



# **Financial Impacts of COVID-19 on Health Insurance**

July 2021

Conducted by the Vermont Department of Financial Regulation,  
in consultation with Oliver Wyman

## Overview

On January 7, 2021, Vermont Governor Phil Scott directed the Department of Financial Regulation (“DFR”) to examine the impact of COVID-19 on Vermont’s commercial health insurance marketplace and determine whether premium relief might be justified due to the reduction of certain medical care experienced throughout the pandemic.

To complete the analysis, DFR requested financial documentation, claims data and expense information for 2020 through April 2021 for: (1) Blue Cross Blue Shield of Vermont (BCBSVT); (2) MVP Health Group (MVP); (3) the Vermont Education Health Initiative (VEHI); and (4) Cigna. DFR also engaged our contract actuaries at Oliver Wyman (OW) to analyze this information and to make recommendations about whether premium relief might be justified at this time.

DFR completed an initial analysis on March 1, 2021, but determined that additional claims data was necessary to make definitive conclusions. Over the past few months, the Department has continued to monitor the marketplace and has updated the analysis to reach some recommendations about whether premium relief is justified.

Ultimately, DFR has determined that premium relief is warranted in two market segments at this time, which will total just over \$2 million in premium relief to Vermont policyholders. Summaries of those determinations and the full OW report follow.

## Background

Every aspect of the health insurance market has felt the impacts of the COVID-19 pandemic. Due to stay-at-home orders and the shift of health care resources to pandemic relief, health care utilization was greatly impacted and resulted in care either being deferred or skipped altogether. As a result, several national health insurers delivered premium relief to policyholders.

Here in Vermont, the first health insurance premium relief occurred in the dental insurance market. Early in the pandemic dental services were only available for emergency services, and routine dental care was altogether suspended. Due to this experience, the commercial dental insurance market provided premium relief to policyholders to reflect the lower claims volume and recognize that a material portion of services would not come back in 2020. Preventative dental services, which are usually administered twice a year, may have only been done once for many in 2020. Dental premium relief in Vermont totaled approximately \$3.2 million.

The auto insurance market also provided premium relief as a byproduct of the pandemic related mitigation measures. Due to “stay home, stay safe” orders which impacted mobility, fewer people were driving, resulting in a direct impact on auto insurance claims. DFR encouraged the auto insurance industry to recognize the reduced claims activity by providing premium relief to their insureds as actual claims were significantly fewer than anticipated and, unlike some health care services, were not going to return later. In 2020, DFR approved \$24 million of premium relief for the auto insurance market.

COVID-19 also stressed our health care system and greatly changed the way individuals used their health insurance. In the early months of the pandemic, many health care facilities were closed for

routine care and focused resources on responding to the pandemic. Even after in-person health care services became more widely available, many individuals decided to further defer care or skip services altogether. Unlike auto insurance and to a lesser extent dental insurance, health insurers have provided a backstop to the many direct impacts of the pandemic on our community, including payment for testing and covering cost sharing for individuals who have dealt with the sometimes-long-lasting impacts of the disease.

While claims experience declined for portions of 2020, many insurers saw a return to care either at or above seasonal averages in the later part of the year. Determining what portion of deferred health care utilization will resume throughout 2021 is essential to understanding and assessing any premium relief. As medical facilities are currently functioning at near full capacity (and in some cases above baseline), the Department has found that a material portion of the deferred care in the first half of 2020 began to return in the second half of 2020 and could continue throughout 2021. In addition, there is uncertainty as to what impact deferred medical care will have on more severe medical conditions and thus on claims volume.

The analysis examines 2020 health insurance claims while also assessing how the return to care in 2021 will impact claim frequency and severity. The study focuses on the portion of the commercial health insurance market under DFR's regulatory authority. This includes the ACA marketplace and fully insured large group insurance plans. The population included in these groups is approximately 90,000 people. DFR also collected data from the Vermont Education Health Initiative (VEHI), which as an Intermunicipal Insurance Agreement falls under DFR's regulatory jurisdiction as well. VEHI covers approximately 40,000 individuals.

It is important to note that a significant portion of the commercial health insurance market was not analyzed during the study. This portion of the commercial market is composed of ERISA governed health insurance plans, which the state is preempted from regulating (largely self-insured large group plans). As of 2018, it was estimated the self-insured plans accounted for over 80% of the insurance market in Vermont. Based on the analysis of the fully insured health insurance plans, it is reasonable to expect the self-insured market had similar claims experience and is faced with similar uncertainty.

The accompanying report from Oliver Wyman provides a quantitative and qualitative analysis of COVID-19's impact on the portion of Vermont health care market studied. The report identifies the impacts of COVID-19 in 2020 and 2021 and highlights several areas of uncertainty that will continue to exist into the future.

## RECOMMENDATIONS

### COVID-19 Premium Relief Likely Warranted:

**BCBSVT Medicare Supplement:** The OW analysis determined that BCBSVT's Medicare Supplement business segment will likely have excess profits over \$2 million during the period examined. The analysis further determined that \$0.5 to \$2.1 million of that excess is likely due to COVID-19 impacts and recommends some rate relief in the \$1.0 to \$2.1 million range. DFR agrees with this recommendation and – considering this market segment's overall profitability and that most policyholders are over 65 years old (the demographic whose medical care was most acutely impacted by COVID-19) – expects

BCBSVT to provide consumer relief toward the upper end of the range. This relief will total approximately \$2.1 million in connection with its upcoming Medicare Supplement rate filing for plan year 2022.

**Cigna Large Group:** Cigna has implemented a Covid-19 related premium credit totaling \$118,000 or approximately 0.8% of annualized 2020 premiums. OW found this approach to be reasonable and – considering the competitiveness and sophistication of this market segment – it did not recommend any further action. DFR agrees with this recommendation.

### **COVID-19 Premium Relief Uncertain:**

**BCBSVT Individual and Small Group:** OW determined there is uncertainty as to the extent of COVID-19 impact on this market segment, which ranges from a potential \$5.0 million favorable impact to a \$2.8 million negative impact. Overall, however, OW determined this market segment will likely contribute a significant surplus in excess of its annual target. In BCBSVT's estimation, COVID-19 had a negative financial impact during the review period, and its favorable financial results were primarily driven by significant favorable results associated with true-ups of pre-COVID-19 coverage prior to 2020 and improved morbidity or health outcomes not related to COVID-19. BCBSVT has followed through on this conclusion by filing proposed rates in this market segment that collectively result in a 0.9% rate decrease. Accordingly, even though OW believes COVID-19 likely had a favorable financial impact, it does not recommend DFR take any action due to the fact Vermont policyholders will benefit from the lower health insurance rates that were proposed for 2022 coverage. DFR agrees with this recommendation.

**VEHI:** OW determined there is uncertainty as to the COVID-19 impact on VEHI, ranging from a potential \$11.4 million favorable impact to a \$0.9 million negative impact. OW's analysis does determine; however, that VEHI is likely to experience significant profits in excess of its targeted contribution to surplus. Accordingly, although OW does not recommend any action at the present time, it does suggest DFR consider whether some relief might be appropriate during VEHI's rate filing for fiscal year 2023. DFR agrees with this recommendation.

### **COVID-19 Premium Relief Likely Unwarranted:**

**MVP Individual, Small Group, and Large Group:** OW determined some uncertainty remains within this market segment with COVID-19 having a potential impact ranging from a \$7.7 million favorable impact to a \$1.3 million negative impact. However, for the period examined, MVP will likely experience a financial loss driven by other factors that is well in excess of any potential beneficial COVID-19 impacts. Accordingly, since it is unlikely that this market segment will be profitable during the review period, OW does not recommend any further action at this time. DFR agrees with this recommendation.

**BCBSVT Large Group:** OW determined there is uncertainty as to the extent of COVID-19 impact on this market segment, which ranges from a potential \$1.2 million favorable impact to a \$0.1 million negative impact. However, overall, it does not appear this market segment will be profitable for the review period due to factors other than COVID-19. Accordingly, since it is unlikely that this market segment will be profitable during this

period, OW does not recommend any further action at this time. DFR agrees with this recommendation.

## **Conclusion**

DFR has determined that only two market segments warrant consumer rate relief due to COVID-19 impacts at this time. Cigna has already applied a premium credit to its Vermont policyholders and DFR will request that BCBSVT provide relief to consumers in the Medicare Supplement segment during its 2022 rate filing consistent with this report.

In addition, DFR plans to conduct a review the other carriers who provide Medicaid Supplement coverage during the upcoming 2022 rate filing process to determine if any COVID-19 related rate relief is appropriate. DFR will also review VEHI's fiscal year 2023 rate filing to determine if any COVID-19 related rate relief is appropriate.

DFR will continue to monitor Vermont's health insurance markets to determine if future events have a material impact on the current analysis and warrant action.

# **FINANCIAL IMPACT OF COVID-19 ON VERMONT HEALTH INSURERS**

Vermont Department of Financial Regulation

July 19, 2021

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## CONTENTS

1.	Executive Summary.....	1
2.	Data Requested and Received .....	10
3.	Carrier Analysis and Results – Blue Cross and Blue Shield of Vermont .....	12
4.	Carrier Analysis and Results – MVP Health Plan .....	24
5.	Carrier Analysis and Results – Vermont Education Health Initiative.....	28
6.	Carrier Analysis and Results – CIGNA .....	32
7.	2022 ACA Premium Rates .....	33
8.	Recommendations .....	37
9.	Qualifications, Limitations, and Reliance .....	40
Appendix A.	Preliminary Detailed Data Request .....	41
Appendix B.	Updated Detailed Data Request.....	44
Appendix C.	OW Modeling Approach Notes Including Adjustments to Provided Data	47

# 1. EXECUTIVE SUMMARY

## 1.1. Purpose, Scope, and Methodology

### Purpose

As of June 24, 2021, 24,516<sup>1</sup> Vermonters have tested positive for COVID-19, roughly 3.9%<sup>2</sup> of the estimated July 1, 2019 population of Vermont. However, as of June 24, 2021, there have been roughly 841,900 total COVID-19 vaccine doses administered in the State, fully vaccinating roughly 421,000<sup>3</sup> individuals, which would represent a vaccination rate of roughly 67.5% of Vermont residents.

In addition to having a direct impact on the individuals who have been infected by COVID-19, the disease has had a significant impact on the utilization and delivery of medical services in 2020 generally, and is expected to continue to impact medical services utilization and costs going forward, at least through 2021. In order to better understand the impact of COVID-19 on insurer financials and the value of insurance coverage to Vermonters, the Vermont Department of Financial Regulation (the Department) engaged Oliver Wyman Actuarial Consulting, Inc. (us, we) to complete this study under the authority of Title 8 V.S.A. § 13. As part of this study we were asked to assess whether it might be appropriate or advisable to provide additional policyholder relief if COVID-19 is ultimately expected to have a materially favorable financial impact on Vermont health insurers.

### Scope and Methodology

In completing our study, we focused on the impact of COVID-19 on revenues, claims, and non-claims expenses with the greatest amount of attention paid to changes in the utilization of medical services and associated claims costs. The following items, all of which have impacted or could impact future insurer financial experience, are specifically analyzed and discussed throughout the remainder of this report.

1. **COVID-19 direct costs** – costs associated with COVID-19 testing, treatment and vaccine administration.
2. **Reduced utilization (for other than COVID-19 direct costs)** – the net difference in expected claims costs in the absence of COVID-19 and estimated claims costs during periods where COVID-19 is assumed to reduce medical services utilization and insured claims costs.
3. **Returning utilization** – claims costs for the portion of the reduced utilization that has or is expected to return.
4. **Changes in morbidity due to COVID-19** – costs associated with long-term effects of COVID-19 on insured population health impacting utilization of medical services for any reason other than reduced or returning Utilization noted in 2. and 3., above. Examples include deferred or avoided services resulting in deteriorating health and increased costs, increased risk aversion resulting in

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<sup>1</sup> <https://www.healthvermont.gov/covid-19/current-activity/vermont-dashboard>, accessed 7/14/2021 at 1:00 PM EDT

<sup>2</sup> <https://www.census.gov/quickfacts/VT>, accessed 7/14/2021 at 1:03 PM EDT

<sup>3</sup> <https://www.healthvermont.gov/covid-19/vaccine/covid-19-vaccine-dashboard>, accessed 7/14/2021 at 1:01 PM EDT

reduced activity and costs, and additional costs of complications due to COVID-19 after recovery from the disease. There may be others.

5. **Mental health costs** – these could fit into any of 2., 3. or 4., above. We requested this information to better understand any prior or anticipated shifts in the utilization and costs of mental health services.
6. **Telehealth costs** – these could fit into any of 2., 3. or 4., above. We requested this information to better understand any prior or anticipated shifts in Telehealth services utilization and costs.
7. **Waived cost-sharing** – carriers waived some cost-sharing for certain non-COVID-19 claims as a form of policyholder relief.
8. **Policyholder premium relief/concessions** – actual or anticipated concessions made to policyholders resulting in a reduction in insurer revenues.
9. **Rate increases not achieved** - COVID-19 could have affected, or may impact, future rate negotiations, presumably resulting in reduced premium rate increases and decreased insurer premiums.
10. **COVID-19 administrative or other cost impacts** – COVID-19 did impact how insurers ran their business. Both favorable (e.g., reduced travel) and unfavorable (e.g., reduced scale increasing admin ratios, costs of re-configuring office space or providing work from home capabilities) financial impacts have been observed.

In order to understand the impact of COVID-19 on carriers' 2020 and 2021 financial experience and projections, we broke our analysis into the following work steps for each of the four carriers insuring Vermonters:

1. Completed a detailed review of the 2020 financial experience of carriers, and specific COVID-19 impacts on premiums, claims, and non-claims expenses as reported by carriers, and **what the 2020 financial results would have been with and without the impact of COVID-19 based on our analysis of carrier data and information and stated carrier views on the COVID-19 specific impact.**

This analysis was completed at the line of business level when possible, and at more aggregated levels where necessary due to data limitations. The line of businesses reviewed were insured Individual, Small Group, Large Group, and Medicare Supplement. We designed the study to review Individual and Small Group separately since we could potentially consider different approaches to any premium relief deemed appropriate; however, most historical experience data was combined so it was not possible to develop separate views.

2. Reviewed the **contribution to surplus for each line of insured business in 2020** segregated into three categories:
  - a. The **target surplus contribution** attributable to underwriting results based on rate filing materials.
  - b. The **financial impact of COVID-19** on premiums, claims, administrative expenses, underwriting results, and surplus contributions for each line of business.

- c. **Reported surplus contributions attributable to other factors** than the targeted underwriting contribution to surplus and the impact of COVID-19 on surplus.
3. For **2021, we completed a similar analysis of the financial projections and surplus contributions** based on actual carrier experience through April 30, 2021 and carrier projections of their financial performance and COVID-19 impacts by line of business.
4. **Reviewed and assessed the carriers' stated 2020 and 2021 COVID-19 impacts** for reasonableness based on support provided by each carrier considering other relevant external industry data and information.
5. Based on these analyses, we **developed a comparison of each of the carriers' expected financial combined contribution to surplus for 2020 and 2021 to what the financial position would have been expected to be in the absence of COVID-19**, again focusing on the target surplus contribution, impact of COVID-19 on underwriting results and surplus, and other factors' impact on projected surplus.
6. We then developed **scenario-based sensitivity tests where we tested the impact of changing certain carrier assumptions and projections based on reasonable alternatives considering the uncertainty associated with the impact of COVID-19**. Adjustments were made primarily on projected 2021 premiums, claims, and administrative expenses, as 2020 results are more certain.
7. We note that there was some information provided that showed a projected impact of COVID-19 on 2022 financial results, and while we agree that there could be an impact after 2021, **we made the decision to not consider any financial impacts after 2021**, as there is little consensus on the long-term impact of COVID-19 on insured medical costs and there are many potentially offsetting factors impacting financial results in 2022 and thereafter with varying impacts in both magnitude and direction. We believe this makes completing longer-term projections at best difficult and uncertain, and at worst, potentially misleading.

