

Consumers Union Rate Review Workshop

June 7, 2011 Yonkers, NY

How Advocates Can Participate in Rate Review

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Consumers for Affordable Health Care

*“Advocating the right to health care for every
man, woman, and child”*

1-800-838-0388

www.maine cahc.org



**Consumers for
AFFORDABLE
Health Care**

Advocating the right to quality, affordable
health care for every man, woman, and child.



MISSION STATEMENT

Consumers for Affordable Health Care is a Maine advocacy organization that strives to ensure a strong consumer voice in decision making at all levels and in all forums in order to advocate for a consumer-oriented health system in Maine and the United States. Since 1988, Consumers for Affordable Health Care has provided leadership and support to consumers, businesses, organizations, and policymakers to specifically advocate for:

- Access to health care for all Maine residents including preventive, acute, chronic and long-term care that is assured through health care coverage
- Affordable health care coverage that is guaranteed for all Maine residents, taking into account an individual's ability to pay
- An individual's right to freely choose her or his provider and method of care within the confines of quality care that is based on objective standards and supported by publicly available data on individual providers and hospitals
- Financing coverage from a broad variety of government and private sources
- Controlling rising costs while preserving quality care

Consumers for Affordable Health Care provides resources to educate consumers and assist them in navigating the existing system.

Consumers for Affordable Health Care works with other organizations to educate them and to advocate our mission before legislative and regulatory bodies.



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health care for every man, woman and child*

**PO Box 2490
Augusta, ME 04338-2490**

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1-800-828-0388

Consumer Participation

Formal	Informal
Apply to Intervene	Provide oral or written comments
Intervention governed by Administrative Procedures Act or state agency rule	Governed by procedural order of the hearing officer, or by state agency rule
Procedural Order, Sec. V. Intervention: http://www.maine cahc.org/presentations/11AnthemRateHearing/INS-11-1000_Preliminary_Notice_of_Filing_and_Related_Procedural_Matters.pdf	Procedural Order, Sec. IV Public comment: http://www.maine cahc.org/presentations/11AnthemRateHearing/INS-11-1000_Preliminary_Notice_of_Filing_and_Related_Procedural_Matters.pdf
Consumers for Affordable Health Care Application to Intervene (Anthem 2011 Individual Rate Proceeding): http://www.maine cahc.org/presentations/11AnthemRateHearing/110218%20Application%20to%20Intervene.pdf	

Engaging Consumers

Identify interested or affected policyholders	File a Freedom of Access request with the state department of insurance and ask for emails or letters of policyholders who have commented in previous rate proceedings
Create a database	http://www.maine cahc.org/presentations/11AnthemRateHearing/110321%20CAHC%20Response%20to%20SOI%20order%202%20produce%20mailing%20listing.pdf
Notify policyholders	http://www.maine cahc.org/presentations/11AnthemRateHearing/2011%20Anthem%20Policyholder%20Letter%20from%20CAHC.pdf

Finding Key Information

What Are You Looking For?	Where To Find It?
Premium Change; Premiums Incurred	Rate filing (Change) http://www.maine cahc.org/presentations/11AnthemRateHearing/2011JULY_ME_DirectPay_20110128.zip ; Annual Statement (Incurred) http://www.maine cahc.org/presentations/11AnthemRateHearing/2010_AHPME_Annual_Report_03052011.pdf
Claims Expenses	Rate filing; Annual Statement
Administrative Expenses	Rate filing; Annual Statement
Enrollment	Rate filing; Annual Statement
Net Income (Profits)	Rate filing; Annual Statement

Finding Key Information

What Are You Looking For?	Where To Find It?
Surplus	Annual Statement
Dividends	Annual Statement
Executive Compensation	SEC Filing, Proxy Statement, DEF 14-A http://www.maine cahc.org/presentations/11AnthemRateHearing/Wellpoint%20SEC%20DEF%2014-A%20Proxy%20Statement.pdf
Loss Ratio	Annual Statement
Investment Income	Annual Statement

STATEMENT OF REVENUE AND EXPENSES

Net Income (Profits)

