

Minhe Yu, FSA, MAAA
Cigna Healthcare Pricing



June 17, 2016

Lan Brown, FSA
Senior Life Actuary
California Department of Insurance
300 South Spring Street
Los Angeles, CA 90013
Lan.Brown@insurance.ca.gov

Routing C5PRC
900 Cottage Grove Ave
Hartford, CT 06152-1233
Telephone 860.226.0342
Minhe.Yu@Cigna.com

**Re: Request for Additional Information
Cigna Health & Life Insurance Company (CHLIC)
State Tracking Number: - HAO-2016-0085**

Dear Mr. Brown,

Please find the response to your request for additional information below:

- 1. On SERFF, you are stating that the overall rate increase is 12.5%. However, on the rate development exhibit, you are showing an increase of 14.5%. Can you please explain the difference? Also, what's the % increase due to plan changes?***

The 12.5% rate increase is based on CHLIC's **existing membership** as of 3/23/2016 being mapped onto the respective 2017 plan. The corresponding average premium does not include any new members who may enroll in our 2017 plans.

The 14.5% is based on the average premium of all the plans with **projected membership** in 2017, versus the average premium of CHLIC's existing membership as of 3/23/2016. This average premium does include the expected new membership who may enroll in our 2017 plans.

Please see tab "Q1" in the attached exhibit for more details.

- 2. In your actuarial memorandum, you stated that "changes have been made to certain plans that are resulting in a decrease in expected cost share and therefore a decrease to premium." However, on the URRT, the paid to allowed was 73.1% for 2015, and 76.4% expected for 2017. Was paid to allowed ratio for 2016 higher than both 2015 & 2017 year?***

Please note that the paid to allowed ratio reported on URRT of each year is an aggregated ratio based on the expected paid to allowed ratio for each plan, as well as the projected membership distribution by plan. Therefore, even if CHLIC's plans had not changed from 2015 to 2017, the difference in each year's projected membership by plan would still have led to different reported average paid to allowed ratio. Please refer to tab "Q2"

of the attached exhibit for the expected paid to allowed ratio by plan at the time of each rate filing from 2015 to 2017.

3. ***The actuarial memorandum has a section on manual rate development, which was confusing. Can you please confirm that the 2015 experience of the block was considered fully credible and used to develop the 2017 rates?***

Please note that CHLIC's 2015 ACA experience in the state of California was fully credible and thus was used to develop the 2017 rates. However, in order to meet the reporting requirements as needed by URRT, we have also shown the rate development based on manual rates, which was assigned 0% weight and not directly used in the development of the proposed 2017 rates.

4. ***Does CIGNA have any narrow networks? If so, which plans utilize the narrow networks?***

CHLIC does not have any narrow networks in California for its ACA compliant individual product. There's minimum change in the network compared to our prior filings.

5. ***Did area factors change for the 1/1/2017 rates? If so, please provide the factors for 2016 rates and 2017 rates.***

The area factors did change from 2016 to 2017 rates. Please see tab "Q5" of the attached Excel exhibit.

6. ***Did the induced demand curve change for the 1/1/2017 rates? If so, please provide the factors for 2016 rates and 2017 rates.***

The induced demand curve did change from 2016 to 2017. Please see those factors for 2016 and 2017 rates in tab "Q6" of the attached exhibit.

7. ***There was a fairly significant member count drop at 1/1/2016, around 17%. Was there any pattern to the lapsed group, such as if they were concentrated at certain metal level plans, or certain regions?***

We have performed a quick retention analysis and did not find any pattern from the lapsed membership. The lapsed membership was not concentrated at any certain metal level or rating areas, as shown in the tab "Q7" of the attached exhibit.

8. ***On the MLR exhibit, you used payroll tax as a deduction to the premiums. Payroll tax is not an allowable deductible item.***

Please note that we are still confirming this with our internal partners, and we will follow up as soon as we hear back from them. If needed we will update the MLR exhibit accordingly and share with you right after.

9. *The Premium Tax Break is going into effect 7/1/2016, and should cover the entire 2017 year. You still included 2.35% premium tax in the 2017 rate development. Please correct.*

It is our understanding that this was just passed very recently. Therefore at the time of the original rate filing, it was not reflected in any of the exhibits. Given this change, our previously submitted URRT, Actuarial Memorandum and Rate Review template will be affected for a few sections. We will update them accordingly and submit through SERFF later.

10. *Can you explain why you are not expecting to pay any ACA Insurer fee for 2017?*

Please note that CMS released guidance on February 29th, 2016 that it would be suspending the collection of the Health Insurance Provider Fee. As a result, CHLIC has not reflected this fee in our expenses for 2017. Please refer to the link below for more details.

