



STATE OF RHODE ISLAND
OFFICE OF THE ATTORNEY GENERAL

150 South Main Street • Providence, RI 02903
(401) 274-4400 • www.riag.ri.gov

Peter F. Neronha
Attorney General

August 5, 2023

Via Electronic Mail Only

Mr. Cory King

Acting Health Insurance Commissioner

Office of the Health Insurance Commissioner

Cory.King@ohic.ri.gov

In Re: Rates Filed for 2024 Cigna Large Group Market.

Dear Acting Commissioner King:

The Rhode Island Office of the Attorney General objects to Cigna's requested rate increase of 5.9% for its Large Group Market. The Attorney General's objections are based on actuarial findings and the unaffordability of the proposed rate.¹ Our Office asks that you exercise your authority to consider the financial strain this will place on Rhode Islanders and deny Cigna's requested rate increase.

Preliminary Statement

The Attorney General addresses OHIC in his distinct role in this rate review: to represent, protect and advocate for Rhode Islanders who are consumers of insurance products both now and in the future. R.I. Gen. Laws § 27-36-1. In addition, as the State's Health Care Advocate, the Attorney General is obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of this State. R.I. Gen. Laws § 42-9.1-1. The mission of the Office of the Health Insurance Commissioner is to protect health care access, affordability, and quality. Here, OHIC has the opportunity to reaffirm its commitment to its mission by rejecting the unnecessary rate increase requested by Cigna. This Office encourages

¹ OHIC held a public comment meeting via Zoom on the Rate Review Process on Monday, July 17, 2023, at 4:30 pm and members of this Office attended.

OHIC to do so and keep insurance affordable for Rhode Islanders who rely on Cigna for health insurance coverage.

Actuarial Analysis

The Office of Attorney General is charged with representing, protecting and advocating for the rights of consumers, including hiring experts, even if a rate hearing was not triggered. *See* R.I. Gen. Laws § 27-36-1; *see also* R.I. Gen. Laws § 27-36-2(a). Consistent with that obligation, an actuarial analysis of Cigna’s Large Group filing was conducted and is submitted in support of this public comment.

The primary driver of the requested rate increase were the assumptions made about future utilization, or use, trends of insurance by consumers. However, Cigna provided limited quantitative support for its trend assumptions.² However, based on what was provided Cigna’s utilization trend is higher than the observed historical trend.³ Cigna’s assumptions regarding utilization trends are significantly higher than ACA market trends over the past three years.⁴ Thus, the Office of the Attorney General urges that the Acting Commissioner deny the requested rate increase, or, in the alternative, apply a trend rate on the low end of reasonable possible rates, which would result in a 4.1% increase, according to the attached actuarial analysis.

Unaffordability of the Requested Rate Increase

While Rhode Islanders are still experiencing economic hardships caused by the pandemic, some of the largest health insurance companies, including Cigna, are receiving much higher profits and benefiting from the pandemic.⁵ Cigna made \$1.12 billion in fourth quarter net income in 2021 and reported nearly \$1.2 billion in fourth quarter net income in 2022.⁶ Meanwhile, Cigna made a total adjusted revenue of \$180.5 billion in 2022 and is projecting a total adjusted revenue of \$187 billion in 2023.⁷ For the first quarter 2023, both Cigna’s total revenues and shareholders’ net income

² Lewis & Ellis actuarial analysis of Cigna’s Large Group market page 5.

³ *Id.*

⁴ *Id.*

⁵ The New York Times, “Major U.S. Health Insurers Report Big Benefits, Benefiting from the Pandemic.” Aug 5, 2020, <https://www.nytimes.com/2020/08/05/health/covid-insurance-profits.html>

⁶ Forbes, “Cigna Profits Top \$1 Billion With One Million New Health Plan Members Forecast For 2023.” Feb 3, 2023, <https://www.forbes.com/sites/brucejapsen/2023/02/03/cigna-profits-top-1-billion-and-1m-new-health-plan-members-forecast-for-2023/?sh=20e701b258b3>

⁷ Forbes, “Cigna Profits Top \$1 Billion With One Million New Health Plan Members Forecast For 2023.” Feb 3, 2023, <https://www.forbes.com/sites/brucejapsen/2023/02/03/cigna-profits-top-1-billion-and-1m-new-health-plan-members-forecast-for-2023/?sh=20e701b258b3>

increased 6% from first quarter 2022.⁸ In addition, revenue from Cigna’s Evernorth unit, which is home to its pharmacy benefit management business, rose nearly 8% to \$36.18 billion.⁹ Moreover, the rapidly increasing stock price led to increased compensation for the executives. For example, the Cigna CEO received more than \$91 million in 2021, the most of any insurance executive.¹⁰

