Matthew Danziger, FSA, MAAA
Actuarial Director

March 26, 2018

The Green Mountain Care Board
89 Main Street
Montpelier, VT 05620
Attn: Agatha Kessler
Health Policy Director
agatha.kessler@vermont.gov

Routing C5PRC
900 Cottage Grove Road
Bloomfield, CT 06002
Telephone (860) 226-1672
Matthew.Danziger@CHLIC.com

CHLIC motion for consideration in response to HCA Memo to GMCB
RE: GMCB-001-18rr

Dear Ms. Kessler,

Cigna Health and Life Insurance Company (CHLIC) has reviewed the memorandum from HCA regarding CHLIC's rate filing (the "**Memorandum**") and requests that the Green Mountain Care Board (the "**Board**") consider the following points prior to making a final determination.

In the Memorandum, the HCA determined that CHLIC's proposed rates are "inflated" due to the following claims:

(i) *"the 3.5% profit margin is excessive," and*
(ii) *"CHLIC's trend factor is overly high"*

In support of its contention that the 3.5% profit factor is overly excessive, HCA first cited the fact that the lens through which CHLIC's profitability should be viewed "is a long-term one" and it noted that Cigna has made a profit in the years since 2014 suggesting that Cigna has a history of underestimating its profits. In response, CHLIC makes the following points:

- As cited in our filing, CHLIC only has 5 Vermont sitused fully insured policyholders representing only 794 customers. The fact that CHLIC's Vermont membership is small means that it is vulnerable to a high level of claim volatility; a fact acknowledged by HCA. This also means that CHLIC's actual resulting margin is likely to deviate significantly from the margin assumption built into its pricing model. As stated in our filing, actuarially, 95% of cohorts in a book of similar size will have results that range approximately +/-30% from expected targets. As such, it is <u>inappropriate</u> to compare Cigna's actual profit result to the pricing assumption of 1% and determine that Cigna "underestimates" its profit. Vermont law requires that the premium rate not be "inadequate." The 3.5% profit margin assumption is appropriate and <u>necessary</u> to protect CHLIC from adverse unfavorable swings in claims experience that may result from the small number of covered lives and which could cause CHLIC's premium rates to be "inadequate."

- It should be noted that while the profitability results are volatile, they have directionally decreased over the years. Our 2017 financials were not highlighted in HCA's memo, but currently projects a loss of approximately -$662K which equates to a 120% loss ratio and a -18% profit margin. Over the last 3-year period, CHLIC's combined realized profit was < 1% of premium.

The second factor identified by HCA is that the salary of Cigna's CEO is much higher than that of the CEOs of Blue Cross Blue Shield of Vermont and MVP. We hope the board finds these claims to be inaccurate and irrelevant to the filing. We wish to point out that Cigna is a global health services company operating in all 50 states and many countries internationally serving tens of millions of customer globally. BC/BS VT does business only in Vermont and MVP does business in Vermont and New York. Taking into consideration the tens of millions customers services by Cigna, the impact of Cigna's CEO salary to a Vermont customer's premium is significantly lower than that of the BCBSVT and MVP CEOs.

CHLIC has continued to propose a profit margin of 3.5% to better align with its national profit assumption filed and approved in all other states. Vermont is the only state that has challenged this profit assumption as "excessive."

In response to HCAs suggestion that CHLIC's trend projection is overly high, CHLIC offers the following rebuttal points:

- As with prior years, CHLIC has provided significant information to Lewis & Ellis in support of its pricing trend assumptions for which Lewis & Ellis deemed the pricing trend assumptions "reasonable and appropriate."

- Cigna constantly strives to increase affordability through negotiation and partnership with healthcare providers with a goal of becoming the partner of choice in Vermont. We believe that our negotiated discounts are competitive in the marketplace and we have maintained that competitiveness through low unit cost trend. In addition to low unit cost trend, we work collaboratively with healthcare professionals to improve clinical outcomes and optimize the use of the healthcare ecosystem which drives affordability and improves the health and well-being of the customers that we serve. These results are incorporated directly into our trend assumptions.

- Artificially lowering pricing trend will not have the desired impact on long-term affordability. While the premiums charged in year one will be reduced, it will ultimately be offset by experience that runs less favorable than expectation, resulting in larger rate increases in subsequent years. We request that the GMCB approve our medical cost trends that Lewis & Ellis have deemed are reasonable and appropriate.

For the foregoing reasons, CHLIC requests that the Board approve the proposed rate submitted by CHLIC in the above-captioned filing.

Thank you for your consideration,
Very truly yours,

Matthew Danziger

Matthew Danziger