STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross Blue Shield of Vermont 2025 Individual Market Rate Filing	)))	GMCB-004-24rr SERFF No. BCVT-134091560

In re: Blue Cross Blue Shield of Vermont 2025 Small Group Market Rate Filing	)))	GMCB-003-24rr SERFF No. BCVT-134096633

PREFILED TESTIMONY OF MARTINE BRISSON-LEMIEUX

Dated: July 12, 2024

Attachments:

Attachment	Title
A	Martine Brisson-Lemieux CV

Ms. Martine Brisson-Lemieux, being duly sworn, deposes and says as follows:

What is your current employment?

I am the Chief Actuary at Blue Cross and Blue Shield of Vermont (Blue Cross VT). I have held this position since January 2024. I joined the Blue Cross VT actuarial team in 2009.

Please describe your primary job responsibilities.

As Chief Actuary, I oversee, and have direct, hands-on involvement in, all aspects of Blue Cross VT's actuarial services. My responsibilities include overseeing and participating in the pricing and preparation of rate filings for all products, including the individual and small group rate filings currently under review. I also oversee the implementation of all Blue Cross VT

actuarial modeling processes. I serve as lead or reviewing actuary for individual and small group, large group, association health plans, and Medicare Supplement filings. In that capacity, I set assumptions for pricing, interact with reviewing actuaries, and testify at related hearings. Some of my other responsibilities include: overseeing valuation and actuarial components of financial reporting, serving on our internal Strategic Growth, Regulatory, Healthcare Cost Containment, and Healthcare Reform Oversight committees; developing new product offerings and funding approaches; participating in the development of new payment reform programs; and participating in Vermont working groups addressing a variety of policy issues.

Is your current CV attached to this prefiled testimony as Attachment A?

Yes.

Have you given sworn testimony about past rate filings?

Yes. I testified at the July 19, 2023 hearing regarding our 2024 individual and small group rates.

Have you been involved in prior GMCB hearings?

Yes. I have been an active member of the Blue Cross VT team in preparing for and conducting the rate review hearings from 2015 through 2024, including being intimately involved in the actuarial work involved in developing the proposed rates over that time period.

As part of your employment responsibilities at Blue Cross VT, how do you stay informed regarding actuarial analysis and information that relates to rate development?

The American Academy of Actuaries promulgates Qualification Standards that actuaries must follow for issuing statements of actuarial opinion in the United States. Examples of statements of actuarial opinion include the actuarial memorandum issued as part of the filings

under review. The qualification standards include a requirement to complete at least 30 hours of relevant continuing education annually.

To meet this requirement and to remain current on emerging advances in actuarial practice, I regularly attend a variety of webinars and live conferences sponsored by the Society of Actuaries and the American Academy of Actuaries. I also review the binding standards of practice promulgated by the Actuarial Standards Board and non-binding but informative Practice Notes issued by the American Academy of Actuaries. I also participate frequently in conference calls organized by the Actuary Forum of the Blue Cross Blue Shield Association, during which many topics relevant to rate development and other actuarial analyses are discussed among actuaries working for Blues plans across the United States.

What materials did you review and rely on in preparing this prefiled testimony?

I reviewed and relied on the following materials:

- Blue Cross and Blue Shield Vermont 2025 Vermont QHP Market – Individual Market Rate Filing, SERFF Tracking Number BCVT-134091560 (May 13, 2024)
- Blue Cross and Blue Shield Vermont 2025 Vermont QHP Market – Small Group Market Rate Filing, SERFF Tracking Number BCVT-134096633 (May 13, 2024)
- Blue Cross VT Responses to all questions posed by the Green Mountain Care Board (including those proposed by the HCA)
- Blue Cross VT Responses to all Lewis & Ellis Objection Letters in this matter

PURPOSES AND OBJECTIVES OF THE RATE FILINGS

Were you responsible for preparing the Blue Cross VT 2025 Individual and Small Group Market Rate Filings (the Filings), which are the subject of this proceeding?

Yes. I was actively involved in the preparation of the Filings, and, at the time of filing, I certified that they meet all relevant actuarial standards and that they comply with all applicable state and federal laws and regulations. That certification holds true today.

