



ORIGINAL

STATE OF CONNECTICUT
DEPARTMENT OF INSURANCE

Docket No. LH14-155

Individual Rate Application Filed by Anthem
Blue Cross and Blue Shield

Dated May 30, 2014

Meeting held at the Department of
Insurance, 153 Market Street, 7th Floor,
Hartford, Connecticut, Friday, June 27, 2014,
beginning at 9 a.m.

H e l d B e f o r e :

PAUL LOMBARDO,
Hearing Officer



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16 Hearing Officer

1 A p p e a r a n c e s :

2 For the Applicant, Anthem Blue Cross
3 and Blue Shield:

4 DONAHUE, DURHAM & NOONAN, P.C.
5 741 Boston Post Road
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8 By: MICHAEL G. DURHAM, ESQ.

9

10 For the Intervenor:

11 STATE OF CONNECTICUT
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15 By: THOMAS P. RYAN, ESQ.

16 CHARLES HULIN, ESQ.

17 Assistant Attorneys General

18 ROBERT CLARK, ESQ.

19 Special Counsel

20

21 For the Office Of Healthcare Advocate:

22 OFFICE OF HEALTHCARE ADVOCATE
23 460 Capitol Avenue, 2nd Floor
24 Hartford, Connecticut 06106

25 By: VICTORIA VELTRI, ESQ.

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A p p e a r a n c e s : (c o n t ' d)

Department of Insurance Members Present:

COMMISSIONER THOMAS LEONARDI

DEP. COMMISSIONER ANNE DOWLING

BETH COOK, ESQ.

JIM PERRAS, ESQ.

1 THE HEARING OFFICER: Good
2 morning. I would like to call this public
3 hearing to order. Please make sure that all
4 cell phones and other electronic devices have
5 been shut off.

6 On behalf of the Connecticut
7 Insurance Department, I would like to welcome
8 you to this administrative hearing. I am
9 Paul Lombardo and have been appointed by
10 Commissioner Leonardi to preside at today's
11 public hearing.

12 The subject of this
13 administrative hearing is the individual rate
14 application, dated May 30, 2014, filed by
15 Anthem Blue Cross and Blue Shield, which will
16 be referred to as Anthem or the Applicant.

17 For the record, Docket Number
18 LH14-155 has been assigned to this matter by
19 the Insurance Department.

20 I would also like to remind
21 all attendees that I expect everyone to
22 conduct themselves in an orderly and
23 respectful manner. Any conduct determined to
24 be disorderly or interfering with this
25 proceeding will be dealt with under the

1 appropriate legal authority.

2 Pursuant to the rules of the
3 Insurance Department, which are posted in the
4 reception area and on the doors of this
5 hearing room, no signs or demonstrations are
6 permitted, and anyone not conforming to these
7 restrictions will be required to leave the
8 proceeding.

9 I want to take a moment at the
10 start of this proceeding to explain the way
11 an administrative hearing works. Many of you
12 may be familiar with hearings held by the
13 Legislature to consider proposed legislation
14 or agencies in your town or city to consider
15 town affairs, but may not be familiar with
16 this type of administrative hearing.

17 Administrative hearings, such
18 as this, is a regulatory proceeding in which
19 a party, in this instance, Anthem, is
20 required to present documentation and
21 arguments regarding their application.
22 Ultimately, Commissioner Leonardi will decide
23 this matter based on a recommendation that I
24 will prepare.

25 This is not a court

1 proceeding, but it does operate under a
2 system of rules with the presentation of
3 evidence and witnesses who testify under
4 oath.

5 We will have two opportunities
6 for oral public comment at this hearing.
7 First, in a couple of minutes, there will be
8 an hour devoted to public comment with the
9 amount of time for each statement restricted
10 out of respect for the time of everyone here.

11 Secondly, there will be a
12 second period of time for public comment at
13 the end of the proceeding for those who are
14 unable to speak during the first hour. Also
15 noted, written comment may be submitted until
16 four o'clock at the reception desk today.

17 Unlike a legislative hearing,
18 which can continue as long as one legislator
19 is in attendance, this type of proceeding
20 cannot continue if the Hearing Officer, all
21 attorneys, Applicant or Intervener needs to
22 have the proceeding -- and those will be
23 times we will call a recess.

24 For the record this hearing is
25 being held pursuant to Sections 38a and

1 38a-481 of the Connecticut General Statutes
2 and will be conducted in accordance with the
3 Insurance Department's rules of practice and
4 the Connecticut Uniform Administrative
5 Procedure Act.

6 Anthem Health Plans,
7 Incorporated, D/B/A Anthem Blue Cross and
8 Blue Shield, will be referred to as Anthem or
9 the Applicant. The Connecticut statute
10 governing this rate application, Connecticut
11 General Statute 38a-481, provides that rates
12 shall not be excessive, inadequate or
13 unfairly discriminatory.

14 In addition, Section 38a-8 of
15 the Connecticut General Statutes Provides
16 that the insurance commissioner has all of
17 the powers specifically granted and all
18 powers that are reasonably necessary to
19 protect the public interest in accordance
20 with the duties imposed by the Connecticut
21 insurance statutes.

22 This public hearing is being
23 held to consider whether the rate increase
24 application filing, also known as,
25 Application, dated May 30, 2014, by Anthem

1 concerning premium rates for its on-and-off
2 exchange individual health insurance
3 products, which we will call, individual
4 products, is excessive, inadequate or
5 unfairly discriminatory pursuant to
6 Connecticut General Statute 38a-481.

7 This proceeding was commenced
8 on May 30, 2014, when the Applicant filed
9 with the Connecticut Insurance Department, to
10 be referred to as the Department, a rate
11 application regarding the individual
12 products. In response to the filing, 136
13 public comments were filed with the Insurance
14 Department prior to the date the hearing was
15 called. The Insurance Department initially
16 reported that 190 comments had been submitted
17 prior to the date of the notice; however, we
18 determined a number of these comments were
19 system duplicates.

20 While there is no statutory
21 requirement that a rate hearing be held, on
22 June 11, 2014, Commissioner Leonardi ordered
23 that a public hearing be held on June 27,
24 2014, to consider the Commissioner granting
25 approval of the proposed application.

1 A copy of the notice for this
2 public hearing was filed with the Office of
3 the Secretary of State. In addition, this
4 notice was posted on the Insurance
5 Department's Internet website.

6 This notice indicated that the
7 application was available for public
8 inspection at the Insurance Department and
9 electronically on the Insurance Department
10 website, and that the Department was
11 accepting written statements concerning the
12 application. In addition, the Department
13 created a webpage concerning the application,
14 in addition -- excuse me -- and all records
15 of this proceeding will be posted to that
16 site.

17 In accordance with the rules
18 of practice of the Connecticut Insurance
19 Department, Anthem has been designated as a
20 party to this proceeding. Without being
21 designated as an official party to this
22 proceeding, the Connecticut Insurance
23 Department staff will have the right to ask
24 questions of the witnesses to this hearing.

25 Joining me are Attorney Beth

1 Cook and Attorney Jim Perras. The Office of
2 the Healthcare Advocate has been designated
3 as an intervenor.

4 The healthcare advocate role
5 as an intervenor is to provide information to
6 the Insurance Department related to the
7 problems and concerns of consumers relevant
8 to the specific application at issue and to
9 make recommendations to the Department
10 relevant to the specific application at
11 issue.

12 At this time, I would like
13 counsel for the Applicant and counsel for the
14 Intervenor to identify themselves. Both the
15 Applicant and the Intervenor have designated
16 lead counsel for this proceeding, and I would
17 ask that those lead counsel identify
18 themselves as part of their introduction.

19 Applicant, please?

20 MR. DURHAM: Thank you,
21 Mr. Lombardo, and good morning.

22 THE HEARING OFFICER: Excuse
23 me, you're going to have to move the mic much
24 closer to you. Thank you.

25 MR. DURHAM: So it's got to be

1 very close.

2 THE HEARING OFFICER: Yes, it
3 does.

4 MR. DURHAM: Okay.

5 Well, thank you, Mr. Lombardo
6 and good morning. I'm Attorney Michael
7 Durham from Donahue Durham and Noonan in
8 Guilford. And I'm here this morning
9 representing the Applicant, Anthem Blue Cross
10 and Blue Shield.

11 For the record, with me this
12 morning at the Applicant's table, just
13 immediately to my left, is Michael Bears, who
14 will be providing actuarial testimony this
15 morning.

16 Next to Mr. Bears is James
17 Augur, the vice president of Sales. He'll
18 also be testifying.

19 And to Mr. Auger's left is
20 Anthem's in-house counsel, Attorney John
21 Russo.

22 THE HEARING OFFICER: Thank
23 you.

24 Intervenor, please.

25 MR. RYAN: Thank you, Hearing

1 Officer. My name is Tom Ryan. I am from the
2 Attorney General's Office. We represent the
3 Healthcare Advocate in this matter, and I
4 will be lead counsel.

5 To my far left is Charles
6 Hulin. He's an assistant attorney general
7 and to my immediate left is Victoria Veltri,
8 the Healthcare Advocate for the State of
9 Connecticut.

10 We expect Attorney Robert
11 Clark to be here shortly. He is also
12 assistant -- I mean he is the special counsel
13 to the Attorney General.

14 THE HEARING OFFICER: Okay.
15 Thank you very much. At this point I would
16 like to enter into the record a stipulated
17 list of exhibits. The list identifies 38
18 documents, which have been stipulated to as
19 full exhibits by the parties to this
20 proceeding.

21 These exhibits include a copy
22 of the rate application and all written
23 public comment received through 4 p.m.,
24 June 23, 2014. Written public comment
25 received today will be added to the record

1 following the hearing. And I'd like to
2 reiterate that that would be done by 4 p.m.
3 today at our reception desk. A copy of the
4 list will be available to members of the
5 public on the hearing website.

6 Two objections relating to
7 three of the Intervenor's proposed exhibits
8 and one witness were submitted by the
9 Applicant. The Hearing Officer denied the
10 objections relating to the exhibits and
11 reserved determination on the witness
12 objection.

13 The first item of business is
14 public comment. Members of the public who
15 have signed up to speak will have the first
16 hour of this proceeding to orally comment on
17 the application. In this regard there are
18 two sign-up sheets available for persons
19 interested in presenting oral comments at
20 this hearing, one for public officials and
21 one from persons other than public officials.

22 So we can gauge our timing,
23 I'm asking that we be advised, for the
24 record, of the number of people who have
25 signed up to speak.

1 Vanessa, can you bring the
2 list up for me, please?

3 Thank you.

4 We currently have six people
5 signed up for public comment. Do we know if
6 any of the six are public officials?

7 (No response.)

8 THE HEARING OFFICER: Seeing
9 no one identifying themselves as a public
10 official, then we have six people from the
11 public that would like to make comment today.

12 Each person will have three
13 minutes to comment, and we will start with
14 public officials, obviously public officials
15 are not here in attendance. This is a
16 comment period only, and no questions should
17 be directed to the Applicant, the Department,
18 or the Intervenor.

19 Following this first hour, or
20 however long public comment takes, there may
21 or may not be a five-minute recess. The
22 Applicant will then provide a presentation of
23 the application. Insurance Department staff
24 will be given an opportunity to examine the
25 witnesses followed by the Intervenor. The

1 Intervenor will then have an opportunity to
2 call witnesses with the Applicant and
3 department staff having an opportunity to
4 examine the Intervener's witnesses.

5 After all examinations have
6 been concluded, anyone from the public who
7 did not have an opportunity to be heard in
8 the first hour, will have the opportunity to
9 orally comment on the application. If you've
10 previously commented in the hearing you will
11 not be permitted to comment orally again.

12 The public, again, may also
13 written comments no later than 4 p.m. today
14 at the Department's reception desk. And if
15 anybody does not know where the reception
16 desk is, it's where you passed when you came
17 into the Department on this floor. If you
18 still have questions, Vanessa will be there
19 to help direct you.

20 The public comment portion of
21 this hearing will commence with comments from
22 interested persons. I would ask that anyone
23 interested in participating in this portion
24 of the hearing comply with the following
25 guidelines.

1 Each individual must identify
2 himself or herself for the record, including
3 any organization that he or she represents.
4 Each individual must address all comments to
5 me. All comments must relate specifically to
6 the rate application that is the subject of
7 today's hearing, and each individual must
8 reasonably limit his or her comments to three
9 minutes.

10 Okay. I do have some
11 discretion with the three minutes, since we
12 only have six consumers that have signed up
13 to speak, but in courtesy to everyone and
14 everyone's time here today, we want the
15 process to go forward in an appropriate
16 manner, so try to limit your comments to
17 three minutes if you can.

18 The first called, and we have
19 the podium here with a mic, Angela DeMello.
20 And I apologize if I do not pronounce names
21 correct, and I will find out soon enough when
22 you identify yourself.

23 ANGELA DeMELLO: Good morning
24 and thank you, Paul. My name is Angela
25 DeMello, and I am with an organization -- is

1 it not on?

2 Okay. Forgive me. I am
3 technology challenged.

4 Good morning and thank you,
5 Paul. My name is Angie DeMello, and I am
6 with Elizabeth Keenan. Together we are the
7 cochairs of the healthcare team for CONECT,
8 Congregations Organized for a New
9 Connecticut. We are a multifaith,
10 multi-issue nonpartisan organization of about
11 15,000 people from 27 congregations in
12 Fairfield and New Haven Counties.

13 We were instrumental, in that
14 CONECT was instrumental in arranging an
15 agreement between Commissioner Leonardi and
16 the Healthcare Advocate Veltri in 2011, and
17 we thank the Commissioner for calling this
18 public hearing in accordance with that
19 agreement.

20 We have four concerns to raise
21 with you today. The first is the challenge
22 of pent-up demand. Since we have no hard
23 data that supports whether or not exchange
24 enrollees are first-time enrollees in an
25 insurance plan, how then can we estimate an

1 understanding of pent-up demand usage in
2 2015?

3 Our second concern, current
4 rates are already unaffordable, especially
5 for those without advanced premium tax
6 credits. With the potential rate increase
7 what will that do for (a) new enrollments and
8 (b) attrition of current enrollees?

9 Findings from the 4,400
10 participants in the 2014 CONECT Healthcare
11 Survey, which is a population-based
12 assessment of the health and health care of
13 Connecticut residents, sponsored by six
14 Connecticut-based health foundations, they
15 highlight the negative effect that cost has
16 on both use of health care and overall
17 health, particularly for self-employed and
18 unemployed.

19 Thank you. And now I shall
20 pass this on to Elizabeth Keenan.

21 THE HEARING OFFICER: The
22 second is Elizabeth Keenan.

23 ELIZABETH KEENAN: Elizabeth
24 Keenan From CONECT, Congregations Organized
25 for a New Connecticut.

1 Two other areas we want to
2 raise. Anthem billing, processing and
3 customer service ineptness for exchange
4 policies in January of 2014 created undue
5 stress, delayed care, and out-of-pocket
6 payments for their newly insured customers.

7 In contrast, in New York
8 State, Anthem's counterpart Empire Blue Cross
9 Blue Shield provided January premium refunds
10 and has a lower rate increase for 2015. If
11 Anthem is doing poorly now, there's no
12 guarantee that more money will result in
13 better administrative services.

14 Next, exchange competition has
15 worsened. Anthem has the largest market
16 share on the exchange at 60 percent. This is
17 troublesome to us for two reasons. With
18 little competition there's no pressure to
19 contain rates. And two, Connecticut has one
20 of the largest percentages of subsidy
21 enrollees as a percentage of subsidy-eligible
22 individuals.

23 Since exchange enrollees pay
24 premiums ranging from 2 to 9 percent of their
25 modified adjusted gross income, the federal

1 government covers a great deal of these
2 exchange policy costs through a tax credit.
3 This becomes the taxpayer dollars making the
4 difference.

5 We do not want Anthem rate
6 increases on the backs of Connecticut
7 taxpayers. We urge the Commissioner to deny
8 Anthem's exorbitant request for rate
9 increases.

10 Thank you.

11 THE HEARING OFFICER: Thank
12 you.

13 Before I introduce the next
14 public comment individual, I would like to
15 make note that Commissioner Thomas Leonardi
16 is attending the hearing and Deputy
17 Commissioner Anne Melissa Dowling is also
18 here attending the hearing. Thank you.

19 Jill Zorn.

20 JILL ZORN: Thank you. Thank
21 you, Mr. Lombardi.

22 I'm here today on behalf of
23 Universal Health Care Foundation of
24 Connecticut. My name is Jill Zorn, and I'm a
25 Senior Program Officer.

1 The foundation is an
2 independent nonprofit philanthropic
3 organization dedicated to achieving a high
4 quality affordable healthcare system that is
5 accessible to everyone in the state. We work
6 with a diverse array of partner organizations
7 as well as with individual consumers from
8 throughout Connecticut. We're here today to
9 register our opposition to Anthem's proposed
10 rate increase for individual plans. This
11 rate increase is excessive, and people cannot
12 afford it.

13 First, we do not believe that
14 the rate hike hearing process is truly open
15 and accessible to the people who are directly
16 impacted by the Anthem rate request. In the
17 rate filing, Anthem reports that there are
18 66,200 Connecticut policyholders who are
19 affected, and we don't see a lot of them here
20 today, maybe not any of them.

21 This process is a disservice
22 to the residents of this state and should be
23 remedied. We contacted thousands of
24 individuals in our network, many of whom are
25 Anthem policyholders, and despite receiving

1 notice of the rate increase, they were not
2 able to be here today. While there has been
3 an opportunity to provide written comment,
4 really holding a hearing at nine o'clock in
5 the morning on a Friday is not conducive to
6 getting the public comment.

7 In addition to the consumer
8 unfriendly rate review process, the
9 foundation has substantive concerns about
10 Anthem's rationale for a rate hike request.
11 Here are a few issues we'd like to raise. Is
12 there sufficient claims experience for Anthem
13 to substantiate such a rate increase,
14 especially in light of the new exchange-based
15 enrollees, some of whom began coverage as
16 recently as April of 2014?

17 How much access to care was
18 effectively denied and/or delayed due to the
19 inability of Anthem to put new exchange-based
20 enrollees into the system and issue coverage
21 cards in a timely manner during the first
22 open enrollment period. It was well
23 established during the enrollment period that
24 Anthem was not prepared to manage the volume
25 of new business. In fact, they spent

1 countless dollars on advertising to save face
2 with consumers and policymakers.

3 What about the 8.4 percent
4 cost trend assumption in the rate filing? It
5 seems very high. In fact, information just
6 came out that the first quarter of 2014
7 healthcare costs declined, that the trend was
8 negative.

9 In addition, the Affordable
10 Care Act has built-in protections to help
11 insurers manage risk in the early years of
12 implementation. These programs of risk
13 adjustment, reinsurance and risk corridors
14 are designed to mitigate the effects of the
15 potential for pent-up demand and higher
16 morbidity among previously uninsured
17 policyholders.

18 Finally, we believe that the
19 current rate request provides further
20 evidence that our state exchange,
21 AccessHealthCT, should take the role of an
22 active purchaser. It is important that the
23 exchange use its position to actively
24 advocate for the interests of the customers
25 purchasing health plans in the exchange

1 marketplace and negotiate rates with insurers
2 wishing to do business in the exchange.

3 The foundation is watching the
4 rate review process closely. Anthem is only
5 one insurer asking for a rate increase, but
6 it is an insurer that enjoys a large share of
7 the Connecticut market. The residents of
8 this State deserve the strongest vigilance on
9 the part of regulators and the active
10 protection of all parties involved in
11 delivering health insurance options.

12 We urge you to sharpen your
13 pencils and carefully review all input in
14 this rate review hearing, most especially the
15 comments of policyholders, at least the
16 written comments since they could not be here
17 today. Those comments are representative of
18 thousands of people struggling to afford
19 health coverage. Our State owes it to them
20 not to just rubber stamp Anthem's request to
21 raise premiums.

22 Thank you.

23 THE HEARING OFFICER: Thank.
24 You.

25 Next is, and I apologize,

1 Arvind Shaw.

2 ARVIND SHAW: I'm here.

3 THE HEARING OFFICER: Okay.
4 Take your time. Your three minutes hasn't
5 started yet, so you're okay.

6 ARVIND SHAW: Good morning,
7 Hearing Officer. My name is Arvind Shaw and
8 I'm the CEO for Generations Family Health
9 Center, a family qualified health center in
10 Eastern Connecticut.

11 We served probably 22,000
12 patients last year. And I'm calling -- I'm
13 here to speak on behalf of our patients who
14 have found themselves without services. And
15 so I will begin by saying that I am against
16 this proposal for several reasons, primarily
17 because of claims in evidence and for,
18 literally, issues they have not been able to
19 address.