While there were clearly general trends and commonalities amongst insurers, the financial impact was not uniform, and different insurers and markets were impacted in different ways. These results are summarized in Section 1.2, Summary of Results, and then are explained in detail for each carrier beginning with Blue Cross and Blue Shield of Vermont in Section 3.

## 1.2. Summary Results of Analysis by Carrier

Based on our review of all company information and analyses, augmented with our view of emerging information, we summarize the results for each carrier and line of business. As explained below, we have developed five estimates of COVID-19 impacts under varying assumptions.

### Blue Cross and Blue Shield of Vermont

Blue Cross and Blue Shield of Vermont (BCBSVT) did not separate its business between individual and small group through 2021, so the Vermont Individual & Small Group (VISG) results are shown on a combined basis. Our analysis of BCBSVT's projected capital position and COVID-19's impact on it is included in the tables below by line of business.

**BCBSVT Minimum COVID-19 Impact** represents the most favorable simulation of 2021 gains or losses related to COVID-19 impacts on claims expenses from BCBSVT's own COVID-19 modeling.

**BCBSVT Median COVID-19 Impact** represents the median simulation of 2021 gains or losses related to COVID-19 impacts on claims expenses from BCBSVT's own COVID-19 modeling.

**BCBSVT Maximum COVID-19 Impact** represents the most unfavorable simulation of 2021 gains or losses related to COVID-19 impacts on claims expenses from BCBSVT's own COVID-19 modeling.

**OW Low / High COVID-19 Impacts** represent Oliver Wyman's estimates of a favorable (Low) and unfavorable (High) impacts of COVID-19 on 2021 financial results. Oliver Wyman's resulting range is intended to incorporate most outcomes, but not the least or most favorable, and so would not necessarily align with the BCBSVT range based on Minimum and Maximum COVID-19 impacts.

**Projected** represents the total projected contribution to surplus for the 2020-2021 period based on the 2021 financial result, that varies by scenario.

**Due to COVID-19 Impacts** represents the projected contribution to surplus for the 2020-2021 period that is attributable to COVID-19 impacts. The 2021 COVID-19 impacts vary by scenario.

#### Vermont Individual & Small Group (VISG)

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	(635,998)	(1,961,863)	(3,797,972)	7,940,018	(2,795,611)

#### Insured Large Group

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	255,968	20,803	(300,473)	1,165,602	(116,025)

#### Medicare Supplement

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	697,695	558,630	385,885	2,081,988	509,685

#### Aggregate – VISG, Insured Large Group, and Medicare Supplement

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
<i>Target Surplus = 1.5% of \$775.4M 2020-2021 Net Premium = \$11.6M</i>					
Projected					
Due to COVID-19 Impacts	317,665	(1,382,430)	(3,712,559)	11,187,608	(2,401,951)

Overall, the Company's COVID-19 analysis adjusted for emerging financial experience and information indicates that BCBSVT expects a slightly unfavorable impact due to COVID-19 over the 2020-2021 period and has modeled that impact to be within a tight overall range of \$3.7 million unfavorable to \$0.3 million favorable. While COVID-19 impacts have and will affect BCBSVT's surplus position, so do other factors. We note that BCBSVT's modeled impacts have varied by market with COVID-19 having the most

favorable financial impact in Medicare Supplement, and less favorable impacts on the VISG and Large Group markets. This is a fairly intuitive result as we would expect that the elderly would reduce utilization more than others, and because Medicare is largely paying for all COVID-19 testing, treatment, and vaccination costs. Our ranges are wider and take into consideration under our low COVID-19 impact scenarios that favorable experience may have been more related to COVID-19 impacts and less related to the improved population morbidity that BCBSVT believes is driving the favorable VISG underwriting results expected in 2020-2021. Additional details are provided in Section 3 of this report.

## MVP Health Plan

MVP Health Plan (MVP) did not have estimates of the impact COVID-19 had on their incurred claims in 2020, nor did they have projections of the impact COVID-19 could have on their 2021 business, so the only estimates we present are our own. For MVP Health Plan, our analysis indicates some limited favorable impact of COVID-19 over the 2020-2021 period, but an expectation, overall, that underwriting results will be poor over the period.

2020-2021 Contribution to Surplus	OW Low COVID-19 Impact	OW Middle COVID-19 Impact	OW High COVID-19 Impact
	Target Surplus = 1.5% of \$479.1M 2020-2021 Net Premium = \$7.2M		
Projected	(7,828,656)	(13,816,174)	(16,809,933)
Due to COVID-19 Impacts	7,669,434	1,681,916	(1,311,843)

Note in our analysis of MVP, we had to make certain assumptions based on our own analysis and judgment which produces additional uncertainty. The ultimate result of the 2020-2021 coverage period risk adjustment transfers also adds considerable uncertainty for MVP, as their modeling indicates they will make a large, \$24 million risk adjustment payment following the 2021 calendar year, which is included in the underwriting results and contribution to surplus estimates in the chart above. Ultimate risk adjustment transfer payments associated with 2021 coverage are uncertain for individual insurers, in general, due to challenges in estimating how their claims experience will ultimately compare to other carriers. This is further complicated in by COVID-19 claims impacts and enrollment shifts between carriers in the VISG market.

Considering MVP's business has likely been unprofitable and will continue to be unprofitable over 2020-2021, it does not make much sense to do a deep analysis of the potential premium relief that can be afforded to policyholders because of any favorable COVID-19 financial impact. Should MVP's 2020 and 2021 experience develop more favorably, the policyholder relief question could be revisited.

## Vermont Education Health Initiative

For the Vermont Education Health Initiative (VEHI), BCBSVT's analysis indicates COVID-19 will have little overall impact on VEHI's 2020-2021 financial results. VEHI primarily looks at their financials on a fiscal year basis so efforts to develop amounts on a calendar year were challenging.

Our analysis indicated the possibility that COVID-19 will have a more favorable impact on VEHI's 2020-2021 financials than BCBSVT's reflective of our belief that it is very difficult to attribute favorable experience to COVID-19 impacts versus improved morbidity, randomness, or other factors. Additional details are provided in Section 5 of this report.

2020-2021 Contribution to Surplus	VEHI Minimum COVID-19 Impact	VEHI Median COVID-19 Impact	VEHI Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected Due to COVID-19 Impacts	2,788,271	784,904	(1,517,268)	11,420,616	(903,202)

## CIGNA

CIGNA provided an incomplete submission. Vermont group experience indicated similar claims shifts as those seen by other carriers with reduced second quarter 2020 claims costs returning to more normal run rates in the second half of 2020. The submission highlighted their planned premium experience credit in April 2021 for 10% of the average monthly 2020 premiums paid by large group policyholders that remain coverage through April 2021. This credit is expected to be \$118,000 or roughly 0.8% of annualized 2020 premiums for eligible policyholders. Considering CIGNA only participates in the Large Group market that is reasonably competitive with sophisticated policyholders, we do not see a rationale for the Department to require CIGNA to provide any specific additional policyholder relief in this market.

### 1.3. Overall Assessment and Recommendation

Overall, BCBSVT provided the most detailed information and they are not showing significant COVID-19 impacts on their 2020-2021 financials, nor are they showing significant impacts for VEHI. MVP is projecting losses over the period, and CIGNA only participates in the Large Group market and has already provided some policy holder relief. Our assessment with regard to potential policyholder relief by Company and market follows.

## BCBSVT VISG

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected Due to COVID-19 Impacts	(635,998)	(1,961,863)	(3,797,972)	7,940,018	(2,795,611)

BCBSVT's analysis indicates that the reduction in surplus due to COVID-19 could range from \$0.6 million to \$3.8 million. BCBSVT believes that the significant surplus contributions seen over 2020-2021 are partially due to prior period items contributing to 2020 reported profits and partially due to favorable morbidity relative to expectations and was not caused by COVID-19. It is nearly impossible to segregate all historical and anticipated 2020-2021 experience due to COVID-19 impacts from favorable experience due to improved morbidity. The company has essentially taken the position that it believes that the favorable experience was due to improved morbidity that will be ongoing (note the \$2.0 million unfavorable COVID-19 median impact shown in the table above is about 0.3% of the 2020-2021 premiums). Consistent with that position, the morbidity improvement is also assumed in its 2022 Individual and Small Group rates which, overall, were filed with a slight decrease in rates, although the filed rates vary between Individual and Small Group markets. If the favorable morbidity does not persist and some of the 2020-2021 favorable experience was due to COVID-19, BCBSVT will have already provided policyholder relief through reduced 2022 rate levels. That said, we are not proposing any policyholder relief in 2022 for BCBSVT Individual and Small Group markets directly related to COVID-19.

Should the favorable experience over the 2020-2021 period not be attributable to improved morbidity, it is likely that the 2022 rates will be inadequate. The favorable surplus contributions for 2020-2021,

based on our analysis of BCBSVT's information, indicate an expectation that there will be about million contributed to surplus not attributable to the 1.5% target contribution to surplus or their \$2.0 million adverse COVID-19 impact estimate. This million is approximately of projected premiums and of projected claims for the period. If some or all of the morbidity improvement indicated does not persist, BCBSVT will have essentially provided rate relief in its 2022 filed premium rates associated to COVID-19 and non-COVID-19 factors. We developed the following illustration which shows the potential range of implied relief in the 2022 rates should BCBSVT's assumed improved morbidity not continue and/or claims are higher than anticipated, presented as a percentage of projected 2021 incurred claims of .

**Potential 2022 VISG Contribution to Surplus Under Adverse Incurred Claims Experience**  
**Impact of Adverse 2022 VISG Incurred Claims Experience on Surplus**

	0%	1%	2%	3%	4%	5%
Potential Adverse Incurred Claims	-	2,574,318	5,148,637	7,722,955	10,297,273	12,871,592
Potential 2022 Contribution to Surplus	4,052,532	1,478,214	(1,096,105)	(3,670,423)	(6,244,742)	(8,819,060)

Lastly, we note that the American Rescue Plan Act of 2021 increased subsidies and subsidy eligibility for the 2021 and 2022 plan years.<sup>4</sup> The increased subsidy eligibility is expected to increase coverage through 2022, while the increased subsidies would suggest that some portion of any implied 2022 rate relief could benefit the federal government, which already has provided some COVID-19-related relief with increased subsidies.

## BCBSVT Insured Large Group

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected Due to COVID-19 Impacts	255,968	20,803	(300,473)	1,165,602	(116,025)

Under the range of assumptions developed by BCBSVT and OW, there may be some favorable impact related to COVID-19 for the 2020-2021 period; however, it also appears that the market segment will not make any material contribution to BCBSVT's surplus in 2020-2021. Considering the indicated expected underwriting losses during the 2020-2021 period, we do not believe any policyholder relief is warranted at this time. Policyholder relief might be revisited should the Large Group profitability ultimately be more favorable than currently modeled.

## BCBSVT Medicare Supplement

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
		<i>Target Surplus = 1.5% of</i>		<i>2020-2021 Net Premium =</i>	
Projected Due to COVID-19 Impacts	697,695	558,630	385,885	2,081,988	509,685

Under the range of assumptions developed by BCBSVT and OW, there appears to be some favorable impact related to COVID-19 for the 2020-2021 period, and that the market segment is expected to make

<sup>4</sup> <https://info.healthconnect.vermont.gov/ARPA>, accessed 7/9/2021 at 8:40 PM EDT

a contribution to BCBSVT's surplus in 2020-2021 of \_\_\_\_\_, which exceeds the target of 1.5%. Considering the gains and estimated favorable impact of COVID-19, we would suggest that some rate relief be provided to Medicare Supplement policyholders, especially those who had purchased policies for coverage in 2020. This rate relief could be \$1.0 to \$2.0 million if rate levels are not adjusted to reflect the favorable recent experience. The Department could reasonably expect BCBSVT to propose policyholder relief, potentially including prospective rates reflective of its favorable experience in its next rate filing.

## MVP Commercial

2020-2021 Contribution to Surplus	OW Low COVID-19 Impact	OW Middle COVID-19 Impact	OW High COVID-19 Impact
Target Surplus = 1.5% of \$479.1M 2020-2021 Net Premium = \$7.2M			
Projected	(7,828,656)	(13,816,174)	(16,809,933)
Due to COVID-19 Impacts	7,669,434	1,681,916	(1,311,843)

Under the ranges of assumptions developed by OW, there may be some favorable impact related to COVID-19 for the 2020-2021 period; however, it also appears that MVP is expected to have considerable underwriting losses for the period. Considering the indicated expected underwriting losses during the 2020-2021 period, we do not believe any policyholder relief related to COVID-19 is warranted for MVP policyholders, which may be reconsidered if MVP's financial performance improves relative to current expectations.

## VEHI

2020-2021 Contribution to Surplus	VEHI Minimum COVID-19 Impact	VEHI Median COVID-19 Impact	VEHI Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	2,788,271	784,904	(1,517,268)	11,420,616	(903,202)

VEHI's underwriting margins have improved significantly based on its latest experience and budget for the fiscal year ending June 30, 2022. Also, the BCBSVT modeling did not indicate a significant COVID-19 impact for 2020-2021. Considering VEHI has had surplus levels below its 15% of expense target, we would recommend potentially reducing the surplus contribution target in the next fiscal year ending June 30, 2023 premiums rates if VEHI's experience and financial position warrant it.

## CIGNA

CIGNA has a small block and only participates in the Large Group market. Considering CIGNA has provided some policyholder relief and that the market is reasonably competitive, we would not recommend CIGNA provide additional policyholder relief to its policyholders at this point in time.

## POTENTIAL MECHANISMS FOR POLICYHOLDER RELIEF

In Section 8.2 we explain the pros and cons of potential mechanisms whereby insurers could equitably share any material financial benefits experienced due to COVID-19 if determinable. The mechanisms we explore are partial or completed premium holidays (rate credits), prospective rate reduction, benefit enhancements, and refunds around a framework of effectiveness and administrative complexity.

Generally, we would recommend administrative efficiency be the overriding consideration if relief amounts are fairly small in relation to premiums and would lean towards more equitable distribution of relief if amounts are large. Where we are recommending potential rate relief, which is currently only in the Medicare Supplement market for BCBSVT, a number of approaches may be acceptable to the Department, though we suggest the best mechanism could be through prospective rate adjustments, or potentially delaying future rate increases.

## 2. DATA REQUESTED AND RECEIVED

### 2.1. Preliminary Data Requested

On February 2, 2021, the following data was requested from all carriers, with an initial response date of February 12, 2021.

1. **COVID-19 Studies** reflect any modeling the carrier has developed on potential COVID-19 impacts on premium, claims, and non-claims expenses.
2. **2019 and 2020 Revenues** reflect experienced premium and membership by line of business for 2019 and 2020, including any significant adjustments (e.g., Risk Adjustment).
3. **2019 and 2020 Reported Claims** reflect experienced incurred claims by line of business for 2019 and 2020.
4. **Utilization and Trend Reports** are copies of currently available monthly utilization and trend reports for 2019 and 2020 by line of business and service category.
5. **COVID-19 Direct Costs** are copies of currently available monthly tracking reports of COVID-19-related claims costs for different services.
6. **Mental Health and Telehealth Costs** reflect monthly tracking of mental health and telehealth costs in 2019 and 2020.
7. **Risk Adjustment and MLR Rebate Programs** include summary of payments, receipts, and accruals, for each quarter-end from 12/31/2018 to 12/31/2020.
8. **Non-claims Expenses** are experienced 2019 and 2020 non-claims expenses, including any increased non-claims costs due to carrier's workforce working remotely.
9. **2021 COVID-19 Projected Financial Impacts** are largely the carrier's 2021 budget by line of business and includes projections of COVID-19's impact on premium, claims, and non-claims expenses.
10. **Please provide any additional information that you would like the Department to consider as part of this study.**

### 2.2. Preliminary Data Received

BCBSVT, VEHI, and MVP submitted most of the data requested by the requested date and were responsive to follow-up questions and requests. While the data and information had some limitations, we believe that it was sufficient to support the conclusions in this report noting; however, that we do recommend follow-up analyses.