Are you fully familiar with all aspects of the Filings, as well as all of the documents and information Blue Cross VT has submitted to the Green Mountain Care Board over the course of this proceeding?

Yes. The Filings and all other documents and information that Blue Cross VT has submitted over the course of this proceeding in response to all of the actuarial and non-actuarial questions posed by the Board also meet all relevant actuarial standards and comply with all applicable state and federal laws and regulations.

What is the purpose of the Filings?

The purpose of the Filings is to provide the rates and to describe the rate development for the ACA-compliant Qualified Health Plans for the Vermont Individual and Small Group markets that Blue Cross VT proposes to offer for the 2025 benefit year. The Filings apply to plans both On-Exchange and Off-Exchange.

Please describe the rate changes Blue Cross VT requested in the Filings.

For small groups, rate changes range from increases of 14.4 percent to 22.2 percent, with a weighted average increase of 19.1 percent. Individual rate changes range from an increase of

8.5 percent to an increase of 21.5 percent for non-loaded plans and from 39.9 percent to 44.9 percent for loaded silver plans, with a weighted average increase of 16.3 percent.

RATE DEVELOPMENT

Did you submit an Actuarial Memorandum in support of the proposed rates?

Yes. The Actuarial Memorandum submitted as part of both Filings sets forth and explains the development of and rationale for the proposed rates, including: the facts, data, analysis, and methodology used to calculate the Metal Actuarial Value for each Qualified Health Plan and Reflective Plan offered by Blue Cross VT in 2025; the appropriateness of the essential health benefit portion of premium upon which advanced payments of premium tax credits (APTCs) are based; that the Index Rate is developed in accordance with federal regulations; and that the Index Rate along with allowable modifiers is used in the development of plan-specific premium rates.

Please define the term "Index Rate."

The Index Rate is the allowed claims cost for providing Essential Health Benefits (EHBs) within the single risk pool of the relevant market, expressed on a per member per month (PMPM) basis.

Do the projected Index Rates reflected in the Filings comply with all applicable state and federal law?

Yes. The projected Index Rates reflected in the Filings comply with all applicable state and federal law, including 45 C.F.R. §§ 156.80 & 147.102. They were developed in compliance with the applicable Actuarial Standards of Practice; are reasonable in relation to the benefits provided and the population anticipated to be covered; and are neither excessive nor deficient.

The development of the Index Rate is explained in detail in the Actuarial Memorandum, at §§ 3.3, 3.4, 3.7, 3.8.

Please summarize the rate development process.

To develop rates, we start with the most recent completed calendar year, 2023 in this case. We sum up the allowed charges, which are the total of plan payments to providers plus member cost share, for medical, pharmacy, vision, and dental services. We cap the claims to a detrended $1 million level to reflect our corporate reinsurance level and high-cost risk pool program. The calendar year 2023 allowed charges are shown (expressed as dollars PMPM) in the first bar of the graph below, with medical claims in blue, pharmacy claims in orange, and vision and dental in green, and add up to $963 PMPM. This information also appears on line B of Exhibit 5 of the Filings.

To project the allowed charges from the experience period (again, calendar year 2023 in this case) to the projection period (2025 in this case), we first adjust for population changes, demographic, and other factors that impact claims. These other factors can vary from year to year; examples in this year's Filings include the impact of CivicaRx, expected changes to pharmacy costs due to the provisions in the American Rescue Plan Act, the addition of a hearing aid benefit to the EHB benchmark, and the impact of Act 111. We refer to these adjustments as "population and non-trend" factors. We then apply cost and utilization trends to project allowed charges to 2025. These three components are in navy blue in the graph below (in columns 2-4). Columns 1-4 of the graph total up to the projected allowed charges that appear on line D of Exhibit 5 of the Filings.

