

CHLIC Responses to VT Objections Round 3 (received 10/25/2024)

Objection 1

Regarding the response to question #2 from the prior objection letter – Please elaborate further on how the average, minimum, and maximum rate change were determined. For example, the prior filed actuarial memorandum stated these were “calculated by comparing the current filed and approved manuals using an illustrative effective date of 1/1/2023 to the proposed 1/1/2024 manuals for a representative sample of Vermont sitused business”. Is this methodology still applicable for this filing, using data that are one year later?

Response:

Yes. These figures are calculated by comparing the current filed and approved manuals using an illustrative effective date of 1/1/2024 to the proposed 1/1/2025 manuals for a representative sample of Vermont sitused business.

Objection 2

The response to question #3 from the prior objection letter states that the targeted MLR for 2025 is 89.3%. The act memo states that the MLR is 88.0%, and that is consistent with the sum of the retention components. Please explain whether the MLR is 89.3% or 88.0%.

Response:

Our apologies for the mistake; the correct MLR is 88%. An additional adjustment was inadvertently being pulled into the retention exhibit MLR sum in the prior version. A corrected exhibit is below.

Retention Components	2024 % of Premium (approved)	2025 % of Premium (proposed)	Change	Comments
Admin	5.10%	5.00%	-0.10%	Higher requested premium in 2025; as a result, admin fee represents a lower percentage of premium.
Access Fee	0.80%	0.80%	0.00%	
Quality Improvement	0.20%	0.20%	0.00%	
Tax	2.00%	2.00%	0.00%	
State Assessments	1.90%	2.00%	0.10%	Higher State Assessments in 2025.
PPACA Fees	0.00%	0.00%	0.00%	
Risk Charge	0.00%	0.00%	0.00%	
<i>Original Requested Profit</i>	<i>2.00%</i>	<i>2.00%</i>	<i>0.00%</i>	
<i>Ordered Profit</i>	<i>-1.50%</i>	<i>n/a</i>	<i>1.50%</i>	<i>2024: Ordered to reduce profit from 2.0% to 0.5%.</i>
<i>Additional Trend-related adjustment</i>	<i>-2.10%</i>	<i>n/a</i>	<i>2.10%</i>	<i>2024: Reduced profit an additional -2.1%, from 0.5% to -1.6%, to comply with ordered trend reduction.</i>
Profit	-1.60%	2.00%	3.60%	See above for breakdown of current profit assumption.
Commissions	0.00%	0.00%	0.00%	
Total Retention	8.40%	12.00%	3.60%	
MLR	91.60%	88.00%	-3.60%	
Total Retention + MLR	100.00%	100.00%	0.00%	

Objection 3

Regarding the response to question #8 from the prior objection letter –

- a. Please confirm that the comment regarding observed historical utilization/mix trend that reads “National employer segment allowed claims trend, excluding new business” is meant to say, ‘utilization trend’ rather than ‘allowed claims trend’ (where ‘allowed claims trend’ would traditionally include unit cost trend).
- b. Please explain why the national utilization/mix trend was used as a basis for the development of the utilization trend assumption for this filing, instead of VT-specific trends.

Response:

- a. This observed historical utilization/mix trend is represented after normalizing out the impact of unit cost trend from the total allowed claims.
- b. Our methodology for utilization and mix relies on an aggregate, national buildup to minimize noise from volatility and allow us to appropriately adjust for nationwide factors which fluctuate year-over-year & are not expected to be state-specific (e.g. relative days). That said, as demonstrated in the prior objection, we do also incorporate geographic-specific adjustments where known local-market initiatives are expected to deviate from national results.

Objection 4

Regarding “VT 2025 Supplemental Exhibits” –

- a. The “Historical Medical Trends” tab provides the normalization factors for medical and Rx historical claims, combined. Please also provide the normalization factors for medical and Rx claims separately, for each year.
- b. In the “Historical Medical Trends” tab, please provide the member months that correspond to the ‘member per month’ provided in cells G6:G32.

Response:

Please see *Objection 3.4 – Historical Medical Trends.xlsx* for a revised Historical Medical Trend exhibit. This includes updated normalization factors, as well as updated 2023/2022 trend.