

Blue Cross and Blue Shield of Vermont  
2024 Large Group Unit Cost Trend Filing  
Actuarial Memorandum

**1. Purpose**

Blue Cross and Blue Shield of Vermont (Blue Cross VT) performs large group rating on a case-by-case basis. We accomplish rating through a formulaic approach that blends recent group experience with a manual rate according to a credibility formula. We may adjust formula results for underwriting judgment and/or management decisions. This filing updates the medical unit cost trend factors that we will use for renewals beginning upon approval of this filing, most notably January 2024 renewals. Updates to the unit cost trend factors flow through to impact the manual rate as well—we also demonstrate this impact as part of this filing.

Once approved, we will use this filing for insured large group and grandfathered small group renewals (we will refer to them collectively as large groups for the remainder of the filing) until superseded by a subsequent filing. This filing will apply beginning with rates communicated within seven business days after the date of its approval and continuing until at most seven business days after the date of approval of the next Blue Cross VT Large Group Rating Program filing. The term “communicated,” for this purpose, means a written proposal delivered to a large group account.

**2. Overview and Rate Impact**

**2.1. Overview**

This filing includes the development of medical unit cost factors and illustrates a manual rate developed using the medical unit cost trend factors. The medical unit cost factors update those approved in the 2024 Blue Cross VT Large Group Rating Program Filing (BCVT-133551255). For non-GMCR regulated facilities, the unit cost trend factors align with those filed in the 2024 Vermont ACA Market rate filings (BCVT-133654578 and BCVT-133654592). We use this formula for insured products, including Cost Plus. Blue Cross VT projects that this filing will affect 5,785 members (3,270 subscribers) in 40 groups. These totals are as of December 31, 2022.

**2.2. Impact of Formula and Factor Changes**

This total impact of changes in medical unit cost factors is 2.8 percent.

**3. Medical Unit Cost Trend**

We use medical claims incurred from September 1, 2018, to August 31, 2022, paid through October 31, 2022, and pharmacy claims incurred from October 1, 2018, to September 30, 2022, paid through October 31, 2022. We apply completion factors to estimate the ultimate incurred claims for each period shown in the exhibits.

Observations of recent contracting and provider budgetary changes are the main source of unit cost trends. During the year ended August 2022, roughly 53 percent of total claims dollars were provided by Vermont facilities and providers directly affected by the hospital budget review process of the Green Mountain Care Board (GMCR).

For hospitals under the jurisdiction of GMCR review, we start with the assumption that the GMCR will approve hospital budgets for October 1, 2023, and October 1, 2024, that reflect that five-year average of

Blue Cross and Blue Shield of Vermont  
2024 Large Group Unit Cost Trend Filing  
Actuarial Memorandum

prior approvals. This is aligned with the approved factors from the 2024 Large Group filing (BCVT-133551255)<sup>1</sup>.

For other providers within the Blue Cross VT service area, we work with the Blue Cross VT contracting team to include expected increases to fee schedules.

The provider contracting and actuarial departments worked together to assess the impact these increases would have on contracts for Blue Cross VT Managed Care, Blue Cross VT Non-Managed Care, and TVHP Managed Care contracts. For marketing reasons, Blue Cross VT negotiates different unit cost increases for each of the three contracts. To reflect these differences, we calculate a cost trend for each contract.

Finally, we derive unit cost increases for providers outside the Blue Cross VT service area from the Fall 2022 Blue Trend Survey, which is a proprietary and confidential dissemination of the BlueCross BlueShield Association.

Exhibit 2A shows the details of the cost increases by contract and type of claim.

We use the expected increases to trend the contract-normalized claims to the projection period.

The chart below summarizes the results of the analysis:

<b>Medical Unit Cost Trend – CY 2023</b>			
	Blue Cross VT Managed Care	Blue Cross VT Non-Managed Care	TVHP Managed Care
Vermont facilities and providers impacted by GMCB’s Hospital Budget Review	14.1%	14.1%	14.1%
Other facilities and providers	5.6%	5.6%	5.6%
<b>Total</b>	<b>10.1%</b>	<b>10.1%</b>	<b>10.1%</b>

<b>Medical Unit Cost Trend – CY 2024</b>			
	Blue Cross VT Managed Care	Blue Cross VT Non-Managed Care	TVHP Managed Care
Vermont facilities and providers impacted by GMCB’s Hospital Budget Review	6.4%	6.9%	6.4%
Other facilities and providers	6.3%	6.3%	6.3%
<b>Total</b>	<b>6.3%</b>	<b>6.6%</b>	<b>6.3%</b>

**3.1. Prior Experience Period Trend Factors**

We trend prior experience periods to the most current experience period using observed trends and apply the trend factors in section 4 to trend from the most current experience period to the rating period. Exhibit 2G contains the trend factors applicable to prior periods. For months following our trend base (that is, after August 2022, the observed trend is set to the trend factors in section 3. To develop

<sup>1</sup> We expect to update the unit cost trend assumptions upon review of the June 30, 2023 hospital budget submissions.

