



Written Description Justifying the Rate Increase

1. GENERAL INFORMATION

Cigna is filing rates for individual medical plans in AZ effective January 2024 through December 2024. 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 7,055 customers will be impacted by this rate increase. On average, customers will see an increase of 13.8%, excluding the impact of aging, with a range of increases from 6.9% to 26.6%. 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 factor contributing to rates in AZ is annualized cost trends as described below.

- **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 2024 will increase over the 2023 level because the prices charged by doctors, hospitals, drug manufacturers and other providers are increasing. Additionally, Cigna's costs are impacted by the higher use of medical and pharmacy services.

4. EXPERIENCE & PROJECTIONS

Cigna began 2022 with only around 2,000 members in the AZ small group market and therefore has only partially credible experience in the experience period.

Our claims experience indicates that the ratio of claims to premiums for Cigna’s small group plans in AZ will be in excess of the federally defined minimum loss ratio threshold of 80%. The proposed 2024 rate increase is expected to bring loss ratios in line with Cigna's target level. With the proposed rate increases, we expect the loss ratios for our small group 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

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.