

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Cigna Health and Life Insurance) GMCB-001-16rr
Company 2016 Large Group PPO Manual)
Rate Filing)
) SERFF No.: CCGP-130243269

DECISION & ORDER

Introduction

Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(A). On review, the Board must determine whether the proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

Procedural History

On December 31, 2015, CIGNA Health and Life Insurance Company (CHLIC) submitted its 2016 Large Group Manual Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this rate filing. On February 29, 2016, the Board posted to the web an analysis provided by its contract actuaries, Lewis & Ellis (L&E), and the analysis and opinion of the Department of Financial Regulation (Department) regarding the impact of the proposed filing on the insurer's solvency.

The Board received no public comments. The parties have waived a hearing pursuant to GMCB Rule 2.000 and have filed memoranda in lieu of hearing.

Findings of Fact

1. CHLIC is an operating subsidiary of Cigna Corporation, an international, for-profit health services corporation headquartered in Bloomfield, Connecticut.
2. This filing updates the methodology for the CHLIC large group manual rating¹ and covers the Open Access Plus (OAP), Preferred Provider Organization (PPO), Network (NWK),

¹ Partially and fully credible large groups utilize their own experience, in addition to the manual rate, to determine the final rate change that will impact their members.

Indemnity, and retiree medical insurance large group products. The filing impacts 15 policyholders and 2,586 covered lives.

3. CHLIC requests that the Board approve its filing, which would produce an average annual rate change of -1.1% and range from -3.9% to 1.1%.

4. To determine its manual rate, CHLIC updated its base claim assumptions and claim probability distribution (CPD) tables using 2014 data. The combined base claim assumption changes and updated CPD tables result in an average 0.0% impact.

5. CHLIC utilized a paid medical trend of 9.7% for 2015 and 8.0% for 2016 and 2017, which is lower than the medical trend used in its previous filing. The medical trend impacts the rate by approximately -1.5%.

6. To determine its pharmacy trend, CHLIC updated its prescription drug base claim assumptions and area factors to reflect costs of specialty drugs, planned revisions to the drug lists, and market-specific experience. Taking into account unit cost and utilization, CHLIC calculated its 2015 total pharmacy trend at 12.0% and the 2016 trend at 12.9%.

7. The filing includes retention expenses of 17.5% which includes 3.5% in profit. The retention expenses impact the rate by 1.1%.

8. L&E reviewed the filing and recommends no modifications with the exception of the requested profit. According to CHLIC's Supplemental Health Care Exhibits, the carrier earned a 3.7% profit in 2013 and 13.5% in 2014; for 2015, CHLIC projects its profit will be "in the low single digits." Given this volatility, L&E recommends reducing the profit to 2.0% "to be more in line with all other Vermont market participants." L&E Memo at 6-7.

9. On review of the carrier's solvency, the Department advises the Board that in 2014, CIGNA Holding Company's operations in Vermont accounted for less than one percent of its total premiums earned, and that "CHLIC's Vermont operations pose little risk to its solvency, or to the solvency of CIGNA Holding Company." See Solvency Analysis at 2.

10. The HCA requests that the Board reduce CHLIC's profit to 1.0%, consistent with the Board's prior CHLIC rate decisions. CHLIC advocates for no reduction to its rate request, arguing that the Board has authority to modify a *rate*, but cannot modify a *component* of the

rate. In addition, CHLIC contends that the medical loss ratio (MLR)² provisions in the Affordable Care Act (ACA) are the appropriate mechanism to control an insurer's profitability; CHLIC met these requirements in 2013 and 2014, and anticipates it will continue to do so in 2015 and 2016. Finally, CHLIC contends that its small Vermont membership makes it "vulnerable to a high level of claim volatility" and that reducing its profit could lead to rates that are inadequate. *See* CHLIC Memorandum (March 23, 2016) at 1-2.

Standard of Review

1. The Board reviews rate filings to ensure that rates are not "excessive, inadequate or unfairly discriminatory," that they promote quality care and access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062. In addition, the Board considers changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6).

2. On review of a company's solvency, the Board will consider the Department's analysis and opinion of the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a).

3. The insurer proposing a rate change has the burden to justify the requested rate. GMCB Rule 2.000: Rate Review, § 2.104(c).

Conclusions of Law

4. The sole contested issue in this filing is CHLIC's requested profit margin. As noted by our actuaries and by the HCA, we have reduced CHLIC's proposed profit in each of the past two filings. *See* GMCB Docket nos. 006-15rr (reduced from 3.5% to 1.0%); 007-14rr (reduced from 3.0% to 1.0%).

5. We remain unpersuaded by CHLIC's argument that we cannot assess the reasonableness of an underlying rate component. To the contrary, review of each rate component allows us to trim costs where appropriate to ensure that the rate is adequate for insurers, and fair and affordable for consumers. This view is consistent with federal requirements for designation as an "effective rate review program." *See, e.g.,* Center for Consumer Information and Insurance Oversight (CCIIO), *State Effective Rate Review Programs*

² The federal medical loss ratio requirements limit the portion of premium dollars insurers can spend on administration, marketing, and profits. Insurers that fail to meet these requirements must pay rebates to consumers.

Fact Sheet (lists series of factors to consider when reviewing rate change, including “reserve needs”), available at https://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/rate_review_fact_sheet.html.

6. And while we agree that a small membership can result in increased plan volatility, we do not agree that reducing CHLIC’s profit request in this filing threatens the carrier’s solvency or will likely lead to rates that are inadequate. CHLIC achieved profits in excess of its current request in both 2013 (3.7%) and 2014 (13.5%), and anticipates earning a profit in 2015, notwithstanding the reductions we ordered in each of the last two filings.

7. Accordingly, we again reduce CHLIC’s profit to 1.0%. With only a small fraction of its membership in Vermont, this reduction will have no material impact on CHLIC’s or its parent corporation’s financial stability, and makes coverage more affordable for Vermonters.

Order

For the reasons discussed above, the Board modifies CHLIC’s 2016 Large Group Manual Rate Filing by reducing the profit margin from 3.5% to 1.0%. We thereafter approve the filing as modified, resulting in an approximate -3.5% average annual rate decrease.

So ordered.

Dated: March 29, 2016 at Montpelier, Vermont.

s/ Alfred Gobeille)	
)	
s/ Cornelius Hogan)	GREEN MOUNTAIN
)	CARE BOARD
s/ Betty Rambur)	OF VERMONT
)	
s/ Allan Ramsay)	

**Board Member Jessica Holmes did not participate in this decision.*

Filed: March 29, 2016

Attest: s/ Janet Richard
Green Mountain Care Board, Administrative Services Coordinator

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: Janet.Richard@vermont.gov). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.