CIGNA provided a limited response. We do note CIGNA's limited market share. Their incomplete submission is reflected in the limited analysis we were able to complete in Section 6.

### 2.3. Updated Analysis Data Requested

On May 18, 2021, the following data was requested from all carriers, with an initial response date of June 1, 2021.

1. **COVID-19 Studies** reflect any modeling the carrier has developed on potential COVID-19 impacts on premium, claims, and non-claims expenses.
2. **2021 Revenues** reflect experienced premium and membership by line of business for 2021 through April 30, 2021, including any significant adjustments (e.g., Risk Adjustment).
3. **2019 through 2021 Reported Claims** reflect experienced incurred claims by line of business for January 2019 through April 2021 incurred months, paid through April 30, 2021.
4. **Utilization and Trend Reports** are copies of currently available monthly utilization and trend reports for 2021 by line of business and service category.
5. **COVID-19 Direct Costs** are copies of currently available monthly tracking reports of COVID-19-related claims costs for different services.
6. **Mental Health and Telehealth Costs** reflect monthly tracking of mental health and telehealth costs in 2021.
7. **Risk Adjustment and MLR Rebate Programs** include summary of payments, receipts, and accruals, for each quarter-end from 12/31/2018 to 3/31/2021.
8. **Non-claims Expenses** are experienced 2021 non-claims expenses, including any increased non-claims costs due to carrier's workforce working remotely.
9. **2021 COVID-19 Projected Financial Impacts** are largely the carrier's 2021 budget by line of business and include projections of COVID-19's impact on premium, claims, and non-claims expenses.
10. **2022 Vermont Individual and Small Group filings** are the carrier's filed rates with the Green Mountain Care Board for coverage in 2022.
11. **Comprehensive Listing of Policyholder Relief** reflect all cost impacts due to policyholder relief.
12. **Please provide any additional information that you would like the Department to consider as part of this study.**

In addition to the uniform data request provided to all carriers above, we asked for limited, carrier-specific data based on the responses provided to our preliminary data request.

## 2.4. Updated Data Received

BCBSVT, VEHI, and MVP submitted most of the data requested by the requested date and were responsive to follow-up questions and requests. While the data and information had some limitations, we believe that it was sufficient to support the conclusions and recommendations in the report noting that the Department may want to revisit the concept of premium rate relief should financial experience ultimately develop differently than currently estimated.

CIGNA provided a limited response. We do note CIGNA's limited market share. Their incomplete submission is reflected in the limited analysis we were able to complete in Section 6.

### 3. CARRIER ANALYSIS AND RESULTS – BLUE CROSS AND BLUE SHIELD OF VERMONT

BCBSVT has developed a robust model to analyze the impact of COVID-19 on its business. Our analysis of 2020 and emerging 2021 results include premium, incurred claims, and non-claims expenses that are expected to be reasonably consistent with reported statutory statement underwriting results excluding the impact of prior period development and other out of period financial adjustments. The results and estimates in this section reflect experience data and information provided by BCBSVT primarily through April 30, 2021, including their updated COVID-19 analysis as of June 1, 2021.

#### 3.1. Blue Cross and Blue Shield of Vermont – VISG

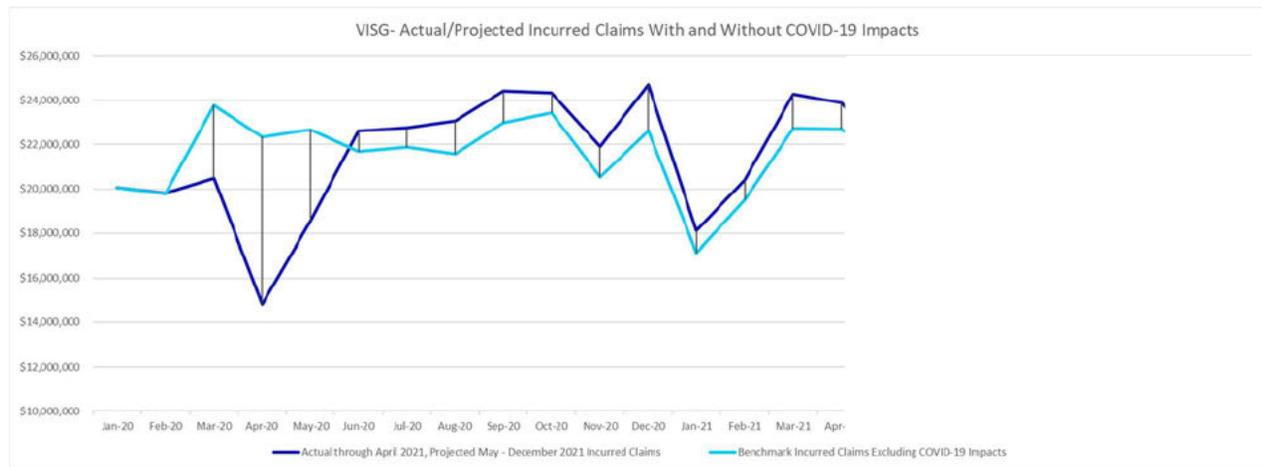
##### 2020 and 2021 Financial Summary

Financial Item	2020	2021	2020 & 2021
Net Premium Excluding COVID-19 Impacts	323,777,343		
COVID-19 Impact on Net Premium	(659,584)	-	(659,584)
<b>Net Premium</b>	<b>323,117,758</b>		
Incurred Claims Excluding COVID-19 Impact on Medical Incurred Claims	(263,344,194)		
COVID-19 Impact on Medical Incurred Claims	5,824,454	(6,930,036)	(1,105,582)
<b>Net Incurred Claims</b>	<b>(257,519,741)</b>		
Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts	(37,142,692)		
COVID-19 Impact on Administrative Expenses, Taxes, and Fees	(196,696)	-	(196,696)
<b>Administrative Expenses, Taxes, and Fees</b>	<b>(37,339,388)</b>		
<b>Contribution to Surplus</b>	<b>28,258,629</b>		
Contribution to Surplus Due to COVID-19	4,968,174	(6,930,036)	(1,961,863)

BCBSVT estimates COVID-19 impacts increased the contribution to surplus by roughly \$5.0 million in 2020 primarily due to reduced medical incurred claims associated with COVID-19 based on the most recent company analysis. BCBSVT anticipates returning care will reduce surplus in 2021 by about \$6.9 million; however, the company also believes it will continue to experience favorable morbidity in the Individual and Small Group markets in 2021 and is forecasting a for the year.

We still have some questions regarding BCBSVT's medical cost analysis that attributes a significant amount of favorable claims experience in 2020 to better than expected morbidity of its insured population for reasons other than COVID-19. It is very difficult to estimate morbidity improvement in the insured population in the absence of COVID-19 when actual experience is largely (other than January and February 2020) for the period where COVID-19 had a large impact on medical utilization.

## Assessment of Estimated COVID-19 Claims Impacts & Sensitivity



2020 COVID-19 impacts were largely driven by utilization reductions due to deferred or eliminated care that can be clearly seen in the gap between actual and trended cost estimates showing significant reductions in March through May 2020, with the monthly reduction peaking in April 2020. Following May 2020, the company estimated that costs were higher than they would have been in the absence of COVID-19. We note that the benchmark reflecting BCBSVT’s estimate of what claims would have been in the absence of COVID-19 implies reduced trends and improved morbidity, and that we believe it is challenging to estimate the impact of improved morbidity at a point in time when claims are also being impacted by COVID-19

2020 COVID-19 impacts also include uncollectible premiums and additional non-claims expenses. These costs were not material in aggregate and allocated to the VISG, Insured Large Group, and Medicare Supplement lines of business based on premium volume which is a simplifying assumption that potentially could be refined by additional carrier data.

The following table shows the 2021 projected COVID-19 impact based on the emerging 2021 experience and granular modeling completed by BCBSVT based on data through April 30, 2021. Please note that the below 2021 COVID-19 impact estimates were adjusted by the “Budget Scalar” to align with BCBSVT’s most recent 2021 financial forecast.

## 2021 VISG COVID-19 Claim Impact Sensitivity

	BCBSVT Minimum	BCBSVT Median	BCBSVT Maximum	OW Low	OW High
Reduced Utilization	-	-	-	(5,302,416)	-
Returning Utilization	1,696,771	1,913,814	2,143,618	1,696,771	1,920,195
<b>Reduced, Returning, and Eliminated Non-COVID Utilization</b>	<b>1,696,771</b>	<b>1,913,814</b>	<b>2,143,618</b>	<b>(3,605,645)</b>	<b>1,920,195</b>
Diagnostic Testing	1,228,332	1,634,011	2,252,504	1,228,332	1,740,418
Treatment	1,356,850	1,422,477	1,803,773	1,356,850	1,803,773
Vaccine Administration	1,020,463	1,113,453	1,183,045	1,020,463	1,183,045
<b>Direct COVID-19 Claims Costs</b>	<b>3,605,645</b>	<b>4,169,941</b>	<b>5,239,322</b>	<b>3,605,645</b>	<b>4,727,236</b>
Morbidity Impact Deferred Care	-	561,528	1,121,998	-	842,292
Other Changes in Demand for Services	373,620	373,620	373,620	-	373,620
<b>Other COVID-19 Claims Impacts</b>	<b>373,620</b>	<b>935,148</b>	<b>1,495,618</b>	<b>-</b>	<b>1,215,912</b>
<b>Total Modeled COVID-19 Impact</b>	<b>5,676,036</b>	<b>7,018,903</b>	<b>8,878,558</b>	<b>-</b>	<b>7,863,343</b>
<b>2021 Budget Scalar</b>	<b>98.7%</b>	<b>98.7%</b>	<b>98.7%</b>	<b>98.7%</b>	<b>98.7%</b>
<b>Total COVID-19 Impact Adjusted for 2021 Budget</b>	<b>5,604,171</b>	<b>6,930,036</b>	<b>8,766,146</b>	<b>-</b>	<b>7,763,784</b>

The Median estimated claims impact in 2021 shows COVID-19 increasing claims costs by \$6.9 million after our scaling. The increase is largely driven by Direct COVID-19 claims costs for Testing, Treatment, and Vaccine Administration. The indicated range based on scaling of the Company's model results is that the 2021 COVID-19 increase in claims will range from \$5.6 million to \$8.8 million. Oliver Wyman's parallel range is no impact to a \$7.8 million increase. Differences between the BCBSVT estimates and our estimates are primarily attributable to lower impacts of reduced/returning utilization and narrowing the treatment cost range.

## Analysis of Contribution to Surplus

<b>2020 Contribution to Surplus on \$323.1M Net Premium</b>	<b>Projected Based on 2020 Estimates</b>	<b>Percentage of Net Premium</b>
Projected	28,258,629	8.7%
Target	4,846,766	1.5%
Due to COVID-19 Impacts	4,968,174	1.5%
Due to Other Impacts	18,443,690	5.7%
<b>2021 Contribution to Surplus on \$292.6M Net Premium</b>	<b>Projected Median COVID- 19 Impact</b>	<b>Percentage of Net Premium</b>
Projected		
Target	4,388,315	1.5%
Due to COVID-19 Impacts	(6,930,036)	-2.4%
Due to Other Impacts		
<b>2020-2021 Contribution to Surplus on \$615.7M Net Premium</b>	<b>Projected Median COVID- 19 Impact</b>	<b>Percentage of Net Premium</b>
Projected		
Target	9,235,082	1.5%
Due to COVID-19 Impacts	(1,961,863)	-0.3%
Due to Other Impacts		

BCBSVT experience showed a significant contribution to surplus of \$28.3 million in 2020 in the VISG market, which was partially driven by COVID-19 impacts and partially driven by other items that impacted the reported surplus contribution. Overall, the amount attributed to COVID-19 impacts was roughly \$5.0M, while most of the remaining \$18.4 estimated contribution to surplus in excess of the target was due to other impacts, including the following items that were specifically identified by BCBSVT: \$12.5M for prior period items contributing to 2020 reported profits (true-up of the 2019 risk adjustment accrual and litigation recovery of unpaid risk corridor funds) and the assumption of improved morbidity in the population enrolled versus the population expected in the VISG market in 2020 that is expected to persist at least through 2022.

## December 31, 2021 Projected Surplus and Sensitivity Testing

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	(635,998)	(1,961,863)	(3,797,972)	7,940,018	(2,795,611)

The overall BCBSVT median 2020-2021 estimated contribution to surplus attributable to underwriting gains is with COVID-19 having an unfavorable impact of approximately \$2.0 million with projected results being fairly certain with the COVID-19 impacts estimated in a fairly tight range of \$0.6 million to \$3.8 million unfavorable based on BCBSVT's modeling. The OW range allows for a favorable COVID-19 impact on claims that may be larger than estimated by BCBSVT in both 2020 and 2021. As such, the OW Low COVID-19 Impact attributes one-half of the 2020 Contribution to Surplus Due to Other Factors less the \$12.5 million BCBSVT specifically identified as prior period items contributing to 2020 reported profits, as a Contribution to Surplus Due to COVID-19 Impacts. This increased the OW Contribution to Surplus Due to COVID-19 Impacts under the OW Low COVID-19 Impact scenario from

## 3.2. Blue Cross and Blue Shield of Vermont – Insured Large Group

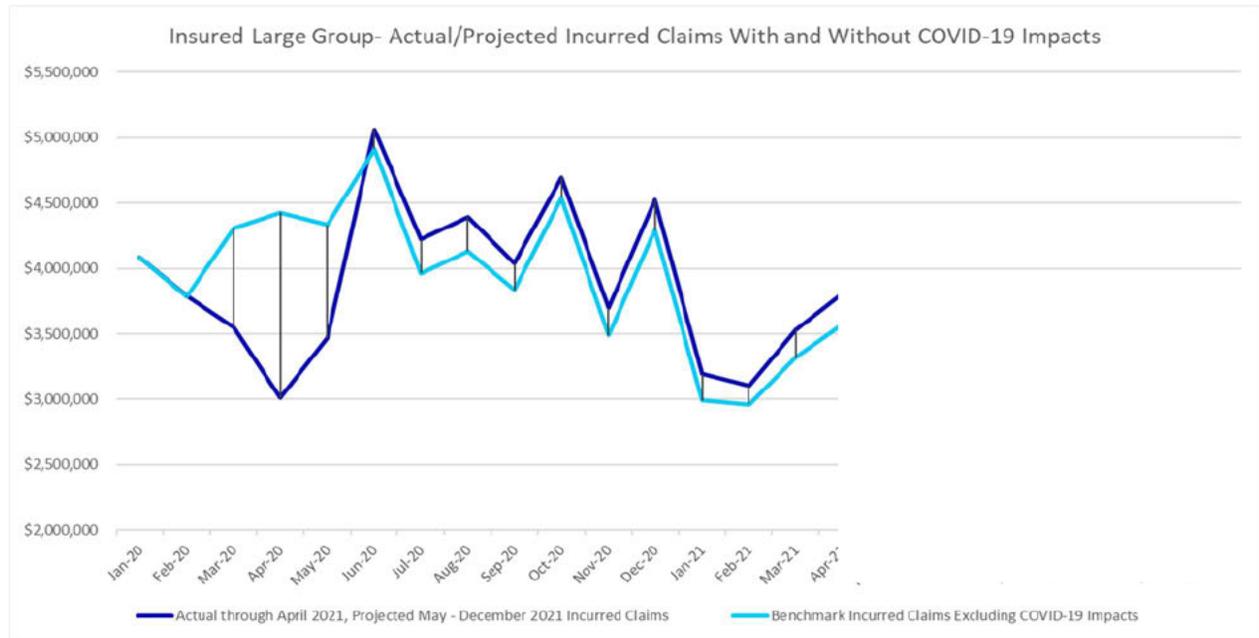
### 2020-2021 Financial Summary – Insured Large Group

Financial Item	2020	2021	2020 & 2021
Net Premium Excluding COVID-19 Impacts	56,919,707		
COVID-19 Impact on Net Premium	(194,464)	(177,535)	(371,999)
<b>Net Premium</b>	<b>56,725,243</b>		
Incurred Claims Excluding COVID-19 Impact on Medical Incurred Claims	(50,100,895)		
COVID-19 Impact on Medical Incurred Claims	1,572,624	(1,144,799)	427,825
<b>Net Incurred Claims</b>	<b>(48,528,271)</b>		
Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts	(7,885,740)		
COVID-19 Impact on Administrative Expenses, Taxes, and Fees	(35,023)	-	(35,023)
<b>Administrative Expenses, Taxes, and Fees</b>	<b>(7,920,763)</b>		
<b>Contribution to Surplus</b>	<b>276,209</b>		
Contribution to Surplus Due to COVID-19	1,343,137	(1,322,334)	20,803

BCBSVT’s analysis indicates COVID-19 impacts increased the contribution to surplus by about \$1.3 million in 2020; however, the Insured Large Group line is still showing a slightly better than break-even underwriting result in 2020. BCBSVT anticipates returning care and other COVID-19 impacts will increase costs by about \$1.3 million in 2021, increasing the projected

. Overall, for the 2020-2021 period inclusive of minimal overall COVID-19 impacts for the period per BCBSVT’s modeling.

