

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross and Blue Shield of Vermont)	GMCB-007-24rr
2025 Association Health Plan)	
Rating Program Filing)	SERFF No.: BCVT-134106867
_____)	

DECISION AND ORDER

Introduction

Health insurers must submit major medical rate filings to the Green Mountain Care Board (GMCB or Board). 8 V.S.A. §§ 4062(a), 4515a, 4587, 5104. This decision pertains to the 2025 association health plan (AHP) rate filing of Blue Cross and Blue Shield of Vermont (BCBSVT). The approved rates will be used by BCBSVT to determine the premiums of “Pathway 1” AHP groups beginning January 1, 2025.

Procedural History

On May 20, 2024, BCBSVT submitted its 2025 AHP rate filing to the Board via the System for Electronic Rate and Form Filing (SERFF).

On May 24, 2024, the Office of the Health Care Advocate (HCA), a special project within Vermont Legal Aid that represents the interests of Vermont health insurance consumers, entered an appearance as a party to the filing. On July 19, 2024, the Department of Financial Regulation (DFR) filed its analysis and opinion regarding the filing’s impact on BCBSVT’s solvency (Solvency Opinion). Also on July 19, 2024, the Board’s contracted actuaries at Lewis & Ellis, Inc. (L&E) submitted an actuarial memorandum evaluating the filing (L&E Memo). Each of these documents was subsequently posted on the Board’s rate review website.¹

The Board solicited public comments on the filings through August 4, 2024. No comments were received. The parties waived a hearing. BCBSVT filed a memorandum of law in lieu of hearing on August 1, 2024 (BCBSVT Memo), in which it agreed with L&E’s recommendations and reaffirmed its amended request for a 7.0% Contribution to Reserves (CTR).

Findings of Fact

1. BCBSVT is a non-profit hospital and medical service corporation that provides coverage to individuals, small and large employers, and Medicare enrollees in Vermont. L&E Memo, 1.
2. This filing updates the formula, manual rate, and accompanying factors that will be used to price BCBSVT’s AHP products, and includes support for key assumptions, such as trend, benefit relativities, administrative costs, and large claim factors. The filing is applicable to

¹ The SERFF filings, as well as all documents referenced in this Decision and Order, can be found in the rate review section of the Board’s website at [View Filings | Rate Review \(vermont.gov\)](#).

“Pathway 1” AHPs with coverage years beginning in 2025. BCBSVT currently provides coverage to one AHP. This filing is projected to affect 1,610 members enrolled in that AHP. L&E Memo, 1; BCBSVT Actuarial Memorandum (BCBSVT Memo), 2.

3. As initially filed, the average fully insured group would² likely experience a premium change of approximately 10.2%,³ or roughly \$81.47 per member per month (PMPM), itemized below:

- a. Change to projected claims: +10.1%
- b. Change from Projected Pharmacy Rebates: -1.1%
- c. Change to Pediatric Vision and Dental: +0.1%
- d. Change in Administrative Charges: +0.7%
- e. Contribution to Reserves: +0.3%
- f. Mandates and Assessments: +0.0%
- g. Additional Items: +0.1%

L&E Memo, 1-2; BCBSVT Memo, 3.

4. The AHP that BCBSVT currently provides coverage to is large enough that it does not use the manual rate, meaning that the projected 10.2% rate change is mostly applicable to new AHPs quoted during the next year. L&E Memo, 2.

5. The rates proposed in this filing differ from BCBSVT’s approved 2025 large group rates only in their use of updated information regarding hospital budgets and other unit cost changes, use of lower administrative charges, and the slightly different set of experience used to calculate the manual rate. *See* L&E Memo, 4; *In re Blue Cross and Blue Shield of Vermont 2025 Large Group Rate Filing*, Docket No. GMCB-001-24rr, Decision and Order (May 10, 2024).

6. The projected claims underlying the proposed rates are based on combined AHP, large groups, small groups with greater than 25 members, and Cost Plus groups. While this is a different set of policyholders than BCBSVT used to calculate the large group manual rate, the resulting projected cost per member is very similar; the proposed large group manual rate is \$817.24 per member per month (PMPM), whereas the AHP proposed manual rate is 0.2% higher at \$819.28 PMPM. L&E Memo, 2.

7. The experience of the AHP block is not of sufficient size and stability to perform independent trend analysis. BCBSVT set utilization trends equal to those approved by the Board in BCBSVT’s 2025 Large Group Rate Filing, which L&E found to be appropriate. L&E Memo, 2; *see In re Blue Cross and Blue Shield of Vermont 2025 Large Group Rate Filing*, Docket No. GMCB-001-24rr, Decision and Order (May 10, 2024), 5.

