

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of:

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

Docket No LH 13-157

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	6.68%
Direct Pay	6.68%
High Option Alt.	
Group	6.68%
Direct Pay	6.68%
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	0.00%
Direct Pay	0.00%
BS-65 Plan 83	
Group	0.00%
Direct Pay	0.00%
CarePlus	
Hospital	0.00%
Medical	0.00%

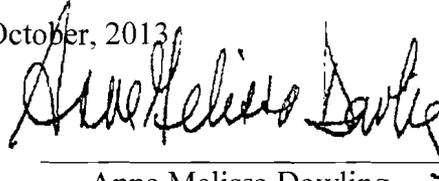
The company's proposed rate increases on its standardized Medicare supplement insurance products are not approved as requested. However, the following rate changes are approved for the company's products.

<u>Standardized</u>	<u>Increased</u>
Plan A	20.00%
Plan B	1.00%
Plan C	1.00%
Plan D	4.00%
Plan F	0.00%
Plan F (High Ded)	-5.00%
Plan H (w/Rx)	0.00%
Plan H (w/o Rx)	0.00%
Plan J (w/Rx)	-5.00%
Plan J (w/o Rx)	-10.00%
CHCP Plan J (w/ Rx)	0.00%
CHCP Plan J (w/o Rx)	6.10%
<u>Modernized</u>	<u>Increased</u>
Plan A	20.00%
Plan F	0.00%
Plan F (High Ded)	-5.00%
Plan G	-5.00%
Plan N	0.00%

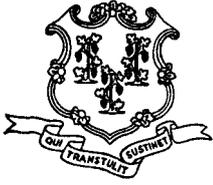
These rate changes (pre-standardized and standardized) approved herein, are reasonable in relation to the plan benefits, projected claim costs and anticipated loss ratios the company expects to realize on the plans.

Anthem Blue Cross and Blue Shield is directed to file its revised rate schedules with the Insurance Department by Friday, November 15, 2013. The Revised Rate schedules must reflect the rate changes approved herein.

Dated at Hartford, Connecticut, this 22nd day of October, 2013

A handwritten signature in black ink, appearing to read "Anne Melissa Dowling". The signature is written in a cursive style with a horizontal line underneath it.

Anne Melissa Dowling
Deputy Commissioner



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INSURANCE DEPARTMENT

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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 9, 2013 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.

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

insurers offering Medicare supplement policies for sale in the state must offer the basic “core” package of benefits known as Plan A. Insurers may also offer any one or more of eleven other plans (Plans B through N).

Effective January 1, 2006, in accordance with Section 38a-495c of the Connecticut General Statutes (as amended by Public Act 05-20) premiums for all Medicare supplement policies in the state must use community rating. Rates for Plans A through N must be computed without regard to age, gender, previous claims history or the medical condition of any person covered by a Medicare supplement policy or certificate.

The statute provides that coverage under Plan A through N may not be denied on the basis of age, gender, previous claims history or the medical condition of any covered person. Insurers may exclude benefits for losses incurred within six months from the effective date of coverage based on a pre-existing condition.

Section 38a-495a-10 of the Regulations of Connecticut Agencies, states that individual and group Medicare supplement policies must have anticipated loss ratios of 65% and 75%, respectively. Under Sections 38a-495-7 and 38a-495a-10 of the Regulations of Connecticut Agencies, filings for rate increases must demonstrate that actual and expected losses in relation to premiums meet these standards, and anticipated loss ratios for the entire future period for which the requested premiums are calculated to provide coverage must be expected to equal or exceed the appropriate loss ratio standard.

Section 38a-473 of the Connecticut General Statutes provides that no insurer may incorporate in its rates for Medicare supplement policies factors for expenses that exceed 150% of the average expense ratio for that insurer’s entire written premium for all lines of health insurance for the previous calendar year.

II. **FINDING 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>6/30/13</u>	<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
BC-65 High Option				
Group	6,814	\$103.23	\$113.45	9.90%
Direct Pay	2,497	\$141.71	\$155.74	9.90%
High Option Alt.				
Group	40	\$98.49	\$108.24	9.90%
Direct Pay	1,620	\$131.00	\$143.97	9.90%

BC-65 Low Option				
Group	672	\$42.47	\$42.47	0.0%
Direct Pay	7	\$46.38	\$46.38	0.0%
Low Option Alt.				
Group	0	\$38.51	\$38.51	0.0%
Direct Pay	6	\$42.36	\$42.36	0.0%
CarePlus Hospital				
Group, Direct Pay	96	\$116.29	\$127.80	9.90%
BS-65 Plan 81				
Group	4,664	\$103.60	\$105.56	1.89%
Direct Pay	3,770	\$113.10	\$115.24	1.89%
BS-65 Plan 82				
Group	2,046	\$89.68	\$92.10	2.70%
Direct Pay	434	\$106.94	\$109.83	2.70%
BS-65 Plan 83				
Group	668	\$76.48	\$76.48	0.00%
Direct Pay	6	\$81.26	\$81.26	0.00%
CarePlus Medical				
Group, Direct Pay	96	\$111.14	\$113.24	1.89%
CarePlus Drug Riders				
P1	9	\$165.10	\$165.10	0.0%
P3	4	\$133.94	\$133.94	0.0%
P5	0	\$137.26	\$137.26	0.0%
\$0 copay, 80% coins., \$2000 Max				
Direct	38	\$153.52	\$153.52	0.0%
Group	8	\$72.05	\$72.05	0.0%

