

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

-----X
In The Matter Of: :
Anthem BlueCross and BlueShield of CT: Docket No. LH 00-91
Medicare Supplement Insurance :
-----X

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. The source for this regulatory authority is contained in Chapter 700c and Section 38a-495a of the Connecticut General Statutes.

After due notice, a public hearing was held at the Legislative Office Building in Hartford on October 31, 2000 to consider whether or not the rate increases requested by Anthem BlueCross and BlueShield of CT (ABCBSCT) on its Medicare supplement business should be approved.

The hearing was attended by approximately 25 people. One public official presented oral comments on the proposed increases. The Insurance Department also received one letter from a concerned Medicare beneficiary over the requested rate increases. Additional written comments were accepted through November 7, 2000.

Two representatives from ABCBSCT provided testimony at 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 July 30, 1992, Connecticut implemented a 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. Under this program, all insurers offering Medicare supplement policies for sale in the state must offer a basic “core” package of benefits known as Plan A. Insurers may also offer any one or more of nine other plans (Plans B through J). No other Medicare supplement policies may be sold in Connecticut, although individuals may retain policies purchased before July 30, 1992.

Since January 1, 1994, premiums for Medicare supplement policies in the state must use community rating, and coverage under plans A through G may not be denied on the basis of age, gender, previous claims history or the medical condition of any covered person. Insurers may use previous claims history or medical condition in granting coverage under plans H, I, and J. Insurers may exclude benefits for losses incurred within six months from the effective date of coverage based on a pre-existing condition.

Effective October 1, 1998, whether by reason of age or disability, carriers that offer Plan B or Plan C must make these plans, as well as Plan A, available to all Medicare eligible persons.

Sections 38a-495 and 38a-522 of the Connecticut General Statutes, and Section 38a-495a-10 of the Regulations of Connecticut Agencies, state 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 increases to the pre-standardized and standardized books of business:

Pre-Standardized

	In-Force Members			
	<u>6/30/00</u>	<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
BC-65 High Option				
Group	18,408	\$71.73	\$80.48	12.20%
Direct Pay	32,114	\$91.31	\$103.54	13.39%
High Option Alt.				
Group	612	\$61.33	\$69.91	13.99%
Direct Pay	3,551	\$78.06	\$89.94	15.22%
BC-65 Low Option				
Group	1,825	\$30.74	\$33.01	7.38%
Direct Pay	382	\$31.34	\$33.65	7.37%
Low Option Alt.				
Group	564	\$24.47	\$26.99	10.30%
Direct Pay	77	\$24.94	\$27.51	10.30%
CarePlus Hospital				
Group, Direct Pay	866	\$73.79	\$84.04	13.89%
BS-65 Plan 81				
Group	10,088	\$54.73	\$58.53	6.94%
Direct Pay	27,977	\$59.74	\$63.89	6.95%
BS-65 Plan 82				
Group	3,853	\$40.52	\$45.50	12.29%
Direct Pay	8,156	\$48.33	\$54.27	12.29%
BS-65 Plan 83				
Group	2,036	\$33.34	\$34.71	4.11%
Direct Pay	282	\$35.42	\$36.87	4.09%
CarePlus Medical				
Group, Direct Pay	866	\$76.45	\$80.60	5.43%
CarePlus Drug Riders				

P1	45	\$146.72	\$184.22	25.56%
P3	142	\$123.35	\$167.04	35.42%
P4	0	\$77.95	\$100.22	28.57%
P5	3	\$100.02	\$155.53	55.48%
\$0 copay, 80% coins., \$2000 Max				
Direct	641	\$77.95	\$147.38	89.07%
Group	35	\$36.59	\$69.18	89.07%

Standardized

	In-Force Members			
	<u>6/30/00</u>	<u>Current</u>	<u>Proposed</u>	<u>% Difference</u>
Plan A	611	\$82.62	\$85.27	3.21%
Plan B	1,190	\$99.38	\$106.35	7.01%
Plan C	8,389	\$125.39	\$132.77	5.89%
Plan D	1,151	\$116.30	\$123.80	6.45%
Plan F	9,742	\$127.83	\$135.28	5.83%
Plan H	1,474	\$178.76	\$213.59	19.48%
Plan J	913	\$222.85	\$257.29	15.45%
CHCP Plan J	273	\$186.02	\$233.30	15.36%

Anthem BCBSCT calculated pure premiums based on 1999 claims experience and in-force counts. Trend was then applied for a 24-month period to 2001.

Testimony from a public official emphasized the financial constraints on senior citizens with fixed incomes and the need for affordable Medicare supplement coverage.

The Medicare Part A deductible is \$792 for 2001, it had been \$768 in 1999. This yields a cost trend of 3.12% for 24 months from 1999 to 2001. Cost trend for Part B services was based on the changes in the physician fee schedule, which was 6.9% in 2000 and is projected to be 1.9% in 2001.

Overall trend factors for both cost and utilization were based upon a combination of Anthem BCBSCT experience and HCFA data. In some instances, utilization trend was determined by backing the known cost trend out of the projected total trend.

