

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross Blue Shield of Vermont  
2024 Vermont ACA Individual Market Rate Filing  
SERFF No. BCVT-133654578

DOCKET NO. GMCB-002-23RR

In re: Blue Cross Blue Shield of Vermont  
2024 Vermont ACA Small Group Market Rate  
Filing

DOCKET NO. GMCB-003-23RR

SERFF No. BCVT-133654592

**PREFILED TESTIMONY OF Kevin Ruggeberg, FSA, MAAA**

Dated: July 11, 2023

**1. QUALIFICATIONS AND BACKGROUND**

**What is your name and who is your employer?**

My name is Kevin Ruggeberg. I am a Vice President and Senior Consulting Actuary at Lewis & Ellis.

**What type of business is Lewis & Ellis?**

Lewis & Ellis (also known as L&E) was founded in 1968 primarily as an actuarial consulting firm. In addition to actuarial work, L&E also consults in other insurance related matters such as financial and market conduct examinations and compliance.

**What is your educational background?**

1 I graduated from Baylor University with a Bachelor of Science in mathematics, and minors in economics  
2 and German. I am a fellow of the Society of Actuaries (SOA) and a member of the American Academy of  
3 Actuaries (AAA).

4  
5 **How long have you been an actuary?**

6 I have been working in the actuarial field for approximately 10 years. I have been a credentialed actuary  
7 for 7 years.

8  
9 **How long have you been retained by the Green Mountain Care Board (the Board) to provide  
10 actuarial services to the State of Vermont?**

11 L&E was engaged in 2014 to begin providing actuarial services to the Board, and I began providing  
12 actuarial services, including reviewing rate filings, to the Board at that time.

13  
14 **In what market segments you review rate filings in Vermont?**

15 The market segments have included QHP, encompassing merged individual and small group markets, as  
16 well as the unmerged individual and small group markets separately, and large group and association  
17 health plan markets.

18 **How experienced are you at reviewing health insurance rate filings in the Vermont marketplace?**

19 Very experienced.

20  
21 **Do you work on health insurance rate filings in other states?**

22 Yes.

1 **How many would you say?**

2 Since 2010, when ACA was passed, L&E staff has assisted 26 states with rate reviews. I am personally  
3 currently assisting three states with ACA rate reviews. Since 2010, L&E has reviewed over 1,500 filings  
4 combined between the Individual and Small Group ACA markets.

5 **How does Vermont's health insurance market compare to the markets in the other states you work**  
6 **with?**

7 Vermont's health insurance market has been different from the other states that we review. For example,  
8 it was a merged, community rated market and switched to an unmerged market for the 2022 plan year.  
9 For the 2024 plan year, the markets are remaining unmerged. However, it is helpful that we work with  
10 other states, because with the ACA, there are a lot of issues that impact everybody. It is very helpful for  
11 our reviewers to be able to see a wide range of filings and a myriad of market wide impacts, e.g., risk  
12 adjustment, and industry-wide developments, such as the COVID-19 pandemic and the American Rescue  
13 Plan Act.

14 **What do you do in your work to keep up with changing health care reform issues?**

15 Since we work with so many states, L&E is very active with keeping up with issues that impact the health  
16 insurance industry. I personally volunteer within the actuarial community in addition to meeting my  
17 continuing education requirements as stipulated by the American Academy of Actuaries and the Society  
18 of Actuaries. I have written exam questions for actuarial credentialing exams, particularly for actuaries  
19 seeking to become credentialed in Group and Health Insurance. I have also assisted as a member of the  
20 Project Oversight Groups for multiple Society of Actuaries research projects, including research into the  
21 national uninsured rate and into healthcare fraud. We have other actuaries who volunteer in many other  
22 capacities such as prior Society of Actuaries'(SOA's) Board of Directors, members of the SOA's Project  
23 Oversight Group for various research initiatives of the SOA, help with exam creation, curriculum  
24 development, and grading, and members of the Academy committees, such as the Individual and Small  
25 Group Markets Committee.

1 **2. FILING REVIEW PROCESS**

2 **Generally speaking, how is a health insurance rate filing reviewed?**

3 Both the rate filing and the rate review are very detailed processes that are based on strict regulatory  
4 guidance, both federal and state, and specific actuarial standards of practice, which we call ASOPs.

5 We estimate that there are over 100 pages of guidance that must be followed, these include: URRT,  
6 ASOP 8, 45 CFR 156.80, 45 CFR 147.102, GMCB Rule 2.000, 18 V.S.A. § 9375, and 18 V.S.A. § 4062.

7 As provided in the guidance, the primary point of the review is determining the reasonableness of the  
8 assumptions used by the health insurance issuer to develop the proposed rate increase. In evaluating the  
9 reasonableness of the assumptions, L&E can then assist the Green Mountain Care Board in their  
10 evaluation of the proposed rates.