20 The Generations Family Health
21 Center has received reimbursements from just
22 two claims since the contract date, and we
23 were only paid correctly on one of those
24 claims. So out of 290 claims that was
25 processed by us, we have only received

1 payment on one of them correctly.

2 Since its inception six months
3 ago, the health center is frustrated with the
4 poor communications and lack of follow-up
5 with Anthem. The health center has been
6 unable to resolve the claims configuration
7 set with designated Anthem staff. Anthem has
8 not properly communicated claims status on
9 receipt to determine the status of claims.

10 The health center continues to
11 experience problems determining eligibility
12 through the eligibility file. Attempts to
13 resolve these issues with Anthem have been
14 futile, despite documented evidence from the
15 health center. And these are pretty much the
16 same issues we encountered several years ago
17 with the Anthem Blue Care Family Plan.

18 As of 6/23, the outstanding
19 claims that have aged with Anthem are
20 \$43,000. We have received approximately
21 \$200.69.

22 The claims issues are -- there
23 are a whole myriad of them. We were
24 initially told by Anthem to hold claims until
25 January 31st because their systems were not

1 ready. On 2/25, we called provider services
2 to check claims status, and we were told by
3 them that they were a little behind on
4 processing claims and updating their
5 eligibility system. And we were told to be
6 patient and to not resubmit claims.

7 On 3/27, we called Anthem
8 staff, Helen Adams, and due to the lack of
9 response from Anthem claims, she explained
10 that the system was still behind and to
11 continue to wait for the claims to process.

12 On four -- in April we checked
13 on the claims status with the provider
14 service and we were told that we could -- we
15 would get the response soon.

16 You know, I am running out of
17 time, so I'm just going to skip ahead. I
18 have provided you with written information
19 already on this, so you can review this at
20 leisure.

21 THE HEARING OFFICER: Sure.

22 ARVIND SHAW: But I want to
23 get to the more important pieces of it which
24 are related to patient service and
25 eligibility issues. And these are very

1 serious because patients have been struggling
2 with denials from prescription medications
3 now because of the eligibility issues that
4 they've had.

5 Initially when we were -- we
6 do insurance verification --

7 THE HEARING OFFICER: Continue.

8 ARVIND SHAW: Thank you for
9 that.

10 Initially we do insurance
11 verification with every appointment at our
12 health center and it's pretty much the same
13 with all the qualified health centers in the
14 state. We see people regardless of their
15 ability to pay. We are the safety net
16 provider of care.

17 In many cases patients would
18 be active at the data service, but later when
19 reverifying the patient came in as inactive
20 pending investigation for the same date of
21 service. So when we called the Anthem
22 provider services, we spoke with a rep and we
23 were told this meant that the patient may
24 have not paid their premiums.

25 In May, we started seeing a

1 large volume of these eligibility
2 verifications coming back stating "inactive
3 pending investigation." Knowing that we've
4 had these issues with Anthem in the past with
5 their system updating, we started taking the
6 extra step of confirming status by calling
7 provider service directly and speaking with a
8 rep.

9 When we made the call to
10 provider services, an Anthem rep would
11 sometimes confirm the eligibility was
12 retroactively disenrolled due to the patient
13 not paying the premium. Sometimes, however,
14 the rep tells us that this is incorrect and
15 the patient is active under the plan. At
16 this point, we are already getting EOBs
17 that -- denying the visit due to procedure
18 code being invalid.

19 So we have started asking for
20 a fax back confirming active coverage for the
21 date of service, and we were told they could
22 not provide it. When the confirmation was
23 insisted upon, the rep would transfer our
24 call to a supervisor, and we would be placed
25 on hold for 30 to 45 minutes.

1 Once through the supervisor,
2 we were able to request the fax, but we would
3 have to wait 24 to 48 hours to receive that
4 fax. They also confirmed for us that we
5 would have to request a supervisor to obtain
6 proof of coverage, as there is no one on
7 shore in the U.S. to help us.

8 THE HEARING OFFICER: I would
9 just ask if you could try to wrap it up.

10 ARVIND SHAW: Thank you.

11 So I'm going to end by saying
12 that we called the rep at Anthem to ask that
13 these issues with patients and pharmacies
14 unable to find us in their network, patients
15 report denials of prescription medications.

16 Helen has confirmed to us at
17 Generations, our health center is in network
18 and everything should be fine, but I am very
19 concerned for the safety and the care of
20 these patients.

21 Thank you.

22 THE HEARING OFFICER: Thank
23 you.

24 Okay. Next is Arlene Block.

25 MARK SANDY BLOCK: My name is

1 Mark Sandy Block. I'm also on the agenda.

2 THE HEARING OFFICER: Yeah.

3 MARK SANDY BLOCK: I just want
4 to make a few brief comments.

5 THE HEARING OFFICER: Sure.

6 MARK SANDY BLOCK: I was born
7 in Bridgeport, spent most of my adult life in
8 Connecticut. I'm of retirement age.

9 I don't plan on retiring. I'm
10 going to provide financial assistance to my
11 son, including his Anthem premiums, which my
12 wife will speak about in greater detail.

13 And I would like to relinquish
14 the remainder of my time to her, if that's
15 all right --

16 THE HEARING OFFICER: That is
17 absolutely okay.

18 MARK SANDY BLOCK: --
19 recognizing that she's speaking on behalf of
20 the thousands of people who aren't here
21 today.

22 THE HEARING OFFICER: Yeah.

23 MARK SANDY BLOCK: Thanks.

24 ARLENE BLOCK: Thank you. My
25 name is Arlene Block. I'm speaking of that

1 one person's experience.

2 I'm here to speak to you on
3 behalf of my 26-year-old son covered by
4 Anthem through our insurance up to July 2013.
5 He worked seven days a week on an hourly
6 basis for a nonprofit, which is why I am here
7 to speak for him. Despite working long
8 hours, medical benefits are not available
9 through his employer. Many of his coworkers
10 are facing the exact same dilemma.

11 He applied through the
12 exchange, qualified for Medicaid, but was
13 unable to find a participating specialist
14 within 20 miles to accept Medicaid. He needs
15 one particular type of specialist. Out of
16 necessity he signed up on the exchange, for
17 the Silver Anthem Plan, being charged a
18 premium of a third of his income. Because
19 he's eligible for Medicaid, he is not
20 eligible for any tax rebate.

21 I'm going to go into all the
22 various errors we've encountered just in
23 these few months. First, payment processing
24 errors. My son called customer service to
25 set up his plan in early December. At that

1 time, the Anthem rep asked that he pay
2 January premium to ensure that his 2014
3 health care would be activated, which he did.
4 Despite paying his premium in December, he
5 received bills for lack of payment.

6 Reaching a representative
7 after many failed calls -- and I can say some
8 of them were more than 60 and up to 90
9 minutes -- he discovered that the payment was
10 recorded in December, but never processed.
11 He was told to the pay the January premium
12 for a second time.

13 Fearful of losing his
14 insurance, he made a second payment in
15 January. Multiple paper copies of the bill
16 are still being sent out each month despite
17 regular payments.

18 The listing of providers
19 contains totally incorrect information. It's
20 out of date and has a very limited number of
21 providers accepting patients in our area of
22 the state, which is Fairfield County.

23 It took a month to get the
24 first prescription filled. The pharmacy was
25 unable to fill it because they said it

1 required preauthorization. This is the same
2 medication he had been prescribed since the
3 age of seven without preauthorization. When
4 I checked in the booklet, it says it is not
5 on the list of drugs requiring
6 preauthorization.

7 THE HEARING OFFICER: You can
8 continue.

9 ARLENE BLOCK: The provider's
10 office sent multiple requests. At any rate,
11 it still took innumerable calls to have it
12 approved. The delays caused him to run out
13 of the medication resulting in a 30 percent
14 higher co-pay, but it had to be filled
15 locally and in smaller quantity rather than
16 by mail in a larger quantity.

17 Medications that had no
18 deductible in the past with Anthem now have a
19 \$400 deductible. Although the benefits you
20 can count on directory list the maximum for a
21 tier-three formulary drug at a hundred
22 dollars, he was charged 199. Again, numerous
23 calls to Anthem, Medco, Express Scripts and
24 other confusion we couldn't figure out, but
25 we started out getting -- they seem to have

1 changed the name three times -- with no
2 change.

3 Communication inefficiencies
4 and incompetence. There have been routine
5 telephone wait times of 90-plus minutes on
6 hold and transfers to more than one
7 department. He tried Internet access,
8 couldn't get logged on. Then tech support
9 redirected him back to customer service.
10 Being unable to use the phone during work
11 hours, he needed an authorization form for a
12 family member to assist him with his Anthem
13 issues. Privacy authorizations are standard
14 practice, yet even this was bungled.

15 Unable to access online and
16 unbeknownst to him, he was sent the wrong
17 form, completed it as requested, and had to
18 resend it three more times before it was
19 approved.

20 Another day after a 60-minute
21 hold, having to leave for work I took over
22 long enough to reach a helpful
23 representative. She told us she was based in
24 California. She could not locate the
25 authorization in her system, but she was nice

1 enough to put me on hold, make a call, get
2 back to me and say that someone in
3 Connecticut was able to see the authorization
4 on file.

5 She said that Anthem was
6 addressing the excessive wait times by
7 forwarding Connecticut callers to other
8 state's Anthem offices; however, these
9 out-of-state reps did not have access to all
10 of the records on the Connecticut system. So
11 each time we called she suggested we
12 specifically asked, what state they're from
13 and have them separately call Connecticut to
14 verify that we have an authorization.

15 To sum up, the cost of
16 silver-level care plan for my 26-year-old son
17 is completely unaffordable for him now before
18 the excessive 12.5 percent increase being
19 proposed. Connecticut needs hard-working
20 young people to perform the type of job he
21 holds. He does school-year childcare,
22 coaching, and works as a director at a summer
23 camp. He needs to work as many hours as
24 possible due to the extremely low hourly
25 wages, and he doesn't even ask for a day off.

1 What he needs is quality medical care within
2 a reasonable distance of home.

3 The cost to consumers in terms
4 of time, stress, and access to appropriate
5 providers are negatively impacting
6 Connecticut taxpayers. It was shocking to
7 open yet another envelope from Anthem to see
8 the request for a 12.5-percent increase.
9 This comes within just months of starting the
10 program without demonstrating satisfactory
11 performance.

12 Thank you.

13 THE HEARING OFFICER: Thank
14 you.

15 Is there anyone else from the
16 public that would like to comment at this
17 time?

18 (No response.)

19 THE HEARING OFFICER: Seeing
20 no one.

21 Counsel has also recommended,
22 and I agree, that the Department of Insurance
23 and the Office of Healthcare Advocate have
24 consumer assistants available to consumers
25 that do have concerns. So that is yet

1 another avenue for a consumer in Connecticut
2 to discuss insurance issues with. Again, the
3 Insurance Department has a consumer affairs
4 unit and the Office of Healthcare Advocate is
5 also there as well with consumer services
6 available.

7 I think at this time we will
8 just take a short five-minute recess and
9 reconvene.

10 Thank you.

11 (Whereupon, a recess was taken
12 from 9:39 a.m. to 9:49 a.m.)

13 THE HEARING OFFICER: I call
14 this hearing back to order. This is a
15 continuation of the public hearing in the
16 matter of the Anthem individual on-and-off
17 exchange rate application.

18 I'd now like counsel for the
19 Applicant to identify the individuals who are
20 present and available to testify. And we
21 will have those individuals sworn in. The
22 intervenor witnesses will be sworn in at the
23 beginning of her case.

24 I would just like if one of
25 the members of the public, sir, that's

1 dedicated for the Applicant. If you could
2 take one of the seats behind one of the
3 tables, we would appreciate it.

4 Thank you.

5 Mr. Durham, would you please
6 start the introductions with the applicant
7 witnesses.

8 MR. DURHAM: Yes,
9 Mr. Lombardo.

10 The first witness that will be
11 testifying for Anthem today is James Augur,
12 who's sitting just to my left. And the
13 second witness will be Michael Bears who is
14 sitting next to me as well.

15 THE HEARING OFFICER: Can you
16 check to see if you're Mike is on.

17 MR. DURHAM: It is flashing
18 green.

19 THE HEARING OFFICER: It's
20 just not close enough. Okay. I'd ask the
21 court reporter to please swear in the
22 Applicant witnesses at this time.

23 J A M E S A U G U R,

24 M I C H A E L B E A R S,

25 called as witnesses, being first duly

1 sworn by the Robert G. Dixon, CVR-M857,
2 a Notary Public, duly commissioned and
3 qualified were examined and testified on
4 their oaths as follows:

5 THE HEARING OFFICER:

6 Mr. Durham, please proceed
7 with the Applicant's presentation of the
8 application.

9 MR. DURHAM: Thank you, Mr.
10 Lombardo.

11 For the record, Anthem is here
12 today pursuant to the Commissioner's June 11,
13 2014, notice of public hearing, which as you
14 indicated earlier, is Exhibit 5 of the
15 official record.

16 And although this hearing is
17 not mandated by law, Anthem has fully
18 cooperated with the Department and has
19 complied with all of the Department's
20 requests in connection with this hearing.
21 Anthem is pleased today to provide additional
22 testimony in support for its proposed rate
23 increase and the actuarial soundness of those
24 increases.

25 Our presentation is really

1 twofold, for the record. The first is, the
2 Hearing Officer alluded to earlier, is the
3 written portion of our application, the May
4 30th application in supporting actuarial
5 memorandum and exhibits, is Exhibit 3 in the
6 record.

7 In addition to that, Anthem
8 has two amendments that were filed, a
9 June 12, 2014, amendment, which is
10 Exhibit 15, and a June 14, 2014, amendment,
11 which is Exhibit 16. So that's the written
12 portion of our presentation today, and as you
13 indicated, that next step for us is to
14 provide testimony.

15 The first witness to testify
16 is Mr. Augur.

17 THE WITNESS (Augur): Thank
18 you, Mike.

19 Good morning, Hearing Officer
20 Lombardo, members of the Department of
21 Insurance, representatives from the Office of
22 Attorney General and Healthcare Advocate, and
23 members of the public who are here today. My
24 name is Jim Augur. I'm here on behalf of the
25 Applicant, Anthem Health Plans, Incorporated.

1 I serve as vice president of sales for
2 Anthem, and I'm one of 1400 employees working
3 in Wallingford, Connecticut, who work daily
4 to meet the needs of our customers.

5 There has been significant
6 change in the health insurance market over
7 the last several years since the passage of
8 the Affordable Care Act. Many of these
9 changes have had a positive impact on
10 consumers.

11 For instance, as a result of
12 the new exchange marketplace, more
13 Connecticut residents have access to health
14 insurance covering essential health benefits
15 without restriction related to preexisting
16 conditions. In addition, health insurers
17 must spend a minimum of 80 cents of every
18 dollar received on medical claims and
19 activities that improve the quality of care.

20 Incidentally, this is a
21 threshold that we have consistently met well
22 before the passage of the Affordable Care
23 Act. In fact, in 2013, we exceeded the
24 Affordable Care Act's minimum threshold by
25 almost 10 percent.

1 Finally, consumers now have
2 access to subsidies to help them purchase
3 coverage through the exchanges.
4 Seventy-five percent of our exchange members
5 have been able to take advantage of this.

6 Throughout this time of
7 transition, one thing has remained constant
8 and that's Anthem's commitment to residents
9 in Connecticut. Having been here for more
10 than 75 years, it is our mission to improve
11 our members' health and their access to
12 health care while also giving them financial
13 security.

14 As the largest health insurer
15 in the state, we are working hard to address
16 the underlying drivers of rising healthcare
17 costs. We are privileged to be the largest
18 health insurer in the state of Connecticut, a
19 privilege we do not take lightly. With that
20 privilege comes our commitment to be an
21 industry leader in all that we do. And I'd
22 like to give you a few examples.

23 One, Anthem was the only
24 established Connecticut insurance company to
25 participate in both the individual exchange

1 and the small-group exchange from the
2 beginning, and we are pleased that we have
3 re-signed for another year.

4 In this first year we offered
5 a broad range of individual products, the
6 largest number of offerings by a single
7 insurer on the exchange. This was to meet
8 the varying needs of Connecticut consumers.
9 We will offer a similar broad array of
10 products in 2015 with some modifications,
11 modifications based on consumer feedback and
12 to comply with benefit mandates.

13 Two, we know that nearly one
14 out of every two Connecticut adults suffers
15 from a chronic disease. That chronic disease
16 can have significant impact on the quality of
17 life and productivity, and that treatment
18 related to chronic disease accounts for
19 75 percent of health care spending.

20 In response we have developed
21 market-leading programs designed to help our
22 members prevent the onset -- onset of chronic
23 disease and for those with a chronic
24 condition, manage their illness so they can
25 remain healthy and active, enjoying time with

1 their family and friends while also reducing
2 the avoidable costs associated with
3 uncontrolled conditions.

4 This includes our enhanced
5 personal health care program, the largest
6 patient-centered initiative of its kind in
7 Connecticut, through which we are giving
8 physicians and other providers tools,
9 information, and resources to support their
10 own efforts to provide care that complies
11 with nationally recognized best practice
12 guidelines and proactively care for their
13 patients.

14 Today we are pleased to share
15 that over half of our primary care providers
16 collaborate with us through this program.
17 This also includes a comprehensive array of
18 health and wellness programs through which we
19 engage members as active participants in
20 their own health care, helping them navigate
21 the sometimes complex health care system so
22 they can get the care that they need while
23 avoiding duplication of care.

24 Finally, our members have told
25 us that cost does matter, so we've developed

1 our estimate-your-cost tool which allows them
2 to compare their out-of-pocket cost for over
3 400 procedures depending on the provider that
4 they selected. Members can access this tool
5 through Anthem.com, via our website and can
6 go through a computer, or a variety of mobile
7 devices such as smartphones and tablets to
8 get this information.

9 In keeping with our strong
10 presence and our commitment to being a leader
11 in our state, Anthem does not rest on its
12 laurels. We know that we operate in an
13 increasingly competitive marketplace with
14 price of insurance products and services
15 being one of the most important factors in
16 direct consumer health insurance purchasing
17 decisions. At the same time, as a
18 Connecticut insurer for more than 75 years
19 and watching many other carriers come and go,
20 we know that solvency and stability is
21 important.

22 We must balance the strong
23 competitive pressures against the need to
24 responsibly price our products to ensure that
25 we will remain a leader for the future while

1 meeting the needs of Connecticut residents
2 for financial security, good health, and
3 access to quality care for years to come.

4 In short, our goals are
5 aligned with those, the people we serve. We
6 want to be there for them what they need us
7 most, enabling them to access care, navigate
8 the healthcare system and manage their health
9 as well as their health care costs.

10 On behalf of Anthem, my
11 colleague Michael Bears and I, we appreciate
12 the opportunity to be here today. We hope
13 the information we provide is helpful to the
14 Department as they evaluate Anthem's
15 application.

16 Thank you.

17 THE HEARING OFFICER: Thank
18 you.

19 MR. DURHAM: Next,
20 Mr. Lombardo, I'm going to take Mr. Bears
21 through our direct examination in support of
22 the actuarial soundness of the rate
23 application.

24 THE HEARING OFFICER: Proceed.

25 MR. DURHAM: First for the

1 record, will you state your name and your
2 position, please?

3 THE WITNESS (Bears): Sure.
4 My name is Michael Bears. I'm a Regional
5 Vice President with Anthem and my team is
6 responsible for evaluating the adequacy of
7 the rates that we're discussing today and
8 proposing necessary revisions to the
9 Insurance Department.

10 MR. DURHAM: And would you
11 describe your education or experience that
12 qualifies you to testify today for
13 Mr. Lombardo?

14 THE WITNESS (Bears): I'm a
15 fellow of the Society of actuaries, a member
16 of the American Academy of Actuaries. I
17 started in our North Haven office at Anthem
18 12 years ago in individual and small group
19 pricing; moved into other roles such as
20 director of advanced analytics where we
21 studied improvements in actuarial
22 methodology; moved on to a staff vice
23 president of actuarial peer review, the role
24 of was to make sure that all filings leaving
25 Anthem were of top quality and accuracy; and

1 more recently I'm in this pricing role that
2 brings me here today.

3 MR. DURHAM: All right. And
4 can you also explain to the Hearing Officer
5 why you are testifying today?

6 THE WITNESS (Bears): Right.
7 I'm here to testify to the actuarial
8 soundness of the rates proposed here to go
9 effective January 1, 2015. In accordance
10 with Connecticut law, we believe that our
11 proposed rates are not in excessive,
12 inadequate or unfairly discriminatory as
13 demonstrated through our file.