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	3,601,041	3,178,726
2. Net premium income (including \$ _____ non-health premium income).....	XXX	1,029,852,818	994,287,903
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(19,851,653)	(1,049,801)
4. Fee-for-service (net of \$ _____ medical expenses).....	XXX	.0	.0
5. Risk revenue.....	XXX	.0	.0
6. Aggregate write-ins for other health care related revenues.....	XXX	.0	.0
7. Aggregate write-ins for other non-health revenues.....	XXX	(3,656)	(3,005)
8. Total revenues (Lines 2 to 7).....	XXX	1,009,997,509	993,235,097
Hospital and Medical:			
9. Hospital/medical benefits.....	2,897,523	701,857,260	717,965,250
10. Other professional services.....	29,221	7,078,054	6,726,269
11. Outside referrals.....		.0	.0
12. Emergency room and out-of-area.....	135,013	32,703,648	31,526,757
13. Prescription drugs.....	574,560	139,173,673	130,188,689
14. Aggregate write-ins for other hospital and medical.....	.0	.0	.0
15. Incentive pool, withhold adjustments, and bonus amounts.....		.0	.0
16. Subtotal (Lines 9 to 15).....	3,636,317	880,812,635	886,406,965
Less:			
17. Net reinsurance recoveries.....		.0	.0
18. Total hospital and medical (Lines 16 minus 17).....	3,636,317	880,812,635	886,406,965
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$ _____ 13,940,121 cost containment expenses.....		27,222,671	24,406,203
21. General administrative expenses.....		49,084,125	53,242,202
22. Increase in reserves for life and accident and health contracts (including \$ _____ increase in reserves for life only).....		(6,347,696)	6,347,696
23. Total underwriting deductions (Lines 18 through 22).....	3,636,317	950,771,735	970,403,066
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	59,225,774	22,832,031
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		10,063,633	10,268,835
26. Net realized capital gains (losses) less capital gains tax of \$ _____ 106,779.....		175,888	279,365
27. Net investment gains (losses) (Lines 25 plus 26).....	.0	10,239,521	10,548,200
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ _____) (amount charged off \$ _____)].....			
29. Aggregate write-ins for other income or expenses.....	.0	83,122	74,118
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 29 plus 29).....	XXX	69,548,417	33,454,349
31. Federal and foreign income taxes incurred.....	XXX	20,746,180	12,672,724
32. Net income (loss) (Lines 30 minus 31).....	XXX	48,802,237	20,781,625

FIVE-YEAR HISTORICAL DATA

	1 2010	2 2009	3 2008	4 2007	5 2006
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	451,642,066	412,836,913	451,133,112	457,797,051	541,694,600
2. Total liabilities (Page 3, Line 24)	222,460,629	203,330,608	223,160,550	205,738,473	326,399,081
3. Statutory surplus	75,150,328	76,191,643	71,714,203	69,798,778	50,018,628
4. Total capital and surplus (Page 3, Line 33)	229,181,437	209,506,305	227,972,562	252,058,578	215,295,519
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,009,997,509	993,235,097	997,281,173	1,075,899,931	1,066,876,525
6. Total medical and hospital expenses (Line 18)	880,812,635	886,406,965	863,377,013	919,672,902	931,155,221
7. Claims adjustment expenses (Line 20)	27,222,671	24,406,203	28,384,143	29,927,039	39,369,902
8. Total administrative expenses (Line 21)	49,084,125	53,242,202	40,359,726	42,296,114	53,824,080
9. Net underwriting gain (loss) (Line 24)	59,225,774	22,832,031	65,180,417	84,003,876	42,527,322
10. Net investment gain (loss) (Line 27)	10,239,521	10,548,200	9,531,051	16,896,752	17,406,412
11. Total other income (Lines 28 plus 29)	83,122	74,118	0	0	422,242
12. Net income or (loss) (Line 32)	48,802,237	20,781,625	47,726,667	75,718,432	40,433,132
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	57,949,036	18,381,742	93,950,602	12,214,665	16,914,380
Risk-Based Capital Analysis					
14. Total adjusted capital	229,181,437	209,506,305	227,972,562	252,058,578	215,295,519
15. Authorized control level risk-based capital	30,060,131	30,476,657	28,685,681	27,919,511	22,933,421
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	303,870	262,064	271,472	300,096	320,618
17. Total members months (Column 6, Line 7)	3,601,041	3,178,726	3,363,574	3,703,104	3,837,344
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	87.2	89.2	86.6	100.0	100.0
20. Cost containment expenses	1.4	1.1	1.2	1.2	0.9
21. Other claims adjustment expenses	1.3	1.4	1.7	1.6	2.8
22. Total underwriting deductions (Line 23)	94.1	97.7	93.5	92.2	96.0
23. Total underwriting gain (loss) (Line 24)	5.9	2.3	6.5	7.8	4.0