By contrast to the increasing profits of Cigna and the increasing compensation of the CEO, Rhode Islanders are struggling with the high levels of inflation and increasing housing prices.¹¹ Rhode Island still has not recovered all of the jobs lost during the pandemic, which is the only New England state besides Maine to not yet fully recover.¹² In addition, as reported by the Rhode Island Public Expenditure Council in its quarterly Key Performance Indicators report, early signs of a coming economic slowdown are emerging.¹³ The economy is further worsened by a decline over the year both in the size of Rhode Island’s labor force and in the state’s labor force participation rate.¹⁴ Historically, Rhode Island has fared worse during recessions and recovery periods than most other states in the region.¹⁵ For example, Rhode Island had the highest unemployment rate in the region during the Great Recession and in the following years.¹⁶ Considering the uncertainties with economic recovery in Rhode Island,¹⁷ a 5.9 percent increase is a heavy economic burden for the Rhode Islanders enrolled in Cigna plans.

⁸ The Cigna Group, “The Cigna Group Reports Strong First Quarter 2023 Results, Raises 2023 outlook.” May 5, 2023, <https://newsroom.thecignagroup.com/2023-05-05-The-Cigna-Group-Reports-Strong-First-Quarter-2023-Results,-Raises-2023-Outlook>

⁹ Reuters, “Cigna’s Health Insurance Strength Drives Profit Forecast Raise.” May 5, 2023, <https://www.reuters.com/business/healthcare-pharmaceuticals/cigna-lifts-profit-view-after-lower-medical-costs-drive-q1-beat-2023-05-05/>

¹⁰ STAT, “Seven Health Insurance CEOs Raked in a Record \$283 Million Last Year.” May 12, 2022, <https://www.statnews.com/2022/05/12/health-insurance-ceos-raked-in-record-pay-during-covid/>

¹¹ Executive Office of Commerce, “2023, Overview of the Rhode Island Economy,” March 31, 2023, <https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

¹² Rhode Island Current, “R.I. Recession Predictions Abated but Job Recovery Still Lags.” May 2, 2023, <https://rhodeislandcurrent.com/2023/05/02/r-i-recession-predictions-abated-but-job-recovery-still-lags/>

¹³ Rhode Island Current, “R.I. Recession Predictions Abated but Job Recovery Still Lags.” May 2, 2023, <https://rhodeislandcurrent.com/2023/05/02/r-i-recession-predictions-abated-but-job-recovery-still-lags/>

¹⁴ Executive Office of Commerce, “2023, Overview of the Rhode Island Economy,” March 31, 2023, <https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

¹⁵ Executive Office of Commerce, “2023, Overview of the Rhode Island Economy,” March 31, 2023, <https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

¹⁶ Executive Office of Commerce, “2023, Overview of the Rhode Island Economy,” March 31, 2023, <https://commerceri.com/wp-content/uploads/2023/04/2023-Annual-Overview-of-the-Economy.pdf>

¹⁷ RINewsToday, “URI Economist Lardaro Fears Rhode Island Entering a Recession,” March 15, 2023, <https://rinewstoday.com/uri-economist-lardaro-fears-rhode-island-entering-a-recession/>

According to OHIC's Affordability Standards, the Commissioner may consider whether the health insurance product is affordable, and whether the carrier has implemented effective strategies to enhance the affordability of its products.¹⁸ Given the current economic struggles faced by Rhode Islanders and the billion-dollar profits made by Cigna, the Attorney General strongly urges you to exercise your discretion to reject Cigna's requested increase in its entirety. However, if the Acting Commissioner deems that an increase to Cigna's Large Group Market rates is warranted, the Office of Attorney General Recommends limiting the increase to no more than 4.1%. This number considers Cigna's financial success, the increased burden of costs on Rhode Islanders, and actuarial analysis.

Respectfully Submitted,

PETER F. NERONHA
ATTORNEY GENERAL

By:

/s/ Sarah W. Rice

Sarah W. Rice
Assistant Attorney General
Deputy Chief, Civil Division
401-274-4400, Ext. 2054
srice@riag.ri.gov

¹⁸ OHIC's Affordable Standards (Current Version: Effective June 2020)
<https://ohic.ri.gov/sites/g/files/xkgbur736/files/2022-03/230-ricr-20-30-4-final-sos.pdf>

August 1, 2023

State of Rhode Island Office of the Health Insurance Commissioner

Re: Cigna Health and Life Insurance Company
2024 Rhode Island LG Rate Filing
SERFF Tracking #: CCGP-133657941

Submitted on Behalf of the Rhode Island Office of Attorney General

The purpose of this letter is to provide a summary of Lewis & Ellis, Inc's (L&E) actuarial analysis regarding the proposed 2024 Large Group Rate Filing for Cigna Health and Life Insurance Company (Cigna or Company) and to assist the Rhode Island Office of Attorney General (OAG) in evaluating possible changes to the proposed rates.