14 MR. DURHAM: And Michael,
15 before we get into the heart of your
16 testimony, just to ensure completeness of the
17 record, were there any adjustments made to
18 the original filing that was made through
19 CERF on May 30, 2014?

20 THE WITNESS (Bears): Yeah.
21 There were. There were two adjustments.
22 One, there were two nonstandard benefit
23 attestations that were extraneous and we
24 removed those. And second, there was a
25 supplemental trend exhibit that was intended

1 to present normalized pay trends. It was
2 presenting unnormalized pay trends, so we
3 corrected that and resubmitted on June 12th
4 and 14th, respectively.

5 MR. DURHAM: And would you
6 provide the Hearing Officer with an overview
7 of this year's application and include in
8 that the level of increase being requested?

9 THE WITNESS (Bears): Yeah,
10 the rates are proposed to go effective
11 January 1, 2015, at a rate increase of
12 12.5 percent. Five of the plans encountered
13 the rate increases that bring us to this
14 hearing that were selected by approximately
15 15 percent of our policyholders. Other plans
16 were being adjusted at lower levels with
17 seven plans being increased by single digits.

18 MR. DURHAM: And can you
19 explain how the underlying cost of the
20 services promised to members and provided to
21 members affects the rate increase being
22 sought in this application?

23 THE WITNESS (Bears): Sure.
24 This rate increase is driven primarily by six
25 factors: An increase in medical services,

1 albeit at a declining rate -- as some members
2 of the public mentioned, there is a reduced
3 medical trend, but there still is trend; some
4 large changes to the pharmacy environment and
5 the drug costs that we're seeing emerge over
6 time.

7 There's an increase in the
8 federal fees levied on health insurers to
9 help fund the subsidies for folks purchasing
10 on the exchange. There is a path of
11 declining premium support from the
12 transitional federal reinsurance program that
13 was at maximum strength in 2014 and declined
14 through the end of 2016.

15 We, as we always do, use the
16 most recent experience available to reset our
17 2015 rates, which is 2013 in this case.

18 MR. DURHAM: That's a full
19 calendar year?

20 THE WITNESS (Bears): Correct.
21 Yeah, full calendar year. And there's also
22 an adjustment that we're making in
23 anticipation of the risk adjustment program,
24 which members of the public alluded to
25 earlier.

1 There is indeed, a risk
2 adjustment program, and we are accrediting to
3 the rates the expectation that our membership
4 will lead to financial transfers to us, and
5 that's fully credited through the rate.

6 MR. DURHAM: All right. So
7 I'd like to go through each of these six
8 drivers that you've just identified for
9 Mr. Lombardo.

10 And let's start first, can you
11 explain the more straightforward and certain
12 elements that influence this rate increase?

13 THE WITNESS (Bears): Sure.
14 So, as I mentioned, the Affordable Care Act
15 developed a temporary reinsurance program
16 that was intended to help diffuse some of the
17 risk of new entrants to the individual
18 marketplace under the newly enacted
19 guaranteed issue provisions.

20 This reinsurance program, as I
21 mentioned, operates at maximum strength in
22 2014. And our 2014 rates include a
23 14-percent reduction, 14.7-percent reduction
24 for anticipated receipt related to this
25 reinsurance program. So that's in effect in

1 our 2014 rate today.

2 As we move into 2015, the
3 program starts to decline, and we still have
4 an 8.2-percent reduction to our projected
5 claims in the 2015 rate, but the simple facts
6 of the federal program shift over time. As I
7 mentioned, as we head towards the end of 2016
8 the program completely expires, and so that,
9 that does contribute to the rate increase.

10 The Affordable Care Act also
11 includes a provision that levies fees on
12 insurers. And again, these were intended and
13 designed to help fund the subsidies on the
14 exchange. That amount begins at \$8 billion
15 in 2014, and that increases over 40 percent
16 to \$11.3 billion in 2015. These dollars are
17 also not tax deductible with respect to
18 federal taxes which increases the effective
19 cost of that.

20 So that contributes to the
21 rate increase approximately 1 percent as we
22 build into the 15 rates a change that tracks
23 to the emerging provisions of the federal
24 insurer fee.

25 MR. DURHAM: And next, beyond

1 the structural changes in the marketplace and
2 the associated rules that Anthem is mandated
3 to follow, what are the key drivers of this
4 rate application?

5 THE WITNESS (Bears): Yeah, I
6 think it's generally the case, in most rate
7 applications, that it is the cost of services
8 provided to our membership that drives and
9 calls for -- for the increase. So
10 historically, most of the cost increase has
11 been focused on the medical side, increased
12 inpatient hospitalizations, outpatient
13 services, things of that nature, and that
14 does continue in our application.

15 What's notable this time is
16 that pharmacy spending is really the key
17 piece that's leading to higher trends going
18 forward. So on the medical side, in fact,
19 our normalized pay trend is actually expected
20 and forecasted to be lower than what it was
21 recently. Rather than a 6 percent medical
22 trend, we foresee that at the 5.3 percent
23 level.

24 And giving that we're trending
25 claims from 2013 calendar year to 2015

1 there's two years' worth of that spread of
2 seven-tenths of a percent that contributes to
3 hold down the rates relative to higher
4 medical trends of the past. However, this is
5 offset by increased spending in pharmacy
6 services, and really three factors there.

7 There's a declining
8 opportunity, heading into '14 and '15, for
9 brand to generic conversions. And we'll talk
10 about each of these in a little more detail,
11 but brand to generic conversion opportunity
12 is less than it has since, say, 2012.

13 There's an emergence of
14 Sovaldi and other new medications for the
15 treatment of hepatitis C that are very
16 effective but priced very, very high. And we
17 continue to see very high rates of average
18 wholesale drug price change. And that also,
19 those three things together contribute to a
20 high drug trend, that when coupled with the
21 declining medical drug trend -- pardon me,
22 medical trend leads to the 8.24 percent.

23 And, in fact, if we didn't see
24 these pharmacy -- pharmacy elements impinging
25 on our costs, we would actually be using a

1 total trend of around 6 and a half percent,
2 but again, these pharmacy expenses contribute
3 and elevate to the 8.4 percent here. So I'll
4 go through each of these three in turn here.

5 Before getting to the
6 financial side, clearly having medications
7 available that can eradicate hepatitis C is a
8 good thing. It's an investment in our
9 collective health. It forestalls, it
10 eliminates liver conditions in the future.
11 That's -- that's a great thing. Especially
12 when you --

13 THE HEARING OFFICER: Excuse
14 me. Can you bring the mic a little bit
15 closer. Thank you.

16 THE WITNESS (Bears): Pardon
17 me.

18 Especially when coupled with a
19 push for expanded diagnosis from the Centers
20 for Disease Control as well as recent
21 Connecticut legislation asking that doctors
22 offer to test hepatitis C for anybody born
23 between 1945 and 1965. So promotion,
24 diagnosis, and newly available treatments
25 together are a good thing.

1 So Sovaldi, however, is very
2 expensive and we've been watching hepatitis C
3 spend very closely. It began fairly slowly
4 in January at around \$30,000, which sounds
5 low, except that's the cost for one member
6 for one month.

7 It accelerated to \$150,000 in
8 April, and it continued such that in May
9 alone \$430,000 were spent on Sovaldi
10 medication. That's a 16-fold increase since
11 the beginning of the year. June is
12 incomplete, but it's tracking in line with
13 May.

14 So this rapid acceleration in
15 the spending on Sovaldi reasonably leads us
16 to foresee full-year spending in the 4 to 5
17 million range just for that single
18 medication, and that would correspond to a
19 rate increase of approximately 1.5 percent.

20 Now this, this is round one
21 with respect to hep C medications. This is
22 strictly Sovaldi that I've mentioned. Later
23 in the year there's a new drug, Ledipasvir,
24 that will be emerging that provides an easier
25 treatment regime than what's in place today,

1 which requires interferon as a combination
2 treatment. Interferon has a very strong side
3 effect. So the full expectation is that we
4 will see a second wave of people seeking
5 treatment later in the year when an easier
6 treatment path becomes available.

7 Again, as I mentioned, recent
8 Connecticut legislation implemented the
9 recommendation from the Centers for Disease
10 Control to expand testing to anybody born
11 between 1945 and 1965. So this detection
12 coupled with easier treatment we expect will
13 expand utilization beyond current levels
14 beyond 2014.

15 And just to provide a little
16 more context, the Centers for Disease Control
17 expect that 1 percent of the U.S. population
18 is hep C positive. And if you take that and
19 apply it to an individual exchange population
20 of around 60,000 members that would foresee
21 around 600 cases, potentially up to
22 \$75 million, and that would be \$1,000
23 annually per policyholder or a 16-percent
24 immediate rate increase.

25 So the costs are very high,

1 but what we have included in our rates is
2 nowhere near that level. So we think it's,
3 if anything, a tempered projection, but it is
4 a very real cost. It's a good thing, but it
5 is very, very expensive.

6 MR. DURHAM: And Mr. Bears,
7 you're mentioning that in part because it's
8 Anthem's responsibility to plan and price
9 appropriately and to make sure that there's
10 adequate reserves to pay claims?

11 THE WITNESS (Bears):

12 Absolutely. Absolutely, yes.

13 Moving on to another
14 consideration that's affecting our drug
15 trends, which in turn contributes to the
16 8.42 percent trend in our filing, we're
17 seeing a shifting mix of brand to generic
18 medications.

19 Back in 2012, Lipitor came
20 under competition from generic alternatives,
21 and this caused a big drop in our drug trend.
22 In fact, I think we looked back at the
23 numbers, it was around 5 percent in 2012 in
24 some of the materials we provided. In our
25 filing last we said, well, that's a one-time

1 event. Over time people will move from brand
2 to generic, but once that savings has
3 occurred through that transition, then trends
4 will revert back to normal levels. And
5 indeed, last year we said it should go up to
6 around a 10-percent level, and we are indeed
7 seeing that.

8 So from 20 -- in 2011, we saw
9 about a 4.3-percent reduction to our drug
10 trend -- there are other factors of course,
11 but on this point alone, 4.3-percent
12 reduction to our drug trend related to brand
13 to generic savings. In 2012, that dropped or
14 leaped, depending on how you want to look at
15 it. There was an 8.1-percent drug trend
16 suppression. In 2013, it started to taper
17 off to 6.2, and heading into 2014, we foresee
18 that at around 3.6 percent.

19 So it's going back to a
20 baseline level that's fully credited in our
21 drug trend. It goes through to the rate.
22 It's just that the opportunity for savings
23 from moving from Lipitor to a generic
24 alternative was focused in 2012, one time in
25 nature and is expiring as we move further out

1 from its introduction. So that contributes
2 to some pharmacy trend rebound into '14, less
3 so in '15, but it is -- is noticeable.

4 The other piece affecting the
5 drug trend is continued high levels of
6 average wholesale drug price. This is simply
7 the cost for the pills themselves that we
8 pay. And it's fairly straightforward to
9 track and measure. We take a mix of drugs in
10 one year and a mix of drugs in the next year
11 and simply compare how the prices have
12 changed on that fixed basket of goods.

13 In 2011, we saw that trend at
14 7 percent. In 2012, it got up to
15 7.5 percent. In 2013, it went up to
16 8.9 percent. So you're seeing an escalation
17 just in the inflation of drug prices. And it
18 seems in the past week there have been
19 numerous articles in newspapers pointing to
20 this, in particular, as a driving force of
21 trend increases.

22 So you put all these things
23 together, newly introduced expanded
24 utilization of hepatitis C related
25 medications, declining opportunities in brand

1 to generic conversion of savings, as well as
2 a substantial growth in average wholesale
3 prices, those culminate in a drug trend, that
4 when coupled with a declining medical trend,
5 together supports the 8.42 percent, our buy
6 in.

7 Having seen hepatitis C drug
8 spend through the early part of the year, if
9 I were to refile today, I don't know that
10 8.42 percent would be the right number. It
11 is really accelerating rapidly.

12 MR. DURHAM: All right. And
13 thank you, Michael.

14 And I know that this was
15 mentioned during the public comment, but to
16 be clear, Anthem is making trend projections
17 to set the 2015 rates. Is that correct?

18 THE WITNESS (Bears): That is
19 correct, yes.

20 MR. DURHAM: And when you
21 propose a rate increase like this, you know,
22 do you check whether the trend assumption
23 used to set the previous rates was accurate?

24 You know, for example if you
25 used a 2 percent trend to set 2014 rates and

1 that turns out to be an actual trend of
2 5 percent, would that contribute to your rate
3 for the next year, 2015?

4 THE WITNESS (Bears): We do
5 assess that to see how prior projections are
6 aligned with actuals. And just to elaborate
7 a little bit, when we set our 2014 rates that
8 was based on November 2011 through
9 December 2012 data. It's easier to say
10 calendar year 2012. So we if we can, I'll
11 just say, we went from calendar year 2012,
12 trended that through 2013 and then on into
13 2014.

14 So, in setting our '14 rates,
15 we made a projection of how 2013 would
16 unfold. Being that we're in June, we have a
17 sense of how 2013 unfolded. So we can
18 compare the two and see how things
19 progressed.

20 In actuality paid claims
21 increased from \$425.23 cents per person per
22 month to \$459.97 cents over that period,
23 which is -- and that's on a same-benefit
24 basis. That's a trend of 7 and a half. I
25 think the rates incorporated 6 and a half.

1 So we're seeing slightly higher costs in 2013
2 than was anticipated in our rates.

3 Now, it's not necessarily
4 critical to enumerate exactly what the delta
5 is, so to speak, because ultimately when
6 we -- when we set our 2015 rates, we just
7 start from the 2013 data. That's what we're
8 starting with today.

9 So however you enumerate that
10 relative to what was projected before, that's
11 an important comparison to make for purposes
12 of understanding, but when it comes time to
13 set our 2015 rates, it all just starts from
14 the 2013 data. That's our building block.
15 We go from there forward.

16 MR. DURHAM: So stated in
17 another way, you do not make a specific
18 adjustment in your rate filing for this gap
19 that you've just described?

20 MR. RYAN: No. No specific
21 adjustment, and one is not really necessary.
22 Again, we start with 2013 data. That has
23 materialized at the level it has materialized
24 at, and we project forward from there. So it
25 naturally and automatically incorporates all

1 of the most recent information.

2 That's one advantage to
3 setting health insurance rates. Annually
4 we're constantly realigning and pulling our
5 rates back into conformity with the most
6 recent information that we have.

7 MR. DURHAM: Can you give an
8 example to illustrate that?

9 THE WITNESS (Bears): Sure.
10 Say, an actuary will project something will
11 cost \$80 in the future; later it turns out
12 that it actually costs a hundred dollars.
13 Well, geez, we were off by 20. Ultimately it
14 is not important to calculate that \$20 gap.
15 Ultimately you just start from a hundred
16 dollars and project forward from that point.

17 MR. DURHAM: And Michael, if
18 you could, and please try to keep you voice
19 up. I know these mics have been difficult.
20 I see the court reporter pointing at us.
21 They work kind of interestingly, but if you
22 keep your voice up so that you're clearly
23 heard.

24 How then do you pull these
25 considerations together that you've just

1 discussed when assessing how trend
2 considerations actually are used and
3 influence a rate application?

4 THE WITNESS (Bears): Sure.
5 To start with we think a proposed trend of
6 8.4 percent is reasonable and reflective of
7 some tangible cost drivers, declining medical
8 trend, enhancing pharmacy costs, changes in
9 brand to generic conversion, and
10 year-to-dates of all we spend that actually
11 supports a trend at this point that's higher
12 than what we filed.

13 As well, we see 2013
14 experience emerging at a level slightly
15 higher than what we were collecting in our
16 rates. So things, those two pieces come
17 together to inform our rate increase.

18 MR. DURHAM: Are there other
19 important points to be considered in
20 connection with this 2015 rate proposal?

21 THE WITNESS (Bears): Yes and
22 no. Our rate development for 2015 is based
23 on more than the items discussed thus far,
24 which again, medical trend related increases,
25 changes in the pharmacy environment,

1 increasing federal fees to help support
2 subsidies for exchange members, declining
3 premium support from the transitional
4 reinsurance program, and recent claims
5 experienced that emerged slightly higher than
6 what was anticipated in our '14 -- 2014
7 rates.

8 But I do want to highlight one
9 other item that does affect our rates going
10 forward, and that was alluded to earlier.
11 This is the risk adjustment mechanism that
12 was brought to the individual small-group
13 markets by the Affordable Care Act.

14 Under this mechanism insurers
15 who just happened to enroll healthier than
16 average customers pay money directly to
17 insurers who have just happened to enroll
18 less healthy customers.

19 So our 2015 rate development
20 includes a 4.69 percent prospective reduction
21 and this was informed by a risk adjustment
22 simulation study released just recently that
23 compared how 2013 insured members for
24 Connecticut insurers compare on a health
25 status basis to the Connecticut market

1 overall. And this helps that each insurance
2 company understand whether they are likely to
3 owe money to other health insurers, or
4 receive money from other health insurers.

5 Health insurers submitted, for
6 this study, 2013 claims in membership, and
7 they received information to potentially
8 guide their 2015 rates up or down in
9 accordance with those study results. Bear in
10 mind that while we've used this information
11 as one factor to hold rates down, other
12 health insurers in the marketplace must have
13 been measures having better risk than
14 average, and all else equal, can increase
15 their rates -- all else equal, in
16 anticipation of the fact they will need to be
17 paying the money to other insurers.

18 So the following is perhaps
19 counterintuitive, but very important to
20 market stability. If an insurer sets their
21 premium rates using data from healthier than
22 average customers and does not anticipate
23 risk adjustment money they will owe, then
24 they risk being sufficient -- significantly
25 deficient -- pardon me -- in their premiums

1 leading to larger rate increases in the
2 computer. So anticipating this dynamic is an
3 important part of the post-2014 rating
4 process.

5 MR. DURHAM: What about
6 profit, Michael? Does profit drive this rate
7 increase for 2015?

8 THE WITNESS (Bears): Yeah.
9 First it's important to reiterate what Jim
10 mentioned regarding the federal medical loss
11 ratio. So we are bound to an 80 percent
12 medical loss ratio standard, whereby we have
13 to spend 80 cents of every dollar on care.

14 So if our rates ever were to
15 produce medical loss ratios deemed too low by
16 these new federal standards, our members will
17 receive checks directly from us returning
18 money. And we've never paid rebates in the
19 Connecticut individual market and have
20 conformed with that rule.

21 Ultimately our profit
22 intention in this rate application did not
23 change since last year and does not affect
24 the rate increase.

25 MR. DURHAM: And when you

1 filed for the 2015 rates you estimated
2 Anthem's 2013 medical loss ratio for the
3 individual line of business because it was
4 not finalized at that time when you did the
5 application, but you now know what the 2013
6 MLR is, and can you comment on that?

7 THE WITNESS (Bears): Yes, we
8 receive the final statistic and our 2013
9 federal MLR is 89.3 percent, which is well
10 above the 80-percent threshold.

11 MR. DURHAM: Are there any
12 smaller elements that influence the rate
13 change for 2015 that you haven't spoken to as
14 of now?

15 THE WITNESS (Bears): I do
16 want to address pent-up demand. That came up
17 earlier, and I think it's important to touch
18 on that. When we submit our filing the
19 Department needs to write a summary of our
20 rate filing, and pent-up demand appeared in
21 there, and it is mentioned in our filing.

22 That is actually -- our
23 expectation for pent-up demand -- are
24 actually declining from 2014 into 2015. And
25 in terms of the actual, so it actually, all

1 else equal pulls down the rate increase
2 slightly. But all told, is a very, very
3 small adjustment in the 2015 rates. It's
4 thirty-six one-hundredths of a percent. It
5 is -- it is very small. And I don't what to
6 say it's meaningless, but it is a very small
7 amount and not a major driver.

8 But I do want to address that
9 and I don't want the impression out that this
10 is driven by pent-up demand. It is not. It
11 is in there, but it's a very small
12 adjustment.

13 MR. DURHAM: And you're
14 familiar with Exhibit I of the rate
15 application that's Exhibit 3?

16 THE WITNESS (Bears): Yes.

17 MR. DURHAM: And in that
18 Exhibit I, there is variation of the
19 increases around the individual plans, is
20 that right, and can you speak to those
21 variations?

22 THE WITNESS (Bears): Sure.
23 Yeah. For our 2015 rate submission we
24 obviously have the overall rate increase
25 proposal of 12.5 percent, but there are three

1 adjustments that are made at a level of
2 detail below that, that overall increase.
3 And let me just list them out and speak to
4 each.

5 First, we adjusted the slope
6 of our rates, that is the relationship
7 between bronze and silver, silver and gold.
8 Bronze, silver and gold being the metallic
9 product definitions that the federal
10 government put in place with the Affordable
11 Care Act. So that's one.

