Overview

- Introductions
- Introducing… Cigna
- An overview of the AEDP
- Healthcare Reform
- Questions and Answers
Introductions
Introducing...Cigna

- **Cigna**: A Healthcare & Related Benefits Company
  - $21.3 billion in revenue
  - 30,000 employees worldwide
  - 66 million customer relationships worldwide

- **Mission**: To improve the health, well-being, and security of the customers we serve
  - Go Deep, Go Global, Go Individual

- **Locations**:
  - Hartford, CT
  - Philadelphia, PA
  - Denver, CO
  - Various Domestic and International Locations

- **Cigna’s major lines of business include**:
  - Health Care (Largest Business)
    - Medical, Dental, and Pharmacy to name a few
  - Life and Disability Group Insurance
  - International (Fastest Growing Business)
    - World leader in Ex-patriot Health Care Benefits
    - Health, Life & Accident
 Leading the industry in personalizing the health care experience. Promoting health over “sick coverage”!

Exciting time to work at Cigna

- New Branding – “GO YOU”
- Things are changing – Health Care Reform
- Young, energetic, executive leadership team
- GLOBAL health services company
What makes being an actuary at Cigna Unique?

Actuarial Executive Development Program
(AEDP)
Why become a part of the AEDP?

- Cigna has a unique vision of the actuary
  - Not just technical resources, actuaries are our present and future business leaders
  - Long track-record of success: Former Program Graduates have gone on to become Financial and Business Leaders, Presidents, CFOs and even CEOs!

AEDP Leadership Opportunities

- Operational Leaders (Underwriting, Presidents, etc.)
- Financial Leaders (CFOs, Chief Actuary, etc.)
- Actuarial Specialists (Investment advisors, etc.)
- Actuarial Students
How Do We Develop Future Business Leaders?
#1: Start With the Best

- **Hire top actuarial talent across the US and abroad**
  - **Program Director** – experienced FSA who is dedicated to developing the internship program and meeting the program members professional needs
  - Highly competitive internship and full-time programs
  - Last year’s intern class included 31 students from 20 different Universities!

- **What characteristics do future leaders possess?**
  - Self motivation and ambition
  - Creativity
  - Outstanding communication skills – verbal and written
  - Leadership and Courage
  - Desire to work on and lead a high performing team
  - Analytical and Technical abilities
#2: Significant Internship Opportunities

- Real projects that meaningfully contribute to the business
- Numerous case studies to expand your learning
  - How to build an organization
  - Creating your own health care reform proposals
  - Product Development and Effective Negotiation Skills
- Exposure to Senior Business Leaders
  - CEO, CFO, President and many more!
The Full-time rotational program is designed to produce broad business leaders

What experiences do you need?

- Diverse roles that allow you to learn the business
- Projects that allow you to contribute meaningfully to the success of the organization
- Leadership opportunities early in your career
- Exposure/Communication with many different audiences (Customers, Employers, Sales, Hospital Executives, Brokers, etc.)

What skills do you need to develop?

- Communicating with Influence, Leading through Change, Effective Use of Technology, Managing Others, Business Acumen, and Assessing Talent to name a few
#4: Provide Unparalleled Exam Support

- Unparalleled Exam Support = Exceptional Results

The average time to FSA for a Cigna AEDP student is approximately 4 years!
Healthcare Reform
Prior to 1970s, most services paid on a “fee for service” basis

During 1970s, “managed care” HMOs developed capitation method where providers were paid a pre-arranged amount per patient

Covered variety of health services (inpatient / outpatient) at a single premium, could limit cost by reducing hospital utilization

Led to “networks” of providers, a “gatekeeper” primary care physician, referrals, copays
Managed care has evolved over the years

- Payment methods to providers usually a combination of fee for service and capitation
- Members can go out of network (but pay more)
- Referrals not always necessary now
- Members often pay deductibles and/or coinsurance in addition / instead of copays
Healthcare Reform - Background

Problems

- **Access:** 45-50 million uninsured (at least for part of yr)

- **Cost:** members usually don’t see the underlying cost of a service, pay a flat amount with copays and low % overall
  - Demand for medical innovation, technology leads to high utilization, expensive treatments
    - # of CT / MRI scanners per capita is 2x industrial avg
  - Malpractice insurance expensive for providers
  - Chronic conditions due to lifestyle – obesity, smoking
  - Inefficiency in delivery – paper records

- **Cost:** US spends 16% of GDP on healthcare
  - About $2 trillion w/projected 7% annual trend

- **Quality:** in spite of high cost and quantity of services, quality is not better
  - US does not show better outcomes in, eg, life expectancy
Patient Protection and Affordable Care Act (PPACA) became law in March 2010

- Deep into implementation
- Facing significant financial, legal, and political challenges
- Much clarification happening now
Healthcare Reform - Overview

Access

- Individuals required to have health care coverage starting in 2014
  - States will set up insurance exchanges with at least 5 benefit categories, all of which must cover “essential” benefits (no lifetime max)
  - Penalty for not purchasing
  - Eligible for assistance via tax credits if meet criteria

- Large employers (>50) penalized if their employees purchase coverage through exchange and receive federal assistance

- Cover dependents up to age 26 as of Sept 2010 (except grandfathered cases until 2014)

- Health insurance issuers in group & individual markets must guarantee issue and guarantee renew as of 2014
Healthcare Reform - Overview

Cost

- Fees on health providers (insurance, pharmaceuticals) -- $8B in ‘14, $14.3B in ’18
- Covered lives tax ($1 in ’13, $2 in ’14-’19) to fund effectiveness research
- High income individuals (> $250K joint filer)
  - Extra 0.9% on wages, 3.8% on investment inc
- “Cadillac” tax on employers as of 2018
  - 40% in excess of $10.2K (ind) or $27.5K (family) indexed
- Tax credits to small employers
- Insurance market regulation
  - Minimum medical loss ratio of 80% (individual and small group policies) and 85% (large group)
    - Not just claims/ premium
    - Administrative issues in tracking – what level?
    - Provide refunds if not met
  - Rating rule changes: can differentiate by family structure, geography, age (3:1), tobacco (1.5:1)
Quality

- Until 2014, employer sponsored coverages must provide certain benefits
- Wellness incentives expanded from 20% to 30% of premium
Healthcare Reform – Projected Impact on Access

Expected Source of Coverage, in Millions of Persons

- **Exchange**
  - 2010: N/A
  - 2016: 21

- **Non-group**
  - 2010: 150
  - 2016: 10

- **Medicaid/CHIP**
  - 2010: 40
  - 2016: 160

- **Uninsured**
  - 2010: 50
  - 2016: 24

Implications:
- Increase in commercial coverage
- More lives enrolled in Medicaid and CHIP programs

Source: CBO Preliminary Score of Senate Finance Committee America’s Healthy Future Act, as Amended, October 7, 2009.
CHIP = Children’s Health Insurance Program
Costs likely to increase as a result of new covered lives, additional taxes

Impact on Quality not clear
Questions?

Thanks for coming!

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