

		 <p>OFFICE OF THE HEALTHCARE ADVOCATE NOW YOU'LL BE HEARD.</p>
<p>RICHARD BLUMENTHAL ATTORNEY GENERAL State of Connecticut</p>		<p>KEVIN LEMBO HEALTHCARE ADVOCATE State of Connecticut</p>

May 5, 2010

Hon. M. Jodi Rell
Governor, State of Connecticut
State Capitol
210 Capitol Avenue
Hartford, CT 06106

Thomas R. Sullivan
Commissioner
Connecticut Insurance Department
P.O. Box 816
Hartford, CT 06142

RE: Anthem Rate Increases

Dear Governor Rell and Commissioner Sullivan:

We write to request that the Connecticut Insurance Department (the "Department") review the 16.5% rate increase it recently approved for individual health plans offered by Anthem Health Plans, Inc. ("Anthem"). As you may know, Anthem Blue Cross of California, which is owned by the same parent company as Anthem, WellPoint, Inc., was forced to withdraw its planned rate hikes because an independent evaluation revealed that it had made significant errors in the rate request it submitted to the California Insurance Commissioner. In light of these errors, we believe the Department should appoint an independent auditor to ensure that Anthem's Connecticut rate increases are justified.

Connecticut consumers deserve to know that they are not paying excessive rate increases based on faulty math and flawed actuarial analysis. An independent audit – paid for by Anthem – would reveal whether Anthem made egregious actuarial and mathematical errors, similar to those that occurred in California, when it formulated its Connecticut rate hike requests. Among other things, such an audit would reveal whether Anthem improperly inflated its projected health care costs by double counting aging in both its underlying medical trend analysis and in its attained age brackets. We previously brought this flaw to the attention of the Department of Insurance on July 27,

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2009, when we opposed Anthem's most recent rate hike request. Although some attention was paid to our concerns, given the outcome of the independent audit in California, it appears that the impact on premiums of our concerns may have been underestimated in Connecticut.

The independent audit in California also found material errors by Anthem in overstating initial medical trend for known risk factors and in its use of combining adjustments that reflect multiple changes in methodology. The independent auditor questioned, as we did last July, whether Anthem's rate increases would result in comparable lapses to those that resulted after its previous rate increases. Anthem provided little in the July 2009 hearing to support any calculation of lapses, nor did the Department address this missing information in its decision. Further, while the independent auditor in California clearly pointed out its concerns with changes to Anthem's rating structures from new to subsequent years, this subject was not dealt with the Connecticut Department's decision.

The auditor in California developed independent key assumptions and used corrected Anthem methodology to project rate increases, with an eye toward reasonable assumptions for each product, which fell into a range from low to high assumptions. There was no similar effort by your Department to provide such independent analysis of Anthem's July rate proposals, though the Department projects exact percentages for reasonable rate adjustments.

Lastly, we reiterate our concerns over the Department's rate review process in general and again urge you to consider multiple factors, including insurance company profitability, when reviewing future rate increase requests for excessiveness or inadequacy, and to determine whether they are unfairly discriminatory. Anthem's parent company, Wellpoint, Inc., recently announced that its first-quarter profit increased by a staggering 51% -- even more than the big gains made by most other insurance companies. These huge profits are a slap in the face to Connecticut consumers who have been forced to shoulder the burden of ever-increasing health insurance premiums. Even worse, it appears that Anthem's premium increases may have been approved by the Department based on Anthem's deeply flawed actuarial analysis and troubling mathematical errors. We believe that Connecticut residents insured by Anthem deserve better.

Very truly yours,



Richard Blumenthal
Attorney General



Kevin Lembo
Healthcare Advocate