12 Two, we, as we are permitted
13 to do adjusted morbidity expectation on the
14 catastrophic plans, these are plans that are
15 restricted for purchase to folks, I think
16 it's 30 years and younger, and it's a
17 distinct risk pool to which you're allowed to
18 make a distinct expectation. And finally,
19 several bronze plans experience some benefit
20 adjustments and modeling updates which align
21 their rate more appropriately to the expected
22 costs under those benefit designs.

23 So as I mentioned, metal
24 slope, this refers to the cost relationship
25 between bronze and silver, silver and gold.

1 Regulations state that prices can vary along
2 those tiers, metal tiers based on core
3 features of the product such as co-pays,
4 deductibles and coinsurance, but also based
5 upon the economic impact these cost shares
6 have on consumer behavior. And it's, I
7 think, referred to as benefit richness in the
8 latest actuarial memorandum instructions.

9 Insurers cannot vary prices,
10 however, across metallic tiers in
11 anticipation of who will purchase these,
12 these products. So it's benefit richness and
13 then details of the benefit designs
14 themselves.

15 So we've reviewed claimants,
16 claims experience from 2013 and prior, and it
17 showed that the economic impact of member
18 cost sharing or deductible levels was
19 stronger than reflected in our 2014 rates.
20 As deductibles increases, customers were more
21 selective in their use of services, and
22 that's even after we used risk scores to
23 remove the impact of morbidity, which is
24 required by regulations. We have to study
25 this on a risk-adjusted basis, which -- which

1 we did.

2 So given this, our 2015 rate
3 application includes an overall rate
4 increase, but a slight movement to rotate our
5 metal slope to lower bronze rate slightly
6 where the stronger economic incentives exist
7 and then tilt the slope slightly higher on
8 the gold products. And doing so aligns these
9 rates more accurately with emerging
10 experience under benefit richness variations.

11 I mentioned that insurers are
12 not allowed to adjust metallic tier pricing
13 for morbidity difference, but one -- one
14 place where that adjustment is permitted
15 relates to catastrophic plans, which are
16 bronze-like products. And this is a distinct
17 risk pool for purposes of risk adjustment,
18 and insurers are permitted to price to the
19 expected morbidity of catastrophic plan
20 buyers.

21 Now, these plans have not been
22 purchased in great quantity thus far, but
23 early demographic indicators showed that we
24 could expect a lower normal morbidity level
25 in those plans. So the catastrophic plans

1 you'll see have a 4-percent rate reduction
2 related to first this morbidity adjustment
3 change. And second, as a bronze-like plan,
4 it also is subject to the sloping element
5 that I mentioned.

6 Beyond this, there are two
7 specific nonstandard bronze plans, one on
8 exchange, one off exchange that show higher
9 rate increases than the other bronze plans.
10 These have low membership. We've made some
11 revisions to our benefits and product
12 modeling, and that introduced some variation
13 in rate increase across the bronze products,
14 but ultimately be considered the updated
15 rates as being more reflective of the
16 expected costs of these benefit designs.

17 MR. DURHAM: And thank you for
18 that answer.

19 Your mention there at the end
20 of plans on and off the exchange reminds me
21 that I wanted to go back and just clarify
22 something.

23 When you were talking about
24 the impact and influence of the hep C
25 breakthrough drugs and you were giving us an

1 example, you made reference to a membership
2 of 60,000. Do you recall that?

3 THE WITNESS (Bears): Yes, I
4 do. Yeah.

5 MR. DURHAM: And just so the
6 record is clear, that 60,000 represents the
7 entire individual membership both on and off
8 the exchange?

9 THE WITNESS (Bears): Correct.
10 Yes. Correct.

11 MR. DURHAM: Okay. Thank you.
12 So at this point, Michael, can
13 you summarize why the Department should
14 approve the rate increase that's set forth in
15 Anthem's May 30, 2014 application?

16 THE WITNESS (Bears): Yeah. I
17 mean, ultimately in my role in this process
18 is to propose a rate increase that insures
19 that the premium reflected is adequate to
20 cover the benefits that our members access,
21 to ensure that this is an actuarially sound
22 rate.

23 Bearing in mind that we are
24 very motivated to be as competitive as
25 possible, we want the rate increase to be as

1 low as possible if we do that. We can sell
2 more business and grow the business, and
3 we're absolutely motivated to do that. So we
4 balanced competitive considerations with the
5 requirement under law that we put forth rates
6 that are not excessive, but are adequate.

7 As for the rate increase
8 itself, it's really six factors that underlie
9 it: A medical trend increase, albeit at a
10 slightly lower rate; sizable changes in the
11 pharmacy environment related to hepatitis C;
12 brand to generic conversions and average
13 wholesale price elements; an unavoidable
14 increase in federal insurer fees levied on
15 health insurers; waning premium support or
16 reduction from the federal reinsurance
17 program; a 2013 claims experience that
18 trended somewhat higher than 2014 rates
19 assumed; and then finally we do have a
20 4.7-percent reduction to calibrate the health
21 of our base experience to the Connecticut
22 market average.

23 MR. DURHAM: Thank you,
24 Michael.

25 With that, Mr. Lombardo, we're

1 completing our direct examination and our
2 witnesses are prepared to respond to
3 questions that you have for them.

4 THE HEARING OFFICER: Thank
5 you.

6 We will now begin the
7 examination of the witnesses by the
8 Department, and I will conduct the
9 examination myself. I ask that whoever seems
10 to be the most appropriate party to answer
11 the question, understanding that in some
12 cases it may be than one person.

13 We just had a presentation on
14 the varying differences in the exhibit that
15 identifies by plan the amount of rate change
16 that Anthem is asking for. And while it was
17 a very thorough explanation, what the
18 Department would like to see in additional
19 information -- and I will set guidelines for
20 when we need this information by at the end
21 of the hearing -- we'd like actuarial
22 justification for each of the factors that
23 affected the variation in the proposed rate
24 increase by plan including but not limited to
25 the following: Changes in benefit design

1 that vary by plan; changes in the adjustment
2 factor for the catastrophic eligibility;
3 changes in the non-benefit expenses that are
4 applied on a PMPM basis; changes in the
5 underlying area rating factors that were also
6 identified in the filing. There have been
7 some slight changes to the area factors.

8 You also identified the slope
9 of the rates, and so to the extent that you
10 should provide justification for defining the
11 slope of the rates as well.

12 For the record, can you be a
13 little bit more specific about what is meant
14 by the catastrophic -- the adjustment factor
15 for the catastrophic eligibility?

16 THE WITNESS (Bears): Right.
17 So that simply relates to the expected
18 morbidity level of the purchasers in the
19 catastrophic plans relative to the claims
20 experience that underlies our total
21 application. And we saw younger folks in
22 catastrophic plans which allowed us to
23 further bring down the rate in accordance
24 with who is purchasing those plans.

25 It's -- it's not, we had to

1 pool data across states in order to do that.
2 It's not selling a lot, but in general we are
3 seeing a lower age come into those plans, and
4 we are able to adjust in accordance with
5 that.

6 THE HEARING OFFICER: Thank
7 you.

8 Why is Anthem assigning
9 zero percent credibility to their Connecticut
10 individual single-risk pool non-grandfathered
11 business in the filing and using small-group
12 business in its place?

13 THE WITNESS (Bears): Yeah,
14 when you mentioned our actuarial with this
15 year and, again, in our submission last year,
16 in seeking approval on our current 2014
17 rates, that the individual market was under a
18 very different set of benefits. It -- which
19 would require more drastic projection,
20 transformations, normalizations from the
21 historical period to the future period.

22 It is based on a
23 non-guaranteed issue market. It was
24 previously medically underwritten, so it has
25 a very distinct health profile that again, is

1 very different from 2014 and beyond where a
2 guaranteed issue comes into effect.

3 So our judgment was that small
4 group being previously guaranteed issue and
5 being closer in benefit design to the future,
6 that it was a better starting point for that
7 reason.

8 THE HEARING OFFICER: Is that
9 consistent with how the filing was made in
10 2013 for the 2014 pricing period?

11 THE WITNESS (Bears): Yes.
12 We've made no changes. Correct, yeah. The
13 2014 rates were based on 2012 -- almost 2012
14 small group claims experiences, there's been
15 no change in moving into this 2015 proposal.

16 THE HEARING OFFICER: Okay.
17 And per the federal guidelines that you need
18 to follow in filling out the actual
19 memorandum part three in the URRT forms,
20 explain why you're allowed to use small group
21 instead of using your individual
22 non-grandfathered block?

23 THE WITNESS (Bears): Well,
24 the URRT actually requires that you show
25 prior experience for the individual block and

1 we do have that in the URRT. And it makes
2 the URRT then a complicated comparison,
3 because it's taking 2013 individual data and
4 contrasting it with expectations in the
5 future derived off small group data.

6 But again, it goes back to our
7 rationale that -- pick the data that it's
8 most close to and most applicable to the
9 circumstances that adhere in the future and
10 that's what we did.

11 THE HEARING OFFICER: And in
12 your judgment based upon what is out in the
13 marketplace today, what you're viewing is
14 that a consistent process to use group data,
15 whether it's a small group or large group as
16 a basis prior to gaining credible individual
17 experience in 2014?

18 THE WITNESS (Bears): It is.
19 There are many carriers following this
20 approach. Conversely, those that start from
21 individual experience, you'll see 100 percent
22 type projections, meaning take the prior
23 individual experience -- and this was heading
24 into 2014 -- and essentially you need to
25 double it because of all the medical

1 underwriting that was in place before.

2 So you can imagine having to
3 make a 100-percent adjustment is not too hard
4 to get off on that magnitude of a lunge, if
5 you will. So for small group there's much
6 less of that required and -- but we do see
7 both, but we're more comfortable with smoke
8 for that reason.

9 THE HEARING OFFICER: For
10 purposes of demonstration to the Department,
11 we'd like to see -- from a comfort level
12 perspective, we'd like to see a buildup using
13 it the individual non-grandfathered business
14 as you've identified in the URRT and
15 identifying those additional adjustments so
16 that we can have a comfort level that the
17 rate being developed by small group is
18 appropriate for what you are requesting the
19 Department to approve.

20 THE WITNESS (Bears): Okay.

21 THE HEARING OFFICER: You
22 alluded to a risk-adjustment product that I
23 believe you've obtained. I think in the rate
24 filing you identified that Wakely Consulting
25 collected demographic and risk information

1 from carriers and calculated Anthem's
2 relative risks to the market for 2013.

3 I just want to make sure that
4 everybody understands, because it is
5 counterintuitive. Because you're not using a
6 risk adjustment factor in the URRT, but you
7 did use a risk adjustment factor to affect
8 your 2013 experience before you developed
9 your 2015 expected pricing.

10 THE WITNESS (Bears): Correct,
11 yeah.

12 THE HEARING OFFICER: And what
13 I think I understood your explanation to be
14 is that because of the Wakely Consulting
15 product that you purchased that identified in
16 a small-group market?

17 THE WITNESS (Bears): Correct.

18 THE HEARING OFFICER: In 2013
19 that your block of business in the
20 small-group market would allow you to receive
21 payment from this pot of money, and
22 therefore, you were allowed to you lower your
23 starting point of 2013 rates by 4.69 percent?

24 THE WITNESS (Bears): That is
25 correct, yes.

1 THE HEARING OFFICER: Okay.

2 Thank you for the confirmation.

3 THE WITNESS (Bears): Yeah.

4 THE HEARING OFFICER: You also
5 identify in the filing -- and I just want to
6 make sure that I understand this -- that
7 you're using, it sounds like you're
8 supporting the assumption that small-group
9 sizes two to five members are the relative
10 small-group population that you would be
11 using to most mimic your individual block.
12 Is that correct?

13 THE WITNESS (Bears): That is
14 correct, yes.

15 THE HEARING OFFICER: So am I
16 to understand that your starting point of
17 2013 pricing for this was only using the two
18 to five experience data of your small group
19 market? Or did you use your entire small
20 group market experience as a starting point.

21 THE WITNESS (Bears): Yeah, we
22 used the entirety of small group as a
23 starting point. And the intent of that whole
24 piece of the calculation was to recognize
25 that when small groups purchase coverage of a

1 small group of 50, each individual is not
2 making a choice as to whether they need
3 insurance, and therefore really, really want
4 to purchase it.

5 In the individual market it's
6 much more selective. That's why the
7 individual mandate exists to ensure that
8 everybody feels inclined to purchase it, as
9 opposed to, in general, those who intend to
10 use it are more inclined to purchase it.

11 So within the small-group
12 market, we felt the two to five group size
13 range would be more reflective of a
14 circumstances where there is that individuals
15 choice. So it used the entire small-group
16 data, but we aligned it, adjusted it to the
17 typical cost levels of a two-to-five type
18 populations to reflect that individual
19 purchaser type decision making situation that
20 applies in the individual market. And that
21 was -- that's what that adjustment relates
22 to.

23 THE HEARING OFFICER: Okay.
24 And is that adjustment identified in the rate
25 filing specifically?

1 THE WITNESS (Bears): That
2 would be part of the morbidity section which
3 was, I think, was down 5 percent from last
4 year. So it -- it includes the Wakely, that
5 adjustment, the small pent-up demand and the
6 influx of higher risks premiums that insures.
7 So those collectively are in there, but,
8 yeah.

9 THE HEARING OFFICER: I think
10 what we're going to need is a very, very
11 specific detailed value for each of those
12 factors that made up the aggregate factor.

13 THE WITNESS (Bears): Of
14 morbidity?

15 THE HEARING OFFICER: Of
16 morbidity, and we'd like to see actuarial
17 justification for each of those separate
18 factors that roll up into your aggregate
19 morbidity adjustment, which I believe your
20 morbidity adjustment for this filing was
21 actually below a value of one.

22 THE WITNESS (Bears): Correct.
23 It was less than one and declined 5 percent
24 from last year.

25 THE HEARING OFFICER: Thank

1 you.

2 THE WITNESS (Bears): You're
3 welcome.

4 THE HEARING OFFICER: Attorney
5 Cook will be documenting the additional
6 information that we are asking for. So we
7 will reiterate all of this information for
8 the hearing purposes at the end of the
9 hearing.

10 THE WITNESS (Bears): Okay.

11 THE HEARING OFFICER: There is
12 a statement in the filing that identifies
13 that there's expected moves into the
14 individual market of uninsured in 2015. For
15 purposes of the marketplace those uninsured,
16 you would anticipate that a very high
17 percentage, if not all, due to the mandate
18 would be entering the market in 2014.

19 There appears to be a
20 recognition, and I don't know if there's an
21 additional adjustment for that, but why would
22 there be someone who was uninsured prior to
23 2015 entering in, in 2015, because there's a
24 mandate, and they really should be entering
25 in 2014?

1 THE WITNESS (Bears): Yeah.
2 The individual mandate is increasing in
3 strength in '15 and then again in 2016. So I
4 think the first year, at a minimum, it's a
5 \$95 individual mandate, which is not a lot
6 relative to the cost of health insurance.

7 So for somebody on the cusp
8 who's very healthy, \$95 health insurance
9 premiums, I think the choice for some is
10 to not pursue -- pursue coverage. But as
11 time passes, those mandates do increase in
12 strength, and we do expect that to have a
13 stronger impact in terms of bringing people
14 into the market.

15 THE HEARING OFFICER: And do
16 you have a value for what you've adjusted the
17 pricing for to impact that?

18 THE WITNESS (Bears): Yeah. I
19 think that's best handled through the
20 morbidity details. It's in that section, so
21 we can refer there.

22 THE HEARING OFFICER: Okay.
23 So we will be getting clarification,
24 justification for that as well.

25 THE WITNESS (Bears): Yeah.

1 THE HEARING OFFICER: You
2 identify that the base period experience is
3 adjusted to account for higher anticipated
4 utilization levels in the cost share
5 reductions plans. Those are the silver
6 plans?

7 THE WITNESS (Bears): Correct.

8 THE HEARING OFFICER: Please
9 identify the adjustments and identify if
10 those are consistent with the adjustments
11 that are allowed for that in the ACA law and
12 regulation.

13 THE WITNESS (Bears): Yeah.
14 The utilization of factors themselves, so
15 again, just to explain, if you have a cost
16 share reduced plan, your cost shares are
17 lower. That means it's less costly for you
18 to pursue services and then that leads to
19 increased utilization.

20 And HHS has published factors
21 that say, under these cost share reduced
22 variations, here's what we think is the
23 appropriate increase in utilization that
24 you'll experience.

25 So we have emerging data and

1 expectations as to how many members will be
2 in the cost share reduced plans. That gets
3 matched up against these slight utilization
4 increases that are expected, and that leads
5 to the factor that you referenced.

6 It is also down from last
7 year. We see slightly fewer members in the
8 cost share reduced plans, and as a result I
9 think it's come down three-tenths of a
10 percent from last year, but we do update and
11 tune that to what we're seeing in terms of
12 actual sales.

13 THE HEARING OFFICER: Okay.
14 If you could provide for each of the CSR
15 plans what the utilization adjustment you are
16 using. I know there's an aggregate
17 adjustment in there, but if you could
18 identify the separate factors.

19 THE WITNESS (Bears):

20 Sure, yeah. Absolutely.

21 THE HEARING OFFICER: There
22 was -- and you've alluded to what I would
23 consider a significant piece of the filing,
24 is the impact of the temporary reinsurance
25 program on your pricing.

1 For the record, the law and
2 the regulation have identified that, for the
3 policy year 2014, the law initially
4 identified attachment points for reinsurance
5 of \$60,000 up to \$250,000 with the federal
6 government paying 80 percent of the value of
7 that claim for each individual
8 non-grandfathered policy in the marketplace.

9 Further regulation came out, I
10 believe, in March of 2014. So this is past
11 the -- well past the pricing deadline that
12 readjusted the attachment point for 2014
13 claims from \$60,000 to \$45,000.

14 Now, what this did was is it
15 allows the carriers in the marketplace in
16 2014 to gain the 80 percent coinsurance
17 coverage on an additional amount of claims
18 that were between 45,000 and 60,000 because,
19 again, when the pricing for 2014 was
20 developed it had to be finalized. The law
21 and the regulations identified 60,000 to 250
22 at 80 percent.

23 Within that regulation another
24 set of regulations came out May 27th of this
25 year that identified that HHS would be

1 recommending that for 2015, when they develop
2 the regulation for 2015, which will be
3 issued, again, sometime March of 2015. Is
4 that the idea here that they will be
5 requesting that the attachment point in the
6 law for 2015, at \$70,000, be reduced to
7 \$45,000.

8 What we'd like to ask Anthem
9 to do is a myriad of different scenarios.
10 They've also identified in the regulation
11 that they will contemplate adjusting the
12 50 percent coinsurance, but the coinsurance
13 drops from 80 to 50 percent in 2015. What we
14 are asking Anthem to do is provide -- you
15 currently are assuming in your pricing 70,000
16 to 250,000, that's your attachment points
17 with a 50-percent coinsurance value. We'd
18 like you to identify what the premium impact
19 is to lowering that to 45,000 for 2015.

20 We'd also like you to identify
21 the 45,000 as the attachment point and a
22 coinsurance level of 60 percent, 70 percent,
23 and 80 percent. So we'd be asking for four
24 different calculations and an explanation of
25 the overall impact to premium and the impact

1 to the, I believe it's -- I forget what
2 exhibit it is, but it identifies the, by
3 plan, adjustments that you're requesting.

4 Okay. Do you understand what
5 the Department is asking for?

6 THE WITNESS (Bears): I do.
7 I'm trying to think through the particulars
8 of performing that calculation. The 2015
9 pool of money is fixed at 6 billion, and they
10 can change the parameters in various ways,
11 but if there's not additional money, then the
12 answer is, it will not change our answer.

13 So a necessary input is what
14 additional money, in 2015, should we assume
15 in recalculating in that way.

16 I'm familiar -- and it's very
17 recent, as you mentioned. As I read that it
18 seems to indicate if there is excess in 2014,
19 they will push that forward into 2015 and
20 deliver that through by virtue of adjusting
21 the reinsurance parameters. So I have
22 nothing to point to or assess in terms of
23 what that excess would be moving into '15.

24 And they adjusted the '14
25 parameters for two reasons. One, with the

1 grandmothering provisions that were set
2 allowing folks to stay a little bit longer in
3 previous insurance plans, the idea was that
4 the markets would split to some extent. That
5 wasn't the case in Connecticut, but that's --
6 so they increased the parameters in 2014 to
7 dispense of more money in '14. So that, to
8 me, just counter -- seems counterintuitive to
9 the idea that we spill over into '15 -- made
10 available to both. So I think we need some
11 thought as to how much extra money would we
12 assume is coming in from where would it come.
13 So --

14 THE HEARING OFFICER: I
15 understand the question. The request will be
16 assuming that there is enough money to fund
17 the 45,000, a change from 70 to 45. And the
18 basis for the department's question is, is
19 you alluded to grandmothered plans.