### Assessment of Estimated COVID-19 Claims Impacts & Sensitivity



Similar to VISG, Insured Large Group 2020 COVID-19 impacts were largely driven by deferred or eliminated care that can be clearly seen in the gap between actual and trended cost estimates that showed significant reductions in March through May, peaking in April 2020, and some higher than expected costs after May 2020. Overall, COVID-19 is projected by BCBSVT to have a very limited impact in the aggregate on 2020-2021 claims costs. Please note that the below 2021 COVID-19 impact estimates were adjusted to align with BCBSVT’s 2021 forecast.

2021 LG COVID-19 Claim Impact Sensitivity					
	BCBSVT Minimum	BCBSVT Median	BCBSVT Maximum	OW Low	OW High
Reduced Utilization	-	-	-	(763,613)	-
Returning Utilization	473,000	508,131	545,327	473,000	509,164
<b>Reduced, Returning, and Eliminated Non-COVID Utilization</b>	<b>473,000</b>	<b>508,131</b>	<b>545,327</b>	<b>(290,613)</b>	<b>509,164</b>
Diagnostic Testing	169,785	241,182	348,273	169,785	259,029
Treatment	101,466	111,805	171,873	101,466	171,873
Vaccine Administration	19,362	28,462	30,413	19,362	30,413
<b>Direct COVID-19 Claims Costs</b>	<b>290,613</b>	<b>381,449</b>	<b>550,559</b>	<b>290,613</b>	<b>461,315</b>
Morbidity Impact Deferred Care	-	92,946	185,712	-	139,419
Other Changes in Demand for Services	83,156	83,156	83,156	-	83,156
<b>Other COVID-19 Claims Impacts</b>	<b>83,156</b>	<b>176,102</b>	<b>268,868</b>	<b>-</b>	<b>222,575</b>
<b>Total Modeled COVID-19 Impact</b>	<b>846,769</b>	<b>1,065,682</b>	<b>1,364,754</b>	<b>-</b>	<b>1,193,054</b>
<b>2021 Budget Scalar</b>	<b>107.4%</b>	<b>107.4%</b>	<b>107.4%</b>	<b>107.4%</b>	<b>107.4%</b>
<b>Total COVID-19 Impact Adjusted for 2021 Budget</b>	<b>909,634</b>	<b>1,144,799</b>	<b>1,466,074</b>	<b>-</b>	<b>1,281,627</b>

The Median estimated claims impact in 2021 is that COVID-19 will increase claims costs by \$1.1 million, largely driven by Direct COVID-19 claims costs for Testing, Treatment, and Vaccine Administration. The indicated range based on scaling company modeling is that the 2021 COVID-19 increase in claims will range from \$0.9 million to \$1.5 million. Oliver Wyman's parallel range is no impact to a \$1.3 million increase. Differences between the BCBSVT estimates and our estimates are primarily attributable to lower impacts of reduced/returning utilization and narrowing the treatment cost range.

## Analysis of Contribution to Surplus

2020 Contribution to Surplus on \$56.7M Net Premium	Projected Based on 2020 Estimates	Percentage of Net Premium
Projected	276,209	0.5%
Target	850,879	1.5%
Due to COVID-19 Impacts	1,343,137	2.4%
Due to Other Impacts	(1,917,807)	-3.4%
2021 Contribution to Surplus on \$43.4M Net Premium	Projected Median COVID- 19 Impact	Percentage of Net Premium
Projected		
Target	651,731	1.5%
Due to COVID-19 Impacts	(1,322,334)	-3.0%
Due to Other Impacts		
2020-2021 Contribution to Surplus on \$100.2M Net Premium	Projected Median COVID- 19 Impact	Percentage of Net Premium
Projected		
Target	1,502,610	1.5%
Due to COVID-19 Impacts	20,803	0.0%
Due to Other Impacts		

BCBSVT

and indicated a fairly limited impact of COVID-19 on its 2020-2021 surplus position. Based on the

analysis to date, there does not appear to be a current rationale for premium relief to BCBSVT's Large Group insured policyholders, though the ultimate impact of COVID-19 is still uncertain.

## Analysis of December 31, 2021 Projected Financial Position and Sensitivity Testing

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	255,968	20,803	(300,473)	1,165,602	(116,025)

The overall BCBSVT median 2020-2021 contribution to surplus is **\$20,803** attributable with COVID-19 having a negligible impact. Our analysis indicates a wider range reflecting the possibility that the favorable COVID-19 impact on claims may be larger than estimated by BCBSVT.

### 3.3. Blue Cross and Blue Shield of Vermont – Medicare Supplement

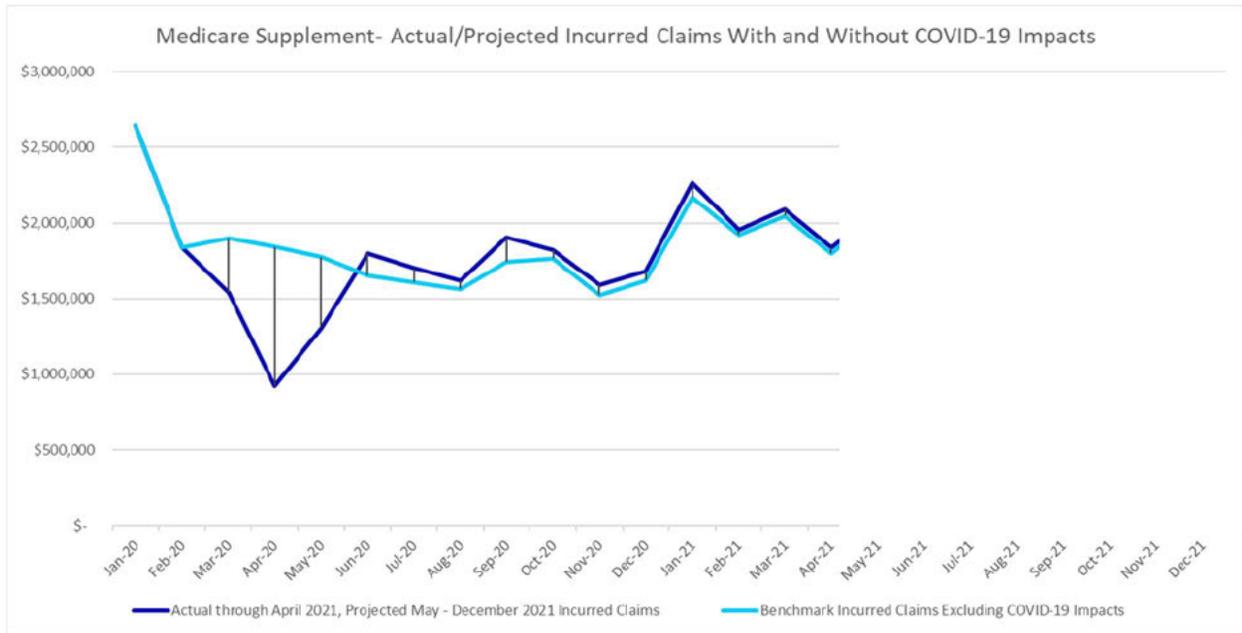
#### 2020 and 2021 Financial Experience Summary

Financial Item	2020	2021	2020 & 2021
Net Premium Excluding COVID-19 Impacts	29,405,433		
COVID-19 Impact on Net Premium	(60,754)	-	(60,754)
<b>Net Premium</b>	<b>29,344,679</b>		
Incurred Claims Excluding COVID-19 Impact on Medical Incurred Claims	(21,474,954)		
COVID-19 Impact on Medical Incurred Claims	1,107,724	(470,222)	637,502
<b>Net Incurred Claims</b>	<b>(20,367,230)</b>		
Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts	(5,384,037)		
COVID-19 Impact on Administrative Expenses, Taxes, and Fees	(18,118)	-	(18,118)
<b>Administrative Expenses, Taxes, and Fees</b>	<b>(5,402,155)</b>		
<b>Contribution to Surplus</b>	<b>3,575,294</b>		
Contribution to Surplus Due to COVID-19	1,028,852	(470,222)	558,630

COVID-19 impacts appear to have increased the contribution to surplus by roughly \$1.0 million in 2020 primarily due to reduced medical incurred claims associated with COVID-19 based on BCBSVT's analysis. The company

. Preliminarily, we would recommend some Medicare Supplement policyholder relief due to the favorable experience in 2020, and overall anticipated favorable experience for the 2020-2021 period.

## Assessment of Indicated COVID-19 Impacts and Sensitivity



2020 COVID-19 impacts were largely driven by deferred or eliminated care which, consistent with industry reported experience, was likely more significant for Medicare markets than Commercial markets, presumably because COVID-19 posed a greater risk to seniors than younger people. Please note that the below 2021 COVID-19 impact estimates were adjusted to align with BCBSVT’s 2021 forecast.

**2021 Medicare Supplement COVID-19 Claim Impact Sensitivity**

	BCBSVT Minimum	BCBSVT Median	BCBSVT Maximum	OW Low	OW High
Reduced Utilization	-	-	-	(331,847)	-
Returning Utilization	261,345	347,050	454,449	261,345	357,897
Reduced, Returning, and Eliminated Non-COVID Utilization	261,345	347,050	454,449	(70,502)	357,897
Diagnostic Testing	3,496	4,795	6,722	3,496	5,109
Treatment	62,587	64,831	77,870	62,587	77,870
Vaccine Administration	4,419	4,419	4,419	4,419	4,419
Direct COVID-19 Claims Costs	70,502	74,045	89,011	70,502	87,398
Morbidity Impact Deferred Care	-	48,713	97,721	-	73,070
Other Changes in Demand for Services	(3,319)	(3,319)	(3,319)	-	(3,319)
Other COVID-19 Claims Impacts	(3,319)	45,394	94,402	-	69,751
<b>Total Modeled COVID-19 Impact</b>	<b>328,528</b>	<b>466,489</b>	<b>637,862</b>	<b>-</b>	<b>515,046</b>
2021 Budget Scalar	100.8%	100.8%	100.8%	100.8%	100.8%
<b>Total COVID-19 Impact Adjusted for 2021 Budget</b>	<b>331,157</b>	<b>470,222</b>	<b>642,967</b>	<b>-</b>	<b>519,167</b>

The Median estimated claims impact in 2021 is that COVID-19 will increase claims costs by \$0.5 million, largely driven by some returning care deferred in 2020. The indicated range based on limited scaling of company modeling is that in 2021 COVID-19 will increase claims from \$0.3 million to an increase of \$0.6 million. Oliver Wyman’s parallel range is no impact to a \$0.5 million increase. Differences between the BCBSVT estimates and our estimates are primarily attributable to lower impacts of reduced/returning utilization and narrowing the treatment cost range.

## Analysis of Contribution to Surplus

<b>2020 Contribution to Surplus on \$29.3M Net Premium</b>	<b>Projected Based on 2020 Estimates</b>	<b>Percentage of Net Premium</b>
Projected	3,575,294	12.2%
Target	440,170	1.5%
Due to COVID-19 Impacts	1,028,852	3.5%
Due to Other Impacts	2,106,272	7.2%
<b>2021 Contribution to Surplus on \$30.2M Net Premium</b>	<b>Projected Median COVID- 19 Impact</b>	<b>Percentage of Net Premium</b>
Projected		
Target	452,690	1.5%
Due to COVID-19 Impacts	(470,222)	-1.6%
Due to Other Impacts		
<b>2020-2021 Contribution to Surplus on \$59.5M Net Premium</b>	<b>Projected Median COVID- 19 Impact</b>	<b>Percentage of Net Premium</b>
Projected		
Target	892,860	1.5%
Due to COVID-19 Impacts	558,630	0.9%
Due to Other Impacts		

BCBSVT experience showed a significant underwriting contribution to surplus of \$3.6 million in 2020 in the Medicare Supplement market, which, based on the BCBSVT's analysis, was largely driven by other than COVID-19 impacts.

in excess of the targeted contribution of \$0.9 million.

## Analysis of December 31, 2021 Projected Financial Position and Sensitivity Testing

<b>2020-2021 Contribution to Surplus</b>	<b>BCBSVT Minimum COVID- 19 Impact</b>	<b>BCBSVT Median COVID-19 Impact</b>	<b>BCBSVT Maximum COVID-19 Impact</b>	<b>OW Low COVID-19 Impact</b>	<b>OW High COVID-19 Impact</b>
Projected					
Due to COVID-19 Impacts	697,695	558,630	385,885	2,081,988	509,685

The BCBSVT overall median 2020-2021

including our adjustments with COVID-19 having a favorable impact of approximately \$0.6 million and the maximum COVID-19 modeling result still showing a COVID-19 contribution to surplus. The OW range allows for a favorable COVID-19 impact on claims that may be larger than estimated by BCBSVT in both 2020 and 2021. As such, the OW Low COVID-19 Impact attributes one-half of the 2020 Contribution to Surplus Due to Other Factors as a Contribution to Surplus Due to COVID-19 Impacts.