Standardized

	In-Force Members			
	<u>6/30/13</u>	<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
Plan A	285	\$231.18	\$277.42	20.00%
Plan B	1,074	\$217.79	\$219.97	1.00%
Plan C	2,840	\$298.30	\$308.74	3.50%
Plan D	640	\$209.47	\$223.09	6.50%
Plan F	7,479	\$231.02	\$231.02	0.00%
High Ded. Plan F	3,477	\$35.21	\$35.21	0.00%
Plan H (w/ Rx)	120	\$285.65	\$285.65	0.00%
Plan H (w/o Rx)	235	\$220.48	\$231.50	5.00%
Plan J (w/ Rx)	279	\$322.27	\$344.51	6.90%
Plan J (w/o Rx)	2,957	\$213.79	\$213.79	0.00%
CHCP Plan J (w/ Rx)	32	\$363.58	\$363.58	0.00%
CHCP Plan J (w/o Rx)	50	\$255.87	\$271.48	6.10%

Modernized Plans

		<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
Plan A	251	\$231.18	\$277.42	20.00%
Plan F	2,871	\$231.02	\$231.02	0.00%
High Ded. Plan F	5,321	\$35.21	\$35.21	0.00%
Plan G	174	\$201.55	\$201.55	0.00%
Plan N	594	\$170.78	\$170.78	0.00%

Anthem BCBSCT calculated incurred claims based on an experience period of July 2012 through June 2013 and claim run-out through September 2013. Trend was then applied for an 18-month period to the middle of 2014.

Overall trend was developed from Anthem experience exhibits dating from 10/2009 to 9/2013.

The loss ratio history for pre-standardized as well as standardized plans is as follows:

	<u>2011</u>	<u>2012</u>	<u>Since Inception</u>
BC-65 High Option	79.2%	83.1%	85.8%
BC-65 Low Option	98.5%	62.8%	89.5%
BS-65 Plan 81	83.1%	82.8%	81.7%
BS-65 Plan 82	84.0%	85.9%	81.1%
BS-65 Plan 83	104.3%	71.4%	81.6%
CarePlus	93.5%	92.4%	81.1%

	<u>2011</u>	<u>2012</u>	<u>Since Inception</u>
Plan A	121.6%	146.7%	122.2%
Plan B	78.8%	78.3%	90.9%
Plan C	97.6%	83.6%	92.7%
Plan D	76.3%	74.9%	84.3%
Plan F	76.7%	76.7%	79.8%
High Ded. Plan F	60.7%	73.0%	46.8%
Plan G	56.7%	62.3%	57.4%
Plan H (w/ Rx)	82.9%	74.4%	79.0%
Plan H (w/o Rx)	76.5%	84.9%	75.3%
Plan J (w/ Rx)	73.5%	75.9%	71.9%
Plan J (w/o Rx)	66.7%	69.0%	71.1%
Plan N	79.8%	90.4%	85.9%

The projected 2014 loss ratios are as follows:

<u>Pre-standardized</u>	<u>Loss Ratio</u>
BC-65 High Option	84.4%
BC-65 Low Option	63.1%

BS-65 Plan 81	83.0%
BS-65 Plan 82	85.2%
BS-65 Plan 83	68.7%
CarePlus	94.5%

Standardized

Plan A	108.1%
Plan B	82.0%
Plan C	82.0%
Plan D	79.2%
Plan F	82.5%
High Ded. Plan F	81.4%
Plan G	72.3%
Plan H w/ Rx	79.7%
Plan H w/o Rx	85.5%
Plan J w/ Rx	78.4%
Plan J w/o Rx	76.7%
Plan N	90.9%

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 2013 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	9.90%	6.68%
High Option Alt.	9.90%	6.68%
BC-65 Low Option	0.00%	0.00%
Low Option Alt.	0.00%	0.00%
BS-65 Plan 81	1.89%	0.00%
BS-65 Plan 82	2.70%	0.00%
BS-65 Plan 83	0.00%	0.00%
CarePlus Hospital	9.90%	0.00%
CarePlus Medical	1.89%	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	1.00%	1.00%
Plan C	3.50%	1.00%
Plan D	6.50%	4.00%
Plan F	0.00%	0.00%
Plan F High Ded.	0.00%	-5.00%
Plan H w/Rx	0.00%	0.00%
Plan H w/o Rx	5.00%	0.00%
Plan J w/Rx	6.90%	-5.00%
Plan J w/o Rx	0.00%	-10.00%
CHCP Plan J w/ Rx	0.00%	0.00%
CHCP Plan J w/o Rx	6.10%	6.10%

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

Based upon updated trend exhibits for standardized and pre-standardized business the Department reduced the standardized medical trend from 2.60% to 0.00% and the pre-standardized medical trend from 2.5% to 1.00%. The Department also reduced standardized prescription drug trend from 0.00% to -5.00% while reducing 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 the current rates are considered excessive based upon Connecticut statutory loss ratio requirements.

Dated at Hartford, Connecticut, this 22nd day of October, 2013.


Danny K. Albert
Hearing Officer