20 THE WITNESS (Bears): Uh-huh.

21 THE HEARING OFFICER: And a
22 number of states have approved the use of
23 grandmothers plans up to and including, I
24 believe it's, October 1, 2016. Okay?

25 Those individual plans that

1 are considered grandmother, for purposes of
2 identifying grandmothers, they are
3 non-grandfathered plans that certain states
4 have allowed to not have to be completely
5 fully ACA compliant in 2014 or 2015. It was
6 up to each of the states to determine whether
7 or not they would allow that.

8 A significant, fairly sizable
9 amount of states have allowed that to occur.
10 Now, what that does is, is by virtue of the
11 regulation that allows this, there they are
12 not eligible for the reinsurance program.
13 The grandmothers plans are not eligible for
14 reinsurance, yet they are still being
15 required to pay the fee for the temporary
16 reinsurance program.

17 So the Department's
18 perspective on this is twofold. One is, is
19 that, A, Connecticut did not adopt the
20 transitional program and did not allow
21 grandmothers. So everyone will be fully
22 ACA compliant at some point by the end of
23 2014 or the beginning of 2015. There's a,
24 you know, twelve midnight on 12/31, or
25 whatever you want to call it, new year's.

1 So it's a firm belief by the
2 Department that there will be excess money
3 that was not considered when they originally
4 set the budget for the 50-percent coinsurance
5 rate and the \$70,000 attachment point, the
6 lower attachment point. And that there will
7 be, not only money that will allow them to
8 increase the coinsurance rate in 2014 to a
9 hundred percent, but there will probably be
10 money left over. We don't know that. It's a
11 projection. It's an estimation.

12 So we would like you to
13 develop those, assuming that there is enough
14 dollars to support what you would consider as
15 full funded 45,000 with the 50, and then
16 45,000 with the 60, 70 and 80.

17 Okay?

18 THE WITNESS (Bears):

19 Understood, yeah.

20 THE HEARING OFFICER: You've
21 referenced bulletin HC-81-2 in the filing.
22 We have an updated bulletin that discusses
23 the requirements for rate filings. It is
24 HC-81-14. So if you could please reference
25 that and identify if there's any additional

1 information required by that bulletin.

2 Okay. In the verbiage of your
3 filing you identified normalization factors
4 as Exhibit N. I believe it is Exhibit C in
5 your rate filing. So if you could identify
6 that and fix that.

7 But in the Exhibit C
8 normalization factor table, when we reviewed
9 that, when I reviewed that to the Exhibit C
10 in your filing for last year, there are
11 differences between the two. And I'm
12 specifically looking at the future population
13 adjustment for the age/gender. It increased
14 from 1.0924 to 1.1439.

15 THE WITNESS (Bears): Correct.

16 THE HEARING OFFICER: Explain
17 where the normalization for the age/gender
18 would be increasing by that amount and why it
19 would be increasing.

20 THE WITNESS (Bears): Yeah. I
21 think before getting to those specifics,
22 the -- the normalization factors work in
23 concert with the calibration factor later
24 in the -- the entire rate development.

25 So if I look at the totality

1 of the normalization adjustments, I think in
2 total, including the age piece, they are up
3 from last year. But if you go down to the
4 bottom, the calibration factor which then
5 divides it back out, I think, increase from
6 1.48 to 1.60. So in terms of the overall
7 rate increase those elements do net out.

8 Specifically, to the age
9 factor, a couple things we see. Slightly
10 younger folks in 2013 and an updated
11 projection of an older population in 2015
12 relative to what we expected last year, and
13 that's informed by updated population
14 movement modeling as well as referencing
15 actual age information from the exchange
16 itself.

17 THE HEARING OFFICER: Okay.
18 We're going to need to see justification for
19 that development of the 1.1439. And I'd like
20 you to do a comparison to the value you used
21 for future population last year, which was
22 1.0924.

23 THE WITNESS (Bears): Okay.

24 THE HEARING OFFICER: Thank
25 you.

1 Exhibit B identifies your
2 experience that is your starting point for
3 your rate development. Again, in your 2013
4 rate filing for 2014, you identified there
5 was a series of small-group data that you
6 use.

7 It was identified on the
8 exhibit. All I see here is Anthem's health
9 plans individual, and there's no
10 identification of this. There is verbiage in
11 the rate filing, but we'd like you to
12 identify on that specific exhibit exactly
13 what data you're using for experience.

14 THE WITNESS (Bears): Okay.
15 Sure.

16 THE HEARING OFFICER: Okay.
17 We've already talked about the morbidity
18 changes in the .9886 value, and you're going
19 to get that to the Department as individual
20 factors and justification for that?

21 THE WITNESS (Bears): Yeah.

22 THE HEARING OFFICER: Exhibit
23 G describes the non-benefit expenses and
24 profit and risk. I see line items for
25 everything but the profit and risk in the

1 exhibit.

2 Am I to assume that, if I look
3 at the expenses applied, as a percentage of
4 premium total admin expenses is 2.07 percent,
5 total taxes and fees is 8.33 percent?

6 If I add those two numbers up
7 pretty quickly it's 10.4. If I take the
8 difference between the total, 13.65 and the
9 10.4, that ends up being 3.25 percent. Is
10 that what you're using as an explicit profit
11 and risk load?

12 THE WITNESS (Bears): Yeah,
13 that is correct. Yeah.

14 THE HEARING OFFICER: I'd like
15 you to have a line item on there that
16 enumerates that. And is that consistent with
17 last year's rate filing?

18 THE WITNESS (Bears): It is,
19 yes.

20 THE HEARING OFFICER: Thank
21 you.

22 As best you can in layman's
23 terms, can you explain Exhibit H, which is
24 the calibration exhibit?

25 THE WITNESS (Bears): Yeah.

1 So the -- the calibration factors works in
2 the context of this exercise, but what we're
3 trying to do is establish a rating formula.
4 A rating formula meaning, if you start from
5 this -- if you start from this core price and
6 apply a series of adjustments, allowable
7 rating factors such as age and area, then you
8 can -- and product, you can derive the actual
9 rate that any person would encounter.

10 So in our rate development we
11 take all of our claims experience and project
12 to the mix of ages and the area and the
13 benefit plan that we expect to see in the
14 future. What this calibration does is it
15 pulls that down to sort of a core center
16 point, and from that you can apply various
17 rating factors to derive any rate that an
18 individual would encounter on -- on the -- in
19 the market.

20 Now, as far as, what does that
21 number actually mean? As far as age, working
22 within the context of that sort of
23 calculation, the age factor represents the
24 weighted average expected age factor from the
25 premium side. So the Affordable Care Act

1 allows us to vary rates in accordance with
2 age in a three-to-one manner, so that's
3 constrained relative to the actual slope of
4 the cost with respect to age.

5 But if you take the expected
6 population and cross it with the age factors
7 that we're permitted to use by age, that is
8 the result in the case of the age factors of
9 1.5926.

10 THE HEARING OFFICER: Okay.
11 So in essence, I just want to make sure, for
12 the record and for the purposes of the
13 hearing, that this is a requirement so that
14 you get to what we would consider a neutral
15 rate level, which you would then apply your
16 standard age factors, to your area factors,
17 to your benefit relativity factor to -- that
18 generates the actual premium that would be
19 charged to an individual?

20 THE WITNESS (Bears): Correct,
21 yes.

22 THE HEARING OFFICER: Okay.
23 Thank you for that explanation.

24 Last year's rate filing
25 identified a rating differential for network.

1 Is that network adjustment still applicable
2 to this year's filing?

3 THE WITNESS (Bears): Yes, it
4 is.

5 THE HEARING OFFICER: Okay.
6 And is that identified in the rate filing
7 other than Exhibit H, which is the
8 calibration for area?

9 THE WITNESS (Bears): I
10 believe it's in exhibit -- it could. Yeah,
11 Exhibit C is where it could be. It's
12 combined area network in here. I think last
13 year we had split that out as --

14 THE HEARING OFFICER: Per our
15 request?

16 THE WITNESS (Bears): Per your
17 request. So we can supply that comparably
18 here, but the network has not. There's been
19 no change to the network since last year.
20 So --

21 THE HEARING OFFICER: Okay.
22 We would need the actual adjustment and the
23 actuarial justification for that adjustment.

24 THE WITNESS (Bears): Sure.
25 We have all of that, yeah.

1 THE HEARING OFFICER: Okay.
2 My last few questions will be related to the
3 trend exhibit.

4 THE WITNESS (Bears): Okay.

5 THE HEARING OFFICER: Last
6 year you identified a trend exhibit using
7 allowed data. This year you've identified a
8 trend exhibit using pay data. For the
9 record, can you please identify what the
10 difference is between allowed and paid, and
11 why the change was made?

12 THE WITNESS (Bears): Yeah.
13 The -- the allowed claim represents the
14 combination of what an insurer pays as well
15 as the members' cost shares, whereas a paid
16 claim is strictly what the insurance company
17 pays.

18 And one reason for using an
19 allowed claim is that it -- studying how
20 allowed claims move over time removes the
21 influence of any changes that a customer may
22 make to their benefit. So if you increase
23 your deductibles that can affect the -- the
24 course of paid claims over time.

25 As for why we changed it, the

1 prior method based on allowed claims tried to
2 look at members who have been with us for an
3 extended period of time to negate the impact
4 of people coming and going. So, in a given
5 year, you might have turnover as people come
6 and go. That can cause variation in your
7 trend. That's not reflective of cost
8 inflation published. It's just reflective of
9 who has entered and left your blocks. We
10 call that sort of a persistent business
11 approach where you try to look at a static
12 set of membership across time.

13 Heading into 2014, meeting
14 that requirement is exceedingly challenging
15 to expect that we could get to a dataset that
16 had stable membership over that extended
17 period. There's so much entering --
18 Medicaid, new people entering the market, in
19 2014, there would be no prior history on such
20 folks to enable us to continue to use that
21 approach.

22 So with all the change coming
23 in '14, we needed a method that would be more
24 reflective and capable of adapting to all the
25 changing membership that -- that was coming.

1 So that was the real -- the real impetus.
2 Internally, to the company, folks don't
3 really deal with a lot of claims. All
4 financials are on paid claims, so there was a
5 secondary benefit internally that it just
6 ties better to everything that everyone else
7 looks at.

8 THE HEARING OFFICER: Because
9 what we do at the Department, and part of our
10 analysis is, is to evaluate the changes from
11 2014 to 2015. And we have had carriers in
12 the past provide the trend both on a paid
13 basis and an allowed basis.

14 Does Anthem still have the
15 ability to generate this exhibit using
16 allowed claim data as they did last year?

17 I'm not asking you if you want
18 to do it. I'm asking you if you have the
19 capability to do it. I just want to make
20 sure you understand that.

21 THE WITNESS (Bears):

22 Understood. I'm actually
23 thinking. I'm happy to provide that. My
24 pause was honestly that I -- we did switch
25 like this. We went from old to new. I

1 would -- I honestly would have to check. I
2 just don't know.

3 THE HEARING OFFICER: Okay.

4 THE WITNESS (Bears): I think
5 historical amounts, absolutely. The forward
6 looking pieces, I'm less certain.

7 THE HEARING OFFICER: Yes.
8 I'm looking for the historical amounts that
9 have progressed. So yes, we would like to
10 see that on an allowed basis and appreciate
11 that.

12 THE WITNESS (Bears): Okay.

13 THE HEARING OFFICER: One
14 thing I did notice in the exhibits, and I
15 know you submitted some data later, and so
16 I'm hoping that I'm making this comment on
17 the appropriate data, and if I'm not, correct
18 me if I'm wrong.

19 If I'm looking at essentially
20 what you reported last year when you had
21 2010 -- you had calendar year 2008 to
22 calendar year 2012 estimates for the
23 different benefit categories, the same as you
24 did this year and the first three years of
25 this year's trend information.

1 So I'm strictly looking at
2 calendar year 2010, 2011, 2012, because I
3 want to look at the change from 2014, the
4 rate filing from last year to this year. And
5 I'll be honest with you, some of the data
6 doesn't make sense to me, and I'll give you
7 an example.

8 In calendar year 2010, if
9 that's an allowed basis for the last year,
10 the unit cost for inpatient was \$3200.
11 \$3,210.62 to be exact. The paid basis for
12 calendar year 2010 is \$3,229.39. It's
13 actually higher than the allowed amount that
14 was reported in last year's filing.

15 I would expect, in most
16 instances, and most of the data here is --
17 the alloweds are higher. The absolute values
18 of the alloweds are higher than the paids
19 because of the member cost sharing being
20 included in the allowed values.

21 I'm also anticipating that
22 from 2010 to last year, and from 2010 to this
23 year I would expect most of your medical
24 claims are fully complete regardless of
25 whether we used last year or this year.

1 Usually, claims are fully
2 complete on the medical side, maybe a little
3 bit longer, maybe six months to a year
4 longer. Drugs are much shorter. The lag
5 period where they're fully complete is much
6 shorter. So that's one question that I'm
7 going to ask you to respond to here and then
8 provide additional information.

9 The other item that stands out
10 pretty significantly to me is the utilization
11 data from those years. Again, I'm talking
12 about 2010, 2011, and 2012. So it was actual
13 experience you had last year, and it's
14 obviously actual experience that you have
15 this year. The utilization values are kind
16 of, you know, I'll give you an example. For
17 a prescription drug it was 1,037.1 in
18 calendar year 2010 per thousand members. And
19 in the last year's filing it was only 811.8.

20 So I'm starting to be a little
21 concerned about the integrity of the data
22 that's being provided for the trend. And so
23 I'm going to need you to respond to the
24 situations where the values on the allowed
25 versus paid on the unit cost in looking at

1 those three years doesn't make sense. The
2 allowed should be higher.

3 I'll let you respond here and
4 as well as asking you for some backup support
5 for this. So go ahead.

6 THE WITNESS (Bears): Yeah. I
7 think the best answer will come from
8 additional support. With the change in
9 process, we'll absolutely line those up and
10 take a look. In changing methods sometimes
11 things are just measured and numerated
12 differently, and we'll take a look at that.

13 THE HEARING OFFICER: I just
14 want to make sure, though, that intuitively,
15 from my perspective as an actuary, if you're
16 changing from allowed to paid, that should
17 really impact the unit cost side. Really,
18 and you'll have to explain this to me in the
19 response, I don't believe it should impact
20 the utilization at all.

21 THE WITNESS (Bears): Yeah, I
22 agree with your intuition. Yeah.

23 THE HEARING OFFICER: Okay.
24 Thank you.

25 Okay. The Department has no

1 further questions at this time. I will call
2 for a ten minute recess.

3 Thank you.

4 (Whereupon a recess was taken
5 from 11:09 a.m. to 11:29 a.m.)

6 THE HEARING OFFICER: I call
7 this hearing back to order. This is a
8 continuation of the public hearing in the
9 matter of the Anthem individual on and off
10 exchange rate applications.

11 Mr. Ryan, do you have any
12 questions for the Applicant?

13 MR. RYAN: Yes, just a few.

14 First, I'd like to say we
15 truly appreciate the opportunity to have this
16 hearing, Anthem's participation in the
17 hearing, the public education that's coming
18 out of this hearing. And in particular,
19 given what we've seen this morning, the
20 Hearing Officer's questioning has been, not
21 only very probing, but we think very
22 educational.

23 I can't tell you how important
24 it is for the public to understand some of
25 this complicated stuff. And I think,

1 Mr. Hearing Officer, you've done a tremendous
2 job helping people understand this.

3 I will say, as well, that our
4 main objective here was to ensure that the
5 Applicant provided sufficient information to
6 the Insurance Department to justify its rate
7 requests and for the Insurance Department to
8 evaluate that rate request.

9 That said, we compliment the
10 Insurance Department on its questions, its
11 request for additional information, and I
12 have to say, you've left me with not many
13 questions to ask, and you've expressed those
14 questions better than I could have.

15 But you know, I do have a few
16 additional questions. If that would be okay,
17 I'll proceed.

18 THE HEARING OFFICER: You
19 could proceed.

20 MR. RYAN: So I guess, in the
21 same way, whoever is best suited at the
22 Anthem table to answer these questions, I
23 would ask to do so. So I think most of them,
24 though, relate to the actuarial memorandum
25 and the rate filing itself.

1 So I would imagine Mr. Bears
2 would be in a better position to answer. So
3 Mr. Bears, you had indicated that the
4 experience that was used to base, to come
5 about the base rate for this application was
6 a small group, I believe. Is that correct?

7 THE WITNESS (Bears): That is
8 correct, yes.

9 MR. RYAN: And that you've
10 used that rating methodology in a prior
11 application. Is that correct?

12 THE WITNESS (Bears): That is
13 correct, yes.

14 MR. RYAN: And can you help us
15 again understand why the -- that is a
16 superior methodology over using what we might
17 expect which would be actual experience?

18 THE WITNESS (Bears): Yeah.
19 The individual business prior to 2014 is
20 really very different than the individual
21 business after 2014. It was subject to
22 medical underwriting, which puts the entire
23 risk pool at a different cost level.

24 It had very different benefits
25 and weren't subject to actuarial value

1 requirements and EHBs. And those are really
2 the key considerations. And as we indicated,
3 we'll be providing a comparative development
4 that aligns the two.

5 MR. RYAN: You've said that
6 there are different requirements. Do you
7 think that made that pre-2014 individual pool
8 or the data -- would the data reflect a
9 higher risk for that underwritten population
10 or a lower risk -- or a lower cost in your
11 view?

12 THE WITNESS (Bears): The 2013
13 individual?

14 MR. RYAN: Yes.

15 THE WITNESS (Bears): Lower.

16 MR. RYAN: It would be lower?
17 So the premium would have been lower as well.
18 Correct?

19 THE WITNESS (Bears): No.
20 Because we would have anticipated a change in
21 the risk mix heading into 2014 and --

22 MR. RYAN: Yeah, I'm just
23 talking about for the 2013.

24 THE WITNESS (Bears): Oh, for
25 2013? Yes.

1 MR. RYAN: Relative to --

2 THE WITNESS (Bears): Yeah.

3 MR. RYAN: Okay. And you, you
4 indicated in your memorandum that you were
5 submitting that memorandum pursuant to
6 applicable state and federal laws including
7 the regulation 45CFR156.80D1, I believe. Is
8 that correct?

9 THE WITNESS (Bears): Yes.

10 MR. RYAN: Can you take a look
11 at that? That's actually an exhibit. I
12 forgot the exhibit number.

13 MS. COOK: It's Exhibit 22.

14 MR. RYAN: Exhibit Number 22.

15 THE WITNESS (Bears): Okay.

16 MR. RYAN: And you, you cite
17 45CFR156.80D1. Correct?

18 THE WITNESS (Bears): Correct.

19 MR. RYAN: Do you believe that
20 that section allows you to substitute
21 small-group experience for the individual
22 experience in this application? And if so,
23 on what basis do you believe that to be true?

24 MR. DURHAM: Mr. Hearing
25 Officer, just to clarify as the witness is

1 looking at that section, is the question
2 limited to just reference to D1?

3 MR. RYAN: At this point,
4 that's what the Applicant referenced in his
5 memorandum, but obviously this question that
6 relates to the legal requirements -- so if
7 there are other factors, perceptions in this
8 regulation that are applicable, we're happy
9 to hear about that, too.

10 THE WITNESS (Bears): Yeah. I
11 think this states that you must establish an
12 index rate for a state market based on the
13 total combined claim cost for providing
14 essential health benefits within the single
15 risk pool of that state market.

16 That is silent as goes the
17 origin of the source of -- we must set a rate
18 based on the total combined claims cost. I
19 don't see anything that prohibits or excludes
20 one from using the most analogous data set
21 that they see fit to use.

22 MR. RYAN: So this law is
23 saying you have to have an index rate for
24 each risk pool. Does it happen to have an
25 index rate for each risk pool in the 2014

1 experience?

2 I should ask this -- maybe
3 I'll ask this first, if that's okay. Does
4 Connecticut allow a merger of the risk pools
5 to your knowledge?

6 THE WITNESS (Bears): I don't
7 believe so.

8 MR. RYAN: Okay. Then the
9 follow-up would be, does Anthem have an index
10 rate for each risk pool as required by this
11 section?

12 THE WITNESS (Bears): Yes.
13 Yeah, we have distinct filings in the two
14 markets.

15 MR. RYAN: And have you
16 submitted the indices to the Department in
17 this instance?

18 THE WITNESS (Bears): This
19 pertains to the individual rate application,
20 so we've submitted that. But small group is
21 addressed separately in a separate filing.

