

May 16, 2008



Comptroller Nancy Wyman  
State of Connecticut  
55 Elm Street  
Harford, CT 06106

Dear Comptroller Wyman:

As you are aware **HB 5536 An Act Establishing the Connecticut Healthcare Partnership** has been passed by the General Assembly. As I have shared with you in previous communications, **HB5536** creates a material change to the underlying assumptions of the bid submitted by Anthem Blue Cross Blue Shield for the State of Connecticut employee benefit plan. The passage of this legislation has triggered the need for Anthem to revise the rates under the bid submission effective July 1, 2008.

Therefore, with this letter, I am formally notifying you that we are recalculating the rates offered to the State of Connecticut effective July 1, 2008. In addition to the recalculation of our rates for July 1, 2008, we must also rescind the second and third year rate caps for 2009 and 2010 and replace the unique trend methodology requested by the State with trend development based upon actuarial standards of practice.

The recalculation of our rates will result in an increase to our previously submitted rates of **4.0%** for July 1, 2008 increasing Anthem's previously submitted premium by **\$24,221,589**.

We have derived these numbers through detailed interpretation of the language contained within **HB5536** and the resulting actuarial impact to the State of Connecticut rates of expanding membership to municipal, non profit and small group business. Our actuarial analysis assumes changes to the State claim base due to adversity in mix and utilization. Understandably, adjustments have also been made to Anthem's administrative fees as a result of increased administrative complexity such as multiple bills and premium collection and the loss of a single electronic enrollment process.

Passage of **HB5536** elevates the cost of health benefits to the current State of Connecticut employee plan by failing to recognize the critical significance of claim costs and population mix as the primary drivers of health care premium. We believe that achieving the goal of affordable healthcare requires a public-private collaboration that combines public policy choices with private initiatives focused on critical underlying issues that provide long term sustainable solutions.

My team is available to review our pricing analysis with you and your staff in more detail.

Sincerely,

A handwritten signature in black ink, appearing to read "David R. Fusco", written over a large, stylized flourish.

David R. Fusco  
President



May 16, 2008

Governor M. Jodi Rell  
State of Connecticut  
210 Capitol Avenue  
Harford, CT 06106

Dear Governor Rell:

On April 17, 2008 in a letter to Comptroller Nancy Wyman, I expressed concerns over **HB 5536 An Act Establishing the Connecticut Healthcare Partnership**. It is our understanding that this legislation will allow municipalities, certain municipal service contractors, nonprofit organizations and small businesses to join the State of Connecticut Employee and Retiree Health Insurance Program. While Anthem Blue Cross and Blue Shield in Connecticut appreciates and supports initiatives designed to improve the accessibility and affordability of quality health care, we believe that **HB 5536** is fundamentally flawed as it ignores claims costs as the primary driver of health insurance premiums.

Anthem believes that if you sign this legislation into law, the underlying assumptions used to develop the pricing of the state health insurance plans during the most recent request for proposal (RFP) process would be negatively impacted. Given this material change to the risk pool, Anthem must exercise its right to re-rate the state health insurance plans recently negotiated with the Comptroller's Office effective July 1, 2008. We have notified the Comptroller of the new rates in the attached letter.

Anthem is committed to playing a leadership role in transforming health care in Connecticut. We believe achieving that objective requires a public-private collaboration that combines responsible public policy choices with private initiatives focused on the critical issues to achieve long term sustainable solutions.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "DFusco".

David R. Fusco  
President

Mailing Address  
175 Scott Swamp Road  
P.O. Box 4050  
Farmington, CT 06034-4050

# ConnectiCare, Inc. & Affiliates

May 9, 2008

Governor M. Jodi Rell  
State Capitol  
210 Capitol Ave.  
Hartford, CT 06106

Dear Governor Rell:

We at ConnectiCare support a veto of Bill 5536 – The Healthcare Partnership. ConnectiCare has approximately 530 employees in Farmington and we have approximately 230,000 health plan members in Connecticut.

Although the bill's intentions may be well founded, we do not believe the pending legislation will improve access or cost control in the current healthcare system.

More so, we believe the bill could damage competition in the current private market, put an unfunded burden upon the state, and prevent municipalities from having the flexibility to control their employees' health costs.

From our analysis, we do not believe the projected savings for municipalities are accurate. If they were, we would be hard pressed to oppose this bill. But as it stands, we believe that municipalities that are engaged in their employees' health understand that this pool would not result in savings for them. Rather, this pool would serve as a pass off to the state for towns that have yet to better manage their health costs.

Saying this, we are sympathetic to our customers, employers, and municipalities who have seen steady increases in their health costs. We are engaged on several fronts to advocate for system reform with a goal of providing affordable health insurance and access to everyone in Connecticut. ConnectiCare does not believe this bill will help achieve this goal.

We welcome any future discussion on health reform and how we can make the system better.

Please contact us if we can be of assistance.

*Steve*

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