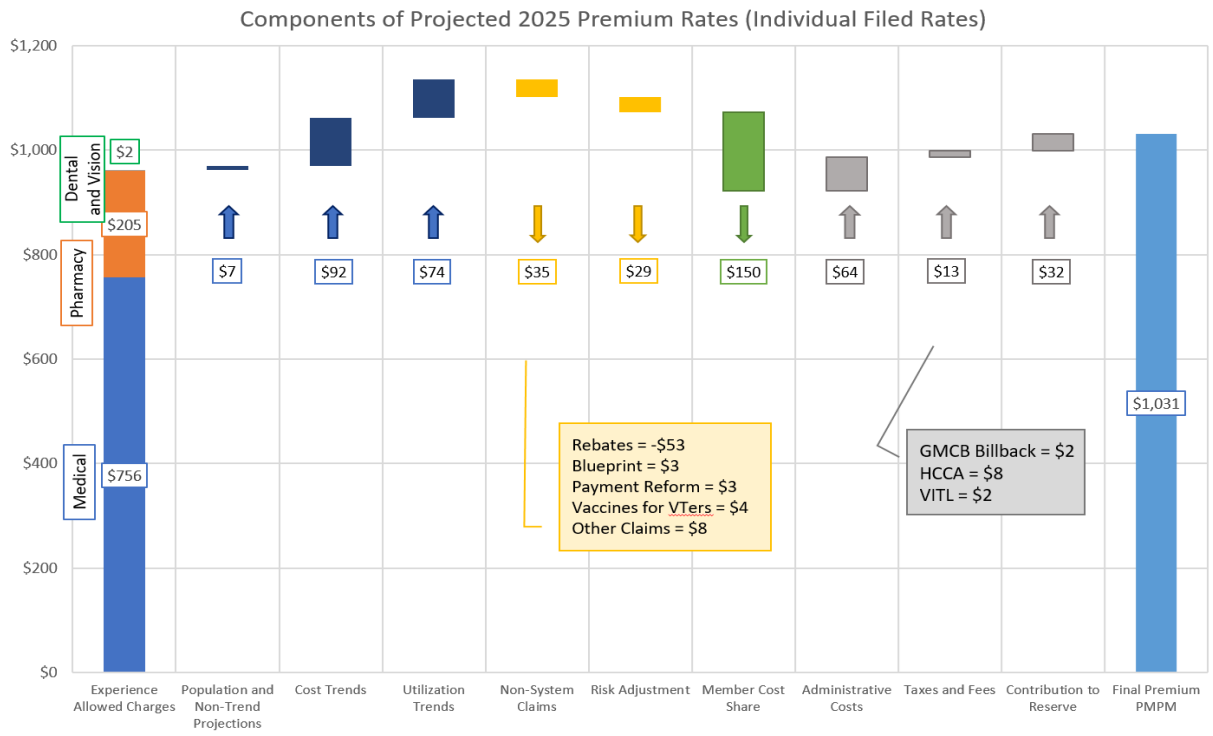
Some claims are either not tied specifically to one service or do not accumulate to members' benefits (pharmacy rebates, Blueprint for Health payments and payment reform investments, Vaccines for Vermonters fees, interplan teleprocessing system fees, and other items). Including these non-system claims is a net reduction to the projected allowed charges due

to the pharmacy rebates outweighing the other items combined. We then reduce the overall PMPM by the projected impact of the risk adjustment transfer, which is a payment from MVP to Blue Cross VT that reflects the differences in the health status of our respective members. These two components are in yellow in the graph below (columns 5-6).

From there, we exclude the estimated portion of the allowed charges that are the members' responsibility through cost share such as deductibles and copays (the green arrow in column 7 of the graph), which gets us to the projected paid claims.

