

April 7, 2011

Department of Managed Health Care
 980 Ninth Street, Suite 500
 Sacramento, CA 95814-2725
 Phone: 916-324-2560
 Fax: 916-327-6352
 Email: gbaldwin@dmhc.ca.gov

VIA ELECTRONIC MAIL

[REDACTED]

Managing Assoc. General Counsel
 Anthem Blue Cross
 21555 Oxnard Street
 Woodland Hills, CA 91367

Re: Submission of Individual Rates
 Filed December 29, 2010
 Filing No: 20102521

Dear [REDACTED]

The Department of Managed Health Care (DMHC) continues to review the information submitted in the above-referenced filing (the "Amendment") filed by Blue Cross of California, Inc. (the "Plan") for compliance with the Knox-Keene Health Care Service Plan Act of 1975, as amended¹. This includes information that has recently come to light regarding the Blue Cross Life and Health's individual rate filing submitted to the California Department of Insurance (CDI).

The additional information regarding the CDI filing includes information detailed in the table below comparing rate increases for similar DMHC and CDI products.

Plan/Product	2011 DMHC Increase	DMHC Enrollees	2011 CDI Increase	CDI Enrollees
PPO Share 500	16.5%	16,889	12.8%	1,952
PPO Share 1000	16.4%	13,711	12.8%	1,068
PPO Share 1500	16.6%	23,145	n/a	n/a
PPO Share 2500	16.7%	52,492	n/a	n/a
PPO Share 3500	14.7%	5,687	n/a	n/a
PPO Share 3500-R	15.9%	2		n/a
PPO Share 5000	n/a	n/a	13.5%	66,301
PPO Share 5000-R	20.0%	9	16.1	6
PPO Share 7500	14.4%	9,473	n/a	n/a
Total Enrollees		121,408		69,327

- The PPO Share 500, PPO Share 1000, and PPO Share 5000-R products that are regulated by both the DMHC and CDI, are essentially identical, but have different premium increases.
- Most of the increases for the DMHC PPO Share products were similar.

¹ California Health and Safety Code Sections 1340 et seq. (the "Act"). References herein to "Section" are to Sections of the Act. References to "Rule" refer to the regulations promulgated by the Department at Title 28 California Code of Regulations.

- The rate increases in the table do not appear to take into account that CDI's rate increases were delayed until July 1 rather than the May 1 date for DMHC products, which would effectively increase the difference between the rates filed with the DMHC and CDI.
- Blue Cross Life and Health made an adjustment for the mid-calendar year deductible change for products regulated by CDI but did not do the same for the DMHC products, which effectively pushes the rate increase difference even higher.

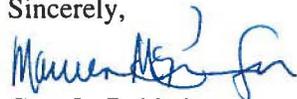
As such, the DMHC requests that the Plan address the following:

1. In light of the differences in rate increases between CDI and DMHC products as detailed above, explain how this rate increase is not "unreasonable", as that term is used in Health and Safety Code section 1385.11(f)² and as that term is further defined in 45 CFR 154.205 (as proposed on December 23, 2010), including how the rate increase is not unfairly discriminatory.
2. In light of the differences in rate increases between CDI and DMHC products as detailed above, explain how this rate increase is "justified" as that term is used in section 1385.11(f).
3. Please prepare a comparison table identifying the benefit differences between the DMHC and CDI PPO Share 500, 1000 and 5000 -R products.
4. Explain how the Plan contract names, which no longer correspond to a deductible amount, are not misleading, confusing or deceptive. For example, the PPO Share 3500 product deductible was raised from \$3,500 to \$4,100, but the product name has not changed and is still based on a \$3,500 deductible.
5. Please specify and explain the effective date(s) of the rate increases and any benefit changes (e.g. eliminating the mid-calendar year deductible for the CDI products) for both the CDI and DMHC products referenced in the above table, including an actuarial justification for any differences between the CDI and DMHC products.

Please file by **April 25, 2011**, the Plan's response as an amendment to the above-referenced Amendment and include in the Plan's Exhibit E-1, reference to the amendment as a "Response to Comment Letter." When submitting the Plan's responsive amendment at the Department's web portal, please ensure accurate entry of the Primary Filing Number. The Department's review of this filing will continue when the Plan's responsive amendment is filed.

Please contact me if you have questions regarding the comments above.

Sincerely,



Gary L. Baldwin
Assistant Chief Counsel
Division of Licensing

² Section 1385.11(f) states: If the department finds that an unreasonable rate increase is not justified or that a rate filing contains inaccurate information, the department shall post its finding on its Internet Web site.