STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Connecticut General Life Insurance Company 2014 Large Group Manual Rate Filing	))))))	GMCB-008-14rr SERFF No.: CCGP-129378365

DECISION & ORDER

Introduction

As of January 1, 2014, Vermont law requires that health insurers submit major medical rate filings to the Green Mountain Care Board which shall approve, modify, or disapprove the filing within 90 calendar days of its receipt. 8 V.S.A. § 4062(a)(2)(B) (*as amended by* 2013, No. 79, §5c). On review, 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 Vermont law. 8 V.S.A. §§ 4062(a)(3).

Procedural History

On January 16, 2014, Connecticut General Life Insurance Company (CGLIC) submitted its 2014 Large Group PPO Manual Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).[1] *See* http://ratereview.vermont.gov/sites/dfr/files/CCGP-129378365_SERFF_Final.pdf. The Office of the Health Care Advocate (HCA), representing the interests of Vermont consumers of health insurance, entered an appearance as a party to this rate filing.

On March 17, 2014, the Board posted to the web an actuarial memorandum provided by its contract actuaries, Lewis & Ellis (L&E), http://ratereview.vermont.gov/sites/dfr/files/CCGP-129378365_ActMemo_Final.pdf, and the Department's analysis and opinion of regarding the impact of the proposed filing on the insurer's solvency. *See* http://ratereview.vermont.gov/sites/dfr/files/CIGNA_129378365_SolvencyOpinion.pdf.

The Board received no public comments.[2] The parties have waived a hearing pursuant to GMCB Rule 2.000 and each has filed a memorandum in lieu of hearing.

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[1] This filing was originally submitted to the Vermont Department of Financial Regulation (Department) on November 13, 2013, but was subsequently withdrawn.
[2] The period during which the Board accepted comments ran from January 17 through March 31, 2014.

Findings of Fact

1. CGLIC is an operating subsidiary of Cigna Corporation, an international, for profit health services corporation headquartered in Bloomfield, Connecticut.

2. This filing updates the methodology for CGLIC large group manual rating and covers the Open Access Plus, Preferred Provider Organization, Network, Indemnity, and retiree medical insurance large group products. The filing impacts approximately 10,100 covered lives.

3. It has been two years since the company's last approved manual rate filing. CGLIC submitted a filing in 2012 requesting a decrease of -2.8% for policies renewing at the start of 2013, which was withdrawn and never implemented.

4. CGLIC calculates that the overall proposed average rate impact of this filing, inclusive of its withdrawn request, is 0.9%. Citing CGLIC's method at arriving at this figure as "unorthodox," L&E has recalculated the rate impact and concludes that the overall rate increase over the last filed rates is 1.3% ($3.09 PMPM).

5. CGLIC used its 2012 calendar year data combined with Connecticut Health and Life Insurance Company's (CHLIC) data as its base experience. CHLIC, which filed a companion large group rate filing with the Board requesting the same rate increase, is also a subsidiary of Cigna Corporation. *See* Docket no. GMCB 007-14rr, *available at* http://ratereview.vermont.gov/rate_review/CCGP-129378424.

6. CGLIC trended the experience forward to 2014 using an 8.2% medical trend for the first year and 7.1% for the second,[3] for a combined two year trend increase of 15.8%.

7. The company updated its pharmaceutical rating tables to reflect an increase in generic drug use, the growing cost of specialty drugs, and market-specific experience. CGLIC proposed Rx trends of 7.2% for the first year and 9.1% for the second. CGLIC maintains that the drivers of the trend assumptions include new HIV drugs, utilization of Hepatitis C drugs, and patent expirations.

8. CGLIC calculates a Vermont rate by applying a medical area adjustment to a nationwide figure, which it then reviews for reasonableness by comparing the Vermont average

[3] The Board requested clarification from L&E regarding what constitutes the first and second year, respectively. For purposes of determining medical and pharmaceutical drug trends, the first year is July 1, 2012 through June 2013 (2013); the second year runs from July 1, 2013 projected through June 2014 (2014).

manual rate with the actual average claims in Vermont. For this filing, CGLIC provided a breakdown of its analysis for Fall 2012 (July 1, 2011 through June 30, 2012) and Spring 2013 (January 1, 2012 through December 31, 2012), and updated the area factors to reflect recent claim experience.

