STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Cigna Health and Life Insurance Company Small Group Off-Exchange 2023

Finding of Facts

1. This submission is for products to be marketed off the Exchange for small group policies effective January 1, 2023.

2. The rate changes proposed on average are 19.6% with a range by plan of 13.1% to 23.4%.

3. Cigna rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the State of Connecticut small group health insurance market.

4. Historical Experience: Cigna has several plans that have historical experience in 2021. Experience reported in the URRT is for the period 7/1/2021-12/31/2021 (no plans were sold before 7/1/2021).

5. Source & Appropriateness of Experience Data used in Developing the Manual Rate: The source data used to generate the Manual Rate is trended national group experience adjusted for state- and market-specific differences. The experience for the national group book of business is deemed appropriate for development of the Manual Rate because the baseline experience was not subject to group medical underwriting and the benefits for the group experience are similar to the benefits required to be ACA compliant.

6. Limited fluctuation credibility was used to determine the credibility assigned to the 2021 single risk pool. 100,000 member months would be needed for full credibility. The credibility assigned to the 2021 single risk pool was 39%.

7. Adjustments made to the Manual Rate: The following adjustments were made during the development of the Manual Rate to account for differences between the source data and characteristics of the anticipated population in the Small Group Market for the proposed period.
   •Morbidity Adjustment – The manual rates were adjusted to account for the difference in morbidity risk of the population underlying the manual rate and the anticipated population in the CT Small Group market in 2022. We assumed small group morbidity aligns with the average morbidity across the state since CHLIC does not yet have credible experience.
   •Demographic Adjustment – The manual rates were adjusted to reflect the average demographic mix across the state since Cigna is a new issuer within this

market. We assumed that CHLIC would attract an average demographic mix and did not make any explicit adjustments to the average demographics.

•Area & Trend Factors – Annualized cost trend is used to bring the manual rate forward to the applicable 2023 pricing period. Area factors specific to Connecticut regions where the plans are offered.

8. Adjustments made to the Experience Rate: The following adjustments were made during the development of the Manual Rate to account for differences between the source data and characteristics of the anticipated population in the Small Group Market for the proposed period.

- Changes in the Morbidity of the Population Insured: Experience was adjusted to account for expected morbidity differences between the underlying experience population and the projected 2023 population. The morbidity adjustment factor accounts for morbidity drivers specific to Connecticut's single risk pool.
- Demographic Shift: An adjustment was made to account for the change in distribution by age and gender between the 2021 underlying experience and the expected 2023 membership. The adjustment factor was developed as the ratio of the membership-weighted average demographic factor using 2023 projected membership, and a similar factor computed using the 2021 actual membership. An area adjustment was also made to reflect differences between the distribution of membership across rating areas in our experience population and our 2023 projected population.
- • Plan Design Changes: The experience underlying the Projected Index Rate development represents a different distribution amongst metal tiers than is projected for CT in 2023. Utilization patterns differ between plan designs due to the differences in induced demand, which is an allowable rating factor under the ACA. Therefore, an adjustment is made to account for the induced demand differences between the underlying and the projected populations.
- • Other Adjustments: A trend adjustment was applied to account for the experience in the base period being isolated to the second half of 2021 instead of covering the full calendar year.

9. The Market-Wide Adjusted Index Rate reflects the average demographic characteristics of the single risk pool and is not calibrated. The following market-wide adjustments have been made: Risk Adjustment and Exchange User Fees.

10. Only the following allowable modifiers (as specified in 45 CFR 156.80(d)) have been used to adjust the Market-Wide Adjusted Index Rate to arrive at the Plan Adjusted Index Rates:

•Plan-specific actuarial value and cost sharing adjustments : The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan and the AV and cost-sharing adjustment encompasses expected cost-sharing and utilization differences due to differences in cost-sharing.

•Administrative costs, excluding the Risk Adjustment User Fee and Exchange user fees. This adjustment is developed to indicate the impact of non-benefit expenses.

This adjustment may differ slightly by plan due to rounding precision and the relative impact of administrative costs that are developed as a PMPM spread rather than as a percent of premium.

•Impact of Provider Network, Delivery System and Utilization Management changes Expected differences in claims costs due to differences in provider networks and/or utilization management was determined using CHLIC's network differences observed for other fully insured business. Similar networks are expected to be implemented for this new small group business.

Adjustments for benefits in addition to the EHBs. We reflect non-EHBs as an additional multiplicative adjustment. Additional non-EHBs include: telehealth services, certain habilitative services, smoking cessation, abortion, hearing visits, diabetes management programs, accidental dental, medical foot care, cancer clinical trials, self-administered chemotherapy medications, and antigen administration desensitization/treatment.

