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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 Large Group Filing (SERFF # BCVT-134106868)

The purpose of this letter is to provide a summary and recommendation regarding the proposed Large Group Filings 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 employers, and Medicare enrollees in Vermont.
2. A filing was previously submitted and approved (SERFF # BCVT-133971481) which established the formula, manual rate and accompanying factors that will be used for Large Group renewals. This filing modifies the trend and manual rate figures from that filing, in order to reflect updated hospital budget information.
3. This filing addresses BCBSVT Insured and Cost Plus large groups. There are approximately 2,446 subscribers and 4,264 covered lives affected by this filing.
4. The most important component of any group'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. For this reason, no group's actual premium increase pursuant to this filing is currently known.
5. The previous filing, approved without modification on May 10, 2024, resulted in an average manual rate premium change of approximately 8.4%.
6. This filing proposes a further increase of 0.3% to manual rate premiums to reflect the impact of updated hospital budget and other provider contracting information, and to reflect the impact of H.766.

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

This filing reflects updates to two specific aspects of the Large Group rating process: the experience rating trend and the manual rate.

This filing contains updated projections of cost by facility, consistent with the prior filing. These are labeled Exhibit 2A. Exhibit 2G provides a detailed breakdown of how the trend assumptions are applied to monthly data for experience-rated groups, Exhibit 4A demonstrates the adjustments applied to the manual rate, and Exhibit 4C provides the projected Medical Loss Ratio. These are the only changes to the filed rates proposed in this filing.

Filing Analysis

All rating components other than the prospective unit cost trend assumptions and manual rate were recently reviewed by L&E and considered by the Green Mountain Care Board. We do not wish to repeat that review here. More detail on those unchanging aspects of the proposed rating process can be found on the Green Mountain Care Board website under SERFF filing BCVT-133971481.

The total premium rate impact estimated as +0.3% is the combination of the following components:

- Updates to assumed provider contracting changes, which results in a rate change of -1.6% compared to the previously approved filing.
 - Reflecting the impact of H.766, which was expected to increase premiums by 1.9% at the time of this filing.
1. *Medical Unit Cost Changes:* The table below summarizes the unit cost trends as approved by the Board in the previous filing. They are reflective of averages assumed at the hospital/provider level.¹

Previously Approved Medical Unit Cost Trends

Year	GMCB	Other Facilities
2024	5.4%	5.7%
2025	6.5%	5.4%

The table below reflects the modifications proposed by BCBSVT in this filing.

Filed Medical Unit Cost Trends

Year	GMCB	Other Facilities
2024	5.2%	5.5%
2025	3.5%	5.1%

As filed, the impact of changing unit cost increases was -1.6% to premium. The updates reflect more up-to-date information regarding negotiation with non-Vermont hospitals, as well as a change in the assumed increases for GMCB-regulated facilities. In the approved filing, BCBSVT assumed unit cost increases equivalent to the five-year average of those approved for FY 2020 – FY 2024

¹ There are three networks with very slightly different reimbursement trends. For simplicity, we are showing the “VHP” network. The rate changes and our conclusions are consistent across all three networks.

for each facility. In this filing, that was updated to assume that each facility would receive a hospital budget unit cost increase equal to the budget guidance issued by the Board, i.e. 3.4%.

2. *Hospital Budget Updates:* 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 a further increase of 1.1%. That is, if hospital budgets were approved as submitted, this filing would need a premium increase of about 1.5%, rather than the +0.3% initially requested.

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 LG Rate Increase
0%	-2.6%
1%	-2.1%
2%	-1.6%
3%	-1.1%
4%	-0.7%
5%	-0.2%
6%	+0.3%
7%	+0.8%
8%	+1.3%
9%	+1.8%
10%	+2.3%

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. *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 1.5% increase referenced above becomes a 6.3% increase in premiums.

4. *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 1.2%.

Because this is lower than what was incorporated in the filing, using the updated estimate reduces the premiums by about 0.7% 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 6.3% rate increase referenced above becomes a 5.5% increase.

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 Rugeberg, 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 organizations², 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 Conduct³, 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, 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 19, 2024.

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

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 body of this report.

Assumptions or Methods Prescribed by Law

This report was prepared as prescribed by applicable law, statues, 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.