

June 21, 2019

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

**Subject: Your 06/17/2019 Questions re:
Blue Cross and Blue Shield of Vermont
2020 Vermont Individual and Small Group Rate Filing
(SERFF Tracking #: BCVT-131936226)**

Dear Mr. Rugeberg:

In response to your requests dated June 17, 2019, here are *your questions* and our answers:

- In Exhibit 9A, there are shown to be 43,939 in-force members across 26,981 contracts. Explain why the "Average members per subscriber" is shown as 1.6349 rather than $43,939/26,981 = 1.6285$.*

The average members per subscriber of 1.6349 on Exhibit 9A is for all metals except the Catastrophic plan, which has as 1.0281 average number of members per subscriber.

Plan	Members	Subscribers	Average members per subscriber
All but Catastrophic	43,646	26,696	1.6349
Catastrophic	293	285	1.0281
Total	43,939	26,981	1.6285

- Provide a calculation demonstrating the allocation of \$1.15 million in Billback cost to this block.*

Allocation of the GMCB billback between the lines of business regulated by the GMCB - VISG and large group insured -- is based on prior month year to date premium for those lines of business. The GMBC fiscal year is from July to June while BCBSVT is on a calendar year basis. Due to this difference, BCBSVT's total calendar year 2018 expenses related to the billbacks include the following three categories:

Category	
Adjustment to 2 nd half of 2017 accruals to actuals for VISG	(\$225,244)
Half Actuals invoice January to June for VISG	\$652,454
Estimated expenses for July to December for VISG	\$504,652
Total GMCB Billbacks for CY 2018	\$931,862
Expected increase from CY 2018 to CY 2020	= $29.6/24 = 1.233$
Expected GMCB Billback for CY 2020	\$1,149,297

3. *Explain why the weighted average "Allowed Charges Relativity" in Exhibit 2B is not 1.0. What enrollment, if not the base period enrollment, was used to calculate the "Total" allowed charges PMPM?*

Claims without active enrollment are excluded from a metal level but included in the total allowed charges to calculate the allowed relativities, which is why the weighted average based on experience member months does not equal 1.000.

Changing the calculation to exclude the claims without active enrollment has no impact on rates. This change would impact the change in benefit factors (c_1) and the impact of selection factor (c_6). Please see attached *Responses to BCBSVT 2020 VISG Inquiry 3.xlsx - tab Q3* for the comparison of the two methods.

4. *The section "Relationship of Proposed Rate Scale to Current Rate Scale" in the Actuarial Memo Dataset contains zeros for some values, resulting in a total rate change of zero. Replacing these values with ones produces a rate changes significantly different from the 15.6% requested. Please update this exhibit to illustrate the sources of the requested rate increase.*

Please see attached *Responses to BCBSVT 2020 VISG Inquiry 3.xlsx - tab Q4* for an updated exhibit. Only the cells highlighted in blue are different from the original exhibit provided.

Source of Change	Value	Exhibit
Fixed Cost Adjustment	1.0798	Exhibit 7A - cell I23
Margin	1.0163	Exhibit 7B - cell H23
Taxes and Fees	1.0371	Exhibit 7C - cell L21

5. *The memorandum states that "In the absence of these tax savings, rates would have been significantly higher. Because the tax benefits have been fully used for the benefit of policyholders, there is no net impact to the 2020 rate increase relative to 2019 rates." Clarify how Exhibit 6A would differ if the tax rebate was not anticipated.*

Prior to the 2019 VISG rate filing, the contribution to reserve included in the rates was 2.0 percent. In the 2019 VISG rate filing, BCBSVT reduced the contribution to reserve to 1.5 percent to account for the tax savings due to the removal of the income tax. In this filing, BCBSVT is again including a 1.5 percent contribution to reserve which is why there is no net impact on the 2020 rate increase.

BCBSVT has had poor financial results on this line of business for years and has seen a dramatic decrease in its RBC levels. As stated in Attachment C, "in the absence of AMT credits, it would be necessary to file a CTR of 7 percent in order to reach the very bottom of the target range by the end of 2020." Using that input, column M on Exhibit 6A would have been 1.0764 instead of 1.0163, and the average rate increase would have been 22.6 percent.

6. *It appears that Exhibit 2B intends to refer to "March 2019 Membership" and "2020 Projected Membership." Please clarify.*

Yes, that is correct. Column D includes the March 2019 membership and column E includes the projected 2020 membership.

7. This question involves confidential and proprietary information and BCBSVT's response has been provided under separate cover.
8. This question involves confidential and proprietary information and BCBSVT's response has been provided under separate cover.
9. *Your prior response notes that, of the anticipated 0.8% impact from the removal of the individual mandate, 0.3% has already been observed in March 2019. However, the experience used in this rate filing reflects data from prior to March 2019. Please clarify how this initial 0.3% impact is reflected in the proposed rates.*

The initial 0.3 percent impact is implicit in the impact of the changes in pool morbidity (b₉) factor and therefore already reflected in the proposed rates.

10. This question involves confidential and proprietary information and BCBSVT's response 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,



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