

1. GENERAL INFORMATION

Insurance Company Name	Cigna Health and Life Insurance Company
NAIC Company Code	67369
HIOS Issuer ID	86830
State	AZ
Market Type	Small Group
Proposed Effective Date	01/01/2027
Primary Contact Person and Title	
Primary Contact Telephone Number	
Primary Contact Email	

Scope and Purpose of Filing: This document contains the Part III Actuarial Memorandum for Cigna Health and Life Insurance Company (Cigna)'s Arizona small group block of business, effective January 1, 2027. This rate submission is for off-exchange small group PPO products that will be available for sale in 2027. This filing consists of [REDACTED]. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT). Note that this is an annual filing that includes quarterly trend for 2027. Please note that the content of this filing is intended to be reviewed by an actuary.

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I URRT, which support compliance with the market rating rules and reasonableness of applicable premium rates. This information may not be appropriate for other purposes.

This information is intended for use by the State of Arizona Department of Insurance and Financial Institutions, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Cigna's small group rate filing. However, we recognize that this certification may become a public document. Cigna makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Cigna under any theory of law.

As prescribed by Arizona, the premium rates developed and supported by this Actuarial Memorandum rely on the regulations and guidance that are in place at the time of this filing. Future modifications in legislation, regulation, and/or court decisions may affect the extent to which the premium rates are neither excessive nor deficient. Cigna reserves the right to file revised rates in the event of changes to the regulatory environment in which they were developed.

Note that the values in tables throughout this file are rounded so replicating computations using the values in the tables may lead to slight differences.

2. PURPOSE AND ASSUMPTIONS FOR PROPOSED RATES

Cigna has [REDACTED] customers currently enrolled in its plans. The primary factors driving the rate changes in this filing compared to the Q1 2026 rates are listed below.

- Medical inflation and unit cost changes of medical services year over year
- Updated trends factors
- Incorporation of one additional year of experience data.

The table below shows the average rate change proposed for customers who are enrolled in plans that are being directly replaced.

[REDACTED]

Single Risk Pool: Cigna rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d) and reflects all covered lives for every non-grandfathered product/plan combination, in the State of Arizona small group health insurance market.

3. MARKET EXPERIENCE

Cigna has several plans that have historical experience in 2025. The experience reported on Worksheet 1, Section I of the URRT shows Cigna's earned premium, incurred and paid claims, and enrollment for the period of 1/1/2025 through 12/31/2025. Incurred claims have four months of claims runout. Current enrollment and current premiums on Worksheet 2, Section II are reported as of April 2026.

Premiums in Experience Period

The premiums earned during the experience period (as reported on Worksheet 1, Section I of the URRT) represent actual premiums received during the period 1/1/2025 through 12/31/2025. [REDACTED]. A risk adjustment [REDACTED] is estimated for 2025. Please note, however, that risk adjustment data is limited and incomplete at this point in time.

Method for Determining Allowed and Incurred Claims

All claims were processed through Cigna's claims system. Total allowed claims were [REDACTED], total member cost sharing was [REDACTED], and Cigna's total paid claims were [REDACTED].

4. BENEFIT CATEGORIES

We assigned the utilization and cost information to benefit categories as shown in Worksheet 1, Section II of the Part 1 URRT based on place and type of service using a detailed claims mapping algorithm summarized as follows:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, & other professional services, except hospital based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- Prescription Drug: Includes drugs dispensed by a pharmacy, net of rebates received from drug manufacturers.
- Capitation: Includes all services provided under a capitation arrangement.

5. PROJECTION FACTORS

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6. MANUAL RATE ADJUSTMENTS

Source & Appropriateness of Experience Data used in Developing the Manual Rate

The source data used to generate the Manual Rate is trended national group experience adjusted for state- and market-specific differences. The experience for the national group book of business is deemed appropriate for development of the Manual Rate because the baseline experience was not subject to group medical underwriting and the benefits for the group experience are similar to the benefits required to be ACA compliant. The adjustments to the baseline data are addressed below.

Adjustments Made to the Data Underlying the Manual Rate

The following adjustments were made during the development of the Manual Rate to account for differences between the source data and characteristics of the anticipated population in the Small Group Market for the proposed period:

- Morbidity Adjustment – ■
- Demographic Adjustment – ■
- Area & Trend Factors – Annualized cost trend is used to bring the manual rate forward to the applicable 2027 pricing period, and area factors are applied to specific Arizona regions where the plans are offered.

Inclusion of Capitation Payments

There are no services provided under a capitation arrangement for plans included in this filing.

