BlueCross BlueShield of Vermont

June 29, 2019

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

Subject: Your 06/20/2019 Questions re:
Blue Cross and Blue Shield of Vermont
2020 Vermont Individual and Small Group Rate Filing
(SERFF Tracking #: BCVT-131936226)

Dear Mr. Ruggeberg:

In response to your requests on behalf of the Office of the Health Care Advocate dated June 20, 2019, here are *your questions* and our answers:

1. *Please confirm the accuracy of the below-provided table that lists proposed rates and rate components, allowed rates and rate components, and actual rate components. If you believe the value listed is incorrect or the cell is blank, please provide the value that you believe is correct.*
   We reviewed the table and are providing corrections (in red) and additions (in green). The sources to complete the table are:
   - 2018 Filing: https://ratereview.vermont.gov/sites/dfr/files/BCVT-131037743_SERRF%20final_082417.pdf
   - 2019 Filing: https://ratereview.vermont.gov/sites/dfr/files/2018/Final%20BCVT-131497882.pdf
   - 2020 Filing: https://ratereview.vermont.gov/sites/dfr/files/SERFF%20Filing%20BCVT-131936226%20051519%20updated.pdf

   Note that we have renamed the rows that reflect the approved rates from "allowed" to "approved" to avoid confusion.

Year Filed		2019		2018		2017	
Docket #		GMCB-006-19rr		GMCB-009-18rr		GMCB-008-17rr	
Effective Date of the rates		1/1/2020		1/1/2019		1/1/2018	
		Value	Source	Value	Source	Value	Source
Members		43,939[1]	P61	53,664[2]	P102	70,035	P105
Average Rate Change	Proposed	15.6%	P15	9.6%[3]	P335	12.7%	P74
	Approved	NA		5.8%	P445	9.2%	P53

[1] Original table included the number of subscribers impacted rather than members.
[2] Typographical error in the original table.
[3] The proposed rate change was that included in the July 18, 2018 amendment.

Year Filed		2019		2018		2017	
Docket #		GMCB-006-19rr		GMCB-009-18rr		GMCB-008-17rr	
Effective Date of the rates		1/1/2020		1/1/2019		1/1/2018	
		Value	Source	Value	Source	Value	Source
Allowed Medical Trend	Proposed	4.1%	P43	4.7%[4]	P135 + Arithmetic	4.7%	P90
	Approved	NA		4.7%	P135 + Arithmetic	3.6%[5]	P40
	Actual	NA		NA		7.0%	Arithmetic
Medical Unit Cost Trend	Proposed	2.6%	P36	2.7%	P84	2.6%	P90
	Approved	NA		2.7%	P84	2.6%	P40
	Actual	NA		NA		2.1%	R2Q2[6]
Medical Utilization Trend	Proposed	4.1%		2.0%	P86	2.0%	P89
	Approved	NA		2.0%	P86	1.0%	P40
	Actual	NA		NA		4.8%	2020 Filing[7]
Rx Allowed Trend - after Contract changes[8]	Proposed	12.0%	P88 + Arithmetic	9.9%	P135 + Arithmetic	8.0%	P93 + Arithmetic
	Approved	NA		9.9%	P135 + Arithmetic	8.0%	P40 + Arithmetic
	Actual	NA		NA		16.7%	Arithmetic
General Administrative Charges PMPM [9]	Proposed	$46.54	P95	$40.26	P142	$36.06	P136
	Approved	NA		$40.29[10]	P438	$36.06	P47
	Actual	NA		NA		$47.05	Arithmetic
Contribution to Policyholders Reserve	Proposed	1.5%	P53	1.5%	P98	2.0%	P100
	Approved	NA		0.5%[11]	P432	0.5%	P48

