

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

| | | |
|--------------------------------|---|--------------------|
| In re: |) | |
| |) | |
| ANTHEM BLUE CROSS |) | |
| AND BLUE SHIELD 2007 COMPANION |) | |
| PLAN |) | DECISION AND ORDER |
| RATE FILING |) | |
| |) | |
| Docket No. INS-06-1010 |) | |

Maine Superintendent of Insurance Alessandro A. Iuppa hereby issues this final Decision and Order in the above-captioned matter.

I. THE RATE FILING

By correspondence dated September 8, 2006, Anthem Health Plans of Maine, Inc. d/b/a Anthem Blue Cross and Blue Shield ("Anthem") proposed rate increases for its Medicare Companion Plan products. Anthem requested rate increases ranging from 1.4% to 10.3%, depending on the benefit design of the plan selected. On October 2, 2006, Anthem made a revised filing with increases ranging from 1.4% to 10.0%. On November 13, 2006, Anthem made a second revised filing with increases ranging from 1.8% to 10.5%. Anthem requests that the rates proposed in the second revised filing be effective January 1, 2007.

II. PROCEDURAL HISTORY

Upon Anthem's September 8, 2006 filing, Superintendent of Insurance Iuppa determined that it would be in the best interest of the public to hold a hearing to consider Anthem's proposal. By Notice of Pending Proceeding and Hearing issued September 27, 2006, the Superintendent ordered a public hearing to be held at 10:00 a.m. on November 20, 2006 in Room 126 of the Maine Capitol, 210 State Street, Augusta, Maine. The Notice of Pending Proceeding and Hearing established a process by which interested persons could intervene as parties to the proceeding or present sworn or unsworn testimony as nonparties at hearing. No person moved to intervene.

On October 2, 2006, Anthem made its first revised filing, to reflect official 2007 Medicare Part A and Part B deductibles established by the Centers for Medicare and Medicaid Services. Anthem had made its original filing

before establishment of those deductibles and therefore had used estimated deductibles in that filing.

The Superintendent issued a First Informational Request on October 5, 2006. Anthem responded to that Request, on October 25, 2006.

On November 13, 2006, Anthem made its second revised filing. Its purpose was to include an administrative expense component including allocation adjustments related to the insurer's Anthem Rewards program and Individual Sales Unit.

On November 20, 2006, Superintendent Iuppa held a public hearing. Assisting the Superintendent were Deputy Superintendent of Insurance Judith M. Shaw; Richard Diamond, Life and Health Actuary at the Bureau of Insurance; Mary Hooper, Actuarial Assistant at the Bureau of Insurance; and James Bowie, Assistant Attorney General.

At the commencement of hearing and without objection, the Superintendent took official notice of all of the filings made by Anthem, including discovery responses. Eric D. Spiegel, ASA, MAA, a member of Anthem's Actuarial Department, testified in support of the filing as last revised. Mr. Spiegel certified that Anthem's second revised filing was prepared in accordance with accepted actuarial practices and that the proposed rates are reasonable relative to the benefits provided. Also testifying in support of the filing were George Siriotis, Regional Vice President of Sales for the Individual Markets Division of Anthem Blue Cross and Blue Shield's Northeast Region; and Harry Page, Finance Account Executive for Anthem Health Plans of Maine. No member of the public testified.

At the close of hearing, Superintendent Iuppa kept the record open to receive an exhibit which Anthem believed had been inadvertently omitted from its latest filing. When Anthem confirmed that it had in fact provided an electronic version of the exhibit, the Superintendent closed the record.

III. LEGAL STANDARD

Title 24-A M.R.S.A. § 2736(1) and Bureau of Insurance Regulation Chapter 275, § 14(C) require Anthem to file proposed policy rates for its Companion Plan products. Anthem bears the burden of proving by a preponderance of the evidence that the proposed rates are not inadequate, excessive, or unfairly discriminatory. In addition, pursuant to 24-A M.R.S.A. § 5004, 24-A M.R.S.A. § 2413(1)(F), and Bureau of Insurance Regulation Chapter 275, § 14(A)(1), Anthem must show that in accordance with accepted actuarial principles and practices its proposed rates should yield a loss ratio of at least 65% for the entire period for which the rates are to provide coverage. Anthem must demonstrate that

the expected loss ratio, when combined with experience to date, complies with this standard.