22 MR. RYAN: Yeah. I'm asking
23 about, actually about the index rate for the
24 individual risk pool. Have you submitted
25 that to the Insurance Department with this

1 application?

2 THE WITNESS (Bears): Yes.
3 Yes, that is part of the application.

4 MR. RYAN: And where is that
5 in the application?

6 MS. COOK: Just for the
7 record, the application is Exhibit 3.

8 MR. RYAN: Exhibit 3? Okay.
9 And is that indices based on
10 actual individual risk pool experience?

11 MR. DURHAM: Mr. Hearing
12 Officer, if we might, I'm not sure which one
13 of these questions Mr. Bears is supposed to
14 respond to.

15 MR. RYAN: I'm sorry. I
16 thought you were pointing me to -- I'm sorry.
17 I apologize.

18 MS. COOK: I was just
19 clarifying the exhibit that you referenced.

20 MR. RYAN: I apologize.

21 MR. DURHAM: Mr. Bears is
22 looking at Exhibit 3, as Attorney Cook
23 indicated, which has the original
24 application.

25 THE WITNESS (Bears): Yeah.

1 Our actuarial memorandum states the
2 experience period index rate is shown on
3 worksheet 1 of the URRT.

4 MR. RYAN: Is that
5 experience -- is the experience in that
6 reference actual experience for this
7 individual risk pool which is the subject of
8 this rate increase?

9 THE WITNESS (Bears): Not the
10 2014 or 2015 individual risk pool. It's 2013
11 data in the URRT, yeah.

12 MR. RYAN: Okay. Is it your
13 position that this regulation allows the
14 substitution of group -- the use of the
15 group, small-group indices in substitution
16 for the individual index in establishing the
17 premium rate as defined under D1?

18 THE WITNESS (Bears): I hate
19 to do this. Can you repeat the question?
20 I'm sorry.

21 MR. RYAN: Yeah. Is it your
22 position that this regulation permits Anthem
23 to substitute the index that it has to
24 establish for small-group experience for the
25 individual index in determining the premium

1 rate as defined under D1?

2 THE WITNESS (Bears): So the
3 specific exhibit, we have to show 2013
4 individual non-grandfathered experience in
5 the URRT. That's that experience period next
6 rate --

7 MR. RYAN: Can you read for us
8 the last --

9 MR. DURHAM: Excuse me. Not
10 sure that he was finished with his answer.

11 THE HEARING OFFICER: Let him
12 finish the question, if you please.

13 MR. RYAN: I apologize.

14 THE WITNESS (Bears): And then
15 the projection index rate is derived on
16 small-group experience. And we believe that
17 it is a suitable data set used for this
18 purpose, and better than individual data,
19 yeah.

20 MR. RYAN: Okay. Can you just
21 read for us the last full sentence in section
22 D1, please, for the record?

23 MR. DURHAM: Just the final
24 sentence out of context?

25 MR. RYAN: He could read the

1 whole section, if you'd like.

2 THE WITNESS (Bears): "The
3 premium rate for all of the health insurance
4 issuers' plans in the relevant state market
5 must use the applicable marketwide adjusted
6 index rate."

7 And that marketwide -- I know
8 I'm not reading at this point -- but the
9 marketwide adjusted rate is separately and
10 specifically defined. And that marketwide
11 piece of it refers to --

12 MR. RYAN: Are you reading.
13 Is that a quote? Are you reading that?

14 THE HEARING OFFICER: Okay.
15 First of all, you need to work through me as
16 the Hearing Officer, if you have questions
17 that are pertaining to answering the
18 question.

19 I believe the Intervenor
20 identified reading a statement that they
21 asked. Just please answer that question.

22 THE WITNESS (Bears): Okay.
23 Yeah, apologies. Yeah.

24 "The premium rate for all the
25 health insurance issuers' plans in the

1 relevant state market must use the applicable
2 marketwide adjusted index rate subject only
3 to the plan level adjustments permitted in
4 paragraph D2 of this section.

5 MR. RYAN: So this -- this
6 will be my last question on this, I promise.

7 So do you believe that the
8 applicable marketwide adjustment index rate
9 in this case for if the individual market is
10 the small group market?

11 THE WITNESS (Bears): The
12 applicable marketwide adjusted index rate is
13 an index rate that we developed for the
14 individual market predicated on small-group
15 data.

16 MR. RYAN: So can you answer
17 that question? Can you just say, yes or no?
18 I mean, I think that's pretty --

19 Is the applicable marketwide
20 adjusted index rate for this filing small
21 group for this individual?

22 THE WITNESS (Bears): No.

23 MR. RYAN: Okay. It is not?

24 THE WITNESS (Bears): No, the
25 marketwide adjusted index rate applies to

1 the -- it's a, sort of a center point from
2 which you derive rates in the individual
3 market.

4 We use small-group experience
5 to set it, but it itself is an individual
6 market, market-adjusted index rate from
7 which, upon application of rating factors,
8 you derive all of the rates available in the
9 individual market.

10 MR. RYAN: Did Anthem use
11 that, the applicable marketwide adjusted
12 index rate to derive the premium rate for
13 this application?

14 THE WITNESS (Bears): Yes.

15 MR. RYAN: Okay.

16 I just have a few other
17 questions, if that's okay?

18 I know that you have -- or we
19 note that you have indicated that the
20 hepatitis C, the new hepatitis C drugs are a
21 fairly substantial driver to the trend
22 projections.

23 Have you, has Anthem
24 determined how many members might be
25 qualifying for that drug under its current

1 individual populations? And has it shared
2 that information with the Department?

3 THE WITNESS (Bears): We know
4 how many members have incurred the expenses
5 that we mentioned here today. We know the
6 amounts associated with that.

7 MR. RYAN: Have you shared
8 that with the Department?

9 THE WITNESS (Bears): Verbally
10 here, but we can provide detail, absolutely.

11 MR. RYAN: Can we request that
12 the Department ask for that information?

13 THE HEARING OFFICER: Duly
14 noted.

15 MR. RYAN: Thank you.

16 Is the -- I believe it's -- is
17 it Senobi? Senobay? The drug.

18 THE WITNESS (Bears): Sovaldi.

19 MR. RYAN: Sovaldi, I
20 apologize. Is that drug subject to the
21 reinsurance protections under the Affordable
22 Care Act or offset?

23 THE WITNESS (Bears): Like any
24 cost it is, but the typical cost of treatment
25 follows below the threshold to some extent.

1 That's not completely true. As well, when we
2 set our anticipated reinsurance recoveries
3 it's based on the total projected claims that
4 we see coming.

5 So the extent that Sovaldi
6 increases our costs, that increases our
7 trend. That increases our cost projection.
8 That increases the claims against which we
9 expect to receive reinsurance recoveries.

10 So it does both expand the
11 claims distribution that is then passed
12 through the reinsurance parameter. So it
13 does get in. There is additional recovery
14 expected on account of a higher drug tend on
15 account of Sovaldi, so it does get into the
16 rate as a credit.

17 MR. RYAN: And have you
18 delineated that effect in this application?

19 THE WITNESS (Bears): No. No,
20 it's not specifically delineated, except for
21 the piece on how the reinsurance recoveries
22 were estimated. Sovaldi-specific
23 consideration relative to that, no.

24 MR. RYAN: Since this is such
25 a significant component of the evidence

1 request, we would ask that the Insurance
2 Department explore that issue?

3 THE HEARING OFFICER: Duly
4 noted.

5 MR. RYAN: In your memorandum
6 you mentioned that there are some benefit
7 changes that affect the cost and the base
8 rate. One of them is a dental benefit for
9 minors. Is that correct?

10 THE WITNESS (Bears): That is
11 correct. Pediatric dental coverage, yeah.

12 MR. RYAN: Did that benefit
13 exist in 2014?

14 THE WITNESS (Bears): Yes, it
15 did.

16 MR. RYAN: Can you explain why
17 that should have a change? Does it have an
18 upward or downward effect on this, this
19 premium? And then how is that delineated and
20 accounted for.

21 THE WITNESS (Bears): It has a
22 downward impact on the filing. If you look
23 at the specific line item for pediatric
24 dental, it's slightly less this year. There
25 were some benefit changes made.

1 And I don't know, Jim, if you
2 recall the particulars.

3 We have that in detail, but
4 there were some small changes made to
5 benefits as well. The -- so the addition to
6 the rate for that is reduced relative to last
7 year.

8 MR. RYAN: Thank you.

9 Just one moment please. Thank
10 you.

11 Do you have -- and could you
12 share with the Department the numbers of
13 individuals that migrated from the fully
14 underwritten individual policies pre-2014 to
15 the current individual policies that you
16 offer?

17 THE WITNESS (Augur): I'm
18 sorry. Can you repeat the question?

19 MR. RYAN: Do you have the
20 numbers, and can you identify how many
21 Anthem members that were covered under the
22 terminated individual plans migrated or
23 enrolled in the 2014 plans?

24 THE WITNESS (Augur): I don't
25 have that number. I'm not sure of that

1 number.

2 MR. RYAN: Is that a number
3 you could get?

4 THE WITNESS (Augur): We could
5 try our best.

6 MR. RYAN: So you don't have
7 any idea how many former members joined?

8 THE WITNESS (Augur): Well,
9 there was so much change that occurred in
10 January of 2014 between members that were
11 coming off of plans into new plans, going on
12 the exchange, coming into Anthem for the
13 first time, I'm just not sure of the exact
14 number.

15 MR. RYAN: We've heard
16 testimony that those members were fully
17 underwritten and considered to be a lower
18 risk. And we would ask that --

19 Well, I should ask you, is
20 there a way to get that number? Do you have
21 the data to indicate how many members
22 actually, out of your various populations,
23 moved from the terminated plans to the
24 post-2014 plans?

25 THE WITNESS (Augur): We can

1 do the best we could.

2 MR. RYAN: We would ask that
3 the Department consider asking for that
4 information.

5 THE HEARING OFFICER: It's
6 noted.

7 MR. RYAN: In the memorandum
8 there's an indication that there is a
9 volatility adjustment as part of the profit
10 component. Is that correct?

11 THE WITNESS (Bears): I don't
12 believe it's declared as part of the profit,
13 no. But it is referenced in the memorandum,
14 though, sure.

15 MR. RYAN: Have you -- I'm
16 sorry. That was actually part of the trend.
17 I apologize.

18 Have you identified how much
19 you're allocating to volatility and what the
20 basis for that assumption is in terms of your
21 analysis?

22 THE WITNESS (Bears): I don't
23 know that it's specifically -- I didn't
24 divide it in the memorandum. I know the
25 basis on which it's calculated is based

1 simulations of -- probabilistic simulations
2 of projected future trend paths. And that's
3 the basis for it, but I don't think it's
4 specifically called out in the file.

5 MR. RYAN: We would ask the
6 Department to explore that issue.

7 THE HEARING OFFICER: Noted.

8 MR. RYAN: The Hearing Officer
9 cited Bulletin HC81-14 as the most current
10 statement of filing requirements for
11 applicants, rate increase applicants.

12 Have you submitted -- and I'm
13 actually quoting from that bulletin -- a
14 demonstration that the experience data
15 submitted is consistent with the most recent
16 financial statement filed with the Department
17 pursuant to Section 38a-53a of the
18 Connecticut General Statutes?

19 THE WITNESS (Bears): I would
20 have to check. I'm not recalling at this
21 point exactly if that's in there, but it's a
22 straightforward exercise.

23 MR. RYAN: Okay. We would ask
24 that the Department explore that.

25 THE HEARING OFFICER: Noted.

1 MR. RYAN: At this point we
2 have no further questions.

3 THE HEARING OFFICER: Thank
4 you, Attorney Ryan.

5 At this time I would like to
6 ask some additional questions of the
7 Applicant.

8 The first question is, you
9 identified in your testimony that hepatitis C
10 drug has had impact, and you've identified
11 that you have identified certain members that
12 currently are incurring expenses related to
13 the hepatitis C drug. We'd like you to
14 provide that additional information to us as
15 part of our overall request that we will be
16 identifying at the end of the hearing.

17 THE WITNESS (Bears): It's on
18 the list.

19 THE HEARING OFFICER: Okay.

20 The second thing is, is that
21 we would like to know the relative impact of
22 the hepatitis C drug on the reinsurance
23 recovery calculation. And I know it's an
24 aggregate calculation, so we will be asking
25 for that as well.

1 We would be asking for
2 membership numbers. If you have the ability
3 to generate them and produce them of how many
4 non-grandfathered Anthem Blue Cross Blue
5 Shield members who were in force in 2013 have
6 migrated to fully ACA-compliant plans in
7 2014.

8 And finally, if you could
9 identify the factor that you've used for
10 volatility within the development of the
11 trend factor.

12 I have no further questions at
13 this time.

14 Intervenor, would you like to
15 ask any additional questions at this time?

16 MR. RYAN: I'm sorry, but I
17 do. Actually I have just two quick
18 questions.

19 In the memorandum there's a
20 discussion of Rx design changes. Can you
21 elaborate on that, absent -- I mean, we've
22 already had discussion about hepatitis C, but
23 in general, formulary changes, I believe, and
24 how that affects the rate overall upward or
25 downward?

1 THE WITNESS (Bears): Yeah,
2 there was a slight upward adjustment to the
3 drug adjustment factor related to additional
4 drugs being added the Connecticut select
5 formulary and some -- some adjustments to
6 tier assignments of medications and those are
7 the factors.

8 MR. RYAN: Have you provided
9 the details on which drugs are driving that?

10 THE WITNESS (Bears): No. No,
11 we have not.

12 MR. RYAN: Can the Department
13 explore that issue?

14 THE HEARING OFFICER: I was in
15 private conference --

16 MR. RYAN: My question to Mr.
17 Bears was whether he could provide detail
18 about the formulary, the drivers of increased
19 cost around the change in formulary.

20 THE HEARING OFFICER: Noted.

21 MR. RYAN: And I believe it
22 was referenced, and I note that there was a
23 reference to a benefit buy-down impact. Can
24 you help the public understand and the
25 Hearing Officer and us understand what that

1 means?

2 THE WITNESS (Bears): In which
3 context? I apologize. Where? In my oral
4 comments earlier?

5 MR. RYAN: I believe it was in
6 your memo. There was some mention of benefit
7 buy-down. Is that something you're not
8 considering to be a factor? Or --

9 THE WITNESS (Bears): It's
10 certainly a factor when evaluating trends.
11 And as folks increase their deductibles, it
12 holds down paid claim levels, except that's
13 not reflective of the underlying cost of
14 services.

15 Costs could be going up
16 10 percent each year, but if folks increase
17 their deductibles, it mitigates that. But
18 folks get a premium credit when they change
19 their deductible.

20 So in trend analysis it's
21 important to -- to bear that in mind. So the
22 trend analysis has taken that into account.

23 MR. RYAN: And have you
24 detailed how that is occurring, what the
25 types of buy-downs are? What their reference

1 points are?

2 THE WITNESS (Bears): We do
3 not have a matrix, if you will, of where
4 people are, where they're going, et cetera,
5 across time.

6 MR. RYAN: Have you done that
7 in your own analysis internally?

8 THE WITNESS (Bears): Yeah,
9 that's part of the trend normalization
10 process that's referenced.

11 MR. RYAN: Okay. We would ask
12 that the Department explore that issue as
13 well.

14 THE HEARING OFFICER: Noted.

15 MR. RYAN: I think that's it.
16 I'm going to close out on my questions.

17 Thank you.

18 THE HEARING OFFICER: Thank
19 you, Attorney Ryan.

20 We just have two additional
21 questions. One would be to identify the
22 impact on the formulary changes that you had
23 and the impact on the prescription drug
24 trend, projected trend.

25 And as the bulletin identifies

1 HC81-14, we do ask for identification of the
2 benefit buy-down impact on your trend. So
3 that would be in response to the Department's
4 initial exam, to be fully compliant with
5 HC81-14. That's consistent, in effect.

6 Okay. The Department has no
7 further questions. Does the Intervenor have
8 any additional questions?

9 MR. RYAN: No. We're all set.

10 THE HEARING OFFICER: Thank
11 you again, Attorney Ryan.

12 Mr. Ryan, at this time can you
13 please introduce your witnesses, and the
14 court reporter will swear them in.

15 MR. RYAN: The Healthcare
16 advocate calls Philip Bieluch and Richard
17 Cozart.

18 THE COURT REPORTER: Could you
19 gentleman just state which one of you you
20 are, how to spell your names.

21 PHILIP BIELUCH: Philip with
22 one L. Last name Bieluch, B as in
23 busy-i-e-l-u-c-h.

24 THE COURT REPORTER: And you,
25 sir?

1 RICHARD COZART: Richard
2 Cozart. It's spelled C-o-z-a-r-t.

3 THE COURT REPORTER: Thank
4 you, gentlemen.

5 Would you raise your right
6 hands.

7 P H I L I P B I E L U C H,
8 R I C H A R D C O Z A R T,

9 called as witnesses, being first duly
10 sworn by Robert G. Dixon, CVR-M857, a
11 Notary Public duly commissioned and
12 qualified, were examined and testified
13 on their oaths as follows:

14 THE HEARING OFFICER:

15 Mr. Ryan, please proceed with
16 the Intervener's first witness examination.

17 MR. RYAN: Thank you.

18 I would ask that Philip
19 Bieluch come up to the witness stand.

20 Mr. Bieluch, can you share
21 with the Department your expense and
22 background relative to actuarial assessments?

23 THE WITNESS (Bieluch): Yes, I
24 am -- well, I am an actuary and fellow of the
25 Society of Actuaries qualified in 1981 by

1 exams. I'm a member of the American Academy
2 of Actuaries. I'm a fellow of the Conference
3 of Consulting Actuaries. I have volunteered
4 many times with the Society of Actuaries,
5 been on the section council.

6 I have been responsible for
7 the actuarial exam I443U in the past. That
8 exam covered advanced valuation and financial
9 reporting, and it was a requirement for
10 actuaries who wanted to become a fellow on
11 one of the tracks.

12 MR. RYAN: Have you ever
13 participated in a rate hearing as an expert
14 witness before at the Department of
15 Insurance?

16 THE WITNESS (Bieluch): Yes.

17 MR. RYAN: When? When was
18 that?

19 THE WITNESS (Bieluch): I
20 believe it was 2010 in front of this
21 Department.

22 MR. RYAN: Have you ever been
23 approved by the Department of Insurance, for
24 contracting purposes, as an actuary for the
25 life and health division?

1 THE WITNESS (Bieluch): yes.

2 MR. RYAN: Can you tell us
3 when that occurred?

4 THE WITNESS (Bieluch): 2003
5 and 2005.

6 MR. RYAN: Does the Department
7 have any questions for Mr. Bieluch regarding
8 his --

9 THE HEARING OFFICER: It is
10 the hearing process that the Applicant has
11 the ability to cross the witness, and then
12 the Department will have an opportunity to
13 cross the witness after the Applicant does.

14 Are you done with your line of
15 questioning of your witness?

16 MR. RYAN: No. I was just
17 asking to trying to establish that he has
18 actuarial expertise.

19 THE HEARING OFFICER: Okay.
20 The Department will cross the witness at the
21 appropriate time.

22 Continue.

23 MR. RYAN: Okay. Thank you.

24 MR. DURHAM: Excuse me,
25 Mr. Lombardi. Just so -- at this point you

1 want to wait for the Applicant's
2 cross-examination on the qualifications as
3 well.

4 THE HEARING OFFICER: The
5 hearing today will be establishing the
6 ability for the Intervenor to interview the
7 witness. You'll have the ability to cross on
8 the entire -- the entirety of what you want
9 to ask. The Department will have the ability
10 to do that.

11 And just -- it was going to
12 come up later, the ability of the Hearing
13 Officer to make a decision and render a
14 decision on the outstanding issue of the
15 witness can be determined during the hearing
16 or it can be deferred. And so the Department
17 will weigh that until the end of the hearing
18 and identify what the position will be.

19 MR. DURHAM: All right. Thank
20 you.

21 THE HEARING OFFICER: Proceed,
22 Attorney Ryan.

23 MR. RYAN: We would like for
24 the witness to examine two of the exhibits
25 that have been approved by the Department on

1 the exhibit list.

2 Should we present those for
3 your review prior to submitting those to the
4 witness? Shall I bring them forward?

5 THE HEARING OFFICER: Yes,
6 please.

7 MR. RYAN: They are Exhibits
8 Number 20 and 21 on the list. They are NAIC
9 and CID financial reports for the years --
10 for the first quarters of 2013 and '14.

