STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re:	CIGNA Health and Life Insurance Company 2018 Large Group Manual Rate Filing	))))	GMCB-001-18rr SERFF No.: CCGP-131268605

DECISION AND 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 29, 2017, CIGNA Health and Life Insurance Company (CHLIC or "the carrier") submitted its 2018 Large Group Manual Rate Filing to the Board via the System for Electronic Rate and Form Filing (SERFF). The carrier amended the filing during review after identifying an accounting error that resulted in the omission of two of its Vermont large group accounts.

On January 3, 2018, the Office of the Health Care Advocate (HCA), a special project within Vermont Legal Aid representing the interests of Vermont health insurance consumers, entered an appearance as a party to this filing. On February 5, 2018, the Department of Financial Regulation (DFR) filed its analysis regarding the filing's impact on the carrier's solvency. And, on February 27, 2018, the Board's contract actuary, Lewis & Ellis (L&E), submitted an actuarial memorandum evaluating the filing. Each of these documents was subsequently posted to the web.[1]

The Board solicited written public comments on this filing through March 14, 2018; no members of the public provided comment. The parties waived hearing and filed memoranda in lieu thereof. *See* GMCB Rule 2.000, § 2.309(a)(1).

Findings of Fact

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

[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-131268605.

2. CHLIC's Vermont business has declined significantly in recent years from approximately 10,000 members in 2014, to approximately 1,900 members in 2017.

3. This filing updates the CHLIC large group manual rating methodology,[2] and covers Open Access Plus (OAP), Preferred Provider Organization (PPO), Network (NWK), Indemnity, retiree medical insurance, and Pharmacy large group products provided to large Vermont employers.

4. In its initial submission, CHLIC proposed an average annual rate increase of 6.2% for three policyholders with 498 members. After correcting for the omission of two of its Vermont large group accounts, CHLIC revised its filing to request an average annual rate increase of 5.8% (an average of $31.03 per member per month), with a range of 1.5% to 9.3% depending on the product, for five policyholders with a total of 794 members.

5. The proposed rate change consists of three major components: 1) rating variables, 2) trend, and 3) experience. The rating variables include medical area factors, medical trend, prescription area factors, and prescription trend. The "area factors" represent the relative cost of providing medical and pharmacy services in Vermont compared to the national average, while trend factors represent the change in cost and utilization of medical and pharmacy products. L&E Memo at 2.

6. The rating variable changes are weighted between Vermont and non-Vermont residents and between medical and pharmacy trend factors, and are approximately 6.5% lower than in CHLIC's previous filing (Docket No. GMCB-001-17rr), largely due to a substantially lower cost of providing medical and pharmacy services in Vermont compared to the national average. L&E Memo at 2-3.

7. The trend component represents an increase of 7.8% that comprises the weighted average (80/20) for the most recently approved trends (6.8% medical and 11.9% prescription) in CHLIC's previous filing. L&E Memo at 6-7.

8. For the experience component, the carrier utilized a projected medical loss ratio (MLR) of 84.1%. Once CHLIC discovered, during the course of this review, that it had failed to include two fully insured accounts from the filing, CHLIC restated its projected MLR at 84.4%, a decrease from 88.1% in its prior filing. The rate impact of the MLR change is 5.0%. To support its MLR calculation, CHLIC provided a breakdown of the 15.6% in proposed retention expenses, which include 5.0% in administrative expenses, 6.3% for federal and state fees, taxes and assessments, and a 3.5% contribution to reserve (CTR). L&E Memo at 7.

9. Pursuant to 8 V.S.A. § 4062(a)(2)(B), DFR provided the Board its assessment of the impact of the proposed filing on the carrier's solvency. Noting that it is not CHLIC's primary regulator, DFR advised the Board that Connecticut regulators expressed no concerns about the carrier's solvency. Further, because the company's Vermont business accounts for less than one

[2] A manual rate is a baseline rate structure that a carrier will blend with a specific group's claims experience to produce the group's actual rates. Its weight in calculating rates for a specific group will vary according to group size and actuarial credibility.

percent of its total premiums earned in 2016, DFR opined that CHLIC's Vermont operations pose little threat to its solvency. DFR concluded that the rates as filed will promote the carrier's solvency, absent a finding by L&E that the rates are inadequate. *See* Solvency Analysis at 2.

10. On review, L&E recommends that the Board reduce the carrier's CTR to 2.0%, which is more consistent with other Vermont market participants. Although the carrier anticipates significant losses in 2017, L&E opines that CHLIC's financial statement data is not a reliable source for setting the CTR because its Vermont membership is small, and therefore more volatile than if enrollment were larger. L&E also reviewed CHLIC's Supplemental Health Care Exhibits which indicate actual CTRs of 13.2% in 2014, 5.6% in 2015, and 1.3% in 2016. L&E Memo at 7-8.

11. CHLIC asks the Board to approve the rates as filed. In response to L&E's interrogatories, CHLIC incorporated by reference the position it has taken in previous filings (Docket No. GMCB-001-16rr): that the Board has authority to modify a rate but cannot modify a component of the rate; that MLR 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 CTR could lead to rates that are inadequate. *See* Response to Objection Letter #1 at 10; Cigna Response Memo at 1.