8. Unit cost trend assumptions in the filing were mistakenly set equal to those assumed in BCBSVT’s 2025 Large Group Filing in Docket No. GMCB-001-24rr, but were intended to be consistent with those assumed in the concurrent BCBSVT 2025 Large Group Unit Cost Trend

² BCBSVT calculated the expected average change for a hypothetical AHP that is renewing with zero experience credibility, exactly average demographics and industry, and no underwriting judgment or management discretion applied to the proposed or in-force rates. BCBSVT Memo, 3. The actual change, even averaged across all AHPs, may differ from 10.2% because the filing incorporates experience which has not yet occurred. *See* L&E Memo, 2.

³ The itemized changes are multiplicative and may not add up to the total.

Filing, Docket No. GMCB-008-24rr, which reflects some updated contracting information that decreases the request by 1.4%. This correction reduces BCBSVT's request from 10.2% to 8.6%. L&E believes this correction is appropriate. L&E Memo, 3.

9. Since the filing was submitted, Vermont hospitals have submitted their FY 2025 budgets to the Board. L&E thinks that this new information should be considered and that the Board should consider setting increases consistent with what it anticipates will occur with hospital budgets. *See* L&E Memo, 3.

10. In the 2025 Individual and Small Group Filings, the Board ordered BCBSVT to assume that Vermont's hospitals' commercial rate increases for FY 2025 and FY 2026 will be set equal to the 3.4% commercial rate maximum included in the Board's FY 2025 hospital budget guidance, as the most reasonable assumption available. *In re: Blue Cross and Blue Shield of Vermont 2025 Individual and Small Group Market Rate Filings*, GMCB-004-24rr & GMCB-003-24rr (Aug. 12, 2024), 17. This assumption is consistent with the correction described in Findings of Fact (Findings), ¶ 8, *supra* and results in zero impact on the 8.6% rate change described above. *See* L&E Memo, 3.

11. The proposed contribution to reserves (CTR) in this filing is 3.0% of premium. Since the filing was submitted, BCBSVT has requested that the CTR used in the 2025 premiums be increased to 7.0%. Given BCBSVT's current RBC situation, L&E estimates that the CTR could reasonably fall between 3.0% and 7.0% and recommends that the Board consult with DFR on the matter. L&E Memo, 3. A 7.0% CTR would change the 8.6% increase to 13.3%. *See* L&E Memo, 4.

12. DFR's overall solvency assessment of BCBSVT finds that the original proposed CTR is insufficient and finds the increased CTR of 7.0% to be necessary to increase and stabilize BCBSVT's reserves. DFR Solvency Opinion, 4.

13. Act 111 became law on May 20, 2024, and impacts BCBSVT's use of step-therapy protocols, health care claims edits, and prior authorization requirements. *See* Act No. 111 (2024), Act Summary. The filing incorporates a 1.9% premium increase for Act 111 impacts. L&E Memo, 4. In June, however, a law was enacted that delayed the effective date of certain provisions of Act 111 to January 1, 2026, rather than January 1, 2025. Act No. 185 (2024). BCBSVT estimated that by delaying the effective date of the relevant provisions, the proposed premium increase will be reduced to approximately 1.3%, thereby changing the 13.3% increase to a 12.6% increase. L&E believes this lower number is reasonable. *See* L&E Memo, 4.

14. The administrative cost assumptions for this filing are based on AHP experience, specifically, unlike most other rating variables that are based on the corresponding elements in the Large Group filing. In addition, the starting data is from 2023, rather than 2022, so one fewer year of the 4% annual cost trend is assumed. Because updated AHP enrollment information is known, the adjustment to fixed costs has been increased slightly. L&E believes this approach is reasonable. L&E Memo, 4.

Standard of Review

The Board is required to approve, modify, or disapprove a rate request within 90 calendar days of receiving an initial rate filing. 8 V.S.A. § 4062(a)(2)(A). The Board reviews proposed rates to determine whether they are affordable; promote quality care; promote access to health care; protect insurer solvency; are not unjust, unfair, inequitable, misleading, or contrary to the laws of this State; and are not excessive, inadequate, or unfairly discriminatory. 8 V.S.A. § 4062(a)(3); GMCB Rule 2.000, § 2.301(b). In its review, the Board considers changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); GMCB Rule 2.000, § 2.401. The Board must also consider DFR's analysis and opinion regarding the impact of the proposed rates on the insurer's solvency and reserves, as well as any public comments the Board receives. 8 V.S.A. §§ 4062(c)(2)(B), (a)(3), (c)(2)(B); GMCB Rule 2.000, § 2.201.

