

Responses to Objections

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Objection 1

Comment:

Regarding the response to question 2 of the previous objection letter – we note that the pharmacy rating methodology changes do not appear to be part of the three components of the requested rate increase.

- a. If these changes are not included in any of the three components of the requested rate increase, please confirm that the pharmacy rating methodology changes are not expected to have an impact on rates.
- b. If these changes are included in any of the three components of the requested rate increase, please explain where they are incorporated and provide the magnitude of the impact.

Response:

- a. The pharmacy rating methodology changes do not impact rates/area factors or our trends.

Objection 2

Comments:

Regarding the response to question 3 of the previous objection letter – please complete the following table for the impact of the updated rating variables.

Factor Change	% Impact	Weight
Medical Area Factors		
Pharmacy Area Factors		
All Rating Variables	0.8%	100.0%

if the weights have changes from the 81.4% and 18.6% used in the previously approved filing, please explain the reason(s) for the difference(s).

Response:

Below is the change to Area Factors between the prior filing and this filing. These factors are the weighted average based on the individual area factors where each member of the VT SITUSed accounts are based.

The Medical and Rx area factor weight change from 81.4% and 18.6% in last filing to 82.6% and 17.4% in the current filing reflects change in the mix of spending between Medical and Pharmacy spending seen in 2019.

Factor Change	% Impact	Weight
Medical Area Factors	-0.7%	82.6%
Pharmacy Area Factors	8.0%	17.4%
All Rating Variables	0.8%	100%

Objection 3

Comment:

Regarding the response to question 3 of the previous objection letter –

- a. Please provide the Medical Trend (6.1%) and Rx Trend (7.9%) breakout for utilization, unit cost, mix, etc.
- b. Please reconcile the 6.1% Medical Trend to the trend in tables 4 (6.75%), 27 & 28 (7.26%, 7.96%, 6.87%) of the rating manual, and the pricing trend supplemental exhibit (“VT 2020 Supplemental Exhibits_Hardcode.pdf”) & the response to question #7 of the previous objection letter (7.3% & 8.0%).
- c. Please reconcile the 7.9% Rx Trend to the trend in tables 48 & 49 of the rating manual, the pharmacy trend supplemental exhibit (8.5% & 6.8%), and the response to question #7 of the previous objection letter (8.5% & 6.7%).

Response:

- a. Please provide the Medical Trend (6.1%) and Rx Trend (7.9%) breakout for utilization, unit cost, mix, etc.

Please see the 2020 trend breakout below for the VT Sitused business. The Rx trend of 7.9% entered previously was pulled incorrectly from an outdated source in the first objection and should have matched the 6.8% National Rx trend consistent with the rest of the filing. The issue has been corrected below. The incorrect Rx trend was causing the Medical Trend to also show an incorrect value. It should have been 6.4%

Category	Average VT Sitused Change in Trend	2020 Medical Trend	2020 Rx Trend	Weight Medical	Weight Rx
Unit Cost	3.1%	2.5%	6.1%	82.6%	17.4%
Utilization	1.9%	2.2%	0.6%	82.6%	17.4%
Mix	1.3%	1.6%	0.0%	82.6%	17.4%
Claims Trend	6.5%	6.4%	6.8%	82.6%	17.4%

- b. * The 6.75% trend in table 4 is our national medical pricing trend for 2019 and 2020.
- Table 27 is the medical trend for 2019 (7.3%), 2020 (8.0%) and 2021 (6.9%) specific to the membership living in Vermont. Table 28 is our medical trends for each state’s specific membership. If you weighted the state trends and rolled them up they would equal the national trend.
 - The pricing trend in the supplemental exhibit (“VT 2020 Supplemental Exhibits_Hardcode.pdf”) is the same VT resident medical trend of 7.3% in 2019 and 8.0% in 2020 in table 27. Differences at the second decimal are due to rounding.
 - The Medical Trends in the previous filing objection #7 are the same VT resident medical trends of 7.3% for 2019 and 8.0% for 2020
 - The 6.4% Medical Trend in the table in response 3a is for VT Sitused cases with membership both in and outside the state of Vermont. If you look deeper the medical trend for VT residents would be 8.0% for 2020 consistent with the sources listed above.

- C. The Rx Trend in tables 48 & 49 are our Cost and Utilization trends for our various formularies. These trends are set at the national level and there aren’t state specific Rx trends.

The pharmacy trend supplemental exhibit trends of 8.5% for 2019 and 6.8% for 2020 are our trends from the standard formulary. Below is a reconciliation of the values from the standard formulary in tables 48 and 49 to the trends in the supplemental exhibit.

To apply the total, you take $(1+\text{unit cost}) \times (1+\text{utilization}) - 1$ to get the g/b/s total trends and then apply the weights.

Rx Weighting			
2019	Generic	Brand	Specialty
Unit Cost	43.87%	31.82%	24.31%
Utilization	85.93%	12.52%	1.55%
Total	48.13%	22.67%	29.19%

Rx Trends				
2019	Generic	Brand	Specialty	Total
Unit Cost	3.4%	12.0%	8.3%	7.3%
Utilization	2.7%	-11.0%	10.0%	1.1%
Total	6.2%	-0.3%	19.1%	8.5%

Rx Weighting			
2020	Generic	Brand	Specialty
Unit Cost	75.77%	11.45%	12.78%
Utilization	87.30%	11.00%	1.70%
Total	47.10%	20.80%	32.00%

Rx Trends				
2020	Generic	Brand	Specialty	Total
Unit Cost	2.9%	11.8%	20.1%	6.1%
Utilization	2.1%	-10.1%	-5.6%	0.6%
Total	5.1%	0.5%	13.4%	6.8%

The Rx trends in question 7 of the previous objection responses are the weighted blended values of all the formulary trends from tables 48 & 49 which is why their values are slightly different than the Standard formulary trend in the Filed Exhibit and referenced above.

