STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: CIGNA Health and Life Insurance Company 2022 Large Group Manual Rate Filing	))))	GMCB-011-22rr SERFF No.: CCGP-133388045

DECISION AND ORDER

Introduction

Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board, which must approve, modify, or disapprove each filing within 90 calendar days. 8 V.S.A. § 4062(a)(2)(A). On review, the Board must determine whether a proposed rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062(a)(3).

Procedural History

On September 20, 2022, CIGNA Health and Life Insurance Company (CHLIC or "the carrier") submitted its 2022 Large Group Manual Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).

On September 27, 2022, the Office of the Health Care Advocate (HCA), a special project within Vermont Legal Aid representing the interests of Vermont health insurance consumers, entered an appearance as a party to this filing. On November 21, 2022, the Vermont Department of Financial Regulation (DFR) submitted its analysis regarding the filing's impact on the carrier's solvency. Also on November 21, 2022, the Board's contract actuary, Lewis & Ellis (L&E), submitted an actuarial memorandum evaluating the filing (referred to hereafter as "L&E Memo"). Each of these documents was subsequently posted to the Board's rate review website.[1]

The Board solicited written public comments on this filing through December 5, 2022; no member of the public provided comment. The parties waived their rights to a hearing and the HCA filed a memorandum in lieu thereof. *See* GMCB Rule 2.000, § 2.309(a)(1).

Findings of Fact

1. CHLIC is an operating subsidiary of Cigna Corporation, an international, for-profit health services corporation headquartered in Bloomfield, Connecticut. *See* Cigna SERFF Filing.

2. This filing updates CHLIC's large group manual rating methodology and covers insurance products provided to large Vermont employers, including Open Access Plus (OAP), Preferred Provider Organization (PPO), Network (NWK), Indemnity, and retiree medical insurance products, as well as Pharmacy products. L&E Memo at 1.

[1] The contents of the SERFF filing and all documents referenced in this Decision and Order can be found at https://ratereview.vermont.gov/CCGP-133388045.

3. There are fifteen policyholders and a total of 3,764 members in Vermont who will be affected by the filing. The proposed rate change ranges between -21.5% (-$152.88 PMPM) and 31.3% ($222.56 PMPM) and would have an overall impact to the current manual rates of 7.6% ($54.14 PMPM). The average resulting rate will be $756.21 PMPM. L&E Memo at 1; *See* Cigna SERFF Filing (Rate Detail tab).

4. Other than a 2021 COVID-19-related credit to certain policy holders,[2] CHLIC's most recent filing was submitted on March 18, 2020, and the Statement of Decision was issued on June 16, 2020. In that Statement of Decision, the Board ordered CHLIC to reduce its profit assumption from 3.5% to 0.0%, which the carrier did. *In re CIGNA Health and Life Insurance Company 2020 Large Group Manual Rate Filing*, GMCB-001-20rr (June 16, 2020). However, because CHLIC sets certain assumptions at a national level, it was unable to implement the Board's order to reduce administrative expenses and Pharmacy (Rx) trend. Instead, the carrier further reduced its profit assumption as described in the chart below to achieve the projected rate impact of the Board's order. The Board agreed that this approach complied with the spirit of the order. GMCB Letter to CHLIC (July 23, 2020).

GMCB Order	Cigna Adjustment
Reduce Profit from 3.5% to 0.0%	Reduced Profit from 3.5% to 0.0%
Reduce Administrative Expenses from 6.3% to 5.3%	Increased Administrative Expenses from 6.3% to 6.6% to match National levels; Reduced Profit further from 0.0% to -1.3%.
Reduce Pharmacy trend from 6.8% to 6.1%, resulting in a decrease to overall trend from 6.5% to 6.3%.	Did not change Rx and/or overall trend; Reduced Profit further from -1.3% to -1.5%.

L&E Memo at 2.

5. The proposed rate change consists of these major components: 1) current trend, 2) changes to proposed trend, 3) revisions to pricing factors, and 4) expense changes. Current trend reflects the expected increase in medical and Rx unit cost and utilization resulting from the 2020 CHLIC order, as implemented by the carrier. *See* Findings of Fact (Findings), ¶ 4, *supra*. The changes to proposed trend reflect the change in expected trend, or medical and Rx unit cost and utilization, based on emerging experience since the prior rate filing. L&E Memo at 2-3. Revisions to pricing factors include both "area factors," which represent the relative cost of providing medical and pharmacy services in Vermont compared to the national average, and updates to rating factors and changes in methodology. L&E Memo at 4-5. Expense changes include fees, assessments, administrative expenses, and profit. L&E Memo at 5-6.

