Supporting Information for Trend Assumptions:

The following pages are an attempt to provide proactive additional support for our medical and pharmacy trend assumptions.

Pricing Trend Assumptions

Below provides detail into the builup of our Vermont pricing trend assumptions for 2018/2017 and 2019/2018.

Vermont In-Network Trend		
2018	Weight	Unit
IP 1	16.7%	3.9%
OP 2	44.6%	4.3%
Pro 3	24.2%	-4.1%
OMS 3	14.5%	7.2%
Unit Cost	100.0%	2.6%
Util		1.2%
Mix		1.6%
Total Trend		**5.5%**

Vermont In-Network Trend		
2019	Weight	Unit
IP 1	15.0%	3.6%
OP 2	45.5%	2.8%
Pro 3	24.5%	2.3%
OMS 3	15.0%	6.8%
Unit Cost	100.0%	3.4%
Util		1.1%
Mix		1.5%
Total Trend		**6.0%**

Notes:

[1] IP (Inpatient) unit trends are created using a weighted average of IP cost per day by facility with that facilities %weight in the market. Weights are calculated using Vermont customers $ FFS spend . The IP unit cost trend is the year over year comparison of the weighted average IP cost per day . For example: 2018 IP unit cost trend= 2018 IP cost per day/2017 IP cost per day.

[2] OP (outpatient) unit trends are created using weighted average of OP discounts by facility with that facitlities % weight in the market. Weights are calculated using Vermont customers $ FFS spend The OP unit cost trend is the year over year comparison of the weighted average discounts (more specifically 1- discounts) after normalizing for known differences in billed charges a.k.a charge master trends.

[3] Pro (Professional) and OMS (Other Medical Services) unit trends are created in a similar fashion to IP and OP.

Historical claims experience for Vermont

Vermont Monthly Medical Claims Experience

Incurred Month (YYYYMM)	Incurred Claims	Members
FY2014	$226,791,487	50,961
FY2015	$239,773,640	50,329
201601	$18,163,156	52,083
201602	$18,772,798	52,010
201603	$21,082,341	51,805
201604	$18,446,153	51,657
201605	$20,036,026	51,554
201606	$21,455,988	51,681
201607	$19,610,767	51,499
201608	$20,840,618	51,513
201609	$20,551,144	51,305
201610	$21,879,580	51,574
201611	$21,717,572	51,622
201612	$22,788,131	51,715
201701	$19,687,058	51,703
201702	$18,964,877	51,744
201703	$22,790,217	51,593
201704	$19,156,206	51,576
201705	$23,768,127	51,841
201706	$22,358,381	51,648
201707	$20,791,349	51,514
201708	$23,253,741	51,547
201709	$21,569,780	51,561
201710	$23,997,300	51,591
201711	$23,550,708	51,433
201712	$23,998,595	51,335
201801	$20,849,118	51,026
201802	$20,494,379	51,109
201803	$22,084,475	51,093
201804	$24,125,260	51,011
201805	$24,259,001	50,898
201806	$23,568,182	50,878
201807	$24,199,001	50,203
201808	$24,795,430	50,002
201809	$22,865,008	49,974
201810	$0	0
201811	$0	0
201812	$0	0

The table above represents five years of historical claims experience for Vermont. We've also provided the monthly view of membership. The membership displayed here will not agree with the membership provided in the SERFF because this membership represents members who reside in VT for all funding types and the membership displayed in the SERFF represents the members who are situsted in VT for fully insured products only. This information is not normalized for demographics or plan design. Note: the source for the experience above is different than in previous filings because the legacy claims database is no longer available.

Below is a summarized view of trend and normalized trend. The normalization factor represented below includes benefit changes, demographics and geographies. **Benefit changes** measures the impact of plan design changes on Cigna's observed trend. To compute this adjustment, we compare the manual community rates for the plan designs in the two periods. Note that we use the same demographic and geographic distribution of the population to ensure we are isolating out only the effect of plan design changes. **Demographics** measures the impact that changes in age/gender has on Cigna's observed trend. To compute this adjustment, we compare the manual rating age/gender factors for the populations in the two periods. **Geographies** measures the impact that changes in the geographic distribution of customers has on Cigna's observed trend. To compute this adjustment, we compare the manual rating geographic factors for the population in the two periods

The following calculation is based on normalizing an open block of business. Normalizing an open block can cause some volatility and this view alone is not directly comparable to our prospective trend story. We rely heavily on our knowledge of our unit cost position and forecasting in the market to set an appropriate prospective trend. As you can see over the last 4 years of trend, the observed trend can be very volatile. It is not appropriate to use historical trend results to benchmark prospective pricing trend.

Vermont Medical Trends	FY 2014 PMPM	FY 2015 PMPM	15/14 Trend	FY 2016 PMPM	16/15 Trend	FY 2017 PMPM	17/16 Trend	3Q17 YTD PMPM	3Q18 YTD PMPM	18/17 Trend
Total Observed (Net) Trend	$370.86	$397.01	7.1%	$395.71	-0.3%	$426.25	7.7%	$ 414	$ 454	9.8%
Normalization Factor			-0.6%		0.7%		-3.1%			0.4%
Total Normalized (Gross) Trend			**7.6%**		**-1.0%**		**11.1%**			**9.4%**

Pharmacy Trend Assumptions

	2018/2017	2019/2018
Cost Trend	6.38%	7.46%
Utilization Trend	1.53%	0.44%
Total Trend	8.00%	7.93%

Pharmacy trends are composed of several pieces:

1. Cost trend: the change in the average ingredient cost per script of drugs due to:
    a. Inflation – the change in cost per unit for medications used in both the base period and current period, isolating against changes in days' supply and mix shift.
    b. Mix shift – the change in cost due to patients filling different medications in the current period vs. the prior period. This is caused by a loss of exclusivity (patent expirations) which results in a shift from brand utilization to generic utilization, as well as a shift in utilization from existing generic medications to new generics after patent expirations.
    c. Pipeline – The approval and launch of pipeline drugs causes a shift in utilization from older therapies to novel therapies and causes the emergence of new claims from previously untreated populations.
2. Utilization trend: the change in the number of prescriptions filled on a PMPM basis

Pharmacy trends are at a lower level than the previous filing due to lower expected non-specialty and specialty inflationThe chart below outlines our expectations for specialty and non-specialty trends.

Trend Category	2018/2017	2019/2018
Specialty	17.40%	17.78%
Non-Specialty	4.74%	4.03%
Total Trend	8.00%	7.93%

Specialty medications are anticipated to trend in the double digits, at a higher rate than previous projections due to increased utilization. Non-specialty trends are projected to be at lower levels, but they are still expected to increase year-over-year reflecting a limited reversion towards historical pharmacy trends. This is offset by Cigna's continued efforts to better manage our drug lists to steer customers to the lowest cost drug.

Actual observed trend for 2017, and YTD 2018 was 4.4% and 6.1% respectively. Observed trends vary from pricing trends due to a variety of reasons including but not limited to changes in benefits and/or plan designs, demographics, and geographies. We believe these recently observed results support the requested pricing trend factors submitted in this filing.

Observed (raw and/or normalized) historical trends are not directly comparable to prospective pricing trend. We rely heavily on our knowledge of our unit cost position and forecasting the components mentioned above to set an appropriate prospective trend.