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July 17, 2023

Green Mountain Care Board  
State of Vermont  
144 State Street  
Montpelier, VT 05602

Re: Blue Cross and Blue Shield of Vermont 2024 AHP Filing (SERFF # BCVT-133676244)

The purpose of this letter is to provide a summary and recommendation regarding the proposed Association Health Plan (AHP) Filing for Blue Cross and Blue Shield of Vermont (BCBSVT) and to assist the Board in assessing whether to approve, modify, or disapprove the request.

***Filing Description***

1. BCBSVT is a non-profit hospital and medical service corporation. BCBSVT provides coverage to individuals, small and large group employer, Medicare enrollees Vermont.
2. This filing updates the formula, manual rate and accompanying factors that will be used for pricing of AHP products. This filing includes support for key assumptions, such as trend, benefit relativities, administrative costs, and large claim factors.
3. This filing is applicable to Pathway 1 AHP's with coverage years beginning in 2024. BCBSVT currently provides coverage to one AHP. This filing is projected to affect 1,454 members enrolled in that AHP.
4. The most important component of any AHP's premium is their past claims experience. Group-level premiums for coverage years beginning 1Q 2024, for example, will be based on the most current experience available at the time, if available. For this reason, no AHP's actual premium pursuant to this filing is currently known.
5. The previous filing, approved with modification on September 30, 2022, resulted in an average manual rate premium change of +11.1%.
6. As initially filed, the average fully insured group will likely experience a premium change of approximately 7.2%<sup>1</sup>, or roughly \$54.12 PMPM, itemized below.
  - a. Change to Projected Claims: **+7.4%**
  - b. Change from Projected Pharmacy Rebates: **-1.1%**
  - c. Change to Pediatric Vision and Dental: **-0.0%**
  - d. Change in Administrative Charges: **-1.3%**

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<sup>1</sup> The itemized changes are multiplicative and may not add up to the total.

- e. Contribution to Reserves: **+1.7%**
- f. Mandates and Assessments: **+0.2%**
- g. Additional Items: **+0.4%**

It should be noted that the actual rate change, even averaged across all AHPs, may differ from this level. This is because the filed rating formula incorporates experience which has not yet occurred. If claims are different from current expectations during 2023, this information will flow through to premiums when groups renew their coverage.

Currently, there is only one AHP, and it is large enough that it does not use the manual rate. So, the projected 7.2% rate change is mostly applicable to new AHPs quoted during the next year.

### ***Standard of Review***

Pursuant to Green Mountain Care Board (Board) Rule 2.000 Health Insurance Rate Review, this letter is to assist the Board in determining whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the law, and is not excessive, inadequate, or unfairly discriminatory.

### ***Summary of the Data Received***

BCBSVT provided the proposed methodology used to calculate the AHP premiums for policy years beginning after approval of this filing. The Company provided exhibits and support for each component of the premium development, including trend, administrative costs, contribution to reserves, and risk charge factors, network changes and large claim factors. As most rating factors are shared between this filing and the 2024 Large Group filing, some supplementary materials provided in that filing were reviewed in relation to the proposed AHP rates.

### ***Filing Analysis***

1. ***Updated Experience Base:*** The projected claims underlying the proposed rates are based on combined AHP, large group, small group plans with greater than 25 members, and Cost Plus groups. The time period used to calculate the proposed manual rate is from January 2022 through December 2022, using claim payments through March 2023.

While this is a different set of policyholders than used to calculate the Large Group manual rate, the resulting projected cost per member is extremely similar. The proposed Large Group manual rate is \$769.81 PMPM, whereas the AHP manual rate proposed is \$755.25. That is, before considering group/association-specific experience, projected claims are about 1.9% lower for AHP's than Large Groups.

It should be noted that the one AHP currently insured by BCBSVT is large enough to be considered "fully credible" for rating purposes. This means its premiums will be based on the actual claims it experiences during 2022 and 2023. Thus, the large and small group data used to develop the manual rate are primarily relevant for any new AHP's that might be quoted this year.

2. ***Medical Trend Development***

#### **Utilization and Intensity**

The experience on the AHP block is not of sufficient size and stability to perform independent trend analysis. BCBSVT has set utilization trends equal to those approved by the Board in their review of the 2024 Large Group filing. We believe this is appropriate and do not propose any changes.

### Unit Cost

The unit cost trend assumptions in this filing are consistent with those assumed in the concurrent Individual and Small Group filings, SERFF # BCVT-133654578 and BCVT-133654592. Please refer to L&E's report on that filing for more detailed information regarding these assumptions.

For some non-GMCCB facilities, updated contracting information is now available that was not available at the time of this filing. L&E estimates that this new information would decrease rates by approximately 0.4%, and recommends the Board require this update.