[4] Original table included the impact of cost containment in the allowed medical trend. To provide a better annual comparison, we included only the medical utilization trend component.
[5] Original table shows 3.7%. We suspect this was due to a rounding error.
[6] From BCBSVT's response to question 2 of L&E's May 30, 2019 interrogatories for the 2020 VISG rate filing, third row, third column of the table at the top of page 3.
[7] From page 75 of the 2020 VISG rate filing.
[8] Original table included pharmacy trends before the impact of contract changes. In order to accurately compare to the actual allowed trend, impact of contract changes should be included.
[9] Includes base administrative charges, other vendor fees and Blue Rewards payouts.
[10] The GMCB did not order a change in the administrative charges. A change in projected membership by plan resulting from the GMCB order changed the weighted average PMPM by $0.03.
[11] While not an explicit reduction in contribution to policyholders' reserve, the GMCB reduced BCBSVT rates by one percent for affordability. This reduction is an implicit reduction in CTR, and has been illustrated as such.

2. *In the submitted Actuarial Memorandum, you state, "The Tax Reform legislation passed in late 2017 eliminated the federal income tax requirement for the BCBSVT legal entity starting with the 2018 tax year, and also resulted in the expected return of certain tax credits to BCBSVT over the next four years. These savings have been fully passed through to customers via a reduction in premium rates." GMCB-06-19rr, SERFF, 62. Please indicate the amount of 2019 and 2020 tax savings due to the elimination of the federal income tax requirement for the BCBSVT legal entity. Please also indicate the impact on the overall rate proposed in this filing had the federal income tax requirement for the BCBSVT legal entity not been eliminated.*

   Please refer to our answer to question 5 of L&E's June 17, 2019 interrogatories, submitted to SERFF on June 21, 2019.

3. *On pages 26 through 32 of the BCBSVT Actuarial Memorandum, you detail your development of the medical utilization trend. In this filing, you changed your methodology. Specifically, you opted to itemize trends, resulting in an overall medical utilization trend of 4.1 percent. Please estimate what your overall medical utilization trend would have been for this filing had you employed your former methodology of not itemizing trends.*

   We have not changed our process. We use every tool at our disposal to conduct a thorough analysis informed by clinical expertise then use our actuarial judgement to select the most appropriate assumption. While we itemized items in the memorandum, we also ensured that the overall medical utilization trend was reasonable. Accordingly, our assumption for the medical utilization using our "former methodology" is 4.1 percent.

4. *You assert that 10.9 percent of your proposed 15.6 percent increase is driven by projected increases in health care costs and that nearly all of this cost increase is attributed to 1) specialty pharmaceutical spending (7.9 percent premium increase) and 2) an increase in the percentage of members utilizing at least one preventive service, which has led to increases in utilization of primary care, diagnostic services, and treatment of conditions (1.9% premium increase). GMCB-006-19rr, BCBSVT Actuarial Memorandum at 10. Please provide the following additional information about specialty pharmacy and preventive care:*
   a. *Please state the amount, if any, by which BCBSVT projects the increased utilization of specialty pharmaceuticals will reduce other costs from 2019 through 2024. Please specify any indicators that support these projections*

      We assume that specialty medications will continue to impact medical trend through 2020 the same way they have done in the experience period. In other words, the impact of specialty pharmaceuticals on other cost components is already reflected in the selected trends. We not completed projections for 2021 and beyond as they have no bearing on the current filing.

b. *Please provide the year over year increase in members receiving at least one preventive care visit and the percentage of overall members receiving at least one preventive care visit over the past three years.*

For the VISG population	2016	2017	2018
Members receiving at least one preventive care visit	16,997	17,959	15,736
Members receiving at least one preventive care visit per 1,000 members	282.92	305.21	361.03
Annual increase in members receiving at least one primary care visit per 1,000 members		7.9%	18.3%
Percentage of overall members receiving at least one preventive care visit	28.29%	30.52%	36.10%

Due to the magnitude of the changes in the BCBSVT VISG population, it is more appropriate to look at the percentage of the population receiving primary care or the number of members per 1,000 rather than the actual number of members.

c. *Please specify to what extent you predict further increases in preventive care visits for 2019 and 2020.*

We believe that utilization of preventive office visits will continue to increase by the observation from 2016 to 2018 of about 5 percent per annum.

d. *Please state the amount, if any, by which BCBSVT projects the increased utilization of preventive services will reduce costs in 2020. Please specify any indicators that support these projections.*

Preventive care does not immediately reduce costs. In fact, it increases cost in the short term as previously undetected health issues are discovered. The medical literature suggests that preventive care can begin reducing costs over a horizon of five to ten years. BCBSVT did not reduce projected costs in 2020 for the recent increase in preventive care.