The Rate Filing

Sample: Anthem Health Plans of Maine 2011 Individual Rate Filing	
Rule Chapter 940 Info	Information required by Maine Bureau of Insurance (by agency rule)
Actuarial Memorandum	Memo that walks the regulator through the rate request and exhibits including medical trend, administrative expenses, profit charge, etc.
Statement of Actuary	Statement by actuary that rates meet accepted actuarial standards consistently applied and are reasonable in relation to the benefits provided.
Rate Schedules	The proposed changes to policyholders' premiums; usually by product, family composition, and age bracket.
Exhibits	Attachments to the filing that explain how the total request was calculated, history of rate changes, a summary of current & proposed premiums by product type, enrollment, etc.

Exhibit 1

Anthem Blue Cross and Blue Shield
Direct Pay (HealthChoice, Lumenos, HMO and HealthChoice HDHP) Rate Filing
Effective July 1, 2011
 Exhibit I: Derivation of Required Premium Adjustments

	Maine Individual Book of Business	Notes	Format 1 200910	Format 2 10/1/2009	
A. Experience Claim Cost					
Incurred Claims Completed for Claim Runout: Twelve Months Ending September 30, 2010	\$55,082,209	Experience midpoint	4/1/2010	Experience start	
Claims in excess of \$50k	\$3,269,203	Rating midpoint	1/1/2012	Experience end	
Claims excluding Claims in excess of \$50k	\$51,813,006	months	21		
Base Allowed Trend	6.5%			Rating Period start	7/1/2011
Deductible Leveraging Factor	1.29			Rating Period end	6/30/2012
Deductible Mix	3.1%				
Annual Claim Trend	11.7%				
Estimated 7/1/2010 - 6/30/2011 Claims before Pooling Charge	\$62,882,796				
Pooling Charge	8.5%				
Estimated 7/1/2010-6/30/2011 Claims after Pooling Charge	\$68,227,834				
Projected Claims PCPM before Adjustments	\$511.47				
B. Enrollment					
Experience Period Observed Contracts Months	133,395				
Anticipated Enrollment Change	(12,480)				
Anticipated 7/1/2011-6/30/2012 Contract Months	120,915				
C. Projected Claims with Benefit Adjustment (if applicable)					
Total Claims at Anticipated Enrollment Level [Projected PCPM * Anticipated Enrollment]	\$61,844,661	Net Claim			
Claim Adjustment for Enrollment Shift by Benefit	0.955	Trend			
Adjustment Factor for Provider Contracting	1.007	10.5%			
Adjusted Claims Prior to Pharmacy Rebate Credit	\$59,475,083				
D. Adjustments to Claims					
Projected Credit for Rating Period Prescription Drug Rebate PCPM (Exhibit VIII)	-\$7.82				
Credit for Difference from 2009 Actual Rebates and Estimate in Prior Filing PCPM	\$0.42				
Mandated benefit changes PCPM - Maine	\$0.00				
Mandated PPACA (Non-Grandfathered Only): Annual Limits, Preventive CIF	\$553,294				
Mandated PPACA (All): Lifetime Limits, Dependent to Age 26	0.57%				
Total Adjusted Claims	\$59,475,047				
E. Retention & Profit Load					
2010 Estimated Administrative Expense PCPM	\$32.74				
2010 Estimated Commission PCPM	\$2.19				
Pre-tax Targeted Profit and Risk Percentage	3.0%				
Premium Tax Percentage	2.0%				
Health Access Payment	1.65%				
F. Required Increase					
Total Required Premium at Anticipated Enrollment Level	\$68,084,155				
Required Increase to Premium over Current Levels (based on projected enrollment)	9.6%				

Other Insurance Company Filings

■ SEC DEF 14-A (Definitive Supplemental, Proxy Statement)

<http://www.maine cahc.org/presentations/11AnthemRateHearing/Wellpoint%20SEC%20DEF%2014-A%20Proxy%20Statement.pdf>

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The following table sets forth the compensation paid or earned by each of our Named Executive Officers for the years ended December 31, 2010 and, where applicable, December 31, 2009 and December 31, 2008.