The Board's review of proposed rates is plainly not limited to actuarial considerations and mathematical calculations. The Vermont Supreme Court has recognized that the general and open-ended nature of the rate review standards reflects the practical difficulty of establishing more detailed, narrow, or explicit standards – a difficulty due to the fluidity inherent in concepts of quality care, access, and affordability. *See In re MVP Health Insurance Co.*, 2016 VT 111, ¶ 16.

The burden falls on the insurer proposing a rate change to justify the requested rate. GMCB Rule 2.000, § 2.104(c).

Conclusions of Law

As we have recognized in prior decisions, the rate review criteria are interrelated and often in tension with one another and we seek to balance them as best we can in light of the facts and circumstances before us. *See In re Blue Cross and Blue Shield of Vermont 2025 Individual and Small Group Market Rate Filings*, GMCB-003-24rr & GMCB-004-24rr, Decision and Order (Aug. 4, 2022), 15.

First, as recommended by L&E, we require BCBSVT to reflect the update to unit costs detailed in the 2024 Large Group Unit Cost Trend Filing. *See Findings of Fact (Findings)*, ¶ 8; *In re Blue Cross and Blue Shield of Vermont 2025 Large Group Unit Cost Trend Rating Filing*, GMCB-008-24rr, Decision and Order (Aug. 19, 2024), 4. BCBSVT has agreed with this recommendation. *See BCBSVT Memo*, 2.

Second, consistent with our decision in BCBSVT's 2025 Large Group Unit Cost Trend Filing and 2025 Individual and Small Group Rate Filings, we also require BCBSVT assume that Vermont hospitals' commercial rate increases for FY 2025 and FY 2026 will be equal to the 3.4% commercial rate maximum set forth in the FY 2025 hospital budget guidance. This was the assumption BCBSVT used in its filings initially. Even though hospitals submitted FY 2025 budgets with commercial rate increases that are collectively higher than 3.4%, the guidance is still the most reasonable assumption available. It is not reasonable to assume that the Board will approve hospital budgets as submitted given the Board's guidance and its past record of reducing hospital requests. *See Findings*, ¶ 10; *In re Blue Cross and Blue Shield of Vermont 2025 Individual*

and Small Group Market Rate Filings, GMCB-003-24rr & GMCB-004-24rr, Decision and Order (Aug. 4, 2022), 16.

Third, we approve BCBSVT’s 7.0% CTR proposal. DFR’s solvency opinion indicates that the 7.0% CTR is necessary to increase and stabilize BCBSVT’s reserves. Findings, ¶ 12. We reluctantly approve the increased CTR in this proceeding as the proper course of action and mirror our decision in the Individual and Small Group Rate Filings, where we noted:

In light of the . . . the recent adverse experience that has driven the company’s reserves and RBC ratio to historically low levels, and DFR’s conclusion that a 7.0% CTR is necessary, we will not reduce the proposed CTR this year. This is not to say, however, that we will necessarily approve this level of CTR in future filings.

In re Blue Cross and Blue Shield of Vermont 2025 Individual and Small Group Market Rate Filings, GMCB-003-24rr & GMCB-004-24rr, Decision and Order (Aug. 4, 2022), 17.

Finally, we order BCBSVT to reduce the impact of Act 111 to reflect the delayed effective dates resulting from Act 185. BCBSVT has agreed to this measure. *See BCBSVT Memo, 2.*

ORDER

For the reasons discussed above, we modify and then approve BCBSVT’s 2024 AHP Rating Program Filing. Specifically, we order BCBSVT to (1) reflect the update to unit costs detailed in the 2025 Large Group Unit Cost Trend Filing, (2) assume that Vermont hospitals’ commercial rate increases for FY 2025 and FY 2026 will be equal to the 3.4% commercial rate maximum included in the FY 2025 hospital budget guidance, (3) increase the CTR to 7.0%, and (4) update the impact of Acts 111 and 185.

SO ORDERED.

Dated: August 19, 2024, at Montpelier, Vermont

s/ Owen Foster, Chair)
)
s/ Jessica Holmes) GREEN MOUNTAIN
) CARE BOARD
s/ Robin Lunge) OF VERMONT
)
s/ Thom Walsh)
)
s/ David Murman)

Filed: August 19, 2024

Attest: s/ Jean Stetter
Green Mountain Care Board
Administrative Services Director

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by email, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made (email address: Tara.Bredice@vermont.gov).

Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed within ten days of the date of this decision and order.