



For Immediate Release
May 13, 2010

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BAUCUS, GRASSLEY PRESS WELLPOINT FOR ANSWERS ON PREMIUM INCREASES

Finance Leaders Seek More Information on Flawed Formula Leading to Proposed Rate Hikes

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) continued their review of premium increases by California's largest insurance companies today. The Finance leaders, who began an inquiry into premium increases in February, sent a follow-up letter to WellPoint today pursuing further explanation of the causes leading up to the company's plan to increase individual policyholders' rates by as much as 39 percent, including reported miscalculations identified by an independent actuary.

"Shoddy calculations don't excuse 40 percent rate hikes," Baucus said. **"WellPoint's flawed formula costs hardworking American families money they simply can't afford to lose. We will continue pressing for answers and use our full oversight authority to protect American consumers from unreasonable premium increases."**

"The errors and questionable assumptions discovered by the independent actuary make it clear that WellPoint's rates and the process used to come up with those rates deserve a great deal of further scrutiny," Grassley said. **"WellPoint's customers and all health care consumers deserve to know how these mistakes occurred and how they can be avoided in the future."**

In February, Baucus and Grassley sent an initial letter calling on WellPoint's CEO to explain the company's proposed rate increases and requested documentation justifying the need for such stark escalation of premiums. In April, an independent actuarial report identified troubling miscalculations by WellPoint and raised serious concerns about the assumptions the company used to support its rate increase in California.

In today's letter, Baucus and Grassley pressed WellPoint to further detail the source of the flawed calculations and explain how widespread the problem may be. The Finance leaders requested detailed documentation from the company no later than May 28.

Text of today's letter follows below. The letter Baucus and Grassley sent February 24 is available on the Finance Committee website at:

<http://finance.senate.gov/newsroom/chairman/release/?id=00307177-7f48-4b08-b213-e1216d0dba21>.

May 13, 2010

Via Electronic Transmission

Ms. Angela F. Braly
President and Chief Executive Officer
WellPoint, Inc.
120 Monument Circle
Indianapolis, IN 26205

Dear Ms. Braly:

As Chairman and Ranking Member of the U.S. Senate Committee on Finance, (Committee) we have an ongoing interest in finding ways to reduce health care spending and improve access to coverage. In recent weeks, we have paid particular attention to news reports on premium rate increases in California and other parts of the country. To that end, in February, we wrote to WellPoint (Company) (operating as Anthem Blue Cross of California) with concerns that the proposed average 25 percent premium increases for enrollees in the individual market in California were disproportionate to past increases and could render coverage unaffordable for those who needed it most. In response, the Committee received documents supporting the proposed 25 percent increase.

On April 28th a Report prepared by an independent actuary engaged by the State of California was released. This independent actuary was earlier tasked with reviewing WellPoint's California rate filing. This Report identifies miscalculations and raises serious concerns with the assumptions used by WellPoint to support its substantial rate increase in California. In fact, the Report indicates that the increases may have been overstated by as much as 10 percent.

While we applaud your acknowledgment of the "inadvertent miscalculations" in WellPoint's rate filing and the Company's plan to resubmit proposed increases, we are deeply troubled that these flaws in filings occurred in the first place. This is particularly troubling as individuals and families contemplate these increased health insurance premiums and must plan accordingly. To better understand how these miscalculations occurred and how widespread this problem may be, please respond no later than May 28 to the following questions and requests for information. When preparing the Company's responses please be sure to repeat the question and then submit the responsive information.

1. Please provide a detailed explanation of the source and extent of the miscalculations, with particular focus on the counting of aging in the calculation of underlying trend, and the initial medical trend used to project claims.
2. Describe steps that have been taken or will be taken to address problems in the assumptions and methodologies behind rate filings, not just in California but across all WellPoint plans in all states.
3. Provide your updated or adjusted rate filing to the Committee within 48 hours of sending it to the California State Department of Insurance. Please also provide a comparison of the assumptions in the original filing to the adjustments made in the updated filing.

4. Has WellPoint re-examined its California rate filings for 2009 or 2008 to determine if similar miscalculations occurred? If not, does WellPoint plan on re-examining its past filings to determine if consumers have been overcharged in these years also? If so, then when, and if not, why not?
5. Describe in detail the internal and external processes that WellPoint has in place to review rate filings and to ensure its methodological accuracy and what new procedures, if any, that will be implemented to assure accuracy of such filings in the future.
6. Provide copies of contracts with third parties that may have assisted in preparing the rate filings, may have reviewed the filings, or may have been involved in the necessary calculations to determine the numbers.
7. Provide a chart that details and compares the information provided to the following: the State Department of Insurance in the initial rate filing, the third-party that WellPoint hired to review the filing, and the independent reviewer in California. Include actual names of the third parties along with other identifiable information such as number, address, the function of these entities and whether these entities performed the same functions in the past.
8. Detail, for rate plan years 2008-2010, all states that have challenged the methodology and/or assumptions used in rate filings. Include copies of any letters and information regarding the resolution if there was a challenge. For such states, please provide copies of the rate filings.

In cooperating with this review, please note that no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible.

We look forward to hearing from you by no later than May 28, 2010. All documents responsive to this request should be sent electronically in PDF format to [Finance Committee Staff]. If you have any questions, please do not hesitate to contact [Finance Committee Staff].

Sincerely,

Max Baucus
Chairman

Chuck Grassley
Ranking Member

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