IV. DISCUSSION

Shown in the following table are Anthem's 2006 Companion Plan rates, rates proposed in each of Anthem's filings for 2007, and percentage increases from 2006 rates that would result from implementation of each of the filings made for 2007.

| PLAN | 2006 RATE | RATE IN FIRST FILING | % RATE CHANGE FIRST FILING | RATE IN SECOND FILING | % RATE CHANGE SECOND FILING | RATE IN THIRD FILING | % RATE CHANGE THIRD FILING |
|-----------------------|------------------|-----------------------------|-----------------------------------|------------------------------|------------------------------------|-----------------------------|-----------------------------------|
| A | \$97.90 | \$103.05 | 5.3% | \$103.21 | 5.4% | \$103.77 | 6.0% |
| B | \$121.35 | \$127.63 | 5.2% | \$127.60 | 5.2% | \$128.26 | 5.7% |
| C | \$149.59 | \$159.71 | 6.8% | \$158.56 | 6.2% | \$159.65 | 6.7% |
| D | \$138.11 | \$146.42 | 6.0% | \$146.24 | 5.9% | \$146.98 | 6.4% |
| E | \$140.26 | \$148.51 | 5.9% | \$148.34 | 5.8% | \$149.08 | 6.3% |
| F | \$150.54 | \$160.99 | 6.9% | \$160.14 | 6.4% | \$160.94 | 6.9% |
| High Ded F | \$56.59 | \$60.43 | 6.8% | \$60.12 | 6.2% | \$60.50 | 6.9% |
| G | \$138.87 | \$147.45 | 6.2% | \$147.27 | 6.0% | \$148.01 | 6.6% |
| I (with drugs) | \$207.32 | \$210.29 | 1.4% | \$210.16 | 1.4% | \$211.14 | 1.8% |
| I (w/o drugs) | \$139.06 | \$147.70 | 6.2% | \$147.52 | 6.1% | \$148.27 | 6.6% |
| J (with drugs) | \$256.71 | \$283.13 | 10.3% | \$282.37 | 10.0% | \$283.63 | 10.5% |
| J (w/o drugs) | \$152.69 | \$163.08 | 6.8% | \$162.24 | 6.3% | \$163.04 | 6.8% |

Anthem projects that the aggregate Companion Plan loss ratio resulting from approval of its last requested rates will be 83.3%. Anticipated loss ratios range from 78.4% for Plan A to 84.2% for Plan J with drugs.

V. FINDINGS AND CONCLUSIONS

Based upon the record adduced at hearing and all filings, the Superintendent of Insurance finds and concludes:

1. Anthem's proposed rates are not inadequate, excessive or unfairly discriminatory.
2. In accordance with accepted actuarial principles and practices, Anthem's proposed rates should yield a loss ratio of at least 65%.
3. Anthem's filing otherwise complies with provisions of the Maine Insurance Code, 24-A M.R.S.A. §§ 1 through 6971, and regulations promulgated thereunder.

VI. ORDER

Pursuant to 24-A M.R.S.A. §§ 2736 and 2736-B, Anthem's filing as revised November 13, 2006 is hereby APPROVED, and rates requested in that filing shall be effective January 1, 2007.

VII. NOTICE OF APEAL RIGHTS

This Decision and Order is a final agency action within the meaning of the Maine Administrative Procedure Act, 5 M.R.S.A. § 8002(4). It may be appealed to the Superior Court in the manner prescribed by 24-A M.R.S.A. § 236, 5 M.R.S.A. §§ 11001 through 11007 and M. R.Civ. P. 80C. Any party to the proceeding may initiate an appeal within 30 days after receiving this Decision and Order. Any aggrieved non-party whose interests are substantially and directly affected by this Decision and Order may initiate an appeal within 40 days of the date of the Decision and Order. There is no automatic stay pending appeal. Application for a stay must be made in the manner prescribed by 5 M.R.S.A. § 11004.

Dated this 27th day of November 2006 at Gardiner, Maine.

ALESSANDRO A. IUPPA
Superintendent of Insurance