Blue Cross and Blue Shield of Vermont  
2024 Large Group Unit Cost Trend Filing  
Actuarial Memorandum

the observed medical trend factors, we calculate a monthly utilization trend. We apply actual cost increases to calculate the total observed medical trend.

The 2024 Large Group filing factors applied historical utilization trend based on total monthly claims. We update the historical utilization trends to be on a PMPM-basis, using the same underlying data as in the 2024 Large Group filing. We consider this update to more accurately reflect underlying trend in prior experience periods.

**4. Manual Rate**

We have updated the manual rate for actives from the 2024 Blue Cross VT Large Group Rating Program Filing only to apply the trends as described in section 3. We also update the trend factors in section 3.1 to apply utilization trends on a PMPM basis.

Calculation of the Manual Rate (Actives)				
Claim Type		Medical	Pharmacy	Total
2024 Manual Rate	A	\$602.14	\$145.37	\$747.51
2024 Paid Trend Factor	B	1.233	N/A	
Updated Paid Trend Factor	C	1.279		
Updated Manual Rate	$D = A \times (C/B)$	\$624.44	\$145.37	<b>\$769.81</b>

As noted in section 3.1, the prior experience trend factors in the 2024 Large Group filing used total monthly claims to apply utilization trends. Since the member months varied through the trend experience period, this update has a different impact based on the experience period used. Switching utilization to a PMPM basis increases the manual rate, which also increases the full manual premium. Conversely, the change in methodology decreases the trend factors used in the experience rates, which ultimately decreases the full credibility-adjusted premium rate. The table below provides the impact by claim component.

Claim Component	Impact of Method Change
Manual Rate	2.0%
Experience Rate, Year 1	2.0%
Experience Rate, Year 2	-9.4%
Experience Rate, Year 3	-10.2%
Total	-2.6%

As shown in the table above, this change methodology results in a net decrease for groups for this component.

**5. Medical Loss Ratio Projection**

We use the factors and formula in this filing to project a Medical Loss Ratio (MLR) for 2024. Using the manual rate as a proxy for projected claims, we project a 2024 MLR of 89.0 percent. The credibility-adjusted MLR for Large Group was 90.1 percent in 2020 and 89.5 percent in 2021. Exhibit 4C provides the development of the projected MLR. The calculations represent estimates assuming that all pricing

Blue Cross and Blue Shield of Vermont  
2024 Large Group Unit Cost Trend Filing  
Actuarial Memorandum

assumptions hold true, and assuming no change from 2021 values for various quantities (e.g., HCQ, commissions).

**6. Act 193 Information**

This information is included template filed in SERFF with this filing (*VT Rx Data Template - BCBSVT - 2024 Large Group Unit Cost.xlsx*). The data in the template is based on actual and projected experience for the groups included in the manual rate.

**7. Actuarial Opinion**

I, Martine Lemieux, Actuarial Director of Financial Integrity, am an employee of Blue Cross Blue Shield of Vermont and a member of the American Academy of Actuaries. I have experience in the area of insured health care programs.

Section 8 lists applicable limitations and disclosures.

It is my opinion that the factors presented in this filing are reasonable and have been prepared in accordance with applicable Actuarial Standards of Practice. The factors will produce premium rates that are reasonable in relation to the benefits provided and will not be excessive inadequate or unfairly discriminatory.

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's Qualification Standards to render this opinion.

  
Martine Lemieux, F.S.A., M.A.A.A.

May 16, 2023

Blue Cross and Blue Shield of Vermont  
2024 Large Group Unit Cost Trend Filing  
Actuarial Memorandum

**8. Disclosures**

**Information Date:** The analysis provided in the report is based on information as known on May 15, 2023.

**Scope:** The purpose of this filing is to update the trend factors and manual rate that will be used for renewals of Blue Cross and Blue Shield of Vermont large group plans. This filing is not intended to be used for other purposes.

**Intended Users:** This material has been prepared for the GMCB. Blue Cross VT understands that this memorandum and accompanying exhibits will be posted publicly.

**Uncertainty or Risk:** Future events will affect the results presented in the memorandum.

Per GMCB guidance published on March 29, 2023<sup>2</sup>, Vermont hospital budgets submissions are due June 30, 2023. The hospital budget submissions will be different from the assumptions included in this filing and may call into question the adequacy or excessiveness of the premium rates discussed herein.

**Reliance on Other Sources for Data and Other Information:** This analysis relies upon data from the Blue Cross VT data warehouse. I have reviewed the data for reasonableness, but no audit was performed.

