

State of Connecticut

RICHARD BLUMENTHAL
ATTORNEY GENERAL



Hartford

March 8, 2010

The Honorable Kathleen Sebelius
Secretary of Health & Human Services
U.S. Department of Health & Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Secretary Sebelius:

In light of your recent meeting with some of the nation's largest health insurers and your demand that they justify recent excessive and exorbitant premium increase requests, I am writing to bring important information to your attention.

My office is conducting an investigation of certain practices of Anthem Blue Cross and Blue Shield ("Anthem") of Connecticut, which is owned by WellPoint, Inc., one of our nation's largest for profit health insurers. As part of this investigation, my office has learned that Anthem requires many Connecticut hospitals to accept from the company the lowest reimbursement rate of all plans that contract with the hospitals. The contractual clauses my investigation has uncovered -- which may not be unique to Connecticut -- are commonly referred to as Most Favored Nations ("MFN") clauses. The clauses can deter hospitals and other health care providers from accepting lower reimbursement rates from other insurers because the hospital will be required to offer the same discount to Anthem, a very large insurer in the Connecticut market.

In other words, Anthem has locked in the lowest possible price for itself and may have undercut competition. Given this low cost structure, Anthem should be realizing cost savings. Yet, far from giving policy holders the benefit of its potential savings, Anthem is instead seeking to impose sky high premium increases on Connecticut health insurance consumers. Just last summer, Anthem sought approval in Connecticut for health insurance premium increases as high as 30 percent -- unjustified and ill considered hikes that I strongly opposed. Perhaps these increases were necessary for the salaries of the 39 WellPoint executives that the company recently told Congress received at least \$1 million in 2008.

In Connecticut, I was particularly concerned that Anthem's MFN clauses were preventing hospitals from participating in Connecticut's state subsidized Charter Oak Health Plan which provides health insurance for uninsured Connecticut residents. Under Charter Oak, hospitals that agree to participate must accept discounted rates for services and treatment. As you know, lower rates than those paid by commercial insurers are the norm in publicly-subsidized health care programs. Our investigation, and discussions we have engaged in with Anthem, prompted Anthem to publicly announce on January 28, 2010, that it would not enforce its MFN clause in regard to any Connecticut hospital's participation in the Charter Oak Health Plan. Anthem has been cooperating in my investigation.

A report, *Insurance Companies Prosper, Families Suffer: Our Broken Health Insurance System*, recently released by the Department of Health and Human Services highlighted the high cost of health insurance generally and specifically used Connecticut as an example of a state where health insurers have been requesting unjustified and unwarranted premium hikes. Indeed, the cost of group health insurance in Connecticut is the fifth highest in the country. In 2009, group health insurance rates increased 13% for Connecticut families, while individual health insurance premium rates increased by over 20%. Such high premium increases have not resulted in better insurance coverage because our State Office of the Health Care Advocate reports that complaints about denials doubled in 2009.

I urge you to continue your call to have health insurance companies justify the ever increasing premiums they seek to impose on their customers. My antitrust investigation into the effects that MFN clauses have on health care costs is continuing. My staff and I are available to discuss this matter and the results of my investigation thus far with you or members of your staff at your convenience.

In closing, I respectfully request that you investigate the gaping gap between Anthem's low reimbursement rates and its sky high, ever-increasing premiums.

Sincerely,



RICHARD BLUMENTHAL

RB/pas