Response #7 Exhibit

2019 Filing	Medical		Pharmacy		Total (assumes 80/20 weight)	
	2018/2017	2019/2018	2018/2017	2019/2018	2018/2017	2019/2018
Cost Trend	2.6%	3.4%	6.4%	7.5%	3.4%	4.2%
Utilization Trend	2.8%	2.6%	1.5%	0.4%	2.5%	2.1%
Total Trend	5.5%	6.0%	8.0%	7.9%	6.0%	6.4%

2020 Filing	Medical		Pharmacy		Total (assumes 80/20 weight)	
	2019/2018	2020+/2019	2019/2018	2020+/2019	2019/2018	2020+/2019
Cost Trend	3.7%	4.1%	7.3%	6.1%	4.5%	4.5%
Utilization Trend	3.5%	3.8%	1.1%	0.6%	3.0%	3.2%
Total Trend	7.3%	8.0%	8.5%	6.7%	7.6%	7.8%

As stated in objection response 3a above the Rx trend of 7.9% entered in the previous filings objection response # 3 was pulled incorrectly from an outdated source in the first objection (was referencing the 2019 Rx trend in the 2019 filing)

Objection 4

Comments:

The 15.0% average requested rate increase ranges from -0.4% to 30.8%. What are the reason(s) for the rate increase range?

Response:

By design of our internal rate review process, methodology changes are neutralized out at the rating area level, such that the average impact of methodology changes are 0% at the rating area level. However, at the case level methodology changes can cause a difference in manual rating between filings. Additionally, the 15.0% represents the impact to the average VT situs case, which include membership inside and outside of VT. Geographic mix at the case level (e.g. a single account having greater/lower % VT membership) can drive variance to the average. Methodology changes and geographic mix are the main drivers behind the range between the minimum and maximum filed rate changes.

Objection 5

Comments:

The pricing trend supplemental exhibit (“VT 2020 Supplemental Exhibits_Hardcode.pdf”) provide Vermont monthly medical claims experience and 3 years historical medical PMPM trends. Please provide a similar exhibit for pharmacy claims and PMPM trends.

Response:

We have sent a similar exhibit for Rx claims. Our Rx claims database has limited historical data and we were not able to query 2016 claims to create a 2017/2016 trend.

The original exhibit “VT 2020 Supplemental Exhibits_Hardcode.pdf” included both medical and Rx claims; the new exhibit is just Rx claims. If you want medical only you can subtract the Rx claims from total page.

Historical claims experience for Vermont

Vermont Monthly Pharmacy Claims Experience		
Incurring Month (YYYYMM)	Incurring Claims	Members
201701	\$3,012,308	51,703
201702	\$2,996,798	51,744
201703	\$3,487,624	51,593
201704	\$3,071,855	51,576
201705	\$3,777,711	51,841
201706	\$3,702,786	51,648
201707	\$3,446,918	51,514
201708	\$3,968,685	51,547
201709	\$3,621,429	51,561
201710	\$3,805,792	51,591
201711	\$3,704,424	51,433
201712	\$3,931,059	51,335
201801	\$3,257,970	51,011
201802	\$3,144,129	51,092
201803	\$3,388,060	51,072
201804	\$3,427,740	50,989
201805	\$3,680,574	50,874
201806	\$3,786,234	50,843
201807	\$3,631,421	50,157
201808	\$4,152,814	49,958
201809	\$3,477,835	49,921
201810	\$4,136,338	49,630
201811	\$3,990,518	49,336
201812	\$4,232,602	49,333
201901	\$3,356,294	49,125
201902	\$3,196,029	49,038
201903	\$3,903,165	48,932
201904	\$3,830,434	48,962
201905	\$3,879,025	48,779
201906	\$3,854,391	48,720
201907	\$4,005,319	49,411
201908	\$4,068,819	49,467
201909	\$3,819,158	49,651
201910	\$4,023,713	49,695
201911	\$3,734,676	49,426
201912	\$3,503,796	49,368

The table above represents three years of historical Rx claims experience for Vermont. We've also provided the monthly view of membership. The membership displayed here will not agree with the membership provided in the SERFF because this membership represents members who reside in VT for all funding types and the membership displayed in the SERFF represents the members who are situated in VT for fully insured products only. This information is not normalized for demographics or plan design.

Below is a summarized view of trend and normalized trend. The normalization factor represented below changes in demographics and geographies. **Demographics** measures the impact that changes in age/gender has on Cigna's observed trend. To compute this adjustment, we compare the manual rating age/gender factors for the populations in the two periods. **Geographies** measures the impact that changes in the geographic distribution of customers has on Cigna's observed trend. To compute this adjustment, we compare the manual rating geographic factors for the population in the two periods

The following calculation is based on normalizing an open block of business. Normalizing an open block can cause some volatility and this view alone is not directly comparable to our prospective trend story. We rely heavily on our knowledge of our unit cost position and forecasting in the market to set an appropriate prospective trend. As you can see over the last couple years of trend, the observed trend can be very volatile. It is not appropriate to use historical trend results to benchmark prospective pricing trend.

Vermont Medical Trends	FY 2017	17/16	FY 2018	18/17	FY 2019	19/18
	PMPM	Trend	PMPM	Trend	PMPM	Trend
Total Observed (Net) Trend	\$68.69	N/A	\$73.33	6.7%	\$ 76.49	4.3%
Normalization Factor				-0.5%		-0.5%
Total Normalized (Gross) Trend				7.3%		4.8%