

July 8, 2024

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

**Subject: Your 07/02/2024 Questions re:
Blue Cross and Blue Shield of Vermont
2025 Vermont QHP Market Filings
(SERFF Tracking #: BCVT-134091560, BCVT-134096633)**

Dear Mr. Ruggeberg:

In response to your requests dated July 2, 2024, here are *your questions* and our answers:

- As noted in the actuarial memorandum, the unit cost changes observed on GLP-1 drugs is related to the introduction of new high-cost drugs. Please further explain the implicit assumption that new GLP-1 drugs will be introduced in 2024 and 2025, and that those drugs will have higher cost than the already-introduced new GLP-1 drugs.*

The higher cost trend filed for GLP-1 drugs is not for an implicit assumption that new GLP-1 drugs will be introduced in 2024 or 2025. The higher cost trend filed reflects the expected change in mix from the older and less expensive GLP-1 drugs such as Ozempic and Trulicity, to the higher cost drugs (Wegovy, Mounjaro, and Zepbound) introduced in 2022 and 2023.

The table below compares the percentage of total GLP-1 days supply for calendar year 2023 and year-to-date April 2024, as of June 30, 2024. The table also includes the average AWP cost per day supply in 2024.

| | Older GLP-1s | Newer GLP-1s |
|-----------------------------------|---------------------|---------------------|
| Percentage of Days Supply in 2023 | 72.2% | 27.8% |
| Percentage of Days Supply in 2024 | 64.7% | 35.3% |
| Average AWP cost per day in 2024 | \$39.58 | \$52.12 |

We expect the percentage of days supply to continue to shift to the more expensive GLP-1s through 2025 and are reflecting this by applying a cost trend of 14.8 percent, instead of the 7.3 percent cost trend applied to other brand drugs.

- It appears from both the data in this filing and publicly available data that utilization of GLP-1 drugs leveled off in late 2023, and the rate of first-time prescribing actually fell after reaching a peak in the middle of the year (see for example “Monitoring Report: GLP-1 RA Prescribing Trends - December 2023 Data”, in pre-print from Gratzl and Rodriguez). After the sharp increase in utilization, please explain the basis for assuming that there will be positive utilization trend from the peak observed in late 2023.*

The utilization of GLP-1s in the QHP market has not plateaued, and in fact continues to increase so far in 2024. The table below shows the days supply for GLP-1s for all QHP members through April 2024.

| Date | Monthly | Annual |
|--------|---------|--------|
| Jan-23 | 0.326 | |
| Feb-23 | 0.379 | |
| Mar-23 | 0.425 | |
| Apr-23 | 0.426 | |
| May-23 | 0.510 | |
| Jun-23 | 0.587 | |
| Jul-23 | 0.498 | |
| Aug-23 | 0.537 | |
| Sep-23 | 0.524 | |
| Oct-23 | 0.489 | |
| Nov-23 | 0.553 | |
| Dec-23 | 0.583 | 0.488 |
| Jan-24 | 0.527 | 0.504 |
| Feb-24 | 0.518 | 0.515 |
| Mar-24 | 0.573 | 0.528 |
| Apr-24 | 0.671 | 0.548 |

Other than adjusting the experience period days supply for GLP-1s, we are trending all non-specialty drug categories days supply at the same 1.1 percent rate, which is reasonable projection for the growth in average days supply from 2023 to 2025.

3. *It appears from your response to the HCA objection that the impact of H.766 as signed into law is lower than what is contained in your initial filing. Please quantify the rate impact of these changes.*

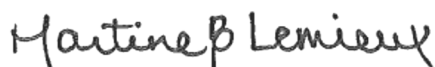
The impact of the delay in the effective date of sections of Act 111 to 2026 is a reduction of 0.6 percent from the filed rates. With this change, the medical factor for adjustment to experience period of one-time event (1+c₅ on exhibits 5) is 1.0067 for the individual market and 1.0074 for the small group market.

4. *We have reviewed your previous response and the hospital budget document referenced. Please indicate where in that document the 2.5% variance in revenue you reference is located.*

We calculated the variance by comparing the October 2023 to April 2024 budget for net patient care revenue (\$908,173,421) to the year-to-date actuals (\$930,752,014). The reported budget year to date figures include May and June 2024. Since no actuals have been reported for these months, we calculated a budget year-to-date total using the reported monthly totals for months where actuals have been reported.

Please let us know if you have any further questions, or if we can provide additional clarity on any of the items above.

Sincerely,



Martine B. Lemieux, F.S.A., M.A.A.A.
Chief Actuary