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August 14, 2017

Eric Cioppa, Superintendent
Attn: Shari Gregory
Docket No. INS-17-1000
Bureau of Insurance
Maine Department of Professional and Financial Regulation
34 State House Station
Augusta, Maine 04333-0034

Re: Anthem Blue Cross and Blue Shield 2018 Rate Filing for Individual Health Plans

Dear Superintendent Cioppa:

Enclosed for filing please find the following:

SUBMITTED BY:	Christopher T. Roach
DATE:	August 14, 2017
DOCUMENT TITLE:	Motion for reconsideration (AMENDED)
DOCUMENT TYPE:	Motion
CONFIDENTIAL:	**NO**

Thank you for your assistance in this matter.

Very truly yours,

/s/ Christopher T. Roach

cc: Attached service list

NON-CONFIDENTIAL

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:	)	
ANTHEM BLUE CROSS AND BLUE SHIELD 2018 INDIVIDUAL RATE FILING	)	ANTHEM AMENDED MOTION FOR RECONSIDERATION
Docket No. INS-17-1000	)	AUGUST 14, 2017

NON-CONFIDENTIAL

On August 10, 2017, the Superintendent issued a Decision and Order ("D&O") in this matter determining, among other things, that the morbidity adjustments reflected in the rates that Petitioner Anthem Health Plans of Maine, Inc. ("Anthem") filed for both the so-called Base Filing and Unreimbursed Filing should be reduced. As explained below, the D&O appears to have intended to reduce Anthem's morbidity adjustment to reflect the Superintendent's view that Anthem overestimated the effect of the 2017 market contraction for both filings. In so doing, however, the D&O also eliminated the very real effects of new sales and the higher cost legacy members on Anthem's morbidity in the Base and Unreimbursed Filings, respectively. Anthem, accordingly, requests reconsideration of the D&O.

As noted in the D&O, Anthem made two alternative filings in this proceeding: one that assumes cost sharing reductions would be funded for 2018 (the "Base Filing") and a second that assumes CSRs would not be funded for 2018 (the "Unreimbursed Filing"). Initially, both the Base Filing and the Unreimbursed Filing included morbidity adjustments that were based on a 2017 market contraction of 5.5%. In its July 14, 2017 updated filings, Anthem received additional data from CMS which reflected that the actual 2017 market contraction is 7.7%. The D&O rejects this new information and determines that the 2017 market contraction should be assumed as 5.1%. When calculating the resulting morbidity adjustments, however, the morbidity factor in the D&O does not include the impact of new sales and higher cost legacy members that is reflected in Anthem's July 14, 2017 updated filings as well as its prefiled testimony. As a result, the D&O (we believe unintentionally) ignores the undisputed and significant effects of new sales and the high cost legacy members on Anthem's morbidity.

For the Base Filing, the updated filing submitted on July 14, 2017 reflects the additional impact of new sales. Anthem is a risk adjuster payer, meaning that its block on average was less risky than the members in the market at large. That means new sales – the bulk of which come from members currently enrolled in the other plans – would add to Anthem's risk and, accordingly, increase Anthem's morbidity. That testimony was undisputed, but not taken into account in the D&O. The mathematics associated with the morbidity adjustments for the Base Filing demonstrates this point:

Base Filing Morbidity Calculation based on the findings of the D&O:

- Original morbidity = 1.1866
- Incremental impact of additional new sales based on final 2016 relative risk = 1.0039
- Incremental impact of 7.7% market contraction in 2017 = 1.0202
- Updated (7/14/17) morbidity = 1.2153
- Impact of eliminating the 7.7% market contraction (1.0202) = 1.2153/1.0202 = 1.1913

Thus, the morbidity charge for the Base Filing based on the D&O should be 1.1913. Applying this change to Anthem's rate filing would result in an average rate increase of 18.0%.[1]

Similarly, the D&O intends to adjust the Unreimbursed Filing's morbidity factor solely for the difference in the Superintendent's view of 2017 market contraction, but in so doing, does not take into account the effect of the higher concentration of high risk legacy members. Specifically, as reflected in the prefiled testimony of Dee Clamp and Tyler Schwierjohn, the former legacy members have an average risk score that is materially higher than the remainder of Anthem's individual block. In addition to being relatively sicker, this cohort of members are by definition long-term Anthem insureds and the majority do not receive premium subsidies. These members impact the Base Filing, but that impact is dampened because the Base Filing assumes

[1] Please note that Anthem's average rate increase differs from the average reflected in the D&O because Anthem uses its actual member enrollment information for each plan to calculate the average, information the Bureau does not have. If instead the Superintendent approves this motion but determines that the adjusted morbidity should be added to the average rate increase approved in the D&O, the average rate increase would be 19.0%.

that Anthem's 2018 enrollment would remain approximately as it is today (approximately 28,000 members). The high cost legacy members have a much greater effect on the Unreimbursed Filing because (1) Anthem assumes its enrollment will decline to approximately 5,600 members in 2018; and (2) the higher cost legacy members (many of whom do not receive subsidies) will become the majority of Anthem's block of 2018 business. As issued, the D&O would eliminate the very real effect of these legacy members.

Based on the finding in the D&O, the morbidity adjustment for the Unreimbursed Filing should be 1.3005, calculated as follows:

Unreimbursed Filing Morbidity Calculation based on the findings of the D&O:

- Original morbidity = 1.2289
- Incremental impact of legacy membership = 1.0583
- Incremental impact of 7.7% market contraction in 2017 = 1.0202
- Updated (7/14/17) morbidity = 1.3268
- Impact of eliminating the 7.7% market contraction (1.0202) = 1.3268/1.0202 = 1.3005

Applying this change to Anthem's rate filing would result in an average rate increase of 25.2%.[2]

* * *

As set forth above, the D&O's morbidity calculations (we believe inadvertently) eliminated the effect of new sales on the Base Filing and the higher cost legacy members on the Unreimbursed Filing and, accordingly, determined morbidity charges that are not supported by the evidence in the record. For these reasons, Anthem respectfully requests that the Superintendent revise the D&O to include morbidity charges of 1.1913 and 1.3005 for the Base Filing and Unreimbursed Filing, respectively.

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[2] For the same reasons set forth in footnote 1, Anthem's calculation of the average increase differs from that contained in the D&O. If the Superintendent approves this motion but determines that the adjusted morbidity should be added to the average rate increase approved in the D&O, the average rate increase would be 26.2%.

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE: ANTHEM BLUE CROSS AND BLUE SHIELD 2018 INDIVIDUAL RATE FILING Docket No. INS-17-1000	)))))))))))	CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies that on this date I caused to be mailed by electronic mail, copies of Anthem's Amended Motion for Reconsideration on the persons and at the addresses indicated below.

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DATED: August 14, 2017

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