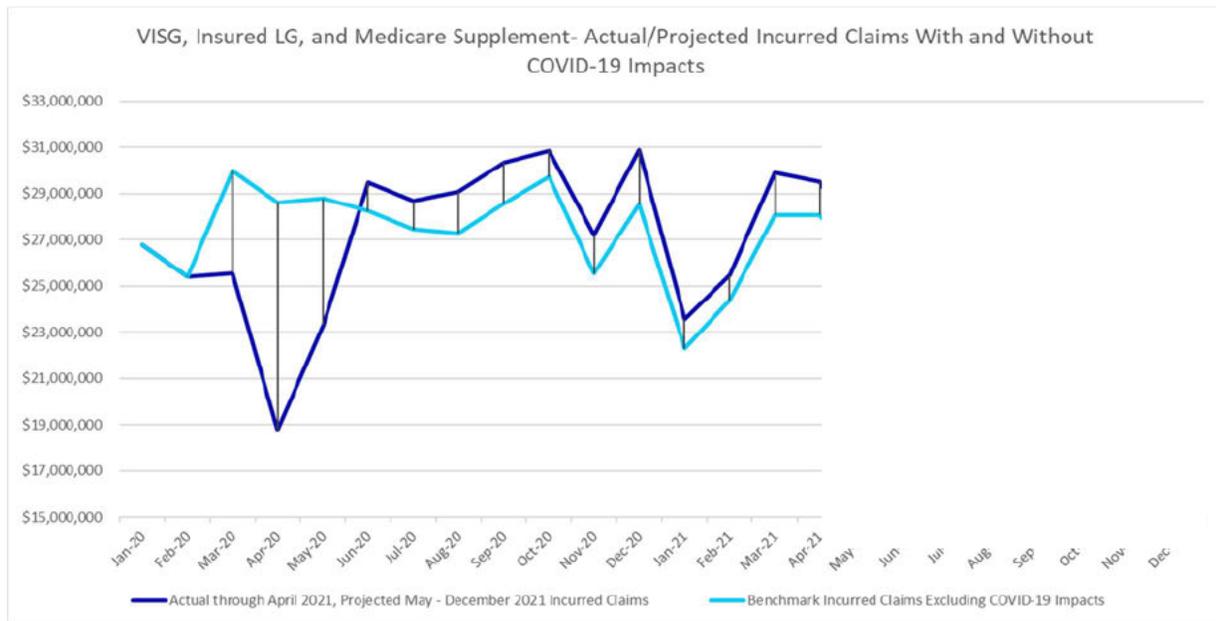
### 3.4. Blue Cross and Blue Shield of Vermont – Aggregate: Individual and Small Group, Insured Large Group, and Medicare Supplement Combined

#### 2020 and 2021 Financial Experience Summary

Financial Item	2020	2021	2020 & 2021
Net Premium Excluding COVID-19 Impacts	410,102,483		
COVID-19 Impact on Net Premium	(914,803)	(177,535)	(1,092,338)
<b>Net Premium</b>	<b>409,187,680</b>		
Incurred Claims Excluding COVID-19 Impact on Medical Incurred Claims	(334,920,043)		
COVID-19 Impact on Medical Incurred Claims	8,504,802	(8,545,057)	(40,256)
<b>Net Incurred Claims</b>	<b>(326,415,242)</b>		
Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts	(50,412,470)		
COVID-19 Impact on Administrative Expenses, Taxes, and Fees	(249,836)	-	(249,836)
<b>Administrative Expenses, Taxes, and Fees</b>	<b>(50,662,306)</b>		
<b>Contribution to Surplus</b>	<b>32,110,133</b>		
Contribution to Surplus Due to COVID-19	7,340,163	(8,722,592)	(1,382,430)

BCBSVT’s analysis indicates an expectation that its insured business , with COVID-19’s impact on premiums, claims, and administrative expenses decreasing the contribution approximately \$1.4 million over the 2020-2021 period.

#### Assessment of Indicated COVID-19 Impacts and Sensitivity



The aggregate chart above shows a similar pattern, overall, to the VISG, Large Group, and Medicare Supplement market views for BCBSVT with claims reductions in March through May 2020 being offset by higher claims beginning in June 2020. Please note that the below 2021 COVID-19 impact estimates were adjusted to align with BCBSVT's 2021 forecast.

**2021 BCBSVT COVID-19 Claim Impact Sensitivity**

	BCBSVT Minimum	BCBSVT Median	BCBSVT Maximum	OW Low	OW High
Reduced Utilization	-	-	-	(6,397,876)	-
Returning Utilization	2,431,116	2,768,995	3,143,394	2,431,116	2,787,255
<b>Reduced, Returning, and Eliminated Non-COVID Utilization</b>	<b>2,431,116</b>	<b>2,768,995</b>	<b>3,143,394</b>	<b>(3,966,760)</b>	<b>2,787,255</b>
Diagnostic Testing	1,401,613	1,879,988	2,607,499	1,401,613	2,004,556
Treatment	1,520,903	1,599,113	2,053,516	1,520,903	2,053,516
Vaccine Administration	1,044,244	1,146,334	1,217,877	1,044,244	1,217,877
<b>Direct COVID-19 Claims Costs</b>	<b>3,966,760</b>	<b>4,625,435</b>	<b>5,878,892</b>	<b>3,966,760</b>	<b>5,275,949</b>
Morbidity Impact Deferred Care	-	703,187	1,405,431	-	1,054,781
Other Changes in Demand for Services	453,457	453,457	453,457	-	453,457
<b>Other COVID-19 Claims Impacts</b>	<b>453,457</b>	<b>1,156,644</b>	<b>1,858,888</b>	<b>-</b>	<b>1,508,238</b>
<b>Total Modeled COVID-19 Impact</b>	<b>6,851,333</b>	<b>8,551,074</b>	<b>10,881,174</b>	<b>-</b>	<b>9,571,442</b>
<b>2021 Budget Scalar</b>	<b>99.9%</b>	<b>99.9%</b>	<b>99.9%</b>	<b>99.9%</b>	<b>99.9%</b>
<b>Total COVID-19 Impact Adjusted for 2021 Budget</b>	<b>6,844,962</b>	<b>8,545,057</b>	<b>10,875,187</b>	<b>-</b>	<b>9,564,578</b>

The median BCBSVT estimated claims impact in 2021 is that COVID-19 will increase claims costs by \$8.5 million, largely driven by some returning care deferred in 2020 and direct COVID-19 costs in 2021. The indicated range based on limited scaling of company modeling is that the 2021 COVID-19 increase in claims will range from \$6.8 to 10.9 million. Oliver Wyman's parallel range is no impact to a \$9.6 million increase with our estimates considering the possibility that COVID-19 will not increase overall insured costs in 2021.

## Analysis of Contribution to Surplus

2020 Contribution to Surplus on \$409.2M Net Premium	Projected Based on 2020 Estimates	Percentage of Net Premium
Projected	32,110,133	7.8%
Target	6,137,815	1.5%
Due to COVID-19 Impacts	7,340,163	1.8%
Due to Other Impacts	18,632,155	4.6%
2021 Contribution to Surplus on \$366.2M Net Premium	Projected Median COVID-19 Impact	Percentage of Net Premium
Projected		
Target	5,492,736	1.5%
Due to COVID-19 Impacts	(8,722,592)	-2.4%
Due to Other Impacts		
2020-2021 Contribution to Surplus on \$775.4M Net Premium	Projected Median COVID-19 Impact	Percentage of Net Premium
Projected		
Target	11,630,551	1.5%
Due to COVID-19 Impacts	(1,382,430)	-0.2%
Due to Other Impacts		

BCBSVT's analysis (with minor OW scaling adjustments) shows a  
 over the 2020-2021 period including a \$1.4 million reduction due to COVID-19 impacts,  
 of the 1.5% target. We explore how this  
 was considered in prospective rate setting in Section 7 of this report.

## Analysis of December 31, 2021 Projected Financial Position and Sensitivity Testing

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	317,665	(1,382,430)	(3,712,559)	11,187,608	(2,401,951)

BCBSVT has modeled a fairly tight range of unfavorable COVID-19 impacts on its 2020-2021 surplus. As noted, our analysis shows that, overall, COVID-19 may have had a more favorable contribution to surplus than BCBSVT's modeling indicates in the Low COVID-19 Impact scenarios which consider that the favorable claims experience over the 2020-2021 period could have been more COVID-19 related and less due to the improved population morbidity. Our High COVID-19 Impact scenario reflects similar, but slightly less unfavorable, results as the high-end of BCBSVT's modeling.

## 4. CARRIER ANALYSIS AND RESULTS – MVP HEALTH PLAN

MVP did not provide detailed COVID-19 impact modeling for VT business as that type of analysis was not undertaken. As a result, the COVID-19 impacts shown in this section were largely estimated by OW. Additionally, Medicare Advantage information was not available; however, this business only reflects roughly 10% of Vermont business premium and is federally regulated. Therefore, our analysis of the impact of COVID-19 on MVP experience is shown for the Commercial market making up about 90% of MVP's Vermont business.

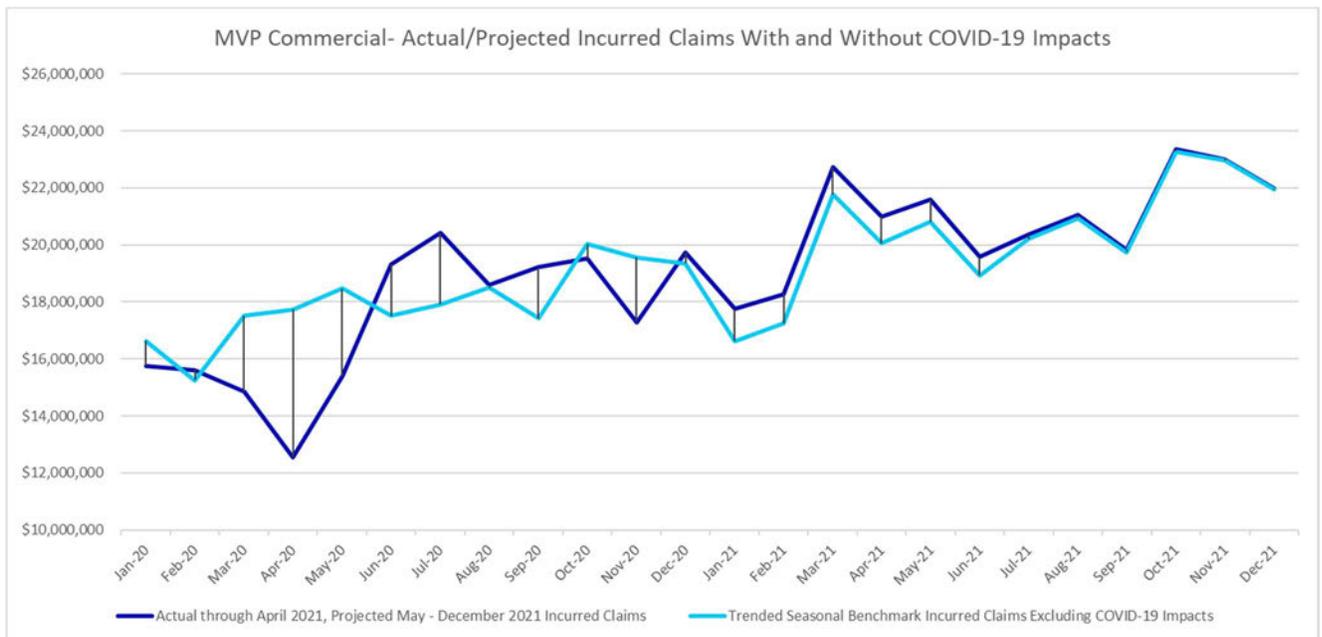
### 4.1. MVP Health Plan – Commercial Business

#### 2020 and 2021 Financial Summary

Financial Item	2020	2021	2020 & 2021
Net Premium Excluding COVID-19 Impacts	232,934,527	246,149,615	479,084,143
COVID-19 Impact on Net Premium	-	-	-
<b>Net Premium</b>	<b>232,934,527</b>	<b>246,149,615</b>	<b>479,084,143</b>
Incurred Claims Excluding COVID-19 Impact on Medical Incurred Claims	(215,894,330)	(244,476,834)	(460,371,164)
COVID-19 Impact on Medical Incurred Claims	7,646,634	(5,987,518)	1,659,116
<b>Net Incurred Claims</b>	<b>(208,247,695)</b>	<b>(250,464,352)</b>	<b>(458,712,048)</b>
Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts	(16,847,034)	(17,364,035)	(34,211,069)
COVID-19 Impact on Administrative Expenses, Taxes, and Fees	38,800	(16,000)	22,800
<b>Administrative Expenses, Taxes, and Fees</b>	<b>(16,808,234)</b>	<b>(17,380,035)</b>	<b>(34,188,269)</b>
<b>Contribution to Surplus</b>	<b>7,878,598</b>	<b>(21,694,772)</b>	<b>(13,816,174)</b>
Contribution to Surplus Due to COVID-19	7,685,434	(6,003,518)	1,681,916

COVID-19 impacts increased the contribution to surplus by roughly \$7.7 million in 2020 per OW projections primarily due to reduced medical incurred claims associated with COVID-19 resulting in a \$7.9 million contribution. We provide an estimate that medical claims expenses will be roughly \$6.0 million higher due to COVID-19 in 2021 due primarily to returning care, and the overall 2021 contribution to surplus will be negative \$21.7 million for the year. Over the 2020-2021 period, our analysis indicates a projected negative contribution to surplus of approximately \$13.8 million.

## Assessment of Estimated COVID-19 Claims Impacts & Sensitivity



MVP provided limited information regarding COVID-19 impacts, which included the following, generally based on experience information through April 30, 2021:

- COVID-19 utilization tracking reports,
- COVID-19 experienced testing expenses,
- Developed PMPM costs for elective services,
- Estimated vaccine administration PMPM costs, and
- Qualitative descriptions for 2021 COVID-19 impact estimates.

Ultimately, due to the limited quantitative information provided, we produced the COVID-19 impact estimates, as discussed below and further detailed in Appendix B.

2020 COVID-19 impacts were largely driven by deferred or eliminated care that can be clearly seen in the gap between actual and trended cost estimates that showed significant reductions in March through May, peaking in April 2020, and some higher than expected costs beginning in June 2020.

Actual 2020 and emerging 2021 incurred claims on a monthly basis were based on incurred estimates as of April 30, 2021 and compared to a Trended Seasonal Benchmark, developed by OW, which was based on trending 2019 average monthly incurred claims PMPM costs considering experienced 2018 and 2019 seasonal patterns.

Other COVID-19 impacts also include lower than expected non-claims expenses and may include uncollectible premiums, but details on uncollectible premiums were not provided. Additionally, the non-claims expense reductions were not material.

The table following shows the 2021 projected COVID-19 impact in our analysis. As discussed, MVP provided limited quantitative data for 2021 COVID-19 impacts, which are presented in the table below. The OW estimates should be considered in aggregate due to the lack of detailed quantitative information for the 2020 baseline. We also provide a “Middle” estimate for MVP.

**2021 MVP Commercial COVID-19 Claim Impact Sensitivity**

	MVP	OW Low	OW Middle	OW High
Reduced Utilization		(4,299,598)		
Returning Utilization		2,829,255	3,823,317	5,734,976
<b>Reduced, Returning, and Eliminated Non-COVID Utilization</b>		<b>(1,470,343)</b>	<b>3,823,317</b>	<b>5,734,976</b>
Diagnostic Testing	MVP provided testing costs through April 2021, which we graded down throughout the year.			
Treatment		1,038,516	1,300,547	1,950,820
Vaccine Administration	Per MVP: \$44 for two doses of vaccine. \$863,654 = \$44 x 39,257 2021 Commercial members x 50%	431,827	863,654	1,295,481
<b>Direct COVID-19 Claims Costs</b>		<b>1,470,343</b>	<b>2,164,201</b>	<b>3,246,301</b>
Morbidity Impact Deferred Care Other Changes in Demand for Services				
<b>Other COVID-19 Claims Impacts</b>		-	-	-
<b>Total 2021 COVID-19 Impact</b>		-	<b>5,987,518</b>	<b>8,981,277</b>

The OW Middle estimated claims impact in 2021 is that COVID-19 will increase claims costs by \$6.0 with a range of no impact to \$9.0 million based on the cost impact information provided by MVP. We completed a fairly limited analysis in developing these impacts since the current financial projections indicate MVP is expecting substantial losses in 2021 and, therefore, segregating the COVID-19 impact on losses versus other impacts on losses would provide limited value as we are not proposing any policyholder relief based on MVP’s poor expected financial experience in 2020-2021 for its Commercial VT block.

