

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In The Matter Of:

**ANTHEM BLUE CROSS AND BLUE
SHIELD OF CONNECTICUT**
Medicare Supplement Insurance

Docket No LH 14-82

ORDER

I, Anne Melissa Dowling, Deputy Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter, and issue the following order, to wit:

The Medicare supplement insurance rate filing submitted by Anthem Blue Cross and Blue Shield, for its pre-standardized products, is not approved as submitted. However, rate changes on some of the subject products are approved. This will result in the following rate changes for the company's respective plans:

<u>Pre-Standardized</u>	<u>Rate Change</u>
BC-65 High Option	
Group	0.00%
Direct Pay	0.00%
High Option Alt.	
Group	0.00%
Direct Pay	0.00%
BC-65 Low Option	
Group	0.00%
Direct Pay	0.00%
Low Option Alt.	
Group	0.00%
Direct Pay	0.00%
Drug Riders	
P1	0.00%
P3	0.00%
P5	0.00%
\$0 copay, 80% coins., \$2,000 max	
Group	0.00%
Direct Pay	0.00%

BS-65 Plan 81	
Group	0.00%
Direct Pay	0.00%
BS-65 Plan 82	
Group	-5.00%
Direct Pay	-5.00%
BS-65 Plan 83	
Group	- 5.00%
Direct Pay	- 5.00%
CarePlus	
Hospital	0.00%
Medical	0.00%

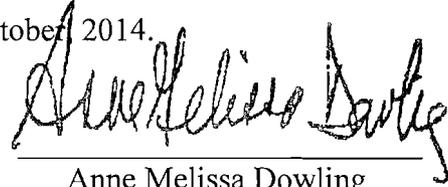
The company's proposed rate increases on its standardized Medicare supplement insurance products are not approved as requested. However, the following rate changes are approved for the company's products.

<u>Standardized</u>	<u>Increased</u>
Plan A	20.00%
Plan B	0.80%
Plan C	1.60%
Plan D	2.72%
Plan F	5.60%
Plan F (High Ded)	0.00%
Plan H (w/Rx)	9.90%
Plan H (w/o Rx)	0.50%
Plan J (w/Rx)	0.00%
Plan J (w/o Rx)	0.00%
CHCP Plan J (w/ Rx)	0.00%
CHCP Plan J (w/o Rx)	9.90%
<u>Modernized</u>	<u>Increased</u>
Plan A	20.00%
Plan F	5.60%
Plan F (High Ded)	0.00%
Plan G	9.90%
Plan N	-5.00%

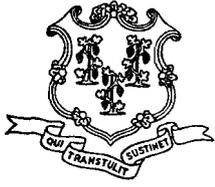
These rate changes (pre-standardized and standardized) approved herein, are reasonable in relation to the plan benefits, projected claim costs and anticipated loss ratios the company expects to realize on the plans.

Anthem Blue Cross and Blue Shield is directed to file its revised rate schedules with the Insurance Department by Friday, November 14, 2014. The Revised Rate schedules must reflect the rate changes approved herein.

Dated at Hartford, Connecticut, this 23rd day of October 2014.

A handwritten signature in black ink, appearing to read "Anne Melissa Dowling". The signature is written in a cursive style and is positioned above a horizontal line.

Anne Melissa Dowling
Deputy Commissioner



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In The Matter Of:

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PROPOSED FINAL DECISION

1. INTRODUCTION

The Insurance Commissioner of the State of Connecticut is empowered to review rates charged for individual and group Medicare supplement policies sold to any resident of this State who is eligible for Medicare. This regulatory authority is carried out in accordance with statutes found in Chapter 700c of the Connecticut General Statutes.

After due notice, a public hearing was held at the Insurance Department in Hartford on October 8, 2014 to consider whether or not the rate filings by Anthem BlueCross and BlueShield on its Medicare supplement business should be approved.

No members of the general public or public officials attended the hearing.

Two representatives from Anthem BCBS participated in the hearing and two other company representatives attended the hearing.

Two Insurance Department representatives attended the hearing.

The hearing was conducted in accordance with the requirements of Section 38a-474, Connecticut General Statutes, the Uniform Administrative Procedures Act, Chapter 54 of the Connecticut General Statutes, and the Insurance Department Rules of Practice, Section 38a-8-1 et seq. of the Regulations of Connecticut State Agencies.

Background

A Medicare supplement (or Medigap) policy is a private health insurance policy sold on an individual or group basis which provides benefits that are additional to the benefits provided by Medicare. For many years Medicare supplement policies have been highly regulated under both state and federal law to protect the interests of persons eligible for Medicare who depend on these policies to provide additional coverage for the costs of health care.

