



BlueCross BlueShield of Vermont

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MEMORANDUM

TO: Representative Bill Lippert, Chairman, House Health Care Committee
Susan Barrett, Executive Director, Green Mountain Care Board

FROM: Samantha Nelson, Legislative Liaison

DATE: February 23, 2017

RE: **GMCB Bill Back Impact on 2018 Rate Filings**

This memo is in response to a February 22, 2017 request for information about how the current and proposed future Green Mountain Care Board (GMCB) bill back provisions will impact BCBSVT premiums.

During the 2012 legislative session, the Vermont General Assembly authorized the GMCB to bill hospitals and health insurance carriers its costs to be borne as follows: 40% by the State, 15% by the hospitals, 15% by nonprofit hospital and medical service corporations (i.e., BCBSVT), 15% by health insurance companies, and 15% by health maintenance organizations (HMO), such as The Vermont Health Plan (TVHP). Because BCBSVT constitutes all of the “nonprofit hospital and medical services corporation” category and a portion of the HMO corporation, for FY 2016, BCBVST paid approximately 27% of the total. All of this cost is borne by BCBSVT commercially insured Vermonters.

GMCB costs for BCBSVT have been growing. The FY 2017 GMCB budget as passed included provision for bill backs of \$2,045,925, a 32% increase over FY 2016. The proposed FY 2018 GMCB budget includes provision for bill backs of \$3,743,883, an 83% increase over FY 2017.

A summary of the projected bill back expense to the BCBSVT enterprise (BCBSVT and TVHP) for Fiscal Years 2016-2018 is displayed in Table 1.

	BCBSVT	TVHP	Total
FY 2016	\$386,602	\$279,555	\$666,157
FY 2017	\$511,481	\$370,000	\$881,481
FY 2018	\$935,971	\$675,000	\$1,610,971

Table 1: BCBSVT FY 2016-2018 Billback Expense

Given the proposed GMCB Fiscal Year 2018 budget, the projected bill back charged to the BCBSVT enterprise will increase from \$666,157 in Fiscal Year 2016 to more than \$1,600,000 in Fiscal Year 2018. This increase will be spread over approximately 86,000 large group and QHP members in total. For 2018 large group customers, the projected premium impact would be \$4.37 per member per month (PMPM) or 0.90 percent of premium. For 2018 QHP customers, the estimated premium impact is \$0.93 PMPM or 0.22 percent of premium.

The bill back amounts are included within BCBSVT administrative fees in each filing. Such amounts are allocated to different lines of business through cost accounting rules, which are continually reviewed and adjusted as necessary and appropriate. It is important to note that for TVHP, the GMCB bill back is entirely allocated to Large Group.¹

It was suggested that a gradual reduction of Department of Financial Regulation fees may provide an offset to the increase in the GMCB costs. However, this has not been the case. The Department of Financial Regulation bill back, which originated in 1996, has transitioned into a GMCB bill back and increased from \$395,000 to \$3,700,000 since Fiscal Year 2013. Effective January 1, 2016, DFR altered its practice and began billing BCBSVT quarterly for the direct costs of time spent reviewing financial and rate filings. While BCBSVT has only one year of experience under this revised methodology, gathered information does not suggest savings to BCBSVT or TVHP in terms of DFR costs.

¹ All insured small groups are in QHPs through BCBSVT.