

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

In re: Cigna Health and Life Insurance	)	
Company 2016 Large Group PPO Manual	)	GMCB-01-16rr
Rate Filing	)	
	)	SERFF No.: CCGP-130243269
	)	

MEMORANDUM IN LIEU OF HEARING

I. Introduction

In Cigna Health and Life Insurances Company (CHLIC)’s 2016 Large Group PPO Manual Rate Filing, CHLIC proposes an average rate decrease of 1.1% over current rates with a range of -3.9% to 1.1%. There are 2,586 Vermont policyholders affected by this filing. The Office of the Health Care Advocate asks the Board to reduce the proposed rates by 2.5% by lowering the profit from 3.5% to 1%.

II. Background

CHLIC submitted its request for approval of proposed rates for this filing to the Green Mountain Care Board (the Board) on December 31, 2015. The Office of the Health Care Advocate (the HCA) submitted a notice of appearance in this case on January 8, 2016. The Commissioner of the Department of Financial Regulations issued a Solvency Analysis (Analysis) on February 17, 2016. 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 Memorandum for the filing on February 29, 2016. L&E's Memorandum recommends lowering the profit level in this filing from 3.5% to 2.0%, "to be more in line with all other Vermont [large group] market participants." CHLIC submitted a Memorandum in Lieu of Hearing on March 7, 2016. In this memorandum, CHLIC asked the Board to approve the rate increase submitted by Cigna "for the reason stated therein and in accordance with the actuarial memorandum submitted by Lewis and Ellis." CHLIC Memorandum in Lieu of Hearing.

### 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 analysis and opinion from the Board's actuary. GMCB Rule 2.000 §2.403(a).

#### IV. Analysis

The 3.5% proposed profit in this filing should be reduced to 1% as CHLIC has not demonstrated that it is necessary, and lowering the profit level is consistent with previous Board decisions on this product. As stated above, CHLIC carries the burden to demonstrate that their proposed rates are necessary. The profit section of CHLIC's actuarial memorandum does not include an explanation of the basis for the 3.5% profit level requested in this filing. It instead refers to its July 21, 2015 memorandum from its previous Vermont rate review case for "Cigna's position regarding this assumption." GMCB 1-16rr SERFF Filing, p. 114, 228.

CHLIC submitted the July 21, 2015 memo in response to the HCA's argument in last year's filing that CHLIC's profit should be reduced from 3.5% to 1%. In the memo, CHLIC does not provide the basis for its requested 3.5% profit for last year's filing. It gives a general argument that "[t]he 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." CHLIC Memorandum in response to HCA Memo for GMCB 6-15rr, p. 2. CHLIC's reasoning explains the general need for the insurer to hold reserves but does not help to explain how the insurer arrived at the 3.5% number or why this specific level of profit is necessary for its business.

The rest of the memo also lacks specific support for the requested profit. CHLIC argues that the Board should not look at CHLIC's profit level, only at its overall rate; argues that its rates should be considered appropriate because its Medical Loss Ratio is in line with the requirements of the Affordable Care Act; states that the competitive national marketplace "helps

to assure that premium rates will not be excessive”; and states that CHLIC’s 3.5% profit rate is “set nationally” by the insurer. CHLIC Memorandum in response to HCA Memo for GMCB 6-15rr.

Further, lowering CHLIC’s proposed profit to 1% 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 and a 3.5% contribution to surplus in 2015, the Board reduced each of them to 1%. GMCB 07-14rr, Decision, p. 4; GMCB 06-15rr Decision, p. 4. In 2014, 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. In 2015, the Board similarly stated that reducing the profit to 1% “will have no material impact on the financial stability of CHLIC or its parent corporation, and makes coverage more affordable for Vermonters.” GMCB 06-15rr Decision, p. 4. As stated above, DFR attests that the current filing is unlikely to impact CHLIC’s overall holdings.

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 16th day of March, 2016.

/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 Judith Henkin, General Counsel to the Green Mountain Care Board, and Matthew D. Danziger, Actuarial Director for CHLIC Health Plan, by electronic mail, return receipt requested this 16th day of March, 2016.

/s/ Kaili Kuiper

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