## Analysis of Contribution to Surplus

2020 Contribution to Surplus on \$232.9M Net Premium	Projected Based on 2020 Estimates	Percentage of Net Premium
Projected	7,878,598	3.4%
Target	3,494,018	1.5%
Due to COVID-19 Impacts	7,685,434	3.3%
Due to Other Impacts	(3,300,854)	-1.4%
2021 Contribution to Surplus on \$246.1M Net Premium	Projected OW COVID-19 Impact	Percentage of Net Premium
Projected	(21,694,772)	-8.8%
Target	3,692,244	1.5%
Due to COVID-19 Impacts	(6,003,518)	-2.4%
Due to Other Impacts	(19,383,498)	-7.9%
2020-2021 Contribution to Surplus on \$479.1M Net Premium	Projected OW COVID-19 Impact	Percentage of Net Premium
Projected	(13,816,174)	-2.9%
Target	7,186,262	1.5%
Due to COVID-19 Impacts	1,681,916	0.4%
Due to Other Impacts	(22,684,352)	-4.7%

MVP is forecasting losses equal to approximately 2.9% of premium for its Commercial business despite what appears to be a slight favorable overall impact of COVID-19. Please note that the Large Group contribution to surplus target is 2.0% of premium, but since it represents less than 10% of experienced 2020 net premium, we have applied the same 1.5% of premium target to that business as the Individual and Small Group business.

## December 31, 2021 Projected Surplus and Sensitivity Testing

2020-2021 Contribution to Surplus	OW Low COVID-19 Impact	OW Middle COVID-19 Impact	OW High COVID-19 Impact
Target Surplus = 1.5% of \$479.1M 2020-2021 Net Premium = \$7.2M			
Projected	(7,828,656)	(13,816,174)	(16,809,933)
Due to COVID-19 Impacts	7,669,434	1,681,916	(1,311,843)

Our estimate of the 2020-2021 underwriting loss is roughly \$13.8 million with COVID-19 having a small favorable impact of less than \$2.0 million. Considering the projected 2020 and 2021 underwriting losses, there does not appear to be any rationale for providing MVP policyholders COVID-19 related relief at this point in time.

## 5. CARRIER ANALYSIS AND RESULTS – VERMONT EDUCATION HEALTH INITIATIVE

VEHI's claims operations are largely contracted to BCBSVT. As a result, BCBSVT provided similar COVID-19 modeling for VEHI to that provided for their own BCBSVT business. The analysis following and quantified amounts shown reflect our interpretation of the information provided in response to the data request for this study and additional information available from financial submissions to the Department and rate filings as explained in this section and further documented in Appendix B.

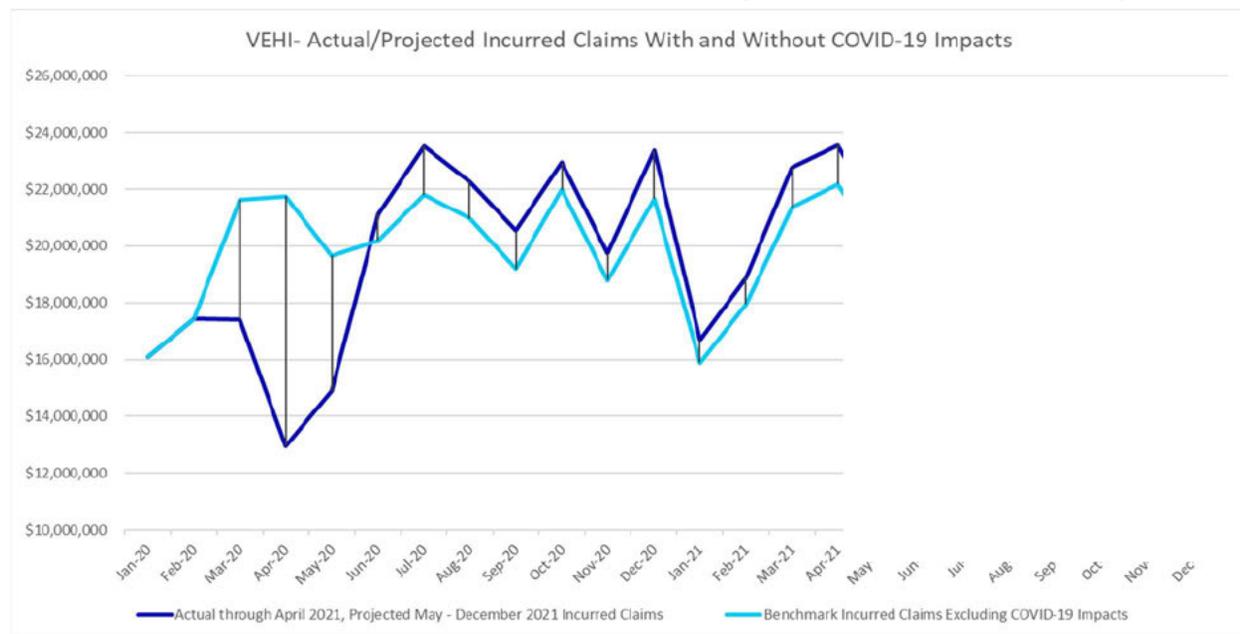
### 5.1. Vermont Education Health Initiative – All Covered Lives

#### 2020 and 2021 Financial Experience Summary

Financial Item	2020	2021	2020 & 2021
Net Premium Excluding COVID-19 Impacts	280,140,970		
COVID-19 Impact on Net Premium	-	-	-
<b>Net Premium</b>	<b>280,140,970</b>		
Incurring Claims Excluding COVID-19 Impact on Medical Incurred Claims	(241,170,766)		
COVID-19 Impact on Medical Incurred Claims	8,933,930	(8,149,025)	784,904
<b>Net Incurred Claims</b>	<b>(232,236,836)</b>		
Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts	(25,872,743)		
COVID-19 Impact on Administrative Expenses, Taxes, and Fees	-	-	-
<b>Administrative Expenses, Taxes, and Fees</b>	<b>(25,872,743)</b>		
<b>Contribution to Surplus</b>	<b>22,031,391</b>		
Contribution to Surplus Due to COVID-19	8,933,930	(8,149,025)	784,904

BCBSVT estimates COVID-19 impacts increased the contribution to VEHI surplus in 2020 by roughly \$8.9M primarily due to reduced medical incurred claims associated with COVID-19. VEHI anticipates returning care will reduce its underwriting gain in 2021 by a similar, but slightly lower, amount. Overall, VEHI has seen favorable recent financial experience that has improved its financial position. COVID-19 has contributed to, but is not the sole driver of, this favorable experience.

## Assessment of Indicated COVID-19 Impacts and Sensitivity



The above chart above shows a similar pattern, overall, to the other carrier projections, with claims reductions in March through May 2020 being offset by higher claims beginning in June 2020. Please note that the below 2021 COVID-19 impact estimates were adjusted to align with VEHI’s calendar year 2021 forecast.

**2021 VEHI COVID-19 Claim Impact Sensitivity**

	VEHI Minimum	VEHI Median	VEHI Maximum	OW Low	OW High
Reduced Utilization	-	-	-	(5,923,222)	-
Returning Utilization	2,781,427	3,602,811	4,340,592	2,781,427	4,340,592
Reduced, Returning, and Eliminated Non-COVID Utilization	2,781,427	3,602,811	4,340,592	(3,141,795)	4,340,592
Diagnostic Testing	1,663,929	2,242,862	3,037,777	1,682,147	2,803,578
Treatment	577,796	638,267	931,313	478,700	797,834
Vaccine Administration	1,206,149	1,307,931	1,382,994	980,948	1,382,994
Direct COVID-19 Claims Costs	3,447,874	4,189,060	5,352,084	3,141,795	4,984,405
Morbidity Impact Deferred Care	-	631,724	1,252,496	-	947,586
Other Changes in Demand for Services	502,058	502,058	502,058	-	502,058
Other COVID-19 Claims Impacts	502,058	1,133,782	1,754,554	-	1,449,644
<b>Total Modeled COVID-19 Impact</b>	<b>6,731,359</b>	<b>8,925,653</b>	<b>11,447,230</b>	<b>-</b>	<b>10,774,641</b>
2021 Budget Scalar	91.3%	91.3%	91.3%	91.3%	91.3%
<b>Total COVID-19 Impact Adjusted for 2021 Budget</b>	<b>6,145,658</b>	<b>8,149,025</b>	<b>10,451,198</b>	<b>-</b>	<b>9,837,131</b>

The median estimated claims impact in 2021 shows COVID-19 increasing claims costs by \$8.1 million after our scaling. The increase is largely driven by Direct COVID-19 claims costs for Testing, Treatment, and Vaccine Administration. The indicated range based on scaling of the Company’s model results is that in 2021 COVID-19 will increase claims by \$6.1 to \$10.5 million. Oliver Wyman’s parallel range is no impact to a \$9.8 million increase. Differences between the BCBSVT estimates and our estimates are primarily attributable to lower impacts of reduced or returning utilization, including the possibility that

the presence of COVID-19 could still result in some reduced utilization for other than direct COVID-19 treatments, testing, and vaccine administration, and narrowing the treatment cost range.

## Analysis of Contribution to Surplus

<b>2020 Contribution to Surplus on \$280.1M Net Premium</b>	<b>Projected Based on 2020 Estimates</b>	<b>Percentage of Net Premium</b>
Projected	22,031,391	7.9%
Target	8,124,088	2.9%
Due to COVID-19 Impacts	8,933,930	3.2%
Due to Other Impacts	4,973,373	1.8%
<b>2021 Contribution to Surplus on \$294.5M Net Premium</b>	<b>Projected Median COVID- 19 Impact</b>	<b>Percentage of Net Premium</b>
Projected		
Target	7,510,933	2.6%
Due to COVID-19 Impacts	(8,149,025)	-2.8%
Due to Other Impacts		
<b>2020-2021 Contribution to Surplus on \$574.7M Net Premium</b>	<b>Projected Median COVID- 19 Impact</b>	<b>Percentage of Net Premium</b>
Projected		
Target	15,635,021	2.7%
Due to COVID-19 Impacts	784,904	0.1%
Due to Other Impacts		

VEHI appeared to have underwriting experience showing a significant contribution to surplus in 2020 above its 2.7% contribution target. This was largely driven by COVID-19 impacts reducing utilization and claims. Overall, the amount attributable to COVID-19 impacts was roughly \$8.9 million in 2020. The contribution percentages were developed by OW based on the Fiscal Year 2021 and Fiscal Year 2022 rate filing information provided by VEHI, as well as monthly claims benchmarks. We note that monthly files showing underwriting results were difficult to analyze, primarily because there is significant reserve development impacting the reported amounts and report formats and the characterization of specific expense items differs in the reports that we reviewed and because the budget information was provided for the July to June fiscal years versus on a calendar year basis.

## Analysis of December 31, 2021 Projected Financial Position and Sensitivity Testing

<b>2020-2021 Contribution to Surplus</b>	<b>VEHI Minimum COVID-19 Impact</b>	<b>VEHI Median COVID- 19 Impact</b>	<b>VEHI Maximum COVID-19 Impact</b>	<b>OW Low COVID-19 Impact</b>	<b>OW High COVID-19 Impact</b>
Projected					
Due to COVID-19 Impacts	2,788,271	784,904	(1,517,268)	11,420,616	(903,202)

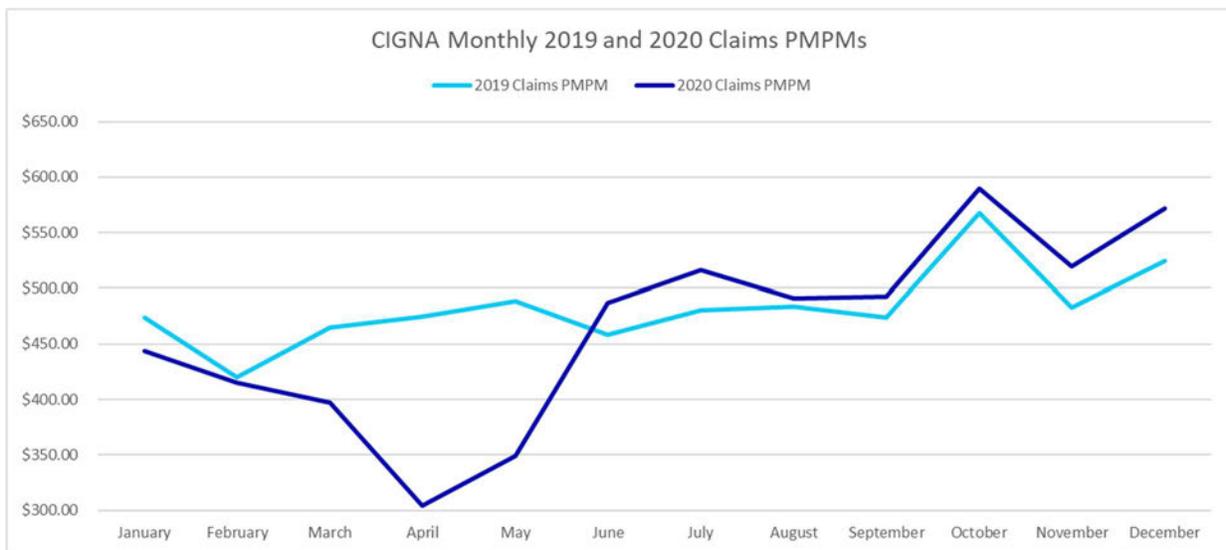
The overall VEHI median 2020-2021 estimated

with COVID-19 having a very limited impact with projected results of the COVID-19 impact showing a fairly narrow range of \$30.1 to \$34.4 million based on VEHI's modeling. Our range for the COVID-19 impact is wider and reflects the possibility that under the Low COVID-19 impact scenario other than COVID-19 utilization could still have some additional deferred and eliminated care that is not considered in VEHI's estimates. Additionally, the OW range allows for a favorable COVID-19 impact on claims that may be larger than estimated by VEHI in both 2020 and 2021. As such, the OW Low COVID-19 Impact attributes one-half of the 2020 Contribution to Surplus Due to Other Factors as a Contribution to Surplus Due to COVID-19 Impacts.

## 6. CARRIER ANALYSIS AND RESULTS – CIGNA

CIGNA was partially responsive to our request and ultimately provided very limited monthly claims and membership data for all Vermont members and a description of their filed premium credit program’s impact on their fully-insured Vermont policyholders. Note for health insurance, CIGNA only participates in the Large Group market that is regulated by the Department and the self-insured market that is regulated by ERISA requirements.

CIGNA’s Large Group insured block is fairly small, and the company contends, not credible to allow for an assessment of the COVID-19 impact on insured Vermonters. This is a reason for providing combined claims experience data that includes self-insured policyholders and is consistent with part of the information provided in other CIGNA Vermont Large Group rate filings.



Our limited analysis of the incomplete claims information indicates that CIGNA’s Vermont group claims experience saw similar shifts as those experienced by other carriers with reduced 2nd Quarter 2020 medical services utilization and claims costs returning to more normal run rates in the second half of the year, likely with some returning utilization of deferred services.

The submission also highlighted CIGNA’s planned premium experience credit in April 2021 for 10% of the average monthly 2020 premiums paid by large group policyholders that maintain coverage through April 2021. This credit is expected to be \$118,000 or roughly 0.8% of annualized 2020 premiums for eligible policyholders and should be considered in conjunction with any other potential policyholder relief options explored by the Department.

## 7. 2022 ACA PREMIUM RATES

### 7.1. Blue Cross and Blue Shield of Vermont

For 2022, BCBSVT is requesting an average rate increase of 7.9% for Individual policies (range: 2.6% decrease to 9.8% increase by plan) and 7.8% decrease for Small Group policies (range: 7.0% to 9.8% decrease by plan). Overall, this is reflective of a slight aggregate rate reduction per BCBSVT's filings and BCBSVT's assumption that the underlying morbidity of their insured population improved in 2020 and 2021 and this improved population morbidity will persist in 2022.

BCBSVT is not pricing for any COVID-19 costs in their 2022 Individual and Small Group rates, though their modeling is showing some COVID-19 costs could persist through 2022. The rate increases by plan are shown in the tables below.

