STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re:	CIGNA Health and Life Insurance Company 2017 Large Group Manual Rate Filing	))))	GMCB-001-17rr SERFF No.: CCGP-130705386

DECISION & ORDER

Introduction

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)(A). 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 December 30, 2016, CIGNA Health and Life Insurance Company (CHLIC) submitted its 2017 Large Group Manual Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF).[1] 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 February 21, 2017, the Board posted to the web the analysis and opinion of the Department of Financial Regulation (Department) regarding the impact of the proposed filing on the insurer's solvency. On February 28, 2017, the Board posted to the web an analysis provided by its contract actuaries, Lewis & Ellis (L&E).

The Board received no public comments. The Board declined to hold a hearing pursuant to GMCB Rule 2.000 and the parties filed memoranda in lieu of hearing.

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[1] The contents of the SERFF filing and all documents referenced in this Decision and Order can be found at http://ratereview.vermont.gov/CCGP-130705386.

<u>Findings of Fact</u>

1. CHLIC 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 the CHLIC large group manual rating[2] and covers the Open Access Plus (OAP), Preferred Provider Organization (PPO), Network (NWK), Indemnity, retiree medical insurance, and Pharmacy large group products. The filing impacts 12 policyholders and 1,940 covered lives. This block of business has declined significantly since covering over 10,000 lives in 2014.

3. CHLIC requests that the Board approve its filing, which would produce an average annual rate change of -3.7% and range from -9.7% to 0.1%.

4. To determine its manual rate, CHLIC updated its base claim assumptions and claim probability distribution (CPD) tables using 2015 claims data. The combined base claim assumption changes and updated CPD tables result in an average -3.7% impact.

5. CHLIC utilized a paid medical trend of 7.9% for 2016 and 6.8% for 2017 and 2018, which is lower than the medical trend used in its previous filing. The medical trend impacts the rate by approximately -2.8%.

6. To determine its pharmacy trend, CHLIC updated its prescription drug base claim assumptions and area factors to reflect costs of specialty drugs, planned revisions to the drug lists, and market-specific experience. Taking into account unit cost and utilization, CHLIC calculated its 2016 total pharmacy trend at 11.0% and the 2017 trend at 11.9%.

7. The filing includes retention expenses of 14.2% which includes 3.5% in profit. The retention expenses impact the rate by -1.1%.

8. L&E reviewed the filing and recommends no modifications with the exception of the requested profit. According to CHLIC's Supplemental Health Care Exhibits, the carrier earned a 3.7% profit in 2013, 13.5% in 2014, 5.9% in 2015, and estimated its profits to be in "the mid-single digits" in 2016. Given this volatility, L&E recommends reducing the profit to 2.0% "to be more in line with all other Vermont market participants." L&E Memo at 6-7.

9. On review of the carrier's solvency, the Department advises the Board that in 2014, CIGNA Holding Company's operations in Vermont accounted for less than one percent of its

[2] Partially and fully credible large groups utilize their own experience, in addition to the manual rate, to determine the final rate change that will impact their members.

total premiums earned, and that "CHLIC's Vermont operations pose little risk to its solvency, or to the solvency of CIGNA Holding Company." *See* Solvency Analysis at 2.

10. The HCA requests that the Board reduce CHLIC's profit to 1.0%, consistent with the Board's prior CHLIC rate decisions. CHLIC advocates for approval of the rates as filed and as recommended by L&E, but does not acknowledge L&E's recommended reduction in profit. In response to L&E's interrogatories, CHLIC restated by reference its arguments that the Board has authority to modify a *rate* but cannot modify a *component* of the rate, that the medical loss ratio (MLR)[3] provisions in the Affordable Care Act (ACA) are the appropriate mechanism to control an insurer's profitability, that CHLIC's small Vermont membership makes it "vulnerable to a high level of claim volatility" and that reducing its profit could lead to rates that are inadequate. *See* SERFF filing at 126, referencing CHLIC Memorandum (March 23, 2016) at 1-2.

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 of 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).

[3] The federal medical loss ratio requirements limit the portion of premium dollars insurers can spend on administration, marketing, and profits. Insurers that fail to meet these requirements must pay rebates to consumers.

Conclusions of Law

4. The sole contested issue in this filing is CHLIC's requested profit margin. As noted by our actuaries and by the HCA, we have reduced CHLIC's proposed profit in each of the past two filings. *See* GMCB Docket nos. 006-16rr (reduced from 3.5% to 1%); 006-15rr (reduced from 3.5% to 1.0%); 007-14rr (reduced from 3.0% to 1.0%).

5. We remain unpersuaded by CHLIC's argument that we cannot assess the reasonableness of an underlying rate component. To the contrary, review of each rate component allows us to trim costs where appropriate to ensure that the rate is adequate for insurers while being fair and affordable for consumers. Moreover, it is impossible to asses a proposed rate under the standards of 8 V.S.A. § 4062 without reference to the discrete components of the rate, nor can the Board's actuaries opine on a proposed rate without reference to its component parts. Finally, maintaining Vermont's designation as an "effective rate review program" under the Affordable Care Act requires the review and analysis of rate components. *See, e.g.,* Center for Consumer Information and Insurance Oversight (CCIIO), *State Effective Rate Review Programs Fact Sheet* (lists series of factors to consider when reviewing rate change, including "reserve needs"), *available at* https://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/rate_review_fact_sheet.html.

6. While we agree that a small membership can result in increased plan volatility, we do not agree that reducing CHLIC's profit request in this filing threatens the carrier's solvency or will likely lead to rates that are inadequate. CHLIC achieved profits in excess of its current request in 2013 (3.7%), 2014 (13.5%), 2015 (5.9%), and anticipates earning a profit in 2016, notwithstanding the reductions we ordered in each of the last three filings.

7. Notwithstanding the above, we acknowledge that this block now covers fewer than 2,000 lives and may decline further, leading to higher claims volatility and less stable pricing. Accordingly, reducing CHLIC's propose profit to 2.0% strikes an appropriate balance between the statutory directive to make rates as affordable as possible and the need to protect consumers against future rate shock.

8. With only a small fraction of its membership in Vermont, this reduction will have no material impact on CHLIC's or its parent corporation's financial solvency.

Order

For the reasons discussed above, the Board modifies CHLIC's 2017 Large Group Manual Rate Filing by reducing the profit margin from 3.5% to 2.0%. We thereafter approve the filing as modified, resulting in an approximate -5.1% average annual rate decrease.

So ordered.

Dated: March 28, 2017 at Montpelier, Vermont.

s/ Cornelius Hogan	)	
	)	
s/ Jessica Holmes	)	GREEN MOUNTAIN
	)	CARE BOARD
s/ Robin Lunge	)	OF VERMONT

Filed: March 28, 2017

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: Marisa.Melamed@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 or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.