ROACH|HEWITT|RUPRECHT
SANCHEZ & BISCHOFF PC

Christopher T. Roach

66 Pearl Street, Suite 200
Portland, ME 04101

207-747-4875 voice
croach@roachhewitt.com

August 4, 2016

Eric Cioppa, Superintendent
Attn: Elena Crowley
Docket No. INS-16-1000
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 2017 Individual Rate Filing

Dear Superintendent Cioppa:

Enclosed for filing please find the following:

SUBMITTED BY:	Christopher T. Roach
DATE:	August 4, 2016
DOCUMENT TITLE:	Anthem Supplemental Closing
DOCUMENT TYPE:	Supplemental Closing
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 2017 INDIVIDUAL RATE FILING	)	ANTHEM'S SUPPLEMENTAL CLOSING STATEMENT
Docket No. INS-16-1000	)	AUGUST 4, 2016

NON-CONFIDENTIAL

Pursuant to its Motion for Leave to File Supplemental Closing Statement, Anthem Health Plans of Maine, Inc. d/b/a Anthem BCBS ("Anthem") submits the following supplemental closing based on the new information that Aetna will not be offering plans on the exchange in 2017.

Based upon the rate filings submitted to the Bureau of Insurance on July 15, 2016, Aetna would be the lowest-priced carrier in 2017. For the reasons explained below, Aetna's withdrawal from participating on the exchange materially increases Anthem's risk because (1) Anthem is likely to receive significantly greater enrollment than contemplated in its rates; (2) the morbidity of the block as a whole is even more likely to deteriorate, which was not accounted for in Anthem's rates; and (3) Anthem's administrative expense charge did not account for the increase in customer service time and resources necessary to transition significant numbers of brand new enrollees to Anthem. Put simply, with the knowledge that: Aetna will not be participating on the exchange; there will be only two carriers to receive enrollment from transitioning Community Health Options ("CHO") members; and that Anthem's silver plans (*i.e.*, those for which subsidies are determined) will now be the lowest priced plans in almost all regions of the State; it is imperative that Anthem's rate increase is not reduced from the 19.4% average reflected in Anthem's July 15, 2016 rate filing.

While all carriers are free to make the business decision whether to participate on the exchange and Anthem has no control over the timing of other's decisions, the loss of not only an additional carrier to spread out the incoming CHO membership, but the low-priced carrier is a risk that is simply not accounted for in Anthem's July 15 rates. At this point, it is in our view too late to revisit the rates in the limited time remaining ahead of the federal deadlines for finalizing rates. Based on the factors noted above (and explained in more detail below), we believe that

Anthem's 2017 rates should be approved as filed, even if the Superintendent would otherwise have reduced them. The significant effects of Aetna's withdrawal on Anthem's 2017 rates are summarized below.

I. Anthem's 19.4% average rate increase does not account for the increased risk of a significant increase in the number of enrollees transitioning from CHO to Anthem.

CHO has suggested in its filings that its 58,000 member enrollment will be reduced significantly for 2017. Anthem developed its rates based on an assumption that it would receive some members from the ACA marketplace in 2017 and would also lose a percentage of its existing enrollment, leading to total enrollment of approximately 22,000 members for 2017. Based on the rate filings, Aetna would have offered the lowest prices on the exchange for 2017. As a result, Anthem's rate development assumed that CHO's transitioning members would be spread out among the three other carriers, with Aetna taking a higher percentage of the transitioning CHO members given Aetna would be the low-price leader. Aetna's withdrawal means there is one fewer carrier to absorb the transitioning CHO members and that Anthem will be the low-price leader in most if not all regions. This in turn means that Anthem's projected 22,000 member enrollment for 2017 is likely materially understated. That is, Anthem is likely to receive far more transitioning CHO members and enter 2017 with far greater enrollment.

As explained in our initial closing, the fact that CHO received exponentially greater reinsurance dollars for 2015 means that its membership has materially sicker members, materially greater numbers of high-cost claims, or some combination of both. Because there will be no reinsurance for 2017 (for which Anthem priced based on the loss of reinsurance for Anthem's, not CHO's, enrollment) and the risk adjuster process reconciles only to the average risk for each diagnosis code, if Anthem indeed absorbs a greater number of CHO members than anticipated, its claims costs will be substantially greater than anticipated in the proposed rates and with no reinsurance safety net. As noted, the 19.4% average rate increase does not account for this increased risk.

II. Anthem's 19.4% rate increase understates the likely deterioration in the individual block's morbidity from the experience period to the rating period.

Because Anthem priced its 2017 rates to the risk of the market, a morbidity adjustment is necessary only if the risk of the ACA individual market *in toto* is expected to change. Anthem developed its 19.4% rate increase on the assumption that market morbidity would remain static through the rating period. With Aetna's withdrawal, that assumption has become increasingly unlikely.

As noted in our initial closing, because of the level of premium increases that are necessary for 2017 and the absence of a penalty that would overtake premiums, healthy members are likely to consider whether remaining insured in 2017 makes financial sense. When they do, some number of healthy members will decide to lapse their coverage, rendering the block as a whole less healthy and, hence, increasing the block's morbidity. Now that the lowest-price carrier has withdrawn from the exchange, the phenomenon summarized above will be exacerbated and the block's overall morbidity will deteriorate even further.[1]

Set at 1.0, Anthem's morbidity assumption is likely materially understated.

III. Anthem's administrative expense charge does not contemplate the additional resources necessary to transition significant numbers of new enrollees for 2017.

As noted in our initial closing and hearing responses, Anthem's administrative expenses are the lowest among the carriers in the market and its projected loss ratio is the highest. Together, this means Anthem's members will continue to receive significant value for their premium dollars. Anthem's administrative expense analysis is premised on the expenses Anthem is currently observing, which are based on a membership of approximately 16,000.

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[1] Even for most subsidy eligible members, the subsidies will only partially offset the premium rate increases.

Anthem did not contemplate in that assumption an influx of 15-20,000 new members in 2017 and the resources necessary to set those members up and address the inevitable additional questions that brand new members will have about their plans. While administrative expenses are charged on a per member per month basis, there is a material difference between serving a population predominated by Anthem's existing members versus an enrollment population that could easily double and become dominated by brand new members. Again, if Anthem were to develop its rates today – with the understanding that Aetna would not participate in the exchange – the administrative expense charge would have been materially higher because it would have contemplated what has now become the reality of a far more significant shift in enrollment. The 19.4% average rate increase does not include this additional – now expected – administrative cost.

* * *

For the reasons set forth above and in Anthem's initial closing, Anthem respectfully requests that the Superintendent approve Anthem's July 15, 2016 rate filing reflecting a 19.4% average rate increase. At that level, Anthem's rates still run the risk of being inadequate for 2017. Anything less – particularly if CHO's rates remain as proposed – would create unreasonable risk of inadequacy for 2017.

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

IN RE: ANTHEM BLUE CROSS AND BLUE SHIELD 2017 INDIVIDUAL RATE FILING Docket No. INS-16-1000	)))))))))	CERTIFICATE OF SERVICE

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

Thomas C. Sturtevant, Jr., Assistant Attorney General 6 State House Station Augusta, Maine 04333-0006 Thomas.C.Sturtevant@maine.gov	Elena Crowley Bureau of Insurance Maine Department of Professional and Financial Regulation 34 State House Station Augusta, Maine 04333-0034

DATED: August 4, 2016

/s/ Christopher T. Roach
Christopher T. Roach
Roach Hewitt Ruprecht Sanchez & Bischoff PC
66 Pearl Street, Suite 200
Portland, Maine 04101
Tel. (207) 747-4875

Attorney for Applicant