

May 21, 2019

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

**Subject: Your 05/14/2019 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 dated May 14, 2019, here are *your questions* and our answers:

1. This question involves confidential and proprietary information and BCBSVT's response has been provided under separate cover.
2. This question involves confidential and proprietary information and BCBSVT's response has been provided under separate cover.
3. *Please reconcile the administrative costs in this filing with the most recent Supplemental Health Care Exhibit.*

The Supplemental Health Care Exhibit (SHCE) is on a Statutory accounting basis (as promulgated by the NAIC), while the administrative charges in this filing were developed based on GAAP accounting.

In the SHCE, administrative expenses are included in lines 1.5 to 1.7, 6.1 to 6.5, 8.1, 8.2 and 10.4. Line 1.5 also includes an allocation of Federal income taxes that are not part of administrative expenses. Those need to be excluded to reconcile to statutory basis administrative expenses (note that BCBSVT had an income tax benefit, or negative income tax expense, for 2018). Statutory and GAAP accounting treat some expenses differently, mainly related to ITS fees and pensions. For the filing, we start with GAAP administrative expenses and then exclude federal and state fees and assessments (Federal Insurer Fee, PCORI, HCCA and GMCB billbacks) and certain fees paid to outside vendors from the base administrative charges, as those are added back into the premium separately. As described in section 3.8.6.1, we excluded from the experience expenses that were due to one-time, non-recurring events.

		Individual and Small Group
SCHE lines 1.5 to 1.7, 6.1 to 6.5, 8.1, 8.2 and 10.4.	A	\$37,401,260
Less taxes in SCHE 1.5 that are not admin	B	(\$2,759,515)
Total administrative charges - STAT basis	C = A - B	\$40,160,775
Differences in STAT and GAAP treatment	D	(\$2,236,734)
Total administrative charges - GAAP basis	E = C + D	\$37,924,041
Federal and State fees	F	(\$9,217,440)
Fees for outside vendors	G	(\$289,931)
Exclusions*	H	(\$761,361)
Total base administrative charges	I = sum(E:H)	\$27,655,309
Member months	J	629,988
Experience base administrative charges PMPM	K = I / J	\$43.90

* The exclusions include the transitional savings and other one-time, non-recurring events.

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

Sincerely,



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