Name & Principal Position	Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽³⁾	Non-Equity Incentive Plan Compensation (\$) ⁽⁴⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾	Total (\$)
Angela F. Braly Chair of the Board, President and CEO	2010	\$1,144,000	\$ 0	\$ 5,404,433	\$ 3,595,564	\$2,714,503	\$ 10,605	\$591,340	\$13,460,445
	2009	\$1,144,000	\$ 0	\$ 6,200,028	\$ 3,973,688	\$1,487,086	\$ 11,360	\$292,036	\$13,108,198
	2008	\$1,135,538	\$ 0	\$ 2,396,934	\$ 4,877,756	\$ 73,810	\$ 11,970	\$169,561	\$ 8,665,569
Wayne S. DeVeydt EVP and Chief Financial Officer	2010	\$ 700,000	\$ 0	\$ 1,250,013	\$ 831,641	\$1,186,409	\$ 0	\$120,243	\$ 4,088,306
	2009	\$ 700,000	\$100,000	\$ 4,666,674	\$ 1,068,206	\$ 628,702	\$ 0	\$ 82,757	\$ 7,246,339
	2008	\$ 648,769	\$ 0	\$ 2,060,351	\$ 1,311,218	\$ 27,573	\$ 0	\$ 84,852	\$ 4,132,763
Brian A. Sassi EVP, Strategy and Marketing and President and CEO, Consumer Business Unit	2010	\$ 627,885	\$200,000	\$ 2,750,048	\$ 831,641	\$ 867,638	\$ 4,056	\$137,620	\$ 5,418,888
	2009	\$ 625,000	\$ 0	\$ 1,666,667	\$ 1,068,206	\$ 652,162	\$ 5,663	\$ 73,931	\$ 4,091,629
John Cannon EVP, General Counsel, Secretary and Chief Public Affairs Officer	2010	\$ 551,923	\$ 0	\$ 2,500,070	\$ 665,294	\$ 752,098	\$ 0	\$ 89,072	\$ 4,558,457
Lori Beer EVP, Enterprise Business Services	2010	\$ 519,231	\$ 0	\$ 2,500,070	\$ 665,294	\$ 671,429	\$ 1,936	\$110,901	\$ 4,468,861

Maine Transparency Law & Rule

Maine Statute, 24-A MRS §423-D, sub-§1

1. Annual report supplement required. Each health insurer and health maintenance organization shall file an annual report supplement on or before March 1st of each year, or within any reasonable extension of time that the superintendent for good cause may have granted on or before March 1st. The superintendent shall adopt rules regarding specifications for the annual report supplement. The annual report supplements must provide the public with general, understandable and comparable financial information relative to the in-state operations and results of authorized insurers and health maintenance organizations. Such information must include, but is not limited to, medical claims expense, administrative expense and underwriting gain for each line segment of the market in this State in which the insurer participates. The annual report supplements must contain sufficient detail for the public to understand the components of cost incurred by authorized health insurers and health maintenance organizations as well as the annual cost trends of these carriers. The superintendent shall develop standardized definitions of each reported measure. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

Maine Bureau of Insurance, Rule Chapter 945

<https://www.maine.gov/pfr/insurance/rules/945.htm>

MAINE ANNUAL REPORT SUPPLEMENT (RULE 945)

SAMPLE

Company:	Anthem Health Plans of Maine				
NAIC Code:	52618	Year: 2010			
Name of person completing this form:	Joanne Lauterbach				
Address1:	2 Gannett Drive				
Address2:					
City:	South Portland	State:	ME	Zip:	04106
Telephone:	(207) 822-7794	Fax:	(207)822-8999		
E-Mail:	Joanne.Lauterbach@anthem.com				

