CHLIC Responses to VT Objections Round 1 (received 10/3/2024)

Objection 1

Regarding the list of methodology changes on page 5 of the act memo, please provide a detailed explanation of the change for each item on the list.

Response:

Table #	Table Name	Change	Reason for Change
8	Medical Utilization Dampening	Change to utilization dampening methodology	We changed the calculation of our utilization dampening factors to be based on a continuous approach using an exponential curve, replacing the previous tabular method. The new curves were developed based upon the previous tabular factors but result in changes in plan design having a smoother impact on UD.
17	Multiple Offering Load - Medical Load	Change to multiple offering load methodology	The calculation of our multiple offering load was changed to be based on the number of plans being offered, replacing the previous methodology which was based on the relativity between the most and least expensive plans from an account.
n/a	Rate Cap Load	Added rate cap load	Our rate caps were historically considered to be under the scope of underwriting discretion, but upon review, we have decided to include it as a standard part of our filings.
9	Community Rate Loads	Added virtual care adjustment to community rate loads	The virtual care adjustment is an increment to medical claims that is applied when more favorable cost share on virtual care PCP or Specialist benefits is expected to drive an increase in cost. The deductible applicability, coinsurance, and copay that would be applied in a virtual care vs. brick and mortar setting are compared to determine if the adjustment will be applied.
15	Health Management Program Savings	Added high tech radiology – essential to health management program savings	Our default high tech radiology program was changing, resulting in a cost increase, but clients can opt back into the original program and would receive a decrement that offsets the cost increase.
31, 32	Retail AWP per Script Assumptions, Retail Script Count PMPY Assumptions	Added diet drugs 2 to AWP per script and script count per customer tables	In addition to our standard weight loss coverage option, we are adding an additional option for our clients to cover weight loss drugs with more restricted access based on BMI, comorbid conditions and clinical engagement. We anticipate different utilization levels with these different options.
48	Pharmacy: Additional Benefit Adjustments	Added SaveonSP to additional benefit adjustments	SaveonSP is a variable copay and assistance program, which enables members to apply third-party copay assistance program funds towards their prescription drug costs. The use of these funds drives savings for both the member and the plan.

1, 2	Medical Base Claims, MSC Weighting by SCC	Updates to base rate and MSC weightings	Our PMPM costs by major service category and cost allocations by major service category and sub-cost category were updated to reflect 2022 claims experience
7	Medical Claims Probability Distribution	Updates to CPD	Our CPD was updated to reflect FY 2022 claims experience
21, 4	Medical Trend Summary, Medical OON Trend	Updates to trend	We regularly review our trend assumptions based on emerging experience and expected future changes to provider contracted rates, utilization, and other considerations
19	Medical Area Factor Summary	Updates to area factors	We update our area factors based on area-specific claims experience
11	Industry Load	Updates to industry factors	Based on an actual-to-expected analysis of FY 2022 claims experience by SIC, we implemented a floor of 0.95 and a ceiling of 1.05 for our industry factors. They previously ranged from 0.80 to 1.125.
5, 6	Medical Effective Deductible Adjustment, Medical Effective Maximum OOP Adjustment	Updates to effective deductible and OOP max factors	We updated these factors, which account for the fact that a larger family size leads to members hitting their deductible and OOP max sooner, to reflect our new CPD, as well as updated demo factor/family composition assumptions.
13	Demographic Aging Factor	Updates to demographic aging factor	We changed our demo aging assumption from 0.4% to 0.2% based on an updated study of average year-over-year demographic changes in the workforce
16	Medical Riders	Updates to rider values	Our rider assumptions were updated to reflect recent claims experience
25, 26	MH/SUD: OAP/PPO Rates, MH/SUD: NWK Rates	Updates to MHSUD rates	We made updates to reflect our latest MHSUD base rates by state based on our most recent experience
24	MH/SUD: Trend and Adjustments	Updates to MHSUD trend	We regularly review our trend assumptions based on emerging experience and expected future changes to provider contracted rates, utilization, and other considerations
31	Retail AWP per Script Assumptions	Updates to average wholesale price per script	We updated our AWP/script assumptions based on FY 2022 claims experience

