

June 30, 2020

Mr. Kevin Rugeberg, A.S.A., M.A.A.A.
Consulting Actuary
Lewis & Ellis, Inc.

**Subject: Your 06/11/2020 Questions re:
Blue Cross and Blue Shield of Vermont
2021 Vermont Individual and Small Group Rate Filing
(SERFF Tracking #: BCVT-131936226)**

Dear Mr. Rugeberg:

In response to your requests dated June 26, 2020, here are *your questions* and our answers:

- 1. According to the actuarial memorandum, BCBSVT is only required to pay claims for the members with past-due premiums during the 30-day grace period. Are there claims being paid past this required point? If so, why?*

BCBSVT is only required to pay claims during the first 30 days of any grace period. After the first 30 days, BCBSVT suspends medical claims until payment of premium or retroactive termination of the enrollment back to the end of the 30-day grace period. Due to timing among premium payments, notices of non-payment and medical claims submission, a minimal number of medical claims are paid beyond the 30-day grace period.

Retail pharmacy claims, which are almost exclusively adjudicated at the point of sale, cannot be suspended. Therefore, a small number of retail pharmacy claims are also being paid beyond the 30-day grace period if incurred prior to the mailing of a notice of cancellation for non-payment.

- 2. If claims are not being paid past the 30-day grace period, explain why the premiums that would be payable for those members are being treated as bad debt.*

We only included the premium for the 30-day grace period in the risk margin for bad debt.

- 3. Does the reported base period enrollment and/or claims include members who had outstanding premiums past the 30-day grace period, who did not eventually return to premium-paying status?*

In 2019, the total amount of claims paid beyond the 30-day grace period was \$8,808. This comprises claims without active enrollment for members that were terminated for non-payment. It includes \$1,333 of medical claims, due to timing issues with suspending claims.

- 4. The memorandum states that debit/credit card fees will amount to 2.3% of premiums paid by card. Given that the fee is projected to be 0.4715% of total premium, this would imply that 20% of members will pay using debit or credit cards. However, the URRT shows that 80% of members are projected to enroll through VHC. Please clarify whether this means BCBSVT anticipates paying credit card fees for on-exchange members, and demonstrate the calculation of the 0.4715% assumption.*

Per the URRT instructions, plans that are available on and off exchange should be marked as “yes” for the “Exchange Plan?” information. In Vermont, SHOP plans other than reflective plans are considered on-exchange even though they are not purchased through Vermont Health Connect.

Individuals who directly enroll with BCBSVT will be able to pay their premium by debit or credit card starting in 2021. Small Groups, who also directly enroll with BCBSVT even though the plans are considered “On-Exchange”, will also have the option to pay by debit or credit card.

We project that 67.9 percent of VISG enrollment, or 26,070 members, will enroll directly with BCBSVT. As noted in the actuarial memorandum, we expect 40 percent of the 25 percent of members who already use the online platform to switch from direct debit to debit or credit card payment. We also project that an additional 15 percent of members will use the online platform and that 70 percent of these new accounts will elect to pay via debit or credit card.

While responding to this inquiry, we realized that we neglected to account for VHC enrollment in calculating the projected fee.

The following table shows the corrected calculation of the fee:

	Projected Membership (estimated proportion for non-VHC enrolled)	Expected percentage of debit/credit card payment	Member Responsibility Premium PMPM (as of Feb 2020)	Total Premium PMPM (as of Feb 2020)	Credit Card Fee PMPM =
	(A)	(B)	(C)	(D)	(E) = 2.3% x (C)
VHC Enrolled	12,351	0%	\$301.60	\$663.04	\$0.00
Direct Enrolled - Currently Using Platform (25%)	6,518	40%	\$621.58	\$621.58	\$5.72
Directly Enrolled - New to Platform (15%)	3,911	70%	\$621.58	\$621.58	\$10.01
Directly Enrolled - Not using Platform (60%)	15,641	0%	\$621.58	\$621.58	\$0.00
Total Projected Members	38,421	15.3%	\$518.72	\$634.91	\$1.99

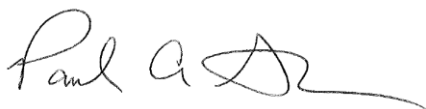
The average fee of 2.3 percent applied to the member responsibility PMPM and multiplied by the projection of 15.3 percent paying by debit or credit card yields a premium load of 0.31 percent ($\$1.99 / \$634.91 = 0.003132$). Incorporating this change will reduce the average premium increase by about 0.16 percent.

5. *Explain the discrepancy between the taxes and fees shown in Exhibit 7C and those shown on WS2 of the URRT.*

While populating the URRT for 2021, we unintentionally did not update the taxes and fees calculation. All plans except the first one still reflect the 2020 percentages. We will correct the URRT at the end of the review process. Exhibit 7C contains the correct taxes and fees.

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