11. The following table summarizes retention components included in the rate development:

Retention Description	PMPM	% of Premium
Administrative Expense Load		
General Admin	$56.36	7.20%
Commission	$26.18	3.34%
Subtotal: Administrative Load	$82.54	10.55%
Profit and Risk Load	$23.48	3.00%
Taxes and Fees		
CT Apportionment	$9.00	1.15%
CT Health Reinsurance	$0.15	0.02%
CT Immunization	$3.35	0.43%
CT Public Health Fee	$0.80	0.10%
CT Small E'er Health Rein Pool	$7.13	0.91%
Risk Adjustment Admin Fee	$0.25	0.03%
Premium Tax	$11.74	1.50%
Comparative Research Fee	$0.24	0.3%
Federal Income Tax	$6.26	0.80%
Subtotal: Taxes and Fees	$38.95	4.98%
Total Retention	$144.97	18.52%

12. The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating

Rules. It is the product of the Plan Adjusted Index Rate, the geographic rating factor, the age rating factor and the tobacco status rating factor.

13. Cigna's 2023 geographic rating factors were not changed for this filing.

14. For these Small Group plans, the result from above would further be multiplied by a quarterly trend factor. The following are these factors for each applicable quarter in 2023: Quarter 1 is 1.00, Quarter 2 is 1.019, Quarter 3 is 1.038, Quarter 4 is 1.057.

15. The expected all-in annual allowed medical trend is 7.2%. Based on the table below and a Pharmacy penetration of 22.8%, the total trend is 7.2%.

MSC	Unit Cost Trend	Utilization Trend	Total	Weight
Inpatient	3.5%	2.5%	6.1%	26.2%
Outpatient	3.5%	2.5%	6.1%	39.9%
Professional	3.5%	2.5%	6.1%	31.2%
OMS	3.5%	2.5%	6.1%	2.7%
Pharmacy	8.1%	2.40%	10.7%	100%

16. The projected medical loss ratio (MLR) is 84.85%. This loss ratio is calculated based on the MLR methodology as prescribed by 45 CFR 158.

17. The following table summarizes the calculation for the projected federal medical loss ratio:

	Projected 2023 Business
Member Months	223,803
MLR Numerator Calculations	
Paid Claims PMPM	$624.78
Claim-Related Retention (QI/Health IT) PMPM	$6.26
Prior Rebate	$0.00
Other Claim-Related Adjustments	$0.00
Risk Adjustment Paid (Received) PMPM	$0.00
Market Reinsurance Recoveries (Received) PMPM	$0.00
MLR Numerator Calculations	**$631.04**
MLR Denominator Calculations	
Premium PMPM	$782.66
Other Premium-Related Adjustments	$0.00
Premium-Related Retention (Taxes & Fees) PMPM	$38.95
MLR Denominator	**$743.72**
Medical Loss Ratio	**84.85%**

18. The 2021 statutory capital and surplus for the company is $5,700M.

19. The Department received approximately 300 Public comments on the 2023 Rate Filings in total. All but a few of the comments were opposed to the rate increases requested by the carriers. Of the total, about 5 referenced Cigna specifically or referred to your Company's specific filing. The two most common comment themes were the growing unaffordability of coverage and the large insurer company's profits. A sample of comments are below:

Hello, I would like to comment on the health insurance proposals filed by CIGNA Health & Life, CTCare Inc., CTCare Benefits Inc., and the ConnectiCare Insurance Company, Inc. for 2023 plans both on and off Access Health CT, the state's federal Affordable Care Act exchange.These proposals are outrageous. The state should reject them. Insurance companies bring in millions of dollars on profit. The idea of raising rates on working people, which would result in the loss of access to care, is unconscionable. Please deny these requests.

A rate increase in excess of 8% should be rejected. Legislators should work to limit the increased cost of prescription drugs and federal and state mandated fees. The average citizen's income has not risen by the percentage rate as the requested health insurance rate increase.

Please do not approve these rate increases! The insurance companies have made record profits and their Officers have also made a total of $137,661,534 in 2021. Tell the insurance companies to trim the "administrative fat" BEFORE they ask consumers to pay for the rate increases. Also, they should learn how to negotiate prices better in favor of the consumer and NOT their shareholders' pockets. This industry needs to be decommodified. People's LIVES should NOT be traded on the stock exchange, PERIOD. Please take a look at the earnings of the Connecticut-based insurance companies below and deny their request for rate increases.
Anthem-Gail K. Boudreaux $17,109,952
Cigna David M. Cordani $79,000,000
Harvard Pilgrim Health Care/ Tufts Health Plan * Michael Carson Thomas Caswell $2,558,227 $2,221,779 CVS Health Karen S. Lynch $11,307,916 UnitedHealth Group Dirk C. McMahon Andrew Witty $12.606,484 $12,857,176 TOTAL $137,661,534 A lot of these companies JUST received approval for rate increases in February of 2022!! WHY are they asking for another increase just 5 months later??!! This is unheard of in ANY other industry! In any other industry, high deductible plans are basically theft. Think about that... You are paying a monthly premium for services you can NOT even use until you spend $7,500-$15,000 (for a family) of your own money. So you pay for a service you do not receive, in ANY other commodity-based business that would never be tolerated. Why do we tolerate it when it comes to our health? Our healthcare should NOT be a commodity, period! Please do not approve this increase.