**Subsequent Events:** New information related to the COVID-19 pandemic continues to emerge on a regular basis. Subsequent events may affect the projected MLR presented herein. The degree to which future events may materially change the MLR is unknown.

On May 1, 2023, Blue Cross VT announced that it intends to affiliate with Blue Cross and Blue Shield of Michigan. The regulatory approval process, which will begin once both entities file with their respective state regulators, does not have a specific timeline. The effect of this proposed affiliation on the projections included in the filing is currently expected to be immaterial.

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<sup>2</sup> <https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Hospital%20Budget%20Guidance%20FINAL.pdf>

BLUE CROSS AND BLUE SHIELD OF VERMONT  
2024 LARGE GROUP UNIT COST TREND FILING

TABLE OF CONTENTS

<b>Exhibit 2</b>	<b>Trend</b>
2A	Medical Cost Trend Calculation - CONFIDENTIAL
2G	Monthly Trend Factors
<b>Exhibit 4</b>	<b>Manual Rate</b>
4A	Example of Manual Rate Adjustment
4C	Projected 2024 MLR Calculation

UNIT COST TREND SUMMARY

	Inpatient				Outpatient				Facility Total	Professional					Total				VT / GMCB	All Other			
	GMCB	NH	BlueCard	Other	GMCB	NH	BlueCard	Other		GMCB	Community	NH	BlueCard	Other	Total	VT / GMCB	NH	BlueCard			Other	Total	
VHP	YE 202208									119,700,591						50,439,044					170,139,635		
	CY 2022									122,589,465						51,096,116					173,685,581		
	YE 202306									130,500,941						52,802,834					183,303,776		
	CY 2023									136,925,928						54,309,525					191,235,453		
	CY 2024									146,446,175						56,927,474					203,373,649		
	Exp % of Total Prj % of Total									100.0%						100.0%					100.0%		
IND	CY 2023 / CY 2022									11.7%						6.3%					10.1%	14.1%	5.6%
	CY 2024 / CY 2023									7.0%						4.8%					6.4%	6.3%	
	CY 2024 / YE 202208									9.0%						5.3%					9.9%	5.7%	
	Annual Cost Trend									8.0%						5.1%					7.2%	8.1%	
TVHP	YE 202208									86,736,320						50,439,044					170,139,635		
	CY 2022									88,910,812						51,096,116					173,730,804		
	YE 202306									94,823,041						52,802,834					183,343,939		
	CY 2023									99,504,735						54,309,525					191,277,357		
	CY 2024									106,948,658						56,927,474					203,887,404		
	Exp % of Total Prj % of Total									100.0%						100.0%					100.0%		
TVHP	CY 2023 / CY 2022									11.9%						6.3%					10.1%	14.1%	5.6%
	CY 2024 / CY 2023									7.5%						4.8%					6.9%	6.3%	
	CY 2024 / YE 202208									9.4%						5.3%					10.1%	5.7%	
	Annual Cost Trend									8.4%						5.1%					7.3%	8.4%	