32	Retail Script Count PMPY Assumptions	Updates to script count per customer	We updated our utilization assumptions based on FY 2022 claims experience
33, 34	Script Channel Distribution Assumptions, AWP Channel Distribution Assumptions	Updates to script and AWP channel assumptions	We updated our channel mix assumptions based on FY 2022 claims experience
37, 38	Pharmacy: Cost Trend, Pharmacy: Utilization Trend	Updates to cost and utilization trend (pharmacy)	We regularly review our trend assumptions based on emerging experience, new drug pipelines, patent expirations and other considerations
39	Pharmacy: Area Factor	Updates to area factors (pharmacy)	We update our area factors based on area-specific claims experience
44	Pharmacy: Demographic Factors	Updates to demographic factors (pharmacy)	We updated our demographic factors based on an analysis of FY 2022 claims experience
40, 41, 42	Pharmacy: CPD (% Preventive), Pharmacy: CPD (Cost per Script), Pharmacy: CPD (Scripts PMPY)	Updates to CPD (pharmacy)	Our CPD was updated to reflect FY 2022 claims experience

Objection 2 (extension)

Please provide an explanation of the drivers of the significant range between the minimum and maximum rate increase of 1.1% and 25.6%. Please include derivations of the calculation of the minimum and maximum rate increase.

Response:

Objection 3

Please provide the retention table on page 4 of the act memo using the currently approved retention components. When comparing the table of currently approved retention components to the proposed 2025 retention components, please explain and justify any material changes.

Response:

Retention Components	2024 % of Premium (approved)	2025 % of Premium (proposed)	Change	Comments
Admin	5.1%	5.0%	-0.1%	Higher requested premium in 2025; as a result, admin fee represents a lower percentage of premium.
Access Fee	0.8%	0.8%	0.0%	
Quality Improvement	0.2%	0.2%	0.0%	
Tax	2.0%	2.0%	0.0%	
State Assessments	1.9%	2.0%	0.1%	Higher State Assessments in 2025.
PPACA Fees	0.0%	0.0%	0.0%	
Risk Charge	0.0%	0.0%	0.0%	
Original Requested Profit	*2.0%*	*2.0%*	*0.0%*	
Ordered Profit	*-1.5%*	*n/a*		*2024: Ordered to reduce profit from 2.0% to 0.5%.*
Additional Trend-related adjustment	*-2.1%*	*n/a*		*2024: Reduced profit an additional -2.1%, from 0.5% to -1.6%, to comply with ordered trend reduction.*
Profit	-1.6%	2.0%	3.6%	See above for breakdown of current profit assumption.
Commissions	0.0%	0.0%	0.0%	
Total Retention	**8.4%**	**12.0%**	**3.6%**	
MLR	91.6%	89.3%	-3.6%	
Total Retention + MLR	100.0%	100.0%	0.0%	

Objection 4

Please fill out the table below. The Total Claims Trend should reconcile to the 9.1% trend effective 2024 (from the prior approved filing), indicated in the Components of the Proposed Rate Increase table on page 4 of the act memo.

Response:

Please note that the 9.1% trend indicated in the act memo was calculated through an estimate of the portion of the rate change attributed to trend vs. non-trend. More specifically, the Medical vs. Rx weight of the increase was estimated based off of high-level book of business assumptions. For the purpose of this objection as well as this year's filing, we feel it is more accurate to reflect those weights based off of actual VT-specific experience, consistent with the manner in which the rate increase is calculated. Please see below for a revised version of this exhibit, rolling up to 8.9% with these medical/Rx weight adjustments:

Category	2024+ VT Situs Total Trend	2024+ Medical Trend	2024+ Rx Trend	Medical Weight	Rx Weight
Unit Cost	4.9%	4.1%	8.0%	79%	21%
Utilization/Mix	3.8%	4.2%	2.3%	79%	21%
Claims Trend	8.9%	8.5%	10.4%	79%	21%

Please see our response to Objection 11 for the impact to the Components of the Proposed Rate Increase table.

Objection 5

Please fill out the table below. The Total Claims Trend should reconcile to the 9.0% proposed trend effective 2025, indicated in the Components of the Proposed Rate Increase table on page 4 of the act memo.

