

July 2, 2019

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

**Subject: Your 06/21/2019 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 21, 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. *Provide a mapping from Exhibit 5's "b" and "c" factors to the morbidity and demographic factors on WS1 of the URRT.*

The table below demonstrates the mapping of the Exhibit 5 factor to the adjustment factors on worksheet 1 of the URRT.

Worksheet 1		Exhibit 5	
Morbidity Adjustment	1.0743	Impact of the Health Status of the newly insured (1+b3)	0.9809
		Impact of AHP (1+b5)	1.0141
		Impact of the Individual Mandate (1+b7)	1.0050
		Changes in pool morbidity (1+b9)	1.0037
		Impact of plan selection (1+c6)	1.0707
Demographic Adjustment	1.0350	Changes in demographics (1+c3)	1.0350

3. This question involves confidential and proprietary information and BCBSVT's response has been provided under separate cover.
4. *The 2018 Payment Parameters referenced in your response state that the cost of the high-cost member program will be "less than 0.5 percent" of premium. Explain why this value was used when it was an upper bound rather than an estimate.*

In the absence of any better estimate, we used the sole figure that has appeared in publicly available documents regarding the anticipated cost of this program. The actual result for 2018 will be known on June 30, 2019. As has been the case for the risk adjustment estimate for many years, we expect that the new information will be used to inform your actuarial recommendation.

5. *The selection load applied to the index rate reflects differences in the expected paid claims and the paid claims implied by the unadjusted Pricing AV's. Is it BCBSVT's intention to include this factor as an increase to allowed cost? Would this factor not be more appropriate as an adjustment to the Pricing AV's?*

While we agree that the selection load does not truly impact projected allowed cost, our understanding of the ACA guidelines regarding plan level adjustments had been that the adjustments must vary by plan and cannot have a constant factor applied across all plans. However, we would agree with an interpretation that the guidelines do not prohibit an AV plan level adjustment that also considers paid-to-allowed impacts of the entire pool and could therefore legitimately include a constant plan level adjustment applied to all plans.

To demonstrate the impact of this change in treatment, we rearranged the selection load in the applicable exhibits and found that the results by plan and in total were within \$0.01 per member per month of the filed assumptions. Please see attached exhibits that show the alternative treatment of selection load.

6. *The URRT instructions require that "any expected net reinsurance recoverables received through a state or federal reinsurance program" in the reinsurance section of the URRT. Explain the decision to put the high-cost member program cost in the risk adjustment section.*

On page 15 of the URRT instructions dated May 2019, it is stated that "transfer amounts should include the high cost risk pool adjustment to claims and any assessment to pay for those claims. The risk adjustment user fee should not be included here, but rather in the taxes and fee portion of the administrative costs." Our understanding is that the reinsurance section in the URRT is for reinsurance programs under 1332 waivers.

7. *The actuarial memorandum states that 0.3% of members are believed to have "left the market" in 2019 in relation to the individual mandate. Particularly given the substantial increase in individual enrollment experienced by the other carrier, explain why these members were assumed to have left the market, rather than simply leaving BCBSVT.*

The destination of these members in 2019 is irrelevant to 2020 rates given our assumption that they will leave the market in 2020.

The remainder of this response is confidential and will be 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