

Written Description Justifying the Rate Increase

1. GENERAL INFORMATION

Cigna is filing rates for individual medical plans in Colorado effective January 2026 through December 2026. 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 rate increases.

2. SCOPE AND RANGE OF RATE INCREASE

Cigna estimates that 68,341 customers will be impacted by this rate increase. On average, customers will see an increase of 26.31%, excluding the impact of aging, with a range of increases from 20.2% to 29.7%. In addition to the factors described below, each customer’s rate increase depends on factors such as where they live and what plan they are enrolled in.

3. SIGNIFICANT FACTORS

The most significant factors causing the rate increase are:

- **Expiration of APTC Subsidies:** This rate filing assumes that APTC subsidies will expire on 12/31/2025. The conclusion of the enhanced subsidies is expected to lower enrollment and increase morbidity.
- **Reinsurance Program Alterations:** The attachment point in Colorado’s reinsurance program has been raised from \$30,000 to \$40,000 for the 2026 plan year. This reduces the proportion of current Cigna members that are estimated to be eligible for some level of reinsurance reimbursement.
- **Changes in Medical Service Costs:** The increasing cost of medical and pharmacy services and supplies impacts the premium rate increases. Cigna anticipates that the cost of medical and pharmacy services and supplies in 2026 will increase over the 2024 level because the prices charged by doctors, hospitals, and other providers are increasing. Additionally, the more frequent use of medical services by customers also increases Cigna’s costs. The recent increase in Consumer Price Index (CPI) inflation is adding additional inflationary pressure for network contracts and provider payment mechanisms.
- **Changes for the healthiness of the population:** The health exchanges for individual plans continue to evolve, following the introduction of the Patient Protection and Affordable Care Act. The overall health of the population is significantly impacted by changes in:
 - enrollment decreases from year to year, as this tends to increase the average healthcare cost of the remaining market enrollees
 - anticipated changes to regulations regarding things like Short Term Medical and Association Health Plans that will impact the Affordable Care Act population are likely to attract healthier consumers away from the individual market, which increases the average healthcare cost per customer
- **Plan design changes and benefit modifications:** Changes have been made to plans that are resulting in an increase in expected cost share and therefore an increase to premium. All plan designs conform to actuarial value and essential health benefit requirements.

The anticipated effects of these changes when combined with previous regulatory changes and overall Cigna claims experience in recent years suggest that it is appropriate to increase the premiums for individual plans reflecting the expected total claims increase in Colorado.

4. EXPERIENCE & PROJECTIONS

Individual plans subject to the changes brought about by Affordable Care Act have been effective since January 1, 2014. Our claim experience indicates that the ratio of claims to premiums for Cigna’s individual plans in Colorado will be in excess of the federally defined minimum loss ratio threshold of 80%. The proposed 2026 rate increase is expected to bring loss ratios in line with Cigna’s target level. Even with the proposed 2026 rate increase, we expect the loss ratios for our individual plans to be higher than 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 is committed to using the premiums received from consumers to ensure quality healthcare coverage at an affordable price.

5. ADMINISTRATIVE COSTS AND ANTICIPATED PROFITS

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In addition to the cost of medical services, there are a number of indirect medical and non-medical costs that Cigna pays to maintain day to day operations. These costs include taxes and fees that must be paid to federal, state or local governments, as well as assessments that states charge to pay for public health programs (like childhood vaccines for instance). In addition, Cigna also sponsors programs that promote quality care and health for our members. Additional costs include but aren't limited to: financial examinations by the government, prevention of healthcare fraud, and other business costs such as employees' salaries, building maintenance, electricity bills, etc. The administrative costs required to maintain both the short and long term viability of the segment contribute to the overall premium a customer has to pay. Cigna is committed to using the premiums it collects to further its mission of creating a sustainable and affordable healthcare system.