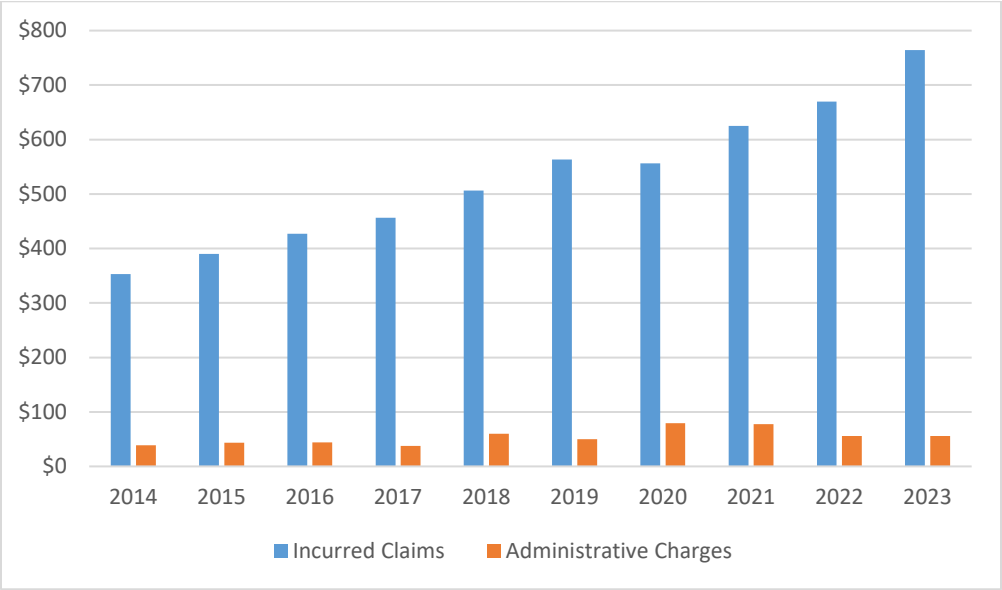
Administrative costs, taxes and fees, and contribution to member reserves are then added to complete the rate development progress, as shown in the gray bars in columns 8-10 of the graph. This graph shows the different components of the projected 2025 premium rates for the individual market.

The small group market graph would have the same components, with similar magnitudes, but with amounts specific to the small group market.



Do the components of Blue Cross VT's premiums increase at the same rate over time?

No. As shown in the graph below, the per member per month health care claims costs have increased at a much higher rate than administrative expenses.



The graph above is based on the incurred claims and administrative charges from the second table on page 6 of the actuarial memorandum and the member months from the first table on the same page of the actuarial memorandum.

At what point in the rate development process do you calculate the difference between the rate you're developing and the previous year's approved rates?

After we finalize the rates we're developing, we compare them to the most recent approved rates, to quantify the year-over-year increase. In this case, after we finalized the proposed 2025 rates reflected in the Filings, we compared them to the approved 2024 rates in order to calculate the changes—in this case, the increases—from 2024 to 2025.

What role do the 2024 approved rates play in developing the proposed 2025 rates?

None. As described above, our members' calendar year 2023 experience forms the basis of the 2025 rates, along with projection factors to take the costs to a projected 2025 level. The 2024 approved rates only enter the picture after the 2025 rate development is complete, in order to calculate the percentage changes from 2024 to 2025.

What role do individual members' and small business' incomes play in developing the proposed 2025 rates?

None. The proposed 2025 rates reflect projection of claims costs, administrative charges, taxes, fees, and a contribution to member reserves. The cost of services does not vary by income, and therefore income does not impact the overall projected claims. In fact, it would not be sound actuarial practice to develop rates that vary with income or ability to pay, because the relevant actuarial standards of practice require that we base our rate development on projected claims costs. As the Vermont Supreme Court has observed, health insurance rates "are driven by claims costs." *In re MVP Health Care*, 2016 VT 111, ¶ 23.

SUBSEQUENT EVENTS

Were there material changes to Vermont law since Blue Cross VT first filed these rates?

Yes. During its June 2024 veto session, the Vermont Legislature passed legislation deferring the effective dates of some sections of Act 111 for one year. That means that the deferred sections of Act 111 will impact our 2026 rates, not the 2025 rates currently under review. Because the Filings were submitted in May 2024, however, the Filings do not reflect the effect of the one-year deferral.

What is the impact of this change on the original filings?

We estimate that the delay in the effective date of sections of Act 111 to 2026 results in an expected reduction of 0.6 percent from the filed rates currently under review.

Are there changes to benefit designs since Blue Cross VT first filed these rates?

On May 10, 2024, the IRS released its final guidance on the 2025 HSA limits and the minimum deductible is $1,650 to maintain HSA compatibility. As a result of this final guidance Blue Cross VT is adjusting plan designs with a pharmacy out-of-pocket to be consistent with the minimum deductible. We are also increasing the Vermont Select CDHP – 87% deductible and combined out-of-pocket from $1,625 to $1,650. These changes reduce the filed increase by 0.005 percent.