12. The HCA objects to CHLIC's requested CTR and trend factor, urging the Board to make reductions in both rate components beyond L&E's recommendation. The HCA makes no specific recommendation as to trend but proposes reducing the CTR to between 0% and 1%. HCA Memo at 5.

Standard of Review

The Board reviews rate filings to ensure that a 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 the laws of this State." 8 V.S.A. § 4062(a)(3); GMCB Rule (Rule) 2.000, § 2.301(b). Although the first several terms—excessive, inadequate, or unfairly discriminatory—are defined actuarial standards, other standards by which the Board reviews rate filings are "general and open-ended," the result of "the fluidity inherent in concepts of quality care, access, and affordability." *In re MVP Health Insurance Co.*, 2016 VT 111, ¶ 16. The Board additionally takes into consideration changes in health care delivery, changes in payment methods and amounts, and other issues at its discretion. 18 V.S.A. § 9375(b)(6); Rule 2.000, § 2.401.

In arriving at its decision, the Board must 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)(2)(B), (3). The Board must also consider any public comments received on a rate filing. 8 V.S.A. § 4062(c)(2)(B); Rule 2.000, § 2.201. The burden falls on the insurer proposing a rate change to justify the requested rate. *Id.* § 2.104(c).

Conclusions of Law

We first agree with and adopt our actuary's opinion that the rating variables and trend adjustments utilized by the carrier are appropriate and actuarially reasonable. CHLIC's area factors indicate that the cost of medical and pharmacy services in Vermont is substantially lower than the national average. Finding of Fact (Finding) ¶ 6. This a positive sign that our regulatory oversight and scrutiny of proposed insurance rates exerts downward pressure on costs that are ultimately borne by Vermont consumers.

Turning to the issue of CHLIC's requested CTR, we again reject (for the third time) its position that the Board is powerless to modify individual components of the rate. The rate review process requires flexibility "to accomplish the Legislature's goals of . . . financing healthcare in a way that is 'fair, predictable, transparent, [and] sustainable.'" *In re MVP Health Insurance Co.*, 2016 VT 111, ¶ 16 (quoting 18 V.S.A. § 9371(11)). We could not reasonably assess—nor could our actuary adequately review and formulate an opinion on—a rate proposal without analysis of each of its constituent parts. Further, our rate review program and Vermont's designation as an "effective rate review" state under the ACA require that we perform an analysis of individual rating components. *See* 45 C.F.R. § 154.301(a)(4) (listing factors state regulators must consider when reviewing a rate change, including "the impact of changes on reserve needs").

We also conclude that reducing the carrier's CTR in this filing will not threaten the filing entity or the parent company's solvency. We support this conclusion on several bases, including the small size of this particular block of business, which accounts for fewer than 1,000 members and represents only a tiny portion of company-wide membership and paid premium. Finding ¶ 9. We further note that the company will benefit significantly from the enactment by Congress of the Tax Cuts and Jobs Act of 2017, and find it reasonable that this ongoing financial benefit should be passed along in part to policyholders, in addition to Cigna employees and shareholders. *See, e.g.*, Cigna Press Release (Jan. 31, 2018) (Cigna announces salary increases and other enhanced employee benefits as a result of federal tax changes) *available at* https://www.cigna.com/newsroom/news-releases/2018/cigna-increases-minimum-wage-to-16-an-hour-and-further-accelerates-investments-in-employees-and-community-health. We also question the validity of the carrier's assertion that reducing the CTR in this filing will produce inadequate rates; CHLIC has consistently requested a 3.5% CTR in each successive filing—contending it is needed to ensure that rates are adequate—yet despite repeated reductions to CTR ordered by the Board, has with each filing achieved actual CTRs in excess of those approved. *See* Finding ¶ 10; Docket nos. GMCB-001-16rr (Board orders CTR reduced from 3.5% to 1%; actual CTR was 1.3%); GMCB-006-15rr (Board orders CTR reduced from 3.5% to 1.0%; actual CTR was 5.6%); GMCB-007-14rr (Board orders CTR reduced from 3.0% to 1.0%; actual CTR was 13.2%).

Accordingly, we again modify the filing and reduce the carrier's CTR to 1.0%, as we have done in past filings. We conclude that as modified, the resulting rates meet statutory requirements and better promotes affordability and access to care for Vermont policyholders.

Order

For the reasons discussed above, the Board modifies CHLIC's 2018 Large Group Manual Rate Filing by reducing the contribution to reserves from 3.5% to 1.0%. We thereafter approve the filing, resulting in an average annual rate increase of approximately 3.1%.

SO ORDERED.

Dated: March 28, 2018 at Montpelier, Vermont

s/ Kevin Mullin, Chair)
)
s/ Jessica Holmes) GREEN MOUNTAIN
) CARE BOARD
s/ Robin Lunge) OF VERMONT
)
s/ Maureen Usifer)
)
s/ Tom Pelham)

Filed: March 28, 2018

Attest: s/ Erin Collier, Administrative Services Coordinator
Green Mountain Care Board

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. (Email address:Beverly.smith@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, if any, must be filed with the Board within ten days of the date of this decision and order.