<https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2016-Press-releases-items/2016-02-29.html>

11. *The retention components add up to 19%, which would lead us to believe the 2017 unadjusted loss ratio to be 81%, or close to that. The unadjusted loss ratio on the MLR exhibit in the “rate review data request” file was shown as 83.7%. Can you please explain the discrepancy?*

CHLIC’s target (unadjusted) pricing loss ratio for 2017 is indeed 81.0%, where the expected risk adjustment receivable for 2017 is reflected as an adjustment to the claims. On the other hand, the 83.7% unadjusted loss ratio reported in the prior template does not reflect the expected risk adjustment receivables. Please refer to tab “Q11” in the attached exhibit for the crosswalk.

12. *Do you plan to modify the return if the actual payments/receipts from the Reinsurance program and Risk Adjustment programs for 2015 turned out much different from what you expected?*

If the actual payments/receipts from the Reinsurance program and Risk Adjustment programs for 2015 turn out to be much different from what we expected, then we do plan to revisit and potentially modify our proposed 2017 rates.

Additionally, we have notified our form filing team to submit AV screenshots on SERFF as well. If you still don’t see them there, please let us know.

Please contact Harsh Mota at 860.226.4035 or via e-mail at Harsh.Mota@Cigna.com with any questions or concerns. Thanks.

Respectfully,

A handwritten signature in blue ink that reads "Minhe Yu". The signature is written in a cursive style with a light blue shadow effect behind the letters.

Minhe Yu, FSA, MAAA
Actuarial Manager
Cigna HealthCare Pricing

Rate increase from actual membership mapped to 2017 plans

Plan Name	Recent Membership Ending	Earned Premium Ending	Change in Table Rates		
			New vs. Prior Rate Filing		
			Excluding Benefit Changes	Including Benefit Changes	Due to Benefit Changes
			Average	Average	Average
	3/23/2016				
Cigna California Bronze	2,005	\$ 727,696	8.6%	-0.6%	-9.2%
Cigna Health Savings 6100	4,706	\$ 1,617,003	12.8%	7.8%	-5.0%
Cigna Health Flex 6400	1,903	\$ 617,668	9.7%	5.7%	-4.0%
Cigna California Silver	3,050	\$ 1,284,703	23.0%	14.4%	-8.6%
Cigna Health Savings 2700	944	\$ 355,350	14.4%	12.9%	-1.5%
Cigna Health Flex 3000	3,190	\$ 1,200,183	11.4%	8.3%	-3.1%
Cigna California Gold	1,602	\$ 729,406	28.0%	29.7%	1.7%
Cigna California Platinum	853	\$ 482,844	30.5%	35.4%	4.9%
Overall	18,253	\$ 7,014,854	16.6%	12.5%	-4.1%

Rate increase from actual 2016 membership to projected 2017 membership

2016			2017		
Plan	Existing Membership as of 3/23	Average premium	Plan	Projected Membership	Premium (PAIR)
Cigna California Bronze	11.0%	\$ 362.94	Cigna California PPO Bronze	5.7%	\$ 329.91
Cigna Health Savings 6100	25.8%	\$ 343.60	Cigna California Bronze	0.6%	\$ 331.56
Cigna Health Flex 6400	10.4%	\$ 324.58	Cigna LocalPlusIN 6000	34.4%	\$ 350.03
Cigna California Silver	16.7%	\$ 421.21	Cigna California HSA Bronze	5.4%	\$ 355.51
Cigna Health Savings 2700	5.2%	\$ 376.43	Cigna California Silver	18.3%	\$ 474.60
Cigna Health Flex 3000	17.5%	\$ 376.23	Cigna LocalPlusIN HSA 2900	5.1%	\$ 430.94
Cigna California Gold	8.8%	\$ 455.31	Cigna LocalPlusIN 2250	16.7%	\$ 436.24
Cigna California Platinum	4.7%	\$ 566.05	Cigna California Gold	8.6%	\$ 657.40
			Cigna California Platinum	5.2%	\$ 799.37
Average		\$ 384.31			\$ 440.21
Rate Increased propopsed		14.5%			

2015	Expected Cigna Cost Share	2016	Expected Cigna Cost Share	2017	Expected Cigna Cost Share
Health Savings Bronze 6100	65.5%	Cigna California Bronze	66.8%	Cigna California Bronze	68.6%
Health Flex Bronze 5500	67.7%	Cigna Health Savings 6100	65.1%	Cigna LocalPlusIn 6000	69.1%
California Bronze	65.3%	Cigna Health Flex 6400	67.3%	Cigna California Silver	79.6%
Health Savings Silver 3400	74.8%	Cigna California Silver	76.2%	Cigna LocalPlusIN HSA 2900	74.2%
California Silver	74.0%	Cigna Health Savings 2700	72.3%	Cigna LocalPlusIN 2250	74.8%
Health Flex Silver 2750	75.5%	Cigna Health Flex 3000	73.3%	Cigna California Gold	87.3%
Health Flex Silver 5000	75.4%	Cigna California Gold	85.7%	Cigna California Platinum	93.7%
California Gold	84.7%	Cigna California Platinum	92.3%	Cigna California HSA Bronze	68.0%
Health Flex Gold 1900	82.6%			Cigna California PPO Bronze	68.4%
Health Flex Gold 1000	83.2%				
California Platinum	91.9%				