9. The company projects a 2014 federal MLR of 87.9%. CGLIC has previously been required to provide rebates to consumers under the Affordable Care Act's Medical Loss Ratio Rule.[4] *See* http://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/2012-health-insurers-owing-rebates-08-01-2013.pdf.

10. CGLIC has included a 3% profit (risk margin) in its proposed rate calculations.

11. On review, L&E observes that both CGLIC's medical trend assumptions and prescription drug trend lack adequate quantitative support and appear high based on historical experience. L&E recommends using 5.9% medical trend, consistent with the company's historical experience, and a 7.2% drug trend, consistent with assumptions seen by other Vermont carriers, for both 2013 and 2014.

12. L&E also recommends determining the area factor using only the Spring 2013 review, which covers more recent experience, is more rigorous, and which incorporates updated methodology.

13. Adopting the changes to the filing, as recommended by L&E, results in a rate decrease of -4.7%.

14. The Department assessed the impact of the proposed filing on the carrier's solvency. Noting that it is not Cigna Corporation's primary regulator, and that the holding company's health operations in Vermont account for less than one percent of its total premiums earned, the Department determined that "CIGNA's Vermont health operations pose very little risk to its solvency, or to the solvency of CIGNA Holding Company." *See* http://ratereview.vermont.gov/sites/dfr/files/CIGNA_129378365_SolvencyOpinion.pdf.

[4] The Affordable Care Act has set a financial target for health insurers, called the medical loss ratio, on the proportion of premium dollars they spend on medical services, as opposed to those spent on administrative costs. It also requires them to issue rebates to enrollees if this percentage does not meet minimum standards. For more information, *see* http://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Medical-Loss-Ratio.html.

Standard of Review

1. The Board reviews rate filings to ensure that rates are not "excessive, inadequate or unfairly discriminatory," that they promote quality care and access to health care, protect insurer solvency, and are not unjust unfair, inequitable, misleading or contrary to Vermont law. 8 V.S.A. § 4062. In addition, the Board considers changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6).

2. On review of a company's solvency, the Board will consider the Department's analysis and opinion on the impact of the proposed rate on the insurer's solvency and reserves. 8 V.S.A. § 4062(a).

3. The insurer proposing a rate change has the burden to justify the requested rate. GMCB Rule 2.000: Rate Review, § 2.104(c).

Conclusions of Law

4. First, we accept the actuarial recommendation that CGLIC reduce its medical and pharmaceutical drug trends. The carrier failed to provide adequate, quantifiable support for its trend requests, and the recommended 5.9% medical trend and 7.2% pharmaceutical trend are consistent with the carrier's actual experience and produce more affordable rates for large group members.

5. We also accept the recommendation that the 2013 medical area factor should be based on the Spring 2013 review, which includes more recent experience and, according to the carrier, is based on a more rigorous review. This modification produces an overall area factor decrease of approximately -8.8%, as opposed to CGLIC's proposed -6.1% decrease.

6. Finally, we reduce CGLIC's risk margin from the proposed 3% to 1%. This decision is consistent with actions we have taken with past filings, *see, e.g.*, http://gmcboard.vermont.gov/sites/gmcboard/files/027decision.pdf (Board reduces MVP's requested contribution to reserves from 3% to 1%), enhances affordability, and will have no material impact on the financial stability of CGLIC or its parent corporation.

Order

For the reasons discussed above, the Board modifies CGLIC's 2014 Large Group PPO Manual Rate Filing by reducing the proposed medical trend to 5.9%, reducing the proposed pharmaceutical trend to 7.2%, basing the medical area factor solely on the more recent Spring

2013 review, and reducing the risk margin from 3% to 1%. As modified, we thereafter approve the filing, resulting in a -6.6% rate change.[5]

So ordered.

Dated: April 16, 2014 at Montpelier, Vermont.

s/ Karen Hein	)	GREEN MOUNTAIN
	)	CARE BOARD
s/ Cornelius Hogan	)	OF VERMONT
	)	
s/ Betty Rambur	)	
	)	
s/ Allan Ramsay	)	

Board member Al Gobeille did not take part in this decision.

Filed: April l6, 2014

Attest: s/ Janet Richard
Green Mountain Care Board, Administrative Services Coordinator

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. (E-mail address: Janet.Richard@state.vt.us).
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 or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.

[5] As appropriate, deductible leveraging factors and base stop loss dampening trends should be recalculated using the trends as modified.