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The Green Mountain Care Board
89 Main Street
Montpelier, VT 05620
Attn:

Michael Barber,
General Counsel
Michael.barber@vermont.gov

CHLIC Reply to HCA Memo to GMCB

RE: GMCB-001-20rr

Dear Mr. Barber,

Cigna Health and Life Insurance Company (“CHLIC”) has reviewed the memorandum from HCA regarding CHLIC's rate filing (the “**HCA Memo**”) dated June 1, 2020 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 2-4). HCA further argues that the rates are unaffordable. (HCA Memo at 4-5) and that they do not promote quality or access to care. (HCA Memo at 5-6).

As more fully set forth below, HCA’s analysis is incorrect and its allegations disregard the facts CHLIC presented in its rate filing. CHLIC takes issue with each of these points as addressed below and asks that you consider our response before making a final rate decision.

1) CHLIC’s anticipated profit margin is Reasonable and Not Excessive

As shown in our 2019 State Health Care Exhibit, CHLIC has 9 Vermont fully insured policyholders representing 1,518 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 CHLIC’s profitability to the pricing target in each year; and moreover, it is inaccurate to conclude that CHLIC “under-predicted the size of its profit margin” in previous years. In fact, contrary to HCA’s unsupported claim that from 2014 through 2019, “actual CHLIC profits have largely been in excess of the Board ordered profit margin,” the average profit margin during that timeframe was 0.6% which is slightly below the Board’s requested profit margin of 1.2% over the same period. The table below shows profitability by year from 2014-2019 against the approved rate filing profit targets.

Year	2014	2015	2016	2017	2018	2019	5 year Average
Actual Profit	13.20%	5.60%	1.30%	-19.80%	5.20%	-2.00%	0.60%
Target	1.00%	1.00%	1.00%	2.00%	1.00%	1.00%	1.20%

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2) The Proposed Rate is Affordable for VT customers

CHLIC is requesting a rate increase of 15.0% year over year. There are 3 components to this increase: 1) claim trend, 2) regulatory expense increases, and 3) other retention increases including our proposed profit increase from 1% to 3.5%

1. **Claim trend** is driven by underlying factors not entirely controlled by CHLIC – we negotiate network costs with the Vermont providers for their services and work diligently to provide the best quality network while maintaining an affordable product. As you can see in the Trend Factors table below our trend has consistently improved over time.

Year	2015	2016	2017	2018	2019	2020	Average
Trend Factors	10.50%	9.50%	7.80%	7.30%	6.40%	6.80%	8.10%

2. **Regulatory expenses** are not controlled by CHLIC. For example, the Health Insurance Industry fee (“HIF”) returned in 2020 and will be removed again in 2021 for the foreseeable future. The fact that that HIF has been removed and added back every other year makes the year over year rate increases difficult to compare. The HIF adds 3% to the year over year premium increase when it is not a part of the prior year premium build up (i.e. 2017 and 2019).

Year	2015	2016	2017	2018	2019	Historical 5 year Avg
Rate Increase	-2.00%	-3.90%	-5.40%	2.70%	-2.40%	-2.20%

CHLIC has consistently kept premium increases to a minimum averaging -2.2% for the 5 year period from 2015-2019, even with underlying healthcare cost trend averaging +8% over the same timeframe, as shown above in subsection 1. Over the past 5 years, CHLIC has focused on reducing the cost burden to Vermonters with rates that decreased on average. Negative rate increases are not sustainable while claim trend continues to be in the mid-single digits.

3. **Other increases to retention** include CHLIC's overhead and profitability:
 - a. Overhead: increased by 1% which is below long term average cost inflation
 - b. Profitability: Currently, the proposed rate increase includes an increase to the profit margin from 1% in last year's rates to 3.5%. All other states where CHLIC files large group medical rates have approved a profit margin of at least 3.5%. The actions of these other states gives CHLIC added confidence that the profit margin we proposed is not “excessive.” To the contrary, we believe the 3.5% is fair, reasonable and commensurate with the risk we will undertake to insure and provide quality health care to Vermonters.

Over the last five years, CHLIC has recommended an average rate increase that is less than zero. CHLIC has continued to pass premium savings to Vermonters year after year. CHLIC asks that the 15% rate increase be approved so that we can deliver on our commitment to provide affordable and sustainable health care insurance to the people of Vermont.

3) The Proposed Rate supports Access and 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. The affordability of our insurance product relies heavily on how much providers require for their health care services in order to remain in

our network. CHLIC's pricing reflects the best estimate of the contractual costs we negotiated with the health care providers in Vermont.

In addition, CHLIC actively promotes preventative medical care and wellness through initiatives and other incentive programs that it offers. For example, CHLIC's 2019 State Health Care Exhibit indicates that it incurred \$77,529 to improve health outcomes – this equates to **\$51 per covered member in Vermont**. These are costs that CHLIC pays for **in addition** to the claim expenses the customers incur.

CHLIC also recognizes the strain on customers due to the impact of COVID-19. CHLIC has recently made several new resources and programs available to customers during this crisis, aimed at assisting our customers through this crisis while further improving the affordability of the overall product offering.

- A. Cigna has recently introduced the following COVID-19 related resources and programs to our customers. Such resources and programs will be available to Cigna customers through July 31st, or until such later date as may be determined by Cigna:
 - i. Waive customer cost-sharing related to COVID-19 screening, testing and treatment
 - ii. Waive customer cost-sharing for telehealth screenings for COVID-19
 - iii. Make it easier for customers to be treated virtually for routine medical examinations by providers
 - iv. Provide free home delivery of up to 90-day supplies for Rx maintenance medications available through the Express Scripts Pharmacy and 24/7 access to pharmacists
 - v. Make it easier for hospitals to transfer patients to long term acute care hospitals (LTACHs), skilled nursing facilities (SNFs), and acute rehabilitation facilities (AR) to help manage the demands of increasingly high volumes of COVID-19 patients
 - vi. Support Cigna doctors and nurse practitioners who wish to support their medical communities
 - vii. Support customers with a free, interactive, COVID-19 risk assessment tool

- B. Together, New York Life and Cigna, through our foundations, created the Brave of Heart Fund, dedicated to providing healthcare workers and their families with peace of mind. The Fund is designed to provide financial support in the form of charitable relief grants to support the families of healthcare workers who lose their lives to COVID-19. The Cigna Foundation funded \$25 million toward this fund.

In closing, CHLIC respectfully asks the Board to approve its proposed rate increase and profit margin. 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,



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