

March 30, 2022

Mr. Kevin Ruggeberg, FSA, MAAA
Vice President & Consulting Actuary
Consulting Actuary

**Subject: Your 3/28/2022 Questions re: Blue Cross and Blue Shield of Vermont
3Q 2022 Large Group Rating Program Filing (SERFF Tracking #: BCVT-133154621) and
re: The Vermont Health Plan 3Q 2022 Large Group Rating Program Filing (SERFF Tracking #: BCVT-
133154563)**

Dear Mr. Kevin Ruggeberg:

In response to your request dated March 28, 2022, here are *your questions* and our answers

1) *We note from the actuarial memorandum that base period claims were roughly 4% more favorable than anticipated as of the last filing (Section 6.1). Please explain how this is consistent with the reported actual and expected Contribution to Reserves, for 2021, which report an unfavorable variance of 13.7%.*

The tables in section 2.3 and 6.1 are not intended to reconcile. Most impactful are the differences in how high-cost claims and COVID-19 claims are treated. As noted in the response in question 4 of inquiry letter 1, actual high-cost claims exceeded expected claims by close to 20 percent. This would be reflected in actual to expected contribution to reserves, but not in the manual rate. Section 6.1 shows the COVID-19 related claims we exclude from the manual rate, which were in excess of \$2,000,000. The underwriting results in section 2.3 also include non-claim items among various, less impactful differences.

2) *In the prior Large Group filing, the assumed utilization trends for facility and professional claims were 0.6% and 1.1%, respectively. Based on Section 4.1.2 of the Actuarial Memorandum, it appears that the experience learned since that time has been more favorable than anticipated. Explain what has caused your projection of future trends to increase to 2.4% when the observed trends have not been at this higher level.*

As noted in section 4.1.2 of the memorandum, the observed decrease in utilization appears to be attributable largely to supply constraints and the reluctance of some members to seek care during the pandemic. Since we exclude COVID-19 related claims from the medical trend, the overall incidence of COVID-19 affects the remaining capacity of the healthcare system. As COVID-19 cases abate, we expect the utilization of other services will return to their pre-pandemic level.

The Q3 2021 Large Group filings based medical utilization trend on experience in the year ended February 2020. While this filing uses experience through the year ended August 2021, the future view of utilization is broadly aligned with the prior filing, even though the resulting trend factors vary. The direct and indirect effects of COVID-19 significantly impacted the experience base of the

Q3 2022 Large Group filings. Additionally, section 4.1.2 of the Q3 2021 filings projects utilization for the year ended December 2022. Considering both filings aim to project a post-pandemic level of utilization, it is unclear whether the observed trends as of August 2021 (a time period that is still in the midst of the pandemic) suggest that the anticipated utilization is more or less favorable than the post-pandemic trends expected in the Q3 2021 filings.

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

Sincerely,

A handwritten signature in black ink that reads "Martine Lemieux". The signature is written in a cursive style with a large, stylized initial 'M'.

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