

March 30, 2022

Mr. Kevin Ruggeberg, FSA, MAAA
Vice President & Consulting Actuary
Consulting Actuary

**Subject: Your 3/28/2022 Questions re: Blue Cross and Blue Shield of Vermont
2023 BCBSVT AHP Rating Program Filing (SERFF Tracking #: BCVT-133174900)**

Dear Mr. Kevin Ruggeberg:

In response to your request dated March 28, 2022, here are *your questions* and our answers

- 1) *Provide an exhibit demonstrating consistency between approved hospital budgets and the proposed medical unit cost trend.*

The proposed medical unit cost trend on the Blue Cross Managed network and the FY 2022 approved change in charges is provided in the table below.

	Blue Cross Managed 2023 Unit Cost - IP	Blue Cross Managed 2023 Unit Cost - OP	GMCB FY 2022 Approved Change in Charges ¹	Notes
Brattleboro			4.6%	
CVMC			6.0%	
Copley			4.0%	
Gifford			3.5%	
Grace Cottage			5.0%	
Mt. Ascutney			2.2%	
North Country			3.3%	
Northeastern			3.0%	
Northwestern			3.0%	
Porter			4.0%	
Rutland			3.64%	
Southwestern			4.8%	
Springfield			8.3%	
UVMHC			6.05%	

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<https://gmcboard.vermont.gov/sites/gmcb/files/documents/B22%20Approved%20Budget%20Submissions%20with%20NPR%20and%20wghtd%20ave%20rate%20graphs%20revised%2020211123.pdf>

[REDACTED]

- 2) *We note that the experience for BCBSVT's AHP business would be considered fully credible for experience-rating purposes, but the AHP experience was combined with Large- and Small-Group experience for the development of the AHP manual rate. Given the relative sizes of these blocks, it would therefore seem that the AHP experience has little significance to the AHP manual rate. Further explain the decision to base the AHP manual rate primarily on Large- and Small-Group business, particularly when the AHP experience was not considered in the rates for those blocks.*

AHP experience represents around 15 percent of the manual rate base. Considering the one current AHP is fully credible for experience-rating purposes, the manual rate would only be used for prospective business. Since AHPs typically include a combination of large and small groups, we included large group and small group experience in the manual rate base. This allows us to generate a manual rate that reflects the anticipated membership mix of any prospective business and avoids basing the manual rate off the experience of a single group.

- 3) *In the prior AHP filing, the assumed utilization trends for facility and professional claims were 0.6% and 1.1%, respectively. Based on Section 4.1.2 of the Actuarial Memorandum, it appears that the experience learned since that time has been more favorable than anticipated. Explain what has caused your projection of future trends to increase to 2.4% when the observed trends have not been at this higher level.*

[REDACTED]

As noted in section 4.1.2 of the memorandum, the observed decrease in utilization appears to be attributable largely to supply constraints and the reluctance of some members to seek care during the pandemic. Since we exclude COVID-19 related claims from the medical trend, the overall incidence of COVID-19 affects the remaining capacity of the healthcare system. As COVID-19 cases abate, we expect the utilization of other services will return to their pre-pandemic level.

The 2022 AHP filing based medical utilization trend on experience in the year ended February 2020. While this filing uses experience through the year ended August 2021, the future view of utilization is broadly aligned with the prior filing, even though the resulting trend factors vary. The direct and indirect effects of COVID-19 significantly impacted the experience base of the 2023 AHP filing. Additionally, section 4.1.2 of the 2022 filing projects utilization for the year ended December 2022. Considering both filings aim to project a post-pandemic level of utilization, it is unclear whether the observed trends as of August 2021 (a time period that is still in the midst of the pandemic) suggest that the anticipated utilization is more or less favorable than the post-pandemic trends expected in the 2022 filing.

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

Sincerely,

A handwritten signature in cursive script that reads "Martine Lemieux".

Martine Lemieux, F.S.A., M.A.A.A.