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**VIA HAND DELIVERY AND ELECTRONIC MAIL**

Mila Kofman, Superintendent  
Attn: Vanessa J. Leon, Docket No. INS-08-900  
Bureau of Insurance  
34 State House Station  
Augusta, Maine 04333-0034

**FILING COVERSHEET**

Dear Superintendent Kofman:

Enclosed for filing please find the following:

SUBMITTED BY: Christopher T. Roach  
DATE: September 11, 2008  
DOCUMENT TITLE: Anthem Health Plans of Maine, Inc.'s Response to Hearing Questions for Citations to the Record  
DOCUMENT TYPE: Response to Hearing Questions  
CONFIDENTIAL: **NO**

Thank you for your assistance in this matter.

Very truly yours,

/s/ Christopher T. Roach

Christopher T. Roach

cc: Service List Attached

# NON-CONFIDENTIAL

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

IN RE: )  
)  
REVIEW OF AGGREGATE ) ANTHEM HEALTH PLANS OF  
MEASURABLE COST SAVINGS ) MAINE, INC.'S RESPONSE TO  
DETERMINED BY DIRIGO HEALTH ) HEARING QUESTIONS FOR  
FOR THE FOURTH ASSESSMENT ) CITATIONS TO THE RECORD  
YEAR )  
)  
)  
Docket No. **INS-08-900** )  
) **September 11, 2008**

NON-CONFIDENTIAL

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Pursuant to the Superintendent’s September 9, 2008 Hearing Questions for Citations to the Record, Anthem Health Plans of Maine, Inc. (“Anthem BCBS”) provides the following:

**Hospital Initiatives**

<b>Question</b>	<b>Summary of Cited Record Evidence</b>	<b>Record Citations</b>
<p>4. Statistical tests performed to test the significance of regression results and the analyst’s conclusion about the importance of those tests and their impact on the interpretation of the results.</p>	<p>All experts agree that the critical interaction terms for the U.S. hospital regression model, <i>i.e.</i> the only variables that could calculate savings, produced results that were statistically insignificant, and therefore “inconclusive” for savings and not properly relied on to determine AMCS.</p>	<p>Record evidence explaining concept of statistical significance generally: Maffei Prefiled Testimony at 5-9 (AR Tab 1-27); Maffei Hearing Testimony at 119:24-120:12 (AR Tab 3-61); Dobson Prefiled Testimony at 24 (AR Tab 1-35); Thorpe Prefiled Testimony at 5-6 (AR Tab 1-17); Schramm Prefiled Testimony at 19 (AR Tab 1-16); Schramm Hearing Testimony at 227:4-228:1 (AR Tab 2-60).</p> <p>Record evidence of statistical analyses performed to test the significance of the srHS regression models’ results: Dobson Prefiled Testimony at 21-36 (AR Tab 1-35); Maffei Prefiled Testimony at 11-16 (AR Tab 1-27).</p> <p>Record evidence explaining implications of the U.S. hospital regression model’s lack of statistical significance: Schramm Prefiled Testimony at 19 (AR Tab 1-16); Schramm Hearing Testimony at 227:11-228:3, 237:19-240:20 (AR Tab 2-60); Thorpe Prefiled Testimony at 7 (AR Tab 1-17); Dobson Prefiled Testimony at 24, 26 and Table 5 (AR Tab 1-35); Dobson Hearing Testimony at 38:7-13 (AR Tab 3-61); Maffei Prefiled Testimony at 14-16 (AR Tab 1-27); Maffei Hearing Testimony at 122:18-22, 123:4-11 (AR Tab 3-61); Burke Hearing Testimony at 221:11-20 (AR Tab 3-61).</p>

Question	Summary of Cited Record Evidence	Record Citations
<p>For any statistical critiques leveled at the analysis presented in the Schramm-Raleigh report, please point to those places in the record where your consultants adjusted for these criticisms (heteroscedasticity, autocorrelation, correction for omitted variables bias, logging the dependent variable, recalculation of the CMAD formula to match the most recent statutory definition, etc.) and re-presented adjusted results.</p>	<p>There were no such adjustments. Intervenor’s experts identified fundamental flaws with the srHS CMAD regression analysis (discussed below); however, the srHS model was so fundamentally flawed that no small adjustments could be made to create a reasonable and supportable estimate of savings.</p> <p><u>Failure to control for heteroskedasticity / autocorrelation</u></p> <p>srHS’s failure to adjust for autocorrelation and heteroskedasticity—well-known problems common to time series and cross-sectional data—created a larger t statistic than the data actually supports, thereby giving its regression model an inflated level of statistical significance.</p>	<p>Relevant record cite: Burke Prefiled Testimony (Report) at 6 (AR Tab 1-27).</p> <p><u>Failure to control for heteroskedasticity / autocorrelation</u></p> <p>Relevant record evidence: Maffei Prefiled Testimony at 3 (AR Tab 1-27); Maffei Hearing Testimony at 132:4-134:6 (AR Tab 3-61); Schramm Hearing Testimony at 73:16-19; 246:13-248:13 (AR Tab 2-60).</p>

