Corporate Accounting, Treasury, Actuarial, Underwriting, and Enrollment Services. I provide on-going strategic and operational financial support and leadership, as well as provide accurate and timely management reports enabling the organization to more aptly manage its growth, development and expenses. I also provide effective oversight of management and external financial audit processes and assure that the most effective financial systems are in place from which to management the day-to-day operations and the company's strategic future.

UNUM Corporation (1986-2012)

2010 to September 2012

Vice President, Chief Financial Officer, Global Business Technology

Portland, Maine

As a member of Global Business Technology executive team, I was responsible for establishing and executing financial management strategy for global technology shared services organization. I was also responsible for short-term and long-term financial plans that align with operating businesses. I lead the design and implementation of financial reporting that provides transparent view of technology investments and benefit of spend. I was responsible for enterprise-level technology vendor management strategy; leading design and implementation of global procurement center of excellence. I lead a team of 28 to 30 finance and procurement professionals; total GBT organization is 1500 people and approximately \$300 million annual spend.

2008 to 2010

Vice President, Corporate Strategic, Capital and Investment Planning, Portland, Maine

I supported the executive decision making through researching market and economic trends and overseeing strategic analysis including competitive intelligence. In addition I prepared agenda and materials for annual strategic review session with board of directors. I also synthesized cash-flow generating aspects of business plans into forward looking view and recommended ways to maximize capital efficiency. In addition, I managed the process of diagnosis and analysis of financial statement impact of future investing activity.

2005 to 2008**Vice President, Planning and Forecasting, United States Brokerage, Portland, Maine**

United States Brokerage operations encompassed \$6 billion in earned premium, more than 8,000 people and operating expense budget of \$1 billion. Reporting to the Chief Financial Officer of United States Brokerage I led the group of executives responsible for business functions in determining and executing business plans to achieve financial objectives. I was also responsible for overall business and financial planning for the largest Unum operating entity.

2002 to 2005**Assistant Vice President, Head of Underwriting Metrics and Planning
Portland, Maine**

Metrics and planning support for underwriting function covering all group and individual products; 800 people and operating budget of \$70 million. I started up the metrics function to consolidate tracking, measurement and reporting of underwriting results including demonstrating value of underwriting to the business. I led the business initiative and budget planning processes for underwriting function. I was the project sponsor for initiative to create reliable information system to provide regional portfolio managers with relevant context to support decision-making.

1998 to 2002**Vice President, Director and Chief Financial Officer – Finance, Strategy and
Corporate Development, Unum Limited (United Kingdom), Surrey, England, United
Kingdom**

A wholly-owned subsidiary of Unum Corporation, Unum Limited is the market leader in the United Kingdom in group income protection insurance; annual premiums of \$240 million, ROC consistently in excess of 15 percent, assets of over \$1 billion and 500 employees.

I was in a key cross-functional role responsible for finance, strategy, identification of growth opportunities and implementation of development initiatives to achieve Company's vision of market leadership and profitable growth. My accomplishments included the strategic review of the business, re-design of sales force compensation plans and consultative review of best practices in the areas of risk management and underwriting. I was also recognized for creating a high degree of collaboration and teamwork among the senior management team. My duties also included management of product pricing, capital management, value-based management, management and regulatory reporting, and investment strategy including asset/liability matching. In addition, I was responsible for business and financial planning including project appraisal. I was also a member of the risk and controls review group to oversee operational controls.

1996 to 1998**Vice President, Director - Finance, Unum Limited (United Kingdom)
Surrey, England, United Kingdom**

Reporting to the Managing Director (Chief Executive Officer), I was responsible for accounting, reporting (parent co., management and regulatory), budgeting, planning, cash flow management and tax oversight. This was a leadership role and I was actively involved in all aspects of business and financial plan development and execution.

1992 to 1996**Assistant Vice President and Controller, Investment Division
Portland, Maine**

Reporting to the Chief Investment Officer, I was responsible for accounting and reporting for Unum's invested assets (Statutory and GAAP bases). My key responsibilities included accurate income projections by product line, allocation of cash flows and effective reporting and analysis. The Portfolio consisted of \$10 billion bonds, stocks, mortgages and real estate; managed staff of 40.

