

Responses to Objections

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Objection 1

Comment:

As indicated in response 1, the -3.7% is calculated for a representative sample of VT sitused business. In the past, you have described this sample to be a combination of fully insured cases and self-insured cases (for additional credibility). What additional documentation or support could you provide to show that the additional groups are representative of the VT sitused business? Please provide this additional documentation.

Response:

The -3.7% is calculated based upon the VT sitused book of business which includes both fully insured as well as self-insured cases. There were 73 VT sitused cases that had claims exposure in 2015: 61 of those cases were ASO and 12 of those cases were Non-ASO(as shown on the SERFF). The addition of the ASO cases adds credibility/stability to the smaller fully insured book. Theoretically, because we assume there are not differences in the demographics, geographic, or benefit makeup of a self-funded case vs. fully insured case, the inclusion of both in the impact calculation adds credibility and is “representative” of a VT sitused population.

Objection 2

Comment:

Of the -11% impact as a result of updating rating variables on a 1/1/2017 basis, how much of it comes from the medical area factors, medical trend, Rx area factors, and Rx trend, respectively? If the above are not the primary contributing forces to the -11% impact, please also list other factors and their impact. Provide detailed support.

Response:

Below is a breakdown of the -11% impact and its primary contributing factors. As discussed, the -11% is representative of VT situated cases; which is comprised of 52% VT residents and 48% non-VT residents. The -11% impact breaks down into a -11.2% VT resident rating change and a -10.7% non-VT resident rating change. The factors listed are studied at the rating area (i.e. resident level).

For Vermont residents, the -11.2% is driven by the following primary forces:

- Medical Area Factor Change : -6.8%
- Medical Trend Change: -2.8%
- Pharmacy Area Factor Change: -7.0%
- Pharmacy Trend Change: -2.6%

Note: Generally Pharmacy makes up approximately 20% of the total rate.

Non-VT residents changes are similar in magnitude in the categories listed above.

Objection 3

Comments:

Please provide additional support for the change in the professional unit trend from 2016 to 2017.

Response:

Similar to our IP and OP unit trends, trend values changed based upon contracts that we negotiate with our physician partners. There are approximately 1000 different professional fee schedules that pertain to VT residents that we maintain and negotiate on behalf of our customers. The year over year change in unit cost trend from 0.1% in 2016 to 2.9% in 2017 is a direct result of those contract negotiations. Lower trends in 2016 are partially attributable to rebalancing professional unit costs relative to facility costs.

Objection 4

Comments:

Please explain in more detail the change of Rx utilization trend from the last approved filing.

Response:

Rx utilization has increased beyond our original expectations. In particular, we've experienced elevated levels of utilization for non-specialty drugs that treat chronic conditions (e.g. insulin). Also, specialty drugs continue to have elevated utilization levels, particularly as drugs that treat previously untreatable conditions hit the market. We updated our utilization assumption to reflect these phenomena.

Objection 5

Comments:

Why would the PPACA Fees as a percent of premium be 0.0%, given that the Health Insurance Industry Fee will be 3.5% of premium for 2018?

Response:

For purposes of the SERFF, we represent the filed rate change and associated target MLR on a 1/1/2017 effective date basis. As stated, PPACA fees decreased due to decrease of Reinsurance and Health Insurance Industry Fees to 0% for 1/1/2017 quotes. Accounts with coverage that includes months in the 2018 calendar year will be prorated with 2018 Health Insurance Industry Fees. The Health Insurance Industry Fee is 0% of premium for 2017 calendar months and 3.5% of premium for 2018 calendar months.

Objection 6

Comments:

What is the realized profit for the block of Large Group for 2015? Please make sure that the figure can be backed up by the 2015 financial statement.

Response:

Cigna's Large Group fully insured book of business in VT has been reduced significantly over the last several years and at year end 2015 only contains 1940 customers, 12 accounts. Given the low credibility of the VT book, a shrinking book, and the fact that healthcare costs are inherently volatile, the actual historical retention can differ significantly from the expected/projected retention. As such, realized profit should not be used to evaluate the appropriateness of any other pricing assumption. Cigna does not set proposed pricing factors based on historical profit levels.

Per the Supplemental Healthcare Exhibit (SHCE), the realized profit (UW Gain/Loss) for Large group as a % of premium in VT in 2015 is 5.9%.

Objection 7

Comments:

What is the projected profit for the block of Large Group for 2016? Please make sure that the figure will be reasonably backed up by the forthcoming 2016 annual statement.

Response:

As discussed in Objection 6, Cigna's Large Group fully insured book of business in VT has reduced significantly over the last several years. In 2016, the fully insured book shrank approximately 50% off the year end 2015 baseline. We believe many of these lost cases joined the Vermont exchange. In 2017, we only have 4 fully insured VT situated accounts on our book.

Given the low credibility of the VT book, a shrinking book, and the fact that healthcare costs are inherently volatile, the actual historical retention can differ significantly from the expected/projected retention. As such, realized profit should not be used to evaluate the appropriateness of any other pricing assumption. Cigna does not set proposed pricing factors based on historical profit levels.

Cigna does not produce quarterly SHCE's and the FY2016 SHCE is not yet available. Using data from our MLR rebate projections we expect our projected realized profit for the Large Group block of VT situated business to be in the mid-single digits for 2016 as a % of premium.