7. CREDIBILITY OF EXPERIENCE

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8. DEVELOPMENT OF PROJECTED INDEX RATE

The Index Rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The Projection Period Index Rate reflects the projected mixture of area factors and the projected mixture of risk morbidity that Cigna expects to receive in the Single Risk Pool for 2026. The Projection Period Index Rate has not been adjusted for payments and charges projected under the risk adjustment program or for Exchange User Fees.

The Projection Period Index Rate is \$■. This value represents the projected EHB allowed claims PMPM weighted with the appropriate quarterly trend and membership distribution (see Sections 13 and 17 for additional detail). The specific adjustments and manual basis underlying this index rate are described in Section 6.

Table 8.1 summarizes the Index Rate. Note that there are not any additional benefits offered beyond the EHB benefits.

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Table 8.2 shows a build-up of the index rate by URRT service category.

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9. DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

The Market-wide Adjusted Index Rate for this filing is \$[REDACTED]. The Market-wide Adjusted Index Rate is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules, 45 CFR Part 156.80 (d)(1). The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market-Wide Adjusted Index Rate.

[REDACTED]

The Market-wide Adjusted Index Rate reflects the average demographic characteristics of the single risk pool and is not calibrated. The following market-wide adjustments have been made to the Index Rate, as allowed under these rules:

- a. **Risk Adjustment Payment/Charge:** This factor includes the impact of the estimated risk adjustment transfer payment as addressed in a subsequent paragraph of this section.
- b. **Exchange User Fees:** The Exchange User Fee adjustment was determined to be \$0 because Cigna is only offering coverage off-exchange.

Experience Period Risk Adjustments PMPM

Risk adjustment is estimated to be a [REDACTED] PMPM in the experience period. However, please note that Cigna has only partially credible experience in the experience period and that risk adjustment has not yet been finalized.

Projected Risk Adjustments PMPM

[REDACTED]

Paid to Allowed Ratios

The following table provides support for the average projected paid to allowed ratio. The average projected allowed and incurred PMPM reflects the member month weighted average from Worksheet 2, Section IV of the URRT.

[REDACTED]

The average AV metal value is based on AVs calculated using the federal AV calculator, weighted on projected allowable cost by metal level.

10. NON-BENEFIT EXPENSES AND PROFIT AND RISK

The following table summarizes retention components included in the rate development. The dollar amounts in this table illustrate the values that apply to the Q1 2027 premium rates, so are not weighted averages across all three quarterly sets of premium rates.

[REDACTED]

General administrative and commission expenses were allocated across plans based on a fixed expense that was applied as a percent of premium. The taxes and fees subsection of Table 10.1 reflect adjustments for the Risk Adjustment Admin Fee, Arizona state premium tax, the comparative effectiveness research fee, and federal income tax.

General administrative expense is not anticipated to be sufficient to cover all expenses associated with the business. Instead, it is calculated as the maximum allowed expense while meeting the MLR requirement as prescribed by 45 CFR 158.

11. PROJECTED LOSS RATIO

The projected 2027 PPACA MLR for Cigna's small group products represented in this filing is █%. This loss ratio is calculated based on the MLR methodology as prescribed by 45 CFR 158. Table 11.1 includes projected 2027 values that account for trend and enrollment assumptions by quarter.

A demonstration of the projected MLR calculation is illustrated below:



We did not estimate a credibility adjustment for the projected MLR. Including a credibility adjustment could only increase the projected MLR, which already satisfies the MLR requirement.

No additional state-specific projected loss ratio demonstration is required for small group plans in the State of Arizona.

12. SINGLE RISK POOL

Cigna's rates are developed using a single risk pool, established according to the requirements in 45 CFR section 156.80(d), and reflect all covered lives for every non-grandfathered product / plan combination in the state of Arizona small group health insurance market. Cigna does not have any transitional policies in Arizona.

13. INDEX RATE

The projection period index rate is \$[REDACTED]. This value represents the projected EHB allowed claims PMPM weighted with the appropriate quarterly trend and membership distribution for 2027. The blend of manual and experience data underlying this index rate is described in Sections 5-7. Note that there are not any additional benefits offered beyond the EHB benefits. The Projection Period Index Rate has not been adjusted for payments and charges projected under the risk adjustment program or for Exchange User Fees.

Table 13.1 shows the enrollment distribution and trend assumptions for each plan in this filing. The table also includes the multiplicative adjustment factors that are applied to the weighted average index rate to calculate the applicable index rate for each quarter in 2027.

