

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Cigna Health and Life Insurance) GMCB-006-15rr
Company 2015 Large Group Manual)
Rate Filing)
) SERFF No.: CCGP-129725944
)

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 May 1, 2015, CIGNA Health and Life Insurance Company (CHLIC) submitted its 2015 Large Group Manual Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). *See* http://ratereview.vermont.gov/sites/dfr/files/GMCB_006_15rr_SERFF_6_9_15.pdf. 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 June 30, 2015, the Board posted to the web an analysis provided by its contract actuaries, Lewis & Ellis (L&E), *see* http://ratereview.vermont.gov/sites/dfr/files/GMCB_006_15rr_Actuarial_Memorandum.pdf (Actuarial Memorandum), and the Department's analysis and opinion regarding the impact of the proposed filing on the insurer's solvency. *See* http://ratereview.vermont.gov/sites/dfr/files/GMCB_006_15rr_Solvency_Analysis.pdf (Solvency Analysis).

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 rating and covers the Open Access Plus (OAP), Preferred Provider Organization (PPO), Network (NWK), Indemnity, and retiree medical insurance large group products. The filing impacts 22 policyholders and 5,268 covered lives.

3. The Board approved the carrier's 2014 manual rate filing in Docket no. GMCB 007-14rr. Before approval, The Board reduced its requested -2.8 average annual rate decrease to a -4.7 reduction in rates. http://ratereview.vermont.gov/sites/dfr/files/007_14rr_Decision.pdf.

4. In this filing, CHLIC initially requested a 6.0% average annual rate increase. During the review process, CHLIC discovered an error in its rate calibration which once corrected, reduced the average rate change to 0.5%, with a range among members from -8.6% to 16.8%.

5. To determine the 2015 manual rate, CHLIC updated its base claim assumptions and claim probability distribution (CPD) tables using 2013 data from actual member experience. The base claim assumptions represent the allowed claims amounts. The CPD tables are used to determine the impact of deductibles, coinsurance and out-of-pocket maximums.

6. CHLIC utilized a paid medical trend of 10.1% for 2014 and 10.0% for 2015 and 2016.

7. CHLIC updated its prescription drug base claim assumptions and area factors to reflect the rising cost of specialty drugs, planned revisions to the drug lists, and market-specific experience, resulting in pharmacy trend of 12.8% for 2014 and 12.1% for 2015.

8. CHLIC provided a breakdown of its 18.4% retention costs that includes 3.5% in profit (risk margin).

9. In its analysis of the filing, L&E observes that CHLIC's 10.1% medical trend assumption is higher than in previous years and as compared to other carriers in Vermont. The primary driver of the higher trend is less favorable contract negotiations that impact the carrier's demographic. The company provided L&E with sufficient documentation, however, to support the requested trend.

10. L&E reviewed the prescription drug trends; the 2014 trends were significantly impacted by unfavorable experience stemming from the new hepatitis C drugs in the specialty tier. L&E concluded that the prescription drug trends are reasonable.

11. On review of the retention costs, L&E noted that in last year's filing, CHLIC requested a 3.0% profit which the Board reduced to 1.0%. L&E did not comment on the reasonableness of the proposed profit in this filing, instead deferring to the Department's solvency analysis.

12. The Department is not CHLIC's primary regulator. The Department advises that 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.*

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

1. First, although the medical trend used in this filing exceeds the trend used by CHLIC in its previous filing and as compared to other carriers, it is lower than L&E's independent calculation, is negatively impacted by a change in demographics, and has been substantiated with credible documentation. We therefore agree that the 10.1% medical trend is reasonable here.

2. Next, we agree that the changes made to the area factors during the course of the filing, reducing the average rate increase from 6.0% to 0.5%, are appropriate and more importantly for consumers, will reduce rate increases for policyholders.

3. Last, we are not persuaded by the carrier's contention that we cannot assess the reasonableness of any underlying rate assumptions when reviewing a rate increase. *See* CHLIC Response Memorandum (July 21, 2015) *available at* http://ratereview.vermont.gov/sites/dfr/files/GMCB_006_15rr_Cigna_SupplementalMemo.pdf. To the contrary, we find it appropriate to review each component to ensure that the cumulative rate change is fair and affordable for consumers. Accordingly, we reduce CHLIC's risk margin from the proposed 3.5% to 1.0%, the same risk margin we approved in last year's manual rate filing. *See* GMCB Docket no. 007-14rr (reducing risk margin from 3.0% to 1.0%). This reduction will have no material impact on the financial stability of CHLIC or its parent corporation, and makes coverage more affordable for Vermonters.

Order

For the reasons discussed above, the Board modifies CHLIC's 2015 Large Group Manual Rate Filing by adjusting the area factors as discussed in the Actuarial Memorandum and as agreed to be the carrier; this modification reduces the average rate increase to 0.5%. In addition, the Board reduces the risk margin from 3.5% to 1.0%. We thereafter approve the filing as modified, resulting in an approximate -2.0% average annual rate change.

So ordered.

Dated: July 27, 2015 at Montpelier, Vermont.

<u>s/ Alfred Gobeille</u>)	
)	
<u>s/ Jessica Holmes</u>)	GREEN MOUNTAIN
)	CARE BOARD
<u>s/ Betty Rambur</u>)	OF VERMONT
)	
<u>s/ Allan Ramsay</u>)	

**Board Member Cornelius Hogan did not participate in this decision.*

Filed: July 27, 2015

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@state.vt.us). 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.