1986 to 1992**Manager / Director, Corporate Accounting
Portland, Maine**

I was responsible for the operation and control of the general ledger including management of closing deadlines and installation of new general ledger and chart of accounts in support of both Statutory and GAAP accounting. I was also responsible for SEC and internal reporting, GAAP and Statutory accounting, and accounting policies. I managed a professional staff of 14 members and coordinated external audit and resolution of issues.

1983 to 1986**Arthur Young & Company
Portland, Maine**

Arthur Young & Company was one of the world's largest accountancy firms. It was acquired by Ernst & Young LLP in 1989 which is a professional services company and provides assurance, auditing, technology and security risk, enterprise risk management, transaction support, merger and acquisition, actuarial, and real estate advisory services

- **Audit Senior**

I planned and executed audits for companies in various industries including publishing, healthcare, banking and non-profit.

CAREER SUMMARY

I grew up in Vermont and graduated from the University of Vermont in 1983. I began my career at Arthur Young as an auditor in their Portland, ME office where I spent three years, rising to a Senior Auditor role. In 1986, I took a job at Unum. Over the 26 years at UNUM, I held multiple financial positions both in the US and abroad rising to leadership level within a number of business units. In 2012, I returned to my home State of Vermont to become the Treasurer and CFO of Blue Cross and Blue Shield of Vermont.

EXPERT TESTIMONY

Provided expert testimony before Green Mountain Care Board at hearings from 2014 through 2019 regarding BCBSVT Vermont individual and small group rate filings.

Attachment B

MEMORANDUM

To: Paul Schultz, Chief Actuary

From: Ruth Greene, VP, Treasurer and CFO 

Date: May 2, 2022

Subject: Contribution to Policyholder Reserves for 2023 ACA Market Individual and Small Group Filings

Upon consideration of the points documented in this memorandum, I am recommending that you file as follows for the contribution to policyholder reserves for 2023 ACA market individual and small group filings:

1. A nominal contribution to policyholder reserves (CTR) of 1.5 percent
2. Exclude from the filing any explicit claims costs related to testing and treatment of COVID-19

Overall CTR Philosophy

Blue Cross holds that a long-term CTR of 1.5 percent represents a modest and appropriate contribution to policyholder reserves. CTR at this level within a typical trend and growth environment allows us to navigate short-term fluctuations in order to maintain surplus levels that are within our mandated target range.

Blue Cross believes that CTR should be managed to an adequate long-term level rather than fluctuating significantly from year to year with changes in membership and health care cost trend. For this reason, we file a CTR equal to our long-term target. It is our expectation that our future filings will also include contribution to policyholder reserves equal to this target if our capital position is tracking within the RBC range mandated by the Vermont Department of Financial Regulation (DFR). While the long-term CTR target may exceed or fall below that required to maintain our surplus position in any given year, maintaining an adequate long-term assumption will allow the market to avoid rate shocks in years of high growth in projected claims costs, such as 2023.

The impact of the ongoing pandemic on financial results is one example of a short-term fluctuation. In order to remain in the target range and provide stability to its policyholders, the Blue Cross CTR philosophy looks beyond a single year of experience to establish the required levels.

Should the outlook for the Blue Cross surplus level fail to fall within our target range, we would adjust our filed CTR accordingly. That is, in the event that surplus is projected to materially exceed our targeted range, we would reduce our filed CTR from the long-term rate, all else being equal. Similarly, in the

absence of mitigating factors, we would file a CTR that exceeds the long-term rate should surplus project to fall materially below our target range.

Adequately funded premiums are the foundation of solvency, which is itself the most important element of consumer protection. An adequate long-term contribution to policyholder reserves should exceed the minimum required to keep pace with increases in total claims costs. While best estimate assumptions are by definition expected to lead to equal likelihood of gains and losses, unexpected events or periods of sustained losses may lead to financial deterioration of sufficient magnitude to threaten a company's solvency.

