

June 8, 2020

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

**Subject: Your 06/01/2020 Questions re: Blue Cross and Blue Shield of Vermont  
3Q 2020 Large Group Rating Program Filing (SERFF Tracking #: BCVT-131835151) and  
re: The Vermont Health Plan 3Q 2020 Large Group Rating Program Filing (SERFF Tracking  
#: BCVT-131835292)**

Dear Mr. Ruggeberg:

In response to your requests dated June 1, 2020, here are *your questions* and our answers:

- 1. It appears from the filing materials that the average group renewing during the rating period will experience a rate increase of approximately 7.0%. Understanding that this increase results both from formula/factor changes as well as the groups' actual experience, please confirm that this amount reflects a reasonable estimate based on information available at this time, or provide an alternate value. We note that while the precise, complete experience used for group-level rating is "unknowable prior to the time of rating." However, the basis for the manual rate in this filing is projecting 2019 claims (which are approximately known) forward to later periods.*

If we use the concept of a "pure manual premium," which is the premium that would have been developed for each group using none of their own experience data, we can approximate an aggregate increase.

Renewal Year	2020	2021		Increase
Filing Year	Q3 2019	Q3 2020		
Manual Claims (1)	\$57,978,827	\$62,658,628	8.1%	7.0%
Admin	\$5,225,067	\$5,826,774	11.5%	0.9%
CTR	\$972,627	\$1,029,271	5.8%	0.1%
Federal Program	\$1,413,208	\$25,422	-98.2%	-2.1%
Additional Items	\$1,041,873	\$1,032,424	-0.9%	0.0%
Total				5.9%

- (1) The manual claims increase is less than the change in the manual rate due to the change in the membership underlying the manual rate. We normalize the demographic factors and industry factors to the membership in each respective filing. The demographic and industry basis of the 2021 manual rate is higher than that underlying the 2020 manual rate, which results in the increase in the manual claims being less than the manual rate increase we shared previously.

The above approach has been used to generate a proxy increase for a hypothetical group that is renewing with zero experience credibility, exactly average demographics and industry, and no underwriting judgment or management discretion applied to the proposed or in-force rates. The actual rate increase experienced by any specific group will be based on the group's own circumstances, including its claims data, demographic makeup, large claims experience, and so forth.

This response should not be interpreted as the current filing resulting in a 5.9 percent premium increase for any specific group or for the full block of business.

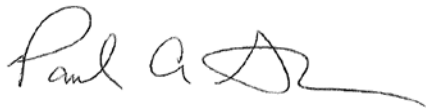
The actual premium impact of this formula and factor filing, compared to the filing currently approved for use in rating Vermont large groups, is the 1.9 percent reported in our actuarial memorandum.

*2. Provide more detail regarding the unit cost trends and hospital budgets.*

This question involves confidential and proprietary information and has been provided under separate cover.

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 black ink, appearing to read "Paul Schultz", with a stylized flourish at the end.

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