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April 26, 2019

The Green Mountain Care Board
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CHLIC Reply to HCA Memo to GMCB

RE: GMCB-001-19rr

Dear Ms. McLaughlin and Ms. Kessler,

Cigna Health and Life Insurance Company (CHLIC) has reviewed the memorandum from HCA regarding CHLIC's rate filing (the "**HCA Memo**") dated April 23, 2019 and requests that the Green Mountain Care Board (the "**Board**") consider the following points prior to making a final determination.

HCA alleges that CHLIC failed to demonstrate that its proposed increase will produce rates that are affordable and not excessive. (HCA Memo at 1.) In support of this argument, HCA contends that CHLIC incorporated an excessive profit margin into its rate filing (HCA Memo at 2). HCA further argues that the rates are unaffordable (HCA Memo at 4) and that they do not promote quality or access to care. (HCA Memo at 4-5).

As more fully set forth below, HCA is wrong and its allegations are unsupported by the facts. CHLIC takes issue with each of these points as addressed below and asks that you respectfully consider our response before making a final rate decision.

CHLIC's anticipated profit margin is Reasonable and Not Excessive

As addressed in our filing, CHLIC has 5 Vermont sitused fully insured policyholders representing 534 customers. CHLIC's small Vermont membership is likely to experience a high level of claim volatility each year, and is unlikely to have claims experience that corresponds exactly to rate setting forecasts. Instead, CHLIC's actual resulting margin is likely to deviate significantly from the margin assumption built into its pricing model. Actuarially, 95% of cohorts in a book of similar size will have results that range approximately +/-30% from expected targets. Therefore it is inappropriate to compare Cigna's actual prior profit results in each year to the pricing assumption of 1% and determine that Cigna "underestimates" its profit. Contrary to HCA's unsupported claim that Cigna has a "consistent inability to manage its profits to the Board ordered profit margin", the combined 2015-2018 CHLIC profit margin was 1.2% - which is extremely close to the mandated 1% profit despite the expected large volatility.

The Proposed Rate is Affordable for VT customers

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CHLIC is requesting a rate increase of 0.2% year over year. According to the US Bureau of Labor and Statistics, the inflation rate was 2.1% in 2017 and 1.9% in 2018.¹ Through the first 3 months of 2019 inflation ran at a 1.9% annual rate, over nine times higher than the rate Cigna is requesting in its rate increase. Additionally, overall wages in the state have increased 2.7% year over year, over 13 times greater than CHLICs proposed rate increase.² Accordingly, CHLICs 0.2% average premium increase would not unduly impact customers since the cost of insurance would actually decrease as a percentage of a customer's overall wage expenditures.

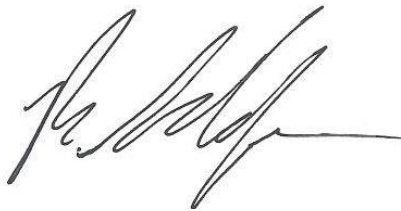
The Proposed Rate supports Access to Quality Care

CHLIC maintains a broad PPO network providing access to a wide range of credentialed medical providers across the state. The breadth of our network and the affordability of our coverage provides our customers with access to high quality of care throughout Vermont. Cigna also actively promotes preventative medical care and wellness through initiatives including a national ad campaign encouraging all viewers – not just Cigna customers – to get an annual physician checkup.³

CHLIC also invests in the quality of care in Vermont. CHLIC's 2018 Supplemental Health Care Exhibit (SHCE) indicates that it incurred \$43,247 to improve health outcomes - equating to **\$54 per covered member in the state**. These expenditures are **in addition** to claims expenses incurred.

CHLIC respectfully asks the Board to approve its proposed rate increase. All other states in which CHLIC does business have approved profit margins of 3.5% or greater acknowledging the risks involved in writing medical insurance policies. CHLIC requests that its rate increase be approved so it can continue to provide high quality insurance products at a fair price to its Vermont customers.

Thank you for your consideration,



Paul Schaeffer, FSA and MAAA
Actuarial Sr. Director
Cigna Health Care

¹Bureau of Labor Statistics measurement of inflation 2017-1Q2019 <https://www.bls.gov/cpi/>

² Vermont Department of Labor, VT yearly wage growth as of 3Q18. <http://www.vtlmi.info/indareanaics.cfm?areatype=01>

³“ Cigna reunites ‘TV Doctors’ in ad campaign” HartfordBusiness.com

<http://www.hartfordbusiness.com/article/20180405/NEWS01/180409944/cigna-reunites->