Response:

Category	2025+ VT Situs Total Trend	2025+ Medical Trend	2025+ Rx Trend	Medical Weight	Rx Weight
Unit Cost	4.9%	4.0%	8.3%	78%	22%
Utilization/Mix	3.8%	3.9%	3.7%	78%	22%
Claims Trend	9.0%	8.0%	12.3%	78%	22%

Similar to objection 4 above, our submission this year leverages VT-specific assumptions for medical/Rx weighting, based on feedback from last year's submission so is consistent in calculation with the restated 8.9% above.

The difference in Unit Cost trends between the 4.9% filed unit cost above and the GMCB-ordered unit cost trends leads to a new Claims Trend of 7.6%. The new exhibit below illustrates this change; please note that we did not submit this in the original filing as it was prepared before the updated order, so we are outlining the change in our requested rate as a separate line item to achieve the effect of this reduced trend on our rate increase (see Objection 11).

Category	2025+ VT Situs Total Trend	2025+ Medical Trend	2025+ Rx Trend	Medical Weight	Rx Weight
Unit Cost	3.7%	2.4%	8.3%	78%	22%
Utilization/Mix	3.8%	3.9%	3.7%	78%	22%
Claims Trend	7.6%	6.4%	12.3%	78%	22%

Objection 6

Please reconcile the assumed medical unit cost trends by hospital to the recently ordered hospital budget increases provided here: https://gmcboard.vermont.gov/node/11552

a. Please also provide the average hospital budget increase, average inpatient unit cost trend, and average outpatient unit cost trend.

Response:

The filed medical unit cost trends do not incorporate the recently ordered hospital budget increases, as they were approved after our filing was developed. The table below compares the ordered increases and the assumed unit cost trends at these hospitals. Cigna will implement the GMCB ordered increases as soon as operationally possible via a rate adjustment upon approval of this filing (see Objection 11); these new unit costs can be found in the below table ("Proposed Unit Cost Trend (FY25)):

	Ordered Hospital Budget Increases (FY24)	Assumed Unit Cost Trend (FY25) – Filing submitted 9/20/24		Proposed Unit Cost Trend (FY25) – Revised	
Facility		**Inpatient**	**Outpatient**	**Inpatient**	**Outpatient**
Brattleboro Memorial Hospital	3.4%	3.5%	3.5%	3.4%	3.4%
Central Vermont Medical Center	3.4%	-7.4%	7.1%	3.4%	3.4%
Copley Hospital	3.4%	3.5%	3.5%	3.4%	3.4%
Gifford Memorial Hospital	3.4%	3.5%	3.5%	3.4%	3.4%
Grace Cottage Hospital	2.5%	0.0%	3.5%	2.5%	2.5%
Mt. Ascutney Hospital	2.2%	3.5%	3.5%	2.2%	2.2%
North Country Hospital	3.4%	3.5%	3.5%	3.4%	3.4%
Northeastern Vermont Regional Hospital	3.4%	3.5%	3.5%	3.4%	3.4%
Northwestern Medical Center	3.4%	3.5%	3.5%	3.4%	3.4%
Porter Medical Center	2.5%	25.2%	9.3%	2.5%	2.5%
Rutland Regional Medical Center	1.2%	3.5%	3.5%	1.2%	1.2%
Southwestern Vermont Medical Center	3.4%	3.5%	3.5%	3.4%	3.4%
Springfield Hospital	2.2%	3.5%	3.5%	2.2%	2.2%
University of Vermont Medical Center	-1.0%	0.0%	6.9%	-1.0%	-1.0%
Weighted Average - VT Hospitals Only	1.0%	1.1%	5.6%	0.4%	1.2%

[1] *Taken from hospital budget submission publication (September 13, 2024: Green Mountain Care Board Announces FY2025 Hospital Budget Decisions and Enforcement of FY2023 Hospital Budgets)*

Objection 7 (extension)

Regarding page 2 of “VT 2025 Supplemental Exhibits”:

a. Please provide quantitative support for how the trends shown here, after adjusting for the inclusion of Rx, VT residence, and pricing factors, reconcile to the proposed 9.0% total trend.

b. Please provide detailed qualitative and quantitative summary of the data and/or study used to determine the medical utilization and mix trend for both 2024 and 2025.