Apart from modest investment income, CTR is the only source of funding that sustains policyholder reserves for Blue Cross. While any rate filing is by definition an estimate of future costs and is therefore subject to gains or losses, Blue Cross files no additional margin beyond the required CTR. Any rate shortfall will first be paid out of CTR, while any shortfall beyond the approved CTR for a particular filing will be funded from existing policyholder reserves (a.k.a. surplus).

Maintaining an adequate surplus level is critical for any insurer. Consequences of low surplus include reduced flexibility in responding to customer needs (for instance, a restricted ability to give payment flexibility to customers during an economic crisis), a need for higher margins in rates in order to avoid further deterioration, restrictions on investing in capabilities to meet customer expectations and/or enhance affordability, and a reduced ability to attract or retain business or to support membership growth. Stability is particularly important in times of change, including the continuing evolution at both the federal and Vermont levels of the individual and small group market, the health care reform environment in Vermont, and the ongoing COVID-19 crisis.

Blue Cross must remain financially strong in order to continue to provide Vermonters with access to high quality care, outstanding member experiences, and responsible cost management. Realizing a sustainable CTR over time is key to achieving that goal.

Current Capital Environment and Market Considerations

Blue Cross's finances and policyholder reserves have experienced extreme turbulence since 2020. Between the pandemic, pension losses and subsequent partial recoveries, legal and tax settlements, and other positive and negative factors, this has been a period of unusual volatility. These are extraordinary one-time situations and illustrate exactly why Blue Cross must maintain adequate reserves. This is also why Blue Cross's RBC target is expressed as a range rather than a point estimate—managing within an appropriate target range may be feasible in a volatile environment whereas managing to a specific point in the range is not.

In proposing a CTR for any given filing, Blue Cross must also consider competitive and marketplace conditions while maintaining the framework of our overarching CTR philosophy and complying with the DFR RBC order to manage within an appropriate range.

Blue Cross experienced growth in individual and small group membership from 2021 to 2022. As we continue to strive to grow our market share within the ACA market, we cannot do so by intentionally underfunding premiums or by filing a CTR that does not adequately protect us from short-term fluctuations or unforeseen events. Further, growth from our successful entry into the Medicare Advantage market is pressuring RBC in the near-term but is expected to provide significant benefits in

the long-term through serving an increasing number of Vermonters with locally-based solutions that diversify Blue Cross's business mix. Finally, Blue Cross continues to face strong competitive pressure on its largest accounts, which will continue to challenge our ability to sustain the scale that serves all of our local market clients and customers.

For these reasons, our leadership and our regulators must see beyond the volatility, recognize the need to support Blue Cross's ability to provide Vermonters with a trusted local solution, and steer Blue Cross based on underlying trends in a way that allows us to maintain adequate reserves that will see policyholders through tough times.

Risk Based Capital Outlook

On February 7, 2019, the Commissioner of the Vermont Department of Financial Regulation (DFR) issued an order approving a target Risk Based Capital (RBC) range of 590 percent to 745 percent. The order states, in part:

"If BCBSVT's RBC ratio falls below or increases above the approved range, BCBSVT shall promptly develop a plan to move within the range within a reasonable time and shall submit such plan to the Commissioner."

As of December 31, 2021, Blue Cross's RBC was within the targeted range; however, as noted above, uncertainties with regard to future growth of insured membership, continued economic and market volatility, uncertainties surrounding hospital budgets, as well as a very challenging competitive environment make it difficult to predict where Blue Cross will be relative to the range by the end of 2023¹. Because of these factors, it appears to be extremely unlikely that Blue Cross's RBC position will exceed the required range at the end of 2023.

COVID-19

During this difficult time, Blue Cross's primary responsibility to Vermonters is to maintain continuity of coverage and claims payments for the duration of the COVID-19 crisis. This understanding necessitates that we continue to rate appropriately so that we can provide flexibility to customers and providers who are struggling financially.

