

1. GENERAL INFORMATION

Cigna is filing rates for Individual medical plans in Tennessee effective January 2016 through December 2016. The proposed rate increases do not exceed the “subject to review” threshold in 45 CFR 154.200 on an aggregate basis. However, this document describes the justification for the increase in the rates.

2. SCOPE AND RANGE OF RATE INCREASE

There are estimated to be 1,214 customers impacted by this rate increase. On average, customers will see an increase of 0.4%, excluding the impact of aging, with a range of increases from -14.5% to +30.0%. Each customer’s rate increase depends on factors such as where they live, the plan in which they are enrolled, and whether they use tobacco products.

3. SIGNIFICANT FACTORS

The most significant factors requiring the rate increase are:

- **Changes in Medical Service Costs:** The increasing cost of medical services accounts for the majority of the premium rate increases. Cigna anticipates that the cost of medical services in 2016 will increase over the 2015 level because of prices charged by doctors and hospitals and more frequent use of medical services by customers.
- **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 2016.
- **Morbidity (Risk Pool) Adjustments:** The marketplace for non-grandfathered individual plans is affected 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 overall utilization experienced in 2014 suggest that it is appropriate to increase the overall claim level assumption reflected in the premiums for individual plans in Tennessee.

- **Plan design changes and benefit modifications:** No changes have been made to the benefits being covered under the policy. However, changes have been made to the cost share of some plans to ensure compliance with actuarial value standards. These changes result in an expected increase in member cost share that are resulting in a decrease to premium. All plan designs conform to essential health benefit requirements.

4. EXPERIENCE & PROJECTIONS

Non-grandfathered individual plans subject to the changes brought about by Affordable Care Act have only been effective since January 1, 2014. Our claim experience indicates that the loss ratios for Cigna’s individual plans in Tennessee will be in excess of the federally defined minimum loss ratio threshold of 80% in 2014. Even with the proposed 2016 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.

5. ADMINISTRATIVE COSTS AND ANTICIPATED PROFITS

In addition to the cost of medical services, there are a number of indirect medical and non-medical costs that Cigna pays. These costs include programs that promote quality care and health for a patient, taxes and fees that must be paid to federal, state or local governments, assessments that states charge to pay for public health programs (e.g., childhood vaccines), financial examinations by the government, prevention of healthcare fraud, payments to agents or brokers who help customers enroll in health plans and other business costs such as employees’ salaries, building upkeep, utilities, etc. These administrative costs contribute to the overall premium a customer has to pay.

Cigna has not made any changes to the targeted profit amount. Changes to administrative costs are not expected to impact the rates at the statewide level but some variation may be seen at the plan/area level.

6. Cigna's COMMITMENT TO THE PEOPLE WE SERVE

Cigna's 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 the best and most cost-effective care.
- Find the right family doctor from local networks which are increasingly aligned to innovative partnerships centered around the highest-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 mobile devices with Cigna's consumer apps.

These capabilities are available to Cigna's 14 million-plus US customers: from the Fortune 500 CEO to the individual purchasing a health plan for the first time 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.

As our understanding of the specific needs and preferences of the marketplace becomes more refined, Cigna plans to continue to improve its offerings so that they are closely aligned with the health, well-being and sense of security of the communities we serve.

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