6. The current annual trend of 6.5% results from the carrier's implementation of the 2020 order. The components of the current annual trend include medical and Rx trends that were

[2] *In re CIGNA Health and Life Insurance Company 2020 Large Group Premium Credit Rate Filing*, GMCB-009-20rr (March 8, 2021).

established in the 2020 filing, where the relative proportion between medical and pharmacy trend is 82.6% and 17.4%, respectively. L&E Memo at 2.

7. In this filing, CHLIC's proposed trend is 7.5%, which is a 1.0% increase from the current trend and results in a 0.9% increase to the premium rates. CHLIC proposes a total medical trend of 7.3% and a total Rx trend of 8.5%. L&E Memo at 3. The relative proportion between medical and pharmacy trend shifts slightly to 82.5% and 17.5%, respectively. *See* Response to Objection 2 (October 13, 2022). As the past four years of medical and Rx trends have been volatile, the carrier chose not to use its historical trend results to set proposed trends. L&E acknowledges that volatility, but believes it is still important to consider historical trends when setting prospective trends. L&E reviewed the 4-year average of these trends, as normalized for benefit changes, demographics, and area, and calculated total combined trend of 7.5% including outlier years and 7.4% excluding them. L&E Memo at 3.

8. CHLIC's proposed medical trend of 7.3% is an increase from the current medical trend assumption of 6.4%. The proposed trend applies across all products. To determine the prospective medical cost trend, CHLIC uses both local and national information by relying on in-state providers' contracted rates as well as nationally contracted rates. The carrier acknowledges that its proposed unit cost trend may not fully incorporate the impact of the most recent Hospital Budget proceedings, in that its filing proposes inpatient and outpatient hospital unit cost trends of 4.3%, while it calculates the impact of the recently ordered hospital budget increase to be between 8% and 9%. However, CHLIC notes that several factors may dampen the assumed unit cost trend impact, such as timing, fixed fee schedules, and charge master increase protection. In addition, a portion of the unit cost changes is reflected in the Vermont area factors, which are increasing. *See* Findings, ¶ 10, *infra*. CHLIC sets medical utilization trend at a national level and bases it on both historical data, and prospective factors. It projects a 5.5% increase in medical cost and a 1.7% increase in utilization. L&E found that the medical trend assumptions appear to be reasonable and appropriate. L&E Memo at 3-4.

9. CHLIC is proposing a pharmacy trend of 8.5% for 2023, an increase from the current 6.8% Rx trend assumption. The Rx unit cost trend is the change in average cost per script because of three factors: 1) the change in cost per unit for medications used (inflation); 2) the change in cost due to a difference in the medications patients fill, either from brand to generic, or from existing generics to new generics (mix shift); and 3) the impact of new drugs causing both a shift from older therapies to novel ones and the emergence of new claims from previously untreated populations. The Rx utilization trend is the change in the number of prescriptions filled on a PMPM basis. The carrier projects an 8.8% adjustment to unit cost and a 0.3% adjustment to utilization. The carrier asserts that the primary driver of the increase to Rx trend is within brand drugs, where both unit cost and utilization increased from 2020 to 2023. The proposed Rx trend represents CHLIC's best estimate based on recent actual experience. L&E finds the pharmacy trend assumptions to be reasonable and appropriate. L&E Memo at 4.

10. CHLIC includes revisions to pricing factors in its proposed rate. The pricing factors include area factors, other rating factors, and methodology. The average impact of these pricing factors is a 0.2% decrease in the premium rate. Area factors compare the Vermont-specific cost of providing medical and Rx services to the national average. Area factors below 1.0 represent lower

costs than the national average while a value above 1.0% indicate higher costs than the national average. The medical and Rx area factors for VT residents for the NWK, OAP, and PPO plans have increased, but remain below 1.0. The carrier recently calibrated the medical and Rx area factors to center the national average at 1.0. The increase in Vermont's area factors reflects both the increase in in-state medical unit costs and the calibration adjustment. L&E finds that the medical and Rx area factor changes appear to be reasonable and appropriate. L&E Memo at 4-5.

11. In this rate filing, the carrier proposes numerous updates to the manual rate development to include more specific, recent, and granular data to improve the projections within the methodology. The components involved include medical and Rx utilization dampening, medical and Rx claim probability distributions, medical riders, network factors, pharmacy benefit adjustments, behavioral mental health/substance abuse utilization, and utilization of vision services and frames/lenses. L&E finds that the other rating factor and methodology changes appear to be reasonable and appropriate. L&E Memo at 5. The revisions to pricing factors are the primary driver of the range of rate impacts for different groups. The table below shows the distribution among groups of the impact of the revisions to pricing factors and the distribution of the resulting total rate change.