Are there changes to the expected risk adjustment transfer since Blue Cross VT first filed these rates?

While the final report from CMS on the 2023 risk adjustment transfer will not be available until July 22, 2024, Lewis and Ellis calculated a preliminary risk adjustment transfer using both carriers' RATEE reports. This update to the 2023 risk adjustment transfer impacts Blue Cross VT's 2025 projection and reduces filed rates by 0.4 percent for the individual market and 0.3 percent for the small group market.

In the Filings, you were instructed to file a 3.0 percent contribution to member reserves (CTR). Has that component of the proposed rates changed since the Filings were submitted in May?

Yes. Blue Cross VT is now requesting a 7.0 percent CTR, in light of the circumstances spelled out in the July 10, 2024 letter from Blue Cross VT to the Green Mountain Care Board and the Health Care Advocate, the relevant portions of Ruth Greene's prefiled testimony, and the

information contained in our July 12, 2024 responses to questions posed by the Board and the HCA.

Does this mean that the originally filed rates were deficient in some way?

No. When we submitted the Filings on May 13, the rates we proposed, including the requested 3.0 percent CTR, were adequate and not excessive. As explained in Ms. Greene's prefiled testimony and our July 12, 2024 responses to questions posed by the Board and the HCA, we received new information since May 13 that necessitated the change to a higher CTR.

COMPLIANCE WITH LEGAL AND PROFESSIONAL REQUIREMENTS

Do the proposed rates comply with all of the state and federal statutes, regulations, rules, and other regulatory requirements listed in Section 1.3 of the Actuarial Memorandum?

Yes. To clarify for purposes of this question and those that follow: By "proposed rates," I mean our filed rates with the revisions described above, including increasing CTR to 7 percent. With those changes, the revised proposed rates satisfy these criteria.

Do the proposed rates comply with all relevant actuarial standards of practice?

Yes.

Do all of the steps Blue Cross VT took in preparing the Filings and developing the rates reflected in the Filings, and in assessing and proposing the revisions discussed above, comply with all relevant actuarial standards of practice?

Yes.

In particular, do actuarial standards of practice define what it means for health insurance rates to be "adequate" and "excessive"? If so, please explain those definitions.

Yes. Actuarial Standard of Practice No. 8 defines rates as "adequate if they provide for payment of claims, administrative expenses, taxes, and regulatory fees and have reasonable contingency or profit margins." Since Blue Cross VT is a not-for-profit organization, the contingency is referenced as member reserves. Rates are "excessive" if they exceed the amount necessary for these items. As explained above and as documented in the Filings and other information submitted by Blue Cross VT during this proceeding, including our revised request for a 7 percent CTR, the rates proposed by Blue Cross VT are adequate and not excessive.

Do actuarial standards of practice provide definitions for any other regulatory benchmarks? If so, please identify and define these criteria?

Yes. Actuarial Standard of Practice No. 8 defines rates as "unfairly discriminatory" if "the rates result in premium differences among insureds within similar risk categories that: (1) are not permissible under applicable law; or (2) in the absence of an applicable law, do not reasonably correspond to differences in expected costs." These rates follow applicable Vermont law regarding tier structure and applicable federal guidance regarding market-wide adjustments that lead to rate differences among plans. These rates are therefore not unfairly discriminatory.

Are you aware of the Vermont statutory criteria the Board must consider in reviewing the proposed rates?

Yes.

What are those criteria?

Under Vermont law, the Board must consider whether the proposed rates are affordable, promote quality care, promote access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading, or contrary to the laws of this State.

Do the proposed rates satisfy those criteria?

Yes. In my opinion the proposed rates in both markets are in compliance with all applicable state and federal statutes and regulations, have been developed in compliance with the applicable Actuarial Standards of Practice, are reasonable in relation to the benefits provided and the population anticipated to be covered, and are neither excessive nor deficient.

Does this conclude your Prefiled Testimony?

Yes.

Dated: July 12, 2024

Martine Brisson-Lemieux

Martine Brisson-Lemieux

State of Vermont, County of Washington.