#### BCBSVT Proposed 2022 Rate Increases Over 2021 Rates - Individual

Product	Plan	Proposed Rate Increase <sup>5</sup>
BCBSVT EPO	BCBSVT Blue Rewards Catastrophic Plan	-2.55%
BCBSVT EPO	BCBSVT Bronze Plan	6.17%
BCBSVT EPO	BCBSVT Bronze Plan Integrated	6.24%
BCBSVT EPO	BCBSVT Silver Plan	7.14%
BCBSVT EPO	BCBSVT Silver Reflective Plan	7.55%
BCBSVT EPO	BCBSVT Gold Plan	8.45%
BCBSVT EPO	BCBSVT Platinum Plan	9.79%
BCBSVT EPO CDHP	BCBSVT Bronze CDHP Plan	6.54%
BCBSVT EPO CDHP	BCBSVT Silver CDHP Plan	7.42%
BCBSVT EPO CDHP	BCBSVT Silver CDHP Reflective Plan	7.78%
BCBSVT EPO Vermont Preferred	BCBSVT Vermont Preferred Bronze Plan	7.15%
BCBSVT EPO Vermont Preferred	BCBSVT Vermont Preferred Silver Plan	7.57%
BCBSVT EPO Vermont Preferred	BCBSVT Vermont Preferred Silver Reflective Plan	8.12%
BCBSVT EPO Vermont Preferred	BCBSVT Vermont Preferred Gold Plan	9.10%
BCBSVT EPO Vermont Select CDHP	BCBSVT Vermont Select Bronze Plan	7.00%
BCBSVT EPO Vermont Select CDHP	BCBSVT Vermont Select Silver Plan	7.27%
BCBSVT EPO Vermont Select CDHP	BCBSVT Vermont Select Silver Reflective Plan	7.65%
BCBSVT EPO Vermont Select CDHP	BCBSVT Vermont Select Gold Plan	9.35%

<sup>5</sup> 2022 BCBSVT ACA Market Individual Rate Filing

**BCBSVT Proposed 2022 Rate Increases Over 2021 Rates – Small Group**

<b>Product</b>	<b>Plan</b>	<b>Proposed Rate Increase<sup>6</sup></b>
BCBSVT EPO	BCBSBVT Bronze Plan	-9.46%
BCBSVT EPO	BCBSBVT Bronze Plan Integrated	-9.43%
BCBSVT EPO	BCBSBVT Silver Plan	-18.82%
BCBSVT EPO	BCBSBVT Silver Reflective Plan	-8.50%
BCBSVT EPO	BCBSBVT Gold Plan	-7.96%
BCBSVT EPO	BCBSBVT Platinum Plan	-6.97%
BCBSVT EPO CDHP	BCBSBVT Bronze CDHP Plan	-9.18%
BCBSVT EPO CDHP	BCBSBVT Silver CDHP Plan	-16.84%
BCBSVT EPO CDHP	BCBSBVT Silver CDHP Reflective Plan	-8.37%
BCBSVT EPO Vermont Preferred	BCBSBVT Vermont Preferred Bronze Plan	-8.65%
BCBSVT EPO Vermont Preferred	BCBSBVT Vermont Preferred Silver Plan	-19.82%
BCBSVT EPO Vermont Preferred	BCBSBVT Vermont Preferred Silver Reflective Plan	-7.94%
BCBSVT EPO Vermont Preferred	BCBSBVT Vermont Preferred Gold Plan	-7.29%
BCBSVT EPO Vermont Select CDHP	BCBSBVT Vermont Select Bronze Plan	-8.74%
BCBSVT EPO Vermont Select CDHP	BCBSBVT Vermont Select Silver Plan	-18.43%
BCBSVT EPO Vermont Select CDHP	BCBSBVT Vermont Select Silver Reflective Plan	-8.38%
BCBSVT EPO Vermont Select CDHP	BCBSBVT Vermont Select Gold Plan	-7.12%

Should the proposed rates be approved in full and realized experience match the assumptions, the requested rates would be expected to have essentially no impact on BCBSVT's RBC ratio. The rates include a 1.5% contribution to surplus assumption, which is intended to maintain BCBSVT's RBC ratio and counteract the calculated ACL RBC increase that would occur due to expected increased premiums and claims.

If the rates are inadequate because the improved claims experience from 2020 and 2021 was driven more by COVID-19 impacts than assumed in the 2022 premium rate development, the lower than necessary premium rates could serve the function of providing policyholder relief for reduced utilization associated with COVID-19. It will be well into 2022 until experience develops sufficiently to assess the adequacy of the proposed rates.

## 7.2. MVP Health Plan

MVP is requesting an average rate increase of 17.0% for Individual policies (range: 14.0% to 20.9% increase by plan) and 5.0% for Small Group policies (range: 10.2% decrease to 7.3% increase by plan) when compared to their 2021 merged market VISG premium rates in their 2022 ACA-compliant filings to the GMCB. The rate increases by plan are shown in the tables following. The fairly significant rate actions appear reasonably consistent with the projected losses for the 2020-2021 period.

<sup>6</sup> 2022 BCBSVT ACA Market Small Group Rate Filing

**MVP Proposed 2022 Rate Increases Over 2021 Rates - Individual**

<b>Product</b>	<b>Plan</b>	<b>Proposed Rate Increase<sup>7</sup></b>
	Bronze HDHP	19.8%
	Bronze Non-HDHP	20.3%
	Bronze No RX OOP	19.4%
	Silver On-Exchange Non-HDHP	16.9%
Standard Plans	Silver Reflective Non-HDHP	20.6%
	Silver On-Exchange HDHP	16.1%
	Silver Reflective HDHP	19.7%
	Gold	16.1%
	Platinum	19.2%
Non-Standard Plans	Bronze Non-HDHP	20.9%
	Bronze No RX OOP	20.1%
	Silver On-Exchange Non-HDHP	14.0%
	Silver Reflective Non-HDHP	17.4%
Non-Standard Plans	Silver On-Exchange HDHP	15.2%
	Silver Reflective HDHP	18.9%
	Gold HDHP	17.4%
	Gold Non-HDHP	17.7%

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<sup>7</sup> 2022 MVP ACA Market Individual Rate Filing

**MVP Proposed 2022 Rate Increases Over 2021 Rates – Small Group**

<b>Product</b>	<b>Plan</b>	<b>Proposed Rate Increase<sup>8</sup></b>
Standard Plans	Bronze HDHP	6.3%
	Bronze Non-HDHP	6.8%
	Bronze No RX OOP	5.9%
	Silver On-Exchange Non-HDHP	-7.4%
	Silver Reflective Non-HDHP	7.0%
	Silver On-Exchange HDHP	-8.3%
	Silver Reflective HDHP	6.2%
	Gold	3.0%
Non-Standard Plans	Bronze Non-HDHP	7.3%
	Bronze No RX OOP	6.6%
	Silver On-Exchange Non-HDHP	-10.2%
	Silver Reflective Non-HDHP	4.2%
	Silver On-Exchange HDHP	-8.9%
	Silver Reflective HDHP	5.6%
	Gold HDHP	4.2%
	Gold Non-HDHP	4.5%

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<sup>8</sup> 2022 MVP ACA Market Small Group Rate Filing

## 8. RECOMMENDATIONS

### 8.1. Overall Recommendations for Policyholder Relief

At this point in time, there appears to be a few markets where policyholder relief is warranted due to favorable financial experience being expected for 2020-2021 because of COVID-19 impacts. With regard to the carriers and markets, we note the following:

#### BCBSVT Individual and Small Group

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	(635,998)	(1,961,863)	(3,797,972)	7,940,018	(2,795,611)

BCBSVT's analysis indicates that the reduction in surplus due to COVID-19 could range from \$0.6 million to \$3.8 million. BCBSVT believes that the significant surplus contributions seen over 2020-2021 are partially due to prior period items contributing to 2020 reported profits and partially due to favorable morbidity relative to expectations and was not caused by COVID-19. It is nearly impossible to segregate all historical and anticipated 2020-2021 experience due to COVID-19 impacts from favorable experience due to improved morbidity. The company has essentially taken the position that it believes that the favorable experience was due to improved morbidity that will be ongoing (note the \$2.0 million unfavorable COVID-19 median impact shown in the table above is about 0.3% of the 2020-2021 premiums). Consistent with that position, the morbidity improvement is also assumed in its 2022 Individual and Small Group rates which, overall, were filed with a slight decrease in rates, although the filed rates vary between Individual and Small Group markets. If the favorable morbidity does not persist and some of the 2020-2021 favorable experience was due to COVID-19, BCBSVT will have already provided policyholder relief through reduced 2022 rate levels. That said, we are not proposing any policyholder relief in 2022 for BCBSVT Individual and Small Group markets directly related to COVID-19.

Lastly, we note that the American Rescue Plan Act of 2021 increased subsidies and subsidy eligibility for the 2021 and 2022 plan years. The increased subsidy eligibility is expected to increase coverage through 2022, while the increased subsidies would suggest that some portion of any implied 2022 rate relief could benefit the federal government, which already has provided some COVID-related relief due to increased subsidies.

#### BCBSVT Insured Large Group

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
Projected					
Due to COVID-19 Impacts	255,968	20,803	(300,473)	1,165,602	(116,025)

Under the ranges of assumptions developed by BCBSVT and OW, there may be some favorable impact related to COVID-19 for the 2020-2021 period; however, it also appears that the market segment

e do not believe any policyholder relief is warranted

at this time. Policyholder relief might be revisited should the Large Group profitability ultimately be more favorable than currently modeled.

## BCBSVT Medicare Supplement

2020-2021 Contribution to Surplus	BCBSVT Minimum COVID-19 Impact	BCBSVT Median COVID-19 Impact	BCBSVT Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
	<i>Target Surplus = 1.5% of</i>		<i>2020-2021 Net Premium =</i>		
Projected					
Due to COVID-19 Impacts	697,695	558,630	385,885	2,081,988	509,685

Under the ranges of assumptions developed by BCBSVT and OW there appears to be some favorable impact related to COVID-19 for the 2020-2021 period, and that the market segment , which exceeds the target of 1.5%. Considering the gains and estimated favorable impact of COVID-19, we would suggest that some rate relief be provided to Medicare Supplement policyholders, especially those who had purchased policies for coverage in 2020. This rate relief could be \$1.0 to \$2.0 million if rate levels are not adjusted to reflect the favorable recent experience. The Department could reasonably expect BCBSVT to propose policyholder relief, potentially including prospective rates reflective of its favorable experience in its next rate filing.

## MVP Commercial

2020-2021 Contribution to Surplus	OW Low COVID-19 Impact	OW Middle COVID-19 Impact	OW High COVID-19 Impact
	<i>Target Surplus = 1.5% of \$479.1M 2020-2021 Net Premium = \$7.2M</i>		
Projected	(7,828,656)	(13,816,174)	(16,809,933)
Due to COVID-19 Impacts	7,669,434	1,681,916	(1,311,843)

Under the ranges of assumptions developed by OW, there may be some favorable impact related to COVID-19 for the 2020-2021 period; however, it also appears that MVP is expected to have considerable underwriting losses for the period. Considering the indicated expected underwriting losses during the 2020-2021 period, we do not believe any policyholder relief related to COVID-19 is warranted for MVP policyholders.

## VEHI

2020-2021 Contribution to Surplus	VEHI Minimum COVID-19 Impact	VEHI Median COVID-19 Impact	VEHI Maximum COVID-19 Impact	OW Low COVID-19 Impact	OW High COVID-19 Impact
	<i>Target Surplus = 2.7% of \$574.7M 2020-2021 Net Premium = \$15.6M</i>				
Projected	34,376,776	32,373,409	30,071,237	40,522,434	30,685,303
Due to COVID-19 Impacts	2,788,271	784,904	(1,517,268)	11,420,616	(903,202)

based on its latest experience and budget for the fiscal year ending June 30, 2022. Also, the BCBSVT modeling did not indicate a significant COVID-19 impact for 2020-2021. Considering VEHI has had surplus levels below its 15% of expense target, we would recommend potentially reducing the surplus contribution target for premiums for the year ending June 30, 2023 if VEHI's experience and financial position warrant it.

## CIGNA

CIGNA has a small block and only participates in the Large Group market. Considering CIGNA has provided some policyholder relief and that the market is reasonably competitive, we would not recommend CIGNA provide additional policyholder relief to its policyholders at this point in time.

## 8.2. Recommendations for Considering Policyholder Relief Options

If a decision is made to offer some form of policyholder relief, we would suggest that the primary criteria to judge relief options should be extent to which relief is equitable and administratively efficient. We provide some preliminary thoughts on options for relief and comments on how these options consider the equity and efficiency criteria.

1. **Retrospective Premium Rebates** that return premiums to policies that were in force during the period when COVID-19 reduced utilization resulted in reduced costs. This is probably the most equitable approach but would likely be administratively inefficient.
2. **Prospective Premium Reductions** – this is similar to the CIGNA approach in the large group market where premiums are targeted to be cut by 10% for the month of April 2021 for policyholders who were in force in 2020. This is a little less equitable than providing rebates retrospectively since it misses policyholders that contributed to plan savings but then left coverage with a particular carrier, but it is much more administratively efficient and may be appropriate, especially if any relief is relatively modest.
3. **Prospective Rate Adjustments** – this approach of reducing future rates to allow policyholders to share in any COVID-19 related savings is not entirely equitable since lapsed policyholders would see no benefits and new policyholders not contributing to savings would see a benefit, but it is administratively simple and closest to how policyholder relief is typically implemented in Vermont. Another option would be to delay implementation of approved rate increases which would provide the benefit of having filed rates at “appropriate” levels while still allowing for fairly simple administration for rate relief.
4. **Prospective Benefit Adjustments** – this approach could offer an additional benefit or waive cost sharing for certain benefits as a form of policyholder relief. It’s administratively feasible since it was done already to waive certain member cost sharing in 2020 but may lack equity if new policyholders not contributing to savings see a benefit.

Should the Department determine that some rate relief is warranted for the BCBSVT Medicare Supplement policyholders, we would recommend that it be done via prospective rate adjustments either by lowering future rate levels or delaying their implementation.

## 9. QUALIFICATIONS, LIMITATIONS, AND RELIANCE

### 9.1. Acknowledgement of Qualifications

I, Marc Lambright, FSA, MAAA, Senior Principal and Consulting Actuary with Oliver Wyman, am a member of the American Academy of Actuaries and meet that body's Qualification Standards to render this report.

I, Zachary Smith, FSA, CERA, MAAA, Senior Consultant and Consulting Actuary with Oliver Wyman, am a member of the American Academy of Actuaries and meet that body's Qualification Standards to render this report.

### 9.2. Limitations

The purpose of this report is to document the work we completed while assisting the Vermont Department of Financial Regulation in estimating the impact of COVID-19 on the Vermont health insurance market in the 2020-2021 period. Any other use of this report is inappropriate.

Our estimates are based on generally accepted actuarial practices and are consistent with the American Academy of Actuaries' Actuarial Standards of Practice. While we have used our best professional judgment during the course of this review, estimates of all factors that may contribute to the ultimate impact of COVID-19 on Vermont insurers including ultimate claims experience are inherently uncertain due to fluctuations in claim costs and payment patterns. Also, the data and information in this report is displayed on a calendar year basis and could not be fully reconciled with other reports provided by VEHI to the Department. We, therefore, cannot warrant that the ultimate impact of COVID-19 on Vermont insurers for the 2020-2021 period will not vary from our estimates, perhaps significantly.

### 9.3. Reliance

We relied on the completeness and accuracy of the data provided by Blue Cross and Blue Shield of Vermont, MVP Health Plan, Vermont Education Health Initiative, and CIGNA. To the extent that any of this information is inaccurate, our estimates may need to be revised.