Effective December 1, 2005, Connecticut amended its program of standardized Medicare supplement policies in accordance with Section 38a-495a of the Connecticut General Statutes, and Sections 38a-495a-1 through 38a-495a-21 of the Regulations of Connecticut Agencies. This program, which conforms to federal requirements, provides that all

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II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, the testimony of the witnesses, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

Anthem Blue Cross and Blue Shield of Connecticut has requested the following rate changes to its pre-standardized and standardized books of business:

Pre-Standardized

	In-Force Members			
	<u>5/31/14</u>	<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
BC-65 High Option				
Group	6,418	\$110.13	\$112.99	2.60%
Direct Pay	1,995	\$151.18	\$155.11	2.60%
High Option Alt.				
Group	38	\$105.07	\$107.80	2.60%
Direct Pay	1,360	\$139.75	\$143.38	2.60%
BC-65 Low Option				
Group	677	\$42.47	\$42.47	0.0%
Direct Pay	3	\$46.38	\$46.38	0.0%
Low Option Alt.				
Group	0	\$38.51	\$38.51	0.0%
Direct Pay	3	\$42.36	\$42.36	0.0%
CarePlus Hospital				
Group, Direct Pay	72	\$116.29	\$119.31	2.60%
BS-65 Plan 81				
Group	4,330	\$103.60	\$105.78	2.10%
Direct Pay	3,095	\$113.10	\$115.48	2.10%
BS-65 Plan 82				
Group	2,068	\$89.68	\$89.68	0.00%
Direct Pay	330	\$106.94	\$106.94	0.00%
BS-65 Plan 83				
Group	594	\$76.48	\$76.48	0.00%
Direct Pay	5	\$81.26	\$81.26	0.00%

CarePlus Medical Group, Direct Pay	72	\$111.14	\$113.47	2.10%
CarePlus Drug Riders				
P1	6	\$165.10	\$166.00	0.0%
P3	2	\$133.94	\$133.94	0.0%
P5	0	\$137.26	\$137.26	0.0%
\$0 copay, 80% coins., \$2000 Max				
Direct	27	\$153.52	\$153.52	0.0%
Group	8	\$72.05	\$72.05	0.0%

Standardized

	In-Force Members			
	<u>5/31/14</u>	<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
Plan A	204	\$277.42	\$332.90	20.00%
Plan B	943	\$219.97	\$234.93	6.80%
Plan C	2,403	\$301.28	\$306.10	1.60%
Plan D	572	\$217.85	\$236.59	8.60%
Plan F	6,808	\$231.02	\$243.96	5.60%
High Ded. Plan F	3,315	\$33.45	\$36.76	9.90%
Plan H (w/ Rx)	107	\$285.65	\$313.93	9.90%
Plan H (w/o Rx)	216	\$220.48	\$221.58	0.50%
Plan J (w/ Rx)	260	\$306.16	\$336.47	9.90%
Plan J (w/o Rx)	2,786	\$192.41	\$211.27	9.80%
CHCP Plan J (w/ Rx)	30	\$363.58	\$363.58	0.00%
CHCP Plan J (w/o Rx)	42	\$271.48	\$298.36	9.90%

Modernized Plans

		<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
Plan A	294	\$277.42	\$332.90	20.00%
Plan F	4,244	\$231.02	\$243.96	5.60%
High Ded. Plan F	5,825	\$33.45	\$36.76	9.90%
Plan G	231	\$191.47	\$210.43	9.90%
Plan N	956	\$170.78	\$170.78	0.00%

Anthem BCBSCT calculated incurred claims based on an experience period of March 2013 through February 2014 with paid run-out through May 2014. Trend was then applied for a 22-month period to the middle of 2015.

Medical and Drug trends were developed by plan for the standardized and modernized plans. The trend assumption used in the development of the January 2015 rates is 0% for drug claims while medical trends chosen vary by plan.

For pre-standardized plans, trends were developed in aggregate split between medical and drug. Based on the observed Connecticut pre-standard 12-month trends, a medical trend of 2.5% was chosen, while 0% was applied to drug claims.