FILING OVERVIEW

SERFF Tracking Number: CCGP-133657941

1. Cigna originally submitted their proposed rates on May 1, 2023, with an average rate increase of 5.3%. Updated rates were submitted on May 22, 2023, to reflect higher assessments due to the FY 2024 Rhode Island Vaccine assessment. The high assessments increased the average requested rate increase from 5.3% to 5.9%. This report's analysis is based on the proposed rates as submitted on May 22, 2023.
2. The proposed rates will be effective once approved. They will be applied to new quotes upon the next pricing model implementation date following approval.
3. The filing provides medical benefits for large employer groups. The filing is for Open Access Plus, PPO, Network, Indemnity, LocalPlus, and retiree medical insurance products. It also includes pharmacy, mental health/substance use, and other riders.
4. The filed trend is 7.5%, including the leverage component, and 6.7%, excluding leverage. Therefore, the primary driver of the rate increase is the trend.
5. Cigna covers 1 group and 325 lives in Rhode Island.

PURPOSE AND SCOPE

Pursuant to R.I. Gen. Laws §§27-36-1 and 27-36-2, the OAG is vested with the authority and enforcement of the laws within the State of Rhode Island, including, but not limited to, representing, protecting, and advocating on behalf of consumers at public rate hearings, and the

OAG is permitted to hire actuaries to review the proposed rate filing and conduct discovery. Also, pursuant to R.I. Gen. Laws § 42-9.1-2(5), the Attorney General, as the State's Health Care Advocate, is further obligated to carry out the mandate of the Health Care Advocate statute and advocate for quality and affordable health care for the people of Rhode Island and to take "all necessary and appropriate action... to secure and insure compliance with the provisions of titles 23 and 27 [insurance] and to advocate for any changes necessary to support the goal of quality and affordable health care for all citizens of Rhode Island."

This letter is to assist the OAG in evaluating possible changes to the proposed rates, if applicable. L&E's observations focus on producing rates that are not excessive, inadequate, or unfairly discriminatory¹. Premium affordability is not within the scope of L&E's actuarial review.

SUMMARY OF RECEIVED DATA

Cigna provided the rating manual used to develop the proposed 2024 large group market premiums. Within this "RI_CHLIC Template 2023 – 1.27.2023.pdf" file, the Company outlines the starting manual rate, along with all adjustments applied to the manual rate to adjust for the rating population. The manual also outlines how statistical credibility is determined.

After a request from L&E, Cigna provided the "Sample Illustrative Renewal Rate Development – CHLIC.xlsx" file, which shows how the Company blends the experience with the manual rate. Within this file, it shows the starting experience total claims, along with the member months for the credibility calculation. The experience claims show various adjustments, including benefit and demographic changes. This experience rate is then trended and blended with the manual rate to get the final rate.

After a request from L&E, the Company also provided some support for the trend development. This is outlined in the "Objection2_AG_Responses_RI_2023_Trend" file.

RATING PROCESS

The medical base claims are the national base claims costs for experience-rated business. The claims costs are established for all major service categories, which may be further subdivided into sub-cost categories. Table 1 in Appendix C of file "RI_CHLIC Template 2023 – 1.27.2023.pdf" provides the current base medical claims cost for each major service category. They are also outlined in the table below.

¹ This is based on Actuarial Standards of Practice No. 8

<http://www.actuarialstandardsboard.org/asops/regulatory-filings-health-benefits-health-insurance-andentities-providing-health-benefits/#312-regulatory-benchmark>

Service Category	Manual Rate: In Network	Manual Rate: Out of Network
Inpatient	\$143.36	\$2.77
Outpatient	\$175.21	\$7.30
Primary Care Physician	\$16.68	\$1.38
Emergency Room	\$32.84	\$0.09
Specialty Care Physician	\$70.18	\$5.23
Other	\$7.47	\$0.72
Preventive Care	\$20.64	\$0.41

The pharmacy claims cost start with the average wholesale price per script and annual script counts per customer, based on the formulary type. Both the medical and pharmacy costs are adjusted based on various factors and then trended forward to get the final total annual cost.