## APPENDIX A. PRELIMINARY DETAILED DATA REQUEST

On February 2, 2021, the following data was requested from all carriers, with an initial response date of February 12, 2021.

### 1. COVID-19 Studies

- a. Copies of any analyses that you have developed related to revenue, claims, and administrative expense impacts of COVID-19 on your 2020 experience and 2021+ financial projections

### 2. 2019 and 2020 Revenues

- a. Contractual Monthly Premiums and Membership by line of business for 2019 and 2020, for the purposes of this study, consider lines of business:
  - i. Comprehensive Health – Individual QHP
  - ii. Comprehensive Health – Small Group QHP
  - iii. Comprehensive Health – Large Group
  - iv. Medicare Advantage
  - v. Medicare Part D
  - vi. Medicare Supplement
  - vii. Other Retiree Medical
  - viii. Dental
  - ix. Other insured
  - x. Self-Funded and Level-Funded
- b. Summary of any rate relief provided related to COVID-19 by quarter and line of business in 2020, e.g., premium holidays, refunds, rate adjustments, etc.
- c. Summary of quarterly premium adjustments to tie contractual premiums to those reported in statutory quarterly filings for insured business; may include reinsurance premiums, rate credits, write-offs, etc.
- d. Explanation of COVID-19's impact on renewal rates effective in 2020 by line of business, presumably this would only impact large group

### 3. 2019 and 2020 Reported Claims by month, preferably using same lines of business as in 2.a.

- a. Fee-for-service (FFS) reserving models by line of business as of 12/31/2018, 12/31/2019, 3/31/2020, 6/30/2020, 9/30/2020, 12/31/2020, and 1/31/2021 that include at least:
  - i. 36 months of payments segregated by incurral month,
  - ii. 36 months of members, and
  - iii. 36 months of incurred claims estimates
  - iv. Explanation of reinsurance treatment in lags
- b. Monthly recorded FFS claims per lags (includes estimate + any prior development + changes in PAD) for 2020 and 2021
- c. Monthly recorded capitated claims for 2020 and 2021

- d. Any monthly provider claims recorded due to risk sharing arrangements, including any all-payer model transactions for 2020 and 2021
  - e. Monthly recorded reinsurance incurred claims offsets for 2019 and 2020
  - f. Monthly cost of waiving policyholder cost-sharing for non-COVID-19 claims and part of any policyholder relief efforts in 2020
  - g. Other monthly recorded claims amounts for 2019 and 2020
  - h. Reconciliation of items b.- g. to quarterly statutory reported claims in 2019 and 2020 for VT business
- 4. Utilization and Trend Reports** - copies of currently available monthly utilization and trend reports for 2019 and 2020 by line of business and service category
- 5. COVID-19 Direct Costs** - copies of currently available monthly tracking reports of COVID-19-related claims costs for different services – please breakdown by inpatient, outpatient, physician, testing, vaccine administration (largely 2021+)
- 6. Mental Health and Telehealth Costs** - Monthly costs for 2019 and 2020 for:
- a. Mental Health Inpatient
  - b. Mental Health Outpatient
  - c. Telehealth (split between mental health and other services)
- 7. Risk Adjustment and MLR Rebate Programs** - summary of payments, receipts, and accruals, for each quarter-end from 12/31/2018 to 12/31/2020, please provide:
- a. Risk adjustment and risk score accrual amounts by line of business
  - b. Risk transfer payments/receipts and retroactive risk score revenues by quarter by line of business
  - c. MLR rebate accrual amounts by market
  - d. MLR rebate payments/receipts by market
- 8. Non-claims Expenses**
- a. Quarterly non-claims expense summary (based on how you track amounts) for 2019 and 2020 for VT insured business along with a reconciliation to statutory reported amounts
  - b. 2020 quarterly direct general administrative expenses related to COVID-19, e.g., PPE, office reconfiguration, work from home costs, etc.
  - c. Explanation of any profitability, expense ratio, and margin changes due to premium volume impacted by COVID-19

**9. 2021 COVID-19 Projected Financial Impacts**, please explain and provide any supporting analysis related to:

- a. 2021 Line of Business budgets
- b. COVID-19 Revenue impact items, please provide by line of business for 2021:
  - i. Anticipated premium rate adjustments related to COVID-19, e.g., premium holidays, refunds, rate adjustments, etc.
  - ii. Explanation of COVID-19's impact on renewal rate actions impacting 2021 revenues
  - iii. Any changes in revenue due to membership changes
  - iv. Changes in revenues due to risk adjustment programs, please address specifically Medicare Advantage risk scores if applicable
  - v. Any other revenue impacts
- c. COVID-19 Claims impact items, please provide by line of business for 2021:
  - i. Anticipated additional costs associated with deferred care for pent-up demand from 2020, please provide dollar and PMPM estimates
  - ii. Anticipated direct COVID-19 claims costs by line of business and service type – direct treatment of COVID-19 infections, testing, vaccination administration, anything else
  - iii. Changes in Mental Health treatment costs
  - iv. Any changes in claims costs associated with changes in delivery models due to COVID-19, e.g., telehealth
  - v. Population morbidity changes
  - vi. Any other COVID-19 impact on claims
- d. Non-Claims expenses
  - i. Please explain any anticipated impact of COVID-19 on administrative or any other non-claims expenses and/or expense ratios

**10. Please provide any additional information that you would like the Department to consider as part of this study.**

## APPENDIX B. UPDATED DETAILED DATA REQUEST

On May 18, 2021, the following data was requested from all carriers, along with example files the companies provided in response to the preliminary data request, with an initial response date of June 1, 2021. We also asked certain company-specific questions related to their preliminary responses that are not listed here for confidentiality.

### 1. COVID-19 Studies

- a. Copies of any analyses that you have developed related to revenue, claims, and administrative expense impacts of COVID-19 on your 2020 experience and 2021+ financial projections

### 2. 2021 Revenues

- a. Contractual Monthly Premiums and Membership by line of business for 2021, for the purposes of this study, consider lines of business:
  - i. Comprehensive Health – Individual QHP
  - ii. Comprehensive Health – Small Group QHP
  - iii. Comprehensive Health – Large Group
  - iv. Medicare Advantage
  - v. Medicare Part D
  - vi. Medicare Supplement
  - vii. Other Retiree Medical
  - viii. Dental
  - ix. Other insured
  - x. Self-Funded and Level-Funded
- b. Summary of any rate relief provided related to COVID-19 by quarter and line of business in 2021, e.g., premium holidays, refunds, rate adjustments, etc.
- c. Summary of quarterly premium adjustments to tie contractual premiums to those reported in statutory quarterly filings for insured business; may include reinsurance premiums, rate credits, write-offs, etc.

### 3. 2019 through 2021 Reported Claims by month, preferably using same lines of business as in 2.a.

- a. Fee-for-service (FFS) reserving models by line of business as of 3/31/2021 and 4/30/2021 that include at least:
  - i. 36 months of payments segregated by incurral month,
  - ii. 36 months of members, and
  - iii. 36 months of incurred claims estimates
  - iv. Explanation of reinsurance treatment in lags
- b. Monthly recorded FFS claims per lags (includes estimate + any prior development + changes in PAD) for 2021
- c. Monthly recorded capitated claims for 2021

- d. Any monthly provider claims recorded due to risk sharing arrangements, including any all-payer model transactions for 2021
  - e. Monthly recorded reinsurance incurred claims offsets for 2021
  - f. Monthly cost of waiving policyholder cost-sharing for non-COVID-19 claims and part of any policyholder relief efforts in 2021.
  - g. Other monthly recorded claims amounts for 2021
- 4. Utilization and Trend Reports** - copies of currently available monthly utilization and trend reports for 2021 by line of business and service category
- 5. COVID-19 Direct Costs** - copies of currently available monthly tracking reports of COVID-19-related claims costs for different services – please breakdown by inpatient, outpatient, physician, testing, vaccine administration (largely 2021+)
- 6. Mental Health and Telehealth Costs** - Monthly costs for 2019 through April 2021 for:
- a. Mental Health Inpatient
  - b. Mental Health Outpatient
  - c. Telehealth (split between mental health and other services)
- 7. Risk Adjustment and MLR Rebate Programs** - summary of payments, receipts, and accruals, for each quarter-end from 12/31/2018 to 3/31/2021, please provide:
- i. Risk adjustment and risk score accrual amounts by line of business
  - ii. Risk transfer payments/receipts and retroactive risk score revenues by quarter by line of business
  - iii. MLR rebate accrual amounts by market
  - iv. MLR rebate payments/receipts by market
- 8. Non-claims Expenses**
- a. Quarterly non-claims expense summary (based on how you track amounts) for 2021 for VT insured business
  - b. 2021 direct general administrative expenses related to COVID-19, e.g., PPE, office reconfiguration, work from home costs, etc.
  - c. Explanation of any profitability, expense ratio, and margin changes due to premium volume impacted by COVID-19
- 9. 2021 COVID-19 Projected Financial Impacts**, please explain and provide any supporting analysis related to:
- a. 2021 Line of Business budgets with actuals through April 30, 2021

- b. COVID-19 Revenue impact items, please provide by line of business for 2021:
  - i. Anticipated premium rate adjustments related to COVID-19, e.g., premium holidays, refunds, rate adjustments, etc.
  - ii. Explanation of COVID-19's impact on renewal rate actions impacting 2021 revenues
  - iii. Any changes in revenue due to membership changes
  - iv. Changes in revenues due to risk adjustment programs, please address specifically Medicare Advantage risk scores if applicable
  - v. Any other revenue impacts
- c. COVID-19 Claims impact items, please provide by line of business for 2021:
  - i. Anticipated additional costs associated with deferred care for pent-up demand from 2020, please provide dollar and PMPM estimates
  - ii. Anticipated direct COVID-19 claims costs by line of business and service type – direct treatment of COVID-19 infections, testing, vaccination administration, anything else
  - iii. Changes in Mental Health treatment costs
  - iv. Any changes in claims costs associated with changes in delivery models due to COVID-19, e.g., telehealth
  - v. Population morbidity changes
  - vi. Any other COVID-19 impact on claims
- d. Non-Claims expenses
  - i. Please explain any anticipated impact of COVID-19 on administrative or any other non-claims expenses and/or expense ratios

**10. 2022 Vermont Individual and Small Group filing-** please provide the complete, unredacted 2022 VISG filing.

**11. Please provide any additional information that you would like the Department to consider as part of this study.**

## APPENDIX C. HOW MODELING APPROACH NOTES INCLUDING ADJUSTMENTS TO PROVIDED DATA

### Blue Cross and Blue Shield of Vermont Adjustments

- VISG, LG Insured, and Medicare Supplement
  - Overall 2020 COVID-19 Impact on Net Premium identified by BCBSVT as \$837,781 allocated to VISG, Insured LG, and Medicare Supplement pro-rata based on Net Premium.
  - 2020 COVID-19 Impact on Medical Incurred Claims calculated as the difference between the 2020 Actual Incurred Claims estimates as of April 30, 2021 and the Benchmark.
  - 2020 Actual Incurred Claims and Benchmark include reported capitation, pharmacy, and other incurred claims.
  - 2021 COVID-19 Impact on Medical Incurred Claims for January through March 2021 incurred months calculated as the difference between the 2021 Actual Incurred Claims estimates as of April 30, 2021 and the Benchmark as provided by BCBSVT.
  - 2021 Actual Incurred Claims through April 30, 2021 and Benchmark through March 31, 2021 include reported capitation, pharmacy, and other incurred claims.
  - May through December 2021 Projected Incurred Claims adjusted to equal provided budget incurred claims for full-year 2021 including January through April 2021 actual incurred claims. Monthly estimates for May through December 2021 Projected Incurred Claims and April through December 2021 Benchmark were developed using historical seasonal patterns and BCBSVT projected COVID-19 impact on incurred claims, adjusted for 2021 budget incurred claims and membership.
  - Overall 2020 COVID-19 Impact on Administrative Expenses, Taxes, and Fees of \$249,836 allocated to VISG, Insured LG, and Medicare Supplement pro-rata based on Net Premium.
- VISG
  - 2020 Net Premium adjusted for difference between December 31, 2020 risk adjustment receipt accrual of \$17,841,292 and actual risk adjustment receipt of \$22,376,313.
- LG Insured
  - LG Insured includes business written by BCBSVT and The Vermont Health Plan.
  - LG Insured includes an \_\_\_\_\_ provided by BCBSVT.
  - Association Health Plans business shown for 2021 excluded from analysis as there was no 2020 business for this line.

- Medicare Supplement
  - Medicare Supplement includes business written by BCBSVT and The Vermont Health Plan.

## MVP Health Plan Adjustments

- 2020 COVID-19 Impact on Medical Incurred Claims calculated as the difference between the 2020 Actual Incurred Claims estimates as of April 30, 2021 and the Trended Seasonal Benchmark.
- 2020 Net Premium adjusted for difference between December 31, 2020 risk adjustment payment accrual of \$27,291,444 and actual risk adjustment payment of \$21,421,093.
- 2020 Actual Incurred Claims and Trended Seasonal Benchmark include reported capitation, pharmacy, and other incurred claims.
- 2020 and 2021 Trended Seasonal Benchmark developed by Oliver Wyman based on historical seasonality, trend, and 2021 budgeted membership and incurred claims.
- 2021 Actual and Projected Incurred Claims estimates includes actual incurred claims for January – April 2021 incurred months and projections for May – December 2021 incurred months, that are adjusted for full-year budget expectations.
- 2021 COVID-19 Impact on Medical Incurred Claims calculated as the difference between the 2021 Actual and Projected Incurred Claims estimates and the Trended Seasonal Benchmark.
- 2021 Projected Incurred Claims estimates are based on 2021 budget and include grading of the OW Middle returning care and vaccine administration estimates on a monthly basis.
- Target Contribution to Surplus based on Individual and Small Group 1.5% of premium targets.

## Vermont Education Health Initiative Adjustments

- 2021 Net Premium includes six months of Fiscal Year 2021 budgeted net premium and six months of Fiscal Year 2022 budget net premium.
- 2020 COVID-19 Impact on Medical Incurred Claims calculated as the difference between the 2020 Actual Incurred Claims estimates as of April 30, 2021 and the Benchmark.
- 2020 Actual Incurred Claims and Benchmark include reported capitation, pharmacy, and other incurred claims.
- 2021 COVID-19 Impact on Medical Incurred Claims for January through March 2021 incurred months calculated as the difference between the 2021 Actual Incurred Claims estimates as of April 30, 2021 and the Benchmark as provided by VEHI.

- 2021 Actual Incurred Claims through April 30, 2021 and Benchmark through March 31, 2021 include reported capitation, pharmacy, and other incurred claims.
- 2021 Projected Incurred Claims includes six months of Fiscal Year 2021 budgeted incurred claims and six months of Fiscal Year 2022 budget incurred claims. 2021 Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts are based on Fiscal Year 2021 budget.
- 2021 Administrative Expenses, Taxes, and Fees include six months of Fiscal Year 2021 budgeted administrative expenses, taxes, and fees and six months of Fiscal Year 2022 budgeted administrative expenses, taxes, and fees.
- May through December 2021 Projected Incurred Claims adjusted to equal provided budget incurred claims for full-year 2021 including January through April 2021 actual incurred claims. Monthly estimates for May through December 2021 Projected Incurred Claims and April through December 2021 Benchmark were developed using historical seasonal patterns and VEHI projected COVID-19 impact on incurred claims, adjusted for 2021 budget incurred claims and membership.
- 2020 Administrative Expenses, Taxes, and Fees Excluding COVID-19 Impacts includes the schedule provided by VEHI and additional information provided by Vermont Department of Financial Regulation for reinsurance costs and assessments.
- 2020 and 2021 Target Contribution to Surplus estimated based on commentary on Fiscal Year 2022 rate filing.

## CIGNA Adjustments

- None.



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