



Q. Why Did Anthem agree to delay the March 1, 2010 rate adjustments?

A. Anthem Blue Cross Life and Health Insurance Company agreed to a request by the California Department of Insurance to postpone a rate adjustment for Individual members in California by two months to allow the Department additional time for review.

We understand the impact that any rate increases have on your clients – especially in this challenging economy. To avoid confusion for your clients, this delay will impact all Anthem Individual members regulated at either the Department of Insurance or the Department of Managed Health Care. We welcome the regulatory review and are confident that our rates reflect anticipated medical costs.

Anthem filed these rates with the appropriate regulators in November of 2009. Anthem believes the rates are actuarially sound and in full compliance with all requirements in the law. The rate adjustments have been reviewed by an independent actuary.

Our decision to agree to postpone the rate adjustment does not change the underlying issue. All health plans are in the same situation in trying to deal with the steadily increasing medical costs in the delivery system, which are not sustainable.

We are also experiencing a higher proportion of healthy individuals choosing not to enroll, leaving an insured pool that utilizes significantly more services. We need to refocus the health care reform debate toward steps that will improve quality and control the underlying medical costs, which is driving the high cost of coverage.

We understand the impact any rate adjustment has on our members and their ability to continue to carry health insurance. This same issue is impacting all plans not just Anthem, as Commissioner Poizner acknowledged in his press conference. We are committed to driving quality and reducing costs in the health care system and improving the lives of the Californians we serve and the health of communities all across the state.

Q. What will Anthem do to assist me in retaining my clients?

A. Clearly, we understand that these increases create a challenge for many of your clients. However, it is important to know that your clients often have a choice of coverage.

To assist your clients, Anthem offers a team of licensed Health Plan Advisors for those members who call us directly. You will of course continue to be the broker of record for your clients. These advisors are dedicated to assisting members find something to meet the balance between their coverage needs and their budget especially in these challenging economic times. Even after these rate changes, our products remain very competitively priced when compared with the dozens of other plans competing in the California Individual market.

Q. I have clients who just signed up with Anthem. Are their rates going up as well?

A. It is important to note, that new members have an initial 12-month rate guarantee. For consumers who wish to purchase coverage, they will be receiving a 12-month rate guarantee using the premiums in effect before March 1, 2010. Rates may be adjusted after the expiration of the rate guarantee but members will receive advance notice of any such rate adjustments.

Q. I have clients with a January 1, 2010 rate action, are they impacted?

A. No, this only impacts the March 1, 2010 rate adjustment. Any other rate actions are not impacted by this review.

Q. I have clients who haven't paid their March premiums yet, what should they do? Are they going to be canceled?

A. They will receive another invoice with their prior rate and they will have 30 days to pay that invoice.

Q. If my clients change back to their prior plan, will they have to change again in two months anyway?

A. Your clients will have the option of changing plans once the rates become effective on May 1, 2010. There is no requirement to change plans but is an option available to your clients to allow them to address their particular needs and situation.

Q. Were the March 1, 2010 Rates filed with the appropriate regulators?

A. Anthem filed these rates with the appropriate regulators in November 2009. Anthem believes the rates are actuarially sound and in full compliance with all requirements in the law. We would also like to emphasize that we have cooperated and are continuing to cooperate with the California Department of Insurance review of our rates. As part of the review, an independent actuarial firm concluded that our rates are actuarially sound and necessary, reflecting the expected medical costs associated with the membership in these plans, and satisfy or exceed the medical loss ratio required by California law. Anthem complies with all state regulations.

Q. How will this rate delay impact members with an effective date before March 1, 2010?

A. No, this only impacts the March 1, 2010 rate adjustment

Q. How will this rate postponement impact new members?

A. It is important to note, that new members have an initial 12-month rate guarantee. For consumers who wish to purchase coverage, they will be receiving a 12-month rate guarantee using the premiums in effect before March 1, 2010. Rates may be adjusted after the expiration of the rate guarantee but members will receive advance notice of any such rate adjustments.

Q Will the Member's Age Increase be held until May as well?

A. Yes. We will hold all rate adjustments including age changes until May 1, 2010.

Q. For my clients receiving a refund of their March 1, 2010 premiums, how soon can they expect the refund check to be mailed?

A. We do not have a date yet but we are hoping to have refunds completed by the end of March.

Q. Will Anthem continue to raise rates?

A. Anthem is investing in many initiatives to reduce the cost of care, promoting wellness and preventive care for our members and communities, as well as, working with providers to encourage high-quality, evidence-based care, which costs less over time. In addition, our health plans offer members significant discounts through access to a large network of health care providers across the country. These efforts, however, cannot completely offset all the increases linked to the cost of care.

It is important to know that our members often have a choice of coverage. We help our members understand their options by making available Health Plan Advisors who work with the member to help ensure they understand their coverage options.

Q. How often is Anthem allowed to raise rates?

A. Clearly, we understand that these increases create a challenge for many of our members. However, it is important to know that our members often have a choice of coverage. We help our members understand their options by making available Health Plan Advisors who work with the member to help ensure they understand their coverage options.

We would also like to emphasize that we have cooperated and are continuing to cooperate with the California insurance regulators regarding the review of our rates. As part of the review, an independent actuarial firm concluded that our rates are actuarially sound and necessary, reflecting the expected medical costs associated with the membership in these plans, and satisfy or exceed the medical loss ratio required by California law.

Anthem complies with all state regulations regarding rate increases and depending on the plan, we are required to provide members with a 30 day notice of any rate adjustment.

Q. What is Anthem's methodology for calculating our rate increases?

A. Health insurance rates increase year-over-year to reflect general medical costs and other factors. Medical costs increase each year primarily due to provider prices increasing faster than general inflation, and increases in consumer utilization.

Provider price increases above general inflation are driven largely by increased provider cost-shifting to private health insurers due to Medicare and Medicaid not fully covering provider costs, provider consolidation, and higher-priced technologies.

Increases in consumer utilization are driven largely by an aging population, lifestyle that reflects in chronic diseases, new treatments, and more intensive diagnostic testing. However, as noted by observers, the rate increases in California's individual health insurance market are significantly higher than general medical inflation.

It is important to note that one dynamic in this challenging economy is that individuals are far more likely to keep their coverage if they are less healthy and require ongoing medical services, and a higher proportion of individuals who do

not need services disenroll or choose not to enroll. The result is an insured pool that utilizes significantly more services per individual than under better economic times. This in turn leads to higher costs in the pool and to rate increases higher than general medical inflation.

Another dynamic in our current challenging economy is that a higher proportion of individuals move to lower-cost coverage such as coverage with a higher deductible, than under good economic times. Our experience also shows that new, healthy enrollees are more likely to enroll in similar high-deductible plans.

The reported rate increases include demographic changes, such as individuals aging into higher age segments. Since rates increase by age, a renewing customer will often face higher rates. These age rate increases occur before accounting for general medical inflation and reflect higher utilization associated with aging.

It is important to note, benefit costs for members are typically divided between the premium paid by a member and the member cost sharing (e.g., deductibles and co-payments). If a member does not change plans, deductibles and co-payments typically remain unchanged at renewal.

When the deductible and co-payments do not increase with medical inflation, there is a “leveraging” effect where the medical cost increases disproportionately fall on the premium component of benefit costs (as opposed to the member cost-sharing share of benefit costs, which is fixed). This results in premiums for fixed deductible products increasing faster than general medical inflation.

These rating dynamics are part of necessary, actuarially-sound rating practices and each of these factors contributed to individual market rate increases in California in addition to general medical inflation. Other individual market health insurers are facing the same dynamics and are being forced to take similar actions.

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