MONTHLY TREND FACTORS

Month	Medical - Blue Cross VT	Medical - Blue Cross VT	Medical - TVHP
	Managed	Non- Managed	
August 2019	1.0000	1.0000	1.0000
September 2019	1.0069	1.0069	1.0069
October 2019	1.0623	1.0623	1.0623
November 2019	1.0890	1.0890	1.0890
December 2019	1.0826	1.0826	1.0826
January 2020	0.9740	0.9741	0.9740
February 2020	1.0131	1.0127	1.0133
March 2020	0.7288	0.7285	0.7289
April 2020	0.5893	0.5891	0.5894
May 2020	0.8183	0.8180	0.8184
June 2020	1.0140	1.0136	1.0142
July 2020	1.0646	1.0642	1.0648
August 2020	1.0098	1.0101	1.0106
September 2020	1.0415	1.0418	1.0423
October 2020	0.9211	0.9214	0.9219
November 2020	0.9015	0.9019	0.9023
December 2020	1.0507	1.0511	1.0516
January 2021	1.1115	1.1119	1.1124
February 2021	1.0943	1.0959	1.0952
March 2021	1.0651	1.0667	1.0661
April 2021	1.1467	1.1485	1.1477
May 2021	1.2939	1.2958	1.2950
June 2021	1.0725	1.0741	1.0734
July 2021	1.0380	1.0396	1.0389
August 2021	1.0241	1.0278	1.0271
September 2021	1.2006	1.2049	1.2041
October 2021	1.1376	1.1417	1.1409
November 2021	1.2522	1.2567	1.2559
December 2021	0.9716	0.9751	0.9744
January 2022	0.9831	0.9867	0.9860
February 2022	1.1489	1.1544	1.1523
March 2022	1.1975	1.2033	1.2011
April 2022	1.1755	1.1812	1.1790
May 2022	1.2106	1.2164	1.2142
June 2022	1.1537	1.1592	1.1570
July 2022	1.3486	1.3551	1.3526
August 2022	1.1626	1.1681	1.1660
September 2022	1.1847	1.1904	1.1882
October 2022	1.2386	1.2445	1.2422
November 2022	1.2439	1.2498	1.2475
December 2022	1.2489	1.2549	1.2526
January 2023	1.3081	1.3143	1.3119
February 2023	1.3135	1.3197	1.3173
March 2023	1.3187	1.3249	1.3225
April 2023	1.3240	1.3302	1.3278
May 2023	1.3293	1.3356	1.3332
June 2023	1.3347	1.3410	1.3385
July 2023	1.3605	1.3669	1.3644
August 2023	1.3660	1.3725	1.3700
September 2023	1.3276	1.3339	1.3314
October 2023	1.3721	1.3786	1.3762
November 2023	1.3775	1.3840	1.3817
December 2023	1.3828	1.3893	1.3869
January 2024	1.4158	1.4258	1.4194
February 2024	1.4215	1.4316	1.4252
March 2024	1.4272	1.4372	1.4308
April 2024	1.4328	1.4429	1.4365
May 2024	1.4385	1.4487	1.4422
June 2024	1.4443	1.4545	1.4480
July 2024	1.4730	1.4833	1.4768
August 2024	1.4789	1.4893	1.4827
September 2024	1.4381	1.4482	1.4418
October 2024	1.4871	1.4974	1.4912
November 2024	1.4929	1.5033	1.4970
December 2024	1.4985	1.5090	1.5026
January 2025	1.5344	1.5489	1.5379
February 2025	1.5406	1.5551	1.5440
March 2025	1.5466	1.5612	1.5501
April 2025	1.5527	1.5673	1.5562
May 2025	1.5588	1.5735	1.5623
June 2025	1.5650	1.5797	1.5685



**Example of Manual Rate Adjustment**

Manual Rate	\$769.81
Average Age/Gender Factor	1.000
Average Industry Factor	1.000
Projection Period	1/1/2024
Trend Factor	11.65%
Benefit Normalization Factor	0.9966

<b>Group Information</b>	Active	Medicare Primary
Age/Gender Factor	0.940	1.030
Industry Factor	0.965	1.000
Projection Period	1/1/2024	

Contract Conversion	Contract Distribution	Members	Tier Factor	"Contract Tiers"
Single	25	25	1	25
Two-Person	25	50	2.000	50
Family	50	197	2.782	139.09
	100	272		214.09

		Active	Medicare Primary
Manual Rate	A	\$769.81	\$497.79
Adjustment for Age/Gender	B = 0.94 / 1	0.9400	1.0300
Adjustment for Industry	C = 0.965 / 1	0.9650	1.0000
Adjustment for Trend	D	N/A	N/A
Contract Conversion Factor	E = 272 / 214.09	1.2705	1.0000
Benefit Normalization Factor	F	0.9966	N/A
Adjusted Manual Rate	G = A x B x C x D x E x F	\$884.16	\$512.72

PROJECTED 2024 MLR CALCULATION

Blue Cross VT

(A)	Manual Rate	\$769.81	Actuarial Memorandum, Section 4
(B)	Rebates	\$35.79	2024 Large Group Rating Program Filing
(C)	Estimated HCQ	\$2.95	2021 MLR Filing, untrended
(D)	State Mandates and Assessments	\$ 15.10	Calculation as described on Exhibit 1C, using latest actual PMPM as needed
(E)	<b>MLR Numerator</b>	<b>\$752.08</b>	<b>= (A) – (B) + (C) + (D)</b>
(F)	Projected Claims	\$749.12	= (A) – (B) + (D)
(G)	Net Cost of Reinsurance	\$2.64	2024 Large Group Rating Program Filing
(H)	Administrative Charge	\$60.41	2024 Large Group Rating Program Filing
(I)	GMCB Billbacks	\$2.72	2024 Large Group Rating Program Filing
(J)	Patient-Centered Outcomes Research Institute	\$0.29	2024 Large Group Rating Program Filing
(K)	Subtotal	\$815.19	= (F) + (G) + (H) + (I) + (J)
(L)	Total Premium	\$844.71	= (K) / (1 - 0.005 - 0.03)
(M)	Commissions	\$4.18	= (L) x 0.5% (from 2021 MLR filing)
(N)	Contribution to Reserve	\$25.34	= (L) x 3.0% (from Actuarial Memorandum, Section 6.8)
(O)	<b>MLR Denominator</b>	<b>\$844.71</b>	<b>= (L)</b>
(P)	<b>MLR</b>	<b>89.0%</b>	<b>= (E) / (O)</b>