



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Anthem Health Plan Small Group 2011

Finding of Facts

1. Most recent 12 months medical incurred loss ratio is 81.2% (7/2009 – 6/2010), 2009 medical calendar year loss ratio is 81.6% and 2008 medical calendar year loss ratio is 80.9%. As of June 2010, there were 54,209 members.
2. Most recent 12 months non-CDHP prescription drug incurred loss ratio is 89.4% (7/2009 – 6/2010), 2009 non-CDHP prescription drug calendar year loss ratio is 91.4% and 2008 non-CDHP prescription drug calendar year loss ratio is 88.9%.
3. Unit cost and utilization allowed trends for observed year end 4/10 are as follows:

	<u>Unit Cost</u>	<u>Utilization</u>	<u>Total</u>
Medical	6.2%	2.0%	8.4%
Rx	6.6%	0.7%	8.5%

4. Unit cost and utilization allowed trends for annualized expected year end 1/12 are as follows:

	<u>Total</u>
Medical	9.0%
Rx	8.5%

5. Provider contracting is expected to have a 0.3% greater impact as compared to the observed trend.
6. Deductible leveraging is calculated using our in-house relativity model, an additional 0.1% is included to account for leveraging effect of capping inpatient claims at \$250,000 in the trend development. The deductible leveraging is 1.4% for HMO medical based on membership distribution and 2.1% for prescription drug.
7. Proposed trends reflect anticipated increase in utilization due to changes in the underlying risk of the population. Medical technology trend is included in the observed experience and not an independent assumption.
8. Unit Cost Data

<u>Service</u>	<u>CY 2007</u>	<u>CY 2008</u>	<u>CY 2009</u>
Inpatient	\$2,361	\$2,533	\$2,866
Outpatient	\$521	\$560	\$617

Professional	\$160	\$168	\$174
Rx Drug		\$84	\$91

9. Utilization Data (per thousand members)

<u>Service</u>	<u>CY 2007</u>	<u>CY 2008</u>	<u>CY 2009</u>
Inpatient	20.8	21.6	20.9
Outpatient	111.2	114.2	118.5
Professional	773.2	780.5	804.6
Rx Drug		752.6	765.9

10. PMPM

<u>Service</u>	<u>CY 2007</u>	<u>CY 2008</u>	<u>CY 2009</u>
Inpatient	\$49.16	\$54.62	\$59.80
Outpatient	\$57.91	\$63.91	\$73.14
Professional	\$123.51	\$131.05	\$139.73
Rx Drug		\$63.34	\$69.68

11. Summary of Total Trend

<u>Service</u>	<u>CY 2008/ CY 2007</u>	<u>CY 2009/ CY 2008</u>
Inpatient	11.1%	9.5%
Outpatient	10.4%	14.4%
Professional	6.1%	6.6%
Rx Drug		10.0%

12. Based upon the aforementioned information, Anthem is proposing an 11.8% medical trend and an 11.9% prescription drug trend.

13. Retention charge used in rate filing is 16.7% of which profit/margin is 6.3%.

14. The expected medical loss ratio at the proposed rate increase is 83.3%. The expected health care reform adjusted medical loss ratio at the proposed increase is 86.7%. This reflects the state premium tax of 1.75% and estimated federal income tax of 2.20%.

15. The impact of federal healthcare reform (PPACA) is as follows:

<u>Benefit Change</u>	<u>Average Claim Impact</u>		<u>Notes</u>
	<u>Medical</u>	<u>Rx</u>	
<u>Federal (PPACA)</u>			
Unlimited lifetime maximum	0.1%	0.0%	
Dependent to Age 26	0.2%	0.2%	Inclusion of married deps

Preventive covered in full under the deductible	1.8%	0.0%	Varies by product design
Removing annual maximums for essential benefits	0.3%	1.3%	Varies by product design
<u>State</u>			
Oral Chemotherapy	0.0%	0.5%	SB 50 (eff 1/1/11)

16. Annual BlueCare medical increase ranges from 7.9% to 9.7% while the average annual medical rate increase requested is 9.0%.

17. Average annual BlueCare prescription drug increase requested is 5.6%.

Department Summary

The actual incurred medical loss ratios have all been below the target loss ratio used for pricing in this rate filing. The experience of this block of business, along with the resulting medical loss ratios, indicate an experience adjustment is not necessary at this time in order to achieve the MLR rebate loss ratio of 80% defined in regulation by HHS.

Upon analyzing the trend data contained within the rate filing, the Department determined that medical trend of 9.3% and Rx trend of 10.0% are more appropriate based upon recent trend experience than the 11.8% for medical and 11.9% for Rx that were identified in the filing.

In addition since the experience period used in the pricing reflects the first six months of 2010, the pricing adjustments for birth to three and autism mandates were cut in half.

Claim lag triangles were analyzed to confirm the most recent estimates of incurred claims and the difference between incurred and paid.

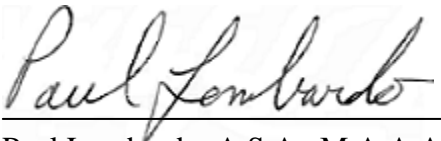
Department Disposition

Based upon the finding of fact, and the summary information described above, the average rate increase request of 9.0% for BlueCare medical is disapproved as submitted, but limited to an average increase of 4.6%. This increase was adjusted downward to reflect the revised medical trend as well as reduced pricing factors for Birth to Three and Autism state mandates.

In addition, the average rate increase request of 5.6% for BlueCare prescription drug is disapproved as submitted, but limited to an average increase of 3.8%. The requested increase was adjusted downward to reflect the revised pharmacy trend.

The average 4.6% medical increase and the average 3.8% prescription drug increase are reasonable in relationship to the benefits being offered, they are also, neither excessive, inadequate or unfairly discriminatory.

Dated January 4, 2011.

A handwritten signature in cursive script that reads "Paul Lombardo". The signature is written in black ink and is positioned above a horizontal line.

Paul Lombardo, A.S.A., M.A.A.A.
Insurance Actuary