

Blue Cross and Blue Shield of Vermont and The Vermont Health Plan  
Q4 2022 Large Group Unit Cost Trend Filing  
Actuarial Memorandum

**1. Purpose**

Blue Cross and Blue Shield of Vermont (Blue Cross) and The Vermont Health Plan (TVHP) perform 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 2023 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 Q4 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small group renewals (we will refer to them collectively as large groups for the remainder of the filing) until superseded by a subsequent filing.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 and TVHP Large Group Rating Program filings. 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 Q3 2022 BCBSVT Large Group Rating Program Filing and the Q3 2022 TVHP Large Group Rating Program Filing (BCVT-133154621 and BCVT-133154563). The unit cost trend factors align with those filed in the 2023 Vermont ACA Market rate filings (BCVT-133243619 and BCVT-133243509). We use this filing for insured products, including Cost Plus. Blue Cross projects that this filing will affect 6,396 members (3,563 subscribers) in 38 groups. These totals are as of December 31, 2021 and include members of both Blue Cross and TVHP. We will refer to the combined population as Blue Cross throughout this memorandum.

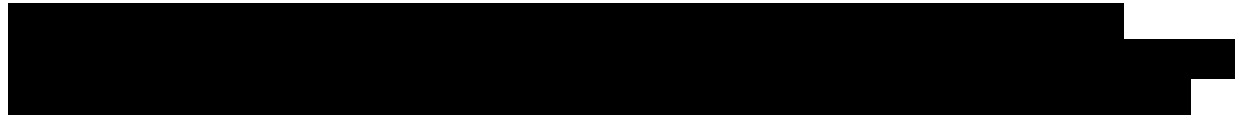
**2.2. Impact of Formula and Factor Changes**

This total impact of changes in medical unit cost factors is 2.9 percent.

**3. Medical Unit Cost Trend**

Observations of recent contracting and provider budgetary changes are the main source of unit cost trends. During the year ended August 2021, roughly 52 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 (GMCB). For hospitals under the jurisdiction of GMCB review, we start with the assumption that the GMCB will approve hospital budgets for the 2022 cycle that support identical commercial increases as those approved for the 2021 cycle. For hospitals that requested a midyear increase in the spring of 2022, we assume that their next approved budget will be higher than the 2021 cycle by the annualized proportion that was not granted as a midyear adjustment.

Blue Cross and Blue Shield of Vermont and The Vermont Health Plan  
 Q4 2022 Large Group Unit Cost Trend Filing  
 Actuarial Memorandum



Based upon the above assumptions concerning hospital budget and fee schedule changes, the provider contracting and actuarial departments worked together to assess the impact such an increase would have on contract negotiations for the Blue Cross Managed Care, Blue Cross Non-Managed Care, and TVHP Managed Care contracts. For marketing reasons, Blue Cross negotiates different unit cost increases for each of the three contracts. To reflect these differences, we calculate a cost trend for each contract.

We assumed for other providers within the Blue Cross service area that overall 2022 and 2023 budget increases would be identical to those implemented during the 2021 cycle, with the exception that we have reflected any more recent information gleaned from our early negotiations with providers. Again, the provider contracting and actuarial departments worked closely together to assess the impact these assumptions would have on contract negotiations for the Blue Cross Managed Care, Blue Cross Non-Managed Care, and TVHP Managed Care contracts.

Finally, we derive unit cost increases for providers outside the Blue Cross service area from the Fall 2021 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 2022</b>			
	Blue Cross Managed Care	Blue Cross Non- Managed Care	TVHP Managed Care
Vermont facilities and providers impacted by GMCB’s Hospital Budget Review	6.4%	6.6%	6.4%
Other facilities and providers	5.5%	5.7%	5.7%
<b>Total</b>	<b>6.0%</b>	<b>6.2%</b>	<b>6.1%</b>

<b>Medical Unit Cost Trend – CY 2023</b>			
	Blue Cross Managed Care	Blue Cross Non- Managed Care	TVHP Managed Care
Vermont facilities and providers impacted by GMCB’s Hospital Budget Review	10.1%	10.1%	10.1%
Other facilities and providers	5.7%	5.7%	5.7%
<b>Total</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>

**4. Manual Rate**

We have updated the manual rate for actives from the Q3 2022 BCBSVT Large Group Rating Program Filing and the Q3 2022 TVHP Large Group Rating Program Filing only to apply the trends as described in

Blue Cross and Blue Shield of Vermont and The Vermont Health Plan  
Q4 2022 Large Group Unit Cost Trend Filing  
Actuarial Memorandum

section 3. Other than this update, the manual rate development for actives is identical to that described within the Q3 2022 filings (BCVT-133154621 and BCVT-133154563).

<b>Calculation of the Manual Rate (Actives)</b>				
Claim Type		Medical	Pharmacy	Total
Q3 2022 Manual Rate	A	\$537.27	\$122.77	\$660.04
Q3 2022 Paid Trend Factor	B	1.1951	N/A	
Q4 2022 Paid Trend Factor	C	1.2380		
Q4 2022 Manual Rate	$D = A \times (C/B)$	\$556.59	\$122.77	<b>\$679.36</b>

**5. Medical Loss Ratio Projection**

We use the factors and formula in this filing to project a Medical Loss Ratio (MLR) for 2023. Using the manual rate as a proxy for projected claims, we project a 2023 MLR of 89.5 percent for Blue Cross and 88.7 percent for TVHP. The Blue Cross credibility-adjusted MLR for Large Group was 95.3 percent in 2019 and 90.1 percent in 2020. The TVHP credibility-adjusted MLR for Large Group 94.5 percent in 2019 and 97.0 percent in 2020. Exhibit 4C provides the development of the projected MLR. The calculations represent estimates assuming that all pricing assumptions hold true, and assuming no change from 2020 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 - Q4 2022 Large Group.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, 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 19, 2022

Blue Cross and Blue Shield of Vermont and The Vermont Health Plan  
Q4 2022 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 18, 2022.

**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 and The Vermont Health Plan 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 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 31, 2022<sup>1</sup> Vermont hospital budgets submissions are due July 1, 2022. 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 here.

**Reliance on Other Sources for Data and Other Information:** This analysis relies upon data from the Blue Cross 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.

---

<sup>1</sup> <https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY23%20Hospital%20Budget%20Guidance-%20FINAL.pdf>