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March 8, 2019

Jude Daye, Executive Assistant
The Vermont Health Plan
445 Industrial Lane
Montpelier, VT 05601

Re: The Vermont Health Plan
3Q 2019 LG Rating Program Filing
SERFF Tracking #: BCVT-131835292

Dear Jude Daye:

We have been retained by the Green Mountain Care Board ("GMCB") to review the above referenced group products filing submitted on 2/21/2019. The following additional information is required for this filing.

Notice regarding proper responses:

- A minimum-acceptable response to quantitative questions from us must include a spreadsheet calculation with retained formulas such that we can replicate the calculations therein.
- Explanatory responses are merely a supplement to the spreadsheet material and in of themselves will constitute a lack of response.

Questions:

1. Clarify the proposed total premium increase anticipated for fully-insured, manually-rated groups renewing on 1/1/2020 relative to 1/1/2019.
2. Please split the claims underlying the manual rate base period experience into paid claims and IBNP.
3. The memorandum states that "BCBSVT will use multiple experience periods (when available)." Please clarify whether there is a maximum number of historical years (e.g. three years) used for experience rating. Is that maximum number used in all cases where it is available?
4. How do the utilization trends in Vermont compare to the Blue Trend Survey or other nationwide utilization trends?
5. Provide quantitative support for the unit cost trends on page 12 of the Actuarial Memorandum.

6. Trend leveraging is caused by fixed-dollar benefit parameters like deductibles and copays. Explain why the AV was used to determine trend leveraging rather than, for instance, the out-of-pocket maximum and/or deductible.
7. The memorandum states that a pooling point for a given fully-insured group's renewal is "based on the size of the case." Is this based on an explicit table or is there underwriter discretion at this step?
8. Provide further explanation of the need for the "Manual Rate Adjustment Factor". Given the experience is trended and adjusted for demographic differences, why would using three combined experience periods have a predictable, systemic impact on the claims projection such that it must be counter-acted by an 8% reduction in the manual rate?
9. The proposed formulas and factors are to be effective as of 3Q2019, before the HIF becomes active again. Will the "Federal Insurer Fee" component of the rate calculation reflect a cost than 2.2% for quotes/renewals prior to 2020?
10. Please provide Exhibits 2B and 2D in excel format.
11. The generic cost trend development appears to include historical cost for drugs which were generic at the time. If this is the case, the "cost / supply" reflects the unit cost increases that result from newly genericized drugs during the study period. In Exhibit 2F, brands "going generic" between the experience period and the projection period are projected to have a higher allowed charge per supply than existing generics. Address the concern that this methodology appears to possibly be double-counting the unit-cost impact on generic drugs of previously brand drugs "going generic."
12. It appears from Exhibit 2D that non-specialty drug utilization has been decreasing in recent years. Describe why they are being trended forward at 0% annual.

Please be aware that we expect to have further questions regarding the filing as the review continues.

To ensure that the review of your filing has been completed before statutory deadlines, we expect you to respond as expeditiously as possible to every objection in our letter, but no later than March 18, 2019. Note that the responses can be submitted separately and do not have to be submitted all at the same time.

We trust that you understand these forms may not be used in Vermont until they are formally approved by the GMCB.

Sincerely,

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