Impact of Revisions to Pricing Factors	Resulting Total Premium Rate Change[3]	Percentage of Groups
Less than -10%	Less than -3%	7%
-10% to -5%	-3% to 2%	20%
-5% to 0%	2% to 8%	37%
0% to 5%	8% to 13%	22%
5% to 10%	13% to 19%	10%
Greater than 10%	Greater than 19%	3%

See Response to Objection Letter 6 (December 1, 2022); L&E Memo at 2.

12. For the retention component of the proposed rate change, CHLIC provides a breakdown of the proposed 12.1% retention load compared to the current 11.8% retention load. The proposed retention load includes 5.0% in administrative expenses, 5.1% for federal and state fees, taxes and assessments, and a 2.0% profit assumption. CHLIC's projected large group medical loss ratio (MLR) for 2023 is 87.9%. Not including the profit assumption, current retention is 13.3% of premium and proposed retention is 10.1%. L&E finds that CHLIC's proposed changes to the components of retention appear reasonable and appropriate. L&E Memo at 5-6.

13. CHLIC's current profit assumption is -1.5% and the proposed profit assumption is 2.0%. The carrier's actual profit increased from -2.1% in 2019 to 9.1% in 2020 and then decreased to -1.6% in 2021. Similarly, its Risk-Based Capital (RBC) Ratio experienced an increase in 2020 (from 520% to 580%) and a decrease in 2021 (from 580% to 478%), which was not uncommon in the health insurance industry due to the COVID-19 pandemic. L&E believes that a CTR between 0.5% and 3.0% would be considered reasonable. L&E Memo at 6.

[3] The total premium rate change combines the impact of trend and expense changes with the impact of revisions to pricing factors. See L&E Memo at 2.

14. Pursuant to 8 V.S.A. § 4062(a)(2)(B), DFR provided the Board its assessment of the impact of the proposed filing on the carrier's solvency. Noting that it is not CHLIC's primary regulator, DFR advised the Board that it has not learned of any solvency concerns from Connecticut regulators. Further, because the company's Vermont business accounts for less than one percent of its total premiums written in 2021, DFR opined that CHLIC's Vermont operations pose little threat to its solvency. DFR concluded that the rates as filed will likely not have an impact on the carrier's solvency, assuming L&E finds that the proposed rate is not inadequate. DFR Solvency Opinion at 2.

15. On December 5, 2022, the HCA filed a Memorandum in Lieu of Hearing in which it objects to CHLIC's proposed rate, arguing that the carrier has not demonstrated that the proposed rate is affordable, promotes access to care, and promotes quality care, and is not unfair, unjust, or misleading. HCA Memorandum in Lieu of Hearing (HCA Memo), 1, 9-10.

16. The HCA expresses opposition to three pharmacy benefit adjustment programs contained in CHLIC's initial rate filing. The HCA asserts that the Mandatory Mail for Maintenance Drugs and Rx Exclusive Specialty Home Delivery programs do not comply with the prohibition in Vermont Act 131 (2022) from requiring beneficiaries to fill prescriptions through mail-order or PBM affiliate pharmacies. The HCA also states that the Out-of-Pocket Adjuster Program is a highly criticized practice that deprives chronically ill patients of manufacturer co-pay assistance for high-cost, lifesaving specialty medication. According to the HCA, CHLIC responded to these concerns by submitting an amended rate manual removing the three programs and representing that the programs are not permitted to be sold in Vermont as part of the LG plans at issue in this docket and that the carrier has mechanisms in place to assure this result. *See* HCA Memo, 8-9.

17. The HCA objects to CHLIC's requested profit margin of 2.0%, which the HCA considers to be an unreasonable profit margin. The HCA argues that L&E's 0.5% to 3.0% recommendation is an overestimate of a reasonable profit range as it does not take into account the non-actuarial considerations of affordability and access to care. HCA Memo, 7-8; *see* Findings, ¶ 13, *supra*. The HCA recommends a 0.25% profit assumption. HCA Memo, 8. The HCA asserts that Vermonters cannot afford CHLIC's 2.0% profit assumption and cites to the 2021 Vermont Department of Health, Vermont Household Health Insurance Survey Report,[4] stating that one-third of Vermont's uninsured population has access to employer sponsored insurance but chooses not to take it and that 76% of Vermonters who decline employer sponsored insurance cite cost as the primary reason. HCA Memo, 6, 8. In addition, the HCA points to inflationary pressures impacting Vermonters, and notes government data that prices rose 7.7% from October 2021 to October 2022.[5] HCA Memo, 4.

