

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Blue Cross Blue Shield of Vermont
2025 Vermont ACA Individual Market Rate Filing

SERFF No. BCVT-134091560

DOCKET NO. GMCB-004-24RR

In re: Blue Cross Blue Shield of Vermont
2025 Vermont ACA Small Group Market Rate
Filing

DOCKET NO. GMCB-003-24RR

SERFF No. BCVT-134096633

PREFILED TESTIMONY OF Kevin Ruggeberg, FSA, MAAA

Dated: July 12, 2024

1. QUALIFICATIONS AND BACKGROUND

What is your name and who is your employer?

My name is Kevin Ruggeberg. I am a 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 11 years. I have been a credentialed actuary
7 for 8 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 the Affordable Care Act was passed, L&E staff has assisted 25 states with ACA-related
3 rate reviews. L&E is currently assisting 17 state agencies with ACA reviews. In some capacity, the L&E
4 staff that helps the GMCB is currently assisting 9 other state agencies with ACA reviews (AK, CA, DC,
5 ID, KY, LA, MD, NM, SC, RI). Since 2010, L&E has reviewed over 1,750 filings combined between the
6 Individual and Small Group ACA markets.

7
8 **How does Vermont's health insurance market compare to the markets in the other states you work**
9 **with?**

10 Vermont's health insurance market has been different from the other states that we review. For example,
11 it was a merged, community rated market and switched to an unmerged market for the 2022 plan year.
12 For the 2025 plan year, the markets are remaining unmerged. However, the Board implemented
13 impactful new guidance surrounding CSR Loading this year which makes Vermont different from most
14 states. It is very helpful for our reviewers to be able to see a wide range of filings and a myriad of market
15 wide impacts, e.g., risk adjustment, and industry-wide developments, such as the COVID-19 pandemic
16 and the American Rescue Plan Act.

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

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

1 development, and grading, and members of the Academy committees, such as the Individual and Small
2 Group Markets Committee.

3 4 **2. FILING REVIEW PROCESS**

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

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

8 We estimate that there are over 100 pages of guidance that must be followed, these include: URRT,
9 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.

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

14 15 **What are your standards of review?**

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

22 23 **What is the definition of an “adequate” rate according to the actuarial standards of practice?**

24
25

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

3
4 **What is the definition of an “excessive” rate according to the actuarial standards of practice?**

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

7
8 **How is the term “unfairly discriminatory” defined according to the actuarial standards of practice?**

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

12
13 **What is L&E’s process for reviewing a Vermont rate filing?**

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

19
20 As a team, we review the submitted documentation to determine whether the proposed rates comply with
21 the standards of review described above, and determine what additional information is necessary from the
22 carrier in order to make such an assessment.

23
24 **Could you briefly explain what SERFF is?**

1 SERFF is the National Association of Insurance Commissioners (NAIC) “System for Electronic Rate and
2 Form Filing.” Insurance carriers submit their filing information into this system, and we communicate
3 with the insurance carriers about the rate filings through SERFF.
4

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

7 Generally, a rate review is used to determine the reasonableness of each underlying assumptions and the
8 assumptions in the aggregate. We use different approaches based on the magnitude and materiality of the
9 assumptions and their impact on the rate. For assumptions that are material, or for which we do not
10 believe the company’s calculation is reasonable, we will oftentimes perform an independent calculation
11 and a detailed analysis. For assumptions that may not be as material to the rate increase and for
12 assumptions that may not change that much since our last review, we will use the information provided to
13 assess whether the assumption is reasonable. Many times, we may have to end up asking for additional
14 information to help support the assumption, but we may not have to do any additional calculations.
15

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

17 Yes. The primary mechanism is through the submission of inquiry letters through SERFF. We also notify
18 the company via email to make sure that they are aware that an inquiry letter was submitted. Early in the
19 review period, the typical approach is to request for a response within a week. Towards the end of the
20 review period, we may request a shorter response time, such as two days. After the review is complete,
21 SERFF is designed such that serves as a template for a review process, and it also provides a permanent
22 record of communications exchanged related to the review.
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1 **Did you follow the standard policies and practices that you have outlined above in your review of**
2 **this filing?**

3 Yes, we did.
4

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

6 By statute, we have 60 days to provide a formal report to the Board.
7

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

9 Yes. Based on our review of the filings, our report recommended a series of modifications to the
10 requested rate components. With the recommended modifications, L&E believes that these filings do not
11 produce rates that are excessive, inadequate, or unfairly discriminatory. Our analysis of the filings
12 indicated that applying the recommended modifications would increase the overall rate increase for the
13 individual filing from 16.3% to approximately 14.5% and for the small group filing from 19.1% to
14 approximately 17.4%. We additionally recommended the Board consider likely hospital budget changes,
15 the impact of which I cannot estimate at this time.
16

17 I attest, under penalty of perjury under the laws of the State of Vermont, that the foregoing is true and
18 correct. I have personal knowledge of the facts set forth above and if called to testify as a witness thereto,
19 I would and could competently testify accordingly.
20

21 Date: July 12, 2024

/s/ Kevin Ruggeberg
Kevin Ruggeberg, FSA, MAAA