I write in strong opposition to the proposed rate hike. Can't afford what we are paying now. Can't take all my medications because I can't afford them. These insurance companies want rate *hikes, but will they take pay increases! When will you people fight for the people who elected you?! Start taking care of the people.*

The price of health insurance keeps rising...currently by a higher percentage than ever! I have a high deductible, go to the doctor as infrequently as possible, and try to economize everywhere, only to see health insurance premiums rise at a rate that is unthinkable! I am retired, living on a fixed income, and unable to purchase medicare.
Please DO NOT ALLOW the projected rate increases. Let's stop this inflationary rise; insurance companies make outrageous profits currently. Let's hold the line and stop this nonsense.

It is disappointing to see requested increases that even exceed the record high inflation we all are forced to deal with. Healthcare is a human right and these types of increases will force people to go without insurance and necessary care. At the same time, CT insurance carriers paid their CEOs $283M in 2021, the most of any year in the past decade, while arguably providing suboptimal and exceedingly expensive offerings. These increases need to be negotiated down.

Department Summary

Since this filing reflects rates for the newly developed CT insurance exchange and incorporates all the new rating requirements of PPACA effective 1/1/2014, the Department used criteria spelled out in the latest HHS rate regulations as a template for review along with previously issued CT Insurance Department Bulletins that discuss the requirements for rate filings.

Actuarial considerations

The Department reviewed the 7.2% annual allowed experience trend assumption used in the rate filing as well as the 8.9% total paid forward trend assumption and all supporting materials. Based on the limited justification submitted, the Department is accepting the allowed experience trend of 7.2% but rejecting the forward projected trend of 8.9%. Cigna is to use the currently approved forward trend (allowed of 6.3% and leverage assumption of 0.8%) for 2023 and applicable quarterly factors.

The Department reviewed COVID impact by looking at a summary of COVID costs in 2021 and the projected costs for 2023. Together they represent the net impact of the difference in Testing, Vaccines and Treatment of COVID from actual 2021 experience to the projected 2023 experience year. The Department believes the difference should be reflected as an adjustment to the 2021 baseline claims. The Department found the 2023 projected costs to be reasonable and the resulting difference resulted in a 0.954 claims adjustment factor.

The Department reviewed the morbidity factor of 0.982 and all supporting materials. The Department reduced the 1.054 factor used for market deterioration to 1.031 and this resulted in a morbidity factor of 0.971. The filed morbidity factor should be revised to 0.971.

The Department reviewed the June 2022 CCIIO Summary Report on Permanent Risk Adjustment transfers for the 2021 Benefit year report for Connecticut. Based on this report, the Department believes the risk adjustment built into this rate filing is appropriate for 2023.

The Department reviewed the $7.13 PMPM CSEHRP impact and believes it is excessive and should be reduced to $0.91 PMPM. Due to Cigna's recent entrance and other carrier participation changes, the Department believes a neutral assumption is appropriate for the difference between assessment and revenues for 2023. An administrative cost of $0.91 PMPM will be allowed.

Based upon the federal MLR of 84.85% for this filing, the Department believes that the proposed pricing supports the federally required 80% loss ratio for individual business.

The resulting rates from required changes, described above, are reasonable in relationship to the benefits being offered, they are also, neither excessive, nor inadequate nor unfairly discriminatory.

Non-Actuarial considerations

The Department made a decision to allow up to a maximum 0.5% after-tax Profit Load factor for 2023 rates. The Company has a 3.00% Profit and Risk Load in total (After-tax as a % of Premium) that will need to be reduced if the Profit component is larger than 0.5%. The Risk component is not being adjusted.

The Department also made a decision to cap the average rate increase at 12.0% after all other required changes are made.

<u>Department Disposition</u>

Based upon the finding of fact, and the summary information described above, the proposed rates for 2023 with an average rate increase of 19.6% are disapproved as submitted and limited to an average rate increase of 12.0% with a range by plan of 5.39% to 15.70%. The revised increase approved is the result of all required changes, as described above.

Dated September 2, 2022.

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