Question	Summary of Cited Record Evidence	Record Citations
	<p><u>Omitted variables</u></p> <p>Intervenors’ experts identified variables that were not included in the srHS regression but can influence a particular state’s rate of cost growth, and also offered testimony explaining the actual impact of omitted variables—namely employment growth and hospital operating margin—on cost per CMAD in Maine during the measuring period.</p> <p><u>Failure to log variables</u></p> <p>srHS failed to log any of the variables used in its analysis, thereby artificially lowering the rate of cost growth in its analysis.</p>	<p><u>Omitted variables</u></p> <p>Record evidence identifying variables that were not included in the srHS regression but can influence a particular state’s rate of cost growth: Dobson Prefiled Testimony at 8, 15 (AR Tab 1-35); Maffei Prefiled Testimony at 16-19 (AR Tab 1-27).</p> <p>Record evidence explaining actual impact of omitted variables—namely employment growth and hospital operating margin—on cost per CMAD in Maine during measuring period: Maffei Prefiled Testimony at 16-19 (AR Tab 1-27); Maffei Hearing Testimony at 125:3-19, 128:23-130:5, 157:10-17, 164:2-11 (AR Tab 3-61); Dobson Prefiled Testimony at 15 (AR Tab 1-35); Thorpe Prefiled Testimony at 3 (AR Tab 1-17).</p> <p><u>Failure to log variables</u></p> <p>Relevant record evidence: Dobson Prefiled Testimony at 17-18 (AR Tab 1-35); Dobson Hearing Testimont at 61:9-62:22 (AR Tab 3-61); Maffei Prefiled Testimony at 25-26 (AR Tab 1-27).</p>
<p>Is there any evidence in the record that demonstrates how and whether cost per CMAD might change had Dirigo used the statutory formula?</p>	<p>srHS did not use the cost per CMAD formula established by the Legislature in its analysis; Anthem BCBS is not aware of any evidence in the record that demonstrates how and whether cost per CMAD might change had Dirigo used the statutory formula.</p>	<p>Record evidence demonstrating that srHS did not use the cost per CMAD formula established by the Legislature in its analysis: AR Tab 5-95-A; Schramm Hearing Testimony at 111:25-115:12 (AR Tab 2-60).</p>

Question	Summary of Cited Record Evidence	Record Citations
<p>Please identify in the record the findings/compilations regarding the other states, approximately 29, that showed Dirigo savings.</p>	<p>It is undisputed that: 1) purpose of the srHS regression model was to isolate for the effects of the Dirigo Act; 2) if the srHS regression model actually isolated for the effects of the Dirigo Act, it would not calculate Dirigo savings in states other than Maine; and 3) rather than isolating for the effects of Dirigo, the srHS regression model yielded “Dirigo savings” in 29 of 50 states.</p>	<p>Record evidence explaining that the purpose of the srHS regression model was to isolate for the effects of the Dirigo Act: Schramm Hearing Testimony at 99:20-23, 210:3-8 (AR Tab 2-60).</p> <p>Record evidence indicating that if the srHS regression model actually isolated for the effects of the Dirigo Act, it would not calculate Dirigo savings in states other than Maine: Schramm Hearing Testimony at 217:22-218:5 (AR Tab 2-60); Dobson Hearing Testimony at 42:13-15 (AR Tab 3-61); Burke Hearing Testimony at 220:10-21 (AR Tab 3-61).</p> <p>Record evidence demonstrating that the srHS regression model yielded “Dirigo savings” in 29 of 50 states: AR Tab 4-87; Dobson Prefiled Testimony at 28-29 (AR Tab 1-35); Maffei Prefiled Testimony at 28-29 (AR Tab 1-27).</p>

**Uninsured/Underinsured Initiatives**

Question	Summary of Cited Record Evidence	Record Citations
<p>Is there any quantified analysis in the record that supports an additional explanation for the reported decline in the rate of uninsurance in Maine from 1999 – 2006 besides the following offered explanations:</p> <ol style="list-style-type: none"> <li>1. MaineCare expansion of non-categorical adults</li> <li>2. MaineCare</li> </ol>	<p>The record evidence establishes that the reported decline in the rate of uninsurance in Maine from 1999 – 2006 can be more than explained by: 1) the MaineCare expansion to cover non-categorical adults; 2) the MaineCare expansion to parents of children (150% FPL); and 3) the DirigoChoice enrollment.</p>	<p>Relevant record evidence: Burke Prefiled Testimony (Report) at 8-9 (AR Tab 1-29); Dobson Prefiled Testimony at 40 (AR Tab 1-35).</p>

Question	Summary of Cited Record Evidence	Record Citations
expansion of adults > 150% of FPL 3. Dirigo enrollment of previously uninsured 4. Global impacts of Dirigo initiative		

**Medical Loss Ratio**

Question	Summary of Cited Record Evidence	Record Citations
Is there any evidence in the record that any small group carriers in Maine have adjusted their pricing to reflect the possibility of a refund payable because of loss ratios below 78% for a three year period?	Anthem BCBS is not aware of any evidence in the record responsive to this request.	

DATED: September 11, 2008

/s/ Christopher T. Roach  
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## CERTIFICATE OF SERVICE

I hereby certify that on September 11, 2008, a copy of Anthem Health Plans of Maine Inc.'s Response to Hearing Questions for Citations to the Record was served on each of the persons listed below via hand delivery and electronic mail in the manner described in the Superintendent's Order Setting Actual Hearing Date, Ruling on Interventions, and Establishing Procedures dated August 18, 2008:

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DATED: September 11, 2008

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