



# CIGNA GLOBAL'S PRICING STRATEGY EXPLAINED

September 2022





At Cigna, we understand that many of your clients may raise concerns when they see an increase to their annual premium. To help you discuss these increases, we've created a guide that features information on price increases and why we have to make changes during certain periods of the year. We've also included answers to some of the most asked questions that we receive on this topic.



### Cigna's Pricing Strategy

Our strategy is reflective of current market trends, observed data and other strategic lenses or considerations. There are many factors that drive an increase in cost – not only for Cigna, but for the industry as a whole.



### Age

An aging global population means that prices for health insurance have increased slightly during recent reviews. An increase will vary depending on the customer's current age, for example, toddlers and adults will see different age-related increases.



### Location

Location is a factor that impacts our pricing. Most customers would prefer to travel back to their home country to receive treatment, particularly for major treatment. However, this may not always be possible. If a customer's home country has less developed medical facilities, they may decide to receive treatment somewhere else, meaning they may have to travel to receive the treatment that they would like.

## **How have current levels of inflations impacted our rates?**

This year, we have seen levels of general inflation increasing in many countries around the world. From historic levels of around 1-2%, many countries are now experiencing levels of inflation at around 7-8%. The ongoing conflict in the Ukraine is likely to extend the period of higher inflation due to, amongst other reasons, the continued cost and supply of oil.

As well as introducing additional affordability features to our products, such as cost- sharing and deductibles, we are working proactively with your health care providers in order to be able to continue to offer affordable, comprehensive products to your customers.

## **How have the levels of claims affected rates over the last few years?**

In the aftermath of the COVID-19 pandemic, we have observed a higher level of Musculoskeletal, Cancer and Mental Health claims than we experienced before the pandemic. This is likely due to the delay in access to the required treatment whilst hospital networks prioritised COVID-related treatment.

Conversely, we are currently experiencing lower levels of Respiratory claims, likely due to people generally being more conscious of maintaining personal cleanliness. The net impact of this change in diagnosis mix is a c1% increase to the level of claims we're now seeing.



## **Medical inflation – factors that impact our premiums**

Medical inflation is separate from global price inflation trends – and can usually be much higher – due to factors specific to the healthcare industry, such as advances in medical technology and overburdened health care providers.

The average annual medical inflation across the globe is typically between 7% and 8%, though this does vary by country.

## **Why do medical advances affect premiums?**

Medical technology can account for up to 50% of medical inflation increases. Every year health care technology changes – usually for the better of Cigna customers as it gives them access to new treatments, the downside to this though is that it's always at a higher cost. Pioneering technology is constantly evolving which is now curing more diseases and illnesses than ever.

Many cost factors like pharmaceuticals and technology are simply passed onto insurers from hospitals, doctors and the health care industry.

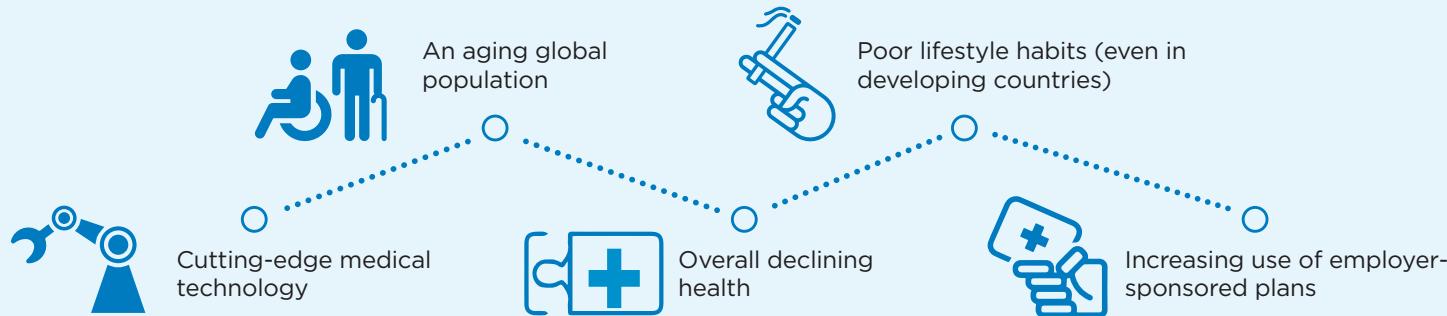
## Observed experience data



Our data for various demographic categories and plan design selections, such as deductibles and coinsurances, are reviewed on an ongoing basis to ensure that price points reflect differing cost of care across the globe. When changes are made to pricing to reflect the experience data, some areas will be more favourably impacted than others but the average change across the portfolio is neutral.

These changes reflect a better understanding of the costs and do not increase Cigna's profits.

### ACROSS THE HEALTH CARE SPECTRUM, THE INCREASING COSTS OF MEDICAL TREATMENT CAN BE EXPLAINED BY:



## Why would there be price increases more than once a year?

Price changes usually occur at the point of renewal for existing customers and at a specified date for all new customers. Sometimes, health insurers update their pricing more than once a year, based on the following impacts:

- › Product changes that result in changes to the price
- › Developing claim patterns that vary by region resulting in larger/smaller increases in certain parts of the world.



## Frequently Asked Questions (FAQs)

### **Some competitors are offering the same level of coverage at a lower price. Why can Cigna not match this?**

Cigna Global strives to balance the requirement for rates to be sustainable and sufficient to provide for your clients in their time of need. The goal of our pricing strategy is to offer prices that are competitive with other providers and meet the short-term financial needs of our customers.

We also make our rate changes region specific – impacting only those areas that are most affected by external influences. This region-specific approach means that some areas are affected negatively and will see a price increase. While other areas are affected positively and will see a price decrease.

### **I haven't made a claim this year. Why has my annual premium increased?**

Premiums increase mainly due to inflation as well as medical inflation, which tend to increase every year. As mentioned in this document, age is also a factor that impacts our pricing. We also believe that our customers should not be penalised if they do need to make a claim during their year of cover. That's why our aim is to keep our risk of claims equal across our customer base. Adding specific costs to individual customers would be unreasonable due to the significant costs that can be associated with certain treatments.

### **I haven't made a claim on my policy this year, is there no reward system in place for this?**

No, we do not offer rewards for customers who go through a policy year without making a claim. Our customers should always seek medically necessary treatment for any conditions without worrying about the potential expense. Offering an incentive not to do this would not be in the best interest of our customers. Early intervention through health assessments and health screening tests can lead to better health outcomes and less complex procedures. This helps control overall costs and keep premiums manageable each year whilst also protecting our customers health, well-being and peace of mind.

**Together, all the way.<sup>SM</sup>**



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