The filing assumes that unit cost increases on GMCCB-regulated facilities would mirror the FY2022 increases. However, hospital budget submissions are now available, providing a new source of information on which to base this assumption. Consistent with our previous recommendation, L&E believes this new information should be considered in the evaluation of the proposed rating factors.

The Board should consider premium increases consistent with what they anticipate will occur with hospital budgets. While L&E cannot predict what the Board will do regarding hospital budgets, we can inform the Board's understanding of how hospital budget decisions impact the premiums for the BCBSVT VISG filings. The table below shows the approximate impact to the proposed premium rate increase for large group policies that would result from various levels of FY2024 hospital budget unit cost increases.

Average 2024 Hospital Budget Unit Cost Increase Approved	Impact to Initially Filed AHP Rate Increase
0%	-2.1%
1%	-1.7%
2%	-1.2%
3%	-0.8%
4%	-0.4%
5%	+0.1%
6%	+0.5%
7%	+0.9%
8%	+1.3%
9%	+1.8%
10%	+2.2%
11%	+2.6%
12%	+3.1%
13%	+3.5%
14%	+3.9%
15%	+4.4%

Please note that these assume a flat increase across all facilities, and the intricacies of contract renewal timing and the distribution of services across service categories mean that Budget orders which produce a given average according to the Hospital Budget systems weightings might not be perfectly equivalent to the corresponding average increase in the table above, which should be understood as approximate.

3. *Administrative Costs*: Unlike in previous AHP filings, the administrative charge is based specifically on the AHP line of business' historical administrative costs. The 2022 administrative costs of \$43.33

are trended forward at 4% per year for inflation in operating costs, and then reduced by 3.4% due to the anticipated growth in BCBSVT enrollment and resulting spread of fixed costs across a greater membership.

We believe this is a reasonable approach and do not recommend any changes.

4. *Contribution to Reserves (CTR)*: The proposed CTR is 3.0% of premium. This is consistent with the Company's request regarding large group business as well as individual and small group for 2024.

We find the inclusion of a 3.0% of premium CTR assumption reasonable.

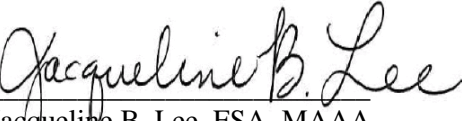
***Recommendation***

The rates proposed in this filing differ from the approved 2024 large group rates only in their use of updated information regarding hospital budgets and other unit cost changes, use of lower administrative charges, and in the slightly different set of experience used in the calculation of the manual rate. L&E recommends that the filing be approved after being recalculated with updated hospital budget information available at the time of the Board's deliberations, in a manner consistent with the Large Group order at that time; and reflecting the update to non-GMCB unit costs as reflected in the Large Group filing.

Sincerely,



Kevin Ruggeberg, FSA, MAAA  
Vice President & Senior Consulting Actuary  
Lewis & Ellis, Inc.



Jacqueline B. Lee, FSA, MAAA  
Vice President & Principal  
Lewis & Ellis, Inc.

**ASOP 41 Disclosures**

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations<sup>2</sup>, promulgates actuarial standards of practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct<sup>3</sup>, to observe the ASOPs of the ASB when practicing in the United States. ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in the following.

**Identification of the Responsible Actuary**

The responsible actuaries are:

- Kevin Rugeberg, FSA, MAAA, Vice President & Senior Consulting Actuary at Lewis & Ellis, Inc. (L&E).
- Jacqueline B. Lee, FSA, MAAA, Vice President & Principal at Lewis & Ellis, Inc. (L&E).

These actuaries are available to provide supplementary information and explanation. The actuaries also acknowledge that they may be acting as an advocate.

**Identification of Actuarial Documents**

The date of this document is July 17, 2023. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 17, 2023.

**Disclosures in Actuarial Reports**

- The contents of this report are intended for the use of the Green Mountain Care Board. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis Inc. is financially and organizationally independent from the health insurance issuers whose rate filings were reviewed. There is nothing that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the Board in assessing whether to approve, modify, or disapprove the rate filing.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided by the issuers for reasonableness, but L&E has not audited it. L&E nor the responsible actuaries assume responsibility for these items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.
- L&E is not aware of any subsequent events that may have a material effect on the findings.
- There are no other documents or files that accompany this report.
- The findings of this report are enclosed herein.

**Actuarial Findings**

The actuarial findings of the report can be found in the body of this report.

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<sup>2</sup> The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

<sup>3</sup> These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

**Methods, Procedures, Assumptions, and Data**

The methods, procedures, assumptions and data used by the actuary can be found in the body of this report.

**Assumptions or Methods Prescribed by Law**

This report was prepared as prescribed by applicable law, statutes, regulations, and other legally binding authority.

**Responsibility for Assumptions and Methods**

The actuaries do not disclaim responsibility for material assumptions or methods.

**Deviation from the Guidance of an ASOP**

The actuaries have not deviated materially from the guidance set forth in an applicable ASOP.