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

	<u>1999</u>	<u>First 6 Months 2000</u>	<u>Since 1986</u>
BC-65 High Option	82.51%	90.12%	87.81%

BC-65 Low Option	75.89%	87.01%	91.39%
BS-65 Plan 81	75.38%	93.70%	81.19%
BS-65 Plan 82	73.00%	84.33%	80.91%
BS-65 Plan 83	78.48%	90.84%	81.79%
CarePlus	82.15%	99.98%	81.04%

	<u>1999</u>	<u>First 6 Months 2000</u>	<u>Since 1992</u>
Plan A	148.3%	127.5%	145.3%
Plan B	80.5%	82.5%	80.0%
Plan C	90.9%	91.1%	88.5%
Plan D	84.2%	77.3%	82.5%
Plan F	85.8%	81.2%	83.5%
Plan H	98.1%	73.3%	88.0%
Plan J	72.9%	71.4%	66.2%

The projected 2001 loss ratios with the proposed rate increases are as follows:

	<u>Loss Ratio</u>
BC-65 High Option(incl. CarePlus)	
Group	75.00%
Direct Pay	84.34%
High Option Alt.	
Group	77.97%
Direct Pay	85.02%
BC-65 Low Option	
Group	86.97%
Direct Pay	73.34%
Low Option Alt.	
Group	88.66%
Direct Pay	69.10%
BS-65 Plan 81(incl. CarePlus)	
Group	80.25%
Direct Pay	81.81%
BS-65 Plan 82	
Group	81.76%

Direct Pay		82.22%
BS-65 Plan 83		
Group		79.66%
Direct Pay		93.44%
Standardized		
Plan A	81.85%	
Plan B	81.85%	
Plan C	81.85%	
Plan D	81.85%	
Plan F	81.85%	
Plan H	81.85%	
Plan J	81.85%	
CHCP Plan J	81.85%	

Anthem BCBSCT certified that their expense factors are 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 appropriate Connecticut regulatory loss ratio.

Anthem BCBSCT's 2001 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 increases. In all instances, the recommended increase is lower than the increase proposed.

	<u>Proposed Increase</u>	<u>Recommended Increase</u>
<u>Pre-standardized</u>		
BC-65 High Option		
Group	12.20%	7.72%
Direct Pay	13.39%	7.72%

High Option Alt.		
Group	13.99%	8.84%
Direct Pay	15.22%	8.86%
BC-65 Low Option		
Group	7.38%	1.20%
Direct Pay	7.37%	1.21%
Low Option Alt.		
Group	10.30%	2.86%
Direct Pay	10.30%	2.90%
BS-65 Plan 81		
Group	6.94%	0.00%
Direct Pay	6.95%	0.00%
BS-65 Plan 82		
Group	12.29%	0.00%
Direct Pay	12.29%	0.00%
BS-65 Plan 83		
Group	4.11%	1.93%
Direct Pay	4.09%	1.93%
CarePlus		
Hospital	13.89%	7.96%
Medical	5.43%	0.00%
Drug Riders		
P1	25.56%	20.48%
P3	35.42%	-3.29%
P4	28.57%	1.06%
P5	55.48%	22.23%
\$0 copay, 80% coins., \$2,000 max		
Direct Pay	89.07%	75.42%
Group	89.07%	75.42%
<u>Standardized</u>		
Plan A	3.21%	1.13%
Plan B	7.01%	3.87%
Plan C	5.89%	3.13%

Plan D	6.45%	3.57%
Plan F	5.83%	3.10%
Plan H	19.48%	14.40%
Plan J	15.45%	10.70%
CHCP Plan J	15.36%	10.68%

The following adjustments were made:

Pre-Standardized BC-65 High Option:

1. Actual CY 1999 monthly pure premium was used for the following benefit components:
 - Days 61-90 Coinsurance
 - Lifetime Days Coinsurance
 - Home Health Care
2. Initial Deductible utilization trend used is the average of the most recent two years of actual Initial Deductible trend backing out cost trend
3. SNF Coinsurance utilization trend used is the average of the most recent two years of actual SNF coinsurance trend backing out cost trend
4. Outpatient trend used is the average of the most recent two years of actual Outpatient trend.

Pre-Standardized BC-65 Low Option:

1. flat Initial Deductible utilization trend is used as a result of the previous two years of actual Initial Deductible trend
2. flat SNF Coinsurance utilization trend is used as a result of the previous two years of actual SNF coinsurance trend
3. Outpatient trend used is the same as that for the High Option plan

Pre-Standardized BC-65 Plan 81:

- utilization trend used is a 50/50 weighting of 1999/1998 trend and first half 2000/99 trend

Pre-Standardized BC-65 Plan 82:

- utilization trend used is a 50/50 weighting of 1999/1998 trend and first half 2000/99 trend

Pre-Standardized BC-65 Plan 83:

- utilization trend used is a 50/50 weighting of 1999/1998 trend and first half 2000/99 trend

Pre-Standardized CarePlus Medical:

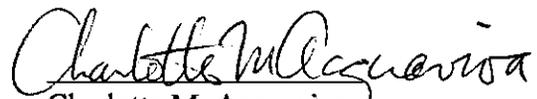
- utilization trend used is a 50/50 weighting of 1999/1998 trend and first half 2000/99 trend

Standardized:

1. Calculated CY 2001 pure premium was used for the following benefit components:
 - Hospital days 61-90 coinsurance
 - Lifetime reserve days coinsurance
2. Part A deductible trend used is the average of the most recent two years of actual Part A deductible trend
3. Basic drug trend used is the average of the most recent two years of actual Basic drug trend
4. Benefit relativity was used to price the extended drug benefit component
5. In past rate filings trend for the foreign travel emergency benefit component was the same as many of the Part B benefit components. It was decided that the same methodology would be used for this rate filing.

All rates should be recalculated and submitted to the Insurance Department.

Dated at Hartford, Connecticut, this 13th day of November, 2000.


Charlotte M. Acquaviva
Hearing Officer