Written Description Justifying the Rate Increase

1. GENERAL INFORMATION

Cigna is filing rates for Individual medical plans in Maryland effective January 2017 through December 2017. 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 682 customers will be impacted by this rate increase. On average, customers will see an increase of 30%, excluding the impact of aging, with a range of increases from 19% to 36%. In addition to the factors described below, each customer's rate increase depends on factors such as where they live, the plan in which they are enrolled.

3. SIGNIFICANT FACTORS

The most significant factors requiring the rate increase are:

- Changes in Medical Service Costs: The increasing cost of medical and pharmacy services and supplies accounts for a sizeable portion of the premium rate increases. Cigna anticipates that the cost of medical and pharmacy services and supplies in 2017 will increase over the 2016 level because of prices charged by doctors, hospitals, and other providers, in addition to more frequent use of medical services by customers.

- Transitional Reinsurance Program Changes: The federally mandated transitional reinsurance program was in effect from 2014 to 2016 and is ending for 2017. The funding available to issuers under the reinsurance program was used to offset adverse claim experience. Additional premium is required to compensate for the elimination of the reinsurance program in 2017.

- 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 changes when coupled with previous regulatory changes and overall utilization experienced in 2015 suggest that it is appropriate to increase the overall claim level assumption reflected in the premiums for individual plans in Maryland.

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 Maryland will be in excess of the federally defined minimum loss ratio threshold of 80% in 2015. Furthermore, Cigna's 2015 financial results in Maryland are worse than the level required for long-term sustainability in the market. The proposed 2017 rate increase is expected to bring loss ratios in line with Cigna's target level. Even with the proposed 2017 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, and assessments that states charge to pay for public health programs (e.g., childhood vaccines). Additional costs include 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.

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 product offerings in this market reflect its principles, and Cigna's plans are designed to help individuals:

- Navigate the complex world of healthcare to access valuable, cost-effective care.
- Find the right family doctor from local networks which are increasingly aligned to innovative partnerships centered around high-performing, value-based physician networks
- Easily access information. 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 Cigna 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 may 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 product 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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