Line #		Large Group	Small Group	Individuals	Dirigo Groups	Dirigo Individuals	Stop Loss	Total
	Expense Information							
15	Hospital benefits (not including emergency room) - inpatient only	164,345,970.00	37,653,070.00	16,126,259.00	0.00	0.00		218,125,299.00
16	Hospital benefits (not including emergency room) - outpatient only	142,032,811.00	48,341,981.00	16,956,426.00	0.00	0.00		207,331,218.00
17	Medical benefits (excluding hospital inpatient and outpatient above)	154,570,935.00	48,010,366.00	18,344,772.00	0.00	0.00		220,926,073.00
18	Other professional services	7,077,319.00	0.00	735.00	0.00	0.00		7,078,054.00
19	Outside referrals	0.00	0.00	0.00	0.00	0.00		0.00
20	Emergency room and out-of-area	20,884,369.00	8,162,340.00	1,804,370.00	0.00	0.00		30,851,079.00
21	Prescription drugs	108,793,267.00	28,729,915.00	1,167,650.00	0.00	0.00		138,690,832.00
22	Aggregate write-ins for other medical and hospital	0.00	0.00	0.00	0.00	0.00		0.00
23	Incentive pool and withhold adjustments and bonus amounts	0.00	0.00	0.00	0.00	0.00		0.00
24	Net reinsurance recoveries	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25	Total medical and hospital expenses (lines 15-23 less line 24) (For stop-loss, just enter total)	597,704,671.00	170,897,672.00	54,400,212.00	0.00	0.00	1,363,579.00	824,366,134.00
26	Increase in reserves	0.00	0.00	-6,347,696.00	0.00	0.00	0.00	-6,347,696.00
27	Cost containment expenses	7,759,245.00	4,096,087.00	1,197,217.00	0.00	0.00	14,615.00	13,067,164.00
28	Other claims adjustment expenses	7,393,232.00	3,902,870.00	1,140,743.00	0.00	0.00	13,925.00	12,450,770.00
29	Salaries, wages and other benefits excluding cost containment expenses and other claims adjustment expenses	13,236,812.00	4,615,083.00	2,663,039.00	0.00	0.00	76,989.00	20,591,923.00
30	Commissions	4,959,168.00	7,784,399.00	285,373.00	0.00	0.00	0.00	13,028,940.00
31	Marketing and advertising	1,068,843.00	372,657.00	215,034.00	0.00	0.00	6,217.00	1,662,751.00
32	Taxes, licenses and fees, excluding Dirigo savings offset payments and Dirigo access payments	6,363,752.00	2,218,755.00	1,280,287.00	0.00	0.00	37,013.00	9,899,807.00
33	Dirigo savings offset payments (Discontinued in 2009)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
33a	Dirigo access payments	7,955,533.00	3,109,004.00	-14,425.00	0.00	0.00	0.00	11,050,112.00
34	Charitable contributions	88,108.00	30,720.00	17,726.00	0.00	0.00	512.00	137,066.00
35	Lobbying expenses	15,623.00	11,266.00	3,321.00	0.00	0.00	0.00	30,210.00
36	All other expenses	-335,222.00	-116,877.00	-67,441.00	0.00	0.00	-1,950.00	-521,490.00
37	Total claims adjustment and administrative expenses (lines 27-36)	48,505,094.00	26,023,964.00	6,720,874.00	0.00	0.00	147,321.00	81,397,253.00
38	Net underwriting gain or (loss) (line 14 less line 25 less line 26 less line 37)	27,764,651.00	14,011,569.00	7,314,926.00	0.00	0.00	1,296,980.00	50,388,126.00

Resources

- Consumers Union <http://www.consumersunion.org/>
- Consumers for Affordable Health Care
www.maine cahc.org
- Maine Bureau of Insurance <http://www.maine.gov/pfr/insurance>
- Center for Consumer Information & Insurance Oversight
(CCIIO at CMS formerly OCIIO at HHS) <http://cciio.cms.gov/>
- Families USA <http://www.familiesusa.org/>

Thank You!



**Consumers for
AFFORDABLE
Health Care**

Advocating the right to quality, affordable
health care for every man, woman, and child.



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