[4] VT Dept. of Health, Vermont Household Health Insurance Survey 2021 Report (March 2022), https://www.healthvermont.gov/sites/default/files/documents/pdf/HSVR-VHHIS-2021-Report.pdf.
[5] U.S. Bureau of Labor Statistics, October 2022 Consumer Price Index Summary, Table 2, https://www.bls.gov/news.release/cpi.t02.htm (November 10, 2022).

Standard of Review

In reviewing a rate filing, the Board must determine whether the proposed rate is "affordable, promotes quality care, promotes access to health care, protects insurer solvency, and is not unjust, unfair, inequitable, misleading, or contrary to the laws of this State" and is not "excessive, inadequate, or unfairly discriminatory." 8 V.S.A. § 4062(a)(3); GMCB Rule (Rule) 2.000, § 2.301(b). Although the latter terms – excessive, inadequate, or unfairly discriminatory – are defined actuarial standards, other standards by which the Board reviews rate filings are "general and open-ended," the result of "the fluidity inherent in concepts of quality care, access, and affordability." *In re MVP Health Insurance Co.*, 2016 VT 111, ¶ 16. The Board additionally takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); Rule 2.000, § 2.401.

In arriving at its decision, the Board must consider DFR's analysis and opinion of the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a)(2)(B), (3). The Board must also consider any public comments received on a rate filing. 8 V.S.A. § 4062(c)(2)(B); Rule 2.000, § 2.201. The burden falls on the insurer proposing a rate change to justify the requested rate. *Id.* § 2.104(c).

Conclusions of Law

We agree with and adopt our actuaries' opinion that medical and pharmacy trend assumptions are appropriate and reasonable. *See* Findings, ¶¶ 8-9. The carrier's approach to calculating medical cost trend uses national information in addition to local information. As such, it may not fully reflect the impact of this year's Hospital Budget orders. However, there are several factors that may dampen the assumed unit cost trend, such as timing, fixed fee schedules and charge master increase protection. Moreover, the carrier's Vermont area factors reflect state-specific unit cost and utilization trends. Findings, ¶ 8.

We agree with and adopt our actuary's opinion that the medical and pharmacy area factors utilized by the carrier are appropriate and reasonable. In addition, we accept the carrier's adjustments to other pricing factors and its changes to methodology. Findings, ¶ 5.

Turning to the rate adjustment for retention other than the profit assumption, we agree with and adopt our actuary's opinion that CHLIC's proposed retention without profit of 10.1% is appropriate and reasonable. This figure represents a reduction from the current rate, as implemented by the carrier, in retention minus profit as a percent of premium. Findings, ¶ 12.

For the profit assumption, we accept the low end of the range recommended by our actuaries and order a profit assumption of 0.5%. This will reduce proposed rates by 1.5%. As the HCA noted, Vermonters are dealing with inflation and increased costs. Moreover, approximately three quarters of the uninsured Vermonters who decline employer sponsored insurance do so primarily because of cost. Findings, ¶ 17. We therefore select the lowest profit assumption that the record demonstrates will still result in actuarially sound rates.

As a final note, we appreciate the HCA's attention to CHLIC's inclusion of prohibited pharmacy programs that do not pertain to Vermont. We expect CHLIC to take better care against the inclusion of such programs in its Vermont rate filings in the future. We also encourage the HCA to bring any such concerns to DFR as the agency that reviews carriers' forms. *See* 8 V.S.A. § 4062(a).

Order

For the reasons discussed above, the Board modifies CHLIC's 2022 Large Group Manual Rate Filing by reducing the proposed profit assumption from 2.0% to 0.5%. We thereafter approve the filing, resulting in an average annual rate increase of approximately 6.0%.

SO ORDERED.

Dated: December 19, 2022 at Montpelier, Vermont

s/ Owen Foster, Chair	
s/ Jessica Holmes	GREEN MOUNTAIN CARE BOARD OF VERMONT
s/ Robin Lunge	
s/ Thom Walsh	
s/ David Murman	

Filed: December 19, 2022

Attest: *s/ Jean Stetter, Administrative Services Director*
Green Mountain Care Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (Email address: Kristen.Lajeunesse@vermont.gov). Appeal of this decision to the Supreme Court of Vermont must be filed with the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration, if any, must be filed with the Board within ten days of the date of this decision and order.