11 THE HEARING OFFICER: Thank
12 you. Just give us a minute to pull that out.

13 MR. RYAN: Thank you.

14 THE HEARING OFFICER: We have
15 a copy here. That's fine. Thank you.

16 The Applicant has copies of
17 the exhibits described?

18 MR. DURHAM: Yes we do,
19 Mr. Hearing Officer.

20 THE HEARING OFFICER: Okay.
21 Thank you.

22 MR. RYAN: Mr. Bieluch, can
23 you tell me what these documents are?

24 THE WITNESS (Bieluch): They
25 are the health quarterly statement as of

1 March 31, 2013, and 2014, of the condition
2 and affairs of the Anthem Health Plan --
3 Plans, Inc. And it's got an NAIC code and
4 it's -- has an address in Wallingford,
5 Connecticut. And it's signed by the
6 president and assistant secretary of the
7 organization, and they are a notarized
8 envelope.

9 MR. RYAN: Can you turn to
10 page 7 of both of those documents, please?

11 MR. DURHAM: Mr. Hearing
12 Officer, before we proceed, I would like to
13 voice an objection to the extent that it has
14 not been stated.

15 It has not been stated the
16 purpose of this inquiry, although there are
17 financial statements that are referenced in
18 the application, Exhibit 3, those documents
19 that are referenced in the application are
20 not Exhibits 20 and 21, which are
21 quarterlies. The application is based on the
22 annual filing that would pertain to all of
23 2013.

24 So I'm not sure what the
25 purpose for this is or whether it's going to

1 be probative of any of the issues that the
2 Hearing Officer has to decide.

3 MR. RYAN: I'd be happy to
4 elaborate.

5 THE HEARING OFFICER: Please.

6 MR. RYAN: We had asked the
7 question before of Mr. Bears whether the risk
8 profile of the terminated -- that the
9 individuals in the terminated fully
10 underwritten plans was -- would have caused a
11 higher or lower premium and risk.

12 And I believe he answered that
13 the risk profile of the fully underwritten
14 plans was lower, and hence would have a lower
15 premium exposure. I believe that's in the
16 record.

17 These filings demonstrate
18 actual expense regarding individual -- the
19 terminated individual policies which he had
20 stated were at lower risk and cost. And the
21 2014 policies which are the subject of this
22 application, which based on the use of the
23 small-group data, suggested a higher risk.
24 And the reason we're examining this is to see
25 whether the numbers, the actual numbers

1 reflect that.

2 THE HEARING OFFICER: I will
3 overrule the objection and allow you to
4 continue to question your witness and
5 identify. But please keep to the scope of
6 the impact on the rate filing as you go
7 through the quarterly statements.

8 MR. RYAN: Thank you.

9 Mr. Bieluch, as you read
10 through page 7 on each of these documents, as
11 an actuary, do the numbers indicated for the
12 individual experience reflect a higher risk
13 calculation for the fully underwritten
14 terminated plans, than for the current
15 individual policies in the first quarters of
16 each of the subject years?

17 THE WITNESS (Bieluch): Well
18 first, to preface this, based upon my
19 training, I would expect that the column two
20 of this representative page comprises of
21 policies within the -- that are subject to
22 this rate hearing.

23 And when I look at some of the
24 numbers here, I look pertaining to
25 enrollment. The Anthem rollment --

1 enrollment and coverage period have actually
2 increased for the individual policies in --
3 in Connecticut. They have gone from 146,530
4 at last year, to 151,363. So after reviewing
5 that, I would have expected that, on average,
6 claims would at least be in the same
7 proportion, if not increased.

8 And when I looked at this
9 exhibit, I saw that the Anthem physicians'
10 visits, whereas last year, in 2013, for the
11 first quarter, there were 73,282. This year
12 there were 66,390. For non-physicians'
13 visits they were 54,249 last year. They were
14 down to 23,114 this year. So that has a
15 total occurrence of visits of 127,531 in the
16 first quarter of 2013, to 89,433 in the
17 second part.

18 Then I saw hospital patient
19 days incurred. These are, you know, my
20 operating assumption here was that these
21 require preapproval of Anthem, or at least
22 immediately quickly known by Anthem as far as
23 occurrence. I saw here that the number of
24 patient days went down from 2,249, to 1,191.
25 Not only would I have expected an increase,

1 but if there was pent-up demand, the moment
2 people would have gotten their insurance they
3 would have gone to the hospital.

4 The number of inpatient
5 admissions actually is under half. It is
6 down from 470, to 200. That is based upon
7 the filing with the Connecticut Insurance
8 Department.

9 There are a couple of other --
10 there are a couple of other numbers here.
11 There were claims paid numbers that are down
12 from 36,472 -- 472,992 to 19,426 -- 542. The
13 only number that seems sort of in line is
14 incurred claims.

15 And I have no sum -- there are
16 many ways to set an incurred claim number.
17 Sometimes they're done initially on a percent
18 of premium. I have no understanding on how
19 Anthem did that, but that actually does show
20 an increase. And to me, that it is
21 contradicted by these hospital admissions,
22 hospital days shown in the statistic.

23 So the bottom line was I saw
24 the population has increased and the
25 utilization is way down, according to

1 Anthem's numbers.

2 MR. RYAN: Does that suggest a
3 higher risk population?

4 THE WITNESS (Bieluch): It --
5 not -- not on these numbers alone and not to
6 me.

7 MR. RYAN: No further
8 questions.

9 THE HEARING OFFICER: Okay.
10 At this time the Applicant will be allowed to
11 ask questions of the intervenor witness.

12 MR. DURHAM: Mr. Bieluch, I
13 want to start with a few questions about your
14 testimony about qualifications. In one of
15 the items that you mentioned was the fact
16 that you had been approved by the Connecticut
17 Department of Insurance to do some contract
18 work 10, 12 years ago. Is that right? 2003
19 and 2005?

20 THE WITNESS (Bieluch): Yes.

21 MR. DURHAM: Okay. And I
22 think Mr. Ryan or you, in your answer
23 indicated that that contracting work was on
24 behalf of the life and health division. Do
25 you recall either you saying that, or

1 Mr. Ryan indicating that?

2 MR. RYAN: I can answer that
3 because I'm the person who said it.

4 MR. DURHAM: Excuse me,
5 Mr. Hearing officer.

6 I'm not asking Mr. Ryan any
7 questions. I'm asking Mr. Bieluch questions.

8 MR. RYAN: About what I said?

9 THE HEARING OFFICER: I would
10 allow Attorney Ryan to answer the question
11 because Attorney Ryan identified Mr. Bieluch
12 as having contracted with the life and health
13 division.

14 So I would allow, first,
15 Attorney Ryan to make a statement, and then I
16 would ask Mr. Bieluch to respond to the
17 question.

18 MR. RYAN: Actually, I think
19 the way it went -- and don't want to go back
20 to the record, but I think I asked
21 Mr. Bieluch whether if he had ever been
22 approved for contracting with the life and
23 health division. I didn't ask him whether or
24 not he ever had a contract with the life and
25 health division, just to clarify.

1 THE HEARING OFFICER: Okay.
2 Mr. Bieluch, you now have the ability to
3 answer the question. Mr. Durham, would you
4 please repeat the question?

5 MR. DURHAM: Sure. And I can
6 try to clarify. My understanding from the
7 earlier testimony was that you had, in the
8 time frame of 2003 and 2005, contracted with
9 the life and health division of the
10 Department of Insurance. Is that correct or
11 not?

12 THE WITNESS (Bieluch): The --
13 the letter, and I believe it's in the record,
14 was I was qualified to contract with the
15 financial regulation division of the
16 Connecticut Insurance Department in
17 connection with statutory financial --
18 financial condition examinations of insurance
19 companies licensed in Connecticut and the
20 acquisition and control of domestic insurance
21 companies.

22 MR. DURHAM: What you've just
23 read was the Re portion of Exhibit 38. Is
24 that right?

25 THE WITNESS (Bieluch): I

1 don't know the exhibit number, but it's of an
2 April 5, letter to the --

3 THE HEARING OFFICER: That is
4 Exhibit Number 38, for the record.

5 THE WITNESS (Bieluch): Thank
6 you.

7 MR. DURHAM: All right. And
8 Mr. Bieluch, I'm just trying to make the
9 point so the record is clear that the
10 contracting, the interaction that you had
11 with the Department of Insurance was with the
12 financial regulation division. It was not
13 with the life and health division of the
14 Department. Is that correct?

15 THE WITNESS (Bieluch): Yes.

16 MR. DURHAM: Okay. And
17 according to Exhibit 38, at the end, that --
18 that letter was valid until June 30, 2007,
19 you'll see.

20 THE WITNESS (Bieluch): That's
21 correct.

22 MR. DURHAM: And am I correct
23 that there was no further interaction between
24 you and the financial regulation division
25 after 2007?

1 THE WITNESS (Bieluch): Not
2 pertaining to request for consulting
3 services.

4 MR. DURHAM: Right. And even
5 back then, in the time frame of 2003 to 2007,
6 what you were discussing with the financial
7 regulation division was doing some work in
8 connection with statutory financial condition
9 examinations and acquisition of control of
10 domestic insurance companies. Is that
11 correct?

12 THE WITNESS (Bieluch): That's
13 correct.

14 MR. DURHAM: All right. You
15 weren't talking to the Department or any of
16 its divisions about being involved in rate
17 making. Correct?

18 THE WITNESS (Bieluch): That
19 is correct.

20 MR. DURHAM: And in fact,
21 right until today, you have not been involved
22 or done any work for the Connecticut
23 Department of Insurance in connection with
24 rate making for individual insurance business
25 here in Connecticut. Correct?

1 THE WITNESS (Bieluch): That's
2 correct.

3 MR. DURHAM: When were you
4 first hired by Mr. Ryan for this, to come to
5 this hearing?

6 THE WITNESS (Bieluch): And
7 just for the record, we're pertaining to the
8 issue of hiring. I am not being compensated
9 by Mr. Ryan. I am doing this work pro bono.
10 And he called me, I think, about two weeks
11 ago.

12 MR. DURHAM: And well, my
13 question didn't have to do with compensation.
14 It had to do with when you were involved and
15 your testimony is that you started to be
16 involved in this for the first time within
17 two weeks?

18 THE WITNESS (Bieluch): Around
19 two weeks ago, yes.

20 MR. DURHAM: And what was the
21 purpose for which you were contacted in what
22 you were being asked to do?

23 THE WITNESS (Bieluch): Help
24 him prepare for this hearing.

25 MR. DURHAM: Were you told

1 that the goal was -- to testify, that would
2 support a claim that Anthem's application was
3 excessive?

4 MR. RYAN: Objection. You
5 know, the question is making heavy
6 assumptions on facts that are not in the
7 record.

8 THE HEARING OFFICER: Would
9 you like to respond?

10 MR. DURHAM: Mr. Lombardo,
11 this is cross-examination, and I think, in
12 fairness, the Department has the right to
13 know what this -- this fellow was retained to
14 do and what the purpose was for his review
15 and testimony here today.

16 THE HEARING OFFICER: Thank
17 you.

18 MR. RYAN: If I might add?

19 THE HEARING OFFICER: Yes.

20 MR. RYAN: I think the
21 Applicant is suggesting some nefarious
22 purpose on the part of the Healthcare
23 Advocate to direct this witness in a certain
24 way. I object to that.

25 THE HEARING OFFICER: I am

1 going to sustain the objection, but I will
2 ask Mr. Bieluch to be more specific as to why
3 he was contacted or hired by the Intervenor
4 and participate in the hearing -- other than
5 to participate in the hearing.

6 THE WITNESS (Bieluch): He
7 asked me to review the rate increase. On
8 paper I reviewed it. I then -- I noticed the
9 reference to statutory filings. I knew those
10 were available. I thought I'd see what those
11 stated.

12 And I saw this, and it's
13 dated, and it contradicted what I saw in the
14 rate filing pertaining to pent-up demand.
15 And I pointed out to him and he asked, "Well,
16 would you testify on that?"

17 MR. DURHAM: And how much time
18 did you spend in your review?

19 THE WITNESS (Bieluch):
20 Probably got about eight hours
21 in total.

22 MR. DURHAM: Okay. Now would
23 you agree -- and your CV is also an exhibit
24 in the record. Would you agree that health
25 is one of the traditional areas of actuarial

1 practice as defined by the Society of
2 Actuaries?

3 THE WITNESS (Bieluch): The
4 Society of Actuaries covers life health and
5 pensions.

6 MR. DURHAM: And health is one
7 of the traditional areas.

8 THE WITNESS (Bieluch): Yes.
9 Yes.

10 MR. DURHAM: Okay. And health
11 also one of the specialty tracks in the
12 Society of Actuaries.

13 THE WITNESS (Bieluch): Yes.
14 Yes.

15 MR. DURHAM: Health is not
16 of -- is not a specialty track of yours. Is
17 that correct?

18 THE WITNESS (Bieluch): I'm a
19 member of the section. It's not something
20 that, you know, I go to health care -- I do
21 continue, again, in health care. It's not
22 something I focus on daily.

23 MR. DURHAM: Okay. And you've
24 never taken any of the exams by the American
25 Academy of Actuaries or the Society of

1 Actuarial in the health area. Is that correct?

2 THE WITNESS (Bieluch): Back
3 when I took them, life and health was
4 combined, I believe.

5 MR. DURHAM: Right. I
6 meant --

7 THE WITNESS (Bieluch): In the
8 eighties.

9 MR. DURHAM: Coming forward,
10 have you taken any exams under the specialty
11 track for the health area.

12 THE WITNESS (Bieluch): I have
13 not taken any exams since I got my fellowship
14 in 1981.

15 MR. DURHAM: Okay. And it's
16 fair to say that from your CV that the vast
17 majority of your experience has been in the
18 areas of health and reinsurance?

19 THE WITNESS (Bieluch): Vast
20 would be more life and --

21 MR. DURHAM: Excuse me. In
22 life and reinsurance?

23 THE WITNESS (Bieluch): Yes.

24 MR. DURHAM: You mentioned
25 that you testified in the 2010 hearing. Do

1 you recall doing that?

2 THE WITNESS (Bieluch): Yes.

3 MR. DURHAM: Okay. And do you
4 remember being asked by -- during that
5 testimony about when you first became
6 involved in health issues as an actuary?

7 THE WITNESS (Bieluch): No, I
8 don't. Don't recall.

9 MR. DURHAM: Do you remember
10 testifying that in that year of 2010 that you
11 had, just that year, developed a keen
12 interest in health insurance?

13 THE WITNESS (Bieluch): Yeah,
14 actually in -- yes, I actually do recall
15 developing a keen interest in 2010.

16 MR. DURHAM: Because before
17 that you didn't have any experience in the
18 health area. Is that right?

19 THE WITNESS (Bieluch): I had
20 some expense for my turning out days, but it
21 wasn't a major focus.

22 MR. HULIN: It's certainly not
23 referenced on your CV. Correct?

24 THE WITNESS (Bieluch): That's
25 correct.

1 MR. DURHAM: And it's not
2 referenced on your Society of Actuary profile
3 either. Is it?

4 THE WITNESS (Bieluch):

5 It's -- I'm -- you know, at
6 this point I don't recall if it's on the
7 Society of Actuaries profile, but that
8 certainly stands on it's --

9 MR. DURHAM: Well, do you know
10 whether your society of actuary profile makes
11 note of any qualifications, achievements,
12 designations or experience that's specific to
13 the health area?

14 THE WITNESS (Bieluch): No, I
15 don't know that it talks about qualifications
16 within. It just has a general statement of
17 satisfying continuing education requirements.

18 MR. DURHAM: Right. And it
19 identifies your primary area of interest as
20 life insurance.

21 MR. RYAN: Objection.
22 Objection.

23 I have to say these questions
24 are belying the fact that Mr. Bieluch has
25 just testified on two documents that are in

1 the record that the Actuary Hearing Officer
2 can evaluate.

3 And he's merely pointed out
4 numbers on those documents which suggest a
5 certain risk profile of two different risk
6 pools. And here we are, we're fighting over
7 whether he had the right to say that the
8 Hearing Officer can evaluate those two
9 things. That's all he's going to say today.

10 So do we really want to fight
11 over whether this person, who is actually an
12 actuary, has done work at public hearings
13 before, has had experience being approved by
14 the Insurance Department, can't identify
15 numbers that the Department can easily
16 evaluate itself?

17 MR. DURHAM: Well, I respond,
18 I claim the question, Mr. Hearing Officer, if
19 Mr. Ryan is indicating that Mr. Bieluch is
20 simply testifying as a Anthem member and not
21 as an actuary who's an expert in health
22 insurance, then we can move on.

23 MR. RYAN: I'm not retracting
24 that, but I am saying, to the extent that you
25 are trying to diminish his qualifications, it

1 does -- it belies the actual testimony he's
2 given and the ability of the Hearing Officer
3 to evaluate that, those numbers that are in
4 the record.

5 THE HEARING OFFICER: I've
6 heard enough discussion. I'm going to
7 overrule the objection.

8 But Mr. Durham, I would like
9 you to wrap up your line of questioning with
10 regard to this.

11 MR. DURHAM: Mr. Bieluch, let
12 me just finish then. On your LinkedIn
13 website profile, or biography -- indicates
14 that you rebranded, that's your term,
15 "rebranded" your business in the last -- in
16 the short history. Is that right?

17 THE WITNESS (Bieluch): Yes.

18 MR. DURHAM: As an actuary,
19 did you change areas of the focus of your
20 practice from the longtime life -- as a life
21 actuary to a health actuary?

22 THE WITNESS (Bieluch): No.
23 What I -- what I discovered is that many
24 insurance companies and many users of
25 insurance company data don't know what's

1 available in things like the annual statement
2 filings.

3 So the purpose of my practice
4 is I'm trying to draw more attention to
5 information in the public domain that will
6 help both insurance companies and use the
7 insurance companies, such as this page 7 type
8 numbers, that these are in the public domain
9 and should be used. And they have yet to be
10 mentioned in the hearing.

11 Now this is the sort of
12 practice I want to build where there is a lot
13 of information in the public domain that
14 should be used by -- that should be used
15 to -- for evaluation.

16 MR. DURHAM: Okay. So I just
17 want to make sure that the record is clear.
18 So you have not complied with any of the
19 criteria for being qualified as a witness in
20 the health area, for example, studying under
21 a health actuary for three or more years. Is
22 that fair to say?

23 THE WITNESS (Bieluch): I
24 certainly worked with health actuaries when I
25 was as at Tillinghast. And I evaluated

1 health plans at the executive level when I
2 was at Tillinghast working for TPSC.

3 And I -- also I think I have
4 a -- a -- there's an old transcript, I think,
5 in the eighties pertaining to executive
6 benefits. And I forget exactly, it may
7 discuss a little of my health insurance
8 activities. This would be available on the
9 record on the Society of Actuaries.

10 MR. DURHAM: Okay. And the
11 experience that you just described with
12 Tillinghast was back in the 1970's. Is that
13 right?

14 THE WITNESS (Bieluch): No.
15 As I recall, I worked for Tillinghast 1986 to
16 1992.

17 MR. DURHAM: Okay. All right.
18 So let me just also -- you can confirm that
19 the documents that you looked at Exhibit 20
20 and 21 are quarterly statements. Is that
21 right?

22 THE WITNESS (Bieluch): That
23 is correct.

24 MR. DURHAM: Okay. Did you
25 look at any annual statements?

1 THE WITNESS (Bieluch): No,
2 because I don't have the annual statement for
3 2014. That the purpose of looking at 2013 --

4 MR. DURHAM: My question
5 simply was, did you look at any annual
6 statements?

7 THE WITNESS (Bieluch): No.

8 MR. DURHAM: Thank you.

9 That's all I have,
10 Mr. Lombardo.

11 THE HEARING OFFICER: Okay.
12 Thank you.

13 At this time the Department
14 would like to ask the witness a couple of
15 questions.

16 THE WITNESS (Bieluch): Sure.

17 THE HEARING OFFICER: First,
18 it may sound repetitious, but I just want to
19 confirm that Exhibit Number 38, that was
20 entered in was a qualified provider to the
21 financial regulation division for purposes of
22 providing actuarial reserve and reinsurance
23 consulting on life and health companies for
24 financial exams, and not related to the life
25 and health division and the review of premium

1 rates?

2 THE WITNESS (Bieluch): Yeah.
3 I -- I think it's more the broadly actuarial
4 services, but yes, your point is not
5 pertaining to premium rates. This is
6 correct.

7 THE HEARING OFFICER: Thank
8 you for that clarification. I appreciate it.

9 On your CV that was submitted,
10 on page 2 of the CV, it identifies between
11 October of 2002 to April of 2012, numerous
12 consulting opportunities that you have
13 performed, and one of them was consulted on
14 health insurance rate filings.

