STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Cigna Health and Life Insurance Company 2017 Large Group PPO Manual Rate Filing	))))	GMCB-01-17rr SERFF No.: CCGP-130705386

MEMORANDUM IN LIEU OF HEARING

I. Introduction

Cigna Health and Life Insurances Company (CHLIC)'s 2017 Large Group PPO Manual Rate Filing proposes an average rate decrease of 3.7% from current rates with a range of -9.7% to .1%. There are 12 Vermont policyholders with 1940 members affected by this filing. The Office of the Health Care Advocate asks the Board to reduce the rates proposed the carrier by decreasing the contribution to surplus by 2.5%.

II. Background

CHLIC submitted its request for approval of proposed rates for this filing to the Green Mountain Care Board (the Board) on December 31, 2016. The Office of the Health Care Advocate (the HCA) submitted a notice of appearance in this case on January 11, 2017. The Commissioner of the Department of Financial Regulations (DFR) issued a Solvency Analysis on February 21, 2017. DFR's Analysis states that "the rate as proposed likely will have the impact of sustaining the current level of solvency of CHLIC." DFR analysis at page 1. DFR further noted that "CHLIC's Vermont operations pose little risk to its solvency, or to the solvency of CIGNA Holding Company" as they account for "less than one percent of its total premiums earned." DFR Analysis at page 2. Lewis and Ellis (L&E), the Board's contracted actuary, completed its Actuarial Memorandum for the filing on February 28, 2017. L&E's Memorandum recommends lowering the profit level in this filing from 3.5% to 2.0%, "to be more in line with all other Vermont [large group] market participants." This change would result in an overall rate decrease of 5.1%. Memorandum at pages 6 to 7.

Based on the criterion in GMCB Rule 2.00 §2.309 (a)(3), the Board has chosen to waive the hearing for this filing.

CHLIC submitted a Memorandum in Lieu of Hearing on March 7, 2017. The carrier has asked the Board to approve the rate increase submitted by CHLIC "for the reason stated therein and in accordance with the actuarial memorandum submitted by Lewis and Ellis." CHLIC Memorandum in Lieu of Hearing. It does not specifically address the recommendation in the L& E opinion that the requested profit level of 3.5% be reduced to 2%.

III. Standard of Review

Health insurance organizations operating in Vermont have the burden of justifying their proposed rates. GMCB Rule 2.104(c). Before implementing rate changes, insurers in Vermont must obtain the Green Mountain Care Board's approval. 8 V.S.A. §4062(a); 8 V.S.A. §5104(a). The Green Mountain Care Board has the power to approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a).

When "deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory." GMCB Rule 2.000 §§2.301(b); 2.401; 8 V.S.A. §4062(a)(3). In addition, the Board shall take into consideration the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amounts, DFR's Solvency Analysis, and other issues at the discretion of the Board. GMCB Rule 2.000 §2.401; 18 V.S.A. §9375(b)(6).

The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the Board to its actuaries: questions posed to the insurer by the Board, its actuaries, and DFR; DFR's Solvency Analysis; and the analysis and opinion from the Board's actuary. GMCB Rule 2.000 §2.403(a).

IV. Analysis

The carrier's profit in this filing should be reduced to 1%. The proposed "profit assumption" level of 3.5% is excessive and CHLIC has not demonstrated that it is necessary. The requested 3.5% profit level is higher than any proposed by or approved for other Vermont carriers in the past year.

CHLIC has argued that the 3.5% contribution to surplus is "consistent with the assumption used in all non-VT filings" and that the carrier "did not pay a rebate in 2014 or 2015 and does not anticipate paying a rebate in 2016 or 2017." It has also referred to the arguments it put forth in March 2016 with reference to the HCA's request that the Board reduce its profit assumption from 3.5% to 1%. SERFF filing at page 126.

Lowering CHLIC's proposed profit is in line with the Board's decisions on previous CHLIC filings. When CHLIC proposed a 3% contribution to surplus for its filing in 2014 and a 3.5% contribution to surplus in 2015, the Board reduced each of them to 1%. GMCB 07-14rr, Decision at page 4; GMCB 06-15rr Decision at page 4. In 2014, the Board stated that they made this alteration because it is "consistent with actions we have taken in past filings… [it will] enhance affordability, and will have no material impact on the financial stability of CHLIC or its parent corporation." GMCB 07-14rr Decision at page 4. In 2015, the Board similarly stated that reducing the profit to 1% "will have no material impact on the financial stability of CHLIC or its parent corporation, and makes coverage more affordable for Vermonters." GMCB 06-15rr Decision at page 4. In its decision in 2016, the Board also reduced the contribution to surplus to 1%, noting that "CHLIC achieved profits in excess of its current request in both 2013 (3.7%) and 2014 (13.5%), and anticipates earning a profit in 2015, notwithstanding the reductions we ordered in each of the last two filings." GMCB 01-16rr Decision at page 3.

L & E has calculated CHLIC's actual profits for the large group block of business as 5.9% in 2015 and notes that the carriers "estimated … the profit would be in the mid-single digits" for 2016. L & E Actuarial Opinion at page 16. Although there has been volatility over the past years, and despite the small enrollment numbers for the carrier's block of business in Vermont, there is no showing that the carrier will not achieve a profit even if the requested 3.5% profit assumption is reduced. As described above, DFR states that the current filing is unlikely to impact CHLIC's solvency since the Vermont business is a very small percentage of the carrier's overall holdings.

CHLIC's reference to the memorandum it submitted for the 2016 filing appears to repeat the argument that the Board cannot assess the reasonableness of each underlying component of the requested rate. However, as the Board stated in its decision in GMCB 001-16-rr, "review of each rate component allows us to trim costs where appropriate to ensure that the rate is adequate for insurers, and fair and affordable for consumers." Decision at page 3.

The fact that the carrier has not been required to pay rebates in 2014 and 2015 and does not anticipate being required to pay rebates in 2016 or 2017 does not show that that the requested profit and rates are per se affordable for consumers. CHLIC made the same argument in its 2016 filing, and the Board reduced the requested profit level in order to make the rates more affordable for Vermonters while allowing an adequate profit margin for the carrier.

V. Conclusion

For the reasons stated above, the HCA asks the Board to reduce CHLIC's profit level for this filing from 3.5% to 1%

Dated at Montpelier, Vermont this 14th day of March, 2017.

/s/ *Lila Richardson*

Lila Richardson
Staff Attorney
Office of Health Care Ombudsman

CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board, Noel Hudson, Health Policy Director of the Green Mountain Care Board, Anna M. Boelitz, Managing Counsel with CHLIC Health Plan and Matthew D. Danziger, Actuarial Director for CHLIC Health Plan, by electronic mail, return receipt requested this 14th day of March, 2017.

s/ *Lila Richardson*

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