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July 19, 2024

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

Re: Blue Cross and Blue Shield of Vermont 2025 AHP Filing (SERFF # BCVT-134106867)

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 1,610 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 2025, 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 August 14, 2023, resulted in an average manual rate premium change of about +7.4%.

6. As initially filed, the average fully insured group will likely experience a premium change of approximately 10.2%[1], or roughly $81.47 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%**

[1] The itemized changes are multiplicative and may not add up to the total.

e. Contribution to Reserves**: +0.3%**
f. Mandates and Assessments**: +0.0%**
g. Additional Items: +**0.1%**

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 2024, 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 10.2% 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 2025 Large Group filing, some supplementary materials provided in that filing were reviewed in relation to the proposed AHP rates.

Filing Analysis

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 2023 through December 2023, using claim payments through March 2024.

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 $817.24 PMPM, whereas the AHP manual rate proposed is $819.28. That is, before considering group/association-specific experience, projected claims are about 0.2% higher 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 2023 and 2024. 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.

Medical Trend Development

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 2025 Large Group filing. We believe this is appropriate and do not propose any changes.

The unit cost trend assumptions in this filing were intended to be consistent with those assumed in the concurrent Large Group filing, SERFF # BCVT-134106868. However, a mistake was made in the

development of this filing wherein they were accidentally set equal to those used in the approved Large Group filing. Updating to the more current estimates of unit cost trends would reduce premium by 1.4% from the amount requested in this filing. That is, this correction reduces the request from BCBSVT from 10.2% to approximately 8.6%. L&E believes this correction is appropriate as it reflects more up-to-date information regarding provider contracting. Please refer to L&E's report on the Large Group filing for more detailed information regarding these assumptions.

Hospital Budget Updates

For this section, all changes will be in relation to the 8.6% rate change noted above.

Since this filing was submitted, hospitals regulated by the GMCB have submitted their FY2025 budget proposals. BCBSVT calculated the rate change that would result from assuming that those proposals were approved in full, which is an increase of about 1.0%. So, instead of an 8.6% rate increase, approval of hospital budgets as submitted would result in a premium rate increase of 9.7%.

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 LG filing. The table below shows the approximate impact to the proposed premium rate increase for large group policies that would result from various levels of FY2025 hospital budget unit cost increases.

Average 2025 Hospital Budget Unit Cost Increase Approved	Modification to AHP Rate Increase
0%	-2.6%
1%	-2.1%
2%	-1.6%
3%	-1.2%
4%	-0.7%
5%	-0.2%
6%	+0.3%
7%	+0.8%
8%	+1.2%
9%	+1.7%
10%	+2.2%

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.

Contribution to Reserves

The proposed 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%. As can be seen by the chart above, this is an abnormally high level for the individual and small group markets. Given BCBSVT's current RBC situation, L&E estimates that the contribution to reserves could reasonably fall between roughly 3% and 7%, depending on factors outside the scope of our review. L&E recommends that the Board consult with DFR to determine the appropriate level of CTR for this business.

If the 7% CTR is used to replace the 3% CTR in this filing, the 9.7% increase referenced above becomes a 14.4% increase in premiums.

Bill H.766

Vermont House Bill 766 limits insurers' ability to require prior authorization and otherwise control utilization of medical services by their members. This filing incorporates a 1.9% premium increase to account for the version of the bill available at the time the filing was submitted. The bill was signed into law with some provisions delayed in implementation until after 2025. As such, the rate impact assumed in this filing is too high. BCBSVT estimated the reduced impact of the bill as being about 1.3%.

Because this is lower than what was incorporated in the filing, using the updated estimate reduces the premiums by about 0.6% relative to the initial request in this filing. L&E believes this lower number is reasonable. If this updated impact from H.766 is used, the 14.4% rate increase referenced above becomes a 13.7% increase.

Administrative Costs

Unlike most other rating variables, the administrative costs for AHP business differs from the corresponding assumption in the Large Group filing. The experience used to develop the base period administrative charge is based on AHP specifically, resulting in a lower projected cost. Additionally, because the starting data is from 2023 rather than 2022 as in the Large Group filing, one fewer year of the 4% annual cost trend is assumed. Finally, because updated information regarding enterprise level enrollment is known, the adjustment to fixed costs has been increased slightly.

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

Recommendation

After modification, L&E believes that this filing does not produce rates that are excessive, inadequate, or unfairly discriminatory. Therefore, L&E recommends that the Board make the following modifications:

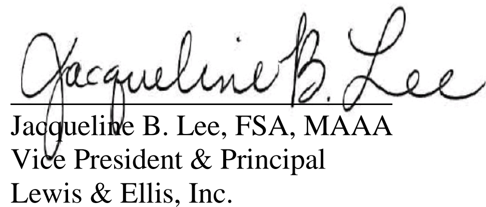
- Consider Updated Hospital Budget Information: L&E recommends updating the assumed unit cost trends in the 2025 premium rate calculations based on hospital budget submission.

- Increase CTR: L&E recommends that the Board consult with DFR to determine the appropriate level of CTR for this business.

- Impact of Bill H.766: L&E recommends that updated rating for Bill H.766 be reflected.

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[2], 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[3], 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 Ruggeberg, FSA, MAAA, Senior Consulting Actuary at Lewis & Ellis, LLC
- Jacqueline B. Lee, FSA, MAAA, Vice President & Principal at Lewis & Ellis, LLC

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 19, 2024. 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.

Methods, Procedures, Assumptions, and Data

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[2] 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.

[3] These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

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.