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STATE OF MAINE  
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AUGUSTA, MAINE 04333-0006

September 28, 2007

Erica A. Cioppa, Acting Superintendent  
Attn: Vanessa J. Leon (Dkt. No.INS-07-1000)  
Maine Bureau of Insurance  
34 State House Station  
Augusta, ME 04333-0034

Re: 2008 Anthem HealthChoice Filing

Dear Acting Superintendent Cioppa:

Please find enclosed for filing and your attention two hard copies of the following:

Document title:	First Informational Request of the Bureau of Insurance Advocacy Panel
Document type:	Discovery Request to Anthem Blue Cross and Blue Shield
Submitting party:	Bureau of Insurance Advocacy Panel
Submission date:	September 28, 2007
Confidentiality:	No

Copies of this document and an accompanying Excel spreadsheet are being served under cover of this letter in the manner indicated in this submission's certificate of service.

Very truly yours,

A handwritten signature in black ink that reads "James M. Bowie".

JAMES M. BOWIE  
Assistant Attorney General

cc: Thomas C. Sturtevant, Jr., AAG  
Christopher T. Roach, Esq.  
Joseph P. Ditre, Esq.  
Judith M. Shaw, Deputy Superintendent

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

In re: )  
 )  
 ANTHEM BLUE CROSS AND BLUE )  
 SHIELD 2008 INDIVIDUAL RATE ) FIRST INFORMATIONAL  
 FILING FOR HEALTHCHOICE, ) REQUEST OF THE  
 HEALTHCHOICE STANDARD AND ) BUREAU OF INSURANCE  
 BASIC PRODUCTS ) ADVOCACY PANEL  
 )  
 Docket No. INS-07-1000 )

To: Christopher T. Roach, Esq.  
Pierce Atwood  
One Monument Square  
Portland, ME 04101

Pursuant to Bureau of Insurance Rules, Chapter 350, § 10, the Bureau of Insurance Advocacy Panel hereby propounds the following questions and requests to Anthem Blue Cross and Blue Shield (“Anthem”). If any of the information sought hereby is not known by Anthem but is known by other persons and is obtainable by reasonable means, then Anthem is requested to obtain and provide that information. The Staff requests that Anthem supplement its answers immediately, should additional information become available after its initial response to this request. If information responsive to any question or request is not provided, please explain what efforts were made to obtain that information and why those efforts were unsuccessful.

1. According to filing Exhibit IX, HealthChoice enrollment for 2004 through 2007 is:

<u>Year</u>	<u>Member Months</u>	
2004	413,723	(actual)
2005	403,396	(actual)
2006	349,571	(actual)
2007	279,241	(projected)

2008                      235,903                      (projected)

The decline in member months from 2004 to 2008 is 177,820, a net 14,818 members. For each year from 2004 to 2008, please identify as accurately as possible the number of members who migrated to each alternative in the market and the number of members who went uninsured. By way of illustration, alternatives in the market include, but are not limited to, DirigoChoice, Chamber Blue Plan, small group coverage, and employer-sponsored coverage.

2. Considering the information discussed in the immediately preceding inquiry:
  - (a) Identify the migration of sole proprietors anticipated as the result of Anthem's offering of Employee Elect;
  - (b) Explain how the projection identified in this inquiry's sub-part (a) above was calculated;
  - (c) State whether the projection identified in this inquiry's sub-part (a) above was factored into enrollment projections set forth in filing Exhibit IX.
  - (d) If the projection identified in this inquiry's sub-part (a) above was not factored into enrollment projections set forth in filing Exhibit IX, please provide an amended Exhibit IX that includes such factoring.
3. For the period from January 1, 2002 to the present, please provide:
  - (a) Claim trend historic data in the same format as filing Exhibit VI;
  - (b) Lag triangles with monthly enrollment levels.
4. For each calendar year from 2003 and year-to-date, please provide total dollar amounts for pharmacy claims and rebates.
5. For each calendar year from 2003 and year-to-date, please provide total dollar amounts for:
  - (a) Rebates for generic prescriptions;
  - (b) Rebates for proprietary prescriptions.
6. For the period from January 1, 2003 to the present, please provide pharmacy trend data for:
  - (a) Generic prescriptions;

(b) Proprietary prescriptions.

7. The attached Excel exhibit was derived from data in the filing, *viz.*, enrollment by month in Exhibit V and sales projections in Exhibit XI. This exhibit assumes that month-to-month changes in enrollment are due to new sales increasing enrollment and terminations decreasing enrollment. Historic termination numbers are derived as a balancing item and prospective termination numbers are set so that member months for 2007 and 2008 are consistent with filing Exhibit IX. Sales for January 2006 are estimated, because that information was not shown in filing Exhibit XI.

The attachment shows that, relative to 2007, sales will be increasing in 2008 and termination rates will be declining in 2008. Please explain how these facts are reconciled with the request for an average rate increase of almost 19%, referencing specific data. If the attached Excel exhibit is incorrect, please explain why.