Response:

Objection 8 (extension)

Please provide detailed explanation of the drivers of the change in medical and pharmacy trends (broken out by cost, utilization, and total trend components) from the prior approved filing.

Response:

Objection 9 (extension)

Regarding the rates in "VT CHLIC Template 2025", please provide the following:

a. Comparison of the prior approved and current proposed medical base claims in Table 1, separately showing each change applied and a detailed description of each change.

b. Detailed description of the reason for changes in medical rider base rates in Table 16.

c. Further detail on how the Rate Cap Load on page 11 is determined. For example, what rate cap is associated with the 0.5% load, 5.0% load, etc, and does it vary by the length of time the rate cap may be in effect.

Response:

Objection 10

Please provide the Company's historical actual-to-expected profit for the last five years (2019-2023), as a percentage of premium. For any years where the expected profit is different than the GMCB ordered profit (i.e., Cigna elected to further adjust profit instead of other orders assumption changes, such as trend), please provide both the ordered and expected profit as a percentage of premium.

Response:

Please see the below actual-to-expected retention for the 2019-2021 and 2023. Note that CHLIC did not file rates in 2021 or 2022, so the expected and ordered profit levels are from the most recently approved filing (2020).

Year	Actual Profit	Expected Profit	Ordered Profit
2019	-2.1%	1.0%	1.0%
2020	9.1%	-1.5%	0.0%
2021	-1.6%	-1.5%	0.0%
2022	14.0%	-1.5%	0.0%
2023	8.5%	-1.5%	0.0%

Objection 11

Regarding the Vermont experience provided in "VTexh_2025_CHLIC" – the loss ratios are below 80% in 2 of the last 3 years, and 3 of the last 5 years. Please provide further justification for the 11.5% rate increase requested given these historical loss ratios.

Response:

As stated, FY25 GMCB-ordered unit cost trends were unavailable when this filing was developed. The 11.5% rate increase was developed with previously assumed unit cost trends; the newly ordered unit cost trends lead to a 10.1% rate increase. The breakdown of the 10.1% rate increase can be found below:

<table>
<tr><th>Category</th><th>Detail</th><th>Average</th><th>9/20 submitted trend</th><th>Updated to comply with FY25 unit cost</th></tr>
<tr><td>Filed & Approved</td><td>Filed and Approved Total (Med & Rx) Claims Trend (1/1/24 effective date)</td><td>8.9%</td><td rowspan="3">9.0%</td><td rowspan="4">7.6%</td></tr>
<tr><td>Changes to trend</td><td>Difference in Current Approved Total Trend vs Proposed Total Trend (1/1/25 effective date)</td><td>-0.5%</td></tr>
<tr><td>Revisions to pricing factors - Trend</td><td>Changes to trend, area factors, and methodology since approved filing (1/1/25 effective date)</td><td>0.6%</td></tr>
<tr><td>Rate revision to comply with FY25 unit cost order</td><td>Applying a rate revision to bridge the gap between the 9.0% filed trend and the 7.6% expected trend (from Objection 5)</td><td>-1.2%</td><td></td></tr>
<tr><td>Revisions to pricing factors - non-Trend</td><td>Changes to trend, area factors, and methodology since approved filing (1/1/25 effective date)</td><td>-1.7%</td><td></td><td></td></tr>
<tr><td>Expense Changes</td><td>MLR change since last approved filing; lower admin fee & higher profit</td><td>4.0%</td><td></td><td></td></tr>
<tr><td>Requested Rate Change</td><td>Composite change of all items listed above</td><td>10.1%</td><td></td><td></td></tr>
</table>

The raw loss ratios provided are from lines 1.1 (Health premiums earned) and line 5.0 (Claims) of the Supplemental Health Care Exhibit. They are not adjusted for quality improvement expenses, Federal and State taxes and licensing or regulatory fees, or credibility, for example. As such, we do not feel it is appropriate to look at individual years in isolation which do not account for volatility in the business or these other adjustments. Our most recent federally filed MLR for VT CHLIC Large which include these adjustments on a 3-year rolling view are above the minimum standard of 85% and thus we feel it appropriate to request a rate increase tied to the above assumptions.