11  
12 **What are your standards of review?**

13 As noted above, we review the filings to make sure that the companies follow both federal and state  
14 guidance. At the state level, the Board has many factors that it must consider in evaluating the proposed  
15 rates. L&E focuses on the concepts of “excessive, inadequate, and unfairly discriminatory,” specifically  
16 from an actuarial perspective. These terms have actuarial definitions that are included as part of ASOP #8  
17 L&E bases the filing evaluation on those factors, and then recommendations are made to the Board if  
18 L&E believes that the filing needs to be adjusted to meet those actuarial standards of review.

19  
20 **What is the definition of an “adequate” rate according to the actuarial standards of practice?**

21 Rates may be considered adequate if they provide for payment of claims, administrative expenses, taxes,  
22 and regulatory fees and have reasonable contingency or profit margins.

23  
24 **What is the definition of an “excessive” rate according to the actuarial standards of practice?**

1 Rates may be considered excessive if they exceed the rate needed to provide for payment of claims,  
2 administrative expenses, taxes, regulatory fees, and reasonable contingency and profit margins.

3  
4 **How is the term “unfairly discriminatory” defined according to the actuarial standards of practice?**

5 The term unfairly discriminatory doesn't come into play too often in a review, especially in Vermont due  
6 to the unique nature of its insurance rules. We review to determine that a rate is not unfairly  
7 discriminatory by confirming that a carrier doesn't charge similar people materially different rates.

8  
9 **What is L&E's process for reviewing a Vermont rate filing?**

10 For each filing we assign multiple credentialed actuaries that have different levels of responsibility.  
11 For these filings, I am the lead actuary and reviewer. Jacqueline Lee is the primary peer reviewer. In this  
12 role, she advised me on the issues that should be addressed with the company and assist in making  
13 recommendations. L&E actuaries Jason Doherty and Traci Hughes additionally provided support and peer  
14 review in the review of these filings.

15  
16 As a team, we review the submitted documentation to determine whether the proposed rates comply with  
17 the standards of review described above, and determine what additional information is necessary from the  
18 carrier in order to make such an assessment.

19  
20 **Could you briefly explain what SERFF is?**

21 SERFF is the National Association of Insurance Commissioners (NAIC) “System for Electronic Rate and  
22 Form Filing.” Insurance carriers submit their filing information into this system, and we communicate  
23 with the insurance carriers about the rate filings through SERFF.

1 **When you review a filing are you performing an independent analysis and calculation, or are you**  
2 **only checking a calculation or assumption you received from the companies?**

3 Generally, a rate review is used to determine the reasonableness of each underlying assumptions and the  
4 assumptions in the aggregate. We use different approaches based on the magnitude and materiality of the  
5 assumptions and their impact on the rate. For assumptions that are material, or for which we do not  
6 believe the company's calculation is reasonable, we will oftentimes perform an independent calculation  
7 and a detailed analysis. For assumptions that may not be as material to the rate increase and for  
8 assumptions that may not change that much since our last review, we will use the information provided to  
9 assess whether the assumption is reasonable. Many times, we may have to end up asking for additional  
10 information to help support the assumption, but we may not have to do any additional calculations.

11  
12 **Do you have a process for getting additional information from the company if you need it?**

13 Yes. The primary mechanism is through the submission of inquiry letters through SERFF. We also notify  
14 the company via email to make sure that they are aware that an inquiry letter was submitted. Early in the  
15 review period, the typical approach is to request for a response within a week. Towards the end of the  
16 review period, we may request a shorter response time, such as two days. After the review is complete,  
17 SERFF is designed such that serves as a template for a review process, and it also provides a permanent  
18 record of communications exchanged related to the review.

19  
20 **Did you follow the standard policies and practices that you have outlined above in your review of**  
21 **this filing?**

22 Yes, we did.

23  
24 **How long do you have to review a filing from the time it is submitted to the Board?**

1 By statute, we have 60 days to provide a formal report to the Board.

2  
3 **Did you submit a formal report to the Board in this filing?**

4 Yes, we submitted reports on July 5, 2023, Day 60 of these filings. Based on our review of the filings, our  
5 report recommended a series of modifications to the requested rate components. With the recommended  
6 modifications, L&E believes that this filing does not produce rates that are excessive, inadequate, or  
7 unfairly discriminatory. Our analysis of the filing indicated that applying the recommended modifications  
8 would increase the overall rate increase for the individual filing from 15.5% to approximately 17.7% and  
9 for the small group filing from 14.5% to approximately 16.5%.

10  
11 I attest, under penalty of perjury under the laws of the State of Vermont, that the foregoing is true and  
12 correct. I have personal knowledge of the facts set forth above and if called to testify as a witness thereto,  
13 I would and could competently testify accordingly.

14  
15 Date: July 11, 2022

/s/ Kevin Rugeberg  
Kevin Rugeberg, FSA, MAAA