Area Factors		
Rating Areas	2016	2017
Rating Area 4	1.14	1.13
Rating Area 5	1.07	1.07
Rating Area 6	1.10	1.07
Rating Area 7	1.06	1.06
Rating Area 8	1.20	1.16
Rating Area 15	0.88	0.85
Rating Area 16	0.98	0.98
Rating Area 17	0.86	0.83
Rating Area 18	0.95	0.94
Rating Area 19	1.00	0.97

2016	Cigna California Bronze	Cigna Health Savings 6100	Cigna Health Flex 6400	Cigna California Silver	Cigna Health Savings 2700	Cigna Health Flex 3000	Cigna California Gold	Cigna California Platinum
Medical Induced Demand	0.81	0.83	0.80	0.88	0.88	0.89	1.01	1.12
Projected Membership	7%	20%	6%	20%	5%	21%	13%	8%

2017	Cigna California Bronze	Cigna LocalPlusIN 6000	Cigna California Silver	Cigna LocalPlusIN HSA 2900	Cigna LocalPlusIN 2250	Cigna California Gold	Cigna California Platinum	Cigna California HSA Bronze	Cigna California PPO Bronze
Medical Induced Demand	0.72	0.75	0.89	0.88	0.83	1.13	1.22	0.76	0.72
Projected Membership	1%	34%	18%	5%	17%	9%	5%	5%	6%

Count	2015 Actives	2016 Renewals	Retention
Bronze	8,381	6,092	73%
Silver	10,903	7,434	68%
Gold	2,479	1,648	66%
Platinum	1,140	850	75%
Total	22,903	16,024	70%

Min 66% Gold
Max 75% Platinum

Rating Area	2015 Actives	2016 Renewals	Retention
Rating Area 4	1,000	756	76%
Rating Area 5	895	660	74%
Rating Area 6	1,399	976	70%
Rating Area 7	2,649	2,069	78%
Rating Area 8	748	519	69%
Rating Area 15	1,668	1,213	73%
Rating Area 16	7,098	4,628	65%
Rating Area 17	1,461	1,077	74%
Rating Area 18	3,142	2,096	67%
Rating Area 19	2,843	1,987	70%
Tota	22,903	15,981	70%

Min 65% Rating Area 16
Max 78% Rating Area 7

Year	2017
Member Months	154,633
Incurred Claims	\$ 56,992,870
Earned Premium	\$ 68,071,467
Reported Unadjusted MLR	83.7%

Net Risk Adjustment Receipts (Post user fees)	\$ 1,834,879
Risk Adjustment User fees	\$ 20,102

Pricing Target Loss Ratio	81.00%
----------------------------------	---------------

Rate increase from actual membership mapped to 2017 plans

Plan Name	Recent Membership Ending	Earned Premium Ending	Change in Table Rates		
			New vs. Prior Rate Filing		
			Excluding Benefit Changes	Including Benefit Changes	Due to Benefit Changes
			Average	Average	Average
	3/23/2016				
Cigna California Bronze	2,005	\$ 727,696	8.6%	-0.6%	-9.2%
Cigna Health Savings 6100	4,706	\$ 1,617,003	12.8%	7.8%	-5.0%
Cigna Health Flex 6400	1,903	\$ 617,668	9.7%	5.7%	-4.0%
Cigna California Silver	3,050	\$ 1,284,703	23.0%	14.4%	-8.6%
Cigna Health Savings 2700	944	\$ 355,350	14.4%	12.9%	-1.5%
Cigna Health Flex 3000	3,190	\$ 1,200,183	11.4%	8.3%	-3.1%
Cigna California Gold	1,602	\$ 729,406	28.0%	29.7%	1.7%
Cigna California Platinum	853	\$ 482,844	30.5%	35.4%	4.9%
Overall	18,253	\$ 7,014,854	16.6%	12.5%	-4.1%

