

Matthew Danziger, FSA, MAAA
Actuarial Director



March 23, 2016

The Green Mountain Care Board
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Attn: Judith Henkin
Health Policy Director
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RE: GMCB-01-16rr

Dear Ms. Henkin,

Cigna Health and Life Insurance Company (CHLIC) has reviewed the Green Mountain Care Board's Memorandum in Lieu of Hearing dated March 16, 2016 from HCA regarding CHLIC's rate filing (the "**Memorandum**") and requests that the Green Mountain Care Board (the "**Board**") consider its determination based on the following points.

In the Memorandum, the HCA recommended to the Board that CHLIC reduce its profit assumption from 3.5% to 1.0%. For the following reasons, we do not believe the recommendation is appropriate:

The Memorandum's primary bases for challenging the profit assumption in CHLIC's proposed rate are that:

- (i) "*CHLIC has not demonstrated that (the 3.5% proposed profit level) is necessary,*" and
- (ii) "*lowering the profit level is consistent with previous Board decisions on this product.*"

With respect to the first point, we once again point out that it is the overall rate rather than any one component of the rate (such as a profit assumption) that must be the focus of the Board when reviewing a rate proposal. As pointed out in the Memorandum:

*"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'"*

There is no mention in the law or rules regarding the components of a "rate." The question for the Board is whether the requested "rate," not some component of the "rate," satisfies the criteria specified in the law and rules.

We point out that Vermont law requires that the premium rate not be "excessive." In addition, Section 2718 of the Affordable Care Act attempts to curb excessive premiums and thereby limit the profitability of insurers by requiring that insurers rebate to their large group policyholders in a state if their medical loss ratio is lower than 85% (i.e., the issuer's profit and expenses cannot exceed 15% of the premium).

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Per the supplemental exhibits including in the filing, CHLIC has demonstrated that it did not pay rebates in 2013 or 2014. Moreover, based on experience to date, CHLIC does not project that it will be required to pay a rebate in 2015 or 2016 thereby evidencing the fact that, Vermont policyholders in the large group market are receiving value for their CHLIC premium and the rates are not “excessive”.

We also point out that Vermont law requires that the premium rate not be “inadequate.” The fact that CHLIC’s Vermont membership is small means that it is vulnerable to a high level of claim volatility and that CHLIC’s actual resulting margin is likely to deviate significantly from the margin assumption built into its pricing model. The 3.5% profit margin assumption is appropriate and necessary to protect CHLIC from adverse unfavorable swings in claims experience that may result from the small number of covered lives and which could cause CHLIC’s premium rates to be “inadequate.”

Under 8 VSA 4062(a)(2)(B), the Department of Financial Regulations (DFR) is required to provide the Board with an analysis and opinion on the impact of the filing as proposed on the solvency of CHLIC. In its February 17, 2016 opinion, the DFR noted that *“the proposed rate likely will have the impact of sustaining the current level of solvency of CHLIC.”* Additionally, even though CHLIC’s Vermont business only accounted for less than one percent of total premiums, *“adequacy of rates and contribution to surplus are necessary for all health insurers in order to maintain strength of capital that keeps pace with claim trends.”*

With respect to the second point, last year the board cited the fact that CHLIC’s profit level was excessively high compared to other Vermont filings. MVP, another Vermont carrier of similar market share to CHLIC, was approved for a 2.0% profit level. This may explain why this was not cited again in 2016. Instead, the Board justified its position in lowering CHLIC’s profit level based upon the fact that *“lowering the profit level is consistent with previous Board decisions on this product.”* We submit that the Board’s actions in prior years cannot alone support similar actions in subsequent years unless the underlying bases for such action are likewise similar.

For the foregoing reasons, CHLIC requests that the Board approve the original “rate” submitted by CHLIC in the above-captioned filing.

Thank you for your consideration,



Matthew Danziger

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