

Consumers Union Testimony
Department of Managed Health Care Hearing
May 11, 2005

Consumers Union¹, nonprofit publisher of *Consumer Reports*, employs research, public education, administrative proceedings, legislative work including lobbying and litigation when necessary to advocate for greater economic justice, consumer representation and protection in the marketplace. In the area of health care, Consumers Union represents consumers on issues of HMO oversight, health care reform, Medicare and Medicaid issues, access to health care, quality of care issues and conversions. Our office works to ensure that consumer protections are established and enforced, and that health plans are held responsible for their duties under state and federal law. Consumers Union is concerned that the merger between Wellpoint Health Networks, Inc, and Anthem, Inc. is affecting quality of care, access to care, consumer choice and health care for Californian consumers.

This hearing presents an important opportunity for consumers, advocates and other concerned individuals to voice their opinion regarding the merger and for the consumers to speak about the effect the merger has had on them. Only through open public dialogue will there be a candid discussion of the issues. Thank you for inviting the public to provide testimony of this very important issue.

It has been five months since you approved the merger of Blue Cross' parent company, WellPoint, with Anthem Inc. which provided hundreds of millions of dollars in bonuses to company executives. Though the CEOs promised that California would not pay the price of this merger, Blue Cross patients have been stuck with unprecedented rate increases of 20-30% and more as well as benefit reductions.

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On top of multi-million dollar bonuses, company executives received big raises this year. For example, WellPoint President & CEO Larry Glasscock will receive a 15.5% raise in salary in 2005. Another WellPoint executive, Keith Faller, will receive a 20% increase in pay.

You must require Blue Cross and WellPoint to refund any rate increases resulting from the \$4 billion in financing costs, executive bonuses and other costs associated with the merger. The legally binding agreements you signed with company executives give you the authority to act. Your duty to protect California patients demands it.

At a time when 6.5 million people in the state cannot afford health insurance and countless more are forced to cut back on coverage, we cannot allow the nation's largest insurer to break its promise to California.

We urge the Department to protect Californian consumers, and ensure that the undertakings are meaningful and do not allow Blue Cross to violate its promises. It is imperative that the Department ensures that the new merged entity will comply with the undertakings so that Californian consumers have access to affordable, quality health care.