Rate increase from actual 2016 membership to projected 2017 membership

2016			2017		
Plan	Existing Membership as of 3/23	Average premium	Plan	Projected Membership	Premium (PAIR)
Cigna California Bronze	11.0%	\$ 362.94	Cigna California PPO Bronze	5.7%	\$ 329.91
Cigna Health Savings 6100	25.8%	\$ 343.60	Cigna California Bronze	0.6%	\$ 331.56
Cigna Health Flex 6400	10.4%	\$ 324.58	Cigna LocalPlusIN 6000	34.4%	\$ 350.03
Cigna California Silver	16.7%	\$ 421.21	Cigna California HSA Bronze	5.4%	\$ 355.51
Cigna Health Savings 2700	5.2%	\$ 376.43	Cigna California Silver	18.3%	\$ 474.60
Cigna Health Flex 3000	17.5%	\$ 376.23	Cigna LocalPlusIN HSA 2900	5.1%	\$ 430.94
Cigna California Gold	8.8%	\$ 455.31	Cigna LocalPlusIN 2250	16.7%	\$ 436.24
Cigna California Platinum	4.7%	\$ 566.05	Cigna California Gold	8.6%	\$ 657.40
			Cigna California Platinum	5.2%	\$ 799.37
Average		\$ 384.31			\$ 440.21
Rate Increased propopsed		14.5%			

2015	Expected Cigna Cost Share	2016	Expected Cigna Cost Share	2017	Expected Cigna Cost Share
Health Savings Bronze 6100	65.5%	Cigna California Bronze	66.8%	Cigna California Bronze	68.6%
Health Flex Bronze 5500	67.7%	Cigna Health Savings 6100	65.1%	Cigna LocalPlusIn 6000	69.1%
California Bronze	65.3%	Cigna Health Flex 6400	67.3%	Cigna California Silver	79.6%
Health Savings Silver 3400	74.8%	Cigna California Silver	76.2%	Cigna LocalPlusIN HSA 2900	74.2%
California Silver	74.0%	Cigna Health Savings 2700	72.3%	Cigna LocalPlusIN 2250	74.8%
Health Flex Silver 2750	75.5%	Cigna Health Flex 3000	73.3%	Cigna California Gold	87.3%
Health Flex Silver 5000	75.4%	Cigna California Gold	85.7%	Cigna California Platinum	93.7%
California Gold	84.7%	Cigna California Platinum	92.3%	Cigna California HSA Bronze	68.0%
Health Flex Gold 1900	82.6%			Cigna California PPO Bronze	68.4%
Health Flex Gold 1000	83.2%				
California Platinum	91.9%				

Area Factors		
Rating Areas	2016	2017
Rating Area 4	1.14	1.13
Rating Area 5	1.07	1.07
Rating Area 6	1.10	1.07
Rating Area 7	1.06	1.06
Rating Area 8	1.20	1.16
Rating Area 15	0.88	0.85
Rating Area 16	0.98	0.98
Rating Area 17	0.86	0.83
Rating Area 18	0.95	0.94
Rating Area 19	1.00	0.97

2016	Cigna California Bronze	Cigna Health Savings 6100	Cigna Health Flex 6400	Cigna California Silver	Cigna Health Savings 2700	Cigna Health Flex 3000	Cigna California Gold	Cigna California Platinum
Medical Induced Demand	0.81	0.83	0.80	0.88	0.88	0.89	1.01	1.12
Projected Membership	7%	20%	6%	20%	5%	21%	13%	8%

2017	Cigna California Bronze	Cigna LocalPlusIN 6000	Cigna California Silver	Cigna LocalPlusIN HSA 2900	Cigna LocalPlusIN 2250	Cigna California Gold	Cigna California Platinum	Cigna California HSA Bronze	Cigna California PPO Bronze
Medical Induced Demand	0.72	0.75	0.89	0.88	0.83	1.13	1.22	0.76	0.72
Projected Membership	1%	34%	18%	5%	17%	9%	5%	5%	6%

Count	2015 Actives	2016 Renewals	Retention
Bronze	8,381	6,092	73%
Silver	10,903	7,434	68%
Gold	2,479	1,648	66%
Platinum	1,140	850	75%
Total	22,903	16,024	70%

Min 66% Gold
Max 75% Platinum

Rating Area	2015 Actives	2016 Renewals	Retention
Rating Area 4	1,000	756	76%
Rating Area 5	895	660	74%
Rating Area 6	1,399	976	70%
Rating Area 7	2,649	2,069	78%
Rating Area 8	748	519	69%
Rating Area 15	1,668	1,213	73%
Rating Area 16	7,098	4,628	65%
Rating Area 17	1,461	1,077	74%
Rating Area 18	3,142	2,096	67%
Rating Area 19	2,843	1,987	70%
Tota	22,903	15,981	70%

Min 65% Rating Area 16
Max 78% Rating Area 7

Year	2017
Member Months	154,633
Incurred Claims	\$ 56,992,870
Earned Premium	\$ 68,071,467
Reported Unadjusted MLR	83.7%

Net Risk Adjustment Receipts (Post user fees)	\$ 1,834,879
Risk Adjustment User fees	\$ 20,102

Pricing Target Loss Ratio	81.00%
----------------------------------	---------------