8. Commissions have ranged from \$1.27 to \$1.51 PCPM from 2002 to 2007, according to filing Exhibit IX. Why is it reasonable to assume that commissions will jump to \$1.77 PCPM in 2008? Include in the answer to this question consideration of sales and enrollment history since 2005.
9. Has there been any material change in commission practices, from January 1, 2002 to the present? If the answer to that question is affirmative, please explain each change and the reasons for it.
10. Please provide HealthChoice's projected administrative expenses for each of the following categories:
- (a) Direct expenses for Anthem of Maine;
  - (b) Incoming allocated expenses for functions supporting Maine operations;
  - (c) Outgoing allocated expenses for functions supporting operations in other states that are performed by Maine personnel;
  - (d) Charges to Maine operations for functions of other Anthem subsidiaries.

For items (b) through (d), please identify the affected functions, where in the corporate structure those functions are performed, and in what regulatory jurisdiction those functions are performed.

11. Anthem's response to inquiry 15 of the First Information Request of the Attorney General stated that changes in enrollment distribution [across the various benefit options] are "the primary contributor" to the difference between the filing's annual

claim trend and the average rate increase requested. Please set forth as specifically as possible the referenced changes in enrollment distribution across benefit options.

12. Data in Exhibit XI implies that commissions are paid for 24 months for all contracts from brokers and that the amount paid is adjusted upwards slightly each year. Please explain confirm that this is the correct interpretation of Anthem's practice. If this is not the present practice, explain what the practice is.
13. Page 14 of the standard NAIC annual statements filed by health insurers reports in column 3 general administrative expenses and in column 5 claim adjustment expenses. For each of the expense categories listed below for Anthem Health Plans of Maine, please explain the basis for the difference from year to year and the methodology for determining the allocation of the total expense between general administrative expense and claim adjustment expense.

(a) Legal fees and expenses

General administrative expenses for:

2004 - \$ 185,025  
2005 - \$ 1,466,132    Percent increase: 692%

Claim adjustment expenses for:

2004 - \$ 215,914  
2005 - \$ 1,466,132    Percent increase: 579%

(b) Auditing, actuarial and other consulting fees

General administrative expenses for:

2004 - \$ 2,925,769  
2005 - \$ 1,822,210    Percent decrease: -37%  
2006 - \$ 3,688,675    Percent increase: 102%

Claim adjustment expenses for:

2004 - \$ 8,977,275  
2005 - \$ 6,703,483    Percent decrease: -25%  
2006 - \$11,091,407    Percent increase: 65%

(c) Outsourced services including EDP

General administrative expenses for:

2004 - \$ 161,514  
2005 - \$ 668,233    Percent increase: 314%  
2006 - \$ 239,638    Percent decrease: -64%

Claim adjustment expenses for:

2004 - \$ 334,012

2005 - \$ 1,249,658    Percent increase: 274%  
2006 - \$ 3,520,192    Percent increase: 182%

(d)    Group Service and Administrative fees

General administrative expenses for:

2004 - \$ 0  
2005 - \$ 0  
2006 - \$ 2,380,461

Claim adjustment expenses for:

2004 - \$13,704,701  
2005 - \$10,912,696    Percent decrease: - 20%  
2006 - \$ 8,185,491    Percent decrease: - 25%

(e)    Regulatory Authority License and Fees

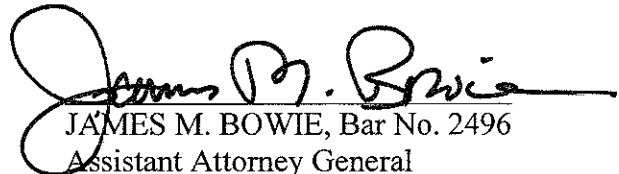
General administrative expenses for:

2004 - \$ 72,540  
2005 - \$ 20,989    Percent decrease: -71%  
2006 - \$ 95,102    Percent increase: 353%

Claim adjustment expenses for:

2004 - \$ 72,540  
2005 - \$ 20,989    Percent decrease: -71%  
2006 - \$ 95,102    Percent increase: 353%

Dated this 28<sup>th</sup> day of September 2007 at Augusta, Maine.



JAMES M. BOWIE, Bar No. 2496  
Assistant Attorney General  
6 State House Station  
Augusta, ME 04333-0006  
Telephone: (207) 626-8800

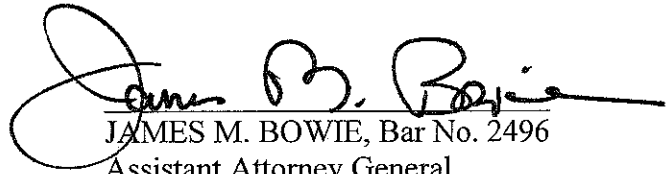
Attorney for Bureau of  
Insurance Staff

Certificate of Service

Undersigned counsel hereby certifies that he has this date served the foregoing First Informational Request the Bureau of Insurance Advocacy Panel on persons named below and in the manner indicated:

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Augusta, ME 04338-2490  
[Via electronic mail and First Class U.S. Mail]

Dated: September 28, 2007

A handwritten signature in black ink, appearing to read "James M. Bowie", written over a horizontal line.

JAMES M. BOWIE, Bar No. 2496

Assistant Attorney General

6 State House Station

Augusta, ME 04333-0006

Telephone: (207) 626-8800

Attorney for Bureau of  
Insurance Advocacy Panel