15 Can you elaborate on that
16 experience and the nature of that work that
17 you did on health insurance rate filings?

18 THE WITNESS (Bieluch): Well,
19 certainly the public record in 2010 certainly
20 maintains that I consulted with the Attorney
21 General's office on the rate filing that was
22 in front of the Connecticut Insurance
23 Department. Other than that, I don't believe
24 I'm at liberty to talk about any discussions
25 on rate filings under the code of

1 professional conduct.

2 THE HEARING OFFICER: Okay.
3 I'm not asking for specifics. I'm not asking
4 for clients. I not asking for compensation.
5 I'm just asking for the general nature of
6 evaluation consulting on health insurance
7 rate filings. I'm not asking for proprietary
8 information.

9 I just want to know, other
10 than being an expert witness in 2010 for the
11 office of the healthcare advocate at that
12 time and the attorney general, what other
13 health insurance rate filing experience you
14 have?

15 THE WITNESS (Bieluch): I have
16 clients come to me asking me to review the
17 rate filings as submitted to the departments.

18 THE HEARING OFFICER: To this
19 Department?

20 THE WITNESS (Bieluch): I
21 don't think any to this Department.

22 THE HEARING OFFICER: Okay.
23 Do you have an idea of which states' filings
24 you consulted on?

25 THE WITNESS (Bieluch): No,

1 but my clients were not representing states.

2 THE HEARING OFFICER: I
3 understand that. I think you identified that
4 you consulted for companies that were making
5 filings to certain states. What I'm asking
6 is, is if you recall the states that those
7 filings were for?

8 THE WITNESS (Bieluch): No,
9 and I don't -- my work was primarily done for
10 law firms in helping them evaluate filings.

11 THE HEARING OFFICER: Okay.
12 Thank you.

13 At this point I want to take
14 administrative notice of Mr. Bieluch's resume
15 on LinkedIn. We accessed your LinkedIn
16 through the Society of Actuary directory,
17 which was available to the public.

18 THE WITNESS (Bieluch): Yeah.

19 THE HEARING OFFICER: Anybody
20 can access that.

21 And I just want to identify
22 for the record that most if not all of what's
23 on your CV is included on your LinkedIn page,
24 and this is to the present as well.

25 The one thing that is not on

1 the LinkedIn page is the line in your CV that
2 says consulted on health insurance rate
3 filings. Everything else pretty much
4 matches. So I just wanted to enter the
5 LinkedIn profile through the SOA organization
6 as administrative notice to be included for
7 the record. Okay?

8 THE WITNESS (Bieluch): Sure.

9 THE HEARING OFFICER: All
10 right. At this point the Department has no
11 further questions of the witness.

12 Mr. Ryan, do you have any
13 additional questions of your witness?

14 MR. RYAN: I do not.

15 THE HEARING OFFICER: Okay.
16 Having no more, would you please introduce
17 your next witness.

18 Thank you, Mr. Bieluch.

19 MR. RYAN: We would like to
20 call Richard Cozart, please.

21 Thank you for joining us,
22 Mr. Cozart. Can you express to the public
23 and to the Hearing Officer what brought you
24 here today?

25 THE WITNESS (Cozart): Yes.

1 Thank you.

2 I want to thank the Department
3 for inviting me, the Healthcare Advocate for
4 inviting me to give testimony really as just
5 a member of the public and as a policyholder
6 with Anthem since the beginning of this year.

7 What motivated me was that I
8 think, as Ms. Keenan said, I too have been
9 subject to the tender mercies of Anthem's
10 quality care and found it a little wanting.

11 And I would suggest that the
12 executives try getting on the website as
13 private individuals and try working through
14 the relative labyrinth of material you have
15 to go through to get somebody to answer a
16 question; you might have a different opinion
17 on how effective you folks are.

18 Nonetheless, what -- what
19 brought me here today was a notice I received
20 from Anthem indicating there was going to be
21 a 12 and half percent average rate increase.
22 It was a formula that I received at the end
23 of May, beginning of June. It didn't
24 indicate my particular policy. In fact, my
25 identification card doesn't indicate my

1 particular policy. And I went onto the CID's
2 website and gleaned, to the extent it was
3 gleanable, the fact that my policy was going
4 to be increased by, I believe 7.4 percent.

5 Consequently, I decided I
6 probably should do something about that,
7 because I'm a retired individual. I have --
8 certainly live on a fixed income. My wife is
9 a nurse with the Western Connecticut Health
10 System. She doesn't have the benefit of a
11 collective bargaining agreement, and she has
12 been subject to pay decreases, and she is no
13 longer eligible for raises.

14 So the long and short of it,
15 Tom, that's why I'm here today.

16 MR. RYAN: Did you have a
17 chance to look at the application itself?

18 THE WITNESS (Cozart): On the
19 Anthem application?

20 MS. VELTRI: Yes.

21 THE WITNESS (Cozart): Yes,
22 sir, I did.

23 MR. RYAN: And do you have any
24 concerns, as a Connecticut citizen, that you
25 would like to express to the Hearing Officer

1 and to the Insurance Department about this
2 application?

3 THE WITNESS (Cozart): Well,
4 absolutely. I don't know if -- if my
5 comments are part of the public record or
6 not, if they've been introduced as an
7 exhibit. It's --

8 THE HEARING OFFICER: I would
9 like to interrupt you for one second.

10 THE WITNESS (Cozart): Yes,
11 sir.

12 THE HEARING OFFICER: Your
13 written public comments are part of the
14 record. The Department has received them.
15 So yes, they are part of the record.

16 THE WITNESS (Cozart): Thank
17 you.

18 THE HEARING OFFICER: Continue.

19 MR. RYAN: Can I ask you --
20 you've heard the testimony today, and we
21 appreciate your being here and sitting
22 through this. And as I mentioned before, the
23 Insurance Department has done a very thorough
24 job in investigating concerns.

25 Do you know, are there any

1 concerns that you have that have not been
2 addressed by the Insurance Department or the
3 testimony?

4 THE WITNESS (Cozart): That
5 haven't been addressed?

6 MR. RYAN: Yes, or are there
7 any questions or issues that you think really
8 haven't been touched on from a consumer
9 perspective?

10 THE WITNESS (Cozart): Well, I
11 think, just from a consumer perspective, and
12 limited solely to that perspective, it's just
13 that the fact that every basis point increase
14 in the rate is going to flow out of
15 somebody's pocket into Anthem's. And it's
16 going to have a material impact on many
17 people.

18 Now, in my case, I've been
19 fortunate. I've got a pension. I worked for
20 a great Fortune 50 company. I was general
21 counsel of a subsidiary. I worked in
22 financial services for 25 years. I'm very
23 lucky, but there's a lot of people out there,
24 particularly, I would think, in the
25 individual healthcare market who don't have

1 the benefits that I have and are going to
2 suffer as a result, of what I think, is an
3 unwarranted increase that really has, I
4 think, a small evidentiary basis, based upon
5 my amateur nonprofessional review.

6 I can tell you, though, that
7 the material I was able to look at on the web
8 seems to be able to contradict many of the
9 points that -- that I raised, that have been
10 raised in support of Anthem's request.

11 And I've got to tell you, as a
12 member of the public, I am literally shocked
13 that you folks have the chutzpah to ask what
14 you're acting -- asking for, for the
15 commission to grant.

16 Would you like me to be more
17 specific, Tom?

18 MR. RYAN: You know, I guess
19 my concern was that if -- you know, again,
20 there's been a lot of discussion about this
21 rate increase, and you actually did express a
22 very detailed list of concerns regarding
23 that.

24 I think at this point it would
25 be helpful, if you are seeing any particular

1 concerns that have yet to be addressed or
2 that were not appropriately addressed, such
3 as, I think you had mentioned something about
4 provider negotiations, which I don't think
5 anyone has really touched upon here. Maybe
6 you could elaborate on that?

7 THE WITNESS (Cozart): Well,
8 as I understand it, and understand, I --

9 MR. DURHAM: Excuse me,
10 Mr. Hearing Officer. I didn't get a chance.
11 I just -- I'm going to object.

12 To the extent that the
13 questioning now is redundant and repetitive
14 of this witness' written testimony.

15 THE HEARING OFFICER: Tom?

16 MR. RYAN: I think we just --
17 this is opportunity -- I mean, as I said to
18 you before, as we go through these
19 proceedings the questions that are asked are
20 often asked by other parties. You,
21 Mr. Hearing Officer, have asked many of the
22 questions that I would have asked and much
23 more eloquently than I would have.

24 I think this is an opportunity
25 for this witness to express to you anything

1 that might not have been addressed at this
2 point, in his letter of concern, and to
3 highlight that for your consideration as you
4 move forward in evaluating this application.

5 THE HEARING OFFICER: I am
6 going to overrule the objection.

7 But identify questions and
8 don't repeat the questions to your witness,
9 please. Let them respond and identify and
10 we'll go from there.

11 MR. RYAN: Understood.

12 THE HEARING OFFICER: Thank
13 you.

14 Continue.

15 THE WITNESS (Cozart): Well,
16 to that particular point about negotiations
17 with providers, as I understand it, and I'll
18 bet everyone in this room has much more
19 knowledge about this situation than I do, but
20 I understand that negotiations between
21 hospital health systems and insurers are
22 confidential. Nobody knows -- perhaps even
23 including the Department what the
24 negotiations consist of, what the pricing
25 mechanism is. How they get to that.

1 I think it's -- from a
2 consumer standpoint -- and I realize it's not
3 within the -- I assume it's not within the
4 purview of your jurisdiction, but from a
5 consumer standpoint, we're all buying the pig
6 in the poke. I mean, how do we know what the
7 prices they negotiate with the Western
8 Connecticut Health System are? How do we
9 know what their competitors' prices are?

10 These are the kinds of things
11 that, from a consumer standpoint, the lack of
12 transparency is -- is incredible. And in
13 healthcare, you know, you find out what
14 everything costs after you've already
15 purchased the service.

16 So, from a consumer
17 standpoint, I think it would be great to see
18 more transparency. I'd love to see Anthem
19 take the lead in disclosing what the
20 negotiated prices are with the healthcare
21 systems and force their competitors to do the
22 same.

23 MR. RYAN: I have no further
24 questions.

25 THE HEARING OFFICER: Thank

1 you.

2 Applicant, do you have any
3 questions?

4 MR. DURHAM: No questions,
5 thank you.

6 THE HEARING OFFICER: Okay.
7 The Department does not have any questions.
8 Thank you for your public
9 comment.

10 THE WITNESS (Cozart): Well,
11 you're welcome. Thank you for the
12 opportunity.

13 MR. DURHAM: Mr. Lombardo,
14 before we move on to the next phase, I would
15 like to just voice a request. And I spoke on
16 this earlier, but a request that we be
17 allowed to recall Mr. Bears to address some
18 of the points that were attempted to be made
19 by Mr. Bieluch.

20 THE HEARING OFFICER: Can you
21 hold on one second?

22 MR. DURHAM: Thank you for
23 your consideration.

24 THE HEARING OFFICER: Okay.
25 There will be an opportunity for the

1 Applicant to make a closing statement at the
2 end of the hearing. We are not going to
3 allow the applicant to recall a witness at
4 this time.

5 At this time, I know we've
6 been going on for about -- we're getting
7 closer to the end of the hearing, so I think
8 I speak for the Intervenors, the Applicants,
9 ourselves, and I see my Commissioner nodding
10 his head, that I think we're going to try to
11 get through the remainder of the hearing
12 without a recess.

13 Intervenor and Applicant, are
14 you okay with that?

15 If you're not --

16 MR. RYAN: We are.

17 THE HEARING OFFICER: Okay.

18 MR. DURHAM: Could we just
19 have maybe a five-minute break just to use
20 the restroom?

21 THE HEARING OFFICER: Okay.
22 We will recess for five minutes. You will
23 not be tracked to the restrooms.

24 Five minutes.

25 (Whereupon, a recess was taken

1 from 12:45 p.m. to 12:54 p.m.)

2 THE HEARING OFFICER: I call
3 this hearing back to order.

4 This is a continuation of the
5 public hearing in the matter of Anthem
6 individual on and off exchange rate
7 application.

8 At this time if there's
9 anybody from the public that would like to
10 make additional public comments, please
11 identify to the Hearing Officer.

12 (No response.)

13 THE HEARING OFFICER: Seeing
14 none, we will move on to the next step of the
15 hearing.

16 The Applicant will now have
17 the opportunity to make a brief closing
18 statement, although it is not required. I'm
19 asking that any closing statements be limited
20 to five minutes.

21 Mr. Durham, does the Applicant
22 wish to make a closing statement?

23 MR. DURHAM: Yes,
24 Mr. Lombardo. Mr. Augur is going to make a
25 very brief closing statement, if that's

1 permissible?

2 THE HEARING OFFICER: That is.
3 Proceed.

4 THE WITNESS (Augur): Mr.
5 Lombardo, thank you for allowing us the
6 opportunity to be here today to answer your
7 questions and assist you in the process of
8 our rate application.

9 Today's meeting was about the
10 adequacy of our rates. I do want to take a
11 moment to acknowledge those Anthem members
12 who came here today and voiced some of their
13 feelings through the public forum.

14 Anthem strives to deliver the
15 best customer service in Connecticut and
16 clearly we experienced unprecedented change
17 over the last several months. It is our goal
18 to deliver the service that our members
19 expect.

20 Thank you.

21 THE HEARING OFFICER: Thank
22 you.

23 We do not have anything in the
24 hearing procedure for the Intervenor for
25 closing statements, but I would like to

1 recognize the Healthcare Advocate, Attorney
2 Victoria Veltri, if she would like to make a
3 brief comment?

4 MS. VELTRI: Thank you, Mr.
5 Hearing Officer. I really appreciate that.

6 I just wanted to take a second
7 to thank you and thank the Department for
8 holding this hearing today. We really
9 appreciate the way it was handled, the work
10 of the Department, the work of Anthem, and
11 the work of the Office of the Attorney
12 General and our witnesses here today.

13 So I just wanted to reiterate
14 my thanks for holding the hearing today.
15 Very much appreciated.

16 THE HEARING OFFICER: Thank
17 you for your comments.

18 Okay. Attorney Cook, are
19 there any additional questions?

20 MS. COOK: Mr. Hearing
21 Officer, the Department has no additional
22 questions.

23 We ask, however, that the
24 record of this proceeding be closed as of the
25 end of today except for the submission of the

1 list that you will enter into the record,
2 which we request be submitted no later than
3 end of business, 4 p.m., on July 3, 2014.

4 THE HEARING OFFICER: Thank
5 you.

6 MR. DURHAM: Mr. Lombardo, may
7 I just clarify on that?

8 Is that a deadline for the
9 Department to provide the list of additional
10 materials, or is that the deadline by which
11 the Department would like Anthem to provide
12 the additional items that have been
13 requested?

14 THE HEARING OFFICER: It is
15 the latter. It is the deadline for which we
16 would like the Applicant to provide the
17 additional information that we're about to
18 read into the record, is due by.

19 So I would reiterate that it
20 will be 4 p.m., Thursday, July 3, 2014, that
21 we are asking for the additional information.

22 MR. DURHAM: Thank you.

23 THE HEARING OFFICER: Okay.

24 In accordance with section
25 38a-840 of the regulations of the Connecticut

1 state agencies, I am ordering the Applicant
2 to electronically submit -- and I'm going to
3 read the list to you -- the actual
4 justification for each of the factors that
5 affected the change in the benefit design
6 that vary by plan, changes in the adjustment
7 factors for the catastrophic eligibility,
8 changes in the non-benefit expenses that are
9 applied on a PMPM basis, changes in the
10 underlying area factors, and the slope of the
11 rates. We're asking for the factors as well
12 as the actuarial justification for those
13 factors that we've identified.

14 We've also asked for a rate
15 build up using the individual experience of
16 2013 that is non-grandfathered for Anthem. I
17 believe that was requested to identify a
18 comparison that we could use to what you
19 currently are using as small-group
20 experience.

21 We've identified the value for
22 each factor for morbidity and the actuarial
23 justification for those factors.

24 We've asked for you to provide
25 for each of the CSR plans the actual

1 utilization adjustment that you're using.

2 We've asked for a premium
3 impact of reducing the stoploss attachment
4 point in 2015 from 70,000 to 45,000, keeping
5 the coinsurance at 50 percent, and then
6 having coinsurance rates of 60, 70 and
7 80 percent at the same level of the 45,000.
8 And that is based upon the assumption that it
9 would be fully funded.

10 HC81-14, bulletin, issued by
11 the Connecticut Insurance Department, please
12 reference that in the filing, rather than
13 HC-81-2, and provide any missing information
14 from the filing that is a requirement of that
15 bulletin.

16 There is a reference to
17 Exhibit N in your filing for what you really
18 mean to be Exhibit C in the rate filing. So
19 if you could just make that adjustment as
20 well, and submit that.

21 There is an identification of
22 a value on that Exhibit C for the age and
23 gender for future population that changed
24 from the last filing of 1.0924 to 1.1439.
25 We're asking you to provide us with actuarial

1 justification for that change.

2 Exhibit B, which identifies
3 your experience, we'd like you to name,
4 specifically, the source of that experience
5 data.

6 Exhibit G, which I believe is
7 your expense exhibit, we've asked you to
8 separate out and identify line item of risk,
9 profit and risk as a percentage of premium.
10 We've asked you to identify the specific
11 network adjustment and split it out and
12 identify actuarial justification for that
13 differential.

14 We've asked, to the ability of
15 the Applicant on historical data, its 2010,
16 2011, 2012 trend, to have it be provided on
17 an allowed basis.

18 And general questions to be
19 answered about the trend data in the 2014
20 filing that is effective 1/1/2015, concerns
21 about comparing it to the 2014 -- excuse me,
22 comparing it to the 2013 rate filing, there's
23 an allowed versus paid. The Department would
24 expect allowed to be always be larger on a
25 unit-cost basis than paid. Some of the cells

1 are not. We need an explanation of that.

2 And we also believe -- and I
3 believe that we got agreement from Mr. Bears
4 that the utilization data should not be
5 affected by the difference between paid and
6 allowed. And there are, what I would call,
7 significant differences in the utilization,
8 the absolute values of the utilization from
9 last year's filing to this year's. And
10 you'll provide us with an explanation or
11 justification for that.

12 We have also asked for
13 additional information outside of the
14 Insurance Department's cross-examination of
15 the Applicant. We recrossed and are asking
16 for additional information as it relates to
17 the data specific to hepatitis C and the
18 membership that you have in 2014.

19 Identify the member count and
20 the dollar value, the impact of, on an
21 aggregate basis of the reinsurance, as it
22 results to the hepatitis C drug as well.

23 I believe the next type of
24 information we'd be looking for is the number
25 of members that fully migrated onto fully

1 ACA-compliant plans in 2014 from your
2 non-grandfathered business in 2013.

3 Also to identify specifically
4 any adjustment or factor of volatility that
5 was used in the trend and spike that out.
6 Identify any formulary changes that were made
7 and that directed impact on trend.

8 And finally, in accordance
9 with bulletin HC81-14, identify the specific
10 factor of benefit buy down and the impact it
11 has on the trend development.

12 And we would request all of
13 this information, again, by the end of
14 business, 4 p.m, July 3, 2014, which is next
15 Thursday.

16 In accordance with Section
17 38a-8-40 of the regulations of the
18 Connecticut state agencies, if we had asked
19 for additional information from the
20 Intervenor, we would be asking them also to
21 provide that information electronically by
22 the end of business, 4 p.m., July 3, 2014.
23 We do not have any additional requests.

24 I do want to make one comment.
25 We would expect that the Applicant's response

1 would be within the CERF application, the
2 system, electronic system for rate and form
3 filings, that the initial filing was
4 submitted on.

5 And once the Department gets
6 that, that information will be loaded onto
7 our website and through the normal course,
8 but also on a specific website for this
9 hearing.

10 The record of this hearing
11 will be held open for written and further
12 public comment until the close of business
13 today. Today's hearing is adjourned.

14 Thank you.

15 (Whereupon, the above
16 proceedings were concluded at 1:03 p.m.)

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1 CERTIFICATE

2 I hereby certify that the foregoing 188
3 pages are a complete and accurate
4 computer-aided transcription of my original
5 verbatim notes taken of the Insurance
6 Department Meeting in Re: LH14-155,
7 INDIVIDUAL RATE APPLICATION FILED BY ANTHEM
8 BLUE CROSS AND BLUE SHIELD, DATED MAY 30,
9 2014, which was held before PAUL LOMBARDO,
10 Hearing Officer, at the Connecticut Insurance
11 Department, 153 Market Street, 7th floor,
12 Hartford, Connecticut, on June 27, 2014.

13
14 

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23 My Commission Expires:

24 June 30, 2015
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