

1. GENERAL INFORMATION

Cigna Health & Life Insurance Company (CHLIC) is filing rates for comprehensive major medical product 41921VA002 for individuals & families, to be effective January 1, 2017 through December 2017. This will be the first year that individual health insurance coverage will be offered by CHLIC in Virginia. The rates included in this filing should not be considered a rate increase or decrease because there is no current membership for CHLIC in Virginia.

2. KEY INFORMATION USED TO DEVELOP RATES

Since there is no individual health experience for CHLIC in Virginia, 100% credibility was assigned to the manual rate. The basis for the manual rate is Cigna's national group experience adjusted for trend and state- and market-specific differences. The experience from the national group book of business is not subject to individual medical underwriting and the benefits are similar to those required to be ACA compliant. As such, national group experience, with the adjustments outlined below, is deemed appropriate for development of the manual rate.

The following adjustments were made to the national group experience during the development of manual rates:

- Expected morbidity of individual market, net of risk adjustment - Customers seeking coverage through the Individual market tend to have a different average health status than those who receive coverage through their employer. This is driven by external factors, along with individuals having a greater ability to select a health plan that best meet their needs. Additionally, individuals receiving CSR subsidies exhibit different utilization patterns due to differences in income and cost-share. Based on these components, a morbidity load was calculated and was applied to the index rate only and no plan-specific adjustments are made to account for anticipated differences in health status of enrollees across plans
- Expected age distribution – The experience underlying the Manual Rate development does not conform to the 3:1 age slope as prescribed by the ACA. Hence, an adjustment was made to reflect the impact of compression of age slopes as well as to account for the different distribution by age in the 2017 individual market than the distribution by age reflected in the data underlying the Manual Rate.
- Network cost differences – CHLIC's underlying network for its proposed plans in this filing is different from the network underlying the experience used in deriving the Manual Rate. The estimated savings of the provider network vary by geographic region, but are incorporated into the Manual Rate as an average based on assumed enrollment by region.
- Plan design differences – Most Essential Health Benefits (EHBs) are already represented in the base experience underlying the derivation of the Manual Rate. However, certain EHBs are not represented in the base experience and the impact of covering these benefits is subsequently added to the Manual Rate
- Pharmacy differences – Pharmacy claim cost experience used in the development of the Manual Rate is based on national group experience. This group experience is representative of a broader formulary than the formulary associated with CHLIC's individual product. The savings associated with narrower formulary is incorporated into the Manual Rate.