

Qualified Health Plan (QHP) issuers are required to post a justification for a rate increase to its website. Below is the justification for the rate increase effective January 1, 2015 for Cigna Individual and Family medical plans offered in Colorado that are fully-compliant with the Patient Protection and Affordable Care Act (ACA).

GENERAL INFORMATION

Cigna Health and Life Insurance Company (Cigna) is filing rates for Individual plans in Colorado effective January 2015 through December 2015. The proposed rate increases exceed the “subject to review threshold in 45 CFR 154.200. In accordance with the requirements in 45 CFR 154.215 this document describes the justification for the increase in the rates.

SIGNIFICANT FACTORS

The most significant factors requiring the rate increase are:

- **Claim Cost Trend:** The increasing cost of medical services accounts for the majority of the premium rate increases. We anticipate that the cost of medical services (reflecting unit cost and utilization) in 2015 will increase over the 2014 level.
- **Transitional Reinsurance Program Changes:** The federally mandated transitional reinsurance program is in effect for three years (2014, 2015, and 2016). The amount of funding available to issuers under the reinsurance program to offset adverse claim experience decreases each year (\$10B in 2014, \$6B in 2015, and \$4B in 2016). Additional premium is required to compensate for the reduced reinsurance support in 2015.
- **Changes to taxes & fees:** the TRP fee is reduced from \$63PMPY in 2014 to \$44PMPY in 2015 while the estimated Health Insurer Fee is increased from 2.2% in 2014 to 3.0% in 2015
- **Morbidity (Risk Pool) Adjustments:** The marketplace for non-grandfathered individual plans is affected by changes brought about by provisions of the Patient Protection and Affordable Care Act (the “Affordable Care Act”) that became effective in 2014, including:
 - guarantee issue and renewal requirements;
 - modified community- rating requirement;
 - federal premium subsidies for low and moderate income individuals.

The effects of these 2014 changes when coupled with previous regulatory changes and early indications of utilization thus far in 2014 suggest that it is appropriate to increase the overall claim level assumption reflected in the premiums for individual plans in Colorado.

EXPERIENCE & PROJECTIONS

Non-grandfathered individual plans subject to the changes brought about by Affordable Care Act have only been effective since January 1, 2014. As a result, our claim experience with respect to these individual plans at the time of this filing is immature. Cigna expects, however, that loss ratios for its individual plans in Colorado will be in excess of the federally defined minimum loss ratio threshold of 80% in 2014. Even with the proposed 2015 rate increase, we expect that the loss ratios for our individual plans to exceed the federally defined minimum loss ratio threshold of 80%, thereby ensuring that the amount of premium spent on claims and quality improvement activities is more than required by the Affordable Care Act.

Cigna's COMMITMENT TO THE PEOPLE WE SERVE

Cigna’s view is that the objectives of improved health, quality and cost with a focus on the individual are all closely aligned with the company’s mission and strategy for a sustainable and affordable healthcare system. Cigna’s entry in this market reflects its principles; and Cigna’s plans are designed to help individuals:

- Navigate the complex world of healthcare to access cost-effective care.
- Find the right provider from Cigna’s local networks which are increasingly aligned to partnerships centered on high-performing, value-based physician networks.
- Cigna’s nurses, customer service, and important health, benefit, and plan information are there when customers need it 24/7/365 via phone, online, and Cigna’s consumer app.

These capabilities are available to Cigna Individual and Family Plan customers, including individuals purchasing a health plan on the health insurance marketplace.

In the individual and family plan market, Cigna is making a dedicated effort to outreach and engage its customers starting with a robust onboarding program. Through this outreach Cigna is increasingly helping more people find quality care providers who are both cost efficient while using evidence based medicine best practices. Cigna will help those who require prescription medications to identify generic equivalent medications which can save them hundreds of dollars annually. And for those who may have a chronic illness, Cigna puts them in touch with its medical management nurses to help them navigate the system with personalized assistance.

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