The loss ratio history for pre-standardized, standardized and modernized plans is as follows:

	<u>2012</u>	<u>2013</u>	<u>Since Inception</u>
BC-65 High Option	82.8%	86.3%	85.8%
BC-65 Low Option	101.3%	70.4%	89.7%
BS-65 Plan 81	82.6%	80.9%	81.7%
BS-65 Plan 82	85.6%	68.4%	81.0%
BS-65 Plan 83	71.2%	60.6%	81.3%
CarePlus	92.0%	84.1%	81.1%
	<u>2012</u>	<u>2013</u>	<u>Since Inception</u>
Plan A	146.2%	147.6%	123.8%
Plan B	78.1%	82.0%	90.5%
Plan C	83.8%	82.5%	92.5%
Plan D	75.5%	88.1%	84.4%
Plan F	79.5%	80.5%	79.9%
High Ded. Plan F	73.1%	94.1%	53.3%
Plan G	62.0%	81.9%	74.6%
Plan H (w/ Rx)	74.1%	90.5%	79.1%
Plan H (w/o Rx)	84.6%	77.3%	75.5%
Plan J (w/ Rx)	75.7%	81.8%	72.1%
Plan J (w/o Rx)	69.3%	75.5%	71.6%
Plan N	89.9%	65.6%	77.2%

The projected 2015 loss ratios are as follows:

<u>Pre-standardized</u>	<u>Loss Ratio</u>
BC-65 High Option	83.9%
BC-65 Low Option	80.8%
BS-65 Plan 81	83.4%
BS-65 Plan 82	72.2%
BS-65 Plan 83	63.3%
CarePlus	87.8%
<u>Standardized</u>	
Plan A	121.9%
Plan B	80.9%
Plan C	79.8%
Plan D	82.9%
Plan F	80.4%
High Ded. Plan F	109.9%
Plan G	82.2%
Plan H w/ Rx	85.9%
Plan H w/o Rx	80.9%
Plan J w/ Rx	83.1%
Plan J w/o Rx	79.6%
Plan N	70.2%

Anthem BCBSCT certified that their expense factor is in compliance with section 38a-473, C.G.S. They have also conformed to subsection (e) of section 38a-495c, C.G.S., regarding the automatic claims processing requirement.

The proposed rates are designed to satisfy the Connecticut statutory loss ratio of 75%.

Anthem BCBSCT's 2014 Medicare supplement rate filing proposal is in compliance with the requirements of regulation 38a-474 as it applies to the contents of the rate submission as well as the actuarial memorandum.

III. RECOMMENDATION

The undersigned recommends the approval of the following rate changes, in some instances no rate change, for the pre-standardized rate filing:

	<u>Proposed Change</u>	<u>Recommended Change</u>
<u>Pre-Standardized</u>		
BC-65 High Option	2.60%	0.00%
High Option Alt.	2.60%	0.00%
BC-65 Low Option	0.00%	0.00%
Low Option Alt.	0.00%	0.00%
BS-65 Plan 81	2.10%	0.00%
BS-65 Plan 82	0.00%	-5.00%
BS-65 Plan 83	0.00%	-5.00%
CarePlus Hospital	2.60%	0.00%
CarePlus Medical	2.10%	0.00%
CarePlus Drug Riders	0.00%	0.00%

The undersigned also recommends the approval of the following rate changes for the standardized as well as modernized plans.

	<u>Proposed Change</u>	<u>Recommended Change</u>
<u>Standardized</u>		
Plan A	20.00%	20.00%
Plan B	6.80%	0.80%
Plan C	1.60%	1.60%
Plan D	8.60%	2.72%
Plan F	5.60%	5.60%
Plan F High Ded.	9.90%	0.00%
Plan H w/Rx	9.90%	9.90%
Plan H w/o Rx	0.50%	0.50%
Plan J w/Rx	9.90%	0.00%
Plan J w/o Rx	9.80%	0.00%
CHCP Plan J w/ Rx	0.00%	0.00%
CHCP Plan J w/o Rx	9.90%	9.90%

	<u>Proposed Increase</u>	<u>Recommended Increase/Decrease</u>
<u>Modernized</u>		
Plan A	20.00%	20.00%
Plan F	5.60%	5.60%
Plan F High Ded.	9.90%	0.00%
Plan G	9.90%	9.90%
Plan N	0.00%	-5.00%

Based upon updated trend exhibits for standardized and pre-standardized business the Department reduced the standardized medical trend for Plan D from 2.50% to 0.00% and the pre-standardized medical trend from 2.5% to 0.00%. The Department also reduced the pre-standardized prescription drug trend from 0.00% to -10.00%.

In addition, high deductible Plan F, Plan J w/ and w/o Rx have all reached a policy duration of greater than 3 years and any rate increase at this time is considered excessive based upon Connecticut statutory loss ratio requirements.

Dated at Hartford, Connecticut, this 23rd day of October, 2014.

A handwritten signature in cursive script that reads "Danny K. Albert".

Danny K. Albert
Hearing Officer