The experience rate starts with the total claims PMPM for the experience period, which is calendar year 2021 data with six months of run out. The Company stated that at the time the filing materials were prepared, they did not have calendar year 2022 experience with sufficient run-out to consider. While it is unclear the impact of using the 2021 experience on the rate increase, L&E observes that other RI carriers are using more recent experience data and that Cigna should be using the most recent data available.

The Company then makes a large claim adjustment to the experience rate for both the number and magnitude of the shock claims present in the experience. This adjustment mitigates the impact of infrequent shock claims. These shock claims are subtracted from the starting experience. The Company then applies adjustment factors for benefit changes, integration credits, demographic changes, and other miscellaneous changes. Once the experience rate has been adjusted, trend is applied. The projected pooling fee is added in, as well as the addition of large claims up to the pooling level. All accounts have an average amount of these claims added to their experience as part of the smoothing process.

The projected rate is then credibility blended with a manual rate. Since Cigna has small membership levels in Rhode Island, the experience is blended with a manual rate based on a credibility factor.

For credibility to apply, there must be a minimum of 5 months of claims experience and a minimum of 100 member months. If member months are greater than or equal to 36,000, credibility is 100%. A credibility percentage is calculated and applied to the manual rate for groups with 100 to 36,000 member months. L&E finds the credibility blending procedure to be reasonable.

L&E ANALYSIS

The items outlined below are key observations in the filing:

1. TREND

Cigna assumes a 7.5% trend, including the leveraging component, and 6.7% excluding leveraging. Unit cost trends for inpatient, outpatient, and professional spend are developed using anticipated changes in provider contracted rates, typically a combination of previously contracted rates and expected changes due to recent negotiations with providers, and are specific to Rhode Island residents.

The below table shows the trend breakdown by service category.

Service Category	Trend
Hospital Inpatient	5.4%
Hospital Outpatient	5.3%
Professional	7.8%
Other Medical	11.7%
Capitation	4.2%
Prescription Drug (net of Rx rebates)	10.5%
Leverage	0.7%
Total	7.5%

The Company provided additional details on the inpatient facility, outpatient facility, and prescription drug (net of Rx rebates) unit cost trends. Cigna also provided the file “CONFIDENTIAL_Provider Template for Rate Review 2023.05.10.xlsx” related to payments and unit cost changes by provider and year as part of a response to OHIC. However, L&E did not receive this file, and Cigna did not provide any additional unit cost trend development to the OAG.

The utilization trend was 2.2%, and the mix was 2.0% for all service categories except prescription drugs. The utilization trend for Rx was 2.3% and 0.0% for mix. The utilization and mix trend were developed by looking at historical average utilization and mix trends and then adjusting them for known expected impacts, e.g., the addition of specific programs to reduce utilization through national or local market actions or to adjust for other factors, including the effect of leap year’s extra day of utilization. The utilization and mix trends are assessed across all medical categories and not set by service category.

The 0.7% leveraging trend, which applies to all service categories, was determined by setting a trend assumption and comparing data across two years. The year-over-year change in rates from these two sets represents the paid trend. The trend leveraging amount is determined using the difference between the trend assumption and this paid trend amount.

The Company estimated the 2024 medical trend impact of Covid-19 to be -1.5%. This includes the impacts from changes in direct Covid-19 expenses and non-Covid-19 utilization.

While Cigna provided some additional detail regarding the trend assumptions used in the rate development, limited quantitative support was provided. The Company did not provide any historical normalized claims experience for L&E to independently analyze historical observed trends. However, based on the trend support provided, the utilization trend is higher than the observed historical trend. Additionally, we observe that Cigna's proposed trend assumption of 7.5% is significantly higher than ACA market trends over the last three years.

Based on the information provided and consideration of the market segment and industry averages, L&E considers a trend range of 6.5% to 8.5% reasonable for this filing. We also note that the actuarial justification provided by the Company was not considered sufficient to fully assess the trend assumption.

2. RETENTION

The below table shows the breakdown of the retention costs as a percentage of premium. These values were provided in the "2024 LG OHIC Rate Template - CHLIC v3.pdf" file.

Category	%
ACA Fees and Taxes	0.0%
Premium Tax	2.0%
Other Retention Charge	0.0%
Profit	1.0%
Investment Income Credit	0.0%
Payroll and Benefits	0.0%
Outsourced Services	0.0%
Auditing and Consulting	0.0%
Commissions	0.0%
Marketing and Advertising	0.0%
Legal Expenses	0.0%
Other Taxes, Licenses, and Fees	2.1%
Reimbursements by Uninsured Plans	0.0%
Other Admin Expenses	6.1%
Total	11.3%

The total retention of 11.3% is a slight increase from 2023, which had a total retention charge of 10.3% of premium. In the response, the Company notes that the increase was primarily a result of higher breakeven expenses, especially the medical claims charge, which represents the cost of processing each claim.

