

William Swacker
Actuarial Director



April 2, 2014

The Green Mountain Care Board
89 Main Street
Montpelier, VT 05620
Attn: Judith Henkin

Routing C5PRC
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Cigna memorandum in lieu of hearing
RE: GMCB-007-14rr, GMCB-008-14rr

Dear Judith,

Cigna requests that the Green Mountain Care Board (GMCB) approve the requested 0.9% rate increase in the above captioned filings. Note that the 0.9% increase is inclusive of the 2013 filings which were ultimately withdrawn.

Lewis&Ellis submitted an actuarial memorandum recommending two changes to the above filings. (1) Modify medical trend assumptions from 8.2% for the first year and 7.1% the second year to 5.9% for both years. (2) Utilize only the Spring 2013 rate review results for area factor changes.

With respect to (1) above, we have detailed our trend methodology in our correspondence with Lewis&Ellis. The unit cost component of our trend is set based on Vermont-specific modeling of projected fee schedule increases with providers. The utilization and mix of services assumptions are set nationally. The Lewis&Ellis recommendation of 5.9% is based on observed incurred claim trend in Vermont. This observed trend is not normalized for changes between the comparison periods and one notable example is benefit buy downs where employers choose leaner benefits to offset cost and utilization increase.

To quantify the difference between Cigna's filings and the Lewis&Ellis proposal: their trend recommendations would result in a -2.4% decrease to current rates compared to our proposed 0.9% increase.

$$1.009 * (1.059 * 1.059) / (1.082 * 1.071) - 1 = -2.4\%$$

With respect to (2) above, we have clarified with Lewis&Ellis that our sequential rate review results were presented on a cumulative basis, incorporating prior indicated area factor actions. We employ a semi-annual process to monitor experience, and were illustrating the sequential indicated actions. Utilizing only the Spring 2013 rate review and ignoring the Fall 2012 rate review (and indicated action) would have no outcome on the net indicated change. See illustration below (actual and expected trend between periods excluded for simplicity):

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	Method 1	Method 2
Equivalent Area Factor used for Fall Review	1.000	1.000
Fall Claims PMPM	\$ 300.00	\$ 300.00
Fall Manual PMPM	\$ 291.49	\$ 291.49
Fall Rate Review Result	2.9%	2.9%
Equivalent Area Factor used for Spring Review	1.0292	1.000
Spring Claims PMPM	\$ 294.30	\$ 294.30
Spring Manual PMPM	\$ 300.00	\$ 291.49
Spring Rate Review Result	-1.9%	1.0%
Net Change	1.0%	1.0%

In summary, we believe the difference between Cigna's proposed rate filing and the Lewis&Ellis recommendation is isolated to the trend assumptions. With any forward-looking pricing factor, there are a range of reasonable assumptions that could be employed to develop estimates, and we believe our process to develop trend projections is within this acceptable range.

Thank you for your consideration,



William Swacker