5. *On page 5 of the BCBSVT Actuarial Memorandum, you state that, based on a comparison of actual to expected experience, 2019 premium rates were underfunded by 4.0 percent. Please explain why page 26.5 of your Annual Statement for the Year 2018 indicates that you do not have a premium deficiency reserve as of 12/31/18.*

In accordance with NAIC and actuarial guidelines, premium deficiency reserves are calculated by grouping like products for BCBSVT (in this case, all BCBSVT lines of business) and including an allocation of investment income. At the time of the 2018 annual statement, we did not expect a loss for the whole enterprise after investment income.

6. *What assumptions, if any, did you make about impacts of the Green Mountain Surgery Center on outpatient surgery costs in your filing?*

   On June 24, 2019, the Green Mountain Surgery Center received its approval from the GMCB to begin serving patients. The GMSC will have limited service offerings. We very recently finalized contract negotiations on one type of service while negotiations are ongoing for a number of other types of services. As the Center is the first of its kind in Vermont, no data exists to estimate utilization rates. Because the GMSC had not yet been approved for operations at the time of filing, no assumed pricing impact was included. We are unable to provide an updated estimate of the impact at this time due to the uncertainties regarding both utilization and unit cost and because it is unclear how Vermont hospitals will respond to any anticipated reduction in their own utilization in their upcoming budget submissions.

7. *You estimate that your agreement with OneCare Vermont reduced the total projected claims by 0.2 percent. GMCB-006-19rr, BCBSVT Actuarial Memorandum at 21.*
   a. *Please provide an estimate of the net savings to BCBSVT associated with this reduction after all costs including the OneCare Vermont coordination fee.*

      As described on page 21, we expect a reduction of 0.4 percent of medical claims for attributed members as a result of the agreement with OneCare Vermont. These savings, when applied to all BCBSVT VISG members, come to $1.53 PMPM. The care coordination fee, when spread to all members, is $2.10 PMPM.

      For the 2020 calendar year, we are including a net cost of $0.57 PMPM for this program, driven by two dynamics. First, BCBSVT and OCV are committed to payment reform and major changes to current practices require investments in the early years of the program. Second, BCBSVT and OCV entered into a shared risk program with a target based on VISG rates approved by the GMCB. Including more aggressive savings assumptions in the rates would therefore reduce the target and make is less likely that savings could be achieved. The impact of the program will be reflected in the experience and flow through to rates in future rate filings.

   b. *What is the amount of the payment BCBSVT expects to receive in connection with the 2018 ACO program settlement?*

      BCBSVT is expecting to receive $909,097.29 from OVC for the 2018 ACO program.

8. *On page 15 and 16 of the BCBSVT Actuarial Memorandum, you describe the impact of Association Health Plans (AHP) on membership and the proposed rate.*
   a. *Please provide the calculations supporting BCBSVT's assumption that 2,000 small group members will join an AHP in 2020.*

   For the filing, we worked closely with the brokers for both Pathway 2 AHPs in estimating that this line of business would grow by 2,000 members.

   On June 13, 2019, DFR published bulletin #205. The bulletin states that "DFR cannot approve Pathway 2 AHPs to operate beyond PY2019 because the District Court's decision vacated the Pathway 2 AHP rule, a stay was not sought or granted, and the decision has nationwide effect. Further, Pathway 2 AHPs may not advertise for PY 2019 or PY2020."

   Groups currently enrolled in BCBSVT's AHPs will need to decide whether to rejoin the VISG market, either with BCSBVT or MVP, enroll in a self-funded product, or drop insurance altogether.

   Please refer to our response to question 1 of L&E's June 21, 2019 interrogatories for more information on how recent judicial and regulatory decisions impact our projected population and rates.

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