

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

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

MEMORANDUM IN LIEU OF HEARING

I. Introduction

In Cigna Health and Life Insurances Company (CHLIC)'s 2014 Large Group PPO Manual Rate Filing, CHLIC proposes a revised rate increase of 0.5% over current rates with a range of -8.6% to 16.8%. There are 5,280 Vermont policyholders affected by this filing. The Office of the Health Care Advocate asks the Board to reduce the proposed rates by 2.5%.

II. Background

CHLIC originally submitted its request for approval of proposed rates for this filing to the Green Mountain Care Board (the Board) on May 1, 2015. It subsequently revised the filing. The Office of the Health Care Advocate (the HCA) submitted a notice of appearance in this case on May 11, 2015. The Commissioner of the Department of Financial Regulations issued a Solvency Analysis (Analysis) on June 23, 2015. DFR's Analysis states that "the rate as proposed will likely have the impact of sustaining the current level of solvency of CHLIC." Analysis, p. 1. DFR further noted that "CHLIC's Vermont operations pose little risk to its solvency, or to the solvency of CIGNA Holding Company" as they account for "less than one percent of its total premiums earned." Analysis, p. 2. Lewis and Ellis (L&E), the Board's contracted actuary,

completed its actuarial Opinion (Opinion) for the filing on June 30, 2015. L&E's Opinion states that the rates as modified in this filing are "reasonable and appropriate."

III. Standard of Review

Health insurance organizations operating in Vermont carry the burden to justify their proposed rates. GMCB Rule 2.104(c). Before implementing rate changes, insurers in Vermont must obtain the Green Mountain Care Board's approval. 8 V.S.A. §4062(a); 8 V.S.A. §5104(a). The Green Mountain Care Board has the power to approve, modify, or disapprove requests for health insurance rates." 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a).

When "deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory." GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3). In addition, the Board shall take into consideration the requirements of the underlying statutes; changes in health care delivery; changes in payment methods and amounts; DFR's Solvency Analysis; and other issues at the discretion of the Board. GMCB Rule 2.000 §2.401; 18 V.S.A. §9375(b)(6).

The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer; questions posed by the Board to its actuaries; questions posed to the insurer by the Board, its actuaries, and DFR; DFR's Solvency Analysis; and the Opinion from the Board's actuary. GMCB Rule 2.000 §2.403(a).

IV. Analysis

The profit in this filing should be reduced to 1% as the proposed profit level contributes to unaffordable rates for some policyholders, is excessive, and is unnecessary. The amended

filing includes 3.5% towards “profit.” SERFF Filing GMCB 6-15rr, p. 112. Although the average rate increase for this filing is relatively low at 0.5%, the highest rate increase for this filing is 16.8%, a sizeable increase for those policyholders impacted. In addition, while a low average rate increase may reflect a prudent company that is holding down costs, it may alternatively be a result of the company overcharging its policyholders in the past. In 2012, CHLIC had to extend rebates to its Vermont customers because its Vermont plans did not meet the federal actuarial value threshold required by the Affordable Care Act. Center for Medicare and Medicaid Services, List of Health Insurers Owing Rebates in 2012, November 26, 2012, cms.gov.

Further, the 3.5% profit level is excessively high compared to other Vermont filings, and CHLIC has not demonstrated a need for the high profit level. It is 175% higher than any contribution to surplus that plans reviewed by the Board have proposed so far in 2015. All other plans filed in 2015 have proposed a 2% contribution to surplus and the Board has reduced two of them to 1.1% and the rest to 1%. Decision GMCB 1-15rr, p.4; Decision GMCB 2-15rr, p.4; Decision GMCB 3-15rr; p. 3, 5, Decision GMCB 4-15rr, p. 3, 5; and Decision GMCB 5-15rr, p. 4. CHLIC’s current risk-based capital level is within a reasonable range that should not justify an unusually large contribution to surplus. Cigna Health and Life Insurance Policy, Annual Statement, p. 22, lines 30 and 31.

Lowering CHLIC’s proposed profit is in line with the Board’s decision on previous CHLIC filings. When CHLIC proposed a 3% contribution to surplus for its filing in 2014, the Board reduced the profit to 1%. The Board stated that they made this alteration because it is “consistent with actions we have taken in past filings...[it will] enhance affordability, and will have no material impact on the financial stability of CHLIC or its parent corporation.” GMCB

07-14rr Decision, p. 4. As stated above, DFR continues to find that the current filing is unlikely to impact CHLIC's overall holdings.

Finally, the filing does not appear to incorporate recent changes to the Vermont Blueprint for Health payment models which will provide CHLIC with additional savings on its Vermont products. According to Craig Jones, Blueprint for Health Director, in his June 18, 2015 presentation to the Board, the Blueprint's CHT Market Share Adjustments will save CHLIC \$1,181,376.82. Craig Jones Powerpoint, June 18, 2015, p. 10.

V. Conclusion

For the reasons stated above, the HCA asks the Board to reduce CHLIC's profit level for this filing to 1%, which would decrease the current rates for this filing by 2.5%.

Dated at Montpelier, Vermont this 14th day of July, 2015.

/s/ Kaili Kuiper

Kaili Kuiper
Staff Attorney
Office of Health Care Ombudsman

CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Memorandum on Michael N. Donofrio, General Counsel to the Green Mountain Care Board, Judith Henkin, Green Mountain Care Board Health Policy Director, and Matthew D. Danziger, Actuarial Director for CHLIC Health Plan, by electronic mail, return receipt requested this 14th day of July, 2015.

/s/ Kaili Kuiper_____

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