[REDACTED]

The enrollment distribution, trend, and adjustment factors shown above are also applicable to the Market Adjusted Index Rate and the Plan Adjusted Index Rates. Any reference to an index rate within this memorandum and the URRT reflects a member weighted average rate. Enrollment projections within the URRT reflect enrollment figures for Q1-Q4 of the 2027 calendar year.

14. MARKET ADJUSTED INDEX RATE

The Market-Wide Adjusted Index Rate is \$[REDACTED]. This rate is not calibrated, which means that it reflects the average demographic characteristics of the single risk pool.

- Risk adjustment transfer amount: as discussed in Section 9, the overall impact of projected risk adjustment transfers is [REDACTED] of Medical cost on an allowed basis.
- Exchange user fee adjustment: the exchange user fee adjustment was determined to be [REDACTED].

15. PLAN ADJUSTED INDEX RATES

Only the following allowable modifiers (as specified in 45 CFR 156.80(d)) have been used to adjust the Market-Wide Adjusted Index Rate to arrive at the Plan Adjusted Index Rates:

- Plan-specific actuarial value and cost sharing adjustments
 - The CMS Actuarial Value Calculator was used to determine the AV metal value for each plan.
 - The AV and cost-sharing adjustment encompasses expected cost-sharing and utilization differences due to differences in cost-sharing.
- Administrative costs, excluding the Risk Adjustment User Fee and Exchange user fees
 - This adjustment is developed to indicate the impact of non-benefit expenses.
- Impact of Provider Network, Delivery System and UM changes
 - [REDACTED].
- Adjustment for benefits in addition to the EHBs
 - [REDACTED].

The adjustment impact of specific eligibility categories for the catastrophic plan is not applicable since Cigna does not plan to offer catastrophic plans in 2027.

The following table demonstrates the Plan Adjusted Index Rate development for each plan in the projection period:

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The Plan Adjusted Index Rates ■.

16. CALIBRATION

Cigna calibrates the Plan Adjusted Index Rates to apply the allowable rating factors (age, geography, and tobacco) in order to calculate Consumer Adjusted Premium Rates. The single calibration factor is applied uniformly across all plans. The calibration for each allowable rating factor is described below.

Age Curve Calibration

The weighted average age factor for the projected membership was calculated using the updated Default Federal Standard Age Curve defined in the addendum to 45 CFR 147.102(d). The average age associated with this projected membership (rounded to the nearest whole number) is ■. The weighted average age curve calibration factor is ■. The Plan Adjusted Index Rate was divided by the weighted average age factor mentioned above, to arrive at the calibrated Plan Adjusted Index Rate for a 21 year old. A demonstration of how the Plan Adjusted Index Rate and the age curve were used to generate the calibrated Plan Adjusted Index Rate for each plan is provided below.

Additional information regarding the age curve can be found in Section 17.

Geographic Factor Calibration

Rate variations among geographical areas vary only by the geographic rating regions defined by the federal government. Area factors reflect only differences in the cost of the delivery of medical services among rating areas for a standard population and fixed market basket of covered services. Additional information regarding the rating area factors can be found in Section 17.

An average geographic factor is developed based on the projected distribution of membership across all areas. Then the Calibrated Plan Adjusted Index Rate is calculated as Plan Adjusted Index Rate divided by this weighted average geographic factor.

Tobacco Use Rating Factor Calibration

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The following tables demonstrate the calibration performed for each plan.

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Table 16.2 shows the development of the age calibration factor used in Table 16.1.

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The Plan Adjusted Index Rate represents average premium for the projected single risk pool at the unrounded average age, weighted using the best-estimate Default Federal Standard Age Curve factors.

17. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual, family, or small employer group, and is developed by applying the following allowable adjustments to the Calibrated Plan Adjusted Index Rate.

- Individual and family tier – applied by summing the premiums for each individual family member, provided at most three child dependents under age 21 are taken into account.
- Rating area factor – applied by multiplying the area factors to the Calibrated Plan Adjusted Index Rate
- Age factor – applied by multiplying the age factor to the Calibrated Plan Adjusted Index Rate
- Tobacco status – applied by multiplying the tobacco factor to the Calibrated Plan Adjusted Index Rate

Cigna's 2027 age and tobacco rating factors are shown below. The age rating factors used by Cigna are identical to those prescribed by CMS.

Cigna's geographic rating factors for the Q1 2027 filing are shown below. The changes to these factors relative to the 2026 factors reflect differences in utilization, unit cost, and practice patterns by region. These factors do not reflect the impact of differences in demographics and morbidity using risk scores. Note that these small group plans will be offered in each Arizona rating area.

The premium for family coverage is determined by summing the consumer adjusted premium rates for each family member, provided at most three child dependents under age 21 are taken into account.