As discussed in our prior filings, Blue Cross has long maintained that a pandemic is one reason to hold surplus. Given that the designed function of policyholder reserves is to weather the types of uncertainties created by a pandemic without resorting to extreme rate fluctuations, any increased cost in 2021 and 2022 due explicitly to the COVID-19 pandemic has been and will be funded through policyholder reserves. For 2023, Blue Cross expects that COVID-19 vaccines will be recurring annually, and these endemic costs have been included in the claims projections. Other costs related to the pandemic in 2023, such as testing and treatment of COVID-19, will continue to be funded through policyholder reserves.

¹ Note that the projected RBC position at the end of 2022, while a necessary intermediate step in the projection of RBC to the end of 2023, has no direct relevance to the choice of CTR for a 2023 filing. Premiums for 2023 coverage, including any CTR, will be collected throughout 2023 and will accrue to surplus, while claims payments pursuant to 2023 benefit coverage, and the administration costs, taxes, and fees related thereto, will deplete surplus throughout the year. The CTR included within 2023 rates must, therefore, be selected relative to the expected capital position at the end of all this activity: namely, RBC as of December 31, 2023.

Conclusion

In consideration of all the above, I recommend that you file a nominal 1.5 percent CTR for the 2023 ACA market individual and small group filings. Further, I recommend that you exclude direct testing and treatment costs for COVID-19 from claims projections to reflect Blue Cross's intention to fund these items through policyholder reserves. The resulting effective CTR for the filing will be lower than our long-term target CTR of 1.5 percent—temporarily deviating from our long-term target is appropriate in these circumstances only because the accumulation of surplus comes with an implicit promise to use that surplus to continue providing coverage and paying claims during extraordinary events like the COVID-19 pandemic.

Attachment C

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN THE MATTER OF:)	
)	
Blue Cross and Blue Shield of Vermont)	No. 19-007-I
Risk-Based Capital Range Study)	

ORDER

WHEREAS, the Commissioner of the Department (the "Commissioner") is responsible for administering and enforcing the insurance laws of the State of Vermont, including 8 V.S.A. §§ 10, 11, 12, 15, 3304, and 8302; and

WHEREAS, the Department has consulted with its actuaries and, with them, reviewed materials submitted by Blue Cross and Blue Shield of Vermont relating to its risk-based capital range; and

WHEREAS, the Company cooperated with the Department in its inquiry and review by responding to inquiries and providing documentary evidence and other materials;

NOW THEREFORE, the Commissioner makes findings and conclusions as follows:

FINDINGS OF FACT

1. Blue Cross and Blue Shield of Vermont (BCBSVT) is a nonprofit licensee of Blue Cross Blue Shield Association, conducting health-insurance business in the State of Vermont.
2. Risk Based Capital (RBC) is a method of measuring the amount of capital appropriate for an insurance entity to support its overall business operations in consideration of its size and risk profile.

3. RBC, properly applied, requires companies with differing risk profiles to hold different amounts of capital, and for companies and regulators to modify RBC for a given company over time, as the company's risk profile and size change.

4. Since 2011, BCBSVT has targeted an RBC ratio range of 500% to 700%.

5. Since 2013, BCBSVT's RBC ratio has been between 558% and 666%, and has been more stable than the ratios for most other similar entities.

6. As a not-for-profit health insurer, BCBSVT, like other such entities, is generally limited to raising capital from its own operations, while a for-profit entity may have other capital sources.

7. BCBSVT is a member of the national Blue Cross Blue Shield Association (BCBSA), and therefore is subject to the terms of a BCBSA license.

8. BCBSVT would face monitoring by BCBSA if its RBC ratio were to fall beneath 375%; BCBSVT has stated that its risk tolerance is for no greater than a 10% chance of a drop to that level over a five-year time horizon, and no greater than a 1% chance of a drop to 200% over that time horizon.

9. BCBSVT's stated risk tolerance is reasonable and appropriate in light of the above facts.

10. BCBSVT's actuarial consultant recommends, and BCBSVT requests, that the Department approve an RBC ratio target of 590% to 745%.

11. BCBSVT's request is based on a recommendation from an actuarial firm that is qualified to complete the actuarial analysis and give such a recommendation, and the firm used reasonable assumptions, considered appropriate risks, and produced a reasonable and appropriate recommendation for the surplus range.