

DELIVERED ELECTRONICALLY

June 20, 2024

Kevin Rugeberg
Vice President & Senior Consulting Actuary
Lewis & Ellis, Inc.

Dear Mr. Rugeberg:

To assist the Board with its review of Blue Cross and Blue Shield of Vermont's (BCBSVT) 2025 individual and small group rate filings (Docket Nos. GMCB-004-24rr & GMCB-003-24rr), please ask BCBSVT to provide the following information sought by the Office of the Health Care Advocate.

1. Please provide more detail about the elements that comprise and factors that influence the "all other claims adjustment expenses" reported on page 4, line 8.2 of the 2023 SHCE. To provide context, these expenses amount to approximately \$6,000,000 for each portfolio (roughly \$12,000,000 combined), representing roughly 86% and 80% of the respective "total claims adjustment expenses" line. Additionally, the "all other claim adjustment expenses" line is 38% and 42% of the "underwriting Gain/Loss" line. Lastly, the related "claims adjustments expense ratio" (line 9) is .035 and .041 for the Individual and Small Group Employer portfolios, respectively. These "claims adjustment expense ratios" are substantially higher than those of BCBSVT's sole competitor in the Individual and Small Group markets. This situation is further complicated by the fact that BCBSVT reports a larger dollar amount as "all other claims expenses" as opposed to "cost containment expenses not included in quality-of-care expenses in Line 6.6" compared to its sole competitor.
2. BCBSVT mentions the effects of H.766 (Act 111) multiple times in the Actuarial Memorandum (Actuarial Mem. at 5, 18, 28, 48). According to BCBSVT's estimates, this law is expected to result in a reduction in savings of 1.8% and 1.9% for the Individual and Small Group markets, respectively. Please provide the "internal analyses or information provided by an external vendor" that are referenced in the Actuarial Memorandum (Actuarial Mem. at 18). This question is different than the justification of H.766 (Act 111) costs that Lewis and Ellis asked for in Objection #1 as it asks for specific documents that are referenced in the Actuarial Memorandum.



3. In Objection #1, Lewis and Ellis asked BVBSVT to project 2024 and 2025 Risk Based Capital (RBC). Please detail all material assumptions BCBSVT used to generate said projections. If possible, please assign a probability to each projection and the range of RBC values that fall within one standard deviation of the best projection point estimate. Note, we understand that BCBSVT may not be able to answer this question until later in June as indicated in its answers to Objection #1.
4. Please explain why the actual CTR as BCBSVT reports each year in the Actuarial Memorandum might vary from one year to the next. We provide the table below to demonstrate this phenomenon with the values at issue in bold.

	Actual CTR (pricing)		
	2025 Filing Actuarial Mem.	2024 Filing Actuarial Mem.	2023 Filing Actuarial Mem.
2014	1.0%	1.0%	1.0%
2015	-2.5%	-2.5%	-2.5%
2016	-3.8%	-3.8%	-3.8
2017	1.0%	1.0%	1.0%
2018	-1.8%	-1.8%	-1.8%
2019	-0.7%	-0.7	-0.7%
2020	7.2%	5.5%	5.5%
2021	-0.2%	0.4%	0.7%
2022	-5.2%	-4.5	NA
2023	-8.8%	NA	NA

5. Can the reported actual CTR (financial) be reconciled to the SHCE for the applicable year? If so, please state the method for doing so. If not, please explain why.
6. Please provide the actual and expected utilization trend for the last four years: 2020, 2021, 2022, and 2023.
7. On page 24 of the Actuarial Memorandum, BCBSVT lists the percentage of claims recovered as a part of FWA programs by incurred period in a table. Setting incurred claims in 2020 aside due to issues BCBSVT notes in footnote 13, how should we interpret the table? For instance, part of the increased recoveries could indicate an improvement of BCBSVT's FWA activities. The increases could also be the result of a growing number of provider coding errors. The increases also might indicate that in 2021 and 2022 a significant amount of FWA was not detected or recouped.



8. Provide a breakdown of membership, the number of groups, and the claims PMPM by three cohorts:
 - a. Cohort 1 are groups that, in 2022, were in BCBSVT's ASO Small Group portfolio but in 2023 were in BCBSVT's Exchange Small Group portfolio;
 - b. Cohort 2 are groups that, in 2023, were in BCBSVT's Exchange Small Group portfolio but left the Exchange for BCBSVT's 2024 ASO Small Group portfolio;
 - c. Cohort 3 are groups that, in 2023, were either in BCBSVT's Exchange Small Group or ASO Small Group Portfolios (i.e. the aggregate of both 2023 portfolios).
9. Please provide the total dollar amount of realized savings from CivicaRx since BCBSVT's initial investment in the company versus BCBSVT's total investment in the CivicaRx (i.e., initial investment plus any subsequent investments).
10. When did BCBSVT last
 - a. audit OptumRx's performance under its contract with BCBSVT for pharmacy benefit management (PBM) services? Please thoroughly describe all aspects of any audits conducted.
 - b. perform any market comparison checks to evaluate whether BCBSVT is receiving the best possible terms for PBM services? Please thoroughly describe the process, including timelines, evaluation criteria, and benchmarks of any market comparison checks conducted.
 - c. solicit or receive bids or outreach from any PBM other than OptumRx?
11. BCBSVT's PBM recently announced new products promising to "improve affordability and transparency in pharmacy benefits," including OptumRx Cost Clarity, "which bases costs on independent cost baselines, such as the National Average Drug Acquisition Cost (NADAC) and wholesale costs."¹ In a subsequent announcement Optum referred to this model as "cost-plus pricing with lower ingredient costs."² Optum described another new pricing model, Clear Trend Guarantee, as a "value-based model with shared savings" that will help plan sponsors "manage total lowest net cost."³ Has BCBSVT evaluated whether these new products from its PBM would lower costs for its members? If so, please describe in detail BCBSVT's findings.

¹ <https://www.unitedhealthgroup.com/newsroom/posts/2023/2023-04-24-optum-rx-enhancements-preserving-choice.html>

² <https://www.unitedhealthgroup.com/newsroom/posts/2024/2024-05-optum-rx-clear-trend-guarantee.html>

³ Id.



Sincerely,

/s/ Michael Barber

General Counsel
Green Mountain Care Board

Cc: Michael Donofrio
Bridget Asay
HCA Rate Review
GMCB Rate Review