The profit remained unchanged from the 1.0% that was approved by the RI Health Insurance Commissioner last year. In 2021, the Commissioner informed all carriers in Rhode Island that no contribution to reserves/profit margin would be allowed for the 2022 rates and approved a 1.0% profit in the 2023 rates.

The Company's year-end 2022 RBC ratio is 416%. Cigna monitors its capital on an ongoing basis to ensure entities have access to sufficient capital to support ongoing and future business needs.

Due to the capital and surplus levels of the Company and its affiliates, we think that the 1.0% profit is reasonable.

3. UNDERWRITING

The Company applies underwriting after the rate development to reflect characteristics on a case-by-case basis when they are not otherwise reflected in the rating methodology. Discretionary underwriting adjustments are limited to +/- 40%. However, the Company noted that underwriting can exceed this range when supporting justification is provided.

For the 2023 rating period, there is only one renewing fully insured group situated in RI. This group received a -5% to 5% underwriting adjustment.

L&E asked the Company how they comply with Bulletin-2013-5 Revised from OHIC. The response stated that the adjustments were not unfairly discriminatory. Cigna's Risk Management and Underwriting Strategic Operations and Optimization team coordinates process, training, and controls, which also includes the ownership and monitoring of a centralized internal policy and procedure website. Cigna's Underwriting Policies and Procedures provide underwriting standards, guardrails, and controls that inform underwriting's risk management decisions, including underwriting judgment.

While Cigna indicated that they have policies and procedures to ensure proper and appropriate underwriting, it was not indicated or demonstrated that the Company was compliant with Bulletin-2013-5. Based on the information provided, L&E was unable to make an assessment of whether Cigna is compliant with the underwriting standards of Bulletin-2013-5.

OBSERVATIONS

As noted above, L&E has the following observations regarding the assumptions in the filing:

TREND:

Based on the information provided and consideration of the market segment and industry averages, L&E would consider a trend ranging from 6.5% to 8.5% reasonable for this filing. We also note that the actuarial justification provided by the Company was not considered sufficient to fully assess the trend assumption.

EXPERIENCE PERIOD DATA:

The Company stated that at the time the filing materials were prepared, they did not have calendar year 2022 experience with sufficient run-out to consider. While it is unclear the impact of using the 2021 experience on the rate increase, L&E observes that other RI

carriers are using more recent experience data and that Cigna should be using the most recent data available.

IMPACT ON OVERALL RATE INCREASE

The following table summarizes the range of reasonable 2024 rate changes based on L&E's rate review, analysis, and assessment of the underlying filing assumptions:

Component	Min	Max
Cigna LG Proposal	+5.9%	+5.9%
Trend	-1.8%	+1.8%
Cigna LG Revised	+4.1%	+7.7%

Please note that the impact on the rates is an estimate, and the actual impact may differ due to the Company's pricing model.

Sincerely,



Robert Dorman, ASA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.



Josh Hammerquist, FSA, MAAA
Vice President & Principal
Lewis & Ellis, Inc.



Dave Dillon, FSA, MAAA, MS
Senior Vice President & Principal
Lewis & Ellis, Inc.

ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations², promulgates Actuarial Standards of Practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct³, to observe the ASOPs of the ASB when practicing in the United States. ASOP #41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Bobby Dorman, ASA, MAAA, Consulting Actuary
- Josh Hammerquist, FSA, MAAA, Vice President & Principal
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is August 1, 2023. The date (a.k.a. “latest information date”) through which data or other information has been considered in performing this analysis is July 31, 2023.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Rhode Island Office of Attorney General. The authors of this report are aware that it will be distributed to third parties. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring a suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis is financially and organizationally independent from Cigna. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the OAG in recommending changes to the proposed rates, as applicable.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- Lewis & Ellis has reviewed the data provided for reasonableness; however, not every aspect of the data has been audited. Neither L&E, nor the responsible actuaries, assume responsibility for the items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.

² The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

³ These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001.

- L&E is aware that there may be subsequent events which could have a material impact on our observations. These include, but may not be limited to, the ongoing Covid-19 virus.
- There are no other documents or files that accompany this report.

ACTUARIAL OBSERVATIONS

The actuarial observations of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions, and data used by the actuaries can be found in body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statutes, regulations, and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries have not deviated materially from the guidance set forth in the applicable ASOPs.