Signed and sworn to (or affirmed) before me on July 12, 2024 by Martine Brisson-Lemieux.

Signature of notary public: Angelina L. Buzzi.

Printed name of notary public: Angelina L. Buzzi.

Commission number: 157. 0000593.

Commission expiration date: January 31, 2025.

Title of office is Notary Public.

Attachment A
to the Prefiled Testimony of Martine Brisson-Lemieux:

Martine Brisson-Lemieux Curriculum Vitae

Martine Brisson-Lemieux, F.S.A., M.A.A.A.

Chief Actuary
Blue Cross and Blue Shield of Vermont
brissonlm@bcbsvt.com

Experience

Blue Cross Blue Shield of Vermont, Berlin, VT — June 2009 to present

Chief Actuary — *January 2024 to present*

Responsible for oversight of the actuarial functions: develop pricing and filings for all Blue Cross VT products; forecasting and reserving; lead or reviewing actuary for Vermont individual and small group, large group, AHP and Medicare supplement filings, including pricing, documenting, and interaction with reviewing actuaries; oversee valuation and actuarial components of financial reporting; serve on internal Strategic Growth, Healthcare Cost Containment, Regulatory, and Healthcare Reform Oversight committees; participates in development of new payment models; direct team of three credentialed actuaries and five actuarial analysts. Participant in Vermont working groups, including Hospital Global Budget Technical Advisory group.

Actuarial Director, Financial Integrity — *November 2022 to December 2023*

Responsible for oversight of the actuarial functions: develop pricing and filings for all Blue Cross VT products; forecasting and reserving; lead or reviewing actuary for Vermont individual and small group, large group, AHP and Medicare supplement filings, including pricing, documenting, and interaction with reviewing actuaries; serve on internal Strategic Growth, Healthcare Cost Containment, Regulatory, and Healthcare Reform Oversight committees; participates in development of new payment models; direct team of three credentialed actuaries and five actuarial analysts. Participant in Vermont working groups, including Hospital Global Budget Technical Advisory group.

Manager, Actuarial Services — *November 2019 to November 2022*

Responsible for oversight of the actuarial functions: developed pricing and filings for all Blue Cross VT products; acted as lead actuary for Vermont individual and small group and Medicare Supplement filings; serve on internal Strategic Growth, Healthcare Cost Containment, Regulatory, and Healthcare Reform Oversight committees; direct team of three credentialed actuaries and three actuarial analysts. Participant in Vermont working groups, including Market Structure and Affordability workgroup.

Associate Actuary, Actuarial Services — *March 2014 to November 2019*

Developed pricing and filings for all Blue Cross VT products; acted as lead analyst for Vermont individual and small group and Medicare Supplement filings; Participated in the development of factors for the large group filings. Serve on internal Product Development team. Supported healthcare reform program such as the relationship with accountable care organizations.

Actuarial Analyst I, Actuarial Services — *June 2009 to March 2014*

Developed quarterly pricing for Catamount, Nongroup, Safety Net, and Community lines of business; Participated in the development of factors for the large group filings; Participated in the product development for the launch of the Exchange products. Developed global capitations for contracts with Physician Hospital Organizations.

People's United Bank, Payroll Services, Burlington, VT — December 2008 to June 2009

Payroll Technician — *December 2009 to June 2009*

Process payrolls, including ad hoc client change requests in deductions and earnings; reconciliation of daily tax reports, research for notices from government agencies.

Education and Professional Credentials

Fellow, Society of Actuaries	March 2022
Member, American Academy of Actuaries	March 2014
B.S. in Mathematics, Major in Actuarial Science, Université de Montréal, Montreal, Canada	May 2008
B.S. In Outdoor Leadership, Université du Québec à Chicoutimi, Chicoutimi, Canada,	December 2005

CERTIFICATE OF SERVICE

I certify that I served the above Prefiled Testimony of Martine Brisson-Lemieux (dated July 12, 2024) on Michael Barber, Laura Beliveau, and Tara Bredice of the Green Mountain Care Board and on Charles Becker and Eric Schultheis of the Office of the Health Care Advocate, by electronic mail, on July 12, 2024.

/s/ Michael Donofrio
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