For these Small Group plans, the result from above would further be multiplied by a quarterly adjustment factor, reflecting the impact of both quarterly trend and enrollment weight. The following table shows these factors for each applicable quarter in 2027. Development of these factors is further discussed in Section 13 above.

The following table demonstrates the premium rate development for the Consumer Adjusted Premium Rate beginning with the Calibrated Plan Adjusted Index Rate and applying the appropriate age, area, and tobacco factors.

It is Cigna's intent to also offer groups the option of composite rating, in accordance with federal and Arizona state guidance.

18. AV METAL VALUES

The AV metal values included in Worksheet 2 are based on the AV Calculator. Table 18.1 below summarizes these values for each plan. Screenshots of the AV Calculator for each plan can be found in file titled "AZ Q1 2027 AVC Screenshots".

We have also included unique plan design documentation for several plans in the accompanying actuarial certification titled "AZ Q1 2027 Unique Plan Design Supporting Documentation and Justification". These documents describe adjustments that were made in the AV Calculator to develop an accurate AV.

19. MEMBERSHIP PROJECTIONS

Enrollment projections at a plan level are shown in Section I, Worksheet 2 of the URRT. Enrollment projections were developed based on Cigna's enrollment experience and anticipated effects of change in product offerings.

20. PLAN TYPE

The plan types as inputted in Section I, Worksheet 2 of the URRT accurately describe the plans in this filing.

21. UNIFORM MODIFICATION

No plans have been terminated or will be unmapped in 2027.

22. EFFECTIVE RATE REVIEW INFORMATION

Cigna Health and Life Insurance Company (Cigna) is in strong financial condition. The company's statutory capital and surplus is shown for 2021 through 2025 in Table 22.1. These values are taken directly from Cigna's year-end financial statements.

23. RELIANCE

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The data and other information have been reviewed for reasonableness but have not been audited. I have also relied on other internal and external sources, including data provided by Milliman, to develop the underlying assumptions used in the pricing methodology. I have relied on data and analysis provided by ■, in developing the proposed premium rates and in preparing the Part 1 Unified Rate Review Template submission. In addition, I have relied on ■ to fill out the Actuarial Value Calculator for each plan.

I performed a limited review of the data used directly in the analysis for the reasonableness and consistency and have not found any material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

24. ADDITIONAL ARIZONA LAW REQUIREMENTS

To the best of our knowledge, this rate filing meets the requirements applicable to small group ACA plans identified in ARS § 20-2311, including:

- The only adjustments made to the Calibrated Plan Adjusted Index rates are filed age factors, geographic rating area factors, trend, and family composition.
- Adjustments are applied consistently for each small group employer.
- The state-defined rating areas are used for the purpose of defining area factors.

25. ACTUARIAL CERTIFICATION

I, [REDACTED], am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I certify, to the best of my knowledge and judgment, that:

- a) The rates proposed in the above noted rate filing are
 - In compliance with all applicable State & Federal Statutes & Regulations (45 CFR 156.80(d)(1))
 - Developed in compliance with applicable Actuarial Standards of Practice, including but not limited to the following:
 - ASOP #5, Incurred Health & Disability Claims
 - ASOP #8, Regulatory Filings for Health Plan Entities
 - ASOP #12, Risk Classification
 - ASOP #23, Data Quality
 - ASOP #25, Credibility Procedures Applicable to Accident & Health, Group Term Life, and Property & Casualty Coverages
 - ASOP #26, Compliance with Statutory & Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans
 - ASOP #41, Actuarial Communications
 - ASOP #50, Determining Minimum Value and Actuarial Value under the Affordable Care Act
 - Reasonable in relation to the benefits provided and the population anticipated to be covered
- b) The Projected Index Rate presented in this filing is:
 - a. In compliance with all applicable state and Federal statutes and regulations in 45 CFR 156.80(d)(1)
 - b. Developed in compliance with the applicable Actuarial Standards of Practice
 - c. Reasonable in relation to the benefits provided and the population anticipated to be covered
 - d. Neither excessive nor deficient
- c) Plan level rates were generated using only the index rate and allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2)
- d) The geographic rating factors reflect only differences in the costs of delivery, including unit cost and provider practice pattern differences, and do not include differences for population morbidity by geographic area.
- e) The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans, save the exceptions noted in Section 18, which are further explained in the accompanying actuarial certification “AZ Q1 2027 Unique Plan Design Supporting Documentation and Justification”

The URRT does not demonstrate the process used to develop the rates presented in this filing. Rather, it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

[REDACTED]